

## Growth & Income Funds

It's surprising that so many investors run their portfolios at the extremes. Ultra-conservative types keep all their money in cash or bonds to minimize the risk of loss, while aggressive growth-seekers go in search of the highest returns available from the most volatile industry groups.

It's not easy to win with either approach. Being the turtle is safe, but it's difficult to keep pace with the cost of living after taxes are paid. Being the hare is

GROWTH & INCOME FUNDS - *Continued on page 2*

### Upcoming Trades: G&I Model, VIP G&I, Unique Opportunities

On Monday, 3/15, our Growth & Income Model will sell **Capital & Income** (38/FAGIX), and buy **Inflation-Protected Bond** (794/FINPX). The resulting mix will be approximately 23% **Inflation-Protected Bond**, 49% **Balanced**, and 28% **Low-Priced Stock**. Consider delaying this trade if you have purchased shares in **Capital & Income** within the last 90 days. We are making this change because the high yield bond sector is no longer undervalued, and may be vulnerable to a flood of new bond offerings. **Inflation-Protected Bond** provides bond exposure that won't be hurt by higher energy prices and rising inflation.

The same day, we will sell **VIP High Income** in the VIP Growth and Income Model, splitting the proceeds evenly between **VIP Asset Manager** and **VIP Investment Grade**, for a mix of 55% **VIP Asset Manager**, 31% **VIP Equity-Income**, and 14% **VIP Investment Grade Bond**.

Also on 3/15, our Unique Opportunities Model will sell **Capital & Income** (38/FAGIX), and buy **Natural Resources** (514/FNARX). The resulting mix will be 26% **Natural Resources**, 16% **Int'l Small Cap**, 24% **Leveraged Company**, and 34% **Low-Priced Stock**. Consider delaying this trade if you have purchased shares in **Capital & Income** within the last 90 days. We like **Natural Resources** because it has significant exposure to energy stocks, but carries less risk than other energy sectors (we don't currently include it in our Select System because the fund's asset base is too small).

## Review & Recommendations

Corporate profits remained on a favorable track in February, and Alan Greenspan managed to put the market at ease after explaining that the Fed's new terminology was not intended to suggest a tightening move was right around the corner. Still, there were signs that the weak dollar might turn out to be more inflationary than expected. OPEC made a surprise move to boost oil prices, and China began work on a system allowing its currency to climb against the greenback. The S&P 500 rose 1.4%.

### GROWTH FUNDS

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

Cyclical groups tended to do well, helping funds that focus on value. **Leveraged Company** rose 3.3%, **Contrafund** gained 3.2%, and **Value** was up 3.1%. Growth-oriented funds, on the flip side, were held back by tech weakness. **Growth Company** edged up 0.1%, and **Fidelity Fifty** finished flat.

### INTERNATIONAL FUNDS

**Diversified International** offers broad-based foreign stock exposure. **Int'l Small Cap** should benefit from a global economic rebound. Consider **Canada** for a play on the dollar's weakness.

**Nordic** was up 6.1%, thanks to optimism in the wireless industry. **China Region** followed with a gain of 4.8%. Exchange rate concerns continued to weigh on the Japanese market. **Japan** slid 1.1%, while **Japan Smaller Companies** lost 3.2%.

### GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. **Real Estate Income** provides an income stream of 5% with low risk. **Balanced** and **Puritan** offer an all-weather approach that should stand the test of time. Go with **Equity-Income I** or **II**, or **Strategic Dividend & Income**, to invest in stocks that may be helped by rising dividend payouts.

A favorable mix of value stocks gave a boost to **Balanced**, up 2.1%, and **Equity-Income**, which posted a 2.0% increase. **Real Estate Income** landed

RECOMMENDATIONS - *Continued on page 8*

exciting, but unless you have an unshakable long term strategy it's far too easy to fall into the trap of buying high and selling low.

Fortunately, there's a better way. When you take a middle-of-the-road approach to risk, it becomes a relatively easy task to build wealth over the long haul. In the arcane world of efficient frontier theory, the best chances for long-term success occur when overall volatility is roughly 20-40% lower than the S&P 500. When your portfolio is operating in this range, you're taking on enough risk to stay ahead of inflation, but not so much that you get clobbered in a bear market. You can invest and forget.

Need proof? **Puritan** turns 57 in about a month. Over its lifetime, the fund has compounded at 11.9% per year by investing in a mix of value stocks and bonds. \$1,000 invested in April, 1947 would be worth \$600,000 today. **Equity-Income** is another good example. Now approaching 38 years, the fund has compounded at a 13.2% rate by investing mainly in dividend stocks. A \$1,000 investment back in May, 1966 would now be worth \$42,800.

So, just because Fidelity offers 48 aggressive growth funds and 57 bond and money market funds doesn't mean you have to be an investment extremist. Take a closer look at the dozen choices that follow, and remember that these funds rarely disappoint over any long period of time.

#### **BALANCED (BUY)**

**Balanced** currently holds two-thirds in stocks and one-third in bonds. The stock side is aligned with the S&P 500, although industry weightings are skewed somewhat in favor of cyclicals. Energy and materials account for about 18% of stock holdings (versus 9% for the index), and defensive groups like health care and consumer staples represent 15% of equity assets (versus 24% for the S&P). Lawrence Rakers' stock picks have worked out well since he joined the fund two years ago. He was able to limit 2002 losses to less than half the S&P 500's decline, but still managed to keep up with the index in 2003. The latter accomplishment is quite notable when you consider that over 30% of the fund was in bonds. We think **Balanced** makes an excellent all-weather growth and income fund.

#### **CONVERTIBLE SECURITIES (HOLD)**

Victor Thay is emphasizing securities issued by growth-oriented companies, but he's also keeping the fund's stock exposure at a relatively low 15%.

We calculate volatility at 0.44 relative to the S&P 500. Most convertibles are issued by heavily indebted companies, a group that was sharply out of favor 18 months ago. Since then, investors have become far more receptive to the stocks and bonds of leveraged companies. Many of these securities have rallied strongly, and some are close to full valuation. As such, the near-term opportunity presented by this fund is not all that enticing. But it's a different story if you're thinking long term. **Convertible Securities** has frequently been one of Fidelity's top growth and income performers when measured over a period of 10 years. Strength in research has made this possible even with relatively high management turnover.

#### **EQUITY-INCOME (BUY)**

**Equity-Income** follows the time-tested strategy of buying companies that pay dividends, long regarded as one of the more prudent methods of investing in the stock market. Last year's dividend tax reduction rekindled investor interest in this forgotten approach, and many companies have responded by boosting their dividend payout rates. Other tax cuts may have contributed to the Federal deficit, but this one appears to be paying for itself through new activity, setting the stage for a permanent rate reduction. When and if that happens, many more companies could hop on the dividend bandwagon, creating a favorable long-term cycle.

Traditionally, utility stocks have been dividend heavyweights, but manager Stephen Peterson has been light on this group due to the extensive financial problems that have been plaguing the sector. That leaves the financial, industrial, and energy groups as the fund's dominant dividend payers. So, it's no surprise that **Equity-Income**'s dividend yield is a paltry 1.5%. But don't be discouraged. At this stage, the main opportunity in dividend stocks is the potential for capital appreciation. As companies raise their payout rates, investors will respond by marking up the share values in similar proportion.

#### **EQUITY-INCOME II (BUY)**

**Equity-Income II** focuses on dividend stocks, just as **Equity-Income** does, but it isn't required to maintain a yield that exceeds the S&P 500. That means it has more flexibility to invest in turnaround situations and growth opportunities. Still, for the most part manager Stephen Dufour has been following a traditional value-stock strategy. The fund has roughly 30% in financial stocks, 15% in the industrial sector, and 12% in the discretionary consumer group – not

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much different than **Equity-Income**. But there are some differences in growth sectors. **Equity-Income** has a nearly equal weighting in technology and health care, both at around 7% of assets. **Equity-Income II**, on the other hand, has 11% in technology and only 4% in health care. It's hard to say which of the two might be the better bet. In a continuing economic recovery, **Equity-Income II** would normally be the winning choice. But **Equity-Income** may have more to gain if companies continue to boost payout rates.

#### FIDELITY FUND (HOLD)

In the past, we've criticized this fund for being too closely aligned to the S&P 500. But this time, manager John Avery is going with an outsized bet on industrial stocks, which are currently weighted at 18% versus the market's 11%. Technology, at 14%, is four percentage points lower than the S&P's mix, and utility holdings are at zero – an underweight of three percentage points. This all makes sense from a cyclical recovery standpoint, but keep in mind that **Fidelity Fund** isn't likely to offer much protection in a market decline. Consider **Equity-Income I** or **II** if you want a stock fund that does a better job of cutting downside risk.

#### GROWTH & INCOME (HOLD)

Long-time manager Steven Kaye maintained a defensive stance during last year's recovery. With almost 30% of holdings in health care and consumer staples, **Growth & Income** trailed the S&P 500 by almost 10 percentage points in 2003. Chances are Kaye's defensive positioning will pay off over the long run, but at this stage we think a dividend stock approach could provide a higher long-term return. Consider going with **Equity-Income** over this fund.

#### GROWTH & INCOME II (HOLD)

Louis Salemy's heavy bet on consumer stocks means that this fund behaves somewhat differently. Roughly 37% of assets are devoted to food, beverages, retailers, media, and leisure. Salemy's above-average cash position (11.5%) is also a bit odd. **Growth & Income II** is too small for inflows or redemption activity to be much of an issue, so the main purpose must be to hedge against a market decline. Despite a defensive portfolio, **Growth & Income II** managed to gain 23% last year, suggesting that Salemy's stock picks have certainly helped. If rising inflation prompts a mark-down in growth stock valuations, Salemy's portfolio could be a winner. However, we think dollar weakness and low interest rates will keep the current cyclical recovery stoked for another year or two.

If that turns out to be the case, **Equity-Income II** might be a better bet.

#### PURITAN (BUY)

**Puritan** is similar to **Balanced** in its asset mix. What's different is that **Puritan** maintains a more conservative stock portfolio. Unlike **Balanced**, which is only modestly different than the S&P 500 in equity exposure, **Puritan** follows a traditional equity-income discipline (Stephen Petersen, who also manages **Equity-Income**, is also the stockpicker for **Puritan**). Although we have a slight preference for **Balanced**, one thing we like about **Puritan** is its stake in the energy group, accounting for 13% of stock holdings. In a world where fossil fuel demand is rising and production rates are leveling off, it's comforting to know that **Puritan** has a degree of built-in inflation protection. It may be hard to get excited about **Puritan**'s up-market performance, but this is a fund that rarely disappoints in tough times.

#### REAL ESTATE (HOLD)

**Real Estate** invests in Real Estate Investment Trusts (REITs), a separate and unique asset class. The combination of low interest rates, a recovering economy, and restrained building activity has put this fund on a hot streak for the last four years. While there's nothing to suggest that the party is ending at this stage, it's still a good idea to be cautious. The supply of properties has a way of catching up with demand when the market least expects it. Consider **Real Estate Income** instead. Its risk level is 3-4 times lower, and it delivers a higher income stream.

#### REAL ESTATE INCOME (BUY)

**Real Estate Income** is Fidelity's least risky growth and income fund. We estimate its volatility at around 20% of the S&P 500. With a combination of equity REITs, bond offerings, and convertibles, **Real Estate Income** has been able to post an income stream of nearly 5%. There's some risk the fund could be hurt when the Fed eventually hikes short-term interest rates. Still, even if things don't go right, the downside risk is relatively modest. And compared to most bond funds this is a better place to be when inflation is creeping higher.

#### STRATEGIC DIVIDEND & INCOME (BUY)

This fund is essentially a growth and income version of **Strategic Income**. Basically, it allocates between four conservative asset classes: dividend stocks, real estate, convertibles, and preferred stocks.

GROWTH & INCOME FUNDS - *Continued on page 8*

#### 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 ↓.

| FEBRUARY 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***   | 1.03    | 1.5(90)  | 15.66  | 5264.7  | 4.9  | 2.6  | 6.9   | 42.8  | -19.0 | -9.3 | 5.4   |
| Blue Chip Gth (312/FBGRX)         | H***   | 1.00    | none     | 40.79  | 22972.8 | 2.9  | 0.8  | 7.3   | 32.7  | -4.0  | -2.5 | 9.1   |
| Blue Chip Value (1271/FBCVX)      | H***   | 1.0 Est | none     | 11.56  | 58.3    | 3.9  | 1.9  | 10.7  |       |       |      |       |
| Capital Apprec (307/FDCAX)        | B****  | 1.17    | none     | 25.45  | 4949.2  | 3.8  | 2.5  | 8.5   | 57.1  | 6.2   | 6.1  | 10.7  |
| Contrafund (22/FCNTX)             | H***   | 0.80    | none     | 50.90  | 36096.6 | 3.2  | 3.2  | 5.9   | 37.9  | 4.4   | 3.6  | 12.2  |
| Discovery (339/FDSVX)             | H***   | 0.77    | none     | 10.50  | 636.9   | 1.5  | 0.7  | 7.9   | 25.0  | -0.8  | 3.5  |       |
| Disc Equity (315/FDEQX)           | H***   | 0.96    | none     | 23.47  | 4101.9  | 3.2  | 1.6  | 7.1   | 35.6  | -0.4  | 1.4  | 10.0  |
| Dividend Gth (330/FDGFY)          | H***   | 0.99    | none     | 28.12  | 18642.6 | 3.0  | 1.1  | 9.7   | 33.1  | 0.3   | 3.5  | 14.3  |
| Export Fund (332/FEPPX)           | B****  | 1.04    | 0.75(30) | 18.81  | 1122.2  | 3.6  | 2.0  | 10.5  | 43.0  | 4.9   | 9.8  |       |
| Fidelity Fifty (500/FFTYX)        | H***   | 1.16    | 0.75(30) | 19.60  | 948.8   | 1.7  | 0.0  | 6.0   | 25.6  | 4.5   | 6.2  | 12.7  |
| Growth Company (25/FDGRX)         | B****  | 1.30    | none     | 51.60  | 23478.6 | 3.1  | 0.1  | 4.5   | 49.4  | -4.1  | 3.5  | 11.2  |
| Large-Cap Stock (338/FLCSX)       | H***   | 1.00    | none     | 14.27  | 736.5   | 2.8  | 0.4  | 7.5   | 33.0  | -4.1  | -2.4 |       |
| Lev Co Stock (122/FLVCX)          | B****  | 1.11    | 1.5(90)  | 20.81  | 1577.8  | 7.7  | 3.3  | 14.8  | 111.1 | 27.3  |      |       |
| Low-Priced Stock (316/FLPSX)      | B****  | 0.84    | Closed   | 36.98  | 28370.5 | 5.7  | 2.9  | 9.2   | 57.9  | 18.7  | 18.5 | 16.1  |
| Magellan (21/FMAGX)               | H***   | 0.99    | Closed   | 100.40 | 67678.2 | 2.7  | 1.4  | 8.1   | 33.5  | -2.6  | -0.9 | 9.1   |
| Mid Cap Stock (337/FMCSX)         | B****  | 1.05    | 0.75(30) | 22.35  | 8329.1  | 3.6  | 1.7  | 5.0   | 42.6  | -2.2  | 10.9 |       |
| New Millennium (300/FMILX)        | B****  | 1.26    | Closed   | 31.56  | 3786.7  | 3.8  | 0.2  | 4.3   | 49.7  | 3.3   | 10.6 | 18.4  |
| OTC Portfolio (93/FOCPX)          | B****  | 1.30    | none     | 33.72  | 8272.8  | 3.8  | 0.2  | 6.0   | 48.9  | -0.8  | -0.1 | 10.1  |
| Independence (73/FDFFX)           | H***   | 1.14    | none     | 16.46  | 4769.7  | 2.5  | 0.5  | 7.2   | 31.2  | -3.3  | 2.7  | 9.5   |
| Small Cap Indep (336/FDSCX)       | H***   | 0.86    | 1.5(90)  | 18.70  | 973.3   | 4.2  | 0.9  | 6.8   | 48.4  | 9.2   | 9.4  | 8.5   |
| Small Cap Stock (340/FSLCX)       | H***   | 0.96    | 2(90)    | 17.95  | 2941.5  | 5.0  | 1.9  | 9.7   | 62.8  | 12.0  | 17.9 |       |
| Stock Selector (320/FDSSX)        | H***   | 1.00    | none     | 21.63  | 822.1   | 3.0  | 1.3  | 8.5   | 36.4  | -0.9  | 0.7  | 9.0   |
| Strc Lg Cap Gth (763/FSLGX)       | H***   | 1.04    | 0.75(30) | 9.29   | 23.0    | 3.0  | 0.9  | 7.2   | 35.8  |       |      |       |
| Strc Lg Cap Val (708/FSLVX)       | H***   | 0.96    | 0.75(30) | 10.89  | 25.1    | 3.5  | 2.3  | 9.7   | 38.6  |       |      |       |
| Strc Mid Cap Gth (793/FSMGX)      | H***   | 1.13    | 0.75(30) | 10.74  | 60.6    | 4.1  | 1.0  | 4.6   | 50.0  |       |      |       |
| Strc Mid Cap Val (762/FSMVX)      | H***   | 0.90    | 0.75(30) | 12.68  | 95.5    | 5.0  | 2.9  | 8.6   | 45.7  |       |      |       |
| Focused Stock (333/FTQGX)         | S**    | 0.97    | 0.75(30) | 8.99   | 35.4    | 2.5  | 2.6  | 6.1   | 31.2  | -11.0 | -3.8 |       |
| Trend (5/FTRNX)                   | H***   | 0.98    | none     | 50.54  | 875.0   | 3.2  | 1.6  | 8.2   | 36.8  | -0.5  | 2.8  | 5.9   |
| Value (39/FDVLX)                  | B****  | 0.91    | none     | 65.57  | 7313.3  | 5.6  | 3.1  | 11.3  | 49.0  | 11.2  | 11.9 | 12.2  |
| Value Discovery (832/FVDFX)       | H***   | 1.04    | none     | 13.17  | 50.6    | 5.4  | 2.9  | 11.7  | 43.0  |       |      |       |
| Value Strategies (14/FSLSX)       | H***   | 1.2 Est | none     | 35.07  | 33.7    | 6.9  | 1.5  | 6.9   | 83.4  | 11.1  | 15.4 |       |
| <b>GROWTH &amp; INCOME FUNDS:</b> |        |         |          |        |         |      |      |       |       |       |      |       |
| Balanced (304/FBALX)              | B****  | 0.70    | none     | 17.42  | 10306.5 | 4.0  | 2.1  | 7.7   | 36.0  | 7.5   | 7.1  | 9.6   |
| Convertible Sec (308/FCVX)        | H***   | 0.48    | none     | 20.73  | 1872.9  | 2.8  | 1.1  | 6.1   | 29.6  | 4.7   | 12.3 | 12.1  |
| Equity-Income (23/FEQIX)          | B****  | 0.96    | none     | 51.28  | 23678.4 | 3.1  | 2.0  | 11.1  | 42.1  | 2.4   | 4.4  | 11.0  |
| Equity-Income II (319/FEQTX)      | B****  | 1.06    | none     | 23.09  | 12476.1 | 2.1  | 1.1  | 8.5   | 41.5  | 3.2   | 3.6  | 10.9  |
| Fidelity Fund (3/FFIDX)           | H***   | 1.00    | none     | 28.83  | 10448.5 | 2.7  | 1.3  | 8.6   | 35.9  | -1.2  | -0.3 | 10.7  |
| Growth & Income (27/FGRIX)        | H***   | 0.86    | none     | 36.60  | 30818.4 | 2.7  | 1.3  | 8.0   | 27.2  | -1.1  | -0.2 | 10.4  |
| Growth & Inc II (361/FGRTX)       | H***   | 0.93    | none     | 9.49   | 227.9   | 2.4  | 1.3  | 6.7   | 30.9  | 0.3   | -0.2 |       |
| Puritan (4/FPURX)                 | B****  | 0.63    | none     | 18.98  | 22159.4 | 2.8  | 1.6  | 8.7   | 29.4  | 4.8   | 5.0  | 9.6   |
| Real Estate Inc (833/FRIFX)       | B****  | 0.2 Est | 0.75(90) | 11.51  | 406.6   | 2.7  | 0.8  | 4.4   | 19.8  |       |      |       |
| Real Estate (303/FRESX)           | H***   | 0.72    | 0.75(90) | 25.17  | 2860.6  | 6.2  | 1.7  | 9.0   | 43.1  | 18.9  | 16.8 | 11.9  |
| Strategic Div & Inc (1329/FSDIX)  | B****  | 0.7 Est | none     | 10.53  | 10.1    | 4.3  | 1.3  |       |       |       |      |       |
| Utilities (311/FUIX)              | S***   | 0.94    | none     | 11.88  | 863.4   | 3.5  | 1.3  | 10.1  | 32.9  | -8.0  | -5.2 | 6.2   |
| <b>SELECT FUNDS:</b>              |        |         |          |        |         |      |      |       |       |       |      |       |
| Air Transportation (34/FSAIX)     | H***   | 1.49    | 0.75(30) | 30.04  | 37.4    | 0.2  | 0.4  | 0.4   | 53.4  | -3.6  | 7.9  | 10.9  |
| Automotive (502/FSAVX)            | S**    | 1.21    | 0.75(30) | 32.36  | 31.8    | -0.5 | -0.6 | 4.0   | 52.1  | 15.9  | 6.8  | 6.1   |
| Banking (507/FSRBX)               | B****  | 1.04    | 0.75(30) | 40.80  | 476.0   | 4.3  | 3.2  | 7.9   | 40.1  | 8.7   | 7.0  | 15.7  |
| Biotechnology (42/FBIOX)          | B****  | 1.48    | 0.75(30) | 55.39  | 1881.5  | 7.6  | 3.9  | 11.3  | 44.2  | -8.1  | 7.7  | 11.6  |
| Brokerage (68/FSLBX)              | H***   | 1.46    | 0.75(30) | 54.13  | 439.8   | 9.0  | 2.9  | 14.8  | 63.6  | 5.9   | 11.8 | 16.8  |
| Business Ser (353/FBSOX)          | H***   | 1.17    | 0.75(30) | 14.14  | 36.3    | -1.3 | -2.3 | 1.9   | 38.6  | -0.7  | 4.8  |       |
| Chemicals (69/FSCHX)              | H***   | 1.16    | 0.75(30) | 51.74  | 53.4    | -0.1 | 2.4  | 9.9   | 41.7  | 10.0  | 12.0 | 10.0  |
| Computers (7/FDCPX)               | B****  | 1.75    | 0.75(30) | 37.50  | 1033.3  | 4.6  | -1.2 | 2.4   | 67.7  | -3.2  | -2.2 | 14.4  |
| Const & Housing (511/FSHOX)       | S**    | 1.23    | 0.75(30) | 36.04  | 97.7    | 3.7  | 5.6  | 5.0   | 59.8  | 17.8  | 11.8 | 11.7  |
| Consumer Indust (517/FSCPX)       | H***   | 0.91    | 0.75(30) | 24.21  | 33.3    | 3.0  | 3.0  | 5.7   | 33.8  | 1.1   | 0.3  | 9.4   |
| Cyclical Indust (515/FCYIX)       | H***   | 1.04    | 0.75(30) | 16.22  | 45.4    | 0.9  | 1.6  | 8.5   | 49.9  | 4.6   | 8.0  |       |
| Defense & Aero (67/FSDAX)         | H***   | 1.06    | 0.75(30) | 55.07  | 336.2   | 0.6  | 0.2  | 7.4   | 51.7  | 9.3   | 11.9 | 14.9  |
| Develop Commn (518/FSDCX)         | B****  | 1.65    | 0.75(30) | 20.25  | 847.5   | 22.1 | 3.1  | 21.2  | 101.9 | -5.4  | -0.1 | 11.3  |
| Electronics (8/FSELX)             | H***   | 1.93    | 0.75(30) | 43.67  | 4225.3  | 4.2  | -1.8 | 3.5   | 75.4  | -3.3  | 4.8  | 18.7  |
| Energy (60/FSENX)                 | B****  | 0.97    | 0.75(30) | 26.52  | 273.0   | 5.8  | 5.0  | 18.6  | 29.3  | 1.5   | 14.4 | 10.3  |
| Energy Services (43/FSESX)        | B****  | 1.69    | 0.75(30) | 35.65  | 384.6   | 12.8 | 5.5  | 26.2  | 19.9  | -2.5  | 22.2 | 14.7  |
| Environmental (516/FSLEX)         | H***   | 1.03    | 0.75(30) | 13.29  | 13.0    | -0.2 | 0.8  | 2.1   | 36.9  | 0.8   | 0.8  | 1.7   |
| Financial Services (66/FIDSX)     | H***   | 1.05    | 0.75(30) | 121.09 | 537.7   | 5.4  | 2.5  | 10.1  | 45.2  | 5.9   | 7.2  | 15.6  |
| Food & Agriculture (9/FDFAX)      | H***   | 0.73    | 0.75(30) | 46.50  | 93.5    | 5.6  | 5.3  | 7.7   | 30.9  | 5.0   | 4.0  | 10.8  |
| Gold (41/FSAGX)                   | H***   | 1.79    | 0.75(30) | 27.21  | 726.5   | -8.8 | 0.3  | -11.0 | 26.8  | 34.0  | 18.6 | 3.6   |
| Health Care (63/FSPHX)            | H***   | 0.99    | 0.75(30) | 123.36 | 2009.9  | 4.5  | 1.3  | 10.2  | 24.1  | -1.9  | 2.2  | 15.6  |
| Home Finance (98/FSVLX)           | H***   | 1.01    | 0.75(30) | 68.76  | 425.4   | 6.6  | 2.9  | 8.9   | 49.4  | 14.4  | 13.7 | 17.1  |
| Indust Equip (510/FSCGX)          | H***   | 1.17    | 0.75(30) | 24.61  | 75.8    | 0.0  | -0.5 | 8.8   | 53.8  | 4.3   | 4.5  | 9.7   |
| Indust Materials (509/FSDPX)      | H***   | 1.07    | 0.75(30) | 35.99  | 124.5   | 0.0  | 6.8  | 9.9   | 51.7  | 17.2  | 13.0 | 8.2   |
| Insurance (45/FSPCX)              | H***   | 1.02    | 0.75(30) | 59.67  | 117.7   | 7.7  | 2.6  | 13.2  | 49.0  | 10.6  | 12.8 | 18.0  |
| Leisure (62/FDLSX)                | H***   | 1.13    | 0.75(30) | 74.39  | 199.8   | 4.8  | 2.0  | 8.9   | 53.0  | 4.0   | 2.4  | 12.2  |
| Medical Delivery (505/FSHCX)      | H***   | 1.35    | 0.75(30) | 32.76  | 205.3   | 6.3  | 0.5  | 9.0   | 43.4  | 8.4   | 11.4 | 10.1  |
| Medical Equip/Sys (354/FSMEX)     | B****  | 0.87    | 0.75(30) | 20.99  | 519.8   | 4.8  | -0.6 | 7.6   | 37.9  | 11.2  | 17.3 |       |
| Multimedia (503/FBMPX)            | H***   | 1.37    | 0.75(30) | 44.83  | 172.2   | -0.8 | -0.7 | 4.8   | 51.0  | 5.0   | 4.9  | 13.0  |
| Natural Gas (513/FSNGX)           | H***   | 1.30    | 0.75(30) | 23.00  | 232.4   | 6.6  | 5.6  | 18.7  | 32.0  | 0.1   | 17.6 | 10.4  |
| Nat Resources (514/FNARX)         | B****  | 0.90    | 0.75(30) | 14.90  | 67.4    | 4.1  | 5.4  | 16.1  | 35.0  | 2.9   | 15.9 |       |
| Networking/Infra (912/FNINX)      | H***   | 1.87    | 0.75(30) | 2.66   | 203.3   | 13.7 | -0.4 | 11.3  | 75.0  | -13.6 |      |       |
| Paper & Forest (506/FSPFX)        | H***   | 1.21    | 0.75(30) | 31.64  | 21.6    | 2.4  | 6.7  | 13.7  | 31.5  | 8.4   | 11.7 | 8.8   |
| Pharmaceuticals (580/FPHAX)       | H***   | 1.04    | 0.75(30) | 8.95   | 85.2    | 2.2  | 0.0  | 9.7   | 27.9  |       |      |       |
| Retailing (46/FSRPX)              | H***   | 1.07    | 0.75(30) | 47.39  | 80.1    | 5.9  | 5.3  | 5.1   | 54.3  | 1.9   | -0.3 | 10.6  |
| Software (28/FSCSX)               | B****  | 1.37    | 0.75(30) | 51.36  | 855.1   | 4.3  | 0.2  | 6.6   | 44.8  | 4.5   | 8.2  | 16.0  |
| Technology (64/FSPTX)             | B****  | 1.64    | 0.75(30) | 61.94  | 2683.2  | 3.1  | -1.7 | 2.6   | 61.1  | -3.5  | 0.9  | 13.7  |
| Telecom (96/FSTCX)                | H***   | 1.54    | 0.75(30) | 35.79  | 427.4   | 11.7 | 3.5  | 19.3  | 51.8  | -7.9  | -6.2 | 6.7   |
| Transportation (512/FSRFX)        | H***   | 1.27    | 0.75(30) | 32.84  | 40.3    | -2.9 | 0.2  | -1.0  | 44.0  | 4.2   | 10.3 | 11.0  |
| Utilities Growth (65/FSUTX)       | H***   | 1.00    | 0.75(30) | 33.94  | 206.0   | 3.0  | 2.2  | 8.8   | 40.7  | -10.6 | -5.3 | 7.4   |
| Wireless (963/FWRXL)              | H***   | 1.59    | 0.75(30) | 4.85   | 229.6   | 18.6 | 5.2  | 23.4  | 100.4 | -12.4 |      |       |

| FEBRUARY 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***   | 0.95 | 1 (30)  | 15.60 | 644.7   |       | 2.6  | 1.4  | 10.5 | 56.5  | 6.8  | 5.7  |      |
| Canada (309/FICDX)             | B****↑ | 0.80 | 1.5(90) | 28.79 | 288.4   |       | 5.1  | 2.1  | 11.1 | 52.4  | 14.8 | 17.0 |      |
| Diversified Int'l (325/FDIVX)  | B****  | 0.75 | 1 (30)  | 25.38 | 14653.7 |       | 5.2  | 3.5  | 12.5 | 56.9  | 7.6  | 10.5 |      |
| Emerging Mkts (322/FEMKX)      | H***   | 0.92 | 1.5(90) | 11.42 | 584.1   |       | 7.6  | 4.0  | 16.4 | 67.6  | 11.6 | 11.2 |      |
| Europe (301/FIEUX)             | H***   | 1.11 | 1 (30)  | 28.36 | 1563.6  |       | 6.5  | 2.0  | 10.6 | 72.5  | 1.0  | 1.6  |      |
| Europe Cap Appr (341/FECAX)    | H***   | 0.93 | 1 (30)  | 20.37 | 445.3   |       | 8.9  | 3.9  | 16.5 | 63.7  | 5.6  | 5.7  |      |
| China Region (352/FHKCX)       | H***   | 1.01 | 1.5(90) | 16.91 | 344.3   |       | 8.9  | 4.8  | 14.5 | 61.5  | 6.4  | 14.0 |      |
| Global Balanced (334/FGBLX)    | H***   | 0.58 | 1 (30)  | 19.31 | 131.7   |       | 2.3  | 0.4  | 7.7  | 37.1  | 6.1  | 6.0  |      |
| Int'l Growth & Inc (305/FIGRX) | B****  | 0.88 | 1 (30)  | 25.14 | 1656.8  |       | 5.1  | 2.1  | 13.1 | 60.9  | 6.2  | 8.4  |      |
| Int'l Small Cap (818/FISMV)    | B****  | 0.78 | 2 (90)  | 20.17 | 932.5   |       | 8.0  | 3.4  | 15.5 | 96.8  |      |      |      |
| Japan (350/FJPNX)              | H***   | 1.47 | 1.5(90) | 11.33 | 556.0   |       | -1.8 | -1.1 | 5.0  | 39.3  | -2.9 | 5.5  |      |
| Japan Smaller Co (360/FJSCX)   | H***   | 1.27 | 1.5(90) | 10.12 | 939.7   |       | -2.1 | -3.2 | 4.7  | 59.7  | 9.4  | 12.9 |      |
| Latin America (349/FLATX)      | H***   | 1.18 | 1.5(90) | 16.11 | 315.4   |       | 5.8  | 4.7  | 16.9 | 88.4  | 8.7  | 12.1 |      |
| Nordic (342/FNORX)             | H***   | 1.04 | 1.5(90) | 23.74 | 95.6    |       | 13.1 | 6.1  | 18.5 | 76.3  | 1.2  | 6.3  |      |
| Overseas (94/FOSEFX)           | H***   | 1.05 | 1 (30)  | 32.69 | 4113.4  |       | 4.0  | 1.6  | 11.2 | 60.3  | 1.1  | 2.7  |      |
| Pacific Basin (302/FPBFX)      | H***   | 1.10 | 1.5(90) | 17.91 | 454.6   |       | 2.2  | 1.0  | 8.7  | 48.6  | 3.0  | 8.5  |      |
| Southeast Asia (351/FSEAX)     | H***   | 1.17 | 1.5(90) | 15.93 | 498.9   |       | 9.3  | 2.8  | 18.0 | 73.4  | 10.6 | 14.8 |      |
| Worldwide (318/FWWFX)          | H***   | 0.94 | 1 (30)  | 16.99 | 1014.0  |       | 3.8  | 1.5  | 10.2 | 51.8  | 4.3  | 6.0  |      |

**INDEX AND ASSET ALLOCATION:**

|                                 |       |         |          |       |         |  |     |      |      |      |      |      |
|---------------------------------|-------|---------|----------|-------|---------|--|-----|------|------|------|------|------|
| Four-In-One Index (355/FFNOX)   | H***  | 0.78    | 0.5(90)  | 23.60 | 519.5   |  | 3.5 | 1.5  | 8.2  | 38.0 | 1.9  |      |
| NASDAQ Comp (1282/FNCMX)        | H***  | 1.37    | 0.75(90) | 27.78 | 73.0    |  | 1.1 | -1.8 | 3.2  |      |      |      |
| Spart Ext Mkt Idx (398/FSEMX)   | B**** | 0.99    | 0.75(90) | 28.76 | 946.5   |  | 5.3 | 1.7  | 7.5  | 58.1 | 6.6  | 5.6  |
| Spart Int'l Index (399/FSIIX)   | H***  | 0.92    | 1(90)    | 28.40 | 500.3   |  | 4.2 | 2.3  | 12.0 | 53.5 | 0.7  | 1.2  |
| Spart 500 Index (317/FSMKX)     | H***  | 1.00    | 0.5(90)  | 79.07 | 10294.6 |  | 3.2 | 1.4  | 8.6  | 38.3 | -1.2 | -0.3 |
| Spart Total Mkt Idx (397/FSTMV) | H***  | 0.98    | 0.5(90)  | 31.00 | 2107.7  |  | 3.6 | 1.4  | 8.3  | 42.1 | 0.6  | 1.1  |
| Asset Manager (314/FASMX)       | H***  | 0.52    | none     | 16.12 | 11435.0 |  | 2.3 | 0.9  | 6.2  | 21.3 | 2.9  | 4.4  |
| Asset Mgr Agg (347/FAMRX)       | H***  | 1.05    | none     | 10.59 | 341.3   |  | 3.4 | 2.1  | 7.5  | 52.2 | -3.3 |      |
| Asset Mgr Gth (321/FASGX)       | H***  | 0.73    | none     | 14.64 | 3808.0  |  | 2.5 | 0.9  | 7.6  | 28.0 | 1.5  | 1.7  |
| Asset Mgr Inc (328/FASIX)       | B**** | 0.31    | none     | 12.37 | 1146.6  |  | 1.9 | 0.7  | 2.7  | 15.6 | 5.5  | 5.1  |
| Freedom 2000 (370/FFBFX)        | B**** | 0.26    | none     | 11.96 | 1538.2  |  | 1.5 | 0.8  | 3.1  | 11.2 | 3.3  | 4.9  |
| Freedom 2005 (1312/FFVFX)       | B**** | 0.3 Est | none     | 10.49 | 18.7    |  | 2.2 | 1.0  | 4.9  |      |      |      |
| Freedom 2010 (371/FFFCX)        | B**** | 0.43    | none     | 13.32 | 7024.8  |  | 2.3 | 1.0  | 5.0  | 21.0 | 3.2  | 5.0  |
| Freedom 2015 (1313/FFVFX)       | B**** | 0.5 Est | none     | 10.60 | 55.6    |  | 2.6 | 1.1  | 6.0  |      |      |      |
| Freedom 2020 (372/FFFDX)        | B**** | 0.65    | none     | 13.39 | 7079.8  |  | 2.8 | 1.1  | 6.6  | 31.2 | 1.9  | 4.0  |
| Freedom 2025 (1314/FFTWX)       | B**** | 0.7 Est | none     | 10.69 | 33.1    |  | 2.9 | 1.1  | 7.0  |      |      |      |
| Freedom 2030 (373/FFFEFX)       | B**** | 0.76    | none     | 13.34 | 4088.2  |  | 3.0 | 1.2  | 7.3  | 36.1 | 0.8  | 3.2  |
| Freedom 2035 (1315/FFTHX)       | B**** | 0.8 Est | none     | 10.75 | 12.9    |  | 3.1 | 1.2  | 7.5  |      |      |      |
| Freedom 2040 (718/FFFFX)        | B**** | 0.83    | none     | 7.80  | 1154.0  |  | 3.2 | 1.2  | 7.7  | 39.9 | 0.2  |      |
| Freedom Income (369/FFFAFX)     | B**** | 0.22    | none     | 11.24 | 1651.4  |  | 1.4 | 0.7  | 2.8  | 9.0  | 3.7  | 4.8  |

**TAXABLE BOND FUNDS:**

|                                 |       |         |          |       |        |      |     |      |     |      |      |      |
|---------------------------------|-------|---------|----------|-------|--------|------|-----|------|-----|------|------|------|
| Capital & Income (38/FAGIX)     | H***↓ | 0.26    | 1(90)    | 8.08  | 4455.7 | 6.49 | 1.4 | -0.5 | 4.2 | 32.4 | 7.5  | 6.0  |
| Floating Rate (814/FFRHX)       | B**** | 0.05    | 1(60)    | 9.89  | 1012.0 | 3.11 | 0.7 | 0.0  | 1.2 | 6.2  |      |      |
| GNMA Portfolio (15/FGMNX)       | H***  | 0.19    | none     | 11.16 | 4354.9 | 4.38 | 1.4 | 0.8  | 2.0 | 2.8  | 5.8  | 6.2  |
| Gov't Income (54/FGOVX)         | H***  | 0.35    | none     | 10.37 | 3961.1 | 2.84 | 2.0 | 1.2  | 2.9 | 2.8  | 6.6  | 6.7  |
| Intermed Bond (32/FTHRFX)       | H***  | 0.25    | none     | 10.77 | 6716.6 | 3.57 | 1.6 | 1.0  | 2.6 | 5.0  | 7.3  | 7.1  |
| Intermed Gov't Inc (452/FSTGX)  | H***  | 0.26    | none     | 10.40 | 1084.4 | 2.77 | 1.5 | 1.0  | 2.3 | 2.5  | 6.4  | 6.6  |
| Invest Grade Bond (26/FBNDX)    | H***  | 0.29    | none     | 7.64  | 5590.3 | 3.32 | 1.7 | 0.9  | 2.7 | 4.8  | 7.2  | 7.0  |
| Mortgage Securities (40/FMSFX)  | H***  | 0.19    | none     | 11.32 | 1321.8 | 3.65 | 1.5 | 0.8  | 2.4 | 4.2  | 6.5  | 6.9  |
| New Markets Inc (331/FNMIX)     | S**   | 0.50    | 1(90)    | 13.72 | 917.0  | 6.08 | 0.7 | 0.5  | 4.5 | 24.8 | 15.4 | 20.1 |
| Short-Term Bond (450/FSHBX)     | B**** | 0.13    | none     | 9.09  | 5355.0 | 2.52 | 1.0 | 0.6  | 1.7 | 3.5  | 5.5  | 5.9  |
| Spart Gov't Inc (453/SPGVX)     | H***  | 0.35    | none     | 11.18 | 869.5  | 3.49 | 2.0 | 1.3  | 3.0 | 3.2  | 6.9  | 7.0  |
| High Income (455/SPHIX)         | H***↓ | 0.19    | 1(90)    | 8.96  | 3044.0 | 6.80 | 1.3 | -0.1 | 3.9 | 24.4 | 4.5  | 2.3  |
| Spart Invest Grade (448/FSIBX)  | H***  | 0.28    | none     | 10.84 | 2542.4 | 3.93 | 1.8 | 1.1  | 2.8 | 5.2  | 7.5  | 7.2  |
| Strategic Income (368/FSICX)    | H***  | 0.23    | none     | 10.52 | 2585.8 | 5.13 | 1.1 | 0.1  | 3.4 | 16.3 | 10.4 | 9.1  |
| Inflation-Protected (794/FINPX) | B**** | 0.47    | none     | 11.36 | 786.7  | 1.37 | 3.4 | 2.3  | 4.4 | 6.9  |      |      |
| Total Bond (820/FTBFX)          | H***  | 0.28    | none     | 10.64 | 311.7  | 3.18 | 1.7 | 0.8  | 2.8 | 5.9  |      |      |
| Ultra-Short Bond (812/FUSEFX)   | B**** | 0.04    | 0.25(60) | 10.08 | 372.4  | 1.32 | 0.4 | 0.3  | 0.7 | 2.0  |      |      |
| US Bond Index (651/FBIDX)       | H***  | 0.2 Est | none     | 11.33 | 4762.5 | 3.98 | 1.9 | 1.1  | 3.1 | 5.2  | 7.6  |      |

**MUNICIPAL BOND FUNDS:**

|                                  |       |      |         |       |        |      |     |     |     |     |     |     |
|----------------------------------|-------|------|---------|-------|--------|------|-----|-----|-----|-----|-----|-----|
| Spart AZ Muni Inc (434/FSAZX)    | H***  | 0.25 | 0.5(30) | 11.79 | 77.0   | 3.60 | 2.2 | 1.7 | 3.1 | 6.3 | 6.9 | 6.1 |
| Spart CA Muni Inc (91/FACTFX)    | H***  | 0.23 | 0.5(30) | 12.83 | 1515.0 | 4.21 | 2.4 | 1.8 | 3.4 | 6.4 | 6.5 | 5.8 |
| Spart CT Muni Inc (407/FICNX)    | H***  | 0.24 | 0.5(30) | 12.04 | 442.5  | 4.04 | 2.2 | 1.5 | 3.1 | 6.1 | 6.9 | 6.0 |
| Spart FL Muni Inc (427/FFLIX)    | H***  | 0.24 | 0.5(30) | 11.94 | 562.6  | 3.91 | 2.5 | 1.6 | 3.3 | 6.3 | 6.9 | 5.8 |
| Spart Intermediate (36/FLTMX)    | H***  | 0.20 | 0.5(30) | 10.35 | 1820.4 | 3.92 | 2.1 | 1.4 | 2.8 | 6.2 | 6.8 | 5.8 |
| Spart MA Muni Inc (70/FDMMX)     | H***  | 0.23 | 0.5(30) | 12.43 | 1847.2 | 4.25 | 2.2 | 1.4 | 3.0 | 6.4 | 6.9 | 6.0 |
| Spart MD Muni Inc (429/SMDMX)    | H***  | 0.22 | 0.5(30) | 11.24 | 95.2   | 3.77 | 2.2 | 1.6 | 2.9 | 6.1 | 6.4 | 5.7 |
| Spart MI Muni Inc (81/FMHTX)     | H***  | 0.24 | 0.5(30) | 12.40 | 561.7  | 3.97 | 2.1 | 1.5 | 3.0 | 6.7 | 7.1 | 6.0 |
| Spart MN Muni Inc (82/FMIX)      | H***  | 0.19 | 0.5(30) | 11.81 | 346.2  | 3.89 | 1.9 | 1.3 | 2.8 | 6.1 | 6.4 | 5.5 |
| Spart Municipal Inc (37/FHIGX)   | H***  | 0.24 | 0.5(30) | 13.39 | 4818.6 | 4.28 | 2.4 | 1.6 | 3.4 | 7.0 | 7.5 | 6.5 |
| Spart NJ Muni Inc (416/FNJHX)    | H***  | 0.24 | 0.5(30) | 12.00 | 552.3  | 3.92 | 2.1 | 1.5 | 3.0 | 6.4 | 6.8 | 6.1 |
| Spart NY Muni Inc (71/FTFMX)     | H***  | 0.24 | 0.5(30) | 13.43 | 1424.9 | 4.00 | 2.3 | 1.7 | 3.2 | 6.6 | 7.4 | 6.3 |
| Spart OH Muni Inc (88/FOHFX)     | H***  | 0.24 | 0.5(30) | 12.27 | 434.9  | 4.05 | 2.3 | 1.7 | 3.2 | 6.8 | 7.0 | 6.0 |
| Spart PA Muni Inc (402/FPXTX)    | H***  | 0.22 | 0.5(30) | 11.21 | 293.2  | 4.03 | 2.1 | 1.4 | 3.0 | 6.1 | 6.7 | 5.8 |
| Spart Short-Int Muni (404/FSTFX) | B**** | 0.11 | 0.5(30) | 10.57 | 1835.3 | 2.47 | 1.3 | 0.9 | 1.5 | 3.3 | 5.0 | 4.7 |
| Spart Tax-Free Bond (90/FTABX)   | H***  | 0.26 | 0.5(30) | 10.95 | 223.6  | 4.04 | 2.4 | 1.6 | 3.5 | 7.4 |     |     |

| FEBRUARY 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                  | 0.97 | 10583.92  | 1.6 | 1.1   | 8.8   | 37.1  | 2.4  | 4.5  | 12.9 |       |
| S&P 500                               | 1.00 | 1144.94   | 3.3 | 1.4   | 8.6   | 38.5  | -1.0 | -0.1 | 11.4 |       |
| NASDAQ                                | 1.37 | 2029.82   | 1.4 | -1.7  | 3.7   | 52.5  | -1.5 | -2.0 | 10.4 |       |
| Russell 2000                          | 1.23 | 585.56    | 5.3 | 0.9   | 7.5   | 64.5  | 8.7  | 9.8  | 9.7  |       |
| Fidelity Monitor Income Model         | 0.07 | 75643.43  | 1.2 | 0.3   | 2.2   | 8.3   | 5.6  | 4.7  | 6.2  |       |
| Fidelity Monitor G&I Model            | 0.53 | 134823.46 | 3.9 | 1.7   | 7.3   | 36.8  | 8.8  | 8.5  | 11.1 |       |
| Fidelity Monitor Growth Model         | 1.08 | 144067.14 | 4.8 | 2.5   | 10.9  | 57.1  | 8.6  | 6.8  | 11.7 |       |
| Fidelity Monitor Select System        | 1.27 | 267572.63 | 4.5 | 0.7   | 5.9   | 48.7  | 5.6  | 7.5  | 13.5 |       |
| Fidelity Monitor Unique Opportunities | 0.71 | 79824.03  | 5.4 | 2.2   | 10.1  | 56.7  | 14.5 |      |      |       |

## UNIQUE OPPORTUNITIES MODEL

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

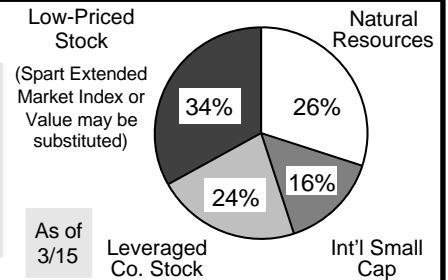
| FUND             | NAV     | SHARES   | BALANCE    |
|------------------|---------|----------|------------|
| Capital & Income | \$8.08  | 2588.229 | \$20912.89 |
| Int'l Small Cap  | \$20.17 | 629.116  | \$12689.27 |
| Leveraged Co.    | \$20.81 | 924.149  | \$19231.54 |
| Low-Priced Stock | \$36.98 | 729.863  | \$26990.33 |

26% Foreign Holdings

Balance as of 2/27/04: **\$79824.03**  
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: +5.4%



Our Unique Opportunities portfolio gained 2.2% for the month of February. On 3/15 we will sell **Capital & Income** and buy **Natural Resources**.

## 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 (+3.4% YTD)                          | Portfolio B (+2.9% YTD)         | Portfolio C (+3.0% YTD)           | Portfolio D (+3.0% YTD)           |
|--|---------------------------------|-----------------------------------|-----------------------------------|
| 58% Dividend Growth,<br>42% Capital Appreciation | 64% Magellan,<br>36% Contrafund | 31% Magellan<br>69% Equity-Income | 31% Magellan<br>69% Equity-Income |

For the month of February, Portfolio A gained 1.7%, Portfolio B rose 2.1%, and Portfolios C and D were both up 1.8%.

## 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: (as of 3/15)                          | VIP INCOME:                         |
|--|----------------------------------|--|-------------------------------------|
| 50% Technology, 17% Fin Services,<br>16% Health Care, 17% Natural Res. | 35% Equity-Income,<br>65% Growth | 55% Asset Mgr, 31% Equity-Income,<br>14% Inv. Grade. | 71% Inv. Grade,<br>29% High Income. |

| FEBRUARY VIP PERFORMANCE          |         | Unit Value | 2004 YTD | One Month | Three Month | One Year | 3-Yr Rate | 5-Yr Rate |
|-----------------------------------|---------|------------|----------|-----------|-------------|----------|-----------|-----------|
| Portfolio                         | Rating  |            |          |           |             |          |           |           |
| VIP Asset Manager                 | B ****  | 30.61      | 2.1      | 0.8       | 6.1         | 21.2     | 2.1       | 1.6       |
| VIP Asset Manager: Growth         | H ***   | 20.05      | 2.4      | 0.9       | 7.6         | 28.4     | 0.6       | -0.9      |
| VIP Balanced                      | H ***   | 14.48      | 1.9      | 1.0       | 5.1         | 21.0     | 2.4       | 0.9       |
| VIP Contrafund                    | H ***   | 31.01      | 3.1      | 3.2       | 5.8         | 37.4     | 4.0       | 2.9       |
| VIP Dynamic Capital Appreciation  | H ***   | 11.38      | 3.1      | -0.9      | 6.2         |          |           |           |
| VIP Equity-Income                 | B ****  | 51.19      | 3.0      | 1.9       | 10.9        | 41.4     | 1.8       | 3.6       |
| VIP Growth                        | B ****  | 55.21      | 3.8      | 0.2       | 6.7         | 42.2     | -5.0      | -1.9      |
| VIP Growth & Income               | B ****  | 15.85      | 2.2      | 1.3       | 6.5         | 30.3     | -0.1      | -0.6      |
| VIP Growth Opportunities          | B ****  | 11.48      | 1.9      | 0.5       | 6.6         | 35.8     | -1.5      | -5.2      |
| VIP High Income                   | H ***↓  | 25.98      | 0.9      | -0.7      | 3.3         | 22.6     | 2.0       | -1.6      |
| VIP Index 500                     | H ***   | 30.02      | 3.1      | 1.3       | 8.4         | 37.1     | -2.0      | -1.1      |
| VIP Investment Grade Bond         | H ***   | 27.41      | 1.7      | 1.0       | 2.8         | 4.6      | 6.9       | 6.5       |
| VIP Mid Cap                       | B ****  | 13.85      | 4.6      | 3.4       | 8.6         | 48.9     | 9.8       |           |
| VIP Overseas                      | H ***   | 27.28      | 3.8      | 1.6       | 11.0        | 58.1     | -0.8      | 1.0       |
| VIP Real Estate                   | H ***   | 11.67      | 6.1      | 1.7       | 8.8         |          |           |           |
| VIP Value Strategies              | H ***   | 12.13      | 6.6      | 1.4       | 6.3         |          |           |           |
| VIP Consumer Industries           | H ***   | 10.37      | 2.9      | 3.0       | 5.4         | 34.0     |           |           |
| VIP Cyclical Industries           | H ***   | 11.17      | 0.9      | 1.5       | 8.4         | 49.5     |           |           |
| VIP Financial Services            | B ****  | 11.68      | 5.3      | 2.5       | 9.9         | 44.1     |           |           |
| VIP Health Care                   | B ****  | 10.06      | 4.5      | 1.3       | 10.0        | 23.5     |           |           |
| VIP Natural Resources             | B ****↑ | 11.09      | 4.1      | 5.3       | 16.2        | 34.9     |           |           |
| VIP Technology                    | B ****  | 9.50       | 3.0      | -1.7      | 2.4         | 59.7     |           |           |
| VIP Telecom & Utilities           | H ***   | 7.78       | 3.0      | 2.5       | 8.9         | 39.9     |           |           |
| Morgan Stanley Emg Mkts Debt      | H ***   | 15.84      | 0.0      | -0.5      | 2.7         | 21.7     | 13.9      |           |
| Morgan Stanley Emg Mkts Equity    | H ***   | 11.86      | 7.6      | 4.6       | 16.1        | 66.0     | 9.3       |           |
| Morgan Stanley Global Equity      | H ***   | 13.33      | 4.0      | 2.3       | 11.0        | 46.1     | 1.4       |           |
| Morgan Stanley Int'l Magnum       | H ***   | 10.01      | 4.3      | 2.2       | 11.6        | 42.9     | -2.2      |           |
| PBHG Growth II                    | S **    | 9.33       | 3.7      | 0.3       | -0.7        | 33.5     | -11.3     |           |
| PBHG Select Value                 | H ***   | 15.66      | 0.3      | 0.3       | 8.5         | 29.5     | -17.7     |           |
| PBHG Select 20                    | S **    | 14.60      | 1.7      | -1.4      | 2.4         | 37.1     | 0.6       |           |
| PBHG Small Cap Value              | H ***   | 18.45      | 4.4      | 1.5       | 7.4         | 54.7     | 1.4       |           |
| PBHG Tech & Communications        | S **    | 7.91       | 3.1      | -1.7      | 3.6         | 50.0     | -24.7     |           |
| Strong Mid Cap Growth Fund II     | S **    | 12.26      | 4.0      | 2.3       | 2.2         | 36.7     | -12.1     |           |
| Strong Opportunity Fund II        | H ***   | 16.14      | 5.9      | 1.7       | 9.8         | 49.4     | 0.0       |           |
| CS Int'l Focus                    | H ***   | 9.55       | 2.1      | 0.8       | 9.3         | 43.8     | -4.1      |           |
| CS Global Post-VC                 | S **    | 10.18      | 6.4      | 1.6       | 8.9         | 66.5     | -6.1      |           |
| CS Small Cap Growth               | S **    | 11.44      | 5.8      | 0.2       | 6.4         | 61.7     | -0.6      |           |
| Fidelity Monitor VIP Sector Model |         | 13608.26   | 3.8      | 0.6       | 2.9         | 60.5     |           |           |
| Fidelity Monitor VIP Growth Model |         | 29109.30   | 3.5      | 0.8       | 8.2         | 41.8     | -0.2      | 0.0       |
| Fidelity Monitor VIP G&I Model    |         | 20748.51   | 2.0      | 0.7       | 6.7         | 25.2     | 3.4       | 1.8       |
| Fidelity Monitor VIP Income Model |         | 17720.79   | 1.5      | 0.5       | 2.9         | 9.2      | 5.9       | 4.0       |

## INCOME MODEL

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

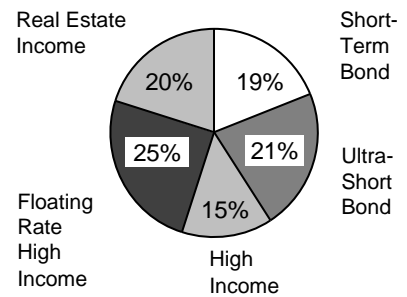
| FUND             | NAV     | SHARES   | BALANCE    |
|------------------|---------|----------|------------|
| Short-Term Bond  | \$9.09  | 1582.294 | \$14383.05 |
| Ultra-Short Bond | \$10.08 | 1556.619 | \$15690.72 |
| High Income      | \$8.96  | 1293.660 | \$11591.19 |
| Floating Rate    | \$9.89  | 1879.265 | \$18585.93 |
| Real Estate Inc. | \$11.51 | 1337.319 | \$15392.54 |

3% Foreign Holdings

Balance as of 2/27/04: \$75643.43  
Balance at start of 2004: \$74748.25

## PERFORMANCE

1992: + 10.1%  
1993: + 11.3%  
1994: - 2.1%  
1995: + 14.8%  
1996: + 9.0%  
1997: + 10.5%  
1998: + 3.5%  
1999: + 3.0%  
2000: + 0.3%  
2001: + 5.6%  
2002: + 5.4%  
2003: + 8.4%  
\*2004: + 1.2%



For the month of February our Income Model gained 0.3%.

## GROWTH AND INCOME MODEL

Our Growth and Income Model is for conservative growth, with a long-term goal of 10% per year. The model holds funds that focus on stocks and bonds.

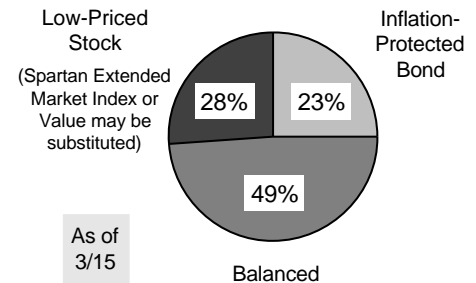
| FUND             | NAV     | SHARES   | BALANCE    |
|------------------|---------|----------|------------|
| Capital & Inc.   | \$8.08  | 3826.709 | \$30919.81 |
| Balanced         | \$17.42 | 3797.815 | \$66157.94 |
| Low-Priced Stock | \$36.98 | 1020.706 | \$37745.71 |

12% Foreign Holdings

Balance as of 2/27/04: \$134823.46  
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: + 3.9%



Our Growth and Income Model gained 1.7% during the month of February. On 3/15 we will sell **Capital & Income** and buy **Inflation-Protected Bond**.

## 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.

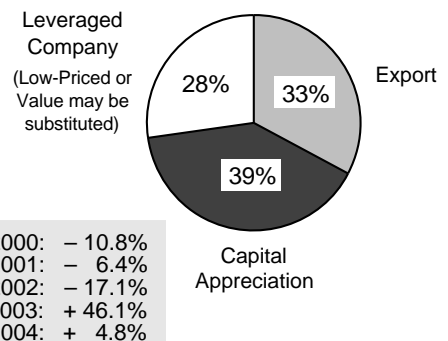
| FUND            | NAV     | SHARES   | BALANCE    |
|-----------------|---------|----------|------------|
| Export          | \$18.81 | 2543.811 | \$47849.08 |
| Capital Apprec. | \$25.45 | 2216.781 | \$56417.08 |
| Leveraged Co.   | \$20.81 | 1912.589 | \$39800.98 |

12% Foreign Holdings

Balance as of 2/27/04: \$144067.14  
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%



In February our Growth Model gained 2.5%, versus 1.4% for the S&P 500.

## 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.

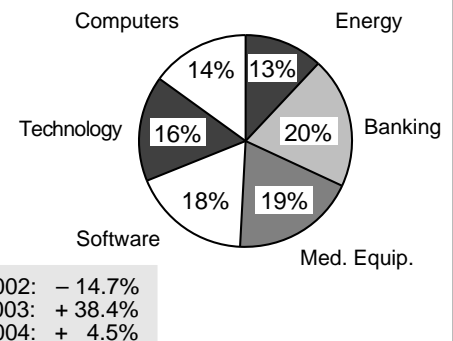
| FUND           | NAV     | SHARES   | BALANCE    |
|----------------|---------|----------|------------|
| Energy         | \$26.52 | 1315.890 | \$34897.40 |
| Banking        | \$40.80 | 1297.113 | \$52922.21 |
| Medical Equip. | \$20.99 | 2394.990 | \$50270.84 |
| Software       | \$51.36 | 938.003  | \$48175.83 |
| Technology     | \$61.94 | 676.687  | \$41913.99 |
| Computers      | \$37.50 | 1050.463 | \$39392.36 |

13% Foreign Holdings

Balance as of 2/27/04: \$267572.63  
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%



Our Select System edged up 0.7% in February, trailing the S&P 500's 1.4% gain.

GROWTH & INCOME FUNDS - *Continued from page 3*

The neutral mix for these groups is 50% dividend stocks, 15% real estate securities, 15% convertibles, and 20% preferred stocks. While Fidelity has yet to release any of the fund's holdings (it's still too new), we like the concept. Not only does it focus in areas where Fidelity has done well, but it allows manager William Eigen to favor the groups that represent the best opportunities. We expect **Strategic Dividend & Income** will be on par with **Equity-Income** from a risk standpoint. Keep in mind that only a portion of the fund's income stream will qualify for the reduced tax rate on dividend income.

**UTILITIES FUND (SELL)**

The utility sector is still a minefield at this stage. Fidelity seems to be navigating it with reasonable success, but this fund has neither the income stream nor the stability that utility stocks used to be known for. There's no shortage of issues. For electric utilities, the rising price of natural gas could squeeze margins for years to come. Much of the optimism in the wireless industry is already reflected in current stock prices, and customers have grown to expect expensive technological upgrades on a regular basis. Traditional phone companies are still facing some heavy-handed competition on multiple fronts. Bottom line: we suggest trimming your holdings in this fund to less than 5% of your total portfolio holdings. ■

## Happenings

New managers were appointed to several funds on 2/12. Bahaa Fam has taken over stockpicking at **Structured Large Cap Growth** and **Structured Mid Cap Growth**. Robert Haber has been named manager for **Focused Stock**. And Keith Quinton has become the new leader at **Tax-Managed Stock**.

Some recent Fidelity proxies include measures authorizing fund mergers without a shareholder vote. If passed, Fidelity would have more freedom to merge away smaller funds with high expense ratios (such as **Environmental** or **Paper & Forest**), or to combine a fund with tough investment restrictions into a similar fund that has a more flexible charter (something that might be an option for **Low-Priced Stock** someday). We don't have a strong opinion either way. On one hand, an argument can be made that shareholders should always vote on a proposed merger. However, in some cases it might make sense to let Fidelity deal quickly with a no-win situation. ■

on the bottom end due to its conservative stance. It finished with a gain of 0.8%.

**BOND FUNDS**

Income Model holdings are listed on page 7. Our current buys, in increasing order of risk, include **Ultra-Short Bond**, **Short-Term Bond**, **Floating Rate High Income**, and **Inflation-Protected Bond**. We downgraded both **Capital & Income** and **High Income** on concerns that the junk-bond market may be swamped with new debt offerings later this year.

**Inflation-Protected Bond**, up 2.3%, was helped by rising energy prices – which can boost the CPI-U index. **Gov't Income** and **Spartan Gov't Income** followed with respective gains of 1.2% and 1.3%. **High Income**, off 0.1%, and **Capital & Income**, losing 0.5%, were weak due to profit-taking. Muni funds posted returns ranging from 0.9% to 1.8%.

**SELECT PORTFOLIOS**

Select System holdings are listed on page 7. Our current buys, in increasing order of risk, include **Natural Resources**, **Medical Equip & Systems**, **Energy**, **Banking**, **Software**, **Biotechnology**, **Technology**, **Dev Communications**, **Computers**, and **Energy Services**.

Commodity sectors took the top spots. **Industrial Materials** gained 6.8%, **Paper & Forest Products** climbed 6.7%, and **Natural Gas** was up 5.6%. The laggards were mostly technology-oriented funds. **Technology** slid 1.7%, **Electronics** was down 1.8%, and **Business Services** lost 2.3%. ■

**FEBRUARY DISTRIBUTIONS**

|                                  |                          |
|----------------------------------|--------------------------|
| <b>Asset Manager: Income</b>     | \$ 0.01 / \$12.30 (2/6)  |
| <b>Contrafund</b>                | \$ 0.01 / \$50.29 (2/6)  |
| <b>Freedom Income</b>            | \$ 0.01 / \$11.20 (2/6)  |
| <b>New Markets Income</b>        | \$ 0.14 / \$13.65 (2/6)  |
| <b>Real Estate Income</b>        | \$ 0.10 / \$11.44 (2/6)  |
| <b>Spartan Intermediate Muni</b> | \$ 0.005 / \$10.28 (2/6) |
| <b>Spartan Municipal Income</b>  | \$ 0.015 / \$13.30 (2/6) |
| <b>Spartan MN Municipal</b>      | \$ 0.03 / \$11.74 (2/6)  |
| <b>Spartan OH Municipal</b>      | \$ 0.025 / \$12.17 (2/6) |
| <b>Spartan PA Municipal</b>      | \$ 0.01 / \$11.14 (2/6)  |
| <b>Strategic Income</b>          | \$ 0.01 / \$10.51 (2/6)  |
| <b>Trend</b>                     | \$ 0.01 / \$50.27 (2/6)  |

Following are the funds scheduled for payouts on 3/5: **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)      | 52703.2 | 0.77  | CT MM (418/FCMXX)       | 1020.4 | 0.48  | FL MM (428/FSFXX)           | 1350.2  | 0.50  |
| Select MM (85/FSLXX)       | 614.7   | 0.83  | MA MM (74/FDMXX)        | 3259.3 | 0.47  | Spart MA MM (426/FMSXX)     | 996.5   | 0.57  |
| Spart MM (454/SPRXX)       | 5874.2  | 0.76  | MI MM (420/FMIXX)       | 575.2  | 0.42  | Spart Municipal (460/FIMXX) | 3018.9  | 0.69  |
| Spart US Gov't (458/SPAXX) | 619.8   | 0.71  | NJ MM (417/FNJXX)       | 1302.8 | 0.44  | Spart NJ MM (423/FSJXX)     | 551.7   | 0.65  |
| Spart US Treas (415/FDLXX) | 2290.8  | 0.59  | NY MM (92/FNYXX)        | 2784.7 | 0.45  | Spart NY MM (422/FSNXX)     | 1082.9  | 0.58  |
| Tax-Free MM (275/FMOXX)    | 562.4   | 0.56  | OH MM (419/FOMXX)       | 692.2  | 0.46  | PA MM (401/FPTXX)           | 294.2   | 0.54  |
| US Gov't Reser (50/FGRXX)  | 2102.0  | 0.79  | AZ MM (433/FSAXX)       | 138.8  | 0.51  | Municipal MM (10/FTEXX)     | 14394.3 | 0.57  |
| CA MM (97/FCFXX)           | 2906.9  | 0.42  | Spart CA MM (457/FSPXX) | 1222.6 | 0.63  |                             |         |       |