

International Funds

The market's recent correction highlighted the extra amount of risk involved with international investments. Even though consolidations of this sort have occurred many times before (most recently in 1994, 1995, and 1998), many investors are not aware that foreign investments involve a higher level of volatility than exists for domestic funds with similar stock holdings. The main culprit: a combination of reduced liquidity and exchange rate reinforcement that tends to magnify any prevailing trend.

This added risk of "running with the herd" is not limited to foreign investments, of course. It occurs

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Portfolio Changes: Growth and Income, Growth, Select System, and VIP Sector

On Monday, 7/17, we will make changes in four model portfolios:

Our Growth and Income Model will exchange **Strategic Dividend & Income** (1329/FSDIX) for **Equity-Income** (23/FEQIX), resulting in a mix of 22% **Asset Manager Income**, 22% **Puritan**, 25% **Balanced**, and 31% **Equity-Income**. This is a small adjustment that will increase our weighting in large-cap dividend stocks.

Our Growth Model will exchange **Contrafund** (22/FCNTX) for **Value Discovery** (832/FVDFX), for a mix of 24% **Mid-Cap Stock**, 25% **Value Discovery**, and 51% **Equity-Income**. While **Value Discovery** uses a similar stockpicking strategy, it's much smaller than **Contrafund** and has significantly less foreign exposure.

Our Select System will exchange from **Wireless** (963/FWRLX) into **Electronics** (8/FSELX), for an approximate mix of 19% **Energy**, 20% **Brokerage**, 18% **Electronics**, 13% **Technology**, 13% **Biotech**, and 17% **Telecommunications**. Place this trade over the weekend to get the Monday 10 a.m. price. A number of factors are slowing the growth of new cell phone services, but domestic chipmakers seem likely to benefit from weakness in the dollar.

Our VIP Sector Model will sell one-half of **VIP Telecom & Utilities**, and buy **VIP Technology**.

Review & Recommendations

Stocks continued to gyrate as investors gauged the inflation problem, struggling to guess how much the Fed would step up its fight. The S&P 500 edged up 0.1% for the month.

GROWTH FUNDS

Growth Model holdings are listed on page 7. Our favorite funds include **Mid Cap Stock**, **Value Discovery**, and **Value Strategies**.

Some funds had the right mix of stocks. **Focused Stock** led the group with a 3.3% gain. **Tax-Managed Stock** and **Mid Cap Value** posted increases of 2.1% and 1.9%, respectively. Funds that emphasized smaller growth stocks trailed behind. **Aggressive Growth** slid 1.3%, and **Small Cap Stock** lost 1.6%.

INTERNATIONAL FUNDS

Int'l Discovery offers broad exposure to foreign stocks, with an emphasis on European markets. **Pacific Basin** is likely to benefit from continued economic growth in Japan and Southeast Asia.

Latin America, helped in part by the energy and materials groups, gained 3.1%. Other foreign funds finished slightly lower as U.S. investors reduced their foreign exposure. Worst off were **Japan Smaller Companies** and **Europe Capital Appreciation**, both with losses of 3.6%.

GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. Our favorites include **Equity-Income**, **Balanced**, **Puritan**, and **Convertible Securities**. For less risk, consider **Asset Manager Income**.

A rebound in natural gas pricing helped **Utilities** to pull ahead with a 3.0% gain, but others trailed behind – **Growth & Income** and **Equity-Income II** finished with declines of 0.4%.

BOND FUNDS

Income Model holdings are listed on page 7. **Ultra-Short Bond** offers a good yield with minimal interest-rate risk. We've downgraded **Floating Rate High Income** to hold while we keep a close eye on the high-yield arena.

Inflationary concerns put upward pressure on interest rates, making it a weaker-than-normal month for bonds. **Ultra-Short Bond** held up best

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domestically in growth stocks and in the commodity markets. But foreign markets have a unique ability to surge and sag. When lots of money is flowing into foreign stocks, the dollar sees downward pressure while stock prices are being pushed higher in local terms. From a dollar-based point of view, investors appear to be winning twice. That is, until the process reverses. When the greenback strengthens and stock prices decline in local terms, the result is a double whammy that resembles the behavior of a closed-end mutual fund.

The “surge and sag” effect varies greatly by investment objective. Funds that focus broadly on the EAFE universe see only a minimal effect, because stock market liquidity is good and major currencies like the euro and the yen aren’t strongly affected when investment flows take a jump. But it gets worse in foreign small-caps, in part because stock market liquidity is often poor, even in markets served by major currencies. The most vulnerable are emerging market funds that are not tied to a major currency. In those cases, both the stocks and the currencies fail to hold up when times get tough.

Faced with these realities, the best strategy for foreign investing is one that minimizes risk:

- Limit overall international exposure. There’s really no need to go heavy in foreign stock funds, because some 30-40% of domestic corporate earnings come from foreign sales and exports. Plus, Fidelity includes foreign positions in most of its domestic stock funds. Bottom line, any domestic portfolio with a significant large-cap position already has plenty of direct and indirect foreign exposure.

- Avoid funds that concentrate heavily on one country or focus on a narrowly defined region. Many of these are narrowly diversified like sector funds, but they lack the long-term performance advantage that exists in the Select family. That’s because of higher trading costs and a shortage of quality stocks.

- Invest for the long run. Try not to buy when others are buying, or sell when others are selling. Focus on identifying the best opportunities, rather than trying to time the entry and exit points.

With those thoughts in mind, following is a review of Fidelity’s international lineup.

AGGRESSIVE INT’L (HOLD)

With 33% in financial services and very little emerging market exposure, there really isn’t much that makes this fund aggressive. Quality growth stocks are somewhat rare in most foreign markets,

because heavy-handed regulations and high taxes tend to discourage would-be entrepreneurs. If you want growth stocks, you’ll probably do better with a domestic fund. This one has little, if any advantage over broadly diversified funds like **Diversified Int’l**, **Int’l Discovery**, and **Spartan Int’l Index**.

CANADA (BUY)

This fund has a conservative mix of stocks with an emphasis on natural resources. Its top industry positions are 31% financial services, 24% energy, and 10% basic materials (commodities). The fund has yet to outperform its Canadian benchmark under manager Maxime Lemieux, but over the last five years it has been one of the better risk-adjusted performers in the international group.

CHINA REGION (HOLD)

The most conservative of the emerging market offerings, this fund currently has 38% of assets in Hong Kong, 28% in Taiwan, and just 9% in China (mainland stocks are plagued with poor liquidity). Interim manager K.C. Lee has increased the fund’s technology exposure to 26% of assets, with good results so far. Because the fund is closely tied to the Chinese economy, it may not be impacted as much as other emerging market funds should the major central banks keep on tightening. **China Region** also has less currency risk, because the Chinese currency is poised to appreciate against the dollar as the Chinese government looks for ways to cool its economy.

DIVERSIFIED INT’L (BUY)

Diversified International is Fidelity’s most successful foreign fund – over the last 10 years it has outperformed 95% of its industry peers. The fund is no longer available to new investors, but its close cousin, **International Discovery**, has similar country and industry weightings. With about 400 stocks in its portfolio, **Diversified International** is a pure play on Fidelity’s foreign research ability, which has improved steadily over the last decade. Because of its broad focus and limited exposure to emerging markets, it’s one of the least risky funds in the international group.

EMERGING MARKETS (HOLD)

Emerging market stocks have been on a strong run since 2003, allowing this fund to recover its losses from the 1990s. It’s now close to breakeven for the last 12.5 years. In a universe where many economies are fragile and corporate ethics are whatever the insiders want them to be, the recent

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bull run is not about long-term growth. Rather, it's a commodities rally in disguise. You can enjoy a similar effect with **Canada**, and lower your risk by some 30% in the process.

EUROPE (HOLD)

New manager Trygve Toraason is taking the safe route, putting about half of the fund in defensive groups such as financial services, health care, and consumer staples. That could make sense from the standpoint of benefiting from a weaker dollar or bracing for an economic slowdown, but it might set the fund back if economic growth remains strong.

EUROPE CAP. APPREC. (HOLD)

Manager Darren Maupin took over this fund at the beginning of the year. Compared with **Europe** it places more emphasis on commodities and growth stocks, but the top country positions are similar, with the U.K., Germany, and Switzerland accounting for around 40% of assets. The fund doesn't have as much emphasis on large-caps, which could be a problem if interest rates continue to rise.

INTERNATIONAL DISCOVERY (BUY)

William Kennedy has posted solid results, and with a portfolio of more than 350 stocks he relies heavily on Fidelity's international team of analysts. **International Discovery** is a broadly diversified fund, and it appears to be benefiting from the same stock screening techniques used by **Diversified International**. The fund's regional mix and industry weightings are similar to the EAFE index. Top countries include Japan (23%), the U.K. (13%), France (11%), and Germany (10%). Top sector positions include financial services (28%), consumer discretionary (16%), industrial (11%), and tech (9%).

INTERNATIONAL SMALL CAP (HOLD)

This fund is closed to new investors, but those who want a foreign small-cap play can still invest in **International Small Cap Opportunities**. After a strong run since inception in late 2002, **International Small Cap** has cooled off as investors worry about rising interest rates. Manager Ben Paton continues to outperform his benchmark, but we think foreign small-caps are getting close to full valuation. This fund currently has 18% in the materials sector and 14% in energy stocks, so it's somewhat influenced by commodity trends.

INT'L SMALL CAP OPPORTUNITIES (BUY)

Manager Andrew Sassine is doing well as this fund nears its first full year of operation. A heavy concentration on cyclical – industrial stocks account

for 28% of holdings – could be beneficial if economic growth stays on track. In addition to relying on Fidelity's research team, Sassine is playing some interesting themes. Titanium Metals, the fund's top holding, is a bet that new commercial aircraft designs will place unprecedented demand on producers of the lightweight metal.

INTERNATIONAL VALUE (BUY)

Fidelity's newest introduction is worth a look. In the 1990s, Fidelity used to visit with executives of U.S. companies, grilling them on their business models and asking about their plans for improving shareholder value. Those meetings gave Fidelity analysts the edge, but the SEC's fair disclosure rule shut down the practice a little over five years ago. The fair disclosure rule is now being challenged, but in the meantime this fund will take advantage of Fidelity's foreign analysts, who can still meet with foreign companies to track progress. The fund's theme may be timely, because many European firms are in the process of restructuring. **International Value** competes with the EAFE Value Index. We'll be adding it to our performance pages next month.

JAPAN (HOLD)

Japan's economy is finally on a sustainable recovery path, and is likely to hold up well even as the Bank of Japan starts its tightening cycle later in the summer. Manager Yoko Ishibashi is positioning the fund to benefit from an upswing in consumer spending, along with continuing growth for the industrial sector. Unfortunately, there's a volatility problem. This fund, along with others that invest solely in Japan, tends to carry far more risk than broadly diversified funds. Consider buying **Pacific Basin** as an alternative – it has about 50% exposure to Japanese stocks.

JAPAN SMALLER COMPANIES (HOLD)

Over the years, Japanese small-caps have shown a tendency to behave like emerging market stocks, mainly because of poor liquidity and deflation concerns. To his credit, long-time manager Kenichi Mizushita has done well over the last nine and one-half years, although his fund is now closed to new investors. **Int'l Small Cap Opportunities** is probably the next best thing; it has about 40-45% invested in Japanese small caps. The added diversification helps to reduce risk.

LATIN AMERICA (HOLD)

The most risky of emerging market funds, **Latin**
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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. 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 are indicated by ↑ and ↓.

JUNE PERFORMANCE						2006	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***	1.53	1.5(90)	17.32	3897.9	-2.7	-1.3	-8.5	6.3	10.6	-6.7	2.1
Blue Chip Gth (312/FBGRX)	H***	1.04	none	41.95	20366.1	-2.8	-0.8	-5.0	3.3	6.5	-1.5	5.8
Blue Chip Value (1271/FBCVX)	B****	1.12	none	13.92	269.8	3.1	-0.4	-2.3	12.8	14.6		
Capital Apprec (307/FDCAX)	B****	1.33	none	26.53	8008.5	5.7	-0.9	-2.9	15.3	15.4	6.4	10.2
Contrafund (22/FCNTX)	B****	1.15	Closed	66.03	64712.5	3.9	0.8	-0.8	16.9	17.6	9.4	11.5
Discovery (339/FDSVX)	S**	0.94	none	11.60	419.1	1.7	-0.4	-5.2	9.7	8.3	1.1	
Disc Equity (315/FDEQX)	H***	1.16	none	28.69	6769.5	3.5	0.7	-1.0	11.4	13.4	4.6	8.9
Dividend Gth (330/FDGFY)	B****	0.92	none	29.14	15823.4	1.2	-0.5	-3.4	7.0	7.0	1.2	9.7
Export Fund (332/FEXPX)	H***	1.25	0.75(30)	21.56	4647.6	1.5	0.8	-1.7	15.0	15.8	7.2	14.5
Fidelity Fifty (500/FFTYX)	H***	1.27	0.75(30)	23.62	1169.0	3.9	1.8	-2.8	18.6	10.2	7.6	10.8
Focused Stock (333/FTQGX)	H***	1.43	0.75(30)	12.49	99.4	5.0	3.3	1.9	16.1	17.9	0.1	
Growth Company (25/FDGRX)	B****	1.39	Closed	64.08	28204.3	0.7	0.5	-5.8	14.8	15.1	1.8	9.3
Independence (73/FDFFX)	H***	1.27	none	20.53	4460.5	4.5	0.7	-3.2	17.1	13.0	3.9	9.3
Large Cap Growth (763/FSLGX)	H***	1.48	0.75(30)	10.94	164.4	-2.1	0.2	-6.4	6.6	12.4		
Large-Cap Stock (338/FLCSX)	H***	1.04	none	15.82	718.0	1.5	0.0	-3.4	11.7	9.9	0.2	6.9
Large Cap Value (708/FLVLX)	H***	1.18	0.75(30)	13.61	711.8	5.3	1.2	-0.5	13.8	16.8		
Lev Co Stock (122/FLVCX)	B****	1.53	1.5(90)	28.44	4161.6	9.3	1.8	-0.4	20.6	27.8	24.3	
Low-Priced Stock (316/FLPSX)	H***	1.02	Closed	42.91	37511.2	5.1	-1.2	-3.3	11.8	19.9	14.8	15.5
Magellan (21/FMAGX)	H***	1.21	Closed	87.61	47552.0	1.7	-0.7	-4.0	9.6	9.4	0.9	7.3
Mid Cap Growth (793/FMSGX)	H***	1.68	0.75(30)	13.37	463.3	3.3	0.9	-6.6	13.3	17.7		
Mid Cap Stock (337/FMCSX)	B****	1.46	Closed	28.40	12077.9	9.2	-0.3	-3.7	25.2	17.8	4.1	12.8
Mid Cap Value (762/FSMVX)	H***	1.24	0.75(30)	15.75	417.1	6.3	1.9	0.8	15.5	20.7		
New Millennium (300/FMILX)	B****	1.72	Closed	37.56	3368.0	7.7	0.0	-3.7	24.3	14.1	5.1	14.3
OTC Portfolio (93/FOCPX)	H***	1.38	none	36.37	7777.7	-3.8	-0.3	-9.1	6.5	11.1	0.9	7.0
Small Cap Gth (1388/FCPGX)	H***	1.50	1.5(90)	13.63	426.7	6.0	-0.1	-6.4	13.6			
Small Cap Indep (336/FDSCX)	H***	1.48	1.5(90)	21.49	2458.3	4.9	0.2	-5.2	13.5	17.2	9.5	8.4
Small Cap Stock (340/FLCX)	H***	1.35	Closed	18.17	4890.8	5.9	-1.6	-7.1	15.2	19.3	10.6	
Small Cap Value (1389/FCPVX)	H***	1.37	1.5(90)	13.72	1009.3	7.6	0.0	-4.9	18.9			
Stock Selector (320/FDSSX)	H***	1.06	none	25.25	803.5	2.1	-0.1	-3.0	11.4	11.6	3.1	7.2
Tax Mgd Stock (343/FTXMX)	B****	1.32	1(730)	13.27	64.7	4.7	2.1	-0.1	12.7	15.4	3.6	
Trend (5/FTRNX)	H***	1.05	none	58.24	871.8	1.8	-0.1	-2.8	10.0	11.2	2.7	5.4
Value (39/FDVLX)	B****	1.07	none	78.60	16022.5	3.6	-0.7	-2.8	13.3	19.8	11.9	11.6
Value Discovery (832/FVDFX)	B****	1.21	none	16.58	575.2	5.9	0.5	-1.1	19.5	19.1		
Value Strategies (14/FSLSX)	B****	1.11	none	32.11	166.5	3.6	-1.1	-3.4	10.8	16.9	6.3	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B*****	0.85	none	19.27	19641.4	3.1	-0.2	-1.3	11.6	12.9	8.2	11.0
Convertible Sec (308/FCVX)	B*****	1.02	none	23.93	2019.0	7.1	0.1	0.2	15.6	11.6	6.4	11.7
Equity-Income (23/FEQIX)	B*****	1.00	none	54.40	26275.6	5.1	-0.3	-0.1	12.6	13.3	5.0	9.1
Equity-Income II (319/FEQTX)	B****	1.03	none	23.13	11591.8	2.3	-0.4	-2.1	8.8	11.1	4.8	8.9
Fidelity Fund (3/FFIDX)	H***	1.10	none	32.55	8519.9	2.5	0.6	-2.3	10.4	11.1	1.4	8.1
Growth & Income (27/FGRIX)	H***	1.02	none	34.66	29722.8	1.0	-0.4	-2.9	5.4	7.9	1.3	7.2
Growth & Inc II (361/FGRTX)	H***	1.10	none	10.31	183.4	1.6	-0.2	-3.0	13.6	8.2	2.6	
Puritan (4/FPURX)	B*****	0.66	none	19.21	23552.3	3.3	-0.2	-0.1	8.2	9.9	5.6	8.5
Strategic Div & Inc (1329/FSDIX)	B****	0.92	none	12.64	1024.0	4.3	0.4	-1.5	12.6			
Utilities (311/FUIX)	H***	1.13	none	16.14	994.2	10.2	3.0	3.2	14.7	15.6	2.8	7.3
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.51	0.75(30)	45.82	126.7	15.1	4.3	1.0	38.6	20.9	7.2	12.6
Automotive (502/FSAVX)	S**	1.36	0.75(30)	34.30	20.2	0.5	-2.3	-4.4	5.2	10.7	8.5	5.9
Banking (507/FSRBX)	H***	1.04	0.75(30)	36.09	363.4	3.3	-0.5	-0.2	7.6	10.6	6.6	11.8
Biotechnology (42/FBIOX)	H***↓	1.77	0.75(30)	60.94	1560.9	-2.8	0.9	-8.4	11.8	9.1	-2.3	10.1
Brokerage (68/FSLBX)	B****	1.49	0.75(30)	67.78	987.4	2.0	-2.7	-8.9	24.6	20.3	10.8	18.1
Business Ser (353/FBSOX)	B****	1.07	0.75(30)	16.86	43.2	6.5	0.9	-1.1	19.1	14.7	4.6	
Chemicals (69/FSCHX)	H***	1.45	0.75(30)	66.86	101.2	4.7	-2.6	-1.6	10.0	22.1	12.8	9.6
Computers (7/FDCPX)	H***	1.47	0.75(30)	34.12	460.5	-5.4	-3.6	-9.4	1.2	6.6	-4.6	7.6
Const & Housing (511/FSHOX)	S**↓	2.02	0.75(30)	44.41	199.5	-3.1	-1.9	-9.2	-2.4	19.9	14.4	13.2
Consumer Indust (517/FSCPX)	S**	1.10	0.75(30)	25.10	51.1	2.3	0.4	-2.2	5.7	9.0	2.7	7.0
Cyclical Indust (515/FCYIX)	H***	1.35	0.75(30)	20.90	110.4	9.5	-0.9	-2.3	22.6	24.5	11.0	
Defense & Aero (67/FSDAX)	H***	1.26	0.75(30)	76.44	969.4	6.8	-1.1	-5.6	15.1	24.3	15.3	13.7
Develop Commun (518/FSDCX)	H***	1.68	0.75(30)	19.84	441.2	-0.8	-3.4	-14.4	11.3	16.4	-2.5	6.8
Electronics (8/FSELX)	B****	1.77	0.75(30)	42.01	2386.8	-3.9	-2.9	-9.3	7.3	10.9	-4.7	10.8
Energy (60/FSENX)	B****	2.59	0.75(30)	51.82	2787.7	15.9	2.0	3.8	39.9	37.9	19.0	15.5
Energy Services (43/FSESX)	H***	3.08	0.75(30)	74.02	1979.1	15.0	-0.6	2.4	45.2	34.4	19.1	17.2
Environmental (516/FSLEX)	H***	1.30	0.75(30)	17.12	104.8	9.5	-2.4	-7.1	17.4	15.5	4.5	2.0
Financial Services (66/FIDSX)	H***	1.09	0.75(30)	113.42	472.1	1.8	-1.0	-3.0	12.3	12.7	5.9	12.5
Food & Agriculture (9/FDFAX)	H***↑	0.84	0.75(30)	53.74	143.5	7.2	1.6	2.2	13.7	13.4	8.2	8.6
Gold (41/FSAGX)	H***	2.66	0.75(30)	34.45	1536.6	15.0	-2.0	-1.9	69.6	26.0	27.7	6.7
Health Care (63/FSPHX)	H***	1.05	0.75(30)	118.91	2094.8	-3.9	-0.4	-5.7	5.2	8.3	3.4	10.3
Home Finance (98/FSVLX)	H***↑	1.09	0.75(30)	51.63	289.2	2.9	-0.7	0.6	4.8	10.0	7.1	11.4
Indust Equip (510/FSCGX)	H***	1.36	0.75(30)	29.52	105.5	10.8	-1.2	-2.2	23.7	21.5	7.6	9.3
Indust Materials (509/FSDPX)	H***	1.71	0.75(30)	48.57	239.0	13.4	-1.1	3.2	38.8	27.7	17.9	9.8
Insurance (45/FSPCX)	H***	1.05	0.75(30)	66.34	189.1	-2.3	-0.3	-2.2	7.7	13.2	7.9	15.5
Leisure (62/FDSLX)	H***	1.22	0.75(30)	80.16	217.1	5.6	0.7	-4.1	14.1	14.6	5.7	11.0
Medical Delivery (505/FSHCX)	H***	1.29	0.75(30)	48.57	920.4	-8.5	1.2	-8.8	1.4	30.0	14.7	10.2
Medical Equip/Sys (354/FSMEX)	S**	1.07	0.75(30)	21.92	868.0	-6.0	-1.2	-6.5	-2.2	9.9	9.8	
Multimedia (503/FBMPX)	B****	1.14	0.75(30)	44.89	80.7	0.1	0.4	-1.2	9.3	9.1	4.1	10.0
Natural Gas (513/FSNGX)	H***	3.02	0.75(30)	40.97	1366.2	8.6	4.3	2.5	30.9	35.7	17.7	14.6
Nat Resources (514/FNARX)	B****	2.56	0.75(30)	28.04	1155.9	18.4	2.0	4.1	46.8	36.5	18.2	
Networking/Infra (912/FNINX)	B****	1.80	0.75(30)	2.31	119.8	-1.7	-4.5	-16.9	9.5	6.5	-8.4	
Paper & Forest (506/FSPFX)	S**↓	1.42	0.75(30)	29.48	22.0	-1.3	-0.5	-6.3	10.6	6.6	3.0	5.7
Pharmaceuticals (580/FPHAX)	H***	1.06	0.75(30)	10.08	168.7	4.8	-0.5	-2.1	17.4	7.4	1.3	
Retailing (46/FSRPX)	S**↓	1.47	0.75(30)	49.50	60.7	4.8	0.4	-2.4	5.4	14.2	5.3	10.0
Software (28/FSCSX)	H***	1.34	0.75(30)	54.27	526.0	3.4	1.3	-4.1	10.2	9.3	0.8	12.1
Technology (64/FSPTX)	B****	1.34	0.75(30)	61.02	1717.9	-3.4	-1.3	-8.5	4.6	8.5	-2.9	9.0
Telecom (96/FSTCX)	B****	1.31	0.75(30)	42.06	393.9	8.7	1.7	-4.9	17.5	14.0	1.0	4.6
Transportation (512/FSRFY)	H***	1.53	0.75(30)	52.26	134.7	14.2	4.0	2.0	38.5	23.6	12.7	14.1
Utilities Growth (65/FSUTX)	H***	1.11	0.75(30)	47.77	273.7	11.0	3.7	2.3	14.8	17.4	2.2	8.5
Wireless (963/FWRLX)	H***↓	1.35	0.75(30)	6.31	435.8	-2.0	-2.3	-9.8	8.4	29.0	0.2	

JUNE PERFORMANCE						Div.	2006	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***	1.44	1 (30)	17.45	574.0		2.7	-0.7	-2.5	18.7	16.8	10.5
Canada (309/FICDX)	B****	1.42	1.5(90)	45.62	2959.6		5.8	-2.2	-0.8	27.3	27.9	19.0
China Region (352/FHKCX)	H***	1.17	1.5(90)	21.04	592.0		9.0	-0.9	1.0	19.7	23.2	10.4
Diversified Int'l (325/FDIVX)	B****↑	1.31	Closed	35.23	40293.9		8.3	-0.7	-1.3	26.2	24.2	13.5
Emerging Mkts (322/FEMKX)	H***	1.83	1.5(90)	19.97	3040.6		8.3	-0.9	-5.4	45.9	36.8	21.4
Europe (301/FIEUX)	H***	1.39	1 (30)	39.33	3313.0		9.3	-0.5	-1.5	25.3	28.6	12.6
Europe Cap Appr (341/FECAX)	H***	1.43	1 (30)	25.12	794.2		14.1	-3.6	-1.8	30.2	24.0	12.3
Global Balanced (334/FGBLX)	B****	0.81	1 (30)	22.01	236.3		4.5	-1.0	-0.3	13.2	15.7	9.2
Int'l Discovery (305/FIGRX)	B****	1.35	1 (30)	34.19	6871.5		8.0	-0.8	-1.6	27.0	25.5	13.1
Int'l Small Cap (818/FISMV)	H***↓	1.43	Closed	28.95	2511.5		7.3	-3.5	-5.3	30.3	37.1	
Int'l Small Cap Opp (1504/FSCOX)	B****	1.3 Est	2 (90)	13.91	1210.0		10.7	-2.2	-4.3			
Japan (350/FJPNX)	H***	2.28	1.5(90)	17.22	1833.1		-5.5	-1.8	-8.4	40.6	24.9	6.7
Japan Smaller Co (360/FJSCX)	H***	2.33	Closed	14.49	1728.6		-13.9	-3.6	-10.9	19.4	30.4	14.2
Latin America (349/FLATX)	H***	2.70	1.5(90)	36.25	2775.7		13.4	3.1	-3.7	56.6	50.4	25.0
Nordic (342/FNORX)	H***	1.75	1.5(90)	34.23	320.4		14.6	-1.2	-0.9	27.2	32.0	13.8
Overseas (94/FOSFX)	H***	1.37	1 (30)	44.28	6447.2		6.4	-0.4	-1.0	29.1	23.3	8.5
Pacific Basin (302/FPBFX)	B****	1.52	1.5(90)	26.52	1148.5		3.3	-1.7	-4.8	34.4	26.3	11.5
Southeast Asia (351/FSEAX)	H***	1.55	1.5(90)	23.04	1377.5		8.6	-2.2	-1.7	34.3	31.0	17.7
Worldwide (318/FWWFX)	H***	1.16	1 (30)	20.41	1316.4		4.3	0.0	-1.3	20.2	17.5	7.7
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	H***	0.88	0.5(90)	27.05	1182.5		3.7	0.1	-1.3	10.5	12.7	5.0
NASDAQ Comp (1282/FNCMX)	H***	1.28	0.75(90)	29.35	115.8		-1.3	-0.2	-7.0	6.2		
Spart Ext Mkt Idx (398/FSEMXX)	H***	1.29	0.75(90)	36.30	1576.4		5.6	0.4	-3.6	14.1	18.7	8.9
Spart Int'l Index (399/FSIIX)	B****	1.30	1(90)	39.15	1677.6		9.9	-0.2	0.7	26.6	23.5	9.7
Spart 500 Index (317/FSMKX)	H***	1.00	0.5(90)	87.89	6946.0		2.7	0.1	-1.5	8.6	11.1	2.3
Spart Total Mkt Idx (397/FSTMXX)	B****	1.05	0.5(90)	35.73	2080.8		3.4	0.2	-1.9	10.0	12.8	3.9
Asset Manager (314/FASMX)	H***	0.51	none	16.19	9409.6		1.5	-0.1	-1.3	5.9	5.9	3.4
Asset Mgr Agg (347/FAMRX)	H***	1.03	none	12.34	426.7		2.2	-0.1	-2.1	13.1	14.1	1.2
Asset Mgr Gth (321/FASGX)	H***	0.70	none	15.30	3137.9		1.5	-0.3	-2.3	6.8	6.8	2.6
Asset Mgr Inc (328/FASIX)	B****	0.36	none	12.87	2049.0		1.6	-0.1	-0.7	6.4	6.6	5.7
Freedom 2000 (370/FFFBX)	B****	0.31	none	12.21	1575.6		1.1	0.1	-0.5	3.8	4.6	3.4
Freedom 2005 (1312/FFVFX)	B****	0.53	none	11.15	570.1		1.6	0.0	-1.3	6.4		
Freedom 2010 (371/FFFCX)	B****	0.56	none	14.07	10726.5		1.6	0.0	-1.4	6.6	7.7	4.4
Freedom 2015 (1313/FFVFX)	B****	0.67	none	11.62	2923.8		1.9	-0.1	-1.7	8.4		
Freedom 2020 (372/FFFDX)	B****	0.79	none	14.77	14053.9		2.3	-0.1	-2.1	9.8	10.8	4.5
Freedom 2025 (1314/FFTWX)	B****	0.83	none	12.06	2304.3		2.3	-0.2	-2.2	10.4		
Freedom 2030 (373/FFFEEX)	B****	0.93	none	15.14	8671.6		2.6	-0.2	-2.6	11.5	12.3	4.4
Freedom 2035 (1315/FFTHX)	B****	0.93	none	12.37	1274.4		2.7	-0.2	-2.5	11.9		
Freedom 2040 (718/FFFX)	B****	0.95	none	8.91	4031.9		2.9	-0.2	-2.6	12.2	13.3	4.2
Freedom Income (369/FFFAX)	B****	0.27	none	11.32	2152.2		1.1	0.1	-0.3	3.7	4.0	3.4
Real Estate Income (833/FRIFX)	H***	0.26	0.75(90)	11.67	519.0		3.6	0.8	0.9	5.4	9.4	
Real Estate (303/FRESX)	H***	1.52	0.75(90)	34.82	6352.3		12.1	4.9	-1.3	21.0	27.5	19.8
Int'l Real Estate (1368/FIREX)	H***	1.28	1.5(90)	14.38	436.0		11.6	2.0	-2.4	27.9		
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	H***	0.25	1(90)	8.41	6170.9	6.22	3.5	-0.4	0.0	6.8	10.1	10.3
Floating Rate (814/FRHXX)	H***↓	0.04	1(60)	9.90	2766.6	6.32	2.4	0.2	0.7	5.0	4.5	
Focused High Inc (1366/FHIFX)	H***	0.15	1(90)	9.79	42.9	6.20	0.9	-0.3	-0.7	2.8		
GNMA Portfolio (15/FGMNX)	H***	0.25	none	10.52	3414.7		-0.7	0.1	-0.3	-0.2	2.3	4.1
Gov't Income (54/FGOVX)	H***	0.27	none	9.86	5602.7	4.16	-0.7	0.2	0.1	-0.8	1.5	4.5
High Income (455/SPHIX)	H***	0.16	1(90)	8.73	3731.7	6.93	2.7	-0.4	-0.1	5.7	8.3	8.1
Inflation-Protected (794/FINPX)	H***	0.46	none	10.69	1401.3	2.44	-1.8	0.2	0.4	-1.9	3.3	
Intermed Bond (32/FTHRX)	H***	0.22	none	10.08	7562.5	4.50	0.0	0.2	0.3	0.3	1.8	4.7
Intermed Gov't Inc (452/FSTGX)	H***	0.20	none	9.85	764.3	3.95	0.0	0.1	0.3	0.0	1.1	4.1
Invest Grade Bond (26/FBNDX)	H***	0.27	none	7.19	7998.2	4.44	-0.5	0.1	-0.1	-0.1	2.3	5.1
Mortgage Securities (40/FMSFX)	H***	0.25	none	10.79	1609.2	5.04	-0.1	0.2	0.0	0.3	2.8	4.7
New Markets Inc (331/FNMIX)	H***	0.43	1(90)	14.18	1922.1	6.14	1.5	-0.4	-1.9	7.4	11.3	13.3
Short-Term Bond (450/FSHBX)	H***	0.12	none	8.79	6026.3	4.58	1.3	0.3	0.7	2.2	2.0	3.8
Spart Gov't Inc (453/SPGVX)	H***	0.28	none	10.62	746.6	4.18	-0.6	0.2	0.1	-0.7	1.7	4.8
Spart Invest Grade (448/FSIBX)	H***	0.26	Closed	10.16	3320.3	4.37	-0.4	0.2	0.0	-0.1	2.5	5.3
Strategic Income (368/FSICX)	H***	0.23	none	10.33	3571.5	5.28	1.7	-0.3	0.3	3.5	6.8	8.9
Strategic Real Rtn (1505/FSRRX)	H***	0.5 Est	0.75(60)	10.16	1650.5		2.0	-0.2	2.3			
Total Bond (820/FTBFX)	H***	0.25	none	10.17	661.7	4.63	-0.2	0.2	0.0	0.1	2.7	
Ultra-Short Bond (812/FUSFX)	B****	0.05	0.25(60)	10.01	924.7	5.05	2.2	0.4	1.1	4.0	2.4	
US Bond Index (651/FBIDX)	H***	0.27	none	10.59	5741.0	4.78	-0.6	0.2	-0.1	-0.7	2.1	5.1
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FSAZX)	H***	0.20	0.5(30)	11.15	104.9	3.80	-0.2	-0.5	-0.1	0.0	2.4	4.6
CA Municipal Inc (91/FCTFX)	H***	0.18	0.5(30)	12.13	1515.1	4.26	0.1	-0.4	-0.1	0.8	3.3	4.9
CA Short-Int TF (1534/FCSTX)	B****	0.1 Est	0.5(30)	9.94	74.0	3.38	0.6	-0.2	0.2			
CT Municipal Inc (407/FICNX)	H***	0.18	0.5(30)	11.16	419.1	4.01	-0.2	-0.5	-0.1	0.0	2.2	4.4
FL Municipal Inc (427/FFLIX)	H***	0.19	0.5(30)	11.24	479.0	4.15	0.1	-0.4	0.1	0.5	2.8	4.7
Intermediate Muni (36/FLTMX)	H***	0.16	0.5(30)	9.79	1981.3	4.04	0.1	-0.4	0.0	0.7	2.6	4.6
MA Municipal Inc (70/FDMMX)	H***	0.21	0.5(30)	11.64	1785.3	4.18	0.0	-0.4	-0.1	0.5	3.1	5.0
MD Municipal Inc (429/SMDMX)	H***	0.19	0.5(30)	10.62	110.2	3.91	-0.2	-0.4	-0.1	0.1	2.4	4.4
MI Municipal Inc (81/FMHTX)	H***	0.18	0.5(30)	11.60	546.1	4.18	0.0	-0.5	0.0	0.3	2.5	4.8
MN Municipal Inc (82/FMIX)	H***	0.17	0.5(30)	11.21	334.2	4.18	0.2	-0.3	0.0	0.6	2.6	4.5
Municipal Income (37/FHIGX)	H***	0.20	0.5(30)	12.56	4485.1	4.33	0.2	-0.4	-0.1	0.8	3.3	5.3
NJ Municipal Inc (416/FNJHX)	H***	0.22	0.5(30)	11.26	546.0	4.04	0.0	-0.4	0.0	0.1	2.9	4.7
NY Municipal Inc (71/FTFMX)	H***	0.21	0.5(30)	12.52	1360.7	3.98	0.0	-0.4	-0.2	0.3	2.8	5.1
OH Municipal Inc (88/FOHFX)	H***	0.20	0.5(30)	11.40	411.9	4.09	-0.2	-0.5	-0.2	0.0	2.7	4.9
PA Municipal Inc (402/FPXTX)	H***	0.18	0.5(30)	10.60	301.6	4.25	0.1	-0.4	0.0	0.6	2.8	4.6
Short-Int Municipal (404/FSTFX)	B****	0.09	0.5(30)	10.09	1551.6	3.12	0.4	-0.2	0.3	0.8	1.4	3.0
Tax-Free Bond (90/FTABX)	H***	0.21	0.5(30)	10.52	404.7	4.11	0.1	-0.4	0.0	0.7	3.4	5.5

JUNE PERFORMANCE Indexes and Model Portfolios			2006	One	Three	One	3-Yr	5-Yr	10-Yr
	Risk	Value	YTD	Month	Month	Year	Rate	Rate	Rate
Dow Jones Industrial	0.97	11150.22	5.2	0.0	0.9	11.0	9.9	3.4	9.1
S&P 500	1.00	1270.20	2.7	0.1	-1.4	8.6	11.2	2.5	8.3
NASDAQ	1.26	2172.09	-1.1	-0.2	-7.0	6.5	10.9	0.6	6.7
Russell 2000	1.63	724.67	8.2	0.6	-5.1	14.5	18.7	8.5	9.0
Fidelity Monitor Income Model	0.21	81994.59	1.6	0.1	-0.1	3.9	4.3	5.4	5.1
Fidelity Monitor G&I Model	0.71	161595.14	3.2	0.1	-1.0	10.0	12.3	9.0	10.0
Fidelity Monitor Growth Model	1.13	177747.20	3.4	-0.1	-1.5	12.0	16.7	9.3	9.8
Fidelity Monitor Select System	1.34	324023.40	2.5	-0.4	-5.8	14.3	14.3	7.4	10.6
Fidelity Monitor Unique Opportunities	1.33	117035.89	7.8	0.0	-0.8	21.6	23.1	16.9	

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	\$28.04	1068.344	\$29956.37
Pacific Basin	\$26.52	843.140	\$22360.07
Conv. Securities	\$23.93	1174.769	\$28112.22
Equity-Income	\$54.40	672.927	\$36607.23

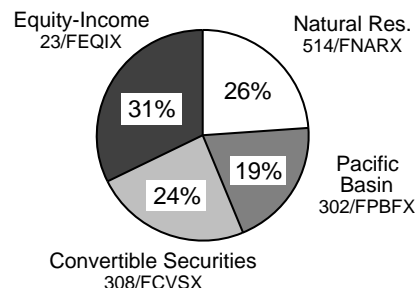
34% Foreign
Holdings

Balance as of 6/30/06: **\$117035.89**

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:	+ 7.8%



For June our Unique Opportunities Model was at breakeven. On 6/12 we sold Value (\$76.43), buying Equity-Income (\$52.82).

VIP CORNER

VIP SECTOR: (as of 7/17)	VIP GROWTH MODEL:	VIP G & I MODEL:	VIP INCOME MODEL:
28% Technology, 15% Financial Ser., 16% Telecom & Util., 27% Natural Res., 14% Health Care	25% Mid-Cap Stock, 41% Equity-Income, 34% Contrafund	32% Equity-Income, 55% Balanced, 13% Freedom Income.	69% Freedom Income, 31% Balanced.

JUNE VIP PERFORMANCE		Unit	2006	One	Three	One	3-Yr	5-Yr
Portfolio	Rating	Value	YTD	Month	Month	Year	Rate	Rate
VIP Aggressive Growth	H ***	10.51	-3.2	-1.4	-8.7			
VIP Asset Manager	H ***	32.32	-0.1	-0.7	-2.7	3.8	4.8	2.5
VIP Asset Manager: Growth	H ***	20.99	-1.0	-1.2	-4.4	3.9	5.4	1.5
VIP Balanced	B *****	16.03	2.7	-0.3	-1.5	10.4	6.3	3.4
VIP Consumer Industries	S **	11.34	1.6	0.4	-2.6	4.5	8.2	
VIP Contrafund	B *****	41.41	3.6	0.7	-0.9	16.5	17.2	8.9
VIP Cyclical Industries	H ***	16.68	9.4	-0.9	-2.4	22.2	24.1	
VIP Dynamic Capital Appreciation	B ****	14.02	5.1	-1.0	-3.1	21.4		
VIP Equity-Income	B *****	60.43	4.7	-0.4	-0.3	11.8	12.6	4.3
VIP Financial Services	B ****	13.33	1.5	-1.1	-3.1	11.6	12.1	
VIP Freedom 2005	B ****	10.62	1.3	-0.2	-1.1			
VIP Freedom 2010	B ****	10.65	1.4	-0.2	-1.1			
VIP Freedom 2015	B ****	10.85	2.0	-0.2	-1.2			
VIP Freedom 2020	B ****	10.97	2.2	-0.3	-1.5			
VIP Freedom 2025	B ****	11.07	2.5	-0.4	-1.6			
VIP Freedom 2030	B ****	11.17	2.6	-0.5	-1.8			
VIP Freedom Income	B ****	10.35	1.2	0.0	-0.1			
VIP Growth	H ***	57.00	-0.4	-1.0	-4.3	7.1	7.7	-2.3
VIP Growth & Income	B ****	17.60	1.3	-0.3	-3.2	12.8	7.5	2.1
VIP Growth Opportunities	H ***	12.34	-4.7	0.5	-6.7	4.3	7.8	0.4
VIP Growth Stock	H ***	9.98	-5.7	-0.9	-8.6			
VIP Health Care	H ***	11.57	-4.3	-0.6	-5.9	4.5	7.6	
VIP High Income	H ***	29.27	2.6	-0.4	0.1	5.2	7.1	6.9
VIP Index 500	H ***	33.98	2.3	0.1	-1.7	7.7	10.1	1.4
VIP Int'l Capital Appreciation	H ***	11.54	1.4	-1.3	-3.5			
VIP Investment Grade Bond	H ***	28.01	-1.0	0.0	-0.4	-1.5	1.3	4.4
VIP Mid Cap	B ****	20.48	6.4	-1.4	-2.4	21.6	25.2	14.3
VIP Money Market		20.08	1.9	0.3	1.0	3.2	1.5	1.3
VIP Natural Resources	B ****	22.42	17.9	2.0	3.8	45.5	35.7	
VIP Overseas	H ***↓	36.72	5.0	-0.7	-1.4	26.6	21.8	6.9
VIP Real Estate	H ***	19.05	14.0	6.0	-0.6	22.7		
VIP Strategic Income	H ***	11.25	1.0	-0.3	0.0	2.3		
VIP Technology	B ****	9.76	-3.5	-3.6	-13.7	9.2	9.6	
VIP Telecom & Utilities	B ****	11.26	10.9	3.8	2.4	14.3	16.9	
VIP Value	B ****	10.93	2.5	-0.4	-2.2			
VIP Value Leaders	B ****	11.10	2.5	-0.6	-2.7			
VIP Value Strategies	B ****	13.57	3.4	-1.1	-3.5	10.1		
Fidelity Monitor VIP Income Model		18736.46	0.3	-0.1	-0.5	0.4	3.2	5.5
Fidelity Monitor VIP G&I Model		23054.83	2.1	-0.3	-1.9	7.3	7.7	4.2
Fidelity Monitor VIP Growth Model		34688.31	4.7	-0.3	-1.1	14.8	13.0	3.5
Fidelity Monitor VIP Sector Model		16973.37	6.8	1.0	-1.6	18.4	17.1	

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
Balanced	\$19.27	774.168	\$14918.22
Asset Mgr. Inc.	\$12.87	2483.420	\$31961.62
Ultra-Short Bond	\$10.01	1592.119	\$15937.11
Floating Rate	\$9.90	1937.135	\$19177.64

8% Foreign Holdings

Balance as of 6/30/06: **\$81994.59**

Balance at start of 2006: **\$80716.02**

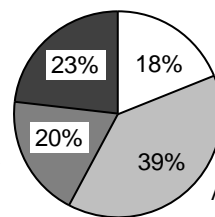
PERFORMANCE

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: + 1.6%



Balanced
304/FBALX

Asset Mgr. Income
328/FASIX

Our Income Model gained 0.1% for the month of June.

GROWTH AND INCOME MODEL

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

FUND	NAV	SHARES	BALANCE
Asset Mgr. Inc.	\$12.87	2707.603	\$34846.85
Puritan	\$19.21	1888.420	\$36276.55
Balanced	\$19.27	2090.396	\$40281.93
Strat. Div. & Inc.	\$12.64	3970.713	\$50189.81

11% Foreign Holdings

Balance as of 6/30/06: **\$161595.14**

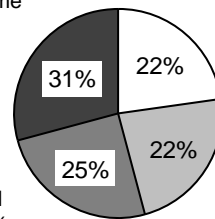
Balance at start of 2006: **\$156588.48**

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:	+ 3.2%

Equity-Income
23/FEQIX

Balanced
304/FBALX



Asset Mgr. Income
328/FASIX

As of 7/17

Puritan
4/FPURX

For June our portfolio gained 0.1%. On 7/17 we will sell Strategic Dividend & Income and buy Equity-Income.

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
Mid Cap Stock	\$28.40	1478.383	\$41986.08
Contrafund	\$66.03	680.579	\$44938.63
Equity-Income	\$54.40	1669.531	\$90822.49

13% Foreign Holdings

Balance as of 6/30/06: **\$177747.20**

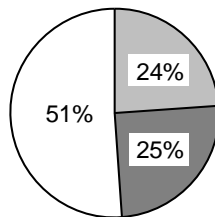
Balance at start of 2006: **\$171931.86**

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%

Equity-Income
23/FEQIX

2002: - 17.1%
2003: + 46.1%
2004: + 12.4%
2005: + 11.2%
*2006: + 3.4%



Mid Cap
337/FMCSX

As of 7/17

Value Discovery
832/FVDFX

Our portfolio slid 0.1% in June, versus the S&P 500's 0.1% gain. On 6/12 we sold Value (\$76.43), buying Equity-Income (\$52.82). On 7/17 we will exchange Contrafund for Value Discovery.

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	\$51.82	1181.190	\$61209.27
Brokerage	\$67.78	950.274	\$64409.57
Wireless	\$6.31	9177.574	\$57910.49
Technology	\$61.02	712.107	\$43452.77
Biotechnology	\$60.94	672.176	\$40962.41
Telecom	\$42.06	1333.307	\$56078.89

18% Foreign Holdings

Balance as of 6/30/06: **\$324023.40**

Balance at start of 2006: **\$316217.19**

PERFORMANCE

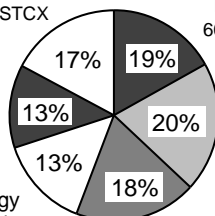
1989:	+ 23.4%
1990:	+ 31.3%
1991:	+ 35.3%
1992:	+ 20.4%
1993:	+ 25.9%
1994:	- 0.9%
1995:	+ 39.0%
1996:	+ 5.2%
1997:	+ 29.3%
1998:	+ 21.7%
1999:	+ 44.9%
2000:	- 14.9%
2001:	- 7.3%
2002:	- 14.7%
2003:	+ 38.4%

Telecom
96/FSTCX

Biotech
42/FBIOX

Technology
64/FSPTX

2004: + 7.4%
2005: + 15.0%
*2006: + 2.5%



Energy
60/FSENX

Brokerage
68/FSLBX

As of 7/17

Electronics
8/FSELX

Our Select System was off 0.4% in June, trailing the S&P 500's 0.1% gain. On 7/17 we will sell Wireless and buy Electronics.

INTERNATIONAL FUNDS - *Continued from page 3*

America operates in an environment of poor liquidity. A lack of quality stocks and nationalistic economic policies only make things worse. We give this fund a hold rating for its commodity position (33% in basic materials and 9% in energy), but we note that **Natural Resources** may have more potential with less risk.

NORDIC (HOLD)

With 20% of assets in Ericsson and Nokia, this fund has more technology exposure than other funds that focus on Europe. Unfortunately, the fund's concentrated portfolio raises overall risk without any corresponding increase in long-term performance. On the plus side, long-time manager Trygve Toraason is slightly ahead of his Nordic benchmark for the last 3 years.

OVERSEAS (HOLD)

New Manager Ian Hart has cut technology exposure and boosted the fund's energy weighting to 18% of assets (financial services remains the top sector with a 33% weighting). His move came too late to provide much benefit in the first half, but the fund is well-positioned for a weak-dollar scenario. With 128 stocks, **Overseas** barely qualifies as broadly diversified. Top countries are Japan (18%), the U.K. (11%), Switzerland (9%), and France (9%).

PACIFIC BASIN (BUY)

This fund is a broad-based play on growth in Asia, with 47% of its portfolio in Japanese stocks, another 10% in Australia, and the rest in emerging markets of Southeast Asia. The fund has a balanced group of industries and only slightly more risk than Fidelity's broadly diversified international funds. Manager Dale Nichols is doing well with the emerging market side of the portfolio, but the main play is Japan's long-term economic recovery.

SOUTHEAST ASIA (HOLD)

This fund is the most growth-oriented of the emerging market offerings. Allan Liu has been the manager since it began in 1993, and has consistently outperformed his benchmark through several major market cycles. Currently, the fund is overweighting South Korea (32% of assets), but also has significant positions in Hong Kong (13%), Taiwan (12%), and China (11%). Major sector holdings include financial services (25%) and technology (22%). This is a good fund for those who are in the emerging market game for the long haul, although we prefer **Pacific Basin** because it includes Japan for greater diversification. ■

RECOMMENDATIONS - *Continued from page 1*

with a 0.4% return, followed by **Short-Term Bond** with a gain of 0.3%. Funds holding lower-grade debt slipped behind. **Capital & Income**, **High Income**, and **New Markets Income** were all off 0.4%.

Municipal bond funds posted declines ranging from 0.2% to 0.5%.

SELECT PORTFOLIOS

Select System holdings are listed on page 7. Funds rated buy include **Multimedia**, **Technology**, **Telecom**, **Electronics**, **Business Services**, **Brokerage**, **Natural Resources**, **Networking**, and **Energy**.

Air Transportation and **Natural Gas** were both up 4.3%, and **Transportation** gained 4.0%. Tech stocks slid on fears of a slower economy. On the bottom end, **Computers** declined 3.6%, and **Networking** was down 4.5%. ■

Happenings

John Roth has replaced Neal Miller at **New Millennium**. After more than 13 years at the fund, Miller is retiring but will remain with Fidelity in an advisory role. In other changes, Martin Zinny and Robert Lee are now co-managers at **Consumer Industries** and **VIP Consumer Industries**, Richard Manuel has taken over at **Home Finance**, and Lee Miles is the new stockpicker at **Automotive**.

Fidelity is planning to restructure the Select family around a new set of indexes that adhere to the Global Industry Classification System. Pending shareholder approval, most funds will have new benchmarks, and some funds will be renamed.

Small Cap Stock is now closed to new investors. **Small Cap Independence** makes a good substitute, but keep in mind that rising interest rates may pose a problem for small caps in general. ■

JUNE DISTRIBUTIONS

Asset Manager: Income	\$ 0.03 / \$12.95 (6/2)
Freedom Income	\$ 0.03 / \$11.37 (6/2)
Large Cap Stock	\$ 0.03 / \$16.08 (6/2)
Mid-Cap Stock	\$ 0.63 / \$29.05 (6/2)
Real Estate	\$ 0.06 / \$34.20 (6/2)
Real Estate Income	\$ 0.20 / \$11.64 (6/2)
Small Cap Stock	\$ 1.26 / \$18.79 (6/2)
Spartan 500 Index	\$ 0.44 / \$89.03 (6/2)

Funds scheduled for July include **Asset Manager**, **Asset Manager Income**, **Balanced**, **Convertible Securities**, **Equity-Income**, **Equity-Income II**, **Fidelity Fund**, **Freedom Income**, **Growth & Income**, **Growth & Income II**, **Puritan**, **Strategic Dividend & Income**, and **Utilities**.

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reserves (55/FDRXX)	76603.3	4.74	CT MM (418/FCMXX)	1467.7	3.44			
Select MM (85/FSLXX)	1172.5	4.83	MA MM (74/FDMXX)	4235.7	3.39	FL MM (428/FSFXX)	1791.3	3.45
Money Market (454/SPRXX)	5742.1	4.81	MI MM (420/FMIXX)	729.5	3.42	MA AMT TF (426/FMSXX)	1489.2	3.49
Gov't MM (458/SPAXX)	466.2	4.71	NJ MM (417/FNJXX)	1652.9	3.41	AMT Tax-Free (460/FIMXX)	3258.7	3.60
US Treas. MM (415/FDLXX)	1744.0	4.39	NY MM (92/FNYXX)	3729.5	3.40	NJ AMT TF (423/FSJXX)	939.4	3.51
Tax-Free MM (275/FMOXX)	2460.1	3.48	OH MM (419/FOMXX)	817.5	3.41	NY AMT TF (422/FSNXX)	1830.1	3.45
US Gov't Reser (50/FGRXX)	3148.8	4.77	AZ MM (433/FSAXX)	253.6	3.44	PA MM (401/EPTXX)	454.8	3.47
CA MM (97/FCFXX)	4103.8	3.41	CA AMT TF (457/FSPXX)	2471.8	3.56	Municipal MM (10/FTEXX)	16819.5	3.49