

Jack
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Fidelity

Best Performing
Fidelity Newsletter

20
Years

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2008

Monitor™

Question & Answer Forum

What's your outlook for the stock market over the next 5 years? Do you still think it's a good time to put cash to work?

Over the next five years, I would expect the S&P 500 to be up about 75%. For some that may seem wildly optimistic, but it's not. It represents a compound growth rate of 12% a year, which is not uncommon for a post-bear-market period.

Here's why the current bear market has most likely run its course:

- Foreclosure rates and home inventory levels are declining. In some markets, bargain-hunters are out in force, and bidding wars are breaking out over foreclosed properties. It seems likely that home prices will bottom out sometime in the next 12 months, if not sooner.

- The U.S. economy hasn't yet slipped into a recession, and probably won't, because exports are growing around 10% a year. That rate might even increase. The dollar is weakening against emerging market currencies, so it's getting more expensive to make things overseas. And shipping costs are higher too, so it's becoming less cost effective to outsource things that are big or heavy.

QUESTION & ANSWER FORUM - *Continued on page 2*

Select System, VIP Sector Model Will Make Changes

On 8/11, Our Select System will sell **Computers** (7/FDCPX) and purchase **Biotech** (42/FBIOX), for an approximate mix of 18% **Medical Equipment**, 14% **Biotechnology**, 19% **Consumer Staples**, 18% **Natural Resources**, 15% **Natural Gas**, and 16% **Chemicals**. Although we remain bullish on growth stocks in general, our volatility model has a clear preference for the health care sector. Although **Biotechnology** is a risky sector that is known for negative surprises, it runs on its own fundamentals and lately they have been improving. Some of the larger firms have been making good progress on trials of new drugs, and at current prices some of the smaller firms could be takeover targets.

On the same date, our VIP Sector Model will sell **VIP Technology** and buy **VIP Health Care**.

Review & Recommendations

Earnings came in close to expectations, but fear and high volatility prompted investors to sell stocks. Hedge funds, previously bullish on energy and bearish on financial stocks, closed out their bets as the SEC restricted shorting of bank stocks. The impact was magnified by reports that Americans are driving less. Signs of a broad market recovery appeared near the end of the month, after selling pressures eased. The S&P 500 declined 0.8% for July.

Our model portfolios were hurt by the energy squeeze, but we aren't planning any response because the long-term situation hasn't changed all that much.

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 **OTC Portfolio**, **Stock Selector**, **Growth Discovery**, **Blue Chip Gth**, **New Millennium**, **Tax-Managed Stock**, **Magellan**, **Leveraged Company Stock**, and **Independence**.

Small-caps responded to signs of improvement in the economy and a rebound in the financial sector. **Small Cap Value** gained 4.4%, and **Small Cap Stock** was up 1.2%. Funds with heavy exposure to the energy group lagged. **Leveraged Company** was down 10.2%, and **Independence** lost 10.7%.

INTERNATIONAL FUNDS

Canada offers commodity exposure without the liquidity risk of emerging markets, while **Global Balanced** takes advantage of foreign opportunities without taking on much risk. We downgraded **Japan** to a hold. In our Unique Opportunities Model we are looking at replacing **Japan** with a domestic growth fund later this year.

Int'l Real Estate held its value, posting a decline of 1.7%. Conservative **Global Balanced** was off 2.7%. On the flip side, emerging country funds that concentrated heavily on commodities were hurt by the energy selloff. **Emerging EMEA** declined 7.1%, **Emerging Markets** lost 7.5%, and **Latin America** was down 9.5%.

GROWTH & INCOME FUNDS

Our Growth and Income Model holdings are listed

RECOMMENDATIONS - *Continued on page 8*

- If you exclude the financial sector, S&P 500 earnings are still growing around 9% per year. Because the financial crisis has dragged down the entire stock market, it has become possible to buy non-financial stocks at lower prices.

- Pessimism among investors is unusually high. Historically, that means it's a good time to jump into stocks, because there's a lot of cash on the sidelines that can fuel the next rally.

- Corporate stock buybacks are still taking 3-4% of public stock out of circulation every year, with buying activity that is more or less continuous. Once everyone who is inclined to sell has done so, repurchase programs are likely to re-establish the market's upward direction.

By contrarian logic, the very fact that it doesn't feel like the right time to invest in stocks means that it probably is. If you wait for economic signs of a turnaround, you're likely to miss out on the first 20 or 30 percentage points of the market's recovery. The stock market anticipates an economic recovery long before it's evident in the general economy, and at this stage there's more upside opportunity than downside risk.

Now that energy has taken such a hit, what is your rationale in continuing to list the oil-related funds as current favorites?

Corrections in the energy group happen with regularity. July's selloff had an adverse affect on our model portfolios because of our focus on funds that are overweighted in energy.

The magnitude of this latest tumble was greater than usual, partly because there is growing evidence of conservation, but also because the downturn was exaggerated by hedge-fund selling. Many hedge funds were long energy and short banks stocks when the SEC restricted short-selling activity, and some responded by closing out their positions on both sides of the bet.

Even with Americans driving less, the long-term situation with energy isn't likely to change much. High oil prices have not led to increased supplies, because depletion rates are rising in mature oil fields. This isn't the first time it's happened. For the U.S., production in the lower 48 states peaked in 1970, and 38 years later the output is less than half – even with a 40-fold increase in the price.

From a global perspective, the world is slowly running out of easy oil. This stored liquid energy, which can be extracted at high volumes with very little energy investment, is unique. The alternative liquids – “synthetic” fuels derived from natural gas,

tar sands, and organic sources – consume more energy during production than they deliver when burned in an internal-combustion engine. This makes no sense from an efficiency standpoint, because the electrical grid is a better source for energy than a liquid fuel that's energy-negative. Until recently, liquid fuel prices reflected the economics of easy oil. Now prices are at a level where it's become obvious the electrical grid is the better deal.

Mining companies in emerging countries have already figured this out, which is why we're seeing widespread and growing electricity shortages. It will take a massive expansion of grid capacity to catch up with industrial demand, which may take as long as five years. In the meantime, industrial producers will seek relief with back-up generators, which may add to diesel demand, and prices for basic materials will probably remain high. Emerging countries are spending heavily on transportation infrastructure to relieve existing bottlenecks. It will take plenty of concrete, steel, copper, and other materials to build all those ports, ships, railroad tracks, trains, bridges, roads, and trucks.

Meanwhile, energy stocks would be cheap even at \$100 a barrel oil. Forward P/E ratios for the oil majors are in the single digits, and unlike the banks (which have similar multiples), their revenue streams are not exactly in jeopardy.

At this time the energy groups still score near the top of our sector volatility ranking, so we're not planning any big changes in our portfolios. It's possible that we may reduce our energy exposure in favor of growth stocks later in the year, but given the speed of the energy correction we're in no hurry. As the market settles out, odds are the energy sector will see some recovery over the next few months.

I have a large amount invested in Cash Reserves, which, of course, is not covered by any insurance program. I have always felt this to be very safe, but would appreciate your opinion.

Fidelity's money market funds are among the best managed in the industry, so it's unlikely any of its funds will “break the buck” unless something beyond the control of the Fed takes place – such as a major bank failure that takes down several other big financial firms. In an event like that, most other money market funds would probably be in the same boat. Fortunately, the chances of a financial system car wreck, even with today's heightened uncertainty, are probably less than 1%.

But even if the unthinkable were to happen, it wouldn't be the end of the world. Given a choice between a liquid money market fund with a 95-cent share price, or an FDIC-insured bank account at a

failed bank, the former has the advantage that you can still write checks, collect monthly dividends, and take advantage of investment opportunities. With the latter you lose both the yield and access to your principal for an undetermined amount of time.

If you are really worried about the possibility of the buck breaking, consider U.S. Treasury Money Market, which keeps over 90% of its assets in T-bills backed by the U.S. Treasury. Doing so will drop your yield nearly a full percentage point, to around 1.5%. That's a steep price to pay, but in today's market that's what it takes to take default risk out of the picture.

There is no similar solution for municipal money market funds, which are generally less diversified than taxable money markets. State-specific money market funds are more exposed to regional economic conditions, so most of these funds hold a greater percentage of insured securities and strive for a higher average when it comes to credit quality. State-specific funds are allowed to invest outside the state if the manager determines that default risk is too great with in-state securities. The overall risk of breaking the buck with these funds is roughly comparable to that of non-treasury taxable money market funds. But even so, municipal money market funds might not be as heavily affected in the event of a major bank failure, because they are not directly impacted by the banking system.

Federal debt is growing, subprime bailout costs are mushrooming, inflation is climbing, and the dollar is being devalued. How can you justify staying in stocks at a time like this?

These issues are not trivial, but they don't matter that much to the stock market's forward-looking assessment of future corporate earnings.

Federal debt has grown at about the same pace as the economy over the last decade, and even though it's projected to rise, personal tax revenues are likely to rise in tandem, in part because wages are likely to increase faster than inflation. Unless a country's debt load leads to higher corporate taxes or a premium yield on its bonds – neither of which is likely in the U.S. – it isn't likely to have much of an impact on its stock market.

The subprime damage is largely done, and is close to being fully discounted. So far most of the bailout costs have fallen on the shoulders of private investors. There's some risk that bank failures will change that, but the earnings of non-financial firms aren't really at risk. Unless these healthy sectors get hit with an earnings slump – and so far there's

been no sign of one – it's hard to imagine much impact going forward.

As for inflation, food and energy prices are rising, but the Fed can't do anything about it and isn't likely to try. Core inflation is actually declining, thanks to weak labor markets and the competitiveness of the U.S. economy. Most likely, the Fed will continue to cut the economy some slack until GDP growth returns to normal.

A weak dollar is actually bullish for stocks, as well as the economy. It makes American goods more competitive in the global marketplace, setting the stage for higher export growth. It also raises the value of foreign earnings, which helps the stocks of companies that do a lot of business overseas.

Given that money market funds are not keeping up with inflation, what do you think about using Strategic Income as a higher-yielding alternative?

Strategic Income is a bond fund, so it's not "safe" the way a money market fund is. Its share price could easily decline as a result of credit risk concerns or from rising interest rates. In the past, when the fund was not as well diversified, it tended to rise and fall with emerging market bonds, which sometimes resulted in sharp swings.

Today, however, it's one of Fidelity's higher-yielding bond funds, thanks to a 42% weighting in high yield bonds and emerging country debt. That gives it a good chance of keeping up with inflation over time, even though it doesn't specifically aim to protect against rising prices. **Strategic Income's** overall risk is low relative to most other bond funds. It carries only half as much risk as funds that do try to hedge against rising inflation, such as **Inflation-Protected Bond** and **Strategic Real Return**.

I read that sovereign wealth funds will be changing the face of global investing. Is this something to be concerned about?

Back in the late 1980s, Japan was running a huge trade surplus and wealthy investors were buying all the prestigious properties they could get their hands on. Some 15 years later, most of these properties had been sold off at a fraction of their original price.

Whenever you have novice investors who get in the game for status or prestige, it's essentially dumb money by definition. While today's sovereign wealth funds might do better, we're talking about government leaders who until recent years put all

QUESTION & ANSWER FORUM - *Continued on page 8*

GUIDE TO FIGURES LISTED ON PAGES 4 AND 5

Gain/loss percentages are for prior month's close (annualized for periods over a year). Reinvested distributions are assumed. Size figures are for the close of the prior month, in millions. Risk is based on standard deviation of daily gains and losses over a one-year period, relative to the S&P 500. Fee: **0.75(90)** indicates a 0.75% redemption fee on shares held less than 90 days. All retail Fidelity funds are no-load. If a fund is closed to new investors, it is listed as such in the Fee column. Fidelity limits roundtrip trades to two in the last 90 days and four in the last 12 months (a roundtrip trade is defined as the purchase and sale of a fund within 30 days). Fund ratings: **B ******* is for a **favorite buy**, **B ****** means **buy**, **H ***** means **hold** for the long run, **S **** means reduce to below 5% of holdings, **S *** means **sell** and move to a buy-rated fund within the same asset class. Upgrades and downgrades from the prior month are indicated by ↑ and ↓.

JULY 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	9.86	56.2		-4.2					
Aggressive Gth (324/FDEGX)	B ****↑	1.13	1.5(90)	18.65	2893.5	-19.0	-5.1	-5.8	-16.7	2.8	7.2	-1.3
Blue Chip Gth (312/FBGRX)	B ****	0.99	none	39.06	13638.1	-11.3	-1.4	-5.9	-6.3	2.1	5.0	1.2
Blue Chip Value (1271/FBCVX)	H ***	1.14	none	12.15	541.9	-16.8	-1.9	-12.6	-16.9	1.6	7.7	
Capital Apprec (307/FDCAX)	H ***	1.13	none	23.28	7642.6	-13.0	-3.8	-5.7	-13.2	3.0	8.3	5.7
Contrafund (22/FCNTX)	B ****	0.90	Closed	63.72	74126.1	-12.0	-4.1	-5.8	-2.4	8.2	12.4	7.6
Growth Discovery (339/FDSVX)	B ****	0.99	none	13.99	1770.3	-14.0	-4.2	-5.5	-3.8	8.9	9.3	6.3
Disc Equity (315/FDEQX)	H ***	0.97	none	25.43	12818.0	-13.9	-2.8	-6.6	-9.2	4.1	8.8	4.3
Dividend Gth (330/FDGFV)	H ***	0.98	none	25.40	9889.7	-13.6	-0.9	-8.6	-15.5	0.8	4.1	3.6
Export Fund (332/FEFVX)	H ***	1.10	0.75(30)	21.85	4227.2	-15.1	-5.7	-8.7	-8.7	4.4	9.8	8.8
Fidelity Fifty (500/FFTYX)	H ***	1.11	none	18.61	1305.1	-14.6	-6.7	-7.6	-13.8	4.9	6.5	6.8
Focused Stock (333/FTQGX)	H ***	1.15	none	12.56	91.7	-5.5	-3.7	-2.9	2.1	6.7	12.4	3.7
Growth Company (25/FDGRX)	B ****	1.06	Closed	74.75	36269.0	-9.9	-4.7	-5.4	-0.9	8.7	11.4	7.0
Independence (73/FDFFX)	B ****	1.35	none	26.27	7752.8	-5.0	-10.7	-4.9	10.0	13.5	13.5	7.9
Lg Cap Core En Idx (1827/FLCEX)	H ***	1.0 Est	none	8.88	994.0	-12.4	-1.2	-7.1	-10.0			
Lg Cap Gth En Idx (1829/FLGEX)	H ***	1.0 Est	none	9.15	35.4	-11.0	-1.6	-4.6	-8.6			
Large Cap Growth (763/FSLGX)	H ***	0.94	none	9.33	140.6	-12.9	-0.6	-2.9	-9.8	-0.7	6.0	
Large-Cap Stock (338/FLCSX)	H ***	1.14	none	15.71	914.7	-18.6	-1.3	-12.1	-15.3	3.2	5.8	1.8
Lg Cap Val En Idx (1828/FLVEX)	H ***	1.0 Est	none	8.08	24.9	-14.2	-1.1	-9.5	-15.5			
Large Cap Value (708/FLVEX)	H ***	1.06	none	12.31	1380.8	-15.1	-1.4	-8.5	-13.9	2.4	8.9	
Lev Co Stock (122/FLVEX)	B ****	1.19	1.5(90)	31.09	8810.2	-3.8	-10.2	-3.8	-2.8	11.7	20.7	
Low-Priced Stock (316/FLPSX)	H ***	0.92	Closed	37.19	29727.6	-9.6	-1.4	-6.8	-10.5	4.0	11.5	11.5
Magellan (21/FMAGX)	B ****	1.11	none	76.92	37618.3	-15.3	-3.9	-9.3	-7.5	3.8	6.5	2.9
Mid Cap Growth (793/FSMGX)	H ***	1.16	0.75(30)	11.65	288.7	-13.8	-4.7	-6.6	-13.2	-0.3	7.7	
Mid Cap Stock (337/FMCSX)	H ***	1.10	Closed	26.20	13311.2	-9.6	-6.7	-4.0	-11.9	6.3	10.2	8.8
Mid Cap Value (762/FSMVX)	S **	1.07	0.75(30)	14.40	686.4	-11.5	-1.8	-4.8	-12.8	2.4	11.0	
New Millennium (300/FMILX)	B ****	1.03	none	25.37	1891.7	-14.6	-0.7	-6.7	-8.0	6.9	9.1	10.2
OTC Portfolio (93/FOCPX)	B ****	1.21	none	44.67	7186.6	-14.4	-2.0	-5.1	-5.1	7.5	9.8	5.0
Small Cap Gth (1388/FCPGX)	H ***	1.03	1.5(90)	13.29	1272.1	-15.8	-5.3	-4.9	-12.0	3.8		
Small Cap Indep (336/FDSCX)	H ***	1.08	1.5(90)	16.60	1966.5	-16.6	-3.3	-5.4	-18.2	1.6	8.8	5.3
Small Cap Stock (340/FSLCX)	H ***	0.97	Closed	15.49	3812.6	-9.9	1.2	-2.1	-10.8	3.8	10.5	10.6
Small Cap Value (1389/FCPVX)	S **	1.19	1.5(90)	11.91	1070.2	-12.4	4.4	-4.7	-14.1	1.6		
Stock Selector (320/FDSSX)	B ****	0.99	none	25.45	1058.3	-13.7	-2.2	-8.2	-9.1	4.5	7.8	3.2
Tax Mgd Stock (343/FTMXM)	B ****	0.97	1(730)	14.20	177.5	-11.6	-3.4	-4.6	-7.7	5.2	10.4	
Trend (5/FTRNX)	B ****	1.10	none	60.05	886.6	-15.1	-3.2	-6.8	-6.3	5.9	8.7	3.9
Value (39/FDVLX)	H ***	1.11	none	65.62	17744.2	-12.5	-1.4	-8.9	-16.2	2.3	10.8	8.3
Value Discovery (832/FVDFX)	H ***	1.13	none	15.12	1046.7	-15.7	-1.0	-10.5	-14.7	4.4	10.9	
Value Strategies (14/FSLSX)	H ***	1.15	none	24.01	249.3	-16.6	-2.3	-10.1	-19.8	1.5	8.4	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B ****	0.71	none	17.60	25982.1	-9.3	-2.9	-6.5	-7.0	4.9	9.0	7.3
Convertible Sec (308/FCVXS)	B ****	0.86	none	26.25	3533.5	-5.2	-8.5	-5.7	-3.7	9.7	10.6	9.9
Equity-Income (23/FEQIX)	H ***	1.09	none	45.16	25954.8	-15.8	-1.5	-12.0	-18.2	1.8	6.8	4.0
Equity-Income II (319/FEQTX)	H ***	1.09	none	19.08	8268.3	-15.5	-0.5	-11.1	-15.3	0.8	5.6	3.7
Fidelity Fund (3/FFIDX)	B ****	0.98	none	34.22	7179.0	-13.6	-3.8	-7.8	-5.5	6.1	8.4	3.6
Growth & Income (27/FGRIX)	S **	1.25	none	21.88	13029.2	-19.2	0.3	-14.3	-20.9	-2.9	2.1	0.8
Mega Cap Stock (361/FGRTX)	B ****	1.00	none	9.89	669.9	-15.3	-0.2	-8.9	-11.2	4.1	5.3	
Puritan (4/FPURX)	B ****	0.62	none	17.00	22067.9	-9.4	-1.7	-5.5	-6.9	4.2	7.2	5.1
Real Estate Income (833/FRIFX)	S **	0.35	0.75(90)	9.43	399.2	-6.6	-0.9	-3.4	-8.4	-0.7	4.2	
Real Estate (303/FRESX)	S **	1.75	0.75(90)	26.12	4721.7	0.8	2.4	-8.9	-7.1	1.7	13.1	11.8
Strategic Div & Inc (1329/FSDIX)	B ****	0.93	none	10.93	785.4	-11.6	-3.2	-9.9	-12.6	2.5		
Utilities (311/FUIX)	B ****	0.92	none	17.26	1136.8	-15.2	-6.2	-8.8	-13.5	7.5	12.6	3.6
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H ***	1.59	0.75(30)	27.76	35.6	-28.1	5.8	-15.2	-34.6	-1.0	5.9	5.8
Automotive (502/FSAVX)	H ***	1.54	0.75(30)	28.58	15.2	-23.6	1.1	-23.8	-31.7	-5.8	1.7	1.6
Banking (507/FSRBX)	S **	2.06	0.75(30)	18.90	234.8	-22.3	9.4	-16.7	-32.1	-11.0	-2.7	0.0
Biotechnology (42/FBIOX)	B ****	0.97	0.75(30)	74.15	1099.0	11.2	13.7	18.9	16.0	7.6	7.6	9.6
Brokerage (68/FSLBX)	H ***	1.49	0.75(30)	50.69	596.9	-21.0	2.2	-12.1	-18.2	3.5	9.3	7.5
IT Ser / Bus Ser (353/FBSOX)	H ***	1.12	0.75(30)	16.14	68.4	-3.4	-0.9	-1.8	-5.0	9.5	11.2	8.2
Chemicals (69/FSCHX)	B ****	1.36	0.75(30)	85.72	562.6	3.7	-2.9	0.1	14.5	15.4	19.9	12.9
Computers (7/FDCPX)	H ***↓	1.28	0.75(30)	40.34	432.3	-16.6	-1.0	-6.7	-9.1	3.8	5.9	3.4
Const & Housing (511/FSHOX)	H ***	1.69	0.75(30)	30.03	79.1	-8.9	-0.1	-12.0	-19.0	-7.6	7.8	6.8
Consumer Disc (517/FSCPX)	S **	1.20	0.75(30)	18.10	22.5	-13.8	1.4	-9.6	-20.8	-3.9	2.2	0.9
Industrial / Cyc Ind (515/FCYIX)	H ***	1.11	0.75(30)	20.42	144.1	-7.9	1.9	-6.0	-4.5	9.0	15.8	9.2
Defense & Aero (67/FSDAX)	H ***	1.07	0.75(30)	66.54	940.3	-19.9	2.1	-15.1	-16.2	5.5	14.3	10.4
Com Equip / DevC (518/FSDCX)	H ***	1.31	0.75(30)	19.96	277.1	-11.1	-0.3	-5.5	-13.3	1.9	8.4	3.8
Electronics (8/FSLEX)	H ***	1.31	0.75(30)	36.32	1185.3	-20.4	-5.5	-10.2	-25.5	-5.0	1.8	4.4
Energy (60/FSENX)	B ****	1.57	0.75(30)	61.73	4046.1	-5.6	-18.8	-8.8	12.3	20.5	30.2	17.1
Energy Service (43/FSSEX)	B ****	1.65	0.75(30)	100.32	3155.4	2.9	-14.6	-0.5	16.7	25.8	31.9	19.3
Environmental (516/FSLEX)	H ***	1.00	0.75(30)	17.91	47.3	-7.5	2.2	-2.5	1.8	4.8	9.2	1.9
Financial Services (66/FIDSX)	S **	1.73	0.75(30)	71.14	343.4	-25.5	4.6	-17.7	-31.0	-7.1	0.2	1.7
Con Stap / Food Ag (9/FDFAX)	B ****	0.65	0.75(30)	60.74	679.4	-8.7	1.2	-6.0	3.2	10.7	12.7	7.1
Gold (41/FSAGX)	H ***	1.69	0.75(30)	38.69	2248.0	-2.6	-11.1	-0.1	18.2	31.1	20.4	18.2
Health Care (63/FSPHX)	H ***	0.73	0.75(30)	105.75	1742.3	-12.1	2.1	0.7	-5.4	2.8	6.6	4.8
Home Finance (98/FSVLX)	S **	2.37	0.75(30)	18.60	110.4	-34.5	-2.6	-26.4	-51.7	-23.0	-10.7	-3.6
Indust Equip (510/FSCGX)	H ***↓	1.12	0.75(30)	30.96	152.7	-12.4	0.4	-7.5	-5.8	9.4	13.9	6.6
Materials / Ind Mat (509/FSDPX)	B ****	1.39	0.75(30)	57.88	440.4	-1.0	-6.0	-3.0	8.4	19.9	21.4	12.8
Insurance (45/FSPCX)	H ***	1.36	0.75(30)	44.00	108.6	-30.1	-0.1	-17.2	-30.5	-7.6	1.4	5.2
Leisure (62/FDLSX)	H ***	1.15	0.75(30)	63.78	172.7	-16.7	3.7	-10.3	-14.2	2.1	7.1	5.0
Medical Delivery (505/FSHCX)	H ***	0.87	0.75(30)	39.74	395.9	-23.7	3.3	-2.3	-15.4	-1.5	14.7	7.0
Medical Equip/Sys (354/FSMEX)	B ****	0.75	0.75(30)	25.16	1174.0	4.5	4.6	4.9	13.5	8.6	11.9	14.3
Multimedia (503/FBMPX)	S **	1.00	0.75(30)	31.68	46.5	-13.6	-1.0	-7.7	-21.8	-1.5	2.7	4.2
Natural Gas (513/FSNGX)	B ****	1.55	0.75(30)	44.00	2630.1	-5.4	-21.6	-14.6	11.3	16.5	28.3	18.1
Nat Resources (514/FNARX)	B ****	1.56	0.75(30)	37.74	3259.2	-4.6	-17.6	-6.8	14.6	24.9	30.2	17.9
Networking (912/FNINX)	H ***	1.26	0.75(30)	2.04	63.0	-17.7	-3.3	-4.2	-21.8	-2.8	0.0	
Paper & Forest (506/FSFPX)	H ***↑	1.34	0.75(30)	27.06	17.2	-13.6	9.8	0.0	-17.1	0.8	2.9	4.5
Pharmaceuticals (580/FPHAX)	H ***	0.81	0.75(30)	10.18	137.1	-11.9	2.2	0.7	-5.1	6.6	6.4	
Retailing (46/FSRPX)	H ***↑	1.42	0.75(30)	36.21	46.4	-11.5	0.7	-6.0	-18.8	-3.9	5.2	2.9
Software (28/FSCSX)	H ***	1.21	0.75(30)	67.16	818.6	-17.3	-5.0	-9.5	-5.7	9.9	9.3	9.6
Technology (64/FSPTX)	H ***	1.29	0.75(30)	65.68	1516.7	-19.2	-4.1	-10.2	-15.4	1.9	5.4	5.1
Telecom (96/FSTCX)	H ***	1.22	0.75(30)	40.58	295.4	-21.8	-0.3	-9.4	-26.8	3.3	8.8	-0.6
Transportation (512/FSRFX)	H ***	1.42	0.75(30)	44.20	63.7	-0.5	6.7	-2.1	-10.0	6.6	11.7	10.8
Utilities Growth (65/FSUTX)	B ****	0.95	0.75(30)	56.58	587.8	-12.0	-9.1	-6.9	-1.0	10.6	15.8	5.5
Wireless (963/FWRLX)	H ***	1.36	0.75(30)	7.02	335.9	-18.8	0.6	-6.9	-15.6	5.2	18.4	

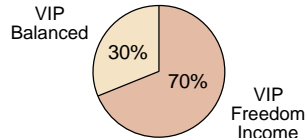
JULY PERFORMANCE						30-day	2008	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	0.95	1 (30)	12.69	412.4		-16.1	-6.6	-11.3	-19.9	4.6	8.5
Canada (309/FICDX)	B****	1.09	1.5(90)	59.90	5394.8		-2.4	-5.9	-1.7	9.4	20.2	31.7
China Region (352/FHKCX)	S**	1.49	1.5(90)	25.40	1361.9		-18.5	-3.6	-13.4	-3.7	17.4	19.9
Diversified Int'l (325/FDIVX)	H***	0.98	Closed	34.51	50320.1		-13.5	-4.2	-9.6	-8.9	11.4	16.3
Emerging EMEA (2053/FEMEX)	H***	1.5 Est	1.5(90)	8.64	56.5			-7.1				
Emerging Mkts (322/FEMKX)	S**	1.26	1.5(90)	27.47	5771.3		-18.8	-7.5	-13.6	-6.2	25.3	28.5
Europe (301/FIEUX)	H***	0.98	1 (30)	36.02	4783.6		-14.6	-6.1	-9.1	-6.8	10.7	19.0
Europe Cap Appr (341/FECAX)	H***	0.99	1 (30)	22.41	950.0		-15.8	-4.5	-10.1	-10.3	12.4	16.8
Global Balanced (334/FGBLX)	B****	0.56	1 (30)	21.28	445.3		-5.3	-2.7	-4.4	0.9	9.1	12.3
Int'l Discovery (305/FIGRX)	H***	0.95	1 (30)	36.37	12464.9		-15.6	-4.4	-9.4	-9.7	12.4	17.2
Int'l Enhanced Index (2010/FIENX)	H***	1.0 Est	1 (30)	8.76	10.6			-3.5	-10.4			
Int'l Growth (1979/FIGFX)	H***	1.1 Est	1 (30)	8.39	21.8		-12.2	-3.8	-8.2			
Int'l Real Estate (1368/FIREX)	S**	1.20	1.5(90)	10.67	596.4		-20.4	-1.7	-17.9	-23.0	5.4	
Int'l Small Cap (818/FISMX)	H***	0.92	Closed	20.21	1144.1		-12.5	-6.5	-8.1	-17.3	9.5	20.7
Int'l Small Cap Opp (1504/FSCOX)	H***	1.18	2 (90)	12.12	809.0		-16.0	-4.6	-11.7	-23.9		
Int'l Value (1597/FIVLX)	H***	1.05	1 (30)	9.77	319.9		-14.5	-3.6	-12.1	-13.7		
Japan (350/FJPNX)	H***↓	1.09	1.5(90)	12.60	1623.0		-12.1	-5.8	-11.4	-19.9	6.2	9.9
Japan Smaller Co (360/FJSCX)	H***	0.97	Closed	9.43	584.5		-14.5	-3.2	-7.4	-25.3	-7.1	7.0
Latin America (349/FLATX)	H***	1.72	1.5(90)	60.43	6964.5		-2.5	-9.5	-8.7	11.3	38.4	42.3
Nordic (342/FNORX)	H***	1.25	1.5(90)	38.36	710.9		-15.4	-5.0	-10.6	-11.5	14.7	22.8
Overseas (94/FOSEFX)	H***	1.10	1 (30)	39.35	8431.5		-18.7	-5.1	-12.7	-12.3	11.7	15.0
Pacific Basin (302/FPBFX)	H***	1.12	1.5(90)	22.75	822.4		-24.7	-5.2	-14.6	-22.3	11.4	15.4
Southeast Asia (351/FSEAX)	S**	1.36	1.5(90)	28.90	3211.9		-27.1	-4.3	-15.7	-18.5	21.4	24.4
Total Int'l Equity (1978/FTIEX)	H***	1.0 Est	1 (30)	8.10	47.6		-14.3	-4.3	-10.9			
Worldwide (318/FWWFX)	H***	1.01	1 (30)	18.86	1534.9		-11.7	-4.6	-7.3	-5.5	10.6	13.2
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	H***	0.80	none	27.27	1825.3		-10.2	-1.1	-6.8	-8.5	4.4	8.4
NASDAQ Comp (1282/FNCMX)	H***	1.12	0.75(90)	30.92	161.3		-11.9	1.5	-3.4	-8.0	2.7	
Spart Ext Mkt Idx (398/FSEMXX)	H***	1.02	0.75(90)	34.58	2251.6		-8.4	-0.7	-3.8	-7.7	4.4	11.0
Spart Int'l Index (399/FSIIX)	H***	0.97	1(90)	40.75	4649.4		-13.7	-3.4	-10.8	-12.1	10.5	15.1
Spart 500 Index (317/FSMKX)	B****	1.00	none	87.95	7025.7		-12.7	-0.8	-8.0	-11.2	2.8	6.9
Spart Total Mkt Idx (397/FSTMXX)	H***	0.99	0.5(90)	36.03	4755.2		-11.7	-0.8	-7.0	-10.2	3.3	7.9
Asset Mgr 20% (328/FASIX)	B****	0.18	none	11.86	2449.6		-3.3	-0.8	-2.2	-1.2	4.1	5.5
Asset Mgr 30% (1957/FTANX)	B****	0.3 Est	none	9.19	33.5		-5.1	-1.2	-3.3			
Asset Mgr 40% (1958/FFANX)	B****	0.4 Est	none	8.99	10.3		-6.5	-1.3	-4.1			
Asset Mgr 50% (314/FASMX)	B****	0.48	none	14.05	7333.2		-8.3	-1.6	-5.1	-6.2	3.0	4.8
Asset Mgr 60% (1959/FSANX)	B****	0.6 Est	none	8.67	13.7		-9.7	-1.8	-6.1			
Asset Mgr 70% (321/FASGX)	B****	0.69	none	15.12	2670.1		-11.0	-2.1	-6.8	-9.2	2.6	5.0
Asset Mgr 85% (347/FAMRX)	B****	0.83	none	12.37	519.9		-12.6	-2.4	-7.9	-11.1	3.7	8.5
Dynamic Strategies (1960/FDYSSX)	B****	0.5 Est	none	9.17	87.4		-4.0	-2.8	-3.0			
Freedom 2000 (370/FFFBX)	B****	0.24	none	11.76	1771.2		-2.9	-0.8	-2.2	-0.8	3.6	4.5
Freedom 2005 (1312/FFFVX)	B****	0.46	none	10.77	1079.2		-6.4	-1.6	-4.3	-3.8	4.1	
Freedom 2010 (371/FFFCX)	B****	0.47	none	13.46	14092.5		-6.5	-1.7	-4.5	-3.8	4.3	6.3
Freedom 2015 (1313/FFVFX)	B****	0.52	none	11.25	7656.5		-7.5	-1.9	-5.0	-4.8	4.5	
Freedom 2020 (372/FFFDX)	B****	0.65	none	13.91	20799.0		-9.0	-2.1	-5.9	-6.2	4.7	7.8
Freedom 2025 (1314/FFTWX)	B****	0.68	none	11.56	7278.7		-9.6	-2.3	-6.2	-7.0	4.7	
Freedom 2030 (373/FFFEEX)	B****	0.79	none	14.12	14081.1		-11.1	-2.5	-6.9	-8.4	4.8	8.3
Freedom 2035 (1315/FFTHX)	B****	0.81	none	11.71	4323.7		-11.4	-2.6	-7.1	-8.9	4.7	
Freedom 2040 (718/FFFFX)	B****	0.84	none	8.25	7392.7		-11.8	-2.7	-7.4	-9.2	4.8	8.7
Freedom 2045 (1617/FFFGX)	B****	0.85	none	9.72	807.2		-12.1	-2.6	-7.5	-9.5		
Freedom 2050 (1618/FFFHX)	B****	0.89	none	9.71	734.2		-12.6	-2.7	-7.8	-10.0		
Freedom Income (369/FFFAX)	B****	0.19	none	10.92	2580.4		-2.1	-0.7	-1.8	-0.2	3.6	4.2
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	H***	0.26	1(90)	8.09	9797.0	8.34	-3.3	-2.4	-3.5	-1.3	4.7	8.3
Floating Rate (814/FRHX)	H***	0.13	1(60)	9.37	1811.2	5.27	0.8	0.0	0.4	4.0	3.9	4.1
Focused High Inc (1366/FHIFX)	H***	0.12	1(90)	9.30	67.0	7.81	-2.4	-1.0	-3.3	2.3	3.3	
GNMA Portfolio (15/FGMNX)	H***	0.25	none	10.86	3457.2	5.06	2.2	0.2	0.0	7.3	4.7	4.4
Gov't Income (54/FGOVX)	H***	0.25	none	10.38	7922.0	3.93	2.5	0.3	-0.1	8.2	5.0	4.7
High Income (455/SPHIX)	H***	0.16	1(90)	8.22	5444.9	9.06	-0.5	-1.1	-2.6	2.7	4.6	7.1
Inflation-Protected (794/FINPX)	H***	0.37	none	11.23	1988.8	1.09	3.5	-0.8	1.1	9.3	4.8	5.9
Intermed Bond (32/FTHRXX)	H***	0.22	none	9.85	7255.8	4.70	-0.5	-0.2	-0.7	1.8	2.9	3.2
Intermed Gov't Inc (452/FSTGX)	H***	0.21	none	10.36	939.0	3.40	2.8	0.5	0.3	8.2	5.1	4.1
Invest Grade Bond (26/FBNDX)	H***	0.26	none	6.89	9970.1	5.02	-1.6	-0.6	-1.0	0.1	2.2	3.4
Mortgage Securities (40/FMSFX)	H***	0.25	none	10.06	1051.3	4.87	-0.9	-0.2	0.0	-0.8	1.4	2.7
New Markets Inc (331/FNMIX)	H***	0.17	1(90)	14.27	2189.6	6.02	0.7	0.5	-0.8	6.6	8.0	10.9
Short-Term Bond (450/FSHBX)	H***	0.12	none	8.32	6736.8	4.05	-0.9	0.1	0.6	-0.8	2.1	2.2
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.35	none	10.42	967.1	3.55	3.3	0.6	-0.1	11.0		
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.52	none	10.14	56.1	4.39	1.5	0.0	-0.3	9.4		
Spart S-Term Tr Idx (1563/FSBIX)	H***	0.17	none	10.33	118.2	2.55	2.6	0.4	0.2	7.5		
Strategic Income (368/FSICX)	B****↑	0.13	none	10.17	5391.3	6.01	0.5	-0.2	-1.1	5.1	5.2	7.1
Strategic Real Rtn (1505/FSRRX)	H***	0.28	0.75(60)	10.11	5613.9	3.47	3.3	-3.3	-1.1	6.4		
Total Bond (820/FTBFX)	H***	0.23	none	10.06	9933.1	5.19	0.2	-0.3	-0.8	3.2	3.4	4.3
Ultra-Short Bond (812/FUSFX)	H***	0.13	0.25(60)	8.26	324.7	2.06	-6.8	-0.1	0.4	-12.4	-2.0	-0.5
US Bond Index (651/FBIDX)	H***	0.25	none	10.70	9019.2	4.76	0.9	0.0	-0.7	4.6	3.8	4.3
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FSAZX)	H***	0.20	0.5(30)	10.96	144.4	3.96	-0.2	0.0	-0.2	1.9	2.5	3.7
CA Municipal Inc (91/FCSTX)	H***	0.19	0.5(30)	11.82	1617.5	4.06	-0.3	0.2	-0.3	1.7	2.8	4.1
CA Short-Int TF (1534/FCSTX)	H***	0.09	0.5(30)	10.18	198.0	2.78	2.2	1.0	0.7	5.0		
CT Municipal Inc (407/FICNX)	H***	0.17	0.5(30)	11.09	483.2	3.68	0.5	0.3	-0.3	3.4	3.1	3.8
Intermediate Muni (36/FLTMX)	H***	0.12	0.5(30)	9.88	2498.4	3.50	1.4	0.7	0.4	4.2	3.5	4.1
MA Municipal Inc (70/FDMMX)	H***	0.18	0.5(30)	11.50	2004.7	3.85	0.0	0.3	-0.1	2.5	3.0	4.2
MD Municipal Inc (429/SMDMX)	H***	0.18	0.5(30)	10.56	153.1	3.79	0.3	0.3	-0.3	2.7	2.8	3.8
MI Municipal Inc (81/FMHTX)	H***	0.16	0.5(30)	11.55	614.5	3.54	0.5	0.6	-0.1	3.4	3.2	4.0
MN Municipal Inc (82/FMIX)	H***	0.14	0.5(30)	11.05	381.0	3.57	0.9	0.5	0.1	3.3	3.1	3.9
Municipal Income (37/FHIGX)	H***	0.18	0.5(30)	12.26	5157.9	4.14	-0.1	0.3	-0.1	2.2	3.0	4.4
NJ Municipal Inc (416/FNJHX)	H***	0.17	0.5(30)	11.26	612.7	3.79	0.3	0.6	0.0	3.3	3.1	4.3
NY Municipal Inc (71/FTFMX)	H***	0.18	0.5(30)	12.48	1528.5	3.89	0.5	0.5	0.2	3.2	3.1	4.2
OH Municipal Inc (88/FOHFX)	H***	0.18	0.5(30)	11.28	441.9	3.82	0.3	0.3	-0.2	3.3	3.1	4.2
PA Municipal Inc (402/FPXTX)	H***	0.15	0.5(30)	10.54	337.9	3.72	0.5	0.5	0.3	3.4	3.2	4.1
Short-Int Municipal (404/FSTFX)	H***	0.08	0.5(30)	10.38	1741.3	2.77	2.5	1.1	0.9	5.4	3.6	3.0
Tax-Free Bond (90/FTABX)	H***	0.19	0.5(30)	10.47	1114.2	4.15	0.3	0.3	0.0	2.7	3.2	4.6

JULY 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	11378.02	-13.0	0.4	-10.7	-11.8	4.7	6.7	4.6
S&P 500	1.00	1267.38	-12.7	-0.8	-8.0	-11.1	2.8	7.0	2.9
NASDAQ	1.11	2325.55	-11.9	1.5	-3.4	-7.9	2.9	6.8	2.7
Russell 2000	1.24	714.52	-6.0	3.7	0.1	-6.7	2.9	9.8	6.8
Fidelity Monitor Income Model	0.31	85599.03	-4.6	-1.3	-3.3	-2.0	2.6	3.6	3.5
Fidelity Monitor G&I Model	0.60	172141.44	-8.9	-3.9	-6.4	-7.3	4.4	8.6	7.1
Fidelity Monitor Growth Model	1.01	184743.83	-13.4	-2.8	-6.9	-11.3	3.4	10.2	6.0
Fidelity Monitor Select System	1.00	387249.52	-6.7	-7.0	-4.9	0.5	9.3	11.3	7.9
Fidelity Monitor Unique Opportunities	1.11	126822.83	-10.3	-6.0	-6.9	-5.4	7.8	15.0	

VIP CORNER

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

VIP INCOME MODEL

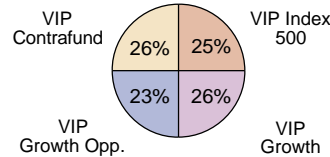


PAST PERFORMANCE

Starting Balance: \$10,000

1993: +12.3%	2001: -3.4%
1994: -3.8%	2002: +7.3%
1995: +16.9%	2003: +9.9%
1996: +6.9%	2004: +5.1%
1997: +10.9%	2005: +1.8%
1998: +0.4%	2006: +6.1%
1999: +0.8%	2007: +6.2%
2000: -2.4%	*2008: -4.8%

VIP GROWTH MODEL

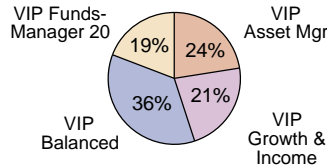


PAST PERFORMANCE

Starting Balance: \$10,000

1993: +20.6%	2001: -14.0%
1994: +4.6%	2002: -21.7%
1995: +36.1%	2003: +30.0%
1996: +16.1%	2004: +7.0%
1997: +23.5%	2005: +10.1%
1998: +22.6%	2006: +14.5%
1999: +22.1%	2007: +9.3%
2000: -10.3%	*2008: -16.3%

VIP G & I MODEL

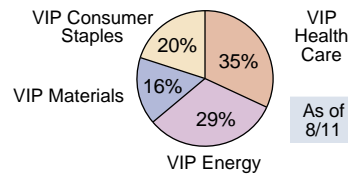


PAST PERFORMANCE

Starting Balance: \$10,000

1995: +26.4%	2002: -9.4%
1996: +12.8%	2003: +20.8%
1997: +21.4%	2004: +6.3%
1998: +15.1%	2005: +4.5%
1999: +6.1%	2006: +11.6%
2000: -4.9%	2007: +7.7%
2001: +3.1%	*2008: -8.1%

VIP SECTOR MODEL



PAST PERFORMANCE

Starting Balance: \$10,000

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

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

JULY 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 ***↑	10.59	11.05	-19.0	-4.4	-5.2	-17.6		
VIP Asset Manager	B ***	12.13	37.98	-3.8	-6.0	-3.5	3.6	6.2	6.5
VIP Asset Manager: Growth	B ***	12.26	25.13	-5.4	-7.2	-4.7	3.3	6.6	7.1
VIP Balanced	B *****	11.42	16.90	-9.6	-3.1	-6.6	-7.6	4.1	4.8
VIP Consumer Discretionary	S **	8.91	9.76	-14.1	1.4	-9.6	-21.3	-4.7	1.5
VIP Consumer Staples	B ***	10.15	10.10	-8.9	1.2	-6.1	2.4		
VIP Contrafund	B ***	11.70	43.32	-16.1	-4.1	-10.1	-9.1	5.3	10.4
VIP Disciplined Small Cap	H ***	9.09	9.01	-8.0	2.4	-0.3	-11.1		
VIP Dynamic Capital Appreciation	H ***	11.42	13.78	-14.0	-4.1	-6.2	-14.5	4.2	
VIP Energy	B ***	17.41	29.96	-6.2	-18.7	-8.8	11.1	21.5	27.9
VIP Equity-Income	H ***	10.43	58.04	-16.3	-1.6	-12.4	-18.9	1.1	6.1
VIP Financial Services	S **	8.00	9.70	-25.4	4.1	-18.0	-31.2	-7.6	-0.3
VIP Freedom 2005	B *****	11.31	11.42	-7.0	-1.6	-4.7	-4.3		
VIP Freedom 2010	B ***	11.29	11.44	-7.3	-1.6	-5.0	-4.5		
VIP Freedom 2015	B ***	11.44	11.65	-8.3	-1.8	-5.5	-5.5		
VIP Freedom 2020	B ***	11.46	11.72	-10.1	-2.2	-6.6	-7.2		
VIP Freedom 2025	B ***	11.50	11.80	-10.7	-2.4	-6.9	-7.7		
VIP Freedom 2030	B ***	11.51	11.87	-12.1	-2.6	-7.7	-9.2		
VIP Freedom Income	B ***	11.17	11.15	-2.5	-0.6	-2.0	-0.1		
VIP FundsManager 20	B ***	10.79	10.66	-2.7	-0.8	-2.3	-0.2		
VIP FundsManager 50	B *****	10.46	10.33	-7.8	-1.6	-5.3	-5.6		
VIP FundsManager 70	B ***	10.20	10.07	-11.4	-2.2	-7.4	-9.6		
VIP FundsManager 85	B ***	10.00	9.87	-14.0	-2.6	-9.0	-12.3		
VIP Growth	B ***	11.83	65.21	-14.7	-4.6	-6.1	-5.0	5.2	6.7
VIP Growth & Income	B ***	11.37	18.61	-14.3	-2.4	-8.7	-9.7	4.3	5.2
VIP Growth Opportunities	B ***	11.02	13.28	-19.7	-12.1	-11.8	-10.7	2.9	5.8
VIP Growth Stock	B ***	10.79	10.96	-15.2	-2.9	-6.6	-7.3		
VIP Health Care	B ***	10.58	12.20	-12.5	1.9	0.3	-5.7	1.8	5.7
VIP High Income	H ***	11.35	31.63	-1.5	-0.9	-2.3	1.3	3.9	6.1
VIP Index 500	B ***	10.77	34.67	-13.1	-0.9	-8.2	-11.9	2.0	6.1
VIP Industrials	H ***↓	13.05	18.76	-8.6	1.7	-6.3	-5.3	8.6	15.3
VIP Int'l Capital Appreciation	H ***	10.78	11.27	-16.4	-6.7	-11.5	-20.9		
VIP Investment Grade Bond	H ***	10.86	30.17	-0.5	-0.3	-1.0	2.3	2.3	3.0
VIP Materials	B *****	11.36	11.30	-0.6	-5.7	-2.8	8.5		
VIP Mid Cap	B *****	12.68	22.62	-8.4	-1.4	-3.1	-5.2	8.2	15.7
VIP Money Market		11.30	21.71	1.4	0.1	0.5	3.2	3.7	2.5
VIP Overseas	H ***	13.00	40.55	-14.9	-4.6	-10.2	-10.7	10.4	13.8
VIP Real Estate	S **	11.56	18.28	-1.2	2.3	-9.6	-6.0	2.9	
VIP Strategic Income	B *****↑	11.50	12.52	0.3	-0.1	-1.2	4.5	4.3	
VIP Technology	H ***↓	10.78	10.00	-19.5	-3.7	-9.8	-17.7	1.8	5.0
VIP Telecommunications	H ***	7.71	7.67	-22.5	-0.6	-9.7	-27.8		
VIP Utilities	B *****	13.94	13.96	-12.1	-9.3	-6.9	-0.5	11.1	15.9
VIP Value	H ***	10.43	10.69	-13.0	-1.4	-9.0	-16.9		
VIP Value Leaders	H ***	10.36	10.65	-17.0	-1.9	-12.7	-17.2		
VIP Value Strategies	H ***	10.43	13.17	-17.1	-2.5	-10.3	-20.4	0.7	
Fidelity Monitor VIP Income Model			20048.90	-4.8	-1.4	-3.4	-2.5	2.6	3.9
Fidelity Monitor VIP G&I Model			24960.61	-8.1	-3.2	-5.9	-5.7	4.4	6.3
Fidelity Monitor VIP Growth Model			34682.89	-16.3	-5.4	-9.4	-12.9	3.3	7.0
Fidelity Monitor VIP Sector Model			18477.39	-11.2	-7.2	-6.3	-5.7	7.0	10.6

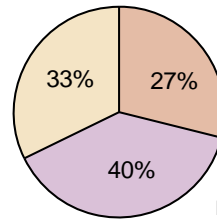
INCOME MODEL

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

FUND	NAV	SHARES	BALANCE
Balanced	\$17.60	1319.414	\$23221.69
Asset Mgr 20%	\$11.86	2882.735	\$34189.24
Freedom Income	\$10.92	2581.328	\$28188.10

7% Foreign Holdings
Balance as of 7/31/08: \$85599.03
Balance at start of 2008: \$89754.23

Freedom Income
369/FFFA



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: - 4.6%

Our Income Model declined 1.3% for the month of July. The current asset mix is 33% stock, 45% bond, and 22% cash.

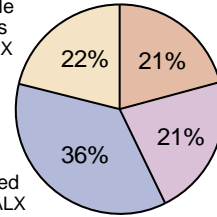
GROWTH AND INCOME MODEL

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%	\$11.86	3142.959	\$37275.49
Fidelity Fund	\$34.22	1040.808	\$35616.45
Balanced	\$17.60	3511.399	\$61800.62
Conv. Securities	\$26.25	1426.624	\$37448.88

10% Foreign Holdings
Balance as of 7/31/08: \$172141.44
Balance at start of 2008: \$189006.21

Convertible Securities
308/FCVXS



Asset Mgr. 20% (Inc)
328/FASIX

Fidelity Fund
3/FFIDX

Balanced
304/FBALX

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: - 8.9%

In July our Growth and Income Model lost 3.9%. The current asset mix is 70% stock, 24% bond, and 6% cash.

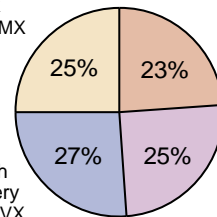
GROWTH MODEL

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	\$25.45	1681.246	\$42787.71
Blue Chip Growth	\$39.06	1178.026	\$46013.70
Growth Discovery	\$13.99	3515.551	\$49182.56
Tax-Managed Stock	\$14.20	3292.948	\$46759.86

16% Foreign Holdings
Balance as of 7/31/08: \$184743.83
Balance at start of 2008: \$213419.53

Tax-Managed Stock
343/FTXMX



Stock Selector
320/FDSSX

Growth Discovery
339/FDSVX

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: -13.4%

Our Growth Model was down 2.8% in July, versus a 0.8% loss for the S&P 500. The current asset mix is 97% stock, 3% cash.

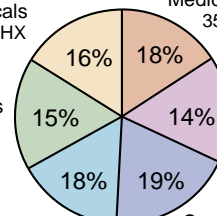
SELECT SYSTEM

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

FUND	NAV	SHARES	BALANCE
Medical Equipment	\$25.16	2729.352	\$68670.50
Computers	\$40.34	1361.136	\$54908.23
Consumer Staples	\$60.74	1199.574	\$72862.12
Natural Resources	\$37.74	1890.141	\$71333.92
Natural Gas	\$44.00	1281.571	\$56389.12
Chemicals	\$85.72	735.950	\$63085.63

18% Foreign Holdings
Balance as of 7/31/08: \$387249.52
Balance at start of 2008: \$415259.49

Chemicals
69/FSCHX



Medical Equipment
354/FSMEX

Natural Gas
513/FNGX

Biotech
42/FBIOX

Natural Resources
514/FNARX

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: - 6.7%

Our Select System was off 7.0% in July, compared to a 0.8% decline for the S&P 500. On 8/11 we will sell **Computers** and purchase **Biotechnology**. Current asset mix is 99% stock, 1% cash.

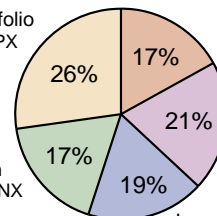
UNIQUE OPPORTUNITIES MODEL

Target Growth Rate: 14% Target Risk Level: 1.2

FUND	NAV	SHARES	BALANCE
Magellan	\$76.92	281.954	\$21687.90
Independence	\$26.27	1003.818	\$26370.30
Lev. Co. Stock	\$31.09	776.507	\$24141.60
Japan	\$12.60	1737.476	\$21892.20
OTC Portfolio	\$44.67	732.725	\$32730.83

33% Foreign Holdings
Balance as of 7/31/08: \$126822.83
Balance at start of 2008: \$141360.40

OTC Portfolio
93/FOCPX



Magellan
21/FMAGX

Japan
350/FJPNX

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: -10.3%

Our Unique Opportunities Model was down 6.0% in July. On 7/14 we sold **Industrial Equip.** (\$30.14) and bought **Magellan** (\$75.66). The current asset mix is 95% stock, 5% cash.

their trade surplus money in treasuries. Now they are looking for high-profile places to invest. The old adage, "A fool and his money are soon parted" could easily apply to this situation. There might be a few sovereign wealth funds that do well, but most are likely to end up with poor results and might even conclude that indexing will serve them better.

I have a small IRA and am limited to two mutual funds because of the investment minimum. I've been in Independence and Convertible Securities. Can you suggest another combination that would keep up with inflation and not be too volatile for my conservative nature?

Balanced and **Puritan** are your best bets. Both funds are broadly diversified, and over time both will benefit from rebalancing between the stock and bond side of their portfolios. **Balanced** is slightly overweighted in the energy sector, whereas **Puritan** is currently embracing the technology sector.

As the market rebounds and money moves from energy/materials into the financial sector, are you planning any sector changes to take advantage of the shift?

Currently, the financial group is at the bottom of our sector ranking, so it would take a year of reduced volatility and better risk-adjusted performance before these sectors would be considered for the Select System or the VIP Sector Model. It's possible the recent bounce for the financial sector will turn into a lasting recovery, but the odds are against it. ■

JULY DISTRIBUTIONS

Asset Manager 20%	\$ 0.03 / \$11.84 (7/11)
Asset Manager 30%	\$ 0.02 / \$9.17 (7/11)
Asset Manager 40%	\$ 0.051/ \$8.94 (7/11)
Asset Manager 50%	\$ 0.091/\$13.95 (7/11)
Balanced	\$ 0.106/\$17.47 (7/11)
Convertible Securities	\$ 0.13 / \$27.23 (7/11)
Equity-Income	\$ 0.27 / \$43.66 (7/11)
Equity-Income II	\$ 0.10 / \$18.38 (7/11)
Fidelity Fund	\$ 0.10 / \$34.10 (7/11)
Freedom Income	\$ 0.03 / \$10.91 (7/11)
Growth & Income	\$ 0.098/\$20.42 (7/11)
Puritan	\$ 0.125/\$16.90 (7/11)
Strategic Dividend & Income	\$ 0.082/\$10.67 (7/11)
Strategic Real Return	\$ 0.111/\$10.37 (7/11)
Utilities	\$ 0.10 / \$18.12 (7/11)

Payouts for August include: **Asset Mgr. 20%**, **Asset Mgr. 30%**, **Growth Discovery**, **Fidelity Fifty**, **Fidelity Fund**, **Freedom Inc.**, **Mega Cap Stock**, and **Real Estate Inc.**

on page 7. Our favorites include **Fidelity Fund**, **Convertible Securities**, **Balanced**, **Puritan**, and the **Asset Manager** group.

Real Estate rebounded with the financial sector, gaining 2.4%. But the energy selloff took a toll on **Utilities**, which declined 6.2%, and it pulled down **Convertible Securities**, which lost 8.5%.

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 **Strategic Income**.

New Markets Income, along with the short-term government funds, managed to finish with a positive return of about 0.5%. But concern about higher long-term interest rates rose even as commodities tumbled, putting pressure on funds that take on credit risk or hedge against inflation. **High Income** was off 1.1%, **Capital & Income** declined 2.4%, and **Strategic Real Return** lost 3.3%.

Short-maturity munis managed a return of about 1%, but other muni funds finished with small gains.

SELECT PORTFOLIOS

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

Biotechnology jumped 13.7%, **Paper & Forest** gained 9.8%, **Banking** was up 9.4%, and **Transport** rose 6.7%. On the bottom end, **Energy Service** was down 14.6%, **Natural Resources** lost 17.6%, **Energy** was down 18.8%, and **Natural Gas** tumbled 21.6%. ■

Happenings

Fidelity has added two new variable annuity portfolios to its lineup. **VIP Emerging Markets** is closely aligned with **Emerging Markets** the mutual fund. **VIP FundsManager 60** is a fund-of-funds with a 60% stock weighting. Like the other FundsManager portfolios, it invests in Fidelity mutual funds and targets a fixed asset allocation.

Andrew Sassine has been named manager of **Small Cap Stock**, succeeding long-time manager Paul Antico. Sassine will continue to manage **Int'l Small Cap Opportunities**. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	123364.2	2.46	CT MM (418/FCMXX)	2147.8	1.91			
Select MM (85/FSLXX)	7294.6	2.56	MA MM (74/FDMXX)	5247.9	1.81			
Money Market (454/SPRXX)	7558.5	2.48	MI MM (420/FMIXX)	1115.0	1.90	MA AMT TF (426/FMSXX)	801.3	2.00
Gov't MM (458/SPAXX)	797.6	2.06	NJ MM (417/FNJXX)	2548.2	1.76	AMT Tax-Free (460/FIMXX)	3523.2	2.03
US Treas. MM (415/FDLXX)	4233.9	1.42	NY MM (92/FNYXX)	5502.7	1.81	NJ AMT TF (423/FSJXX)	749.8	2.04
Tax-Free MM (275/FMOXX)	6140.9	1.91	OH MM (419/FOMXX)	1138.8	1.92	NY AMT TF (422/FSNXX)	1404.4	2.01
US Gov't Reser (50/FGRXX)	3508.6	2.19	AZ MM (433/FSAXX)	380.8	1.95	PA MM (401/FPTXX)	817.8	2.00
CA MM (97/FCFXX)	6209.3	1.77	CA AMT TF (457/FSPXX)	2015.8	1.91	Municipal MM (10/FTEXX)	22477.1	2.10