

## Growth & Income Funds

Over the past seven years, our Growth and Income Model has delivered an annualized return of 7.0%. The model's return for that period beats the Income Model's 5.2% per year, the Growth Model's 4.7% annual gain, and the Select System's 6.0% annual growth rate. Are these numbers a fluke? It's possible, but an analysis of Fidelity's seven-year mutual fund returns shows a similar effect, with the growth and income averages modestly outperforming all of the other major groups. More likely, the high volatility of the last seven years demonstrates the advantages of a well-rounded, conservative investment strategy.

The last seven years is not the only time that growth and income funds have outperformed. During the decade of the 1980s, for example, all three of Fidelity's growth and income offerings beat the S&P 500, whereas only one out of four growth funds outperformed. Those same three growth and income funds have also been steady lifetime performers. Over a period of more than 36 years, **Equity-Income** has delivered annual growth of 12.8% per year, versus 10.2% for the S&P 500. Puritan has matched the S&P 500 with less risk over the last 55+ years. And **Fidelity Fund**, which has been around for almost 73 years, boasts an annual return of 10.3% since inception - ahead of the 9.5% growth rate for the

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## Growth Model To Make Trade

On Monday, 3/10, our Growth Model will sell one-third of **Dividend Growth** (330/FDGF) and buy **Export & Multinational** (332/FEXPX). The resulting mix will be approximately 37% **Export & Multinational**, 39% **Capital Appreciation**, and 24% **Dividend Growth**. There are no changes to our VIP Growth Model or to our 401(k) portfolios. This change will have relatively little impact on the model's day-to-day behavior, as **Export** and **Dividend Growth** have a similar industry mix. Still, we anticipate that **Export & Multinational's** smaller size will give it a small edge in long-term performance. Additionally, the weak dollar suggests that companies with above-average export revenue are poised to outperform.

## Review & Recommendations

During February there were indications that the economy continues to grow, and some corporations managed to surprise on the upside for the fourth quarter. But that was overshadowed by war jitters, rising energy prices, and terrorism fears. The S&P 500 finished the month with a decline of 1.5%.

Many investors seem resigned to staying in cash or bonds until the situation in Iraq has been cleared up. Collectively, huge amounts of capital are poised to flow back into stocks if Iraq is disarmed without major complications. Anyone considering a strategy that involves waiting for the "all-clear" should realize that it may not be a very effective way to get back into stocks. Only those who willingly bear the risk of uncertainty can expect the full benefit of a rebound.

### GROWTH FUNDS

Growth Model holdings are listed on page 7. Our favorites include **Export & Multinational**, **Capital Appreciation**, **Contrafund II**, **Dividend Growth**, **Low-Priced Stock**, and **Leveraged Company**.

**Capital Appreciation** finished with a 0.4% gain, thanks to its focus on value-priced tech stocks. **Growth Company** also finished in the plus column, up 0.3%. In contrast, small-caps and consumer stocks were hurt by rising energy costs and lower confidence. **Low-Priced** slid 3.5%, **Small Cap Independence** lost 3.7%, and **Small Cap Stock** fell 4.6%.

### INTERNATIONAL FUNDS

**Diversified International** is our recommended choice for broad-based foreign stock exposure.

**Canada** was helped by rising energy prices and a stronger currency; it posted a 2.6% gain. **Japan** also did well, edging up 0.9% as investors sought out bargains among the country's large-cap export stocks. On the bottom end, war fears and a loss of competitiveness from the Euro's strength hurt European stocks. **Nordic** lost 5.4%, and **Europe Capital Appreciation** fell 6.7%.

### GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. Our favorites include **Balanced**, **Equity-Income II**, and **Convertible Securities**.

**Real Estate** rose 2.1% as the market anticipated

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S&P 500. That kind of long-term consistency is rare among growth funds.

With those thoughts in mind, this month's issue is dedicated to a review of Fidelity's growth and income group. We've included a few choices that aren't growth and income funds per se, but their low-volatility characteristics make them a good fit in a conservative portfolio.

#### ASSET MANAGER (HOLD)

About half of this fund is in stocks, roughly 40% is in bonds, and the rest is in cash. The stock emphasis is oriented toward the financial, health care, and consumer groups. Technology is currently underweighted. The fund's overall risk is about half as great as the S&P 500. All four Asset Manager funds use a team management approach that seems to provide predictable but uninspiring results. We like **Balanced** a little better than **Asset Manager**, although it brings along a bit more volatility.

#### BALANCED (BUY)

**Balanced** usually maintains a stock/bond mix of 60/40, a time-tested approach that strikes a good balance between portfolio stability and long-term growth. The industry weightings on the stock side currently reflect the S&P 500, although the fund is a bit light on health care. Overall risk is about 0.6 relative to the S&P 500. New manager Lawrence Rakers beat the Lipper balanced fund benchmark for 2002, keeping the fund ahead of its peer group average for the sixth year in a row. **Balanced** should be considered a good core holding for any growth and income portfolio.

#### CAPITAL & INCOME (BUY)

**Capital & Income** is considered a high-yield bond fund, but since it can invest up to 25% in stocks it behaves more like a low-risk growth and income fund. After a tough three-year stretch, both **Capital & Income** and the high-yield bond market seem poised to get back on track. The last time junk bonds were this cheap was in 1989-1990, and afterward **Capital & Income** managed to double in value over a three-year period. That probably won't happen this time around. But even if the fund does half as well, it could be one of the best deals around for the moderate risk involved. After all, we're talking about a fund that has returned 9.7% per year over two and a half decades, and David Glancy has spent one of those decades proving his ability to manage Fidelity's high-yield portfolios. The only real worry

with a fund like **Capital & Income** is the double-dip recession scenario, which could bring on another short-term decline.

#### CONVERTIBLE SECURITIES (BUY)

**Convertible Securities** is still paring back risk under manager Victor Thay, whose latest moves include cutting back on technology and media in favor of defensive groups. We now calculate a risk factor of 0.5 - roughly half what the fund was two years ago. Some of the reduction occurred because convertible bonds are increasingly valued for their underlying income stream rather than their stock conversion feature. But that's not a bad thing. With limited downside risk and reasonable upside potential, **Convertible Securities** offers a good tradeoff for today's high level of uncertainty. Fidelity has a lot of expertise in the convertible market, and this fund has often been a strong 10-year performer compared to other funds in Fidelity's growth and income lineup.

#### EQUITY-INCOME (BUY)

**Equity-Income** means income from stocks, and this fund has no choice but to beat the yield on the S&P 500. At 1.9%, the fund's dividend income is nothing to write home about, but it does exceed the yield on short-term Treasuries. It also gives the fund a strong value-stock bias, since it avoids growth stocks that don't pay dividends. Long-time manager Stephen Peterson has outperformed the Lipper equity-income average in nine of the last ten years, which suggests Fidelity research is paying its way in a fund like this. Furthermore, if the proposed dividend tax cut becomes law, this fund could benefit in the long run as the market reembraces dividend yield as a key measure of stock valuation. Keep in mind that **Equity-Income** carries about as much risk as the S&P 500, so it may not be tame enough for a conservative portfolio. Also note that **Equity-Income II** might be a better bet in the short run as it strikes a better balance between value and growth.

#### EQUITY-INCOME II (BUY)

**Equity-Income II** tilts toward value stocks like **Equity-Income**, but the lack of a strict dividend requirement gives manager Stephen Dufour a bit more latitude. Like **Equity-Income**, this fund has about 30% of its portfolio in financial stocks, and scores a 1.0 on a relative volatility basis. Many of the companies in **Equity-Income II**'s portfolio have the ability to raise their dividends, so this fund would be in a nice spot if the dividend tax cut goes through. But even without that advantage, it's still a good

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core holding for the stock side of a growth and income portfolio. It would be in our own Growth and Income Model if **Balanced** didn't already provide a similar mix of stocks.

#### FIDELITY FUND (HOLD)

John Avery took over this fund about a year ago, and like his predecessors he is keeping **Fidelity Fund** closely aligned with the S&P 500. Too close, in our view. The fund's behavior is not much different than a blend of 94% S&P 500 and 6% cash. Granted, it's slightly overweighted in health care and purposely light on utility stocks, but the fund fails to take advantage of opportunities in the convertible and high-yield markets. **Growth & Income II** might make a better choice; it has more leeway to take advantage of any new opportunities that come along.

#### FREEDOM FUNDS (BUY)

Want to keep things *really* simple? Fidelity's Freedom family provides a series of single-fund investment strategies. Each of these portfolios invests in over a dozen Fidelity funds, and each year there's a small reduction in stock exposure as the retirement date draws near. The additional expense ratio for this fund-of-funds approach is a modest 0.1%, which keeps the total expense burden competitive with regular mutual funds. With the exception of **Freedom Income**, which is geared for investors who retired before 2000, all of these portfolios include small positions in foreign stocks and high-yield bonds. You can invest in the Freedom choice that's closest to your actual retirement date, or blend two funds for greater precision (for example, you could hold 50% **Freedom 2020** and 50% **Freedom 2010** for a retirement date of 2015). Risk starts at less than 0.2 for **Freedom Income**, and climbs as high as 0.8 for **Freedom 2040**.

#### GLOBAL BALANCED (HOLD)

This fund is a lot like **Balanced**, except that half of its assets are in foreign stocks and bonds, which increases diversification and reduces overall volatility. Manager Rick Mace has outperformed the fund's benchmark during his seven-year tenure, but general weakness in the foreign markets has made for a poor showing over the last three years. Some Fidelity analysts think the foreign markets are due for a catch-up period, but that's hardly a sure bet. If the dollar remains weak, profit growth will probably be stronger at U.S. corporations.

#### GROWTH & INCOME (HOLD)

Currently the most defensive stock fund in the

growth and income group, **Growth & Income** has about half of its portfolio in financials, health care, and consumer staples. Overall volatility is about 0.8. Long-time manager Steven Kaye has been at the helm for over a decade, and for the most part is sticking with his long-term favorites. Performance has been solid but uninspiring. **Growth & Income** is about half the size of **Magellan**, which makes for a huge asset base. We think **Growth & Income II** is a better long-term bet because its smaller size gives it more flexibility.

#### GROWTH & INCOME II (BUY)

Tiny by Fidelity standards, this fund has the potential to be an up-and-comer. Louis Salemy has been at the helm since its inception a little over four years ago, and he is currently pinning his hopes on the consumer sector - which accounts for about one-third of assets. Salemy also has a heavy 15% cash position, making **Growth & Income II** a good choice for investors who prefer stock exposure with limited downside risk. The fund's overall risk level is roughly 0.8.

#### PURITAN (BUY)

**Puritan** is like **Balanced** in the sense that it runs with the same 60/40 stock/bond mix, but its industry mix is more value-oriented than **Balanced**. That's because **Puritan** places more emphasis on both the financial and energy groups (Stephen Petersen, who manages **Equity-Income**, is also the stockpicker for **Puritan**). We think **Puritan** is a good core choice for conservative investors. The fund maintains a volatility level of about 0.6.

#### REAL ESTATE (HOLD)

**Real Estate** invests in real estate investment trusts, a separate and unique asset class. As such, the fund often behaves differently than stocks or bonds, providing a degree of diversification in a growth and income portfolio. Volatility tends to range between 0.5 and 0.6. Factors that can have a favorable impact on the fund include declining interest rates, declining vacancy rates, and rising inflation. Manager Steve Buller has done well compared to his peers over the last four years. However, we remain concerned that the negative impact of rising interest rates might hamper the fund even in a robust economy.

#### REAL ESTATE INCOME (HOLD)

Fidelity's newest introduction is kind of a **Real Estate** version of **Capital & Income**. It has more emphasis on generating income than **Real Estate**,

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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. Loads: **3-0.75(90)** means 3% load, 0.75% redemption fee if held less than 90 days. 3% loads are waived for IRA/Keogh accounts - except on **Magellan**, **New Millennium**, and **Selects**. If a fund is closed to new investors, we will list it as such in the Load 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 ↓.

FEBRUARY PERFORMANCE						2003	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Load	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
Aggressive Gth (324/FDEGX)	H***	1.42	0-0.75(90)	10.97	4049.7	-2.0	-1.4	-9.9	-31.2	-42.6	-10.0	3.9
Blue Chip Gth (312/FBGRX)	H***	1.00	0-0	30.92	16340.7	-3.2	-0.5	-9.2	-24.1	-18.5	-3.7	8.9
Capital Apprec (307/FDCAX)	B*****	1.10	0-0	16.22	1788.4	0.2	0.4	-8.3	-18.2	-16.8	-0.9	8.7
Contrafund (22/FCNTX)	H***	0.62	0-0	36.95	26728.9	-4.3	-1.3	-4.9	-13.1	-11.3	1.7	10.6
Contrafund II (339/FCONX)	B***	0.95	3-0	8.44	658.5	-2.7	-0.8	-6.4	-16.5	-12.6		
Disc Equity (315/FDEQX)	H***	0.90	0-0	17.40	2748.4	-3.2	-1.1	-7.8	-19.4	-12.3	-2.0	8.4
Dividend Gth (330/FDGFY)	B***	1.02	0-0	21.31	13257.1	-4.5	-1.7	-10.8	-22.1	-3.4	1.8	
Export Fund (332/FEXPX)	B*****	1.07	0-0.75(30)	13.21	663.9	-3.9	-1.8	-8.9	-18.3	-7.3	5.2	
Fidelity Fifty (500/FFTYX)	H***	0.91	0-0.75(30)	15.63	747.3	-2.6	-1.9	-9.1	-6.8	-7.3	5.0	
Growth Company (25/FDGRX)	H***	1.17	0-0	34.54	14408.7	-2.5	0.3	-12.2	-27.2	-29.9	-1.0	8.7
Large-Cap Stock (338/FLCSX)	B***	0.91	0-0	10.79	557.5	-3.2	-0.4	-9.1	-23.1	-20.1	-3.0	
Lev Co Stock (122/FLVCX)	B***	1.08	0-1.5(90)	10.01	108.4	0.1	-1.8	-2.0	8.7			
Low-Priced Stock (316/FLPSX)	B***	0.68	3-1.5(90)	23.74	14909.4	-5.7	-3.5	-9.4	-12.4	9.6	5.9	13.4
Magellan (21/FMAGX)	B***	1.01	Closed	75.85	54728.3	-3.9	-1.2	-10.1	-23.0	-15.1	-2.2	8.2
Mid Cap Stock (337/FMCSX)	B***↑	1.00	0-0.75(30)	15.74	5166.6	-3.2	-1.6	-9.1	-25.6	-14.7	3.9	
New Millennium (300/FMILX)	B***	1.04	Closed	21.09	2512.5	-4.7	-0.7	-12.0	-18.4	-21.6	7.9	16.2
OTC Portfolio (93/FOCPX)	B***	1.11	0-0	22.64	5697.7	-5.3	-1.6	-12.9	-20.5	-29.6	-3.3	7.2
Independence (73/FDFFX)	H***	0.90	0-0	12.63	4116.7	-3.4	-2.1	-7.2	-19.4	-21.1	0.9	9.0
Small Cap Indep (336/FDSCX)	H***	0.70	0-1.5(90)	12.60	793.5	-5.3	-3.7	-9.2	-21.7	-7.6	-3.6	
Small Cap Stock (340/FSLCX)	H***	0.75	0-2(90)	11.07	1406.1	-6.5	-4.6	-10.3	-19.6	-7.0		
Stock Selector (320/FDSSX)	H***	1.00	0-0	15.95	693.0	-3.8	-1.1	-9.8	-20.8	-14.6	-4.0	7.2
Strc Lg Cap Gth (763/FSLGX)	B***	1.04	0-0.75(30)	6.84	19.4	-3.9	-1.3	-10.2	-27.2			
Strc Lg Cap Val (708/FSLVX)	H***	0.95	0-0.75(30)	7.93	15.6	-5.9	-2.9	-10.3	-21.1			
Strc Mid Cap Gth (793/FSMGX)	H***	1.07	0-0.75(30)	7.16	16.7	-2.5	-2.2	-9.0	-25.9			
Strc Mid Cap Val (762/FSMVX)	H***	0.86	0-0.75(30)	8.73	36.5	-3.9	-1.4	-6.8	-17.9			
Focused Stock (333/FTQGX)	S**	1.17	0-0.75(30)	6.87	30.7	-3.8	-1.0	-8.9	-36.7	-22.4	-6.7	
Trend (5/FTRNX)	B***	0.99	0-0	37.21	706.5	-3.7	-1.3	-9.6	-20.7	-16.1	-3.8	4.3
Value (39/FDVLX)	H***	0.89	0-0	44.22	4900.7	-4.7	-1.5	-8.0	-15.4	7.3	1.2	10.2
Value Discovery (832/FVDFX)	H***	1.0 Est	0-0	9.44	17.9	-4.5	-1.0					
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B*****	0.59	0-0	13.03	6528.8	-2.0	-0.6	-4.7	-10.2	0.3	3.8	7.8
Convertible Sec (308/FCVXS)	B***	0.50	0-0	16.63	1397.2	1.8	0.5	0.4	-7.7	-6.3	7.5	11.0
Equity-Income (23/FEQIX)	B***	0.97	0-0	37.40	17234.8	-5.7	-2.4	-10.2	-21.4	-2.9	-1.8	8.8
Equity-Income II (319/FEQTX)	B*****	1.02	0-0	16.64	8906.4	-4.3	-0.5	-10.8	-18.0	-4.2	-0.6	8.8
Fidelity Fund (3/FFIDX)	H***	0.93	0-0	21.40	8378.4	-3.9	-0.7	-8.8	-22.3	-15.8	-2.2	9.0
Growth & Income (27/FGRIX)	H***	0.82	0-0	29.12	25446.7	-3.9	-1.6	-6.9	-20.1	-9.1	-1.7	9.4
Growth & Inc II (361/FGRTX)	B***	0.82	0-0	7.31	125.0	-3.7	-1.5	-7.7	-18.0	-9.0		
Puritan (4/FPURX)	B*****	0.57	0-0	15.32	17517.8	-3.0	-0.9	-5.0	-10.7	0.2	1.7	8.7
Real Estate (303/FRESX)	H***	0.55	0-0.75(90)	18.25	1717.7	-0.8	2.1	0.7	3.1	15.5	4.7	9.1
Utilities (311/FUIUX)	H***↓	1.05	0-0	9.13	789.6	-5.9	-3.3	-4.9	-21.9	-23.6	-6.2	4.1
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	S***↓	1.04	3-0.75(30)	19.58	26.0	-11.2	-5.2	-13.4	-40.2	-4.2	-0.2	8.9
Automotive (502/FSAVX)	S***↓	1.02	3-0.75(30)	21.27	16.3	-6.1	-1.8	-12.8	-18.0	3.4	-3.5	4.5
Banking (507/FSRBX)	B***	1.07	3-0.75(30)	29.86	392.8	-1.5	-1.5	-5.7	-9.2	8.7	0.6	12.6
Biotechnology (42/FBIOX)	B***	1.40	3-0.75(30)	38.42	1517.0	-0.8	-1.4	-6.6	-28.2	-28.4	5.0	9.8
Brokerage (68/FSLBX)	H***	1.35	3-0.75(30)	33.22	317.8	-9.1	-4.9	-16.7	-21.0	-3.5	2.3	14.7
Business Ser (353/FBSOX)	S**	1.22	3-0.75(30)	10.20	30.0	-10.2	-4.6	-12.9	-32.9	-6.7	2.9	
Chemicals (69/FSCHX)	H***	1.08	3-0.75(30)	36.79	30.4	-4.8	-3.9	-10.2	-13.5	3.8	-1.0	8.5
Computers (7/FDCPX)	B***	1.60	3-0.75(30)	22.36	544.3	1.5	3.8	-12.6	-31.7	-37.6	-2.4	12.8
Const & Housing (511/FSHOX)	H***	1.12	3-0.75(30)	22.55	50.2	-6.5	-0.5	-9.6	-20.7	10.2	1.3	9.2
Consumer Indust (517/FSCPX)	H***	0.82	3-0.75(30)	18.39	21.4	-4.6	-1.6	-10.4	-22.0	-7.4	-1.8	9.0
Cyclical Indust (515/FCYIX)	H***	0.96	3-0.75(30)	11.04	15.8	-7.3	-3.2	-9.8	-24.8	-1.0	-1.3	
Defense & Aero (67/FSDAX)	S**	0.91	3-0.75(30)	36.31	312.2	-8.4	-6.9	-9.2	-21.1	3.9	0.9	13.3
Develop Commun (518/FSDCX)	H***	1.43	3-0.75(30)	10.03	325.4	1.6	-0.5	-10.0	-33.0	-43.0	-4.2	6.5
Electronics (8/FSELX)	H***	2.04	3-0.75(30)	24.90	2099.9	2.2	6.7	-19.4	-43.8	-36.2	-0.5	16.6
Energy (60/FSENX)	H***	1.05	3-0.75(30)	20.63	180.6	0.5	3.8	1.7	-11.5	1.4	3.3	8.5
Energy Services (43/FSESX)	H***	1.52	3-0.75(30)	29.73	421.7	1.2	6.4	1.6	-3.3	0.8	2.3	13.4
Environmental (516/FSLEX)	H***	0.81	3-0.75(30)	9.71	10.6	-5.9	-3.0	-10.7	-16.1	0.5	-10.0	-1.0
Financial Services (66/FIDSX)	H***	1.04	3-0.75(30)	84.14	412.8	-5.2	-3.2	-9.1	-15.1	4.5	1.1	12.5
Food & Agriculture (9/FDFAX)	S**	0.59	3-0.75(30)	35.71	92.6	-8.0	-4.0	-8.0	-17.9	8.8	0.0	9.1
Gold (41/FSAGX)	H***	1.31	3-0.75(30)	22.73	736.3	-5.0	-5.1	19.7	26.7	20.7	9.3	6.1
Health Care (63/FSPHX)	H***	0.93	3-0.75(30)	99.56	1805.3	-2.4	-2.3	-5.0	-16.1	-3.9	2.7	15.3
Home Finance (98/FSVLX)	H***	0.96	3-0.75(30)	47.60	343.7	-2.3	-1.7	-3.2	-8.3	19.2	0.6	14.5
Indust Equip (510/FSCGX)	H***	1.07	3-0.75(30)	16.00	17.9	-8.0	-1.4	-12.3	-29.0	-12.0	-3.9	8.6
Indust Materials (509/FSDPX)	H***	0.87	3-0.75(30)	23.83	46.8	-1.0	-1.0	2.0	-6.2	7.8	-0.3	6.1
Insurance (45/FSPCX)	H***	0.96	3-0.75(30)	41.06	96.0	-7.9	-5.5	-12.3	-16.4	16.3	6.1	13.2
Leisure (62/FDLSX)	H***	1.06	3-0.75(30)	48.61	120.0	-2.9	-3.6	-8.4	-21.0	-13.5	0.2	11.0
Medical Delivery (505/FSHCX)	H***	1.19	3-0.75(30)	22.84	134.0	-3.5	-5.9	-4.7	-13.8	14.2	-3.3	9.9
Medical Equip/Sys (354/FSMEX)	H***	0.83	3-0.75(30)	15.63	150.6	1.4	1.6	1.8	-1.8	8.5		
Multimedia (503/FBMPX)	H***	1.48	3-0.75(30)	32.10	136.8	-5.4	-8.3	-14.1	-14.1	-13.0	2.8	11.8
Natural Gas (513/FSNGX)	H***	0.92	3-0.75(30)	17.42	145.9	3.9	4.8	6.9	-2.2	5.7	6.6	
Nat Resources (514/FNARX)	H***	0.99	3-0.75(30)	11.04	26.5	-0.2	2.7	1.2	-13.5	1.5	3.2	
Networking/Infra (912/FNINX)	H***	1.86	3-0.75(30)	1.52	77.7	2.0	1.3	-12.1	-36.1			
Paper & Forest (506/FSPFX)	H***	0.92	3-0.75(30)	24.07	23.4	-7.3	-2.0	-9.6	-16.4	3.2	1.9	8.0
Pharmaceuticals (580/FPHAX)	H***	0.91	3-0.75(30)	7.00	55.5	-3.8	-2.6	-6.2	-24.2			
Retailing (46/FSRPX)	B***	0.98	3-0.75(30)	30.72	69.5	-10.0	-3.2	-17.4	-26.3	-10.1	-2.7	7.5
Software (28/FSCSX)	B***	1.38	3-0.75(30)	35.48	646.0	-2.7	-1.9	-8.3	-15.2	-20.1	6.3	15.1
Technology (64/FSPTX)	B***	1.62	3-0.75(30)	38.44	1440.2	2.0	2.9	-12.9	-26.2	-38.9	0.2	11.7
Telecom (96/FSTCX)	H***	1.52	3-0.75(30)	23.62	373.5	-7.6	-7.3	-15.8	-22.6	-36.3	-10.2	4.3
Transportation (512/FSRFY)	S***↓	0.99	3-0.75(30)	22.81	23.1	-6.9	-2.1	-8.0	-26.3	3.6	2.2	9.7
Utilities Growth (65/FSUTX)	H***	1.02	3-0.75(30)	24.44	174.1	-7.4	-4.7	-8.6	-27.5	-25.2	-6.4	4.1
Wireless (963/FWRLX)	H***	1.44	3-0.75(30)	2.42	55.4	-0.4	0.4	-15.7	-34.2			

FEBRUARY PERFORMANCE							Div.	2003	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Load	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	0.70	0-1 (30)	10.04	293.4		-6.4	-2.7	-10.4	-18.5	-20.0	-3.1	
Canada (309/FICDX)	H***	0.66	0-1.5(90)	18.98	80.1		4.7	2.6	4.6	0.1	-1.8	3.4	
Diversified Int'l (325/FDIVX)	B****	0.58	0-1 (30)	16.39	7198.6		-4.5	-2.1	-5.6	-12.0	-11.9	1.8	
Emerging Mkts (322/FEMKX)	H***	0.62	0-1.5(90)	6.89	259.4		-4.4	-3.8	-7.6	-15.7	-16.6	-6.6	
Europe (301/FIEUX)	H***	0.94	0-1 (30)	16.62	867.2		-9.3	-5.0	-15.2	-30.6	-21.1	-7.8	
Europe Cap Appr (341/FECAX)	H***	0.71	0-1 (30)	12.60	367.1		-8.9	-6.7	-9.9	-21.9	-15.2	-3.3	
China Region (352/FHKCX)	H***	0.57	0-1.5(90)	10.65	110.6		-1.9	-2.0	-7.9	-13.1	-15.6	0.2	
Global Balanced (334/FGBLX)	H***	0.41	0-1 (30)	14.33	88.3		-3.0	-1.5	-4.9	-7.8	-7.6	1.3	
Int'l Growth & Inc (305/FIGRX)	H***	0.64	0-1 (30)	15.75	875.2		-6.4	-3.2	-8.9	-14.0	-16.7	-1.0	
Int'l Small Cap (818/FISMV)	H***	0.7 Est	0-2 (90)	10.44	35.0		-1.0	-2.3	-1.5				
Japan (350/FJPNX)	H***	0.88	0-1.5(90)	8.14	275.9		-3.4	0.9	-5.6	-6.2	-27.1	0.0	
Japan Smaller Co (360/FJSCX)	H***	0.68	0-1.5(90)	6.35	355.0		-1.4	-0.5	-1.6	2.3	-27.5	9.6	
Latin America (349/FLATX)	H***	1.01	0-1.5(90)	8.69	143.8		-6.9	-3.1	-3.9	-29.6	-17.8	-10.4	
Nordic (342/FNORX)	H***	0.85	0-1.5(90)	13.56	67.9		-11.0	-5.4	-19.2	-25.8	-25.0	-2.5	
Overseas (94/FOSEFX)	H***	0.87	0-1 (30)	20.60	2739.1		-6.4	-3.0	-12.7	-22.4	-21.0	-6.2	
Pacific Basin (302/FPBFX)	H***	0.65	0-1.5(90)	12.17	286.2		-4.6	-1.9	-7.7	-12.8	-21.5	0.6	
Southeast Asia (351/FSEAX)	H***	0.85	0-1.5(90)	9.27	244.4		-4.0	-4.6	-12.2	-19.6	-17.7	-1.0	
Worldwide (318/FFWFX)	H***	0.79	0-1 (30)	11.24	618.0		-5.4	-2.5	-11.2	-21.1	-12.9	-3.1	
<b>INDEX AND ASSET ALLOCATION:</b>													
Four-In-One Index (355/FFNOX)	H***	0.73	0-0.5(90)	17.37	269.0		-3.8	-1.5	-7.7	-16.7	-11.8		
Spart Ext Mkt Idx (398/FSEMX)	H***	0.84	0-0.75(90)	18.29	433.1		-4.9	-2.7	-8.8	-18.2	-19.2	-3.9	
Spart Int'l Index (399/FISIIX)	H***	0.80	0-1(90)	18.91	330.6		-6.1	-2.8	-9.5	-17.6	-18.3	-5.9	
Spart 500 Index (317/F5MKX)	H***	1.00	0-0.5(90)	57.99	6632.3		-4.1	-1.5	-9.7	-22.8	-13.8	-3.1	
Spart Total Mkt Idx (397/FSTMV)	B****	0.96	0-0.5(90)	22.07	1019.6		-4.3	-1.7	-9.6	-21.7	-15.1	-3.2	
Asset Manager (314/FASMX)	H***	0.53	0-0	13.64	9846.0		-1.2	-0.2	-4.1	-8.5	-3.9	2.3	
Asset Mgr Agg (347/FAMRX)	S**	1.05	0-0	7.00	148.1		1.0	0.7	-6.5	-30.8	-17.5		
Asset Mgr Gth (321/FASGX)	H***	0.75	0-0	11.69	3120.5		-2.3	-0.8	-6.8	-14.6	-8.3	-1.0	
Asset Mgr Inc (328/FASIX)	B****	0.21	0-0	10.93	747.2		0.8	0.4	-0.3	0.1	1.8	3.7	
Freedom 2000 (370/FFFBX)	B****	0.19	0-0	10.98	1220.4		-0.3	0.4	-0.7	-1.7	0.1	4.7	
Freedom 2010 (371/FFFCX)	B****	0.37	0-0	11.33	4490.1		-1.0	0.1	-2.5	-6.6	-4.4	3.5	
Freedom 2020 (372/FFFDX)	B****	0.60	0-0	10.42	3854.7		-2.1	-0.5	-5.2	-13.4	-10.0	1.1	
Freedom 2030 (373/FFFEF)	B****	0.71	0-0	9.95	2171.2		-2.8	-0.9	-6.8	-17.0	-13.0	-0.4	
Freedom 2040 (718/FFFFX)	B****	0.79	0-0	5.67	418.9		-3.2	-1.0	-7.8	-19.3			
Freedom Income (369/FFFAF)	B****	0.16	0-0	10.58	1117.3		-0.1	0.4	-0.4	-0.4	2.3	4.7	
<b>TAXABLE BOND FUNDS:</b>													
Capital & Income (38/FAGIX)	B****	0.36	0-1(90)	6.61	2941.0	8.15	6.5	2.1	10.0	8.8	-3.6	0.7	
Floating Rate (814/FFRHX)	B****	0.1 Est	0-1(60)	9.62	95.0	3.44	1.0	0.4	2.0				
GNMA Portfolio (15/FGMNX)	B****	0.08	0-0	11.26	6898.0	4.24	0.8	0.5	1.9	7.2	9.0	6.8	
Gov't Income (54/FGOVX)	H***	0.19	0-0	10.56	3467.8	3.81	1.4	1.6	3.7	10.5	10.1	7.2	
Intermed Bond (32/FTHRX)	H***	0.13	0-0	10.83	6380.2	4.02	1.6	1.4	3.8	9.5	9.6	7.2	
Intermed Gov't Inc (452/FSTGX)	H***	0.14	0-0	10.43	1364.8	3.12	1.0	1.3	3.1	9.7	9.7	7.2	
Invest Grade Bond (26/FBNDX)	H***	0.14	0-0	7.65	4879.8	3.43	1.6	1.5	3.8	9.4	9.8	7.1	
Mortgage Securities (40/FMSFX)	B****	0.08	0-0	11.30	1440.7	3.32	0.9	0.7	2.0	7.9	9.4	7.0	
New Markets Inc (331/FNMIX)	H***	0.35	0-1(90)	11.84	470.9	7.50	5.7	3.5	9.1	11.5	11.0	8.4	
Short-Term Bond (450/FSHBX)	B****	0.08	0-0	9.03	5337.0	3.82	1.1	0.8	2.4	7.0	7.5	6.3	
Spart Gov't Inc (453/SPGVX)	H***	0.19	0-0	11.34	1164.6	3.99	1.3	1.6	3.6	10.9	10.4	7.5	
High Income (455/SPHIX)	B****	0.21	0-1(90)	7.80	1898.6	7.40	3.8	1.1	5.1	7.4	-4.8	-1.4	
Spart Invest Grade (448/FSIBX)	H***	0.14	0-0	10.84	2676.5	4.13	1.7	1.4	3.9	9.6	10.1	7.5	
Strategic Income (368/FSICX)	B****	0.12	0-0	9.61	908.9	5.71	3.1	1.5	5.4	11.9	7.6		
Inflation-Protected (794/FINPX)	H***	0.2 Est	0-0	11.05	438.0	1.74	4.2	3.5	7.9				
Total Bond (820/FTBFX)	H***	0.2 Est	0-0	10.41	48.2	2.94	1.6	1.5	3.7				
Ultra-Short Bond (812/FUSFX)	B****	0.1 Est	0-0.25(60)	10.02	112.3	2.01	0.3	0.2	0.5				
<b>MUNICIPAL BOND FUNDS:</b>													
Spart AZ Muni Inc (434/FAZFX)	H***	0.12	0-0.5(30)	11.58	70.8	3.80	1.2	1.5	3.7	7.9	8.9	5.8	
Spart CA Muni Inc (91/FCTFX)	H***	0.11	0-0.5(30)	12.75	1659.8	4.29	1.0	1.5	3.1	6.6	8.4	5.7	
Spart CT Muni Inc (407/FICNX)	H***	0.11	0-0.5(30)	11.93	461.7	4.16	1.1	1.5	3.4	7.8	8.8	5.9	
Spart FL Muni Inc (427/FFLIX)	H***	0.10	0-0.5(30)	11.87	599.0	4.15	1.2	1.4	3.4	7.4	8.7	5.6	
Spart Intermediate (36/FLTMX)	B****	0.09	0-0.5(30)	10.28	1752.4	4.08	1.2	1.3	3.3	7.6	8.2	5.7	
Spart MA Muni Inc (70/FDMMX)	H***	0.11	0-0.5(30)	12.35	1983.8	4.34	1.1	1.4	3.4	7.6	8.8	5.8	
Spart MD Muni Inc (429/SMDMX)	H***	0.10	0-0.5(30)	11.01	99.1	3.96	1.1	1.2	3.1	6.9	8.3	5.6	
Spart MI Muni Inc (81/FMHTX)	H***	0.11	0-0.5(30)	12.12	568.9	4.29	1.4	1.6	3.5	7.8	8.8	5.7	
Spart MN Muni Inc (82/FIMIX)	H***	0.09	0-0.5(30)	11.68	339.1	3.97	1.2	1.3	3.2	7.0	8.2	5.4	
Spart Municipal Inc (37/FHIGX)	H***	0.11	0-0.5(30)	13.27	4765.1	4.53	1.4	1.5	3.6	8.5	9.4	6.2	
Spart NJ Muni Inc (416/FNJHX)	H***	0.11	0-0.5(30)	11.89	578.4	4.11	1.2	1.6	3.7	7.8	8.6	5.9	
Spart NY Muni Inc (71/FTFMX)	H***	0.11	0-0.5(30)	13.41	1479.8	4.21	1.3	1.6	3.7	8.9	9.5	6.2	
Spart OH Muni Inc (88/FOHFX)	H***	0.11	0-0.5(30)	12.09	431.1	4.35	1.2	1.5	3.5	7.9	8.9	5.8	
Spart PA Muni Inc (402/FPXTX)	H***	0.10	0-0.5(30)	11.12	296.9	4.23	1.2	1.3	3.5	7.2	8.5	5.7	
Spart Short-Int Muni (404/FSTFX)	B****	0.06	0-0.5(30)	10.57	1712.4	2.87	1.0	0.7	2.5	5.4	6.3	5.0	
Spart Tax-Free Bond (90/FTABX)	H***	0.12	0-0.5(30)	10.74	252.8	4.21	1.2	1.6	3.8	8.6			

FEBRUARY PERFORMANCE			2003	One	Three	One	3-Yr	5-Yr	10-Yr
Indexes & Model Portfolios	Risk	Value	YTD	Month	Month	Year	Rate	Rate	Rate
Dow Jones Industrial	0.98	7891.08	-5.1	-1.9	-10.8	-20.2	-6.3	0.2	11.1
S&P 500	1.00	841.15	-4.1	-1.5	-9.7	-22.7	-13.7	-3.0	8.6
NASDAQ	1.29	1337.52	0.2	1.3	-9.5	-22.5	-34.0	-5.2	7.8
Russell 2000	0.95	360.52	-5.7	-3.0	-10.9	-22.1	-13.4	-3.6	6.4
Fidelity Monitor Income Model	0.09	69824.38	1.2	0.6	2.3	5.9	4.0	3.4	5.8
Fidelity Monitor G&I Model	0.51	98554.74	1.0	0.3	-0.2	-4.4	-1.4	3.4	
Fidelity Monitor Growth Model	0.94	91681.02	-2.6	-0.9	-9.4	-17.9	-15.6	-2.1	8.5
Fidelity Monitor Select System	1.01	179923.88	-2.8	-0.7	-8.8	-13.4	-15.6	1.4	10.7
Fidelity Monitor Unique Opportunities	0.63	50949.68	-3.7	-2.8	-2.4	-6.6	-9.0		

## UNIQUE OPPORTUNITIES MODEL

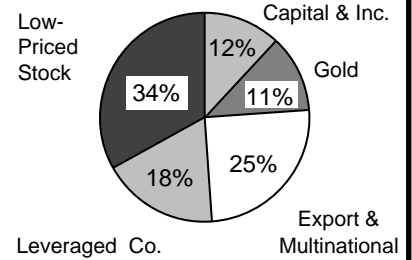
This model invests in special situations and where Fidelity's research skills give it an edge over its peers.

FUND	NAV	SHARES	BALANCE
Capital & Income	\$6.61	914.559	\$6045.23
Gold	\$22.73	257.865	\$5861.27
Export	\$13.21	971.836	\$12837.95
Leveraged Co.	\$10.01	909.967	\$9108.77
Low-Priced Stock	\$23.74	720.154	\$17096.46

16% Foreign Holdings  
**Balance as of 2/28/03: \$50949.68**  
**Balance at start of 2003: \$52924.96**

### PERFORMANCE

Partial Yr 99: + 33.8%  
 2000: - 20.5%  
 2001: + 1.6%  
 2002: - 2.1%  
 \*2003: - 3.7%



We lost 2.8% in February. On 2/10 we sold one-half of **Gold** (\$22.79) and bought **Capital & Income** (\$6.45).

## 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 (- 2.8% YTD)	Portfolio B (- 5.2% YTD)	Portfolio C (- 5.2% YTD)	Portfolio D (- 5.2% YTD)
62% Dividend Growth, 38% Capital Appreciation	65% Magellan, 35% Contrafund	32% Magellan 68% Equity-Income	32% Magellan 68% Equity-Income

In February Portfolio A declined 0.9%, Portfolio B was off 1.2%, and Portfolios C and D both pulled back 2.0%.

## 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 MODEL:	VIP G&I MODEL:	VIP INCOME MODEL:
100% VIP Technology	35% VIP Growth & Income, 65% VIP Growth	42% VIP Asset Mgr, 58% VIP Balanced.	74% VIP Inv. Grade, 26% VIP High Income.

FEBRUARY VIP PERFORMANCE		Unit Value	2003 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
Portfolio	Rating							
VIP Asset Manager	B ****	25.25	-1.4	-0.3	-4.3	-8.9	-6.0	-0.6
VIP Asset Manager: Growth	H ***	15.61	-2.5	-1.0	-6.9	-15.0	-12.2	-3.9
VIP Balanced	B *****	11.97	-1.6	-0.3	-3.6	-9.5	-4.6	-0.9
VIP Contrafund	H ***	22.58	-4.3	-1.2	-4.9	-13.4	-11.6	0.6
VIP Equity-Income	B *****	36.20	-5.8	-2.4	-10.3	-21.9	-3.5	-2.8
VIP Growth	B *****	38.82	-3.8	-0.5	-11.5	-29.2	-22.7	-3.6
VIP Growth & Income	B *****	12.17	-3.7	-1.5	-7.8	-18.1	-9.4	-2.2
VIP Growth Opportunities	B ****	8.45	-3.4	-0.5	-9.8	-22.1	-17.9	-8.9
VIP High Income	B *****	21.20	3.9	1.4	5.0	8.1	-10.2	-6.6
VIP Index 500	H ***	21.89	-4.2	-1.6	-9.9	-23.4	-14.6	-4.0
VIP Investment Grade Bond	B ****	26.21	1.5	1.4	3.6	9.3	9.4	6.7
VIP Overseas	H ***	17.25	-6.6	-3.1	-13.2	-23.6	-22.4	-7.6
VIP Mid Cap	H ****	9.30	-3.4	-2.0	-2.7	-12.9		
VIP Consumer Industries	B ****	7.74	-4.6	-1.5	-10.6	-21.8		
VIP Cyclical Industries	H ***	7.47	-7.4	-3.2	-9.9	-25.4		
VIP Financial Services	B *****	8.11	-5.4	-3.2	-9.2	-15.7		
VIP Health Care	B ****	8.15	-2.6	-2.4	-5.2	-16.7		
VIP Natural Resources	H ***	8.22	-0.1	2.6	1.1	-13.7		
VIP Technology	B *****	5.95	1.8	2.8	-13.0	-26.6		
VIP Telecom & Utilities	H ****	5.56	-7.9	-5.0	-9.2	-27.2		
Morgan Stanley Emg Mkts Debt	S **	13.02	4.2	3.3	6.8	7.0	9.3	
Morgan Stanley Emg Mkts Equity	H ***	7.14	-3.8	-2.9	-8.3	-17.7	-22.4	
Morgan Stanley Global Equity	H ****	9.12	-9.0	-4.4	-12.9	-24.8	-6.4	
Morgan Stanley Int'l Magnum	H ***	7.01	-7.6	-3.2	-10.5	-20.6	-17.3	
PBHG Growth II	S **	6.99	-3.2	-2.2	-9.2	-23.6	-37.6	
PBHG Select Value	H ****	12.09	-9.2	-6.1	-11.7	-29.5	-16.1	
PBHG Select 20	S **	10.65	-2.2	0.1	-7.0	-26.3	-26.3	
PBHG Small Cap Value	S **	11.93	-6.9	-3.6	-12.3	-31.6	-8.3	
PBHG Tech & Communications	S **	5.28	-0.8	1.9	-15.6	-44.9	-56.2	
Strong Mid Cap Growth Fund II	S **	8.97	1.2	0.3	-6.6	-27.8	-33.3	
Strong Opportunity Fund II	H ****	10.81	-3.1	-0.6	-10.3	-27.5	-10.5	
CS Int'l Focus	H ****	6.64	-6.2	-1.8	-9.5	-23.8	-26.2	
CS Global Post-VC	S **	6.11	-6.4	-3.3	-14.4	-34.0	-32.4	
CS Small Cap Growth	S **	7.08	-3.4	-1.9	-10.0	-28.3	-31.4	
Fidelity Monitor VIP Sector Model		8478.77	1.8	2.8	-5.7			
Fidelity Monitor VIP Growth Model		20530.64	-5.0	-0.8	-8.9	-22.7	-17.3	-4.2
Fidelity Monitor VIP G&I Model		16568.05	-1.5	-0.3	-3.9	-9.2	-5.2	-0.9
Fidelity Monitor VIP Income Model		16222.05	2.1	1.4	3.9	8.2	3.3	1.9

## INCOME MODEL

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

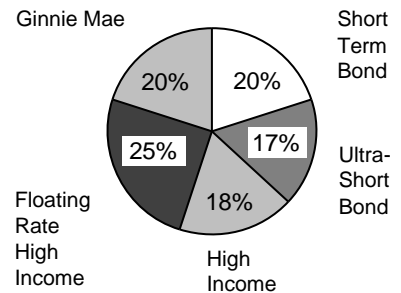
FUND	NAV	SHARES	BALANCE
Short-Term Bond	\$9.03	1539.279	\$13899.69
Ultra-Short Bond	\$10.02	1199.065	\$12014.63
High Income	\$7.80	1592.901	\$12424.63
Floating Rate	\$9.62	1819.624	\$17504.78
Ginnie Mae	\$11.26	1241.621	\$13980.65

4% Foreign Holdings

Balance as of 2/28/03: \$69824.38  
Balance at start of 2003: \$68975.37

## 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:	+ 1.2%



We returned 0.6% in February. On 2/10 we sold one-fifth of **Ginnie Mae** (\$11.22), buying **High Income** (\$7.73). We also traded one-fifth of **Short-Term** (\$8.99) for **Ultra-Short** (\$10.02).

## GROWTH AND INCOME MODEL

Our Growth and Income Model is for conservative growth, with a long-term goal of 11% per year. The model holds funds that focus on stocks and bonds.

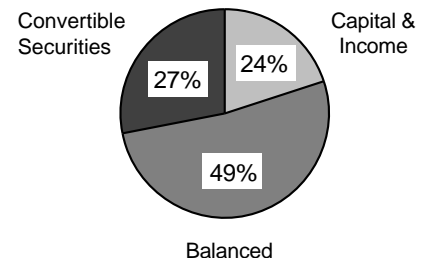
FUND	NAV	SHARES	BALANCE
Capital & Inc.	\$6.61	3533.035	\$23353.36
Balanced	\$13.03	3732.394	\$48633.09
Conv. Securities	\$16.63	1597.612	\$26568.29

7% Foreign Holdings

Balance as of 2/28/03: \$98554.74  
Balance at start of 2003: \$97626.98

## 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:	+ 1.0%



Our Growth and Income Model gained 0.3% in February.

## GROWTH MODEL

Our Growth Model aims for long-term growth of 15% per year. The model will typically invest in a mix of domestic stock funds and will focus only on those that do not charge a load.

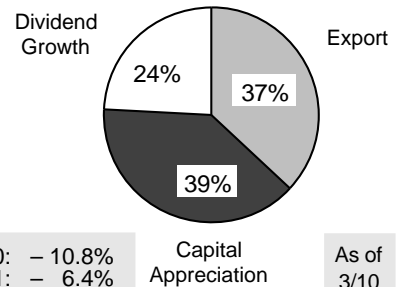
FUND	NAV	SHARES	BALANCE
Export	\$13.21	1697.656	\$22426.04
Capital Apprec.	\$16.22	2213.934	\$35910.01
Dividend Growth	\$21.31	1564.757	\$33344.97

5% Foreign Holdings

Balance as of 2/28/03: \$91681.02  
Balance at start of 2003: \$94089.60

## 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:	- 2.6%



In February our Growth Model was off 0.9%, versus a 1.5% decline for the S&P 500. On 3/10 we will exchange one-third of our **Dividend Growth** shares for **Export & Multinational**.

## SELECT SYSTEM

Our Select System aims for growth in sector funds, and has a long-term goal of 18% per year. We use a valuation model to identify attractive growth sectors.

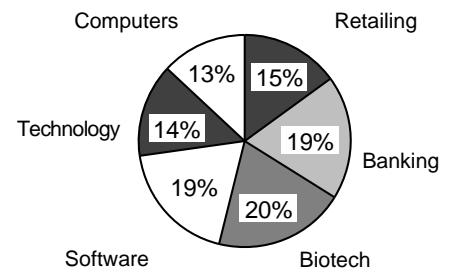
FUND	NAV	SHARES	BALANCE
Retailing	\$30.72	864.073	\$26544.32
Banking	\$29.86	1157.238	\$34555.13
Biotechnology	\$38.42	938.154	\$36043.88
Software	\$35.48	938.003	\$33280.35
Technology	\$38.44	676.687	\$26011.85
Computers	\$22.36	1050.463	\$23488.35

1% Foreign Holdings

Balance as of 2/28/03: \$179923.88  
Balance at start of 2003: \$185070.14

## 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%
*2003:	- 2.8%



For the month of February our Select System was off 0.7%, holding up better than the S&P 500's 1.5% decline. On 2/10 we sold **Brokerage** (\$33.27) and bought **Technology** (\$36.06).

so its volatility should be substantially lower. And the income stream itself may exceed the yield of a typical investment grade bond fund (dividends are scheduled to be paid quarterly). We find the concept intriguing, but we're going to take a wait-and-see approach. **Capital & Income** might be a better choice at this stage in the game, for the simple reason that junk bonds are not likely to get hurt much when interest rates go back up.

**UTILITIES FUND (HOLD)**

This stock fund has been through nothing short of a disaster over the last three years, but there are plenty of good values at this stage in the game - assuming that Fidelity analysts can successfully separate the survivors from the liquidation cases. Electric utility holdings have been increased, although telecom and media still account for about half of the fund's assets. There's some rebound potential here, but the risk factor is 1.1 and most of the holdings are split between two narrow industry groups. Invest if you feel bold, but don't bet the farm. Limit **Utilities** to 20% or less of your growth and income portfolio. ■

## Happenings

Fidelity introduced **Real Estate Income**. The new fund is discussed in our growth and income story.

Three Select funds saw a change of leadership in February. **Food & Agriculture** is now headed by Valerie Friedholm, **Networking and Infrastructure** is being managed by Matthew Cheyney, and **Gold's** new leader is Daniel Dupont.

Fidelity has removed the front-end loads from all of its international funds, and has also waived the 3% fee on **Contrafund** until 6/30/03.

The Wall Street Journal ran a story on Fidelity's controversial new marketing arrangement with Morningstar. Traditionally an independent rating service, Morningstar is now accepting money from Fidelity in exchange for a customized favorites list on Fidelity's Web site. We don't think Fidelity has any influence on the star ratings, but the fund descriptions seem more enthusiastic than those of Morningstar's past. It also appears that Fidelity has veto power over the funds that show up on the list. In a telling example, **Low-Priced Stock** is not included - despite its 5-star rating and the fact that Joel Tillinghast was just dubbed Morningstar's manager of the year. **Small Cap Stock**, a fund less likely to have inflow problems, is the sole small-cap favorite. ■

rising inflation along with lower real interest rates. **Convertible Securities** also held up well, gaining 0.5% amid an improving outlook for debt-heavy corporations. A weak month for finance and telecom stocks made laggards out of **Equity-Income** and **Utilities**. Respective losses were 2.4% and 3.3%.

**BOND FUNDS**

Income Model holdings are listed on page 7. Our favorites, in increasing order of risk, include **Ultra-Short, Short-Term, Floating Rate, Ginnie Mae, High Income**, and **Capital & Income**.

A good month for emerging market bonds gave **New Markets Income** a boost, and rising energy prices helped **Inflation-Protected Bond**. Both funds rose 3.5%. **Capital & Income** also did well with a 2.1% gain. Most other bond funds benefited from a small decline in long-term interest rates, with the exception of Fidelity's stable-value choices. **Floating Rate High Income** rose only 0.4%, and **Ultra-Short Bond** edged up just 0.2% (both funds should hold up nicely if a favorable outcome in Iraq takes money out of bonds). Municipal funds rose 0.7% to 1.6%.

**SELECT PORTFOLIOS**

Select System holdings are listed on page 7. Current buys include **Software, Biotechnology, Computers, Technology, Retailing**, and **Banking**.

Higher fossil fuel prices helped the energy sectors, and tech stocks also had a good month. **Electronics** was up 6.7%, **Energy Services** gained 6.4%, **Natural Gas** climbed 4.8%, and **Computers** and **Energy** both rose 3.8%. In contrast, **Telecom** lost 7.3% and **Multimedia** fell 8.3% from shifting regulatory policies and fears that consumer spending may be slowing. ■

**FEBRUARY DISTRIBUTIONS**

<b>Asset Manager: Income</b>	\$ 0.02 / \$10.83 (2/7)
<b>Freedom Income</b>	\$ 0.01 / \$10.49 (2/7)
<b>Spartan Intermediate Income</b>	\$ 0.01 / \$10.19 (2/7)
<b>Spartan Municipal Income</b>	\$ 0.017 / \$13.13 (2/7)
<b>Spartan OH Municipal</b>	\$ 0.005 / \$11.97 (2/7)
<b>Spartan PA Municipal</b>	\$ 0.002 / \$11.02 (2/7)
<b>Spartan Short-Int. Muni</b>	\$ 0.005 / \$10.52 (2/7)
<b>MI Municipal MM</b>	\$ 0.0002 / \$1.00 (2/14)

Following are the funds scheduled for payouts on 3/7: **Asset Manager, Asset Manager: Income, Balanced, Convertible Securities, Equity-Income, Equity-Income II, Fidelity Fund, Freedom Income, Growth & Income, Growth & Inc. II, Puritan, Real Estate, Spartan MA Muni, Spartan NY Muni, Spartan Tax-Free Bond**, all four of the **Structured** funds, and **Utilities**.

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser (55/FDRXX)	57197.6	1.03	CT MM (418/FCMXX)	1027.9	0.67	FL MM (428/FSFXX)	1165.7	0.69
Select MM (85/FSLXX)	1035.6	1.05	MA MM (74/FDMXX)	3248.5	0.68	Spart MA MM (426/FMSXX)	1029.3	0.80
Spart MM (454/SPRXX)	7429.2	0.99	MI MM (420/FMIXX)	575.0	0.64	Spart Municipal (460/FIMXX)	2914.5	0.91
Spart US Gov't (458/SPAXX)	761.2	0.95	NJ MM (417/FNJXX)	1281.6	0.68	Spart NJ MM (423/FSJXX)	589.5	0.88
Spart US Treas (415/FDLXX)	2643.0	0.90	NY MM (92/FNYXX)	2729.3	0.73	Spart NY MM (422/FSNXX)	1098.8	0.88
Tax-Free MM (275/FMOXX)	336.2	0.83	OH MM (419/FOMXX)	628.9	0.66	PA MM (401/FPTXX)	279.0	0.70
US Gov't Reser (50/FGRXX)	2441.8	1.06	AZ MM (433/FSAXX)	139.5	0.72	Municipal MM (10/FTEXX)	12934.4	0.78
CA MM (97/FCFX)	2571.6	0.70	Spart CA MM (457/FSPXX)	1332.6	0.90			