Fidelity Monitor™

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20 Years

FEBRUARY 2007

Shifting Gears On Energy

Over the last six months, global oil production has caught up with demand, delaying the point at which oil reaches $100/barrel by perhaps several years. Several factors have been key:

• Mild weather. Heating loads were below average last winter, and will probably be light again this season too. In between was an unusually mild hurricane season. This has allowed domestic inventories of oil and natural gas to make a full recovery from the depleted levels of recent years.

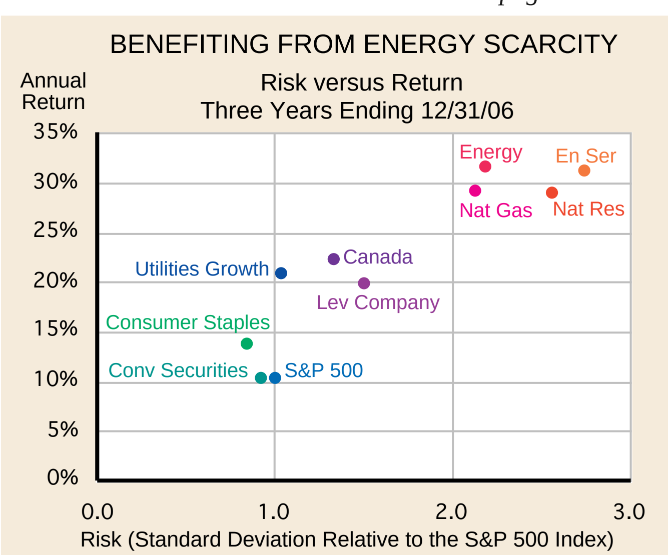
• Increased production from non-OPEC sources. New sources of crude are coming on line, and increased ethanol production has made a small but significant impact. Thanks to Saudi Arabia, OPEC has cut back its own output in response, regaining the ability to manage the price of oil. That wasn't possible when demand was outstripping supplies.

• A new mind set among consumers. The average vehicle sold today gets better mileage than two years ago, and consumers who put in a lot of miles are increasingly choosing to drive high-mileage vehicles. As a result, demand for oil in the world's major economies has leveled off, and might even shrink a bit in the years ahead.

LONG-TERM SUPPLY STILL AN ISSUE

Oil demand from emerging countries is still growing at a healthy clip, and output is declining for

SHIFTING GEARS - *Continued on page 2*



Review & Recommendations

The economy's got legs. That's the conclusion that many investors reached in January, as fourth-quarter earnings and the latest indicators dashed hopes for a near-term interest rate cut. Clearly, the slump in housing and autos is not having the impact it might have had in the past. The S&P 500 finished with a 1.5% increase for the month.

We've downgraded **Real Estate** and **Int'l Real Estate**. The funds now carry a two-star sell rating, meaning that we suggest limiting each of them to no more than 5% of your overall portfolio. Real estate securities have become too speculative, and the group's strong performance is not sustainable.

GROWTH FUNDS

Growth Model holdings are listed on page 7. Our favorite funds in this group include **Spartan 500 Index** and **Value Discovery**. Growth stocks are starting to show signs of life. We upgraded **Fidelity Fifty** to a buy – Peter Saperstone took over this fund in November and has reshaped it, emphasizing cheap technology stocks and telecom/media holdings.

It was a good month for mid-caps, although small-caps were a bit weak. **Value Strategies** gained 3.9%, **Mid Cap Stock** was up 3.6%, and **Value** rose 3.1%. On the flip side, **Low-Priced Stock** returned 1.2%, and **Small Cap Stock** edged up 0.9%.

INTERNATIONAL FUNDS

Int'l Value offers broad exposure to foreign stocks, with an emphasis on European markets. **Canada** may benefit from its exposure to energy and commodities. We've downgraded **China Region** to a hold. It's still the best emerging market fund in our view, but the more diversified funds are less likely to surprise on the downside.

Funds that focused on European markets (while emphasizing consumer stocks) did well. **Int'l Small Cap Opportunities** gained 3.3%, and **Aggressive Int'l** was up 2.6%. In contrast, emerging market funds were a bit weak as investors began to take profits. **Emerging Markets** was off 1.0%, and **Southeast Asia** declined 1.2%.

GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed

RECOMMENDATIONS - *Continued on page 8*

SHIFTING GEARS - *Continued from page 1*

a growing number of the world's aging oil fields. Cantarell, Mexico's giant oil field, is the latest to slip into a steep decline, and its output is falling off so rapidly that Mexico could become a net importer of oil within a decade. At some point in the next 5-10 years, global oil output is likely to top out, right about the time that emerging country vehicle sales enter a period of strong growth.

While ethanol may provide some relief, it won't be easy to scale it up from present levels of output. Demand for feedstock is already affecting the price of agricultural commodities. If ethanol capacity grows too quickly, the economics of making it could shift in an unfavorable direction due to cost pressures.

As such, we'll still see $100/barrel oil at some point. But it's hard to pinpoint the exact timeframe, because it will depend largely on the global economy and the degree to which efficiency improves for future vehicle sales.

INVESTMENT CONSIDERATIONS

Normally, it might make sense to ride out any weakness in the oil sector. After all, the stocks are still cheap, the buyback programs robust, and Saudi Arabia seems very committed to keeping the price of oil above $50/barrel.

But the volatility numbers in the energy sector remain a problem. Back in early 2004, when we first stepped up our energy exposure, the standard deviation for the group was similar to the S&P 500. Today, it's 2.5 times greater. Like other sectors that attract a lot of attention, volatility tends to skyrocket when everyone gets in the game.

This doesn't necessarily indicate that the rally of the last few years will end badly, but it does imply that the sector must generate returns that are 2.5 times greater than the S&P 500 to justify the risks that are involved. Up until recently, we felt energy stocks were worth the extra risk. But now we're beginning to question that assumption.

Fortunately, there are ways to cut out some of the short-term risk and still benefit from the long-term trend. One approach is to make indirect bets on the rising cost of energy. Another is to focus on funds that take a selective position in energy, blending it with other sectors that aren't as volatile.

LESS–RISKY ENERGY BETS

The following funds have benefited from the rising cost of oil without the dramatic price swings that have characterized the energy sector. They are listed in increasing order of risk:

• **Consumer Staples**. This fund, which used to be known as **Food & Agriculture**, invests mainly in food companies, but also has a stake in beverages, tobacco, and household products. The rise of ethanol and biodiesel suggests that basic food commodities like sugar, corn, and soybean oil will track the price of oil over the long run. Plus, food companies have always been quick to pass along energy costs, so the sector is likely to gain pricing power over the long run. Unlike the energy group, it's also a good place to be when the economy slows down, as groceries are not likely to see much impact if consumers cut spending. **Consumer Staples** currently has 20% less risk than the S&P 500, making it one of the least risky sectors. However, it tends to lag the market when stocks are in a bullish trend.

• **Utilities Growth**. This fund was recently converted into a natural gas and electric utility fund, making it a direct play on the rising price of electricity. Unlike oil, demand for electricity has not tapered off on the domestic front, and providers are finding it necessary to add capacity. Surplus power plants are being picked up by regulated utilities, many of which are finding it easy to win approval for rate increases. Furthermore, the sector remains a decent contrarian play, as many institutional investors have not returned since the shakeout that occurred early in the decade. Fidelity is a case in point. On the retail side alone, it has 22 diversified stock funds that have a zero weighting in utility stocks. If these funds were to acquire a market weighting of 3.5%, it would mean $8 billion in utility stock purchases.

• **Convertible Securities**. Thomas Soviero has maintained an anchor position in energy stocks since he took over in 2005, but this fund is relatively tame because of its non-energy holdings. It also benefits from the underlying income stream that comes with convertible notes. Despite an energy weighting of 27%, relative volatility is only 10% greater than the S&P 500. Soviero gets great marks for security selection – even though energy stocks were weak in 2006, he still finished ahead of his benchmark. The convertible market can sometimes move in unexpected ways, but this is an asset class that Fidelity knows well.

• **Leveraged Company Stock**. Soviero manages this fund too, investing in companies that are heavily indebted. He has compiled an outstanding record relying in research provided by Fidelity's high-yield bond group. With a relative volatility of 1.5, the

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fund carries significantly more risk than the S&P 500, but has only 60% of the energy sector's volatility. About 34% of assets are invested in energy stocks, but with specific themes such as shipping companies that move oil and gas around the globe. Soviero has managed this fund since its inception in late 2000, and has maintained a heavy energy weighting since 2004.

• **Canada**. With an energy weighting of 28%, this fund has steadily increased in volatility over the last three years, and is currently about 1.5 times the S&P 500's risk. It isn't the best way to cut down on energy volatility, because the Canadian dollar often magnifies the moves that are taking place in the energy sector. Still, compared to owning **Energy** or **Natural Resources**, it offers a way to cut back on risk and still participate in the long-term trend.

MODEL PORTFOLIOS

Our Unique Opportunities Model has already sold **Natural Resources** and moved into **Utilities Growth**, a move that should bring the portfolio's overall volatility more in line with the S&P 500.

As for the Select System, we've recently added **Utilities Growth** and **Consumer Staples** to the model. We trimmed our position in **Energy** last April, and now we're planning to sell it sometime in the next month or two, when the price of oil tends to rise as refiners phase out their winter formulations and gear up for the summer driving season.

The VIP Sector Model, which approximates the Select System with the VIP industry groups, will move out of **VIP Energy** in the same timeframe. ■

Question & Answer Forum

As a result of some recent changes, your Unique Opportunities Model now looks similar to your Growth Model. Is this temporary, or do you see further "convergence" of the models? Also, I don't remember you ever using an index fund before. Do you expect this to be a permanent situation?

Over the last few years, the S&P 500 has become an increasingly attractive asset class. Furthermore, S&P 500 companies are collectively spending around $400 billion per year repurchasing their own shares. This is like a reinvested dividend yield of 3%, which is occurring in addition to the regular 1.8% yield for cash dividends.

Taking advantage of this opportunity requires a stake in the companies that are buying back the most stock. Unfortunately, there aren't many funds with this kind of focus, at least not in a diversified sense. These stocks tend to be the giants of the large cap universe, and many of them already have robust dividend yields. **Equity-Income** and **Spartan 500 Index** are somewhat unique in their exposure to this group, because both funds have a broad focus and tend to maintain a high median market cap.

I don't see the overlap in the model portfolios nor the indexing as a long-term situation. At some point, growth company earnings will start to improve, making for some good opportunities in other funds. Meanwhile, both of these funds are poised to earn solid returns for the amount of risk they incur.

After taking Pharmaceuticals out of the Select System, I noticed you put it back on your buy list.

We sold **Pharmaceuticals** shortly after the election, but it now appears we may have worried too much about the potential for new regulations. Our volatility model still gives the fund a favorable score, and it hasn't underperformed as much as we expected – in part because of its 28% international weighting, but mostly because the hot money left this sector a long time ago. Perhaps we need to put on our contrarian thinking cap for this one. We'll be watching **Pharmaceuticals** in the coming months, and depending on our volatility model we may put it back in the Select System.

Can you tell me which of your portfolios performed best over the last 10 years, for both the newsletter and your money management service?

For Fidelity Monitor, the Select System is our best-performing model over the last decade (it's also the one that takes on the most risk). For the ten years ending 12/31/06, its cumulative gain was 197.6%, an annualized increase of 11.5% per year. Over the same period, the S&P 500 had a total return of 124.4%, for an annualized rate of 8.4%.

As for Weber Asset Management, our money management partner, one of the investment options is the Ultra-Aggressive Select Model, a three-sector portfolio that's used for a small percentage of clients who prefer the high-risk path. As of 12/31/06, the ten-year gain for the Ultra-Aggressive Select Model was 204.2%, or 11.8% per year. Those figures are net of the annual management fee. Weber Asset Management offers a wide range of money management options. For an information package, please call 800-438-3863 or visit weberasset.com. Past performance is no guarantee of future returns.

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. Size figures are for the close of the prior month, in millions. 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. All retail Fidelity funds are no-load. If a fund is closed to new investors, it is listed as such in the Fee column. Fidelity limits roundtrip trades to two in the last 90 days and four in the last 12 months (a roundtrip trade is defined as the purchase and sale of a fund within 30 days). Fund ratings: **B ******* is for a **favorite buy**, **B ****** means **buy**, **H ***** means **hold** for the long run, **S **** means reduce to below 5% of holdings, **S *** means **sell** and move to a buy-rated fund within the same asset class. Upgrades and downgrades from the prior month are indicated by ↑ and ↓.

JANUARY PERFORMANCE Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	2007 YTD	One Mth	Three Mth	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
Aggressive Gth (324/FDEGX)	H***	1.75	1.5(90)	19.85	3763.5	2.4	2.4	6.8	3.9	9.1	2.3	2.7
Blue Chip Gth (312/FBGRX)	B****	1.08	none	45.05	20649.9	1.7	1.7	3.3	5.0	5.1	2.3	5.2
Blue Chip Value (1271/FBCVX)	B****	1.11	none	15.03	397.9	1.6	1.6	5.5	11.9	13.1		
Capital Apprec (307/FDCAX)	B****	1.40	none	27.94	8698.6	3.1	3.1	7.4	9.9	10.9	10.8	9.9
Contrafund (22/FCNTX)	B****	1.17	Closed	66.62	68565.2	2.2	2.2	5.0	7.9	15.1	12.1	10.8
Discovery (339/FDSVX)	H***	0.97	none	13.03	447.8	1.4	1.4	5.2	11.6	9.0	5.7	
Disc Equity (315/FDEQX)	H***	1.17	none	29.57	8143.1	1.9	1.9	4.9	12.9	12.4	8.5	8.8
Dividend Gth (330/FDGFX)	B****	0.94	none	32.09	17151.5	1.3	1.3	4.0	13.9	7.7	4.9	9.5
Export Fund (332/FEXPX)	H***	1.33	0.75(30)	23.70	4285.4	3.1	3.1	5.3	5.4	13.0	9.7	12.6
Fidelity Fifty (500/FFTYX)	B****↑	1.28	none	23.85	1275.9	3.0	3.0	7.0	8.7	10.3	10.2	10.5
Focused Stock (333/FTQGX)	H***	1.43	none	12.84	80.0	2.7	2.7	4.3	4.1	13.9	3.3	4.7
Growth Company (25/FDGRX)	H***	1.47	Closed	70.91	30069.7	1.7	1.7	5.4	5.6	11.3	6.8	9.1
Independence (73/FDFFX)	H***	1.26	none	22.31	4707.3	1.6	1.6	4.6	7.3	11.4	7.5	9.4
Large Cap Growth (763/FSLGX)	H***	1.72	none	11.92	170.9	1.6	1.6	5.4	3.2	10.6	4.8	
Large-Cap Stock (338/FLCSX)	H***	1.10	none	17.85	839.4	1.9	1.9	5.0	11.3	8.7	5.1	6.5
Large Cap Value (708/FSLVX)	B****	1.14	none	15.19	1306.6	1.5	1.5	4.5	14.6	15.5	10.4	
Lev Co Stock (122/FLVCX)	B****	1.51	1.5(90)	29.68	4908.6	2.5	2.5	7.0	12.7	19.1	28.8	
Low-Priced Stock (316/FLPSX)	H***	1.08	Closed	44.07	39339.9	1.2	1.2	7.4	11.8	15.5	15.5	15.3
Magellan (21/FMAGX)	H***	1.34	Closed	92.09	44962.2	2.9	2.9	5.0	5.3	7.6	4.4	6.8
Mid Cap Growth (793/FSMGX)	H***	1.90	0.75(30)	14.31	439.7	2.4	2.4	6.4	0.8	12.3	8.1	
Mid Cap Stock (337/FMCSX)	H***	1.57	Closed	30.20	12941.7	3.6	3.6	5.9	10.3	13.9	8.2	12.7
Mid Cap Value (762/FSMVX)	H***	1.26	0.75(30)	17.18	633.6	3.1	3.1	5.8	13.5	17.0	13.5	
New Millennium (300/FMILX)	H***	1.75	Closed	29.77	2360.1	3.0	3.0	6.6	7.7	9.0	7.9	13.4
OTC Portfolio (93/FOCPX)	H***	1.61	none	42.26	8795.6	2.2	2.2	5.4	6.9	8.3	6.3	6.9
Small Cap Gth (1388/FCPGX)	H***	1.67	1.5(90)	14.90	535.4	3.1	3.1	7.1	7.8			
Small Cap Indep (336/FDSCX)	H***	1.59	1.5(90)	21.61	2774.8	2.7	2.7	8.4	8.6	13.3	10.1	9.2
Small Cap Stock (340/FSLCX)	H***	1.55	Closed	19.19	4799.0	0.9	0.9	3.7	6.0	10.9	11.0	
Small Cap Value (1389/FCPVX)	H***	1.53	1.5(90)	14.24	1106.0	1.7	1.7	4.5	10.0			
Stock Selector (320/FDSSX)	H***	1.06	none	28.22	847.7	1.4	1.4	4.2	10.7	10.5	7.0	6.9
Tax Mgd Stock (343/FTXMX)	B****	1.35	1(730)	14.48	70.5	2.5	2.5	5.6	9.4	12.8	7.3	
Trend (5/FTRNX)	H***	1.05	none	65.29	911.3	1.7	1.7	4.7	11.3	10.4	7.0	5.4
Value (39/FDVLX)	B****	1.10	none	83.13	18254.2	3.1	3.1	7.5	13.1	17.1	14.9	12.1
Value Discovery (832/FVDFX)	B****	1.17	none	17.82	1040.3	1.9	1.9	4.9	10.3	16.1		
Value Strategies (14/FSLSX)	B****	1.16	none	32.88	232.1	3.9	3.9	8.2	14.5	10.5	11.5	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B*****	0.85	none	19.75	22439.3	1.6	1.6	4.1	8.9	11.0	10.4	10.7
Convertible Sec (308/FCVSX)	B****↑	1.11	none	26.02	2105.4	2.7	2.7	7.6	10.4	10.8	9.4	11.8
Equity-Income (23/FEQIX)	B*****	1.01	none	59.33	30628.9	1.3	1.3	5.4	17.6	12.2	9.3	9.1
Equity-Income II (319/FEQTX)	B****	1.01	none	23.65	11697.6	1.4	1.4	4.0	11.0	9.5	8.3	8.9
Fidelity Fund (3/FFIDX)	H***	1.16	none	36.65	7679.0	2.3	2.3	5.1	12.0	10.0	6.2	8.1
Growth & Income (27/FGRIX)	H***	1.11	none	31.57	30213.8	1.3	1.3	4.5	9.1	7.7	4.5	6.9
Growth & Inc II (361/FGRTX)	H***	1.04	none	11.33	196.6	1.3	1.3	4.1	10.5	8.7	6.1	
Puritan (4/FPURX)	B*****	0.67	none	20.16	25809.6	1.0	1.0	4.0	13.4	9.4	8.4	8.5
Strategic Div & Inc (1329/FSDIX)	B****	0.92	none	13.32	1081.1	2.8	2.8	5.5	12.1	12.8		
Utilities (311/FIUIX)	H***	0.99	none	19.29	1599.4	2.2	2.2	6.3	26.8	20.2	10.8	8.3
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.92	0.75(30)	51.27	116.1	5.7	5.7	11.0	24.3	21.7	11.2	15.4
Automotive (502/FSAVX)	H***	1.44	0.75(30)	40.42	32.5	4.6	4.6	7.3	17.9	7.6	10.3	7.1
Banking (507/FSRBX)	B****	1.02	0.75(30)	33.96	370.3	-0.2	-0.2	2.9	12.1	7.6	8.9	9.6
Biotechnology (42/FBIOX)	H***	1.77	0.75(30)	66.16	1463.6	1.8	1.8	-0.8	1.3	7.5	3.6	9.9
Brokerage (68/FSLBX)	H***	1.72	0.75(30)	76.75	1242.0	3.6	3.6	8.1	16.4	20.3	16.1	17.6
IT Ser / Bus Ser (353/FBSOX)	H***	1.38	0.75(30)	17.30	42.6	1.0	1.0	6.3	11.5	11.7	5.7	
Chemicals (69/FSCHX)	H***	1.47	0.75(30)	69.60	100.9	4.2	4.2	10.1	16.8	18.8	15.8	10.3
Computers (7/FDCPX)	H***	1.72	0.75(30)	40.72	471.4	3.1	3.1	7.7	7.8	2.4	1.3	5.5
Const & Housing (511/FSHOX)	S**	1.89	0.75(30)	46.90	159.9	5.2	5.2	13.0	6.6	17.3	15.0	14.2
Consumer Disc (517/FSCPX)	H***	1.19	0.75(30)	27.34	39.8	4.4	4.4	3.7	16.0	9.8	6.3	8.3
Industrial / Cyc Ind (515/FCYIX)	H***	1.42	0.75(30)	20.94	69.3	2.3	2.3	5.6	11.2	17.9	13.2	
Defense & Aero (67/FSDAX)	H***	1.49	0.75(30)	84.23	1049.1	3.3	3.3	10.5	21.0	20.5	16.4	14.9
Com Equip / DevC (518/FSDCX)	H***	1.99	0.75(30)	20.20	348.4	-1.3	-1.3	1.2	-7.4	0.9	3.7	6.3
Electronics (8/FSELX)	H***	2.14	0.75(30)	44.41	2044.7	1.3	1.3	3.1	-7.2	0.0	-2.5	6.9
Energy (60/FSENX)	H***↓	2.69	0.75(30)	48.91	2350.7	0.2	0.2	5.3	-2.1	31.5	20.8	13.6
Energy Services (43/FSESX)	H***	3.37	0.75(30)	66.18	1383.7	-2.0	-2.0	2.4	-10.9	27.5	19.5	13.3
Environmental (516/FSLEX)	H***	1.42	0.75(30)	17.50	49.5	1.3	1.3	0.5	4.4	9.9	8.8	1.7
Financial Services (66/FIDSX)	B****	1.12	0.75(30)	119.86	554.7	1.0	1.0	4.9	14.0	10.9	10.2	11.4
Con Stap / Food Ag (9/FDFAX)	B*****↑	0.82	0.75(30)	58.89	327.0	2.8	2.8	6.8	21.7	14.7	9.8	9.1
Gold (41/FSAGX)	H***	2.74	0.75(30)	36.05	1536.9	-1.2	-1.2	7.0	6.8	20.0	24.8	8.1
Health Care (63/FSPHX)	H***	1.06	0.75(30)	128.18	2099.9	2.5	2.5	3.5	5.4	9.8	6.0	9.8
Home Finance (98/FSVLX)	H***	1.12	0.75(30)	49.85	273.0	0.2	0.2	3.9	10.1	4.5	8.8	9.1
Indust Equip (510/FSCGX)	H***	1.44	0.75(30)	31.62	80.0	2.2	2.2	6.8	13.4	12.9	10.0	8.5
Materials / Ind Mat (509/FSDPX)	H***	1.94	0.75(30)	49.68	174.7	4.9	4.9	10.7	17.0	20.1	18.9	10.2
Insurance (45/FSPCX)	B****	1.01	0.75(30)	69.55	210.3	-2.0	-2.0	2.8	9.8	10.1	11.0	14.3
Leisure (62/FDLSX)	H***	1.35	0.75(30)	81.56	258.4	3.0	3.0	8.8	17.6	12.5	11.3	12.2
Medical Delivery (505/FSHCX)	S**	1.38	0.75(30)	50.04	668.3	2.7	2.7	7.5	1.1	21.5	16.5	10.4
Medical Eqip/Sys (354/FSMEX)	S**	1.20	0.75(30)	24.00	801.0	4.2	4.2	5.2	5.2	9.1	12.0	
Multimedia (503/FBMPX)	H***	1.14	0.75(30)	49.52	115.5	3.5	3.5	8.1	15.9	9.3	11.6	12.4
Natural Gas (513/FSNGX)	H***	3.05	0.75(30)	39.31	1134.5	4.2	4.2	7.2	-5.5	30.5	22.5	13.6
Nat Resources (514/FNARX)	H***	2.65	0.75(30)	28.32	1232.8	1.7	1.7	7.8	3.4	30.3	20.5	
Networking (912/FNINX)	H***	2.21	0.75(30)	2.49	103.0	0.8	0.8	4.6	-4.6	-2.3	-3.6	
Paper & Forest (506/FSPFX)	H***	1.36	0.75(30)	33.40	29.0	2.8	2.8	9.9	13.9	5.8	5.3	6.4
Pharmaceuticals (580/FPHAX)	B****↑	1.09	0.75(30)	11.08	208.8	2.7	2.7	2.2	9.7	8.6	4.7	
Retailing (46/FSRPX)	H***	1.55	0.75(30)	54.69	86.2	4.2	4.2	2.9	16.3	14.1	9.7	11.6
Software (28/FSCSX)	B****	1.37	0.75(30)	67.62	925.9	3.1	3.1	5.2	21.0	10.0	7.6	12.3
Technology (64/FSPTX)	H***	1.66	0.75(30)	69.14	1723.6	1.8	1.8	4.1	3.8	3.2	3.2	7.7
Telecom (96/FSTCX)	B****	1.43	0.75(30)	51.42	513.9	5.9	5.9	10.7	28.3	15.4	9.8	6.9
Transportation (512/FSRFX)	S**	2.01	0.75(30)	53.03	96.8	5.8	5.8	5.7	9.3	19.4	12.7	14.3
Utilities Growth (65/FSUTX)	B*****	1.00	0.75(30)	55.45	699.7	0.1	0.1	4.5	25.1	20.6	10.5	9.1
Wireless (963/FWRLX)	H***	1.55	0.75(30)	7.21	296.9	3.0	3.0	7.6	5.7	18.4	12.2	

JANUARY PERFORMANCE Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	30-day Yield	2007 YTD	One Mth	Three Mth	One Year	3-Yr Rate	5-Yr Rate
Aggressive Int'l (335/FIVFX)	H ***	1.52	1 (30)	17.16	498.6		2.6	2.6	10.9	12.0	13.7	14.1
Canada (309/FICDX)	B ****	1.52	1.5(90)	48.66	3117.6		0.9	0.9	1.1	7.8	21.3	22.1
China Region (352/FHKCX)	H ***↓	1.24	1.5(90)	24.60	908.8		0.3	0.3	9.5	23.3	16.9	15.9
Diversified Int'l (325/FDIVX)	B ****	1.37	Closed	37.30	47341.8		0.9	0.9	7.1	15.5	19.5	18.3
Emerging Mkts (322/FEMKX)	H ***	1.95	1.5(90)	24.15	3524.5		-1.0	-1.0	10.6	16.7	31.3	25.6
Europe (301/FIEUX)	H ***	1.47	1 (30)	39.99	4388.1		1.6	1.6	8.1	17.2	22.9	16.9
Europe Cap Appr (341/FECAX)	H ***	1.46	1 (30)	27.64	1332.1		1.3	1.3	10.0	26.5	21.0	17.3
Global Balanced (334/FGBLX)	B ****	0.82	1 (30)	21.79	275.4		0.7	0.7	4.5	10.2	11.7	12.1
Int'l Discovery (305/FIGRX)	B ****	1.40	1 (30)	38.18	8974.3		0.7	0.7	8.0	16.5	19.7	18.7
Int'l Small Cap (818/FISMX)	H ***	1.46	Closed	25.24	1688.3		1.2	1.2	7.4	6.0	22.9	
Int'l Small Cap Opp (1504/FSCOX)	H ***	1.95	2 (90)	16.31	1135.7		3.3	3.3	14.6	17.1		
Int'l Value (1597/FIVLX)	B ****	1.2 Est	1 (30)	11.27	275.7		1.1	1.1	6.8			
Japan (350/FJPNX)	H ***	2.22	1.5(90)	16.99	1777.8		-0.5	-0.5	2.2	-9.1	14.6	16.1
Japan Smaller Co (360/FJSCX)	H ***	2.27	Closed	12.76	1087.8		-0.5	-0.5	-2.3	-23.2	10.1	17.8
Latin America (349/FLATX)	H ***	2.80	1.5(90)	45.29	3665.9		1.3	1.3	13.6	24.3	46.8	33.0
Nordic (342/FNORX)	H ***	1.94	1.5(90)	40.85	470.7		2.2	2.2	14.0	32.4	27.2	21.3
Overseas (94/FOSFX)	H ***	1.39	1 (30)	45.17	7713.7		0.8	0.8	7.4	14.7	17.2	15.0
Pacific Basin (302/FPBFX)	H ***	1.53	1.5(90)	27.26	1012.5		-0.3	-0.3	8.7	9.5	20.0	18.2
Southeast Asia (351/FSEAX)	H ***	1.63	1.5(90)	27.18	2010.5		-1.2	-1.2	12.4	24.4	24.6	21.6
Worldwide (318/FWWFX)	H ***	1.22	1 (30)	20.45	1376.8		1.7	1.7	7.1	14.0	14.2	11.8
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	H ***	0.91	none	29.95	1488.4		1.5	1.5	4.9	13.3	11.2	9.0
NASDAQ Comp (1282/FNCMX)	H ***	1.45	0.75(90)	33.05	182.4		2.1	2.1	4.3	7.4	6.5	
Spart Ext Mkt Idx (398/FSEMX)	H ***	1.40	0.75(90)	39.75	1862.2		3.2	3.2	7.1	11.6	14.3	13.0
Spart Int'l Index (399/FSIIX)	B ****	1.35	1(90)	44.58	2833.3		1.0	1.0	7.3	20.3	19.5	16.3
Spart 500 Index (317/FSMKX)	B ****	1.00	none	99.45	8326.6		1.5	1.5	4.9	14.4	10.2	6.7
Spart Total Mkt Idx (397/FSTMX)	H ***	1.07	0.5(90)	40.32	3665.9		1.9	1.9	5.4	13.8	11.2	8.1
Asset Mgr 50% (314/FASMX)	H ***	0.55	none	16.29	9207.6		1.1	1.1	3.3	8.6	6.1	5.5
Asset Mgr 85% (347/FAMRX)	H ***	0.95	none	13.58	483.6		1.7	1.7	5.2	10.8	10.4	6.5
Asset Mgr 70% (321/FASGX)	H ***	0.73	none	16.48	3177.3		1.4	1.4	4.2	9.9	6.6	5.4
Asset Mgr 20% (328/FASIX)	B ****	0.32	none	12.72	2207.3		0.6	0.6	1.8	5.4	6.4	6.8
Freedom 2000 (370/FFFBX)	B ****	0.35	none	12.56	1647.9		0.8	0.8	2.3	6.4	5.1	4.7
Freedom 2005 (1312/FFFVX)	B ****	0.58	none	11.74	718.3		1.1	1.1	3.4	8.1	7.2	
Freedom 2010 (371/FFFCX)	B ****	0.61	none	14.77	12268.8		1.0	1.0	3.4	8.1	7.4	6.6
Freedom 2015 (1313/FFVFX)	B ****	0.71	none	12.35	4276.2		1.2	1.2	3.8	8.8	8.5	
Freedom 2020 (372/FFFDX)	B ****	0.83	none	15.74	16888.7		1.4	1.4	4.3	9.5	9.5	7.8
Freedom 2025 (1314/FFTWX)	B ****	0.87	none	12.95	3460.6		1.4	1.4	4.5	9.7	9.9	
Freedom 2030 (373/FFFEX)	B ****	0.98	none	16.28	10720.4		1.6	1.6	5.0	10.4	10.6	8.2
Freedom 2035 (1315/FFTHX)	B ****	0.99	none	13.40	1994.0		1.6	1.6	5.0	10.5	10.9	
Freedom 2040 (718/FFFFX)	B ****	1.00	none	9.63	5249.1		1.6	1.6	5.2	10.8	11.1	8.4
Freedom 2045 (1617/FFFGX)	B ****	1.0 Est	none	10.91	69.3		1.6	1.6	5.3			
Freedom 2050 (1618/FFFHX)	B ****	1.0 Est	none	10.93	59.3		1.7	1.7	5.4			
Freedom Income (369/FFFAX)	B ****	0.29	none	11.62	2283.6		0.7	0.7	2.0	6.0	4.7	4.3
Real Estate Income (833/FRIFX)	H ***	0.30	0.75(90)	12.18	643.8		1.9	1.9	3.8	12.3	9.4	
Real Estate (303/FRESX)	S **↓	1.51	0.75(90)	39.24	8294.0		7.9	7.9	10.5	34.8	28.4	25.7
Int'l Real Estate (1368/FIREX)	S **↓	1.38	1.5(90)	16.59	987.5		0.1	0.1	13.5	34.8		
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	H ***	0.25	1(90)	8.94	7482.5	5.91	1.1	1.1	4.5	12.3	9.9	13.4
Floating Rate (814/FFRHX)	B ****	0.05	1(60)	9.97	3048.0	6.50	0.8	0.8	2.1	6.5	5.0	
Focused High Inc (1366/FHIFX)	H ***	0.14	1(90)	10.20	51.6	6.25	0.4	0.4	2.8	7.7		
GNMA Portfolio (15/FGMNX)	H ***	0.27	none	10.72	3331.6	5.05	0.0	0.0	0.8	3.9	3.4	4.1
Gov't Income (54/FGOVX)	H ***	0.28	none	9.99	5974.9	4.64	-0.1	-0.1	0.3	3.4	2.9	4.3
High Income (455/SPHIX)	H ***	0.14	1(90)	9.07	4509.1	6.81	0.7	0.7	3.6	10.1	7.6	10.4
Inflation-Protected (794/FINPX)	H ***	0.46	none	10.68	1343.9	2.75	0.0	0.0	-1.1	0.2	3.1	
Intermed Bond (32/FTHRX)	H ***	0.23	none	10.23	7816.7	4.85	0.1	0.1	0.6	4.3	2.9	4.5
Intermed Gov't Inc (452/FSTGX)	H ***	0.22	none	9.93	723.6	4.55	-0.1	-0.1	0.4	3.5	2.3	3.7
Invest Grade Bond (26/FBNDX)	H ***	0.28	none	7.34	10804.2	5.04	0.0	0.0	0.6	4.7	3.7	5.1
Mortgage Securities (40/FMSFX)	H ***	0.27	none	11.01	1612.6	5.17	0.1	0.1	0.8	4.7	3.7	4.7
New Markets Inc (331/FNMIX)	H ***	0.40	1(90)	14.69	2235.4	5.88	-0.3	-0.3	1.6	9.1	11.7	15.1
Short-Term Bond (450/FSHBX)	H ***	0.13	none	8.86	6929.4	4.98	0.3	0.3	1.0	4.6	2.8	3.7
Spart Intermed Tr Idx (1561/FIBIX)	H ***	0.5 Est	none	9.81	553.9	4.70	-0.4	-0.4	-0.4	2.8		
Spart L-Term Tr Idx (1562/FLBIX)	H ***	0.3 Est	none	9.69	7.7	4.84	-0.8	-0.8	-1.1	1.7		
Spart S-Term Tr Idx (1563/FSBIX)	H ***	0.1 Est	none	9.95	21.1	4.75	0.1	0.1	0.5	3.6		
Strategic Income (368/FSICX)	H ***	0.23	none	10.60	4220.2	5.47	0.1	0.1	1.6	7.2	6.5	9.6
Strategic Real Rtn (1505/FSRRX)	H ***	0.55	0.75(60)	10.26	3395.1	4.45	1.1	1.1	1.7	5.1		
Total Bond (820/FTBFX)	H ***	0.26	none	10.41	3003.3	5.10	0.0	0.0	0.7	4.9	4.1	
Ultra-Short Bond (812/FUSFX)	B ****	0.05	0.25(60)	10.01	1025.2	5.20	0.4	0.4	1.2	5.0	3.1	
US Bond Index (651/FBIDX)	H ***	0.29	none	10.82	6479.3	4.97	0.0	0.0	0.5	4.2	3.4	5.0
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FSAZX)	H ***	0.21	0.5(30)	11.33	115.3	3.52	-0.3	-0.3	0.2	3.9	3.3	4.7
CA Municipal Inc (91/FCTFX)	H ***	0.19	0.5(30)	12.28	1572.9	3.67	-0.3	-0.3	0.0	3.9	4.1	4.9
CA Short-Int TF (1534/FCSTX)	B ****	0.1 Est	0.5(30)	10.03	95.0	3.32	0.0	0.0	0.1	3.0		
CT Municipal Inc (407/FICNX)	H ***	0.19	0.5(30)	11.24	426.3	3.52	-0.4	-0.4	-0.2	3.4	2.9	4.5
FL Municipal Inc (427/FFLIX)	H ***	0.18	0.5(30)	11.36	463.6	3.65	-0.3	-0.3	0.1	3.7	3.4	4.7
Intermediate Muni (36/FLTMX)	H ***	0.15	0.5(30)	9.91	2023.4	3.63	-0.3	-0.3	0.1	3.5	3.1	4.5
MA Municipal Inc (70/FDMMX)	H ***	0.21	0.5(30)	11.84	1842.7	3.65	-0.3	-0.3	0.0	4.2	3.9	5.1
MD Municipal Inc (429/SMDMX)	H ***	0.20	0.5(30)	10.78	115.2	3.58	-0.4	-0.4	-0.1	3.6	3.2	4.4
MI Municipal Inc (81/FMHTX)	H ***	0.19	0.5(30)	11.73	570.7	3.59	-0.4	-0.4	-0.1	3.7	3.3	4.8
MN Municipal Inc (82/FIMIX)	H ***	0.17	0.5(30)	11.29	335.7	3.56	-0.3	-0.3	0.1	3.7	3.3	4.5
Municipal Income (37/FHIGX)	H ***	0.20	0.5(30)	12.69	4679.0	3.69	-0.3	-0.3	0.2	4.2	4.0	5.4
NJ Municipal Inc (416/FNJHX)	H ***	0.21	0.5(30)	11.43	580.4	3.58	-0.5	-0.5	-0.1	3.9	3.6	4.9
NY Municipal Inc (71/FTFMX)	H ***	0.21	0.5(30)	12.71	1394.7	3.59	-0.4	-0.4	0.0	3.9	3.7	5.2
OH Municipal Inc (88/FOHFX)	H ***	0.20	0.5(30)	11.51	420.8	3.46	-0.4	-0.4	-0.1	3.7	3.6	5.0
PA Municipal Inc (402/FPXTX)	H ***	0.17	0.5(30)	10.72	304.9	3.55	-0.2	-0.2	0.1	3.5	3.3	4.6
Short-Int Municipal (404/FSTFX)	B ****	0.10	0.5(30)	10.16	1483.7	3.39	0.0	0.0	0.2	2.6	1.8	2.8
Tax-Free Bond (90/FTABX)	H ***	0.21	0.5(30)	10.72	503.9	3.67	-0.3	-0.3	0.1	4.3	4.1	5.6

JANUARY PERFORMANCE Indexes and Model Portfolios	Risk	Value	2007 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
Dow Jones Industrial	0.98	12621.69	1.4	1.4	5.1	18.8	8.8	7.3	8.4
S&P 500	1.00	1438.24	1.5	1.5	4.9	14.5	10.3	6.8	7.9
NASDAQ	1.43	2463.93	2.1	2.1	4.3	7.6	6.8	5.6	6.5
Russell 2000	1.79	800.34	1.7	1.7	4.7	10.4	12.6	12.0	9.4
Fidelity Monitor Income Model	0.26	86824.24	0.6	0.6	2.1	6.4	4.8	5.7	5.1
Fidelity Monitor G&I Model	0.71	180166.79	1.2	1.2	4.0	11.2	10.8	11.7	10.0
Fidelity Monitor Growth Model	1.15	201887.58	1.5	1.5	5.2	11.9	12.8	12.4	9.9
Fidelity Monitor Select System	1.43	368702.86	2.7	2.7	6.6	8.3	11.5	11.9	11.6
Fidelity Monitor Unique Opportunities	1.31	126804.31	0.1	0.1	4.8	7.8	17.5	18.2	

UNIQUE OPPORTUNITIES MODEL

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

FUND	NAV	SHARES	BALANCE
Utilities Growth	**$55.45**	**522.428**	**$28968.63**
Int'l Value	**$11.27**	**2177.189**	**$24536.92**
Spartan 500 Idx	**$99.45**	**311.673**	**$30995.88**
Equity-Income	**$59.33**	**713.010**	**$42302.88**

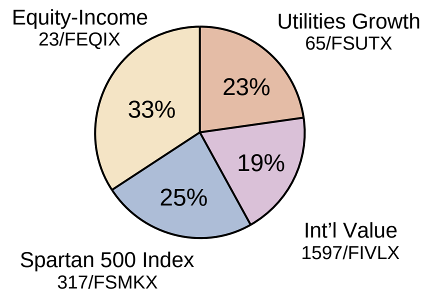
22% Foreign Holdings

Balance as of 1/31/07: $126804.31

Balance at start of 2007: $126671.24

PERFORMANCE

Partial Yr 99:	+ 33.8%
2000:	– 20.5%
2001:	+ 1.6%
2002:	– 2.1%
2003:	+ 43.2%
2004:	+ 20.6%
2005:	+ 18.8%
2006:	+ 16.6%
*2007:	+ 0.1%



For the month of January our portfolio gained 0.1%. On 1/16 we exchanged **Natural Resources** ($26.37) for **Utilities Growth** ($54.56). Current asset mix is 96% stock, 4% cash.

VIP CORNER

Performance figures reflect the Retirement Reserves fee structure. Results for the Personal Retirement Annuity are approximately 0.5 percentage points higher on an annualized basis.

VIP SECTOR MODEL: 21% Financial, 34% Utilities, 16% Energy, 15% Consumer Discretionary, 14% Technology

VIP GROWTH MODEL: 25% Mid-Cap Stock, 42% Equity-Income, 33% Contrafund

VIP G & I MODEL: 33% Equity-Income, 54% Balanced, 13% Freedom Income.

VIP INCOME MODEL: 69% Freedom Income, 31% Balanced.

JANUARY VIP PERFORMANCE Portfolio	Rating	PRA Value	RR Value	2007 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***	11.38	11.95	2.2	2.2	6.3	2.7		
VIP Asset Manager	H ***	11.04	34.82	1.1	1.1	3.2	4.7	4.7	4.3
VIP Asset Manager: Growth	H ***	11.05	22.81	1.3	1.3	4.0	3.9	4.7	3.7
VIP Balanced	B ****	11.79	17.57	1.6	1.6	4.0	8.2	7.0	5.6
VIP Cons Disc (Consumer Indust)	B ****	11.78	13.00	4.2	4.2	3.6	14.5	8.9	5.8
VIP Contrafund	B ****	12.14	45.22	2.1	2.1	4.8	7.1	14.6	11.6
VIP Industrials (Cyclical Industries)	H ***	12.36	17.90	2.3	2.3	5.5	11.1	17.6	12.9
VIP Dynamic Capital Appreciation	B ****	12.79	15.55	3.0	3.0	7.3	9.0	10.6	
VIP Equity-Income	B *****	12.44	69.74	1.3	1.3	5.3	17.1	11.6	8.6
VIP Financial Services	B ****	12.52	15.30	1.0	1.0	4.7	13.2	10.3	9.5
VIP Freedom 2005	B ****	11.32	11.51	1.0	1.0	2.9	7.4		
VIP Freedom 2010	B ****	11.31	11.56	1.0	1.0	3.1	7.7		
VIP Freedom 2015	B ****	11.54	11.85	1.1	1.1	3.4	8.4		
VIP Freedom 2020	B ****	11.73	12.08	1.3	1.3	3.9	9.1		
VIP Freedom 2025	B ****	11.81	12.21	1.3	1.3	4.0	9.3		
VIP Freedom 2030	B ****	11.95	12.41	1.5	1.5	4.6	10.0		
VIP Freedom Income	B ****	10.87	10.93	0.7	0.7	1.7	5.7		
VIP Growth	H ***	11.14	61.86	2.0	2.0	2.4	4.8	3.9	1.5
VIP Growth & Income	B ****	11.99	19.77	1.3	1.3	4.0	10.0	8.1	5.6
VIP Growth Opportunities	H ***	11.62	14.10	4.1	4.1	6.4	5.2	7.3	5.1
VIP Growth Stock	H ***	10.60	10.82	1.9	1.9	2.3	-0.8		
VIP Health Care	H ***	11.19	12.99	1.8	1.8	2.9	5.3	9.4	5.7
VIP High Income	H ***	11.33	31.76	0.9	0.9	3.6	10.0	6.7	9.8
VIP Index 500	H ***	11.92	38.69	1.4	1.4	4.7	13.5	9.3	5.8
VIP Int'l Capital Appreciation	H ***	12.61	13.27	2.7	2.7	11.0	10.4		
VIP Investment Grade Bond	H ***	10.46	29.30	0.0	0.0	0.3	3.5	2.6	4.3
VIP Mid Cap	B ****	12.17	21.85	1.5	1.5	4.6	4.3	17.7	15.5
VIP Money Market		10.63	20.59	0.4	0.4	1.1	4.1	2.3	1.6
VIP Energy (Natural Resources)	H ***↓	12.75	22.11	0.2	0.2	5.3	-0.7	28.0	19.2
VIP Overseas	H ***	13.14	41.26	0.7	0.7	7.5	12.6	15.4	13.2
VIP Real Estate	S **↓	15.43	24.56	8.4	8.4	11.5	38.1	28.9	
VIP Strategic Income	H ***	10.86	11.91	-0.1	-0.1	1.3	6.0		
VIP Technology	B ****	11.63	10.84	-0.1	-0.1	3.7	-2.1	3.9	3.3
VIP Utilities (Telecom & Utilities)	B ****	13.17	13.29	0.1	0.1	4.3	25.8	20.5	10.3
VIP Value	B ****	12.10	12.50	3.0	3.0	5.5	12.5		
VIP Value Leaders	B ****	12.14	12.57	1.5	1.5	5.4	11.0		
VIP Value Strategies	B ****	12.36	15.73	3.9	3.9	8.1	13.9	9.6	
Fidelity Monitor VIP Income Model			20007.62	1.0	1.0	2.4	6.7	4.3	6.1
Fidelity Monitor VIP G&I Model			25567.36	1.4	1.4	4.1	9.4	7.5	6.7
Fidelity Monitor VIP Growth Model			38535.15	1.6	1.6	4.9	10.4	10.1	7.4
Fidelity Monitor VIP Sector Model			18861.98	0.9	0.9	3.1	10.4	11.7	

INCOME MODEL

Our Income Model aims for long-term growth of 7% per year from a mix of funds that emphasizes income.

FUND	NAV	SHARES	BALANCE
Puritan	**$20.16**	**812.797**	**$16385.99**
Asset Mgr. 20%	**$12.72**	**2668.292**	**$33940.67**
Ultra-Short Bond	**$10.01**	**1641.079**	**$16427.20**
Floating Rate	**$9.97**	**2013.077**	**$20070.38**

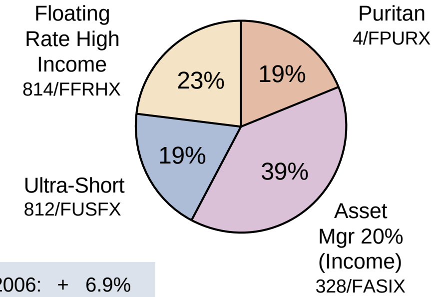
9% Foreign Holdings

Balance as of 1/31/07: $86824.24

Balance at start of 2007: $86264.24

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:	+ 3.6%
2006:	+ 6.9%
*2007:	+ 0.6%



Our Income Model gained 0.6% for the month of January. The current asset mix is 20% stock, 67% bond, 13% cash.

GROWTH AND INCOME MODEL

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

FUND	NAV	SHARES	BALANCE
Asset Mgr. 20%	**$12.72**	**2909.163**	**$37004.55**
Puritan	**$20.16**	**2019.244**	**$40707.96**
Balanced	**$19.75**	**2244.229**	**$44323.52**
Equity-Income	**$59.33**	**979.787**	**$58130.76**

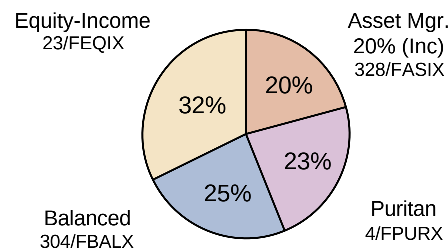
9% Foreign Holdings

Balance as of 1/31/07: $180166.79

Balance at start of 2007: $178097.11

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:	+ 8.2%
2006:	+ 13.7%
*2007:	+ 1.2%



For January our Growth and Income Model gained 1.2%. The current asset mix is 65% stock, 29% bond, 6% 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
Spartan 500 Idx	**$99.45**	**472.682**	**$47008.22**
Value Discovery	**$17.82**	**2801.678**	**$49925.90**
Equity-Income	**$59.33**	**1768.978**	**$104953.46**

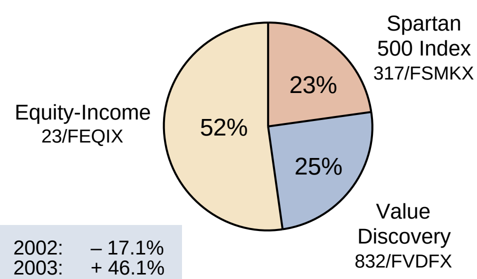
8% Foreign Holdings

Balance as of 1/31/07: $201887.58

Balance at start of 2007: $198855.65

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:	+ 11.2%
2006:	+ 15.7%
*2007:	+ 1.5%



Our Growth Model rose 1.5% in January, matching the return of the S&P 500. Current asset mix is 98% stock, 2% cash.

SELECT SYSTEM

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

FUND	NAV	SHARES	BALANCE
Energy	**$48.91**	**1235.939**	**$60449.78**
Insurance	**$69.55**	**901.795**	**$62719.84**
Consumer Staples	**$58.89**	**1147.172**	**$67556.96**
Utilities Growth	**$55.45**	**1119.244**	**$62062.08**
Software	**$67.62**	**690.285**	**$46677.07**
Telecom	**$51.42**	**1346.502**	**$69237.13**

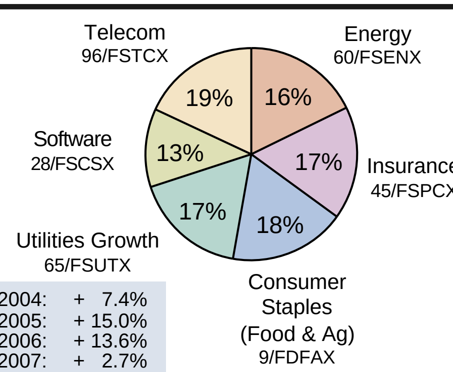
15% Foreign Holdings

Balance as of 1/31/07: $368702.86

Balance at start of 2007: $359086.92

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:	+ 15.0%
2006:	+ 13.6%
*2007:	+ 2.7%



Our model rose 2.7% in January, versus 1.5% for the S&P 500. On 1/18 we sold **Brokerage** ($77.05) putting four-fifths into **Insurance** ($70.68) and one-fifth in **Utilities Growth** ($54.56). Current asset mix is 98% stock, 2% cash.

** Year-To-Date Return*

I didn't get the weekly hotline email this week, and my subscription has not expired.

Unfortunately, some gatekeepers of message delivery are blocking legitimate email messages as they put their spam filters on steroids.

Sometimes it's possible to remedy this problem by putting the sender's email address in your email address book (in this case fidmonitr@aol.com), which triggers an automatic accept with some email systems. If your spam controls are adjustable, try turning them down a bit. If neither of those two options work, consider setting up a free email account with one of the major Web-based email services, such Yahoo, gmail (Google), or Hotmail (msn). We rarely see any delivery problems with those addresses. Finally, if the performance update is all you need, you can always call our hotline at 800-686-7301.

In the December issue the numbers for the S&P 500 didn't look right in your asset class chart.

The S&P 500 returns were shown in the *blue squares*, not along the top row (the top row was for the best performing asset class in each calendar year). My apologies for the confusion – next time we'll avoid putting the legend on the left side.

I like the fact that you switched to color, but I hope this doesn't mean your rates are going up.

You can relax; we have no plans to raise our subscription prices. These days the difference in printing costs between single-color and four-color process is not that great (less than a dime per issue in our case), and we expect to see a slight increase in our renewal rate, which will easily cover the added expense. Switching to color gives us more options for displaying charts, and will help us stand out from our competitors (for a while, until they match it). ■

JANUARY DISTRIBUTIONS

Equity-Income II	$ 0.90 / $23.16 (1/5)
New Millennium	$ 0.49 / $28.71 (1/5)
NASDAQ Composite Index	$ 0.07 / $32.64 (1/5)
Strategic Dividend & Income	$ 0.05 / $12.84 (1/5)
Value Strategies	$ 0.58 / $31.35 (1/5)
CT Muni	$ 0.008/$11.33 (1/5)

Funds scheduled for February: **Asset Manager 20%**, **Contrafund**, **Freedom Income**, **New Markets Income**, **Real Estate Income, Intermediate Muni**, **MI Muni**, **MN Muni**, **OH Muni**, **PA Muni**, **Strategic Inc.**, and **Trend**.

on page 7. Our favorites include **Equity-Income**, **Balanced**, and **Puritan**. For less risk, consider **Asset Manager 20%** (formerly **Asset Manager Income**). We returned **Convertible Securities** to a buy rating, reversing a downgrade in December As a growth and income fund it's a bit on the risky side, but as a low risk energy play it still makes sense.

Strategic Dividend & Income climbed 2.8%, and **Convertible Securities** was up 2.7%. Held back by its bond holdings, **Puritan** returned 1.0%.

BOND FUNDS

Income Model holdings are listed on page 7. **Ultra-Short Bond** offers a yield slightly higher than a money market fund. **Floating Rate High Income** offers an income stream on par with junk bond funds, but has only a fraction of the credit risk.

Capital & Income rose on economic strength, and **Strategic Real Return** was helped by a rebound in commodities. Both funds rose 1.1%. On the flip side, **Spartan Long-Term Treasury Index** slid 0.8% as it felt the pinch of higher interest rates.

Municipal bond returns were breakeven at best, with most funds posting declines of 0.2% to 0.5%.

SELECT PORTFOLIOS

Select System holdings are listed on page 7. Funds rated buy include **Utilities Growth**, **Consumer Staples**, **Telecommunications**, **Software**, **Insurance**, **Pharmaceuticals**, **Financial Services**, and **Banking**.

Telecommunications gained 5.9%, thanks to an improved outlook for consolidation and new services. **Transportation** and **Air Transportation** posted respective gains of 5.8% and 5.7% on economic strength. On the bottom end, both **Insurance** and **Energy Services** posted losses of 2.0%. ■

Happenings

Several funds had manager changes in early January. William Irving has been appointed to **Gov't Income**, Brent Bottamini has taken over at **Latin America**, and **Steven Buller** now heads **Int'l Real Estate**. For the Select family, Lindsay Conner is the new stockpicker at **Transportation**, J. Justin Bennett is now running **Paper & Forest Products**, Tobias Welo has taken over at **Industrials**, Mayank Tandon has assumed the lead at **Software**, Benjamin Hesse is managing **IT Services**, and Yun-Min Chai now runs **Technology**. There are no rating changes other than a downgrade for **Int'l Real Estate**. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reserves (55/FDRXX)	88337.4	4.97	CT MM (418/FCMXX)	1534.2	3.14			
Select MM (85/FSLXX)	2155.7	5.05	MA MM (74/FDMXX)	4892.2	3.09	FL MM (428/FSFXX)	1691.3	3.22
Money Market (454/SPRXX)	6875.1	5.04	MI MM (420/FMIXX)	853.9	3.12	MA AMT TF (426/FMSXX)	1772.0	3.22
Gov't MM (458/SPAXX)	488.2	4.96	NJ MM (417/FNJXX)	1853.1	3.11	AMT Tax-Free (460/FIMXX)	3180.7	3.35
US Treas. MM (415/FDLXX)	1787.4	4.68	NY MM (92/FNYXX)	4217.3	3.12	NJ AMT TF (423/FSJXX)	1117.1	3.27
Tax-Free MM (275/FMOXX)	2894.3	3.22	OH MM (419/FOMXX)	946.6	3.16	NY AMT TF (422/FSNXX)	2073.8	3.23
US Gov't Reser (50/FGRXX)	3142.9	5.00	AZ MM (433/FSAXX)	282.0	3.19	PA MM (401/FPTXX)	536.5	3.20
CA MM (97/FCFXX)	4633.5	3.12	CA AMT TF (457/FSPXX)	3056.5	3.24	Municipal MM (10/FTEXX)	18041.8	3.25