

## Value Funds Gain Appeal

Benjamin Graham may have been right all along. His deep value philosophy seemed sharply outdated during the powerful growth rallies of the last two decades, but the last five years serve as a reminder that buying cheap can stack the odds in your favor. It's a lesson worth learning, especially

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## Upcoming Trades

On Monday, 7/12, we'll be making several exchanges. Also, please see page 8 if you've been substituting **Extended Market Index** for **Low-Priced Stock** in any of the model portfolios.

For the Income Model, we'll be selling all remaining shares of **Real Estate Income** (833/FRIFX), splitting the proceeds equally between **Ultra-Short** (812/FUSFX) and **High Income** (455/SPHIX), resulting in a mix of roughly 19% **Short-Term Bond**, 26% **Ultra-Short Bond**, 20% **High Income**, and 35% **Floating Rate**.

In the Growth and Income Model we'll be selling **Inflation-Protected Bond** (794/FINPX) along with one-third of **Balanced** (304/FBALX), placing the proceeds in **Puritan** (4/FPURX) for a blend of 23% **Asset Mgr: Income**, 23% **Puritan**, 25% **Balanced**, and 29% **Low-Priced Stock**.

For the Select System, we'll be selling our stake in **Technology** (64/FSPTX) in order to buy **Insurance** (45/FSPCX), a move prompted by sliding tech sector rankings and the addition of **Insurance** to our candidate pool. The resulting mix will be 14% **Energy**, 19% **Banking**, 21% **Biotech**, 17% **Software**, 15% **Insurance**, and 14% **Electronics**. Place this trade during the weekend in order to get the Monday 10 a.m. price.

Our VIP Sector Model will sell one-third of **VIP Technology** and buy **VIP Financial Services**.

Finally, our Unique Opportunities Model will lighten up on energy stocks by selling one-half of **Natural Resources** (514/FNARX) and buying **Food & Agriculture** (9/FDFAX), a defensive group that may get a boost from rising inflation. The resulting mix: 14% **Natural Resources**, 14% **Food & Ag.**, 16% **Int'l Small Cap**, 23% **Lev. Company Stock**, and 33% **Low-Priced Stock**.

## Review & Recommendations

Investors were rattled by Alan Greenspan's tough talk on inflation and renewed terrorism fears. But those concerns were modest compared with the improving energy situation and the continuing good news on the economic front. Even more important, optimism over second quarter earnings grew with each passing week. The S&P 500 gained 1.9%.

### GROWTH FUNDS

Growth Model holdings are listed on page 7. **Export & Multinational** is the best bet for a single fund approach. Our other fund favorites, listed in increasing order of risk, include **Low-Priced Stock**, **Value**, and **Capital Appreciation**.

Small-caps and value stocks had a relatively strong month. **Small Cap Stock** and **Leveraged Company Stock** both gained 5.1%, and **Value** rose 4.7%. However, weakness in the largest capitalization stocks held some funds back. **Blue Chip Growth**, **Dividend Growth**, and **Magellan** were up 1.5%.

### INTERNATIONAL FUNDS

**Diversified Int'l** and **Int'l Growth & Income** are good bets for broad-based foreign stock exposure. **Int'l Small Cap** stands to benefit from a global economic rebound, but could be hurt if China's growth slows too rapidly.

Optimism that consumer prices are no longer falling gave Japan's stock market a boost. **Japan Smaller Companies** jumped 10.3%, while **Japan** climbed 5.9%. **Int'l Small Cap** also did well; it was up 4.6%. However, signs of a slowdown in China weighed down most emerging markets in Asia. **Southeast Asia** was hit hardest; it declined 3.9%.

### GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. Our current favorites include **Balanced** or **Puritan** for an all-weather approach, and **Equity-Income** for dividend stocks.

**Real Estate** led the group with a 3.4% increase. **Equity-Income I & II** were close behind, turning in respective gains of 2.6% and 2.5% as investors sought out dividend stocks. The group laggard was **Growth & Income II**, rising just 0.2% because of an underweighted position in the industrial sector.

RECOMMENDATIONS - *Continued on page 8*

on the eve of the great baby boom retirement wave, an event that seems destined to thin the ranks of growth-oriented investors over the next 10-15 years.

There are some signs that investors have already started shifting to a more conservative mix of stocks. Despite last year's strong recovery for higher-risk industry groups, the market is somewhat fleeting when it comes to stocks with high multiples. Whether rattled by interest rate nervousness, terrorism fears, concern about the oil supply, or weak economic reports, small problems continue to translate into big price swings for most growth sectors.

Meanwhile, it's probably no accident that two funds with a relatively strict interpretation of value have done well. **Leveraged Company Stock** and **Low-Priced Stock** are now the top broad-based performers for the last three years, with returns exceeding the S&P 500 by more than 15 percentage points per year for the period.

There's also a bit of evidence that value tends to win out in the long run. **Contrafund** (a growth fund) and **Equity-Income** (a value fund) both started out in the mid-1960s. Even though **Contrafund** fully captured the great bull market in growth stocks, making it one of the best 20-year performers around, the two funds remain in a virtual tie for 35-year performance – both have lifetime returns of about 13% per year.

This month we take a look at Fidelity's recently expanded value lineup. The following diversified stock funds are reviewed in alphabetical order.

#### BLUE CHIP VALUE (HOLD)

**Blue Chip Value** is just over a year old. While its stock holdings are slightly more value-oriented than the S&P 500 (based on price-to-cashflow), our standard deviation measurements suggest that it actually takes on a bit more risk than the index. The fund places in the large-cap value category. Top industry groups are financial, consumer, industrial, and energy. While small size provides manager Brian Hogan with plenty of freedom to take advantage of the Fidelity research machine, the results so far are nothing to write home about. That may change, but in the meantime **Equity-Income** and **Structured Large Cap Growth** are a bit more true to the large-cap value category.

#### EQUITY-INCOME (BUY)

**Equity-Income** invests mainly in dividend stocks. Several decades ago, the typical investor didn't care

much about P/E ratios or earnings growth. Instead, dividend yield was considered a key indicator of stock values. Research was easy, and the potential for scandals was far less. Unlike quarterly reports or stock buybacks, dividends are real by definition. Granted, some companies would sometimes cover up their weakening fundamentals. But ultimately the checks would have to go in the mail, so the benefit of playing that game was sharply limited. And because the dividend was key to maintaining stock value, corporate managers were far less reckless with their company's retained earnings.

The recent tax cut has created an opportunity for profitable, slow-growth companies to once again attract investors by initiating or increasing dividend payouts. And **Equity-Income** is as close as you can get to a pure play on dividend stocks. The fund is required to maintain a yield exceeding that of the S&P 500, imposing a key discipline on long-time manager Stephen Petersen. Fortunately, it hasn't held him back. **Equity-Income** is well ahead of the average equity-income fund over the last 10 years, and is slightly ahead of **Equity-Income II**, which has no yield requirement. From a valuation standpoint, the stocks held by **Equity-Income** are about 20% less expensive than the S&P 500, putting the fund solidly in the large-cap value arena. The fund holds 12% foreign stocks, most of which are invested in European markets. Over the long run, **Equity-Income** may not exceed the S&P 500 by a wide margin, but the odds of beating the index are relatively high.

#### EQUITY-INCOME II (HOLD)

**Equity-Income II** is a lot like **Equity-Income**. It has roughly 30% in financial stocks. The energy, industrial, and consumer positions each represent 10-12% of assets, and it falls within the large-cap growth category. But that's where the similarity ends. **Equity-Income II** has 37% of assets in its top 10 positions, which makes it almost twice as concentrated as **Equity-Income**. The reduced level of diversification increases its volatility roughly 5-10%. Another issue is yield. **Equity-Income II** earns about 1.3%, versus 1.7% for **Equity-Income**. Fifty basis points may not sound like a lot, but in an environment where investors are drawn to dividend stocks it could mean less capital appreciation. Finally, **Equity-Income II**'s 130% turnover might be normal for an aggressive growth fund, but in a conservative value fund stability should be a priority. Here again we prefer **Equity-Income** with its low 25% figure.

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### LEVERAGED COMPANY STOCK (HOLD)

The stocks held by this fund are roughly 40% less expensive than the S&P 500, making this fund a relatively deep value play. However, most of the companies in **Leveraged Company** have a heavy debt burden, so unless the economy stays strong, some of them could be done in by higher interest rates. The fund's relatively concentrated portfolio (34% of assets in the top ten stocks) is intended to take advantage of Fidelity's strength in researching companies like these, but it also means that volatility is running about a third higher than the S&P 500. We recently sold this fund out of our Growth Model as a risk-cutting move, although we're hanging on to it in our Unique Opportunities Model where it's balanced by lower volatility positions. **Leveraged Company** falls in the mid-cap value category, and its 16% foreign position could be a plus.

### LOW-PRICED STOCK (BUY)

Even though it's now considered a mid-cap blend fund, long-time manager Joel Tillinghast has always favored value over all else. In all likelihood, the stylebox methodology is probably more at fault than Tillinghast's stock picks. It would be no surprise to find that the fund's 23% foreign position has messed up the stylebox calculations (mixing U.S. and foreign valuation figures can skew the results due to differences in accounting standards).

Normally we would be concerned about a fund with heavy small-cap emphasis at a time when the yield curve is about to flatten, but **Low-Priced** has almost a quarter of its assets in consumer stocks. Within this group the fund is emphasizing specialty retailers, many of which stand to benefit from the economic recovery. Furthermore, low turnover and broad diversification mean that this fund should hold its value better than others in a downturn.

Still, with \$30 billion in assets, **Low-Priced** is a behemoth compared to other funds that romp around in Russell 2000 territory. And despite being closed to new investors, its cash level has crept back up to 13%. There's a lot to like about this fund, but it would be naive to assume that it will continue to outperform its index by a wide margin. We can't help but notice that **Value** is four times smaller than **Low-Priced**, and is no longer trailing behind from a performance standpoint.

### STRUCTURED LARGE CAP VALUE (BUY)

Ciaran O'Neill took over this fund in February, and for the first time it actually appears to have a shot at outperforming its benchmark. As an all-around

value choice, the fund is everything it should be. Volatility runs slightly below the S&P 500, stock values are roughly 20% below market, and most of the value groups are well represented. The financial sector accounts for 36% of assets, which essentially matches its benchmark. There's hardly any foreign exposure. The only complaint we have is the fund's expense ratio, currently capped at 1.2%. That's a lot to pay for a fund that hangs relatively close to the Russell 1000 Value Index. The fund's expense ratio should drop quickly once it draws in a larger base of assets, but it's not clear when that might happen.

### STRUCTURED MID CAP VALUE (HOLD)

This fund could also benefit from Ciaran O'Neill's new leadership, but without a financial stock rally other mid-cap funds may have the edge. **Value**, in particular, offers greater diversification, cheaper stocks, and a better track record. The main difference between the two funds is industry weightings. **Mid Cap Value**'s heavy financial emphasis is due to its short leash to the Russell Mid-Cap Value Index. **Value**, on the other hand, has no such constraints even though it competes with the same index.

### VALUE (BUY)

One of the few that is not heavily dependent on one industry group, **Value**'s top five sectors include technology, consumer, industrial, financial, and energy. Each group accounts for 12-15% of assets. Manager Rich Fentin is focusing on stocks with a significant discount to the S&P 500 (about 25% less expensive), while maintaining volatility that's comparable to the S&P 500. The fact that **Value** has one of the least concentrated portfolios (10% of assets in its top ten holdings) means that results should be driven mainly by Fidelity's research ability and not by the success or failure of a small group of stocks. Low turnover and a 10% foreign position should keep risk in check. All told, this fund is one of our top picks.

### VALUE DISCOVERY (HOLD)

**Value Discovery** currently ranks as a mid-cap blend fund. It's not strictly a value fund. Its charter is a bit like **Contrafund**, which looks for stocks that are undervalued rather than cheap in the absolute sense. Currently, top industry holdings include the technology, financial, and energy groups. Manager Scott Offen seems to be focusing on second-tier companies that sell at a discount to industry leaders. Such stocks may have an opportunity to close the earnings gap by adopting the best practices of their

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### 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 ↓.

JUNE PERFORMANCE						2004	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
Aggressive Gth (324/FDEGX)	H***	1.28	1.5(90)	16.06	5228.6	7.6	2.6	2.6	25.5	-13.2	-13.2	7.4
Blue Chip Gth (312/FBGRX)	H***	1.03	none	40.72	22892.5	2.8	1.5	1.7	15.4	-4.0	-3.9	9.3
Blue Chip Value (1271/FBCVX)	H***	1.03	none	11.59	66.0	4.1	3.0	1.9	20.6			
Capital Apprec (307/FDCAX)	B****	1.33	none	25.41	5507.9	3.7	1.8	-0.5	27.9	4.4	3.1	11.3
Contrafund (22/FCNTX)	B****	0.98	none	52.40	38040.4	6.2	2.2	2.4	24.2	6.1	2.3	13.3
Discovery (339/FDSVX)	S**	0.78	none	10.35	545.9	0.1	1.6	0.6	10.7	-2.7	1.0	
Disc Equity (315/FDEQX)	H***	1.05	none	23.52	4263.0	3.4	2.0	0.9	17.9	0.3	-0.4	10.7
Dividend Gth (330/FDGFY)	H***	0.95	none	27.85	18902.0	2.0	1.5	0.6	12.6	-0.8	1.0	15.2
Export Fund (332/FEXPX)	B****	1.09	0.75(30)	19.05	1199.2	4.9	2.5	3.0	22.6	3.8	7.5	
Fidelity Fifty (500/FFTYX)	H***	1.29	0.75(30)	19.59	913.6	1.6	2.3	0.2	9.6	5.8	3.4	13.4
Growth Company (25/FDGRX)	B****	1.45	none	52.82	23773.3	5.5	1.9	2.4	25.4	-3.4	0.9	12.5
Large-Cap Stock (338/FLCSX)	H***	1.07	none	14.16	717.9	2.3	2.1	1.1	17.0	-3.9	-4.0	
Lev Co Stock (122/FLVCX)	H***	1.35	1.5(90)	20.90	1518.9	8.1	5.1	2.5	41.1	26.1		
Low-Priced Stock (316/FLPSX)	B****	0.96	Closed	37.49	29717.2	7.2	3.5	1.2	32.4	15.2	15.8	16.9
Magellan (21/FMAGX)	H***	0.99	Closed	99.68	65301.3	2.2	1.5	0.8	15.0	-2.9	-3.2	10.1
Mid Cap Stock (337/FMCSX)	H***↓	1.27	0.75(30)	22.00	8406.3	2.1	2.0	-1.0	20.8	-3.3	6.8	15.2
New Millennium (300/FMILX)	H***↓	1.54	Closed	30.02	3499.9	-1.2	3.5	-2.1	18.6	0.8	4.5	18.9
OTC Portfolio (93/FOCPX)	H***↓	1.60	none	33.65	7890.0	3.6	3.1	1.9	25.3	-1.5	-2.6	11.3
Independence (73/FDFFX)	H***	1.26	none	16.70	4503.4	4.0	2.8	2.0	16.4	-0.8	0.7	10.2
Small Cap Indep (336/FDSCX)	H***	1.15	1.5(90)	18.73	956.2	4.4	2.5	-0.1	25.5	7.1	6.8	10.0
Small Cap Stock (340/FSLCX)	H***	1.22	2(90)	17.50	3368.3	6.9	5.1	1.9	38.2	10.5	13.8	
Stock Selector (320/FDSSX)	H***	1.03	none	21.66	792.2	3.2	2.0	1.6	17.3	-0.5	-1.5	9.7
Strc Lg Cap Gth (763/FSLGX)	H***	1.14	0.75(30)	9.46	27.5	4.9	2.5	3.3	18.4			
Strc Lg Cap Val (708/FSLVX)	B****↑	0.94	0.75(30)	11.16	39.6	6.1	2.6	1.9	22.7			
Strc Mid Cap Gth (793/FSMGX)	H***	1.32	0.75(30)	10.88	56.9	5.4	3.1	1.7	26.2			
Strc Mid Cap Val (762/FSMVX)	H***	0.99	0.75(30)	12.81	72.4	6.0	2.6	0.6	26.6			
Focused Stock (333/FTQGX)	H***	1.14	0.75(30)	9.24	34.5	5.4	4.5	3.2	20.4	-9.6	-4.9	
Trend (5/FTRNX)	H***	1.02	none	50.67	848.7	3.5	2.1	1.8	17.5	-0.7	0.0	6.8
Value (39/FDVLX)	B****↑	1.04	none	67.54	7732.0	8.8	4.7	3.7	30.5	10.0	7.3	12.6
Value Discovery (832/FVDFX)	H***	1.21	none	13.07	56.9	4.6	3.3	0.8	22.7			
Value Strategies (14/FSLSX)	H***	1.6 Est	none	34.70	167.2	5.8	3.7	-1.5	38.4	5.5	10.3	
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B****	0.82	none	17.10	10724.9	2.8	2.4	-0.5	16.9	6.3	5.1	10.1
Convertible Sec (308/FCVXS)	H***	0.73	none	20.37	1805.4	2.8	1.3	0.1	14.4	3.8	9.0	12.9
Equity-Income (23/FEQIX)	B****	0.97	none	50.54	23704.0	3.4	2.6	1.6	21.6	2.2	1.7	11.3
Equity-Income II (319/FEQTX)	H***↓	1.05	none	22.59	12032.6	0.5	2.5	0.0	17.2	2.6	1.7	10.8
Fidelity Fund (3/FFIDX)	H***	1.00	none	28.81	10299.1	3.0	2.1	1.9	18.8	-2.4	-2.0	11.2
Growth & Income (27/FGRIX)	H***	0.87	none	36.33	30222.5	2.5	1.6	1.1	13.0	-1.3	-1.7	10.8
Growth & Inc II (361/FGRTX)	H***	0.90	none	9.24	212.6	-0.1	0.2	-0.5	9.7	-0.6	-2.1	
Puritan (4/FPURX)	B****	0.68	none	18.71	21959.9	2.5	2.0	0.4	15.2	4.4	3.9	9.9
Real Estate Inc (833/FRIFX)	H***	0.2 Est	0.75(90)	11.34	418.2	2.3	1.3	-2.4	10.3			
Real Estate (303/FRESX)	H***	1.19	0.75(90)	24.59	3000.2	6.1	3.4	-5.4	27.2	14.8	15.0	12.3
Strategic Div & Inc (1329/FSDIX)	B****	0.7 Est	none	10.41	334.8	3.7	2.3	-0.4				
Utilities (311/FUIUX)	H***	1.02	none	11.64	797.9	1.9	2.2	0.7	7.3	-7.2	-7.7	6.5
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H***	1.45	0.75(30)	31.99	35.6	8.0	7.7	9.3	19.3	-1.5	5.6	13.4
Automotive (502/FAVX)	S**	1.40	0.75(30)	32.09	17.6	-1.3	4.1	-2.2	26.7	11.9	4.3	7.3
Banking (507/FSRBX)	B****	1.09	0.75(30)	38.97	458.3	0.0	0.2	-3.2	17.5	6.1	4.8	14.6
Biotechnology (42/FBIOX)	B****	1.76	0.75(30)	58.78	2139.0	14.2	0.4	3.9	25.4	-5.0	7.2	14.4
Brokerage (68/FSLBX)	H***	1.52	0.75(30)	48.12	378.0	-3.0	-0.6	-9.2	12.9	2.6	6.2	16.2
Business Ser (353/FBSOX)	H***	1.17	0.75(30)	14.87	43.1	3.8	1.4	3.6	20.9	0.1	3.0	
Chemicals (69/FSCHX)	H***	1.37	0.75(30)	55.64	59.3	7.5	5.8	6.8	39.3	11.8	9.6	10.5
Computers (7/FDCPX)	H***	2.11	0.75(30)	34.90	843.1	-2.7	0.7	-3.5	24.1	-6.9	-7.0	14.8
Const & Housing (511/FSHOX)	H***	1.43	0.75(30)	36.79	95.1	5.9	3.9	-1.4	34.0	15.0	11.2	13.5
Consumer Indust (517/FSCPX)	H***	0.99	0.75(30)	22.52	36.3	-0.2	-0.4	-2.9	12.3	-0.2	-1.4	10.4
Cyclical Indust (515/FCYIX)	H***	1.18	0.75(30)	17.14	31.6	8.4	6.2	8.2	37.8	6.3	6.1	
Defense & Aero (67/FSDAX)	H***	1.23	0.75(30)	59.37	304.0	8.4	7.8	10.0	38.4	13.7	9.9	16.5
Develop Commn (518/FSDCX)	H***	2.31	0.75(30)	18.29	689.8	10.2	5.5	-2.4	45.5	-6.7	-6.7	12.0
Electronics (8/FSELX)	B****	2.28	0.75(30)	40.25	3689.5	-3.9	-3.2	-5.6	30.5	-9.0	-2.3	18.6
Energy (60/FSENX)	B****	1.31	0.75(30)	28.29	412.3	13.0	6.5	6.2	27.8	5.2	7.4	10.7
Energy Services (43/FSSEX)	H***	2.09	0.75(30)	36.27	404.9	14.7	9.3	4.5	16.4	4.8	10.3	14.4
Environmental (516/FSLEX)	H***	1.21	0.75(30)	13.91	11.8	4.5	4.8	5.9	25.2	0.4	-1.7	3.6
Financial Services (66/FIDSX)	H***	1.06	0.75(30)	114.66	496.9	1.2	1.1	-3.3	19.2	3.5	4.6	15.1
Food & Agriculture (9/FDFAX)	B****↑	0.73	0.75(30)	46.78	115.1	6.2	0.7	0.6	17.8	6.2	4.8	11.6
Gold (41/FSAGX)	H***	2.46	0.75(30)	23.18	656.5	-22.3	-4.0	-19.9	6.6	21.9	14.2	2.7
Health Care (63/FSPHX)	H***	1.03	0.75(30)	124.36	2060.4	5.4	-0.3	3.2	9.7	0.8	2.7	15.6
Home Finance (98/FSVLX)	H***	1.15	0.75(30)	64.97	399.2	3.1	0.8	-3.0	26.8	10.3	12.0	15.6
Indust Equip (510/FSCGX)	H***	1.30	0.75(30)	25.36	44.2	4.9	5.1	4.1	40.3	4.1	1.5	11.8
Indust Materials (509/FSDPX)	H***	1.55	0.75(30)	34.10	88.5	-3.2	5.1	-1.4	37.4	14.6	8.4	7.7
Insurance (45/FSPCX)	B****↑	0.94	0.75(30)	58.65	146.5	6.9	2.5	0.8	23.5	7.7	10.8	17.9
Leisure (62/FDLX)	H***	1.18	0.75(30)	71.45	200.7	5.4	1.7	-0.1	23.0	2.5	0.1	13.6
Medical Delivery (505/FSHCX)	H***	1.49	0.75(30)	34.94	143.1	13.4	7.1	7.5	45.2	9.4	12.6	11.4
Medical Equip/Sys (354/FSMEX)	H***	0.95	0.75(30)	22.54	720.1	13.2	2.5	7.8	26.5	15.1	17.3	
Multimedia (503/FBMPX)	H***	1.37	0.75(30)	42.45	119.2	-3.7	-0.3	-0.8	12.9	2.0	1.9	13.3
Natural Gas (513/FSNGX)	H***	1.69	0.75(30)	25.24	276.2	17.0	8.3	9.0	31.7	6.1	12.1	11.0
Nat Resources (514/FNARX)	B****	1.25	0.75(30)	15.49	108.0	8.3	5.9	4.0	28.8	5.4	8.4	
Networking/Infra (912/FNINX)	H***	2.40	0.75(30)	2.36	150.2	0.9	3.5	-4.1	23.6	-13.0		
Paper & Forest (506/FSPFX)	H***	1.43	0.75(30)	32.41	26.0	4.9	4.2	4.0	30.1	7.5	7.1	9.9
Pharmaceuticals (580/FPHAX)	H***	1.12	0.75(30)	8.95	84.4	2.2	0.9	1.4	6.5	-2.8		
Retailing (46/FSRPX)	B****	1.06	0.75(30)	47.60	83.8	6.3	1.8	1.3	21.6	1.9	-1.0	11.2
Software (28/FSCSX)	B****	1.59	0.75(30)	49.19	768.5	-0.1	3.0	-3.7	17.1	-2.2	4.6	19.1
Technology (64/FSPTX)	H***↓	1.98	0.75(30)	59.91	2357.7	-0.3	1.7	-0.6	25.0	-5.4	-4.9	14.9
Telecom (96/FSTCX)	H***	1.63	0.75(30)	33.41	364.7	4.4	2.5	-2.6	15.1	-6.6	-11.4	6.2
Transportation (512/FSRFY)	H***	1.32	0.75(30)	35.90	31.1	6.1	7.7	9.6	23.3	6.0	7.4	12.3
Utilities Growth (65/FSUTX)	H***	1.07	0.75(30)	34.37	198.6	4.7	3.0	2.8	12.5	-8.2	-7.8	7.9
Wireless (963/FWRLX)	H***	1.96	0.75(30)	5.12	324.9	25.2	4.5	6.4	64.1	-8.2		

JUNE PERFORMANCE						Div.	2004	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	1.30	1 (30)	14.81	712.8		-2.6	-1.7	-7.2	20.3	7.6	2.2
Canada (309/FICDX)	B****	1.19	1.5(90)	27.93	284.3		2.0	4.6	-2.5	27.2	13.2	14.1
Diversified Int'l (325/FDIVX)	B****	1.08	1 (30)	25.27	17113.3		4.8	1.2	-1.8	32.2	9.1	8.0
Emerging Mkts (322/FEMKX)	H***	1.51	1.5(90)	10.23	587.5		-3.6	-1.3	-12.3	28.3	9.8	1.4
Europe (301/FIEUX)	B****	1.29	1 (30)	27.88	1567.3		4.7	2.5	-0.8	33.8	4.3	1.4
Europe Cap Appr (341/FECAX)	H***	1.16	1 (30)	19.17	412.1		2.5	2.0	-1.8	26.7	5.9	4.0
China Region (352/FHKCX)	H***	1.55	1.5(90)	14.84	295.4		-4.4	-1.3	-7.5	28.3	4.0	3.4
Global Balanced (334/FGBLX)	H***	0.81	1 (30)	19.52	133.0		3.4	2.5	-0.2	23.7	7.4	4.9
Int'l Growth & Inc (305/FIGRX)	B****	1.20	1 (30)	25.05	1805.0		4.7	2.4	-0.4	35.7	8.3	6.4
Int'l Small Cap (818/FISMX)	B****	1.25	2 (90)	20.86	1060.1		11.7	4.6	0.1	60.1		
Japan (350/FJPNX)	H***	2.16	1.5(90)	12.89	661.4		11.7	5.9	-1.5	45.6	1.2	1.6
Japan Smaller Co (360/FJSCX)	H***	2.07	1.5(90)	13.16	1292.8		27.3	10.3	8.2	89.5	18.4	7.1
Latin America (349/FLATX)	H***	1.87	1.5(90)	15.20	265.0		-0.1	3.7	-8.0	36.8	7.1	3.9
Nordic (342/FNORX)	H***	1.39	1.5(90)	23.13	102.5		10.2	4.3	1.1	40.6	5.2	3.2
Overseas (94/FOSEFX)	H***	1.31	1 (30)	31.74	4129.5		1.0	0.2	-4.6	31.5	1.8	0.2
Pacific Basin (302/FPBFX)	H***	1.67	1.5(90)	18.26	456.8		4.2	2.5	-5.7	34.4	4.8	2.7
Southeast Asia (351/FSEAX)	H***	1.80	1.5(90)	13.74	472.0		-5.8	-3.9	-12.4	28.4	8.8	2.6
Worldwide (318/FWWFX)	H***	1.06	1 (30)	16.74	1028.6		2.3	1.4	-1.1	24.8	3.7	3.7

**INDEX AND ASSET ALLOCATION:**

Four-In-One Index (355/FFNOX)	H***	0.85	0.5(90)	23.56	607.5		3.5	1.9	0.6	19.5	2.2	0.7
NASDAQ Comp (1282/FNCMX)	H***	1.58	0.75(90)	28.07	83.1		2.2	3.1	2.8			
Spart Ext Mkt Idx (398/FSEMXX)	H***↓	1.22	0.75(90)	28.88	984.9		5.8	2.7	0.1	29.3	5.7	2.5
Spart Int'l Index (399/FSIIX)	H***	1.16	1(90)	28.54	577.1		5.1	2.8	0.6	32.2	3.6	-0.1
Spart 500 Index (317/FSMKX)	H***	1.00	0.5(90)	78.82	10343.3		3.4	1.9	1.7	18.9	-0.9	-2.3
Spart Total Mkt Idx (397/FSTMX)	H***	1.02	0.5(90)	30.98	2279.2		3.8	2.0	1.2	20.8	0.6	-1.2
Asset Manager (314/FASMX)	H***	0.55	none	15.81	11210.6		1.3	1.3	-0.2	8.1	2.5	2.9
Asset Mgr Agg (347/FAMRX)	H***	1.21	none	10.58	358.6		3.3	1.7	-0.5	26.1	-3.4	
Asset Mgr Gth (321/FASGX)	H***	0.74	none	14.49	3710.2		1.5	1.3	-0.1	10.6	1.1	0.3
Asset Mgr Inc (328/FASIX)	B****	0.40	none	12.26	1270.1		1.5	1.1	-0.6	7.2	5.3	4.6
Freedom 2000 (370/FFFVX)	B****	0.32	none	11.86	1573.9		0.9	0.8	-0.7	5.2	2.8	3.8
Freedom 2005 (1312/FFFVX)	B****	0.3 Est	none	10.38	49.6		1.5	1.1	-0.7			
Freedom 2010 (371/FFFCX)	B****	0.52	none	13.14	7400.1		1.6	1.2	-0.6	9.9	3.0	3.4
Freedom 2015 (1313/FFVFX)	B****	0.5 Est	none	10.51	169.0		2.0	1.4	-0.3			
Freedom 2020 (372/FFDX)	B****	0.75	none	13.25	7675.7		2.4	1.6	-0.1	15.3	1.9	2.1
Freedom 2025 (1314/FFTWX)	B****	0.7 Est	none	10.64	97.5		2.6	1.7	0.2			
Freedom 2030 (373/FFFEX)	B****	0.86	none	13.27	4449.7		2.7	1.8	0.2	17.9	1.0	1.2
Freedom 2035 (1315/FFTHX)	B****	0.8 Est	none	10.71	42.3		2.8	1.8	0.3			
Freedom 2040 (718/FFFFX)	B****	0.93	none	7.75	1361.3		3.1	2.0	0.5	20.0	0.5	
Freedom Income (369/FFFAAX)	B****	0.28	none	11.10	1746.9		0.8	0.6	-0.7	4.0	3.0	4.1

**TAXABLE BOND FUNDS:**

Capital & Income (38/FAGIX)	H***	0.33	1(90)	7.83	4083.3	6.58	0.4	1.8	-1.0	9.6	10.2	3.8
Floating Rate (814/FRHX)	B****	0.06	1(60)	9.91	1369.5	2.88	1.9	0.5	0.8	4.3		
GNMA Portfolio (15/FGMNX)	H***	0.28	none	10.95	4036.8	4.00	0.9	0.7	-0.9	1.7	5.1	6.2
Gov't Income (54/FGOVX)	H***	0.43	none	10.07	4076.7	2.92	0.0	0.4	-2.8	-0.9	5.8	6.4
Intermed Bond (32/FTHRX)	H***	0.33	none	10.38	6776.2	3.59	-0.1	0.3	-2.4	0.2	6.2	6.7
Intermed Gov't Inc (452/FSTGX)	H***	0.33	none	10.13	1013.8	2.74	-0.2	0.2	-2.4	-0.9	5.4	6.2
Invest Grade Bond (26/FBNDX)	H***	0.39	none	7.39	5688.2	3.01	0.2	0.5	-2.4	0.5	6.4	6.8
Mortgage Securities (40/FMSFX)	H***	0.28	none	11.11	1331.8	3.54	0.8	0.7	-1.1	2.3	5.8	6.6
New Markets Inc (331/FNMIX)	S**	0.68	1(90)	12.96	824.3	6.43	-3.0	1.5	-5.9	5.5	12.6	15.1
Short-Term Bond (450/FSHBX)	B****	0.17	none	8.95	5259.5	2.27	0.2	0.1	-1.2	0.9	4.6	5.5
Spart Gov't Inc (453/SPGVX)	H***	0.44	none	10.86	833.7	3.39	0.2	0.5	-2.6	-0.5	6.2	6.7
High Income (455/SPHIX)	B****↑	0.24	1(90)	8.74	2768.2	6.99	1.0	1.1	-0.3	10.2	8.5	1.4
Spart Invest Grade (448/FSIBX)	H***	0.39	none	10.55	2360.4	3.26	0.3	0.5	-2.3	0.7	6.6	7.0
Strategic Income (368/FSICX)	H***	0.33	none	10.15	2327.9	5.40	-0.8	1.0	-2.5	5.3	9.9	8.1
Inflation-Protected (794/FINPX)	H***	0.60	none	10.98	1143.3	1.44	1.5	0.1	-3.3	3.1		
Total Bond (820/FTBFX)	H***	0.38	none	10.38	357.7	3.25	0.3	0.7	-2.2	0.6		
Ultra-Short Bond (812/FUSFX)	B****	0.06	0.25(60)	10.04	483.4	1.19	0.4	0.0	-0.1	1.3		
US Bond Index (651/FBIDX)	H***	0.2 Est	none	10.92	4763.1	4.14	0.1	0.5	-2.6	0.5	6.6	

**MUNICIPAL BOND FUNDS:**

Spart AZ Muni Inc (434/FAZAX)	H***	0.33	0.5(30)	11.25	74.2	3.92	-1.2	0.3	-2.9	-0.2	5.2	5.7
Spart CA Muni Inc (91/FCTFX)	H***	0.31	0.5(30)	12.19	1411.5	4.45	-0.6	0.5	-2.5	0.6	5.1	5.6
Spart CT Muni Inc (407/FICNX)	H***	0.32	0.5(30)	11.50	412.7	4.23	-1.1	0.3	-2.9	-0.1	5.2	5.7
Spart FL Muni Inc (427/FLLIX)	H***	0.32	0.5(30)	11.39	487.6	4.24	-0.9	0.3	-2.9	0.1	5.1	5.6
Spart Intermediate (36/FLTMX)	H***	0.26	0.5(30)	9.95	1758.2	4.04	-0.6	0.3	-2.1	1.0	5.3	5.6
Spart MA Muni Inc (70/FDMMX)	H***	0.31	0.5(30)	11.88	1699.7	4.49	-0.9	0.3	-2.8	0.3	5.4	5.7
Spart MD Muni Inc (429/SMDMX)	H***	0.31	0.5(30)	10.77	95.8	4.17	-0.8	0.3	-2.6	0.2	4.9	5.5
Spart MI Muni Inc (81/FMHTX)	H***	0.31	0.5(30)	11.87	543.6	4.20	-0.9	0.3	-2.6	0.1	5.4	5.8
Spart MN Muni Inc (82/FIMIX)	H***	0.27	0.5(30)	11.35	340.8	4.06	-0.7	0.2	-2.4	0.5	5.0	5.4
Spart Municipal Inc (37/FHIGX)	H***	0.32	0.5(30)	12.77	4619.3	4.57	-0.9	0.4	-2.9	0.4	5.7	6.2
Spart NJ Muni Inc (416/FNJHX)	H***	0.32	0.5(30)	11.44	518.7	4.13	-1.4	0.3	-3.1	0.0	5.0	5.7
Spart NY Muni Inc (71/FTFMX)	H***	0.32	0.5(30)	12.80	1333.1	4.25	-0.9	0.3	-2.7	0.1	5.7	6.1
Spart OH Muni Inc (88/FOHFX)	H***	0.32	0.5(30)	11.70	408.7	4.33	-1.1	0.3	-2.8	0.0	5.4	5.8
Spart PA Muni Inc (402/FPXTX)	H***	0.30	0.5(30)	10.70	280.4	4.28	-1.2	0.3	-2.9	0.0	5.0	5.5
Spart Short-Int Muni (404/FSTFX)	B****	0.15	0.5(30)	10.30	1747.2	2.67	-0.5	0.2	-1.4	0.5	3.7	4.4
Spart Tax-Free Bond (90/FTABX)	H***	0.35	0.5(30)	10.42	207.3	4.34	-1.1	0.4	-3.1	0.5	5.9	

JUNE PERFORMANCE			2004	One	Three	One	3-Yr	5-Yr	10-Yr
Indexes & Model Portfolios	Risk	Value	YTD	Month	Month	Year	Rate	Rate	Rate
Dow Jones Industrial	0.95	10435.48	0.9	2.6	1.3	18.6	1.9	0.9	13.4
S&P 500	1.00	1140.84	3.4	1.9	1.8	19.1	-0.7	-2.2	11.8
NASDAQ	1.58	2047.79	2.4	3.1	2.8	26.8	-1.4	-4.9	11.8
Russell 2000	1.59	591.52	6.7	4.2	0.4	33.3	6.2	6.6	10.9
Fidelity Monitor Income Model	0.11	75479.02	1.0	0.5	-0.8	4.5	6.1	4.3	6.1
Fidelity Monitor G&I Model	0.68	133079.84	2.5	2.1	-1.0	16.8	8.3	7.0	10.6
Fidelity Monitor Growth Model	1.20	143642.40	4.5	2.1	0.7	28.4	8.1	5.7	11.6
Fidelity Monitor Select System	1.41	267330.10	4.4	3.0	1.1	23.3	5.6	4.7	13.5
Fidelity Monitor Unique Opportunities	0.94	82022.09	8.3	4.7	2.1	30.8	15.3	8.3	

## UNIQUE OPPORTUNITIES MODEL

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

FUND	NAV	SHARES	BALANCE
Natural Resources	\$15.49	1434.568	\$22221.46
Int'l Small Cap	\$20.86	629.116	\$13123.36
Leveraged Co.	\$20.90	924.149	\$19314.71
Low-Priced Stock	\$37.49	729.863	\$27362.56

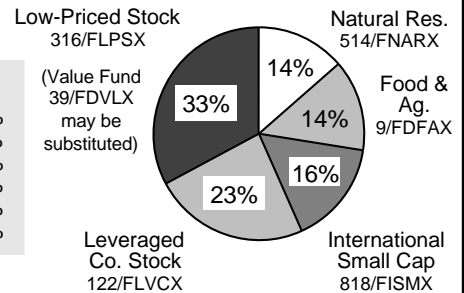
35% Foreign Holdings

Balance as of 6/30/04: **\$82022.09**

Balance at start of 2004: **\$75768.12**

### PERFORMANCE

Partial Yr 99:	+ 33.8%
2000:	- 20.5%
2001:	+ 1.6%
2002:	- 2.1%
2003:	+ 43.2%
*2004:	+ 8.3%



Our Unique Opportunities portfolio gained 4.7% for the month of June. On 7/12 we will sell one-half of **Natural Resources** and buy **Food & Agriculture**.

As of 7/12

## 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 (+2.7% YTD)	Portfolio B (+3.6% YTD)	Portfolio C (+3.0% YTD)	Portfolio D (+3.0% YTD)
58% Dividend Growth, 42% Capital Appreciation	63% Magellan, 37% Contrafund	31% Magellan, 69% Equity-Income	30% Magellan, 70% Equity-Income

In June, Portfolio A gained 1.6%, Portfolio B was up 1.7%, and Portfolios C and D both rose 2.2%.

## VIP CORNER

Fidelity's Variable Insurance Products allow tax-deferred growth, but the benefit is offset by a 0.8% annual annuity charge and potentially higher tax rates at withdrawal. Unless you are in a low tax bracket during the withdrawal period, annuities may not provide a higher after-tax return.

VIP SECTOR MODEL: (as of 7/12)	VIP GROWTH:	VIP G&I MODEL:	VIP INCOME:
33% Technology, 32% Fin Services, 17% Health Care, 18% Natural Res.	36% Equity-Income, 64% Growth	55% Asset Mgr, 31% Equity-Inc, 14% Investment Grade Bond.	71% Inv. Grade, 29% High Income.

### JUNE VIP PERFORMANCE

Portfolio	Rating	Unit Value	2004 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Asset Manager	B ****	30.23	0.9	1.1	-0.5	7.6	1.9	0.4
VIP Asset Manager: Growth	H ***	19.77	1.0	1.2	-0.4	10.2	0.4	-2.5
VIP Balanced	H ***	14.15	-0.4	0.3	-1.3	6.1	1.4	-0.6
VIP Contrafund	B ****	31.84	5.9	2.2	2.2	23.7	5.6	1.7
VIP Dynamic Capital Appreciation	H ***	10.99	-0.5	1.6	0.3			
VIP Equity-Income	B ****	51.22	3.1	2.5	1.4	20.8	1.6	0.9
VIP Growth	B ****	53.74	1.1	1.5	-0.1	17.8	-5.7	-4.4
VIP Growth & Income	B ****	15.44	-0.5	0.1	-0.6	9.1	-0.9	-2.5
VIP Growth Opportunities	B ****	11.39	1.1	1.7	1.1	15.7	-1.9	-7.2
VIP High Income	H ***	25.83	0.2	1.7	-1.0	8.5	7.1	-2.7
VIP Index 500	H ***	29.96	2.9	1.8	1.4	17.8	-1.8	-3.2
VIP Investment Grade Bond	H ***	26.85	-0.4	0.5	-2.7	-0.2	5.9	6.3
VIP Mid Cap	B ****	14.00	5.7	3.9	0.0	34.0	10.1	
VIP Overseas	B ****	26.42	0.6	0.0	-4.8	30.1	0.1	-1.4
VIP Real Estate	H ***	11.62	5.7	3.4	-5.8			
VIP Value Strategies	H ***	11.98	5.2	3.6	-1.7			
VIP Consumer Industries	H ***	10.03	-0.4	-0.4	-3.0	11.9		
VIP Cyclical Industries	H ***	12.00	8.4	6.1	8.0	37.5		
VIP Financial Services	B ****	11.21	1.0	1.1	-3.3	18.4		
VIP Health Care	B ****	10.12	5.0	-0.4	3.1	9.1		
VIP Natural Resources	B ****	11.52	8.1	5.9	3.9	28.4		
VIP Technology	B ****	9.15	-0.8	1.8	-0.7	23.5		
VIP Telecom & Utilities	H ***	7.94	5.1	3.1	3.1	12.7		
Morgan Stanley Emg Mkts Debt	H ***	15.27	-3.6	1.4	-5.6	4.4	11.5	
Morgan Stanley Emg Mkts Equity	H ***	10.66	-3.2	0.3	-12.3	29.1	7.9	
Morgan Stanley Global Equity	H ***	13.33	4.0	2.0	1.4	24.8	1.4	
Morgan Stanley Int'l Magnum	H ***	9.96	3.8	2.5	-0.3	26.5	-0.4	
PBHG Growth II	S **	9.19	2.1	1.1	-0.4	14.6	-10.6	
PBHG Select Value	H ***	15.33	-1.9	2.3	1.4	13.1	-18.0	
PBHG Select 20	S **	15.30	6.6	2.9	5.1	22.3	6.9	
PBHG Small Cap Value	H ***	18.21	3.0	2.2	-1.2	25.4	-0.8	
PBHG Tech & Communications	S **	7.82	2.0	2.8	1.7	25.1	-20.3	
Strong Mid Cap Growth Fund II	S **	12.41	5.2	3.1	0.0	16.6	-11.2	
Strong Opportunity Fund II	H ***	16.52	8.4	2.2	3.0	27.4	0.8	
CS Int'l Focus	H ***	9.41	0.6	1.2	-2.3	22.5	-1.8	
CS Global Post-VC	H ***	10.27	7.3	3.3	1.1	33.1	-2.3	
CS Small Cap Growth	S **	11.57	7.1	2.5	-1.2	33.4	0.2	
Fidelity Monitor VIP Sector Model		13369.76	2.0	2.0	0.2	26.6		
Fidelity Monitor VIP Growth Model		28611.07	1.8	1.9	0.5	19.1	-0.7	-2.1
Fidelity Monitor VIP G&I Model		20614.70	1.4	1.5	-0.2	11.7	3.2	0.7
Fidelity Monitor VIP Income Model		17434.31	-0.2	0.8	-2.2	2.1	6.7	3.6

## INCOME MODEL

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

FUND	NAV	SHARES	BALANCE
Short-Term Bond	\$8.95	1594.117	\$14267.35
Ultra-Short Bond	\$10.04	1562.893	\$15691.45
High Income	\$8.74	1322.672	\$11560.15
Floating Rate	\$9.91	2653.394	\$26295.13
Real Estate Inc.	\$11.34	675.921	\$7664.94

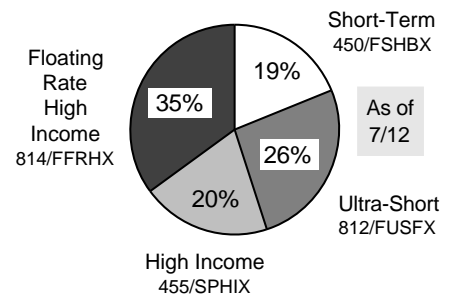
4% Foreign Holdings

Balance as of 6/30/04: \$75479.02

Balance at start of 2004: \$74748.25

## PERFORMANCE

1992:	+ 10.1%
1993:	+ 11.3%
1994:	- 2.1%
1995:	+ 14.8%
1996:	+ 9.0%
1997:	+ 10.5%
1998:	+ 3.5%
1999:	+ 3.0%
2000:	+ 0.3%
2001:	+ 5.6%
2002:	+ 5.4%
2003:	+ 8.4%
*2004:	+ 1.0%



For June our Income Model gained 0.5%. On 7/12 we will sell **Real Estate Income**, splitting the proceeds equally between **High Income** and **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
Inflation-Protect.	\$10.98	1363.613	\$14972.47
Asset Mgr. Inc.	\$12.26	2511.707	\$30793.53
Balanced	\$17.10	2868.279	\$49047.57
Low-Priced Stock	\$37.49	1020.706	\$38266.27

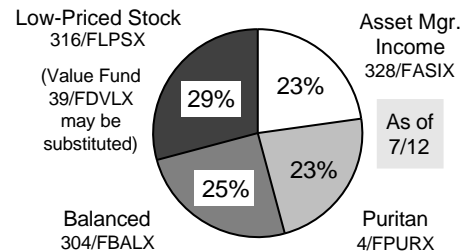
12% Foreign Holdings

Balance as of 6/30/04: \$133079.84

Balance at start of 2004: \$129816.46

## PERFORMANCE

1994:	- 3.7%
1995:	+ 21.6%
1996:	+ 15.8%
1997:	+ 18.7%
1998:	+ 11.1%
1999:	+ 12.2%
2000:	+ 2.7%
2001:	+ 1.3%
2002:	- 6.4%
2003:	+ 33.0%
*2004:	+ 2.5%



Our Growth and Income Model gained 2.1% in June. On 7/12 we sell one-third of **Balanced** and all of **Inflation-Protected Bond**, investing the proceeds in **Puritan**.

## GROWTH MODEL

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

FUND	NAV	SHARES	BALANCE
Export	\$19.05	2543.811	\$48459.60
Capital Apprec.	\$25.41	2216.781	\$56328.41
Equity-Income	\$50.54	768.785	\$38854.39

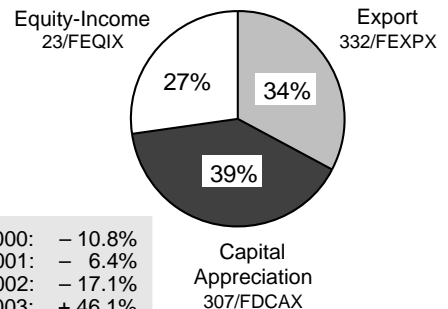
17% Foreign Holdings

Balance as of 6/30/04: \$143642.40

Balance at start of 2004: \$137499.26

## PERFORMANCE

1987:	+ 2.8%
1988:	+ 26.0%
1989:	+ 30.4%
1990:	- 4.4%
1991:	+ 40.6%
1992:	+ 15.7%
1993:	+ 31.9%
1994:	- 2.1%
1995:	+ 27.2%
1996:	+ 19.2%
1997:	+ 25.5%
1998:	+ 9.9%
1999:	+ 29.0%
2000:	- 10.8%
2001:	- 6.4%
2002:	- 17.1%
2003:	+ 46.1%
*2004:	+ 4.5%



During June our Growth Model gained 2.1%, versus 1.9% for the S&P 500. On 6/14 we sold **Leveraged Company** (\$19.85) and bought **Equity-Income** (\$49.58).

## SELECT SYSTEM

Our Select System aims for growth in sector funds, and has a long-term goal of 16% per year. We use a valuation model to identify attractive growth sectors.

FUND	NAV	SHARES	BALANCE
Energy	\$28.29	1317.381	\$37268.71
Banking	\$38.97	1301.952	\$50737.07
Biotechnology	\$58.78	954.818	\$56124.20
Software	\$49.19	938.003	\$46140.37
Technology	\$59.91	676.687	\$40540.32
Electronics	\$40.25	907.315	\$36519.43

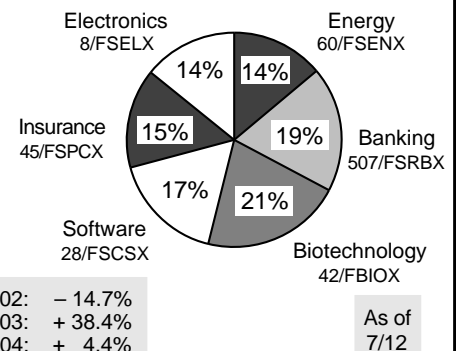
13% Foreign Holdings

Balance as of 6/30/04: \$267330.10

Balance at start of 2004: \$256163.60

## PERFORMANCE

1989:	+ 23.4%
1990:	+ 31.3%
1991:	+ 35.3%
1992:	+ 20.4%
1993:	+ 25.9%
1994:	- 0.9%
1995:	+ 39.0%
1996:	+ 5.2%
1997:	+ 29.3%
1998:	+ 21.7%
1999:	+ 44.9%
2000:	- 14.9%
2001:	- 7.3%
2002:	- 14.7%
2003:	+ 38.4%
*2004:	+ 4.4%



We were up 3.0% in June, versus 1.9% for the S&P. On 6/14 we sold **Computers** (\$33.91), buying **Electronics** (\$39.26). We also sold **Medical Equipment** (\$22.05), and bought **Biotech** (\$55.59). On 7/12 we will sell **Technology** and buy **Insurance**.

competitors. It's too early to tell if this approach is working, but we're a bit leery of the fund's high turnover (160%) and its above-market volatility (20% more risk than the S&P 500).

**VALUE STRATEGIES (HOLD)**

It's a stretch that this fund even has the word "value" in its title. It's 35% invested in tech stocks, has volatility that's 50% greater than the S&P 500, and holds stocks with above-market valuation levels. Manager Harris Leviton has a good track record for his tenure of more than eight years, although the fund hasn't been available to retail investors until this year. Low turnover may be a plus, and modest foreign exposure may offer some diversification. But don't rest too easy. In a selloff situation, this fund would almost certainly fall faster than the market. ■

**Low-Priced Stock Substitute**

**Spartan Extended Market Index** is no longer a recommended substitute for **Low-Priced Stock** due to increasing risk. **Value** is our suggested alternative. Consider a switch after the 90-day period is up. ■

**Happenings**

Fidelity rolled out a program called *Retirement Income Advantage*, a new service designed to give investors the financial planning tools they need as they enter their retirement years. The main concept is a new Web-based Income Management Account that allows individuals to monitor and manage all investment assets and income sources. The idea is to help investors figure out what they need for a lifetime income stream, then help them manage all their various accounts and income sources to make it happen. It's an ambitious undertaking, but Fidelity appears to have pulled it off, right down to details such as calculating life expectancy more accurately. It looks like do-it-yourself financial planning just got easier.

A number of sector funds saw new manager appointments in June. Effective June 1st, Matthew Friedman took over at **Energy, Natural Resources**, and **VIP Natural Resources**. Charles Hebard was chosen to pick stocks for **Insurance**, Nathan Strik was named manager for **Energy Services**, and Robert Lee assumed responsibility for **Food & Ag**. Effective June 15th, John Roth has taken over at **Consumer Industries** and **VIP Consumer Industries**, and Aaron Cooper was named manager of **Leisure**. ■

**BOND FUNDS**

Income Model holdings are listed on page 7. Our bond favorites include **Ultra-Short Bond** and **Floating Rate High Income**. We upgraded **High Income** as the upper end of the junk bond universe has yet to see much supply pressure, and may benefit from rating agency upgrades as the economy recovers.

Most bond funds finished the month with small gains, although the high-yield and emerging market debt groups had a good month. **Capital & Income** gained 1.8%, **New Markets Income** was up 1.5%, and **High Income** rose 1.1%. On the bottom end, **Ultra-Short Bond** finished the month at breakeven. Municipal bond funds posted gains ranging from 0.2% to 0.5%.

**SELECT PORTFOLIOS**

Select System holdings are listed on page 7. Our current buys, in increasing order of risk, include **Food & Ag, Retailing, Insurance, Banking, Natural Res., Energy, Software, Biotech, and Electronics**.

Even though the price of oil pulled back, traders became more convinced that it will remain high in the long run. **Energy Services** was up 9.3%, and **Natural Gas** jumped 8.3%. On the bottom end, **Electronics** slid 3.2% on fears of a global economic slowdown, and **Gold** fell 4.0% as investors realized the Fed is determined to keep rising prices from becoming a serious problem. ■

**JUNE DISTRIBUTIONS**

<b>Asset Manager</b>	\$ 0.08 / \$15.73 (6/18)
<b>Asset Manager: Income</b>	\$ 0.01 / \$12.12 (6/4)
<b>Balanced</b>	\$ 0.06 / \$16.80 (6/18)
<b>Convertible Securities</b>	\$ 0.18 / \$19.96 (6/18)
<b>Equity-Income</b>	\$ 0.20 / \$50.13 (6/18)
<b>Equity-Income II</b>	\$ 0.07 / \$22.49 (6/18)
<b>Fidelity Fund</b>	\$ 0.05 / \$28.68 (6/18)
<b>Freedom Income</b>	\$ 0.01 / \$11.02 (6/4)
<b>Growth &amp; Income</b>	\$ 0.08 / \$36.35 (6/18)
<b>Growth &amp; Income II</b>	\$ 0.01 / \$9.25 (6/18)
<b>Inflation-Protected Bond</b>	\$ 0.115/\$10.93 (6/4)
<b>Intermediate Bond</b>	\$ 0.085/\$10.33 (6/4)
<b>Investment Grade Bond</b>	\$ 0.05 / \$7.33 (6/4)
<b>Large Cap Stock</b>	\$ 0.04 / \$13.89 (6/4)
<b>Mid-Cap Stock</b>	\$ 0.02 / \$21.50 (6/4)
<b>Puritan</b>	\$ 0.11 / \$18.57 (6/18)
<b>Real Estate</b>	\$ 0.14 / \$24.13 (6/18)
<b>Small Cap Stock</b>	\$ 0.74 / \$16.73 (6/4)
<b>Spartan 500 Index</b>	\$ 0.35 / \$77.48 (6/4)
<b>Strategic Dividend &amp; Income</b>	\$ 0.045/\$10.27 (6/18)
<b>Utilities</b>	\$ 0.02 / \$11.68 (6/18)

Funds scheduled for July (7/2) include **Asset Manager Income** and **Freedom Income**.

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser (55/FDRXX)	56022.6	0.77	CT MM (418/FCMXX)	1052.8	0.60	FL MM (428/FSFXX)	1279.7	0.63
Select MM (85/FSLXX)	711.3	0.81	MA MM (74/FDMXX)	3529.8	0.55	Spart MA MM (426/FMSXX)	978.7	0.67
Spart MM (454/SPRXX)	5669.6	0.83	MI MM (420/FMIXX)	592.2	0.56	Spart Municipal (460/FIMXX)	3209.8	0.78
Spart US Gov't (458/SPAXX)	571.9	0.75	NJ MM (417/FNJXX)	1379.1	0.57	Spart NJ MM (423/FSJXX)	588.9	0.76
Spart US Treas (415/FDLXX)	2280.1	0.64	NY MM (92/FNYXX)	2941.7	0.56	Spart NY MM (422/FSNXX)	1094.5	0.68
Tax-Free MM (275/FMOXX)	791.8	0.66	OH MM (419/FOMXX)	703.7	0.61	PA MM (401/FPTXX)	302.0	0.63
US Gov't Reser (50/FGRXX)	2124.4	0.78	AZ MM (433/FSAXX)	151.7	0.60	Municipal MM (10/FTEXX)	15240.4	0.67
CA MM (97/FCFXX)	2965.3	0.56	Spart CA MM (457/FSPXX)	1273.8	0.74			