

Managing Portfolio Risk

What we've been seeing over the last few months is a flight to quality stocks. Well-managed companies with moderate valuations are continuing to attract investors, but those with high multiples or shaky finances suddenly look a lot more risky. The standard deviation numbers tell the story. Our calculations for the Russell 2000 and the NASDAQ indexes show them to be 60% more volatile than the S&P 500. That's quite a contrast with the same situation one year ago, when the NASDAQ's standard deviation was just 20% higher, and the Russell 2000 was actually below S&P 500 levels.

Why have investors suddenly become skittish? The prospect of rising inflation and higher interest rates is probably the main reason. But the stock market also hates uncertainty, and lately there's been plenty of it to go around. Terrorism, oil prices, the

MANAGING PORTFOLIO RISK - *Continued on page 2*

Changes To Growth Model, Select System, VIP Portfolios

On Monday, 8/9, we will be making several trades aimed at shifting the mix of our portfolios more toward value stocks.

Our Growth Model will be selling **Capital Appreciation** (307/FDCAX), placing two-thirds of the proceeds in **Value** (39/FDVLX) and moving the remaining position into **Equity-Income** (23/FEQIX), for a mix of 40% **Equity-Income**, 26% **Value**, and 34% **Export & Multinational**.

Our VIP Growth Model will be selling **VIP Growth**, moving two-thirds of the proceeds to **VIP Contrafund**, and adding the remainder to **VIP Equity-Income**.

Our Select System will be selling **Electronics** (8/FSELX) and buying **Retailing** (46/FSRPX), resulting in a mix of roughly 16% **Energy**, 20% **Banking**, 20% **Biotechnology**, 17% **Software**, 15% **Insurance**, and 12% **Retailing**. Call in your trades over the weekend to get the Monday 10 a.m. pricing.

Our VIP Sector Model will sell half of **VIP Technology** and buy **VIP Consumer Industries**.

Review & Recommendations

After digesting second-quarter reports, investors concluded that an earnings slowdown is taking hold. The resulting markdown in stock prices spared only the energy and utility groups, which were helped by renewed tightness in the world energy markets. Valuations were trimmed substantially for the high-priced groups, with the tech and biotech sectors suffering most. The S&P 500, which benefited from a "rush-to-safety" within the equity universe, was down a relatively modest 3.3%.

The Fed offered little help. The quarter-point interest-rate hike at the end of June was the first of what will probably be a long series of "measured" increases. Despite some evidence that economic growth is tapering off, Alan Greenspan seems as committed as ever to removing the stimulus of low short-term interest rates. And that objective may not be met until short-term interest rates are up above 3% – a level that's more in line with future inflation.

GROWTH FUNDS

Growth Model holdings are listed on page 7. **Export & Multinational** is the best bet for a single fund approach. Our other favorites, in increasing order of risk, include **Structured Large-Cap Value**, **Low-Priced Stock**, and **Value**.

Funds with a heavy emphasis on financial stocks held up best. **Structured Large Cap Value** and **Discovery** both slid only 1.7%, and **Structured Mid Cap Value** declined 2.5%. Those with heavy technology exposure, on the other hand, suffered substantial losses. On the bottom end, **Growth Company** and **Aggressive Growth** both tumbled 8.6%, and **OTC Portfolio** fell 9.6%.

INTERNATIONAL FUNDS

Diversified Int'l and **Int'l Growth & Income** are good bets for broad-based foreign stock exposure. **Int'l Small Cap** stands to benefit from a global economic rebound, but could be hurt if China's growth slows too rapidly.

Strength in oil and utility stocks helped **Latin America** to post a 2.9% gain, and a big stake in financial services held **Canada**'s loss to 0.1%. Japanese funds, in contrast, were negatively affected

RECOMMENDATIONS - *Continued on page 8*

MANAGING PORTFOLIO RISK - *Continued from page 1*
election, the economy – relatively few things seem to be a sure bet these days.

All told, it may not be a bad idea to review your portfolio's overall risk level, and make sure it isn't too high. Even if you're investing for the long run, the aggressive approach is not necessarily the best option. Growth strategies are prone to short-term setbacks, and they can be negatively affected when inflation heats up.

With those thoughts in mind, we're making some changes to our model portfolio selection matrix. In doing so, we've included our Unique Opportunities Model, positioning it as a conservative stock-oriented approach with more risk than our Growth and Income Model but less than our Growth Model.

Following is a discussion about the kinds of investments that are appropriate with different holding periods. These recommendations are presented as a general guideline. In many cases, tax considerations, fund minimums, fund availability, and/or personal preferences may dictate an alternative approach.

THREE YEARS OR LESS

An income-oriented approach should be used for investments you plan to liquidate within the next three years. Stocks don't usually make sense for shorter periods like this, because any loss you sustain may not be recovered before the money is needed. Rising interest rates may even render longer-duration bond funds inappropriate as well – there's just too much risk that the income earned will be wiped out by share price declines.

For a conservative approach to income, invest in bank accounts, CDs, money market funds, or in **Ultra-Short Bond**. You won't earn much, but yields will likely move higher as the Fed closes the gap between inflation and the federal funds rate over the next 18 months or so.

You might do better with our Income Model, which takes on a little more risk to realize an overall yield of 3-4%, while aiming for a long-term total return of 6% per year. Or, if you prefer to keep things really simple, **Floating Rate High Income** makes a nice choice for those seeking a single fund approach.

Investors with greater risk tolerance may want to add some modest stock exposure, especially if there's a full three years before the money is needed. A 50/50 blend of our Income Model and Growth and Income Model offers the potential for a slightly higher return, although there's a greater risk of a modest loss if things go the wrong way. Or, for a

single fund approach, **Asset Manager Income** makes a reasonable choice.

THREE TO EIGHT YEAR HORIZON

Given the extra time available to recover from a short-term decline, this block of capital should have greater exposure to conservative stocks and/or high-yield bonds to increase the odds of staying ahead of inflation. However, it doesn't really pay to take on the full risk of the S&P 500, as a bear market may not be recoverable over this window of time.

Conservative types may want to stick with a 50/50 blend of the Income Model and the Growth and Income Model, or go with a low-risk fund like **Asset Manager Income**. You may not do much better than inflation, but the risk of loss over three years or more is very low with this approach.

Most subscribers should consider a 100% position in our Growth and Income Model for this investment horizon. This model aims for an inflation-beating growth rate of 10% per year, and it looks to take on about two-thirds as much risk as the S&P 500. If you prefer a single fund approach, consider going with **Puritan**.

If you have greater-than-average risk tolerance, the Unique Opportunities Model offers a value stock approach, although we don't recommend it for an investment horizon of less than five years. **Equity-Income** makes a reasonable single-fund choice, although it could be hit almost as hard as the S&P 500 in a market decline.

EIGHT YEARS OR MORE

The portion of your capital that won't be needed for at least eight years should be mostly in stocks, because that's the surest way to keep your portfolio ahead of inflation in the long run. All your holdings may be in this category if retirement is still many years away or if your living expenses are covered by other sources (pensions, rental income, etc.).

Personal risk-tolerance plays a greater role when investing long-term money, because the short-term loss exposure is greater, and the final outcome can depend on how much risk you bear, and whether it's a good time to bear it. Generally speaking, the more risk you take on, the higher your long-term return. But there's a limit to how far you can go. Once your overall risk exceeds S&P 500 levels, the odds of a short-term event doing non-recoverable damage increase. Take on twice as much risk as the market, and it's almost certain your long-term return will lag that of an index fund. Take on three times

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as much risk and there's a good chance your long-term return will be negative.

The other issue is inflation. When inflation is low or falling, an aggressive strategy tends to generate much better returns than a value-oriented approach. However, when inflation is moderate or rising, the difference can narrow or even reverse. Because of the link between higher oil prices and inflation, a conservative approach to growth may be prudent as the fossil fuel crunch plays out over the next decade.

Our Unique Opportunities Model is the best bet for investors who prefer a less-risky value-stock approach. This model tends to have more foreign exposure than our other portfolios, and frequently has an emphasis on funds that can stand up to a higher rate of inflation. Our goal is a long-term growth rate of 12%, with overall risk below S&P 500 levels.

Our Growth Model takes a mainstream approach to growth, with emphasis on both growth and value stocks. With a 13% annual return goal, it aims a little higher and is allowed to take on more risk than the market, although its goal is to stay reasonably close to the S&P 500. Tax efficiency is a key goal in this portfolio; we try to hold any profitable positions for at least a year to realize the long-term capital gain rate for taxable accounts.

Our Select System is the most aggressive path. It has a 16% annual return goal and can take on up to 50% more risk than the S&P 500. The model uses a volatility approach to identify industry groups that show signs of being undervalued, a method

that tests well in our 14-year backtest. However, its bias toward the larger, higher-priced sectors could make it susceptible to an inflation-driven reduction in stock multiples.

OTHER CONSIDERATIONS

We encourage subscribers to mix and match to the extent that fund minimums are not a barrier.

A retired couple who has spending needs in each of the three investment periods may want to have appropriate stakes in the Income, Growth and Income, and Growth Models. Likewise, an investor with a large portfolio in the eight years or more category may want to put some holdings into the Unique Opportunities Model, some in the Growth Model, and some in the Select System.

Should you aim for growth in a tax-deferred account and keep conservative holdings on the taxable side? Under the current tax code, it's mostly a matter of personal preference. However, if you are investing for growth in a taxable account, the Growth Model may provide a slight edge after taxes.

Is there a particular time that's good for moving from one model to another? Not really. Predicting what the market will do in the short run is tough. At this stage, there are no major changes planned in any of our portfolios, so the main considerations are capital gains that could apply in a taxable account, upcoming payouts, and redemption fees that may apply when selling a recently acquired position. ■

Question & Answer Forum

In the Unique Opportunities Model, please explain why you cut back on Natural Resources, and why you like Food & Agriculture.

We still have a favorable long-term outlook for the energy group. World oil demand is rising faster than supply, and that's not likely to change even if the terrorist threat subsides after the election. Still, oil markets are notoriously unpredictable in the short run. **Leveraged Company** recently increased its energy weighting to more than a quarter of assets, which raised our overall model exposure to 30%. We figured it was reasonable to take some profits, just in case. The recent switch trimmed our energy stake to 19%, about triple the S&P 500's weighting.

Food & Agriculture is one of the least volatile stock funds in Fidelity's lineup, owing to its defensive nature. We added it to the model because it tends to

QUESTION & ANSWER - *Continued on page 8*

Risk Tolerance	Years Before Money Is Needed for Living Expenses		
	Less than 3 Yrs.	3 - 8 Years	8 Years or more
Low	Money Market	50% Income Model, 50% G&I Model	Unique Opportunities Model
Medium	Income Model	Growth and Income Model	Growth Model
High	50% Income Model, 50% G&I Model	Unique Opportunities Model	Select System

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, with no adjustment for loads. Size figures are for the beginning of the prior month, in millions. Dividend Yield is based on actual dollars posted to accounts, not the SEC yield that Fidelity must quote. 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. As of September, 2003, all retail Fidelity funds are no-load. If a fund is closed to new investors, we will list it as such in the Fee column. Ratings: **B ******* is favorite buy, **B ****** means buy, **H ***** means hold for the long run, **S **** means cut to 5% of holdings, **S *** means sell and move to a buy-rated fund in the same group. Upgrades and downgrades are indicated by ↑ and ↓.

JULY PERFORMANCE						2004	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***	1.39	1.5(90)	14.68	5347.7	-1.7	-8.6	-4.2	11.5	-12.0	-14.6	6.0
Blue Chip Gth (312/FBGRX)	H***	1.05	none	38.72	23252.8	-2.3	-4.9	-1.9	7.8	-4.6	-4.4	8.5
Blue Chip Value (1271/FBCVX)	H***	1.04	none	11.24	68.9	1.0	-3.0	1.1	16.2			
Capital Apprec (307/FDCAX)	H***↓	1.33	none	23.83	5685.6	-2.8	-6.2	-4.3	16.5	3.3	2.2	10.4
Contrafund (22/FCNTX)	B****	1.03	none	50.05	39079.7	1.4	-4.5	-0.8	15.6	4.7	1.7	12.6
Discovery (339/FDSVX)	S**	0.79	none	10.17	541.0	-1.6	-1.7	-1.3	9.0	-2.2	1.2	
Disc Equity (315/FDEQX)	H***	1.07	none	22.60	4379.4	-0.6	-3.9	0.0	12.0	-0.3	-0.9	10.0
Dividend Gth (330/FDGFY)	H***	0.96	none	26.58	19179.0	-2.6	-4.6	-3.5	8.3	-2.5	0.7	14.1
Export Fund (332/FEXPX)	B*****	1.12	0.75(30)	18.21	1264.1	0.3	-4.4	-0.3	15.1	2.5	7.2	
Fidelity Fifty (500/FFTYX)	H***	1.33	0.75(30)	18.39	926.2	-4.6	-6.1	-3.1	2.6	4.0	2.7	12.3
Growth Company (25/FDGRX)	H***↓	1.52	none	48.30	24277.4	-3.5	-8.6	-4.1	9.7	-5.2	-1.2	11.2
Large-Cap Stock (338/FLCSX)	H***	1.09	none	13.41	733.7	-3.1	-5.3	-1.8	8.2	-4.7	-4.7	
Lev Co Stock (122/FLVCX)	H***	1.42	1.5(90)	20.18	1535.7	4.4	-3.4	3.5	37.3	25.2		
Low-Priced Stock (316/FLPSX)	B****	0.98	Closed	36.18	31078.5	3.4	-3.5	0.1	21.9	13.7	15.3	16.2
Magellan (21/FMAGX)	H***	1.00	Closed	95.78	65616.5	-1.8	-3.9	-1.5	9.0	-3.7	-3.3	9.3
Mid Cap Stock (337/FMCSX)	H***	1.33	0.75(30)	20.47	8568.6	-5.0	-7.0	-2.8	8.7	-4.3	5.7	14.1
New Millennium (300/FMILX)	H***	1.59	Closed	27.99	3609.1	-7.9	-6.8	-1.1	9.9	0.8	3.5	17.9
OTC Portfolio (93/FOCPX)	H***	1.66	none	30.43	8115.7	-6.3	-9.6	-3.9	7.4	-2.6	-4.5	10.0
Independence (73/FDFFX)	H***	1.31	none	15.70	4600.4	-2.2	-6.0	-1.3	8.0	-0.9	-0.2	9.3
Small Cap Indep (336/FDSCX)	H***	1.20	1.5(90)	17.86	981.9	-0.4	-4.6	-3.1	16.0	6.3	5.9	9.3
Small Cap Stock (340/FSLCX)	H***	1.26	2(90)	16.66	3585.9	1.7	-4.8	0.9	24.0	9.3	12.1	
Stock Selector (320/FDSSX)	H***	1.04	none	20.82	809.2	-0.8	-3.9	-0.8	10.7	-1.1	-2.3	9.1
Strc Lg Cap Gth (763/FSLGX)	H***	1.21	0.75(30)	8.88	31.2	-1.6	-6.1	0.2	8.8			
Strc Lg Cap Val (708/FSLVX)	B****	0.94	0.75(30)	10.97	43.6	4.3	-1.7	2.2	18.4			
Strc Mid Cap Gth (793/FSMGX)	H***	1.41	0.75(30)	10.11	59.8	-2.0	-7.1	-1.1	13.1			
Strc Mid Cap Val (762/FSMVX)	H***	1.02	0.75(30)	12.49	76.2	3.4	-2.5	2.2	20.9			
Focused Stock (333/FTQGX)	H***	1.21	0.75(30)	8.85	36.5	0.9	-4.2	3.5	14.2	-9.9	-5.4	
Trend (5/FTRNX)	H***	1.02	none	48.90	858.1	-0.1	-3.5	-0.2	11.7	-1.2	0.0	6.2
Value (39/FDVLX)	B*****	1.08	none	65.10	8272.9	4.9	-3.6	2.3	22.9	8.4	7.5	11.8
Value Discovery (832/FVDFX)	H***	1.24	none	12.64	59.8	1.2	-3.3	0.6	16.8			
Value Strategies (14/FSLSX)	H***	1.2 Est	none	31.91	196.9	-2.7	-8.0	-3.0	20.4	4.4	8.6	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B*****	0.84	none	16.57	11045.2	-0.4	-3.1	0.0	12.8	5.0	4.8	9.6
Convertible Sec (308/FCVX)	H***	0.80	none	19.63	1813.5	-0.9	-3.6	-1.0	10.7	3.2	8.5	12.3
Equity-Income (23/FEQIX)	B*****	0.98	none	49.20	24463.9	0.7	-2.7	0.5	16.3	1.4	1.7	10.7
Equity-Income II (319/FEQTX)	H***	1.04	none	22.27	12243.6	-1.0	-1.4	0.5	12.5	2.3	2.0	10.4
Fidelity Fund (3/FFIDY)	H***	1.00	none	27.82	10498.1	-0.6	-3.4	-0.6	11.9	-1.9	-2.0	10.5
Growth & Income (27/FGRIX)	H***	0.87	none	35.46	30626.4	0.0	-2.4	-0.2	9.2	-1.8	-1.6	10.2
Growth & Inc II (361/FGRTX)	H***	0.91	none	9.02	209.5	-2.5	-2.4	-1.2	4.8	-0.6	-1.8	
Puritan (4/FPURX)	B*****	0.67	none	18.44	22344.6	1.0	-1.4	0.6	13.4	3.7	4.0	9.4
Real Estate Inc (833/FRIFX)	H***	0.25	0.75(90)	11.48	421.7	3.6	1.2	2.5	11.2			
Real Estate (303/FRESX)	H***	1.26	0.75(90)	24.74	3116.5	6.8	0.6	10.9	21.8	15.9	16.1	12.4
Strategic Div & Inc (1329/FSDIX)	B****	0.7 Est	none	10.22	351.1	1.8	-1.8	1.5				
Utilities (311/FUIX)	H***	1.03	none	11.82	807.0	3.5	1.5	2.7	14.6	-6.5	-7.3	6.3
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.49	0.75(30)	30.00	45.3	1.3	-6.2	3.3	12.2	-4.3	4.1	12.1
Automotive (502/FAVX)	S**	1.43	0.75(30)	31.16	20.4	-4.2	-2.9	-2.2	14.3	8.8	4.8	6.7
Banking (507/FSRBX)	B****	1.07	0.75(30)	38.81	460.0	-0.4	-0.4	2.0	12.1	5.6	6.0	14.2
Biotechnology (42/FBIOX)	B****	1.93	0.75(30)	52.05	2154.3	1.1	-11.4	-11.1	1.2	-5.7	2.8	13.0
Brokerage (68/FSLBX)	H***	1.56	0.75(30)	45.08	368.6	-9.2	-6.3	-6.7	0.9	1.4	6.5	15.7
Business Ser (353/FBSOX)	H***	1.18	0.75(30)	14.09	41.5	-1.7	-5.2	-3.0	11.2	-1.7	2.5	
Chemicals (69/FSCHX)	H***	1.40	0.75(30)	54.41	63.6	5.1	-2.2	3.7	24.5	11.1	9.4	9.8
Computers (7/FDCPX)	H***	2.22	0.75(30)	30.75	814.4	-14.2	-11.9	-5.6	1.6	-9.4	-9.6	13.0
Const & Housing (511/FSHOX)	H***	1.51	0.75(30)	35.65	94.8	2.6	-3.1	2.1	26.6	12.5	11.3	12.8
Consumer Indust (517/FSCPX)	H***	1.04	0.75(30)	21.45	37.1	-5.0	-4.8	-5.5	5.7	-1.5	-1.7	9.6
Cyclical Indust (515/FCYIX)	H***	1.21	0.75(30)	16.73	42.3	5.8	-2.4	5.8	27.6	5.0	6.1	
Defense & Aero (67/FSDAX)	H***	1.25	0.75(30)	58.55	358.4	6.9	-1.4	7.0	30.1	12.9	9.6	16.1
Develop Commn (518/FSDCX)	H***	2.45	0.75(30)	15.85	732.9	-4.5	-13.3	-4.5	18.7	-9.8	-9.0	9.3
Electronics (8/FSELX)	H***↓	2.41	0.75(30)	34.43	3560.6	-17.8	-14.5	-9.9	3.0	-13.3	-5.9	16.5
Energy (60/FSENX)	B****	1.34	0.75(30)	29.18	450.9	16.6	3.1	9.0	38.9	6.5	7.5	10.9
Energy Services (43/FSESX)	H***	2.09	0.75(30)	37.65	439.6	19.1	3.8	8.7	31.7	9.5	10.4	14.6
Environmental (516/FSLEX)	H***	1.27	0.75(30)	12.70	12.2	-4.6	-8.7	-3.7	9.7	-1.7	-1.0	2.4
Financial Services (66/FIDSX)	H***	1.04	0.75(30)	112.22	500.6	-1.0	-2.1	0.7	11.9	3.3	5.3	14.4
Food & Agriculture (9/FDFAX)	B****	0.75	0.75(30)	45.56	114.5	3.5	-2.6	-2.9	15.3	4.7	4.4	10.9
Gold (41/FSAGX)	H***	2.53	0.75(30)	22.83	620.0	-23.5	-1.5	2.4	0.2	23.7	15.3	2.7
Health Care (63/FSPHX)	H***	1.07	0.75(30)	117.26	2044.8	-0.6	-5.7	-5.7	3.8	-2.3	2.1	14.7
Home Finance (98/FSVLX)	H***	1.15	0.75(30)	64.95	402.5	3.0	0.0	4.9	22.1	9.6	12.5	15.3
Indust Equip (510/FSCGX)	H***	1.35	0.75(30)	24.39	53.8	0.9	-3.8	3.7	26.2	3.0	1.0	10.8
Indust Materials (509/FSDPX)	H***	1.60	0.75(30)	33.61	101.3	-4.6	-1.4	7.4	27.3	14.2	8.5	7.2
Insurance (45/FSPCX)	B****	0.95	0.75(30)	56.59	170.9	3.1	-3.5	-1.8	15.6	7.7	10.8	17.2
Leisure (62/FDLSX)	H***	1.22	0.75(30)	67.56	203.5	-0.4	-5.4	-4.1	13.7	1.7	-0.3	12.5
Medical Delivery (505/FSHCX)	H***	1.53	0.75(30)	33.04	175.9	7.2	-5.4	4.0	29.2	5.7	12.7	10.3
Medical Equip/Sys (354/FSMEX)	H***	1.03	0.75(30)	20.93	788.8	5.1	-7.1	-3.5	14.0	12.4	15.4	
Multimedia (503/FBMPX)	H***	1.41	0.75(30)	39.60	115.4	-10.2	-6.7	-7.1	3.9	0.9	0.8	12.2
Natural Gas (513/FSNGX)	H***	1.70	0.75(30)	25.98	300.1	20.4	2.9	9.4	46.3	7.9	11.7	11.4
Nat Resources (514/FNARX)	B****	1.29	0.75(30)	15.79	115.8	10.4	1.9	8.0	34.6	5.9	8.5	
Networking/Infra (912/FNINX)	H***	2.54	0.75(30)	1.97	154.8	-15.8	-16.5	-6.6	-3.4	-15.2		
Paper & Forest (506/FSPFX)	H***	1.44	0.75(30)	31.14	29.2	0.7	-3.9	3.0	20.5	3.7	6.4	8.6
Pharmaceuticals (580/FPHAX)	H***	1.20	0.75(30)	8.24	84.8	-5.9	-7.9	-8.5	0.5	-6.3		
Retailing (46/FSRPX)	B****	1.09	0.75(30)	46.22	94.8	3.2	-2.9	-0.1	13.8	0.3	-0.7	10.7
Software (28/FSCSX)	B****	1.69	0.75(30)	44.01	784.4	-10.6	-10.5	-10.5	1.3	-2.7	3.6	17.2
Technology (64/FSPTX)	H***	2.08	0.75(30)	53.11	2369.5	-11.6	-11.4	-3.8	4.7	-7.1	-6.8	13.1
Telecom (96/FSTCX)	H***	1.62	0.75(30)	33.00	369.0	3.1	-1.2	0.3	18.7	-6.8	-11.4	5.5
Transportation (512/FSRFY)	H***	1.38	0.75(30)	34.66	60.9	2.5	-3.5	6.6	16.0	3.9	6.7	11.5
Utilities Growth (65/FSUTX)	H***	1.05	0.75(30)	34.77	202.3	6.0	1.2	3.6	19.8	-7.6	-7.7	7.8
Wireless (963/FWRX)	H***	1.96	0.75(30)	4.84	364.8	18.3	-5.5	6.1	46.2	-7.8		

JULY PERFORMANCE						Div.	2004	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***	1.32	1 (30)	14.07	704.0		-7.5	-5.0	-7.9	8.6	6.6	0.5
Canada (309/FICDX)	B****	1.23	1.5(90)	27.90	290.5		1.9	-0.1	6.3	27.8	12.9	14.4
Diversified Int'l (325/FDIVX)	B****	1.12	1 (30)	24.28	17728.6		0.7	-3.9	-2.4	24.2	8.4	6.7
Emerging Mkts (322/FEMKX)	H***	1.56	1.5(90)	9.91	565.2		-6.6	-3.1	-6.8	17.6	10.9	1.7
Europe (301/FIEUX)	B****	1.33	1 (30)	26.78	1621.2		0.6	-3.9	-1.1	26.5	3.1	0.6
Europe Cap Appr (341/FECAX)	H***	1.20	1 (30)	18.20	416.9		-2.7	-5.1	-3.2	19.5	4.1	2.6
China Region (352/FHKCX)	H***	1.59	1.5(90)	14.69	285.1		-5.4	-1.0	-2.2	18.9	5.1	3.3
Global Balanced (334/FGBLX)	H***	0.84	1 (30)	18.77	138.3		-0.5	-3.8	-1.5	16.8	6.5	3.9
Int'l Growth & Inc (305/FIGRX)	B****	1.24	1 (30)	23.73	1876.2		-0.8	-5.3	-2.7	24.6	7.5	4.4
Int'l Small Cap (818/FISMX)	B****	1.32	2 (90)	19.67	1125.0		5.4	-5.7	-2.4	42.3		
Japan (350/FJPNX)	H***	2.30	1.5(90)	11.68	721.5		1.2	-9.4	-5.7	26.3	1.3	-2.7
Japan Smaller Co (360/FJSCX)	H***	2.23	1.5(90)	11.73	1565.6		13.4	-10.9	-5.4	56.7	16.5	2.4
Latin America (349/FLATX)	H***	1.97	1.5(90)	15.64	269.3		2.8	2.9	6.5	35.3	10.2	6.8
Nordic (342/FNORX)	H***	1.43	1.5(90)	21.73	106.1		3.5	-6.1	-0.5	29.1	3.1	1.7
Overseas (94/FOSFX)	H***	1.31	1 (30)	30.22	4117.2		-3.8	-4.8	-5.3	19.5	1.5	-1.2
Pacific Basin (302/FPBFX)	H***	1.73	1.5(90)	17.30	469.9		-1.3	-5.3	-5.6	21.9	5.5	-0.3
Southeast Asia (351/FSEAX)	H***	1.89	1.5(90)	13.31	436.0		-8.7	-3.1	-8.7	15.4	9.7	2.2
Worldwide (318/FWWFX)	H***	1.07	1 (30)	16.01	1059.5		-2.2	-4.4	-2.4	16.1	2.7	2.6

INDEX AND ASSET ALLOCATION:

Four-In-One Index (355/FFNOX)	H***	0.86	0.5(90)	22.82	637.8		0.3	-3.1	-0.3	14.0	1.5	0.0
NASDAQ Comp (1282/FNCMX)	H***	1.62	0.75(90)	25.89	86.6		-5.8	-7.8	-1.5			
Spart Ext Mkt Idx (398/FSEMXX)	H***	1.27	0.75(90)	27.26	1015.3		-0.2	-5.6	-1.6	16.6	5.0	1.9
Spart Int'l Index (399/FSIIX)	H***	1.20	1(90)	27.43	601.8		1.0	-3.9	-0.5	24.4	3.0	-1.3
Spart 500 Index (317/FSMKX)	H***	1.00	0.5(90)	76.20	10650.8		-0.1	-3.3	-0.1	13.0	-1.6	-2.4
Spart Total Mkt Idx (397/FSTMX)	H***	1.03	0.5(90)	29.80	2346.7		-0.2	-3.8	-0.5	13.5	-0.1	-1.3
Asset Manager (314/FASMXX)	H***	0.56	none	15.44	11327.2		-1.0	-2.3	-1.5	7.0	1.5	2.8
Asset Mgr Agg (347/FAMRXX)	H***	1.20	none	10.01	366.3		-2.2	-5.4	-3.8	16.1	-4.5	
Asset Mgr Gth (321/FASGX)	H***	0.75	none	13.99	3751.2		-2.0	-3.5	-2.6	7.8	-0.1	0.1
Asset Mgr Inc (328/FASIX)	B****	0.40	none	12.09	1336.9		0.2	-1.2	0.2	6.6	4.6	4.5
Freedom 2000 (370/FFFBX)	B****	0.32	none	11.76	1578.7		0.1	-0.8	0.2	5.2	2.5	3.7
Freedom 2005 (1312/FFVFX)	B****	0.3 Est	none	10.21	62.0		-0.2	-1.6	-0.2			
Freedom 2010 (371/FFFCX)	B****	0.53	none	12.90	7544.3		-0.3	-1.8	-0.3	8.3	2.5	3.2
Freedom 2015 (1313/FFVFX)	B****	0.5 Est	none	10.24	207.7		-0.6	-2.6	-0.6			
Freedom 2020 (372/FFFDX)	B****	0.76	none	12.84	7903.3		-0.8	-3.1	-0.9	10.9	1.4	1.7
Freedom 2025 (1314/FFTWX)	B****	0.7 Est	none	10.27	125.0		-1.0	-3.5	-1.0			
Freedom 2030 (373/FFFCX)	B****	0.88	none	12.78	4602.6		-1.1	-3.7	-1.2	11.9	0.5	0.6
Freedom 2035 (1315/FFTHX)	B****	0.8 Est	none	10.30	59.5		-1.1	-3.8	-1.3			
Freedom 2040 (718/FFFCX)	B****	0.95	none	7.43	1435.3		-1.2	-4.1	-1.3	12.8	0.0	
Freedom Income (369/FFFAFX)	B****	0.28	none	11.01	1760.1		0.1	-0.6	0.1	4.3	2.6	4.1

TAXABLE BOND FUNDS:

Capital & Income (38/FAGIX)	H***	0.33	1(90)	7.84	4148.9	6.77	1.0	0.7	0.4	12.0	10.6	4.1
Floating Rate (814/FFRHX)	B****	0.06	1(60)	9.92	1541.7	3.01	2.3	0.4	0.9	4.5		
GNMA Portfolio (15/FGMNX)	H***	0.30	none	11.00	3967.1	4.11	1.7	0.8	1.2	4.0	4.8	6.4
Gov't Income (54/FGOVX)	H***	0.43	none	10.13	4111.2	2.87	0.8	0.8	1.1	4.3	5.3	6.7
Intermed Bond (32/FTHRX)	H***	0.33	none	10.44	6774.7	3.52	0.8	0.9	0.7	4.0	5.7	6.9
Intermed Gov't Inc (452/FSTGX)	H***	0.33	none	10.18	997.1	2.90	0.5	0.7	0.6	2.8	5.0	6.3
Invest Grade Bond (26/FBNDX)	H***	0.40	none	7.45	5732.3	3.14	1.2	1.1	1.2	5.1	5.9	7.1
Mortgage Securities (40/FMSFX)	H***	0.30	none	11.17	1340.3	3.72	1.7	0.9	1.4	5.1	5.5	6.9
New Markets Inc (331/FNMIX)	H***↑	0.70	1(90)	13.26	815.4	6.28	-0.2	2.8	2.3	12.7	15.9	16.3
Short-Term Bond (450/FSHBX)	B****	0.18	none	8.98	5044.6	2.24	0.7	0.5	0.4	2.5	4.3	5.6
Spart Gov't Inc (453/SPGVX)	H***	0.44	none	10.91	826.6	3.43	1.0	0.7	1.1	4.9	5.7	7.0
High Income (455/SPHIX)	B****	0.25	1(90)	8.74	2785.9	6.83	1.6	0.6	0.2	11.8	8.7	1.5
Spart Invest Grade (448/FSIBX)	H***	0.40	none	10.63	2355.3	3.45	1.4	1.0	1.2	5.4	6.2	7.3
Strategic Income (368/FSICX)	H***	0.34	none	10.20	2335.8	5.43	0.2	0.9	0.9	9.2	9.9	8.4
Inflation-Protected (794/FINPX)	H***	0.59	none	11.09	1120.7	1.45	2.6	1.1	2.8	9.5		
Total Bond (820/FTBFX)	H***	0.39	none	10.46	364.6	3.41	1.3	1.1	1.2	5.7		
Ultra-Short Bond (812/FUSFX)	B****	0.06	0.25(60)	10.05	511.1	1.29	0.6	0.2	0.2	1.5		
US Bond Index (651/FBIDX)	H***	0.40	none	10.99	4767.6	3.86	1.0	1.0	1.0	5.1	6.1	

MUNICIPAL BOND FUNDS:

Spart AZ Muni Inc (434/FAZXX)	H***	0.33	0.5(30)	11.36	73.6	3.88	0.1	1.3	1.2	5.3	5.1	5.9
Spart CA Muni Inc (91/FCTFX)	H***	0.31	0.5(30)	12.29	1386.1	4.41	0.6	1.2	1.3	5.7	5.0	5.8
Spart CT Muni Inc (407/FICNX)	H***	0.32	0.5(30)	11.60	409.7	4.20	0.2	1.2	1.0	5.3	5.2	5.9
Spart FL Muni Inc (427/FFLIX)	H***	0.31	0.5(30)	11.50	479.2	4.20	0.4	1.3	1.2	5.8	5.1	5.8
Spart Intermediate (36/FLTMX)	H***	0.27	0.5(30)	10.03	1737.9	3.95	0.6	1.1	1.1	5.3	5.2	5.7
Spart MA Muni Inc (70/FDMMX)	H***	0.30	0.5(30)	12.00	1674.8	4.47	0.5	1.4	1.3	5.6	5.2	6.0
Spart MD Muni Inc (429/SMDMX)	H***	0.31	0.5(30)	10.86	92.9	4.08	0.4	1.2	1.0	5.2	4.8	5.7
Spart MI Muni Inc (81/FMHTX)	H***	0.31	0.5(30)	11.98	543.1	4.14	0.4	1.3	1.2	5.3	5.4	6.0
Spart MN Muni Inc (82/FIMIX)	H***	0.27	0.5(30)	11.45	339.0	4.12	0.5	1.2	1.2	5.0	5.0	5.5
Spart Municipal Inc (37/FHIGX)	H***	0.31	0.5(30)	12.89	4522.6	4.55	0.4	1.3	1.2	6.1	5.7	6.4
Spart NJ Muni Inc (416/FNJHX)	H***	0.32	0.5(30)	11.55	514.6	4.28	-0.1	1.3	1.1	5.5	5.0	5.9
Spart NY Muni Inc (71/FTFMX)	H***	0.32	0.5(30)	12.93	1306.1	4.22	0.4	1.4	1.4	5.8	5.6	6.3
Spart OH Muni Inc (88/FOHFX)	H***	0.32	0.5(30)	11.82	406.3	4.33	0.3	1.4	1.4	5.7	5.3	6.0
Spart PA Muni Inc (402/FPXTX)	H***	0.30	0.5(30)	10.84	275.6	4.22	0.5	1.7	1.5	5.4	5.1	5.8
Spart Short-Int Muni (404/FSTFX)	B****	0.16	0.5(30)	10.35	1716.3	2.60	0.2	0.7	0.6	2.5	3.7	4.5
Spart Tax-Free Bond (90/FTABX)	H***	0.34	0.5(30)	10.54	207.0	4.22	0.4	1.5	1.4	6.7	5.9	

JULY PERFORMANCE				2004	One	Three	One	3-Yr	5-Yr	10-Yr
Indexes & Model Portfolios	Risk	Value		YTD	Month	Month	Year	Rate	Rate	Rate
Dow Jones Industrial	0.95	10139.71		-1.8	-2.7	-0.3	12.1	0.9	0.9	12.6
S&P 500	1.00	1101.72		0.0	-3.3	-0.1	13.2	-1.5	-2.2	11.1
NASDAQ	1.62	1887.36		-5.5	-7.8	-1.6	9.3	-1.9	-6.2	10.6
Russell 2000	1.66	551.29		-0.4	-6.7	-1.3	17.1	5.7	5.7	10.0
Fidelity Monitor Income Model	0.11	75802.37		1.4	0.4	0.5	5.6	5.8	4.5	6.1
Fidelity Monitor G&I Model	0.70	130056.38		0.2	-2.3	0.3	14.1	7.7	6.6	10.2
Fidelity Monitor Growth Model	1.23	136972.91		-0.4	-4.6	-1.4	20.4	6.6	5.2	10.8
Fidelity Monitor Select System	1.45	247173.49		-3.5	-7.5	-3.0	9.1	3.8	3.2	12.2
Fidelity Monitor Unique Opportunities	0.99	79703.32		5.2	-2.8	2.1	26.2	14.7	7.0	

UNIQUE OPPORTUNITIES MODEL

This model aims for a long-term growth rate of 12% per year by emphasizing value and foreign opportunities.

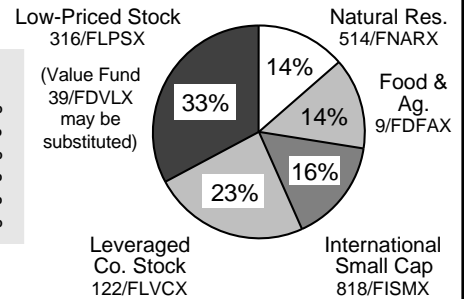
FUND	NAV	SHARES	BALANCE
Natural Resources	\$15.79	717.284	\$11325.91
Food & Ag	\$45.56	240.275	\$10946.93
Int'l Small Cap	\$19.67	629.116	\$12374.71
Leveraged Co.	\$20.18	924.149	\$18649.33
Low-Priced Stock	\$36.18	729.863	\$26406.44

32% Foreign Holdings

Balance as of 7/30/04: **\$79703.32**
Balance at start of 2004: **\$75768.12**

PERFORMANCE

Partial Yr 99: + 33.8%
2000: - 20.5%
2001: + 1.6%
2002: - 2.1%
2003: + 43.2%
*2004: + 5.2%



We lost 2.8% for the month of July. On 7/12 we sold 50% of **Nat. Resources** (\$15.61) and bought **Food & Ag** (\$46.60). Approximate asset mix is 94% stock, 1% bond, and 5% cash.

401(k) CORNER

Portfolio A is for plans similar to the one offered by General Motors. Portfolio B is for plans that include Magellan, Growth & Income, and Contrafund. Portfolio C is for plans including Magellan, Equity-Income, and Growth & Income. Portfolio D is for plans with Magellan and Equity-Income.

Portfolio A (-2.7% YTD)	Portfolio B (-0.6% YTD)	Portfolio C (-0.1% YTD)	Portfolio D (-0.1% YTD)
58% Dividend Growth, 42% Capital Appreciation	63% Magellan, 37% Contrafund	30% Magellan, 70% Equity-Income	30% Magellan, 70% Equity-Income

In July, Portfolio A declined 5.3%, Portfolio B was down 4.1%, and Portfolios C and D both lost 3.0%.

VIP CORNER

Fidelity's Variable Insurance Products allow tax-deferred growth, but the benefit is offset by a 0.8% annual annuity charge and potentially higher tax rates at withdrawal. Unless you are in a low tax bracket during the withdrawal period, annuities may not provide a higher after-tax return.

VIP SECTOR MODEL: (as of 8/9)	VIP GROWTH: (as of 8/9)	VIP G&I MODEL:	VIP INCOME:
16% Tech, 33% Fin Ser, 17% Health Care, 19% Natural Res, 15% Cons. Ind.	58% Equity-Income, 42% Contrafund	55% Asset Mgr, 31% Equity-Inc, 14% Investment Grade Bond.	71% Inv. Grade, 29% High Income.

JULY VIP PERFORMANCE		Unit Value	2004 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
Portfolio	Rating							
VIP Asset Manager	B ****	29.51	-1.5	-2.4	-1.8	6.4	1.3	0.3
VIP Asset Manager: Growth	H **	19.08	-2.5	-3.5	-2.9	7.2	-0.4	-2.8
VIP Balanced	H ***	14.00	-1.5	-1.1	-0.5	4.7	1.1	-0.4
VIP Contrafund	B ****	30.41	1.1	-4.5	-0.9	15.1	4.2	1.1
VIP Dynamic Capital Appreciation	H ***	9.92	-10.1	-9.7	-4.3			
VIP Equity-Income	B *****	49.84	0.3	-2.7	0.3	15.5	0.8	1.0
VIP Growth	H ***↓	50.27	-5.5	-6.5	-3.0	6.8	-6.8	-5.4
VIP Growth & Income	B ****	15.08	-2.8	-2.3	-1.2	4.4	-0.9	-2.2
VIP Growth Opportunities	B ****	10.87	-3.5	-4.6	-1.7	8.5	-2.8	-7.6
VIP High Income	H ***	26.06	1.2	0.9	0.4	10.9	7.4	-2.4
VIP Index 500	H ***	28.95	-0.6	-3.4	-0.3	12.0	-2.5	-3.2
VIP Investment Grade Bond	H ***	27.11	0.6	1.0	0.9	4.4	5.5	6.6
VIP Mid Cap	B ****	13.69	3.4	-2.2	2.7	25.4	9.4	
VIP Overseas	B ****	25.15	-4.3	-4.8	-5.5	18.4	-0.1	-2.8
VIP Real Estate	H ***	11.69	6.3	0.6	10.8			
VIP Value Strategies	H ***	11.00	-3.4	-8.2	-3.1			
VIP Consumer Industries	B ****↑	9.54	-5.3	-4.9	-5.8	5.2		
VIP Cyclical Industries	H ***	11.70	5.7	-2.5	5.6	27.2		
VIP Financial Services	B ****	10.96	-1.2	-2.2	0.5	11.1		
VIP Health Care	B ****	9.55	-0.9	-5.6	-5.8	3.4		
VIP Natural Resources	B ****	11.73	10.1	1.8	7.8	33.9		
VIP Technology	B ****	8.11	-12.1	-11.4	-3.8	3.4		
VIP Telecom & Utilities	H ***	8.01	6.0	0.9	3.5	19.9		
Morgan Stanley Emg Mkts Debt	H ***	15.58	-1.7	2.0	2.0	9.3	13.1	
Morgan Stanley Emg Mkts Equity	H ***	10.41	-5.5	-2.3	-4.6	19.9	9.5	
Morgan Stanley Global Equity	H ***	12.81	-0.1	-3.9	-2.2	18.0	0.4	
Morgan Stanley Int'l Magnum	H ***	9.54	-0.6	-4.2	-1.7	19.7	-1.2	
PBHG Growth II	S **	8.24	-8.5	-10.3	-6.3	-0.9	-11.3	
PBHG Select Value	H ***	14.92	-4.5	-2.7	-0.4	9.0	-18.8	
PBHG Select 20	S **	13.88	-3.3	-9.3	-1.5	6.0	5.0	
PBHG Small Cap Value	H ***	17.01	-3.8	-6.6	-4.0	12.6	-2.5	
PBHG Tech & Communications	S **	6.97	-9.1	-10.9	-2.2	6.6	-21.1	
CS Int'l Focus	H ***	9.12	-2.5	-3.1	-1.7	16.0	-2.2	
CS Global Post-VC	H ***	9.43	-1.5	-8.2	-5.6	17.5	-2.7	
CS Small Cap Growth	S **	10.31	-4.6	-10.9	-6.5	10.3	-1.8	
Fidelity Monitor VIP Sector Model		12547.62	-4.3	-6.1	-1.0	12.3		
Fidelity Monitor VIP Growth Model		27146.66	-3.5	-5.1	-1.8	9.9	-1.8	-2.7
Fidelity Monitor VIP G&I Model		20200.28	-0.7	-2.0	-0.8	9.9	2.6	0.7
Fidelity Monitor VIP Income Model		17599.14	0.8	0.9	0.7	6.2	6.5	3.9

INCOME MODEL

Our Income Model aims for positive annual returns with a 4% yield. Long-term goal is 6% per year.

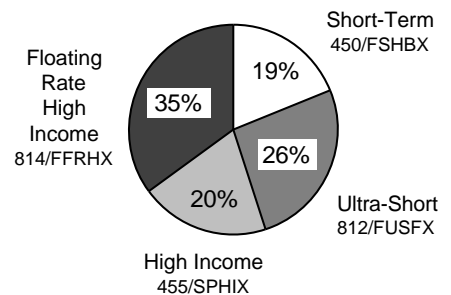
FUND	NAV	SHARES	BALANCE
Short-Term Bond	\$8.98	1597.124	\$14342.17
Ultra-Short Bond	\$10.05	1949.557	\$19593.05
High Income	\$8.74	1771.058	\$15479.05
Floating Rate	\$9.92	2660.091	\$26388.10

6% Foreign Holdings

Balance as of 7/30/04: \$75802.37
Balance at start of 2004: \$74748.25

PERFORMANCE

1992: + 10.1%
1993: + 11.3%
1994: - 2.1%
1995: + 14.8%
1996: + 9.0%
1997: + 10.5%
1998: + 3.5%
1999: + 3.0%
2000: + 0.3%
2001: + 5.6%
2002: + 5.4%
2003: + 8.4%
*2004: + 1.4%



For July we gained 0.4%. On 7/12 we sold **Real Estate Income** (\$11.44), buying 50% **High Income** (\$8.80) and 50% **Ultra-Short Bond** (\$10.05). Approximate asset mix is 84% bond, 16% cash.

GROWTH AND INCOME MODEL

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

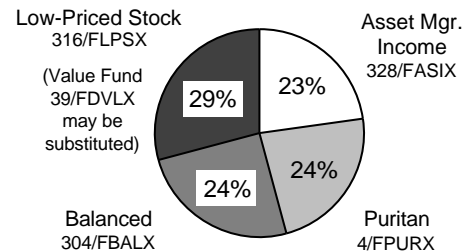
FUND	NAV	SHARES	BALANCE
Asset Mgr. Inc.	\$12.09	2515.814	\$30416.19
Puritan	\$18.44	1682.545	\$31026.13
Balanced	\$16.57	1912.186	\$31684.92
Low-Priced Stock	\$36.18	1020.706	\$36929.14

13% Foreign Holdings

Balance as of 7/30/04: \$130056.38
Balance at start of 2004: \$129816.46

PERFORMANCE

1994: - 3.7%
1995: + 21.6%
1996: + 15.8%
1997: + 18.7%
1998: + 11.1%
1999: + 12.2%
2000: + 2.7%
2001: + 1.3%
2002: - 6.4%
2003: + 33.0%
*2004: + 0.2%



We were off 2.3% in July. On 7/12 we sold **Inflation-Prot. Bond** (\$11.09) and 33% of **Balanced** (\$16.75), buying **Puritan** (\$18.51). Approximate asset mix is 64% stock, 24% bond, and 12% cash.

GROWTH MODEL

Our Growth Model aims for long-term growth of 13% per year. The model typically invests in a mix of domestic stock funds and will strive to hold profitable positions for at least one year.

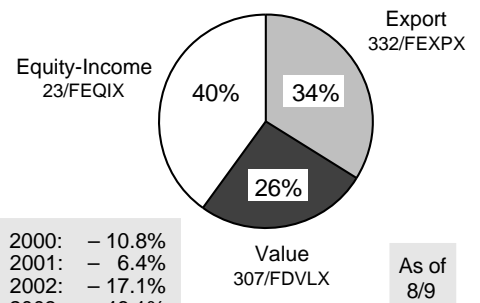
FUND	NAV	SHARES	BALANCE
Export	\$18.21	2543.811	\$46322.80
Capital Apprec.	\$23.83	2216.781	\$52825.89
Equity-Income	\$49.20	768.785	\$37824.22

10% Foreign Holdings

Balance as of 7/30/04: \$136972.91
Balance at start of 2004: \$137499.26

PERFORMANCE

1987: + 2.8%
1988: + 26.0%
1989: + 30.4%
1990: - 4.4%
1991: + 40.6%
1992: + 15.7%
1993: + 31.9%
1994: - 2.1%
1995: + 27.2%
1996: + 19.2%
1997: + 25.5%
1998: + 9.9%
1999: + 29.0%



In July we lost 4.6%, versus a 3.3% decline for the S&P. On 8/9 we will sell **Capital App.**, putting two-thirds in **Value** and the rest in **Equity-Income**. Approximate asset mix is 98% stock, 2% cash.

SELECT SYSTEM

Our Select System aims for growth in sector funds, and has a long-term goal of 16% per year. We use a volatility model to identify attractive growth sectors.

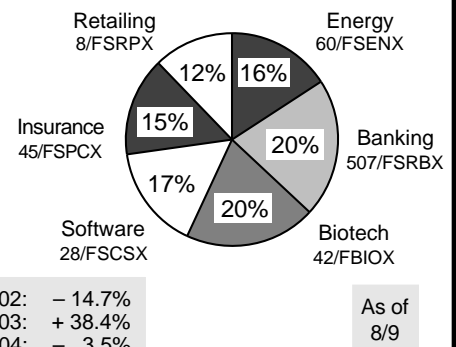
FUND	NAV	SHARES	BALANCE
Energy	\$29.18	1317.381	\$38441.18
Banking	\$38.81	1301.952	\$50528.76
Biotechnology	\$52.05	954.818	\$49698.28
Software	\$44.01	938.003	\$41281.51
Insurance	\$56.59	635.888	\$35984.90
Electronics	\$34.43	907.315	\$31238.86

14% Foreign Holdings

Balance as of 7/30/04: \$247173.49
Balance at start of 2004: \$256163.60

PERFORMANCE

1989: + 23.4%
1990: + 31.3%
1991: + 35.3%
1992: + 20.4%
1993: + 25.9%
1994: - 0.9%
1995: + 39.0%
1996: + 5.2%
1997: + 29.3%
1998: + 21.7%
1999: + 44.9%
2000: - 14.9%
2001: - 7.3%



We lost 7.5% in July, versus a 3.3% decline for the S&P. On 7/12 we sold **Tech.** (\$54.55), buying **Insurance** (\$58.05). On 8/9 we'll trade **Electronics** for **Retailing**. Asset mix: 95% stock, 5% cash.

outperform the S&P 500 during periods of rising inflation. Food companies are usually the first to pass along cost increases, either by shrinking their portions, raising prices, or both. And when they do, it usually has a favorable impact on the bottom line.

I'm a bit disappointed with the Select System's recent performance, especially the loss that has occurred in Electronics.

Our volatility model does a reasonably good job of picking up on long-term opportunities, but once in a while it pays the price for being a few months early or late when a major trend develops. The switch out of **Electronics** will complete our move back to a market weighting in technology. We considered selling **Software**, which would have allowed us to lock in a long-term gain while waiting for a recovery in **Electronics**. However, a mid-cycle update of our volatility model still placed **Software** in the top spot, whereas **Electronics** has slipped to ninth place. Additionally, **Retailing's** small size precluded the possibility of a trade involving more than about one-eighth of the portfolio. Giving up **Electronics**, with its 12% weighting, was the easiest way to gain access to an attractive consumer sector. ■

Happenings

Fidelity is planning to launch a new fund called **International Real Estate** around the middle of this month. Essentially a foreign version of **Real Estate**, the new fund should be less affected by rising U.S. interest rates. It may also cater to Fidelity's strength in research, although foreign introductions have had mixed success in beating their benchmarks. We'll be rating it a buy. Still, investors should keep their stake at or below 10% of assets because Fidelity has yet to establish a track record for this asset class.

Effective 7/19, Charlie Chai is the new manager for **Networking & Infrastructure**.

Checkwriting services will no longer be offered on Fidelity bond funds, although those who already have the feature established on an existing account will still be able to use it. The change has no impact on money market funds or the core cash holding in brokerage accounts, where most checkwriting occurs. Rather, it appears to be aimed at keeping Fidelity customers from unintentionally triggering capital gains or losses with each check they write. ■

by weakness in consumer spending, technology losses, and changes in government policies that may slow consolidation efforts. **Japan** was down 9.4%, and **Japan Smaller Companies** fell 10.9%.

GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. Our current favorites include **Balanced** or **Puritan** for an all-weather approach, and **Equity-Income** for dividend stocks.

Utilities led the group with a 1.5% increase, and **Real Estate Income** was close behind with a gain of 1.2%. **Puritan's** greater emphasis on value allowed it to hold up better than **Balanced**; the two funds logged declines of 1.4% and 3.1%, respectively. **Fidelity Fund** and **Convertible Securities** were the group laggards, posting respective losses of 3.4% and 3.6%.

BOND FUNDS

Income Model holdings are listed on page 7. Our bond favorites include **Ultra-Short Bond** and **Floating Rate High Income**.

Risky **New Markets Income** gained 2.8% on an improving credit situation in Latin America. Other funds posted an above-average month despite some volatility in long-term interest rates. Conservative **Ultra-Short Bond** rose just 0.2%. Municipal bond funds posted gains ranging from 0.7% to 1.7%.

SELECT PORTFOLIOS

Select System holdings are listed on page 7. Our current buys, in increasing order of risk, include **Food and Agriculture, Retailing, Insurance, Banking, Natural Resources, Energy, Software, and Biotechnology**.

Strong demand for oil gave the energy sector a boost despite downward pressure in the broad market. **Energy Services** rose 3.8%, **Energy** gained 3.1%, and **Natural Gas** was up 2.9%. On the flip side, the markdown in growth-stock values resulted in double-digit losses for the more volatile groups. **Biotech** slid 11.4%, **Computers** was down 11.9%, **Dev. Communications** lost 13.3%, **Electronics** fell 14.5%, and **Networking** tumbled 16.5%. ■

JULY DISTRIBUTIONS

Asset Manager: Income \$ 0.02 / \$12.23 (7/2)
Freedom Income \$ 0.02 / \$11.08 (7/2)

Payouts for August (8/6) include: **Asset Manager: Income, Discovery, Fidelity Fifty, Fidelity Fund, Freedom Inc., Growth & Income II, and Real Estate Income.**

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser (55/FDRXX)	55575.6	0.94	CT MM (418/FCMXX)	1057.4	0.58	FL MM (428/FSFXX)	1273.1	0.62
Select MM (85/FSLXX)	645.6	1.01	MA MM (74/FDMXX)	3478.6	0.56	Spart MA MM (426/FMSXX)	979.0	0.66
Spart MM (454/SPRXX)	5687.3	0.98	MI MM (420/FMIXX)	585.6	0.56	Spart Municipal (460/FIMXX)	3297.3	0.76
Spart US Gov't (458/SPAXX)	557.3	0.95	NJ MM (417/FNJXX)	1345.8	0.60	Spart NJ MM (423/FSJXX)	608.6	0.76
Spart US Treas (415/FDLXX)	2216.6	0.79	NY MM (92/FNYXX)	2953.9	0.57	Spart NY MM (422/FSNXX)	1088.9	0.66
Tax-Free MM (275/FMOXX)	865.5	0.64	OH MM (419/FOMXX)	710.3	0.60	PA MM (401/FPTXX)	307.4	0.62
US Gov't Reser (50/FGRXX)	2094.7	1.02	AZ MM (433/FSAXX)	151.2	0.61	Municipal MM (10/FTEXX)	15362.5	0.69
CA MM (97/FCFXX)	2996.3	0.56	Spart CA MM (457/FSPXX)	1300.4	0.72			