

Question & Answer Forum

You recently added Small Cap Value to your Growth Model. How did you decide to gamble on something without a track record?

Small Cap Value may be a new fund, but I don't really see it as a gamble.

First off, the small-cap value segment of the market is a long-term winner. Over the last 30 years it's the best-performing stylebox by a wide margin. The only time it didn't do well was in the 1990s, when inflation was decelerating. Those days are probably gone for good. We're entering a period where rising energy prices could put upward pressure on inflation and downward pressure on the dollar for many years to come. In a scenario like that, many smaller, domestically-focused companies in unexciting industries could gain pricing power.

Secondly, Fidelity's small-cap research tends to be better than its peers. Small cap research on Wall Street is relatively shallow, basically because there are too many companies and too few analysts. That makes the small-cap market less efficient, providing greater opportunities for those who are in the know.

QUESTION & ANSWER FORUM - *Continued on page 2*

Income Model, VIP Income Model Exchanges

On Monday, 2/14, our Income Model will sell **High Income** (455/SPHIX) and add the proceeds to **Ultra-Short Bond** (812/FUSFX). The resulting mix: 18% **Short-Term Bond**, 47% **Ultra-Short Bond**, and 35% **Floating Rate High Income**. Our VIP Income Model, which doesn't have access to any short-term bond portfolios, will exchange **VIP High Income** for **VIP Money Market**.

We're making this trade because high yield bonds are back up to full valuation, and we're concerned about the future impact of the Fed's rate hikes, especially if the tightening cycle turns out to be longer-lasting than the market expects. In the short run, this move will reduce the model's overall yield by about one percentage point, but with continued Fed action it should be back up to current levels in about six months.

Review & Recommendations

January brought renewed tightness in the energy markets, the release of December minutes that suggest the Fed is more worried about inflation than originally thought, and plenty of fourth quarter surprises (although on balance the earnings picture remains favorable). The S&P 500 posted a decline of 2.4% for the month.

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**.

Funds that underweighted tech and overweighted energy tended to finish ahead of the pack. **Small Cap Growth** gained 1.0%, **Focused Stock** was up 0.2%, **Leveraged Company Stock** declined 0.4%, and **Small Cap Value** was off 0.5%. However, those with a heavy growth-stock emphasis generally landed near the bottom. **OTC Portfolio** was down 4.9%, **Value Strategies** lost 5.1%, and **Discovery** fell 5.6%.

INTERNATIONAL FUNDS

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

Int'l Small Cap and **Japan Smaller Companies** posted respective gains of 3.1% and 1.8%; both funds were helped by signs that economic growth is still on track in Asia. However, the dollar's rebound against the Euro put downward pressure on funds that focus on Europe. **Overseas** declined 2.8%, and **Nordic** lost 3.6%.

GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. Our favorites include **Puritan** and **Balanced** for a conservative blend of stocks and bonds, and **Equity-Income** for dividend stocks.

Balanced was off 1.1%, while **Puritan** slipped back 1.5%. Funds that focus mainly on stocks were a little worse off, although most compared well to the S&P 500. On the bottom end, **Equity-Income** declined 2.4%, and **Equity-Income II** lost 3.2%.

RECOMMENDATIONS - *Continued on page 8*

Low-Priced Stock is a case in point. During the 1990s, it operated almost entirely in the small-cap value arena, swimming against the tide as investors embraced a large-cap growth mentality. The fund also carried a heavy cash position for much of the decade. If the equity portion of **Low-Priced Stock** had only kept up with the return of the Russell 2000, it would have finished with 10-12% annual returns for the decade. Instead, it almost matched the S&P 500's 18% growth rate.

Granted, **Small Cap Value**'s success is hardly assured. It could be hurt by a downturn in the U.S. economy, some sort of deflationary event on the global scene, or even by a strong rebound in the dollar. But given current economic conditions, the chances of outperforming the S&P 500 with a fund like this seem better than 50/50.

I keep reading that large-caps are undervalued, and small-caps are expensive. Do you agree?

This theory is often based on studies that compare the overall P/E ratio of small-caps versus large-caps. Other things being equal, it could have some validity. Problem is, other things are not equal. The P/E ratio for the S&P 500 is not as high as it might otherwise be, because financial stocks carry three times as much weight as they have in decades past. And the P/E ratio for the Russell 2000 may seem high, but that's mainly because the IPO boom of the late 1990s populated the index with greater numbers of biotech, media, and technology firms.

Even if some small-cap stocks really are more expensive than their large-cap counterparts, many of them may be worth it. A growing number of small companies are grabbing market share from the big guys. Many have carved out high-margin business models that are protected from foreign competition. Others could gain pricing power as inflation picks up, or as the dollar moves lower in the long run.

At some point later in the economic cycle it could make sense to cut back on small-caps. It's just not clear that we're there yet.

Why is it that you have a less favorable outlook for Export & Multinational?

Large-cap growth funds in general may be hurt by higher energy costs and rising inflation, factors that could prompt investors to sell growth stocks and migrate toward value stocks, especially those that pay dividends.

More specifically, **Export** manager Tim Cohen has gradually concentrated the fund's positions over the last year, boosting financial and technology holdings to 50% of assets, versus 37% for the S&P 500. Those two groups may perform well in 2005, but in the Growth Model financial stocks are already well-represented in **Equity-Income**, and we own enough technology through **Value**.

For an alternative large-cap growth fund, consider **Contrafund**. Manager Will Danoff holds a balanced mix of industries, and has increased foreign exposure to one-fourth of holdings. The fund's top ten positions account for less than 18% of assets, giving it less concentration than the S&P 500. All these factors help keep **Contrafund**'s overall volatility in check, giving it enough diversification to take any market surprises in stride.

You've taken international funds out of your portfolios, yet this group of funds has been doing well lately. Please explain.

Last year, my main concern was that rising energy prices would hurt foreign stocks more than domestic stocks. However, the price of oil took a temporary dip, and many of Fidelity's foreign funds saw a boost when the dollar nosedived.

Now there is some risk that the dollar could strengthen, which could cause these funds to give back some of the gains realized in November and December. The IRS recently clarified the rules for a corporate tax break that could prompt multinationals to repatriate up to \$500 billion – most of it between now and the end of October. Depending on how much of that money is held in foreign currencies (some estimates put it as high as \$100 billion), the greenback could see some upward pressure in the coming months.

Ultimately the dollar will probably resume its downward path due to pressures from the growing trade deficit, so we may be looking to increase our foreign exposure later this year.

The Select System's performance was sub-par in 2004, especially the timing of the trades. How should we expect the model to perform from now on, and what are your thoughts about switching over to the Unique Opportunities Model?

Yes, the timing of my trades was a drag on performance, but the decision to remain in **Energy** for the full year made up for most of it. The main reason the Select System underperformed in 2004

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was because of the mid-year selloff in tech stocks.

It's possible the earnings slowdown in the technology group may be nothing more than a temporary problem. However, there are several long-term factors that could weigh down the group for many years to come. Those include rising energy prices, increased competition, excess global capacity, new accounting rules for stock options, and bigger challenges with the ongoing push to shrink chip geometries. Of these, rising energy costs could pack the biggest punch. Some 30% of discretionary consumer income is spent on high-tech gear, so it's logical to assume that rising costs for gasoline, home heating, and electricity could lead to reduced spending for household electronics.

It's possible that tech stocks could be stuck in a long-term consolidation period, much like the one that started in late 1973 and didn't end until early 1983. To gauge the impact of something like this on the Select System, we ran our volatility back-test with the technology sectors excluded. The results suggest that our long-term edge over the S&P 500 could shrink by about one-third.

As such, I've decided to cut the Select System's goal to 14% per year. That's based on an S&P 500 growth assumption of 10% per year, along with a four percentage point margin of outperformance over the long run. That puts the Select System in the same ballpark as the Growth Model and the Unique Opportunities Model.

I don't think it makes sense to sell all of your Select System holdings and put them in the Unique Opportunities Model. First of all, the two portfolios have more overlap than before as a result of changes we made over the last six months. Secondly, the Unique Opportunities Model takes a deep value approach, investing with a contrarian viewpoint and attempting to hedge against rising inflation. With 30% in the energy sector, it could be hurt just like the Select System if things don't go the right way.

For a large portfolio, consider a diversified approach by putting one-third in the Select System, one-third in the Growth Model, and one-third in the Unique Opportunities Model.

For a smaller portfolio, or just to keep things simple, consider putting 100% in the Growth Model.

I've been following your model portfolios for many years. What are the benefits of going with your money management service?

Our newsletter portfolios are set up as a "recipe for success" for Fidelity investors. But some investors

reach a point where they just want to "dine out." When you become a Weber Asset Management client, we do everything that needs to be done with your Fidelity account – the research, the trading, the record-keeping, and the performance reporting. We devise a customized investment plan for you, incorporating the same risk-management techniques used in Fidelity Monitor, but tailored for your specific objectives. And we provide peace of mind from knowing that no important trades will be missed.

Want to learn more? Please call 800-438-3863, or visit www.weberasset.com, and request our latest information package. Management services are also available for variable annuities, 403(b) accounts, and corporate 401(k) plans.

Is it time to get out of the high-yield market?

Junk bonds have been on a strong run for a little over two years, and in recent months the group's yield premium (relative to treasuries) has declined to a normal range of 3-4 percentage points. In effect, the opportunities in this market segment are once again balanced with the credit risks.

With short-term interest rates rising, it may not be long before high-quality, short-term bonds offer better returns on a risk-adjusted basis. As such, I've decided to remove **High Income** from the Income Model, and place the proceeds into **Ultra-Short Bond**. This move might be a bit early, but I'd rather give up some yield now than risk a decline in share price later. It's reasonable to expect that **Ultra-Short Bond** will yield around 4% before the year is out, so any reduction in the Income Model's overall yield should be temporary.

If you had to choose one well-diversified fund for 2005, what would you pick? Also, if you wanted to bet big on a high-risk choice, what would you go with?

Among diversified funds, **Value** seems especially well-suited to the current economic environment, and it holds a broad-based group of stocks. The fund has enough technology and health care exposure (currently 28% of assets) that it should do okay if growth stocks surprise on the upside, yet it should hold up well if rising inflation becomes a bigger problem. **Value** falls in the mid-cap blend category, so it enjoys a reasonable amount of independence from the S&P 500 universe.

Making a targeted bet is always a tough call,

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. 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						2005	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***	1.49	1.5(90)	15.94	5053.9	-4.0	-4.0	4.0	4.4	-3.5	-20.2	6.1
Blue Chip Gth (312/FBGRX)	H***	1.05	none	40.61	23578.1	-2.6	-2.6	4.0	1.4	-0.7	-5.7	8.8
Blue Chip Value (1271/FBCVX)	H***	1.08	none	12.42	105.6	-1.0	-1.0	8.0	11.1			
Capital Apprec (307/FDCAX)	H***	1.32	none	25.07	6452.3	-3.7	-3.7	4.8	5.7	9.0	0.3	10.7
Contrafund (22/FCNTX)	B****	1.04	none	55.98	44484.5	-1.3	-1.3	6.7	13.6	9.7	2.1	13.8
Discovery (339/FDSVX)	S**	0.88	none	10.67	551.9	-5.6	-5.6	2.3	3.5	1.8	-1.9	
Disc Equity (315/FDEQX)	H***	1.07	none	25.03	4951.2	-1.0	-1.0	7.7	9.1	4.9	0.0	11.0
Dividend Gth (330/FDGFX)	H***	1.02	none	27.74	19422.3	-2.6	-2.6	4.4	1.1	0.9	2.8	13.9
Export Fund (332/FEXPX)	H***↓	1.16	0.75(30)	19.43	1643.1	-1.1	-1.1	7.9	10.6	6.9	5.8	17.4
Fidelity Fifty (500/FFTYX)	H***	1.29	0.75(30)	19.98	891.7	-3.2	-3.2	5.9	2.3	7.5	1.6	13.5
Growth Company (25/FDGRX)	H***	1.50	none	53.50	25108.3	-4.6	-4.6	4.3	4.0	1.7	-7.5	12.2
Large-Cap Stock (338/FLCSX)	H***	1.10	none	14.25	733.2	-2.5	-2.5	4.9	1.3	0.3	-6.2	
Lev Co Stock (122/FLVCX)	B****	1.52	1.5(90)	22.59	2142.0	-0.4	-0.4	11.4	18.9	35.6		
Low-Priced Stock (316/FLPSX)	B****	0.98	Closed	39.45	35976.1	-2.0	-2.0	10.1	16.6	15.9	19.7	17.6
Magellan (21/FMAGX)	S**	1.03	Closed	101.84	63295.8	-1.9	-1.9	4.5	4.1	1.2	-3.3	10.1
Mid Cap Stock (337/FMCSX)	H***	1.33	0.75(30)	22.69	9093.3	-3.2	-3.2	5.6	3.6	1.3	2.9	14.2
New Millennium (300/FMILX)	H***	1.49	Closed	30.47	3618.4	-3.8	-3.8	5.6	-3.2	3.0	-2.3	18.4
OTC Portfolio (93/FOCPX)	S**	1.64	none	32.99	8143.5	-4.9	-4.9	5.5	-0.8	2.0	-9.1	10.5
Independence (73/FDFFX)	H***	1.27	none	17.39	4704.8	-2.4	-2.4	7.2	6.9	3.5	-3.0	10.3
Small Cap Gth (1388/FCPGX)	H***	1.3 Est	1.5(90)	11.52	58.5	1.0	1.0					
Small Cap Indep (336/FDSCX)	H***	1.18	1.5(90)	19.45	1092.9	-1.4	-1.4	11.2	9.8	6.9	7.2	10.6
Small Cap Stock (340/FSLCX)	H***	1.29	2(90)	17.69	4158.7	-2.6	-2.6	7.0	8.4	10.3	10.2	
Small Cap Value (1389/FCPVX)	B****	0.9 Est	1.5(90)	11.10	160.5	-0.5	-0.5					
Stock Selector (320/FDSSX)	H***	1.04	none	22.39	821.8	-1.8	-1.8	5.7	6.0	3.2	-1.5	10.3
Strc Lg Cap Gth (763/FSLGX)	H***	1.29	0.75(30)	10.17	44.5	-0.9	-0.9	9.9	10.4	1.1		
Strc Lg Cap Val (708/FSLVX)	B****	0.97	0.75(30)	12.04	162.3	-1.5	-1.5	7.6	14.7	6.9		
Strc Mid Cap Gth (793/FSMGX)	H***	1.43	0.75(30)	11.58	77.3	-2.0	-2.0	8.7	10.6	4.8		
Strc Mid Cap Val (762/FSMVX)	B****	1.06	0.75(30)	14.14	142.7	-1.5	-1.5	9.1	17.7	11.5		
Focused Stock (333/FTQGX)	H***	1.27	0.75(30)	10.12	43.5	0.2	0.2	11.1	15.9	-2.7	-5.8	
Trend (5/FTRNX)	H***	1.02	none	52.39	883.3	-2.4	-2.4	5.2	6.3	3.5	-1.6	7.2
Value (39/FDVLX)	B*****	1.13	none	70.26	10279.0	-1.4	-1.4	7.9	16.6	13.2	14.1	13.3
Value Discovery (832/FVDFX)	H***	1.24	none	13.58	77.2	-0.7	-0.7	7.8	11.0			
Value Strategies (14/FSLSX)	H***	1.2 Est	none	35.51	206.6	-5.1	-5.1	8.5	3.5	9.7	11.5	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B****	0.84	none	17.63	12577.1	-1.1	-1.1	5.9	7.7	8.9	7.3	10.9
Convertible Sec (308/FCVXS)	H***	0.87	none	21.14	1885.4	-2.1	-2.1	4.7	6.1	6.9	5.0	13.0
Equity-Income (23/FEQIX)	B*****	1.00	none	51.52	26371.7	-2.4	-2.4	5.3	7.5	5.8	4.8	11.6
Equity-Income II (319/FEQTX)	H***	1.02	none	23.05	12915.4	-3.2	-3.2	4.1	5.3	6.1	4.3	11.3
Fidelity Fund (3/FFIDX)	H***	0.98	none	29.43	10812.2	-1.5	-1.5	5.0	4.8	2.2	-2.8	11.0
Growth & Income (27/FGRIX)	B****	0.89	none	37.35	32106.1	-2.3	-2.3	4.6	5.9	1.9	-0.5	10.7
Growth & Inc II (361/FGRTX)	B****	0.92	none	9.45	201.2	-2.4	-2.4	3.2	2.1	2.2	-0.9	
Puritan (4/FPURX)	B*****	0.67	none	18.67	23934.8	-1.5	-1.5	3.8	6.5	6.8	5.7	10.3
Strategic Div & Inc (1329/FSDIX)	B****	0.7 Est	none	11.22	513.5	-1.6	-1.6	5.6	9.8			
Utilities (311/FUIIX)	B****	1.03	none	13.28	961.6	-2.3	-2.3	5.7	15.8	3.6	-7.0	7.9
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.51	0.75(30)	32.74	41.0	-2.9	-2.9	3.6	11.0	1.6	7.5	14.5
Automotive (502/FSAVX)	S**	1.39	0.75(30)	33.73	20.0	-3.1	-3.1	7.7	3.6	10.8	11.4	8.5
Banking (507/FSRBX)	B****	1.03	0.75(30)	38.57	507.4	-2.6	-2.6	2.4	7.6	9.8	10.3	15.9
Biotechnology (42/FBIOX)	H***	2.10	0.75(30)	53.94	1849.7	-6.4	-6.4	1.1	1.2	-0.9	-6.6	12.7
Brokerage (68/FSLBX)	H***	1.51	0.75(30)	54.51	436.3	-2.4	-2.4	9.5	4.1	8.0	8.4	19.0
Business Ser (353/FBSOX)	H***	1.15	0.75(30)	15.56	38.3	-3.8	-3.8	5.6	9.1	1.1	3.7	
Chemicals (69/FSCHX)	H***	1.52	0.75(30)	67.15	201.8	-1.6	-1.6	12.2	34.0	18.6	14.5	12.6
Computers (7/FDCPX)	H***	2.20	0.75(30)	33.34	737.5	-5.1	-5.1	3.8	-12.2	-4.4	-14.7	12.5
Const & Housing (511/FSHOX)	S**	1.54	0.75(30)	43.85	146.0	0.6	0.6	16.7	31.7	18.0	19.9	16.3
Consumer Indust (517/FSCPX)	H***	1.13	0.75(30)	24.26	38.8	-1.6	-1.6	7.6	7.4	3.3	0.9	10.7
Cyclical Indust (515/FCYIX)	H***	1.25	0.75(30)	18.45	57.7	-1.4	-1.4	8.4	22.6	11.7	11.0	
Defense & Aero (67/FSDAX)	H***	1.28	0.75(30)	64.68	531.3	-0.5	-0.5	8.3	18.5	13.1	14.7	17.2
Develop Commun (518/FSDCX)	H***	2.40	0.75(30)	17.96	782.2	-7.1	-7.1	2.8	-8.5	2.1	-15.4	9.0
Electronics (8/FSLEX)	H***	2.53	0.75(30)	36.06	2921.4	-4.6	-4.6	2.6	-18.9	-10.5	-13.1	16.2
Energy (60/FSENX)	B****	1.62	0.75(30)	33.85	569.7	4.1	4.1	9.9	35.9	15.4	11.9	13.6
Energy Services (43/FSSEX)	H***	2.20	0.75(30)	44.61	588.3	4.6	4.6	10.3	32.0	15.8	12.6	17.3
Environmental (516/FSLEX)	H***	1.33	0.75(30)	13.77	13.4	-3.7	-3.7	6.9	4.4	6.2	6.7	3.7
Financial Services (66/FIDSX)	H***	1.06	0.75(30)	115.10	529.3	-1.8	-1.8	6.0	6.2	8.2	9.2	16.2
Food & Agriculture (9/FDFAX)	H***	0.84	0.75(30)	51.05	124.2	0.7	0.7	12.3	16.2	7.0	11.7	11.1
Gold (41/FSAGX)	H***↓	2.50	0.75(30)	25.59	690.3	-4.9	-4.9	-6.6	-5.7	18.2	16.7	5.5
Health Care (63/FSPHX)	H***	1.16	0.75(30)	124.28	1969.9	-3.0	-3.0	5.8	2.2	1.1	1.8	12.8
Home Finance (98/FSVLX)	H***	1.10	0.75(30)	60.60	433.8	-3.9	-3.9	2.5	5.0	12.0	18.0	16.8
Indust Equip (510/FSCGX)	H***	1.41	0.75(30)	26.09	47.4	-2.4	-2.4	8.4	9.5	7.0	3.7	11.3
Indust Materials (509/FSDPX)	H***	1.67	0.75(30)	38.02	128.4	-4.3	-4.3	4.8	15.6	16.6	13.4	9.1
Insurance (45/FSPCX)	H***	1.14	0.75(30)	60.78	171.4	-1.7	-1.7	9.1	5.7	10.2	16.2	17.6
Leisure (62/FDSLX)	H***	1.20	0.75(30)	76.68	225.0	-2.1	-2.1	7.7	11.9	10.3	1.0	13.9
Medical Delivery (505/FSHCX)	S**	1.59	0.75(30)	45.71	447.4	2.0	2.0	30.7	40.3	18.9	22.9	12.0
Medical Equip/Sys (354/FSMEX)	H***	1.17	0.75(30)	23.25	865.7	-0.6	-0.6	8.5	10.6	14.5	15.7	
Multimedia (503/FBMPX)	B****	1.31	0.75(30)	43.97	142.4	-2.7	-2.7	4.1	0.3	9.9	-0.5	12.6
Natural Gas (513/FSNGX)	H***	1.91	0.75(30)	30.91	614.6	3.8	3.8	11.3	44.3	21.4	16.8	15.2
Nat Resources (514/FNARX)	B****	1.53	0.75(30)	17.63	179.4	1.7	1.7	6.3	27.3	13.5	11.4	
Networking/Infra (912/FNINX)	H***	2.44	0.75(30)	2.17	158.2	-7.7	-7.7	3.8	-18.7	-10.1		
Paper & Forest (506/FSFPX)	H***	1.52	0.75(30)	30.03	26.3	-9.7	-9.7	-1.0	1.6	3.6	5.4	7.8
Pharmaceuticals (580/FPHAX)	H***	1.33	0.75(30)	8.57	96.6	-5.3	-5.3	5.3	-4.2	-2.1		
Retailing (46/FSRPX)	B****	1.18	0.75(30)	50.39	130.0	-2.1	-2.1	4.9	13.1	6.7		12.0
Software (28/FSCSX)	B****	1.69	0.75(30)	49.38	825.7	-5.9	-5.9	3.3	-2.7	1.7	-3.0	16.4
Technology (64/FSPTX)	H***	2.08	0.75(30)	56.54	2205.4	-6.1	-6.1	3.0	-10.0	-1.4	-15.0	12.8
Telecom (96/FSTCX)	H***	1.50	0.75(30)	35.19	376.9	-5.3	-5.3	2.9	3.1	2.3	-15.2	5.9
Transportation (512/FSREX)	H***	1.52	0.75(30)	40.44	132.2	-5.4	-5.4	3.2	24.1	9.8	14.0	13.5
Utilities Growth (65/FSUTX)	B****	1.01	0.75(30)	39.29	345.4	-2.4	-2.4	3.8	20.2	4.2	-7.1	9.3
Wireless (963/FWRXL)	H***	1.73	0.75(30)	5.63	488.7	-3.4	-3.4	3.5	22.1	9.3		

JANUARY PERFORMANCE							Div.	2005	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate	
Aggressive Int'l (335/FIVFX)	H***	1.33	1 (30)	16.34	701.2		-2.3	-2.3	7.8	6.5	11.8	-1.6	
Canada (309/FICDX)	B****	1.29	1.5(90)	33.22	646.4		-1.9	-1.9	4.5	18.1	21.5	12.4	
Diversified Int'l (325/FDIVX)	B****	1.13	Closed	28.14	23419.8		-1.7	-1.7	8.8	15.6	16.2	5.2	
Emerging Mkts (322/FEMKX)	H***	1.58	1.5(90)	13.11	760.4		1.4	1.4	17.0	20.5	18.5	2.6	
Europe (301/FIEUX)	B****	1.33	1 (30)	34.08	2208.3		-0.2	-0.2	12.6	23.2	13.1	2.2	
Europe Cap Appr (341/FECAX)	H***	1.20	1 (30)	21.43	456.9		-0.5	-0.5	10.4	10.6	11.5	3.1	
China Region (352/FHKCX)	H***	1.48	1.5(90)	16.61	334.7		-2.6	-2.6	6.3	4.5	11.0	0.9	
Global Balanced (334/FGBLX)	H***	0.87	1 (30)	20.67	160.7		-1.5	-1.5	7.3	9.8	11.8	4.2	
Int'l Discovery (305/FIGRX)	H***	1.24	1 (30)	27.84	2504.3		-1.3	-1.3	11.1	14.2	16.2	2.5	
Int'l Small Cap (818/FISMX)	H***	1.28	2 (90)	24.00	1411.6		3.1	3.1	16.7	27.7			
Japan (350/FJPNX)	H***	2.14	1.5(90)	12.64	716.3		-1.3	-1.3	8.7	10.3	15.5	-8.8	
Japan Smaller Co (360/FJSCX)	H***	2.15	1.5(90)	12.81	1311.8		1.8	1.8	11.2	23.2	27.9	-3.4	
Latin America (349/FLATX)	B****	2.06	1.5(90)	21.03	501.5		-0.6	-0.6	18.0	38.8	22.2	8.9	
Nordic (342/FNORX)	H***	1.41	1.5(90)	26.63	158.0		-3.6	-3.6	9.9	20.0	15.2	-0.8	
Overseas (94/FOSFX)	H***	1.30	1 (30)	34.39	4686.8		-2.8	-2.8	7.7	7.9	10.5	-2.4	
Pacific Basin (302/FPBFX)	H***	1.61	1.5(90)	19.92	496.9		0.8	0.8	12.5	13.6	14.8	-3.9	
Southeast Asia (351/FSEAX)	H***	1.85	1.5(90)	16.68	519.0		1.6	1.6	13.1	8.6	14.3	0.9	
Worldwide (318/FWWFX)	H***	1.08	1 (30)	17.84	1169.3		-2.2	-2.2	7.4	7.3	7.9	2.2	
INDEX AND ASSET ALLOCATION:													
Four-In-One Index (355/FFNOX)	H***	0.88	0.5(90)	24.64	794.6		-2.1	-2.1	5.4	7.9	6.4	0.5	
NASDAQ Comp (1282/FNCMX)	S**	1.55	0.75(90)	27.86	109.4		-5.2	-5.2	4.3	0.0			
Spart Ext Mkt Idx (398/FSEMXX)	H***	1.27	0.75(90)	30.88	1282.5		-3.4	-3.4	7.6	10.0	10.7	0.7	
Spart Int'l Index (399/FSIIX)	B****	1.20	1(90)	31.43	954.7		-1.8	-1.8	8.9	15.6	13.0	-0.5	
Spart 500 Index (317/FSMKX)	H***	1.00	0.5(90)	81.32	12119.2		-2.4	-2.4	4.9	6.1	3.1	-1.9	
Spart Total Mkt Idx (397/FSTMX)	B****	1.04	0.5(90)	32.18	2774.2		-2.6	-2.6	5.5	6.8	4.7	-1.3	
Asset Manager (314/FASMX)	H***	0.58	none	16.01	10955.3		-1.2	-1.2	3.1	2.7	4.0	2.3	
Asset Mgr Agg (347/FAMRX)	H***	1.17	none	10.93	398.5		-3.4	-3.4	5.0	6.0	2.6	0.8	
Asset Mgr Gth (321/FASGX)	H***	0.79	none	14.52	3733.3		-2.0	-2.0	3.8	2.3	3.2	0.6	
Asset Mgr Inc (328/FASIX)	B****	0.38	none	12.58	1511.0		-0.7	-0.7	2.4	4.4	6.3	5.1	
Freedom 2000 (370/FFFBX)	B****	0.32	none	12.03	1612.5		-0.4	-0.4	1.8	3.3	3.8	3.2	
Freedom 2005 (1312/FFVFX)	B****	0.50	none	10.70	141.3		-0.9	-0.9	3.0	4.6			
Freedom 2010 (371/FFFCX)	B****	0.53	none	13.49	8419.4		-1.0	-1.0	3.2	4.8	5.2	2.6	
Freedom 2015 (1313/FFVFX)	B****	0.66	none	10.90	564.2		-1.4	-1.4	3.9	5.5			
Freedom 2020 (372/FFFDX)	B****	0.77	none	13.74	9337.7		-1.6	-1.6	4.7	6.0	5.5	1.0	
Freedom 2025 (1314/FFTWX)	B****	0.84	none	11.08	375.3		-1.8	-1.8	4.9	6.1			
Freedom 2030 (373/FFEX)	B****	0.89	none	13.81	5499.7		-1.9	-1.9	5.3	6.4	5.3	-0.1	
Freedom 2035 (1315/FFTHX)	B****	0.91	none	11.22	191.3		-1.9	-1.9	5.6	6.8			
Freedom 2040 (718/FFFFX)	B****	0.96	none	8.09	1863.8		-2.2	-2.2	5.8	6.8	5.3		
Freedom Income (369/FFFA)	B****	0.27	none	11.24	1900.1		-0.3	-0.3	1.5	2.9	3.5	3.9	
Real Estate Income (833/FRIFX)	H***	0.28	0.75(90)	11.74	592.3		-0.5	-0.5	2.2	9.0			
Real Estate (303/FRESX)	S**	1.55	0.75(90)	27.26	4556.6		-7.7	-7.7	1.9	18.6	20.7	20.5	
Int'l Real Estate (1368/FRIFX)	H***	1.3 Est	1.5(90)	11.62	122.9		-1.5	-1.5	13.7				
TAXABLE BOND FUNDS:													
Capital & Income (38/FAGIX)	H***	0.31	1(90)	8.42	4912.2	5.89	-0.1	-0.1	4.4	10.4	16.1	6.1	
Floating Rate (814/FFRHX)	B****	0.06	1(60)	9.98	2162.0	4.00	0.3	0.3	1.3	4.1			
Focused High Inc (1366/FHIFX)	B****	0.2 Est	1(90)	10.18	39.2	5.18	-0.3	-0.3	1.2				
GNMA Portfolio (15/FGMNX)	H***	0.25	none	11.11	4035.8	3.77	0.6	0.6	0.8	4.2	4.8	6.9	
Gov't Income (54/FGOVX)	H***	0.35	none	10.26	4477.9	3.04	0.5	0.5	0.5	3.3	5.4	7.3	
Intermed Bond (32/FTHRX)	H***	0.29	none	10.51	7184.0	3.42	0.2	0.2	0.1	2.8	5.6	7.2	
Intermed Gov't Inc (452/FSTGX)	H***	0.28	none	10.22	941.2	3.16	0.1	0.1	-0.3	1.9	4.6	6.6	
Invest Grade Bond (26/FBNDX)	H***	0.34	none	7.56	6282.7	3.34	0.7	0.7	0.9	4.4	6.2	7.7	
Mortgage Securities (40/FMSFX)	H***	0.25	none	11.26	1617.6	3.55	0.5	0.5	0.7	4.3	5.5	7.4	
New Markets Inc (331/FNMIX)	H***	0.69	1(90)	14.32	1089.1	5.91	0.4	0.4	4.6	12.7	17.8	15.4	
Short-Term Bond (450/FSHBX)	B****	0.15	none	8.97	5050.1	2.85	0.1	0.1	0.0	1.7	3.9	5.5	
Spart Gov't Inc (453/SPGVX)	H***	0.35	none	11.07	860.2	3.51	0.4	0.4	0.6	3.6	5.8	7.6	
High Income (455/SPHIX)	H***	0.22	1(90)	8.99	3113.7	6.54	-0.6	-0.6	2.3	7.5	12.2	3.2	
Spart Invest Grade (448/FSIBX)	H***	0.34	none	10.70	2523.2	3.59	0.6	0.6	0.9	4.8	6.5	8.0	
Strategic Income (368/FSICX)	B****	0.32	none	10.71	3166.2	4.80	-0.2	-0.2	2.9	8.2	12.2	9.7	
Inflation-Protected (794/FINPX)	B****	0.55	none	11.39	1317.0	1.35	-0.1	-0.1	1.3	7.0			
Total Bond (820/FTBFX)	H***	0.32	none	10.65	366.4	3.28	0.5	0.5	1.0	5.1			
Ultra-Short Bond (812/FUSFX)	B****	0.06	0.25(60)	10.04	762.8	2.17	0.2	0.2	0.3	1.4			
US Bond Index (651/FBIDX)	H***	0.34	none	11.17	5262.8	3.58	0.6	0.6	0.7	4.2	6.4		
MUNICIPAL BOND FUNDS:													
Spart AZ Muni Inc (434/FSAZX)	H***	0.31	0.5(30)	11.61	86.2	3.62	0.9	0.9	1.1	4.1	5.9	7.3	
Spart CA Muni Inc (91/FCTFX)	H***	0.30	0.5(30)	12.64	1470.2	4.17	1.1	1.1	1.6	5.4	5.9	7.3	
Spart CT Muni Inc (407/FICNX)	H***	0.31	0.5(30)	11.74	430.1	4.08	0.6	0.6	0.7	3.4	5.8	7.1	
Spart FL Muni Inc (427/FFLIX)	H***	0.30	0.5(30)	11.79	520.9	3.96	0.8	0.8	1.2	4.4	5.9	7.2	
Spart Intermediate (36/FLTMX)	H***	0.26	0.5(30)	10.18	1809.0	3.88	0.6	0.6	0.8	3.7	5.7	6.7	
Spart MA Muni Inc (70/FDMMX)	H***	0.29	0.5(30)	12.20	1753.7	4.28	1.0	1.0	1.3	4.8	6.2	7.4	
Spart MD Muni Inc (429/SMDMX)	H***	0.29	0.5(30)	11.10	101.4	3.73	0.8	0.8	1.1	4.2	5.6	6.9	
Spart MI Muni Inc (81/FMHTX)	H***	0.29	0.5(30)	12.16	559.0	4.04	0.8	0.8	1.0	4.1	6.1	7.3	
Spart MN Muni Inc (82/FMIX)	H***	0.26	0.5(30)	11.67	354.8	4.04	0.8	0.8	1.1	4.1	5.6	6.8	
Spart Municipal Inc (37/FHIGX)	H***	0.29	0.5(30)	13.19	4618.5	4.37	1.1	1.1	1.6	5.1	6.8	8.0	
Spart NJ Muni Inc (416/FNJHX)	H***	0.30	0.5(30)	11.81	534.6	3.99	1.3	1.3	1.5	4.6	6.2	7.3	
Spart NY Muni Inc (71/FTFMX)	H***	0.30	0.5(30)	13.16	1375.2	4.10	1.0	1.0	1.4	4.8	6.6	7.9	
Spart OH Muni Inc (88/FOHFX)	H***	0.31	0.5(30)	12.05	422.6	4.17	0.9	0.9	1.2	4.8	6.3	7.5	
Spart PA Muni Inc (402/FPXTX)	H***	0.29	0.5(30)	11.07	297.6	4.19	0.8	0.8	1.2	4.4	5.8	7.1	
Spart Short-Int Muni (404/FSTFX)	B****	0.16	0.5(30)	10.36	1839.5	2.75	0.0	0.0	0.1	1.4	3.3	4.6	
Spart Tax-Free Bond (90/FTABX)	H***	0.33	0.5(30)	10.89	252.9	4.02	1.2	1.2	1.6	5.2	6.9		

JANUARY PERFORMANCE					2005	One	Three	One	3-Yr	5-Yr	10-Yr
Indexes	Risk	Value	YTD	Month	Month	Year	Rate	Rate	Rate	Rate	
Dow Jones Industrial	0.96	10489.94	-2.6	-2.6	5.1	2.1	4.1	1.1	12.7		
S&P 500	1.00	1181.27	-2.4	-2.4	5.0	6.2	3.3	-1.8	11.5		
NASDAQ	1.53	2062.41	-5.2	-5.2	4.6	0.3	2.6	-11.8	11.1		
Russell 2000	1.65	624.02	-4.2	-4.2	7.2	8.7	10.3	6.0	11.2		

JANUARY PERFORMANCE			2005	One	Three	One	3-Yr	5-Yr	10-Yr
Model Portfolios	Risk	Value	YTD	Month	Month	Year	Rate	Rate	Rate
S&P 500	1.00	1181.27	-2.4	-2.4	5.0	6.2	3.3	-1.8	11.5
Fidelity Monitor Income Model	0.10	77955.20	0.1	0.1	1.0	3.4	5.9	4.9	6.3
Fidelity Monitor G&I Model	0.71	142819.10	-1.4	-1.4	5.8	7.7	11.4	7.5	11.5
Fidelity Monitor Growth Model	1.18	152075.13	-1.6	-1.6	7.5	8.2	10.5	2.5	11.8
Fidelity Monitor Select System	1.23	269407.10	-2.1	-2.1	4.5	1.4	8.6	0.0	12.3
Fidelity Monitor Unique Opportunities	1.09	90272.88	-1.2	-1.2	7.8	15.5	18.0	6.7	

UNIQUE OPPORTUNITIES MODEL

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

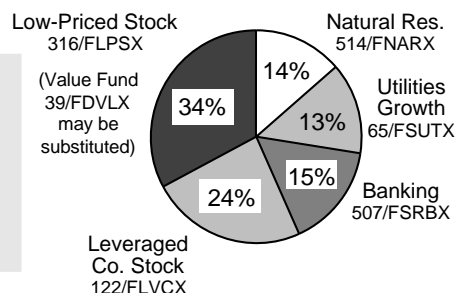
FUND	NAV	SHARES	BALANCE
Natural Resources	\$17.63	731.257	\$12892.06
Utilities Growth	\$39.29	289.151	\$11360.74
Banking	\$38.57	344.477	\$13286.48
Leveraged Co.	\$22.59	980.276	\$22144.43
Low-Priced Stock	\$39.45	775.391	\$30589.17

17% Foreign Holdings

Balance as of 1/31/05: **\$90272.88**
Balance at start of 2005: **\$91397.34**

PERFORMANCE

Partial Yr 99: +33.8%
2000: -20.5%
2001: +1.6%
2002: -2.1%
2003: +43.2%
2004: +20.6%
*2005: -1.2%



Our Unique Opportunities Model declined 1.2% for the month. The approximate asset mix is 94% stock, 6% 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 (-1.9% YTD)	Portfolio C (-2.4% YTD)	Portfolio D (-2.4% YTD)
35% Contrafund, 24% Value, 41% Equity-Income	62% Growth & Income, 38% Contrafund	100% Equity-Income	100% Equity-Income

In January, Portfolio A was off 1.8%, Portfolio B slid 1.9%, and Portfolios C and D both declined 2.4%.

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:
15% Tech, 17% Fin Ser, 16% Telecom & Util, 20% Natural Res, 32% Cons. Ind.	57% Equity-Income, 43% Contrafund	54% Asset Mgr, 32% Equity-Inc, 14% Investment Grade Bond.	70% Inv. Grade, 30% Money Market.

JANUARY VIP PERFORMANCE		Unit	2005	One	Three	One	3-Yr	5-Yr
Portfolio	Rating	Value	YTD	Month	Month	Year	Rate	Rate
VIP Asset Manager	B ****	30.93	-1.3	-1.3	2.8	1.9	3.1	0.6
VIP Asset Manager: Growth	H ***	20.16	-2.0	-2.0	3.6	1.4	2.0	-2.4
VIP Balanced	H ***	14.65	-1.5	-1.5	2.0	2.2	3.2	0.9
VIP Contrafund	B ****	33.97	-1.4	-1.4	6.6	13.0	9.2	1.6
VIP Dynamic Capital Appreciation	H ***	10.85	-2.3	-2.3	6.5	-5.5		
VIP Equity-Income	B ****	53.62	-2.5	-2.5	5.2	6.8	5.2	4.2
VIP Growth	H ***	52.74	-3.3	-3.3	3.0	-4.2	-2.7	-7.6
VIP Growth & Income	B ****	15.91	-2.3	-2.3	3.0	1.6	1.8	-1.3
VIP Growth Opportunities	B ****	11.70	-2.3	-2.3	4.6	2.5	2.1	-5.0
VIP High Income	H ***	27.83	-0.6	-0.6	2.0	6.4	11.8	-0.8
VIP Index 500	H ***	31.15	-2.5	-2.5	4.7	5.1	2.2	-2.8
VIP Investment Grade Bond	H ***	28.05	0.5	0.5	0.5	3.3	5.7	7.2
VIP Mid Cap	B ****	16.17	-1.5	-1.5	10.6	20.7	14.9	
VIP Overseas	H ***	28.77	-2.8	-2.8	7.5	7.1	9.1	-3.9
VIP Real Estate	S **	13.48	-7.9	-7.9	1.7	17.5		
VIP Strategic Income	B ****	10.87	-0.2	-0.2	2.6			
VIP Value Strategies	H ***	12.21	-5.3	-5.3	8.0	2.0		
VIP Consumer Industries	B ****	10.75	-1.6	-1.6	7.4	6.7	3.2	
VIP Cyclical Industries	H ***	13.43	-1.4	-1.4	8.3	22.1	11.3	
VIP Financial Services	B ****	12.07	-1.9	-1.9	5.9	5.8	7.5	
VIP Health Care	H ***	10.10	-3.1	-3.1	5.7	1.6	0.8	
VIP Natural Resources	B ****	13.32	1.7	1.7	6.2	26.5	13.1	
VIP Technology	H ***	8.66	-5.8	-5.8	3.1	-10.4	-2.1	
VIP Telecom & Utilities	B ****	9.11	-2.5	-2.5	3.7	20.0	3.8	
Fidelity Monitor VIP Sector Model		13685.14	-1.8	-1.8	5.4	1.2		
Fidelity Monitor VIP Growth Model		29485.48	-2.0	-2.0	5.8	2.1	3.0	-3.0
Fidelity Monitor VIP G&I Model		21306.27	-1.5	-1.5	3.2	3.4	4.8	1.7
Fidelity Monitor VIP Income Model		18381.32	0.1	0.1	1.0	4.3	7.3	4.8

INCOME MODEL

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

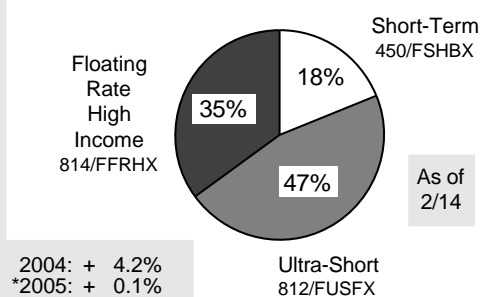
FUND	NAV	SHARES	BALANCE
Short-Term Bond	\$8.97	1619.536	\$14527.24
Ultra-Short Bond	\$10.04	1968.241	\$19761.14
High Income	\$8.99	1848.562	\$16618.57
Floating Rate	\$9.98	2710.245	\$27048.25

6% Foreign Holdings

Balance as of 1/31/05: \$77955.20
Balance at start of 2005: \$77905.57

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: + 4.2%
*2005: + 0.1%

Our Income Model gained 0.1% for January. Approximate asset mix is 80% bond and 20% cash. On 2/14 we will sell **High Income** and add the proceeds to **Ultra-Short Bond**.

GROWTH AND INCOME MODEL

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

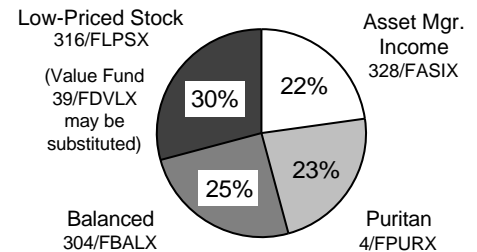
FUND	NAV	SHARES	BALANCE
Asset Mgr. Inc.	\$12.58	2548.566	\$32060.96
Puritan	\$18.67	1771.272	\$33069.65
Balanced	\$17.63	1980.137	\$34909.82
Low-Priced Stock	\$39.45	1084.377	\$42778.67

14% Foreign Holdings

Balance as of 1/31/05: \$142819.10
Balance at start of 2005: \$144788.14

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:	+ 11.5%
*2005:	- 1.4%



Our Growth and Income Model was off 1.4% in January. The approximate asset mix is 65% stock, 23% bond, and 12% cash.

GROWTH MODEL

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

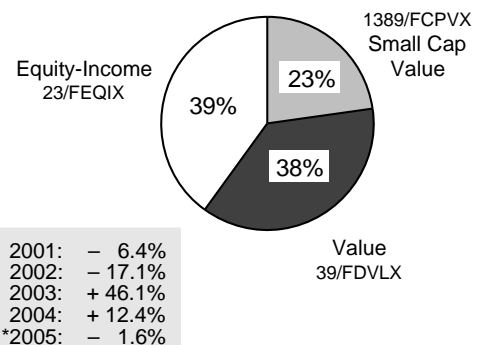
FUND	NAV	SHARES	BALANCE
Small Cap Value	\$11.10	3197.846	\$35496.09
Value	\$70.26	812.842	\$57110.28
Equity-Income	\$51.52	1154.285	\$59468.76

10% Foreign Holdings

Balance as of 1/31/05: \$152075.13
Balance at start of 2005: \$154558.63

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: + 12.4%
*2005: - 1.6%

For January our Growth Model slipped 1.6%, versus a 2.4% decline for the S&P 500. The approximate asset mix, based on the latest available data, is 95% stock and 5% cash.

SELECT SYSTEM

Our Select System aims for growth in sector funds, and has a long-term goal of 14% per year. We use a volatility model to identify attractive growth sectors.

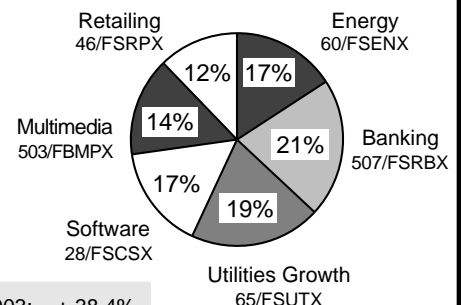
FUND	NAV	SHARES	BALANCE
Energy	\$33.85	1334.868	\$45185.28
Banking	\$38.57	1430.720	\$55182.87
Utilities Growth	\$39.29	1309.670	\$51456.93
Software	\$49.38	947.238	\$46774.61
Multimedia	\$43.97	853.006	\$37506.67
Retailing	\$50.39	660.860	\$33300.74

9% Foreign Holdings

Balance as of 1/31/05: \$269407.10
Balance at start of 2005: \$275072.39

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: + 7.4%
*2005: - 2.1%

Our Select System declined 2.1% in January, versus a 2.4% loss for the S&P 500. The approximate asset mix, based on the latest available data, is 97% stock and 3% cash.

because most funds that finish near the top have benefited from unforeseen events. Without knowing what surprises might show up in 2005, and being wary of stocks with high multiples, I'd be inclined to bet on a repeat performance by the energy group. Global oil demand is still outpacing supply, so unless there's a broad-based economic slowdown the price of crude should move higher as time goes on.

Unfortunately, picking the "right" energy fund is even more daunting than trying to pick the best industry group. In years past, **Energy Services** has always been the high-risk, high-reward play. But in my view, it's the least attractive option this time around. There's so little oil to be found in the West that most oil companies have cut back on exploration and are focusing instead on boosting output of existing wells. That creates some work for the oil service companies, but not as much as in the past. **Natural Gas** represents the best opportunity for future growth, because it's the fuel most likely to pick up where oil leaves off (today's global reserves of natural gas are comparable to oil in the 1930s). Plus, the North America gas supply situation is even more dire than oil, so big money will be made by those who create the infrastructure to import it. Now the bad news: volatility is almost twice S&P 500 levels, so this is a place where you can lose your shirt if things go the wrong way. That brings us to the value side of the energy group, which is probably the best place to stick your neck out. **Natural Resources** has just shy of 80% in a variety of energy stocks, with gold, metals, and paper making up the balance. This fund is "only" 50% more volatile than the S&P 500. **Energy** carries similar risk, but puts almost everything in the major oil companies. As exploration becomes too risky and unproductive, these firms will either refocus on natural gas, or become cash-cows that distribute most of their earnings to shareholders. ■

JANUARY DISTRIBUTIONS

Equity-Income II	\$ 0.19 / \$23.22 (1/7)
Growth Company	\$ 0.01 / \$54.04 (1/7)
Independence	\$ 0.01 / \$17.19 (1/7)
NASDAQ Composite Index	\$ 0.06 / \$28.21 (1/7)
Value Strategies	\$ 0.105 / \$35.00 (1/7)

Funds scheduled for February (2/4) 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.**

BOND FUNDS

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

The possibility of a more hawkish Fed caused high-yield debt to slip back, although high-quality bond funds benefited as long-term interest rates eased a bit for the month. **Investment Grade Bond**, up 0.7%, was slightly ahead of other high-grade funds for the month. Trailing behind were **Capital & Income**, off 0.1%, **Focused High Income**, slipping 0.3%, and **High Income**, declining 0.6%.

Among municipals, long-term gains ranged from 0.6% to 1.3%, whereas **Spartan Short-Intermediate Muni** finished flat.

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, and Software**. We downgraded **Gold** (at least temporarily) because of concern that the dollar may gain some strength in the short run.

The energy group led the pack, thanks in part to cooler weather on the East Coast. **Energy Services** rose 4.6%, **Energy** was up 4.1%, and **Natural Gas** gained 3.8%. But higher oil prices put downward pressure on growth stocks, as did the prospect of an extended string of tightening moves by the Fed. **Biotechnology** lost 6.4%, **Dev Communications** slid 7.1%, and **Networking & Infrastructure** tumbled 7.7%. Paper companies were hit particularly hard; they seem to be caught between rising costs and weak pricing. **Paper & Forest Products** fell 9.7%. ■

Happenings

With the new year comes a new round of fund manager changes. Shep Perkins has taken over at **Mid-Cap Stock**, with Steven Calhoun being named associate manager. Sonu Kalra is the new stockpicker for **OTC Portfolio**. Among sectors, James Morrow now leads **Technology**, Charlie Chai has become manager for **VIP Technology**, Naved Khan has taken the helm at **Computers**, Harlan Carere has picked up **Pharmaceuticals**, and Martin Zinny is now in charge of **Retailing**. We see no issues with the new assignments, and our ratings will remain the same on all of the affected funds. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser (55/FDRXX)	55783.3	2.02	CT MM (418/FCMXX)	1085.0	1.37	FL MM (428/FSFXX)	2409.3	1.48
Select MM (85/FSLXX)	544.3	2.08	MA MM (74/FDMXX)	3574.4	1.32	Spart MA MM (426/FMSXX)	956.7	1.47
Spart MM (454/SPRXX)	5505.0	2.02	MI MM (420/FMIXX)	603.1	1.35	Spart Municipal (460/FIMXX)	3084.7	1.55
Spart US Gov't (458/SPAXX)	527.9	1.90	NJ MM (417/FNJXX)	1442.2	1.31	Spart NJ MM (423/FSJXX)	676.9	1.50
Spart US Treas (415/FDLXX)	2242.0	1.80	NY MM (92/FNYXX)	3095.1	1.34	Spart NY MM (422/FSNXX)	1122.9	1.46
Tax-Free MM (275/FMOXX)	1113.5	1.43	OH MM (419/FOMXX)	770.0	1.39	PA MM (401/FPTXX)	332.6	1.41
US Gov't Reser (50/FGRXX)	2244.2	2.00	AZ MM (433/FSAXX)	163.3	1.42	Municipal MM (10/FTEXX)	16198.0	1.46
CA MM (97/FCFXX)	3370.0	1.32	Spart CA MM (457/FSPXX)	1418.9	1.52			