

Question & Answer Forum

Once again we are devoting our February issue to the questions that arise as subscribers evaluate their portfolios for the coming year.

Most of my portfolio is in bonds, and the Fed's change in wording has me worried about rising interest rates. Any thoughts?

Predicting the direction of interest rates is never easy, but several factors now suggest interest rates may be heading up over the long run. The Fed is not likely to raise short-term rates anytime soon, but at some point in the next 12 months it will probably abandon its accommodative stance.

In the meantime, long-term interest rates could be pushed up as investors factor in the likelihood of rising inflation. Costs are climbing on a number of fronts. Housing, energy, medical expenses, insurance premiums, education, raw materials, and many luxury goods are seeing significant year-over-year price increases. Currently, very little of this shows up in the official CPI numbers, but that could change. At some point, a weak dollar and cost pressures in China will affect the price of imported goods in a more noticeable way.

The Federal deficit is also a point of concern, and gets a lot of play in the media. But the budget gap isn't the huge problem it's made out to be. Total U.S. government debt, at \$7 trillion, is roughly 63% of GDP. That's lower than most other countries. Total debt may grow a few trillion over the next decade, but U.S. GDP will likely do the same. The notion that high budget deficits will drive up interest rates is true to some extent, but the budget gap is projected to shrink as tax receipts grow. Remember, whenever corporate earnings exceed expectations, tax receipts tend to do the same.

The *trade* deficit, on the other hand, is a key concern. It's bigger than the Federal deficit, and has proved very difficult to resolve. In an average day, U.S. imports exceed exports by \$1.5 billion, a gap that is financed mostly by foreign money. So far the central banks of Japan and China have been more than willing to buy U.S. bonds, mainly because their own currencies would surge against the dollar if they didn't keep doing so. At some point, however,

QUESTION & ANSWER FORUM - *Continued on page 2*

Review & Recommendations

For the first part of the month, January played out like an extension of 2003. The weak dollar, a recovering economy, and favorable earnings continued to fuel a rally in stocks, especially for technology issues. Then the Fed delivered a reality check. Instead of suggesting that short-term interest rates could remain low for a considerable period, Fed officials hedged by saying they could be patient in raising rates. The market interpreted the new phrasing to mean that short-term interest rates could begin to edge up as early as this summer. A brief profit-taking period followed, but most asset classes finished January on a positive note. The S&P 500 closed the month with a gain of 1.8%.

GROWTH FUNDS

Growth Model holdings are listed on page 7. Our favorites include **Export & Multinational**, **Capital Appreciation**, **Low-Priced Stock**, and **Leveraged Company Stock**.

Leveraged Company Stock, despite taking a hit after the Fed's surprise, gained 4.2%. **OTC Portfolio** and **New Millennium** both climbed 3.6%. On the bottom end, **Contrafund** was flat, and **Focused Stock** declined 0.1%.

INTERNATIONAL FUNDS

Diversified International is our favorite for broad-based foreign stock exposure. **Int'l Small Cap** could benefit from a global economic rebound.

The dollar's slide gave a boost to most regions, but technology-heavy funds posted the biggest gains. **Nordic** was up 6.6%, and **Southeast Asia** climbed 6.2%. Japanese stocks, on the other hand, were weak as the markets priced in less favorable expectations for earnings and exchange rates. **Japan Smaller Companies** edged up 1.1%, and **Japan** slid 0.7%.

GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. Our favorite all-weather funds include **Balanced** and **Puritan**. **Strategic Dividend & Income** offers a conservative stock-oriented approach. Go with **Real Estate Income** for a low-risk income stream with capital appreciation potential.

Real Estate gained 4.4% as investors concluded

RECOMMENDATIONS - *Continued on page 8*

the burden of propping up the dollar will become too great for these central banks, and the game will end. When it does, the treasury market will lose a key source of foreign capital, perhaps causing long-term interest rates to climb significantly.

The bottom line is that this is not really a good time to have most of your portfolio in bonds. Even if your goal is to maintain a conservative stance, it still makes sense to have some exposure to asset classes that can hold up better than bonds when interest rates rise. A blend of 60% value stocks and 40% bonds, for example, is a time-tested approach for keeping ahead of inflation. Conservative growth and income funds like **Balanced** and **Puritan** are designed around this concept.

Consider shifting some of your bond money into our Growth & Income Model. This portfolio held up quite well in the recent bear market, and currently has only half of the S&P 500's risk.

If you insist on staying mainly with bonds, our Income Model may offer some protection in the event that interest rates start climbing. With a focus on short-maturities and credit-sensitive funds, we've attempted to minimize the interest-rate sensitivity that comes with most bond-oriented holdings. The Income Model can even be used for cash that would otherwise sit around in a money market fund. It's not risk-free, but over the last year our mix of funds has been about four times more stable than the typical investment-grade bond fund.

I remain concerned about the market's high P/E ratio. Are we headed for a repeat of 2002?

First off, be aware the P/E ratio is the least reliable of all the valuation indicators. I realized this first-hand about 10 years ago during development of the Select System's original valuation model. The big problem with measuring P/Es is the fact that only 12 months worth of earnings are considered. Because earnings can vary, and because the indicator is meaningless for near-zero or net loss situations, the popular ratio can often give a false impression.

Case in point: back in 1984, the P/E on the Dow Industrials rose above 100 because several stocks in the index were in a net-loss situation. Back then, if the Dow's earnings had slid any closer to breakeven, its P/E might have gone as high as 10,000 with no difference in market capitalization. When earnings go to zero, the P/E ratio goes to infinity.

Some similarity to this exists in today's market.

Earnings have been weak over the last 12 months, and much of the utility sector has been in a net loss situation. As such, measuring the S&P 500's P/E ratio (based on trailing earnings) makes stocks look just as expensive today as they were before the bear market began. That impression is not correct.

Granted, today's stock prices are hardly cheap. Total U.S. market capitalization is about a third lower than it was in early 2000, but is still running about 120% of annual GDP - well above a historical average of 60-65% over the last 60 years. Much of today's premium in stock prices can be justified by low interest rates, high productivity, and the potential growth of foreign revenue and earnings.

By itself, a high market P/E ratio should not be a deterrent to investing in stocks. The weak dollar is especially bullish for exporters and multinationals, meaning that many of the stocks with the highest P/E ratios have the best chance for earnings growth.

Still not convinced? Consider investing in funds with below-market P/E ratios. Those that we like include **Low-Priced Stock**, **Leveraged Company Stock**, and **Spartan Extended Market Index**. Their respective P/E ratios, as calculated by Morningstar, are 13.4, 13.9, and 14.7.

Are you planning changes to any of your model portfolios in the near future?

We're thinking about adding the new **Strategic Dividend & Income** fund to our Growth & Income Model sometime soon, perhaps by reducing our stake in the three existing holdings. We're also thinking about a small position in **Natural Resources** for the Unique Opportunities Model, which would probably be established by selling some of **Low-Priced Stock** and **Capital & Income**. We may also change the weighting among existing positions in some of the other models, but nothing is planned at this stage.

What's behind your recent downgrade of Capital Appreciation?

Capital Appreciation is still rated a buy, and we plan to keep it in our Growth Model. However, manager Harry Lange recently cut the fund's tech exposure almost in half, finishing the year with a 19% weighting. That makes the fund less risky, but it also means that it's less likely to benefit from weakness in the dollar. The opposite trend occurred with **Export & Multinational**, which increased its tech holdings from 18% to 21% over the same period. **Capital Appreciation's** bet on media companies might pay off, but tech earnings have more certainty.

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I noticed you downgraded Low-Priced Stock to four stars in January. Can you explain? What do you recommend as a substitute for those who missed the cutoff?

Low-Priced Stock remains one of our long-term favorites, but over the last year it has become much larger and its behavior increasingly resembles the Russell 2000 index. Near-term, the \$25 billion fund still has the potential to outperform on the strength of its foreign holdings, but someday it may end up like **Magellan**, struggling just to stay even with its benchmark.

At this stage, however, it's not necessarily a bad thing to be "tethered" to the Russell 2000. Many smaller stocks remain attractively priced compared with large-caps. Their earnings growth, as projected by Wall Street analysts, may not be as strong, but the potential to surprise on the upside may be greater.

The closest match to **Low-Priced Stock** is **Spartan Extended Market Index**, which also resides in the small-cap blend style box. Despite having lagged sharply behind **Low-Priced Stock** over the last five years, the two funds now hold a similar mix of industry groups and have correlated closely over the last 12 months. With a risk level of 0.9, **Spartan Extended Market Index** is only slightly more growth-oriented than **Low-Priced Stock**. The only potential problem is that **Spartan Extended Market Index** requires a minimum of \$15,000.

I want to be as aggressive as possible with a portion of my portfolio. What can you offer? (please include 5-year return and total bear market loss)

While an aggressive growth strategy is working well at the moment, be aware that growth-oriented stocks are simply recovering from a deep selloff, thanks to a weak dollar and a recovery in business spending. Longer-term, the aggressive approach may not be worth the added risk. But here's the answer to your question.

In Fidelity Monitor, the Select System is our most aggressive model. For the five years ending 12/31/03, its cumulative gain was 35.0%, and it lost 44.5% in the bear market (3/31/00 to 9/30/02). During the same five years, the S&P 500 declined 2.8%, losing 43.8% in the bear market.

As for Weber Asset Management, our money management affiliate, one of the investment options is the Ultra-Aggressive Select Model, which is used for a small percentage of clients interested in the high-risk path. As of 12/31/03, the five-year gain for the Ultra-Aggressive Select Model was 65.7%,

net of fees. During the bear market this portfolio lost 48.7%, net of fees. Weber Asset Management offers a wide range of money management options for investors with \$200,000 to invest. For information, please call 800-438-3863. Past performance is no guarantee of future returns.

With energy companies fudging on their reserve numbers, what's to like about this group?

Energy stocks are priced as if today's high oil and natural gas prices are just an aberration. But there's growing evidence that high fossil fuel prices may be here to stay. Worldwide demand for oil has picked up with China's mushrooming imports, but meanwhile the major oil companies struggle just to replace what's lost in declining output from their maturing wells. OPEC countries have some ability to increase output, but are no longer running far below capacity. Higher output from Iraq may help, but a strengthening global economy will quickly absorb any additional output. The bottom line is that an all-time peak in global oil production is close at hand, and the long-term value of proven oil reserves may be headed up. It's hard to say when energy stocks will recognize this (they may have already started), but there's a reasonable chance that this group could outperform in the coming years.

Your weekly email updates are no longer showing up in my inbox. What's the problem?

Better than 99% of our email messages are delivered without a problem, but those that aren't have been a growing source of frustration.

If your message doesn't show up, chances are your local service provider has implemented a spam filter that blocks more than just spam. Think of hundreds of local postal carriers throwing away everything that looks like junk mail, and it provides a pretty good image of what's happening today with email. Smaller email providers, especially those that serve a specific company or institution, have been the biggest problem, deleting our messages while rarely giving any notice to sender or recipient.

If you get cut off, send us an email asking for another copy of the update. Usually our replies to individual messages get past the spam filters without a problem. If delivery remains a problem, consider providing us with an email address from a national service provider (AOL, yahoo, msn, earthlink, etc.), making sure the email filtering options are turned off. Alternatively, you can always reach our recorded telephone update at 800-686-7301. ■

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 ↓.

JANUARY 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***	1.00	1.5(90)	15.27	5278.5	2.3	2.3	6.7	37.2	-25.4	-10.8	5.0
Blue Chip Gth (312/FBGRX)	H***	0.99	none	40.45	22383.8	2.1	2.1	6.9	30.9	-8.2	-3.4	9.0
Blue Chip Value (1271/FBCVX)	H***	1.0 Est	none	11.34	47.6	1.9	1.9	9.8				
Capital Apprec (307/FDCAX)	B****↓	1.14	none	24.84	4466.1	1.3	1.3	5.7	54.0	2.2	4.4	10.1
Contrafund (22/FCNTX)	H***	0.77	none	49.33	36051.4	0.0	0.0	4.5	31.9	1.7	2.2	11.7
Discovery (339/FDSVX)	H***	0.78	none	10.43	654.7	0.9	0.9	7.6	23.2	-4.1	2.6	
Disc Equity (315/FDEQX)	H***	0.95	none	23.10	3987.0	1.6	1.6	6.6	31.9	-3.4	0.3	9.7
Dividend Gth (330/FDGFY)	H***	1.01	none	27.82	18171.3	1.9	1.9	8.6	29.5	-2.1	3.0	14.0
Export Fund (332/FEXPX)	B****	1.04	0.75(30)	18.45	1042.1	1.6	1.6	9.0	37.7	2.9	8.9	
Fidelity Fifty (500/FFTYX)	H***	1.13	0.75(30)	19.60	960.0	1.7	1.7	5.0	23.3	4.7	5.7	12.6
Growth Company (25/FDGRX)	B****	1.27	none	51.54	22608.7	2.9	2.9	4.9	49.6	-9.6	2.7	11.0
Large-Cap Stock (338/FLCSX)	H***	0.99	none	14.21	713.1	2.4	2.4	7.8	31.9	-7.4	-3.2	
Lev Co Stock (122/FLVCX)	B****	1.08	1.5(90)	20.15	1205.7	4.2	4.2	16.3	100.8	22.4		
Low-Priced Stock (316/FLPSX)	B****	0.82	Closed	35.93	26725.2	2.7	2.7	9.6	48.1	17.3	16.8	15.8
Magellan (21/FMAGX)	H***	0.99	Closed	98.99	67995.1	1.3	1.3	7.0	30.0	-6.2	-1.8	8.9
Mid Cap Stock (337/FMCSX)	B****	1.02	0.75(30)	21.98	8049.1	1.9	1.9	5.8	38.1	-2.8	9.3	
New Millennium (300/FMILX)	B****	1.21	Closed	31.49	3655.9	3.6	3.6	6.9	48.3	-3.4	8.6	18.4
OTC Portfolio (93/FOCPX)	B****	1.25	none	33.65	7939.8	3.6	3.6	7.0	46.2	-6.9	-1.0	10.0
Independence (73/FDFFX)	H***	1.11	none	16.37	4726.2	1.9	1.9	6.4	27.7	-8.1	1.5	9.3
Small Cap Indep (336/FDSCX)	H***	0.82	1.5(90)	18.54	949.0	3.3	3.3	9.9	41.7	7.3	7.5	8.5
Small Cap Stock (340/FSLCX)	H***	0.91	2(90)	17.61	2504.7	3.0	3.0	11.9	52.5	9.0	15.7	
Stock Selector (320/FDSSX)	H***	1.00	none	21.36	818.1	1.8	1.8	7.7	33.2	-3.5	-0.5	8.8
Strc Lg Cap Gth (763/FSLGX)	H***	1.04	0.75(30)	9.21	21.0	2.1	2.1	7.5	32.9			
Strc Lg Cap Val (708/FSLVX)	H***	0.96	0.75(30)	10.64	24.2	1.1	1.1	8.6	31.4			
Strc Mid Cap Gth (793/FSMGX)	H***	1.10	0.75(30)	10.63	56.9	3.0	3.0	7.2	45.2			
Strc Mid Cap Val (762/FSMVX)	H***	0.89	0.75(30)	12.32	88.8	2.0	2.0	8.3	39.7			
Focused Stock (333/FTQGX)	S**	0.95	0.75(30)	8.76	35.7	-0.1	-0.1	5.9	26.5	-13.3	-5.8	
Trend (5/FTRNX)	H***	0.98	none	49.77	867.5	1.6	1.6	7.3	32.9	-4.0	1.9	5.3
Value (39/FDVLX)	B****	0.90	none	63.58	6984.0	2.4	2.4	10.3	42.3	11.3	10.7	11.7
Value Discovery (832/FVDFX)	H***	1.0 Est	none	12.80	46.9	2.5	2.5	9.8	37.5			
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B****	0.68	none	17.07	9808.5	1.9	1.9	7.3	32.5	5.8	6.3	9.2
Convertible Sec (308/FCVX)	H***	0.44	none	20.50	1822.0	1.6	1.6	6.7	28.8	2.6	11.0	11.8
Equity-Income (23/FEQIX)	B****	0.96	none	50.27	23520.0	1.0	1.0	9.7	36.0	0.8	3.8	10.5
Equity-Income II (319/FEQTX)	B****	1.05	none	22.84	12255.5	1.0	1.0	7.2	39.2	1.4	3.1	10.5
Fidelity Fund (3/FFIDX)	H***	0.99	none	28.45	10388.4	1.3	1.3	7.8	33.2	-4.8	-1.0	10.3
Growth & Income (27/FGRIX)	H***	0.86	none	36.12	30571.7	1.4	1.4	6.8	23.6	-3.2	-0.9	10.0
Growth & Inc II (361/FGRTX)	H***	0.93	none	9.37	231.9	1.1	1.1	4.3	27.3	-1.9	-0.9	
Puritan (4/FPURX)	B****	0.62	none	18.68	21964.1	1.1	1.1	7.7	26.2	3.7	4.4	9.3
Real Estate Inc (833/FRIFX)	B****↑	0.2 Est	0.75(90)	11.52	378.9	1.9	1.9	5.0				
Real Estate (303/FRESX)	H***	0.68	0.75(90)	24.75	2712.4	4.4	4.4	11.7	43.6	17.3	16.5	12.3
Utilities (311/FUIX)	H***	0.94	none	11.73	856.8	2.2	2.2	6.5	26.9	-10.5	-5.7	5.6
SELECT FUNDS:												
Air Transportation (34/FAIAX)	H***	1.44	0.75(30)	29.91	38.4	-0.2	-0.2	-1.5	44.8	-5.0	8.3	10.9
Automotive (502/FAVX)	S**	1.17	0.75(30)	32.57	30.0	0.2	0.2	8.1	50.3	16.1	5.5	5.8
Banking (507/FSRBX)	B****	1.03	0.75(30)	39.54	472.1	1.1	1.1	5.6	33.6	6.1	6.2	15.0
Biotechnology (42/FBIOX)	B****	1.43	0.75(30)	53.32	1853.3	3.6	3.6	8.6	36.9	-11.8	6.5	10.4
Brokerage (68/FSLBX)	H***	1.43	0.75(30)	52.58	407.0	5.8	5.8	9.3	51.0	0.4	10.6	15.9
Business Ser (353/FBSOX)	H***	1.17	0.75(30)	14.48	36.9	1.0	1.0	7.3	35.5	-0.1	4.6	
Chemicals (69/FSCHX)	H***	1.11	0.75(30)	50.55	62.1	-2.4	-2.4	11.3	33.1	9.4	11.7	9.7
Computers (7/FDCPX)	B****	1.69	0.75(30)	37.97	959.8	5.9	5.9	5.9	76.3	-13.8	-4.5	15.1
Const & Housing (511/FSHOX)	S**	1.20	0.75(30)	34.12	123.4	-1.8	-1.8	2.6	50.6	15.3	8.5	10.9
Consumer Indust (517/FSCPX)	H***	0.91	0.75(30)	23.51	37.2	0.0	0.0	3.2	27.9	-0.5	-0.5	9.1
Cyclical Indust (515/FCYIX)	H***	1.02	0.75(30)	15.96	42.0	-0.7	-0.7	10.2	42.8	3.6	7.2	
Defense & Aero (67/FSDAX)	H***	1.04	0.75(30)	54.97	323.3	0.4	0.4	10.3	40.9	8.3	11.7	14.9
Develop Commun (518/FSDCX)	B****	1.55	0.75(30)	19.64	605.6	18.4	18.4	19.4	94.9	-15.4	-2.1	10.8
Electronics (8/FSELX)	H***	1.88	0.75(30)	44.46	3932.0	6.1	6.1	9.7	90.5	-13.4	1.7	19.5
Energy (60/FSENX)	B****	0.95	0.75(30)	25.26	255.5	0.8	0.8	14.4	27.8	-0.4	12.9	9.4
Energy Services (43/FSESX)	B****	1.69	0.75(30)	33.80	369.4	6.9	6.9	17.6	21.0	-3.9	19.6	14.1
Environmental (516/FSLEX)	H***	1.00	0.75(30)	13.19	12.9	-0.9	-0.9	4.0	31.8	0.9	-0.5	1.4
Financial Services (66/FIDSX)	H***	1.04	0.75(30)	118.16	528.0	2.8	2.8	7.9	37.1	3.2	6.7	14.9
Food & Agriculture (9/FDFAX)	H***	0.73	0.75(30)	44.18	94.5	0.3	0.3	5.2	19.5	3.9	2.7	10.2
Gold (41/FSAGX)	H***	1.72	0.75(30)	27.13	847.1	-9.1	-9.1	-3.3	20.0	35.5	17.6	3.2
Health Care (63/FSPHX)	H***	0.99	0.75(30)	121.78	1957.3	3.2	3.2	10.6	19.7	-2.7	1.8	15.2
Home Finance (98/FSVLX)	H***	1.00	0.75(30)	66.84	425.9	3.6	3.6	9.1	42.8	13.8	12.5	16.5
Indust Equip (510/FSCGX)	H***	1.13	0.75(30)	24.74	66.9	0.6	0.6	14.3	52.4	1.5	3.9	10.0
Indust Materials (509/FSDPX)	H***	0.99	0.75(30)	33.70	172.3	-6.4	-6.4	6.6	40.7	14.9	10.9	7.2
Insurance (45/FSPCX)	H***	1.04	0.75(30)	58.15	108.5	4.9	4.9	11.6	37.3	9.8	12.1	17.1
Leisure (62/FDLSX)	H***	1.15	0.75(30)	72.95	190.4	2.8	2.8	8.9	44.6	1.6	1.9	11.9
Medical Delivery (505/FSHCX)	H***	1.33	0.75(30)	32.59	222.3	5.7	5.7	20.3	34.3	9.9	10.2	10.1
Medical Equip/Sys (354/FSMEX)	B****	0.85	0.75(30)	21.12	439.6	5.5	5.5	11.8	41.1	12.1	17.1	
Multimedia (503/FBMPX)	H***	1.40	0.75(30)	45.15	172.5	0.0	0.0	6.0	39.4	3.1	4.9	13.0
Natural Gas (513/FSNGX)	H***	1.27	0.75(30)	21.77	241.5	0.9	0.9	15.2	31.0	-1.1	16.1	9.4
Nat Resources (514/FNARX)	B****	0.88	0.75(30)	14.14	53.9	-1.3	-1.3	12.5	31.5	0.7	14.2	
Networking/Infra (912/FNINX)	H***	1.79	0.75(30)	2.67	150.5	14.1	14.1	13.6	78.0	-25.4		
Paper & Forest (506/FSPFX)	H***	1.17	0.75(30)	29.66	24.4	-4.0	-4.0	7.5	20.8	5.7	10.4	7.8
Pharmaceuticals (580/FPHAX)	H***	1.03	0.75(30)	8.95	72.5	2.2	2.2	9.3	24.5			
Retailing (46/FSRPX)	H***	1.07	0.75(30)	44.99	84.8	0.5	0.5	1.5	41.8	-1.1	-1.4	10.5
Software (28/FSCSX)	B****	1.34	0.75(30)	51.24	823.1	4.1	4.1	8.8	41.8	-4.2	6.6	16.2
Technology (64/FSPTX)	B****	1.59	0.75(30)	62.98	2522.9	4.8	4.8	5.6	68.6	-13.2	-1.0	14.2
Telecom (96/FSTCX)	H***	1.54	0.75(30)	34.59	357.8	8.0	8.0	15.0	36.0	-14.0	-7.9	6.0
Transportation (512/FSRFX)	H***	1.23	0.75(30)	32.76	42.6	-3.2	-3.2	-1.5	40.7	3.5	10.4	11.0
Utilities Growth (65/FSUTX)	H***	0.99	0.75(30)	33.22	207.4	0.9	0.9	5.5	31.3	-14.3	-6.0	6.7
Wireless (963/FWRLX)	H***	1.50	0.75(30)	4.61	149.7	12.7	12.7	18.2	91.3	-20.5		

JANUARY 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***	0.91	1 (30)	15.39	605.2		1.2	1.2	7.9	50.2	3.8	4.6	
Canada (309/FICDX)	H***	0.74	1.5(90)	28.19	226.4		2.9	2.9	12.7	53.1	9.9	15.0	
Diversified Int'l (325/FDIVX)	B****	0.72	1 (30)	24.53	13559.1		1.7	1.7	11.1	48.4	4.5	9.1	
Emerging Mkts (322/FEMKX)	H***	0.90	1.5(90)	10.98	483.9		3.5	3.5	13.2	55.1	7.6	10.4	
Europe (301/FIEUX)	H***	1.11	1 (30)	27.81	1475.9		4.5	4.5	15.4	60.8	-2.4	0.4	
Europe Cap Appr (341/FECAX)	H***	0.92	1 (30)	19.60	419.1		4.8	4.8	15.0	46.9	2.4	4.1	
China Region (352/FHKCX)	H***	0.94	1.5(90)	16.14	274.5		3.9	3.9	8.5	51.1	2.7	13.2	
Global Balanced (334/FGBLX)	H***	0.55	1 (30)	19.23	125.4		1.9	1.9	8.3	34.5	4.3	5.3	
Int'l Growth & Inc (305/FIGRX)	B****	0.85	1 (30)	24.62	1498.2		2.9	2.9	13.4	52.5	2.8	7.4	
Int'l Small Cap (818/FISMX)	B****	0.73	2 (90)	19.50	747.5		4.4	4.4	12.1	85.8			
Japan (350/FJPNX)	H***	1.37	1.5(90)	11.46	546.6		-0.7	-0.7	2.6	42.1	-5.8	5.6	
Japan Smaller Co (360/FJSCX)	H***	1.17	1.5(90)	10.45	881.9		1.1	1.1	1.2	64.1	9.5	15.6	
Latin America (349/FLATX)	H***	1.11	1.5(90)	15.39	270.0		1.1	1.1	16.9	74.4	3.5	12.8	
Nordic (342/FNORX)	H***	0.99	1.5(90)	22.38	87.8		6.6	6.6	15.7	57.3	-4.8	3.6	
Overseas (94/FOFSX)	H***	1.02	1 (30)	32.16	3960.9		2.3	2.3	11.2	53.0	-2.3	1.8	
Pacific Basin (302/FPBFX)	H***	1.05	1.5(90)	17.74	430.1		1.2	1.2	5.0	44.3	0.9	8.0	
Southeast Asia (351/FSEAX)	H***	1.16	1.5(90)	15.49	437.6		6.2	6.2	13.9	60.8	7.1	13.8	
Worldwide (318/FWWFX)	H***	0.93	1 (30)	16.74	956.9		2.3	2.3	9.9	45.8	1.9	4.9	
INDEX AND ASSET ALLOCATION:													
Four-In-One Index (355/FFNOX)	H***	0.76	0.5(90)	23.24	476.5		1.9	1.9	8.0	33.9	-1.4		
NASDAQ Comp (1282/FNCMX)	H***	1.33	0.75(90)	28.28	39.7		2.9	2.9	6.6				
Spart Ext Mkt Idx (398/FSEMXX)	B****	0.95	0.75(90)	28.27	924.3		3.5	3.5	9.3	51.2	1.6	4.1	
Spart Int'l Index (399/FSIIX)	H***	0.90	1 (90)	27.75	455.1		1.8	1.8	12.1	45.7	-2.7	0.3	
Spart 500 Index (317/F500IX)	H***	1.00	0.5(90)	78.00	9824.5		1.8	1.8	8.1	34.4	-4.7	-1.2	
Spart Total Mkt Idx (397/FSTMX)	H***	0.97	0.5(90)	30.56	1970.3		2.2	2.2	8.2	37.6	-3.1	0.0	
Asset Manager (314/FASMX)	H***	0.52	none	15.97	11371.1		1.3	1.3	5.5	19.9	1.3	3.6	
Asset Mgr Agg (347/FAMRX)	H***	1.03	none	10.37	318.1		1.3	1.3	5.2	50.1	-7.7		
Asset Mgr Gth (321/FASGX)	H***	0.74	none	14.51	3774.2		1.6	1.6	7.1	25.9	-0.6	0.9	
Asset Mgr Inc (328/FASIX)	B****	0.30	none	12.30	1096.9		1.2	1.2	2.7	15.3	4.8	4.7	
Freedom 2000 (370/FFFBX)	B****	0.24	none	11.87	1516.5		0.8	0.8	2.7	10.8	2.3	4.3	
Freedom 2005 (1312/FFVFX)	B****	0.3 Est	none	10.39	8.4		1.3	1.3	4.4				
Freedom 2010 (371/FFFCX)	B****	0.42	none	13.19	6786.7		1.3	1.3	4.6	19.9	1.5	4.3	
Freedom 2015 (1313/FFVFX)	B****	0.5 Est	none	10.48	17.9		1.5	1.5	5.6				
Freedom 2020 (372/FFFDX)	B****	0.63	none	13.24	6736.4		1.7	1.7	6.4	29.1	-0.6	3.3	
Freedom 2025 (1314/FFTWX)	B****	0.7 Est	none	10.57	11.6		1.7	1.7	6.9				
Freedom 2030 (373/FFFEX)	B****	0.75	none	13.18	3899.4		1.8	1.8	7.1	33.3	-2.0	2.4	
Freedom 2035 (1315/FFTHX)	B****	0.8 Est	none	10.62	4.6		1.8	1.8	7.4				
Freedom 2040 (718/FFFEX)	B****	0.82	none	7.71	1034.2		2.0	2.0	7.6	36.8	-2.8		
Freedom Income (369/FFFAX)	B****	0.21	none	11.17	1622.4		0.7	0.7	2.3	8.6	3.0	4.4	
TAXABLE BOND FUNDS:													
Capital & Income (38/FAGIX)	B****	0.26	1(90)	8.16	4260.4	7.62	1.9	1.9	5.9	35.9	7.3	5.9	
Floating Rate (814/FRHX)	B****↓	0.05	1(60)	9.91	956.1	3.01	0.7	0.7	1.4	6.5			
GNMA Portfolio (15/FGMNX)	H***	0.18	none	11.11	4504.6	4.39	0.6	0.6	1.4	2.5	5.7	6.0	
Gov't Income (54/FGOVX)	H***	0.33	none	10.27	3885.9	3.21	0.8	0.8	1.8	3.3	6.5	5.9	
Intermed Bond (32/FTHRX)	H***	0.24	none	10.69	6901.1	3.63	0.6	0.6	1.8	5.4	7.3	6.7	
Intermed Gov't Inc (452/FSTGX)	H***	0.25	none	10.32	1115.7	2.80	0.5	0.5	1.4	2.8	6.4	6.1	
Invest Grade Bond (26/FBNDX)	H***	0.27	none	7.59	5523.2	3.47	0.8	0.8	2.0	5.4	7.2	6.4	
Mortgage Securities (40/FMSFX)	H***	0.18	none	11.26	1310.5	3.53	0.7	0.7	1.7	4.0	6.5	6.6	
New Markets Inc (331/FNMIX)	S***↓	0.47	1(90)	13.86	865.9	6.00	0.2	0.2	5.7	28.7	14.5	20.4	
Short-Term Bond (450/FSHBX)	B****	0.13	none	9.05	5406.3	2.61	0.3	0.3	1.2	3.7	5.6	5.7	
Spart Gov't Inc (453/SPGVX)	H***	0.34	none	11.07	889.7	3.55	0.8	0.8	1.9	3.5	6.8	6.2	
High Income (455/SPHIX)	B****	0.18	1(90)	9.02	2902.3	6.60	1.4	1.4	5.3	25.9	4.7	2.4	
Spart Invest Grade (448/FSIBX)	H***	0.27	none	10.76	2542.4	3.79	0.8	0.8	2.2	5.6	7.4	6.6	
Strategic Income (368/FSICX)	H***↓	0.22	none	10.56	2319.9	4.84	1.0	1.0	4.7	17.9	10.4	8.9	
Inflation-Protected (794/FINPX)	B****↑	0.45	none	11.12	723.5	1.43	1.1	1.1	2.1	8.2			
Total Bond (820/FTBFX)	H***	0.2 Est	none	10.58	300.1	3.03	0.8	0.8	2.2	6.6			
Ultra-Short Bond (812/FUSFX)	B****	0.04	0.25(60)	10.06	354.0	1.50	0.1	0.1	0.5	1.8			
US Bond Index (651/FBIDX)	H***	0.2 Est	none	11.24	4764.6	3.89	0.8	0.8	2.2	5.6	7.5		
MUNICIPAL BOND FUNDS:													
Spart AZ Muni Inc (434/FSAZX)	H***	0.23	0.5(30)	11.63	75.9	3.71	0.6	0.6	2.6	6.1	6.4	5.6	
Spart CA Muni Inc (91/FCTFX)	H***	0.22	0.5(30)	12.64	1520.0	4.31	0.6	0.6	2.5	6.1	5.9	5.3	
Spart CT Muni Inc (407/FICNX)	H***	0.23	0.5(30)	11.90	438.5	4.06	0.7	0.7	2.6	6.1	6.5	5.5	
Spart FL Muni Inc (427/FLLIX)	H***	0.23	0.5(30)	11.79	573.1	3.91	0.9	0.9	2.9	6.1	6.4	5.3	
Spart Intermediate (36/FLTMX)	H***	0.19	0.5(30)	10.24	1797.4	4.01	0.6	0.6	2.2	6.0	6.4	5.4	
Spart MA Muni Inc (70/FDMMX)	H***	0.22	0.5(30)	12.30	1840.8	4.32	0.8	0.8	2.7	6.4	6.5	5.6	
Spart MD Muni Inc (429/SMDMX)	H***	0.21	0.5(30)	11.10	95.3	3.90	0.6	0.6	2.3	5.8	6.0	5.2	
Spart MI Muni Inc (81/FMHTX)	H***	0.22	0.5(30)	12.25	559.0	4.22	0.6	0.6	2.4	6.7	6.6	5.6	
Spart MN Muni Inc (82/FMIX)	H***	0.18	0.5(30)	11.72	342.6	3.95	0.6	0.6	2.3	6.1	6.1	5.2	
Spart Municipal Inc (37/FHIGX)	H***	0.22	0.5(30)	13.24	4775.5	4.37	0.8	0.8	2.9	7.0	7.1	6.0	
Spart NJ Muni Inc (416/FNJHX)	H***	0.23	0.5(30)	11.86	548.9	4.08	0.6	0.6	2.8	6.5	6.4	5.6	
Spart NY Muni Inc (71/FTFMX)	H***	0.23	0.5(30)	13.25	1420.8	4.11	0.6	0.6	2.7	6.5	6.9	5.8	
Spart OH Muni Inc (88/FOHFX)	H***	0.23	0.5(30)	12.13	430.1	4.18	0.6	0.6	2.7	6.6	6.6	5.5	
Spart PA Muni Inc (402/FPXTX)	H***	0.21	0.5(30)	11.10	291.2	4.14	0.7	0.7	2.6	6.0	6.3	5.4	
Spart Short-Int Muni (404/FSTFX)	B****	0.10	0.5(30)	10.50	1839.3	2.60	0.4	0.4	1.0	3.2	4.8	4.5	
Spart Tax-Free Bond (90/FTABX)	H***	0.25	0.5(30)	10.81	219.5	4.18	0.8	0.8	3.1	7.5			

JANUARY 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	0.97	10488.07	0.5	0.5	7.5	33.1	0.8	4.2	12.4	
S&P 500	1.00	1131.13	1.8	1.8	8.1	34.6	-4.6	-1.0	10.9	
NASDAQ	1.33	2066.15	3.2	3.2	7.1	57.2	-9.0	-3.5	10.5	
Russell 2000	1.16	580.76	4.4	4.4	10.3	58.1	6.0	7.8	9.6	
Fidelity Monitor Income Model	0.07	75393.37	0.9	0.9	2.4	8.6	5.8	4.4	5.7	
Fidelity Monitor G&I Model	0.51	132572.97	2.1	2.1	7.6	35.0	7.1	7.8	9.9	
Fidelity Monitor Growth Model	1.07	140536.82	2.2	2.2	9.6	51.9	4.9	5.4	10.3	
Fidelity Monitor Select System	1.25	265676.52	3.7	3.7	6.5	46.6	1.8	6.7	11.9	
Fidelity Monitor Unique Opportunities	0.71	78128.02	3.1	3.1	10.4	49.1	12.6			

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
Capital & Income	\$8.16	2575.328	\$21014.68
Int'l Small Cap	\$19.50	629.116	\$12267.76
Leveraged Co.	\$20.15	924.149	\$18621.60
Low-Priced Stock	\$35.93	729.863	\$26223.98

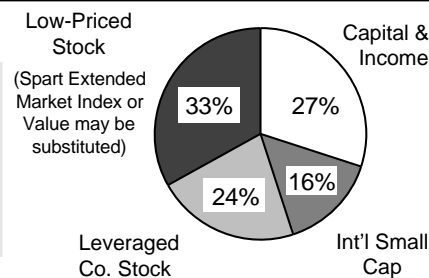
26% Foreign Holdings

Balance as of 1/30/04: **\$78128.02**

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:	+ 3.1%



Our Unique Opportunities portfolio gained 3.1% for the month of January. Asset mix, based on recent information, is 69% stock, 23% bond, and 8% 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 (+1.7% YTD)	Portfolio B (+0.8% YTD)	Portfolio C (+1.1% YTD)	Portfolio D (+1.1% YTD)
58% Dividend Growth, 42% Capital Appreciation	64% Magellan, 36% Contrafund	31% Magellan 69% Equity-Income	31% Magellan 69% Equity-Income

For the month of January, Portfolio A gained 1.7%, Portfolio B rose 0.8%, and Portfolios C and D were both up 1.1%.

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:
50% Technology, 17% Fin Services, 16% Health Care, 17% Natural Res.	35% Equity-Income, 65% Growth	41% Asset Manager, 30% Equity-Income, 29% High Inc.	71% Inv. Grade, 29% High Income.

JANUARY VIP PERFORMANCE		Unit Value	2004 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
Portfolio	Rating							
VIP Asset Manager	B ****	30.36	1.3	1.3	5.5	19.9	0.2	1.0
VIP Asset Manager: Growth	H ***	19.88	1.6	1.6	7.0	26.2	-2.2	-1.6
VIP Balanced	H ***	14.34	0.9	0.9	3.6	19.4	0.6	0.3
VIP Contrafund	H ***	30.06	0.0	0.0	4.5	31.5	1.3	1.5
VIP Dynamic Capital Appreciation	H ***	11.48	4.0	4.0	8.8			
VIP Equity-Income	B ****	50.22	1.0	1.0	9.6	35.4	0.2	2.9
VIP Growth	B ****	55.08	3.6	3.6	7.3	41.2	-8.8	-2.9
VIP Growth & Income	B ****	15.65	0.9	0.9	4.1	26.6	-2.2	-1.2
VIP Growth Opportunities	B ****	11.42	1.3	1.3	6.8	34.5	-4.9	-6.2
VIP High Income	B ****	26.15	1.5	1.5	5.0	25.1	1.9	-1.6
VIP Index 500	H ***	29.63	1.8	1.8	7.8	33.2	-5.5	-2.0
VIP Investment Grade Bond	H ***↓	27.14	0.7	0.7	2.1	4.9	6.8	5.9
VIP Mid Cap	B ****↑	13.40	1.2	1.2	8.5	41.3	8.6	
VIP Overseas	H ***	26.86	2.2	2.2	11.0	50.9	-4.0	0.1
VIP Real Estate	H ***	11.48	4.4	4.4	11.4			
VIP Value Strategies	H ***	11.96	5.1	5.1	8.3			
VIP Consumer Industries	H ***	10.07	-0.1	-0.1	2.9	28.0		
VIP Cyclical Industries	H ***	11.00	-0.5	-0.5	10.2	42.6		
VIP Financial Services	B ****	11.40	2.8	2.8	7.5	36.2		
VIP Health Care	B ****	9.93	3.0	3.0	10.3	18.9		
VIP Natural Resources	B ****	10.53	-1.2	-1.2	12.4	31.5		
VIP Technology	B ****	9.66	4.8	4.8	5.4	67.0		
VIP Telecom & Utilities	H ***	7.59	0.4	0.4	5.4	29.7		
Morgan Stanley Emg Mkts Debt	H ***	15.92	0.5	0.5	5.2	26.3	13.6	
Morgan Stanley Emg Mkts Equity	H ***	11.34	2.9	2.9	12.6	54.2	3.9	
Morgan Stanley Global Equity	H ***	13.03	1.6	1.6	10.9	36.6	-0.3	
Morgan Stanley Int'l Magnum	H ***	9.79	2.0	2.0	11.2	35.1	-4.8	
PBHG Growth II	S **	9.30	3.3	3.3	0.0	30.1	-20.0	
PBHG Select Value	H ***	15.61	-0.1	-0.1	10.1	21.3	-18.1	
PBHG Select 20	S **	14.81	3.2	3.2	5.4	39.2	-5.5	
PBHG Small Cap Value	H ***	18.17	2.8	2.8	9.1	46.9	-0.8	
PBHG Tech & Communications	S **	8.05	5.0	5.0	6.2	55.4	-32.7	
Strong Mid Cap Growth Fund II	S **	11.99	1.7	1.7	0.8	34.2	-18.9	
Strong Opportunity Fund II	H ***	15.87	4.1	4.1	9.5	45.3	-2.6	
CS Int'l Focus	H ***	9.47	1.3	1.3	8.7	40.1	-7.7	
CS Global Post-VC	S **	10.02	4.7	4.7	8.2	58.5	-10.9	
CS Small Cap Growth	S **	11.42	5.6	5.6	8.1	58.0	-5.2	
Fidelity Monitor VIP Sector Model		13522.26	3.1	3.1	3.5	63.9		
Fidelity Monitor VIP Growth Model		28871.94	2.7	2.7	8.1	39.4	-3.3	-1.0
Fidelity Monitor VIP G&I Model		20596.72	1.3	1.3	6.6	23.9	1.6	1.2
Fidelity Monitor VIP Income Model		17630.76	0.9	0.9	2.9	10.2	5.8	3.6

INCOME MODEL

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

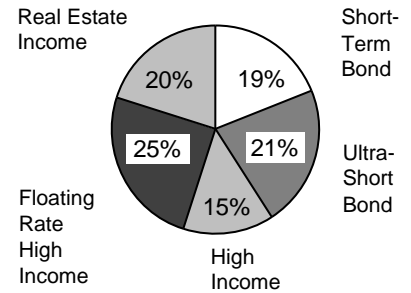
FUND	NAV	SHARES	BALANCE
Short-Term Bond	\$9.05	1579.167	\$14291.46
Ultra-Short Bond	\$10.06	1554.994	\$15643.24
High Income	\$9.02	1286.913	\$11607.96
Floating Rate	\$9.91	1874.702	\$18578.30
Real Estate Inc.	\$11.52	1325.730	\$15272.41

3% Foreign Holdings

Balance as of 1/30/04: \$75393.37
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:	+ 0.9%



For January our Income Model gained 0.9%. Asset mix, based on recent information, is 10% stock, 74% bond, and 16% cash.

GROWTH AND INCOME MODEL

Our Growth and Income Model is for conservative growth, with a long-term goal of 10% per year. The model holds funds that focus on stocks and bonds.

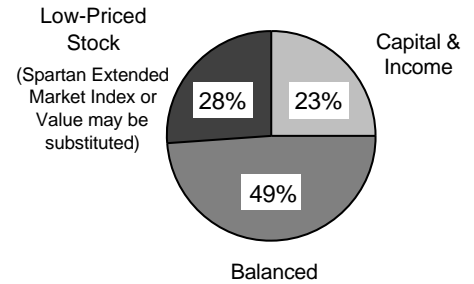
FUND	NAV	SHARES	BALANCE
Capital & Inc.	\$8.16	3807.635	\$31070.30
Balanced	\$17.07	3797.815	\$64828.70
Low-Priced Stock	\$35.93	1020.706	\$36673.97

12% Foreign Holdings

Balance as of 1/30/04: \$132572.97
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:	+ 2.1%



Our Growth and Income Model gained 2.1% for the month of January. Asset mix, based on recent information, is 60% stock, 35% bond, and 5% 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.

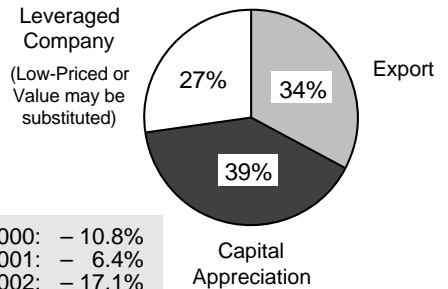
FUND	NAV	SHARES	BALANCE
Export	\$18.45	2543.811	\$46933.31
Capital Apprec.	\$24.84	2216.781	\$55064.84
Leveraged Co.	\$20.15	1912.589	\$38538.67

12% Foreign Holdings

Balance as of 1/30/04: \$140536.82
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:	+ 2.2%



In January our Growth Model gained 2.2%, versus 1.8% for the S&P 500. Asset mix, based on recent information, is 95% stock, 1% bond, and 4% 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 valuation model to identify attractive growth sectors.

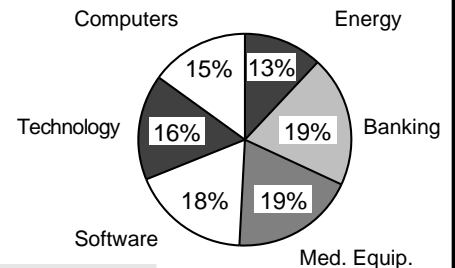
FUND	NAV	SHARES	BALANCE
Energy	\$25.26	1315.890	\$33239.38
Banking	\$39.54	1297.113	\$51287.85
Medical Equip.	\$21.12	2394.990	\$50582.19
Software	\$51.24	938.003	\$48063.27
Technology	\$62.98	676.687	\$42617.75
Computers	\$37.97	1050.463	\$39886.08

13% Foreign Holdings

Balance as of 1/30/04: \$265676.52
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:	+ 3.7%



We gained 3.7% in January, outperforming the S&P 500's 1.8% increase. Asset mix, based on recent information, is 96% stock and 4% cash.

Happenings

Fidelity introduced **Strategic Dividend & Income**, a new growth and income fund that will invest in four equity sub-classes: common stocks, preferred stocks, REITs and other real estate securities, and convertibles. It's managed by William Eigen, who also manages **Strategic Income** and **Four-In-One** Index. We'll be rating the new fund a buy.

Value Strategies, formerly known as **Strategic Opportunities**, has reopened to retail investors. The fund is managed by Harris Leviton, who also runs its VIP twin. Throughout its history, the fund has frequently taken an offbeat path. It's no different today. Fidelity claims the fund rounds out its value lineup, but strangely enough its current holdings are heavily skewed toward the technology sector. We'll be rating it a hold for now.

A number of funds saw manager changes for the month of January. For the Structured funds, Ciaran O'Neill now heads **Mid Cap Value** and **Large Cap Value**. Ben Paton has been named co-manager of **Int'l Small Cap**, replacing L. C. Kvaal. For the Selects, Harlan Carere has taken over **Air Trans** and **Transportation**, Joshua Spencer now runs **Consumer Industries** and its VIP twin, Samuel Peters manages **Health Care**, **VIP Health Care**, as well as **Medical Equipment**. James Morrow now runs **Electronics**, Douglas Simmons heads **Environmental**, and Anmol Mehra has taken over **Paper & Forest**. Our ratings are unchanged in all cases.

Fidelity's municipal bond team was named Fixed-Income Managers of the Year by Morningstar. The advisory service was impressed by the group's security selection skills, which seemed to combine the best of quantitative research and human analysis. We agree, but the threat of higher interest rates means that we will be maintaining a hold rating for all but **Spartan Short-Intermediate Muni**.

Fidelity has set a new goal of making its Spartan municipal money market funds free from Alternative Minimum Tax. Perhaps every little bit helps, but with current yields under 0.75% the tax bite on these funds was not exactly a huge problem to begin with.

Fidelity has closed its PBHG and Strong annuity portfolios, meaning no new purchases will be allowed. The policy change was made in response to allegations of improper conduct by senior members of PBHG and Strong, as well as other actions being investigated by various regulators. We suspect that these funds may be removed from Fidelity's VIP lineup in the future. ■

that economic growth might drive down vacancy rates. **Utilities** rose 2.2% on signs that profitability would eventually return to normal levels. Trailing behind were **Equity Income I & II**, both of which finished with a 1.0% increase.

BOND FUNDS

Income Model holdings are listed on page 7. **Ultra-Short** has the least risk of loss in a rising interest rate environment. **Short-Term Bond** provides reasonable income with below-average interest rate sensitivity. **High Income** and **Capital & Income** should hold up well over the long run in a rising interest-rate environment. The same is true for **Floating Rate High Income**, although its yield and risk are lower than the high-yield funds. We now rate **Inflation-Protected Bond** as a buy. This fund can be volatile, but is likely to perform better than most other bond funds over the next 12-24 months, assuming a modest increase in the rate of inflation.

Despite a late month dip, **Capital & Income** and **High Income** finished with respective gains of 1.9% and 1.4%. **Inflation-Protected Bond** rose 1.1%. On the conservative end of the maturity scale, **Ultra-Short Bond** logged a 0.1% return. Municipal funds posted gains ranging from 0.4% to 0.9%.

SELECT PORTFOLIOS

Select System holdings are listed on page 7. Our current buys include **Biotechnology, Software, Dev. Communications, Technology, Computers, Natural Resources, Energy Services, Energy, Banking, and Medical Equipment & Systems**.

Technology sectors surged, making us wish that we had delayed our risk-cutting moves in the Select System until now. **Developing Communications** jumped 18.4%, **Networking** climbed 14.1%, and **Wireless** was up 12.7%. On the bottom end, most commodity groups were hit hard. **Paper & Forest Products** declined 4.0%, **Industrial Materials** lost 6.4%, and **Gold** fell 9.1%. ■

JANUARY DISTRIBUTIONS

Equity-Income II	\$ 0.17 / \$22.83 (1/9)
NASDAQ Composite Index	\$ 0.037 / \$28.60 (1/9)
Spartan CT Muni	\$ 0.01 / \$11.99 (1/9)
Spartan NJ Muni	\$ 0.01 / \$11.96 (1/9)

Funds scheduled for February (2/6) include: **Asset Manager Income, Contrafund, Freedom Income, New Markets Income, Real Estate Income, Spartan Intermediate Muni, Spartan MI Muni, Spartan MN Muni, Spartan OH Muni, Spartan PA Muni, Strategic Income, and Trend**.

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser (55/FDRXX)	53632.8	0.78	CT MM (418/FCMXX)	1042.6	0.52	FL MM (428/FSFXX)	2012.0	0.56
Select MM (85/FSLXX)	645.1	0.77	MA MM (74/FDMXX)	3302.5	0.50	Spart MA MM (426/FMSXX)	985.0	0.61
Spart MM (454/SPRXX)	5982.0	0.79	MI MM (420/FMIXX)	589.8	0.52	Spart Municipal (460/FIMXX)	2741.5	0.73
Spart US Gov't (458/SPAXX)	619.5	0.73	NJ MM (417/FNJXX)	1272.4	0.51	Spart NJ MM (423/FSJXX)	545.4	0.68
Spart US Treas (415/FDLXX)	2425.9	0.62	NY MM (92/FNYXX)	2682.5	0.53	Spart NY MM (422/FSNXX)	1083.2	0.61
Tax-Free MM (275/FMOXX)	508.1	0.60	OH MM (419/FOMXX)	686.4	0.55	PA MM (401/FPTXX)	292.0	0.67
US Gov't Reser (50/FGRXX)	2177.8	0.79	AZ MM (433/FSAXX)	141.3	0.58	Municipal MM (10/FTEXX)	14022.8	0.65
CA MM (97/FCFXX)	2820.7	0.52	Spart CA MM (457/FSPXX)	1196.8	0.66			