

Managing Risk

Take on too little risk, and your portfolio may not keep up with inflation. Take on too much, and at some point you may find yourself with stinging losses and a long, drawn out recovery period. So how do you know if you have enough? And how much is too much?

There's no perfect way to measure risk, because it takes many forms. There's company-specific risk, industry group risk, economic risk (inflation, interest rates, or productivity), credit risk, regulatory risk, risk of taxation, and the risk that businesses will temporarily be cut off from customers or suppliers.

Many of these factors are difficult to quantify, but it's possible to evaluate a security's collective risk by studying its price variations. While there's no perfect indicator, calculating its standard deviation works reasonably well under most conditions. In effect, you are measuring the magnitude of its zigs

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Changes for Select System, VIP Sector, VIP Growth

On Monday, 3/12, our Select System will be selling **Energy** (60/FSENX), moving one-fourth of the proceeds to **Software** (28/FSCSX), and placing the remaining three-fourths into **Chemicals** (69/FSCHX). The resulting mix will be roughly 12% **Chemicals**, 17% **Insurance**, 18% **Consumer Staples**, 18% **Utilities Growth**, 16% **Software**, and 19% **Telecommunications**. Volatility in the energy sector remains high, and the near-term opportunities may be somewhat limited. As we pointed out in last month's issue, we already have plenty of indirect exposure to rising energy costs through **Utilities Growth** and **Consumer Staples**.

Also on 3/12, our VIP Sector Model will sell **VIP Energy**, placing half of the proceeds in **VIP Financial Services** and half in **VIP Technology**. We are boosting our technology and financial weightings on the VIP side because there are no options for telecom or materials.

Finally, on the same date our VIP Growth Model will sell **Mid-Cap Stock** and buy **VIP Index 500**. This change will bring the portfolio more in line with our regular Growth Model.

Review & Recommendations

For most of February, stocks edged higher on indications of stronger-than-expected economic growth and lower-than-expected inflation. Then China's market sold off sharply on the possibility of new measures to reign in speculation, and Alan Greenspan suggested a U.S. recession is within the realm of possibilities. The two events set off a round of profit-taking that impacted markets across the globe. The S&P 500 finished with a loss of 2.0%.

Welcome to the modern version of a correction, where the global markets process and discount all new information within one or two trading days. There's some chance we haven't seen the full impact of the situation in China, and there may be added fallout in the emerging market arena as investors gain more appreciation for the risks involved.

However, it's unlikely this is the beginning of a bear market here at home. Today's S&P 500 is one of the least expensive asset classes, and there's a lot of corporate buyback activity supporting the market. Individual investors have not yet embraced this idea, and are still shoveling money into foreign stocks. But the private equity players have figured it out, and their focus will continue to drive the market.

GROWTH FUNDS

Growth Model holdings are listed on page 7. Our favorite funds in this group include **Spartan 500 Index** and **Value Discovery**.

Leveraged Company Stock gained 2.0%. **Mid Cap Stock** and **Value Strategies** both rose 1.6%. Trailing behind, **Blue Chip Growth** slid 2.6%, while **Discovery** and **Large Cap Growth** both lost 2.7%.

INTERNATIONAL FUNDS

Int'l Value offers broad exposure to foreign stocks, with an emphasis on European markets. **Canada** may benefit from exposure to commodities.

The Japanese market was relieved that the Bank of Japan will be tightening slowly. **Japan** gained 3.2%, and **Pacific Basin** was up 1.8%. In contrast, **Nordic** lost 3.0%, and **Latin America** was down 3.4%.

GROWTH & INCOME FUNDS

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

RECOMMENDATIONS - *Continued on page 8*

and zags to discern how it will behave if something unusual comes along.

Our own risk figures are calculated by looking at the standard deviation of a year's worth of daily gains and losses and normalizing it to the S&P 500. This ratio makes it easy to see if a fund or portfolio is taking on more or less risk than the market.

We use this approach to update our figures every month. Fidelity fund risk is listed on pages 4-5, and our model portfolios are shown at the top of page 6.

In recent years, it's become more challenging to keep our models at their targeted risk levels. Part of the reason is the S&P 500 has been unusually stable compared to its past. That makes some funds appear more volatile than they really are. But that's only part of the story – it also appears that increased use of leverage is magnifying the risks involved with popular stocks, popular sectors, and in some cases, popular countries or regions.

Whatever the reason, it doesn't change the fact that less risky funds are less likely to disappoint if times get tough. With that thought in mind, we've been making changes to help reduce the risk of our model portfolios. We've also downgraded high-risk funds that might be vulnerable if the economy slows down or inflation picks up.

FINDING THE RIGHT BLEND OF MODELS

However, those measures won't help much unless your portfolio is aligned with an appropriate mix of our model portfolios. To that end, we've updated our suggested allocation matrix, which is shown on the right. Through the years we've updated the matrix to reflect changes in our model portfolio objectives. This time around we are reverting to an earlier version that we used prior to 2004. We're doing this to increase the emphasis on our mainstream models (the Growth Model and the Growth and Income Model), while better positioning the Unique Opportunities Model as an alternative choice for those who don't mind venturing off the beaten path.

The Unique Opportunities model has done well over the last five years because value, inflation hedges, and foreign funds have posted strong performance. But under normal conditions, it's less likely to have an edge over the Growth Model and the Select System.

USING THE ALLOCATION MATRIX

Our allocation matrix ignores traditional factors used to determine stock exposure – such as age, or time until retirement. Instead, we focus on the two

things that matter most – your investment horizon, and your tolerance for risk.

Time is perhaps the most important of the two. If your investment horizon is short, it doesn't make sense to step out on a limb, because you won't have time to recover from an unexpected short-term loss. Conversely, if you won't be liquidating your holdings for many years to come, you ought to have your money working harder. It makes sense to take on as much risk as you can be comfortable with, so your returns will exceed inflation by a healthy margin.

Personal risk tolerance is the other key factor. If you are investing beyond your own comfort zone, you'll be tempted to abandon your long-term strategy if times get tough, and that can cost you dearly. It's better to reduce your risk level and stick with a consistent approach through thick and thin. On the other hand, if you are being ultra conservative just to make things worry-free, you're probably losing out on opportunities that could boost your purchasing power over time.

To use the allocation matrix, first consider your tolerance for risk. Go with "Low" if protecting your portfolio against short-term losses is a key priority. Choose "Medium" if you don't like losses but can accept a short-term decline to improve your long-term return. Opt for "High" if you want to maximize long-term returns, and the prospect of riding through a major bear market does not bother you.

Next, make a rough estimate of the money you

Risk Tolerance	Years Before Money Is Needed for Living Expenses		
	Less than 3 Yrs.	3 - 8 Years	8 Years or more
Low	Money Market	Income Model	Growth and Income Model *
Medium	Income Model	Growth and Income Model	Growth Model *
High	Growth and Income Model *	Growth Model *	Select System *

* Up to 50% may be invested in the Unique Opportunities Model

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will need from your portfolio in each of the next eight years (for investors who won't need anything from their portfolio, use zero). Add up what you'll need in the first three years, and invest it according to the box on the left. For years four through eight, invest according to the center column. The rest of your portfolio (which may be all of it, if your living expense needs are zero) is allocated to the "8 years or more" box in the right-hand column.

Not comfortable with putting everything in one model portfolio? We've allowed for that with our Unique Opportunities Model, listed as an alternate for up to 50% of your holdings if you have time or risk tolerance on your side. You may also consider substitutions that reduce risk. For example, if you don't want to put everything in the Select System, feel free to put half in the Select System and half in the Growth Model. Or consider splitting your portfolio one-third Growth Model, one-third Select System, and one-third Unique Opportunities Model.

When investing in more than one model portfolio, it may be necessary to "double up" on funds that are common to both model portfolios. For example, **Equity-Income** would need to account for one-third of total assets in a portfolio that's split evenly between Growth and Income and Unique Opportunities. ■

Question & Answer Forum

Do your performance figures factor in the expense ratio and other costs of running mutual funds? Does it make sense to be paying expense ratios of 0.9% when index funds are charging just 0.1%?

By law, mutual fund companies must subtract all expenses and trading costs before calculating their *Net* Asset Values, so what you see is what you get. It's always been that way.

As for your second question, suppose that mutual funds didn't exist, and you needed to hire someone to grow your nest egg. You could look for someone who understands risk and reward, equip them with the best possible research and trading tools, and let them pick stocks. Or you could just pay someone to execute trades in a way that matches your portfolio to the S&P 500. The first approach is going to be more costly, but might pay for itself several times over by generating better investment returns. The latter approach is cheaper and might be more foolproof in the long run, but it represents a fixed cost of investing that will never be recovered.

There's no right answer, because this debate is largely a matter of personal philosophy. Success is

possible with either path. Fidelity has built a huge business based on active management, and Vanguard has reached a similar scale through cost controls and indexing. Both companies have a loyal following.

Many pundits argue that an indexing strategy beats active management some 80% of the time, but they fail to mention that Fidelity funds are a dramatic exception to this "rule." Also left unsaid: any strategy that becomes too popular will ultimately disappoint. If too many investors follow the same index, it allows active investors to run circles around the "herd."

Is it possible for you to list historical performance for your variable annuity models, just as you do for your regular models? Also, when will you be including the new VIPs and non-Fidelity options? Do annuities have any advantages over funds?

This month we have redesigned our model portfolio pages, moving the Unique Opportunities Model to the bottom of page 7. With more space available for the VIP Corner, we've added pie charts and historical performance for the four annuity models, and we've included **VIP Disciplined Small Cap** and the new **VIP FundsManager** choices. We have no plans to include non-Fidelity choices, however. We did that from 2000-2004, and the results were disappointing.

Annuities may offer an advantage for some investors, but usually the benefit of tax-deferral is offset by extra fees, limited choices, and a higher tax burden upon withdrawal. Fidelity's annuity lineup is certainly much better than anything the competition has to offer, but we still think it's a better bet to buy mutual funds in a regular taxable account, provided they are held for more than a year to maximize long-term capital gains.

I got a warning letter from Fidelity for selling a fund within 30 days of buying it. Should I worry?

Fidelity is getting tough with customers who exceed roundtrip limits (two per quarter, four per year). If you've received a warning letter, it's probably a good idea to simply avoid selling any fund you've bought within the last 30 days. That way you're less likely to be punished for an accidental violation when dealing with multiple accounts.

From what we've heard through the grapevine, if you exceed the roundtrip limits after getting a warning letter, Fidelity will begin locking you out of the affected fund(s) for a few months. If violations continue to occur after that, Fidelity may ultimately

QUESTION & ANSWER FORUM - *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. Size figures are for the close of the prior month, in millions. 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. All retail Fidelity funds are no-load. If a fund is closed to new investors, it is listed as such in the Fee column. Fidelity limits roundtrip trades to two in the last 90 days and four in the last 12 months (a roundtrip trade is defined as the purchase and sale of a fund within 30 days). 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 from the prior month are indicated by ↑ and ↓.

FEBRUARY PERFORMANCE						2007	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***	1.70	1.5(90)	19.84	3730.0	2.4	0.0	0.9	7.2	8.2	4.5	3.2
Blue Chip Gth (312/FBGRX)	B****	1.06	none	43.88	20804.1	-1.0	-2.6	-0.9	3.2	3.9	2.5	5.0
Blue Chip Value (1271/FBCVX)	B****	1.10	none	14.94	457.3	0.9	-0.6	2.0	11.8	12.2		
Capital Apprec (307/FDCAX)	B****	1.39	none	27.42	9129.2	1.1	-1.9	2.5	9.0	9.3	10.9	9.9
Contrafund (22/FCNTX)	B****	1.14	Closed	64.57	69867.0	0.0	-2.1	0.1	8.7	13.1	11.6	10.9
Discovery (339/FDSVX)	H***	0.98	none	12.68	451.9	-1.3	-2.7	0.3	7.9	7.7	5.5	
Disc Equity (315/FDEQX)	H***	1.16	none	29.20	8417.9	0.6	-1.3	2.4	12.2	11.3	8.6	8.8
Dividend Gth (330/FDGFY)	B****	0.93	none	31.52	17050.5	-0.5	-1.8	1.3	10.9	6.7	4.7	9.3
Export Fund (332/FEXPX)	H***	1.29	0.75(30)	23.18	4294.3	0.9	-2.2	-0.3	7.6	11.4	10.1	13.1
Fidelity Fifty (500/FFTYX)	B****	1.27	none	23.64	1337.1	2.1	-0.9	3.4	9.5	10.0	9.3	10.5
Focused Stock (333/FTQGX)	H***	1.38	none	12.80	74.6	2.4	-0.3	3.4	6.4	12.8	3.6	5.4
Growth Company (25/FDGRX)	H***	1.42	Closed	69.16	30575.8	-0.8	-2.5	-0.7	3.9	10.3	7.8	9.1
Independence (73/FDFFX)	H***	1.26	none	21.92	4681.2	-0.2	-1.7	-0.1	7.2	10.5	7.4	9.2
Large Cap Growth (763/FSLGX)	H***	1.67	none	11.60	183.3	-1.1	-2.7	-0.5	2.5	9.3	5.2	
Large-Cap Stock (338/FLCSX)	H***	1.09	none	17.68	867.6	0.9	-1.0	1.4	11.1	8.2	5.3	6.6
Large Cap Value (708/FSLVX)	B****	1.13	none	15.02	1349.2	0.4	-1.1	2.1	12.8	14.1	10.2	
Lev Co Stock (122/FLVCX)	B****	1.47	1.5(90)	30.27	5124.5	4.5	2.0	4.2	16.5	18.6	30.8	
Low-Priced Stock (316/FLPSX)	H***	1.08	Closed	43.95	39491.9	0.9	-0.3	2.8	12.2	14.3	15.6	15.2
Magellan (21/FMAGX)	H***	1.33	Closed	90.57	45181.7	1.2	-1.7	0.7	5.1	6.5	4.4	6.8
Mid Cap Growth (793/FSMGX)	H***	1.84	0.75(30)	14.09	441.8	0.9	-1.5	0.5	2.5	11.4	9.0	
Mid Cap Stock (337/FMCSX)	H***	1.54	Closed	30.68	13737.3	5.3	1.6	5.0	11.3	13.9	9.4	13.2
Mid Cap Value (762/FSMVX)	H***	1.24	0.75(30)	17.37	676.7	4.2	1.1	5.3	14.9	16.3	13.5	
New Millennium (300/FMILX)	H***	1.70	Closed	29.25	2377.3	1.2	-1.7	1.4	7.6	8.3	9.2	14.1
OTC Portfolio (93/FOCPX)	H***	1.57	none	41.45	8951.0	0.2	-1.9	-1.2	6.9	7.6	8.1	7.2
Small Cap Gth (1388/FCPGX)	H***	1.62	1.5(90)	15.06	696.3	4.2	1.1	3.7	9.5			
Small Cap Indep (336/FDSCX)	H***	1.55	1.5(90)	21.82	2879.0	3.7	1.0	4.5	11.6	13.3	11.1	9.5
Small Cap Stock (340/FSLCX)	H***	1.52	Closed	19.46	4776.4	2.4	1.4	2.7	6.3	10.7	12.2	
Small Cap Value (1389/FCPVX)	H***	1.48	1.5(90)	14.28	1273.3	2.0	0.3	1.8	8.9			
Stock Selector (320/FDSSX)	H***	1.05	none	27.86	854.4	0.1	-1.3	0.7	9.3	9.6	7.3	6.8
Tax Mgd Stock (343/FTXMX)	B****	1.31	1(730)	14.42	72.3	2.1	-0.4	2.9	10.5	12.1	7.9	
Trend (5/FTRNX)	H***	1.06	none	63.64	920.2	-0.8	-2.5	0.0	8.9	8.9	7.0	5.7
Value (39/FDVLX)	B****	1.09	none	83.91	19282.0	4.1	0.9	5.2	14.3	16.2	14.6	12.1
Value Discovery (832/FVDFX)	B****	1.16	none	17.83	1113.0	2.0	0.1	2.1	11.7	15.0		
Value Strategies (14/FSLSX)	B****	1.16	none	33.40	249.1	5.5	1.6	6.1	16.6	10.6	12.7	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B****	0.83	none	19.85	23104.1	2.2	0.5	2.2	10.5	10.4	10.5	10.7
Convertible Sec (308/FCVXS)	B****	1.06	none	26.21	2177.0	3.5	0.7	4.5	13.3	10.6	10.1	12.1
Equity-Income (23/FEQIX)	B****	1.00	none	58.56	31229.7	0.0	-1.3	2.1	16.0	11.0	8.8	8.8
Equity-Income II (319/FEQTX)	B****	1.01	none	23.38	11758.7	0.2	-1.1	1.8	9.8	8.7	8.3	8.6
Fidelity Fund (3/FFIDX)	H***	1.15	none	35.89	7584.2	0.1	-2.1	0.9	11.3	8.7	6.3	7.7
Growth & Income (27/FGRIX)	H***	1.09	none	31.09	29883.6	-0.2	-1.5	0.0	8.9	6.7	4.3	6.6
Growth & Inc II (361/FGRTX)	H***	1.03	none	11.18	197.8	0.0	-1.3	0.6	9.4	7.8	6.1	
Puritan (4/FPURX)	B****	0.67	none	20.08	25837.7	0.6	-0.4	1.9	12.7	8.7	8.2	8.3
Strategic Div & Inc (1329/FSDIX)	B****	0.91	none	13.32	1106.8	2.8	0.0	2.6	12.3	12.3		
Utilities (311/FUIX)	H***	1.00	none	19.60	1632.7	3.9	1.6	6.5	26.2	20.4	12.6	8.4
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.87	0.75(30)	50.74	143.6	4.6	-1.0	3.5	19.8	21.1	10.3	15.9
Automotive (502/FSAVX)	H***	1.44	0.75(30)	40.24	41.3	4.2	-0.4	5.9	17.3	7.7	9.3	6.9
Banking (507/FSRBX)	B****	1.00	0.75(30)	33.52	360.5	-1.5	-1.3	1.9	8.2	6.0	8.7	8.9
Biotechnology (42/FBIOX)	H***	1.68	0.75(30)	63.89	1462.0	-1.6	-3.4	-4.9	-6.1	4.9	3.6	9.4
Brokerage (68/FSLBX)	H***	1.70	0.75(30)	73.69	1308.8	-0.5	-4.0	2.7	9.3	17.5	16.0	16.7
IT Ser / Bus Ser (353/FBSOX)	H***	1.36	0.75(30)	17.39	36.0	1.5	0.5	3.3	10.0	12.8	5.9	
Chemicals (69/FSCHX)	B****↑	1.42	0.75(30)	70.60	106.8	5.7	1.4	8.5	18.5	18.4	15.3	10.3
Computers (7/FDCPX)	H***	1.65	0.75(30)	39.28	634.2	-0.5	-3.5	-0.8	4.6	1.6	3.7	6.5
Const & Housing (511/FSHOX)	S**	1.79	0.75(30)	45.98	154.6	3.1	-2.0	4.9	5.4	14.4	13.7	13.6
Consumer Disc (517/FSCPX)	H***	1.19	0.75(30)	26.85	41.0	2.5	-1.8	2.8	13.0	8.1	5.7	8.0
Industrial / Cyc Ind (515/FCYIX)	H***	1.39	0.75(30)	20.70	74.1	1.1	-1.1	2.2	8.3	16.8	12.4	
Defense & Aero (67/FSDAX)	H***	1.44	0.75(30)	84.46	1135.0	3.6	0.3	5.1	15.9	20.5	15.9	14.7
Com Equip / DevC (518/FSDCX)	H***	1.95	0.75(30)	20.64	324.4	0.9	2.2	0.2	-4.7	0.6	6.6	7.8
Electronics (8/FSLEX)	H***	2.08	0.75(30)	46.15	1969.0	5.3	3.9	2.7	-0.9	1.9	0.8	8.4
Energy (60/FSENX)	H***	2.51	0.75(30)	48.80	2251.0	0.0	-0.2	-3.4	8.6	29.3	19.9	14.8
Energy Services (43/FSSESX)	H***	3.11	0.75(30)	66.82	1270.0	-1.0	1.0	-5.3	3.9	25.6	18.1	14.8
Environmental (516/FSLEX)	H***	1.40	0.75(30)	17.21	46.6	-0.4	-1.7	0.5	-0.7	9.0	8.2	1.8
Financial Services (66/FIDSX)	B****	1.12	0.75(30)	117.34	558.7	-1.1	-2.1	1.2	10.2	9.2	9.9	10.9
Con Stap / Food Ag (9/FDFAX)	B****	0.85	0.75(30)	58.13	354.7	1.5	-1.3	4.5	18.5	12.3	8.8	8.7
Gold (41/FSAGX)	H***	2.58	0.75(30)	36.54	1467.7	0.1	1.4	-2.8	16.2	20.4	22.9	7.0
Health Care (63/FSPHX)	H***	1.04	0.75(30)	126.79	2123.1	1.4	-1.1	2.3	4.1	8.9	6.1	9.6
Home Finance (98/FSVLX)	H***	1.13	0.75(30)	48.40	267.2	-2.7	-2.9	0.1	7.1	2.5	8.1	8.2
Indust Equip (510/FSFGX)	H***	1.40	0.75(30)	31.50	80.0	1.8	-0.4	3.4	9.6	13.0	9.5	8.6
Materials / Ind Mat (509/FSDPX)	H***	1.85	0.75(30)	50.93	166.3	7.6	2.5	8.8	22.3	18.4	18.8	10.2
Insurance (45/FSPCX)	B****	0.99	0.75(30)	69.38	248.9	-2.2	-0.2	0.2	8.3	9.1	10.1	14.0
Leisure (62/FDLSX)	H***	1.32	0.75(30)	79.61	277.6	0.5	-2.4	2.7	13.8	10.9	10.5	12.0
Medical Delivery (505/FSHCX)	H***↑	1.35	0.75(30)	51.02	646.2	4.7	2.0	9.2	2.2	22.1	17.6	10.4
Medical Equip/Sys (354/FSMEX)	H***↑	1.16	0.75(30)	23.67	809.7	2.8	-1.4	2.9	5.7	8.8	11.8	
Multimedia (503/FBMPX)	H***	1.15	0.75(30)	47.31	158.4	-1.1	-4.5	2.6	13.7	7.9	10.3	12.0
Natural Gas (513/FSNGX)	H***	2.83	0.75(30)	39.60	1088.2	5.0	0.7	-2.0	10.4	28.5	22.3	15.4
Nat Resources (514/FNARX)	H***	2.48	0.75(30)	28.75	968.3	3.2	1.5	0.3	15.2	28.7	20.0	
Networking (912/FNINX)	H***	2.15	0.75(30)	2.49	100.5	0.8	0.0	-0.8	-3.5	-2.2	0.9	
Paper & Forest (506/FSFPX)	B****↑	1.30	0.75(30)	34.53	39.6	6.3	3.4	10.3	17.7	4.7	4.8	6.7
Pharmaceuticals (580/FPHAX)	B****	1.07	0.75(30)	10.88	206.3	0.8	-1.8	0.7	8.0	8.0	4.1	
Retailing (46/FSRPX)	H***	1.52	0.75(30)	54.98	82.5	-4.7	0.5	4.6	15.8	12.3	10.0	11.3
Software (28/FSCSX)	B****	1.34	0.75(30)	65.46	980.7	-0.2	-3.2	-1.4	21.4	8.8	9.6	13.1
Technology (64/FSPTX)	H***	1.64	0.75(30)	69.84	1735.4	2.9	1.0	0.8	7.1	4.2	6.1	8.7
Telecom (96/FSTCX)	B****	1.41	0.75(30)	50.91	589.8	4.8	-1.0	9.4	22.7	13.7	11.5	6.7
Transportation (512/FSRFX)	S**	1.97	0.75(30)	53.00	95.6	5.8	-0.1	3.4	7.6	19.3	12.5	14.4
Utilities Growth (65/FSUTX)	B****	1.01	0.75(30)	58.27	744.6	5.2	5.1	6.0	27.0	21.7	13.0	9.5
Wireless (963/FWRLX)	H***	1.52	0.75(30)	7.13	291.4	1.9	-1.1	4.1	5.2	16.0	15.5	

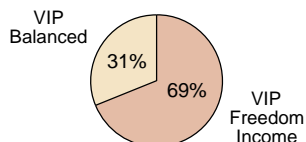
FEBRUARY PERFORMANCE						30-day	2007	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	1.50	1 (30)	17.25	427.2		3.2	0.5	5.7	17.4	13.4	13.2
Canada (309/FICDX)	B****	1.45	1.5(90)	49.02	3006.8		1.6	0.7	0.4	10.1	20.8	21.9
China Region (352/FHKCX)	H***	1.23	1.5(90)	24.09	1045.4		-1.8	-2.1	1.5	21.2	14.3	16.0
Diversified Int'l (325/FDIVX)	B****	1.37	Closed	37.04	48397.8		0.2	-0.7	2.9	16.5	17.9	17.7
Emerging Mkts (322/FEMKX)	H***	1.92	1.5(90)	24.05	3586.6		-1.4	-0.4	2.8	17.9	29.4	25.1
Europe (301/FIEUX)	H***	1.48	1 (30)	39.02	4505.3		-0.9	-2.4	2.3	15.3	21.1	16.3
Europe Cap Appr (341/FECAX)	H***	1.45	1 (30)	27.60	1407.2		1.1	-0.1	4.7	25.1	19.4	16.8
Global Balanced (334/FGBLX)	B****	0.81	1 (30)	21.99	294.4		1.7	0.9	2.5	12.5	11.9	12.1
Int'l Discovery (305/FIGRX)	B****	1.41	1 (30)	37.94	9831.3		0.1	-0.6	3.7	18.1	18.6	18.2
Int'l Small Cap (818/FISMX)	H***	1.41	Closed	25.57	1598.9		2.6	1.3	5.9	9.1	22.0	
Int'l Small Cap Opp (1504/FSCOX)	H***	1.92	2 (90)	16.42	1261.8		4.0	0.7	9.0	21.4		
Int'l Value (1597/FIVLX)	B****	1.2 Est	1 (30)	11.29	296.3		1.3	0.2	4.3			
Japan (350/FJPNX)	H***	2.05	1.5(90)	17.54	1774.2		2.8	3.2	4.7	-1.1	16.3	15.5
Japan Smaller Co (360/FJSCX)	H***	2.04	Closed	12.76	1032.2		-0.5	0.0	-0.5	-15.2	11.3	17.6
Latin America (349/FLATX)	S**↓	2.75	1.5(90)	43.75	3809.1		-2.2	-3.4	4.2	19.7	42.9	31.1
Nordic (342/FNORX)	H***	1.94	1.5(90)	39.61	563.8		-1.0	-3.0	5.1	27.0	23.5	19.8
Overseas (94/FOSFX)	H***	1.40	1 (30)	44.81	7804.5		0.0	-0.8	2.8	16.8	16.2	14.3
Pacific Basin (302/FPBFX)	H***	1.46	1.5(90)	27.62	1008.9		1.0	1.3	4.4	14.2	20.2	17.6
Southeast Asia (351/FSEAX)	H***	1.62	1.5(90)	27.66	2165.0		0.6	1.8	5.8	29.0	24.2	21.7
Worldwide (318/FWWFX)	H***	1.23	1 (30)	20.30	1401.8		0.9	-0.7	3.2	15.6	13.3	11.8
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	H***	0.91	none	29.69	1648.6		0.6	-0.9	1.8	12.4	10.3	9.0
NASDAQ Comp (1282/FNCMX)	H***	1.42	0.75(90)	32.43	186.8		0.2	-1.9	-0.5	6.5	6.4	
Spart Ext Mkt Idx (398/FSEMX)	H***	1.36	0.75(90)	39.63	2028.2		2.9	-0.3	3.1	12.4	13.5	13.6
Spart Int'l Index (399/FSIIX)	B****	1.35	1(90)	44.73	3175.1		1.3	0.3	4.6	21.5	18.7	16.2
Spart 500 Index (317/FSMKX)	B****	1.00	none	97.49	8091.4		-0.5	-2.0	0.9	11.9	9.0	6.7
Spart Total Mkt Idx (397/FSTMX)	H***	1.06	0.5(90)	39.68	3916.8		0.3	-1.6	1.4	12.0	10.1	8.2
Asset Mgr 50% (314/FAMX)	H***	0.55	none	16.34	9166.0		1.4	0.3	1.7	8.7	5.9	5.7
Asset Mgr 85% (347/FAMRX)	H***	0.95	none	13.54	494.0		1.4	-0.3	2.4	11.2	9.5	6.7
Asset Mgr 70% (321/FASGX)	H***	0.73	none	16.46	3185.0		1.3	-0.1	2.0	9.2	6.3	5.6
Asset Mgr 20% (328/FASIX)	B****	0.30	none	12.77	2246.7		1.2	0.7	1.3	6.5	6.4	6.9
Freedom 2000 (370/FFBFX)	B****	0.35	none	12.60	1649.0		1.1	0.3	1.2	6.7	4.9	4.8
Freedom 2005 (1312/FFVFX)	B****	0.58	none	11.75	797.3		1.2	0.1	1.5	8.5	6.9	
Freedom 2010 (371/FFFCX)	B****	0.61	none	14.78	12632.6		1.1	0.1	1.5	8.5	7.1	6.8
Freedom 2015 (1313/FFVFX)	B****	0.70	none	12.34	4640.9		1.1	-0.1	1.6	9.1	8.1	
Freedom 2020 (372/FFFDX)	B****	0.83	none	15.69	17589.1		1.0	-0.3	1.7	9.8	9.0	8.0
Freedom 2025 (1314/FFTWX)	B****	0.86	none	12.91	3838.4		1.1	-0.3	1.8	9.9	9.3	
Freedom 2030 (373/FFEX)	B****	0.97	none	16.18	11248.3		0.9	-0.6	1.8	10.5	10.0	8.5
Freedom 2035 (1315/FFTHX)	B****	0.98	none	13.32	2214.4		1.0	-0.6	1.9	10.5	10.2	
Freedom 2040 (718/FFFX)	B****	1.00	none	9.57	5540.2		0.9	-0.6	2.0	10.8	10.5	8.8
Freedom 2045 (1617/FFFGX)	B****	1.0 Est	none	10.82	103.4		0.7	-0.8	1.9			
Freedom 2050 (1618/FFHFX)	B****	1.0 Est	none	10.84	88.7		0.8	-0.8	2.0			
Freedom Income (369/FFAFX)	B****	0.29	none	11.64	2323.5		1.1	0.4	1.1	6.4	4.6	4.4
Real Estate Income (833/FRIFX)	H***	0.31	0.75(90)	12.19	653.2		2.0	0.1	2.3	11.8	9.2	
Real Estate (303/FRESX)	S**	1.54	0.75(90)	38.85	9197.9		6.8	-1.0	4.5	30.7	27.2	24.9
Int'l Real Estate (1368/FIREX)	S**	1.38	1.5(90)	16.85	1205.0		1.7	1.6	9.3	34.6		
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	H***	0.25	1(90)	9.01	7879.5	5.75	2.3	1.2	3.6	12.8	10.5	14.2
Floating Rate (814/FFRHX)	B****	0.04	1(60)	9.99	3128.3	6.50	1.5	0.7	2.2	6.7	5.3	
Focused High Inc (1366/FFHFX)	H***	0.14	1(90)	10.29	52.5	6.23	1.8	1.4	2.7	8.6		
GNMA Portfolio (15/FGMNX)	H***	0.26	none	10.80	3289.6	4.98	1.1	1.2	0.9	4.8	3.6	4.1
Gov't Income (54/FGOVX)	H***	0.28	none	10.10	6067.9	4.58	1.3	1.4	0.7	4.6	3.0	4.4
High Income (455/SPHIX)	H***	0.14	1(90)	9.13	4644.5	6.60	1.9	1.2	3.3	10.4	8.1	11.0
Inflation-Protected (794/FINPX)	H***	0.44	none	10.89	1308.9	2.39	2.1	2.1	-0.3	2.3	3.0	
Intermed Bond (32/FFHRX)	H***	0.22	none	10.33	7932.2	4.76	1.4	1.3	1.1	5.6	3.0	4.7
Intermed Gov't Inc (452/FSTGX)	H***	0.22	none	10.02	715.6	4.50	1.2	1.2	0.8	4.7	2.4	3.8
Invest Grade Bond (26/FBNDX)	H***	0.27	none	7.41	11057.5	4.97	1.3	1.3	0.7	5.8	3.9	5.1
Mortgage Securities (40/FMSFX)	H***	0.26	none	11.05	1575.6	5.11	0.8	0.8	0.5	4.9	3.7	4.6
New Markets Inc (331/FNMIX)	H***	0.38	1(90)	14.82	2256.5	5.72	1.1	1.3	2.0	7.7	12.0	14.3
Short-Term Bond (450/FSHFX)	H***	0.12	none	8.88	6978.6	4.90	0.8	0.6	0.9	5.0	2.8	3.8
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.5 Est	none	9.98	585.5	4.57	1.7	2.1	0.5	5.1		
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.3 Est	none	9.94	8.3	4.66	2.1	2.9	-0.2	4.1		
Spart S-Term Tr Idx (1563/FSBIX)	H***	0.1 Est	none	10.02	23.5	4.66	1.1	1.0	0.9	4.6		
Strategic Income (368/FSICX)	H***	0.22	none	10.67	4346.8	5.37	1.4	1.3	1.5	8.0	7.0	9.8
Strategic Real Rtn (1505/FSRRX)	H***	0.52	0.75(60)	10.41	3518.6	4.32	2.6	1.5	0.8	8.1		
Total Bond (820/FTBFX)	H***	0.25	none	10.52	3180.9	5.01	1.4	1.4	1.0	6.1	4.3	
Ultra-Short Bond (812/FUSFX)	B****	0.05	0.25(60)	10.01	1039.9	5.12	0.8	0.4	1.1	5.0	3.2	
US Bond Index (651/FBIDX)	H***	0.28	none	10.95	6593.5	4.96	1.6	1.6	0.9	5.6	3.5	5.1
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FAZSX)	H***	0.20	0.5(30)	11.45	117.6	3.43	1.0	1.3	0.6	4.7	3.2	4.7
CA Municipal Inc (91/FCTFX)	H***	0.19	0.5(30)	12.40	1578.7	3.57	1.0	1.3	0.6	4.5	3.9	4.9
CA Short-Int TF (1534/FCSTX)	B****	0.11	0.5(30)	10.08	97.8	3.33	0.7	0.7	0.5	3.5		
CT Municipal Inc (407/FICNX)	H***	0.18	0.5(30)	11.35	424.4	3.44	0.9	1.3	0.4	4.2	2.8	4.4
FL Municipal Inc (427/FLIX)	H***	0.17	0.5(30)	11.45	444.8	3.57	0.8	1.1	0.4	4.3	3.3	4.7
Intermediate Muni (36/FLTMX)	H***	0.15	0.5(30)	9.98	2014.7	3.58	0.8	1.1	0.6	4.2	3.0	4.5
MA Municipal Inc (70/FDMMX)	H***	0.20	0.5(30)	11.97	1839.6	3.57	1.1	1.4	0.6	4.9	3.9	5.1
MD Municipal Inc (429/SMDMX)	H***	0.20	0.5(30)	10.89	115.4	3.47	0.9	1.3	0.4	4.3	3.1	4.5
MI Municipal Inc (81/FMHTX)	H***	0.19	0.5(30)	11.84	569.5	3.48	0.9	1.3	0.4	4.5	3.2	4.8
MN Municipal Inc (82/FIMIX)	H***	0.17	0.5(30)	11.39	334.4	3.47	0.9	1.2	0.6	4.3	3.2	4.5
Municipal Income (37/FHIGX)	H***	0.19	0.5(30)	12.80	4896.4	3.60	1.0	1.3	0.6	4.8	3.9	5.4
NJ Municipal Inc (416/FNJHX)	H***	0.21	0.5(30)	11.57	577.8	3.48	1.0	1.5	0.6	4.8	3.6	5.0
NY Municipal Inc (71/FTFHX)	H***	0.21	0.5(30)	12.84	1403.5	3.49	0.9	1.3	0.5	4.6	3.5	5.2
OH Municipal Inc (88/FOHFX)	H***	0.20	0.5(30)	11.61	416.7	3.44	0.9	1.4	0.5	4.5	3.5	5.0
PA Municipal Inc (402/FPXTX)	H***	0.16	0.5(30)	10.80	301.9	3.42	1.0	1.2	0.6	4.3	3.3	4.6
Short-Int Municipal (404/FSTFX)	B****	0.10	0.5(30)	10.20	1484.9	3.31	0.6	0.6	0.4	3.2	1.7	2.8
Tax-Free Bond (90/FTABX)	H***	0.20	0.5(30)	10.83	529.6	3.72	1.0	1.3	0.6	4.9	4.0	5.6

FEBRUARY PERFORMANCE Indexes and Model Portfolios	Risk	Value	2007 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
Dow Jones Industrial	0.97	12268.63	-1.2	-2.5	0.9	14.3	7.5	6.3	8.1
S&P 500	1.00	1406.82	-0.5	-2.0	0.9	12.0	9.1	6.8	7.6
NASDAQ	1.40	2416.15	0.1	-1.9	-0.5	6.6	6.7	7.5	6.8
Russell 2000	1.73	793.30	0.9	-0.7	1.3	9.9	12.0	12.4	9.6
Fidelity Monitor Income Model	0.26	87194.05	1.1	0.4	1.6	6.8	4.9	5.8	5.1
Fidelity Monitor G&I Model	0.71	179725.94	0.9	-0.2	1.9	11.3	10.1	11.8	9.9
Fidelity Monitor Growth Model	1.13	199627.04	0.4	-1.1	2.0	12.6	11.5	12.3	9.8
Fidelity Monitor Select System	1.39	368520.30	2.6	0.0	4.5	10.5	11.3	12.1	11.6
Fidelity Monitor Unique Opportunities	1.27	127161.21	0.4	0.3	1.4	11.7	16.8	18.5	

VIP CORNER

Fidelity's Variable Insurance Products allow tax-deferred growth, but the benefit may be offset by higher tax rates at withdrawal. Performance figures reflect the Retirement Reserves fee structure. Returns for the Personal Retirement Annuity are roughly 0.5 percentage points higher per year.

VIP INCOME MODEL

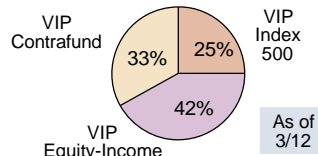


PAST PERFORMANCE

Starting Balance: \$10,000

1993: +12.3%	2001: - 3.4%
1994: - 3.8%	2002: + 7.3%
1995: +16.9%	2003: + 9.9%
1996: + 6.9%	2004: + 5.1%
1997: +10.9%	2005: + 1.8%
1998: + 0.4%	2006: + 6.1%
1999: + 0.8%	*2007: + 1.4%
2000: - 2.4%	

VIP GROWTH MODEL

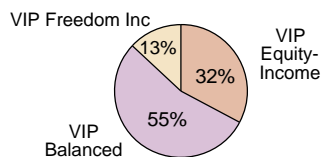


PAST PERFORMANCE

Starting Balance: \$10,000

1993: +20.6%	2001: -14.0%
1994: + 4.6%	2002: -21.7%
1995: +36.1%	2003: +30.0%
1996: +16.1%	2004: + 7.0%
1997: +23.5%	2005: +10.1%
1998: +22.6%	2006: +14.5%
1999: +22.1%	*2007: + 0.4%
2000: -10.3%	

VIP G & I MODEL

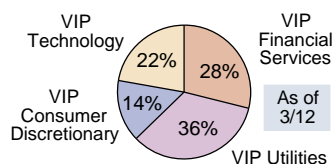


PAST PERFORMANCE

Starting Balance: \$10,000

1994: - 2.3%	2001: + 3.1%
1995: +26.4%	2002: - 9.4%
1996: +12.8%	2003: +20.8%
1997: +21.4%	2004: + 6.3%
1998: +15.1%	2005: + 4.5%
1999: + 6.1%	2006: +11.6%
2000: - 4.9%	*2007: + 1.2%

VIP SECTOR MODEL



PAST PERFORMANCE

Starting Balance: \$10,000

2003: +57.5%	2006: +17.7%
2004: + 6.3%	*2007: + 2.2%
2005: +14.0%	

Please see the figures at the bottom of the page for VIP model portfolio performance.

FEBRUARY VIP PERFORMANCE Portfolio	Rating	PRA Value	RR Value	2007 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***	11.38	11.95	2.1	0.0	0.5	6.0		
VIP Asset Manager	H ***	11.04	34.77	0.9	-0.2	0.7	5.7	4.3	4.7
VIP Asset Manager: Growth	H ***	10.99	22.66	0.7	-0.6	0.5	4.8	4.2	4.3
VIP Balanced	B ****	11.84	17.63	2.0	0.4	2.0	9.7	6.8	5.9
VIP Cons Disc (Consumer Indust)	B ****	11.57	12.76	2.3	-1.9	2.6	11.7	7.2	5.2
VIP Contrafund	B ****	11.89	44.28	0.0	-2.1	0.1	8.1	12.6	11.2
VIP Industrials (Cyclical Industries)	H ***	12.21	17.67	1.0	-1.3	2.0	8.2	16.5	12.1
VIP Disciplined Small Cap	H ***	10.22	10.19	0.8	-0.8	0.9			
VIP Dynamic Capital Appreciation	B ****	12.55	15.27	1.2	-1.8	2.4	9.0	10.3	
VIP Equity-Income	B ****	12.28	68.78	-0.1	-1.4	2.0	15.4	10.4	8.2
VIP Financial Services	B ****	12.26	14.97	-1.2	-2.1	1.0	9.4	8.3	9.3
VIP Freedom 2005	B ****	11.35	11.52	1.1	0.2	1.5	8.1		
VIP Freedom 2010	B ****	11.35	11.57	1.1	0.1	1.5	8.2		
VIP Freedom 2015	B ****	11.55	11.85	1.2	0.1	1.7	9.1		
VIP Freedom 2020	B ****	11.71	12.06	1.1	-0.2	1.7	9.6		
VIP Freedom 2025	B ****	11.79	12.19	1.2	-0.2	1.9	10.1		
VIP Freedom 2030	B ****	11.90	12.36	1.1	-0.4	2.0	10.5		
VIP Freedom Income	B ****	10.93	10.98	1.2	0.5	1.2	6.1		
VIP FundsManager 20	B ****	10.87	10.93	0.0	0.0	1.0	5.0		
VIP FundsManager 50	B ****	10.87	10.93	0.0	0.0	1.0	5.0		
VIP FundsManager 70	B ****	10.87	10.93	0.0	0.0	1.0	5.0		
VIP FundsManager 85	B ****	10.87	10.93	0.0	0.0	1.0	5.0		
VIP Growth	H ***	10.97	60.86	0.3	-1.6	-0.5	4.5	3.3	2.1
VIP Growth & Income	B ****	11.84	19.50	-0.1	-1.3	0.5	8.8	7.2	5.6
VIP Growth Opportunities	H ***	11.40	13.82	2.1	-2.0	-0.3	7.1	6.4	5.0
VIP Growth Stock	H ***	10.46	10.69	0.7	-1.2	-2.0	-1.4		
VIP Health Care	H ***	11.08	12.85	0.8	-1.1	1.8	4.1	8.5	5.6
VIP High Income	H ***	11.47	32.14	2.1	1.2	3.3	10.5	7.3	10.4
VIP Index 500	H ***	11.69	37.91	-0.6	-2.0	0.7	11.0	8.1	5.8
VIP Int'l Capital Appreciation	H ***	12.68	13.34	3.2	0.5	5.6	15.8		
VIP Investment Grade Bond	H ***	10.61	29.69	1.3	1.3	0.6	4.6	2.7	4.4
VIP Mid Cap	B ****	12.19	21.89	1.7	0.2	0.8	7.7	16.5	15.4
VIP Money Market		10.67	20.66	0.7	0.3	1.1	4.2	2.4	1.6
VIP Energy (Natural Resources)	H ***	12.73	22.06	0.0	-0.2	-3.5	8.9	25.7	18.3
VIP Overseas	H ***	13.09	41.08	0.3	-0.4	3.5	14.3	14.6	12.7
VIP Real Estate	S **	15.14	24.09	6.3	-1.9	4.1	32.0	27.3	
VIP Strategic Income	H ***	11.01	12.07	1.3	1.3	1.2	6.9		
VIP Technology	B ****	11.79	10.99	1.3	1.4	0.0	0.8	5.0	6.3
VIP Utilities (Telecom & Utilities)	B ****	13.91	14.02	5.7	5.6	6.5	28.4	21.7	12.9
VIP Value	B ****	12.20	12.59	3.8	0.7	4.7	13.4		
VIP Value Leaders	B ****	12.07	12.48	0.9	-0.7	1.9	10.8		
VIP Value Strategies	B ****	12.55	15.97	5.4	1.5	5.9	15.8	9.6	
Fidelity Monitor VIP Income Model			20100.07	1.4	0.5	1.5	7.2	4.3	6.0
Fidelity Monitor VIP G&I Model			25521.09	1.2	-0.2	1.9	9.9	7.1	6.9
Fidelity Monitor VIP Growth Model			38061.32	0.4	-1.2	1.1	11.0	9.4	7.5
Fidelity Monitor VIP Sector Model			19115.56	2.2	1.3	2.5	13.5	12.0	

INCOME MODEL

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

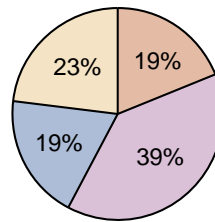
FUND	NAV	SHARES	BALANCE
Puritan	\$20.08	812.797	\$16320.96
Asset Mgr 20%	\$12.77	2675.850	\$34170.60
Ultra-Short Bond	\$10.01	1647.473	\$16491.20
Floating Rate	\$9.99	2023.152	\$20211.29

9% Foreign Holdings

Balance as of 2/28/07: \$87194.05
Balance at start of 2007: \$86264.24

Floating Rate High Income 814/FFRHX

Ultra-Short 812/FUSFX



Puritan 4/FPURX

Asset Mgr 20% (Income) 328/FASIX

PAST PERFORMANCE

Starting Balance: \$35,000

1992: +10.1%	2000: + 0.3%
1993: +11.3%	2001: + 5.6%
1994: - 2.1%	2002: + 5.4%
1995: +14.8%	2003: + 8.4%
1996: + 9.0%	2004: + 4.2%
1997: +10.5%	2005: + 3.6%
1998: + 3.5%	2006: + 6.9%
1999: + 3.0%	

2007 YTD: + 1.1%

Our Income Model gained 0.4% for the month of February.

GROWTH AND INCOME MODEL

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

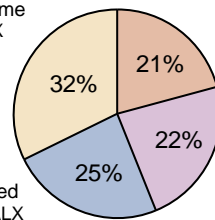
FUND	NAV	SHARES	BALANCE
Asset Mgr 20%	\$12.77	2917.403	\$37255.24
Puritan	\$20.08	2019.244	\$40546.42
Balanced	\$19.85	2244.229	\$44547.95
Equity-Income	\$58.56	979.787	\$57376.33

9% Foreign Holdings

Balance as of 2/28/07: \$179725.94
Balance at start of 2007: \$178097.11

Equity-Income 23/FEQIX

Balanced 304/FBALX



Asset Mgr. 20% (Inc) 328/FASIX

Puritan 4/FPURX

PAST PERFORMANCE

Starting Balance: \$50,000

1994: - 3.7%	2001: + 1.3%
1995: +21.6%	2002: - 6.4%
1996: +15.8%	2003: +33.0%
1997: +18.7%	2004: +11.5%
1998: +11.1%	2005: + 8.2%
1999: +12.2%	2006: +13.7%
2000: + 2.7%	

2007 YTD: + 0.9%

For February our Growth and Income Model declined 0.2%.

GROWTH MODEL

Our Growth Model aims for long-term growth of 13% per year. The model focuses on domestic funds and strives to hold profitable positions for at least a year.

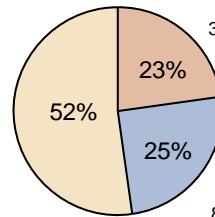
FUND	NAV	SHARES	BALANCE
Spartan 500 Index	\$97.49	472.682	\$46081.77
Value Discovery	\$17.83	2801.678	\$49953.92
Equity-Income	\$58.56	1768.978	\$103591.35

8% Foreign Holdings

Balance as of 2/28/07: \$199627.04
Balance at start of 2007: \$198855.65

Equity-Income 23/FEQIX

Utilities Growth 65/FSUTX



Spartan 500 Index 317/FSMKX

Value Discovery 832/FVDFX

PAST PERFORMANCE

Starting Balance: \$15,000

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

2007 YTD: + 0.4%

Our Growth Model declined 1.1% in February, versus a 2.0% loss for the S&P 500.

SELECT SYSTEM

Our Select System uses a volatility model to identify attractive sectors, and aims for growth of 14% per year.

FUND	NAV	SHARES	BALANCE
Energy	\$48.80	1235.939	\$60313.82
Insurance	\$69.38	901.795	\$62566.54
Consumer Staples	\$58.13	1147.172	\$66685.11
Utilities Growth	\$58.27	1119.244	\$65218.35
Software	\$65.46	690.285	\$45186.06
Telecom	\$50.91	1346.502	\$68550.42

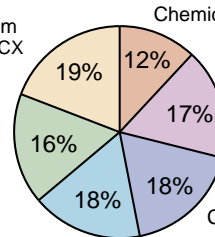
15% Foreign Holdings

Balance as of 2/28/07: \$368520.30
Balance at start of 2007: \$359086.92

Telecom 96/FSTCX

Software 28/FSCSX

Utilities Growth 65/FSUTX



Chemicals 69/FSCHX

Insurance 45/FSPCX

As of 3/12

Consumer Staples 9/FDFAX

PAST PERFORMANCE

Starting Balance: ~\$25,000

1989: +23.4%	1998: +21.7%
1990: +31.3%	1999: +44.9%
1991: +35.3%	2000: -14.9%
1992: +20.4%	2001: - 7.3%
1993: +25.9%	2002: -14.7%
1994: - 0.9%	2003: +38.4%
1995: +39.0%	2004: + 7.4%
1996: + 5.2%	2005: +15.0%
1997: +29.3%	2006: +13.6%

2007 YTD: + 2.6%

Our Select System was flat in February, versus a 2.0% loss for the S&P. On 3/12 we will sell **Energy**, placing one-fourth of the proceeds in **Software**, and the remaining three-fourths in **Chemicals**.

UNIQUE OPPORTUNITIES MODEL

Aims for a long-term return of 12% by emphasizing value, inflation protection, and foreign opportunities.

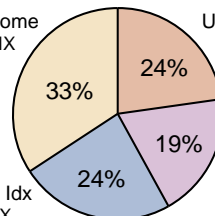
FUND	NAV	SHARES	BALANCE
Utilities Growth	\$58.27	522.428	\$30441.88
Int'l Value	\$11.29	2177.189	\$24580.46
Spartan 500 Idx	\$97.49	311.673	\$30385.00
Equity-Income	\$58.56	713.010	\$41753.87

22% Foreign Holdings

Balance as of 2/28/07: \$127161.21
Balance at start of 2007: \$126671.24

Equity-Income 23/FEQIX

Spartan 500 Idx 317/FSMKX



Utilities Growth 65/FSUTX

Int'l Value 1597/FIVLX

PAST PERFORMANCE

Starting Balance: \$50,000

(Partial Yr 99) 1999: +33.8%	2003: +43.2%
2000: -20.5%	2004: +20.6%
2001: + 1.6%	2005: +18.8%
2002: - 2.1%	2006: +16.6%

2007 YTD: + 0.4%

For the month of February our Unique Opportunities Model gained 0.3%.

block purchases of all Fidelity funds for a one-year period. If this happens, it affects all accounts tied to your social security number. You're still allowed to sell your Fidelity holdings and buy non-Fidelity funds, however.

Why the tough stance? Not only has the SEC given mutual fund companies the freedom to deal with market timers as they see fit, they're insisting that steps be taken to protect long-term shareholders.

Most fast-traders and market-timer types have moved on to Exchange Traded Funds (ETFs). These investment vehicles mimic stock or commodity indexes while trading continuously during market hours. Unlike mutual funds, ETFs are designed to accommodate big inflows and outflows without penalizing long-term shareholders.

Why has the Dow performed so much better than the S&P 500 over the last year?

Owing to its invention in the late 1800s (and not having its methodology updated), the Dow Jones Industrial Average is determined by adding up the prices of its holdings. That means a stock with a high price (such as Boeing) can carry more than four times the weight of a stock with a low price (such as Intel). Over the last year, Boeing has performed a lot better than Intel, which partly explains why the Dow has risen more than the S&P 500.

Most stock indexes are *capitalization-based*, which means the stock holdings are weighted by market value, not share price. That makes them easier to follow with real money if a stock split occurs. The S&P 500 takes it even further, adjusting for float (the number of shares available for public trading). ■

FEBRUARY DISTRIBUTIONS

Aggressive Growth	\$ 0.01 / \$20.02 (2/2)
Asset Manager 20%	\$ 0.036/\$12.71 (2/2)
Contrafund	\$ 0.67 / \$66.25 (2/2)
Freedom Income	\$ 0.03 / \$11.61 (2/2)
Intermediate Muni	\$ 0.01 / \$ 9.91 (2/2)
MI Municipal	\$ 0.007/\$11.73 (2/2)
Municipal Income	\$ 0.01 / \$12.69 (2/2)
OH Municipal	\$ 0.025/\$11.49 (2/2)
PA Municipal	\$ 0.02 / \$10.71 (2/2)
Strategic Income	\$ 0.028/\$10.58 (2/2)

Following are the funds scheduled for payouts in March: **Asset Manager 20%, Equity-Income, Freedom Income, 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.**

Balanced, and **Puritan**. For less risk, consider **Asset Manager 20%**.

Utilities climbed 1.6%, **Convertible Securities** rose 0.7%, and **Balanced** edged up 0.5%. Trailing behind, **Fidelity Fund** declined 2.1%.

BOND FUNDS

Income Model holdings are listed on page 7. **Ultra-Short Bond** offers a yield slightly higher than a money market fund, but carries only minimal interest rate risk. **Floating Rate High Income** offers an income stream on par with junk bond funds, but has only a fraction of the credit risk.

Interest rates fell on worries of a slower economy. Index funds **Spartan Long-Term Treasury** and **Spartan Intermediate-Term Treasury** posted gains of 2.9% and 2.1%, respectively. **Ultra-Short Bond** trailed behind the others, but still managed to finish with a return of 0.4%.

Muni bond funds posted gains ranging from 0.6% to 1.5%.

SELECT PORTFOLIOS

Select System holdings are listed on page 7. Sectors that are rated buy include **Utilities Growth, Telecommunications, Consumer Staples, Software, Paper & Forest Products, Insurance, Chemicals, Pharmaceuticals, Banking,** and **Financial Services.**

Utilities Growth posted a 5.1% gain. **Electronics** was up 3.9%, and **Paper & Forest Products** rose 3.4%. Lagging the group, **Computers** declined 3.5%, **Brokerage** was down 4.0%, and **Multimedia** posted a loss of 4.5%. ■

Happenings

Discovery was renamed **Growth Discovery**, and Jason Weiner was appointed manager on 2/1. The new name is a good fit for some changes that were started in the fourth quarter of 2006. The fund's technology weighting now accounts for over a third of its holdings. We continue to rate it a hold.

Several other funds had manager changes too. Jeffery Feingold is the new stockpicker at **Trend**, Ramin Arani will be assisting Stephen Petersen with the equity side of **Puritan**, Christopher Lee and Paul Jackson were named co-managers of **Electronics**, and Brian Younger and Richard Manuel will jointly manage **Financial Services**. We have no rating changes for any of these funds. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reserves (55/FDRXX)	89541.9	4.94	CT MM (418/FCMXX)	1582.3	3.19	FL MM (428/FSFXX)	1569.8	3.20
Select MM (85/FSLXX)	2275.0	5.02	MA MM (74/FDMXX)	4964.5	3.17	MA AMT TF (426/FMSXX)	1821.9	3.27
Money Market (454/SPRXX)	7112.2	4.98	MI MM (420/FMIXX)	861.7	3.16	AMT Tax-Free (460/FIMXX)	3186.5	3.38
Gov't MM (458/SPAXX)	480.7	4.90	NJ MM (417/FNJXX)	1900.1	3.11	NJ AMT TF (423/FSJXX)	1160.9	3.32
US Treas. MM (415/FDLXX)	1778.4	4.73	NY MM (92/FNYXX)	4455.2	3.15	NY AMT TF (422/FSNXX)	2186.5	3.29
Tax-Free MM (275/FMOXX)	3001.0	3.28	OH MM (419/FOMXX)	968.1	3.13	PA MM (401/FPTXX)	579.0	3.22
US Gov't Reser (50/FGRXX)	3172.8	5.00	AZ MM (433/FSAXX)	300.8	3.21	Municipal MM (10/FTEXX)	17964.9	3.23
CA MM (97/FCFXX)	4657.1	3.10	CA AMT TF (457/FSPXX)	3157.7	3.28			