

## How to Stop Worrying and Learn to Love the Trade Deficit

This year, the U.S. trade deficit is poised to end up around \$700 billion, or about 6% of GDP. The massive imbalance is frequently portrayed as a dire situation, with suggestions that a dollar collapse and worldwide financial mayhem are right around the corner. Americans are taking on debt and squandering too much money on imported goods, we are told. The day of reckoning is close at hand.

Articles like this have prompted millions of investors to increase their holdings of foreign stocks in an effort to shelter their portfolio. The dollar's post-election slump, and the corresponding increase in foreign stock values has reinforced the message, making believers out of millions. The resulting stampede of capital has resulted in several closures of

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## Select System, VIP Sector, Income Model Changes

On Monday, 5/16, our Select System will trade **Retailing** (46/FSRPX) for **Telecommunications** (96/FSTCX). The approximate resulting mix: 18% **Energy**, 20% **Banking**, 20% **Utilities Growth**, 16% **Chemicals**, 14% **Medical Delivery**, and 12% **Telecommunications**. Place your trades over the weekend in order to obtain the Monday, 10 am price. We are making this trade because **Retailing's** rank has slipped in our volatility model, most likely because consumer spending is slowing. Meanwhile, telecom providers are continuing to benefit from growth of broadband, and ongoing consolidation activity is helping to cut costs.

Our VIP Sector model will sell **VIP Consumer Industries** and buy **VIP Telecom & Utilities**.

Also on 5/16, our Income Model will be selling one-third of **Floating Rate High Income**, adding the proceeds to **Ultra-Short Bond**. The resulting mix will be 19% **Short-Term**, 58% **Ultra-Short**, and 23% **Floating Rate High Income**. Short-term interest rates continue to rise, and will soon allow investors to earn a decent yield without taking on much risk. We're looking to get in position ahead of time. The VIP Income Model will not change.

## Review & Recommendations

Stocks sold off and high-quality bonds rose as investors concluded the economy has run into a soft patch. The combination of high energy prices and rising short-term interest rates is clearly a potential problem for corporate earnings, but the Fed is still behind the curve on inflation and can't easily back away from its hawkish stance. The S&P 500 declined 1.9% for the month of April.

### GROWTH FUNDS

Growth Model holdings are listed on page 7. Our favorites include **Value**, **Contrafund**, and **Structured Large Cap Value**. We downgraded **Small Cap Value** and **Leveraged Company Stock** to a hold. The flattening of the yield curve suggests large-cap stocks could assume market leadership, and these funds might lose some of their advantage.

April tended to reverse the trends of the first quarter, making winners out of losers and vice versa. **Discovery** was off 1.3%, **Dividend Growth** declined 1.8%, and **Trend** slipped 1.9%. On the bottom end, **New Millennium** slid 7.0%, **Small Cap Growth** lost 7.2%, and **Value Strategies** fell 7.6%.

### INTERNATIONAL FUNDS

**Spartan Int'l Index** offers a broad-based bet on foreign markets. We downgraded **Diversified Int'l** as the fund has not performed much differently than the EAFE index over the last 24 months.

Rumors that the yuan's link to the dollar might be loosened helped **Japan Smaller Companies** and **China Region**. The two funds posted gains of 2.5% and 1.3%, respectively. Laggards included **Overseas**, slipping 3.5%, **Aggressive Int'l**, down 3.6%, and **Canada**, losing 5.6% on lower commodity prices.

### GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. Our favorites include **Equity-Income** and **Strategic Dividend & Income** for dividend stocks. Go with **Puritan** or **Balanced** for a blend of stocks and bonds. **Asset Manager: Income** offers an ultra-conservative approach.

**Utilities Fund** gained 0.7%, **Growth & Income** was off 1.2%, and **Puritan** limited its loss to 1.3% as bond gains offset stock declines. **Convertible**

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international funds, the latest of which is Fidelity's own **Int'l Small Cap** (effective 5/5).

This month we play devil's advocate on the topic of trade deficits, dollar weakness, and foreign investing. At the end of it all is a reluctant review of a few foreign funds that shouldn't cause too much of a problem if added to your portfolio.

#### THE BIG PICTURE

This year's U.S. trade imbalance will equate to about \$200 per month per person. It's mainly the result of a decades-long transition that has shifted consumer product manufacturing out of the U.S. and into emerging countries. Globalization and automation have spurred a major restructuring of the economy, allowing quality products to be built where labor is cheap. For the most part, the savings have been passed along to the consumer.

From an economic standpoint, there are both benefits and drawbacks to this change. On the plus side, inflation has been unusually low for more than a decade, allowing the average consumer to realize a large increase in purchasing power through wage gains. The amount is not small – we are talking about a significant increase in living standards. Investors benefited too, because corporate revenues increased while manufacturing costs fell. The amount of wealth created is in the range of several *trillion* dollars. However, there have been two big negative factors. First, high-wage manufacturing jobs vanished so fast that millions of wage earners have been reduced to lower-paying service jobs or forced into early retirement. Second, the ongoing shortfall in the nation's trade balance means that foreign ownership of U.S. assets is increasing faster than U.S. ownership of foreign assets. In the words of Warren Buffet, each year we sell off a small piece of the "family farm" and increase the mortgage on what we still own.

Alarmed by this trend, some believe we should pull out the stops to prevent other nations from running a perpetual surplus at the expense of the U.S. economy. Others see the trade deficit as a transitional issue, believing the decline in net U.S. ownership is a small price to pay for a lower rate of inflation and a higher standard of living.

However, neither of these theories fully recognize the growing role of American companies in foreign economies. U.S. corporations are particularly adept at developing profitable business models and cloning them worldwide. As such, they are sending back to the U.S. an ever-growing stream of profits. The U.S.

trade gap may never fully close, but it may not matter. At some point, foreign profits earned by U.S. firms will make up the difference, eliminating the need to borrow money from foreigners.

The big wild card in this equation is the energy crunch. From a dollar standpoint, imported oil and natural gas currently account for around 25% of the trade imbalance. As the world runs increasingly short of high-quality crude, imported fossil fuels stand a good chance of displacing consumer goods as the dominant trade problem.

At any rate, the odds of a full-blown dollar crisis are low, because most countries that trade with the U.S. need our import markets more than we need their capital. Any country running a significant trade surplus with the U.S. has little choice but to recycle its excess dollars into dollar-denominated assets. Failure to do so will eventually cause that country's goods to rise in price, either from inflation or from exchange rate effects. Once that happens, gone is their share of the U.S. import market, along with all the jobs that go with it.

#### INVESTMENT CONSIDERATIONS

The dollar's rebound in recent months has been driven partly by the repatriation of foreign earnings. Some \$100 billion in profits is being converted into dollars and coming home because of a one-time corporate tax break. Sooner or later the dollar is likely to resume its downward trek – although higher short-term interest rates will help slow the descent.

A weaker dollar can sometimes give a boost to foreign stock funds, allowing them to outperform their domestic counterparts due to currency translation. However, this is strictly a short-term phenomenon. That's because ultimately a cheaper dollar will boost the earnings of U.S. multinationals while cutting profits at their foreign competitors.

A weaker dollar tends to rev up the U.S. economy through export growth, so it can make sense to favor larger companies, especially those producing high-priced capital goods. Beyond the border, the greenback's slide can moderate economic growth, which implies that a defensive portfolio may be the best bet. This is particularly true for European markets, many of which are already suffering the ill effects of a strong currency.

Japan, on the other hand, is a tough call at this stage. The recent wave of anti-Japanese sentiment in China may prove to have little long-term impact, but changed attitudes among consumers cannot be ignored (a look at French wine sales in the U.S.

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illustrates this quite well). Japan's stock market might remain in a slump if China shifts even a small portion of its capital goods purchases to U.S. firms, or if Japanese-owned factories experience a flight of talent in their Chinese facilities. But the Japanese market could also surprise on the upside. A decision by China to float its currency sooner, rather than later, could kick off a significant rally in both the yen and Japanese stocks. In an event like that, holders of Japanese mutual funds would log sizable gains.

We remain skeptics when it comes to emerging markets. Many firms are poised for rapid growth in these regions, but maximizing shareholder value is not exactly high on their priority list. This is true especially for former communist states. It takes several decades to develop accounting standards, disclosure rules, and the kind of respect for property and ownership rights that U.S. investors take for granted. Most of today's emerging markets have a long way to go. If times get tough, the shareholders are almost always the first ones to bear the burden.

#### RECOMMENDATIONS

If the U.S. trade deficit is your main concern, keep in mind that foreign stock funds are hardly a panacea. Investing beyond the border comes with its own unique set of tradeoffs:

- Liquidity is often lacking outside the U.S. market. Occasionally a certain region will attract U.S. investor attention, and the resulting inflows will drive up stock prices. However, many such trends reverse at some future point, leaving long-term investors holding the bag.

- Volatility is higher. Some foreign markets don't have many quality stocks to choose from, so the funds that focus on them are often heavily concentrated. Furthermore, daily exchange rate fluctuations can magnify the underlying gains or losses that occur.

- Expense ratios and trading costs are higher. The ongoing disadvantage, relative to domestic stock funds, is usually in the range of 50-100 basis points. Indexing doesn't necessarily solve the problem – in recent years **Spartan Int'l Index** has been running with a negative tracking error of about 0.6% per year.

- Laggards are more prevalent. Fidelity's foreign stock research has improved, but the percentage of index-beaters is lower than in the domestic universe.

With those thoughts in mind, here's a review of the foreign funds we currently rate a buy:

#### CANADA

The Canadian economy is driven largely by natural resources, so any long-term commodities

rally, driven by emerging country demand, would be a plus. The fund's 19% exposure to the energy group might be particularly helpful. Another benefit is that Fidelity's research appears to be slightly more effective here than in other foreign markets. Any drawbacks? A lack of diversification is one issue. **Canada's** portfolio includes 107 stocks, with 31% of assets concentrated in its top 10 holdings. Also, there are limits to how much protection this fund would provide in a weak-dollar scenario. In an energy-related dollar slide, **Canada** should hold up fine. But if overseas investors were to cut their holdings of U.S. stocks, it might not be much help.

#### EUROPE

Manager David Bavarez seems to be betting on companies that can survive and prosper in the face of strong currencies and heavy-handed workforce regulations. It's an interesting approach. There aren't many stocks that meet this test, so **Europe's** portfolio is heavily concentrated – 35% of assets in its top 10 holdings and only 44 stocks in total. Still, you can't argue with results. Overall volatility is only slightly higher than broadly diversified funds, and Bavarez has outperformed the Morgan Stanley Europe index by nearly 15 percentage points since taking over the fund in early 2003.

**Europe's** defensive portfolio makes it well-suited for hedging against a weak dollar. The fund's current strategy is somewhat manager dependent, but it offers foreign diversification with few of the usual tradeoffs.

#### INTERNATIONAL SMALL CAP

The latest fund to succumb to its own popularity, **Int'l Small Cap** posted strong gains in 2003 and 2004 – a period of economic transition that was favorable for small-caps worldwide. After the fund shuts its doors on 5/5, existing shareholders will still be able to add money. **Int'l Small Cap's** cyclical bias is due to its 30% weighting in the industrial and materials groups. Last summer we took the fund out of the Unique Opportunities Model because of concern that high oil prices might slow the global economy. That hasn't yet become a major issue. Meanwhile, the fund might benefit from continued strength in global small-caps, but as for stock picks it hasn't significantly outperformed its benchmark since the end of 2003. And there's some risk that performance could slip in the coming months.

#### SPARTAN INTERNATIONAL INDEX

This fund tracks the EAFE (Europe Australasia Far East) Index, which is a popular benchmark for

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#### GUIDE TO FIGURES LISTED ON PAGES 4 AND 5

Gain/loss percentages are for prior month's close (annualized for periods over a year). Reinvested distributions are assumed, with no adjustment for loads. Size figures are for the beginning of the prior month, in millions. Dividend Yield is based on actual dollars posted to accounts, not the SEC yield that Fidelity must quote. Risk is based on standard deviation of daily gains and losses over a one-year period, relative to the S&P 500. Fee: **0.75(90)** indicates a 0.75% redemption fee on shares held less than 90 days. As of September, 2003, all retail Fidelity funds are no-load. If a fund is closed to new investors, we will list it as such in the Fee column. Ratings: **B \*\*\*\*\* is favorite buy, B \*\*\*\* means buy, H \*\*\* means hold for the long run, S \*\* means cut to 5% of holdings, S \* means sell and move to a buy-rated fund in the same group.** Upgrades and downgrades are indicated by ↑ and ↓.

APRIL PERFORMANCE						2005	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***	1.48	1.5(90)	14.98	4328.4	-9.8	-2.0	-6.0	-2.3	-0.4	-20.8	4.2
Blue Chip Gth (312/FBGRX)	H***	1.02	none	39.26	21953.7	-5.9	-2.0	-3.3	0.4	0.5	-7.2	7.2
Blue Chip Value (1271/FBCVX)	H***	1.06	none	12.12	152.7	-3.4	-3.0	-2.4	10.5			
Capital Apprec (307/FDCAX)	H***	1.30	none	23.68	6339.5	-9.0	-4.6	-5.5	-0.4	7.6	-1.5	9.6
Contrafund (22/FCNTX)	B****	0.99	none	55.08	46697.9	-2.9	-3.2	-1.6	9.3	7.9	1.3	12.3
Discovery (339/FDSVX)	S**	0.91	none	10.24	468.7	-9.4	-1.3	-4.0	0.6	1.8	-3.8	
Disc Equity (315/FDEQX)	H***	1.07	none	24.64	5235.2	-2.6	-3.0	-1.6	9.8	4.9	-1.9	9.8
Dividend Gth (330/FDGFY)	H***	1.02	none	26.78	17549.3	-6.0	-1.8	-3.5	-1.3	1.5	0.5	12.1
Export Fund (332/FEPPX)	H***	1.13	0.75(30)	18.77	2271.2	-4.4	-3.0	-3.4	7.9	7.3	3.3	15.6
Fidelity Fifty (500/FFTYX)	H***	1.25	0.75(30)	18.72	812.7	-9.3	-5.4	-6.3	-0.9	1.4	0.5	10.9
Growth Company (25/FDGRX)	H***	1.45	none	51.85	23264.0	-7.5	-1.9	-3.1	3.1	4.4	-8.5	10.5
Large-Cap Stock (338/FLCSX)	H***	1.07	none	13.72	632.0	-6.2	-2.7	-3.7	1.2	0.5	-7.3	
Lev Co Stock (122/FLVCX)	H***↓	1.52	1.5(90)	22.54	2790.0	-0.6	-5.1	-0.2	22.7	35.2		
Low-Priced Stock (316/FLPSX)	B****	0.99	Closed	37.98	35551.4	-5.6	-4.7	-3.7	11.7	11.3	17.3	16.4
Magellan (21/FMAGX)	S**	1.02	Closed	98.92	57371.6	-4.7	-2.1	-2.9	2.8	1.9	-4.9	8.3
Mid Cap Stock (337/FMCSX)	H***	1.31	0.75(30)	21.57	8418.2	-8.0	-4.6	-4.9	2.7	0.7	-0.6	12.4
New Millennium (300/FMILX)	H***	1.39	Closed	28.04	3309.5	-11.5	-7.0	-8.0	-1.0	1.2	-4.5	15.8
OTC Portfolio (93/FOCPX)	S**	1.53	none	31.34	7380.3	-9.7	-3.7	-5.0	0.1	2.8	-10.9	8.6
Independence (73/FDFFX)	H***	1.21	none	16.40	4425.5	-8.0	-5.0	-5.7	3.8	0.8	-5.0	8.9
Small Cap Gth (1388/FCPGX)	H***	1.3 Est	1.5(90)	10.82	115.8	-5.2	-7.2	-6.1				
Small Cap Indep (336/FDSCX)	H***	1.15	1.5(90)	18.20	1133.2	-7.7	-6.6	-6.4	3.3	2.5	2.9	9.0
Small Cap Stock (340/FSLCX)	H***	1.24	2(90)	16.74	4231.8	-7.8	-5.1	-5.4	4.7	7.1	7.3	
Small Cap Value (1389/FCPVX)	H***↓	0.9 Est	1.5(90)	10.87	313.5	-2.6	-4.9	-2.1				
Stock Selector (320/FDSSX)	H***	1.02	none	21.83	771.0	-4.3	-2.2	-2.5	5.2	4.4	-3.6	8.5
Strc Lg Cap Gth (763/FSLGX)	H***	1.32	0.75(30)	9.87	58.8	-3.8	-4.5	-2.9	11.4	3.4		
Strc Lg Cap Val (708/FSLVX)	B****	1.01	0.75(30)	11.79	197.6	-2.9	-3.0	-1.4	12.1	6.3		
Strc Mid Cap Gth (793/FSMGX)	H***	1.43	0.75(30)	11.08	91.5	-5.1	-4.8	-3.1	11.4	5.3		
Strc Mid Cap Val (762/FSMVX)	B****	1.11	0.75(30)	13.51	186.2	-4.1	-3.8	-2.7	15.5	8.3		
Focused Stock (333/FTQGX)	H***	1.30	0.75(30)	9.98	65.4	-1.2	-4.0	-1.4	17.1	-2.8	-7.3	
Trend (5/FTRNX)	H***	1.01	none	51.29	850.0	-4.4	-1.9	-2.1	5.7	4.5	-2.9	6.3
Value (39/FDVLX)	B****	1.10	none	69.46	11018.0	-2.6	-3.3	-1.1	15.2	9.9	12.4	12.3
Value Discovery (832/FVDFX)	H***	1.18	none	13.36	118.7	-2.3	-3.9	-1.6	11.3			
Value Strategies (14/FSLSX)	H***	1.57	none	32.51	187.8	-13.1	-7.6	-8.4	-0.4	6.8	7.8	
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B****	0.82	none	17.23	12994.5	-2.9	-1.9	-1.9	8.1	7.8	6.2	10.2
Convertible Sec (308/FCVXS)	H***	0.82	none	20.01	1761.4	-7.0	-3.4	-5.0	2.4	5.0	3.1	11.6
Equity-Income (23/FEQIX)	B****	0.98	none	49.83	25985.8	-4.2	-2.4	-1.9	6.4	5.0	3.8	10.3
Equity-Income II (319/FEQTX)	H***	1.02	none	22.65	12322.0	-4.6	-2.5	-1.4	6.4	6.3	3.8	10.1
Fidelity Fund (3/FFIDX)	H***	0.96	none	28.80	10438.6	-3.3	-1.8	-1.8	4.2	3.5	-3.5	9.8
Growth & Income (27/FGRIX)	B****	0.89	none	36.72	31050.1	-3.6	-1.2	-1.4	5.7	2.6	-1.4	9.5
Growth & Inc II (361/FGRTX)	H***	0.92	none	9.24	188.5	-4.3	-2.4	-2.0	2.5	3.2	-1.3	
Puritan (4/FPURX)	B****	0.65	none	18.35	23671.6	-2.6	-1.3	-1.2	6.0	6.2	5.0	9.4
Strategic Div & Inc (1329/FSDIX)	B****	0.84	none	11.04	661.5	-2.7	-1.6	-1.1	11.4			
Utilities (311/FUIX)	H***	1.04	none	13.69	960.4	1.1	0.7	3.5	21.5	9.8	-6.3	7.8
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H***	1.44	0.75(30)	32.33	36.6	-4.0	-4.8	-1.1	11.6	1.1	3.5	11.8
Automotive (502/FAVX)	S**	1.29	0.75(30)	30.91	15.9	-11.2	-5.2	-8.4	-3.0	2.1	5.8	7.2
Banking (507/FSRBX)	B****	1.02	0.75(30)	36.26	450.1	-6.7	-0.3	-4.2	6.6	5.5	10.1	14.5
Biotechnology (42/FBIOX)	S**	2.30	0.75(30)	51.27	1434.5	-11.1	5.9	-4.9	-12.4	3.2	-5.6	11.2
Brokerage (68/FSLBX)	H***	1.39	0.75(30)	51.64	382.1	-7.5	-2.0	-5.2	7.3	7.4	5.3	17.4
Business Ser (353/FBSOX)	H***	1.14	0.75(30)	13.95	36.0	-11.7	-7.0	-8.2	-0.3	-1.7	2.6	
Chemicals (69/FSCHX)	B****	1.48	0.75(30)	63.87	264.5	-5.5	-8.1	-4.0	23.9	14.3	12.5	10.9
Computers (7/FDCPX)	H***	2.09	0.75(30)	31.09	615.7	-11.6	-6.9	-6.7	-4.5	-1.0	-18.5	9.2
Const & Housing (511/FSHOX)	H***	1.62	0.75(30)	40.73	215.1	-5.6	-4.0	-6.2	20.6	12.0	16.7	14.8
Consumer Indust (517/FSCPX)	H***	1.10	0.75(30)	23.09	39.9	-6.4	-4.2	-4.8	1.7	0.4	0.5	9.3
Cyclical Indust (515/FCYIX)	H***	1.26	0.75(30)	17.42	71.8	-4.9	-5.4	-3.6	17.4	9.6	7.7	
Defense & Aero (67/FSDAX)	B****	1.22	0.75(30)	66.93	634.9	3.2	-1.8	3.7	23.4	11.2	12.1	15.7
Develop Commn (518/FSDCX)	S**	2.13	0.75(30)	16.10	462.8	-16.7	-5.9	-10.4	-3.0	6.3	-18.3	6.9
Electronics (8/FSELX)	H***	2.43	0.75(30)	35.65	2604.8	-5.6	-4.9	-1.1	-6.7	-7.3	-18.1	12.7
Energy (60/FSENX)	B****	1.81	0.75(30)	35.60	1329.0	11.5	-5.2	7.2	37.3	14.6	10.3	13.0
Energy Services (43/FSESX)	H***	2.28	0.75(30)	45.26	922.5	6.1	-7.8	1.5	30.7	7.8	6.2	15.4
Environmental (516/FSLEX)	S**	1.25	0.75(30)	13.07	12.1	-8.6	-1.7	-5.1	-0.9	3.5	5.6	1.8
Financial Services (66/FIDSX)	H***	1.05	0.75(30)	102.14	452.3	-7.8	-1.2	-6.1	4.2	5.1	7.4	14.2
Food & Agriculture (9/FDFAX)	H***	0.85	0.75(30)	49.34	135.0	-2.1	-2.9	-2.8	6.3	3.1	10.0	10.1
Gold (41/FSAGX)	H***	2.32	0.75(30)	21.92	669.3	-13.7	-11.7	-9.3	4.1	6.0	17.0	2.7
Health Care (63/FSPHX)	H***	1.17	0.75(30)	131.48	1878.4	2.7	3.9	5.8	5.8	4.4	2.6	12.8
Home Finance (98/FVLX)	H***	1.13	0.75(30)	54.03	359.3	-14.0	-2.4	-10.4	-0.8	5.0	15.2	14.1
Indust Equip (510/FSCGX)	H***	1.35	0.75(30)	24.46	46.0	-6.3	-5.5	-4.0	8.6	4.8	0.1	9.1
Indust Materials (509/FSDPX)	H***	1.53	0.75(30)	36.43	168.1	-7.1	-8.1	-2.9	18.2	12.8	13.2	7.6
Insurance (45/FSPCX)	H***	1.18	0.75(30)	58.77	161.6	-4.4	-1.4	-2.8	2.7	6.5	13.7	16.6
Leisure (62/FDLSX)	H***	1.17	0.75(30)	68.85	200.7	-10.6	-5.1	-8.6	1.2	6.9	-0.1	12.0
Medical Delivery (505/FSHCX)	B****	1.56	0.75(30)	46.09	762.2	7.0	0.4	5.0	51.0	14.4	23.9	12.0
Medical Equip/Sys (354/FSMEX)	H***	1.12	0.75(30)	23.70	951.2	1.3	3.3	1.9	9.3	14.7	13.9	
Multimedia (503/FBMPX)	H***	1.19	0.75(30)	42.12	118.3	-6.8	-2.9	-4.2	-0.7	8.2	-0.6	10.7
Natural Gas (513/FSNGX)	B****	2.12	0.75(30)	29.36	1007.4	5.3	-7.9	1.5	34.3	16.9	12.9	13.8
Nat Resources (514/FNARX)	B****	1.71	0.75(30)	18.11	364.6	6.0	-6.4	4.2	28.1	12.4	9.3	
Networking/Infra (912/FNINX)	S**	2.29	0.75(30)	1.91	99.1	-18.7	-6.4	-12.0	-9.5	-6.0		
Paper & Forest (506/FSPFX)	S**	1.43	0.75(30)	28.33	27.9	-14.8	-8.1	-5.6	-5.9	-0.9	3.7	6.0
Pharmaceuticals (580/FPHAX)	S**	1.31	0.75(30)	8.77	92.1	-3.0	4.5	2.4	-2.6	0.4		
Retailing (46/FSRPX)	H***↓	1.21	0.75(30)	46.64	104.7	-5.9	-6.6	-3.9	5.7	4.1	1.1	11.7
Software (28/FSCSX)	H***	1.64	0.75(30)	44.71	639.5	-14.8	-4.2	-9.5	-8.2	4.9	-6.0	13.3
Technology (64/FSPTX)	H***	1.92	0.75(30)	53.31	1824.7	-11.4	-4.4	-5.7	-3.2	2.4	-17.9	10.1
Telecom (96/FSTCX)	B****↑	1.34	0.75(30)	33.74	317.5	-9.0	-1.1	-3.9	4.0	9.3	-15.7	4.9
Transportation (512/FSRFY)	H***	1.54	0.75(30)	38.05	86.9	-10.3	-8.0	-5.2	18.6	9.1	10.6	11.8
Utilities Growth (65/FSUTX)	B****	0.99	0.75(30)	40.27	315.3	0.3	0.9	2.8	21.9	10.4	-6.8	9.1
Wireless (963/FWRX)	H***	1.46	0.75(30)	5.56	339.5	-4.6	-2.1	-1.2	21.9	14.3		

APRIL PERFORMANCE							Div.	2005	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	1.25	1 (30)	15.95	687.0		-4.6	-3.6	-2.4	4.7	6.4	-1.3	
Canada (309/FICDX)	B****	1.14	1.5(90)	33.47	950.7		-1.2	-5.6	0.8	27.9	19.3	10.8	
Diversified Int'l (325/FDIVX)	H***↓	1.06	Closed	28.10	25325.8		-1.9	-2.0	-0.1	13.9	13.1	5.1	
Emerging Mkts (322/FEMKX)	S**	1.53	1.5(90)	12.90	950.7		-0.2	-3.1	-1.6	22.4	14.5	4.3	
Europe (301/FIEUX)	B****	1.22	1 (30)	34.05	2421.1		-0.3	-2.3	-0.1	26.4	12.3	1.5	
Europe Cap Appr (341/FECAX)	H***	1.09	1 (30)	21.13	482.7		-1.9	-3.4	-1.4	13.6	7.6	2.5	
China Region (352/FHKCX)	H***	1.36	1.5(90)	17.17	337.8		0.6	1.3	3.4	16.1	10.2	2.0	
Global Balanced (334/FGBLX)	H***	0.81	1 (30)	20.64	177.2		-1.7	-0.9	-0.1	10.7	10.2	3.8	
Int'l Discovery (305/FIGRX)	H***	1.14	1 (30)	27.69	3010.7		-1.8	-1.5	-0.5	14.7	12.3	2.5	
Int'l Small Cap (818/FISMX)	B****	1.24	2 (90)	24.40	2039.7		4.8	-0.8	1.7	25.6			
Japan (350/FJPNX)	H***	2.01	1.5(90)	12.44	731.4		-2.8	-1.6	-1.6	0.4	8.4	-8.0	
Japan Smaller Co (360/FJSCX)	H***	2.05	1.5(90)	12.95	1260.8		2.9	2.5	1.1	5.0	21.9	0.3	
Latin America (349/FLATX)	H***	2.04	1.5(90)	21.07	690.4		-0.4	-2.8	0.2	45.6	19.8	9.5	
Nordic (342/FNORX)	H***	1.26	1.5(90)	27.57	158.7		-0.2	-1.4	3.5	27.3	14.6	-1.5	
Overseas (94/FOFSX)	H***	1.23	1 (30)	33.62	4654.3		-5.0	-3.5	-2.2	6.3	7.2	-2.9	
Pacific Basin (302/FPBFX)	H***	1.54	1.5(90)	19.51	523.4		-1.3	-1.2	-2.1	7.7	9.5	-2.6	
Southeast Asia (351/FSEAX)	S**	1.78	1.5(90)	16.91	572.3		3.0	-0.6	1.4	17.0	11.0	2.7	
Worldwide (318/FWWFX)	H***	1.05	1 (30)	17.33	1132.3		-5.0	-3.3	-2.9	6.3	6.4	0.9	

**INDEX AND ASSET ALLOCATION:**

Four-In-One Index (355/FFNOX)	H***	0.85	0.5(90)	24.27	859.7		-3.5	-1.7	-1.5	7.8	6.2	-0.4
NASDAQ Comp (1282/FNCMX)	S**	1.43	0.75(90)	25.99	100.5		-11.6	-3.8	-6.7	0.4		
Spart Ext Mkt Idx (398/FSEMXX)	H***	1.22	0.75(90)	29.69	1429.6		-7.0	-3.7	-3.7	8.1	8.4	0.5
Spart Int'l Index (399/FSIIX)	B****	1.12	1(90)	31.15	1178.5		-2.3	-1.9	-0.4	15.4	10.4	-0.8
Spart 500 Index (317/F500IX)	H***	1.00	0.5(90)	80.02	12183.6		-4.0	-1.9	-1.6	6.2	4.1	-3.1
Spart Total Mkt Idx (397/FSTMX)	B****	1.03	0.5(90)	31.51	2834.2		-4.4	-2.2	-1.8	6.8	5.0	-2.1
Asset Manager (314/FASMX)	H***	0.57	none	15.64	10461.2		-3.0	-0.8	-1.8	1.7	4.2	1.2
Asset Mgr Agg (347/FAMRX)	H***	1.17	none	10.33	381.8		-8.7	-4.3	-5.5	-0.1	0.7	-5.2
Asset Mgr Gth (321/FASGX)	H***	0.78	none	14.14	3476.7		-4.6	-1.5	-2.6	0.6	3.5	-1.0
Asset Mgr Inc (328/FASIX)	B****	0.37	none	12.41	1567.5		-1.6	-0.8	-0.9	4.7	6.1	4.4
Freedom 2000 (370/FFFBX)	B****	0.30	none	12.00	1574.7		-0.7	0.0	-0.2	3.9	3.9	2.6
Freedom 2005 (1312/FFVFX)	B****	0.48	none	10.59	227.8		-1.9	-0.7	-1.0	4.9		
Freedom 2010 (371/FFFCX)	B****	0.51	none	13.34	8686.7		-2.1	-0.8	-1.1	5.0	5.2	1.6
Freedom 2015 (1313/FFVFX)	B****	0.63	none	10.75	908.3		-2.7	-1.1	-1.4	5.5		
Freedom 2020 (372/FFDX)	B****	0.74	none	13.50	9903.7		-3.3	-1.5	-1.7	5.9	5.5	-0.2
Freedom 2025 (1314/FFTWX)	B****	0.80	none	10.88	678.2		-3.5	-1.7	-1.8	6.0		
Freedom 2030 (373/FFFEX)	B****	0.85	none	13.54	5848.3		-3.8	-2.0	-2.0	6.1	5.3	-1.4
Freedom 2035 (1315/FFTHX)	B****	0.88	none	10.98	349.1		-4.0	-2.1	-2.1	6.2		
Freedom 2040 (718/FFFFX)	B****	0.93	none	7.92	2131.0		-4.2	-2.2	-2.1	6.5	5.2	
Freedom Income (369/FFFAIX)	B****	0.25	none	11.18	1945.0		-0.4	0.1	-0.2	3.4	3.5	3.3
Real Estate Income (833/FRIFX)	H***	0.26	0.75(90)	11.77	594.4		0.3	1.4	0.8	10.8		
Real Estate (303/FRESX)	S**	1.43	0.75(90)	29.11	4541.5		-1.1	4.7	7.2	37.9	20.2	20.1
Int'l Real Estate (1368/FIREX)	H***	1.3 Est	1.5(90)	11.60	156.1		-1.7	2.4	-0.2			

**TAXABLE BOND FUNDS:**

Capital & Income (38/FAGIX)	H***	0.32	1(90)	8.15	5000.5	5.89	-1.9	-1.2	-1.8	9.6	15.0	5.5
Floating Rate (814/FRHX)	H***	0.06	1(60)	9.93	2514.3	4.21	0.8	-0.1	0.5	4.0		
Focused High Inc (1366/FHIFX)	H***	0.2 Est	1(90)	9.86	39.8	5.42	-2.1	-0.2	-1.9			
GNMA Portfolio (15/FGMNX)	H***	0.26	none	11.06	4004.6	4.14	1.1	1.2	0.5	4.9	4.4	6.4
Gov't Income (54/FGOVX)	H***	0.33	none	10.24	4725.2	3.11	1.0	1.3	0.6	5.0	5.2	6.8
Intermed Bond (32/FTHRX)	H***	0.26	none	10.43	7150.9	3.68	0.3	1.1	0.1	3.5	5.3	6.9
Intermed Gov't Inc (452/FSTGX)	H***	0.26	none	10.17	897.9	3.16	0.3	1.2	0.3	2.8	4.3	6.3
Invest Grade Bond (26/FBNDX)	H***	0.34	none	7.50	6544.2	3.71	0.8	1.1	0.1	5.3	5.9	7.4
Mortgage Securities (40/FMSFX)	H***	0.26	none	11.20	1739.5	3.76	0.8	1.1	0.4	5.1	4.9	6.9
New Markets Inc (331/FNMIX)	H***	0.67	1(90)	13.75	1273.8	6.01	-0.1	1.1	-0.5	15.1	15.2	13.7
Short-Term Bond (450/FSHBX)	B****	0.14	none	8.92	4859.8	3.53	0.4	0.5	0.2	2.0	3.7	5.3
Spart Gov't Inc (453/SPGVX)	H***	0.33	none	11.04	831.5	3.65	1.0	1.3	0.6	5.1	5.6	7.1
High Income (455/SPHIX)	H***	0.24	1(90)	8.65	3070.8	6.93	-2.8	-1.0	-2.2	5.2	10.6	3.0
Spart Invest Grade (448/FSIBX)	H***	0.33	none	10.62	2562.6	3.79	0.7	1.3	0.1	5.6	6.2	7.7
Strategic Income (368/FSICX)	H***	0.30	none	10.45	3634.0	4.96	-0.8	0.3	-0.6	9.3	11.2	9.4
Inflation-Protected (794/FINPX)	B****	0.52	none	11.51	1508.9	1.16	1.3	1.8	1.3	9.8		
Total Bond (820/FTBFX)	H***	0.31	none	10.54	387.9	3.78	0.3	1.1	-0.1	5.6		
Ultra-Short Bond (812/FUSFX)	B****	0.06	0.25(60)	10.04	847.3	2.69	0.8	0.3	0.6	1.7		
US Bond Index (651/FBIDX)	H***	0.32	none	11.04	5384.5	3.86	0.7	1.2	0.1	5.0	6.0	

**MUNICIPAL BOND FUNDS:**

Spart AZ Muni Inc (434/FSAZX)	H***	0.27	0.5(30)	11.56	90.3	3.68	1.4	1.8	0.5	6.3	5.6	6.7
Spart CA Muni Inc (91/FCTFX)	H***	0.27	0.5(30)	12.57	1491.1	4.18	1.6	1.7	0.5	7.3	5.9	6.8
Spart CT Muni Inc (407/FICNX)	H***	0.28	0.5(30)	11.67	432.4	4.06	1.0	1.7	0.4	5.4	5.3	6.6
Spart FL Muni Inc (427/FFLIX)	H***	0.27	0.5(30)	11.72	507.4	3.98	1.2	1.6	0.4	6.6	5.6	6.7
Spart Intermediate (36/FLTMX)	H***	0.23	0.5(30)	10.10	1819.9	3.91	0.9	1.4	0.2	5.2	5.4	6.3
Spart MA Muni Inc (70/FDMMX)	H***	0.26	0.5(30)	12.16	1760.8	4.27	1.8	1.8	0.8	7.2	6.1	7.1
Spart MD Muni Inc (429/SMDMX)	H***	0.26	0.5(30)	11.04	104.3	3.77	1.1	1.6	0.4	5.9	5.4	6.5
Spart MI Muni Inc (81/FMHTX)	H***	0.26	0.5(30)	12.05	559.2	4.00	1.1	1.6	0.3	5.9	5.8	6.8
Spart MN Muni Inc (82/FMIX)	H***	0.23	0.5(30)	11.59	354.0	4.14	1.1	1.5	0.3	5.8	5.4	6.4
Spart Municipal Inc (37/FHIGX)	H***	0.26	0.5(30)	13.08	4603.1	4.33	1.7	1.7	0.5	7.3	6.5	7.4
Spart NJ Muni Inc (416/FNJHX)	H***	0.28	0.5(30)	11.75	549.7	3.96	1.7	1.9	0.4	7.0	5.8	6.8
Spart NY Muni Inc (71/FTFMX)	H***	0.27	0.5(30)	13.05	1398.8	4.04	1.4	1.7	0.4	6.9	6.3	7.3
Spart OH Muni Inc (88/FOHFX)	H***	0.27	0.5(30)	11.96	421.3	4.09	1.3	1.8	0.4	7.0	6.0	7.0
Spart PA Muni Inc (402/FPXTX)	H***	0.26	0.5(30)	11.00	299.7	4.06	1.2	1.4	0.4	6.6	5.6	6.7
Spart Short-Int Muni (404/FSTFX)	B****	0.14	0.5(30)	10.28	1829.4	2.78	0.0	0.7	-0.1	2.1	3.1	4.4
Spart Tax-Free Bond (90/FTABX)	H***	0.29	0.5(30)	10.84	275.9	4.06	1.8	1.9	0.6	7.7	6.7	

APRIL PERFORMANCE				2005	One	Three	One	3-Yr	5-Yr	10-Yr
Indexes	Risk	Value		YTD	Month	Month	Year	Rate	Rate	Rate

Dow Jones Industrial	0.98	10192.51		-4.8	-2.8	-2.3	1.8	3.1	1.0	11.1
S&P 500	1.00	1156.85		-4.0	-1.9	-1.6	6.3	4.2	-2.9	10.3
NASDAQ	1.42	1921.65		-11.5	-3.8	-6.6	0.7	4.9	-12.7	9.1
Russell 2000	1.58	579.38		-10.8	-5.8	-6.9	4.7	5.6	4.1	9.5

APRIL PERFORMANCE			2005	One	Three	One	3-Yr	5-Yr	10-Yr
Model Portfolios	Risk	Value	YTD	Month	Month	Year	Rate	Rate	Rate
S&P 500	1.00	1156.85	-4.0	-1.9	-1.6	6.3	4.2	-2.9	10.3
Fidelity Monitor Income Model	0.08	78513.08	0.8	0.2	0.7	4.1	5.7	4.9	5.9
Fidelity Monitor G&I Model	0.69	141354.30	-2.4	-1.4	-1.0	9.0	10.2	6.7	10.6
Fidelity Monitor Growth Model	1.09	149561.31	-3.2	-3.3	-1.7	7.6	9.5	1.7	10.5
Fidelity Monitor Select System	1.17	265742.25	-3.4	-2.3	-1.4	4.3	8.2	-1.1	11.3
Fidelity Monitor Unique Opportunities	1.12	90029.39	-1.5	-3.3	-0.3	15.4	14.7	8.2	

## UNIQUE OPPORTUNITIES MODEL

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

FUND	NAV	SHARES	BALANCE
Natural Resources	\$18.11	742.049	\$13438.51
Utilities Growth	\$40.27	290.076	\$11681.36
Banking	\$36.26	350.928	\$12724.65
Leveraged Co. Value	\$22.54	980.276	\$22095.42
	\$69.46	433.191	\$30089.45

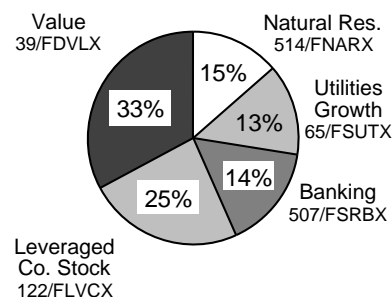
13% Foreign Holdings

Balance as of 4/29/05: **\$90029.39**

Balance at start of 2005: **\$91397.34**

### PERFORMANCE

Partial Yr 99: +33.8%  
 2000: -20.5%  
 2001: +1.6%  
 2002: -2.1%  
 2003: +43.2%  
 2004: +20.6%  
 \*2005: -1.5%



Our Unique Opportunities Model declined 3.3% in April. Approximate asset mix is 95% stock, 5% cash. Last month's balance was incorrectly stated; it should have been \$93,069.35.

## 401(k) CORNER

Portfolio A is for plans similar to the one offered by General Motors. Portfolio B is for plans that include Magellan, Growth & Income, and Contrafund. Portfolio C is for plans including Magellan, Equity-Income, and Growth & Income. Portfolio D is for plans with Magellan and Equity-Income.

Portfolio A (-3.4% YTD)	Portfolio B (-3.3% YTD)	Portfolio C (-4.2% YTD)	Portfolio D (-4.2% YTD)
35% Contrafund, 24% Value, 41% Equity-Income	62% Growth & Income, 38% Contrafund	100% Equity-Income	100% Equity-Income

In April, Portfolio A declined 2.9%, Portfolio B was off 2.0%, and Portfolios C and D both lost 2.4%.

## 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: (as of 5/16)	VIP GROWTH:	VIP G&I MODEL:	VIP INCOME:
14% Cyc Ind, 16% Fin Ser, 32% Telecom & Utilities, 22% Natural Res, 16% Health Care	57% Equity-Income, 43% Contrafund	54% Asset Mgr, 32% Equity-Inc, 14% Investment Grade Bond.	70% Inv. Grade, 30% Money Market.

APRIL VIP PERFORMANCE		Unit	2005	One	Three	One	3-Yr	5-Yr
Portfolio	Rating	Value	YTD	Month	Month	Year	Rate	Rate
VIP Asset Manager	B ****	30.31	-3.3	-0.8	-2.0	0.9	3.7	-0.5
VIP Asset Manager: Growth	H ***	19.58	-4.9	-1.6	-2.9	-0.4	3.0	-3.6
VIP Balanced	H ***	14.44	-2.9	-1.1	-1.5	2.6	3.7	0.3
VIP Contrafund	B ****	33.36	-3.1	-3.4	-1.8	8.7	7.4	0.8
VIP Dynamic Capital Appreciation	H ***	10.35	-6.8	-4.8	-4.6	-0.3		
VIP Equity-Income	B ****	52.52	-4.5	-2.5	-2.1	5.7	4.3	3.2
VIP Growth	S **	50.87	-6.7	-2.7	-3.6	-1.8	-1.6	-9.2
VIP Growth & Income	B ****	15.57	-4.4	-2.4	-2.1	1.9	2.8	-1.7
VIP Growth Opportunities	B ****	11.34	-5.4	-2.3	-3.1	2.6	2.6	-6.0
VIP High Income	H ***	27.04	-3.5	-1.2	-2.8	4.2	10.3	-0.8
VIP Index 500	H ***	30.58	-4.3	-2.0	-1.8	5.3	3.2	-3.9
VIP Investment Grade Bond	H ***	28.01	0.3	1.2	-0.1	4.2	5.4	6.8
VIP Mid Cap	B ****	15.79	-3.8	-4.7	-2.3	18.5	12.6	
VIP Overseas	H ***	28.07	-5.2	-3.5	-2.5	5.5	5.9	-4.3
VIP Real Estate	S **	14.44	-1.3	4.7	7.2	36.9		
VIP Strategic Income	H ***	10.78	-1.0	0.2	-0.8			
VIP Value Strategies	H ***	11.15	-13.5	-7.8	-8.7	-1.8		
VIP Consumer Industries	H ***↓	10.22	-6.4	-4.3	-4.9	1.0	0.3	
VIP Cyclical Industries	B ****	12.92	-5.1	-5.5	-3.8	16.7	9.1	
VIP Financial Services	B ****	11.32	-8.0	-1.3	-6.2	3.8	4.5	
VIP Health Care	B ****	10.68	2.5	3.9	5.7	5.4	3.9	
VIP Natural Resources	B ****	13.88	5.9	-6.4	4.2	27.6	12.2	
VIP Technology	H ***	8.13	-11.5	-5.4	-6.2	-3.6	1.5	
VIP Telecom & Utilities	B ****	9.36	0.2	1.0	2.7	21.0	9.3	
Fidelity Monitor VIP Sector Model		13384.19	-4.0	-3.6	-2.2	5.7		
Fidelity Monitor VIP Growth Model		28914.04	-3.9	-2.9	-1.9	4.6	2.7	-4.1
Fidelity Monitor VIP G&I Model		20930.99	-3.2	-1.1	-1.8	2.8	5.4	1.0
Fidelity Monitor VIP Income Model		18448.03	0.5	0.9	0.4	5.6	7.2	4.8

## INCOME MODEL

Our Income Model aims for long-term growth of 6% per year from bonds and other income securities.

FUND	NAV	SHARES	BALANCE
Short-Term Bond	\$8.92	1632.427	\$14561.25
Ultra-Short Bond	\$10.04	3663.079	\$36777.31
Floating Rate	\$9.93	2736.608	\$27174.52

6% Foreign Holdings

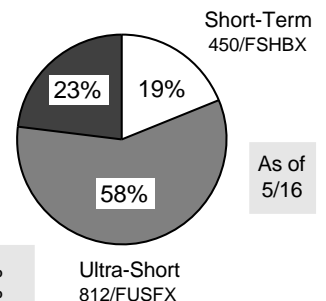
Balance as of 4/29/05: \$78513.08  
Balance at start of 2005: \$77905.57

## 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%

Floating Rate High Income  
814/FFRHX

2004: + 4.2%  
\*2005: + 0.8%



Our Income Model gained 0.2% during April. The portfolio's approximate asset mix is 87% bond, 13% cash. On 5/16 we will sell one-third of **Floating Rate** and buy **Ultra-Short Bond**.

## 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.	\$12.41	2560.688	\$31778.14
Puritan	\$18.35	1780.836	\$32678.34
Balanced	\$17.23	1988.044	\$34254.00
Strat. Div. & Inc.	\$11.04	3862.665	\$42643.82

8% Foreign Holdings

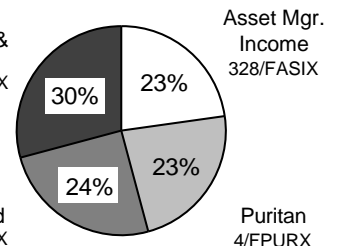
Balance as of 4/29/05: \$141354.30  
Balance at start of 2005: \$144788.14

## 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: - 2.4%

Strategic Dividend & Income  
1329/FSDIX

Balanced  
304/FBALX



Our Growth and Income Model declined 1.4% in April. The approximate asset mix is 66% stock, 22% bond, and 12% cash.

## 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
Small Cap Value	\$10.87	3197.846	\$34760.59
Value	\$69.46	812.842	\$56460.01
Equity-Income	\$49.83	1170.795	\$58340.71

10% Foreign Holdings

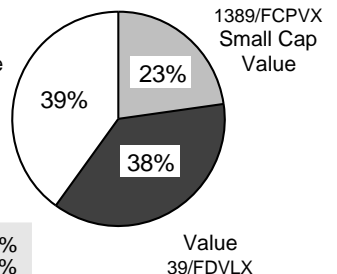
Balance as of 4/29/05: \$149561.31  
Balance at start of 2005: \$154558.63

## 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%

Equity-Income  
23/FEQIX

2001: - 6.4%  
2002: - 17.1%  
2003: + 46.1%  
2004: + 12.4%  
\*2005: - 3.2%



For April our Growth Model lost 3.3%, compared with the S&P 500's 1.9% decline. The approximate asset mix for the portfolio is 96% stock, 4% cash.

## 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	\$35.60	1360.001	\$48416.04
Banking	\$36.26	1457.511	\$52849.35
Utilities Growth	\$40.27	1313.858	\$52909.06
Chemicals	\$63.87	671.672	\$42899.69
Medical Delivery	\$46.09	795.875	\$36681.88
Retailing	\$46.64	685.811	\$31986.23

9% Foreign Holdings

Balance as of 4/29/05: \$265742.25  
Balance at start of 2005: \$275072.39

## PERFORMANCE

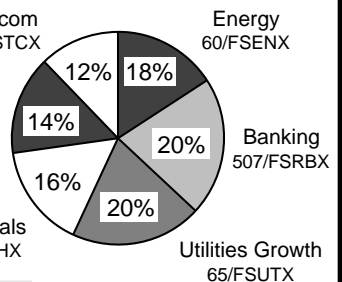
1989: + 23.4%  
1990: + 31.3%  
1991: + 35.3%  
1992: + 20.4%  
1993: + 25.9%  
1994: - 0.9%  
1995: + 39.0%  
1996: + 5.2%  
1997: + 29.3%  
1998: + 21.7%  
1999: + 44.9%  
2000: - 14.9%  
2001: - 7.3%  
2002: - 14.7%

Telecom  
46/FSTCX

Med Delivery  
505/FSHCX

Chemicals  
69/FSCHX

2003: + 38.4%  
2004: + 7.4%  
\*2005: - 3.4%



Our Select System slipped 2.3% in April, versus 1.9% for the S&P. On 4/18 we traded **Software** (\$44.41) for **Chemicals** (\$62.63) and exchanged **Multimedia** (\$41.65) for **Med Deliv** (\$44.65), for a mix of 96% stock, 4% cash. On 5/16 we will sell **Retailing** and buy **Telecommunications**.

foreign stocks. Even with its tracking error, **Spartan Int'l Index** enjoys a cost advantage over actively managed funds. The fund's broad diversification makes it suitable for a single-fund approach to foreign investing. Main drawbacks include a high investment minimum (\$10,000), and the lack of exposure to Canada and most emerging market regions.

**Spartan Int'l Index** has nearly 70% of assets invested in European stocks. Like most European funds, it has a relatively defensive portfolio, with financial stocks accounting for 27% of holdings. If your goal is moderate foreign exposure (10-20% of assets), it may be the only foreign fund you need. ■

**APRIL DISTRIBUTIONS**

Asset Manager	\$0.08 / \$15.69	(4/1)
Asset Manager: Income	\$0.03 / \$12.53	(4/1)
Balanced	\$0.07 / \$17.53	(4/1)
Convertible Securities	\$0.07 / \$20.70	(4/1)
Equity-Income	\$0.19 / \$50.73	(4/1)
Equity-Income II	\$0.08 / \$23.07	(4/1)
Fidelity Fund	\$0.09 / \$29.14	(4/1)
Four-In-One Index	\$0.01 / \$24.73	(4/8)
Freedom Income	\$0.02 / \$11.17	(4/1)
Growth & Income	\$0.12 / \$36.89	(4/1)
Growth & Income II	\$0.02 / \$9.39	(4/1)
Puritan	\$0.10 / \$18.52	(4/1)
Select Air Transportation	\$0.04 / \$32.65	(4/15)
Select Banking	\$0.67 / \$35.78	(4/15)
Select Brokerage	\$0.02 / \$51.42	(4/15)
Select Business Services	\$0.34 / \$14.40	(4/15)
Select Chemicals	\$0.61 / \$63.73	(4/15)
Select Construction & Housing	\$0.39 / \$40.87	(4/15)
Select Cyclical Industries	\$0.37 / \$17.52	(4/15)
Select Defense & Aero	\$0.15 / \$66.60	(4/15)
Select Energy	\$0.72 / \$38.24	(4/8)
Select Financial Services	\$5.87 / \$101.90	(4/15)
Select Food & Agriculture	\$0.27 / \$50.83	(4/8)
Select Gold	\$1.44 / \$24.32	(4/8)
Select Health Care	\$0.04 / \$129.81	(4/8)
Select Home Finance	\$0.25 / \$54.09	(4/15)
Select Industrial Equipment	\$0.58 / \$24.68	(4/15)
Select Industrial Materials	\$0.49 / \$36.73	(4/15)
Select Leisure	\$1.30 / \$73.18	(4/8)
Select Insurance	\$0.31 / \$58.33	(4/15)
Select Medical Delivery	\$1.93 / \$47.03	(4/8)
Select Multimedia	\$0.01 / \$43.71	(4/8)
Select Natural Gas	\$2.24 / \$32.54	(4/8)
Select Natural Resources	\$0.29 / \$19.65	(4/8)
Select Paper & Forest Products	\$0.02 / \$31.05	(4/8)
Select Pharmaceuticals	\$0.005 / \$8.59	(4/8)
Select Retailing	\$1.89 / \$50.06	(4/8)
Select Telecommunications	\$0.07 / \$34.63	(4/8)
Select Transportation	\$0.30 / \$38.78	(4/15)
Select Utilities Growth	\$0.13 / \$40.65	(4/8)
Strategic Dividend & Income	\$0.055 / \$11.23	(4/8)
Spartan Extended Mkt Index	\$0.05 / \$30.74	(4/8)
Spartan International Index	\$0.15 / \$32.09	(4/8)
Spartan Total Mkt Index	\$0.09 / \$32.24	(4/8)
U.S. Bond Index	\$0.04 / \$10.93	(4/8)
Utilities	\$0.05 / \$13.60	(4/1)

Funds scheduled for May payouts (5/6) include: **Asset Manager Income**, all **Freedom** funds, **Magellan**, and **Real Estate Income**.

**Securities** trailed the others, declining 3.4% as credit spreads grew wider.

**BOND FUNDS**

Income Model holdings are listed on page 7. Our favorite in this group is **Ultra-Short Bond**.

Long-term interest rates moved lower, helping high-quality funds with long maturities to edge up. **Inflation-Protected Bond** gained 1.8%, whereas **Spartan Gov't Income** and **Gov't Income** both posted increases of 1.3%. High yield bonds were pulled down as the market considered the possibility of rising defaults. **High Income** was off 1.0%, and **Capital & Income** declined 1.2%. Municipal bond funds logged gains ranging from 0.7% to 1.9%.

**SELECT PORTFOLIOS**

Select System holdings are listed on page 7. Funds rated buy, as ranked by our volatility model, include **Utilities Growth**, **Energy**, **Chemicals**, **Medical Delivery**, **Banking**, **Telecommunications**, **Natural Gas**, **Defense**, and **Natural Resources**.

Health care stocks benefited due to their defensive nature. **Biotechnology** gained 5.9%, **Pharmaceuticals** increased 4.5%, and **Health Care** climbed 3.9%. The commodity groups dominated the bottom end. **Indust. Materials**, **Paper & Forest**, and **Chemicals** all lost 8.1%, and **Gold** was down 11.7%. ■

**Happenings**

**International Small Cap** will close to most new investors at the close of business on 5/5. The fund's managers have been struggling to keep up with new inflows. We continue to rate the fund a buy, but there's a possibility its performance could weaken in the coming months. If you establish a position before the deadline, consider going with a minimum amount – you can always add to it later. Unless the fund reopens at some point, we won't be including it in any of our model portfolios.

Fidelity appears to be moving to a multi-manager approach. New appointments announced last month include Brian Hanson, who has joined John McDowell at **Blue Chip Growth**, and a duo including Katherine Collins and Rich Thompson for running **Small Cap Stock** during Paul Antico's leave of absence. James Harmon, Lionel Harris, and Charles Myers are the new team leaders for **Small Cap Growth**. Charles Hebard has been given responsibility for **Financial Services** and **VIP Financial Services**, and Matthew Fruhan will take over **Large Cap Stock**. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser (55/FDRXX)	58025.3	2.51	CT MM (418/FCMXX)	1215.1	2.40			
Select MM (85/FSLXX)	644.6	2.52	MA MM (74/FDMXX)	3760.0	2.32	FL MM (428/FSFXX)	1571.9	2.39
Spart MM (454/SPRXX)	5552.2	2.55	MI MM (420/FMIXX)	615.4	2.34	Spart MA MM (426/FMSXX)	1018.4	2.53
Spart US Gov't (458/SPAXX)	503.3	2.43	NJ MM (417/FNJXX)	1491.6	2.33	Spart Municipal (460/FIMXX)	3450.9	2.60
Spart US Treas (415/FDLXX)	2081.5	2.32	NY MM (92/FNYXX)	3380.5	2.35	Spart NJ MM (423/FSJXX)	712.7	2.45
Tax-Free MM (275/FMOXX)	1329.0	2.46	OH MM (419/FOMXX)	744.0	2.32	Spart NY MM (422/FSNXX)	1207.2	2.47
US Gov't Reser (50/FGRXX)	2312.0	2.51	AZ MM (433/FSAXX)	175.6	2.38	PA MM (401/FPTXX)	352.1	2.38
CA MM (97/FCFXX)	3548.1	2.36	Spart CA MM (457/FSPXX)	1482.1	2.59	Municipal MM (10/FTEXX)	16502.4	2.37