

Jack
Bowers



Fidelity

Best Performing
Fidelity Newsletter

20
Years

OCTOBER
2008

Monitor™

Credit Market Freeze Triggers Steep Selloff For Stocks

By allowing poor risk-management practices at Lehman to result in bankruptcy, Federal officials hoped to motivate other weak players and speed up the process of capital raising and buyouts. But it didn't quite work out that way. AIG needed so much

CREDIT MARKET FREEZE - *Continued on page 2*

Unique Opportunities, Select System, G&I Model, and VIP Portfolios Plan Changes

On 10/13 we will be making changes to several of our portfolios.

Our Unique Opportunities Model will be selling **Independence** (73/FDFFX) and buying **Dividend Growth** (330/FDGFX), for a resulting mix of 17% **Magellan**, 20% **Dividend Growth**, 18% **Leveraged Company Stock**, 18% **Blue Chip Growth**, and 27% **OTC Portfolio**. This move will lighten our exposure to energy and materials and take advantage of a fund that could benefit from a surge in stock buyback activity. We also like newly appointed manager Lawrence Rakers.

Our Select System will trade **Natural Resources** (514/FNARX) for **Transportation** (512/FSRFX), for an approximate mix of 20% **Medical Equipment**, 15% **Biotechnology**, 21% **Consumer Staples**, 16% **Transportation**, 13% **Natural Gas**, and 15% **Chemicals**. This move will lighten our exposure to the energy sector and replace it with railroads and freight companies, an export-driven group with little need for credit that is likely to hang on to the pricing power it currently enjoys.

Our VIP Sector Model will sell one-half of its position in **VIP Energy** and buy **VIP Industrials**.

Our Growth and Income Model will be selling **Convertible Securities** (308/FCVSX) and buying **Disciplined Equity** (315/FDEQX), for a mix of 23% **Asset Manager 20%**, 21% **Fidelity Fund**, 37% **Balanced**, and 19% **Disciplined Equity**.

Here we are replacing an commodity-heavy position with a conservative stock fund that keeps industry weightings very close to S&P 500 proportions.

Our VIP Growth and Income Model will sell **VIP Asset Manager** and buy **VIP Index 500**.

Review & Recommendations

After Lehman failed, the cost of purchasing default insurance on bonds skyrocketed, taking down AIG, substantially weakening other major brokerage houses, and making leveraged bets of all kinds uneconomical. The deleveraging activity that followed played out somewhat like a slow-motion version of the 1987 crash, interrupted only by the attempt to put together a \$700 billion rescue package. Commodity stocks fell the hardest due to greater leverage and the increased possibility of a global recession. The S&P 500 declined 8.9% for September.

GROWTH FUNDS

Our Growth Model positions are listed on page 7. If you prefer to pick your own funds rather than follow the portfolio, our favorites include **Blue Chip Growth**, **Stock Selector**, **Dividend Growth**, **Growth Discovery**, **New Millennium**, **Tax-Managed Stock**, **Disciplined Equity**, **Magellan**, and **Fidelity Fund**.

The stocks of small, healthy banks held up well, limiting **Small Cap Value**'s decline to 3.1%, less than half the S&P 500's loss. Others that held up better than the index included **Large Cap Value**, down 7.8%, **Large Cap Growth** with an 8.8% loss, and **Disciplined Equity**, losing 8.9%. On the bottom end, **Independence** and **Leveraged Company Stock** were stung by heavy commodity stock losses. They were down 20.7% and 23.1%, respectively.

INTERNATIONAL FUNDS

Global Balanced takes advantage of foreign opportunities while keeping risk at a moderate level. **Canada** offers commodity exposure without the liquidity risk of emerging markets.

Conservative **Global Balanced** limited losses to 8.0%. **Japan Smaller Companies**, down 7.6%, and **Japan**, losing 8.3%, also held up better than the rest. Laggards included **Emerging Markets**, falling 19.3%, **Latin America** with a loss of 21.3%, and **Nordic**, tumbling 22.2%.

GROWTH & INCOME FUNDS

Our Growth and Income Model holdings are listed on page 7. If you prefer to pick your own funds instead, our favorites include **Balanced**, **Puritan**, and the **Asset Manager** group.

RECOMMENDATIONS - *Continued on page 8*

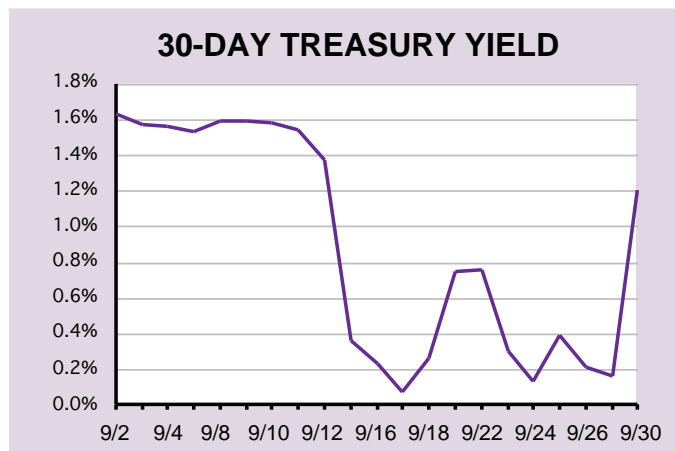
CREDIT MARKET FREEZE - *Continued from page 1*
 capital that private sources weren't really an option, and other weak players struggled to find willing partners. At the same time, Lehman's bankruptcy forced a few money market funds to choose between breaking the buck or suspending redemptions. That started a small run on money market funds, taking the 30-day treasury yield down to zero as managers scrambled to meet a surge in redemptions.

Alarmed by the risk-aversion forces that had been unleashed, and mindful that a financial system credit meltdown could starve the economy of essential loans, Paulson and Bernanke took dramatic steps. Money market insurance was offered via the exchange stabilization fund, which has \$50 billion in its coffers. An emergency order imposed a ban on shorting financial stocks. And Congress was asked to back a plan that would swap a huge portfolio of mortgage securities into the Treasury, potentially relieving banks and brokerage houses of their biggest threat.

The latter proposal set off a firestorm. Voters saw the plan as a \$700 billion bailout for Wall Street, making its odds of passage tenuous at best coming five weeks before the election. And even if the plan had passed, it's questionable how well it might have worked. Intervention efforts are most effective when resolving problems with specific institutions, or in backing cash investments against the risk of loss. There isn't much precedence in trying to get bankers to lend when they don't want to. Japan tried for fifteen years and didn't have much luck.

DEPRESSION UNLIKELY

Despite the dire warnings from Bernanke and Paulson, the U.S. is not likely to repeat the 1930s. The main impact of a credit freeze is the accelerated failure of weak institutions and corporations. But outside of the financial sector, most corporations are relatively healthy and have plenty of cash to weather a recession. In addition, the U.S. is enjoying considerable strength in exports, which – depending



on what the dollar does – may even see a boost. During the Great Depression there was no such shock absorber. In the early 1930s, the Feds kept the dollar on the gold standard, even after their wiser counterparts in Britain let the pound float free. That fateful decision single-handedly wiped out farm exports, pushed up interest rates, and eliminated any chance for the U.S.'s emerging-market economy to get back on track.

INVESTMENT IMPLICATIONS

It's possible that selling pressures in the U.S. might actually ease now that the "worst that can happen" has happened. This month's events forced a massive unwinding of stocks as conditions turned difficult and expensive for those investing with borrowed money. But the process seems to have run its course, and the stock market appears to have fully discounted the prospect of a recession. Stock ownership is now largely in the hands of long-term investors, and fear of short-term losses no longer dominates the scene. With much of the leverage squeezed out of the system, and with central bankers flooding the markets with liquidity, it's possible the market may have reached its low point. The big unknown is whether the credit freeze will become a big economic problem outside of the financial sector.

The market's rebound could be reestablished by several factors. Stock buyback activity, while not quite as strong as the last few years, is still huge, accounting for around \$350-450 billion per year. Furthermore, a majority of non-financial corporations have unusually large cash holdings, and may view the current situation as an opportunity to acquire weaker competitors on the cheap. Finally, investors have parked plenty of cash on the sidelines, and the current range of stockpicking opportunities hasn't existed since late-2002. Up until now, the market has ignored fundamentals and punished well-managed companies along with those that deserved a lower valuation. It's a disparity that seems likely to be corrected when bargain-hunters step in. Until recently the uncertainty factor has been so great that few wanted to take the chance.

Ironically, credit problems that started in the U.S. may hit harder overseas in the coming year or two. As badly as U.S. banks, brokers, and insurance companies managed risk and dealt with losses, many overseas financial firms have done even worse. Japan's economy is still limping under the weight of bad loans from a real estate bust in the early 1990s. European banks, in some cases, are struggling under the weight of an expanding credit crunch without much interest rate relief. And because the euro is strong, economic growth is

Fidelity Monitor is published by Independent Fidelity Investors, Inc, P.O. Box 1270, Rocklin, CA 95677. Web site: www.fidelitymonitor.com
 For information/service, call (800) 397-3094, email fidmonserv@aol.com or visit the web site. Subscription rate: \$139 per year, including weekly hotline service. Fidelity Monitor is not associated with Fidelity Investments. All facts and figures are obtained from reliable sources but are subject to revision. Before buying a fund, please read its prospectus. Editor: Jack Bowers. Copyright (c) 2008.

slowing. British banks have received some help from their central bank, but their woes are compounded by their relatively large role in the British economy.

Here at home the export situation is more bullish than many investors realize. The weak dollar, along with rising living standards in emerging countries, has ignited a boom of sorts. It isn't that visible in the trade deficit numbers, because it's masked by the oil price spike (and may continue to be hurt in the short run by the strike at Boeing).

But even with the credit freeze, we're still on track to become an export economy. After 20 years of growing deficits, the U.S. has already reversed the trend and may post a trade surplus within 15 years. Imports are being slowed by the decline in consumer spending, but the big story is developing countries. They've climbed far enough up the ladder of living standards that high-ticket capital goods are now required to get to the next level.

Things like high-efficiency power plants, water desalination and testing equipment, Internet routers and servers, financial reporting systems, equipment for cell phone towers, modern medical scanners, farm machinery, and efficient jet aircraft. Because discretionary income is growing, emerging market consumers are also willing to spend on entertainment, medical needs, and brand names that can be trusted.

The U.S. economy provides all this and more, and the credit freeze is unlikely to be anything more than a temporary interruption. Earnings and stock values are almost certain to rise over the next 15 years, even if consumer spending plunges and unemployment surges to the levels of the early 1990s.

RECOMMENDATIONS

Put some cash to work. This is a credit storm, not an earnings drought. The stock market is on solid ground. Companies and industries that can finance their own growth are in a stronger position than those that rely heavily on debt, and with the growing possibility of a recession the defensive groups may have the best shot at beating expectations.

Most at risk of an earnings slump are commodity and financial stocks, but the market has marked these groups down substantially to reflect the expectation of a global slowdown.

We are making no major changes in our model portfolios, but we are taking steps to cut back on energy exposure while emphasizing domestic stocks over foreign. Because the U.S. is in the final stages of the mortgage securities crisis, it's a reasonable bet that the domestic market will be the first to recover. ■

Energy Update

Over the last few months, the selloff in the energy sector was magnified by the unwinding of leveraged bets, and energy stock P/Es are now cheap compared to other sectors. At the same time, the longer term outlook for oil is shifting. The days of cheap oil are probably still gone for good, but global production capacity may grow faster than demand over the next several years. There's a possibility that tensions with Iran could drive up oil prices later this year, but it's more likely that OPEC will be cutting production to defend the \$100 price point. In our stock-oriented portfolios we're pulling back to an energy weighting of roughly 20% (versus a market weighting of around 12%), and in our Growth and Income Model we're returning to a market weighting.

Here's what's changed since our last update:

THE GLOBAL ECONOMY IS SLOWING

Even before the U.S. credit markets froze up, foreign economic growth was slowing. Now anyone who borrows to buy fuel is likely to get cut off. With Europe feeling the effects of a strong euro, Japan being weighed down by slower auto sales, and Asian emerging markets hurt by reduced fuel subsidies, odds are global demand will slow. In addition, lower prices for metals may also cut demand for electricity, reducing pressure on the coal and diesel markets.

Slower foreign growth and lower interest rates in Europe may also tend to support the greenback over the next few years. That, in turn, may cause the price of oil to slip in dollar terms.

U.S. NATURAL GAS PRODUCTION UP

About five years ago, a new method of drilling and fracturing shale deposits resulted in profitable gas wells (with limited output) almost anywhere they were drilled in the huge Barnett Shale. This year, domestic output of natural gas has expanded as drillers refined the "fracking" technique, deploying it in the newly discovered Haynesville Shale in Northern Louisiana. Some in the industry believe that this field may be the world's largest known deposit, making the U.S. the Saudi Arabia of natural gas. Three months ago, before all the deleveraging began in the energy markets, U.S. natural gas output surged to a new high, pulling down the domestic price and even reversing oil's steep climb.

Shale gas requires a more expensive drilling process that involves fracturing shale with pressurized sand and water, and the depletion rates can be higher

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 **↓**.

SEPTEMBER 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	8.77	129.5							
Aggressive Gth (324/FDEGX)	H***↓	1.07	1.5(90)	15.47	2558.8	-32.8	-13.3	-21.3	-34.6	-3.8	2.8	-2.2
Blue Chip Gth (312/FBGRX)	B****	0.94	none	35.13	13544.2	-18.4	-9.3	-9.2	-18.9	-0.3	3.1	1.3
Blue Chip Value (1271/FBCVX)	H***	1.19	none	10.65	502.8	-26.3	-11.4	-13.1	-29.7	-2.8	4.9	
Capital Apprec (307/FDCAX)	H***	1.08	none	19.90	7052.9	-25.6	-12.9	-17.8	-29.9	-2.7	3.6	5.8
Contrafund (22/FCNTX)	B****	0.86	Closed	57.15	69597.2	-21.0	-9.6	-14.0	-19.0	3.1	9.5	7.5
Growth Discovery (339/FDSVX)	B****	0.96	none	11.82	1637.2	-27.0	-12.8	-18.8	-25.0	2.6	5.5	5.8
Disc Equity (315/FDEQX)	B****↑	0.94	none	23.06	12546.7	-21.9	-8.9	-11.9	-21.7	0.3	6.4	4.5
Dividend Gth (330/FDGFEX)	B****↑	1.03	none	21.80	9465.1	-22.1	-12.4	-10.7	-26.7	-2.3	1.7	3.2
Export Fund (332/FEXPX)	H***	1.07	0.75(30)	19.33	3914.4	-24.9	-11.8	-16.5	-24.6	-0.1	6.8	8.7
Fidelity Fifty (500/FFTYX)	H***	1.08	none	15.29	1163.3	-29.7	-16.4	-23.2	-33.0	-2.7	2.5	7.1
Focused Stock (333/FTQGX)	H***	1.08	none	11.25	107.9	-15.3	-10.9	-13.7	-15.1	1.8	9.5	3.3
Growth Company (25/FDGRX)	B****	1.03	Closed	64.07	34447.3	-22.8	-13.3	-18.3	-22.1	2.5	7.2	6.3
Independence (73/FDFEX)	H***↓	1.37	none	20.05	6760.3	-27.5	-20.7	-31.9	-24.3	3.1	7.4	6.0
Lg Cap Core En Idx (1827/FLCEX)	H***	1.0 Est	none	8.17	1025.1	-19.4	-8.9	-9.1	-21.1			
Lg Cap Gth En Idx (1829/FLGEX)	H***	1.0 Est	none	8.23	31.5	-19.9	-11.1	-11.5	-21.5			
Large Cap Growth (763/FSLGX)	H***	0.89	none	8.50	123.5	-20.6	-8.8	-9.5	-21.5	-3.8	3.9	
Large-Cap Stock (338/FLCSX)	H***	1.18	none	13.86	858.8	-28.2	-12.3	-12.9	-29.2	-1.4	3.0	1.3
Lg Cap Val En Idx (1828/FLVEX)	H***	1.0 Est	none	7.56	30.5	-19.7	-7.4	-7.5	-24.1			
Large Cap Value (708/FSLVX)	H***	1.07	none	11.38	1392.1	-21.5	-7.8	-8.9	-24.6	-1.2	7.3	
Lev Co Stock (122/FLVEX)	H***↓	1.24	1.5(90)	23.19	7859.5	-27.5	-23.1	-32.4	-29.1	0.8	12.5	
Low-Priced Stock (316/FLPSX)	H***	0.89	Closed	29.20	29275.3	-19.5	-11.8	-12.2	-21.8	-0.1	8.2	11.8
Magellan (21/FMAGX)	B****	1.12	none	63.05	35177.0	-30.6	-18.0	-21.3	-29.4	-2.7	2.3	2.0
Mid Cap Growth (793/FSMGX)	H***	1.11	0.75(30)	9.94	265.8	-26.5	-15.5	-18.7	-27.7	-5.8	3.9	
Mid Cap Stock (337/FMCSX)	H***	1.09	Closed	21.33	11757.0	-26.4	-17.4	-24.0	-30.5	-1.4	5.4	8.3
Mid Cap Value (762/FSMVX)	H***↑	1.06	0.75(30)	12.87	670.0	-20.9	-11.7	-12.3	-24.3	-1.9	8.0	
New Millennium (300/FMILX)	B****	0.99	none	23.08	1860.3	-22.3	-9.8	-9.7	-21.6	2.0	6.0	10.7
OTC Portfolio (93/FOCPX)	B****	1.20	none	37.16	6696.8	-28.8	-16.7	-18.5	-27.3	1.1	5.0	4.1
Small Cap Gth (1388/FCPGX)	H***	0.99	1.5(90)	12.00	1259.4	-24.0	-12.2	-14.5	-23.5	0.5		
Small Cap Indep (336/FDSCX)	H***	1.04	1.5(90)	14.67	1892.7	-26.3	-11.9	-14.6	-29.2	-2.9	5.9	6.1
Small Cap Stock (340/FSLCX)	H***	0.93	Closed	13.58	3889.7	-21.0	-12.9	-11.2	-23.6	-0.9	6.8	11.6
Small Cap Value (1389/FCPVX)	B****↑	1.18	1.5(90)	12.08	1237.2	-10.3	-3.1	6.9	-13.3	2.7		
Stock Selector (320/FDSSX)	B****	0.98	none	22.76	1021.7	-22.8	-11.3	-12.5	-23.8	0.4	5.3	3.5
Tax Mgd Stock (343/FTXMX)	B****	0.94	1(730)	12.40	178.7	-22.8	-11.6	-15.6	-22.4	0.1	7.2	
Trend (5/FTRNX)	B****	1.05	none	51.17	841.1	-27.6	-14.3	-17.5	-25.3	0.1	5.2	5.0
Value (39/FDVLX)	H***	1.11	none	58.72	17900.6	-21.7	-13.2	-11.8	-27.0	-1.4	7.8	8.9
Value Discovery (832/FVDFX)	H***	1.16	none	13.73	1032.9	-22.9	-9.8	-9.5	-25.4	0.7	8.8	
Value Strategies (14/FSLSX)	H***	1.16	none	21.25	245.7	-26.2	-14.1	-13.5	-30.5	-1.8	4.1	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B****↓	0.68	none	15.84	25346.7	-18.3	-10.6	-12.6	-19.6	0.8	6.0	6.6
Convertible Sec (308/FCVXSX)	H***↓	0.95	none	20.14	3175.8	-27.3	-21.7	-29.8	-28.3	-0.8	4.4	8.5
Equity-Income (23/FEQIX)	H***	1.13	none	40.86	25898.3	-23.8	-10.2	-10.9	-28.5	-1.6	4.5	4.2
Equity-Income II (319/FEQTX)	H***	1.13	none	17.36	8139.6	-23.1	-10.1	-9.5	-26.3	-2.3	3.4	4.0
Fidelity Fund (3/FFIDX)	B****	0.98	none	29.67	6860.4	-22.9	-11.0	-14.1	-20.9	2.1	6.0	3.6
Growth & Income (27/FGRIX)	H***	1.35	none	18.67	12509.4	-30.9	-15.6	-14.3	-34.6	-7.8	-1.0	0.0
Mega Cap Stock (361/FGRTX)	H***↓	1.02	none	8.92	622.6	-23.0	-9.5	-9.3	-24.4	-0.2	3.4	
Puritan (4/FPURX)	B****	0.60	none	15.73	21413.8	-16.2	-7.9	-9.1	-17.1	1.4	5.2	5.0
Real Estate Income (833/FRIFX)	H***↑	0.34	0.75(90)	8.92	390.7	-11.3	-5.8	-6.0	-13.7	-2.3	2.5	
Real Estate (303/FRESX)	H***↑	1.70	0.75(90)	25.38	4918.1	-1.2	-3.4	0.3	-16.2	2.2	11.7	12.1
Strategic Div & Inc (1329/FSDIX)	B****	0.99	none	9.64	720.1	-22.0	-12.3	-14.6	-25.8	-2.0		
Utilities (311/FUIX)	H***↓	0.87	none	14.82	1023.7	-27.2	-13.5	-19.5	-28.3	0.6	8.9	2.3
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.52	0.75(30)	25.85	53.2	-33.1	-12.5	-1.5	-41.5	-3.9	3.6	7.7
Automotive (502/FSAVX)	H***	1.42	0.75(30)	26.22	16.7	-29.9	-7.6	-7.3	-38.7	-8.2	-0.5	2.9
Banking (507/FSRBX)	S**	2.12	0.75(30)	18.87	284.6	-22.4	-1.9	9.3	-34.9	-10.0	-2.7	1.8
Biotechnology (42/FBIOX)	B****	0.92	0.75(30)	65.73	1541.6	-1.4	-8.3	0.8	-6.5	3.3	6.0	8.5
Brokerage (68/FSLBX)	H***	1.44	0.75(30)	46.26	613.1	-27.9	-9.8	-6.8	-27.7	-1.0	7.0	11.0
IT Ser / Bus Ser (353/FBSOX)	H***	1.03	0.75(30)	14.71	76.5	-12.0	-12.3	-9.7	-10.9	5.9	9.1	8.4
Chemicals (69/FSCHX)	B****	1.31	0.75(30)	68.76	572.5	-16.8	-18.1	-22.1	-16.2	9.7	16.0	11.9
Computers (7/FDCPX)	H***	1.17	0.75(30)	34.94	382.1	-27.7	-15.0	-14.2	-26.7	-0.6	1.8	1.6
Const & Housing (511/FSHOX)	H***	1.60	0.75(30)	29.80	84.3	-9.6	-8.3	-0.9	-16.4	-5.9	6.7	8.7
Consumer Disc (517/FSCPX)	H***	1.14	0.75(30)	17.73	26.4	-15.6	-8.4	-0.7	-23.3	-2.9	1.5	2.2
Industrial / Cyc Ind (515/FCYIX)	B****↑	1.02	0.75(30)	17.75	141.9	-20.0	-14.3	-11.4	-21.1	4.2	12.6	9.4
Defense & Aero (67/FSDAX)	H***	0.98	0.75(30)	60.99	946.9	-26.5	-13.0	-6.4	-29.7	1.9	12.4	11.1
Com Equip / DevC (518/FSDCX)	H***	1.25	0.75(30)	16.63	258.5	-26.0	-20.9	-17.0	-32.1	-5.3	2.9	2.9
Electronics (8/FSELX)	H***	1.23	0.75(30)	31.02	1134.9	-32.0	-17.5	-19.3	-38.6	-9.6	-2.8	3.7
Energy (60/FSENX)	H***↓	1.70	0.75(30)	47.19	2994.1	-27.8	-22.5	-37.9	-21.3	5.2	22.4	14.5
Energy Service (43/FSESX)	B****	1.68	0.75(30)	72.87	2429.6	-25.3	-24.5	-37.9	-24.1	8.9	23.3	17.6
Environmental (516/FSLEX)	B****↑	0.94	0.75(30)	16.15	59.8	-16.6	-10.6	-7.8	-14.8	1.0	6.1	2.2
Financial Services (66/FIDSX)	S**	1.79	0.75(30)	66.12	399.5	-30.8	-6.2	-2.8	-38.8	-9.3	-1.4	3.2
Con Stap / Food Ag (9/FDFAX)	B****	0.61	0.75(30)	59.37	699.3	-10.8	-3.6	-1.1	-7.5	9.9	11.6	7.4
Gold (41/FSAGX)	H***	1.72	0.75(30)	31.02	1730.0	-21.9	-8.5	-28.7	-19.9	12.8	12.6	14.1
Health Care (63/FSPHX)	B****	0.69	0.75(30)	99.20	1825.3	-17.5	-8.1	-4.2	-16.6	0.2	5.7	4.2
Home Finance (98/FSVLX)	S**	2.36	0.75(30)	14.39	112.3	-49.3	-21.2	-24.7	-62.1	-28.2	-15.6	-3.6
Indust Equip (510/FSCGX)	H***	1.06	0.75(30)	26.32	122.0	-25.5	-15.9	-14.7	-25.4	3.6	10.1	6.6
Materials / Ind Mat (509/FSDPX)	H***↓	1.36	0.75(30)	43.90	332.1	-24.9	-21.2	-28.7	-24.3	7.9	13.4	11.5
Insurance (45/FSPCX)	H***	1.47	0.75(30)	40.22	110.2	-36.1	-10.9	-8.7	-40.5	-10.5	-0.3	5.4
Leisure (62/FDLSX)	H***	1.10	0.75(30)	61.29	185.7	-20.0	-7.7	-0.3	-23.0	1.0	5.8	6.1
Medical Delivery (505/FSHCX)	H***	0.85	0.75(30)	37.12	426.9	-28.8	-9.6	-3.5	-23.6	-5.1	12.7	8.7
Medical Equip/Sys (354/FSMEX)	B****	0.68	0.75(30)	24.79	1548.1	2.9	-5.1	3.1	2.7	8.2	11.5	14.9
Multimedia (503/FBMPX)	H***	0.97	0.75(30)	29.44	48.0	-19.7	-11.4	-8.0	-26.4	-4.3	1.0	4.9
Natural Gas (513/FSNGX)	B****	1.69	0.75(30)	33.52	1823.8	-28.0	-22.6	-40.3	-20.2	0.7	20.2	15.0
Nat Resources (514/FNARX)	H***↓	1.66	0.75(30)	28.67	2348.0	-27.5	-22.5	-37.4	-20.8	8.9	22.3	15.1
Networking (912/FNINX)	H***	1.20	0.75(30)	1.71	56.4	-31.0	-18.6	-19.0	-37.6	-9.1	-4.7	
Paper & Forest (506/FSPEX)	H***	1.27	0.75(30)	25.94	21.9	-17.2	-6.9	5.2	-20.5	1.0	1.2	5.5
Pharmaceuticals (580/FPHAX)	H***	0.74	0.75(30)	9.83	147.5	-14.9	-5.4	-1.3	-13.2	3.4	5.2	
Retailing (46/FSRPX)	H***	1.28	0.75(30)	35.95	58.5	-12.1	-7.3	0.0	-19.3	-0.7	4.7	4.2
Software (28/FSCTX)	H***	1.15	0.75(30)	59.32	765.3	-27.0	-13.3	-16.1	-20.0	4.6	6.1	8.3
Technology (64/FSPTX)	H***	1.25	0.75(30)	55.00	1498.7	-32.4	-20.4	-19.7	-34.1	-3.7	0.5	3.6
Telecom (96/FSCTX)	H***	1.22	0.75(30)	34.84	289.9	-32.9	-15.7	-14.4	-40.8	-1.8	5.8	-0.1
Transportation (512/FSREX)	B****↑	1.28	0.75(30)	40.21	94.5	-9.5	-10.8	-3.0	-16.1	2.0	9.0	11.9
Utilities Growth (65/FSUTX)	H***↓	0.89	0.75(30)	45.96	490.3	-28.5	-15.5	-26.1	-23.9	2.4	10.8	3.2
Wireless (963/FWRLX)	H***	1.26	0.75(30)	5.78	318.2	-33.1	-17.4	-17.2	-38.5	-2.2	12.9	

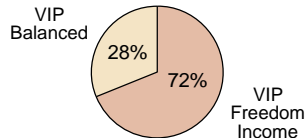
SEPTEMBER PERFORMANCE						30-day	2008	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	1.02	1 (30)	10.02	354.1		-33.8	-16.8	-26.3	-37.5	-4.8	2.7
Canada (309/FICDX)	B****	1.07	1.5(90)	50.64	4821.2		-17.5	-13.6	-20.5	-16.1	9.7	19.0
China Region (352/FHKCX)	S↓	1.33	1.5(90)	20.58	1206.7		-34.0	-14.9	-21.9	-35.5	9.1	12.4
Diversified Int'l (325/FDIVX)	H***	0.96	Closed	28.53	45214.0		-28.5	-13.7	-20.8	-28.8	2.3	10.4
Emerging EMEA (2053/FEMEX)	S↓↓	1.5 Est	1.5(90)	6.80	63.0			-14.1	-26.9			
Emerging Mkts (322/FEMKX)	S**	1.25	1.5(90)	20.14	4527.7		-40.5	-19.3	-32.2	-36.6	8.8	19.2
Europe (301/FIEUX)	S↓↓	0.93	1 (30)	29.22	4051.1		-30.7	-13.9	-23.9	-28.7	1.4	12.7
Europe Cap Appr (341/FECAX)	S↓↓	0.98	1 (30)	18.30	820.3		-31.2	-14.8	-22.0	-31.1	3.5	11.3
Global Balanced (334/FGBLX)	B****	0.52	1 (30)	19.16	449.4		-14.7	-8.0	-12.4	-13.8	4.2	8.7
Int'l Discovery (305/FIGRX)	H***	0.93	1 (30)	29.98	10956.5		-30.4	-12.9	-21.2	-30.0	2.8	11.2
Int'l Enhanced Index (2010/FIENX)	H***	1.0 Est	1 (30)	7.21	10.8			-13.3	-20.6			
Int'l Growth (1979/FIGFX)	H***	1.1 Est	1 (30)	6.83	19.0		-28.6	-14.5	-21.7			
Int'l Real Estate (1368/FIREX)	S**	1.16	1.5(90)	8.76	531.1		-34.6	-12.4	-19.3	-41.3	-3.1	
Int'l Small Cap (818/FISMV)	H***	0.84	Closed	16.03	969.4		-30.6	-16.0	-25.8	-33.3	-1.5	11.9
Int'l Small Cap Opp (1504/FSCOX)	H***	1.13	2 (90)	9.13	675.8		-36.7	-18.8	-28.1	-42.7	-1.7	
Int'l Value (1597/FIVLX)	H***	1.08	1 (30)	7.90	264.9		-30.9	-14.8	-22.1	-33.2		
Japan (350/FJPNX)	H***	1.06	1.5(90)	10.88	1382.6		-24.1	-8.3	-18.6	-29.5	-5.2	4.2
Japan Smaller Co (360/FJSCX)	H***	0.84	Closed	8.15	517.9		-26.1	-7.6	-16.3	-32.7	-13.6	0.1
Latin America (349/FLATX)	S↓↓	1.69	1.5(90)	43.44	5220.9		-29.9	-21.3	-35.0	-26.4	15.9	31.2
Nordic (342/FNORX)	H***	1.19	1.5(90)	28.08	582.9		-38.1	-22.2	-30.5	-39.8	1.1	14.1
Overseas (94/FOSEFX)	H***	1.04	1 (30)	32.63	7616.8		-32.6	-13.3	-21.3	-32.3	2.6	9.3
Pacific Basin (302/FPBFX)	S↓↓	1.03	1.5(90)	17.60	686.7		-41.7	-15.8	-26.7	-41.5	-1.2	7.2
Southeast Asia (351/FSEAX)	S**	1.17	1.5(90)	23.61	2652.8		-40.5	-12.9	-21.8	-41.7	12.1	17.6
Total Int'l Equity (1978/FTIEX)	H***	1.0 Est	1 (30)	6.47	39.4		-31.5	-15.4	-23.5			
Worldwide (318/FWWFX)	H***	0.98	1 (30)	16.15	1408.7		-24.4	-12.4	-18.3	-23.9	3.8	8.8
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	H***	0.80	none	25.08	1824.9		-17.4	-8.5	-9.0	-19.4	1.2	6.1
NASDAQ Comp (1282/FNCMX)	B****↑	1.08	0.75(90)	27.83	170.4		-20.7	-11.7	-8.6	-22.1	-0.4	
Spart Ext Mkt Idx (398/FSEM)	B****↑	1.00	0.75(90)	31.55	2341.5		-16.4	-10.6	-9.4	-19.1	1.4	8.4
Spart Int'l Index (399/FSIIX)	S↓↓	0.97	1(90)	34.19	4428.9		-27.6	-12.4	-18.9	-29.3	1.8	9.9
Spart 500 Index (317/FSMKX)	B****	1.00	none	81.26	7059.8		-19.3	-8.9	-8.4	-22.0	0.1	5.1
Spart Total Mkt Idx (397/FSTMX)	H***	0.99	0.5(90)	33.22	4863.9		-18.5	-9.2	-8.5	-21.2	0.6	5.9
Asset Mgr 20% (328/FASIX)	B****	0.19	none	11.36	2417.9		-6.9	-4.3	-4.4	-6.8	2.2	4.2
Asset Mgr 30% (1957/FTANX)	B****	0.3 Est	none	8.66	35.3		-10.2	-6.1	-6.4			
Asset Mgr 40% (1958/FFANX)	B****	0.4 Est	none	8.43	11.2		-12.3	-6.7	-7.4			
Asset Mgr 50% (314/FASMV)	B****	0.50	none	12.97	6971.6		-15.3	-8.4	-9.2	-16.3	0.2	2.7
Asset Mgr 60% (1959/FSANX)	B****	0.6 Est	none	7.96	15.5		-17.1	-8.7	-9.9			
Asset Mgr 70% (321/FASGX)	B****	0.71	none	13.63	2563.6		-19.8	-10.5	-11.8	-21.4	-0.8	2.5
Asset Mgr 85% (347/FAMRX)	B****	0.85	none	10.99	501.0		-22.3	-11.7	-13.3	-24.4	-0.7	4.6
Dynamic Strategies (1960/FDYXX)	H***↓	0.5 Est	none	8.35	96.8		-12.5	-8.3	-11.5			
Freedom 2000 (370/FFBFX)	B****	0.23	none	11.34	1741.7		-6.4	-3.9	-4.4	-6.4	2.2	3.4
Freedom 2005 (1312/FFFVX)	B****	0.45	none	10.05	1057.5		-12.7	-6.7	-8.2	-13.2	1.5	
Freedom 2010 (371/FFFCX)	B****	0.47	none	12.51	13610.0		-13.1	-6.9	-8.6	-13.6	1.5	4.2
Freedom 2015 (1313/FFVEX)	B****	0.51	none	10.42	7716.8		-14.3	-7.3	-9.2	-15.0	1.5	
Freedom 2020 (372/FFFDX)	B****	0.64	none	12.68	20238.2		-17.1	-8.6	-10.8	-18.0	1.2	5.3
Freedom 2025 (1314/FFTWX)	B****	0.68	none	10.50	7365.6		-17.9	-8.9	-11.2	-19.0	1.0	
Freedom 2030 (373/FFFE)	B****	0.79	none	12.69	13755.1		-20.1	-9.9	-12.4	-21.5	0.6	5.5
Freedom 2035 (1315/FFTHX)	B****	0.81	none	10.50	4393.0		-20.6	-10.0	-12.6	-22.0	0.5	
Freedom 2040 (718/FFFFX)	B****	0.84	none	7.37	7324.3		-21.2	-10.4	-13.1	-22.7	0.4	5.8
Freedom 2045 (1617/FFFGX)	B****	0.85	none	8.68	874.5		-21.5	-10.4	-13.0	-23.1		
Freedom 2050 (1618/FFFHX)	B****	0.89	none	8.61	770.2		-22.5	-10.9	-13.7	-24.1		
Freedom Income (369/FFFA)	B****	0.19	none	10.51	2571.4		-5.3	-3.5	-3.9	-5.1	2.3	3.1
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	H***	0.25	1(90)	7.32	9491.8	8.99	-11.5	-8.5	-10.7	-12.5	1.7	5.5
Floating Rate (814/FFRHX)	H***	0.13	1(60)	8.85	1792.6	5.91	-4.1	-5.1	-4.8	-4.1	1.9	2.9
Focused High Inc (1366/FHIFX)	H***	0.12	1(90)	8.77	66.9	8.52	-6.9	-5.5	-5.6	-6.5	1.7	
GNMA Portfolio (15/FGMNX)	H***	0.22	none	10.89	3522.1	4.85	3.3	0.2	1.2	6.5	5.0	4.2
Gov't Income (54/FGOVX)	H***	0.22	none	10.39	8471.1	3.81	4.0	0.3	1.7	7.5	5.3	4.2
High Income (455/SPHIX)	B****	0.16	1(90)	7.60	5360.2	9.82	-6.8	-6.8	-7.4	-7.5	2.3	4.9
Inflation-Protected (794/FINPX)	H***	0.33	none	10.87	2154.4	1.52	0.4	-3.8	-3.7	4.3	3.1	4.2
Intermed Bond (32/FTHRX)	H***	0.20	none	9.50	6858.2	5.06	-3.3	-3.2	-3.0	-2.0	1.8	2.0
Intermed Gov't Inc (452/FSTGX)	H***	0.19	none	10.41	1014.2	3.21	3.9	0.3	1.5	7.2	5.3	3.8
Invest Grade Bond (26/FBNDX)	H***	0.23	none	6.68	9778.3	5.22	-3.9	-2.7	-2.9	-3.0	1.4	2.2
Mortgage Securities (40/FMSFX)	H***	0.22	none	10.09	1045.3	5.19	0.2	0.2	0.9	-0.3	1.7	2.4
New Markets Inc (331/FNMIX)	S↓↓	0.20	1(90)	13.12	2250.1	6.72	-6.6	-7.3	-6.6	-4.6	4.0	8.0
Short-Term Bond (450/FSHBX)	H***	0.10	none	8.23	6672.0	3.94	-1.3	-0.6	-0.4	-1.3	1.8	1.9
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.33	none	10.54	1008.3	3.21	5.2	0.3	2.4	10.2		
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.47	none	10.37	67.5	4.01	4.5	0.6	2.9	10.3		
Spart S-Term Tr Idx (1563/FSBIX)	H***	0.16	none	10.44	125.5	2.14	4.2	0.8	2.0	7.1		
Strategic Income (368/FSICX)	B****	0.12	none	9.67	5416.5	6.17	-3.6	-3.9	-4.2	-2.3	3.5	5.3
Strategic Real Rtn (1505/FSRRX)	S↓↓	0.28	0.75(60)	9.38	5195.3	4.08	-4.1	-6.2	-10.3	-3.8		
Total Bond (820/FTBFX)	H***	0.20	none	9.71	9932.1	5.54	-2.5	-3.2	-2.9	-0.9	2.4	3.0
Ultra-Short Bond (812/FUSEX)	H***	0.08	0.25(60)	8.21	310.5	2.19	-7.1	-0.3	-0.3	-10.9	-2.3	-0.6
US Bond Index (651/FBIDX)	H***	0.22	none	10.55	8913.1	4.69	0.2	-1.3	-0.7	2.4	3.5	3.4
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FSAZX)	H***	0.19	0.5(30)	10.46	143.1	4.16	-4.2	-4.9	-3.9	-3.1	1.1	2.0
CA Municipal Inc (91/FCFTX)	H***	0.17	0.5(30)	11.36	1599.1	4.22	-3.5	-4.4	-3.0	-2.5	1.5	2.7
CA Short-Int TF (1534/FCSTX)	H***	0.08	0.5(30)	10.08	233.3	2.84	1.7	-1.6	0.5	3.2		
CT Municipal Inc (407/FICNX)	H***	0.16	0.5(30)	10.72	510.7	3.80	-2.2	-3.9	-2.4	-0.7	2.0	2.5
Intermediate Muni (36/FLTMX)	H***	0.11	0.5(30)	9.66	2644.7	3.67	-0.2	-2.6	-0.9	1.3	2.8	3.0
MA Municipal Inc (70/FDMMX)	H***	0.17	0.5(30)	11.04	2050.8	4.02	-3.3	-4.4	-3.0	-1.9	1.8	2.8
MD Municipal Inc (429/SMDMX)	H***	0.17	0.5(30)	10.15	156.5	3.97	-3.0	-4.3	-3.0	-1.8	1.6	2.3
MI Municipal Inc (81/FMHTX)	H***	0.15	0.5(30)	11.16	625.0	3.77	-2.2	-3.9	-2.2	-0.7	2.2	2.7
MN Municipal Inc (82/FIMIX)	H***	0.14	0.5(30)	10.71	386.3	3.64	-1.6	-3.5	-1.9	-0.2	2.1	2.7
Municipal Income (37/FHIGX)	H***	0.18	0.5(30)	11.74	5169.5	4.31	-3.6	-4.5	-3.3	-2.3	1.6	2.8
NJ Municipal Inc (416/FNJHX)	H***	0.16	0.5(30)	10.81	622.6	3.94	-3.1	-4.4	-2.8	-1.5	1.9	2.8
NY Municipal Inc (71/FTFMX)	H***	0.17	0.5(30)	11.93	1548.7	4.13	-3.3	-4.7	-3.3	-1.7	1.7	2.6
OH Municipal Inc (88/FOHFX)	H***	0.17	0.5(30)	10.80	452.1	3.98	-3.3	-4.7	-3.3	-1.6	1.8	2.6
PA Municipal Inc (402/FPXTX)	H***	0.14	0.5(30)	10.14	346.3	3.90	-2.7	-4.1	-2.6	-1.1	1.9	2.7
Short-Int Municipal (404/FSTFX)	H***	0.07	0.5(30)	10.25	1844.1	2.75	1.8	-1.5	0.4	3.4	3.2	2.4
Tax-Free Bond (90/FTABX)	H***	0.18	0.5(30)	10.03	1168.2	4.44	-3.2	-4.6	-3.2	-2.0	1.8	3.0

SEPTEMBER 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	0.92	10850.66	-16.6	-5.8	-3.7	-19.8	3.3	5.6	5.5
S&P 500	1.00	1166.36	-19.3	-8.9	-8.3	-22.0	0.2	5.2	3.1
NASDAQ	1.08	2082.33	-21.0	-12.0	-9.0	-22.3	-0.3	3.9	2.6
Russell 2000	1.18	679.58	-10.4	-8.0	-1.1	-14.5	1.8	8.1	7.8
Fidelity Monitor Income Model	0.31	81093.90	-9.6	-5.8	-6.5	-9.9	0.6	2.1	3.2
Fidelity Monitor G&I Model	0.63	152038.37	-19.6	-11.7	-15.2	-20.9	-0.2	5.2	6.4
Fidelity Monitor Growth Model	0.97	163166.61	-23.5	-11.3	-14.2	-25.0	-0.7	6.4	6.3
Fidelity Monitor Select System	0.96	338277.77	-18.5	-13.0	-18.8	-18.6	3.2	7.7	8.3
Fidelity Monitor Unique Opportunities	1.12	101814.14	-28.0	-17.9	-24.5	-27.8	-0.9	8.8	

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

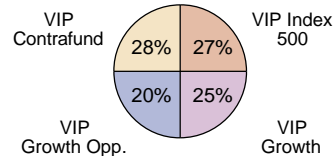


PAST PERFORMANCE

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: +6.2%
2000: -2.4%	*2008: -10.0%

VIP GROWTH MODEL

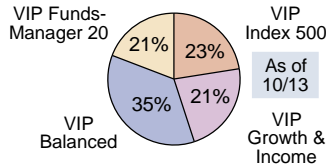


PAST PERFORMANCE

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: -28.6%

VIP G & I MODEL

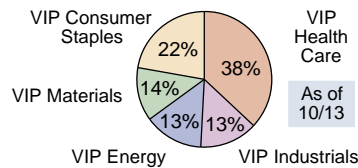


PAST PERFORMANCE

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: -17.2%

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: -22.3%

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

SEPTEMBER VIP PERFORMANCE Portfolio	PRA Rating	RR Value	2008 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***↓	8.77	9.15	-32.9	-13.1	-20.8	-35.1	-4.9
VIP Asset Manager	H ***↓	10.53	32.93	-16.6	-11.7	-18.5	-14.8	1.3
VIP Asset Manager: Growth	H ***↓	10.30	21.09	-20.6	-14.1	-22.2	-18.8	0.7
VIP Balanced	B ****↓	10.20	15.08	-19.4	-11.2	-13.5	-20.7	-0.2
VIP Consumer Discretionary	H ***	8.73	9.55	-15.9	-8.3	-0.7	-23.8	-3.6
VIP Consumer Staples	B ****	9.92	9.86	-11.1	-3.6	-1.2	-8.1	
VIP Contrafund	B ****	10.37	38.37	-25.7	-11.9	-15.1	-25.2	-0.1
VIP Disciplined Small Cap	B ****↑	8.65	8.56	-12.6	-7.5	-2.7	-17.4	7.3
VIP Dynamic Capital Appreciation	H ***	9.73	11.73	-26.9	-13.3	-18.4	-31.2	-2.5
VIP Energy	B ****	13.30	22.89	-28.3	-22.7	-37.9	-22.0	6.2
VIP Equity-Income	H ***	9.39	52.25	-24.6	-10.6	-11.5	-29.4	-2.4
VIP Financial Services	S **	7.44	9.02	-30.7	-6.3	-3.3	-39.0	-9.7
VIP Freedom 2005	B ****	10.52	10.61	-13.6	-7.0	-8.6	-13.9	1.1
VIP Freedom 2010	B ****	10.46	10.59	-14.2	-7.3	-8.9	-14.5	1.0
VIP Freedom 2015	B ****	10.54	10.72	-15.6	-7.8	-9.7	-16.1	1.1
VIP Freedom 2020	B ****	10.38	10.60	-18.7	-9.3	-11.5	-19.5	0.5
VIP Freedom 2025	B ****	10.36	10.63	-19.5	-9.7	-12.0	-20.4	0.5
VIP Freedom 2030	B ****	10.25	10.56	-21.8	-10.7	-13.4	-23.0	0.1
VIP Freedom Income	B ****	10.82	10.78	-5.7	-3.6	-3.9	-5.3	2.1
VIP FundsManager 20	B ****	10.43	10.29	-6.1	-3.6	-4.3	-5.3	
VIP FundsManager 50	B ****	9.77	9.64	-14.0	-6.7	-8.2	-14.5	
VIP FundsManager 70	B ****	9.28	9.16	-19.5	-8.9	-11.1	-20.8	
VIP FundsManager 85	B ****	8.93	8.81	-23.3	-10.4	-13.0	-25.0	
VIP Growth	B ****	9.98	54.95	-28.1	-13.1	-19.6	-27.0	-0.4
VIP Growth & Income	B ****	10.16	16.64	-23.4	-11.4	-12.7	-24.4	-0.5
VIP Growth Opportunities	B ****	8.26	9.94	-39.9	-23.7	-34.2	-38.6	-6.9
VIP Growth Stock	B ****	9.23	9.35	-27.6	-14.3	-17.1	-26.2	-3.5
VIP Health Care	B ****	9.92	11.43	-18.1	-8.0	-4.5	-17.3	-0.9
VIP High Income	B ****	10.70	29.78	-7.3	-6.3	-6.7	-7.9	1.8
VIP Index 500	B ****	9.95	31.99	-19.8	-9.0	-8.6	-22.7	-0.6
VIP Industrials	B ****↑	11.34	16.30	-20.6	-14.4	-11.7	-21.8	3.8
VIP Int'l Capital Appreciation	S ***↓	8.50	8.87	-34.2	-16.9	-26.5	-38.2	-5.9
VIP Investment Grade Bond	H ***	10.64	29.53	-2.6	-2.5	-2.4	-1.0	1.5
VIP Materials	H ***↓	8.67	8.62	-24.2	-21.0	-28.1	-23.7	
VIP Mid Cap	B ****	10.92	19.46	-21.2	-13.5	-15.1	-23.0	1.6
VIP Money Market		11.34	21.78	1.7	0.2	0.5	2.8	3.6
VIP Overseas	H ***	10.78	33.59	-29.5	-13.2	-21.0	-29.3	1.4
VIP Real Estate	H ***↑	11.60	18.32	-1.0	-2.2	2.5	-13.8	4.3
VIP Strategic Income	B ****	11.04	12.00	-3.8	-3.9	-4.2	-2.7	2.7
VIP Technology	H ***	9.01	8.34	-32.8	-20.2	-19.6	-35.1	-4.8
VIP Telecommunications	H ***	6.59	6.55	-33.7	-15.8	-15.0	-41.8	
VIP Utilities	H ***↓	11.38	11.39	-28.3	-15.3	-26.0	-23.2	3.1
VIP Value	H ***	9.33	9.56	-22.2	-13.1	-11.8	-27.6	-2.8
VIP Value Leaders	H ***	9.18	9.43	-26.5	-11.4	-13.2	-30.0	-3.5
VIP Value Strategies	H ****	9.23	11.66	-26.6	-14.2	-13.7	-31.0	-2.4
Fidelity Monitor VIP Income Model		18939.74		-10.0	-5.9	-6.8	-10.2	0.6
Fidelity Monitor VIP G&I Model		22485.05		-17.2	-9.9	-12.8	-17.6	0.6
Fidelity Monitor VIP Growth Model		29563.70		-28.6	-14.1	-19.4	-29.3	-2.6
Fidelity Monitor VIP Sector Model		16156.34		-22.3	-13.2	-18.9	-22.7	1.0

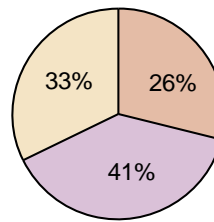
INCOME MODEL

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

FUND	NAV	SHARES	BALANCE
Balanced	\$15.84	1319.414	\$20899.52
Asset Mgr 20%	\$11.36	2897.400	\$32914.46
Freedom Income	\$10.51	2595.616	\$27279.92

7% Foreign Holdings
Balance as of 9/30/08: \$81093.90
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: - 9.6%

During September our Income Model declined 5.8%.

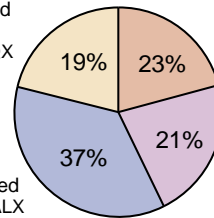
GROWTH AND INCOME MODEL

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%	\$11.36	3158.948	\$35885.65
Fidelity Fund	\$29.67	1071.788	\$31799.95
Balanced	\$15.84	3511.399	\$55620.56
Conv. Securities	\$20.14	1426.624	\$28732.21

10% Foreign Holdings
Balance as of 9/30/08: \$152038.37
Balance at start of 2008: \$189006.21

Disciplined
Equity
315/FDEQX



Asset Mgr.
20% (Inc)
328/FASIX

As of
10/13
Fidelity
Fund
3/FIDIX

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: -19.6%

Our Growth and Income Model lost 11.7% in September. On 10/13 we will sell **Convertible Securities** and buy **Disciplined Equity**.

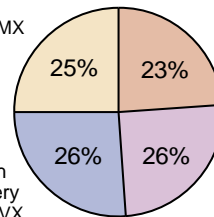
GROWTH MODEL

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	\$22.76	1681.246	\$38265.16
Blue Chip Growth	\$35.13	1205.483	\$42348.62
Growth Discovery	\$11.82	3529.634	\$41720.27
Tax-Managed Stock	\$12.40	3292.948	\$40832.56

16% Foreign Holdings
Balance as of 9/30/08: \$163166.61
Balance at start of 2008: \$213419.53

Tax-Managed
Stock
343/FTXMX



Stock
Selector
320/FDSSX

Blue Chip
Growth
312/FBGRX

PAST PERFORMANCE
Starting Balance: \$15,000

1987: + 2.8%	1998: + 9.9%
1988: +26.0%	1999: +29.0%
1989: +30.4%	2000: -10.8%
1990: - 4.4%	2001: - 6.4%
1991: +40.6%	2002: -17.1%
1992: +15.7%	2003: +46.1%
1993: +31.9%	2004: +12.4%
1994: - 2.1%	2005: +11.2%
1995: +27.2%	2006: +15.7%
1996: +19.2%	2007: + 7.3%
1997: +25.5%	

2008 YTD: -23.5%

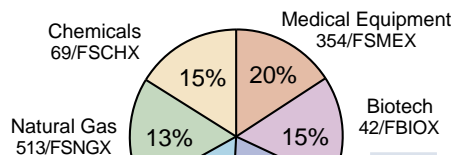
Our Growth Model was down 11.3% in September, compared to an 8.9% decline for the S&P 500.

SELECT SYSTEM

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

FUND	NAV	SHARES	BALANCE
Medical Equipment	\$24.79	2729.352	\$67660.64
Biotechnology	\$65.73	785.728	\$51645.90
Consumer Staples	\$59.37	1199.574	\$71218.71
Natural Resources	\$28.67	1890.141	\$54190.34
Natural Gas	\$33.52	1281.571	\$42958.26
Chemicals	\$68.76	735.950	\$50603.92

15% Foreign Holdings
Balance as of 9/30/08: \$338277.77
Balance at start of 2008: \$415259.49



Natural Gas
513/FSNGX

Transportation
512/FSRFX

Biotech
42/FBIOX

As of
10/13
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: -18.5%

Our Select System lost 13.0% in September, compared to an 8.9% decline for the S&P 500. On 10/13 we'll sell **Natural Resources** and buy **Transportation**.

UNIQUE OPPORTUNITIES MODEL

Target Growth Rate: 14% Target Risk Level: 1.2

FUND	NAV	SHARES	BALANCE
Magellan	\$63.05	281.954	\$17777.20
Independence	\$20.05	1003.818	\$20126.55
Lev. Co. Stock	\$23.19	784.661	\$18196.29
Blue Chip Growth	\$35.13	526.218	\$18486.04
OTC Portfolio	\$37.16	732.725	\$27228.06

15% Foreign Holdings
Balance as of 9/30/08: \$101814.14
Balance at start of 2008: \$141360.40

OTC Portfolio
93/FOCPX

Blue Chip
Growth
312/FBGRX

Magellan
21/FMAGX

As of
10/13
Dividend
Growth
330/FDGF

Lev. Co. 122/FLVX

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: -28.0%

Our Unique Opportunities Model fell 17.9% for the month. On 9/15 we sold **Japan** (\$11.00) and bought **Blue Chip Gth** (\$36.32). On 10/13 we will sell **Independence** and buy **Dividend Growth**.

than traditional wells. As such, it doesn't generate good returns unless natural gas sells above \$8 per million BTU. But the good news is that at the right price, the U.S. may now be able to produce as much natural gas as it needs. The concept of U.S. self-sufficiency is no longer just a crazy idea politicians toss around. By converting heavy truck fleets to liquefied natural gas (LNG), and embracing high-mpg plug-in hybrids when they become available, the U.S. may be able to free itself from foreign oil in less than two decades. Boone Pickens, an oil industry veteran with his own energy hedge funds, is championing an effort to convince government and industry leaders to get the ball rolling.

CONTINENTAL SHELF MAY BE OPENED

The upcoming election has led to a surprising shift in political attitudes on offshore drilling, and depending on how many states embrace the effort, the U.S. may avoid a second energy crunch 5-10 years down the road. As U.S. transportation moves increasingly toward natural gas and the grid, there's still a risk that accelerating depletion rates will cause the oil export markets to dry up faster than cars and trucks can convert to alternative sources. The U.S. has had great success drilling the continental shelf in the Gulf of Mexico, and the discovery of new oilfields in areas not previously mapped would go a long way in easing the transition away from oil. ■

SEPTEMBER DISTRIBUTIONS

Asset Manager 20%	\$ 0.034/\$11.80 (9/5)
Asset Manager 30%	\$ 0.027/ \$9.12 (9/5)
Blue Chip Growth	\$ 0.878/\$37.67 (9/12)
Blue Chip Value	\$ 0.12 / \$11.60 (9/12)
Dividend Growth	\$ 1.208/\$24.11 (9/12)
Freedom Income	\$ 0.03 / \$10.83 (9/5)
Gov't Income	\$ 0.07 / \$10.49 (9/12)
Growth & Income	\$ 0.03 / \$20.91 (9/12)
Leveraged Co. Stock	\$ 0.287/\$27.33 (9/12)
Low-Priced Stock	\$ 4.26 / \$31.74 (9/12)
Real Estate Income	\$ 0.15 / \$9.33 (9/5)
Real Estate	\$ 0.215/\$26.29 (9/5)
Small Cap Value	\$ 0.117/\$12.49 (9/12)
Value Discovery	\$ 0.11 / \$14.84 (9/12)

Funds scheduled for October include **Asset Manager 20%, 30%, 40%, and 50%, AZ Muni Inc., Balanced, Convertible Securities, Equity-Income, Equity-Inc. II, Export & Multinational, Fidelity Fund, Freedom Inc., Growth & Income, Puritan, Strategic Dividend & Income, Strategic Real Return, MD Muni Income, Short-Intermediate Municipal, and Utilities.**

Funds in this category fell more than expected, because many income-oriented securities took a big tumble along with the stock market. **Real Estate Income** declined 3.4%, **Real Estate** was down 5.8%, **Puritan** slid 7.9%, and **Balanced** lost 10.6%. On the bottom end, **Growth & Income** fell 15.6% owing to its heavy financial exposure, and **Convertible Securities** tumbled 21.7% as liquidity dried up in the convertible bond arena.

INCOME FUNDS

Our Income Model positions are listed on page 7. Our favorites include **Freedom Income, Strategic Income, and High Income.**

Treasury funds posted gains. **Spartan Short-Term Treasury Index** gained 0.8%, and **Spartan Long-Term Treasury Index** rose 0.6%. Other groups suffered heavy losses. **Strategic Real Return** lost 6.2%, **New Markets Income** was down 7.3%, and **Capital & Income** fell 8.5%.

Municipal bond funds posted declines ranging 1.5% to 4.9%, owing to dysfunctional credit markets.

SELECT PORTFOLIOS

We prefer subscribers follow the Select System (page 7), but the following buy list is provided for those looking for ideas that might pay off over the long run: **Medical Equipment, Biotechnology, Consumer Staples, Natural Gas, Energy Service, Chemicals, Environmental, Transportation, Industrials, and Health Care.**

Defensive groups held up much better than the market. **Banking** declined 1.9%, **Consumer Staples** slid 3.6%, and **Medical Equipment** limited its loss to 5.1%. But the energy and materials groups were hit hard. Those that lost the most included **Natural Gas** with a 22.6% tumble, and **Energy Service** which plunged 24.5%. ■

Happenings

Lawrence Rakers, former **Balanced** manager, has been appointed manager of **Dividend Growth**. The equity side of **Balanced** is now being managed by the Multi-Manager Group, eight managers who focus on stocks in specific industry groups – much like the Select managers do. As a result of this change we have upgraded **Dividend Growth** to a buy rating. **Balanced**, which seems to be getting less help from its bond holdings in recent months, is still a buy but we are now giving it four stars instead of five. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	127577.1	2.64	CT MM (418/FCMXX)	2170.4	5.34			
Select MM (85/FSLXX)	7714.4	2.65	MA MM (74/FDMXX)	5394.3	5.26			
Money Market (454/SPRXX)	7729.3	2.68	MI MM (420/FMIXX)	1155.5	6.24	MA AMT TF (426/FMSXX)	808.0	5.52
Gov't MM (458/SPAXX)	791.6	1.89	NJ MM (417/FNJXX)	2585.2	4.90	AMT Tax-Free (460/FIMXX)	3525.6	4.81
US Treas. MM (415/FDLXX)	4685.7	0.58	NY MM (92/FNYXX)	5690.1	5.92	NJ AMT TF (423/FSJXX)	730.4	4.97
Tax-Free MM (275/FMOXX)	6551.2	4.95	OH MM (419/FOMXX)	1201.6	5.68	NY AMT TF (422/FSNXX)	1396.0	5.28
US Gov't Reser (50/FGRXX)	3499.9	2.08	AZ MM (433/FSAXX)	392.2	5.80	PA MM (401/FPTXX)	836.1	6.24
CA MM (97/FCFX)	6356.0	5.33	CA AMT TF (457/FSPXX)	1927.5	5.03	Municipal MM (10/FTEXX)	23713.0	5.93