

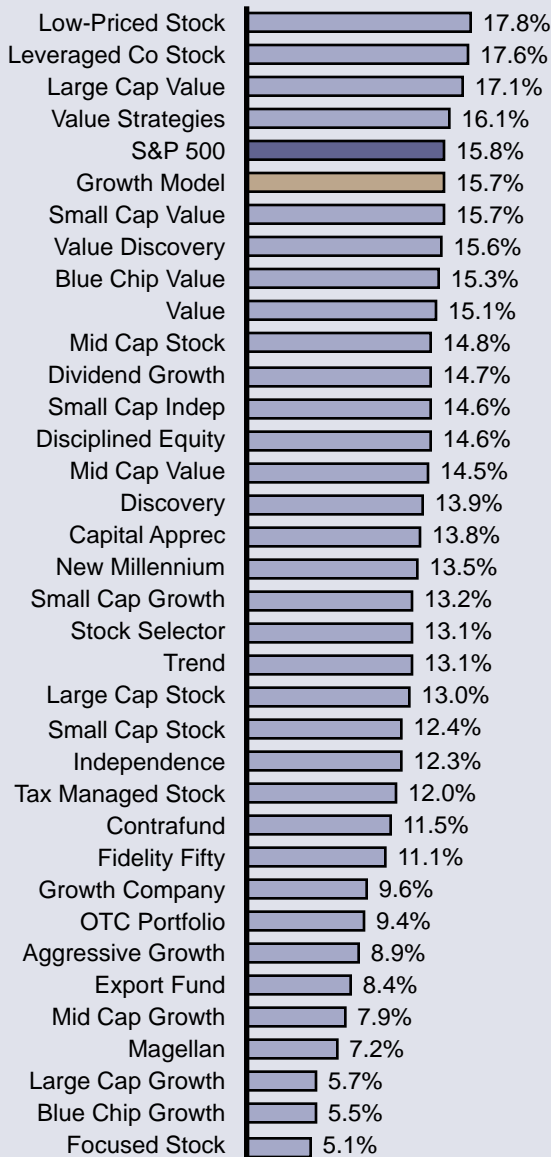
## Year-End Review

Throughout the year, investors wrestled with concerns about Iraq, the housing market, oil prices, the trade deficit, interest rates, and inflation. But in the end, those issues had very little impact on either corporate earnings or the economy.

As companies continued to pile up cash and pay

YEAR-END REVIEW - *Continued on page 2*

### 2006 GROWTH FUND PERFORMANCE

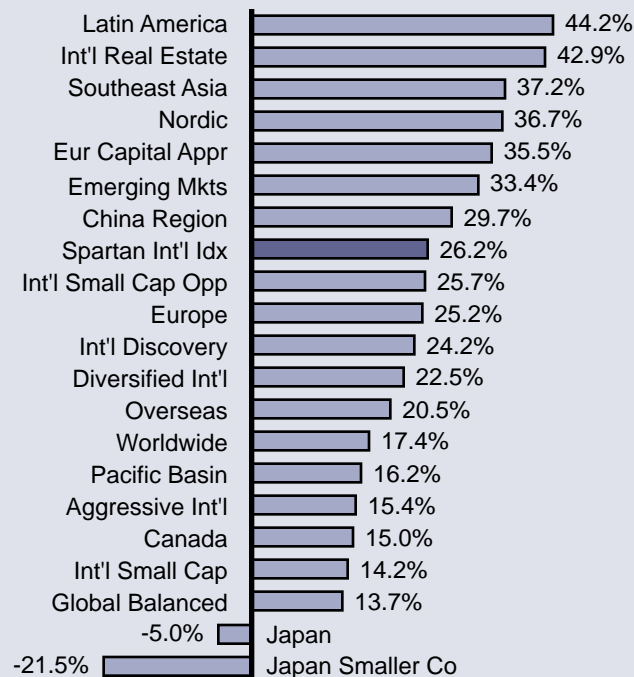


## Changes for Select System, Unique Opportunities

On Tuesday, 1/16, our Select System will be selling **Brokerage** (68/FSLBX), moving one-fifth of the proceeds to **Utilities Growth** (65/FSUTX), and placing the remaining four-fifths into **Insurance** (45/FSPCX). The resulting mix will be roughly 17% **Energy**, 17% **Insurance**, 18% **Consumer Staples**, 17% **Utilities Growth**, 13% **Software**, and 18% **Telecommunications**. **Brokerage** has done well, but the stocks are fully valued and volatility is on the rise. Insurance company stocks, on the other hand, have less risk and more room to run, thanks to improved risk management and higher premiums.

Also on 1/16, our Unique Opportunities Model will sell **Natural Resources** (514/FNARX) and buy **Utilities Growth** (65/FSUTX), for a mix of 24% **Utilities Growth**, 19% **Int'l Value**, 24% **Spartan 500 Index**, and 33% **Equity-Income**. Fidelity recently converted **Utilities Growth** into an electric/natural gas utilities fund. The fund has effectively become a low-risk energy play, and it may benefit if global growth slows.

### 2006 INTERNATIONAL PERFORMANCE



down debt, some stocks became cheap enough to attract the attention of private equity firms and other buyout specialists who take companies private. As it became clear that oil prices were leveling off and inflation was settling down, a “bidding war” broke out.

That skewed the market in two ways. First, it reinforced the long-term rally in value stocks, making it easy to win with a conservative approach but difficult to profit from growth strategies. Secondly, with big gains occurring in unexpected places and the percentage of outperforming stocks falling well below 50%, it was tough for diversified funds to keep up with the S&P 500.

Most foreign funds continued to outpace the domestic market. European companies began to restructure in earnest, much like the U.S. did in the early 1990s. Many emerging markets were helped by rising commodity prices and a perception that earnings in the sector are becoming more stable.

Valuations continued to surge for Real Estate Investment Trusts. The trend was global in nature, with many foreign properties posting gains in excess of those on the domestic scene. The global surplus of capital was only part of the story. Construction costs, driven up by increases in raw materials, have made existing commercial properties more valuable.

**DOMESTIC GROWTH FUNDS**

**Low-Priced Stock** rode the coattails of the Russell 2000, which was up about 18% for the year. The fund was helped by a 30% foreign weighting, and a focus on cheap stocks.

**Leveraged Company Stock** also did quite well, thanks to astute stock picking on the part of Thomas Soviero. His 35% weighting in the energy sector added to the fund’s volatility, but also appeared to be a factor in its success.

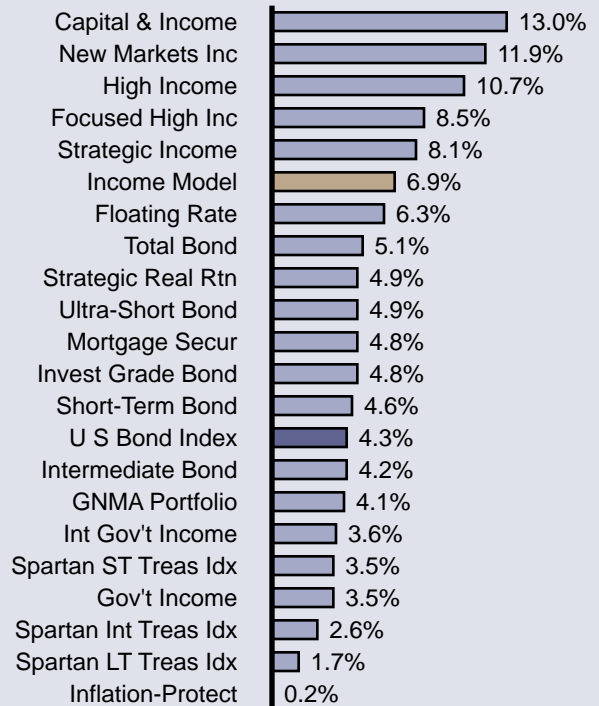
Among high-profile disappointments, both **Magellan** and **Contrafund** trailed significantly behind the S&P 500. Both funds focused on growth stocks, an approach that wasn’t particularly rewarding in 2006. **Magellan** was especially weak because it missed much of the growth stock rally that occurred early in the year. Both of these behemoths have good managers, but it’s still a big challenge to run them.

Our Growth Model finished in the top quartile

**2006 G & I, REAL ESTATE, & ASSET ALLOCATION PERFORMANCE**



**2006 BOND FUND PERFORMANCE**



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of the population, but trailed slightly behind the S&P 500. The fund that helped most, **Equity Income**, wasn't even in the growth category. However, we felt it was an opportunity we couldn't ignore, given our bullish outlook on dividend stocks.

**INTERNATIONAL FUNDS**

A rally in commodities and a glut of global capital worked in favor of emerging market funds. **Latin America**, which has the highest volatility score of the group (and a heavy weighting in basic materials), was the top performer.

Granting EU membership to countries without heavy-handed labor laws appears to be helping European economic growth. Restructuring activity hit full swing in 2006, and all funds that had a significant position in Europe benefited from both stock appreciation and currency gains. **Nordic** and **Europe Capital Appreciation** posted the highest returns, but even diversified international funds managed to finish ahead of the S&P 500.

**Japan** and **Japan Smaller Companies** were the only losers in the group. Japan's economy started the year on a strong note, but foreign competition became a big problem for corporate earnings. Japan's export economy is built around autos and consumer electronics, and throughout the year Korea, Taiwan, and China continued to make inroads.

**G&I AND ASSET ALLOCATION FUNDS**

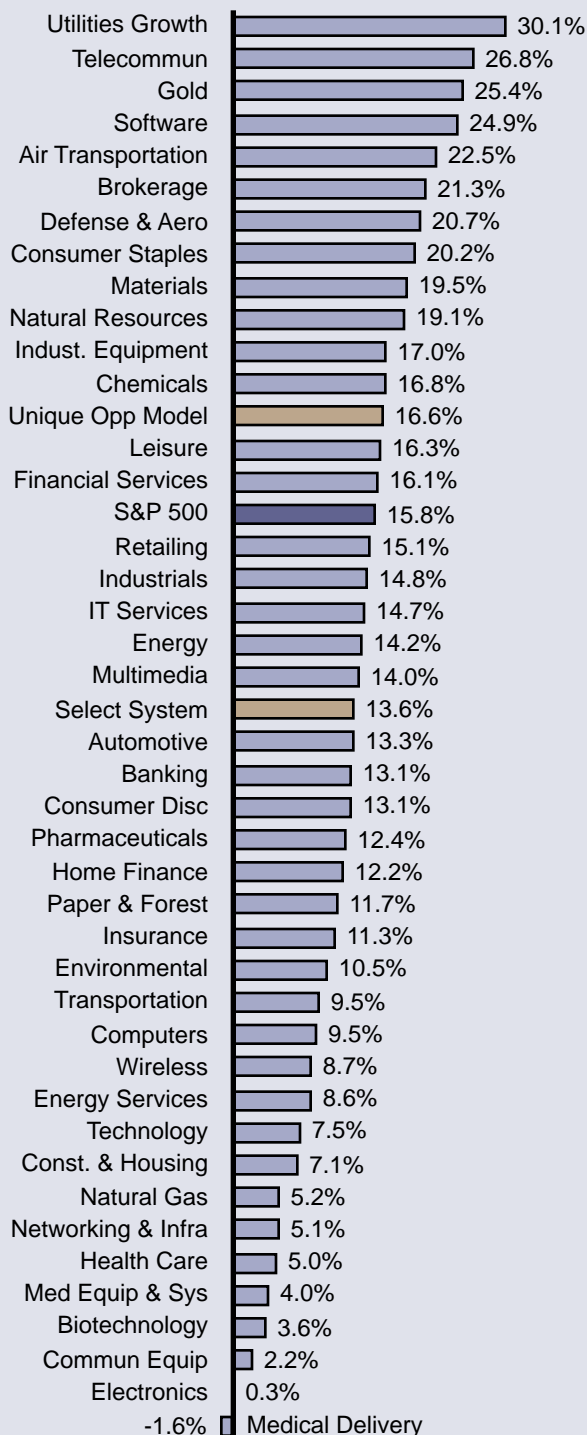
**Real Estate** was the standout performer for the year. A soft landing for the economy convinced investors that financing will remain cheap, and a

slowdown in new construction is expected to help push vacancy rates even lower.

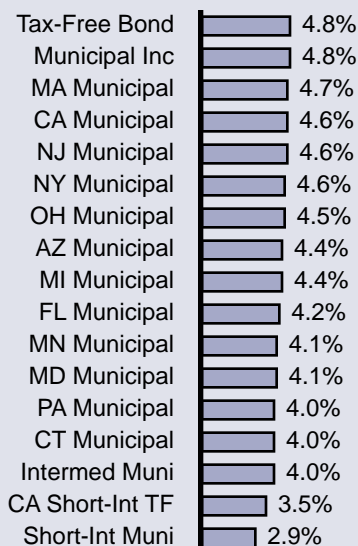
**Utilities** got a big lift from rising valuations in

YEAR-END REVIEW - Continued on page 8

**2006 SELECT FUND PERFORMANCE**



**2006 MUNI BOND PERFORMANCE**



**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 one in the last 90 days and two 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 **↓**.

DECEMBER PERFORMANCE							One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Payout	NAV	Size	2006	Mth	Mth	Year	Rate	Rate	Rate
Aggressive Gth (324/FDEGX)	H***	1.71		19.39	3860.7	8.9	-1.4	9.9	8.9	9.1	0.4	3.1
Blue Chip Gth (312/FBGRX)	B****	1.08	0.13/44.85	44.31	20574.1	5.5	0.1	4.1	5.5	5.3	1.7	5.6
Blue Chip Value (1271/FBCVX)	B****	1.11	0.35/14.72	14.80	367.6	15.3	1.1	7.5	15.3	13.2		
Capital Apprec (307/FDCAX)	B****	1.40	1.45/27.03	27.11	8610.8	13.8	1.3	7.2	13.8	10.2	9.9	10.1
Contrafund (22/FCNTX)	B****	1.17	5.60/64.74	65.20	68770.5	11.5	0.1	6.4	11.5	14.3	11.5	11.0
Discovery (339/FDSVX)	H***	0.97	0.05/12.91	12.85	445.0	13.9	1.7	5.0	13.9	8.8	5.3	
Disc Equity (315/FDEQX)	H***	1.17	2.68/28.48	29.02	7868.6	14.6	1.7	7.0	14.6	12.3	7.9	9.2
Dividend Gth (330/DFGFX)	B****	0.95	0.61/31.37	31.68	16952.7	14.7	1.8	5.9	14.7	7.9	4.3	9.7
Export Fund (332/FEXPX)	H***	1.33	0.02/23.28	22.98	4465.4	8.4	-1.2	5.7	8.4	12.4	8.9	12.9
Fidelity Fifty (500/FFTYX)	H***	1.27	0.01/23.24	23.16	1255.9	11.1	1.3	8.0	11.1	9.8	9.9	10.7
Focused Stock (333/FTQGX)	H***	1.40	0.01/12.35	12.50	82.9	5.1	1.0	4.2	5.1	12.8	1.4	5.0
Growth Company (25/FDGRX)	H***	1.46		69.71	30110.2	9.6	0.1	8.5	9.6	11.7	5.6	9.6
Independence (73/FDFFX)	H***	1.25	0.10/22.17	21.96	4727.7	12.3	0.0	6.7	12.3	11.5	7.6	9.7
Large Cap Growth (763/FSLGX)	H***	1.69	0.08/11.83	11.73	173.0	5.7	0.6	7.8	5.7	10.8	4.1	
Large-Cap Stock (338/FLCSX)	H***	1.10	0.08/17.38	17.52	815.4	13.0	0.5	6.9	13.0	8.9	4.5	6.8
Large Cap Value (708/FSLVX)	B****	1.13	0.17/14.88	14.96	1269.2	17.1	1.7	7.0	17.1	15.3	9.9	
Lev Co Stock (122/FLVCX)	B****	1.50	0.38/29.50	28.97	4828.0	17.6	-0.3	8.4	17.6	19.8	27.1	
Low-Priced Stock (316/FLPSX)	H***	1.06	0.48/43.39	43.54	38783.8	17.8	1.8	9.8	17.8	16.1	15.6	15.3
Magellan (21/FMAGX)	H***	1.34	2.80/89.49	89.52	45958.5	7.2	-0.5	5.1	7.2	7.0	3.2	7.0
Mid Cap Growth (793/FMSGX)	H***	1.87		13.97	445.7	7.9	-0.4	8.7	7.9	12.5	6.8	
Mid Cap Stock (337/FMCSX)	H***	1.55	0.71/29.17	29.14	12852.7	14.8	-0.2	5.0	14.8	13.3	7.0	12.7
Mid Cap Value (762/FSMVX)	H***	1.24	0.30/16.73	16.67	614.2	14.5	1.1	6.7	14.5	16.6	12.9	
New Millennium (300/FMILX)	H***	1.73	10.30/29.66	29.40	2456.9	13.5	0.3	8.1	13.5	9.2	7.5	13.9
OTC Portfolio (93/FOCPX)	H***	1.59		41.36	8957.1	9.4	-1.4	8.0	9.4	8.8	6.1	7.1
Small Cap Gth (1388/FCPGX)	H***	1.64	0.03/14.47	14.45	480.7	13.2	-0.5	8.6	13.2			
Small Cap Indep (336/FDSCX)	H***	1.57	2.39/20.81	21.05	2746.5	14.6	0.8	11.8	14.6	13.5	9.3	9.0
Small Cap Stock (340/FLSCX)	H***	1.53	0.26/18.88	19.01	4823.7	12.4	0.3	6.8	12.4	11.6	11.2	
Small Cap Value (1389/FCVPX)	H***	1.49	0.14/13.96	14.00	1042.9	15.7	-0.2	8.9	15.7			
Stock Selector (320/FDSSX)	H***	1.06	0.16/27.60	27.83	846.1	13.1	0.6	5.7	13.1	10.7	6.3	7.3
Tax Mgd Stock (343/FTXMX)	B****	1.34	0.06/14.00	14.13	69.8	12.0	0.8	7.5	12.0	12.3	6.3	
Trend (5/FTRNX)	H***	1.05	0.536/63.86	64.19	909.7	13.1	0.9	6.0	13.1	10.4	6.3	5.7
Value (39/FDVLX)	B****	1.09	6.65/79.63	80.60	17832.0	15.1	1.1	7.1	15.1	16.8	14.2	12.0
Value Discovery (832/FVDFX)	B****	1.17	0.06/17.59	17.48	988.5	15.6	0.1	6.3	15.6	16.3		
Value Strategies (14/FLSLX)	B****	1.15	3.774/32.51	32.23	215.9	16.1	0.6	9.1	16.1	11.1	10.4	
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B*****↑	0.84	0.31/19.52	19.43	22230.8	11.6	0.0	5.2	11.6	11.1	10.0	10.8
Convertible Sec (308/FCVXS)	H***	1.09	0.14/25.61	25.33	2083.3	15.1	1.0	8.1	15.1	10.4	8.2	11.9
Equity-Income (23/FEQIX)	B****	1.01	2.92/57.78	58.55	29886.2	19.8	2.1	7.4	19.8	12.1	8.7	9.4
Equity-Income II (319/FEQTX)	B****	1.02	1.29/24.27	24.24	11645.6	13.7	1.6	6.5	13.7	9.4	8.0	9.1
Fidelity Fund (3/FFIDX)	H***	1.15	0.08/36.11	35.84	7834.2	13.7	0.8	5.9	13.7	9.6	5.5	8.3
Growth & Income (27/FGRIX)	H***	1.11	0.34/31.56	31.15	30549.3	10.7	0.2	6.8	10.7	7.7	4.0	7.2
Growth & Inc II (361/FGRTX)	H***	1.04	0.03/11.28	11.18	195.5	12.8	0.6	5.8	12.8	8.6	5.5	
Puritan (4/FPURX)	B****	0.67	0.43/19.80	19.97	25512.1	14.8	1.4	5.5	14.8	9.5	8.1	8.7
Strategic Div & Inc (1329/FSDIX)	B****	0.92	0.675/13.12	13.01	1075.0	14.0	-0.2	5.9	14.0	12.8		
Utilities (311/FIUX)	H***	0.95	see page 8	18.87	1684.7	30.5	2.5	9.3	30.5	20.2	9.0	8.3
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H***	1.86	0.24/49.36	48.51	118.8	22.5	-1.1	12.3	22.5	19.4	11.3	14.3
Automotive (502/FSAVX)	H***	1.43	0.06/37.66	38.63	65.8	13.3	1.7	10.4	13.3	6.0	9.9	6.8
Banking (507/FSRBX)	B****	1.01	5.37/33.22	34.03	373.9	13.1	3.4	4.0	13.1	8.1	9.0	10.4
Biotechnology (42/FBIOX)	H***	1.75		64.96	1594.2	3.6	-3.3	6.9	3.6	8.1	0.0	10.2
Brokerage (68/FSLBX)	H***↓	1.70	6.50/73.73	74.08	1234.2	21.3	3.2	6.8	21.3	21.2	15.0	18.0
IT Ser / Bus Ser (353/FSBOX)	H***	1.34	1.01/16.97	17.13	44.1	14.7	1.7	10.9	14.7	11.7	5.2	
Chemicals (69/FSCHX)	H***	1.44	7.85/66.99	66.79	97.5	16.8	2.6	9.3	16.8	16.2	13.9	10.0
Computers (7/FDCPX)	H***	1.70		39.49	472.8	9.5	-0.3	8.5	9.5	3.3	0.8	6.5
Const & Housing (511/FSHOX)	S**	1.89	4.50/44.53	44.59	148.3	7.1	1.7	12.1	7.1	14.6	14.7	13.7
Consumer Disc (517/FSCPX)	H***	1.15	1.57/26.54	26.20	47.4	13.1	0.3	5.2	13.1	8.3	5.5	8.3
Industrial / Cyc Ind (515/FCYIX)	H***	1.41	1.44/20.30	20.47	69.0	14.8	1.1	6.6	14.8	16.8	11.9	
Defense & Aero (67/FSDAX)	H***	1.44	4.83/81.62	81.56	1024.6	20.7	1.5	9.9	20.7	19.4	17.0	14.3
Com Equip / DevC (518/FSDCX)	H***	1.96		20.46	367.7	2.2	-0.7	1.0	2.2	7.2	1.6	6.9
Electronics (8/FSLEX)	H***	2.12	0.03/44.45	43.83	2210.8	0.3	-2.5	3.7	0.3	1.5	-2.3	8.3
Energy (60/FSENX)	B****	2.60	2.35/50.70	48.79	2446.0	14.2	-3.5	9.4	14.2	31.7	20.0	13.8
Energy Services (43/FSESX)	H***	3.31	2.55/71.18	67.50	1493.4	8.6	-4.3	8.5	8.6	31.2	19.3	14.2
Environmental (516/FSLEX)	H***	1.40		17.28	55.2	10.5	0.9	5.1	10.5	9.1	7.0	2.2
Financial Services (66/FIDSX)	B****	1.13	10.60/116.86	116.83	552.7	16.1	2.3	6.0	16.1	11.5	9.9	11.9
Con Stap / Food Ag (9/FDFAX)	B****	0.81	2.93/56.67	57.26	318.2	20.2	2.9	5.0	20.2	13.8	9.4	9.3
Gold (41/FSAGX)	H***	2.70	1.06/36.81	36.50	1567.2	25.4	-2.9	12.4	25.4	16.7	28.1	7.8
Health Care (63/FSPHX)	H***	1.05	4.86/124.29	125.06	2122.7	5.0	0.9	1.9	5.0	10.1	4.8	10.2
Home Finance (98/FSVLX)	H***	1.10	6.55/49.82	49.75	271.0	12.2	2.9	5.3	12.2	5.7	9.9	9.8
Indust Equip (510/FSFGX)	H***	1.44	0.24/30.53	30.95	87.3	17.0	1.6	7.4	17.0	12.3	9.1	8.7
Materials / Ind Mat (509/FSDPX)	H***	1.90	3.82/47.39	47.34	180.2	19.5	1.1	11.5	19.5	15.6	18.6	9.7
Insurance (45/FSPCX)	B****↑	1.01	4.54/69.86	70.96	210.4	11.3	2.5	6.5	11.3	12.6	11.4	15.0
Leisure (62/FDLSX)	H***	1.34	9.10/79.03	79.19	242.8	16.3	2.1	12.0	16.3	12.4	9.7	12.4
Medical Delivery (505/FSHCX)	S**	1.36	3.42/47.54	48.72	664.0	-1.6	4.2	2.8	-1.6	22.7	16.1	10.6
Medical Equip/Sys (354/FSMEX)	S**	1.18	1.26/23.48	23.03	825.6	4.0	0.1	4.4	4.0	9.5	10.4	
Multimedia (503/FBMPX)	H***	1.17	3.21/47.25	47.85	138.8	14.0	3.7	12.6	14.0	8.0	9.6	11.9
Natural Gas (513/FSNGX)	H***	2.97	2.14/40.19	37.71	1252.2	5.2	-6.7	8.2	5.2	29.1	20.1	12.9
Nat Resources (514/FNARX)	H***↓	2.58	0.34/28.90	27.86	1093.5	19.1	-2.8	11.7	19.1	29.0	19.7	
Networking (912/FNINX)	H***	2.18		2.47	111.3	5.1	-1.6	6.0	5.1	1.8	-3.5	
Paper & Forest (506/FSPFX)	H***	1.33	0.84/31.19	32.48	21.2	11.7	3.8	11.1	11.7	3.4	5.2	6.2
Pharmaceuticals (580/FPHAX)	H***	1.08	0.03/10.88	10.79	241.8	12.4	-0.1	1.2	12.4	8.4	3.3	
Retailing (46/FSRPX)	H***	1.50	1.88/53.04	52.51	115.4	15.1	-0.1	4.8	15.1	12.7	8.8	11.1
Software (28/FSCSX)	B****	1.37		65.57	1112.1	24.9	-1.2	8.8	24.9	10.4	6.8	12.8
Technology (64/FSPTX)	H***	1.63		67.89	1799.0	7.5	-2.0	7.3	7.5	4.2	2.4	8.7
Telecom (96/FSTCX)	B****	1.43	0.46/46.48	48.57	504.4	26.8	4.4	7.1	26.8	16.1	6.8	6.4
Transportation (512/FSRFX)	S**↓	1.94		50.11	109.4	9.5	-2.2	6.1	9.5	15.9	12.4	13.7
Utilities Growth (65/FSUTX)	B****↑	0.98	0.58/55.21	55.41	635.0	30.1	0.8	9.0	30.1	20.9	9.2	9.5
Wireless (963/FWRLX)	H***	1.54		7.00	304.7	8.7	2.2	6.9	8.7	22.0	6.5	

DECEMBER PERFORMANCE						30-day	One	Three	One	3-Yr	5-Yr	
Fund Name (Code/Symbol)	Rating	Risk	Payout	NAV	Size	Yield	2006	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	1.51	2.84/16.41	16.72	512.9		15.4	2.4	10.4	15.4	13.2	13.0
Canada (309/FICDX)	B****	1.48	1.39/48.74	48.24	3206.5		15.0	-1.2	4.7	15.0	22.2	21.5
China Region (352/FHKCX)	B****	1.22	0.49/23.73	24.52	827.6		29.7	3.3	11.9	29.7	18.3	15.4
Diversified Int'l (325/FDIVX)	B****	1.38	2.87/36.36	36.95	45801.6		22.5	2.6	9.8	22.5	19.8	17.3
Emerging Mkts (322/FEMKX)	H***	1.93	0.20/23.65	24.39	3296.3		33.4	4.3	17.7	33.4	33.3	26.8
Europe (301/FIEUX)	H***	1.47	5.53/38.40	39.36	4226.9		25.2	3.2	10.4	25.2	24.0	15.9
Europe Cap Appr (341/FECAX)	H***	1.46	2.47/26.57	27.29	1194.9		35.5	3.5	12.0	35.5	22.4	16.3
Global Balanced (334/FGBLX)	B****	0.82	2.30/21.49	21.63	270.7		13.7	0.9	6.3	13.7	12.1	11.4
Int'l Discovery (305/FIGRX)	B****	1.42	1.356/36.52	37.92	8482.8		24.2	3.7	11.2	24.2	20.6	17.8
Int'l Small Cap (818/FISMX)	H***	1.49	5.74/24.36	24.93	1764.2		14.2	3.2	9.2	14.2	24.2	
Int'l Small Cap Opp (1504/FSCOX)	H***	1.99		15.79	1026.2		25.7	4.8	15.3	25.7		
Int'l Value (1597/FIVLX)	B****		0.064/10.93	11.15	247.3			3.0	10.1			
Japan (350/FJPNX)	H***	2.34	0.24/16.70	17.07	1751.9		-5.0	1.9	3.6	-5.0	14.6	13.8
Japan Smaller Co (360/FJSCX)	H***	2.50	0.37/12.94	12.83	1148.2		-21.5	0.1	-1.1	-21.5	10.7	17.1
Latin America (349/FLATX)	H***	2.76	1.35/43.31	44.73	3381.7		44.2	6.4	19.8	44.2	46.7	32.9
Nordic (342/FNORX)	H***	1.90	0.80/38.37	39.99	387.6		36.7	6.1	18.6	36.7	29.1	19.5
Overseas (94/FOSFX)	H***	1.40	5.19/43.58	44.80	7564.7		20.5	2.8	10.6	20.5	17.7	13.7
Pacific Basin (302/FPBFX)	H***	1.61	2.40/26.59	27.35	993.6		16.2	3.4	11.9	16.2	20.6	17.5
Southeast Asia (351/FSEAX)	H***	1.61	1.52/26.17	27.50	1814.3		37.2	5.2	17.9	37.2	27.7	23.0
Worldwide (318/FWWFX)	H***	1.22	2.83/19.83	20.11	1355.8		17.4	2.3	9.3	17.4	14.4	11.0
<b>INDEX AND ASSET ALLOCATION:</b>												
Four-In-One Index (355/FFNOX)	H***	0.91	0.59/29.62	29.52	1424.7		15.4	1.2	6.8	15.4	11.4	8.3
NASDAQ Comp (1282/FNCMX)	H***	1.43	0.28/33.02	32.45	179.5		10.0	-0.7	7.0	10.0	6.8	
Spart Ext Mkt Idx (398/FSEMXX)	H***	1.37	1.11/38.26	38.53	1786.6		15.3	0.2	9.0	15.3	14.4	11.9
Spart Int'l Index (399/FSIIX)	B****	1.36	0.80/43.66	44.14	2588.9		26.2	3.3	10.4	26.2	19.8	14.9
Spart 500 Index (317/FSMKX)	B****	1.00	1.07/97.43	97.97	7698.8		15.7	1.4	6.7	15.7	10.3	6.1
Spart Total Mkt Idx (397/FSTMXX)	H***	1.07	0.41/39.34	39.58	3538.5		15.7	1.2	7.2	15.7	11.4	7.5
Asset Mgr 50% (314/FASMXX)	H***	0.55	1.027/16.18	16.11	9373.8		9.2	0.3	4.1	9.2	6.2	5.2
Asset Mgr 85% (347/FAMRX)	H***	0.96	0.229/13.41	13.35	479.3		12.4	1.0	6.2	12.4	10.2	5.3
Asset Mgr 70% (321/FASGX)	H***	0.73	0.39/16.33	16.25	3221.2		10.3	0.7	5.2	10.3	6.7	4.9
Asset Mgr 20% (328/FASIX)	B****	0.32	0.70/12.67	12.65	2211.6		7.3	0.1	2.4	7.3	6.6	6.7
Freedom 2000 (370/FFFBX)	B****	0.34	0.44/12.47	12.46	1603.2		6.8	0.1	3.0	6.8	5.1	4.5
Freedom 2005 (1312/FFVFX)	B****	0.58	0.38/11.63	11.61	693.3		9.2	0.3	4.4	9.2	7.3	
Freedom 2010 (371/FFFCX)	B****	0.60	0.54/14.64	14.62	12062.2		9.5	0.4	4.5	9.5	7.5	6.3
Freedom 2015 (1313/FFVFX)	B****	0.71	0.38/12.22	12.20	3972.9		10.4	0.5	5.0	10.4	8.6	
Freedom 2020 (372/FFFDX)	B****	0.83	0.59/15.56	15.53	16494.7		11.6	0.7	5.8	11.6	9.6	7.3
Freedom 2025 (1314/FFTWX)	B****	0.87	0.41/12.80	12.77	3292.2		11.8	0.7	5.9	11.8	10.0	
Freedom 2030 (373/FFFEEX)	B****	0.98	0.63/16.07	16.03	10342.1		12.9	0.9	6.6	12.9	10.7	7.6
Freedom 2035 (1315/FFTHX)	B****	0.99	0.41/13.23	13.19	1887.5		12.9	0.9	6.6	12.9	10.9	
Freedom 2040 (718/FFFFX)	B****	1.01	0.35/9.50	9.48	5063.2		13.5	1.0	6.8	13.5	11.3	7.7
Freedom 2045 (1617/FFFGX)	B****		0.16/10.77	10.74	54.5			1.1	7.1			
Freedom 2050 (1618/FFHHX)	B****		0.15/10.78	10.75	45.7			1.1	7.2			
Freedom Income (369/FFAFX)	B****	0.29	see page 8	11.54	2273.2		6.4	0.0	2.5	6.4	4.7	4.2
Real Estate Income (833/FRIFX)	H***	0.28	0.26/11.94	11.95	644.3		11.7	0.2	3.9	11.7	9.4	
Real Estate (303/FRESX)	H***	1.47	see page 8	36.37	8410.9		32.8	-2.2	9.4	32.8	27.0	23.7
Int'l Real Estate (1368/FIREX)	H***	1.36	0.77/16.06	16.57	777.2		42.9	7.5	18.9	42.9		
<b>TAXABLE BOND FUNDS:</b>												
Capital & Income (38/FAGIX)	H***	0.24	0.028/8.90	8.89	7202.5	5.99	13.0	1.3	5.3	13.0	10.1	13.1
Floating Rate (814/FFRHX)	B****	0.04	0.007/9.94	9.95	3030.4	6.61	6.3	0.7	1.9	6.3	5.0	
Focused High Inc (1366/FHIFX)	H***	0.14	0.01/10.21	10.21	49.6	6.17	8.5	0.9	3.6	8.5		
GNMA Portfolio (15/FGMNX)	H***	0.27		10.77	3372.5	5.02	4.1	-0.2	1.5	4.1	3.7	4.3
Gov't Income (54/FGOVX)	H***	0.28		10.04	5952.0	4.37	3.5	-0.6	0.9	3.5	3.2	4.5
High Income (455/SPHIX)	H***	0.15	0.022/9.06	9.06	4427.7	6.92	10.7	1.3	4.1	10.7	7.9	10.2
Inflation-Protected (794/FINPX)	H***	0.45	0.092/10.74	10.69	1394.3	2.60	0.2	-2.3	-1.3	0.2	3.5	
Intermed Bond (32/FTHRX)	H***	0.22	0.012/10.36	10.26	7766.0	4.81	4.2	-0.4	1.0	4.2	3.1	4.6
Intermed Gov't Inc (452/FSTGX)	H***	0.21	0.033/9.98	9.97	734.7	4.36	3.6	-0.4	0.9	3.6	2.5	3.9
Invest Grade Bond (26/FBNDX)	H***	0.27	see page 8	7.37	10712.6	4.98	4.8	-0.6	1.3	4.8	4.0	5.2
Mortgage Securities (40/FMSFX)	H***	0.27		11.05	1621.6	5.12	4.8	-0.3	1.4	4.8	3.9	4.9
New Markets Inc (331/FNMIX)	H***	0.39	see page 8	14.80	2185.5	5.95	11.9	0.9	3.9	11.9	11.8	15.6
Short-Term Bond (450/FSHBX)	H***	0.12	0.003/8.87	8.87	6896.8	4.92	4.6	0.1	1.2	4.6	2.9	3.8
Spart Intermed Tr Idx (1561/FIBIX)	H***			9.88	21.4	4.64	2.6	-1.1	0.5	2.6		
Spart L-Term Tr Idx (1562/FLBIX)	H***			9.81	7.4	4.66	1.7	-2.2	0.4	1.7		
Spart S-Term Tr Idx (1563/FSBIX)	H***		0.015/9.99	9.98	21.7	4.53	3.5	-0.2	0.8	3.5		
Strategic Income (368/FSICX)	H***	0.23	see page 8	10.64	4110.3	5.44	8.1	0.1	2.7	8.1	6.9	9.6
Strategic Real Rtn (1505/FSRRX)	H***	0.52	0.075/10.14	10.15	3329.8	4.36	4.9	-1.7	2.4	4.9		
Total Bond (820/FTBFX)	H***	0.25	0.017/10.51	10.45	2914.6	5.05	5.1	-0.4	1.4	5.1	4.3	
Ultra-Short Bond (812/FUSFX)	B****	0.05	0.003/10.01	10.01	909.8	5.21	4.9	0.3	1.2	4.9	3.0	
US Bond Index (651/FBIDX)	H***	0.28		10.86	6426.0	4.91	4.3	-0.7	1.1	4.3	3.6	5.2
<b>MUNICIPAL BOND FUNDS:</b>												
AZ Municipal Inc (434/FAZAX)	H***	0.20	0.015/11.50	11.40	115.0	3.39	4.4	-0.4	1.0	4.4	3.6	5.2
CA Municipal Inc (91/FCTFX)	H***	0.19	0.06/12.42	12.36	1576.4	3.55	4.6	-0.4	1.0	4.6	4.4	5.3
CA Short-Int TF (1534/FCSTX)	B****			10.06	95.9	3.25	3.5	-0.2	0.5	3.5		
CT Municipal Inc (407/FICNX)	H***	0.18	0.072/11.37	11.33	431.9	3.41	4.0	-0.4	0.8	4.0	3.2	4.9
FL Municipal Inc (427/FFLIX)	H***	0.18	0.04/11.47	11.43	469.7	3.55	4.2	-0.4	0.9	4.2	3.8	5.1
Intermediate Muni (36/FLTMX)	H***	0.15	0.003/10.04	9.97	2102.5	3.51	4.0	-0.2	0.9	4.0	3.4	4.9
MA Municipal Inc (70/FDMMX)	H***	0.20	0.026/11.99	11.92	1854.1	3.54	4.7	-0.4	1.2	4.7	4.3	5.5
MD Municipal Inc (429/SMDMX)	H***	0.20	0.018/10.96	10.86	117.4	3.42	4.1	-0.5	0.8	4.1	3.6	4.9
MI Municipal Inc (81/FMHTX)	H***	0.19	0.055/11.88	11.82	572.3	3.47	4.4	-0.5	0.9	4.4	3.7	5.3
MN Municipal Inc (82/FMIX)	H***	0.17	0.065/11.41	11.36	338.7	3.42	4.1	-0.3	0.9	4.1	3.6	4.9
Municipal Income (37/FHIGX)	H***	0.19	0.10/12.81	12.77	4652.5	3.56	4.8	-0.4	1.2	4.8	4.4	5.9
NJ Municipal Inc (416/FNJHX)	H***	0.21	0.037/11.56	11.52	583.5	3.49	4.6	-0.5	1.0	4.6	4.0	5.4
NY Municipal Inc (71/FTFXX)	H***	0.21	0.05/12.84	12.80	1404.8	3.45	4.6	-0.5	1.1	4.6	4.0	5.7
OH Municipal Inc (88/FOHFX)	H***	0.20	0.10/11.63	11.60	424.5	3.37	4.5	-0.4	1.1	4.5	3.9	5.4
PA Municipal Inc (402/FPXTX)	H***	0.17	0.011/10.82	10.78	307.7	3.37	4.0	-0.4	0.8	4.0	3.7	5.0
Short-Int Municipal (404/FSITFX)	B****	0.10		10.19	1493.6	3.21	2.9	-0.1	0.6	2.9	1.9	3.0
Tax-Free Bond (90/FTABX)	H***	0.21	0.01/10.85	10.79	470.0	3.64	4.8	-0.4	1.2	4.8	4.5	6.0

DECEMBER PERFORMANCE			One	Three	One	3-Yr	5-Yr	10-Yr	
Indexes and Model Portfolios	Risk	Value	2006	Month	Month	Year	Rate	Rate	Rate
Dow Jones Industrial	0.98	12463.15	19.1	2.1	7.4	19.1	8.4	6.8	8.9
S&P 500	1.00	1418.30	15.8	1.4	6.7	15.8	10.4	6.2	8.4
NASDAQ	1.41	2415.29	10.4	-0.6	7.1	10.4	7.2	5.0	6.9
Russell 2000	1.75	787.66	18.3	0.3	8.8	18.3	13.5	11.4	9.4
Fidelity Monitor Income Model	0.26	86264.24	6.9	0.5	2.6	6.9	4.9	5.7	5.1
Fidelity Monitor G&I Model	0.71	178097.11	13.7	1.0	5.4	13.7	11.1	11.3	10.1
Fidelity Monitor Growth Model	1.14	198855.65	15.7	1.6	7.8	15.7	13.1	11.9	10.0
Fidelity Monitor Select System	1.42	359086.92	13.6	1.8	7.9	13.6	11.9	10.6	11.5
Fidelity Monitor Unique Opportunities	1.32	126671.24	16.6	1.0	9.0	16.6	18.7	18.6	

## 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
Natural Resources	\$27.86	1080.913	\$30114.24
Int'l Value	\$11.15	2177.189	\$24275.66
Spartan 500 Idx	\$97.97	311.673	\$30534.60
Equity-Income	\$58.55	713.010	\$41746.74

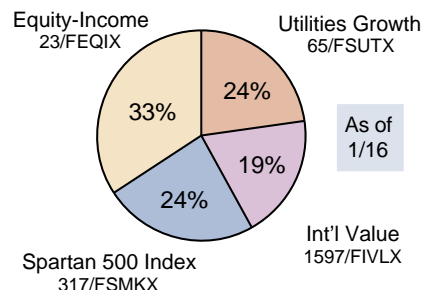
22% Foreign Holdings

Balance as of 12/29/06: \$126671.24

Balance at start of 2006: \$108605.62

### 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%



For the month of December our portfolio gained 1.0%. On 12/18 we exchanged **Utilities** (\$18.84) for **Spartan 500 Index** (\$99.27). On 1/16 we'll exchange **Natural Resources** for **Utilities Growth**.

## 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:

20% Financial, 34% Utilities, 16% Energy, 15% Consumer Discretionary, 15% 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.

### DECEMBER VIP PERFORMANCE

Portfolio	Rating	PRA Value	RR Value	2006	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***	11.13	11.70	7.7	-1.6	9.4	7.7		
VIP Asset Manager	H ***	10.93	34.45	6.5	-0.3	4.0	6.5	4.8	4.0
VIP Asset Manager: Growth	H ***	10.90	22.51	6.1	-0.1	5.1	6.1	4.8	3.4
VIP Balanced	B ****	11.60	17.29	10.8	0.1	5.1	10.8	6.8	5.2
VIP Cons Disc (Consumer Indust)	B ****	11.30	12.47	11.7	0.3	5.1	11.7	7.4	5.0
VIP Contrafund	B ****	11.88	44.28	10.8	0.1	6.3	10.8	13.8	11.0
VIP Industrials (Cyclical Industries)	H ***	12.09	17.50	14.7	1.0	6.5	14.7	16.5	11.6
VIP Dynamic Capital Appreciation	B ****	12.40	15.09	13.1	1.2	7.2	13.1	11.0	
VIP Equity-Income	B ****	12.28	68.85	19.2	2.1	7.4	19.2	11.5	8.1
VIP Financial Services	B ****	12.40	15.16	15.4	2.2	5.9	15.4	11.0	9.2
VIP Freedom 2005	B ****	11.21	11.40	8.7	0.3	3.9	8.7		
VIP Freedom 2010	B ****	11.21	11.45	8.9	0.4	4.1	8.9		
VIP Freedom 2015	B ****	11.42	11.72	10.2	0.5	4.6	10.2		
VIP Freedom 2020	B ****	11.57	11.92	11.1	0.6	5.2	11.1		
VIP Freedom 2025	B ****	11.65	12.05	11.6	0.7	5.5	11.6		
VIP Freedom 2030	B ****	11.77	12.23	12.3	0.9	6.0	12.3		
VIP Freedom Income	B ****	10.81	10.86	6.1	0.1	2.1	6.1		
VIP Growth	H ***	10.93	60.67	6.0	-0.9	3.3	6.0	4.5	0.8
VIP Growth & Income	B ****	11.83	19.52	12.3	0.6	5.6	12.3	8.0	5.0
VIP Growth Opportunities	H ***	11.16	13.54	4.6	-2.3	9.5	4.6	6.3	3.7
VIP Growth Stock	H ***	10.39	10.61	0.3	-2.7	3.5	0.3		
VIP Health Care	H ***	10.99	12.76	5.5	1.0	3.7	5.5	9.8	4.7
VIP High Income	H ***	11.23	31.49	10.3	1.2	4.0	10.3	6.9	9.6
VIP Index 500	H ***	11.75	38.15	14.8	1.3	6.5	14.8	9.4	5.2
VIP Int'l Capital Appreciation	H ***	12.28	12.93	13.6	2.3	10.4	13.6		
VIP Investment Grade Bond	H ***	10.46	29.30	3.5	-0.7	1.0	3.5	2.9	4.4
VIP Mid Cap	B ****	11.99	21.53	11.8	-0.9	6.8	11.8	17.6	14.9
VIP Money Market		10.59	20.51	4.0	0.3	1.1	4.0	2.2	1.5
VIP Energy (Natural Resources)	B ****	12.71	22.06	16.0	-3.5	9.4	16.0	27.4	18.7
VIP Overseas	H ***	13.04	40.97	17.1	3.3	9.8	17.1	16.0	11.9
VIP Real Estate	H ***	14.23	22.66	35.6	-2.1	9.4	35.6	27.3	
VIP Strategic Income	H ***	10.86	11.92	7.0	-0.1	2.3	7.0		
VIP Technology	B ****	11.63	10.85	7.3	-1.3	6.5	7.3	5.6	2.8
VIP Utilities (Telecom & Utilities)	B ****	13.16	13.27	30.7	0.8	8.8	30.7	20.6	8.9
VIP Value	B ****	11.74	12.13	13.8	0.9	6.3	13.8		
VIP Value Leaders	B ****	11.95	12.37	14.3	1.0	7.5	14.3		
VIP Value Strategies	B ****	11.90	15.15	15.4	0.5	8.9	15.4	10.0	
Fidelity Monitor VIP Income Model			19817.58	6.1	0.1	3.0	6.1	4.3	6.0
Fidelity Monitor VIP G&I Model			25219.91	11.6	0.7	5.5	11.6	7.4	6.3
Fidelity Monitor VIP Growth Model			37920.60	14.5	0.7	6.9	14.5	10.5	6.6
Fidelity Monitor VIP Sector Model			18699.75	17.7	0.2	6.3	17.7	12.6	

## 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	\$19.97	812.797	\$16231.56
Asset Mgr. 20%	\$12.65	2668.292	\$33753.89
Ultra-Short Bond	\$10.01	1634.222	\$16358.56
Floating Rate	\$9.95	2002.033	\$19920.23

9% Foreign Holdings

Balance as of 12/29/06: \$86264.24  
Balance at start of 2006: \$80716.02

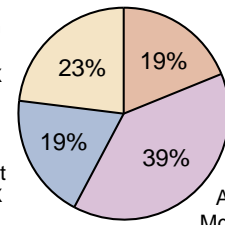
## PERFORMANCE

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%

Floating Rate High Income  
814/FFRHX

Ultra-Short  
812/FUSFX

2005: + 3.6%  
2006: + 6.9%



Puritan  
4/FPURX  
  
Asset Mgr 20%  
(Income)  
328/FASIX

Our Income Model gained 0.5% for the month of December.

## 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%	\$12.65	2909.163	\$36800.91
Puritan	\$19.97	2019.244	\$40324.30
Balanced	\$19.43	2244.229	\$43605.37
Equity-Income	\$58.55	979.787	\$57366.53

9% Foreign Holdings

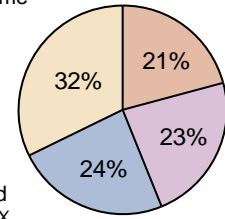
Balance as of 12/29/06: \$178097.11  
Balance at start of 2006: \$156588.48

## 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%

Equity-Income  
23/FEQIX

Balanced  
304/FBALX



Asset Mgr.  
20% (Inc)  
328/FASIX

Puritan  
4/FPURX

For December our Growth and Income Model gained 1.0%.

## 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	\$97.97	472.682	\$46308.66
Value Discovery	\$17.48	2801.678	\$48973.33
Equity-Income	\$58.55	1768.978	\$103573.66

9% Foreign Holdings

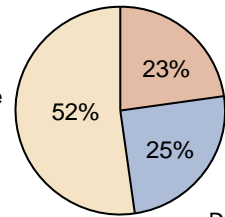
Balance as of 12/29/06: \$198855.65  
Balance at start of 2006: \$171931.86

## 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%

Equity-Income  
23/FEQIX

Spartan  
500 Index  
317/FSMKX



Value  
Discovery  
832/FVDFX

Our Growth Model rose 1.6% in December, versus 1.4% for the S&P 500. On 12/18 we sold **Utilities** (\$18.84) and bought **Spartan 500 Index** (\$99.27).

## 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	\$48.79	1235.939	\$60301.46
Brokerage	\$74.08	1034.050	\$76602.42
Consumer Staples	\$57.26	1147.172	\$65687.07
Utilities Growth	\$55.41	827.186	\$45834.38
Software	\$65.57	690.285	\$45261.99
Telecom	\$48.57	1346.502	\$65399.60

14% Foreign Holdings

Balance as of 12/29/06: \$359086.92  
Balance at start of 2006: \$316217.19

## PERFORMANCE

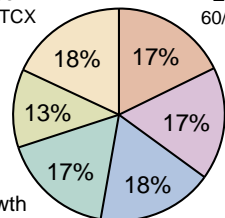
1989:	+ 23.4%
1990:	+ 31.3%
1991:	+ 35.3%
1992:	+ 20.4%
1993:	+ 25.9%
1994:	- 0.9%
1995:	+ 39.0%
1996:	+ 5.2%
1997:	+ 29.3%
1998:	+ 21.7%
1999:	+ 44.9%
2000:	- 14.9%
2001:	- 7.3%
2002:	- 14.7%
2003:	+ 38.4%
2004:	+ 7.4%
2005:	+ 15.0%
2006:	+ 13.6%

Telecom  
96/FSTCX

Software  
28/FSCSX

Utilities Growth  
65/FSUTX

2004: + 7.4%  
2005: + 15.0%  
2006: + 13.6%



Energy  
60/FSENX

Insurance  
45/FSPCX

Consumer  
Staples  
(Food & Ag)  
9/FDFAX

As of  
1/16

Our model rose 1.8% in December, versus 1.4% for the S&P 500. On 12/18 we exchanged **Pharmaceuticals** (\$10.87) for **Utilities Growth** (\$55.48). We also sold **Multimedia** (\$47.76) and bought **Software** (\$65.75). Please see page 1 for upcoming exchanges.

the telecom and electric utility groups. After several years of improving fundamentals, many institutional investors began to return to these stocks.

**Equity-Income** was the standout among broadly diversified funds. Its focus on large-cap dividend stocks allowed it to benefit from stock buybacks and takeover plays, putting it well ahead of the S&P 500. The best part was that it didn't have to take on any extra risk to get there. Even **Puritan**, which matched **Equity-Income's** stock picks, posted a strong return for a fund with 35% in cash and bonds.

Our Growth and Income Model finished with a good showing for its moderate level of risk. We only made one change during the year, replacing **Strategic Dividend & Income** with **Equity-Income** in July. The move improved performance for 2006.

#### BOND FUNDS

**Capital & Income** and **New Markets Income** led the bond group, defying predictions that a slower economy would lead to a surge in bond defaults among risky issues. **Capital & Income's** 15% weighting in leveraged stocks gave it an added boost.

Investment grade funds, on the other hand, trailed behind money market returns, thanks to higher long-term interest rates and the growing risk of credit downgrades. **Inflation-Protected Bond** was especially hard-hit because its long maturity magnified the impact of higher interest rates, even as inflationary expectations moderated.

Municipal bond funds held up better than their taxable counterparts, despite a greater sensitivity to interest rates. New issues dropped off, but investor demand remained high due to attractive pretax yields.

Our decision to add equity exposure to the Income Model paid off, allowing the portfolio to finish ahead of the U.S. bond market with a similar amount of risk.

#### DECEMBER DISTRIBUTIONS

December distributions are listed on pages 4 & 5. Six funds made two payouts during the month: **Freedom Income** (.03/11.68 on 12/1 and .14/11.55 on 12/28), **Invest. Grade Bond** (.01/7.43 on 12/8 and .015/7.38 on 12/27), **New Mkts. Income** (.36/14.84 on 12/22 and .01/14.83 on 12/27), **Real Estate** (.95/36.53 on 12/15 and .02/36.37 on 12/28), **Strategic Inc.** (.05/10.66 on 12/22 and .013/10.64 on 12/27), and **Utilities Fund** (.07/18.46 on 12/1 and .01/18.88 on 12/28). Funds scheduled for January include **Aggressive Growth**, **Conv. Securities**, **Equity-Income II**, **Growth Company**, **Independence**, **NASDAQ Comp. Idx**, **New Millennium**, **CT Muni**, **FL Muni**, **Municipal Income**, **NJ Muni**, **Strategic Dividend & Inc.**, and **Value Strategies**.

#### SELECT PORTFOLIOS

Utility stocks topped the sector chart in 2006. Takeover plays drew attention to the telecom sector, and investors realized the potential for earnings to grow with premium DSL services and television over phone lines. **Utilities Growth** benefited from good stock picks in the telecom sector during the first 10 months of the year, and continued to outperform after converting into an electric/natural gas utility fund. **Telecommunications** focused mostly on telecom utilities, but included some technology positions.

Several commodity sectors finished ahead of the S&P 500. Declining output from mines, along with China's growing need for basic materials, put upward pressure on global pricing. **Gold** went on a wild ride, finishing near the top. **Materials** wasn't far behind.

Our high hopes for the energy sector didn't pan out. Rising oil production from non-OPEC sources, along with cooperative weather, allowed fossil fuel supplies to come back into balance with demand. As a result, **Energy**, **Energy Services**, and **Natural Gas** trailed behind the S&P 500.

Our Select System stumbled a bit, mainly because of a heavy bet on growth stocks in the second quarter. Since then we've revamped our volatility model, making it less likely to overweight high-risk sectors.

Our Unique Opportunities Model benefited from holding **Natural Resources**, and the portion of the portfolio that held **Value** and **Equity-Income** also did well. Our choices for the international segment of the portfolio could have been a lot better, but in the end we still managed to outpace the S&P 500. ■

## Happenings

Fidelity plans to merge **Nordic** into **Europe** if shareholders approve the proposal (which should be available around 3/19). **Nordic** is the least popular of Fidelity's foreign stock funds, and its benchmark is dominated by two volatile stocks, Ericsson and Nokia. As a result, risk management is often in conflict with long-term performance goals.

Among manager changes, Duffy Fischer became the new stockpicker for **Chemicals**.

Fidelity has decided to compensate its mutual funds to the tune of \$42 million as a result of improper acceptance of gifts and private travel from brokerage firm Jefferies Group. By imposing a fine on itself, Fidelity will likely avoid any SEC-invoked penalty. Don't expect much impact on fund performance – most share prices will change by less than a cent. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reserves (55/FDRXX)	87025.3	4.98	CT MM (418/FCMXX)	1487.6	3.40	FL MM (428/FSFXX)	1582.3	3.43
Select MM (85/FSLXX)	2008.7	5.00	MA MM (74/FDMXX)	4518.8	3.39	MA AMT TF (426/FMSXX)	1745.9	3.47
Money Market (454/SPRXX)	6746.8	5.05	MI MM (420/FMIXX)	810.3	3.38	AMT Tax-Free (460/FIMXX)	3324.6	3.59
Gov't MM (458/SPAXX)	480.3	4.93	NJ MM (417/FNJXX)	1763.1	3.37	NJ AMT TF (423/FSJXX)	1079.2	3.47
US Treas. MM (415/FDLXX)	1787.2	4.65	NY MM (92/FNYXX)	4004.3	3.41	NY AMT TF (422/FSNXX)	2040.5	3.50
Tax-Free MM (275/FMOXX)	2813.4	3.46	OH MM (419/FOMXX)	926.2	3.40	PA MM (401/FPTXX)	502.5	3.44
US Gov't Reser (50/FGRXX)	3225.5	4.98	AZ MM (433/FSAXX)	272.0	3.44	Municipal MM (10/FTEXX)	17231.8	3.49
CA MM (97/FCFXX)	4529.8	3.39	CA AMT TF (457/FSPXX)	3004.0	3.49			