

## Outlook For 2005

Get ready for another rocky year. The economy seems to be on a relatively solid footing, but when it comes to stocks and bonds hardly anything seems to be a sure bet. Corporate profits are already at very healthy levels, making earnings growth somewhat difficult to attain. The traditional engines of growth, such as technology and health care, are sputtering as competition heats up. Finally, high energy prices are reducing discretionary income, and increasing the downward pressure on the dollar.

A weak dollar is usually negative in the short run, because it prompts foreign investors to cut their losses by selling their U.S. stocks and bonds, resulting in weakness here at home. In the long run, however, a cheaper dollar is a big plus, as it makes the U.S. more competitive on the global scene, giving a boost to job creation and exports. It also raises the worth of foreign S&P 500 profits, which account for some 30% of the index's total. Some industry groups come out on the losing end, of course, but the stock market overall enjoys a significant long-term boost. The same is not true for bonds. Inflation and long-term interest rates both tend to rise as the greenback sinks.

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## Growth Model Switches

On Monday, 12/13, our Growth Model will sell **Export & Multinational** (332/FEXPX), placing two-thirds of the proceeds in the new **Small Cap Value** fund (1389/FCPVX) and adding the remaining one-third to **Value** (39/FDVLX). The resulting mix will be 23% **Small Cap Value**, 37% **Value**, and 40% **Equity-Income**. There are no trades in our VIP Growth portfolio. If Fidelity's trading limits pose a problem, substitute **Value** for any amount that can't be invested in **Small Cap Value**. Don't purchase **Value** in a taxable account before its end-of-year distribution on 12/3.

We're making this trade because **Export & Multinational** has become heavily dependent on the financial services sector, and may not benefit much from export-driven growth. **Value** and **Small Cap Value**, as discussed in the article above, are better positioned for current market conditions.

## Review & Recommendations

Investors braced for higher levels of inflation as the dollar plunged and the price of oil stabilized at a higher-than-expected level. Stocks still put on a nice rally, mostly because cash is being put to work now that the election is decided, but also because the market's end-of-year bullish pattern is so widely expected that it has become somewhat self-fulfilling. The S&P 500 finished November with a gain of 4.0%.

### GROWTH FUNDS

Growth Model holdings are listed on page 7. Our favorites, in order of increasing risk, include **Low-Priced Stock**, **Value**, **Small Cap Value**, **Contrafund**, and **Leveraged Company Stock**.

Small caps performed well. **Leveraged Company Stock** climbed 11.3% on the strength of its energy and industrial holdings. **Small Cap Independence** gained 9.0%, **Value Strategies** logged an 8.3% return, and **Low-Priced Stock** moved up 8.0%. Even the laggards did well. **Dividend Growth** posted a 3.5% increase, while both **Magellan** and **Blue Chip Growth** finished with a 3.3% return.

### INTERNATIONAL FUNDS

Consider **Spartan Int'l Index** for broad-based foreign stock exposure. **Canada** could benefit from higher export revenue on natural resources.

A weak dollar helped boost the value of European assets. **Nordic** gained 11.0%, followed by **Latin America** and **Southeast Asia**, both with a 9.4% increase. Most others logged gains that were on par with domestic funds. Trailing the group were **Japan**, up 5.1%, and **Canada** with a 4.6% gain.

### GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. Our favorites include **Puritan** and **Balanced** for a conservative approach, or **Equity-Income** for a pure play on dividend stocks.

Dividend stocks performed well. **Utilities** and **Real Estate** both rose 4.8%. **Equity-Income I & II** posted respective gains of 4.6% and 4.5%. On the flip side, **Real Estate Income** finished with a 1.1% return.

### BOND FUNDS

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

RECOMMENDATIONS - *Continued on page 8*

Given the size of our trade deficit, a substantial decline in the dollar is about the only thing that can close the gap and reduce the economy's dependence on foreign capital. High oil prices appear to have started the ball rolling on this front, because they add to the trade deficit and reduce the likelihood that export growth alone can eventually solve the problem. But despite the greenback's recent plunge, it's difficult to know if the trend will continue in 2005. New corporate tax rules could prompt as much as \$500 billion in foreign capital to return home, an amount that's almost as large as the trade deficit. Depending on the timing of these capital flows, the dollar could see significant temporary support in the coming year.

So, let's start with the easiest prediction for 2005, the rate of return on cash. The Fed is likely to hike short-term interest rates after most, if not all, of its eight meetings next year. Deflation fears are a distant memory, and inflation is a threat that becomes more pronounced as the dollar slides. Expect the Fed to hike the federal funds rate to 4% before the end of 2005. If you've been frustrated by low returns on cash, be patient. Bank CDs that yield 4-5% could be commonplace by next fall.

Figuring out what will happen to bonds is a bit more difficult. The most probable scenario is that long-term interest rates will rise as inflation heats up, but that's hardly a foregone conclusion. When all that foreign capital comes home, it may sharply reduce corporate borrowing needs, putting modest downward pressure on long-term interest rates. The point at which the Chinese yuan begins appreciating against the dollar is also key, as that's when China and Japan may start reducing their purchases of U.S. treasuries. If the transition is disorderly, long-term interest rates could take a big jump. The bottom line for bonds is that there's more downside risk than upside opportunity. We think the best strategy is to either stay in cash or stick with bond funds that have very little interest-rate sensitivity.

As for stocks, a value-driven approach seems the most likely to benefit in 2005. Short-term interest rates are rising, inflation is edging up, and most companies are increasing shareholder compensation while spending less on internal growth initiatives. Value stocks are usually the winners in conditions like this. Of course, a rally in growth stocks can't be ruled out. If the dollar moves substantially lower, technology stocks could see better-than-expected

earnings growth in 2005, even with weakness in top-line revenue growth. Still, growth stocks face an uphill battle. Valuations are high, which means that rising inflation could pack more of a bearish punch. Competition is becoming more intense, suggesting that market-share battles could become more common. And high energy prices may continue to slow the rate of economic growth.

Foreign markets are the toughest call. Their behavior in U.S. dollar terms can be significantly affected by exchange rates, the price of oil, and central bank decisions. European stocks may see a short-term boost as the dollar slides against the euro, but later in the year could be hurt by a currency-induced economic slowdown. Japanese stocks might rebound if the country's economy and currency both grow stronger, but are heavily dependent on a soft landing in China. A stronger yuan could be bearish for China and possibly for other emerging markets in Asia. There are a few oil-exporting regions that appear to be on solid ground, but even those markets could be rattled if the dollar's decline goes far enough.

With those thoughts in mind, here's what we like in each mutual fund category.

#### INCOME FUNDS

It won't be long before short-term bond funds generate nearly as much income as those that are further out on the yield curve. And because of their lower sensitivity to interest rates, short-term funds are less likely to be clobbered if long-term rates take a sudden jump in 2005.

The safest bond fund choice (outside of the money market realm) is **Ultra-Short Bond**. The fund's relatively low 2% yield could be up around 4% by next fall as it moves up in tandem with the Fed's tightening moves. With minimal interest rate risk, its share price won't be hurt much during the process. It's a reasonably solid bet for outperforming cash.

For a little more income, consider **Floating Rate High Income**. It invests in leveraged loans, which are somewhat like short-term high-yield bonds backed by tangible assets. This fund has very little interest rate sensitivity and only about one-fourth as much risk as a fund like **High Income Floating Rate High Income** could beat the yield on a money market fund by more than a percentage point. However, it may also end up behind a money market fund if the economy slows down unexpectedly.

The rally in junk bonds has run its course, and the yield premium on BB and B-rated debt has narrowed to just a few percentage points. But even

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though the upside is limited for the high yield market in general, Fidelity's bond selection skills could allow **Capital & Income**, **High Income**, and **Strategic Income** to outperform their benchmarks. Some bonds are poised to appreciate as they return to investment-grade status in 2005, and Fidelity has a knack for finding these opportunities. The main downside is that these funds could suffer a significant loss if the economy were to hit a rough spot.

**Inflation-Protected Bond** holds the promise of keeping up with inflation on a total return basis, which could become a more important consideration if the dollar remains weak. However, keep in mind that this fund's long average maturity means that it could be hurt by rising long-term interest rates before benefiting from a higher level of inflation

Pre-tax yields on municipal bond funds remain attractive for investors in the higher tax brackets. But at this stage the only fund we recommend is **Spartan Short-Intermediate Muni**. The intermediate and long-term funds have long average maturities and could be negatively affected by either an uptick in long-term interest rates or tax-reform proposals that reduce the advantage of earning tax-free income.

#### GROWTH & INCOME FUNDS

Stock dividends are back in style, and there's a reasonable chance that the dividend tax cut could be made permanent. Because many companies have more cash than they need, chances are good that dividend payouts will grow at a robust rate in 2005. Growth and income funds tend to emphasize dividend stocks, which could be a plus in the coming year.

**Equity-Income** represents a pure play on the dividend stocks in the S&P 500, and holds many of the biggest dividend payers around. If the market rewards companies that raise their payouts, this fund could finish ahead of the index while taking on a similar amount of risk.

**Puritan** offers a lower-risk approach to dividend stocks. It invests in the same companies as **Equity-Income**, but keeps about 30% of its portfolio in bonds. While bonds may not be the best thing to hold in a period of rising inflation, the fund's interest rate sensitivity is relatively low, and it may be able to take advantage of opportunities in the high yield and mortgage-backed markets.

**Balanced** offers a hybrid approach similar to **Puritan**, but relies less on dividend stocks, looking instead for reasonably-priced S&P 500 opportunities. That strategy might pay off in 2005, but only if a weak dollar benefits the fund's growth stocks.

#### GROWTH FUNDS

Over a period of almost 22 years, the Russell 3000 Value Index has outperformed the Russell 3000 Growth Index by about 3 percentage points per year. Given relatively high valuations for growth stocks and a rising trend for inflation, the value approach could easily be a winner again in 2005.

**Value** is especially well-positioned for the year ahead. It's one of the few funds focusing on less expensive stocks that isn't heavily reliant on a single industry group. Long-time manager Rich Fentin has boosted holdings of technology and health care stocks to more than a quarter of total assets, pushing the fund into the mid-cap blend category. We think it has a nicely rounded portfolio. Plus, it has enough exposure to exporters that it should come out on the winning side of a weak dollar. Note: in a taxable account, purchase **Value** after its payout on 12/3.

One of Fidelity's newest funds also seems a good bet for the year ahead. **Small Cap Value** invests in the Russell 2000 universe, and is designed to stay true to its stylebox. Small cap value stocks tend to hold up well in periods of rising inflation because the companies tend to have better-than-average pricing power. They're also somewhat insulated from dollar weakness because there isn't much foreign money in these types of stocks.

**Contrafund** is a good choice for those seeking a traditional large-cap growth fund. Will Danoff has just begun his fifteenth year at the fund, and despite its large size his selection skills continue to shine. **Contrafund** holds a well-balanced mix of industries, and is one of the few growth funds that has a large weighting in foreign stocks (currently 23% of assets).

**Low-Priced Stock** is closed, but its performance against the Russell 2000 is still good. The fund is now in the mid-cap blend stylebox. Its huge size prevents it from investing exclusively in small-caps, and its 26% weighting in foreign stocks appears to have skewed it in the direction of growth, even though most of its holdings would qualify as value stocks. Long-time manager Joel Tillinghast has reduced his bet on consumer stocks, but the group still accounts for nearly 30% of holdings.

We've upgraded **Leveraged Company Stock** to a buy. This deep value fund is more aggressive than our other favorites, and currently has a heavy bet on the energy group (as of 9/30, 34% of assets). We're more convinced than ever that oil and gas will be in short supply in the years ahead, and the fund is playing well to Fidelity's strength in research.

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#### 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 ↓.

NOVEMBER PERFORMANCE						2004	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Ex-Date	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
Aggressive Gth (324/FDEGX)	H***	1.47	12/17(0.00)	15.95	4871.0	6.8	4.0	9.7	8.9	-5.6	-17.5	6.1
Blue Chip Gth (312/FBGRX)	H***	1.05	12/17(0.30)	40.63	22408.0	2.8	3.3	5.4	7.2	-1.3	-5.0	8.6
Blue Chip Value (1271/FBCVX)	H***	1.07	12/10(0.02)	12.21	80.1	10.7	5.6	9.0	18.0			
Capital Apprec (307/FDCAX)	H***	1.30	12/3(1.24)	26.19	5680.8	6.9	4.6	11.0	11.6	9.5	2.3	11.0
Contrafund (22/FCNTX)	B****	1.04	12/23(0.01)	55.31	40136.2	12.1	5.3	10.7	15.1	9.9	2.8	13.6
Discovery (339/FDSVX)	S**	0.85	12/17(0.02)	10.94	529.5	6.2	4.1	7.5	12.9	2.4	0.7	
Disc Equity (315/FDEQX)	H***	1.07	12/3(0.08)	24.73	4464.7	8.8	5.6	9.5	12.8	4.6	0.0	10.9
Dividend Gth (330/FDGFY)	H***	1.01	12/10(0.26)	27.78	18692.7	2.2	3.5	4.2	8.8	0.7	2.0	14.1
Export Fund (332/FEXPX)	B****	1.16	12/17(0.11)	19.38	1386.0	9.9	5.6	9.3	17.3	6.6	7.1	16.9
Fidelity Fifty (500/FFTYX)	H***	1.28	12/17(0.00)	20.03	842.9	3.9	5.8	10.7	8.3	9.3	3.1	13.0
Growth Company (25/FDGRX)	H***	1.50	12/17(0.07)	53.80	23196.1	7.4	4.8	12.7	8.9	0.6	-2.9	12.1
Large-Cap Stock (338/FLCSX)	H***	1.09	12/3(0.03)	14.25	694.4	3.0	4.2	6.9	7.7	-0.3	-5.4	
Lev Co Stock (122/FLVCX)	B****↑	1.50	12/3(0.16)	22.73	1579.1	23.9	11.3	23.0	32.1	35.6		
Low-Priced Stock (316/FLPSX)	B****	0.97	12/17(0.50)	39.20	31818.5	17.6	8.0	14.0	21.4	17.8	19.5	17.4
Magellan (21/FMAGX)	H***	1.03	12/3(1.00)	101.67	61721.0	4.2	3.3	5.9	9.7	0.1	-3.1	10.0
Mid Cap Stock (337/FMCSX)	H***	1.31	12/3(0.05)	22.57	8395.0	4.7	4.8	12.1	6.1	1.5	6.2	14.3
New Millennium (300/FMILX)	H***	1.54	12/17(0.00)	30.71	3342.3	1.1	6.4	12.0	1.5	4.8	1.9	18.3
OTC Portfolio (93/FOCPX)	S**	1.65	12/17(0.00)	33.88	7446.0	4.3	7.0	15.1	6.5	3.6	-6.1	10.7
Independence (73/FDFFX)	H***	1.28	12/17(0.07)	17.39	4340.1	8.3	6.6	11.8	13.3	4.4	0.5	10.3
Small Cap Indep (336/FDSCX)	H***	1.18	12/3(0.89)	19.94	945.0	11.1	9.0	13.2	13.9	8.2	7.6	10.2
Small Cap Stock (340/FSLCX)	H***	1.28	12/3(0.34)	18.17	3686.4	11.0	6.4	12.4	16.0	12.7	12.7	
Stock Selector (320/FDSSX)	H***	1.04	12/3(0.07)	22.34	796.1	6.4	4.3	7.3	12.0	2.7	-1.4	10.0
Strc Lg Cap Gth (763/FSLGX)	H***	1.26	12/3(0.00)	9.75	38.4	8.1	5.4	11.3	12.5	-0.9		
Strc Lg Cap Val (708/FSLVX)	B****	0.96	12/3(0.16)	11.92	84.8	13.3	5.1	7.8	20.0	6.6		
Strc Mid Cap Gth (793/FSMGX)	H***	1.42	12/3(0.26)	11.37	62.6	10.2	5.2	14.4	10.7	3.8		
Strc Mid Cap Val (762/FSMVX)	B****	1.04	12/3(0.41)	14.15	95.8	17.1	6.4	11.8	21.1	12.1		
Focused Stock (333/FTQGX)	H***	1.27	12/3(0.01)	9.75	38.8	11.2	6.7	12.2	15.1	-4.9	-5.3	
Trend (5/FTRNX)	H***	1.02	12/3(0.25)	52.54	828.7	7.3	4.4	7.3	12.5	3.4	-0.2	7.1
Value (39/FDVLX)	B****	1.10	12/24(4.00)	73.07	8884.7	17.7	6.3	12.7	24.1	14.4	12.5	13.2
Value Discovery (832/FVDFX)	H***	1.24	12/10(0.01)	13.41	64.7	11.9	6.1	12.1	18.5			
Value Strategies (14/FSLSX)	H***	1.2 Est	12/17(0.24)	35.70	173.4	8.8	8.3	15.7	8.8	11.4	11.6	
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B****↓	0.84	12/10(0.07)	17.37	11404.3	7.7	3.9	7.7	11.5	8.6	6.9	10.7
Convertible Sec (308/FCVXS)	H***	0.86	12/17(0.00)	21.06	1765.8	7.0	3.8	8.3	10.4	7.2	8.1	12.8
Equity-Income (23/FEQIX)	B****	1.00	12/10(1.37)	52.52	24332.7	7.9	4.6	6.5	16.2	5.9	3.9	11.7
Equity-Income II (319/FEQTX)	H***	1.03	12/17(0.58)	23.90	12162.1	6.7	4.5	7.4	13.3	7.0	3.9	11.4
Fidelity Fund (3/FFIDX)	H***	0.99	12/17(0.21)	29.35	10208.4	5.2	4.0	5.4	11.2	2.1	-1.9	11.0
Growth & Income (27/FGRIX)	B****	0.89	12/17(0.42)	37.51	30251.2	6.6	3.8	5.6	12.1	1.5	-0.7	10.9
Growth & Inc II (361/FGRTX)	B****	0.92	12/17(0.00)	9.48	198.2	2.7	2.7	4.5	7.1	1.8	-1.3	
Puritan (4/FPURX)	B****	0.68	12/10(0.25)	18.77	22668.8	6.7	2.9	4.6	12.9	6.6	5.4	10.2
Real Estate Inc (833/FRIFX)	H***	0.27	12/10(0.24)	11.86	553.2	9.9	1.1	3.6	11.7			
Real Estate (303/FRESX)	S**	1.44	12/17(0.75)	28.76	3830.4	27.4	4.8	10.7	30.7	22.4	22.4	15.4
Strategic Div & Inc (1329/FSDIX)	B****	0.7 Est	12/17(0.18)	11.11	434.7	11.2	4.0	7.8				
Utilities (311/FUIX)	B****	1.05	12/3(0.00)	13.25	890.9	17.4	4.8	11.8	24.9	2.7	-6.0	8.2
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H***	1.50	12/17(0.01)	33.94	37.1	14.6	7.2	14.3	14.8	6.3	8.0	15.1
Automotive (502/FSAVX)	S**	1.40	12/17(0.00)	32.92	15.8	1.3	5.1	7.6	5.8	12.1	10.0	8.4
Banking (507/FSRBX)	B****	1.02	12/3(3.92)	42.59	490.0	9.3	2.9	5.8	13.1	11.3	8.1	16.5
Biotechnology (42/FBIOX)	H***	2.02	12/10(0.00)	53.67	1799.0	4.3	0.6	2.0	7.8	-8.2	0.3	12.9
Brokerage (68/FSLBX)	H***	1.54	12/17(0.13)	53.38	369.6	7.6	6.9	13.1	13.3	8.7	8.6	18.9
Business Ser (353/FBSOX)	H***	1.16	12/3(0.00)	16.01	35.4	11.7	7.1	12.7	15.4	2.8	4.6	
Chemicals (69/FSCHX)	H***	1.48	12/17(0.15)	67.29	106.8	30.0	11.6	18.7	43.0	18.1	14.4	12.5
Computers (7/FDCPX)	H***	2.25	12/17(0.00)	34.02	709.2	-5.1	5.9	19.0	-7.1	-3.0	-11.8	12.5
Const & Housing (511/FSHOX)	S**	1.52	12/17(0.91)	40.84	102.9	17.6	6.1	10.2	19.0	19.2	16.6	15.4
Consumer Indust (517/FSCPX)	H***	1.10	12/17(0.00)	23.46	35.1	3.9	4.0	10.6	6.6	3.2	0.0	10.5
Cyclical Indust (515/FCYIX)	H***	1.24	12/10(0.91)	19.10	43.5	20.8	7.5	13.2	29.8	11.7	10.2	
Defense & Aero (67/FSDAX)	H***	1.25	12/17(0.12)	65.06	404.1	18.8	8.2	11.3	26.8	16.8	15.0	17.6
Develop Commn (518/FSDCX)	H***	2.52	12/17(0.00)	18.70	608.8	12.7	7.0	21.2	11.9	-0.6	-10.3	9.5
Electronics (8/FSELX)	H***	2.55	12/10(0.00)	36.21	2896.2	-13.6	3.0	16.0	-14.2	-9.3	-9.5	16.0
Energy (60/FSENX)	B****	1.55	12/10(0.23)	33.56	623.3	34.1	7.5	18.2	50.2	15.9	11.6	12.8
Energy Services (43/FSSEX)	H***	2.25	12/11(0.00)	43.20	590.2	36.7	6.8	17.0	53.0	18.1	14.2	16.4
Environmental (516/FSLEX)	H***	1.27	12/10(0.00)	13.86	11.3	4.1	7.6	8.2	6.5	5.5	7.7	4.0
Financial Services (66/FIDSX)	H***	1.05	12/10(8.75)	120.97	496.0	6.7	3.6	4.8	11.5	8.1	7.2	16.6
Food & Agriculture (9/FDFAX)	H***	0.83	12/10(0.13)	48.74	107.4	10.7	6.6	8.6	12.9	6.1	7.8	11.0
Gold (41/FSAGX)	B****↑	2.64	12/10(0.07)	28.37	746.6	-4.9	3.6	16.0	-7.2	29.7	17.0	5.7
Health Care (63/FSPHX)	H***	1.13	12/10(0.00)	119.95	1894.4	1.7	2.0	0.6	7.2	-1.8	2.0	13.0
Home Finance (98/FSVLX)	H***	1.12	12/17(8.45)	69.38	407.5	10.1	3.8	4.0	12.5	15.6	15.5	17.4
Indust Equip (510/FSCGX)	H***	1.39	12/10(0.64)	26.27	39.8	8.7	6.9	10.6	18.2	7.6	4.0	11.3
Indust Materials (509/FSDPX)	H***	1.71	12/10(0.07)	39.21	116.3	11.3	7.8	14.9	22.4	19.8	13.1	9.4
Insurance (45/FSPCX)	H***	1.12	12/10(0.92)	58.93	176.8	7.4	5.6	4.8	12.9	9.5	13.4	18.2
Leisure (62/FDLSX)	H***	1.19	12/10(1.05)	75.79	194.1	11.8	4.6	12.9	16.1	9.2	1.6	13.9
Medical Delivery (505/FSHCX)	S**	1.63	12/10(0.00)	41.55	157.0	34.8	18.8	24.5	38.2	16.3	21.6	11.5
Medical Equip/Sys (354/FSMEX)	H***	1.16	12/3(0.00)	22.14	762.4	11.2	3.4	6.4	14.1	12.9	17.9	
Multimedia (503/FBMPX)	B****	1.32	12/10(0.16)	43.45	122.5	-1.5	2.3	11.9	4.1	8.5	1.2	12.8
Natural Gas (513/FSNGX)	H***	1.90	12/3(0.01)	30.55	536.1	41.6	8.3	20.2	57.7	20.5	17.5	14.3
Nat Resources (514/FNARX)	B****	1.49	12/10(0.25)	18.08	161.7	26.4	6.9	16.1	41.1	14.7	12.1	
Networking/Infra (912/FNINX)	H***	2.53	12/17(0.00)	2.26	127.3	-3.4	8.1	20.9	-5.4	-8.4		
Paper & Forest (506/FSPFX)	H***	1.53	12/3(0.05)	32.22	22.4	4.2	5.8	4.7	15.8	7.1	8.3	8.8
Pharmaceuticals (580/FPHAX)	H***	1.29	12/17(0.01)	8.31	72.4	-5.1	2.1	0.2	1.8	-4.8		
Retailing (46/FSRPX)	B****	1.17	12/3(0.40)	50.80	120.0	13.5	4.7	11.3	12.7	7.8	1.5	11.7
Software (28/FSCSX)	B****	1.68	12/3(0.00)	50.78	750.0	3.1	5.2	20.1	5.4	3.4	0.2	16.8
Technology (64/FSPTX)	H***	2.11	12/3(0.00)	58.38	2074.7	-2.8	6.1	18.2	-3.3	-1.1	-10.5	12.9
Telecom (96/FSTCX)	H***	1.60	12/3(0.35)	36.42	361.1	13.8	5.3	12.7	21.5	0.5	-12.7	6.4
Transportation (512/FSRFX)	H***	1.46	12/3(0.43)	42.14	72.8	24.6	6.9	23.0	27.0	14.5	13.2	14.2
Utilities Growth (65/FSUTX)	B****	1.03	12/10(0.42)	39.68	288.9	20.9	3.5	12.2	27.7	3.1	-5.7	9.8
Wireless (963/FWRLX)	H***	1.85	12/17(0.00)	5.72	396.2	39.9	5.1	18.2	45.5	1.4		

NOVEMBER PERFORMANCE							Div.	2004	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Ex-Date	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	1.35	12/10(0.07)	16.04	720.8		5.5	5.5	13.3	13.6	11.3	-0.4	
Canada (309/FICDX)	B****	1.31	12/3(0.10)	33.35	410.8		21.8	4.6	19.4	28.7	22.1	16.1	
Diversified Int'l (325/FDIVX)	B****	1.14	12/10(0.20)	27.72	19845.9		14.9	6.3	13.4	22.8	14.7	6.1	
Emerging Mkts (322/FEMKX)	H***	1.60	12/10(0.06)	12.27	606.8		15.6	8.6	18.7	25.1	19.9	4.4	
Europe (301/FIEUX)	B****	1.33	12/3(0.12)	32.29	1832.6		21.3	6.2	19.6	25.9	11.0	2.4	
Europe Cap Appr (341/FECAX)	H***	1.22	12/10(0.23)	20.88	407.4		11.7	6.4	15.7	19.4	10.0	3.8	
China Region (352/FHKCX)	H***	1.54	12/3(0.33)	17.01	296.4		9.5	7.2	10.2	15.2	12.6	2.4	
Global Balanced (334/FGBLX)	H***	0.86	12/3(0.30)	20.71	137.2		9.8	5.2	9.8	15.5	10.4	4.4	
Int'l Discovery (305/FIGRX)	H***	1.24	12/3(0.23)	27.14	2215.7		13.5	7.2	13.9	22.1	14.1	3.3	
Int'l Real Estate (1368/FIREX)	H***	1.3 Est	12/23(0.02)	11.23	22.4			9.3					
Int'l Small Cap (818/FISMX)	H***	1.29	12/10(0.89)	23.07	1089.7		23.6	8.1	17.0	32.1			
Japan (350/FJPNX)	H***	2.17	12/3(0.01)	12.22	644.3		5.9	5.1	3.2	13.3	8.1	-8.7	
Japan Smaller Co (360/FJSCX)	H***	2.19	12/10(0.06)	12.32	1280.1		19.1	6.4	3.4	27.4	21.4	-4.6	
Latin America (349/FLATX)	B****↑	2.11	12/10(0.29)	19.81	356.8		30.2	9.4	21.7	43.8	23.2	9.0	
Nordic (342/FNORX)	H***	1.42	12/10(0.26)	27.14	116.4		29.3	11.0	22.7	35.5	14.1	3.2	
Overseas (94/FOSFX)	H***	1.31	12/3(0.26)	34.41	4171.6		9.5	6.8	13.1	17.1	8.4	-1.5	
Pacific Basin (302/FPBFX)	H***	1.63	12/10(0.22)	19.10	445.7		9.0	6.6	9.3	15.9	11.5	-3.8	
Southeast Asia (351/FSEAX)	H***	1.89	12/3(0.07)	16.27	462.5		11.6	9.4	16.3	20.6	17.3	3.3	
Worldwide (318/FWWFX)	H***	1.08	12/10(0.07)	17.72	1064.7		8.2	6.0	10.3	14.9	7.4	2.8	

**INDEX AND ASSET ALLOCATION:**

Four-In-One Index (355/FFNOX)	H***	0.87	12/29(0.12)	24.74	694.0		8.7	4.1	7.7	13.6	5.9	0.7	
NASDAQ Comp (1282/FNCMX)	S**	1.56	12/17(0.07)	28.79	92.9		4.8	6.2	14.1	7.0			
Spart Ext Mkt Idx (398/FSEMXX)	H***	1.25	12/17(0.13)	30.88	1069.7		13.1	7.0	13.3	15.5	11.8	2.6	
Spart Int'l Index (399/FSIIX)	B****	1.21	12/17(0.43)	31.17	715.1		14.8	6.2	12.8	23.4	10.2	-0.6	
Spart 500 Index (317/FSMXX)	H***	1.00	12/3(1.08)	81.67	10784.7		7.1	4.0	6.8	12.7	2.6	-2.0	
Spart Total Mkt Idx (397/FSTMXX)	B****	1.03	12/17(0.22)	32.32	2471.3		8.3	4.7	8.1	13.1	4.6	-0.9	
Asset Manager (314/FASMX)	H***	0.58	12/17(0.00)	16.00	10936.4		3.1	2.0	3.2	7.1	3.8	2.8	
Asset Mgr Agg (347/FAMRX)	H***	1.13	12/17(0.03)	10.93	360.6		6.7	4.4	10.1	11.0	1.8	1.4	
Asset Mgr Gth (321/FASGX)	H***	0.78	12/17(0.20)	14.72	3608.7		3.1	2.9	4.4	8.2	3.0	0.5	
Asset Mgr Inc (328/FASIX)	B****	0.37	12/3(0.00)	12.55	1426.9		4.8	1.6	4.2	5.7	6.1	5.0	
Freedom 2000 (370/FFFBX)	B****	0.31	12/29(0.18)	12.12	1582.0		3.2	0.9	2.3	4.7	3.5	3.6	
Freedom 2005 (1312/FFVFX)	B****	0.50	12/29(0.07)	10.73	103.0		4.9	2.0	4.3	7.6			
Freedom 2010 (371/FFFCX)	B****	0.53	12/29(0.22)	13.59	7872.8		5.1	2.1	4.5	7.8	4.8	3.2	
Freedom 2015 (1313/FFVFX)	B****	0.66	12/29(0.06)	10.91	382.2		5.9	2.8	5.8	9.4			
Freedom 2020 (372/FFFDX)	B****	0.76	12/29(0.09)	13.79	8407.5		6.5	3.5	6.9	10.4	5.0	1.8	
Freedom 2025 (1314/FFTWX)	B****	0.83	12/29(0.05)	11.07	228.5		6.7	3.7	7.4	11.0			
Freedom 2030 (373/FFFCX)	B****	0.89	12/29(0.06)	13.84	4925.9		7.1	4.1	8.0	11.6	4.8	0.7	
Freedom 2035 (1315/FFTHX)	B****	0.91	12/29(0.03)	11.19	109.9		7.4	4.3	8.4	12.1			
Freedom 2040 (718/FFFCX)	B****	0.96	12/29(0.03)	8.10	1596.1		7.7	4.7	8.9	12.4	4.8		
Freedom Income (369/FFFAX)	B****	0.27	see page 8	11.23	1847.2		2.8	0.7	1.9	4.2	3.3	4.1	

**TAXABLE BOND FUNDS:**

Capital & Income (38/FAGIX)	H***	0.33	12/28(0.05)	8.41	4598.3	5.90	10.6	2.7	7.3	13.7	15.4	5.8	
Floating Rate (814/FRHX)	B****	0.06	12/10(0.00)	9.98	1972.3	3.48	4.0	0.5	1.4	4.5			
Focused High Inc (1366/FHIFX)	B****	0.2 Est	12/10(0.00)	10.20	19.1	4.95		0.6					
GNMA Portfolio (15/FGMNX)	H***	0.26	12/17(0.00)	11.06	4065.4	4.22	3.6	-0.3	0.6	4.3	4.6	6.4	
Gov't Income (54/FGOVX)	H***	0.38	12/17(0.02)	10.21	4369.6	3.08	2.6	-0.9	-0.1	3.6	4.8	6.8	
Intermed Bond (32/FTHRX)	H***	0.30	12/3(0.00)	10.50	7144.1	3.47	2.5	-0.8	0.1	3.5	5.3	7.0	
Intermed Gov't Inc (452/FSTGX)	H***	0.30	12/17(0.00)	10.21	970.5	3.17	1.8	-0.9	-0.2	2.6	4.4	6.4	
Invest Grade Bond (26/FBNDX)	H***	0.36	12/3(0.04)	7.54	6151.9	3.50	3.6	-0.6	0.4	4.6	5.7	7.3	
Mortgage Securities (40/FMSFX)	H***	0.26	12/3(0.05)	11.28	1519.1	3.90	3.9	-0.3	0.5	4.8	5.3	7.0	
New Markets Inc (331/FNMIX)	H***	0.71	see page 8	14.27	958.6	6.45	9.6	1.5	5.4	13.8	18.4	15.9	
Short-Term Bond (450/FSHBX)	B****	0.16	12/3(0.00)	8.98	5107.9	2.89	1.6	-0.4	0.1	2.4	3.9	5.5	
Spart Gov't Inc (453/SPGVX)	H***	0.38	12/3(0.00)	11.00	844.2	3.66	3.0	-0.8	0.0	4.0	5.2	7.1	
High Income (455/SPHIX)	B****	0.23	12/28(0.10)	9.11	3025.7	6.34	8.1	1.4	4.8	10.8	12.0	2.8	
Spart Invest Grade (448/FSIBX)	H***	0.36	12/17(0.16)	10.77	2460.5	3.67	3.9	-0.7	0.4	4.9	5.9	7.6	
Strategic Income (368/FSICX)	B****↑	0.34	see page 8	10.78	2795.9	4.91	7.6	1.3	4.9	10.1	11.5	9.4	
Inflation-Protected (794/FINPX)	B****↑	0.56	12/10(0.16)	11.44	1212.3	1.37	6.3	-0.4	0.9	7.3			
Total Bond (820/FTBFX)	H***	0.33	12/10(0.06)	10.63	347.5	3.82	4.5	-0.4	1.0	5.6			
Ultra-Short Bond (812/FUSFX)	B****	0.06	12/10(0.00)	10.04	639.8	2.04	1.1	0.0	0.3	1.3			
US Bond Index (651/FBIDX)	H***	0.36	12/17(0.05)	11.12	5216.4	3.77	3.5	-0.7	0.5	4.7	5.9		

**MUNICIPAL BOND FUNDS:**

Spart AZ Muni Inc (434/FAZAX)	H***	0.32	12/3(0.01)	11.44	80.6	3.74	2.5	-1.0	0.3	3.4	5.5	6.5	
Spart CA Muni Inc (91/FCTFX)	H***	0.31	12/10(0.04)	12.48	1456.8	4.20	3.6	-0.8	0.7	4.5	5.3	6.6	
Spart CT Muni Inc (407/FICNX)	H***	0.32	12/17(0.07)	11.68	430.7	4.10	2.2	-1.1	0.1	3.1	5.4	6.4	
Spart FL Muni Inc (427/FLLIX)	H***	0.31	12/17(0.03)	11.65	502.8	4.13	3.1	-0.9	0.4	4.0	5.4	6.5	
Spart Intermediate (36/FLTMX)	H***	0.26	12/3(0.02)	10.11	1796.5	3.88	2.7	-0.9	0.2	3.4	5.4	6.2	
Spart MA Muni Inc (70/FDMMX)	H***	0.29	12/10(0.14)	12.15	1756.9	4.33	3.2	-1.0	0.6	4.1	5.6	6.7	
Spart MD Muni Inc (429/SMDMX)	H***	0.29	12/3(0.01)	10.97	101.9	3.92	2.9	-0.9	0.5	3.6	5.2	6.3	
Spart MI Muni Inc (81/FMHTX)	H***	0.30	12/10(0.08)	12.09	561.2	4.14	2.7	-1.0	0.3	3.5	5.7	6.6	
Spart MN Muni Inc (82/FIMIX)	H***	0.26	12/10(0.02)	11.55	351.5	4.07	2.7	-0.9	0.5	3.5	5.2	6.2	
Spart Municipal Inc (37/FHIGX)	H***	0.30	12/17(0.11)	13.07	4644.8	4.43	3.3	-0.9	0.6	4.3	6.1	7.1	
Spart NJ Muni Inc (416/FNJHX)	H***	0.31	12/17(0.08)	11.70	535.9	4.05	2.6	-1.0	0.6	3.6	5.6	6.5	
Spart NY Muni Inc (71/FTFMX)	H***	0.31	12/17(0.15)	13.09	1369.4	4.14	3.1	-1.0	0.5	4.0	6.1	7.1	
Spart OH Muni Inc (88/FOHFX)	H***	0.31	12/17(0.11)	11.98	423.1	4.21	3.0	-1.1	0.5	4.0	5.7	6.8	
Spart PA Muni Inc (402/FPXTX)	H***	0.29	12/17(0.04)	10.95	292.6	4.25	2.9	-0.9	0.5	3.8	5.3	6.4	
Spart Short-Int Muni (404/FSTFX)	B****	0.16	12/17(0.02)	10.36	1836.1	2.66	1.2	-0.6	-0.1	1.5	3.5	4.5	
Spart Tax-Free Bond (90/FTABX)	H***	0.33	12/10(0.03)	10.71	240.9	4.10	3.4	-1.0	0.6	4.5	6.3		

NOVEMBER PERFORMANCE				2004	One	Three	One	3-Yr	5-Yr	10-Yr
Indexes	Risk	Value	NAV	YTD	Month	Month	Year	Rate	Rate	Rate
Dow Jones Industrial	0.98	10428.02		1.7	4.2	3.1	8.8	4.1	1.1	13.0
S&P 500	1.00	1173.82		7.2	4.0	6.8	12.9	2.7	-1.8	11.9
NASDAQ	1.55	2096.81		5.1	6.2	14.2	7.5	3.3	-8.5	11.3
Russell 2000	1.65	633.77		14.9	8.6	16.0	17.2	12.6	8.3	11.5

NOVEMBER PERFORMANCE Model Portfolios			2004 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
S&P 500	Risk 1.00	Value 1173.82	7.2	4.0	6.8	12.9	2.7	-1.8	11.9
Fidelity Monitor Income Model	0.10	77464.22	3.6	0.4	1.6	4.7	5.7	4.7	6.3
Fidelity Monitor G&I Model	0.71	140827.49	8.5	4.3	7.9	12.0	11.3	8.2	11.3
Fidelity Monitor Growth Model	1.19	149062.83	8.4	5.4	9.0	14.7	10.8	4.5	11.6
Fidelity Monitor Select System	1.28	268735.78	4.9	4.3	9.6	6.3	8.7	2.4	12.7
Fidelity Monitor Unique Opportunities	1.05	89791.26	18.5	7.2	14.1	23.8	20.5	6.3	

## 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	\$18.08	717.284	\$12968.49
Utilities Growth	\$39.68	285.591	\$11332.25
Banking	\$42.59	313.473	\$13350.82
Leveraged Co.	\$22.73	973.411	\$22125.63
Low-Priced Stock	\$39.20	765.665	\$30014.07

17% Foreign Holdings

Balance as of 11/30/04: **\$89791.26**  
Balance at start of 2004: **\$75768.12**

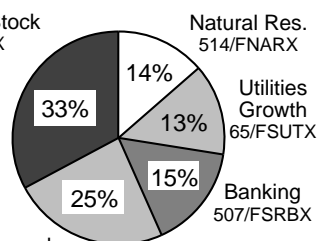
### PERFORMANCE

Partial Yr 99: +33.8%  
2000: -20.5%  
2001: +1.6%  
2002: -2.1%  
2003: +43.2%  
\*2004: +18.5%

Low-Priced Stock  
316/FLPSX

(Value Fund  
39/FDVLX  
may be  
substituted)

Leveraged  
Co. Stock  
122/FLVCX



Our Unique Opportunities Model gained 7.2% during the month of November.

## 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 (+6.8% YTD)	Portfolio B (+7.3% YTD)	Portfolio C (+7.1% YTD)	Portfolio D (+7.1% YTD)
35% Contrafund, 24% Value, 41% Equity-Income	62% Growth & Income, 38% Contrafund	100% Equity-Income	100% Equity-Income

For November, Portfolio A was up 5.3%, Portfolio B gained 4.4%, and Portfolios C and D both rose 4.6%.

## 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:	VIP GROWTH:	VIP G&I MODEL:	VIP INCOME:
16% Tech, 16% Fin Ser, 16% Telecom & Util, 21% Natural Res, 31% Cons. Ind.	57% Equity-Income, 43% Contrafund	54% Asset Mgr, 32% Equity-Inc, 14% Investment Grade Bond.	70% Inv. Grade, 30% High Income.

NOVEMBER VIP PERFORMANCE Portfolio		Unit Value	2004 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Asset Manager	B ****	30.68	2.4	2.0	3.0	6.4	3.1	0.5
VIP Asset Manager: Growth	H ***	20.03	2.4	2.9	4.3	7.5	2.1	-2.4
VIP Balanced	H ***	14.57	2.5	1.5	3.0	5.8	3.1	0.5
VIP Contrafund	B ****	33.56	11.6	5.3	10.8	14.5	9.4	2.3
VIP Dynamic Capital Appreciation	H ***	10.91	-1.1	7.1	16.3	1.8		
VIP Equity-Income	B ****	53.30	7.3	4.6	6.3	15.4	5.3	3.2
VIP Growth	H ***	52.95	-0.4	3.4	7.0	2.4	-2.9	-6.3
VIP Growth & Income	B ****	15.85	2.1	2.6	4.3	6.5	1.4	-1.7
VIP Growth Opportunities	B ****	11.62	3.2	3.9	6.9	8.0	1.3	-5.9
VIP High Income	H ***	27.67	7.4	1.4	4.7	10.0	11.6	-0.9
VIP Index 500	H ***	30.93	6.2	3.9	6.5	11.7	1.7	-2.8
VIP Investment Grade Bond	H ***	27.69	2.8	-0.8	0.3	3.8	5.3	6.8
VIP Mid Cap	B ****	15.99	20.7	9.4	17.4	25.4	15.6	
VIP Overseas	H ***	28.57	8.8	6.8	12.9	16.2	6.9	-3.0
VIP Real Estate	S **↓	13.90	26.4	4.8	10.4	29.6		
VIP Strategic Income	B ****↑	10.73		1.3				
VIP Value Strategies	H ***	12.24	7.5	8.2	15.3	7.2		
VIP Consumer Industries	B ****	10.40	3.2	3.9	10.4	5.7	3.0	
VIP Cyclical Industries	H ***	13.34	20.6	7.6	13.0	29.5	11.3	
VIP Financial Services	B ****	11.80	6.4	3.6	4.8	11.1	7.4	
VIP Health Care	H ***	9.74	1.1	2.0	0.4	6.5	-2.0	
VIP Natural Resources	B ****	13.40	25.8	6.8	15.7	40.3	14.3	
VIP Technology	H ***	8.91	-3.4	6.1	18.2	-4.0	-1.9	
VIP Telecom & Utilities	B ****	9.10	20.4	3.5	11.8	27.3	2.6	
Fidelity Monitor VIP Sector Model		13564.98	3.5	4.5	8.9	2.6		
Fidelity Monitor VIP Growth Model		29231.66	4.0	4.9	8.1	8.6	3.0	-2.5
Fidelity Monitor VIP G&I Model		21133.95	3.9	2.4	3.6	8.7	4.7	1.5
Fidelity Monitor VIP Income Model		18184.54	4.1	-0.1	1.6	5.6	6.9	4.4

## INCOME MODEL

Our Income Model aims for long-term growth of 6% per year from bonds and other income securities.

FUND	NAV	SHARES	BALANCE
Short-Term Bond	\$8.98	1611.193	\$14468.51
Ultra-Short Bond	\$10.04	1960.812	\$19686.55
High Income	\$9.11	1807.862	\$16469.62
Floating Rate	\$9.98	2689.333	\$26839.54

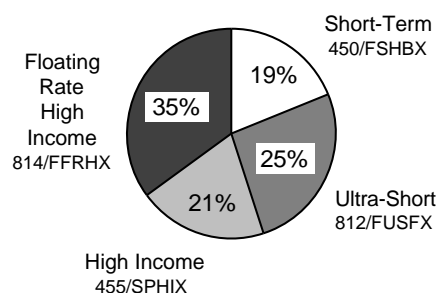
6% Foreign Holdings

Balance as of 11/30/04: \$77464.22

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: + 3.6%



Our Income Model gained 0.4% in November. The model's income stream averaged 3.6%.

## 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.	\$12.55	2534.430	\$31807.10
Puritan	\$18.77	1746.867	\$32788.69
Balanced	\$17.37	1972.212	\$34257.32
Low-Priced Stock	\$39.20	1070.775	\$41974.38

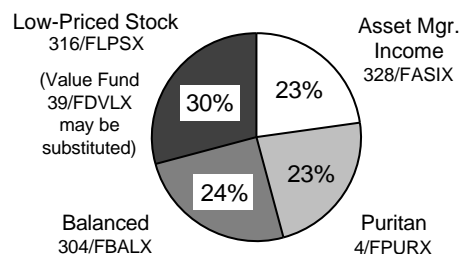
14% Foreign Holdings

Balance as of 11/30/04: \$140827.49

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: + 8.5%



Our Growth and Income Model rose 4.3% for November.

## 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	\$19.38	2620.976	\$50794.51
Value	\$73.07	536.585	\$39208.27
Equity-Income	\$52.52	1124.525	\$59060.05

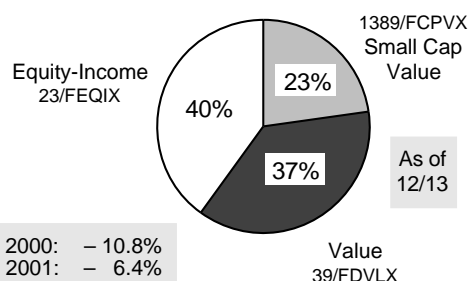
10% Foreign Holdings

Balance as of 11/30/04: \$149062.83

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%  
2000: - 10.8%  
2001: - 6.4%  
2002: - 17.1%  
2003: + 46.1%  
\*2004: + 8.4%



In November our Growth Model gained 5.4%, versus 4.0% for the S&P 500. Please see page one for details on our upcoming December exchanges.

## 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	\$33.56	1317.381	\$44211.31
Banking	\$42.59	1301.952	\$55450.14
Utilities Growth	\$39.68	1293.546	\$51327.91
Software	\$50.78	938.003	\$47631.79
Multimedia	\$43.45	848.725	\$36877.10
Retailing	\$50.80	654.282	\$33237.53

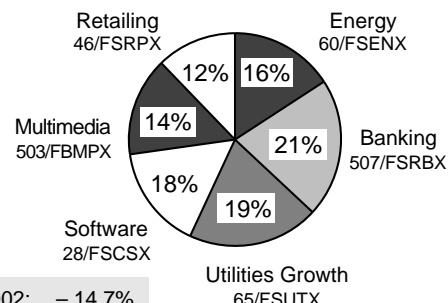
9% Foreign Holdings

Balance as of 11/30/04: \$268735.78

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%  
2002: - 14.7%  
2003: + 38.4%  
\*2004: + 4.9%



We logged a gain of 4.3% in November, compared to the S&P 500's 4.0% return. On 11/15 we sold **Health Care** (\$121.71) and bought **Utilities Growth** (\$40.18). Also on 11/15, we sold **Insurance** (\$58.22) and bought **Multimedia** (\$43.62).

Debt-heavy companies may get squeezed somewhat by higher interest rates, but most of the companies in this portfolio are gaining enough pricing power that it's not a big problem.

**INTERNATIONAL FUNDS**

Dollar weakness could initially give a boost to some of Fidelity's foreign stock funds, but it also sets the stage for economic weakness and slower earnings growth, especially in Europe and Japan. In the long run, U.S. stocks may have more to gain from a weaker dollar than foreign stocks, with the possible exception of some oil-exporting regions.

One option for gaining international exposure is to hold a domestic fund that has substantial foreign assets, as do **Contrafund** and **Low-Priced Stock**. That way Fidelity managers are making the choices on an individual stock basis, with full consideration of possible exchange rate effects.

For those that prefer the direct approach, the best option may be to diversify your dollars far and wide and keep turnover low. **Spartan Int'l Index** accomplishes this with minimal expense.

For a country-specific play, we like **Canada**. The country's exports are mainly natural resources, so its stock market isn't likely to be hurt much by a strong currency or a global economic slowdown.

As for emerging markets, **Latin America** is probably the best bet. The region is benefiting from higher-than-expected oil export revenue, and could become more competitive from a manufacturing standpoint once China allows the yuan to appreciate against the dollar.

**GOLD**

The gold rally might have staying power. New exchange traded funds that track the underlying price of the metal itself could make gold as easy to own as stocks and bonds. That could boost demand, as could rising affluence in Asia. Although we have upgraded **Gold** to a buy, take note that gold stocks are extremely volatile. Limit your position in this fund to 10-15% of total assets, and be prepared to hold it for a minimum of three years. In today's market, the price of gold moves opposite the dollar. While the odds are good that the dollar will be pushed much lower in the next three years, there is a chance that the greenback could see unexpected strength in 2005. But even if gold stocks aren't helped by a weaker dollar in 2005, the sector has a good shot at making up for lost time in 2006 and 2007. ■

**Floating Rate High Income.**

The prospect of rising inflation helped lower-grade bonds, while penalizing high-quality funds with significant interest-rate sensitivity. **Capital & Income** gained 2.7%, **New Markets Income** rose 1.5%, **High Income** returned 1.4%, and **Strategic Income** gained 1.3%. On the bottom end, **Gov't Income** and **Int. Gov't Income** both slid 0.9%. Municipal bond funds posted declines ranging from 0.6% to 1.1%.

**SELECT PORTFOLIOS**

Select System holdings are listed on page 7. Our current buys, in order of increasing risk, include **Utilities Growth, Banking, Retailing, Natural Resources, Multimedia, Energy, Software, and Gold** (limit **Gold** holdings to 10-15% of assets).

The commodity groups rose on inflation concerns. Safety issues with several popular drugs held back the pharmaceutical groups, and the election outcome appeared to give a strong boost to medical providers. **Medical Delivery** jumped 18.8%, **Chemicals** climbed 11.6%, and **Natural Gas** gained 8.3%. On the bottom end, **Pharmaceuticals** rose 2.1%, **Health Care** returned 2.0%, and **Biotechnology** edged up 0.6%. ■

**Happenings**

Fidelity has introduced **Small Cap Value** and **Small Cap Growth**. The two funds will be managed for their specific styleboxes, and will compete with the Russell 2000 Value and Russell 2000 Growth indexes, respectively. We're especially pleased to have access to the small-cap value segment, because Fidelity's research may provide a significant long-term advantage in this arena. We're rating **Small Cap Value** a buy, and we're going with a hold rating on **Small Cap Growth** until we have a clear picture of its portfolio makeup. Both funds will be added to our data pages next month. Keep in mind that small caps in general tend to outperform in December but lag during the first few trading days of January. ■

**NOVEMBER DISTRIBUTIONS**

<b>Asset Manager Income</b>	\$ 0.02 / \$12.43 (11/5)
<b>Freedom Income</b>	\$ 0.02 / \$11.20 (11/5)

Most funds are scheduled to pay in December. We've listed dates and estimates on pages 4-5 in the "Ex-Date" column. Funds that are estimating two payouts during the month include **Freedom Income** (.02 on 12/3 and .04 on 12/29), **New Markets Income** (.12 on 12/23 and .02 on 12/28), and **Strategic Income** (.03 on 12/23 and .13 on 12/28).

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser (55/FDRXX)	56703.5	1.55	CT MM (418/FCMXX)	1037.7	1.21	FL MM (428/FSFXX)	1311.4	1.24
Select MM (85/FSLXX)	629.2	1.59	MA MM (74/FDMXX)	3452.7	1.16	Spart MA MM (426/FMSXX)	962.6	1.28
Spart MM (454/SPRXX)	5621.9	1.55	MI MM (420/FMIXX)	591.4	1.16	Spart Municipal (460/FIMXX)	3345.2	1.38
Spart US Gov't (458/SPAXX)	555.4	1.51	NJ MM (417/FNJXX)	1383.0	1.14	Spart NJ MM (423/FSJXX)	639.3	1.31
Spart US Treas (415/FDLXX)	2209.0	1.44	NY MM (92/FNYXX)	2999.2	1.18	Spart NY MM (422/FSNXX)	1114.9	1.29
Tax-Free MM (275/FMOXX)	1041.5	1.26	OH MM (419/FOMXX)	705.4	1.18	PA MM (401/FPTXX)	318.9	1.21
US Gov't Reser (50/FGRXX)	2313.4	1.61	AZ MM (433/FSAXX)	162.8	1.19	Municipal MM (10/FTEXX)	15614.6	1.29
CA MM (97/FCFXX)	3101.2	1.17	Spart CA MM (457/FSPXX)	1355.3	1.34			