

Question & Answer Forum

January is clearly the month that investors think most about their portfolios, as evidenced by the increase in subscriber questions that we see at the beginning of each new year. Once again we are devoting our February issue to a discussion of the topics that are most pertinent.

Why have you overweighted tech funds in your Select System? Isn't this a risky time for that?

Our upcoming switch from **Brokerage** into **Technology** is the final exchange for matching the Select System holdings to our latest volatility model

QUESTION & ANSWER FORUM - *Continued on page 2*

Upcoming Switches For Select System, Unique Opportunities, and Income Model

On Monday, 2/10, our Income Model will make two trades. One-fifth of **Ginnie Mae** will be exchanged for **High Income**, and one-fifth of **Short-Term Bond** will be traded for **Ultra-Short Bond**. The resulting mix will be roughly 20% **Short-Term Bond**, 17% **Ultra-Short Bond**, 18% **High Income**, 25% **Floating Rate High Income**, and 20% **Ginnie Mae**. These changes will slightly reduce the model's interest-rate sensitivity.

Also on 2/10, our Select System will sell **Brokerage** and buy **Technology**, resulting in an approximate mix of 15% **Retailing**, 19% **Banking**, 20% **Biotech**, 19% **Software**, 14% **Technology**, and 13% **Computers**. This change will complete the realignment that we started in December, bringing current holdings in line with our latest Relative Sector Volatility ranking (see our Q&A column for additional comments).

Finally, our Unique Opportunities portfolio will also make a trade on 2/10. On that day we will sell one-half of **Gold** and buy **Capital & Income**, resulting in an approximate mix of 12% **Capital & Income**, 12% **Gold**, 25% **Export & Multinational**, 17% **Leveraged Company**, and 34% **Low-Priced Stock**. We want to cut our stake in gold (see our Q&A column), and junk bonds offer an attractive yield for the risks involved.

Review & Recommendations

January began with a note of optimism, thanks to favorable manufacturing data and the possibility of a reduction in the dividend tax. However, a mixed picture for earnings, along with growing fears of war, caused stocks to decline for the balance of the month. The S&P 500 finished with a loss of 2.6%.

GROWTH FUNDS

Growth Model holdings are listed on page 7. Our Favorites include **Export**, **Dividend Growth**, **Capital Appreciation**, **Contrafund II**, **Low-Priced Stock**, and **Leveraged Company Stock**.

Leveraged Company Stock led the group with a 1.9% gain, benefiting from a continuing rebound in the media/telecom groups. **Capital Appreciation** was off just 0.2%, thanks to its emphasis on the value side of the technology group. **Aggressive Growth** limited its loss to 0.5% in part because of an overweighted biotech position. Laggards included **OTC Portfolio**, sliding 3.8%, and **New Millennium**, down 4.1%. Both funds were negatively affected by weakness in cyclical technology stocks and a selloff in the retail group.

INTERNATIONAL FUNDS

Diversified International is a solid choice for broad-based foreign stock exposure.

Canada led the group, posting a 2.1% gain from overweighting the banking sector. **International Small Cap** managed to find some rare winners in Japan and the U.K., logging a 1.3% increase. On the bottom end were **Europe**, pulling back 4.5%, and **Nordic**, down 5.9%.

GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. Our favorites include **Balanced**, **Equity-Income II**, and **Convertible Securities**.

Convertible Securities was helped by the improving climate for corporate debt, rising 1.3% for the month. **Balanced**, off 1.4%, and **Puritan**, declining 2.1%, managed to lose less than the S&P 500 because of their bond holdings. **Equity-Income I & II**, on the other hand, saw the full impact of weakness in the cyclical groups. The funds posted respective declines of 3.4% and 3.8%.

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QUESTION & ANSWER FORUM - *Continued from page 1*
ranking, which we published back in December. This system compares the standard deviation of 15 industry groups with historical norms, investing in the groups that exhibit below-average volatility.

While overweighting tech may appear reckless in light of what's happened in the last few years, **Software, Computers, and Technology** are now the highest ranked Selects according to our volatility model. Standard deviation in the tech groups is running at below-average levels because selling pressure has abated and earnings have stabilized. If the U.S. dollar remains weak and capital spending picks up, these stocks may bounce back faster than other industry groups. If nothing else, the fact that they took the biggest hit during the bear market suggests greater recovery potential. Time and again, the market has shown a tendency to overshoot on the downside when confronted by a negative turn of events. Tech stocks were clearly overvalued at the height of their speculative run in early 2000, but the group's market cap is currently just 20-25% of its peak valuation level.

As such, I don't really see this as a risky time to be in tech. The worst time to be in any industry group is when valuations are high, earnings are weakening, and the majority of investors are looking to cut their exposure. That was true for technology stocks between March of 2000 and August of 2002, but it isn't really true at this point in time.

Are there any Fidelity funds you find particularly attractive for 2003?

Junk bonds are definitely worth a look, as the group's five-year bearish period has pushed valuations down to relatively attractive levels. **Capital & Income** and **High Income** now seem poised to deliver good returns with one-third of the stock market's risk. Both are delivering an 8-9% income stream, so even without any share price gains they can still post decent returns. According to **Capital & Income's** David Glancy, "With the high-yield market priced at distressed levels, I believe it currently offers significant potential for appealing returns relative to other asset classes. While I don't know how the markets will perform, I do know that high-yield debt is among the most attractively valued segments of the market at this time. Should the high-yield market start to entice investors from other asset classes, it could post strong relative performance" (These comments were published a

few months back in **Capital & Income's** semiannual report to shareholders).

Keep in mind that high-yield bonds are sensitive to the economy, because debt-heavy firms depend largely on rising sales volume to make good on their obligations. A double-dip recession could play havoc with the junk bond sector, extending the group's long bearish period.

More likely, however, is a modest economic upturn and a recovering high yield market. A 10-12% gain in share price would not be out of the question for either **Capital & Income** or **High Income** under this scenario. Factor in the income stream and a 20% total return is within the range of possibilities. Granted, the stock market might do even better if the economy comes alive, but most stock funds carry two or three times as much risk as **Capital & Income** and **High Income**.

What do you think will happen if the tax on stock dividends is reduced or eliminated? Would this be a problem for municipal bonds?

Currently, most stocks are valued for earnings growth because investors prefer capital gains over dividends. However, if the dividend tax is reduced or eliminated, the preference for capital gains over dividends would no longer exist. As such, the obsession with earnings growth would no longer be forced on corporate executives, as they could simply increase (or start paying) dividends to keep their shareholders happy. Thus, corporate leaders would be free to grow their businesses at rates appropriate for their size and the characteristics of the market they serve. That's a more healthy way to conduct business than the "growth at any cost" mentality that was responsible for much of the stretched and falsified earnings numbers.

There are other benefits as well. With a tax structure that favors dividends, most of the money currently going to share repurchase programs would be redirected into quarterly dividends. Dividends are inherently more sound than share repurchases for several reasons. First, dividends can't be faked. Some companies will announce stock buyback programs to boost their stock, then fail to follow through – setting the stage for a surprise decline when the truth eventually comes out. Second, dividends would cut both risk and bad market timing. Invariably, companies tend to do buybacks when their stock price is high, staying on the sidelines when the price is depressed – which magnifies stock

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price volatility. Dividends, on the other hand, tend to stabilize a company's stock because they are paid out at a constant rate – generating a higher yield when the stock price is down and lower payout rate when it's high. Finally, dividends make it easier for individual investors to value a stock. Computing dividend yield is about as simple as it gets – all you have to do is divide the annual payout rate by the current stock price. You don't have to depend on a forecast of future earnings and wonder if the analyst has an objective viewpoint. You don't have to worry about whether a P/E ratio is too high or too low for the company's rate of earnings growth.

Some pundits argue that a dividend tax cut would benefit only dividend stocks, but the impact is much bigger than that. Once enacted, some 80% of listed stocks could eventually turn into dividend payers. Thousands of firms would phase out their share repurchase programs as they ramp up their quarterly dividend payouts. Shareholders wouldn't have to wonder if the earnings are real, because they would be paid a portion of them every quarter.

Municipal bonds would see very little impact from a dividend tax cut. Even if dividend taxes were cut to zero, few stocks would have a high enough yield to compete with municipal bonds - even if 100% of their earnings were paid out. Still, many companies would end up paying out more than the current Federal Funds rate. Thus, a dividend tax cut would likely draw investors away from cash, but leave municipal bonds essentially unaffected.

I'm not sure which of your model portfolios to follow. Can you help?

If all of your investment capital is long-term money, meaning that you won't need to tap your portfolio for living expenses for at least eight years, there are several options. The Growth and Income Model is designed for conservative investors who want to limit risk. The Growth Model is a mainstream no-load approach that carries about as much risk as the S&P 500. For more aggressive investors, the Select System offers the highest potential growth rate – but also has more to lose if things go the wrong way. There's also the option of blending the Growth Model with the Growth and Income Model for a slightly conservative approach. Likewise, the Growth Model and the Select System can be blended for a modestly aggressive strategy.

When dealing with the portion of your holdings that will be needed for living expenses starting three years from now and lasting until eight years from

now, consider the Growth and Income Model as a baseline choice. To go more conservative, allocate some (or all) of your assets to the Income Model. To become more aggressive, move in the direction of the Growth Model.

Finally, for the portion of your nest egg that will be spent on living expenses in the next three years, the Income Model is the place to be. A money market fund can provide an extra measure of safety if you require minimal risk of loss, while the Growth and Income Model offers more upside if you don't mind the added stock market risk.

Our Unique Opportunities portfolio isn't really part of our mainstream lineup, but we offer the model as a source of diversification for those who prefer a group of funds with unique characteristics. This model maintains an overall risk level that ranges between the Growth and Income Model and the Growth Model. The Unique Opportunities portfolio is free to invest in any Fidelity fund, but usually focuses on funds where Fidelity's research advantage plays particularly well, or in market segments that are considered special situations.

I'm sitting with a lot of my money in cash. Do you have any suggestions?

If you are planning an eventual return to stocks, consider a dollar cost averaging approach. Put one-eighth of your long-term money into stock funds now, then make 7 more quarterly buys over the next 21 months. This approach imposes a measure of discipline in what would otherwise tend to be an emotional decision. If stocks continue to slide, you'll pick up some good bargains. If the market goes up, you'll have the benefit of partial participation.

If you aren't planning to return to the stock market, consider our Income Model for a stable 4% income stream. It's discussed in more detail in the following question.

What is the average yield of your Income Model as it currently stands? How will you protect against rising interest rates?

The Income Model's current yield is about 4.1%, and it should increase by a small amount after we adjust fund weightings on 2/10. Our goal is to provide a stable, higher-yielding alternative to Fidelity's money market funds, which are currently posting a paltry 1.1% return.

In order to minimize our exposure to rising interest rates, we've placed some of the portfolio in

QUESTION & ANSWER FORUM - *Continued on page 8*

GUIDE TO FIGURES LISTED ON PAGES 4 AND 5

Gain/loss percentages are for prior month's close (annualized for periods over a year). Reinvested distributions are assumed, 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. Loads: **3-0.75(90)** means 3% load, 0.75% redemption fee if held less than 90 days. 3% loads are waived for IRA/Keogh accounts – except on Magellan, New Millennium, and Selects. If a fund is closed to new investors, we will list it as such in the Load 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 ↓.

JANUARY PERFORMANCE						2003	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Load	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
Aggressive Gth (324/FDEGX)	H***	1.44	0-0.75(90)	11.13	4131.1	-0.5	-0.5	4.2	-37.3	-39.1	-8.0	3.6
Blue Chip Gth (312/FBGRX)	H***	1.01	0-0	31.07	16682.4	-2.7	-2.7	-4.5	-26.3	-17.4	-2.3	8.8
Capital Apprec (307/FDCAX)	B*****	1.09	0-0	16.15	1795.7	-0.2	-0.2	-0.8	-20.5	-14.5	0.7	8.9
Contrafund (22/FCNTX)	H***	0.62	3-0	37.42	27695.1	-3.1	-3.1	-4.2	-11.9	-9.6	3.3	10.8
Contrafund II (339/FCONX)	B****	0.94	3-0	8.51	671.9	-1.8	-1.8	-0.2	-17.2	-10.8		
Disc Equity (315/FDEQX)	H***	0.90	0-0	17.60	2752.1	-2.1	-2.1	-4.2	-19.8	-11.5	-0.3	8.4
Dividend Gth (330/FDGFEX)	B****	1.01	0-0	21.67	13479.2	-2.9	-2.9	-3.7	-21.6	-4.2	3.7	
Export Fund (332/FEXPX)	B*****	1.06	0-0.75(30)	13.45	674.9	-2.2	-2.2	-0.4	-19.9	-4.5	6.7	
Fidelity Fifty (500/FFTYX)	H***	0.90	0-0.75(30)	15.93	717.9	-0.7	-0.7	2.7	-1.5	-5.0	7.0	
Growth Company (25/FDGRX)	H***	1.18	0-0	34.45	14798.0	-2.7	-2.7	-2.5	-32.4	-24.2	0.5	8.3
Large-Cap Stock (338/FLCSX)	B****	0.91	0-0	10.83	563.6	-2.9	-2.9	-4.4	-24.5	-18.4	-1.4	
Lev Co Stock (122/FLVCX)	B****	1.09	0-1.5(90)	10.19	79.2	1.9	1.9	15.8	4.3			
Low-Priced Stock (316/FLPSX)	B****	0.67	3-1.5(90)	24.59	15104.2	-2.3	-2.3	-0.3	-9.8	12.4	7.8	13.7
Magellan (21/FMAGX)	B****	1.01	Closed	76.78	56750.8	-2.8	-2.8	-4.5	-23.4	-14.5	-0.5	8.6
Mid Cap Stock (337/FMCSX)	H***	1.01	0-0.75(30)	15.99	5131.7	-1.7	-1.7	-1.1	-27.3	-6.9	5.9	
New Millennium (300/FMILX)	B****	1.05	Closed	21.24	2615.7	-4.1	-4.1	-4.4	-23.8	-14.7	9.9	16.0
OTC Portfolio (93/FOCPX)	B****	1.13	0-0	23.01	5974.4	-3.8	-3.8	-4.8	-26.9	-24.6	-0.6	6.9
Independence (73/FDFFX)	H***	0.90	0-0	12.90	4239.6	-1.3	-1.3	0.5	-18.7	-14.2	3.5	8.9
Small Cap Indep (336/FDSCX)	H***	0.70	0-1.5(90)	13.08	841.3	-1.7	-1.7	-3.5	-21.6	-3.1	-1.3	
Small Cap Stock (340/FSLCX)	H***	0.75	0-2(90)	11.60	1418.7	-2.0	-2.0	0.6	-18.9	-0.6		
Stock Selector (320/FDSSX)	H***	1.00	0-0	16.13	724.3	-2.7	-2.7	-3.8	-22.2	-13.1	-2.4	7.3
Strc Lg Cap Gth (763/FSLGX)	B****	1.05	0-0.75(30)	6.93	26.9	-2.7	-2.7	-4.8	-29.5			
Strc Lg Cap Val (708/FSLVX)	H***	0.94	0-0.75(30)	8.17	16.1	-3.1	-3.1	-2.7	-18.9			
Strc Mid Cap Gth (793/FSMGX)	H***	1.09	0-0.75(30)	7.32	17.2	-0.3	-0.3	-0.7	-28.2			
Strc Mid Cap Val (762/FSMVX)	H***	0.86	0-0.75(30)	8.85	41.7	-2.5	-2.5	-0.8	-15.7			
Focused Stock (333/FTQGX)	S**	1.18	0-0.75(30)	6.94	32.0	-2.8	-2.8	-4.4	-37.1	-20.3	-5.0	
Trend (5/FTRNX)	B****	0.99	0-0	37.71	729.6	-2.4	-2.4	-2.7	-21.4	-13.2	-1.9	4.3
Value (39/FDVLX)	H***	0.89	0-0	44.88	5092.2	-3.3	-3.3	1.2	-12.6	5.2	3.0	10.4
Value Discovery (832/FVDFX)	H***	1.0 Est	0-0	9.54		-3.4	-3.4					
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B*****	0.59	0-0	13.11	6549.5	-1.4	-1.4	1.5	-9.4	-0.2	4.7	8.1
Convertible Sec (308/FCV SX)	B****	0.52	0-0	16.55	1380.7	1.3	1.3	5.5	-10.6	-2.3	9.0	10.7
Equity-Income (23/FEQIX)	B****	0.97	0-0	38.31	17733.7	-3.4	-3.4	-1.5	-19.0	-4.7	0.0	9.3
Equity-Income II (319/FEQTX)	B*****	1.01	0-0	16.73	9400.6	-3.8	-3.8	-3.3	-18.5	-5.6	0.7	9.0
Fidelity Fund (3/FFIDX)	H***	0.92	0-0	21.55	8695.8	-3.2	-3.2	-3.9	-23.6	-14.7	-0.8	9.2
Growth & Income (27/FGRIX)	H***	0.81	0-0	29.58	26268.7	-2.4	-2.4	-3.6	-19.2	-9.4	-0.2	9.7
Growth & Inc II (361/FGRTX)	B****	0.82	0-0	7.42	127.3	-2.2	-2.2	-2.8	-17.8	-9.7		
Puritan (4/FPURX)	B*****	0.57	0-0	15.46	18031.4	-2.1	-2.1	0.2	-9.4	-0.6	2.7	9.0
Real Estate (303/FRESX)	H***	0.55	0-0.75(90)	17.88	1719.8	-2.8	-2.8	3.1	3.1	14.2	3.9	9.1
Utilities (311/FUIUX)	B****	1.05	0-0	9.44	819.7	-2.7	-2.7	4.1	-24.3	-22.0	-4.9	5.0
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.04	3-0.75(30)	20.66	29.7	-6.3	-6.3	-3.9	-34.8	-3.6	2.5	9.7
Automotive (502/FSAVX)	H***	1.02	3-0.75(30)	21.67	21.5	-4.3	-4.3	-1.5	-12.7	3.3	-1.5	4.9
Banking (507/FSRBX)	B****	1.07	3-0.75(30)	30.33	396.9	0.1	0.1	-2.1	-7.9	4.3	2.6	13.1
Biotechnology (42/FBIOX)	B****	1.46	3-0.75(30)	38.95	1537.3	0.6	0.6	-0.8	-29.8	-19.9	6.4	8.0
Brokerage (68/FSLBX)	H***	1.35	3-0.75(30)	34.95	349.3	-4.4	-4.4	-2.2	-19.9	-1.6	5.9	15.3
Business Ser (353/FBSOX)	S**	1.21	3-0.75(30)	10.69	33.0	-5.9	-5.9	-1.6	-30.1	-6.7		
Chemicals (69/FSCHX)	H***	1.10	3-0.75(30)	38.28	31.4	-0.9	-0.9	0.4	-6.4	3.4	1.0	8.7
Computers (7/FDCPX)	B****	1.61	3-0.75(30)	21.54	571.4	-2.3	-2.3	-4.6	-43.5	-33.7	-1.2	11.6
Const & Housing (511/FSHOX)	H***	1.12	3-0.75(30)	22.66	59.3	-6.0	-6.0	-2.9	-17.2	7.7	3.1	9.4
Consumer Indust (517/FSPCX)	H***	0.81	3-0.75(30)	18.69	21.9	-3.1	-3.1	-6.4	-19.8	-8.8	-0.1	8.8
Cyclical Indust (515/FCYIX)	H***	0.97	3-0.75(30)	11.40	16.8	-4.3	-4.3	-0.2	-20.5	-1.3	0.6	
Defense & Aero (67/FSDAX)	S**	0.90	3-0.75(30)	39.01	318.0	-1.6	-1.6	1.9	-13.3	6.0	4.2	14.1
Develop Commun (518/FSDCX)	H***	1.47	3-0.75(30)	10.08	320.9	2.1	2.1	5.3	-40.3	-37.5	-1.9	6.7
Electronics (8/FSLEX)	H***	2.05	3-0.75(30)	23.34	2214.2	-4.2	-4.2	-6.8	-53.6	-31.6	0.5	15.5
Energy (60/FSENX)	H***	1.05	3-0.75(30)	19.88	197.8	-3.1	-3.1	0.4	-11.6	0.3	3.8	8.8
Energy Services (43/FSSEX)	H***	1.51	3-0.75(30)	27.94	473.5	-4.9	-4.9	-0.1	-2.8	4.2	2.5	13.7
Environmental (516/FSLEX)	H***	0.81	3-0.75(30)	10.01	14.6	-3.0	-3.0	-1.0	-13.0	0.2	-8.2	-0.8
Financial Services (66/FIDSX)	H***	1.04	3-0.75(30)	86.93	425.0	-2.1	-2.1	-2.5	-13.0	2.1	3.5	13.2
Food & Agriculture (9/FDFAX)	S**	0.58	3-0.75(30)	37.19	97.3	-4.1	-4.1	-5.9	-11.7	7.8	1.9	9.5
Gold (41/FSAGX)	H****↓	1.30	3-0.75(30)	23.95	697.0	0.1	0.1	24.4	46.0	24.1	9.6	7.6
Health Care (63/FSPHX)	H***	0.93	3-0.75(30)	101.88	1824.9	-0.1	-0.1	0.2	-15.4	-3.6	4.0	14.2
Home Finance (98/FSVLX)	H***	0.96	3-0.75(30)	48.42	352.6	-0.6	-0.6	0.0	-6.2	15.1	2.6	14.9
Indust Equip (510/FSCGX)	H***	1.08	3-0.75(30)	16.23	19.8	-6.7	-6.7	-3.5	-26.6	-10.5	-1.7	9.4
Indust Materials (509/FSDPX)	H***	0.88	3-0.75(30)	24.06	27.0	0.0	0.0	11.3	-2.6	4.9	0.9	6.3
Insurance (45/FSPCX)	H***	0.95	3-0.75(30)	43.43	106.8	-2.6	-2.6	-1.8	-7.9	13.4	9.0	14.1
Leisure (62/FDLSX)	H***	1.05	3-0.75(30)	50.45	117.2	0.8	0.8	0.8	-17.0	-13.4	2.5	11.4
Medical Delivery (505/FSHCX)	H***	1.17	3-0.75(30)	24.26	133.5	2.4	2.4	-10.9	-10.8	14.1	0.1	8.6
Medical Equip/Sys (354/FSMEX)	H***	0.82	3-0.75(30)	15.38	144.7	-0.3	-0.3	3.6	-3.9	10.0		
Multimedia (503/FBMPX)	H***	1.47	3-0.75(30)	35.01	122.1	3.2	3.2	5.6	-5.0	-11.3	5.9	12.8
Natural Gas (513/FSNGX)	H***	0.90	3-0.75(30)	16.62	153.7	-0.9	-0.9	4.2	-5.4	4.7	6.7	
Nat Resources (514/FNARX)	H***	0.99	3-0.75(30)	10.75	27.1	-2.8	-2.8	1.8	-12.7	0.8	3.5	
Networking/Infra (912/FNINX)	H***	1.90	3-0.75(30)	1.50	74.1	0.7	0.7	10.3	-49.8			
Paper & Forest (506/FSPFX)	H***	0.92	3-0.75(30)	24.56	20.4	-5.4	-5.4	1.7	-9.4	2.0	2.9	8.4
Pharmaceuticals (580/FPHAX)	H***	0.90	3-0.75(30)	7.19	51.6	-1.2	-1.2	0.0	-21.3			
Retailing (46/FSRPX)	B****	0.98	3-0.75(30)	31.72	81.3	-7.1	-7.1	-11.0	-24.4	-10.0	-0.3	7.4
Software (28/FSCSX)	B****	1.38	3-0.75(30)	36.15	647.9	-0.9	-0.9	5.6	-23.7	-14.7	9.1	15.2
Technology (64/FSPTX)	B****	1.63	3-0.75(30)	37.36	1458.7	-0.9	-0.9	0.4	-36.9	-33.7	1.8	11.4
Telecom (96/FSTCX)	H***	1.52	3-0.75(30)	25.47	386.5	-0.4	-0.4	7.5	-23.7	-32.1	-7.2	5.7
Transportation (512/FSRFEX)	H***	0.99	3-0.75(30)	23.29	26.5	-4.9	-4.9	-2.6	-24.1	3.3	3.9	10.0
Utilities Growth (65/FSUTX)	H***	1.03	3-0.75(30)	25.64	183.1	-2.9	-2.9	2.6	-28.3	-24.0	-4.5	5.1
Wireless (963/FWR LX)	H***	1.49	3-0.75(30)	2.41	56.3	-0.8	-0.8	-3.6	-44.1			

JANUARY PERFORMANCE							2003	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Load	NAV	Size	Div. Yield	YTD	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	0.70	0-1 (30)	10.32	305.7		-3.8	-3.8	-4.2	-12.5	-16.7	-1.5
Canada (309/FICDX)	H***	0.66	3-1.5(90)	18.50	78.4		2.1	2.1	5.8	-0.9	-0.3	3.9
Diversified Int'l (325/FDIVX)	B****	0.57	0-1 (30)	16.74	7135.1		-2.4	-2.4	-0.2	-8.5	-9.1	3.2
Emerging Mkts (322/FEMKX)	H***	0.62	3-1.5(90)	7.16	265.3		-0.7	-0.7	2.5	-11.0	-15.3	-4.1
Europe (301/FIEUX)	H***	0.93	0-1 (30)	17.49	895.5		-4.5	-4.5	-3.8	-26.9	-17.5	-5.6
Europe Cap Appr (341/FECAX)	H***	0.70	0-1 (30)	13.51	397.8		-2.3	-2.3	-1.2	-14.7	-10.5	-0.4
China Region (352/FHKCX)	H***	0.57	3-1.5(90)	10.87	110.1		0.1	0.1	-1.0	-13.4	-12.8	4.3
Global Balanced (334/FGBLX)	H***	0.41	0-1 (30)	14.55	88.3		-1.6	-1.6	-0.5	-5.5	-6.0	2.5
Int'l Growth & Inc (305/FIGRX)	H***	0.64	0-1 (30)	16.27	906.8		-3.3	-3.3	-1.8	-10.0	-13.4	0.7
Int'l Small Cap (818/FISMX)	H***	0.7 Est	0-2 (90)	10.69	15.9		1.3	1.3	8.5			
Japan (350/FJPNX)	H***	0.92	3-1.5(90)	8.07	288.0		-4.3	-4.3	-2.1	-1.6	-26.2	-0.5
Japan Smaller Co (360/FJSCX)	H***	0.69	3-1.5(90)	6.38	360.9		-0.9	-0.9	-2.1	3.6	-25.4	9.8
Latin America (349/FLATX)	H***	1.01	3-1.5(90)	8.97	149.4		-3.9	-3.9	2.5	-24.5	-14.1	-9.0
Nordic (342/FNORX)	H***	0.84	3-1.5(90)	14.33	73.0		-5.9	-5.9	-6.0	-19.0	-20.1	0.4
Overseas (94/FOSFX)	H***	0.87	0-1 (30)	21.23	2843.0		-3.5	-3.5	-4.6	-18.2	-18.7	-4.6
Pacific Basin (302/FPBFX)	H***	0.67	3-1.5(90)	12.41	297.0		-2.7	-2.7	-2.5	-7.6	-20.6	1.1
Southeast Asia (351/FSEAX)	H***	0.84	3-1.5(90)	9.72	238.2		0.6	0.6	-1.7	-14.5	-15.7	2.8
Worldwide (318/FWWFX)	H***	0.79	0-1 (30)	11.53	642.2		-2.9	-2.9	-3.1	-19.7	-10.6	-1.3

INDEX AND ASSET ALLOCATION:

Four-In-One Index (355/FFNOX)	H***	0.73	0-0.5(90)	17.63	267.0		-2.3	-2.3	-1.6	-16.5	-10.8	
Spart Ext Mkt Idx (398/FSEMX)	H***	0.84	0-0.75(90)	18.79	442.6		-2.3	-2.3	0.1	-18.4	-14.7	-2.0
Spart Int'l Index (399/FSIUX)	H***	0.80	0-1(90)	19.46	346.0		-3.4	-3.4	-2.6	-14.4	-16.6	-4.2
Spart 500 Index (317/F5MKX)	H***	1.00	0-0.5(90)	58.87	6788.0		-2.6	-2.6	-3.0	-23.1	-13.9	-1.5
Spart Total Mkt Idx (397/FSTMX)	B****	0.96	0-0.5(90)	22.46	1033.0		-2.6	-2.6	-2.5	-22.0	-13.9	-1.5
Asset Manager (314/FASMX)	H***	0.53	0-0	13.67	10118.1		-0.9	-0.9	0.3	-8.6	-3.0	3.2
Asset Mgr Agg (347/FAMRX)	S**	1.06	0-0	6.95	147.9		0.3	0.3	-1.8	-32.0	-13.2	
Asset Mgr Gth (321/FASGX)	H***	0.75	0-0	11.78	3341.4		-1.6	-1.6	-0.9	-14.7	-7.2	0.2
Asset Mgr Inc (328/FASIX)	B****	0.21	0-0	10.91	885.4		0.5	0.5	1.7	-0.1	2.2	3.9
Freedom 2000 (370/FFBFX)	B****	0.19	0-0	10.94	1194.8		-0.6	-0.6	0.3	-2.4	0.8	5.3
Freedom 2010 (371/FFFCX)	B****	0.37	0-0	11.32	4329.6		-1.0	-1.0	0.2	-7.4	-3.3	4.5
Freedom 2020 (372/FFFDX)	B****	0.60	0-0	10.47	3735.3		-1.6	-1.6	-0.7	-14.2	-8.4	2.4
Freedom 2030 (373/FFFEY)	B****	0.71	0-0	10.04	2090.7		-2.0	-2.0	-1.3	-17.7	-11.2	1.0
Freedom 2040 (718/FFFFX)	B****	0.80	0-0	5.73	341.8		-2.2	-2.2	-1.5	-20.1		
Freedom Income (369/FFFAFX)	B****	0.16	0-0	10.55	1096.7		-0.5	-0.5	0.4	-0.8	2.7	4.9

TAXABLE BOND FUNDS:

Capital & Income (38/FAGIX)	B****	0.36	0-1(90)	6.51	2802.2	7.56	4.3	4.3	17.1	4.3	-3.5	0.7
Floating Rate (814/FFRHX)	B****	0.1 Est	0-1(60)	9.61	64.5	3.52	0.6	0.6	2.9			
GNMA Portfolio (15/FGMNX)	B****	0.08	0-0	11.24	6807.8	3.59	0.3	0.3	1.5	7.8	9.3	6.7
Gov't Income (54/FGOVX)	H***	0.19	0-0	10.42	3380.8	3.73	-0.3	-0.3	1.1	9.8	10.0	6.8
Intermed Bond (32/FTHRX)	H***	0.13	0-0	10.71	6247.8	4.15	0.2	0.2	2.6	8.7	9.4	6.9
Intermed Gov't Inc (452/FSTGX)	H***	0.14	0-0	10.32	1367.3	3.35	-0.3	-0.3	0.7	9.2	9.5	6.9
Invest Grade Bond (26/FBNDX)	H***	0.14	0-0	7.56	4766.6	3.32	0.1	0.1	2.9	8.8	9.7	6.8
Mortgage Securities (40/FMSFX)	B****	0.08	0-0	11.25	1339.0	3.27	0.2	0.2	1.4	8.3	9.6	6.9
New Markets Inc (331/FNMIX)	H***	0.35	0-1(90)	11.50	418.9	7.11	2.1	2.1	9.3	12.8	12.2	8.3
Short-Term Bond (450/FSHBX)	B****	0.08	0-0	8.98	5194.8	3.87	0.2	0.2	1.9	6.5	7.5	6.1
Spart Gov't Inc (453/SPGVX)	H***	0.19	0-0	11.19	1211.7	4.01	-0.4	-0.4	1.1	10.3	10.4	7.1
High Income (455/SPHIX)	B****	0.21	0-1(90)	7.76	1740.9	7.43	2.7	2.7	9.0	4.2	-4.7	-1.3
Spart Invest Grade (448/FSIBX)	H***	0.14	0-0	10.72	2652.9	4.02	0.2	0.2	3.1	9.1	10.0	7.2
Strategic Income (368/FSICX)	B****	0.12	0-0	9.51	770.8	5.60	1.6	1.6	6.5	10.8	7.7	
Inflation-Protected (794/FINPX)	H***	0.2 Est	0-0	10.69	398.1	1.80	0.7	0.7	4.1			
Total Bond (820/FTBFX)	H***	0.2 Est	0-0	10.28	45.2	2.75	0.1	0.1	2.3			
Ultra-Short Bond (812/FUSFX)	B****	0.1 Est	0-0.25(60)	10.02	80.1	1.77	0.1	0.1	0.8			

MUNICIPAL BOND FUNDS:

Spart AZ Muni Inc (434/FSAZX)	H***	0.12	0-0.5(30)	11.44	72.7	3.95	-0.3	-0.3	1.3	7.7	8.7	5.5
Spart CA Muni Inc (91/FCTFX)	H***	0.11	0-0.5(30)	12.60	1686.1	4.39	-0.5	-0.5	1.3	6.2	8.4	5.4
Spart CT Muni Inc (407/FICNX)	H***	0.11	0-0.5(30)	11.79	468.4	4.25	-0.4	-0.4	1.3	7.8	8.6	5.5
Spart FL Muni Inc (427/FFLIX)	H***	0.10	0-0.5(30)	11.74	614.3	4.22	-0.2	-0.2	1.4	7.1	8.6	5.3
Spart Intermediate (36/FLTMX)	B****	0.09	0-0.5(30)	10.19	1752.4	4.18	0.0	0.0	1.6	7.4	8.0	5.5
Spart MA Muni Inc (70/FDMMX)	H***	0.11	0-0.5(30)	12.22	1999.0	4.40	-0.3	-0.3	1.3	7.5	8.7	5.5
Spart MD Muni Inc (429/SMDMX)	H***	0.10	0-0.5(30)	10.91	100.8	4.06	-0.1	-0.1	1.4	6.7	8.2	5.3
Spart MI Muni Inc (81/FMHTX)	H***	0.11	0-0.5(30)	11.97	571.2	4.37	-0.2	-0.2	1.5	7.4	8.6	5.4
Spart MN Muni Inc (82/FIMIX)	H***	0.09	0-0.5(30)	11.56	343.5	4.10	-0.2	-0.2	1.5	6.7	8.0	5.1
Spart Municipal Inc (37/FHIGX)	H***	0.11	0-0.5(30)	13.13	4788.5	4.63	-0.2	-0.2	1.5	8.3	9.3	5.8
Spart NJ Muni Inc (416/FNJHX)	H***	0.11	0-0.5(30)	11.74	580.3	4.20	-0.4	-0.4	1.4	7.4	8.5	5.6
Spart NY Muni Inc (71/FTFMX)	H***	0.11	0-0.5(30)	13.24	1493.5	4.37	-0.3	-0.3	1.3	8.5	9.4	5.8
Spart OH Muni Inc (88/FOHFX)	H***	0.11	0-0.5(30)	11.96	434.1	4.43	-0.2	-0.2	1.4	7.5	8.8	5.4
Spart PA Muni Inc (402/FPXTX)	H***	0.10	0-0.5(30)	11.01	299.2	4.42	-0.2	-0.2	1.5	7.0	8.4	5.4
Spart Short-Int Muni (404/FSTFX)	B****	0.06	0-0.5(30)	10.52	1680.2	2.95	0.2	0.2	1.7	5.4	6.2	4.8
Spart Tax-Free Bond (90/FTABX)	H***	0.12	0-0.5(30)	10.60	256.7	4.25	-0.4	-0.4	1.6	8.1		

JANUARY PERFORMANCE			2003	One	Three	One	3-Yr	5-Yr	10-Yr
Indexes & Model Portfolios	Risk	Value	YTD	Month	Month	Year	Rate	Rate	Rate
Dow Jones Industrial	0.98	8053.81	-3.3	-3.3	-3.6	-17.1	-8.0	2.1	11.6
S&P 500	1.00	855.70	-2.6	-2.6	-3.0	-23.0	-13.8	-1.3	9.0
NASDAQ	1.30	1320.91	-1.1	-1.1	-0.6	-31.5	-30.3	-3.7	7.2
Russell 2000	0.95	372.17	-2.7	-2.7	0.0	-21.9	-7.9	-1.6	6.5
Fidelity Monitor Income Model	0.09	69415.98	0.6	0.6	2.6	5.7	4.2	3.3	5.9
Fidelity Monitor G&I Model	0.51	98234.40	0.6	0.6	5.6	-5.0	-0.4	3.9	
Fidelity Monitor Growth Model	0.93	92496.78	-1.7	-1.7	-1.7	-17.9	-11.8	-0.8	8.7
Fidelity Monitor Select System	1.01	181217.86	-2.1	-2.1	-1.4	-13.8	-12.4	3.2	10.8
Fidelity Monitor Unique Opportunities	0.62	52404.07	-1.0	-1.0	5.4	-4.7	-7.0		

UNIQUE OPPORTUNITIES MODEL

This model invests in special situations and where Fidelity's research skills give it an edge over its peers.

FUND	NAV	SHARES	BALANCE
Gold	\$23.95	515.730	\$12351.73
Export	\$13.45	971.836	\$13071.19
Leveraged Co.	\$10.19	909.967	\$9272.56
Low-Priced Stock	\$24.59	720.154	\$17708.59

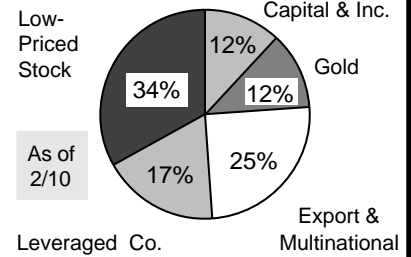
16% Foreign Holdings

Balance as of 1/31/03: \$52404.07

Balance at start of 2003: \$52924.96

PERFORMANCE

Partial Yr 99: + 33.8%
 2000: - 20.5%
 2001: + 1.6%
 2002: - 2.1%
 *2003: - 1.0%



We lost 1.0% in January. On 2/10 we will sell one-half of our **Select Gold** position and buy **Capital & Income**. The resulting mix will be roughly 83% stock, 10% bond, 7% 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 (- 1.9% YTD)	Portfolio B (- 4.1% YTD)	Portfolio C (- 3.2% YTD)	Portfolio D (- 3.2% YTD)
62% Dividend Growth, 38% Capital Appreciation	65% Magellan, 35% Contrafund	32% Magellan 68% Equity-Income	32% Magellan 68% Equity-Income

In January Portfolio A declined 1.9%, Portfolio B lost 4.1%, and Portfolios C and D were both off 3.2%.

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 MODEL:	VIP G&I MODEL:	VIP INCOME MODEL:
100% VIP Technology	35% VIP Growth & Income, 65% VIP Growth	42% VIP Asset Mgr, 58% VIP Balanced.	74% VIP Inv. Grade, 26% VIP High Income.

JANUARY VIP PERFORMANCE		Unit Value	2003 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
Portfolio	Rating							
VIP Asset Manager	B ****	25.33	-1.1	-1.1	0.1	-10.3	-5.5	0.4
VIP Asset Manager: Growth	H ***	15.76	-1.5	-1.5	-0.8	-17.0	-11.5	-2.6
VIP Balanced	B ****	12.01	-1.3	-1.3	-0.6	-10.0	-5.1	-0.1
VIP Contrafund	H ***	22.86	-3.1	-3.1	-4.3	-12.3	-10.0	2.3
VIP Equity-Income	B ****	37.10	-3.5	-3.5	-1.7	-19.5	-5.3	-1.1
VIP Growth	B ****	39.00	-3.3	-3.3	-4.9	-32.0	-20.7	-2.1
VIP Growth & Income	B ****	12.36	-2.1	-2.1	-2.8	-17.9	-10.0	-0.6
VIP Growth Opportunities	B ****	8.49	-3.0	-3.0	-4.2	-22.8	-17.5	-7.7
VIP High Income	B ****	20.91	2.4	2.4	8.3	5.0	-10.3	-6.7
VIP Index 500	H ***	22.24	-2.7	-2.7	-3.2	-23.8	-14.7	-2.4
VIP Investment Grade Bond	B ****	25.86	0.2	0.2	3.0	8.8	9.4	6.4
VIP Overseas	H ***	17.80	-3.6	-3.6	-5.0	-19.7	-20.2	-6.0
VIP Mid Cap	H ***	9.49	-1.5	-1.5	1.0	-10.9		
VIP Consumer Industries	B ****	7.86	-3.2	-3.2	-6.7	-19.7		
VIP Cyclical Industries	H ***	7.72	-4.2	-4.2	-0.2	-20.8		
VIP Financial Services	B ****	8.38	-2.1	-2.1	-2.7	-13.7		
VIP Health Care	B ****	8.35	-0.1	-0.1	0.1	-15.3		
VIP Natural Resources	H ***	8.01	-2.6	-2.6	2.0	-12.9		
VIP Technology	B ****	5.79	-0.9	-0.9	0.4	-37.3		
VIP Telecom & Utilities	H ***	5.85	-3.1	-3.1	2.2	-28.2		
Morgan Stanley Emg Mkts Debt	S **	12.61	1.0	1.0	6.6	7.6	10.4	
Morgan Stanley Emg Mkts Equity	H ***	7.35	-0.9	-0.9	0.3	-13.4	-20.0	
Morgan Stanley Global Equity	H ***	9.54	-4.8	-4.8	-4.0	-20.2	-5.7	
Morgan Stanley Int'l Magnum	H ***	7.24	-4.6	-4.6	-3.5	-17.2	-16.2	
PBHG Growth II	S **	7.15	-1.0	-1.0	-4.5	-28.4	-30.6	
PBHG Select Value	H ****	12.87	-3.3	-3.3	-1.7	-24.7	-16.2	
PBHG Select 20	S **	10.64	-2.3	-2.3	-7.5	-28.6	-21.7	
PBHG Small Cap Value	S **	12.37	-3.5	-3.5	-4.0	-31.5	-2.3	
PBHG Tech & Communications	S **	5.18	-2.6	-2.6	-4.1	-55.3	-51.0	
Strong Mid Cap Growth Fund II	S **	8.94	0.9	0.9	0.0	-35.9	-28.5	
Strong Opportunity Fund II	H ***	10.87	-2.6	-2.6	0.4	-28.5	-9.9	
CS Int'l Focus	H ***	6.76	-4.5	-4.5	-4.9	-22.8	-24.0	
CS Global Post-VC	S **	6.32	-3.2	-3.2	-5.0	-34.2	-27.9	
CS Small Cap Growth	S **	7.22	-1.5	-1.5	-1.0	-32.9	-23.5	
Fidelity Monitor VIP Sector Model		8250.77	-0.9	-0.9	-4.8			
Fidelity Monitor VIP Growth Model		20705.03	-4.2	-4.2	-5.5	-23.3	-15.6	-2.8
Fidelity Monitor VIP G&I Model		16622.21	-1.2	-1.2	-0.3	-10.1	-5.3	0.0
Fidelity Monitor VIP Income Model		16004.06	0.7	0.7	3.1	7.5	3.2	1.7

INCOME MODEL

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

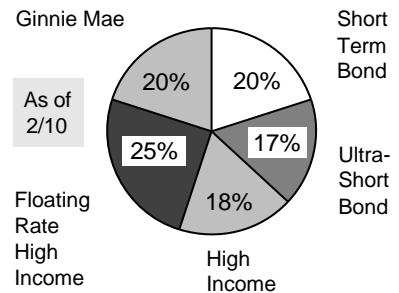
FUND	NAV	SHARES	BALANCE
Short-Term Bond	\$8.98	1918.569	\$17228.75
Ultra-Short Bond	\$10.02	852.808	\$8545.14
High Income	\$7.76	1135.503	\$8811.50
Floating Rate	\$9.61	1814.905	\$17441.24
Ginnie Mae	\$11.24	1547.095	\$17389.35

4% Foreign Holdings

Balance as of 1/31/03: \$69415.98
Balance at start of 2003: \$68975.37

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:	+ 0.6%



We gained 0.6% in January. On 2/10 we will sell one-fifth of **Ginnie Mae** for **High Income**, and one-fifth of **Short-Term** for **Ultra-Short**. Resulting mix: 1% stock, 89% bond, 10% cash.

GROWTH AND INCOME MODEL

Our Growth and Income Model is for conservative growth, with a long-term goal of 11% per year. The model holds funds that focus on stocks and bonds.

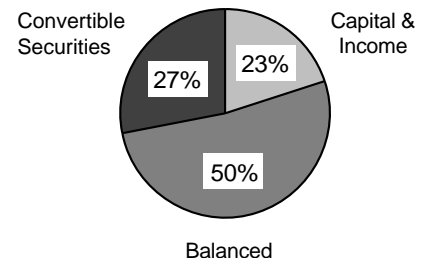
FUND	NAV	SHARES	BALANCE
Capital & Inc.	\$6.51	3511.864	\$22862.23
Balanced	\$13.11	3732.394	\$48931.69
Conv. Securities	\$16.55	1597.612	\$26440.48

7% Foreign Holdings

Balance as of 1/31/03: \$98234.40
Balance at start of 2003: \$97626.98

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:	+ 0.6%



Our Growth and Income Model gained 0.6% in January. Our current mix of assets, based on 12/31 fund data, is 61% stock, 35% bond, and 4% cash.

GROWTH MODEL

Our Growth Model aims for long-term growth of 15% per year. The model will typically invest in a mix of domestic stock funds and will focus only on those that do not charge a load.

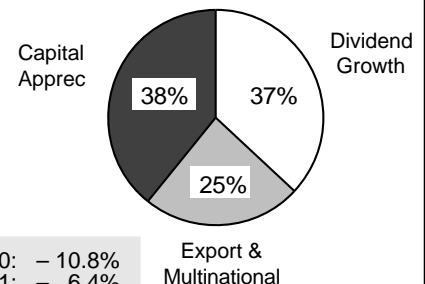
FUND	NAV	SHARES	BALANCE
Export	\$13.45	1697.656	\$22833.47
Capital Apprec.	\$16.15	2213.934	\$35755.03
Dividend Growth	\$21.67	1564.757	\$33908.28

5% Foreign Holdings

Balance as of 1/31/03: \$92496.78
Balance at start of 2003: \$94089.60

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:	- 1.7%



In January our Growth Model slid 1.7%, versus a 2.6% decline for the S&P 500. Our current asset mix, based on 12/31 fund data, is 97% stock and 3% cash.

SELECT SYSTEM

Our Select System aims for growth in sector funds, and has a long-term goal of 18% per year. We use a valuation model to identify attractive growth sectors.

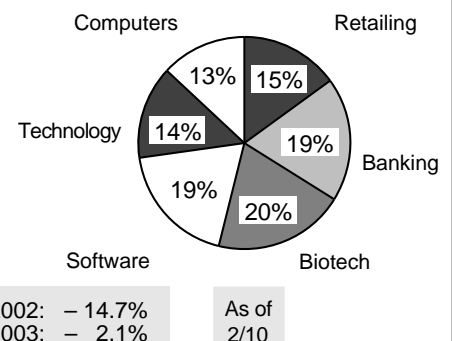
FUND	NAV	SHARES	BALANCE
Retailing	\$31.72	864.073	\$27408.40
Banking	\$30.33	1157.238	\$35099.03
Biotechnology	\$38.95	938.154	\$36541.10
Software	\$36.15	938.003	\$33908.81
Brokerage	\$34.95	733.434	\$25633.52
Computers	\$21.54	1050.463	\$22626.97

1% Foreign Holdings

Balance as of 1/31/03: \$181217.83
Balance at start of 2003: \$185070.14

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:	- 2.1%



In January we were off 2.1%. The S&P 500 lost 2.6%. On 2/10 we will sell **Brokerage** and buy **Technology**. The resulting asset mix will be approximately 90% stock and 10% cash.

low-duration funds (**Short-Term Bond**, **Ginnie Mae**), a small portion in **Ultra-Short Bond**, which has a near-zero duration, and the rest in funds with negative-duration potential (**Floating Rate High Income**, **High Income**). The latter group's ability to move up with rising interest rates comes from the depressed state of the high yield market. Because credit risk is currently much more of a concern than interest rates, a stronger economy should lead to an increase in share price for these funds, offsetting any share price declines for **Short-Term** and **Ginnie Mae**.

What do you see ahead for Select Gold?

The fundamental forces that have been driving up the price of gold include Japanese buying (the result of a one-time change in bank deposit insurance limits), global uncertainty, and low short-term interest rates (which prompt gold producers to stop selling future output from their mines).

At this point, the price of gold largely reflects current market conditions. That's not to say that the price of gold can't move higher. But absent any major concerns on the inflation front, the only thing left to maintain the rally is the money that is chasing the metal because of its large year-over-year gains.

Investor speculation can be a powerful force, of course, but it can also magnify the depth of any profit-taking that comes along. And the risk of short-term losses remains relatively high. Japanese demand for gold stands to taper off as the new deposit insurance limits kick in at the end of March. More significantly, war fears could end quickly, which might prompt a huge number of defensive bets to be reversed if money rushes back into stocks.

All things considered, we've decided to downgrade **Gold** to a hold, and in our Unique Opportunities Model we've decided to sell one-half of our position in the fund. It's entirely possible that gold might continue to be a good performer in the years ahead, but given the volatile nature of the sector it seems prudent to cut our short-term exposure. ■

JANUARY DISTRIBUTIONS

Spartan NJ Muni \$ 0.009 / \$11.80 (1/3)

Funds scheduled for February (2/7) include: **Asset Manager Income**, **Contrafund**, **Freedom Income**, **New Markets Income**, **Spartan Intermediate Muni**, **Spartan MI Muni**, **Spartan MN Muni**, **Spartan OH Muni**, **Spartan PA Muni**, **Strategic Income**, and **Trend**.

BOND FUNDS

Income Model holdings are listed on page 7. Our favorites, in increasing order of risk, include **Ultra-Short Bond**, **Short-Term Bond**, **Floating Rate High Income**, **Ginnie Mae**, **High Income**, and **Capital & Income**.

The deeply discounted high yield bond group benefited from bargain hunting during the month. **Capital & Income** gained 4.3%, **High Income** rose 2.7%, and **Strategic Income** returned 1.6%. But government bond funds pulled back a bit as the threat of military action, along with a weak dollar, reduced demand from foreigners and nudged up long-term interest rates. **Spartan Gov't Income** was most affected, finishing on the bottom with a 0.4% loss.

Longer-maturity municipal bond funds were also negatively affected by rising long-term rates. **Spartan Short-Intermediate Muni** managed a gain of 0.2%, but **Spartan CA Muni** saw the worst of the long-term funds with a decline of 0.5%.

SELECT PORTFOLIOS

Select System holdings are listed on page 7. Current buys are **Software**, **Technology**, **Computers**, **Biotechnology**, **Retailing**, and **Banking**. We're downgrading **Gold** to a hold.

Communications-related sectors managed to stay ahead of the others, but cyclical groups finished near the bottom. Among the leaders, **Multimedia** rose 3.2%, **Medical Delivery** climbed 2.4%, **Developing Communications** gained 2.1%, and **Leisure** edged up 0.8%. On the flip side, **Air Transportation** was down 6.3%, **Industrial Equipment** lost 6.7%, and **Retailing** fell 7.1%. ■

Happenings

With the new year comes another round of fund manager reassignments. **Automotive** is now headed by Robert Bao. **Energy**, **Natural Resources**, and **VIP Natural Resources** are being run by Pratima Abichandani. **Software's** new leader is Kelly Cardwell, and Christopher Bartel has taken over **Industrial Equipment**. Among foreign funds, David Baverez has been named manager of **Europe**, and Claudio Brocado now heads **Latin America**. On the bond side, George Fischer has taken over **Gov't Income** and **Spartan Gov't Income**, Doug McGinley is running **Spartan Intermediate Muni**, and Mark Sommer is the new leader at **Spartan Short-Intermediate Muni**. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser (55/FDRXX)	56731.4	1.13	CT MM (418/FCMXX)	1008.2	0.67	FL MM (428/FSFXX)	1857.9	0.66
Select MM (85/FSLXX)	1027.5	1.14	MA MM (74/FDMXX)	3204.3	0.72	Spart MA MM (426/FMSXX)	1016.2	0.82
Spart MM (454/SPRXX)	7337.8	1.11	MI MM (420/FMIXX)	566.3	0.68	Spart Municipal (460/FIMXX)	2615.5	0.90
Spart US Gov't (458/SPAXX)	774.7	1.05	NJ MM (417/FNJXX)	1259.3	0.69	Spart NJ MM (423/FSJXX)	575.6	0.88
Spart US Treas (415/FDLXX)	2832.1	1.01	NY MM (92/FNYXX)	2632.2	0.76	Spart NY MM (422/FSNXX)	1066.4	0.85
Tax-Free MM (275/FMOXX)	293.7	0.84	OH MM (419/FOMXX)	653.9	0.71	PA MM (401/FPTXX)	278.3	0.72
US Gov't Reser (50/FGRXX)	2475.9	1.11	AZ MM (433/FSAXX)	135.3	0.76	Municipal MM (10/FTEXX)	12432.4	0.81
CA MM (97/FCFXX)	2555.6	0.74	Spart CA MM (457/FSPXX)	1307.8	0.89			