

## The SARS Threat

Now that the war is over, the market can finally return to its primary focus on corporate earnings. Or can it? In sharp contrast with the “Goldilocks” economy of the 1990s, this decade has ushered in one crisis followed by another.

It may be premature to dub SARS a significant threat for the domestic economy, but this particular problem is not to be taken lightly. Even if the virus

THE SARS THREAT - *Continued on page 2*

## Trades Planned for Income Model, Growth Model, Unique Opportunities Portfolio

On Monday, 5/12, we will make trades in three of our model portfolios.

For the Income Model, we will sell one-quarter of our shares in **High Income** (455/SPHIX) and use the proceeds to increase our stake in **Ultra-Short Bond** (812/FUSFX). The resulting mix will be 19% **Short-Term Bond**, 22% **Ultra-Short Bond**, 14% **High Income**, 25% **Floating Rate High Income**, and 20% **Ginnie Mae**. This trade is designed to minimize the impact of any economic slowdown.

For the Growth Model, we will exchange **Dividend Growth** (330/FDGFY) for **Leveraged Company Stock** (122/FLVCX), for an approximate mix of 37% **Export & Multinational**, 39% **Capital Appreciation**, and 24% **Leveraged Company**. Both **Export** and **Dividend Growth** are invested heavily in large-cap multinationals. We've elected to cut some of that exposure by moving to a fund that is enjoying success with domestically-focused turnaround situations.

For the Unique Opportunities Portfolio, we will sell all shares of **Export & Multinational** (332/FEXPX) and add to our position in **Capital & Income** (38/FAGIX). The mix will be roughly 47% **Capital & Income**, 20% **Leveraged Co. Stock**, and 33% **Low-Priced Stock**. Here we are replacing a stock-oriented fund with one that invests mainly in junk bonds. **Capital & Income** seems poised for continued growth, and it should hold up better than **Export** if the economy is hit with an unexpected slowdown.

## Review & Recommendations

The market recovered as the war ended without major economic complications. Stocks got an added boost from stronger than expected earnings and from the decline in energy prices. Some funds that were hit hard in the pre-war selloff bounced back strongly. Others, like technology, continued to outperform on the upside. The S&P 500 finished the month of April with a jump of 8.3%.

### GROWTH FUNDS

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

**Leveraged Company Stock** enjoyed a robust 17.6% jump. Several of the fund's holdings posted stronger than expected earnings, and others rose in anticipation of a post-war economic recovery. **Fidelity Fifty** also did well with turnaround stocks, climbing 10.1%. In contrast, funds with defensive portfolios tended to lag. **Contrafund** was up a modest 4.7%, **Focused Stock** posted a 3.9% increase, and **Small Cap Independence** rose just 3.8%.

### INTERNATIONAL FUNDS

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

Some foreign markets rebounded quite strongly compared with the S&P 500. Leading the pack were **Europe**, gaining 16.8%, **Latin America**, up 16.1%, and **Nordic**, climbing 15.8%. Not everything was rosy, though. The Japanese market was hit with unfavorable earnings, and there was concern that SARS may create supply problems for goods that are manufactured in China. **China Region** returned just 2.0%, and **Japan** edged up 1.0%.

### GROWTH & INCOME FUNDS

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

**Equity-Income II** led the pack with an 11.1% jump, thanks mainly to strong gains in the financial sector. The same was true for **Equity-Income**, which climbed 9.3%. Defensive asset classes trailed

RECOMMENDATIONS - *Continued on page 8*

#### THE SARS THREAT - *Continued from page 1*

never gains much of a foothold in the U.S., the global fear factor alone could still deal a blow to corporate earnings. Furthermore, if current containment efforts in China are not successful, the resulting impact on world trade could be substantial.

In recent weeks, health organizations and affected governments have become much more aggressive in their efforts to control the disease. SARS now appears successfully contained in some countries. But it remains a key threat in developing regions where the population does not routinely seek medical help for ailments. Because the symptoms are similar to less harmful bugs, there is a serious concern that the virus could spread unchecked and become impossible to eradicate.

SARS does not appear to be as contagious as measles or smallpox. However, with a significant fatality rate (5-10%), and a lack of any effective treatment or testing method, it presents a tough challenge. If not contained, its death toll might climb into the millions. Health organizations are aware of this, and that's why they are pulling out the stops to nip it in the bud.

#### STOCK MARKET IMPACT

From an economic perspective, SARS has the potential to pack more of a punch than terrorism or war fears – at least until there's a treatment. As China wrestles to control the virus, everything else is becoming expendable. Travel, entertainment, shopping, factories – it's hard to say how far things could go. The supply disruption potential of this bug might eventually rival that of a major earthquake.

Even if the virus never becomes a big threat for the U.S. population, the domestic economy is still at risk. China is a worldwide manufacturing center, and a major supplier of consumer goods. Many U.S. firms depend on China's low-cost manufacturing operations to supply key components. If supply disruptions become a big problem, the domestic economy could see several quarters of significantly reduced growth.

Furthermore, the S&P 500 companies earn about one-quarter of their profits from foreign sales and operations. Even if global trade holds up reasonably well, reduced business levels in Asia could still negatively affect the bottom line for many U.S. companies.

In a best-case scenario, SARS may be under control in all locations in a matter of a few weeks. The impact on domestic earnings would then be

quite modest, having only a slight effect on second quarter results. The U.S. market would see only a minor impact.

In a worst case scenario, SARS could become widespread in rural China, and perhaps in some other emerging countries where the medical infrastructure is not equipped to deal with the challenges that SARS presents. Within months, the fear factor and the supply disruptions could cause a sharp contraction in worldwide economic activity. The U.S. economy could be hit with several quarters of reduced GDP, and could emerge with a significantly higher jobless rate. It's conceivable that the S&P 500 could see a short-term loss amounting to one-third of its value.

#### INVESTMENT STRATEGY

The wide range of possible outcomes makes it difficult to develop an investment response. If we assume a probability of 40% for the best-case scenario and give 15-20% odds for a worst-case outcome, it would not appear to be particularly advantageous to make any major defensive moves. After all, stocks could suddenly rally with any progress in containing or treating the disease. Still, maintaining a portfolio that's fully exposed to global large-caps could be asking for trouble if international trade becomes seriously compromised.

In our model portfolios, we've decided to trim our exposure in some areas, but stay the course where longer investment horizons should outlast any volatility. One thing that seems reasonably certain about SARS: the virus is not likely to be wielding much economic clout come several years from now. Economically speaking, those who survive it are able to return to a normal life, and their immunity allows them to travel, shop, work, and vacation without thinking twice.

Here is a rundown on our plans and our thinking for each of our model portfolios:

- For the Income Model, which is designed as a money market alternative, our goal is for the model to see no impact from SARS (or any other economic event). Recent growth from the high yield side of the portfolio has made the portfolio more sensitive to economic growth than to interest rates. That may be a good thing if long-term interest rates move up, but it also means a sudden economic slowdown could cause the model to give up recent gains. So, we have decided to sell one-quarter of **High Income** and buy **Ultra-Short Bond**. This will cut the overall yield a bit, but will better balance the model from a credit-risk versus interest-rate sensitivity standpoint.

---

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 [fidmonserv@aol.com](mailto:fidmonserv@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) 2003.

• Our Growth & Income Model is positioned more conservatively than usual, and would probably see only 40% of the S&P 500's impact if the SARS threat mushrooms. That's low enough that we see no need for changes at this point.

• The Growth Model has been running with a substantial position in large-cap multinationals since last October. We've been looking to profit from the weak dollar, but that strategy is growing more risky in light of SARS. To moderate our exposure, we've decided to sell **Dividend Growth** and buy **Leveraged Company Stock**. **Leveraged Company Stock** has performed strongly through the last two quarterly earnings cycles, and many of its holdings are domestic mid-caps that are invested in the media, telecom, insurance, and energy groups. The fund isn't as dependent on the global economy, and probably won't get hit as hard if SARS becomes a big problem. Even with this move, the Growth Model will remain fully invested, and will not escape impact if corporate earnings are threatened in any big way. So, if you can't afford another short-term selloff, consider stepping down the risk ladder to either the Unique Opportunities Model or the Growth & Income Model. But stick with the Growth Model if you have time on your side. The economic impact from SARS is unlikely to last more than 12-18 months, and it might even create some investment opportunities between now and then.

• Our Select System is heavily weighted toward growth, a strategy that makes sense considering the weak dollar and the relatively low growth-stock values that exists in the aftermath of the bear market. As for SARS impact, we think there's a reasonable chance that growth stocks would hold up better than the broad market in a sudden slowdown. For high-tech companies there is a risk of supply interruptions, but upside potential also exists for firms that focus on Web services. That's because fear of catching SARS in a public place is likely to boost online commerce. As for **Biotechnology**, this sector is not generally affected by economic events, and it might see a boost if any drugs in the approval pipeline are found effective against SARS. Only in **Retailing** and **Banking** could it make sense to jump out early, but we want to hold off until the next update of our volatility model. As such, we won't be announcing any trades until our June issue. Most subscribers who follow the Select System have an investment horizon that's long enough to outlast any SARS-related selloff. Those who want to hedge should consider putting half of their Select System allocation into the Unique

Opportunities Portfolio as a risk-cutting move.

• In our Unique Opportunities Portfolio, we've decided to exchange **Export** for **Capital & Income**, which should cut the model's risk to about half of the S&P 500's volatility. This move will result in three positions, all of which fit well with the goal of investing in special situations and where Fidelity's research carries a big advantage relative to its peers. With sharply reduced exposure to multinational firms, this combination of funds should hold up well if SARS takes a toll on the domestic stock market.

Finally, a general thought for subscribers who are keeping long-term money in cash, but want to return to a growth strategy. Think seriously about dollar cost averaging. This approach, an ideal match for stock market uncertainty, seems especially well suited to the SARS threat. Our recommendation is that you divide your cash holdings by eight and make quarterly purchases over the next two years. If the market goes down, you'll get a better deal on the subsequent purchase. If the market goes up, you'll realize an immediate benefit on a small portion of your holdings. Either way you'll be setting the stage for long-term success. ■

## Question & Answer Forum

**The markets don't seem all that worried, so does it really make sense to cut risk due to SARS? Also, why should we buy funds that have recently climbed so much in price?**

Some of our upcoming trades involve changes we might have eventually made even without the SARS threat. And SARS is not the only reason we are biased toward cutting market risk. Rising costs for medical benefits, insurance, and energy are putting pressure on corporate earnings. As such, it's becoming more important to buy where valuations are clearly depressed, instead of simply investing because prices are less expensive than they used to be. Growth stocks show some evidence of being depressed, but only the stocks and bonds of heavily indebted companies can be considered truly cheap.

It's true that the securities held by **Capital & Income** and **Leveraged Company Stock** have recently seen a significant increase in value. Still, when troubled companies survive a shake-out, the resulting turnaround can sometimes be dramatic and long-lasting. Perhaps the best example of this is the savings and loan debacle, which took the stocks of banks and S&Ls down to dirt-cheap levels in 1990.

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, with no adjustment for loads. Size figures are for the beginning of the prior month, in millions. Dividend Yield is based on actual dollars posted to accounts, not the SEC yield that Fidelity must quote. Risk is based on standard deviation of daily gains and losses over a one-year period, relative to the S&P 500. Loads: **3-0.75(90)** means 3% load, 0.75% redemption fee if held less than 90 days. 3% loads are waived for IRA/Keogh accounts - except on Magellan, New Millennium, and Selects. If a fund is closed to new investors, we will list it as such in the Load column. Ratings: **B \*\*\*\*\*** is **favorite buy**, **B \*\*\*\*** means **buy**, **H \*\*\*** means **hold** for the long run, **S \*\*** means cut to 5% of holdings, **S \*** means **sell** and move to a buy-rated fund in the same group. Upgrades and downgrades are indicated by ↑ and ↓.

APRIL PERFORMANCE						2003	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Load	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
Aggressive Gth (324/FDEGX)	H***	1.34	0-0.75(90)	11.76	4039.5	5.1	5.2	5.7	-22.3	-37.4	-10.0	4.4
Blue Chip Gth (312/FBGRX)	H***	1.00	0-0	33.55	16622.6	5.0	7.0	8.0	-14.7	-16.6	-3.1	9.1
Capital Apprec (307/FDCAX)	B*****	1.09	0-0	17.82	1856.9	10.1	8.1	10.3	-10.6	-12.7	-0.2	8.6
Contrafund (22/FCNTX)	H***	0.63	0-0	39.55	26835.8	2.5	4.7	5.7	-10.1	-8.6	1.8	10.8
Contrafund II (339/FCONX)	B*****	0.93	3-0	8.83	642.4	1.8	5.6	3.8	-10.5	-11.3	2.3	
Disc Equity (315/FDEQX)	H***	0.91	0-0	18.80	2809.8	4.6	6.3	6.8	-13.1	-11.9	-1.9	9.2
Dividend Gth (330/FDGFEX)	B*****	1.02	0-0	23.07	12969.8	3.4	8.6	6.5	-11.9	-4.8	2.1	14.2
Export Fund (332/FEPPX)	B*****	1.06	0-0.75(30)	14.54	674.0	5.7	8.8	8.1	-9.2	-4.7	6.4	
Fidelity Fifty (500/FFTYX)	H***	0.92	0-0.75(30)	16.74	714.5	4.4	10.1	5.1	-7.3	-3.0	4.9	
Growth Company (25/FDGRX)	B*****	1.15	0-0	38.16	14805.3	7.7	8.1	10.8	-16.4	-22.2	0.4	9.5
Large-Cap Stock (338/FDCSX)	H***	0.91	0-0	11.61	557.3	4.1	6.9	7.2	-15.4	-17.1	-2.6	
Lev Co Stock (122/FLVCX)	B*****	1.06	0-1.5(90)	12.28	130.2	22.8	17.6	20.5	25.1			
Low-Priced Stock (316/FLPSX)	B****	0.69	3-1.5(90)	25.81	14282.0	2.5	9.1	5.0	-12.9	12.0	6.6	14.1
Magellan (21/FMAGX)	B****	1.01	Closed	82.99	54165.1	5.1	8.2	8.1	-12.9	-13.8	-1.6	8.7
Mid Cap Stock (337/FMCSX)	B****	0.98	0-0.75(30)	16.80	5142.4	3.3	6.2	5.1	-21.2	-9.2	4.3	
New Millennium (300/FMILX)	B****	1.02	Closed	23.12	2499.6	4.4	8.3	8.9	-14.6	-13.2	8.3	16.9
OTC Portfolio (93/FOCPX)	B*****	1.05	0-0	24.53	5646.7	2.6	7.0	6.6	-15.9	-24.3	-2.4	8.0
Independence (73/FDFFX)	H***	0.93	0-0	13.33	3869.6	2.0	7.9	3.3	-17.8	-14.7	1.1	9.4
Small Cap Indep (336/FDSCX)	H***	0.67	0-1.5(90)	13.43	755.1	1.0	3.8	2.7	-24.0	-6.6	-3.5	
Small Cap Stock (340/FSLCX)	H***	0.75	0-2(90)	11.87	1339.2	0.3	5.3	2.3	-19.7	-2.4	4.0	
Stock Selector (320/FDSSX)	H***	1.00	0-0	17.43	672.8	5.1	7.9	8.1	-10.8	-13.2	-3.7	8.2
Strc Lg Cap Gth (763/FSLGX)	H***	1.03	0-0.75(30)	7.48	17.3	5.1	7.2	7.9	-16.2			
Strc Lg Cap Val (708/FSLVX)	H***	0.96	0-0.75(30)	8.62	15.1	2.4	8.4	5.6	-14.6			
Strc Mid Cap Gth (793/FSMGX)	H***	1.04	0-0.75(30)	7.76	16.5	5.7	6.6	6.0	-20.3			
Strc Mid Cap Val (762/FSMVX)	H***	0.86	0-0.75(30)	9.34	34.9	2.9	6.5	5.5	-16.3			
Focused Stock (333/FTQGX)	S**	1.12	0-0.75(30)	7.18	30.2	0.6	3.9	3.5	-34.3	-21.2	-6.7	
Trend (5/FTRNX)	B*****	0.99	0-0	40.68	691.8	5.3	8.4	7.9	-11.0	-12.3	-3.8	5.2
Value (39/FDVLX)	H***	0.89	0-0	47.72	4740.9	2.9	7.6	6.3	-14.0	5.2	1.7	10.4
Value Discovery (832/FVDFX)	H***	1.0 Est	0-0	10.16	21.2	2.8	8.2	6.5				
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B*****	0.60	0-0	13.86	6536.0	4.8	6.8	6.2	-4.9	0.8	4.3	7.8
Convertible Sec (308/FCVXS)	B****	0.47	0-0	17.49	1407.8	8.2	5.2	6.8	-4.7	-1.3	7.4	11.0
Equity-Income (23/FEQIX)	H***	0.97	0-0	40.45	16680.8	2.4	9.3	6.0	-14.5	-3.7	-1.1	9.4
Equity-Income II (319/FEQTX)	B****	1.02	0-0	18.30	8647.6	5.6	11.1	9.8	-8.8	-3.0	0.3	9.4
Fidelity Fund (3/FFIDX)	H***	0.94	0-0	23.39	8289.8	5.3	7.6	8.8	-11.9	-12.7	-1.6	9.7
Growth & Income (27/FGRIX)	H***	0.82	0-0	31.33	25255.1	3.7	6.1	6.3	-11.0	-8.5	-1.1	9.9
Growth & Inc II (361/FGRTX)	B***↓	0.83	0-0	8.09	136.7	6.9	8.2	9.3	-5.6	-7.1		
Puritan (4/FPURX)	B*****	0.57	0-0	16.17	17203.1	3.2	6.5	5.4	-4.9	0.5	2.2	8.7
Real Estate Inc (833/FRIFX)	H***	0.2 Est	0-0.75(90)	10.45	62.1		2.4					
Real Estate (303/FRESX)	H***	0.55	0-0.75(90)	19.12	1831.9	4.8	3.3	7.8	2.6	13.8	6.1	9.4
Utilities (311/FUIUX)	H***	1.01	0-0	10.04	758.3	4.1	8.2	6.9	-6.9	-20.3	-5.3	5.0
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	S**	1.05	3-0.75(30)	22.83	26.3	3.5	13.8	10.5	-28.1	-6.2	1.4	9.4
Automotive (502/FAVXX)	S**	1.02	3-0.75(30)	23.03	15.2	1.7	9.9	6.3	-20.7	-0.4	-3.0	4.9
Banking (507/FSRBX)	B****	1.06	3-0.75(30)	31.42	366.9	3.9	9.3	3.8	-11.4	6.9	0.3	13.3
Biotechnology (42/FBIOX)	B****	1.30	3-0.75(30)	42.86	1571.7	10.7	6.0	10.0	-8.0	-14.5	7.3	10.6
Brokerage (68/FSLBX)	H***	1.34	3-0.75(30)	37.31	280.5	2.3	11.4	6.9	-11.2	-2.5	2.7	15.2
Business Ser (353/FBSOX)	S**	1.21	3-0.75(30)	11.35	27.8	-0.1	10.4	6.2	-25.6	-3.8	3.6	
Chemicals (69/FSCHX)	H***	1.08	3-0.75(30)	41.32	36.8	7.0	7.6	8.0	-5.8	4.3	0.5	9.3
Computers (7/FDCPX)	B*****	1.52	3-0.75(30)	24.40	571.8	10.7	10.5	13.3	-23.9	-34.5	-2.0	13.9
Const & Housing (511/FSHOX)	H***	1.11	3-0.75(30)	24.64	43.4	2.2	10.8	8.7	-18.0	8.2	2.1	10.2
Consumer Indust (517/FSCPX)	H***	0.84	3-0.75(30)	19.84	23.8	2.9	6.1	6.2	-17.8	-6.0	-1.3	9.2
Cyclical Indust (515/FCYIX)	S**↓	0.95	3-0.75(30)	12.18	19.5	2.3	10.2	6.8	-16.7	-2.9	-0.7	
Defense & Aero (67/FSDAX)	S**	0.89	3-0.75(30)	38.71	252.7	-2.4	6.0	-0.8	-21.1	0.6	1.1	13.4
Develop Commun (518/FSDCX)	H***	1.35	3-0.75(30)	11.30	330.8	14.5	10.5	12.1	-15.7	-36.6	-3.0	7.8
Electronics (8/FSLEX)	H***	1.95	3-0.75(30)	27.59	2229.3	13.2	12.0	18.2	-38.3	-34.2	1.3	17.6
Energy (60/FSENX)	H***	1.00	3-0.75(30)	20.26	190.5	-1.1	-0.9	2.1	-17.5	-3.7	1.7	7.6
Energy Services (43/FSSEX)	H***	1.44	3-0.75(30)	28.83	426.8	-1.9	1.2	3.2	-20.2	-4.9	-1.3	11.6
Environmental (516/FSLEX)	H***	0.83	3-0.75(30)	10.49	10.5	1.6	4.8	4.8	-11.0	1.8	-9.8	0.2
Financial Services (66/FIDSX)	H***	1.04	3-0.75(30)	93.52	392.6	5.4	11.4	7.7	-8.4	4.0	1.9	13.7
Food & Agriculture (9/FDFAX)	S**	0.62	3-0.75(30)	36.80	85.3	-5.2	3.9	-1.0	-19.5	5.6	0.4	9.5
Gold (41/FSAGX)	H***	1.28	3-0.75(30)	19.87	562.9	-14.6	-0.2	-14.8	-1.0	22.1	4.4	2.6
Health Care (63/FSPHX)	H***	0.92	3-0.75(30)	105.63	1783.1	3.6	3.7	3.7	-8.7	-3.0	2.8	15.7
Home Finance (98/FSVLX)	H***	0.96	3-0.75(30)	52.02	324.3	7.0	9.7	7.6	-7.2	17.5	0.6	15.8
Indust Equip (510/FSCGX)	H**↓	1.07	3-0.75(30)	17.21	20.0	-1.0	11.0	6.0	-23.7	-12.6	-4.3	8.8
Indust Materials (509/FSDPX)	H***	0.86	3-0.75(30)	23.03	28.4	-4.0	2.6	-4.0	-12.7	4.2	-2.0	5.7
Insurance (45/FSPCX)	H***	0.99	3-0.75(30)	46.99	88.0	5.4	12.0	8.2	-7.4	13.4	7.7	14.4
Leisure (62/FDLSX)	H***	1.07	3-0.75(30)	54.55	119.6	9.0	9.1	8.1	-10.7	-10.1	0.9	12.0
Medical Delivery (505/FSHCX)	H***	1.19	3-0.75(30)	21.99	116.2	-7.1	-7.1	-9.4	-31.4	10.2	-5.3	9.3
Medical Equip/Sys (354/FSMEX)	H***	0.82	3-0.75(30)	16.80	167.4	8.9	5.2	9.2	3.6	9.5	15.3	
Multimedia (503/FBMPX)	H***	1.47	3-0.75(30)	35.40	97.2	4.3	10.7	1.1	-4.3	-9.9	3.0	12.7
Natural Gas (513/FSNGX)	H***	0.91	3-0.75(30)	17.08	156.4	1.8	-0.1	2.8	-14.4	-0.6	4.7	6.9
Nat Resources (514/FNARX)	H***	0.94	3-0.75(30)	10.92	29.1	-1.3	0.2	1.6	-17.3	-3.1	1.4	
Networking/Infra (912/FNINX)	H***	1.75	3-0.75(30)	1.65	75.5	10.7	10.7	10.0	-28.3			
Paper & Forest (506/FSFPX)	H***	0.94	3-0.75(30)	24.29	19.7	-6.4	3.3	-1.1	-17.0	0.8	0.7	7.6
Pharmaceuticals (580/FPHAX)	H***	0.91	3-0.75(30)	7.75	50.1	6.5	7.5	7.8	-10.5			
Retailing (46/FSRPX)	B*****	0.99	3-0.75(30)	35.02	67.0	2.5	10.5	10.4	-19.3	-8.9	-1.4	8.7
Software (28/FSCSX)	B****	1.33	3-0.75(30)	38.29	619.2	5.0	7.6	5.9	-2.2	-14.7	6.5	15.9
Technology (64/FSPTX)	B****	1.55	3-0.75(30)	42.18	1486.7	11.9	10.8	12.9	-15.3	-33.5	1.2	12.7
Telecom (96/FSTCX)	H***	1.48	3-0.75(30)	25.78	311.5	0.8	8.5	1.2	-2.0	-31.6	-10.1	4.8
Transportation (512/FSRFX)	S**	0.99	3-0.75(30)	26.65	23.3	8.8	13.4	14.4	-10.4	4.6	5.0	10.7
Utilities Growth (65/FSUTX)	H***	0.95	3-0.75(30)	27.84	164.5	5.7	11.0	8.9	-9.7	-22.1	-4.8	5.2
Wireless (963/FWRLX)	H***	1.32	3-0.75(30)	2.69	53.0	10.7	10.2	11.6	-27.7			

APRIL PERFORMANCE							Div.	2003	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Load	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	0.70	0-1 (30)	11.16	281.5		4.0	12.5	8.1	-16.6	-13.4	-2.5	
Canada (309/FICDX)	H***	0.63	0-1.5(90)	19.76	84.2		9.1	6.2	6.8	-0.5	-0.7	2.8	
Diversified Int'l (325/FDIVX)	B****	0.57	0-1 (30)	17.52	7137.1		2.1	8.3	4.7	-11.7	-7.9	1.6	
Emerging Mkts (322/FEMKX)	H***	0.63	0-1.5(90)	7.21	238.5		0.0	8.1	0.7	-17.8	-12.3	-6.6	
Europe (301/FIEUX)	H***	0.97	0-1 (30)	19.02	816.7		3.8	16.8	8.7	-22.2	-16.0	-7.0	
Europe Cap Appr (341/FECAX)	H***	0.73	0-1 (30)	14.04	324.7		1.5	13.1	3.9	-19.2	-9.7	-3.3	
China Region (352/FHKCX)	S**↓	0.57	0-1.5(90)	10.45	104.6		-3.8	2.1	-3.9	-21.2	-13.3	1.0	
Global Balanced (334/FGBLX)	H***	0.40	0-1 (30)	15.03	86.1		1.7	5.2	3.3	-6.4	-5.5	1.4	
Int'l Growth & Inc (305/FIGRX)	H***	0.63	0-1 (30)	16.83	822.7		0.1	8.6	3.4	-15.4	-12.2	-1.2	
Int'l Small Cap (818/FISMV)	H***	0.7 Est	0-2 (90)	11.46	38.4		8.6	8.8	7.2				
Japan (350/FJPNX)	H***	0.80	0-1.5(90)	7.92	278.2		-6.0	1.0	-1.9	-19.0	-25.1	-0.1	
Japan Smaller Co (360/FJSCX)	H***	0.62	0-1.5(90)	6.53	337.6		1.4	5.7	2.4	-9.3	-20.2	10.5	
Latin America (349/FLATX)	H***	0.99	0-1.5(90)	10.67	142.3		14.4	16.1	19.0	-15.5	-8.3	-7.8	
Nordic (342/FNORX)	H***	0.84	0-1.5(90)	15.69	62.3		3.0	15.8	9.5	-15.7	-19.6	-2.5	
Overseas (94/FOSEFX)	H***	0.86	0-1 (30)	21.53	2565.2		-2.1	8.7	1.4	-22.6	-18.4	-6.7	
Pacific Basin (302/FPBFX)	H***	0.61	0-1.5(90)	12.10	257.4		-5.2	2.5	-2.5	-20.3	-19.0	1.1	
Southeast Asia (351/FSEAX)	H***	0.86	0-1.5(90)	9.26	222.2		-4.1	4.4	-4.7	-26.4	-15.0	0.9	
Worldwide (318/FWWFX)	H***	0.80	0-1 (30)	12.18	587.9		2.5	9.3	5.6	-16.3	-10.1	-3.4	
<b>INDEX AND ASSET ALLOCATION:</b>													
Four-In-One Index (355/FFNOX)	H***	0.73	0-0.5(90)	18.73	271.4		3.9	7.3	6.4	-10.4	-9.8		
Spart Ext Mkt Idx (398/FSEMX)	H***	0.82	0-0.75(90)	20.12	437.0		4.6	8.4	7.1	-14.9	-11.9	-3.2	
Spart Int'l Index (399/FISIIX)	H***	0.80	0-1(90)	20.28	333.1		1.1	9.6	4.6	-16.1	-15.7	-5.3	
Spart 500 Index (317/F5MKX)	H***	1.00	0-0.5(90)	63.37	6652.7		4.8	8.3	7.6	-13.4	-13.1	-2.6	
Spart Total Mkt Idx (397/FSTMV)	H***↓	0.95	0-0.5(90)	24.10	1128.0		4.8	8.3	7.5	-13.8	-12.5	-2.6	
Asset Manager (314/FASMX)	H***	0.53	0-0	14.30	9746.4		4.4	5.4	5.4	-1.4	-2.6	3.1	
Asset Mgr Agg (347/FAMRX)	H***↑	1.02	0-0	7.64	153.7		10.2	7.5	9.9	-25.2	-17.6		
Asset Mgr Gth (321/FASGX)	H***	0.75	0-0	12.55	3071.0		4.8	7.2	6.5	-5.7	-6.8	0.2	
Asset Mgr Inc (328/FASIX)	B****	0.21	0-0	11.29	771.9		4.5	2.9	4.1	4.3	2.7	4.2	
Freedom 2000 (370/FFBFX)	B****	0.19	0-0	11.26	1265.0		2.3	2.3	2.9	1.1	0.8	4.7	
Freedom 2010 (371/FFFCX)	B****	0.37	0-0	11.87	4668.7		3.8	4.1	4.9	-1.9	-2.9	3.7	
Freedom 2020 (372/FFFDX)	B****	0.59	0-0	11.13	4073.3		4.6	6.0	6.3	-7.2	-7.8	1.6	
Freedom 2030 (373/FFFEF)	B****	0.71	0-0	10.73	2327.4		4.8	6.9	6.9	-10.4	-10.5	0.2	
Freedom 2040 (718/FFFFX)	B****	0.79	0-0	6.15	481.0		4.9	7.5	7.3	-12.5			
Freedom Income (369/FFFAV)	B****	0.15	0-0	10.76	1239.3		1.9	1.8	2.4	1.8	2.7	4.8	
<b>TAXABLE BOND FUNDS:</b>													
Capital & Income (38/FAGIX)	B****	0.35	0-1(90)	7.37	3284.9	6.33	20.1	8.1	15.2	18.9	0.7	2.4	
Floating Rate (814/FFRHX)	B****	0.1 Est	0-1(60)	9.72	167.8	3.52	2.6	1.0	2.0				
GNMA Portfolio (15/FGMNX)	B****	0.07	0-0	11.21	6852.7	2.92	0.9	0.1	0.6	6.5	8.5	6.6	
Gov't Income (54/FGOVX)	H***	0.18	0-0	10.50	3632.5	3.18	1.4	0.5	1.6	10.4	9.7	7.1	
Intermed Bond (32/FTHR)	H***	0.13	0-0	10.87	6810.9	3.80	2.6	0.9	2.4	10.3	9.7	7.3	
Intermed Gov't Inc (452/FSTGX)	H***	0.14	0-0	10.40	1411.6	2.88	1.2	0.2	1.5	9.5	9.4	7.1	
Invest Grade Bond (26/FBNDX)	H***	0.13	0-0	7.70	5152.3	3.02	2.8	1.0	2.6	10.8	10.0	7.2	
Mortgage Securities (40/FMSFX)	B****	0.07	0-0	11.32	1505.5	2.88	1.5	0.5	1.4	7.6	9.2	7.0	
New Markets Inc (331/FNMIX)	H***	0.35	0-1(90)	12.76	610.0	6.56	15.4	6.8	13.0	19.9	14.2	9.7	
Short-Term Bond (450/FSHBX)	B****	0.07	0-0	9.04	5626.9	3.72	1.8	0.5	1.6	7.2	7.5	6.3	
Spart Gov't Inc (453/SPGVX)	H***	0.19	0-0	11.27	1187.1	3.74	1.3	0.5	1.6	10.7	10.0	7.4	
High Income (455/SPHIX)	B****	0.20	0-1(90)	8.36	2083.3	6.47	12.5	5.6	9.5	12.0	-1.3	-0.4	
Spart Invest Grade (448/FSIBX)	H***	0.13	0-0	10.90	2742.4	3.40	2.8	1.0	2.6	11.0	10.2	7.5	
Strategic Income (368/FSICX)	B****	0.12	0-0	9.98	1127.3	5.55	8.1	3.5	6.4	15.4	9.6		
Inflation-Protected (794/FINPX)	H***	0.2 Est	0-0	10.79	546.8	1.79	2.1	-0.4	1.4				
Total Bond (820/FTBFX)	H***	0.2 Est	0-0	10.58	48.1	2.83	3.8	1.7	3.7				
Ultra-Short Bond (812/FUSFX)	B****	0.1 Est	0-0.25(60)	10.03	159.8	2.25	0.8	0.3	0.6				
<b>MUNICIPAL BOND FUNDS:</b>													
Spart AZ Muni Inc (434/FAZXX)	H***	0.12	0-0.5(30)	11.59	75.0	3.86	2.0	0.7	2.2	8.6	8.4	6.1	
Spart CA Muni Inc (91/FCTFX)	H***	0.11	0-0.5(30)	12.71	1662.5	4.33	1.4	0.3	1.9	7.7	8.1	6.0	
Spart CT Muni Inc (407/FICNX)	H***	0.11	0-0.5(30)	11.94	474.3	4.18	1.9	0.8	2.3	8.5	8.5	6.1	
Spart FL Muni Inc (427/FFLIX)	H***	0.10	0-0.5(30)	11.89	600.5	4.24	2.1	0.6	2.3	8.4	8.4	6.0	
Spart Intermediate (36/FLTMX)	B****	0.09	0-0.5(30)	10.27	1758.4	4.11	1.8	0.6	1.9	8.2	7.9	5.9	
Spart MA Muni Inc (70/FDMMX)	H***	0.11	0-0.5(30)	12.35	1981.3	4.34	2.1	0.8	2.4	8.8	8.6	6.1	
Spart MD Muni Inc (429/SMDMX)	H***	0.10	0-0.5(30)	11.02	99.3	4.03	1.9	0.7	2.0	7.8	8.0	5.8	
Spart MI Muni Inc (81/FMHTX)	H***	0.11	0-0.5(30)	12.19	582.7	4.36	2.7	0.8	2.9	9.2	8.7	6.1	
Spart MN Muni Inc (82/FIMIX)	H***	0.09	0-0.5(30)	11.71	346.1	3.97	2.1	0.8	2.3	7.9	7.9	5.6	
Spart Municipal Inc (37/FHIGX)	H***	0.11	0-0.5(30)	13.28	4783.9	4.56	2.1	0.7	2.4	9.5	9.1	6.5	
Spart NJ Muni Inc (416/FNJHX)	H***	0.11	0-0.5(30)	11.88	580.1	4.22	1.8	0.7	2.2	8.2	8.3	6.1	
Spart NY Muni Inc (71/FTFMX)	H***	0.11	0-0.5(30)	13.41	1504.6	4.22	2.3	0.9	2.6	10.0	9.2	6.5	
Spart OH Muni Inc (88/FOHFX)	H***	0.11	0-0.5(30)	12.12	438.6	4.30	2.2	0.8	2.4	8.9	8.6	6.1	
Spart PA Muni Inc (402/FPPTX)	H***	0.10	0-0.5(30)	11.11	299.6	4.26	1.8	0.7	2.0	8.1	8.2	5.9	
Spart Short-Int Muni (404/FSTFX)	B****	0.06	0-0.5(30)	10.54	1815.3	2.78	1.2	0.3	0.9	5.7	6.2	5.0	
Spart Tax-Free Bond (90/FTABX)	H***	0.12	0-0.5(30)	10.73	250.7	4.23	2.0	0.7	2.4	9.4			
<b>APRIL PERFORMANCE</b>													
<b>Indexes &amp; Model Portfolios</b>		<b>Risk</b>	<b>Value</b>	<b>2003</b>	<b>One</b>	<b>Three</b>	<b>One</b>	<b>3-Yr</b>	<b>5-Yr</b>	<b>10-Yr</b>			
				<b>YTD</b>	<b>Month</b>	<b>Month</b>	<b>Year</b>	<b>Rate</b>	<b>Rate</b>	<b>Rate</b>			
Dow Jones Industrial		0.98	8480.09	2.4	6.3	5.9	-12.8	-5.8	0.4	11.7			
S&P 500		1.00	916.92	4.8	8.3	7.7	-13.3	-13.0	-2.4	9.7			
NASDAQ		1.24	1464.31	9.9	9.2	11.1	-12.8	-27.4	-4.5	8.9			
Russell 2000		0.92	398.68	4.6	9.5	7.6	-20.7	-6.3	-2.5	7.5			
Fidelity Monitor Income Model		0.08	71314.99	3.4	1.4	2.7	7.1	4.9	3.6	5.8			
Fidelity Monitor G&I Model		0.50	106549.48	9.1	6.7	8.5	0.8	1.4	4.4				
Fidelity Monitor Growth Model		0.95	100353.10	6.7	8.5	8.5	-12.0	-10.0	-1.2	9.2			
Fidelity Monitor Select System		1.01	196992.37	6.4	8.9	8.7	-6.1	-11.1	1.8	11.1			
Fidelity Monitor Unique Opportunities		0.63	56152.35	6.1	9.9	7.2	-5.9	-2.6					

## UNIQUE OPPORTUNITIES MODEL

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

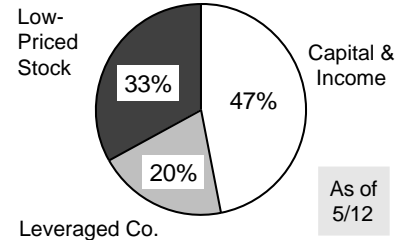
FUND	NAV	SHARES	BALANCE
Capital & Income	\$7.37	1663.540	\$12260.29
Export	\$14.54	971.836	\$14130.50
Leveraged Co.	\$12.28	909.967	\$11174.39
Low-Priced Stock	\$25.81	720.154	\$18587.17

9% Foreign Holdings

Balance as of 4/30/03: **\$56152.35**  
Balance at start of 2003: **\$52924.96**

### PERFORMANCE

Partial Yr 99: + 33.8%  
2000: - 20.5%  
2001: + 1.6%  
2002: - 2.1%  
\*2003: + 6.1%



Our portfolio gained 9.9% in April. On 4/14 we sold **Gold** (\$19.58), buying **Capital & Income** (\$7.04). On 5/12 we will exchange **Export** for additional shares of **Capital & Income**, resulting in a mix of roughly 56% stock, 36% bond, 8% cash.

## 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 (+ 5.9% YTD)	Portfolio B (+ 2.9% YTD)	Portfolio C (+ 3.3% YTD)	Portfolio D (+ 3.3% YTD)
61% Dividend Growth, 39% Capital Appreciation	64% Magellan, 36% Contrafund	33% Magellan 67% Equity-Income	32% Magellan 68% Equity-Income

In April Portfolio A gained 8.4%, Portfolio B was up 7.0%, and Portfolios C and D both jumped 8.9%.

## VIP CORNER

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

VIP SECTOR MODEL:	VIP GROWTH MODEL:	VIP G&I MODEL:	VIP INCOME MODEL:
100% VIP Technology	35% VIP Growth & Income, 65% VIP Growth	42% VIP Asset Mgr, 58% VIP Balanced.	73% VIP Inv. Grade, 27% VIP High Income.

### APRIL VIP PERFORMANCE

Portfolio	Rating	Unit Value	2003 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Asset Manager	B ****	26.69	4.2	5.5	5.4	-1.8	-4.9	0.0
VIP Asset Manager: Growth	H ***	16.82	5.1	7.3	6.7	-6.1	-10.6	-3.1
VIP Balanced	B *****	12.87	5.7	5.8	7.1	-0.5	-3.2	-0.4
VIP Contrafund	H ***	24.14	2.3	4.7	5.6	-10.5	-9.0	0.8
VIP Equity-Income	B ****	39.32	2.3	9.3	6.0	-15.0	-4.3	-2.1
VIP Growth	B *****	42.39	5.1	8.4	8.7	-20.6	-19.9	-2.9
VIP Growth & Income	B ****↓	13.49	6.8	8.3	9.2	-5.7	-7.4	-1.1
VIP Growth Opportunities	B ****	9.26	5.9	8.2	9.1	-11.9	-15.7	-7.7
VIP High Income	B ****	22.81	11.8	5.3	9.1	13.3	-6.8	-5.7
VIP Index 500	H ***	23.89	4.5	8.2	7.4	-14.1	-13.8	-3.4
VIP Investment Grade Bond	B ****	26.50	2.6	1.1	2.5	10.6	9.6	6.8
VIP Overseas	H ***	17.96	-2.8	8.7	0.9	-23.9	-19.9	-8.2
VIP Mid Cap	H ***	9.38	-2.6	3.3	-1.1	-15.3		
VIP Consumer Industries	H ***↓	8.37	3.1	6.5	6.5	-17.3		
VIP Cyclical Industries	H ***	8.25	2.3	10.1	6.9	-17.1		
VIP Financial Services	H ***	9.01	5.2	11.4	7.6	-9.2		
VIP Health Care	B ****	8.65	3.5	3.7	3.7	-9.2		
VIP Natural Resources	H ***	8.13	-1.1	0.1	1.6	-17.2		
VIP Technology	B ****	6.53	11.8	10.9	12.8	-15.9		
VIP Telecom & Utilities	H ***	6.36	5.4	11.2	8.7	-11.4		
Morgan Stanley Emg Mkts Debt	S **	13.92	11.4	5.0	10.4	13.3	11.7	
Morgan Stanley Emg Mkts Equity	H ***	7.36	-0.8	7.6	0.2	-19.8	-19.0	
Morgan Stanley Global Equity	H ***	9.83	-1.9	10.9	3.1	-22.2	-5.9	
Morgan Stanley Int'l Magnum	H ***	7.35	-3.2	7.6	1.4	-20.8	-16.1	
PBHG Growth II	S **	7.41	2.6	5.0	3.6	-24.3	-30.2	
PBHG Select Value	H ****	12.95	-2.7	6.9	0.6	-19.8	-18.0	
PBHG Select 20	S **	11.69	7.4	5.6	9.9	-18.9	-21.4	
PBHG Small Cap Value	S **	13.23	3.2	9.2	7.0	-27.5	-5.3	
PBHG Tech & Communications	S **	5.63	5.8	8.9	8.6	-37.1	-49.7	
Strong Mid Cap Growth Fund II	S **	9.70	9.5	6.7	8.5	-22.8	-27.0	
Strong Opportunity Fund II	H ***	11.68	4.1	9.1	6.9	-21.3	-10.5	
CS Int'l Focus	H ***	7.14	0.8	10.2	5.5	-22.2	-21.3	
CS Global Post-VC	S **	6.65	1.8	10.8	5.2	-29.6	-28.2	
CS Small Cap Growth	S **	7.71	5.1	7.4	6.7	-25.4	-22.1	
Fidelity Monitor VIP Sector Model		9305.27	11.8	10.9	12.8			
Fidelity Monitor VIP Growth Model		22537.76	4.2	8.3	8.9	-15.6	-14.2	-3.0
Fidelity Monitor VIP G&I Model		17687.45	5.1	5.6	6.4	-1.0	-3.9	-0.3
Fidelity Monitor VIP Income Model		16674.51	5.0	2.2	4.2	11.3	4.6	2.2

## INCOME MODEL

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

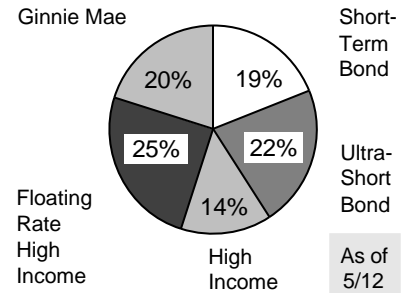
FUND	NAV	SHARES	BALANCE
Short-Term Bond	\$9.04	1548.669	\$13999.97
Ultra-Short Bond	\$10.03	1203.366	\$12069.76
High Income	\$8.36	1610.865	\$13466.83
Floating Rate	\$9.72	1830.100	\$17788.57
Ginnie Mae	\$11.21	1247.980	\$13989.86

3% Foreign Holdings

Balance as of 4/30/03: \$71314.99  
Balance at start of 2003: \$68975.37

## PERFORMANCE

1992: + 10.1%  
1993: + 11.3%  
1994: - 2.1%  
1995: + 14.8%  
1996: + 9.0%  
1997: + 10.5%  
1998: + 3.5%  
1999: + 3.0%  
2000: + 0.3%  
2001: + 5.6%  
2002: + 5.4%  
\*2003: + 3.4%



Our Income Model rose 1.4% in April. The current mix of assets is roughly 1% stock, 97% bond, and 2% cash. On 5/12 we will sell one-quarter of **High Income** and buy **Ultra-Short**.

## GROWTH AND INCOME MODEL

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

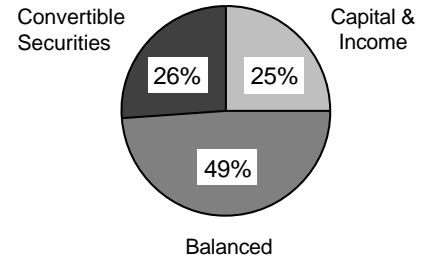
FUND	NAV	SHARES	BALANCE
Capital & Inc.	\$7.37	3572.273	\$26327.65
Balanced	\$13.86	3749.849	\$51972.91
Conv. Securities	\$17.49	1615.147	\$28248.92

7% Foreign Holdings

Balance as of 4/30/03: \$106549.48  
Balance at start of 2003: \$97626.98

## PERFORMANCE

1994: - 3.7%  
1995: + 21.6%  
1996: + 15.8%  
1997: + 18.7%  
1998: + 11.1%  
1999: + 12.2%  
2000: + 2.7%  
2001: + 1.3%  
2002: - 6.4%  
\*2003: + 9.1%



Our Growth and Income Model gained 6.7% in April. The current asset mix, based on latest available fund holdings, is 59% stock, 36% bond, 5% cash.

## GROWTH MODEL

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

FUND	NAV	SHARES	BALANCE
Export	\$14.54	2533.346	\$36834.85
Capital Apprec.	\$17.82	2213.934	\$39452.30
Dividend Growth	\$23.07	1043.171	\$24065.95

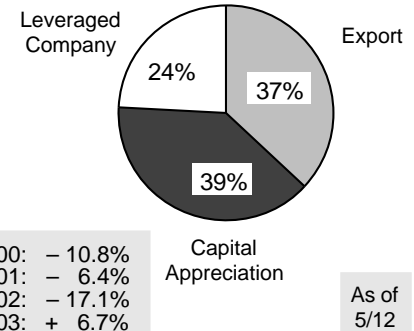
7% Foreign Holdings

Balance as of 4/30/03: \$100353.10  
Balance at start of 2003: \$94089.60

## PERFORMANCE

1987: + 2.8%  
1988: + 26.0%  
1989: + 30.4%  
1990: - 4.4%  
1991: + 40.6%  
1992: + 15.7%  
1993: + 31.9%  
1994: - 2.1%  
1995: + 27.2%  
1996: + 19.2%  
1997: + 25.5%  
1998: + 9.9%  
1999: + 29.0%

2000: - 10.8%  
2001: - 6.4%  
2002: - 17.1%  
\*2003: + 6.7%



In April we were up 8.5%, versus 8.3% for the S&P 500. On 5/12 we will exchange **Dividend Growth** for **Leveraged Co. Stock**. The resulting asset mix will be 94% stock, 6% cash.

## SELECT SYSTEM

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

FUND	NAV	SHARES	BALANCE
Retailing	\$35.02	864.073	\$30259.84
Banking	\$31.42	1159.553	\$36433.16
Biotechnology	\$42.86	938.154	\$40209.28
Software	\$38.29	938.003	\$35916.13
Technology	\$42.18	676.687	\$28542.66
Computers	\$24.40	1050.463	\$25631.30

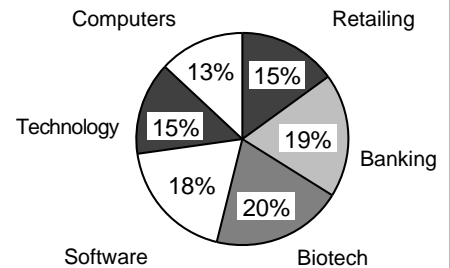
1% Foreign Holdings

Balance as of 4/30/03: \$196992.37  
Balance at start of 2003: \$185070.14

## PERFORMANCE

1989: + 23.4%  
1990: + 31.3%  
1991: + 35.3%  
1992: + 20.4%  
1993: + 25.9%  
1994: - 0.9%  
1995: + 39.0%  
1996: + 5.2%  
1997: + 29.3%  
1998: + 21.7%  
1999: + 44.9%  
2000: - 14.9%  
2001: - 7.3%

2002: - 14.7%  
\*2003: + 6.4%



For April our Select System gained 8.9%, versus 8.3% for the S&P 500. The current mix of assets is approximately 89% stock, 11% cash.

The turnaround began in 1991, and the surviving institutions went on a spectacular rally. Over the next seven years, **Home Finance** returned 40% per year, climbing in value by a factor of 10.

We don't expect that kind of robust growth from either **Leveraged Company Stock** or **Capital & Income**. But it's important to note that turnaround situations often have room to run for longer than most investors expect. It's certainly possible that these two funds may pull back on profit-taking in the weeks ahead. But it's reasonable to expect them to continue outperforming over the next 12-18 months.

**I still own Inflation-Protected Bond, and I'm having a hard time figuring out what would happen if interest rates go up.**

Unlike other bond funds, **Inflation-Protected Bond** is driven by the change in *real* interest rates. That means it responds to the difference between long-term rates and long-term inflation expectations. **Inflation-Protected Bond** has a duration of 5.9, so it would lose roughly 6% if long-term rates rose one percentage point and expectations for the CPI-U index were unchanged. If long-term interest rates and CPI-U growth both moved up by one percentage point, the fund should see little impact. If long-term interest rates rose by one point and long-term CPI-U expectations went up by two percentage points, the fund would *gain* around 6%.

You may have noticed that **Inflation-Protected Bond** sometimes behaves like a blend of a traditional government bond fund with a small position in energy stocks. That's because the price of oil is the one key factor that has the greatest long-term impact on inflation (as measured by the CPI-U index). ■

## Happenings

Jason Weiner, who has been managing **OTC Portfolio**, has taken over for Fergus Shiel at **Fidelity Fifty and Independence**. We expect the two funds will continue to unload their defensive holdings and move more toward growth stocks, but we're going to take a wait-and-see approach. For now, both funds will continue to carry a hold rating.

Shep Perkins, who manages **Utilities Growth, Developing Communications, and Wireless**, will fill Weiner's vacancy at **OTC Portfolio**. Perkins should be a good match for the fund, so we'll maintain our buy on **OTC Portfolio**. ■

behind. **Convertible Securities** gained 5.2%, and **Real Estate** rose 3.3%.

### BOND FUNDS

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

Junk bonds did well; investors were noticeably less concerned about credit risk as the war effort drew to a close. **Capital & Income** gained 8.1%, and **High Income** was up 5.6%. **New Markets Income** rose with the Latin American markets, increasing 6.8%. Most other funds managed at least a small gain, except for **Inflation-Protected Bond**. Reduced inflationary expectations from declining oil prices caused the fund to pull back 0.4%. Municipal bond funds posted gains ranging from 0.3% to 0.9%.

### SELECT PORTFOLIOS

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

The strongest groups included transportation (which benefited from lower energy prices), financial services, and technology. **Air Transportation** led the pack with a 13.8% rebound, followed closely by **Transportation**, which was up 13.4%. **Electronics** and **Insurance** both climbed 12.0%. Defensive sectors tended to dominate the bottom end. **Gold** slipped back 0.2%, **Energy** was off 0.9%, and **Medical Delivery** fell 7.1%. ■

### APRIL DISTRIBUTIONS

<b>Asset Manager: Income</b>	\$0.02 / \$11.06 (4/4)
<b>Four-In-One Index</b>	\$0.02 / \$17.94 (4/4)
<b>Freedom Income</b>	\$0.02 / \$10.62 (4/4)
<b>Select Brokerage</b>	\$0.06 / \$35.63 (4/4)
<b>Select Banking</b>	\$0.06 / \$29.99 (4/11)
<b>Select Chemicals</b>	\$0.03 / \$39.56 (4/4)
<b>Select Energy</b>	\$0.03 / \$20.36 (4/4)
<b>Select Financial Services</b>	\$0.09 / \$88.29 (4/4)
<b>Select Gold</b>	\$0.52 / \$18.91 (4/4)
<b>Select Health Care</b>	\$0.06 / \$104.25 (4/4)
<b>Select Home Finance</b>	\$0.08 / \$49.15 (4/11)
<b>Select Industrial Materials</b>	\$0.08 / \$23.18 (4/11)
<b>Select Utilities Growth</b>	\$0.07 / \$25.97 (4/4)
<b>Spartan CA Municipal MM</b>	\$0.0001 / \$1.00 (4/4)
<b>Spartan International Index</b>	\$0.08 / \$19.16 (4/4)
<b>Spartan Total Mkt Index</b>	\$0.05 / \$23.01 (4/4)

Distributions scheduled for 5/2 include **Asset Manager: Income**, all **Freedom** funds, and **Magellan**.

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser (55/FDRXX)	58558.7	0.97	CT MM (418/FCMXX)	1040.3	0.76	FL MM (428/FSFXX)	1038.2	0.79
Select MM (85/FSLXX)	1009.6	0.99	MA MM (74/FDMXX)	3321.3	0.75	Spart MA MM (426/FMSXX)	1040.4	0.87
Spart MM (454/SPRXX)	7229.7	0.95	MI MM (420/FMIXX)	580.1	0.78	Spart Municipal (460/FIMXX)	3070.7	0.97
Spart US Gov't (458/SPAXX)	754.1	0.93	NJ MM (417/FNJXX)	1320.0	0.77	Spart NJ MM (423/FSJXX)	607.9	0.94
Spart US Treas (415/FDLXX)	2679.0	0.86	NY MM (92/FNYXX)	2791.9	0.79	Spart NY MM (422/FSNXX)	1174.8	0.91
Tax-Free MM (275/FMOXX)	457.5	0.85	OH MM (419/FOMXX)	653.0	0.79	PA MM (401/FPTXX)	285.6	0.78
US Gov't Reser (50/FGRXX)	2517.5	0.99	AZ MM (433/FSAXX)	132.0	0.83	Municipal MM (10/FTEXX)	13278.8	0.86
CA MM (97/FCFXX)	2692.3	0.78	Spart CA MM (457/FSPXX)	1324.9	0.95			