

Jack
Bowers



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Monitor™

Energy Update

Is gasoline cheap or expensive? Most will say it's high-priced, because they've seen it selling for much less in the past. But at about 35 cents a pint, the only fluid that sells for less at the retail level is water. Furthermore, most vehicle owners spend more money on food than on fuel. The reality is we're still living in the age of cheap fossil fuels.

But increasingly, the evidence suggests that we're right on the tail end of it. Global production of crude oil is bumping up against constraints, just as billions of emerging country consumers move within striking distance of financing their first vehicle.

Fossil fuel alternatives exist, but they may not be able to ramp up fast enough to close the growing gap between supply and demand. This month we take an updated look at what may become a key issue for the financial markets over the next 5 years.

ENERGY UPDATE - *Continued on page 2*

Changes For Growth Model, VIP Growth, Select System, and VIP Sector Model

The following model portfolio trades will take place on 9/10:

Our Growth Model will sell **Value Strategies** (14/FSLSX), and purchase **Growth Discovery** (339/FDSVX), for a resulting mix of 23% **Spartan 500 Index**, 26% **Value Discovery**, 25% **Growth Discovery**, and 26% **Equity-Income**. This move adds a large-cap growth fund to the mix. **Growth Discovery** is unique because of its relatively low risk.

Our VIP Growth Model will sell **VIP Value Strategies** and buy **VIP Growth**.

Our Select System will be selling **Insurance** (45/FSPCX) and buying **Computers** (7/FDCPX), for a resulting mix of approximately 16% **Medical Delivery**, 16% **Computers**, 19% **Consumer Staples**, 13% **Natural Resources**, 17% **Wireless**, and 19% **Telecom**. With rising risk in financial services and shrinking volatility in technology, it makes sense to shift more toward the growth side of the stylebox.

Our VIP Sector Model will sell **VIP Financial Services** and buy **VIP Health Care**. This will bring the portfolio's mix in line with the Select System.

Review & Recommendations

Stocks and bonds gyrated as the credit crunch took its toll, and the Fed offered some limited relief as income investors scrambled into safe havens. More a lesson in risk than a hazard for the economy, the recent unwinding of leverage was a reminder that financial markets are very good at dismantling trading strategies that become too popular. The housing slump is still an issue, but in an export-driven economy it's not a big problem. The Fed stands ready to cut interest rates, but it may find that it doesn't need to. The S&P 500 closed out August with an increase of 1.5%.

GROWTH FUNDS

Growth Model holdings are listed on page 7. Our favorite growth funds include **Spartan 500 Index**, **Value Discovery**, **Growth Discovery**, **Trend**, **Large Cap Stock**, and **Leveraged Company Stock**.

Large-caps funds did well. **Growth Company** gained 2.2%, **OTC Portfolio** climbed 2.1%, and **Dividend Growth** moved up 2.0%. Others that had exposure to smaller stocks suffered, especially if it included foreign exposure. **Low-Priced Stock** was off 0.7%, **Value Strategies** slid 0.8%, and **Leveraged Company** declined 1.7%.

INTERNATIONAL FUNDS

Canada is a good choice for commodity exposure, or as a lower-risk alternative to emerging markets. We downgraded several broad-based foreign funds; domestic large-caps are better positioned for growth.

Chinese officials loosened capital controls, giving a boost to **China Region**, which rose 3.2%, and **Southeast Asia**, which posted a 1.5% increase. But the loss of takeover financing hurt other funds. On the bottom end were **Japan Smaller Companies**, down 5.9%, and **Int'l Small Cap**, losing 7.3%.

GROWTH & INCOME FUNDS

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

Growth & Income II gained 1.7%, and **Equity-Income II** rose 1.2%. **Balanced** and **Puritan** did well for their risk – both posted a 0.9% increase.

RECOMMENDATIONS - *Continued on page 8*

GEOLOGICAL CONSTRAINTS

After an oilfield has been producing for several decades, its output tends to taper off as internal pressure declines and water flows in where oil used to be. The decline in output can be sudden or gradual, depending on the geology (and the rate at which oil is being extracted). Throughout the oil age, there have always been enough new discoveries and technology advancements that depletion has never gotten in the way of increasing overall output.

But some precedents have been set. In the U.S., the lower 48 states were the first on the planet to be extensively drilled. Fast forward eight decades to 1970, and the region was the first to enter a period of declining output. Even after adding Alaska and the Gulf of Mexico, U.S. production today is only about half its peak of 10 million barrels per day.

Now the world is close to topping out as it closes in on the 85 million barrel per day mark. Deep-water oil projects have allowed oil production to keep climbing in recent years, but five years from now most of the projects that make financial sense will be up and running. After that, depletion of the world's oldest and largest oil fields could make it difficult, if not impossible, to increase global output.

NATIONALISTIC CONSTRAINTS

In some cases, a rising tide of nationalism among oil-exporting nations is compounding the problem. Given the recent trend of oil prices, it's no surprise that oil-rich countries want to keep all the profits for themselves. But whenever a government gives itself a monopoly on oil, it sows the seeds of self-destruction. It doesn't take long for the best managers and oil-workers to flee. The bureaucrats take over and cut exploration and development in favor of projects with greater political popularity. And because the government owns the oil, it often feels compelled to subsidize consumption, which increases demand

and leaves less for export. Given enough time, the oil-rich country becomes an oil *importer*.

These factors are playing out today in Iran, Mexico, and Venezuela. Collectively, these countries account for 8% of global exports, but as a group they're likely to be net oil importers within a decade. Many of their larger oil fields are in steep decline, and little or nothing is being done to extend their life.

EMERGING COUNTRY DEMAND

Because the combined population of China and India is eight times larger than the U.S., the impact of an emerging middle class on world oil demand could be substantial. If per capita oil consumption rises even to Mexico's level over the next decade, it could be similar to a doubling in U.S. fuel demand. In the past, it was the price of the car that kept fuel demand in check, but global automakers are rushing to make cars cheap enough for emerging market customers. Tata Motors is leading this race with a \$2500 model they hope to introduce in 2008.

ALTERNATIVES WON'T COME QUICK

The media gives the impression that all kinds of fuel alternatives are right around the corner, but in reality it takes decades to shift the fuel infrastructure. We'll get some help from alternative sources in the next 5 years, but not as much as we'll need:

- Biofuels. It will be tough to satisfy more than 10% of U.S. fuel demand with this option, and even then food prices may be driven through the roof. Non-food feedstocks may someday allow biofuels to overtake fossil fuels, but that's decades away.

- Oil Sands. Within a decade, this Canadian resource might satisfy up to 15% of our fueling needs. Problem is, it's a mining operation that requires huge amounts of people, water, and natural gas.

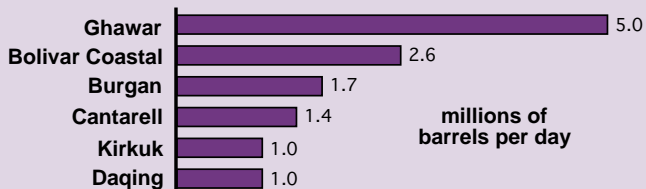
- Gas-To-Liquids, Coal-To-Liquids, and Shale. These sources are capital-intensive, and will be slow to develop. Most likely, the added output from these projects will be needed to sustain the aviation industry.

- Hydrogen-powered vehicles. Hydrogen is an energy *carrier*, not an energy source – and a poor one at that. It takes up a lot of space, and much of the energy is wasted getting it from one place to another. Automakers are happy to spend government money chasing this pipe dream, but without a major storage chemistry miracle it may never be cost-effective.

- Electric vehicles and plug-in hybrids. Battery limitations are finally being overcome, setting the stage for this class of vehicles to become viable

THE OLD GIANTS WON'T LAST FOREVER

The world's top 6 producing oil fields account for 15% of global production – but with an average age of 63 years, their time is running out



Source: Wikipedia

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without government mandates or subsidies. But high costs are likely keep production volumes low for at least another five years.

HOW EXPENSIVE CAN OIL GET?

There's a 50% chance that oil will break through the \$100/barrel threshold sometime in 2008. Global demand is forecast to grow a robust 2.5% next year, and many OPEC countries are struggling with rising domestic consumption and aging oil fields.

Up until now, the cost of fuel has been driven mostly by the cost of production. But when demand becomes dominant, price stability goes out the window, and costs can move to a whole new level. Think parking lots, concert tickets, premium wines, and fine jewelry. If there's not enough to go around, pricing becomes the rationing mechanism.

What might global consumers be willing to pay? Some Europeans are currently paying the equivalent of \$220/barrel – the result of high taxes placed on gasoline at the retail level. So far, that price point doesn't seem to be having any major impact on living standards or on the regional economy. Those consumers just live closer to work and drive smaller cars.

MARKET IMPACT

But getting from here to there won't be easy from an economic perspective. The cost of fossil fuel factors into many things: food, electricity, water, fertilizer, transportation, shipping, and basic materials.

As such, a big jump in energy costs can bring significant inflationary pressures. The oil shocks of the 1970s resulted in eight years of inflation at an 8% annual rate. It may not be as bad this time around, because our economy is less dependent on oil today, but it still won't be any picnic. Long-term interest rates are likely to move up, and the Fed will be forced to keep short-term rates relatively high, even if the economy is growing at a slow pace.

That may not be good news for bond investors, but stocks should hold up just fine. Inflation tends to boost corporate earnings growth, so even if P/E ratios shrink there's a good chance that stocks will remain the best performing asset class.

INVESTMENT OPPORTUNITIES

But some segments of the stock market will fare better than others. The natural resources sector (which includes energy and materials) is likely to end up a winner, although it will hardly be smooth sailing. One simple way to protect your portfolio is to keep 20% in **Natural Resources** as a long-term

hedge – with three-quarters of its assets in energy stocks and the remainder in materials and industrial producers, it has slightly less volatility than investing directly in an energy fund. The remaining 80% of your portfolio can be placed in conservative asset allocation funds or in our Growth and Income Model.

Another approach is to moderately overweight the energy sector in a stock portfolio. Energy stocks currently account for about 10% of the S&P 500's market cap, so this can be accomplished by holding a 10% energy sector position along with a mix of diversified stock funds. Fidelity provides three energy-specific choices:

- **Energy Services** is the most volatile option, but might also be the best long-term opportunity. These firms do the exploration and development work. Their services are increasingly in demand, not only from the free-market oil companies, but also from government-controlled firms.

- **Energy** invests in the major oil companies. These firms are the cash cows that control most of the reserves in the free world. They are running short of new projects to pursue, and investment returns on tough projects are diminishing because of rising costs. As such, a substantial portion of their earnings now goes into buying back their own stock.

- **Natural Gas** has more of a domestic focus, but pricing tends to be more volatile because gas is more difficult to store and transport than liquid fuels. But some view it as the fuel of the future, because it has a low-carbon footprint and because it's the easiest of the fossil fuels to produce synthetically.

If you prefer to stay with diversified funds, there are several in Fidelity's lineup that have a heavy (20-35%) weighting in the energy sector. Currently these include **Convertible Securities**, **Independence**, **Leveraged Company Stock**, and **Canada**. However, managers of diversified funds are always changing their mix, so bear in mind that what's true today may not be true five years from now.

Using contrarian logic, it's possible to bet on less-risky sectors where energy is a big part of the cost structure. You might expect industries like these to get hurt by rising energy prices, but that's not how it happens. Because all players in a "soft-energy" group get hit hard at the same time, they're all forced to raise prices and look for ways to cut costs. When you combine pricing power and a focus on efficiency, the long-term results can be favorable even if the short-term effects aren't:

- **Air Transportation and Transportation**.

ENERGY UPDATE - *Continued on page 8*

GUIDE TO FIGURES LISTED ON PAGES 4 AND 5

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

AUGUST 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 ***	1.27	1.5(90)	22.30	3829.2	15.1	-0.4	2.9	28.6	15.3	15.8	2.8
Blue Chip Gth (312/FBGRX)	B ****	0.98	none	47.69	18643.4	7.6	1.7	0.1	14.8	8.8	8.6	4.5
Blue Chip Value (1271/FBCVX)	H ***	1.05	none	15.56	729.6	5.1	0.6	-5.5	15.3	14.5		
Capital Apprec (307/FDCAX)	B ****	1.16	none	29.27	9318.6	8.0	0.8	-2.4	18.2	14.5	17.1	8.6
Contrafund (22/FCNTX)	H ***	0.97	Closed	71.07	72621.3	10.1	1.8	0.8	18.5	17.5	15.3	10.4
Growth Discovery (339/FDSVX)	B ****	0.99	none	14.78	513.9	15.0	1.4	4.3	22.9	14.4	12.2	
Disc Equity (315/FDEQX)	H ***↓	1.07	none	30.76	9902.6	6.0	0.9	-5.4	15.7	14.7	12.7	7.7
Dividend Gth (330/FDGFY)	H ***	0.90	none	33.40	16262.0	5.4	2.0	-2.6	15.1	10.5	9.8	8.3
Export Fund (332/FEXPX)	H ***	1.09	0.75(30)	24.86	4352.3	8.2	0.9	-2.3	15.5	15.2	15.7	11.8
Fidelity Fifty (500/FFTYX)	H ***	1.07	none	23.03	1501.1	12.9	1.2	1.0	23.8	16.8	12.3	10.0
Focused Stock (333/FTQGX)	H ***	1.18	none	13.66	73.8	9.3	0.9	-2.9	13.0	16.6	12.3	4.0
Growth Company (25/FDGRX)	H ***	1.10	Closed	77.49	32521.5	11.4	2.2	2.0	23.1	17.6	17.0	9.0
Independence (73/FDFFX)	B ****	1.22	none	24.97	4885.0	13.7	1.7	0.5	22.5	17.6	13.0	9.2
Lg Cap Core En Idx (1827/FLCEX)	H ***	1.0 Est	none	10.04	36.1		1.0	-4.0				
Lg Cap Gth En Idx (1829/FLGEX)	H ***	1.0 Est	none	10.17	27.4		1.0	-2.8				
Large Cap Growth (763/FSLGX)	H ***	1.23	none	11.51	165.2	0.0	1.5	-6.2	10.6	11.8	10.6	
Large-Cap Stock (338/FLCSX)	B ****	1.01	none	19.07	1046.3	9.1	0.4	-1.9	19.1	13.5	11.0	6.0
Lg Cap Val En Idx (1828/FLVEX)	H ***	1.0 Est	none	9.78	22.4		0.5	-6.3				
Large Cap Value (708/FSLVX)	H ***	1.09	none	15.23	1630.1	3.8	1.5	-5.6	12.7	14.8	13.9	
Lev Co Stock (122/FLVCX)	B ****	1.23	1.5(90)	33.19	7819.7	14.6	-1.7	-5.1	22.3	25.1	35.4	
Low-Priced Stock (316/FLPSX)	H ***	0.98	Closed	45.06	38980.2	3.5	-0.7	-6.0	15.3	16.2	17.2	13.7
Magellan (21/FMAGX)	H ***	1.15	Closed	93.16	42836.5	10.0	1.2	-1.1	16.9	11.1	10.1	6.1
Mid Cap Growth (793/FSMGX)	H ***	1.34	0.75(30)	14.18	413.7	1.5	-0.2	-6.9	12.6	14.5	14.9	
Mid Cap Stock (337/FMCSX)	H ***	1.15	Closed	30.76	15440.1	10.7	-0.3	-4.5	18.6	19.8	16.5	11.8
Mid Cap Value (762/FSMVX)	H ***	1.20	0.75(30)	16.98	990.5	3.9	-0.2	-9.1	12.1	16.3	15.5	
New Millennium (300/FMILX)	B ****	1.15	none	31.70	2183.3	9.7	1.4	-0.6	20.8	16.6	14.5	11.9
OTC Portfolio (93/FOCPX)	H ***	1.24	none	48.05	8778.8	16.2	2.1	5.8	31.2	18.2	15.7	7.1
Small Cap Gth (1388/FCPGX)	H ***	1.19	1.5(90)	16.34	1148.5	13.1	1.2	-3.4	23.5			
Small Cap Indep (336/FDSCX)	H ***	1.19	1.5(90)	22.85	2526.2	8.6	-0.7	-5.7	21.6	17.4	14.9	7.9
Small Cap Stock (340/FSLCX)	H ***	1.05	Closed	19.38	4873.0	9.3	0.4	-2.4	17.8	15.5	17.1	
Small Cap Value (1389/FCPVX)	H ***	1.24	1.5(90)	14.47	1233.9	3.4	0.3	-7.6	14.4			
Stock Selector (320/FDSSX)	H ***	0.97	none	30.02	859.9	7.9	1.7	-1.5	16.3	13.8	12.8	6.1
Tax Mgd Stock (343/FTXMX)	B ****	1.09	1(730)	15.58	86.7	10.3	0.8	-4.1	19.2	17.4	14.1	
Trend (5/FTRNX)	B ****	1.07	none	69.72	938.0	8.6	0.8	1.1	17.1	13.5	12.8	5.0
Value (39/FDVLX)	B ****	1.03	none	86.35	22077.7	7.1	0.5	-5.4	17.0	17.8	17.7	10.6
Value Discovery (832/FVDFX)	B ****	1.06	none	19.01	1210.2	8.8	0.4	-3.4	16.8	19.6		
Value Strategies (14/FSLSX)	H ***	1.11	none	34.49	722.1	9.0	-0.8	-7.2	20.6	16.7	18.0	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B ****	0.72	none	20.66	25763.2	7.3	0.9	-2.0	14.0	13.7	13.5	10.0
Convertible Sec (308/FCVXS)	B ****	0.87	none	28.19	2710.8	12.2	-1.8	-2.1	20.7	15.1	14.7	11.8
Equity-Income (23/FEQIX)	B ****	1.00	none	60.17	31968.2	5.3	0.8	-4.2	15.9	13.6	13.2	7.9
Equity-Income II (319/FEQTX)	B ****	1.01	none	24.42	10790.1	5.4	1.2	-4.1	15.3	11.5	12.6	8.0
Fidelity Fund (3/FFIDX)	H ***	1.00	none	38.03	7193.6	7.2	0.4	-2.8	16.0	12.3	11.8	7.0
Growth & Income (27/FGRIX)	H ***	1.03	none	31.96	22758.4	3.1	0.1	-3.9	12.4	8.5	7.9	5.6
Growth & Inc II (361/FGRTX)	H ***	0.97	none	11.43	201.3	7.8	1.7	-1.5	16.3	12.0	10.8	
Puritan (4/FPURX)	B ****	0.66	none	20.54	25696.8	4.3	0.9	-2.6	12.2	10.3	10.7	7.7
Strategic Div & Inc (1329/FSDIX)	B ****	0.83	none	13.50	1253.2	4.9	0.5	-4.1	12.1	13.4		
Utilities (311/FUIX)	H ***	1.13	none	20.35	1573.1	8.7	0.0	-7.1	20.2	21.6	19.0	8.3
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H ***	1.39	0.75(30)	51.19	74.1	8.1	0.3	-0.1	25.5	22.5	18.6	13.8
Automotive (502/FSAVX)	H ***	1.31	0.75(30)	41.70	73.1	7.9	-3.6	-4.4	23.1	11.0	11.9	6.0
Banking (507/FSRBX)	S **	1.23	0.75(30)	31.02	272.3	-6.0	4.2	-6.7	-0.3	4.7	7.4	7.2
Biotechnology (42/FBIOX)	H ***	1.19	0.75(30)	66.14	1216.1	1.8	3.5	-1.5	9.5	7.9	12.4	9.8
Brokerage (68/FSLBX)	S **↓	1.51	0.75(30)	66.62	937.4	-7.2	-3.8	-14.6	6.4	20.2	17.4	13.6
IT Ser / Bus Ser (353/FBSOX)	H ***	1.18	0.75(30)	17.27	72.6	6.4	-6.2	-7.9	17.4	14.4	12.4	
Chemicals (69/FSCHX)	B ****↑	1.18	0.75(30)	78.91	187.2	19.0	2.3	4.6	34.2	19.5	18.3	9.9
Computers (7/FDCPX)	B ****	1.24	0.75(30)	46.05	496.6	16.6	3.8	6.5	30.2	17.2	15.6	5.4
Const & Housing (511/FSHOX)	S **	1.45	0.75(30)	42.89	106.4	-2.8	0.3	-10.3	11.3	11.1	14.8	10.7
Consumer Disc (517/FSCPX)	S **↓	1.18	0.75(30)	25.23	35.5	1.0	1.2	-6.5	10.2	10.9	8.7	6.5
Industrial / Cyc Ind (515/FCYIX)	H ***	1.12	0.75(30)	22.46	108.7	13.8	0.2	0.7	23.8	19.3	19.1	10.3
Defense & Aero (67/FSDAX)	H ***	1.16	0.75(30)	89.67	1300.8	15.1	2.2	2.5	30.3	22.4	20.4	13.0
Com Equip / DevC (518/FSDCX)	H ***	1.41	0.75(30)	23.13	328.8	13.0	0.5	2.3	18.0	14.4	19.0	6.6
Electronics (8/FSLEX)	H ***	1.50	0.75(30)	49.60	1829.9	13.2	1.1	3.4	17.0	16.7	13.1	5.9
Energy (60/FSENX)	H ***	1.87	0.75(30)	59.07	2668.2	23.0	0.5	1.0	26.6	35.3	27.8	14.9
Energy Services (43/FSESX)	B ****↑	2.17	0.75(30)	92.31	2056.1	40.2	2.5	12.3	44.5	39.5	29.3	13.4
Environmental (516/FSLEX)	S **	1.13	0.75(30)	17.84	40.4	3.2	1.1	-1.8	8.9	11.7	11.6	1.2
Financial Services (66/FIDSX)	S **↓	1.22	0.75(30)	111.13	447.6	-5.3	1.5	-9.8	4.2	8.9	10.4	9.0
Con Stap / Food Ag (9/FDFAX)	B ****	0.76	0.75(30)	62.86	406.8	11.1	3.3	0.9	18.1	17.1	12.1	9.0
Gold (41/FSAGX)	H ***	1.93	0.75(30)	34.06	1328.5	-2.2	-5.0	-0.8	2.7	23.8	18.5	9.7
Health Care (63/FSPHX)	H ***↓	0.89	0.75(30)	128.57	2032.7	6.4	1.8	-3.5	9.2	12.0	10.4	9.0
Home Finance (98/FSVLX)	S **	1.56	0.75(30)	40.23	195.7	-16.9	-1.4	-18.2	-9.6	-2.5	4.2	5.1
Indust Equip (510/FSCGX)	B ****	1.10	0.75(30)	35.24	186.7	15.7	0.9	1.7	26.2	18.6	17.6	7.8
Materials / Ind Mat (509/FSDPX)	H ***	1.38	0.75(30)	55.20	361.8	18.1	0.1	-0.8	29.7	23.4	22.7	10.4
Insurance (45/FSPCX)	H ***	1.06	0.75(30)	69.39	252.9	-2.1	1.7	-7.4	7.8	10.9	11.7	12.1
Leisure (62/FDLSX)	H ***	1.10	0.75(30)	79.64	241.3	3.2	2.1	-3.4	18.9	14.0	16.0	10.8
Medical Delivery (505/FSHCX)	H ***	1.00	0.75(30)	50.93	646.4	7.1	1.7	-6.2	10.0	22.2	16.0	9.8
Medical Equip/Sys (354/FSMEX)	B ****↑	0.90	0.75(30)	25.02	792.3	11.6	2.8	3.0	14.7	11.9	15.3	
Multimedia (503/FBMPX)	H ***	1.02	0.75(30)	43.67	82.8	-1.7	-2.0	-6.6	13.3	12.1	16.1	10.2
Natural Gas (513/FSNGX)	H ***	1.96	0.75(30)	42.23	1257.7	16.6	-2.7	-7.7	16.2	28.7	25.8	14.9
Nat Resources (514/FNARX)	B ****	1.80	0.75(30)	34.10	1629.3	24.9	-0.1	0.7	32.4	35.1	28.0	14.5
Networking (912/FNINX)	H ***	1.41	0.75(30)	2.63	71.5	6.5	0.8	1.9	16.4	12.0	11.3	
Paper & Forest (506/FSFPX)	H ***↓	1.16	0.75(30)	33.40	57.8	3.2	-1.7	-8.6	13.6	4.7	6.6	4.6
Pharmaceuticals (580/FPHAX)	H ***↓	0.98	0.75(30)	11.39	205.6	7.7	2.2	-4.9	9.4	13.2	11.0	
Retailing (46/FSRPX)	S **↓	1.34	0.75(30)	51.78	64.5	2.5	2.2	-7.1	15.2	12.9	12.6	8.8
Software (28/FSCSX)	H ***	1.16	0.75(30)	69.80	859.7	6.5	-2.0	-1.9	20.5	18.6	17.8	11.6
Technology (64/FSPTX)	H ***	1.30	0.75(30)	78.12	1832.3	15.1	0.6	5.0	25.9	16.6	16.3	7.2
Telecom (96/FSTCX)	B ****	1.21	0.75(30)	56.43	682.4	16.4	0.8	-1.7	30.2	21.8	22.2	6.8
Transportation (512/FSRFY)	H ***	1.44	0.75(30)	53.51	95.8	7.3	-2.4	-6.4	17.3	18.1	17.6	12.1
Utilities Growth (65/FSUTX)	H ***	1.28	0.75(30)	58.94	786.7	6.6	1.5	-8.4	17.9	20.5	19.5	9.1
Wireless (963/FWRLX)	B ****	1.31	0.75(30)	8.88	507.7	26.9	3.4	7.6	39.2	24.9	29.5	

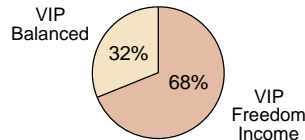
AUGUST PERFORMANCE						30-day	2007	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	0.99	1 (30)	17.72	733.6		6.0	-3.9	-4.8	15.7	18.2	15.6
Canada (309/FICDX)	B****	1.21	1.5(90)	58.70	3977.6		21.7	1.1	0.6	25.5	29.6	27.2
China Region (352/FHKCX)	S**	1.42	1.5(90)	31.32	1084.7		27.7	3.2	22.5	45.8	28.6	23.9
Diversified Int'l (325/FDIVX)	H***	1.05	Closed	40.32	52822.4		9.1	-1.0	-2.1	19.7	22.8	20.9
Emerging Mkts (322/FEMKX)	S**	1.54	1.5(90)	29.77	4886.8		22.1	-2.7	5.8	44.0	43.6	32.9
Europe (301/FIEUX)	H***	1.16	1 (30)	41.73	4896.0		6.0	-0.7	-4.2	16.6	25.9	23.3
Europe Cap Appr (341/FECAX)	H***	1.09	1 (30)	29.08	1361.1		6.6	-1.1	-3.5	20.3	26.5	20.0
Global Balanced (334/FGBLX)	B****	0.63	1 (30)	23.11	330.7		6.8	0.0	0.0	14.0	14.6	13.8
Int'l Discovery (305/FIGRX)	H***↓	1.10	1 (30)	41.76	12005.1		10.1	-1.0	-1.3	22.4	24.7	21.4
Int'l Small Cap (818/FISMV)	H***	1.09	Closed	27.68	1673.3		11.0	-7.3	-3.3	18.1	26.3	
Int'l Small Cap Opp (1504/FSCOX)	H***	1.34	2 (90)	16.91	1529.9		7.1	-5.8	-5.3	24.2		
Int'l Value (1597/FIVLX)	H***↓	1.09	1 (30)	11.91	443.6		6.8	-1.5	-3.3	17.2		
Japan (350/FJPNX)	H***	1.29	1.5(90)	17.41	1817.8		2.0	-4.4	-2.4	2.3	14.3	14.4
Japan Smaller Co (360/FJSCX)	H***	1.29	Closed	12.11	875.3		-5.6	-5.9	-0.5	-9.3	3.6	11.9
Latin America (349/FLATX)	S**	2.10	1.5(90)	54.15	5165.0		21.1	-3.8	-0.2	46.2	52.9	44.5
Nordic (342/FNORX)	H***	1.46	1.5(90)	46.34	832.0		15.9	-1.6	-0.3	36.8	33.2	26.6
Overseas (94/FOSFX)	H***	1.17	1 (30)	50.18	8841.9		12.0	-0.8	-0.8	22.9	23.6	19.5
Pacific Basin (302/FPBFX)	H***	1.26	1.5(90)	31.64	1226.8		15.7	-4.7	1.2	30.4	26.8	21.2
Southeast Asia (351/FEASX)	S**	1.57	1.5(90)	38.77	3979.7		41.0	1.5	16.6	70.9	45.2	31.6
Worldwide (318/FWWFX)	H***	1.06	1 (30)	22.22	1497.7		10.5	-0.1	-1.4	21.8	19.0	16.9
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FINOX)	H***	0.83	none	30.94	1907.5		5.2	0.9	-2.9	14.1	12.9	12.7
NASDAQ Comp (1282/FNCMX)	H***	1.14	0.75(90)	35.00	180.0		8.1	2.2	-0.1	19.8	12.7	
Spart Ext Mkt Idx (398/FSEMX)	H***	1.09	0.75(90)	39.96	2252.6		5.7	1.1	-4.9	16.3	16.6	17.3
Spart Int'l Index (399/FSIIX)	H***↓	1.04	1(90)	47.28	4374.7		7.4	-1.1	-2.9	18.7	22.0	19.3
Spart 500 Index (317/FSMKX)	B****	1.00	none	102.49	8050.5		5.2	1.5	-3.3	15.1	12.1	11.9
Spart Total Mkt Idx (397/FSTMX)	H***	1.01	0.5(90)	41.58	4379.0		5.3	1.4	-3.6	15.4	13.2	13.1
Asset Mgr 50% (314/FAMX)	B****	0.50	none	16.62	8826.2		4.6	0.5	-1.6	10.3	7.8	8.1
Asset Mgr 85% (347/FAMRX)	B****	0.83	none	14.21	539.1		6.4	0.3	-2.8	14.7	13.7	14.4
Asset Mgr 70% (321/FASGX)	B****	0.69	none	17.16	3169.1		5.6	0.5	-2.2	12.8	9.1	9.3
Asset Mgr 20% (328/FASIX)	B****	0.21	none	12.75	2441.9		3.1	0.5	-0.3	6.6	7.5	7.7
Freedom 2000 (370/FFFBX)	B****	0.30	none	12.65	1724.8		3.4	0.3	-0.9	7.5	6.0	5.8
Freedom 2005 (1312/FFVFX)	B****	0.52	none	11.91	966.8		4.8	0.4	-1.5	10.7	8.8	
Freedom 2010 (371/FFFCX)	B****	0.54	none	14.95	13835.2		4.8	0.4	-1.5	10.9	9.1	8.9
Freedom 2015 (1313/FFVFX)	B****	0.60	none	12.56	5910.2		5.3	0.5	-1.7	12.0	10.5	
Freedom 2020 (372/FFDFX)	B****	0.71	none	15.95	19628.2		5.9	0.6	-2.0	13.6	11.9	11.6
Freedom 2025 (1314/FFTWX)	B****	0.73	none	13.23	5213.4		6.2	0.6	-2.1	14.0	12.4	
Freedom 2030 (373/FFFEEX)	B****	0.85	none	16.57	13068.5		6.8	0.7	-2.4	15.6	13.5	12.9
Freedom 2035 (1315/FFTHX)	B****	0.86	none	13.73	3083.6		6.9	0.6	-2.4	15.7	13.8	
Freedom 2040 (718/FFFEEX)	B****	0.89	none	9.81	6619.9		6.9	0.7	-2.6	16.1	14.2	13.6
Freedom 2045 (1617/FFFGX)	B****	0.91	none	11.37	311.8		7.1	0.6	-2.6	16.6		
Freedom 2050 (1618/FFFHX)	B****	0.93	none	11.41	287.1		7.3	0.6	-2.6	16.9		
Freedom Income (369/FFFAV)	B****	0.25	none	11.55	2434.3		3.0	0.2	-0.7	6.5	5.4	5.0
Real Estate Income (833/FRIFX)	S**	0.41	0.75(90)	11.10	518.6		-5.6	-1.1	-8.0	-0.8	5.3	
Real Estate (303/FRESX)	S**	1.66	0.75(90)	32.45	5935.0		-10.5	4.8	-13.0	0.8	16.8	19.1
Int'l Real Estate (1368/FIREX)	S**	1.28	1.5(90)	15.87	1034.9		-4.2	0.9	-8.6	15.4		
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	S**	0.32	1(90)	8.74	9172.2	6.79	2.2	0.4	-4.3	8.9	9.8	16.0
Floating Rate (814/FFRHX)	S**	0.12	1(60)	9.59	2898.4	7.35	0.7	1.2	-2.2	3.3	4.4	
Focused High Inc (1366/FFHFX)	S**	0.19	1(90)	9.83	55.3	7.10	0.3	2.0	-3.1	5.2		
GNMA Portfolio (15/FGMNX)	H***	0.22	none	10.71	3163.3	4.97	2.8	1.1	1.5	4.9	3.6	3.7
Gov't Income (54/FGOVX)	H***	0.23	none	10.10	6095.6	4.73	3.6	1.4	2.6	5.3	3.5	3.6
High Income (455/SPHIX)	S**	0.21	1(90)	8.70	4830.0	8.03	0.6	1.4	-3.6	6.1	7.0	11.4
Inflation-Protected (794/FINPX)	H***	0.36	none	10.83	1246.0	2.72	3.6	0.3	2.0	2.3	2.9	4.9
Intermed Bond (32/FTHRFX)	H***	0.18	none	10.12	8258.1	5.14	1.8	0.1	0.3	3.6	2.8	3.8
Intermed Gov't Inc (452/FSTGX)	H***	0.20	none	10.06	697.8	4.61	3.9	1.3	2.6	5.4	3.1	3.2
Invest Grade Bond (26/FBNDX)	H***	0.22	none	7.18	11710.1	5.35	0.6	-0.3	-0.5	2.9	3.2	4.2
Mortgage Securities (40/FMSFX)	H***	0.22	none	10.59	1501.0	5.38	-0.8	-0.4	-1.7	1.4	2.5	3.4
New Markets Inc (331/FNMIX)	S**	0.28	1(90)	14.32	2150.3	6.46	0.6	0.8	-2.6	5.0	10.6	15.0
Short-Term Bond (450/FSHFX)	S**↓	0.11	none	8.66	7491.9	5.19	0.7	-0.9	-0.7	2.4	2.6	3.1
Spart Intermed Tr Idx (1561/FBIBX)	H***	0.34	none	10.04	705.9	4.58	4.6	2.1	3.8	6.3		
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.52	none	9.82	15.7	4.75	3.5	1.8	3.7	5.6		
Spart S-Term Tr Idx (1563/FSBIX)	H***	0.15	none	10.10	58.0	4.29	4.2	1.1	2.7	5.7		
Strategic Income (368/FSICX)	S**	0.16	none	10.44	4843.6	6.03	1.9	1.1	-0.5	5.4	6.6	9.4
Strategic Real Rtn (1505/FSRRX)	H***	0.36	0.75(60)	9.91	4011.5	5.01	-0.1	-0.8	-3.2	1.1		
Total Bond (820/FTBFX)	H***	0.21	none	10.27	6006.6	5.36	1.5	0.4	0.3	3.9	3.7	
Ultra-Short Bond (812/FUSFX)	S**↓	0.14	0.25(60)	9.49	973.5	5.75	-1.9	-2.8	-3.5	-0.3	2.1	2.0
US Bond Index (651/FBIDX)	H***	0.23	none	10.76	7423.4	5.25	2.3	0.6	1.0	4.3	3.4	4.3
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FAZAX)	H***	0.17	0.5(30)	11.13	129.5	3.92	0.1	-0.4	-0.2	1.9	2.9	3.6
CA Municipal Inc (91/FCTFX)	H***	0.16	0.5(30)	12.05	1559.2	4.00	0.4	-0.4	-0.2	2.1	3.5	4.0
CA Short-Int TF (1534/FCSTX)	B****	0.09	0.5(30)	10.03	110.7	3.56	1.9	0.4	1.0	3.0		
CT Municipal Inc (407/FICNX)	H***	0.15	0.5(30)	11.15	426.7	3.79	1.0	0.1	0.6	2.4	2.8	3.6
FL Municipal Inc (427/FFLIX)	H***	0.13	0.5(30)	11.21	393.5	3.97	0.7	-0.2	0.2	2.3	3.1	3.8
Intermediate Muni (36/FLTMX)	H***	0.12	0.5(30)	9.84	1945.2	3.86	1.4	0.2	0.7	2.9	3.0	3.8
MA Municipal Inc (70/FDMMX)	H***	0.17	0.5(30)	11.63	1837.4	4.05	0.3	-0.4	-0.2	2.3	3.5	4.1
MD Municipal Inc (429/SMDMX)	H***	0.17	0.5(30)	10.64	130.5	3.90	0.4	-0.1	0.1	2.0	2.9	3.6
MI Municipal Inc (81/FMHTX)	H***	0.15	0.5(30)	11.61	572.1	3.82	0.9	0.1	0.4	2.5	3.2	4.0
MN Municipal Inc (82/FIMIX)	H***	0.14	0.5(30)	11.13	342.8	3.86	0.6	-0.2	0.0	2.1	3.0	3.7
Municipal Income (37/FFHGX)	H***	0.16	0.5(30)	12.46	4694.3	4.04	0.3	-0.5	-0.2	2.2	3.6	4.3
NJ Municipal Inc (416/FNJHX)	H***	0.16	0.5(30)	11.30	584.2	3.87	0.6	0.0	0.3	2.4	3.5	4.0
NY Municipal Inc (71/FTFMX)	H***	0.16	0.5(30)	12.51	1409.9	3.94	0.3	-0.3	0.0	2.1	3.2	4.0
OH Municipal Inc (88/FOHFX)	H***	0.16	0.5(30)	11.33	415.1	3.83	0.4	-0.2	0.1	2.3	3.2	4.0
PA Municipal Inc (402/FPXTX)	H***	0.13	0.5(30)	10.60	302.9	3.80	1.1	0.1	0.5	2.6	3.2	3.9
Short-Int Municipal (404/FSTFX)	B****	0.08	0.5(30)	10.19	1547.1	3.45	2.1	0.6	1.2	3.1	2.2	2.5
Tax-Free Bond (90/FTABX)	H***	0.17	0.5(30)	10.54	639.1	3.97	0.3	-0.4	-0.2	2.2	3.6	4.5

AUGUST 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	0.91	13357.74	8.7	1.3	-1.5	19.9	12.0	11.6	7.9
S&P 500	1.00	1473.99	5.2	1.5	-3.3	15.1	12.2	12.0	6.7
NASDAQ	1.13	2596.36	8.0	2.1	-0.1	19.8	13.0	15.3	5.5
Russell 2000	1.34	792.86	1.4	2.3	-6.1	11.4	14.5	16.6	7.8
Fidelity Monitor Income Model	0.26	88202.94	2.2	1.0	-1.4	6.0	5.0	5.5	4.7
Fidelity Monitor G&I Model	0.66	187299.81	5.2	0.8	-2.3	12.7	12.8	14.2	9.4
Fidelity Monitor Growth Model	1.02	209340.41	5.3	0.4	-4.6	15.8	15.3	16.8	8.8
Fidelity Monitor Select System	0.99	392763.61	9.4	1.9	-2.7	20.1	17.0	15.6	10.7
Fidelity Monitor Unique Opportunities	1.09	133275.57	5.2	-0.6	-5.3	14.2	19.2	20.8	

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

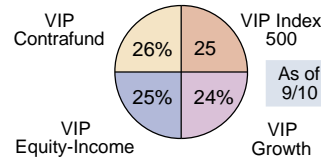


PAST PERFORMANCE

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: + 4.5%
2000: - 2.4%	

VIP GROWTH MODEL

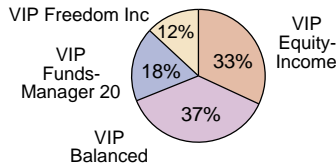


PAST PERFORMANCE

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: + 5.8%
2000: -10.3%	

VIP G & I MODEL

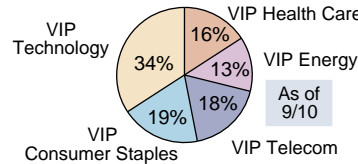


PAST PERFORMANCE

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: + 5.7%

VIP SECTOR MODEL



PAST PERFORMANCE

Starting Balance: \$10,000

2003: +57.5%	2006: +17.7%
2004: + 6.3%	*2007: +5.9%
2005: +14.0%	

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

AUGUST 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 ***	12.71	13.31	13.8	-0.8	2.4	26.6		
VIP Asset Manager	H ***	11.74	36.92	7.2	0.8	-0.1	12.2	7.4	7.8
VIP Asset Manager: Growth	H ***	11.90	24.51	8.9	0.8	-0.5	15.1	8.4	8.9
VIP Balanced	B ****	12.42	18.45	6.7	0.9	-2.0	13.1	9.3	8.6
VIP Consumer Discretionary	S **↓	11.41	12.55	0.6	1.2	-6.7	9.6	10.0	8.1
VIP Consumer Staples	B ****	10.19	10.18		3.3	0.8			
VIP Contrafund	B ****	13.04	48.47	9.5	1.7	0.6	17.6	16.9	14.8
VIP Disciplined Small Cap	H ***	10.28	10.22	1.2	0.9	-7.5	9.5		
VIP Dynamic Capital Appreciation	B ****	13.38	16.23	7.6	0.7	-2.6	17.7	20.0	
VIP Energy	B ****	15.67	27.10	22.9	0.5	1.0	27.6	32.8	26.6
VIP Equity-Income	B ****	12.90	72.17	4.8	0.8	-4.5	15.4	12.9	12.6
VIP Financial Services	S **↓	11.75	14.33	-5.5	1.6	-9.9	3.7	8.3	9.8
VIP Freedom 2005	B ****	11.83	12.00	5.3	0.6	-0.9	10.6		
VIP Freedom 2010	B ****	11.83	12.05	5.3	0.6	-0.9	10.8		
VIP Freedom 2015	B ****	12.12	12.40	5.8	0.6	-1.2	12.0		
VIP Freedom 2020	B ****	12.37	12.70	6.5	0.6	-1.5	13.5		
VIP Freedom 2025	B ****	12.48	12.88	6.8	0.6	-1.6	14.0		
VIP Freedom 2030	B ****	12.70	13.16	7.6	0.6	-1.9	15.5		
VIP Freedom Income	B ****	11.21	11.23	3.5	0.7	0.1	6.6		
VIP FundsManager 20	B ****	10.80	10.72	2.9	0.4	-0.7	6.4		
VIP FundsManager 50	B ****	11.09	11.00	4.3	0.6	-1.9	10.4		
VIP FundsManager 70	B ****	11.29	11.20	5.3	0.6	-2.7	13.3		
VIP FundsManager 85	B ****	11.40	11.32	6.2	0.6	-3.1	15.4		
VIP Growth	B ****	12.67	70.13	15.6	2.2	4.3	22.2	12.3	10.6
VIP Growth & Income	B ****	12.74	20.96	7.4	1.7	-1.7	15.6	11.3	10.2
VIP Growth Opportunities	H ***	12.45	15.05	11.2	1.3	-1.6	25.8	11.5	10.7
VIP Growth Stock	B ****	11.66	11.89	12.0	0.6	1.6	17.8		
VIP Health Care	B ****	11.43	13.22	3.7	2.2	-3.8	7.5	10.9	9.5
VIP High Income	S **	11.32	31.61	0.4	1.2	-3.7	5.6	6.1	10.7
VIP Index 500	B ****↑	12.34	39.91	4.6	1.4	-3.4	14.2	11.2	10.9
VIP Industrials	B ****	13.76	19.86	13.5	0.3	0.7	23.6	18.9	18.9
VIP Int'l Capital Appreciation	H ***	13.01	13.66	5.6	-4.1	-5.0	15.2		
VIP Investment Grade Bond	H ***	10.61	29.62	1.1	0.4	0.2	2.9	2.4	3.5
VIP Materials	B ****	10.42	10.41		-0.1	-1.0			
VIP Mid Cap	B ****	13.36	23.93	11.1	0.4	-0.7	16.9	20.7	19.2
VIP Money Market		10.93	21.11	2.9	0.4	1.1	4.4	3.1	2.0
VIP Overseas	H ***	14.29	44.75	9.3	-1.5	-3.1	19.5	20.9	17.3
VIP Real Estate	S **	12.89	20.46	-9.7	5.2	-12.1	1.0	17.6	
VIP Strategic Income	S **	11.06	12.10	1.5	1.0	-0.5	4.6	5.7	
VIP Technology	B ****	13.03	12.13	11.8	-0.2	3.8	22.5	17.2	16.3
VIP Telecommunications	B ****	10.72	10.70		0.7	-2.5			
VIP Utilities	H ***	14.19	14.28	7.6	1.8	-7.8	18.9	20.6	19.1
VIP Value	B ****	12.54	12.91	6.4	0.4	-5.6	16.4		
VIP Value Leaders	H ***	12.54	12.94	4.5	0.5	-5.8	14.4		
VIP Value Strategies	H ***	12.94	16.42	8.4	-0.8	-7.4	19.7	15.7	
Fidelity Monitor VIP Income Model			20704.69	4.5	0.7	-0.6	8.6	5.0	6.0
Fidelity Monitor VIP G&I Model			26669.28	5.7	0.7	-2.4	13.0	9.4	9.7
Fidelity Monitor VIP Growth Model			40115.53	5.8	0.8	-3.7	14.2	14.1	12.2
Fidelity Monitor VIP Sector Model			19803.92	5.9	1.1	-3.9	13.6	16.7	17.0

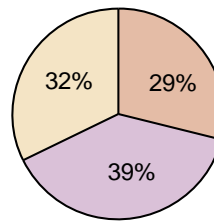
INCOME MODEL

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	\$20.54	1223.199	\$25124.51
Asset Mgr 20%	\$12.75	2728.636	\$34790.11
Freedom Income	\$11.55	2449.205	\$28288.32

8% Foreign Holdings
Balance as of 8/31/07: \$88202.94
Balance at start of 2007: \$86264.24

Freedom Income
369/FFFA



Puritan
4/FPURX

Asset
Mgr 20%
328/FASIX

PAST PERFORMANCE
Starting Balance: \$35,000

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

2007 YTD: + 2.2%

Our Income Model gained 1.0% in August. On 8/13 we sold **Floating Rate High Income** (\$9.60) and bought **Freedom Income** (\$11.48).

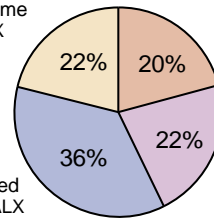
GROWTH AND INCOME MODEL

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%	\$12.75	2974.952	\$37930.64
Puritan	\$20.54	2046.700	\$42039.22
Balanced	\$20.66	3246.298	\$67068.52
Equity-Income	\$60.17	669.128	\$40261.43

9% Foreign Holdings
Balance as of 8/31/07: \$187299.81
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: + 5.2%

During August our Growth and Income Model gained 0.8%.

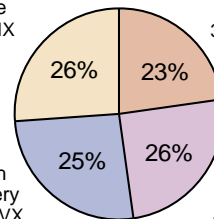
GROWTH MODEL

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	\$102.49	475.171	\$48700.28
Value Discovery	\$19.01	2801.678	\$53259.90
Value Strategies	\$34.49	1532.678	\$52862.06
Equity-Income	\$60.17	906.069	\$54518.17

13% Foreign Holdings
Balance as of 8/31/07: \$209340.41
Balance at start of 2007: \$198855.65

Equity-Income
23/FEQIX



Spartan
500 Index
317/FSMKX

As of
9/10

Growth
Discovery
339/FDSVX

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: +5.3%

Our Growth Model edged up 0.4% in August, compared to a 1.5% gain for the S&P 500. On 9/10 we will sell **Value Strategies** and buy **Growth Discovery**.

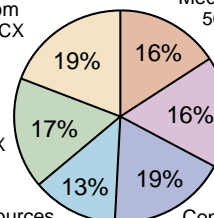
SELECT SYSTEM

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	\$50.93	1235.325	\$62915.10
Insurance	\$69.39	902.564	\$62628.92
Consumer Staples	\$62.86	1161.102	\$72986.87
Natural Resources	\$34.10	1468.738	\$50083.97
Wireless	\$8.88	7657.450	\$67998.16
Telecom	\$56.43	1349.470	\$76150.59

19% Foreign Holdings
Balance as of 8/31/07: \$392763.61
Balance at start of 2007: \$359086.92

Telecom
96/FSTCX



Medical Delivery
505/FSHCX

As of
9/10

Wireless
963/FWRLX

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: +9.4%

Our Select System gained 1.9% in August, versus 1.5% for the S&P 500. On 8/13 we sold **Software** (\$70.70) and bought **Wireless** (\$8.50). On 9/10 we will sell **Insurance** and buy **Computers**.

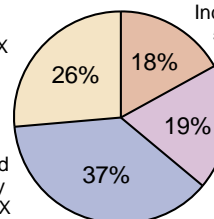
UNIQUE OPPORTUNITIES MODEL

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

FUND	NAV	SHARES	BALANCE
Industrial Equip.	\$35.24	666.244	\$23478.44
Int'l Value	\$11.91	2177.189	\$25930.32
Lev. Co. Stock	\$33.19	1469.947	\$48787.54
Trend	\$69.72	503.145	\$35079.27

29% Foreign Holdings
Balance as of 8/31/07: \$133275.57
Balance at start of 2007: \$126671.24

Trend
5/FTRNX



Industrial Equip
510/FSCGX

Int'l Value
1597/FIVLX

Leveraged
Company
122/FLVXC

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: +5.2%

Our Unique Opportunities Model declined 0.6% - mainly on weakness in foreign markets - for the month of August. On 8/13 we sold **Equity-Income** (\$59.19) and bought **Trend** (\$68.74).

Airlines and freight companies gain pricing power and market share because the costs of driving go up faster than the costs of their services.

- **Consumer Staples.** Food may turn out to be as big an inflation problem as energy. Prices are moving up, and the most efficient operators will come out ahead. This sector has the added advantage of being less risky than the market, in part because it holds up well when the economy slows down.

- **Chemicals and Materials.** Many fertilizers and industrial chemicals start with natural gas or oil, and energy is a key cost in the production of metals, concrete, plastic, and rubber. Raising prices to maintain profitability is nothing new in this group.

- **Industrial Equipment.** This is a classic cyclical sector, so it can be negatively affected if the global economy slows down. But it's also a play on energy efficiency. The easiest way for companies to contain rising energy costs is to invest in modern equipment.

- **Utilities Growth.** An indirect play on natural gas prices, but it can also be negatively affected by rising long-term interest rates. As such, it may not be an attractive bet in a strong global economy.

WHAT NOT TO BUY

The precious metals sector is considered a classic hedge against inflation, but in reality it tends to perform best when the world's central bankers are asleep at the wheel. That's not the case today. Global interest rates have been rising faster than global inflation. A fund like **Gold** may track the long-term growth of the natural resources segment, but because of its high volatility it's unlikely to add much value to your portfolio.

Alternative energy might seem to be a good place to scout for future growth opportunities, but tread carefully. The majority of profitable clean-tech firms have sky-high valuations. And those that aren't currently making money may never make any money. In some respects, alternative energy may be starting out on the same path as biotech, and that's not a good thing. For 25 years biotech startups have consumed ever larger amounts capital. Despite some big wins and the creation of a few major players, the industry as a whole has yet to recoup all the venture capital that's been showered on it. So go ahead and put solar panels on your roof, buy renewable power from the local utility, or put biofuel blends in your tank. Just don't buy the stocks. ■

Trailing the others, **Utilities** was at breakeven, and **Convertible Securities** declined 1.8%.

BOND FUNDS

Income Model holdings are listed on page 7. Our favorite is **Freedom Income**. We downgraded **Short-Term Bond** and **Ultra-Short Bond** to a sell.

The flight to safety gave a boost to medium and long-maturity treasury bond funds. **Spartan Intermediate Treasury Index** gained 2.1%, and **Spartan Long-Term Treasury Index** rose 1.8%. On the flip side, **Short-Term Bond** slid 0.9%, and **Ultra-Short Bond** suffered a 2.8% loss. Both were hurt because high-grade mortgage derivatives failed to hold their value. Muni bond returns ranged from a gain of 0.6% to a loss of 0.5%.

SELECT PORTFOLIOS

Select System holdings are listed on page 7. Sectors rated buy are **Wireless, Computers, Telecom, Chemicals, Consumer Staples, Medical Equipment, Energy Services, Ind. Equipment, Nat. Resources.**

Banking gained 4.2%, **Computers** rose 3.8%, **Biotechnology** was up 3.5%, and **Wireless** climbed 3.4%. Losers were **Brokerage**, down 3.8%, **Gold**, sliding 5.0%, and **IT Services**, falling 6.2%. ■

Happenings

Among manager changes, Joseph Wickwire has been appointed to **Gold**, and Matthew Conti has taken over at **Total Bond**. Effective 9/4, Maurice FitzMaurice will lead **Air Transportation**, and Derek Young will become the sole manager at **Strategic Income, Strategic Real Return, and VIP Strategic Income**. And finally, Christopher Sharpe has been named co-manager for the **Freedom** lineup. ■

AUGUST DISTRIBUTIONS

Asset Manager: Income	\$ 0.045/\$12.64 (8/3)
Growth Discovery	\$ 0.025/\$14.36 (8/3)
Fidelity Fifty	\$ 3.09 / \$22.88 (8/3)
Fidelity Fund	\$ 0.19 / \$37.30 (8/3)
Freedom Income	\$ 0.04 / \$11.46 (8/3)
Growth & Income II	\$ 0.56 / \$11.09 (8/3)

Funds scheduled for September include **Asset Manager 20%, Balanced, Blue Chip Growth, Blue Chip Value, Dividend Growth, Freedom Income, Ginnie Mae, Gov't Income, Growth & Income, Intermediate Gov't Income, Int'l Real Estate, Leveraged Company Stock, Low-Priced Stock, OTC Portfolio, Puritan, Real Estate, Real Estate Income, Small Cap Growth, Small Cap Value, Ultra-Short Bond, and Value Discovery.**

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	101495.6	5.21	CT MM (418/FCMXX)	1840.9	3.49			
Select MM (85/FSLXX)	3983.7	5.26	MA MM (74/FDMXX)	4960.8	3.51	FL MM (428/FSFXX)	1245.8	3.55
Money Market (454/SPRXX)	7471.4	5.25	MI MM (420/FMIXX)	937.4	3.49	MA AMT TF (426/FMSXX)	758.8	3.70
Gov't MM (458/SPAXX)	503.3	5.07	NJ MM (417/FNJXX)	2060.3	3.49	AMT Tax-Free (460/FIMXX)	3482.6	3.70
US Treas. MM (415/FDLXX)	1846.0	3.87	NY MM (92/FNYXX)	4616.5	3.50	NJ AMT TF (423/FSJXX)	673.7	3.67
Tax-Free MM (275/FMOXX)	3771.7	3.57	OH MM (419/FOMXX)	1060.3	3.49	NY AMT TF (422/FSNXX)	1223.0	3.70
US Gov't Reser (50/FGRXX)	3260.0	5.13	AZ MM (433/FSAXX)	325.9	3.55	PA MM (401/FPTXX)	642.0	3.54
CA MM (97/FCFXX)	4936.7	3.52	CA AMT TF (457/FSPXX)	1759.4	3.70	Municipal MM (10/FTEXX)	18307.1	3.63