

## Growth & Income Funds

Worried about the possibility of a bear market? Feeling a bit dazed after the recent correction? Losing sleep over your financial strategies? A growth and income approach may offer some much-needed relief. By taking a few steps down on the risk ladder, you'll find it easier to stay committed to a long-term strategy, and you may even find that it takes less time and effort to manage your portfolio.

Welcome to the lazy way to wealth, where the biggest risk is that you might get bored from being in the same funds year after year. Taking the growth and income path is about as foolproof as any investment strategy can be, and over the long run you'll do almost as well as those who take on much more risk. Case in point: our own model portfolios. Over the last 10 years the Growth & Income Model has returned 10.3% per year, only slightly behind the performance of our Growth Model (10.4%) and Select System (10.8%).

While growth-oriented strategies might have outperformed by a wider margin if the 2000-2002 bear market hadn't occurred, this isn't the only 10-year period when a conservative approach paid off. During the 1980s, all three Fidelity growth and income funds available at the beginning of the decade beat the S&P 500, while only one out of four growth funds did.

Given the possibility that returns over the next decade could be lower than long-term averages, the performance of a conservative approach could once again be competitive with more aggressive strategies.

Why is it that you can significantly reduce your portfolio's risk while giving up so little in the way of performance? The textbook explanation says the efficient frontier becomes flatter as risk moves above market levels, meaning it takes a lot of additional risk for even a modest improvement in performance. In the real world, however, most portfolios aren't efficient, and the ability to recover from short-term losses depends a lot on how bad the damage is. Lose 10% in a conservative group of stocks, and it will take an 11% gain to fully recover – not that hard to do. But if you bear the brunt of a selloff in the growth stock universe, the mathematics of breaking even will work against you. For a short-term loss of 25%, it takes a 33% gain to recover. Take a 33%

GROWTH & INCOME FUNDS - *Continued on page 2*

## Review & Recommendations

Ben Bernanke's testimony, along with new data indicating the economy is still going strong, caused the market to brace for at least two more tightening moves in February. With the Fed taking a more vigilant stand on inflation, investors responded by taking profits in the energy and commodity groups, erasing most of the January gains. But the broad market managed to edge higher, thanks to a more favorable outlook for corporate earnings. The S&P 500 gained 0.3% for the month.

Losses in the energy group caused our model portfolios to lag in February, but our long-term view of the oil-crunch hasn't changed much. Warm winter weather and an aggressive Fed may bring down the price of oil in the short run, but any relief is likely to be temporary, given that global demand is picking up the slack. Case in point: over six million vehicles will be sold in China this year, 15% more than last year. Plus, the latest figures on Middle East oil consumption show demand growing above 5% per year. At that rate the region may need most of the oil it produces for domestic use in as little as two decades, leaving the West to fend for itself.

### GROWTH FUNDS

Growth Model holdings are listed on page 7. Our favorites include **Contrafund, Value, Export & Multinational**, and **Value Discovery**.

Economically sensitive small-caps fared best, while others benefited from lower commodity prices. **Small Cap Stock** and **Small Cap Value** both rose 1.2%, and **Dividend Growth** gained 1.0%. On the bottom end, **Aggressive Growth** declined 3.0%, **Mid Cap Growth** was down 3.1%, and energy losses caused **Export & Multinational** to slide 4.2%.

### INTERNATIONAL FUNDS

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

The Japanese market went through a significant consolidation as institutional investors and hedge funds rebalanced in favor of Europe. We didn't expect a shakeout like this until Japan's central bank made

RECOMMENDATIONS - *Continued on page 8*

GROWTH & INCOME FUNDS - *Continued from page 1*  
hit, and your portfolio must increase 50% to get back to where you were. Lose 50%, and you must *double* your portfolio just to break even.

Sooner or later, everyone finds themselves in the wrong place at the wrong time. The purpose of a growth and income strategy is to make those times more manageable. By minimizing losses, you make up for less-than-stellar returns in bullish times.

Following is a review of Fidelity's growth and income funds, a group that includes conservative stock funds along with hybrid funds blending multiple asset classes (typically stocks, bonds, and cash). We've left the Freedom group out of this review, but we'll cover it separately later this year.

#### ASSET MANAGER (HOLD)

This portfolio targets a neutral mix of 50% stocks, 40% bonds, and 10% cash. The current allocation is a little light on bonds (36%) and a bit overweighted on stocks (43%). Charles Mangum, who also manages **Dividend Growth**, handles the stock side of the fund. He tends to concentrate his bets, which has worked well at times in the past, but in recent years results have been on the weak side. We think **Puritan** may be a better alternative for anyone thinking of buying this fund. Its volatility is slightly higher (0.6 versus 0.5), but in the long run it has a better chance of keeping up with the market.

#### ASSET MANAGER INCOME (BUY)

The neutral mix for this portfolio is 20% stocks, 50% bonds, and 30% cash. You wouldn't expect much from an ultra-conservative fund like this, but over the last year it has nearly kept pace with the S&P 500 while bearing only 40% as much risk. Robert Bertelson, who used to manage **Aggressive Growth**, is not shy about overweighting industry groups he finds attractive. Over the last 12 months, he placed outsized bets on the energy and technology groups, benefiting from both. When we first added this fund to the Growth and Income Model, we had reservations about a fund that keeps over 30% in cash. But with short-term interest rates moving closer to 5%, the cash side of the portfolio is no longer holding back performance like it did a few years ago.

#### BALANCED (BUY)

Despite a bond allocation of about 30%, manager Lawrence Rakers continues to post returns that are the envy of many stock-only funds. The equity portion of **Balanced** falls into the large-cap blend category, and is diversified across several industry

groups (financial services, at 19% of equity, is the top sector position). The concentration in the fund's top 10 positions is low (15%), which suggests the excellent track record is no accident. Considering that the fund's overall volatility is only about 80% as great as the S&P 500, **Balanced** makes a great core holding for any growth and income portfolio.

#### CONVERTIBLE SECURITIES (BUY)

Thomas Soviero took over this fund last June, and has reshaped it to fit his view of the economy. In some ways it resembles **Leveraged Company Stock**, although overall risk is about a third lower – in part because convertibles are supported by an income stream. The energy sector accounts for nearly a quarter of the fund's assets, but technology is also well represented at 18% of holdings. Given Fidelity's research strength in convertibles and Soviero's ability to spot "diamonds in the rough," we think this fund has a lot going for it. But keep in mind that short-term results may be heavily influenced by the cycles of the energy sector.

#### EQUITY-INCOME (BUY)

Many corporations are sitting on a mountain of cash, suggesting stock dividends will continue to grow at a healthy clip, even if the dividend tax cut isn't extended. So far, with short-term interest rates rising, investors haven't exactly stormed into dividend stocks, but this fund is still a solid bet for beating the S&P 500 while taking on similar risk. Additionally, **Equity-Income** comes with a degree of built-in inflation protection. Dividend-payers usually have below-average P/E ratios, and they often enjoy more pricing power because competitive pressures aren't as great. **Equity-Income** is the only stock fund that's required to maintain an income stream exceeding the yield of the S&P 500. Granted, its income stream isn't all that impressive (1.5%), but the rule does help assure that the fund will stick to its stated strategy.

#### EQUITY-INCOME II (BUY)

**Equity-Income II** lacks a yield target, so it has more latitude to include growth stocks. The fund's holdings currently fall in the large-cap blend category, and its overall volatility is about 5% higher than the S&P 500. Compared with **Equity-Income**, manager Stephen DuFour maintains a more concentrated portfolio (30% of assets in the top 10 stocks) and his turnover is 7 times greater (140%). That might be okay for a fund that invests in growth stocks, but it strikes us as less than ideal for the conservative investor whose main goal is to steer clear of trouble.

---

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

Fidelity Monitor is published by Independent Fidelity Investors, Inc, P.O. Box 1270, Rocklin, CA 95677. Web site: [www.fidelitymonitor.com](http://www.fidelitymonitor.com) For information/service, call (800) 397-3094, email [fidmonservice@aol.com](mailto:fidmonservice@aol.com) or visit the web site. Subscription rate: \$139 per year, including weekly hotline service. Fidelity Monitor is not associated with Fidelity Investments. All facts and figures are obtained from reliable sources but are subject to revision. Before buying a fund, please read its prospectus. Editor: Jack Bowers. Copyright (c) 2006.

But our concern is a minor one. Time has shown that **Equity-Income** and **Equity-Income II** tend to track fairly closely.

#### **FIDELITY FUND (HOLD)**

Currently rated in the large-cap growth category, it's questionable whether **Fidelity Fund** should be considered a growth and income fund. Manager John Avery is keeping the fund closely tethered to the S&P 500, with the exception of a zero weighting for the telecom and utility sectors. The fund's overall risk is similar to the index. Performance has improved over the last 12 months, but we still have reservations about the downside risk of using **Fidelity Fund** in a conservative portfolio.

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

This fund operates somewhat like **Puritan**, except that about half of its assets are invested outside the U.S., mostly in Japan and Europe. With about 70% of the S&P 500's risk, the fund is a good bet for the conservative investor who is looking for global diversification. Rick Mace is currently on leave, but interim manager Derek Young is also co-manager for **Strategic Dividend & Income**, which has performed well for its risk level. The stock portion of **Global Balanced** accounts for about 60% of assets, and is diversified over a wide range of industry groups. The fund's 40% allocation to income includes a significant cash position (15%).

#### **GROWTH & INCOME (HOLD)**

New manager Tim Cohen has made significant changes, but so far he hasn't been able to pull this fund out of its long-time performance slump. Turning around a large fund is no small challenge, especially when net redemptions are an ongoing distraction. While we can appreciate Cohen's preference for concentrating his bets, we're not so sure it makes sense for a conservative \$30 billion fund to be holding just 90 stocks. **Growth & Income** has a high foreign weighting (15%) relative to other funds in this group, and its volatility is slightly lower than the S&P 500.

#### **GROWTH & INCOME II (HOLD)**

James Catudal did a nice job of pulling this fund out of its 2005 slump, but it has moved into the large cap growth stylebox and overall risk has climbed about 15%, making it slightly more volatile than the S&P 500. As with **Fidelity Fund**, we've got concerns about loss exposure, at least from the perspective of the conservative investor. **Growth & Income II** is the smallest fund in this group, so it has greater flexibility to invest in smaller stocks. However, at

this time Catudal is sticking with the Blue Chips.

#### **PURITAN (BUY)**

When it comes to staying out of trouble, the traditional approach is often best. **Puritan**, with a track record that stretches to almost six decades, is the essence of tradition. By keeping about 60% of its portfolio in dividend stocks, and the other 40% in bonds, it has compounded by 11.7% since 1947. Too bad IRAs weren't available back then – an initial \$10,000 investment in **Puritan** would have grown tax-deferred to \$6.8 million. Even after adjusting for inflation it would have been possible to grow one's purchasing power by a factor of 80.

Today, the equity side of **Puritan** aligns closely with **Equity-Income** because Stephen Petersen picks stocks for both funds. **Puritan** is unexciting performance-wise, but it rarely disappoints during the tough times. Compared with **Balanced**, it has a more conservative stock portfolio and carries less risk (about 65% of the S&P 500's volatility).

#### **STRATEGIC DIVIDEND & INC (BUY)**

Like **Balanced**, this fund is delivering good performance for the amount of risk it takes on. We were concerned about how it would fare after last July's management change, but we're happy to report that co-managers Christopher Sharpe and Derek Young have had no trouble keeping a good thing going. **Strategic Dividend & Income** blends four conservative investments: dividend stocks, real estate securities, convertibles, and preferred stocks. The neutral mix for these groups is 50/15/15/20. Currently, the fund is a bit underweighted on the real estate side and slightly overweight on the convertible allocation.

**Strategic Dividend & Income** gets its edge from Fidelity's advantage in research, which often excels in markets where risk assessment is not a straightforward task. When it comes to convertibles, preferred stocks, real estate, and junk bonds, Fidelity enjoys a level of expertise that few of its competitors can match. In a small fund like this, being in the know can have quite an impact. And that's exactly what has happened – the fund has consistently outperformed the S&P 500 while taking on about 85% of the index's risk. We also like **Strategic Dividend & Income's** broad diversification (428 securities) and the low concentration in its top ten stocks (13%).

#### **UTILITIES FUND (BUY)**

Today's utilities are hardly the stable, protected monopolies of the past, but in the wake of a multi-year

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. Fund ratings: **B \*\*\*\*\*** is for a favorite buy, **B \*\*\*\*** means buy, **H \*\*\*** means hold for the long run, **S \*\*** means reduce to below 5% of holdings, **S \*** means sell and move to a buy-rated fund within the same asset class. Upgrades and downgrades are indicated by ↑ and ↓.

FEBRUARY PERFORMANCE						2006	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
Aggressive Gth (324/FDEGX)	H***	1.30	1.5(90)	18.52	4537.9	4.0	-3.0	5.9	18.2	19.1	-8.9	3.4
Blue Chip Gth (312/FBGRX)	H***	1.00	none	43.69	21985.9	1.2	-0.9	1.3	7.7	13.0	-0.8	6.6
Blue Chip Value (1271/FBCVX)	B****	1.08	none	14.06	247.4	4.1	-0.5	5.3	12.0			
Capital Apprec (307/FDCAX)	H***	1.23	none	26.50	7674.5	5.6	-1.1	6.4	15.2	23.4	7.5	10.4
Contrafund (22/FCNTX)	B****	1.05	none	65.20	64918.9	2.6	-2.8	4.0	17.4	22.4	8.7	12.0
Discovery (339/FDSVX)	S**	0.95	none	11.89	432.8	4.2	0.7	4.8	12.7	13.2	2.5	
Disc Equity (315/FDEQX)	H***	1.13	none	28.47	6392.0	2.7	-0.6	2.5	10.6	18.6	4.0	9.2
Dividend Gth (330/FDGFY)	H***	0.96	none	29.63	16549.1	2.9	1.0	3.6	8.5	13.4	2.0	10.8
Export Fund (332/FEXPX)	B****	1.14	0.75(30)	21.59	4814.7	1.6	-4.2	2.5	15.3	22.5	8.2	15.9
Fidelity Fifty (500/FFTYX)	H***	1.20	0.75(30)	23.54	1079.8	3.6	-1.6	4.8	18.3	15.1	6.7	11.0
Focused Stock (333/FTQGX)	H***	1.38	0.75(30)	12.04	139.4	1.2	-2.4	2.4	13.1	20.9	-1.0	
Growth Company (25/FDGRX)	B****	1.28	none	66.58	29257.0	4.6	-0.8	6.6	23.7	24.5	2.6	10.2
Independence (73/FDFFX)	H***	1.20	none	20.54	4653.2	4.5	-1.7	5.8	17.2	18.2	2.6	9.5
Large Cap Growth (763/FSLGX)	H***	1.34	0.75(30)	11.58	157.2	1.9	-2.0	2.3	12.4	20.0		
Large-Cap Stock (338/FLCSX)	H***↓	1.02	none	16.02	712.7	2.6	-0.7	3.3	12.5	14.9	0.1	7.4
Large Cap Value (708/FSLVX)	B****	1.15	0.75(30)	13.68	567.1	4.2	0.4	4.7	13.9	22.2		
Lev Co Stock (122/FLVCX)	B****	1.47	1.5(90)	27.44	3819.5	5.5	-1.3	7.3	15.9	44.6	24.2	
Low-Priced Stock (316/FLPSX)	H***	0.99	Closed	43.26	38350.0	5.9	-0.6	7.8	13.8	28.1	17.3	16.4
Magellan (21/FMAGX)	H***	1.06	Closed	109.86	51690.1	3.2	-1.5	5.3	10.6	15.3	1.2	7.7
Mid Cap Growth (793/FMSGX)	H***	1.49	0.75(30)	13.93	345.2	6.3	-3.1	6.9	18.7	26.4		
Mid Cap Stock (337/FMCSX)	H***	1.30	0.75(30)	28.85	10792.2	8.6	0.7	11.0	27.6	23.7	4.4	13.3
Mid Cap Value (762/FSMVX)	H***	1.23	0.75(30)	15.62	363.7	3.8	-0.2	4.9	15.6	25.9		
New Millennium (300/FMILX)	H***	1.44	Closed	37.25	3717.3	6.8	-1.7	9.2	19.6	20.9	5.4	15.0
OTC Portfolio (93/FOCPX)	H***	1.28	none	38.76	8405.2	2.6	-1.9	2.9	16.9	20.1	2.6	8.4
Small Cap Gth (1388/FCPGX)	H***	1.32	1.5(90)	13.85	345.3	7.7	-0.6	6.7	19.2			
Small Cap Indep (336/FDSCX)	H***	1.29	1.5(90)	21.79	2123.5	6.4	-1.8	7.6	17.6	24.6	11.2	9.5
Small Cap Stock (340/FSLCX)	H***	1.20	2(90)	19.81	4527.3	8.3	1.2	9.5	17.4	27.6	12.4	
Small Cap Value (1389/FCPVX)	H***	1.24	1.5(90)	13.81	784.3	8.3	1.2	9.1	22.0			
Stock Selector (320/FDSSX)	H***	1.03	none	25.63	830.6	3.6	-0.1	3.5	12.8	18.0	3.2	7.7
Tax Mgd Stock (343/FTXMX)	B****	1.25	1(730)	13.11	65.2	3.5	-1.4	4.0	13.9	20.5	3.3	
Trend (5/FTRNX)	H***	1.02	none	58.94	907.3	3.0	-0.3	3.5	11.3	17.5	3.2	5.8
Value (39/FDVLX)	B****	1.04	none	79.54	15349.4	4.8	-0.1	6.6	17.3	27.0	13.5	12.4
Value Discovery (832/FVDFX)	B****	1.17	none	16.52	383.2	5.6	-1.2	7.9	21.5	24.9		
Value Strategies (14/FSLSX)	H***	1.24	none	32.56	173.4	5.1	-0.2	6.9	11.0	28.6	9.7	
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B****	0.81	none	19.36	18265.1	3.2	-1.0	4.9	12.8	18.3	8.6	11.1
Convertible Sec (308/FCVX)	B****	0.85	none	23.62	1936.7	5.2	-1.8	7.4	14.1	15.7	6.5	11.9
Equity-Income (23/FEQIX)	B****	0.97	none	54.54	26058.1	3.3	0.1	3.9	8.8	18.8	4.8	9.4
Equity-Income II (319/FEQTX)	B****	1.03	none	23.54	12259.4	3.8	0.0	4.2	8.6	18.3	5.2	9.5
Fidelity Fund (3/FFIDX)	H***	1.02	none	32.55	9649.6	2.3	-1.4	3.4	10.4	16.2	2.2	8.7
Growth & Income (27/FGRIX)	H***↓	0.96	none	34.91	31439.7	1.5	-1.4	1.1	5.5	12.4	1.5	7.7
Growth & Inc II (361/FGRTX)	H***↓	1.06	none	10.48	190.4	3.1	-0.3	3.0	12.0	14.4	2.9	
Puritan (4/FPURX)	B****	0.63	none	19.18	23931.6	2.4	0.2	3.1	6.8	13.8	5.6	8.7
Strategic Div & Inc (1329/FSDIX)	B****	0.86	none	12.68	871.3	4.3	-0.2	5.4	13.5			
Utilities (311/FUIX)	B****	1.12	none	15.76	1029.6	7.4	2.1	6.5	17.5	22.5	1.5	7.5
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H***	1.37	0.75(30)	43.13	71.5	6.9	2.6	10.9	31.4	31.5	5.8	11.9
Automotive (502/FSAVX)	S**	1.32	0.75(30)	34.35	18.5	0.6	0.0	4.3	0.9	17.4	10.6	7.2
Banking (507/FSRBX)	H***	1.07	0.75(30)	36.71	360.6	3.0	2.2	2.5	7.2	15.5	7.2	12.0
Biotechnology (42/FBIOX)	H***	1.73	0.75(30)	68.05	1732.9	8.5	4.2	11.0	38.8	21.0	-1.0	10.8
Brokerage (68/FSLBX)	B****	1.27	0.75(30)	76.12	1154.6	10.4	2.3	12.3	45.8	34.5	12.0	20.0
Business Ser (353/FBSOX)	H***	1.02	0.75(30)	17.44	38.1	5.8	1.9	6.1	17.2	21.8	5.0	
Chemicals (69/FSCHX)	S**	1.56	0.75(30)	69.50	122.4	4.2	0.0	7.8	0.5	25.7	13.3	10.0
Computers (7/FDCPX)	H***	1.50	0.75(30)	37.55	547.8	4.1	-0.6	3.3	8.4	18.9	-1.9	8.3
Const & Housing (511/FSHOX)	H***↑	2.05	0.75(30)	49.41	258.4	4.8	-0.9	5.2	9.0	31.4	18.3	15.0
Consumer Indust (517/FSCPX)	S**	1.11	0.75(30)	25.74	49.4	2.5	0.9	2.3	7.3	14.4	3.0	8.3
Cyclical Indust (515/FCYIX)	H***	1.34	0.75(30)	20.97	73.3	7.2	1.5	9.1	17.2	30.2	11.0	
Defense & Aero (67/FSDAX)	H***	1.15	0.75(30)	78.90	794.2	7.8	4.6	10.9	23.0	31.8	14.5	14.7
Develop Commun (518/FSDCX)	H***	1.54	0.75(30)	21.67	482.9	8.3	-0.7	9.8	22.6	29.3	-2.0	8.5
Electronics (8/FSELX)	B****	1.64	0.75(30)	46.60	2980.1	6.6	-2.7	6.7	19.7	23.2	-0.7	11.8
Energy (60/FSENX)	B****	2.48	0.75(30)	49.20	2841.8	5.2	-10.0	8.0	34.4	37.0	15.8	16.0
Energy Services (43/FSESX)	H***	2.89	0.75(30)	68.02	2087.9	3.5	-13.4	6.9	37.6	31.8	12.1	17.6
Environmental (516/FSLEX)	H***	1.20	0.75(30)	17.34	21.9	10.9	3.4	12.1	25.7	21.3	6.0	3.4
Financial Services (66/FIDSX)	H***	1.06	0.75(30)	120.00	489.5	4.3	1.3	5.3	14.5	19.7	7.1	13.2
Food & Agriculture (9/FDFAX)	S**	0.84	0.75(30)	52.17	125.1	3.0	1.4	4.1	7.5	16.1	6.7	8.2
Gold (41/FSAGX)	H***	2.49	0.75(30)	35.91	1398.4	8.0	-6.8	17.7	48.9	24.0	29.3	6.0
Health Care (63/FSPHX)	H***	1.00	0.75(30)	139.12	2382.0	2.2	0.1	3.2	20.4	15.5	3.3	11.2
Home Finance (98/FSVLX)	S**	1.18	0.75(30)	51.83	300.6	1.9	-0.2	2.3	1.0	14.5	8.5	11.7
Indust Equip (510/FSCGX)	H***	1.32	0.75(30)	29.15	58.8	8.7	3.0	9.4	16.2	26.5	8.4	9.5
Indust Materials (509/FSDPX)	H***	1.55	0.75(30)	46.35	166.1	5.1	-1.9	9.1	17.0	27.3	16.9	9.3
Insurance (45/FSPCX)	H***	1.14	0.75(30)	68.72	207.3	0.5	1.1	-0.3	13.7	21.3	10.1	16.0
Leisure (62/FDSLX)	H***	1.22	0.75(30)	80.54	205.7	2.8	1.0	4.1	11.5	22.4	6.1	11.6
Medical Delivery (505/FSHCX)	H***	1.19	0.75(30)	54.98	1537.2	0.8	0.8	3.0	24.5	36.7	17.8	11.3
Medical Equip/Sys (354/FSMEX)	H***	0.94	0.75(30)	24.62	1178.5	1.2	-1.8	-0.1	7.4	18.9	10.8	
Multimedia (503/FBMPX)	B****	1.15	0.75(30)	47.33	87.4	-0.9	-2.7	-1.1	10.5	18.6	5.0	10.1
Natural Gas (513/FSNGX)	H***↓	2.91	0.75(30)	38.86	1987.7	0.1	-13.7	3.8	26.3	36.3	14.0	15.6
Nat Resources (514/FNARX)	B****	2.40	0.75(30)	25.87	943.3	6.7	-8.9	10.5	34.5	35.6	15.0	
Networking/Infra (912/FNINX)	B****	1.64	0.75(30)	2.58	121.2	9.8	-1.1	10.7	20.6	19.3	-9.0	
Paper & Forest (506/FSPFX)	S**	1.52	0.75(30)	30.63	35.7	0.9	0.0	4.0	-2.8	8.7	4.4	6.1
Pharmaceuticals (580/FPHAX)	H***	1.02	0.75(30)	10.41	140.2	4.9	-0.3	7.5	20.7	14.2		
Retailing (46/FSRPX)	H***↑	1.52	0.75(30)	50.79	64.1	4.1	1.0	3.7	12.8	23.6	5.3	11.6
Software (28/FSCSX)	H***	1.39	0.75(30)	53.94	624.5	2.8	-3.5	4.0	13.4	15.4	3.9	12.6
Technology (64/FSPTX)	B****	1.32	0.75(30)	65.22	1968.9	3.3	-2.1	2.3	13.2	19.4	-1.1	9.2
Telecom (96/FSTCX)	B****	1.15	0.75(30)	41.96	356.7	8.3	3.5	7.6	21.5	22.1	-1.3	5.3
Transportation (512/FSRFY)	H***	1.49	0.75(30)	50.22	78.7	7.6	1.5	8.4	22.2	31.4	12.3	14.1
Utilities Growth (65/FSUTX)	H***	1.08	0.75(30)	46.44	279.8	7.7	3.5	6.8	18.5	26.0	0.3	8.7
Wireless (963/FWRLX)	B****	1.20	0.75(30)	7.20	497.1	5.3	-0.6	5.3	26.5	43.8	-0.1	

FEBRUARY PERFORMANCE						Div.	2006	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	1.13	1 (30)	17.24	626.4		1.5	-4.1	7.8	13.5	24.8	8.6
Canada (309/FICDX)	B****	1.27	1.5(90)	45.80	2507.7		6.2	-1.3	11.2	31.7	34.6	19.4
China Region (352/FHKCX)	H***	0.99	1.5(90)	20.28	493.6		5.1	-0.4	9.6	17.0	25.8	8.2
Diversifying Int'l (325/FDIVX)	H***	1.03	Closed	34.30	36761.1		5.4	-1.5	11.0	20.5	30.1	11.9
Emerging Mkts (322/FEMKX)	H***	1.38	1.5(90)	20.58	2688.5		11.6	-1.4	20.2	45.5	45.5	20.7
Europe (301/FIEUX)	H***	1.10	1 (30)	38.71	3004.5		7.6	-0.9	13.7	20.6	38.5	9.7
Europe Cap Appr (341/FECAX)	H***	1.11	1 (30)	24.11	551.0		9.5	1.0	15.4	20.1	30.6	9.9
Global Balanced (334/FGBLX)	B****	0.70	1 (30)	21.64	215.2		2.8	-1.1	4.6	11.6	19.5	8.2
Int'l Discovery (305/FIGRX)	B****	1.07	1 (30)	33.33	5481.9		5.3	-1.9	11.7	21.2	31.5	11.1
Int'l Small Cap (818/FISMX)	B****	1.18	Closed	28.96	2531.4		7.4	-1.5	16.2	27.9	48.5	
Int'l Small Cap Opp (1504/FSCOX)	B****	1.3 Est	2 (90)	13.53	797.7		7.7	-2.9	19.6			
Japan (350/FJPNX)	H***	2.03	1.5(90)	17.99	1981.1		-1.3	-5.1	12.6	39.9	30.4	7.8
Japan Smaller Co (360/FJSCX)	H***	2.14	Closed	15.47	2335.7		-8.0	-9.5	9.0	27.3	37.4	16.3
Latin America (349/FLATX)	H***	2.23	1.5(90)	37.70	2515.5		17.9	0.3	20.6	63.4	66.2	25.6
Nordic (342/FNORX)	H***	1.25	1.5(90)	31.84	197.5		6.6	1.1	12.6	21.4	37.8	8.9
Overseas (94/FOSFX)	H***	1.14	1 (30)	42.95	5861.6		3.2	-2.6	10.2	21.0	29.2	6.8
Pacific Basin (302/FPBFX)	B****	1.32	1.5(90)	26.38	1063.6		2.8	-2.8	12.4	31.4	31.2	10.7
Southeast Asia (351/FSEAX)	H***	1.27	1.5(90)	22.69	1177.9		7.0	-1.9	14.9	31.8	37.1	15.0
Worldwide (318/FWWFX)	H***	1.01	1 (30)	20.07	1333.6		2.6	-2.1	6.4	15.0	24.1	7.4
<b>INDEX AND ASSET ALLOCATION:</b>												
Four-In-One Index (355/FFNOX)	H***	0.83	0.5(90)	27.21	1129.2		3.3	-0.1	4.3	10.2	18.1	4.8
NASDAQ Comp (1282/FNCMX)	H***	1.22	0.75(90)	30.77	121.6		3.5	-1.1	2.2	11.7		
Spart Ext Mkt Idx (398/FSEMXX)	H***	1.19	0.75(90)	36.66	1476.9		5.5	-1.0	6.0	18.0	27.1	9.5
Spart Int'l Index (399/FSIIX)	B****	1.09	1(90)	37.60	1381.7		5.2	-0.6	10.6	17.2	28.3	7.1
Spart 500 Index (317/FSMKX)	H***	1.00	0.5(90)	88.54	7193.5		2.9	0.3	3.0	8.4	17.0	2.2
Spart Total Mkt Idx (397/FSTMXX)	B****	1.03	0.5(90)	35.89	1944.9		3.5	0.0	3.7	10.7	19.2	4.0
Asset Manager (314/FASMX)	H***	0.52	none	16.35	10005.4		1.9	0.2	2.9	6.6	9.8	3.5
Asset Mgr Agg (347/FAMRX)	H***	1.08	none	12.38	430.6		2.5	-0.7	4.0	13.1	21.6	1.3
Asset Mgr Gth (321/FASGX)	H***	0.72	none	15.44	3292.2		2.4	0.5	3.3	7.4	12.0	2.8
Asset Mgr Inc (328/FASIX)	B****	0.37	none	13.06	1920.8		2.0	-0.3	3.2	7.8	9.4	5.8
Freedom 2000 (370/FFFBX)	B****	0.28	none	12.35	1566.9		1.1	0.0	1.8	5.3	6.4	3.6
Freedom 2005 (1312/FFVFX)	B****	0.48	none	11.33	436.9		1.9	-0.3	2.9	7.8		
Freedom 2010 (371/FFFCX)	B****	0.51	none	14.33	10220.0		2.0	-0.3	3.1	8.1	11.1	4.5
Freedom 2015 (1313/FFVFX)	B****	0.61	none	11.82	2103.0		2.3	-0.3	3.7	9.7		
Freedom 2020 (372/FFFDX)	B****	0.73	none	15.11	12912.0		2.7	-0.5	4.1	10.8	15.6	4.5
Freedom 2025 (1314/FFTXX)	B****	0.77	none	12.30	1674.2		2.8	-0.6	4.3	11.4		
Freedom 2030 (373/FFFEX)	B****	0.84	none	15.49	7888.6		3.1	-0.7	4.6	12.2	17.9	4.3
Freedom 2035 (1315/FFTHX)	B****	0.85	none	12.62	932.1		3.2	-0.6	4.8	12.5		
Freedom 2040 (718/FFFEX)	B****	0.88	none	9.13	3412.6		3.4	-0.7	5.0	12.8	19.4	4.1
Freedom Income (369/FFFAX)	B****	0.25	none	11.47	2085.2		1.1	0.0	1.7	5.0	5.4	3.7
Real Estate Income (833/FRIFX)	H***	0.26	0.75(90)	11.73	591.0		1.9	0.5	2.4	7.2		
Real Estate (303/FRESX)	H***↑	1.44	0.75(90)	33.84	6186.3		8.6	2.1	10.0	30.9	31.2	21.5
Int'l Real Estate (1368/FIREX)	H***	1.02	1.5(90)	13.91	251.9		7.9	1.7	16.6	24.2		
<b>TAXABLE BOND FUNDS:</b>												
Capital & Income (38/FAGIX)	H***	0.31	1(90)	8.50	5598.2	5.99	2.5	0.8	4.1	5.6	16.5	8.2
Floating Rate (814/FRHX)	B****	0.06	1(60)	9.98	2533.4	5.60	1.2	0.5	1.6	4.6	5.1	
Focused High Inc (1366/FHIFX)	H***	0.2 Est	1(90)	10.06	39.4	5.92	1.6	0.4	2.4	3.5		
GNMA Portfolio (15/FGMNX)	H***	0.24	none	10.82	3742.0	5.10	0.5	0.3	1.5	2.9	2.9	4.7
Gov't Income (54/FGOVX)	H***	0.28	none	10.08	5708.1	3.90	0.2	0.2	1.1	2.8	2.3	4.8
High Income (455/SPHIX)	H***	0.25	1(90)	8.88	3450.6	6.73	2.2	1.0	3.3	4.8	12.5	5.5
Inflation-Protected (794/FINPX)	H***	0.48	none	10.97	1627.8	1.91	0.0	0.0	1.1	2.8	4.6	
Intermed Bond (32/FTHRXX)	H***	0.22	none	10.24	7576.9	4.28	0.2	0.1	0.8	2.2	2.8	5.0
Intermed Gov't Inc (452/FSTGX)	H***	0.21	none	9.98	817.6	3.76	0.1	0.0	0.6	2.0	1.6	4.3
Invest Grade Bond (26/FBNDX)	H***	0.28	none	7.35	7648.0	4.08	0.4	0.3	1.3	3.0	3.5	5.5
Mortgage Securities (40/FMSFX)	H***	0.24	none	11.06	1737.4	5.05	0.8	0.6	1.6	3.2	3.5	5.2
New Markets Inc (331/FNMIX)	H***	0.48	1(90)	14.94	1824.4	5.16	4.9	2.5	6.9	14.7	17.6	14.9
Short-Term Bond (450/FSHBX)	H***	0.13	none	8.84	5372.0	4.21	0.4	0.2	0.9	2.7	2.3	4.0
Spart Gov't Inc (453/SPGVX)	H***	0.28	none	10.85	816.6	4.08	0.2	0.2	1.1	2.8	2.6	5.0
Spart Invest Grade (448/FSIBX)	H***	0.26	none	10.38	3221.5	4.11	0.4	0.3	1.3	3.0	3.8	5.7
Strategic Income (368/FSICX)	H***	0.25	none	10.50	3477.1	4.99	1.6	0.7	2.8	4.0	9.7	8.8
Strategic Real Rtn (1505/FSRRX)	H***	0.5 Est	0.75(60)	9.95	596.6		-0.5	-1.4	0.9			
Total Bond (820/FTBFX)	H***	0.25	none	10.40	517.6	4.56	0.5	0.3	1.5	2.9	4.2	
Ultra-Short Bond (812/FUSFX)	B****	0.05	0.25(60)	10.02	888.9	4.42	0.7	0.3	1.0	3.4	2.2	
US Bond Index (651/FBIDX)	H***	0.28	none	10.86	5764.6	4.60	0.4	0.3	1.2	2.6	3.4	5.5
<b>MUNICIPAL BOND FUNDS:</b>												
AZ Municipal Inc (434/FSAZX)	H***	0.22	0.5(30)	11.40	100.0	3.69	0.8	0.5	1.6	3.1	3.7	5.1
CA Municipal Inc (91/FCTFX)	H***	0.20	0.5(30)	12.45	1580.8	4.16	1.1	0.7	1.9	4.0	4.5	5.3
CA Short-Int TF (1534/FCSTX)	B****	0.1 Est	0.5(30)	10.06	43.0	3.19	0.7	0.2	1.2			
CT Municipal Inc (407/FICNX)	H***	0.20	0.5(30)	11.40	430.7	3.97	0.6	0.5	1.4	2.8	3.4	4.9
FL Municipal Inc (427/FFLIX)	H***	0.21	0.5(30)	11.46	514.1	4.01	0.7	0.5	1.6	3.2	3.9	5.2
Intermediate Muni (36/FLTMX)	H***	0.18	0.5(30)	9.97	1973.1	3.89	0.6	0.4	1.4	3.1	3.6	5.0
MA Municipal Inc (70/FDMMX)	H***	0.22	0.5(30)	11.91	1844.7	4.11	0.8	0.6	1.8	3.7	4.4	5.4
MD Municipal Inc (429/SMDMX)	H***	0.20	0.5(30)	10.86	110.6	3.82	0.7	0.6	1.6	3.0	3.7	4.8
MI Municipal Inc (81/FMHTX)	H***	0.21	0.5(30)	11.85	564.9	3.99	0.8	0.5	1.6	3.3	3.9	5.3
MN Municipal Inc (82/FMIX)	H***	0.19	0.5(30)	11.43	341.6	4.08	0.7	0.6	1.6	3.0	3.8	4.9
Municipal Income (37/FHIGX)	H***	0.21	0.5(30)	12.84	4690.6	4.16	1.0	0.7	1.8	4.0	4.6	5.8
NJ Municipal Inc (416/FNJHX)	H***	0.24	0.5(30)	11.51	558.0	3.96	0.9	0.6	1.7	3.5	4.1	5.3
NY Municipal Inc (71/FTFMX)	H***	0.22	0.5(30)	12.87	1406.7	3.84	0.9	0.7	1.9	3.4	4.2	5.6
OH Municipal Inc (88/FOHFX)	H***	0.22	0.5(30)	11.68	426.1	3.99	0.9	0.6	1.8	3.4	4.2	5.4
PA Municipal Inc (402/FPXTX)	H***	0.20	0.5(30)	10.81	306.6	4.03	0.7	0.5	1.6	3.1	3.9	5.1
Short-Int Municipal (404/FSTFX)	B****	0.10	0.5(30)	10.19	1667.4	2.96	0.4	0.1	0.8	1.8	1.7	3.4
Tax-Free Bond (90/FTABX)	H***	0.23	0.5(30)	10.77	378.3	4.06	0.9	0.7	1.8	4.2	4.8	

FEBRUARY PERFORMANCE			2006	One	Three	One	3-Yr	5-Yr	10-Yr
Indexes and Model Portfolios	Risk	Value	YTD	Month	Month	Year	Rate	Rate	Rate
Dow Jones Industrial	1.00	10993.41	3.0	1.5	2.4	4.6	14.2	3.1	9.3
S&P 500	1.00	1280.66	2.9	0.3	3.0	8.4	17.1	2.4	8.9
NASDAQ	1.20	2281.39	3.7	-0.9	2.5	12.2	20.2	1.7	8.0
Russell 2000	1.53	730.64	8.7	-0.2	8.2	16.7	28.1	10.4	9.9
Fidelity Monitor Income Model	0.09	81673.16	1.2	0.1	1.7	4.4	5.4	4.9	5.2
Fidelity Monitor G&I Model	0.67	161434.03	3.1	-0.3	4.3	10.6	17.9	9.0	10.3
Fidelity Monitor Growth Model	1.05	177319.51	3.1	-1.8	4.1	12.5	24.6	9.5	10.4
Fidelity Monitor Select System	1.16	333627.04	5.5	-2.0	6.9	21.6	22.9	8.0	10.8
Fidelity Monitor Unique Opportunities	1.23	113821.30	4.8	-3.3	8.6	20.2	30.7	16.4	

## UNIQUE OPPORTUNITIES MODEL

This model aims for a long-term growth rate of 12% per year by emphasizing value, inflation protection, and foreign opportunities.

FUND	NAV	SHARES	BALANCE
Natural Resources	\$25.87	1042.907	\$26980.00
Pacific Basin	\$26.38	843.140	\$22242.03
Conv. Securities	\$23.62	1168.880	\$27608.95
<b>Value</b>	<b>\$79.54</b>	<b>465.053</b>	<b>\$36990.32</b>

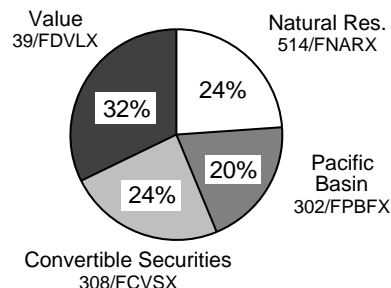
32% Foreign Holdings

Balance as of 2/28/06: \$113821.30

Balance at start of 2006: \$108605.62

### PERFORMANCE

Partial Yr 99:	+ 33.8%
2000:	- 20.5%
2001:	+ 1.6%
2002:	- 2.1%
2003:	+ 43.2%
2004:	+ 20.6%
2005:	+ 18.8%
*2006:	+ 4.8%



In February our Unique Opportunities Model declined 3.3%.

## VIP CORNER

### VIP SECTOR MODEL:

14% Technology, 15% Financial Ser, 31% Telecom & Util., 25% Natural Res., 15% Health Care

### VIP GROWTH MODEL:

25% Mid-Cap Stock, 41% Equity-Income, 34% Contrafund

### VIP G & I MODEL:

32% Growth & Income, 55% Balanced, 13% Freedom Income.

### VIP INCOME MODEL:

69% Freedom Income, 31% Balanced.

### FEBRUARY VIP PERFORMANCE

Portfolio	Rating	Unit Value	2006 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***	11.27	3.7	-3.2	5.6			
VIP Asset Manager	H ***	32.89	1.6	-1.1	2.7	5.7	9.2	2.7
VIP Asset Manager: Growth	H ***	21.63	2.0	-1.5	2.9	6.3	11.5	1.9
VIP Balanced	B *****	16.07	3.0	-1.0	4.6	8.9	10.3	3.5
VIP Consumer Industries	S **	11.42	2.3	0.6	2.1	6.4	13.8	
VIP Contrafund	B *****	40.97	2.5	-2.9	3.9	17.1	22.0	8.2
VIP Cyclical Industries	H ***	16.34	7.1	1.4	9.0	16.8	29.8	
VIP Dynamic Capital Appreciation	H ***	14.01	5.0	-1.8	6.0	25.1		
VIP Equity-Income	B *****	59.58	3.2	0.0	3.7	8.0	18.1	4.2
VIP Financial Services	B ****	13.69	4.2	1.3	5.1	14.0	19.1	
VIP Freedom 2005	B ****	10.67	1.7	-0.4	2.7			
VIP Freedom 2010	B ****	10.69	1.7	-0.4	2.8			
VIP Freedom 2015	B ****	10.87	2.1	-0.6	3.4			
VIP Freedom 2020	B ****	11.00	2.5	-0.7	3.8			
VIP Freedom 2025	B ****	11.08	2.6	-0.8	3.9			
VIP Freedom 2030	B ****	11.19	2.8	-0.8	4.2			
VIP Freedom Income	B ****	10.35	1.2	0.1	1.7			
VIP Growth	H ***	58.23	1.7	-1.3	1.6	9.1	14.5	-2.0
VIP Growth & Income	B *****	17.93	3.1	-0.2	2.9	11.3	13.8	2.4
VIP Growth Opportunities	H ***	12.90	-0.3	-3.7	-0.3	9.1	15.1	1.4
VIP Growth Stock	H ***	10.84	2.5	-0.5	4.2			
VIP Health Care	H ***↓	12.35	2.1	0.1	3.0	19.5	14.8	
VIP High Income	H ***	29.07	1.9	0.7	2.6	3.1	11.1	3.5
VIP Index 500	H ***	34.15	2.8	0.2	2.7	7.5	16.0	1.4
VIP Int'l Capital Appreciation	H ***	11.52	1.2	-4.2	7.4			
VIP Investment Grade Bond	H ***	28.39	0.3	0.3	1.1	1.8	2.7	4.8
VIP Mid Cap	B ****	20.33	5.6	-3.0	8.8	19.0	29.8	14.2
VIP Money Market		19.82	0.6	0.3	0.8	2.6	1.1	1.3
VIP Natural Resources	B ****	20.26	6.5	-9.0	10.3	33.7	35.1	
VIP Overseas	B ****	35.93	2.7	-2.0	9.6	19.3	27.7	5.2
VIP Real Estate	H ***↑	18.25	9.2	2.6	10.4	31.1		
VIP Strategic Income	H ***	11.29	1.4	0.5	2.4	3.0		
VIP Technology	B ****	10.90	7.8	-1.6	8.7	22.6	22.3	
VIP Telecom & Utilities	B ****	10.92	7.6	3.4	6.6	17.7	25.2	
VIP Value	B ****	11.11	4.2	0.0	4.5			
VIP Value Leaders	B ****	11.26	4.0	-0.5	5.0			
VIP Value Strategies	H ***	13.79	5.1	-0.2	6.9	10.3		
Fidelity Monitor VIP Income Model		18749.57	0.4	0.0	1.0	2.0	4.9	4.7
Fidelity Monitor VIP G&I Model		23222.41	2.8	-0.6	3.7	7.8	11.9	4.4
Fidelity Monitor VIP Growth Model		34296.74	3.6	-1.8	5.0	13.0	18.7	3.2
Fidelity Monitor VIP Sector Model		16840.22	6.0	-1.5	7.0	19.1	25.7	

## INCOME MODEL

Our Income Model aims for long-term growth of 7% per year from a mix of funds that emphasizes income.

FUND	NAV	SHARES	BALANCE
Balanced	\$19.36	771.011	\$14926.77
Asset Mgr. Inc.	\$13.06	2456.958	\$32087.87
Ultra-Short Bond	\$10.02	1567.341	\$15704.76
Floating Rate	\$9.98	1899.174	\$18953.76

8% Foreign Holdings

Balance as of 2/28/06: \$81673.16

Balance at start of 2006: \$80716.02

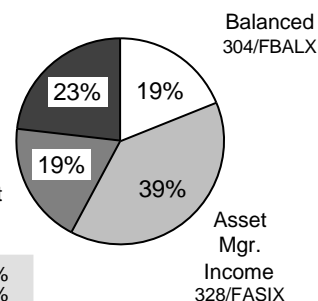
## PERFORMANCE

1992:	+ 10.1%
1993:	+ 11.3%
1994:	- 2.1%
1995:	+ 14.8%
1996:	+ 9.0%
1997:	+ 10.5%
1998:	+ 3.5%
1999:	+ 3.0%
2000:	+ 0.3%
2001:	+ 5.6%
2002:	+ 5.4%
2003:	+ 8.4%
2004:	+ 4.2%

Floating Rate High Income  
814/FFRHX

Ultra-Short  
812/FUSFX

2005: + 3.6%  
\*2006: + 1.2%



Our Income Model gained 0.1% in February. On 2/13 we sold one-half of **Ultra-Short Bond** (at \$10.02) and bought **Asset Manager Income** (at \$12.96).

## GROWTH AND INCOME MODEL

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

FUND	NAV	SHARES	BALANCE
Asset Mgr. Inc.	\$13.06	2678.753	\$34984.51
Puritan	\$19.18	1875.726	\$35976.42
Balanced	\$19.36	2081.872	\$40305.04
Strat. Div. & Inc.	\$12.68	3956.472	\$50168.06

9% Foreign Holdings

Balance as of 2/28/06: \$161434.03

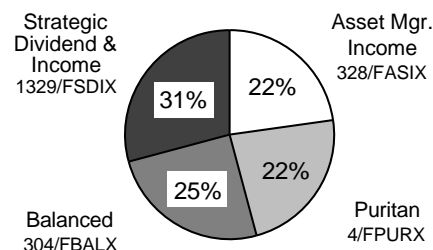
Balance at start of 2006: \$156588.48

## PERFORMANCE

1994:	- 3.7%
1995:	+ 21.6%
1996:	+ 15.8%
1997:	+ 18.7%
1998:	+ 11.1%
1999:	+ 12.2%
2000:	+ 2.7%
2001:	+ 1.3%
2002:	- 6.4%
2003:	+ 33.0%
2004:	+ 11.5%
2005:	+ 8.2%
*2006:	+ 3.1%

Strategic Dividend & Income  
1329/FSDIX

Balanced  
304/FBALX



For February our Growth and Income Model declined 0.3%.

## 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	\$21.59	1963.038	\$42381.99
Value	\$79.54	581.752	\$46272.55
Contrafund	\$65.20	680.579	\$44373.75
Equity-Income	\$54.54	812.087	\$44291.22

17% Foreign Holdings

Balance as of 2/28/06: \$177319.51

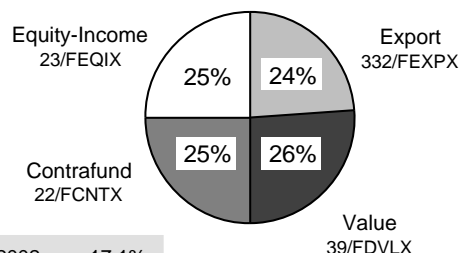
Balance at start of 2006: \$171931.86

## PERFORMANCE

1987:	+ 2.8%
1988:	+ 26.0%
1989:	+ 30.4%
1990:	- 4.4%
1991:	+ 40.6%
1992:	+ 15.7%
1993:	+ 31.9%
1994:	- 2.1%
1995:	+ 27.2%
1996:	+ 19.2%
1997:	+ 25.5%
1998:	+ 9.9%
1999:	+ 29.0%
2000:	- 10.8%
2001:	- 6.4%
2002:	- 17.1%
2003:	+ 46.1%
2004:	+ 12.4%
2005:	+ 11.2%
*2006:	+ 3.1%

Equity-Income  
23/FEQIX

Contrafund  
22/FCNTX



Our Growth Model declined 1.8% in February, compared with a 0.3% increase for the S&P 500.

## SELECT SYSTEM

Our Select System aims for growth in sector funds, and has a long-term goal of 14% per year. We use a volatility model to identify attractive growth sectors.

FUND	NAV	SHARES	BALANCE
Energy	\$49.20	1411.434	\$69442.55
Brokerage	\$76.12	916.091	\$69732.85
Wireless	\$7.20	8642.722	\$62227.60
Technology	\$65.22	712.107	\$46443.62
Medical Delivery	\$54.98	810.466	\$44559.42
Telecom	\$41.96	982.388	\$41221.00

20% Foreign Holdings

Balance as of 2/28/06: \$333627.04

Balance at start of 2006: \$316217.19

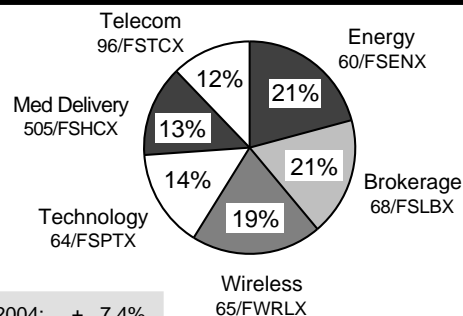
## PERFORMANCE

1989:	+ 23.4%
1990:	+ 31.3%
1991:	+ 35.3%
1992:	+ 20.4%
1993:	+ 25.9%
1994:	- 0.9%
1995:	+ 39.0%
1996:	+ 5.2%
1997:	+ 29.3%
1998:	+ 21.7%
1999:	+ 44.9%
2000:	- 14.9%
2001:	- 7.3%
2002:	- 14.7%
2003:	+ 38.4%
2004:	+ 7.4%
2005:	+ 15.0%
*2006:	+ 5.5%

Telecom  
96/FSTCX

Med Delivery  
505/FSHCX

Technology  
64/FSPTX



Our Select System declined 2.0% in February, compared with a 0.3% gain for the S&P 500. On 2/13 we sold **Software** (\$53.27) and bought **Technology** (\$65.06)

GROWTH & INCOME FUNDS - *Continued from page 3*

shakeout, a case can once again be made for owning **Utilities**. The energy crunch is boosting margins for independent power providers and regional electric utilities. Phone companies are seeing revenue growth thanks to the popularity of DSL, and some plan to roll out new technology that allows cable television to be delivered over phone lines. Wireless providers are looking to improve margins by offering audio and video entertainment over cell phones.

Manager Doug Simmons has done well since taking over the fund last September. Not only has he moved ahead of the Russell 3000 Utilities index, but he's also kept up with **Utilities Growth**, which relies more heavily on the telecom stocks.

But take note that this portfolio is basically a sector fund in the large-cap value arena. With 64% of assets in its top 10 holdings, **Utilities** will feel a significant amount of pain if any of its stock holdings run into trouble. If you decide to include it in a growth and income portfolio, consider a weighting limit of 20%. Ideally the fund would be matched with either **Fidelity Fund** or **Growth & Income**, as neither of the two has any utility holdings. ■

## Happenings

In a move to stabilize cash flows, Fidelity has closed **Japan Smaller Companies** to new accounts. We recommend **Int'l Small Cap Opportunities** as an alternative. Although its Japanese exposure is only 37% of assets, it has performed well and enjoys greater diversification, which makes it less risky.

Three Select Portfolios saw manager changes in February. Ramona Persaud now heads **Banking**, Nora Creedon is running **Construction & Housing**, and Jill Jortner is picking stocks for **Chemicals**. ■

### FEBRUARY DISTRIBUTIONS

<b>Asset Manager: Income</b>	\$ 0.03 / \$13.04 (2/3)
<b>Contrafund</b>	\$ 1.28 / \$65.67 (2/3)
<b>Freedom Income</b>	\$ 0.02 / \$11.43 (2/3)
<b>MI Municipal</b>	\$ 0.005/\$11.82 (2/3)
<b>Municipal Income</b>	\$ 0.02 / \$12.79 (2/3)
<b>New Markets Income</b>	\$ 0.06 / \$14.66 (2/3)
<b>OH Municipal</b>	\$ 0.01 / \$11.63 (2/3)
<b>Strategic Income</b>	\$ 0.01 / \$10.46 (2/3)
<b>Trend</b>	\$ 0.01 / \$58.42 (2/3)

Following are the funds scheduled for payouts in March: **Asset Manager: Income, Equity-Income, Freedom Inc, Large Cap Growth, Large Cap Value, Mid Cap Growth, Mid Cap Value, Real Estate, Real Estate Inc, MA Muni, NY Muni, Tax-Free Bond,** and **Utilities**.

RECOMMENDATIONS - *Continued from page 1*

its first tightening move, but now that it's over the actual tightening move may not cause much of a stir. Funds that led in February include **Nordic**, which rose 1.1%, **Europe Capital Appreciation** with a 1.0% increase, and **Latin America**, edging up 0.3%. **Japan** and **Japan Smaller Companies** finished with respective losses of 5.1% and 9.5%.

### GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. Our favorites include **Balanced, Strategic Dividend & Income, Convertible Securities, Equity-Income,** and **Puritan**. For a low-risk option, consider **Asset Manager Income**.

Gains in the telecom sector helped **Utilities** to finish with a gain of 2.1%. **Puritan** managed a 0.2% increase, and **Equity-Income** edged up 0.1%. Funds that finished behind the pack included **Growth & Income** and **Fidelity Fund**, both with a decline of 1.4%, and **Convertible Securities** which pulled back 1.8% on energy-related weakness.

### BOND FUNDS

Income Model holdings are listed on page 7. **Floating Rate High Income** offers a competitive yield with very little interest-rate risk.

Credit-sensitive funds were helped by favorable economic news. **New Markets Income** rose 2.5%, **High Income** gained 1.0%, and **Capital & Income** edged up 0.8%. On the flip side, those that benefit from rising prices and commodity gains were hurt by the Fed's determination to nip inflation in the bud. **Inflation-Protected Bond** finished at breakeven, and **Strategic Real Return** declined 1.4%.

Municipal bond funds finished with gains ranging from 0.1% to 0.7%.

### SELECT PORTFOLIOS

Select System holdings are listed on page 7. Funds rated buy, as ranked by our volatility model, are **Brokerage, Telecom, Technology, Electronics, Multimedia, Networking, Wireless, Natural Resources,** and **Energy**.

**Defense** gained 4.6%, and **Biotechnology** was up 4.2%. Telecom stocks also did well, helping both **Utilities Growth** and **Telecommunications** to post a 3.5% increase. On the bottom end, the energy group was the big loser as worries about Iran's oil supply subsided. **Natural Resources** was down 8.9%, **Energy** lost 10.0%, **Energy Services** fell 13.4%, and **Natural Gas** tumbled 13.7%. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reserves (55/FDRXX)	65988.0	4.15	CT MM (418/FCMXX)	1334.7	2.68			
Select MM (85/FSLXX)	826.2	4.24	MA MM (74/FDMXX)	4143.7	2.67	FL MM (428/FSFXX)	1901.0	2.81
Money Market (454/SPRXX)	6065.1	4.18	MI MM (420/FMIXX)	703.0	2.69	MA AMT TF (426/FMSXX)	1384.7	2.74
Gov't MM (458/SPAXX)	496.0	4.09	NJ MM (417/FNJXX)	1561.7	2.63	AMT Tax-Free (460/FIMXX)	3220.7	2.84
US Treas. MM (415/FDLXX)	1859.9	3.89	NY MM (92/FNYXX)	3570.6	2.70	NJ AMT TF (423/FSJXX)	883.2	2.80
Tax-Free MM (275/FMOXX)	2102.5	2.78	OH MM (419/FOMXX)	790.9	2.68	NY AMT TF (422/FSNXX)	1545.9	2.77
US Gov't Reser (50/FGRXX)	2527.8	4.19	AZ MM (433/FSAXX)	239.2	2.74	PA MM (401/FPTXX)	423.0	2.72
CA MM (97/FCFXX)	4006.1	2.66	CA AMT TF (457/FSPXX)	2103.7	2.81	Municipal MM (10/FTEXX)	16997.0	2.76