

Sector Update

Twice each year we update our volatility model with the latest daily gains and losses, calculating each industry group's standard deviation and comparing the figures to historical norms. The underlying theory: those sectors which zig and zag less than usual offer higher potential rewards than those with magnified daily price swings.

A summary of our latest volatility model results is shown on page 3. Although some sectors have seen significant changes in rank since last December, the relative position for most major groups hasn't changed all that much. The technology group continues to

SECTOR UPDATE - *Continued on page 2*

Trades For Growth Model, Select System

On Monday, 6/14, our Growth Model will sell **Leveraged Company Stock** (122/FLVCX) and buy **Equity-Income** (23/FEQIX), resulting in a mix of roughly 34% **Export**, 39% **Capital Appreciation**, and 27% **Equity-Income**. There are no changes to the VIP Growth Model. This move will cut the Growth Model's overall risk, bringing it more in line with the S&P 500. We like **Equity-Income** because it's a pure play on dividend stocks. Renewed interest in dividends is prompting many corporations to increase their payouts, a trend that may help this fund exceed the S&P 500 while taking on slightly less risk. **Leveraged Company** may still outperform, but only because it takes on 30% more risk than the market. From a risk-adjusted standpoint, it no longer stands out from the pack.

Also on 6/14, our Select System will make two trades (place your trades over the weekend to get the 10 a.m. price). We will sell **Computers** (7/FDCPX), buying **Electronics** (8/FSELX), and we will sell **Medical Equipment** (354/FSMEX), purchasing **Biotechnology** (42/FBIOX). The approximate weightings will be 14% **Energy**, 20% **Banking**, 20% **Biotechnology**, 17% **Software**, 15% **Technology**, and 14% **Electronics**. There are no changes to our VIP Sector Model. Please see our lead story for the logic behind these moves.

Review & Recommendations

Job growth exceeded expectations for the second month in a row, and fossil fuel supplies remained tight. Investors braced for higher inflation and two or more Fed tightening moves between now and the end of the year. Bonds finished lower, but favorable earnings helped stocks, especially in the technology group. The S&P 500 gained 1.4% for May.

GROWTH FUNDS

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

An overweighted technology position helped **Structured Large Cap Growth** to finish with a 4.2% increase. **Focused Stock** gained 3.4%, and **Structured Mid Cap Growth** rose 3.2%. In contrast, **Small Cap Independence** slid 0.9% on weakness in automotive stocks, and **Discovery's** high turnover may be partly to blame for its 1.1% decline.

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 energy prices move higher or if China's growth slows.

Canada and **Nordic** led the group, posting respective gains of 1.8% and 1.6%. Japanese stocks declined on fear that China's economy could be in for a hard landing, which could impact suppliers of heavy equipment. **Japan Smaller Companies** finished on the bottom, down 3.8%.

GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. **Balanced** and **Puritan** offer an all-weather approach that should stand the test of time. For stocks, go with **Equity-Income**, or **Equity-Income II**.

Real Estate recovered from last month's big hit, gaining 6.6%. Other funds in this group tended to trail the market because they are underweighted in technology stocks. **Equity-Income II** and **Utilities** were the group laggards, posting declines of 0.5% and 1.0%, respectively.

RECOMMENDATIONS - *Continued on page 8*

dominate most of the top spots, although **Developing Communications** and **Computers** have dropped down. The bottom end is still home to many of the cyclical and commodity sectors. And the majority of the financial and health care sectors are sporting better-than-average scores.

The one significant broad-based move involves the consumer-oriented Selects, all of which moved up in rank. **Retailing** led the pace, followed by **Food & Agriculture**. Both funds have significant exposure to restaurants and supermarket chains, groups that are usually the first to raise prices when inflation picks up.

SELECT SYSTEM CHANGES

The post-bear-market rebound in technology seems to have lost its momentum this year, but the group is still a favorite of our volatility model. Top ranked funds include **Software**, **Technology**, and **Electronics**, suggesting that tech in general may still have a shot at outperforming the market in the coming months. As such, we'll be hanging on to both **Software** and **Technology**. **Electronics**, which moved up in rank since December, is now slated to replace **Computers** in the Select System. All in all, we'll be maintaining our heavy technology emphasis, which means we'll continue to take on significantly more risk than the S&P 500. But there's a good chance we'll come out ahead for doing so.

Banking, the highest-ranked financial services sector, is still turning in favorable standard deviation figures and will remain in the Select System. Rising interest rates would usually suggest that it's time to move out of the financial group, but our volatility model is saying to stay put this time around.

After removing **Biotechnology** from the Select System's pool of eligible candidates last December, we've decided to reverse that decision. Lofty stock values and high volatility remain key concerns, but Fidelity has been unusually successful with its stock picks in this area. It's starting to look like biotech firms will replace traditional pharmaceutical companies in the coming decades. If so, excluding **Biotechnology** from the Select System could hurt our future performance more than backtest numbers alone would suggest. Given **Biotechnology's** high ranking in our volatility model, adding it to our pool of Select System candidates means that it will replace **Medical Equipment** for the months ahead.

An analysis of the energy group suggests that our volatility ranking system may not be all that

effective when these funds are compared to the non-energy groups. To remedy the situation, we are considering a dedicated energy position for the Select System, one that would always hold **Energy**, **Natural Gas**, or **Natural Resources**. Since **Energy** is currently the highest ranked of the three, we'll be keeping it for now while we study the implications. Preliminary backtest results suggest the change will not impact long-term performance if fossil fuel prices settle into a trading range, but may help if oil continues to climb over the long run.

Finally, **Retailing** has been temporarily removed from our candidate pool because of its small size (\$92 million). We've upgraded it to a buy, and we'll add it to the Select System when and if it gets big enough.

SECTOR REVIEW

The volatility model forms the basis for our Select System decisions, but it's important to consider fundamental factors as well. Following is a review of all the Selects we currently include, along with those we'll be rating buy in the coming months.

Banking has seen some weakness following the Fed's verbal retreat from its easy money policy. Investors fear the yield curve will become flatter, reducing the earnings spread that most lending institutions depend on. But those concerns may be overblown. These days a much larger portion of banking profits are derived from fees, credit card interest, and innovative mortgages that won't suffer as much as interest rates rise. In fact, for some banks a rebound in commercial lending activity will more than offset any earnings that are lost to higher interest rates. Another plus is the sector's ongoing potential for consolidation and dividend growth, which may play especially well in the current market.

Biotechnology remains one of the more volatile industry groups, but earnings growth has been strong among the more established firms. Many are now able to fund their own research, allowing them to take on bigger challenges. Biotech has never been an easy business. Only a small fraction of products in development manage to gain FDA approval, and some of today's biggest dreams make take decades to bear fruit. Still, when it comes to solving the most complex of medical problems, these companies are clearly in the driver's seat. Fidelity tends to focus on the major players in this industry, where product lines are more diverse and the surprise factor is not as great. Still, given the sector's high stock values, minor disappointments can sometimes have a major impact on performance. Nevertheless, we like the

MANAGED ACCOUNTS: Money management services are available through Weber Asset Management, Inc., where the strategies used by Fidelity Monitor are personalized to meet your individual needs and risk tolerance. Your account stays at Fidelity and is invested in Fidelity funds. For information please call 800-438-3863, or visit www.fidelitymonitor.com and click on the money management link. You may also write Weber Asset Management, Inc, 1983 Marcus Avenue #221, Lake Success, NY 11042. Minimum account size is \$200,000.

Fidelity Monitor is published by Independent Fidelity Investors, Inc, P.O. Box 1270, Rocklin, CA 95677. Web site: www.fidelitymonitor.com For information/service, call (800) 397-3094, email fidmonserv@comcast.net or visit the web site. Subscription rate: \$139 per year, including weekly hotline service. Fidelity Monitor is not associated with Fidelity Investments. All facts and figures are obtained from reliable sources but are subject to revision. Before buying a fund, please read its prospectus. Editor: Jack Bowers. Copyright (c) 2004.

fact that this industry group isn't affected much by rising interest rates or higher energy costs.

The companies in **Computers**' portfolio continue to benefit from consumer demand and growing interest in wireless communications hardware. However, competition remains heavy and the economic recovery is putting some upward pressure on the cost of key components. As such, earnings leadership may shift from the hardware producers to the chipmakers. That's not necessarily a bad thing, as this fund has over a third of its assets in semiconductor firms. Still, if chipmakers are the best bet going forward, a position in **Electronics** may be the better way to capitalize on the situation.

Medical Equipment & Systems focuses on companies that provide the equipment and supplies for health care providers. Advancing technology plays a key role, revolutionizing surgical procedures and making diagnosis faster, easier, and more accurate. Many of these firms have excellent prospects for long-term growth, but in the short run competition appears to be heating up within the industry's more profitable product lines. Roughly 25% of this fund overlaps into medical service providers and traditional pharmaceutical firms.

Electronics is a cyclical technology sector. Until recently, competition and excess capacity had been keeping chip prices low, but now the global economic rebound is leading to higher prices and improving margins. Unlike other manufacturers, chipmakers probably won't see much direct impact from higher interest rates or rising energy costs. There's some risk that revenue could taper off if the global economy loses momentum, but brisk sales of consumer products and the scaling up of wireless internet services seems likely to keep the demand for chips at robust levels.

Energy has been helped by the surging price of oil, although its upside has been limited by the belief that oil will drop to around \$30/barrel after Saudi Arabia boosts production. But even if oil pulls back in the short run, it's still headed up long term. And oil company profits are likely to follow. Here's why. Global oil demand is growing faster than supply, and the imbalance will get worse over time as rising demand from China and other emerging countries clashes with limited reserves. Global production of oil is about to enter a declining phase, as it did in the Continental U.S. in 1970, because mature wells are running dry faster than new supplies are coming on line. The key crossover point, which is known as Hubbert's Peak, will probably be reached sometime

after Saudi Arabia taps the remainder of its easy reserves near the end of 2005. The global economy will then be forced to use more natural gas, the cheapest and cleanest "alternative" energy source. Natural gas is abundant around the globe, despite tight supplies here at home. It's been ignored until now because of transportation difficulties (it must be cooled to around three hundred degrees below zero to become a liquid). Unfortunately, building the required liquefaction plants, super-cooled ocean tankers, and receiving ports could take decades. In the mean time, the price of oil will eventually climb much higher than it is today, increasing the market weighting of energy stocks to something greater than today's 6% of the S&P 500. Don't look for fuel cells to save the day. The only practical way to make Hydrogen is to reform it from natural gas – an inefficient process that produces an expensive fuel. That may change in fifteen or twenty years, but not before several major technology hurdles are overcome.

Natural Resources is driven by many of the same factors that affect **Energy**. The key difference: a 13% weighting in metals and an 8% stake in paper and lumber companies provides a small degree of diversification in a portfolio that's otherwise fully invested in energy and energy services.

Retailing is now the highest ranked consumer sector in our volatility model. Its small size means it won't be included in our Select System this time around, but we've upgraded it to a buy. The fund currently emphasizes supermarkets, drug stores, restaurants, home improvement, and a variety of discounters. Internet retailers are virtually absent

SECTOR UPDATE - *Continued on page 8*

VOLATILITY AS % OF HISTORICAL

Software	46%	Dev Com	63%
Technology	51%	Pharmaceuticals	64%
Electronics	52%	Home Finance	64%
Biotechnology	52%	Nat Resources	64%
Banking	52%	Indust Equip	66%
Retailing	53%	Consumer Ind	68%
Insurance	55%	Cyclical Ind	68%
Computers	55%	Chemicals	70%
Financial Ser	55%	Paper & Forest	72%
Utilities	59%	Defense	73%
Telecom	60%	Environmental	74%
Food & Ag	61%	Transportation	74%
Health Care	61%	Const & Housing	75%
Medical Equip	61%	Medical Delivery	75%
Brokerage	61%	Air Transport	77%
Leisure	61%	Automotive	80%
Energy Services	62%	Industrial Materials	87%
Multimedia	62%	Natural Gas	89%
Energy	63%	Gold	100%

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 ↓.

MAY 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***	1.24	1.5(90)	15.66	5131.5	4.9	2.2	0.0	24.0	-17.0	-12.1	6.3
Blue Chip Gth (312/FBGRX)	H***	1.03	none	40.10	22553.3	1.2	1.6	-1.7	14.8	-4.9	-3.1	8.8
Blue Chip Value (1271/FBCVX)	H***	1.0 Est	none	11.25	64.2	1.1	1.2	-2.7				
Capital Apprec (307/FDCAX)	B****	1.30	none	24.96	5465.7	1.8	0.2	-1.9	28.5	3.4	3.8	10.8
Contrafund (22/FCNTX)	B****↑	0.95	none	51.27	37339.0	3.9	1.6	0.7	23.7	4.4	3.0	12.6
Discovery (339/FDSVX)	S***↓	0.79	none	10.19	561.2	-1.5	-1.1	-3.0	10.1	-3.5	1.6	
Disc Equity (315/FDEQX)	H***	1.03	none	23.05	4160.6	1.4	1.9	-1.8	17.7	-1.3	0.4	10.1
Dividend Gth (330/FDGFY)	H***	0.96	none	27.43	18931.8	0.5	-0.4	-2.5	13.5	-1.9	1.7	14.7
Export Fund (332/FEFXX)	B****	1.08	0.75(30)	18.58	1169.2	2.3	1.7	-1.2	20.5	3.2	8.2	
Fidelity Fifty (500/FFTYX)	H***	1.27	0.75(30)	19.15	914.3	-0.7	0.9	-2.3	7.3	1.0	3.8	12.9
Growth Company (25/FDGRX)	B****	1.44	none	51.86	23145.2	3.6	3.0	0.5	23.9	-4.1	2.3	11.7
Large-Cap Stock (338/FLCSX)	H***	1.06	none	13.91	707.9	0.2	1.6	-2.5	15.0	-5.1	-3.4	
Lev Co Stock (122/FLVCX)	H***↓	1.34	1.5(90)	19.89	1637.9	2.9	2.1	-4.4	43.4	23.2		
Low-Priced Stock (316/FLPSX)	B****	0.94	Closed	36.23	29657.2	3.6	0.3	-2.0	31.6	14.8	16.1	16.3
Magellan (21/FMAGX)	H***	0.99	Closed	98.25	65142.6	0.7	1.1	-1.9	14.6	-4.1	-2.2	9.4
Mid Cap Stock (337/FMCSX)	B****	1.24	0.75(30)	21.59	8209.1	0.1	2.5	-3.4	18.6	-3.8	7.8	14.7
New Millennium (300/FMILX)	B****	1.49	Closed	29.01	3412.1	-4.5	2.5	-8.1	15.0	0.2	5.1	18.3
OTC Portfolio (93/FOCPX)	B****	1.55	none	32.63	7707.9	0.5	3.0	-3.2	24.0	-1.2	-2.2	10.6
Independence (73/FDFFX)	H***	1.25	none	16.25	4434.9	1.2	2.2	-1.3	14.2	-3.1	1.6	9.7
Small Cap Indep (336/FDSCX)	H***	1.11	1.5(90)	18.27	971.4	1.8	-0.9	-2.3	26.8	7.6	7.5	9.1
Small Cap Stock (340/FSLCX)	H***	1.18	2(90)	17.38	3311.7	1.6	0.8	-3.2	35.3	9.2	13.6	
Stock Selector (320/FDSSX)	H***	1.03	none	21.23	784.5	1.1	1.2	-1.8	16.8	-1.7	-0.6	9.1
Strc Lg Cap Gth (763/FSLGX)	H***	1.12	0.75(30)	9.23	26.1	2.3	4.2	-0.6	16.8			
Strc Lg Cap Val (708/FSLVX)	H***	0.95	0.75(30)	10.88	37.4	3.4	1.4	-0.1	20.8			
Strc Mid Cap Gth (793/FSMGX)	H***	1.29	0.75(30)	10.55	55.7	2.2	3.2	-1.8	24.0			
Strc Mid Cap Val (762/FSMVX)	H***	0.98	0.75(30)	12.48	73.7	3.3	2.1	-1.6	23.7			
Focused Stock (333/FTQGX)	H***	1.10	0.75(30)	8.84	33.3	0.8	3.4	-1.7	15.8	-11.5	-4.6	
Trend (5/FTRNX)	H***	1.01	none	49.62	842.3	1.3	1.3	-1.8	16.8	-2.0	0.8	6.3
Value (39/FDVLX)	B****	1.01	none	64.49	7635.1	3.9	1.3	-1.6	25.2	8.1	7.3	12.0
Value Discovery (832/FVDFX)	H***	1.18	none	12.65	58.5	1.3	0.7	-4.0	18.9			
Value Strategies (14/FSLSX)	H***	1.2 Est	none	33.46	143.1	2.0	1.8	-4.6	37.5	4.9	10.7	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B****	0.80	none	16.76	10661.1	0.4	0.8	-3.5	15.0	5.2	4.9	9.8
Convertible Sec (308/FCVXX)	H***	0.69	none	20.29	1807.1	1.5	1.4	-1.3	14.4	3.1	10.0	12.7
Equity-Income (23/FEQIX)	B****↑	0.97	none	49.47	23548.7	0.8	0.7	-2.2	20.4	0.2	2.1	10.8
Equity-Income II (319/FEQTX)	B****	1.05	none	22.11	12160.9	-2.0	-0.5	-4.0	15.6	0.8	2.1	10.5
Fidelity Fund (3/FFIDX)	H***	1.00	none	28.28	10246.7	0.9	0.8	-1.7	17.6	-3.2	-1.3	10.7
Growth & Income (27/FGRIX)	H***	0.88	none	35.82	30139.9	0.8	0.6	-1.9	12.0	-2.3	-1.1	10.4
Growth & Inc II (361/FGRTX)	H***	0.91	none	9.23	213.1	-0.3	1.0	-2.6	10.9	-1.0	-1.3	
Puritan (4/FPURX)	B****	0.67	none	18.46	21982.8	0.5	0.2	-2.2	13.8	3.1	4.0	9.6
Real Estate Inc (833/FRIFX)	H***	0.2 Est	0.75(90)	11.20	448.8	1.1	0.0	-1.6	10.8			
Real Estate (303/FRESX)	H***	1.13	0.75(90)	23.91	2850.1	2.6	6.6	-3.4	25.3	15.6	13.5	11.5
Strategic Div & Inc (1329/FSDIX)	B****	0.7 Est	none	10.22	338.1	1.3	1.1	-2.8				
Utilities (311/FUIX)	H***↑	1.00	none	11.41	817.5	-0.3	-1.0	-3.6	6.9	-9.1	-7.8	6.2
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.52	0.75(30)	29.69	36.4	0.2	2.2	0.0	23.6	-5.8	4.9	12.2
Automotive (502/FAVXX)	S***	1.36	0.75(30)	30.84	22.1	-5.1	-3.2	-4.7	26.9	10.6	4.1	6.8
Banking (507/FSRBX)	B****	1.10	0.75(30)	38.91	443.1	-0.1	2.2	-4.3	19.1	6.0	5.4	14.2
Biotechnology (42/FBIOX)	B****	1.77	0.75(30)	58.55	2144.6	13.7	0.0	5.7	23.0	-5.2	8.8	13.9
Brokerage (68/FSLBX)	H***	1.52	0.75(30)	48.40	391.7	-2.5	0.2	-10.5	17.1	2.0	6.8	16.7
Business Ser (353/FBSOX)	H***	1.18	0.75(30)	14.67	40.7	2.4	1.0	3.7	20.1	-0.5	4.4	
Chemicals (69/FSCHX)	H***	1.33	0.75(30)	52.60	63.3	1.6	0.2	1.7	28.5	8.2	8.7	9.7
Computers (7/FDCPX)	H***↓	2.01	0.75(30)	34.65	824.6	-3.4	6.4	-7.6	23.7	-6.2	-5.2	13.7
Const & Housing (511/FSHOX)	H***↑	1.38	0.75(30)	35.41	107.9	1.9	1.4	-1.7	32.4	13.8	10.8	12.8
Consumer Indust (517/FSCPX)	H***	0.98	0.75(30)	22.61	36.9	0.2	-0.4	-2.8	14.3	-0.5	-0.5	9.9
Cyclical Indust (515/FCYIX)	H***	1.16	0.75(30)	16.14	31.8	2.0	2.0	1.1	31.9	2.7	5.6	
Defense & Aero (67/FSDAX)	H***	1.20	0.75(30)	55.07	307.1	0.6	0.6	0.0	34.1	7.8	9.3	15.3
Develop Commn (518/FSDCX)	H***↓	2.17	0.75(30)	17.34	702.0	4.5	4.5	-14.4	37.6	-9.4	-6.3	10.6
Electronics (8/FSELX)	B****↑	2.13	0.75(30)	41.60	3438.7	-0.7	8.9	-4.7	30.7	-7.4	1.9	18.3
Energy (60/FSENX)	B****	1.25	0.75(30)	26.56	408.5	6.1	-0.8	0.3	18.3	-0.1	7.1	10.0
Energy Services (43/FSSEX)	H***↓	2.04	0.75(30)	33.19	432.6	5.0	-4.2	-6.9	-1.3	-5.1	9.9	13.7
Environmental (516/FSLEX)	H***	1.18	0.75(30)	13.27	12.6	-0.3	0.6	-0.2	18.7	-2.5	-1.4	2.5
Financial Services (66/FIDSX)	H***	1.07	0.75(30)	113.37	497.3	0.0	1.7	-5.1	17.8	2.9	5.2	14.7
Food & Agriculture (9/FDFAX)	H***	0.72	0.75(30)	46.44	110.0	5.5	-1.1	-0.1	19.1	5.6	4.9	11.6
Gold (41/FSAGX)	H***	2.32	0.75(30)	24.15	590.8	-19.0	8.3	-11.2	12.6	24.7	16.2	2.6
Health Care (63/FSPHX)	H***	1.07	0.75(30)	124.74	2044.3	5.7	0.3	1.1	13.8	-0.5	3.7	15.4
Home Finance (98/FSVLX)	H***	1.15	0.75(30)	64.44	385.8	2.2	4.1	-4.1	23.7	11.2	11.8	15.7
Indust Equip (510/FSCGX)	H***	1.28	0.75(30)	24.13	52.8	-0.2	2.5	-0.2	36.8	0.4	1.6	10.6
Indust Materials (509/FSDPX)	H***	1.47	0.75(30)	32.43	101.5	-7.9	3.6	-7.9	34.5	10.9	8.0	7.1
Insurance (45/FSPCX)	H***	0.97	0.75(30)	57.23	152.1	4.3	-0.7	-3.1	20.0	7.3	10.3	17.5
Leisure (62/FDSLX)	H***	1.17	0.75(30)	70.27	217.0	3.6	-0.2	-1.1	25.3	1.7	0.6	12.9
Medical Delivery (505/FSHCX)	H***	1.48	0.75(30)	32.63	136.3	5.9	2.7	-0.4	36.2	9.6	10.5	9.9
Medical Equip/Sys (354/FSMEX)	H***↓	0.98	0.75(30)	21.99	668.5	10.4	1.4	5.3	26.7	13.4	17.1	
Multimedia (503/FBMPX)	H***	1.38	0.75(30)	42.57	124.8	-3.5	-0.1	-2.7	17.0	2.3	2.8	13.0
Natural Gas (513/FSNGX)	H***	1.62	0.75(30)	23.30	265.6	8.0	-1.9	1.3	18.9	-0.5	11.1	10.2
Nat Resources (514/FNARX)	B****	1.18	0.75(30)	14.63	108.0	2.3	0.1	-1.7	21.4	0.4	8.4	
Networking/Infra (912/FNINX)	H***	2.29	0.75(30)	2.28	142.1	-2.6	8.1	-14.3	20.0	-15.4		
Paper & Forest (506/FSFPX)	H***	1.40	0.75(30)	31.11	25.8	0.6	2.9	-1.7	25.7	4.8	6.5	9.4
Pharmaceuticals (580/FPHAX)	H***	1.12	0.75(30)	8.87	86.0	1.3	-1.6	-0.9	8.7			
Retailing (46/FSRPX)	B****↑	1.07	0.75(30)	46.77	85.9	4.5	1.1	-1.3	25.7	1.1	0.0	11.0
Software (28/FSCSX)	B****	1.54	0.75(30)	47.76	801.3	-3.0	-2.9	-7.0	17.4	-0.8	6.5	17.7
Technology (64/FSPTX)	B****	1.90	0.75(30)	58.89	2227.1	-2.0	6.7	-4.9	23.8	-5.5	-2.6	13.7
Telecom (96/FSTCX)	H***	1.61	0.75(30)	32.60	375.5	1.9	-0.9	-8.8	15.0	-8.9	-10.5	5.9
Transportation (512/FSRFY)	H***	1.34	0.75(30)	33.33	36.7	-1.5	2.5	1.5	19.1	2.2	6.9	11.4
Utilities Growth (65/FSUTX)	H***	1.06	0.75(30)	33.36	201.1	1.7	-0.6	-1.3	11.0	-10.2	-7.9	7.6
Wireless (963/FWRLX)	H***	1.90	0.75(30)	4.90	315.3	19.8	7.5	1.0	59.6	-9.8		

MAY 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***	1.22	1 (30)	15.06	741.9		-1.0	-1.4	-3.5	27.0	7.2	3.9	
Canada (309/FICDX)	B****	1.14	1.5(90)	26.71	299.3		-2.5	1.8	-7.2	25.4	10.6	14.0	
Diversified Int'l (325/FDIVX)	B****	1.01	1 (30)	24.96	16849.6		3.5	0.4	-1.7	34.3	8.0	9.0	
Emerging Mkts (322/FEMKX)	H***	1.37	1.5(90)	10.36	638.3		-2.4	-2.5	-9.3	36.2	9.5	4.3	
Europe (301/FIEUX)	B****	1.24	1 (30)	27.19	1563.7		2.1	0.4	-4.1	31.8	2.0	1.6	
Europe Cap Appr (341/FECAX)	H***	1.12	1 (30)	18.79	421.3		0.5	-0.1	-7.8	25.0	4.3	4.2	
China Region (352/FHKCX)	H***	1.42	1.5(90)	15.04	315.8		-3.2	0.1	-11.1	33.9	3.6	6.4	
Global Balanced (334/FGBLX)	H***	0.76	1 (30)	19.04	132.9		0.9	-0.1	-1.4	22.7	5.9	5.2	
Int'l Growth & Inc (305/FIGRX)	B****	1.12	1 (30)	24.46	1787.5		2.3	0.3	-2.7	36.5	6.2	7.1	
Int'l Small Cap (818/FISMX)	B****	1.18	2 (90)	19.94	1174.4		6.8	-1.1	-1.1	62.2			
Japan (350/FJPNX)	H***	2.02	1.5(90)	12.17	671.0		5.5	-1.8	7.4	48.4	-2.7	3.6	
Japan Smaller Co (360/FJSCX)	H***	1.94	1.5(90)	11.93	1393.9		15.4	-3.8	17.9	80.9	11.7	11.0	
Latin America (349/FLATX)	H***	1.73	1.5(90)	14.66	285.6		-3.7	-0.2	-9.0	35.3	5.1	4.4	
Nordic (342/FNORX)	H***	1.33	1.5(90)	22.18	105.4		5.7	1.6	-6.6	33.1	2.1	4.4	
Overseas (94/FOFSX)	H***	1.24	1 (30)	31.69	4162.4		0.8	-0.7	-3.1	37.5	0.2	1.3	
Pacific Basin (302/FPBFX)	H***	1.55	1.5(90)	17.81	485.8		1.6	-2.8	-0.6	40.4	2.9	5.0	
Southeast Asia (351/FSEAX)	H***	1.62	1.5(90)	14.30	515.2		-1.9	-1.9	-10.2	41.5	9.3	7.1	
Worldwide (318/FWWFX)	H***	1.03	1 (30)	16.51	1020.5		0.9	0.6	-2.8	26.8	2.9	4.4	

INDEX AND ASSET ALLOCATION:

Four-In-One Index (355/FFNOX)	H***	0.83	0.5(90)	23.11	590.3		1.5	1.0	-1.9	18.8	0.9	
NASDAQ Comp (1282/FNCMX)	H***	1.54	0.75(90)	27.22	77.9		-0.9	3.5	-2.0			
Spart Ext Mkt Idx (398/FSEMXX)	B****	1.19	0.75(90)	28.12	984.5		3.0	1.6	-2.2	28.6	4.8	2.8
Spart Int'l Index (399/FSIIX)	H***	1.09	1(90)	27.77	574.2		2.3	0.7	-1.8	31.7	1.4	0.3
Spart 500 Index (317/F5MXX)	H***	1.00	0.5(90)	77.68	10178.2		1.4	1.4	-1.8	18.1	-2.3	-1.7
Spart Total Mkt Idx (397/FSTMX)	H***	1.02	0.5(90)	30.36	2232.1		1.7	1.4	-1.9	20.1	-0.6	-0.6
Asset Manager (314/FASMX)	H***	0.55	none	15.69	11280.6		0.0	-0.4	-2.2	8.4	1.6	3.3
Asset Mgr Agg (347/FAMRX)	H***	1.18	none	10.40	359.7		1.6	0.0	-1.8	26.5	-4.4	
Asset Mgr Gth (321/FASGX)	H***	0.74	none	14.30	3729.4		0.1	-0.5	-2.3	11.5	0.0	0.8
Asset Mgr Inc (328/FASIX)	B****	0.38	none	12.14	1224.8		0.4	0.3	-1.5	6.9	4.8	4.6
Freedom 2000 (370/FFFBX)	B****	0.31	none	11.77	1569.9		0.2	0.3	-1.3	4.5	2.4	4.1
Freedom 2005 (1312/FFVXX)	B****	0.3 Est	none	10.27	44.1		0.4	0.4	-1.8			
Freedom 2010 (371/FFFCX)	B****	0.51	none	12.98	7335.7		0.4	0.4	-1.9	9.4	2.3	3.9
Freedom 2015 (1313/FFVFX)	B****	0.5 Est	none	10.36	146.6		0.5	0.5	-2.0			
Freedom 2020 (372/FFDXX)	B****	0.73	none	13.04	7531.2		0.7	0.7	-2.0	14.9	1.0	2.8
Freedom 2025 (1314/FFTXX)	B****	0.7 Est	none	10.46	83.9		0.9	0.9	-2.0			
Freedom 2030 (373/FFFEX)	B****	0.85	none	13.04	4349.6		0.9	0.9	-2.0	17.5	0.0	1.9
Freedom 2035 (1315/FFTHX)	B****	0.8 Est	none	10.52	35.1		1.0	0.8	-2.0			
Freedom 2040 (718/FFFXX)	B****	0.92	none	7.60	1320.1		1.1	0.9	-2.0	19.7	-0.7	
Freedom Income (369/FFFAX)	B****	0.27	none	11.04	1748.0		0.1	0.1	-1.3	3.5	2.8	4.3

TAXABLE BOND FUNDS:

Capital & Income (38/FAGIX)	H***	0.32	1(90)	7.73	4281.5	6.89	-1.4	-2.1	-2.8	11.3	8.3	3.7
Floating Rate (814/FRHX)	B****	0.06	1(60)	9.88	1254.8	3.00	1.4	0.0	0.6	4.5		
GNMA Portfolio (15/FGMNX)	H***	0.25	none	10.91	4192.4	4.01	0.2	-0.3	-1.3	1.2	4.9	5.9
Gov't Income (54/FGOVX)	H***	0.43	none	10.05	4076.6	2.92	-0.5	-0.2	-2.4	-2.1	5.7	6.2
Intermed Bond (32/FTHRX)	H***	0.32	none	10.46	6828.0	3.40	-0.4	-0.5	-2.0	-0.1	6.2	6.6
Intermed Gov't Inc (452/FSTGX)	H***	0.32	none	10.13	1029.7	2.69	-0.4	-0.4	-1.9	-1.4	5.4	6.1
Invest Grade Bond (26/FBNDX)	H***	0.36	none	7.42	5719.3	3.07	-0.4	-0.4	-2.1	-0.2	6.3	6.6
Mortgage Securities (40/FMSFX)	H***	0.25	none	11.06	1359.0	3.34	0.1	-0.2	-1.4	1.8	5.7	6.4
New Markets Inc (331/FNMIX)	S**	0.68	1(90)	12.83	893.4	6.59	-4.4	-2.1	-5.1	4.2	12.7	15.8
Short-Term Bond (450/FSHBX)	B****	0.17	none	8.96	5512.1	2.17	0.1	-0.2	-0.9	0.9	4.8	5.5
Spart Gov't Inc (453/SPGVX)	H***	0.43	none	10.84	837.2	3.38	-0.2	-0.1	-2.2	-1.7	6.2	6.5
High Income (455/SPHIX)	H***	0.24	1(90)	8.69	2909.7	6.98	-0.1	-1.5	-1.4	11.8	6.7	1.1
Spart Invest Grade (448/FSIBX)	H***	0.37	none	10.52	2407.6	3.34	-0.2	-0.4	-2.1	0.1	6.6	6.8
Strategic Income (368/FSICX)	H***	0.32	none	10.09	2470.4	5.57	-1.8	-1.1	-2.8	5.2	9.5	7.9
Inflation-Protected (794/FINPX)	H***	0.58	none	11.10	1142.1	1.45	1.4	1.6	-1.9	2.0		
Total Bond (820/FTBFX)	H***	0.36	none	10.33	352.6	2.98	-0.5	-0.6	-2.1	0.0		
Ultra-Short Bond (812/FUSFX)	B****	0.05	0.25(60)	10.05	455.9	0.95	0.4	0.0	0.0	1.4		
US Bond Index (651/FBIDX)	H***	0.2 Est	none	10.90	4785.3	4.07	-0.5	-0.5	-2.3	-0.1	6.5	

MUNICIPAL BOND FUNDS:

Spart AZ Muni Inc (434/FSAZX)	H***	0.32	0.5(30)	11.25	76.5	3.94	-1.5	-0.5	-3.7	-1.2	5.3	5.3
Spart CA Muni Inc (91/FCTFX)	H***	0.30	0.5(30)	12.17	1460.0	4.46	-1.1	-0.4	-3.5	-0.7	5.1	5.1
Spart CT Muni Inc (407/FICNX)	H***	0.31	0.5(30)	11.51	427.2	4.26	-1.3	-0.4	-3.4	-0.8	5.3	5.3
Spart FL Muni Inc (427/FLLIX)	H***	0.31	0.5(30)	11.39	516.2	4.26	-1.2	-0.4	-3.6	-1.0	5.2	5.2
Spart Intermediate (36/FLTMX)	H***	0.26	0.5(30)	9.95	1809.1	4.11	-0.9	-0.4	-2.9	0.4	5.4	5.2
Spart MA Muni Inc (70/FDMMX)	H***	0.30	0.5(30)	11.89	1767.0	4.49	-1.1	-0.4	-3.2	-0.4	5.5	5.4
Spart MD Muni Inc (429/SMDMX)	H***	0.30	0.5(30)	10.77	98.2	4.07	-1.1	-0.5	-3.2	-0.5	5.0	5.1
Spart MI Muni Inc (81/FMHTX)	H***	0.31	0.5(30)	11.88	552.0	4.21	-1.1	-0.3	-3.2	-0.6	5.6	5.4
Spart MN Muni Inc (82/FMIX)	H***	0.26	0.5(30)	11.36	342.4	4.08	-1.0	-0.3	-2.8	-0.1	5.1	5.0
Spart Municipal Inc (37/FHIGX)	H***	0.31	0.5(30)	12.77	4763.7	4.61	-1.2	-0.5	-3.6	-0.3	5.9	5.8
Spart NJ Muni Inc (416/FNJHX)	H***	0.31	0.5(30)	11.44	535.0	4.13	-1.7	-0.5	-3.7	-0.9	5.1	5.4
Spart NY Muni Inc (71/FTFMX)	H***	0.31	0.5(30)	12.80	1384.1	4.20	-1.3	-0.4	-3.5	-0.8	5.7	5.7
Spart OH Muni Inc (88/FOHFX)	H***	0.31	0.5(30)	11.70	416.7	4.30	-1.4	-0.3	-3.6	-0.8	5.5	5.3
Spart PA Muni Inc (402/FPXTX)	H***	0.29	0.5(30)	10.71	285.8	4.31	-1.4	-0.4	-3.5	-0.6	5.1	5.1
Spart Short-Int Muni (404/FSTFX)	B****	0.15	0.5(30)	10.30	1791.0	2.66	-0.7	-0.4	-1.9	0.1	3.8	4.2
Spart Tax-Free Bond (90/FTABX)	H***	0.34	0.5(30)	10.42	217.4	4.35	-1.4	-0.5	-3.8	-0.3	6.1	

MAY 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	10188.45		-1.6	-0.1	-3.2	17.6	-0.2	1.2	12.7
S&P 500	1.00	1120.68		1.5	1.4	-1.7	18.4	-2.1	-1.5	11.3
NASDAQ	1.54	1986.74		-0.6	3.5	-2.0	25.1	-1.6	-3.9	11.0
Russell 2000	1.54	568.28		2.5	1.6	-2.7	30.3	6.0	6.7	10.1
Fidelity Monitor Income Model	0.10	75103.85		0.5	-0.4	-0.7	4.7	5.8	4.3	6.0
Fidelity Monitor G&I Model	0.66	130309.41		0.4	0.5	-3.3	16.1	7.0	7.0	10.2
Fidelity Monitor Growth Model	1.19	140636.26		2.3	1.2	-2.4	29.2	6.9	6.2	11.1
Fidelity Monitor Select System	1.38	259630.16		1.4	1.9	-3.0	20.5	3.9	5.6	13.0
Fidelity Monitor Unique Opportunities	0.89	78356.56		3.4	0.4	-1.8	29.9	13.2	8.9	

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	\$14.63	1434.568	\$20987.73
Int'l Small Cap	\$19.94	629.116	\$12544.57
Leveraged Co.	\$19.89	924.149	\$18381.32
Low-Priced Stock	\$36.23	729.863	\$26442.94

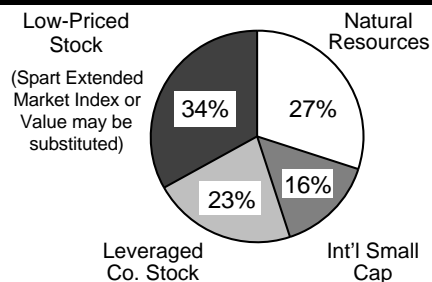
35% Foreign Holdings

Balance as of 5/28/04: \$78356.56

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:	+ 3.4%



Our Unique Opportunities portfolio gained 0.4% for the month of May.

401(k) CORNER

Portfolio A is for plans similar to the one offered by General Motors. Portfolio B is for plans that include Magellan, Growth & Income, and Contrafund. Portfolio C is for plans including Magellan, Equity-Income, and Growth & Income. Portfolio D is for plans with Magellan and Equity-Income.

Portfolio A (+1.0% YTD)	Portfolio B (+1.9% YTD)	Portfolio C (+0.8% YTD)	Portfolio D (+0.8% YTD)
58% Dividend Growth, 42% Capital Appreciation	63% Magellan, 37% Contrafund	31% Magellan, 69% Equity-Income	31% Magellan, 69% Equity-Income

For the month of May, Portfolio A declined 0.1%, Portfolio B was up 1.3%, and Portfolios C and D both rose 0.8%.

VIP CORNER

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

VIP SECTOR MODEL:	VIP GROWTH:	VIP G&I MODEL:	VIP INCOME:
49% Technology, 17% Fin Services, 17% Health Care, 17% Natural Res.	35% Equity-Income, 65% Growth	55% Asset Mgr, 31% Equity-Inc, 14% Investment Grade Bond.	71% Inv. Grade, 29% High Income.

MAY VIP PERFORMANCE		Unit Value	2004 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
Portfolio	Rating							
VIP Asset Manager	B ****	29.89	-0.3	-0.5	-2.4	8.1	1.1	0.8
VIP Asset Manager: Growth	H ***	19.54	-0.2	-0.6	-2.5	11.2	-0.6	-1.8
VIP Balanced	H ***	14.11	-0.8	0.2	-2.6	6.8	0.8	-0.3
VIP Contrafund	B ****↑	31.16	3.6	1.5	0.5	23.1	3.9	2.3
VIP Dynamic Capital Appreciation	H ***	10.82	-1.9	4.3	-4.9			
VIP Equity-Income	B ****↑	49.97	0.5	0.6	-2.4	19.6	-0.4	1.2
VIP Growth	B ****	52.93	-0.5	2.1	-4.1	16.6	-6.9	-3.5
VIP Growth & Income	B ****	15.43	-0.5	1.0	-2.6	10.4	-1.3	-1.7
VIP Growth Opportunities	B ****	11.20	-0.6	1.4	-2.4	14.3	-3.1	-6.7
VIP High Income	H ***	25.41	-1.4	-2.1	-2.2	9.7	4.9	-2.9
VIP Index 500	H ***	29.42	1.0	1.3	-2.0	17.0	-3.1	-2.5
VIP Investment Grade Bond	H ***	26.72	-0.8	-0.6	-2.5	-0.9	5.9	6.0
VIP Mid Cap	B ****	13.47	1.7	1.1	-2.8	30.9	8.4	
VIP Overseas	B ****	26.43	0.6	-0.7	-3.1	36.2	-1.5	-0.3
VIP Real Estate	H ***	11.24	2.2	6.5	-3.6			
VIP Value Strategies	H ***	11.56	1.6	1.9	-4.7			
VIP Consumer Industries	H ***	10.07	-0.1	-0.6	-2.9	13.9		
VIP Cyclical Industries	H ***	11.31	2.3	2.2	1.3	31.7		
VIP Financial Services	B ****	11.09	0.0	1.7	-5.0	17.2		
VIP Health Care	B ****	10.16	5.4	0.2	0.9	13.2		
VIP Natural Resources	B ****↓	10.88	2.1	0.0	-2.0	20.9		
VIP Technology	B ****	8.99	-2.5	6.6	-5.3	22.1		
VIP Telecom & Utilities	H ***	7.70	1.8	-0.5	-1.1	10.7		
Morgan Stanley Emg Mkts Debt	H ***	15.06	-4.9	-1.4	-4.9	3.6	11.6	
Morgan Stanley Emg Mkts Equity	H ***	10.63	-3.5	-2.6	-10.3	35.4	7.2	
Morgan Stanley Global Equity	H ***	13.07	1.9	-0.2	-2.0	25.9	0.3	
Morgan Stanley Int'l Magnum	H ***	9.72	1.3	0.1	-3.0	25.9	-2.0	
PBHG Growth II	S **	9.09	1.0	3.4	-2.5	14.3	-10.6	
PBHG Select Value	H ***	14.99	-4.1	0.1	-4.3	10.3	-19.4	
PBHG Select 20	S **	14.87	3.6	5.5	1.9	21.1	4.6	
PBHG Small Cap Value	H ***	17.81	0.7	0.5	-3.5	24.1	-1.3	
PBHG Tech & Communications	S **	7.61	-0.8	6.9	-3.8	21.2	-22.4	
Strong Mid Cap Growth Fund II	S **	12.04	2.0	1.9	-1.8	14.1	-12.5	
Strong Opportunity Fund II	H ***	16.16	6.0	2.3	0.1	25.9	-0.8	
CS Int'l Focus	H ***	9.30	-0.6	0.2	-2.6	24.4	-2.7	
CS Global Post-VC	H ****↑	9.94	3.8	-0.5	-2.4	33.8	-4.4	
CS Small Cap Growth	S **	11.29	4.5	2.4	-1.4	31.0	-0.2	
Fidelity Monitor VIP Sector Model		13108.57	0.0	3.5	-3.7	25.0		
Fidelity Monitor VIP Growth Model		28084.84	-0.1	1.6	-3.5	17.7	-1.8	-1.5
Fidelity Monitor VIP G&I Model		20316.88	-0.1	-0.2	-2.1	11.5	2.2	0.9
Fidelity Monitor VIP Income Model		17291.37	-1.0	-1.0	-2.4	2.0	6.0	3.4

INCOME MODEL

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

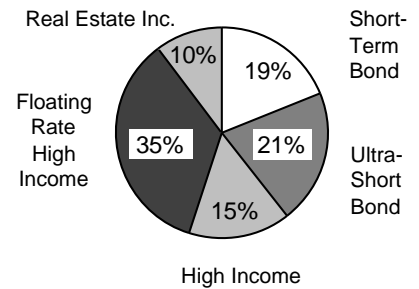
FUND	NAV	SHARES	BALANCE
Short-Term Bond	\$8.96	1591.180	\$14256.97
Ultra-Short Bond	\$10.05	1561.377	\$15691.84
High Income	\$8.69	1315.348	\$11430.37
Floating Rate	\$9.88	2647.201	\$26154.35
Real Estate Inc.	\$11.20	675.921	\$7570.32

4% Foreign Holdings

Balance as of 5/28/04: \$75103.85
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:	+ 0.5%



For May our Income Model slipped 0.4%. On 5/10 we sold one-half of **Real Estate Income** (\$10.99), buying **Floating Rate High Income** (\$9.87).

GROWTH AND INCOME MODEL

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

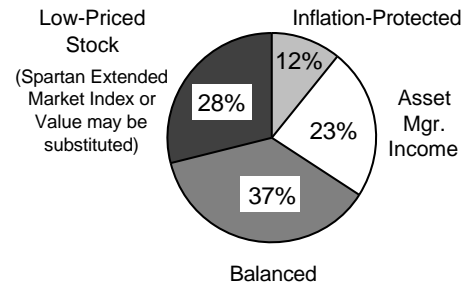
FUND	NAV	SHARES	BALANCE
Inflation-Protect.	\$11.10	1347.834	\$14960.96
Asset Mgr. Inc.	\$12.14	2509.636	\$30466.98
Balanced	\$16.76	2858.072	\$47901.29
Low-Priced Stock	\$36.23	1020.706	\$36980.18

12% Foreign Holdings

Balance as of 5/28/04: \$130309.41
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:	+ 0.4%



Our Growth and Income Model gained 0.5% in May. On 5/10 we sold one-half of **Inflation-Protected** (\$10.83) and one-fourth of **Balanced** (\$16.17), buying **Asset Manager Income** (\$11.95).

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.

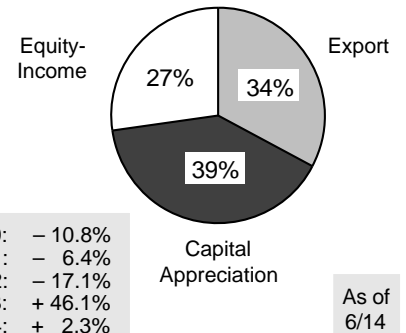
FUND	NAV	SHARES	BALANCE
Export	\$18.58	2543.811	\$47264.01
Capital Apprec.	\$24.96	2216.781	\$55330.85
Leveraged Co.	\$19.89	1912.589	\$38041.40

17% Foreign Holdings

Balance as of 5/28/04: \$140636.26
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:	+ 2.3%



During May our Growth Model gained 1.2%, versus 1.4% for the S&P 500. On 6/14 we will sell **Leveraged Company Stock** and buy **Equity-Income**.

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.

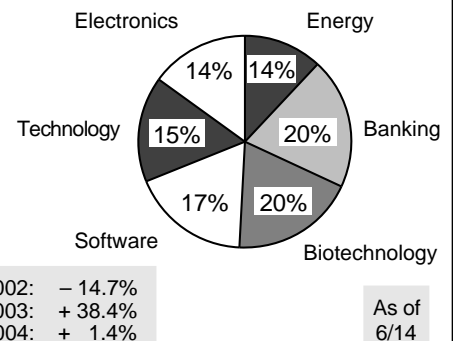
FUND	NAV	SHARES	BALANCE
Energy	\$26.56	1317.381	\$34989.64
Banking	\$38.91	1301.952	\$50658.95
Medical Equip.	\$21.99	2407.181	\$52933.91
Software	\$47.76	938.003	\$44799.02
Technology	\$58.89	676.687	\$39850.10
Computers	\$34.65	1050.463	\$36398.54

13% Foreign Holdings

Balance as of 5/28/04: \$259630.16
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:	+ 1.4%



Our Select System gained 1.9% in May, versus 1.4% for the S&P 500. On 6/14 we'll sell **Computers** and buy **Electronics**. We'll also exchange **Medical Equipment** for **Biotechnology**.

from the portfolio, and mall stores are limited to turnaround plays. Many of the fund's holdings stand to benefit from a stronger economy, although with a heavy emphasis on food and discounters the fund is more defensive than usual. The main concern in this group is the potential for renewed weakness in the dollar, which might squeeze margins for stores that rely heavily on imported goods.

Software is currently the least volatile fund in the technology group, in part because about 25% of its portfolio emphasizes business services and retailing. Like **Technology**, the fund is well-positioned to benefit from an upturn in business spending. Software companies sell the engine of productivity growth in today's economy, and these days their corporate customers feel compelled to keep their systems up-to-date for competitive reasons. The fund's 15% weighting in Microsoft (its top stock) can be viewed as either a blessing or a curse. On the plus side, it moderates the overall valuation level of the portfolio, but from a risk standpoint it makes the fund heavily dependent on the performance of a single stock.

Technology is also positioned to benefit from an upturn in business spending. The fund currently emphasizes chipmakers, hardware manufacturers, and software companies (there's very little exposure to internet companies at this point in time). It has some overlap with **Electronics**, but relatively few stock positions in common with **Software**. There's some risk that rising inflation could put downward pressure on stock multiples in this group. However, if the global recovery remains intact, there's a good chance that earnings growth will more than make up for any reduction in P/E ratios. ■

Happenings

Fidelity has added **VIP Strategic Income** to its annuity lineup. The new portfolio will be similar to the mutual fund version. Separately, **VIP Overseas** has been closed to new money, and **VIP Overseas Class R** has been added with a 1%/60-day redemption fee. Apparently this is the only way a short-term trading fee can be added to an annuity portfolio.

Five sector portfolios were affected by manager changes in May. Matthew Friedman has been named manager of **Chemicals**, **Cyclical Industries**, and **VIP Cyclical Industries**. John Roth has taken over at **Multimedia**. And Valerie Friedholm has been named manager for **Home Finance**. ■

BOND FUNDS

Income Model holdings are listed on page 7. Our current buys, in increasing order of risk, include **Ultra-Short Bond**, **Floating Rate High Income**, and **Short-Term Bond**.

Inflation-Protected Bond recovered, gaining 1.6% on signs that inflation may get worse. Other bond funds finished flat or negative for the month. **New Markets Income** and **Capital & Income** trailed the group as the unwinding of leveraged bets in the credit markets continued to weigh on the more credit-sensitive issues. Both funds were down 2.1% for the month. Municipal funds finished with declines ranging from 0.3% to 0.5%.

SELECT PORTFOLIOS

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

Gold and technology led the group. **Electronics** jumped 8.9%, **Gold** was up 8.3%, **Networking** gained 8.1%, and **Wireless** climbed 7.5%. In contrast, the energy group pulled back as the oil crunch appeared to ease, and auto stocks slid on signs that consumers were shunning high-margin SUVs. **Automotive** was down 3.2%, and **Energy Services** fell 4.2%. ■

MAY DISTRIBUTIONS

Asset Manager: Income	\$0.02 / \$12.01 (5/7)
Freedom Income	\$0.026 / \$10.95 (5/7)
Freedom 2000	\$0.030 / \$11.65 (5/7)
Freedom 2005	\$0.030 / \$10.12 (5/7)
Freedom 2010	\$0.085 / \$12.80 (5/7)
Freedom 2015	\$0.025 / \$10.20 (5/7)
Freedom 2020	\$0.075 / \$12.71 (5/14)
Freedom 2025	\$0.018 / \$10.18 (5/14)
Freedom 2030	\$0.030 / \$12.67 (5/14)
Freedom 2035	\$0.015 / \$10.21 (5/14)
Freedom 2040	\$0.040 / \$ 7.37 (5/14)
Magellan	\$0.21 / \$96.48 (5/7)
Real Estate Income	\$0.12 / \$11.05 (5/7)

Funds scheduled for 6/4 or 6/11 include **Asset Manager**, **Asset Manager Income**, **Balanced**, **Capital & Income**, **Convertible Securities**, **Equity-Income**, **Equity-Income II**, **Fidelity**, **Freedom Income**, **Growth & Income**, **Growth & Income II**, **High Income**, **Inflation-Protected Bond**, **Int. Bond**, **Invest. Grade Bond**, **Large Cap Stock**, **Mid-Cap Stock**, **Puritan**, **Real Estate**, **Short-Term Bond**, **Small Cap Independence**, **Small Cap Stock**, **Spartan Gov't Inc.**, **Spartan 500 Idx**, **Strategic Dividend & Inc.**, and **Utilities**.

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser (55/FDRXX)	53859.4	0.77	CT MM (418/FCMXX)	1030.0	0.60			
Select MM (85/FSLXX)	625.3	0.81	MA MM (74/FDMXX)	3401.5	0.57	FL MM (428/FSFXX)	1266.1	0.63
Spart MM (454/SPRXX)	5670.4	0.78	MI MM (420/FMIXX)	587.4	0.57	Spart MA MM (426/FMSXX)	969.2	0.67
Spart US Gov't (458/SPAXX)	577.0	0.73	NJ MM (417/FNJXX)	1344.9	0.58	Spart Municipal (460/FIMXX)	3079.2	0.78
Spart US Treas (415/FDLXX)	2195.2	0.63	NY MM (92/FNYXX)	2867.6	0.57	Spart NJ MM (423/FSJXX)	563.1	0.75
Tax-Free MM (275/FMOXX)	731.6	0.65	OH MM (419/FOMXX)	678.4	0.61	Spart NY MM (422/FSNXX)	1080.8	0.68
US Gov't Reser (50/FGRXX)	2087.0	0.80	AZ MM (433/FSAXX)	144.4	0.62	PA MM (401/FPTXX)	293.4	0.63
CA MM (97/FCFXX)	2902.1	0.57	Spart CA MM (457/FSPXX)	1214.6	0.74	Municipal MM (10/FTEXX)	14741.2	0.70