

## Sector Update

It's been a tough year for picking the sectors. The strong rebound in technology earnings dwindled in the second quarter. The financial services group was rattled by the Fed's shift to an inflation-fighting stance, then by concerns about Fannie Mae, and most recently over insurance industry bidding practices. Health care stocks usually deliver steady performance in times of economic uncertainty, but not this year. The only big winner is the energy group, but even there the gains have come against a backdrop of uncertainty and rising volatility.

A summary of our latest ranking is shown on page 3. After a considerable shake-up over the last two quarters, a reasonably clear picture has emerged:

- **Technology** is down but not out. Most of the Selects in this group have declined in rank over the last six months. The increase in tech volatility stems from concerns that the global economic rebound might be derailed by either rising energy prices or inflation-fighting measures in China. But there are still some bright spots. **Software** remains highly ranked because its standard deviation has not surged as much as other tech groups.

- **Financial** groups still look good, but the impact of Fannie Mae's accounting woes and the bid-rigging

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## Select System, VIP Sector Portfolio Plan Trades

On Monday, 11/15, our Select System will sell **Health Care** (63/FSPHX) and buy **Utilities Growth** (65/FSUTX). The portfolio will also sell **Insurance** (45/FSPCX) and buy **Multimedia** (503/FBMPX). The approximate mix will be 16% **Energy**, 21% **Banking**, 19% **Utilities Growth**, 18% **Software**, 14% **Multimedia**, and 12% **Retailing**. Please see our sector update (above) for the logic behind these moves. Place your trades over the preceding weekend to obtain the Monday 10 a.m. price.

Also on 11/15, our VIP Sector Model will sell **VIP Health Care**, buying **VIP Telecom & Utilities**, and exchange one-half of **VIP Financial Services** into **VIP Consumer Industries**.

## Review & Recommendations

It was a mixed picture for earnings, and high energy prices continued to weigh on the global economy. Nevertheless, the mood of the market turned optimistic for several reasons. Some investors believe the Fed will slow its pace of tightening moves. Others are encouraged by signs that business spending is picking up. Finally, some of the money on the sidelines appears to be returning to stocks in a bid to take advantage of a year-end rally. The S&P 500 finished October with a 1.5% gain.

### GROWTH FUNDS

Growth Model holdings are listed on page 7. Our favorites, in increasing order of risk, include **Structured Large-Cap Value**, **Low-Priced Stock Value**, **Contrafund**, and **Export**.

Funds with a growth emphasis tended to lead the group. **Growth Company** rose 3.9%, **OTC Portfolio** and **Leveraged Company Stock** both rose 3.5%, and **Structured Mid Cap Growth** posted a 3.3% return. Laggards were **Structured Large Cap Value**, up 0.2%, and **Focused Stock**, off 0.1%.

### INTERNATIONAL FUNDS

**Spartan Int'l Index** offers broad-based foreign stock exposure. **Canada** offers a country-specific approach without excessive risk.

A weak dollar gave a short-term boost to regions with currencies that are allowed to float free relative to the greenback. **Canada**, up 5.8%, was the strongest performer. **Europe** posted a 5.5% increase. **Int'l Discovery** gained 3.9%. Emerging market funds tended to trail behind. Many regions are dollar-linked, and those that import oil are at risk for an economic slowdown. **Southeast Asia** rose 0.9%, and **China Region** edged up 0.6%.

### GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. Our current favorites include **Puritan** and **Balanced** for an all-weather approach, and **Equity-Income** for dividend stocks. **Real Estate** has been downgraded; consider cutting it to 5% of assets or moving to **Real Estate Income** to cut risk.

**Real Estate** gained 5.6%. This time around it may be the investors, rather than the builders, that

RECOMMENDATIONS - *Continued on page 8*

investigation at Marsh & McLennan have begun to weigh on the ranking positions for **Insurance** and **Financial Services**. That doesn't necessarily mean these funds won't perform well, but it does suggest that the risk of lagging the market has climbed in recent months. Volatility scores remain favorable for **Banking**, suggesting knowledgeable shareholders are not too worried about the group's ability to make money and increase dividends, even in a time of rising short-term interest rates.

- The consumer group is mixed, but the picture is brightening for companies in the discretionary spending category. **Multimedia**, which moved up in rank more than any other group over the last few months, has a much lower standard deviation than usual, suggesting that media stocks may be poised to outperform over the next year or two. **Retailing** continues to look strong, even though the industry in general is still a mixed bag. Things don't look as good for consumer staples. This group hasn't been able to pass along rising costs because competition is too intense – especially in foreign markets.

- Health care is no longer a reliable defensive play. A few months ago the group saw a boost as investors sought out stocks that wouldn't get hurt by an economic slowdown. But stocks of fast-growing firms – primarily biotechs and device makers – remain high-priced, and their volatility is rising. The less expensive groups – pharmaceuticals and medical providers – began to improve in rank over the summer but have recently slipped back. This might be due to election uncertainty, but more likely the market is worried that consumers may be playing a bigger role in cutting their medical costs.

- Utilities are finally on the mend. **Utilities Growth** rose to fifth place in our latest ranking, a significant move for a sector that isn't all that volatile even at normal standard deviation levels. After an extended net-loss period, the utility group appears to be returning to profitability faster than expected.

- Energy groups saw little change in rank. Our volatility model has never been able to predict the behavior of the commodity groups all that well, so earlier this year we opted to keep at least one of the six Select System holdings anchored to the energy group as a hedge against rising energy prices.

#### SELECT SYSTEM CHANGES

Over the last six months, we updated our volatility ranking frequently and allowed the Select System to trade more often to facilitate a reduction in risk.

We were successful from the standpoint of cutting volatility down to a manageable level, but some of the defensive sectors we bought were hit with negative surprises, knocking down their ranking positions. This month we are making two more changes to align with our latest numbers. Going forward, we anticipate returning to our usual six-month update period.

Both of our upcoming trades will put us in a solid position for 2005. **Utilities Growth**, which recently moved up in rank, will replace **Health Care**, which moved up late in the summer but plunged over the last two months. The other change will be to replace **Insurance**. This fund held up fine throughout the hurricane season, but tumbled on allegations of insurance company bid-rigging a few weeks ago. The high level of uncertainty in the industry dictates that we move on. If we were to follow our volatility ranking to the letter, we would adopt **Financial Services** in its place. However, **Financial Services** is somewhat vulnerable because of its own insurance exposure. As such, we'll be picking up **Multimedia**, a sector that's likely to be ranked ahead of **Financial Services** a few months down the road.

Both of these trades are aimed at putting the Select System in undervalued industry groups that have a good shot at outperforming the market in the year ahead. We're not thrilled with the idea of taking a short-term loss on **Insurance** and **Health Care**. Still, for those following the Select System in a non-retirement account, these moves offer some consolation as they could help out on the tax side.

As outlined in our last update, we'll continue to anchor one of the Select System's six positions in the energy group. **Energy**, despite being ranked lower than other holdings in our volatility chart, is still a solid bet from a fundamental standpoint.

#### RECOMMENDATIONS

Our volatility model provides a baseline, but we always try to understand the fundamental factors that affect sector volatility. Sometimes we'll discover an underlying trend that has turned favorable, as is the case for **Utilities Growth** and **Multimedia**. Other times a lower-than-usual standard deviation can be explained by a fund manager who is trying hard to find the best possible values. That may be the situation for **Banking**, **Software**, and **Retailing**. Either way, the chances of outperforming the market are better than usual, a fact we confirmed long ago in our backtest simulations. But we also know from our studies that the behavior of commodity groups doesn't fit the volatility profile as well as others.

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Normally we exclude most of them from the selection pool. However, our long-term outlook for the energy group is bullish enough that we are recommending **Energy** and **Natural Resources** despite their low ranks. Following is a recap of all the sectors we like.

**Banking** has held up well despite a big drop in mortgage financing. Much of today's banking profits come from fee-based sources that aren't hurt all that much by rising interest rates. Furthermore, business lending appears to be picking up despite the overhang of high energy prices. The banking sector is one of the least expensive industry groups around, and is well-positioned to raise dividends or buy back stock.

**Banking** lands in the large-cap value stylebox, and has volatility that's comparable to the S&P 500 index.

**Energy** stocks have moved up substantially, and may pull back if winter weather is mild. But in the long run this group still has room to run. After two decades of operating with considerable slack in the system, global oil demand has now caught up with production capacity – the result of a rebound in global economic activity and China's increasing reliance on motor vehicles. Most industry analysts still believe the current imbalance will eventually be resolved as new sources of supply are brought on line, but it may not be that easy. The biggest oil deposits in the West were discovered six decades ago, and most of these fields are now in a state of declining production. OPEC controls most of the world's undeveloped reserves, but short of a global recession it may not be able to keep up with demand from here on out. Investment returns on exploration projects would normally rise in times like this, but it's not happening because most of the easy oil has already been found. What's next? Over the next two decades, the major oil companies will probably earn record profits as they produce as much oil as they can from existing reserves and lay the groundwork for natural gas to pick up where oil leaves off. It's telling that the energy sector is only 7% of market capitalization. Twenty-five years ago it was more like 30%. **Energy** falls in the large-cap value segment, and is about 50% more volatile than the S&P 500.

**Multimedia** has been losing ground most of this year, but the stage is set for a turnaround. The sector is driven mainly by advertising revenues, and there's reason to be optimistic. Corporate America is flush with cash, yet struggling to generate revenue growth. So far, increasing the advertising budget hasn't been a big push for most companies, but it's about the only thing left that can drive market share growth. Most of **Multimedia**'s portfolio consists of cable

companies, broadcasters, and newspapers. But 15-20% of its holdings are tied to Web advertisers. Internet advertising has become mature enough that traditional companies are beginning to embrace it. Yahoo, at around 8% of the portfolio, is the main play in this group. Overall, **Multimedia** is around 35% more volatile than the S&P 500 index, and falls in the large-cap growth category.

**Natural Resources** holds most of the major oil companies, just like **Energy**, but it includes some exposure to energy service companies and keeps about 20-25% of assets in the industrial materials group. The latter includes Newmont mining – a gold stock – although total gold exposure appears to be less than 10%. The fund's stake in commodities could benefit if the dollar comes under renewed pressure, or if inflation heats up. It also adds a small amount of diversification to what would otherwise be a pure play on energy. **Natural Resources** falls in the large-cap blend category, and is about 35% more volatile than the S&P 500.

**Retailing** remains somewhat on the defensive side, with more than half of its portfolio in food retailers and restaurants. But it also has about a third of its assets in specialty retailers – mostly the so-called big-box chains – which are well-positioned to grow even if consumer spending slows down. There's some risk that earnings could be hurt by rising costs in this group, but as long as the economy manages to grow slowly these companies should stay on track with market share growth. **Retailing** is in the large-cap blend stylebox, and is currently about 15% more volatile than the S&P 500.

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#### VOLATILITY AS % OF HISTORICAL

<b>Banking</b>	42%	Cyclical Industries	64%
<b>Software</b>	45%	<b>Medical Equip</b>	65%
<b>Utilities Growth</b>	49%	Pharmaceuticals	66%
<b>Financial Ser</b>	49%	Air Transport	66%
<b>Retailing</b>	50%	Developing Com	67%
<b>Technology</b>	51%	<b>Energy</b>	67%
<b>Multimedia</b>	52%	Consumer Ind	67%
<b>Biotechnology</b>	52%	Defense	68%
<b>Telecom</b>	53%	Chemicals	68%
<b>Insurance</b>	54%	Transportation	70%
<b>Computers</b>	55%	Paper & Forest	70%
<b>Electronics</b>	55%	<b>Nat Resources</b>	70%
<b>Leisure</b>	55%	Environmental	72%
<b>Brokerage</b>	56%	Const & Housing	73%
<b>Home Finance</b>	56%	Medical Delivery	73%
<b>Health Care</b>	57%	Automotive	74%
Food & Ag	60%	<b>Natural Gas</b>	89%
Energy Services	60%	Industrial Mtls	90%
Indust Equipment	62%	Gold	111%

#### 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 ↓.

OCTOBER PERFORMANCE						2004	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
Aggressive Gth (324/FDEGX)	H***	1.48	1.5(90)	15.33	4869.3	2.7	1.6	4.4	7.1	-3.7	-16.3	5.3
Blue Chip Gth (312/FBGRX)	H***	1.06	none	39.35	22106.4	-0.5	1.4	1.9	4.3	0.2	-4.9	7.7
Blue Chip Value (1271/FBCVX)	H***	1.07	none	11.56	79.5	4.8	1.0	3.8	12.9			
Capital Apprec (307/FDCAX)	H***	1.32	none	25.05	5399.2	2.2	1.8	5.1	6.6	10.5	3.0	10.5
Contrafund (22/FCNTX)	B****	1.05	none	52.52	39454.2	6.4	0.9	4.9	11.3	9.2	2.6	12.5
Discovery (339/FDSVX)	S**	0.81	none	10.51	529.8	2.1	1.2	3.8	8.9	3.0	1.4	
Disc Equity (315/FDEQX)	H***	1.07	none	23.41	4374.3	2.9	1.4	3.6	8.0	4.7	-0.7	9.9
Dividend Gth (330/FDGFY)	H***	1.01	none	26.83	18563.7	-1.3	1.4	1.4	5.2	2.1	1.4	13.2
Export Fund (332/FEPPX)	B****↓	1.16	0.75(30)	18.36	1330.5	4.1	0.7	3.8	11.8	7.1	7.0	15.9
Fidelity Fifty (500/FFTYX)	H***	1.31	0.75(30)	18.94	842.8	-1.8	1.6	3.0	1.4	6.2	2.8	11.8
Growth Company (25/FDGRX)	H***	1.54	none	51.36	22432.6	2.6	3.9	6.3	4.5	2.6	-1.7	11.2
Large-Cap Stock (338/FLCSX)	H***	1.10	none	13.68	688.1	-1.2	1.8	2.0	4.1	0.6	-5.3	
Lev Co Stock (122/FLVXX)	H***	1.50	1.5(90)	20.42	1468.9	11.3	3.5	6.6	24.1	35.6		
Low-Priced Stock (316/FLPSX)	B****	0.98	Closed	36.30	31372.1	8.9	1.4	5.3	16.2	17.2	18.3	16.2
Magellan (21/FMAGX)	H***	1.02	Closed	98.41	61894.9	0.9	1.5	2.7	6.7	1.5	-3.4	9.0
Mid Cap Stock (337/FMCSX)	H***	1.34	0.75(30)	21.54	8204.6	0.0	1.9	5.2	3.8	2.6	6.4	13.3
New Millennium (300/FMILX)	H***	1.57	Closed	28.85	3334.9	-5.1	0.7	3.1	-2.0	6.6	3.1	17.0
OTC Portfolio (93/FOCPX)	S**	1.67	none	31.66	7266.2	-2.5	3.5	4.0	0.6	5.2	-5.6	9.6
Independence (73/FDFFX)	H***	1.30	none	16.32	4337.0	1.6	1.2	3.9	6.0	4.9	0.7	9.3
Small Cap Indep (336/FDSCX)	H***	1.20	1.5(90)	18.30	937.1	2.0	0.5	2.5	8.5	6.9	6.8	8.7
Small Cap Stock (340/FSLCX)	H***	1.30	2(90)	17.08	3565.3	4.3	2.0	2.5	13.4	13.6	13.2	
Stock Selector (320/FDSSX)	H***	1.04	none	21.41	787.6	2.0	1.7	2.8	7.9	3.6	-1.8	9.0
Strc Lg Cap Gth (763/FSLGX)	H***	1.27	0.75(30)	9.25	36.8	2.5	2.4	4.2	7.9			
Strc Lg Cap Val (708/FSLVX)	B****	0.96	0.75(30)	11.34	79.4	7.8	0.2	3.4	15.7			
Strc Mid Cap Gth (793/FSMGX)	H***	1.45	0.75(30)	10.81	60.1	4.7	3.3	6.9	9.0			
Strc Mid Cap Val (762/FSMVX)	B****↑	1.04	0.75(30)	13.30	89.8	10.1	1.8	6.5	17.0			
Focused Stock (333/FTQGX)	H***	1.27	0.75(30)	9.14	37.7	4.2	-0.1	3.3	10.5	-4.6	-5.7	
Trend (5/FTRNX)	H***	1.02	none	50.31	823.8	2.7	1.3	2.9	8.5	4.3	0.0	6.1
Value (39/FDVLX)	B****	1.11	none	68.71	8636.0	10.7	1.7	5.5	19.2	14.6	11.2	12.0
Value Discovery (832/FVDFX)	H***	1.25	none	12.64	60.7	5.5	2.0	4.2	13.0			
Value Strategies (14/FSLSX)	H***	1.2 Est	none	32.97	176.9	0.5	1.9	3.3	4.1	13.0	10.1	
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B****	0.84	none	16.71	11155.6	3.6	1.3	4.0	9.1	8.6	6.1	10.1
Convertible Sec (308/FCVXX)	H***	0.86	none	20.28	1751.7	3.0	1.2	4.0	8.2	8.7	8.8	12.1
Equity-Income (23/FEQIX)	B****	0.99	none	50.20	24023.9	3.1	1.2	2.4	12.0	6.5	2.7	10.7
Equity-Income II (319/FEQTX)	H***	1.03	none	22.88	12049.9	2.1	1.5	3.1	8.3	7.7	2.9	10.4
Fidelity Fund (3/FFIDX)	H***	0.99	none	28.22	10165.5	1.1	0.7	1.7	7.6	2.8	-1.8	10.2
Growth & Income (27/FGRIX)	B****	0.88	none	36.12	30021.6	2.6	0.9	2.6	8.1	2.0	-1.3	10.0
Growth & Inc II (361/FGRTX)	B****↑	0.91	none	9.23	197.9	0.0	1.3	2.6	3.2	3.2	-1.7	
Puritan (4/FPURX)	B****	0.67	none	18.24	22430.6	3.7	1.1	2.7	10.5	6.8	4.8	9.5
Real Estate Inc (833/FRIFX)	H***	0.26	0.75(90)	11.73	521.6	8.7	1.0	4.9	11.9			
Real Estate (303/FRESX)	S**↓	1.39	0.75(90)	27.44	3509.0	21.5	5.6	13.8	30.0	22.8	21.0	14.5
Strategic Div & Inc (1329/FSDIX)	B****	0.7 Est	none	10.68	380.2	6.9	1.5	5.0				
Utilities (311/FUIUX)	B****	1.05	none	12.64	844.5	12.0	3.9	8.2	16.7	2.1	-6.3	7.4
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H***	1.51	0.75(30)	31.66	34.8	6.9	3.6	5.5	5.5	8.0	6.3	13.5
Automotive (502/FAVXX)	S**	1.43	0.75(30)	31.33	17.1	-3.6	1.4	0.5	3.9	14.9	8.0	7.2
Banking (507/FSRBX)	B****	1.01	0.75(30)	41.40	482.3	6.3	3.0	6.7	10.9	13.1	6.4	15.4
Biotechnology (42/FBIOX)	H***	2.03	0.75(30)	53.36	1881.6	3.7	-2.7	2.5	8.7	-4.9	1.8	12.7
Brokerage (68/FSLBX)	H***	1.56	0.75(30)	49.93	363.5	0.6	4.2	10.8	3.9	9.6	7.7	17.3
Business Ser (353/FBSOX)	H***	1.18	0.75(30)	14.95	40.5	4.3	2.0	6.1	10.8	4.7	3.8	
Chemicals (69/FSCHX)	H***	1.47	0.75(30)	60.30	98.5	16.5	0.2	10.8	32.8	18.3	12.5	10.4
Computers (7/FDCPX)	H***	2.28	0.75(30)	32.11	660.6	-10.5	8.0	4.4	-10.4	-0.6	-10.7	11.9
Const & Housing (511/FSHOX)	S**↓	1.53	0.75(30)	38.51	123.0	10.9	-1.2	8.0	15.9	20.9	14.6	14.3
Consumer Indust (517/FSCPX)	H***	1.09	0.75(30)	22.55	33.7	-0.1	3.9	5.1	3.0	4.0	-0.5	9.5
Cyclical Indust (515/FCYIX)	H***	1.24	0.75(30)	17.76	43.9	12.3	1.0	6.2	24.5	12.6	8.1	
Defense & Aero (67/FSDAX)	H***	1.25	0.75(30)	60.15	402.9	9.8	-1.0	2.7	20.7	15.2	13.1	16.2
Develop Commn (518/FSDCX)	H***	2.55	0.75(30)	17.47	566.9	5.3	9.0	10.2	6.2	-0.3	-9.5	8.4
Electronics (8/FSELX)	H***	2.57	0.75(30)	35.15	2729.2	-16.1	6.9	2.1	-13.3	-5.4	-8.3	15.5
Energy (60/FSENX)	B****	1.49	0.75(30)	31.21	577.2	24.7	0.8	7.0	41.5	12.0	10.0	11.3
Energy Services (43/FSESX)	H***	2.17	0.75(30)	40.45	573.1	28.0	-0.9	7.4	40.7	15.2	13.7	15.0
Environmental (516/FSLEX)	H***	1.27	0.75(30)	12.88	11.2	-3.2	0.0	1.4	1.6	5.7	5.6	2.7
Financial Services (66/FIDSX)	H***↓	1.06	0.75(30)	116.74	504.9	3.0	1.2	4.0	8.1	9.2	5.3	15.4
Food & Agriculture (9/FDFAX)	H***	0.80	0.75(30)	45.71	111.8	3.8	2.4	0.3	8.8	4.4	5.9	10.0
Gold (41/FSAGX)	H***	2.64	0.75(30)	27.39	707.7	-8.2	2.6	20.0	-2.3	29.2	15.2	4.0
Health Care (63/FSPHX)	H***↓	1.14	0.75(30)	117.58	1986.7	-0.3	-2.5	0.3	6.8	-1.1	2.1	13.1
Home Finance (98/FSVLX)	H***	1.14	0.75(30)	66.87	415.7	6.1	-0.8	3.0	11.7	15.5	12.8	16.4
Indust Equip (510/FSCGX)	H***	1.39	0.75(30)	24.58	41.5	1.7	0.7	0.8	15.5	8.8	2.8	10.0
Indust Materials (509/FSDPX)	H***	1.70	0.75(30)	36.38	116.6	3.3	-1.4	8.2	17.7	21.1	11.1	7.8
Insurance (45/FSPCX)	H***↓	1.12	0.75(30)	55.78	202.4	1.6	-2.9	-1.4	8.1	9.8	11.3	17.0
Leisure (62/FDLSX)	H***	1.21	0.75(30)	72.43	186.8	6.8	3.2	7.2	13.1	11.8	1.1	12.9
Medical Delivery (505/FSHCX)	S**↓	1.58	0.75(30)	34.98	161.4	13.5	1.3	5.9	29.1	11.4	18.6	9.1
Medical Equip/Sys (354/FSMEX)	H***	1.16	0.75(30)	21.42	774.3	7.5	-1.5	2.3	13.9	13.0	18.0	
Multimedia (503/FBMPX)	B****↑	1.35	0.75(30)	42.47	102.9	-3.7	5.6	7.2	2.1	11.8	1.1	12.2
Natural Gas (513/FSNGX)	H***	1.85	0.75(30)	28.21	456.5	30.7	-0.3	8.6	49.3	15.4	14.4	12.4
Nat Resources (514/FNARX)	B****	1.44	0.75(30)	16.91	144.0	18.2	0.1	7.1	34.7	12.3	10.8	
Networking/Infra (912/FNINX)	H***	2.56	0.75(30)	2.09	118.1	-10.7	8.3	6.1	-11.1	-5.8		
Paper & Forest (506/FSFPX)	H***	1.53	0.75(30)	30.44	24.6	-1.5	-4.7	-2.2	10.3	8.4	6.1	7.7
Pharmaceuticals (580/FPHAX)	H***	1.31	0.75(30)	8.14	74.9	-7.1	-2.3	-1.2	-0.6	-5.5		
Retailing (46/FSRPX)	B****	1.13	0.75(30)	48.53	111.7	8.4	3.2	5.0	9.5	10.0	1.4	10.8
Software (28/FSCSX)	B****↑	1.72	0.75(30)	48.27	681.1	-2.0	8.8	9.7	2.5	7.1	1.9	15.9
Technology (64/FSPTX)	H***	2.14	0.75(30)	55.02	1940.5	-8.4	7.3	3.6	-7.7	1.2	-9.5	12.0
Telecom (96/FSTCX)	H***	1.61	0.75(30)	34.60	348.5	8.1	3.2	4.8	15.2	0.9	-11.9	5.3
Transportation (512/FSRFY)	H***	1.46	0.75(30)	39.42	50.6	16.5	7.9	13.7	18.6	16.8	10.9	12.8
Utilities Growth (65/FSUTX)	B****	1.04	0.75(30)	38.32	237.6	16.8	4.8	10.2	22.2	3.1	-6.2	9.0
Wireless (963/FWRX)	H***	1.89	0.75(30)	5.44	331.2	33.0	6.3	12.4	39.5	2.1		

OCTOBER PERFORMANCE							Div.	2004	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate	
Aggressive Int'l (335/FIVFX)	H***	1.34	1 (30)	15.20	674.3		-0.1	3.2	8.0	6.6	12.6	0.5	
Canada (309/FICDX)	B****	1.30	1.5(90)	31.87	333.6		16.4	5.8	14.2	27.4	23.1	16.3	
Diversified Int'l (325/FDIVX)	B****	1.14	Closed	26.07	18743.4		8.1	2.9	7.4	18.1	13.8	6.7	
Emerging Mkts (322/FEMKX)	H***	1.62	1.5(90)	11.30	578.0		6.5	2.6	14.0	16.5	21.0	4.4	
Europe (301/FIEUX)	B****	1.37	1 (30)	30.41	1701.2		14.2	5.5	13.5	26.2	11.3	2.2	
Europe Cap Appr (341/FECAX)	H***	1.22	1 (30)	19.63	397.7		5.0	3.8	7.9	15.1	9.7	3.5	
China Region (352/FHKCX)	H***	1.56	1.5(90)	15.87	297.6		2.2	0.6	8.0	6.6	13.8	4.2	
Global Balanced (334/FGBLX)	H***	0.86	1 (30)	19.69	135.4		4.3	2.7	4.9	10.9	9.8	4.0	
Int'l Discovery (305/FIGRX)	H***↓	1.25	1 (30)	25.31	2116.1		5.8	3.9	6.7	16.6	13.3	3.7	
Int'l Real Estate (1368/FIREX)	H***	1.3 Est	1.5(90)	10.27				2.9					
Int'l Small Cap (818/FISMX)	H***	1.33	2 (90)	21.35	1054.0		14.4	3.7	8.5	22.8			
Japan (350/FJPNX)	H***	2.25	1.5(90)	11.63	635.5		0.8	1.4	-0.4	4.1	6.4	-7.2	
Japan Smaller Co (360/FJSCX)	H***	2.25	1.5(90)	11.58	1312.3		12.0	1.6	-1.3	12.1	18.5	-3.0	
Latin America (349/FLATX)	H***	2.10	1.5(90)	18.10	325.8		18.9	3.1	15.7	37.5	22.6	9.6	
Nordic (342/FNORX)	H***	1.44	1.5(90)	24.44	109.7		16.4	2.5	12.5	26.3	12.9	2.6	
Overseas (94/FOSFX)	H***	1.31	1 (30)	32.21	4052.5		2.5	3.1	6.6	11.4	7.9	-1.4	
Pacific Basin (302/FPBFX)	H***	1.67	1.5(90)	17.91	441.2		2.2	2.2	3.5	6.0	11.4	-2.7	
Southeast Asia (351/FSEAX)	H***	1.91	1.5(90)	14.87	460.0		2.0	0.9	11.7	9.3	18.6	4.6	
Worldwide (318/FWWFX)	H***	1.08	1 (30)	16.72	1044.7		2.1	2.1	4.4	9.8	7.7	2.6	
<b>INDEX AND ASSET ALLOCATION:</b>													
Four-In-One Index (355/FFNOX)	H***	0.87	0.5(90)	23.76	668.6		4.4	1.8	4.1	10.6	6.4	0.4	
NASDAQ Comp (1282/FNCMX)	S**	1.60	0.75(90)	27.12	88.2		-1.3	4.1	4.8	2.2			
Spart Ext Mkt Idx (398/FSEMXX)	H***	1.27	0.75(90)	28.87	1019.1		5.7	1.9	5.9	11.7	12.1	2.8	
Spart Int'l Index (399/FSIIX)	B****↑	1.22	1(90)	29.34	650.3		8.0	3.6	7.0	19.0	9.2	-1.1	
Spart 500 Index (317/FSMKX)	H***	1.00	0.5(90)	78.50	10552.5		2.9	1.5	3.0	9.3	3.8	-2.3	
Spart Total Mkt Idx (397/FSTMXX)	B****	1.04	0.5(90)	30.88	2383.1		3.4	1.6	3.6	9.6	5.6	-1.1	
Asset Manager (314/FASMX)	H***	0.57	none	15.68	11012.3		1.0	1.2	2.1	5.2	4.6	3.0	
Asset Mgr Agg (347/FAMRX)	H***	1.15	none	10.47	352.3		2.2	1.7	4.6	6.2	2.6	2.0	
Asset Mgr Gth (321/FASGX)	H***	0.78	none	14.30	3602.2		0.1	1.4	2.2	5.5	4.1	0.1	
Asset Mgr Inc (328/FASIX)	B****	0.38	none	12.37	1402.9		3.2	1.2	2.9	4.6	6.1	4.8	
Freedom 2000 (370/FFFBX)	B*****	0.31	none	12.01	1566.9		2.2	0.8	2.1	4.1	3.7	3.8	
Freedom 2005 (1312/FFVFX)	B*****	0.50	none	10.52	86.2		2.8	1.3	3.0				
Freedom 2010 (371/FFFCX)	B*****	0.52	none	13.31	7687.3		2.9	1.3	3.2	6.3	5.1	3.3	
Freedom 2015 (1313/FFVFX)	B*****	0.65	none	10.61	312.4		3.0	1.5	3.6				
Freedom 2020 (372/FFFDX)	B*****	0.76	none	13.33	8106.9		3.0	1.7	3.8	7.7	5.6	1.8	
Freedom 2025 (1314/FFTWX)	B*****	0.84	none	10.67	185.5		2.9	1.8	3.9				
Freedom 2030 (373/FFEX)	B*****	0.89	none	13.29	4733.3		2.9	1.8	4.0	8.3	5.4	0.7	
Freedom 2035 (1315/FFTHX)	B*****	0.91	none	10.73	89.8		3.0	1.9	4.2				
Freedom 2040 (718/FFFX)	B*****	0.96	none	7.74	1525.5		2.9	2.0	4.2	8.6	5.5		
Freedom Income (369/FFFA)	B*****	0.27	none	11.17	1830.4		2.1	0.7	1.9	3.6	3.3	4.1	
<b>TAXABLE BOND FUNDS:</b>													
Capital & Income (38/FAGIX)	H***	0.32	1(90)	8.23	4436.7	6.01	7.7	2.4	6.6	12.0	15.6	5.6	
Floating Rate (814/FFRHX)	B****	0.06	1(60)	9.96	1889.3	3.39	3.5	0.6	1.2	4.2			
Focused High Inc (1366/FHIFX)	B****	0.2 Est	1(90)	10.18		4.94		1.5					
GNMA Portfolio (15/FGMNX)	H***	0.27	none	11.13	4034.6	3.99	3.9	0.7	2.2	4.7	4.5	6.4	
Gov't Income (54/FGOVX)	H***	0.39	none	10.33	4298.7	2.83	3.6	0.7	2.7	4.7	4.4	7.0	
Intermed Bond (32/FTHRX)	H***	0.31	none	10.61	7031.4	3.47	3.3	0.7	2.5	4.5	5.3	7.2	
Intermed Gov't Inc (452/FSTGX)	H***	0.30	none	10.33	968.7	3.01	2.8	0.6	2.2	3.6	4.2	6.6	
Invest Grade Bond (26/FBNDX)	H***	0.37	none	7.61	6030.8	3.44	4.3	0.8	3.0	5.5	5.5	7.4	
Mortgage Securities (40/FMSFX)	H***	0.27	none	11.35	1459.4	3.32	4.2	0.8	2.5	5.3	5.1	7.1	
New Markets Inc (331/FNMIX)	H***	0.70	1(90)	14.13	916.2	6.21	8.0	2.0	8.2	13.9	18.5	16.7	
Short-Term Bond (450/FSHBX)	B****	0.17	none	9.04	5071.6	2.62	2.0	0.4	1.3	2.9	3.8	5.6	
Spart Gov't Inc (453/SPGVX)	H***	0.39	none	11.12	840.5	3.34	3.8	0.6	2.8	5.0	4.8	7.3	
High Income (455/SPHIX)	B****	0.23	1(90)	9.03	2931.8	6.34	6.6	2.2	4.9	10.6	12.8	2.8	
Spart Invest Grade (448/FSIBX)	H***	0.36	none	10.88	2414.9	3.72	4.7	1.0	3.3	6.1	5.8	7.7	
Strategic Income (368/FSICX)	H***	0.34	none	10.68	2635.7	5.09	6.2	2.1	6.0	10.1	11.3	9.4	
Inflation-Protected (794/FINPX)	H***	0.57	none	11.50	1178.2	1.34	6.8	1.1	4.0	7.8			
Total Bond (820/FTBFX)	H***	0.35	none	10.71	333.7	3.84	4.9	1.1	3.5	6.3			
Ultra-Short Bond (812/FUSFX)	B****	0.06	0.25(60)	10.06	638.1	1.92	1.2	0.3	0.5	1.6			
US Bond Index (651/FBIDX)	H***	0.37	none	11.23	5116.2	3.70	4.2	0.8	3.1	5.7	5.7		
<b>MUNICIPAL BOND FUNDS:</b>													
Spart AZ Muni Inc (434/FAZXX)	H***	0.31	0.5(30)	11.59	79.1	3.73	3.5	0.8	3.5	5.6	5.4	6.9	
Spart CA Muni Inc (91/FCTFX)	H***	0.30	0.5(30)	12.62	1437.5	4.17	4.4	1.0	3.8	6.4	5.2	7.0	
Spart CT Muni Inc (407/FICNX)	H***	0.32	0.5(30)	11.85	428.3	4.10	3.3	0.8	3.2	5.3	5.3	6.8	
Spart FL Muni Inc (427/FFLIX)	H***	0.31	0.5(30)	11.80	496.2	4.07	4.1	0.9	3.6	6.2	5.4	6.9	
Spart Intermediate (36/FLTMX)	H***	0.26	0.5(30)	10.23	1772.7	3.86	3.6	0.7	3.0	5.2	5.4	6.6	
Spart MA Muni Inc (70/FDMMX)	H***	0.29	0.5(30)	12.31	1747.5	4.30	4.2	0.9	3.7	6.2	5.6	7.1	
Spart MD Muni Inc (429/SMDMX)	H***	0.29	0.5(30)	11.10	100.6	3.90	3.8	0.9	3.4	5.6	5.1	6.7	
Spart MI Muni Inc (81/FMHTX)	H***	0.30	0.5(30)	12.25	557.1	4.04	3.7	0.8	3.3	5.5	5.7	7.0	
Spart MN Muni Inc (82/FMIX)	H***	0.26	0.5(30)	11.69	348.5	4.02	3.6	0.9	3.1	5.3	5.2	6.5	
Spart Municipal Inc (37/FHIGX)	H***	0.30	0.5(30)	13.23	4612.2	4.39	4.2	0.9	3.8	6.4	6.0	7.5	
Spart NJ Muni Inc (416/FNJHX)	H***	0.30	0.5(30)	11.86	532.1	4.10	3.7	1.0	3.7	6.0	5.5	6.9	
Spart NY Muni Inc (71/FTFMX)	H***	0.30	0.5(30)	13.26	1353.6	4.10	4.1	0.9	3.6	6.2	6.1	7.6	
Spart OH Muni Inc (88/FOHFX)	H***	0.31	0.5(30)	12.15	420.5	4.17	4.2	1.0	3.9	6.4	5.8	7.2	
Spart PA Muni Inc (402/FPXTX)	H***	0.29	0.5(30)	11.09	289.0	4.25	3.9	0.9	3.4	5.8	5.3	6.9	
Spart Short-Int Muni (404/FSTFX)	B****	0.16	0.5(30)	10.44	1805.1	2.60	1.8	0.3	1.5	2.3	3.5	4.7	
Spart Tax-Free Bond (90/FTABX)	H***	0.33	0.5(30)	10.85	235.9	4.05	4.4	1.0	4.0	6.8	6.2		

OCTOBER PERFORMANCE				2004	One	Three	One	3-Yr	5-Yr	10-Yr
Indexes	Risk	Value	YTD	Month	Month	Year	Rate	Rate	Rate	
Dow Jones Industrial	0.97	10027.47	-2.4	-0.4	-0.6	4.4	5.6	0.6	12.0	
S&P 500	1.00	1130.20	3.1	1.5	3.0	9.4	3.9	-2.2	11.0	
NASDAQ	1.59	1974.99	-1.0	4.2	4.8	2.7	5.8	-7.5	10.3	
Russell 2000	1.67	583.79	5.7	2.0	6.2	11.7	12.3	7.7	10.1	

OCTOBER PERFORMANCE			2004	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	1130.20	3.1	1.5	3.0	9.4	3.9	-2.2	11.0
Fidelity Monitor Income Model	0.10	77177.65	3.3	0.8	1.8	4.9	5.2	4.7	6.3
Fidelity Monitor G&I Model	0.71	134988.18	4.0	1.3	3.8	9.6	11.7	7.4	10.5
Fidelity Monitor Growth Model	1.20	141411.04	2.8	1.1	3.2	10.2	11.3	4.7	10.4
Fidelity Monitor Select System	1.34	257726.82	0.6	1.6	4.3	3.3	10.6	2.7	11.8
Fidelity Monitor Unique Opportunities	1.04	83721.59	10.5	2.0	5.0	18.3	20.4	6.0	

## UNIQUE OPPORTUNITIES MODEL

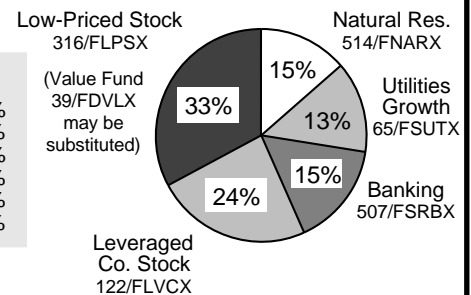
This model aims for a long-term growth rate of 12% per year by emphasizing value and foreign opportunities.

FUND	NAV	SHARES	BALANCE
Natural Resources	\$16.91	717.284	\$12129.27
Utilities Growth	\$38.32	285.591	\$10943.85
Banking	\$41.40	313.473	\$12977.78
Leveraged Co.	\$20.42	973.411	\$19877.05
Low-Priced Stock	\$36.30	765.665	\$27793.64

17% Foreign Holdings  
**Balance as of 10/29/04: \$83721.59**  
**Balance at start of 2004: \$75768.12**

### PERFORMANCE

Partial Yr 99: +33.8%  
 2000: -20.5%  
 2001: +1.6%  
 2002: -2.1%  
 2003: +43.2%  
 \*2004: +10.5%



Our model gained 2.0% for the month of October. On 10/11 we sold **Food & Ag** (\$44.62) and bought **Utilities Growth** (\$37.54). Approximate asset mix is 95% stock, 5% 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 (+1.4% YTD)	Portfolio B (+2.8% YTD)	Portfolio C (+2.4% YTD)	Portfolio D (+2.4% YTD)
35% Contrafund, 23% Value, 42% Equity-Income	63% Growth & Income, 37% Contrafund	100% Equity-Income	100% Equity-Income

For October, Portfolio A was up 1.2%, Portfolio B gained 0.9%, and Portfolios C and D both rose 1.2%.

## 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 11/15)	VIP GROWTH:	VIP G&I MODEL:	VIP INCOME:
15% Tech, 17% Fin Ser, 17% Telecom & Util, 20% Natural Res, 31% Cons. Ind.	57% Equity-Income, 43% Contrafund	54% Asset Mgr, 31% Equity-Inc, 15% Investment Grade Bond.	70% Inv. Grade, 30% High Income.

OCTOBER VIP PERFORMANCE Portfolio	Rating	Unit Value	2004 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Asset Manager	B ***	30.08	0.4	1.1	2.0	4.5	3.9	0.3
VIP Asset Manager: Growth	H ***	19.46	-0.6	1.4	2.0	4.7	3.3	-2.7
VIP Balanced	H ***	14.36	1.0	1.1	2.6	3.7	4.0	0.2
VIP Contrafund	B ***	31.87	6.0	0.8	4.8	10.7	8.7	2.1
VIP Dynamic Capital Appreciation	H ***	10.19	-7.7	2.2	2.7	-3.5		
VIP Equity-Income	B *****	50.98	2.6	1.1	2.3	11.2	5.9	2.0
VIP Growth	H ***	51.21	-3.7	1.7	1.9	-0.2	-1.0	-5.9
VIP Growth & Income	B ***	15.45	-0.4	1.3	2.4	2.7	2.8	-2.1
VIP Growth Opportunities	B ****	11.18	-0.8	1.6	2.8	4.5	2.3	-6.7
VIP High Income	H ***	27.29	5.9	1.8	4.7	9.6	12.1	-0.7
VIP Index 500	H ***	29.76	2.2	1.5	2.8	8.3	2.9	-3.2
VIP Investment Grade Bond	H ***	27.90	3.5	0.9	2.9	4.9	5.1	6.9
VIP Mid Cap	B ****	14.62	10.4	0.8	6.8	18.3	12.9	
VIP Overseas	H ***	26.76	1.9	3.1	6.4	10.6	6.4	-3.0
VIP Real Estate	H ***	13.26	20.6	5.5	13.5	28.7		
VIP Strategic Income	H ***	10.59		2.1				
VIP Value Strategies	H ***	11.31	-0.6	2.0	2.9	2.4		
VIP Consumer Industries	B ****	10.01	-0.6	3.9	5.0	2.3	3.8	
VIP Cyclical Industries	H ***	12.40	12.1	1.0	5.9	24.1	12.3	
VIP Financial Services	B ****	11.39	2.7	1.1	3.9	7.4	8.7	
VIP Health Care	H ****↓	9.55	-0.9	-2.7	-0.1	6.1	-1.3	
VIP Natural Resources	B ****	12.55	17.8	0.1	7.0	34.0	11.9	
VIP Technology	H ***	8.40	-8.9	7.3	3.6	-8.3	0.2	
VIP Telecom & Utilities	B ****↑	8.79	16.3	4.5	9.7	22.1	2.7	
Fidelity Monitor VIP Sector Model		12984.56	-1.0	1.5	3.5	-0.6		
Fidelity Monitor VIP Growth Model		27873.20	-0.9	1.0	2.7	4.4	3.9	-2.6
Fidelity Monitor VIP G&I Model		20641.29	1.5	1.1	2.2	6.8	5.4	1.1
Fidelity Monitor VIP Income Model		18205.39	4.2	1.1	3.4	6.3	6.7	4.6

## INCOME MODEL

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

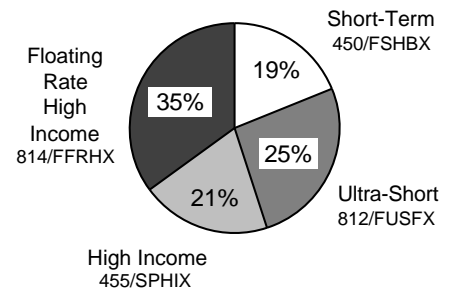
FUND	NAV	SHARES	BALANCE
Short-Term Bond	\$9.04	1607.431	\$14531.18
Ultra-Short Bond	\$10.06	1957.565	\$19693.10
High Income	\$9.03	1798.754	\$16242.75
Floating Rate	\$9.96	2681.789	\$26710.62

6% Foreign Holdings

Balance as of 10/29/04: \$77177.65  
Balance at start of 2004: \$74748.25

## PERFORMANCE

1992:	+ 10.1%
1993:	+ 11.3%
1994:	- 2.1%
1995:	+ 14.8%
1996:	+ 9.0%
1997:	+ 10.5%
1998:	+ 3.5%
1999:	+ 3.0%
2000:	+ 0.3%
2001:	+ 5.6%
2002:	+ 5.4%
2003:	+ 8.4%
*2004:	+ 3.3%



Our Income Model gained 0.8% in October. Approximate asset mix is 83% bond, and 17% cash.

## GROWTH AND INCOME MODEL

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

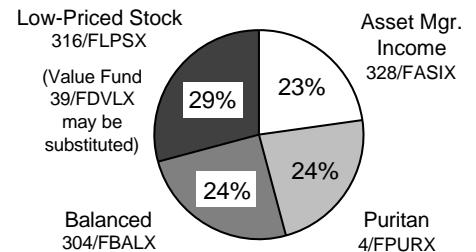
FUND	NAV	SHARES	BALANCE
Asset Mgr. Inc.	\$12.37	2530.359	\$31300.54
Puritan	\$18.24	1746.867	\$31862.85
Balanced	\$16.71	1972.212	\$32955.66
Low-Priced Stock	\$36.30	1070.775	\$38869.13

14% Foreign Holdings

Balance as of 10/29/04: \$134988.18  
Balance at start of 2004: \$129816.46

## PERFORMANCE

1994:	- 3.7%
1995:	+ 21.6%
1996:	+ 15.8%
1997:	+ 18.7%
1998:	+ 11.1%
1999:	+ 12.2%
2000:	+ 2.7%
2001:	+ 1.3%
2002:	- 6.4%
2003:	+ 33.0%
*2004:	+ 4.0%



Our Growth and Income Model gained 1.3% during October. Approximate asset mix is 63% stock, 25% 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.

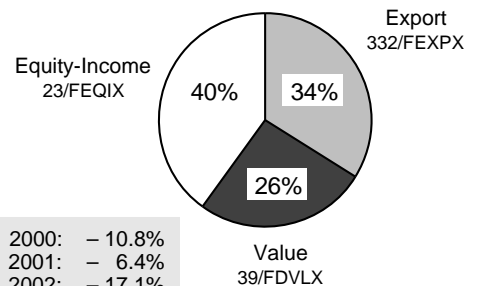
FUND	NAV	SHARES	BALANCE
Export	\$18.36	2620.976	\$48121.12
Value	\$68.71	536.585	\$36868.76
Equity-Income	\$50.20	1124.525	\$56451.16

10% Foreign Holdings

Balance as of 10/29/04: \$141441.04  
Balance at start of 2004: \$137499.26

## PERFORMANCE

1987:	+ 2.8%
1988:	+ 26.0%
1989:	+ 30.4%
1990:	- 4.4%
1991:	+ 40.6%
1992:	+ 15.7%
1993:	+ 31.9%
1994:	- 2.1%
1995:	+ 27.2%
1996:	+ 19.2%
1997:	+ 25.5%
1998:	+ 9.9%
1999:	+ 29.0%
2000:	- 10.8%
2001:	- 6.4%
2002:	- 17.1%
2003:	+ 46.1%
*2004:	+ 2.9%



Our Growth Model gained 1.1%, versus a 1.5% return for the S&P 500. Approximate asset mix: 98% stock, 2% cash.

## SELECT SYSTEM

Our Select System aims for growth in sector funds, and has a long-term goal of 16% per year. We use a volatility model to identify attractive growth sectors.

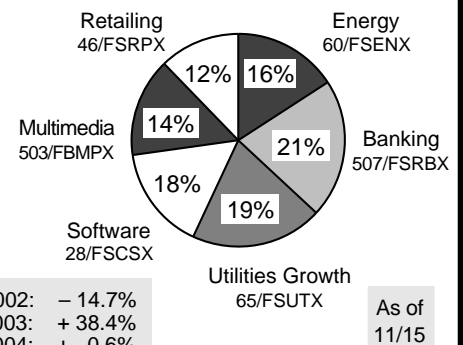
FUND	NAV	SHARES	BALANCE
Energy	\$31.21	1317.381	\$41115.46
Banking	\$40.40	1301.952	\$53900.81
Health Care	\$117.58	427.037	\$50211.01
Software	\$48.27	938.003	\$45277.40
Insurance	\$55.78	635.888	\$35469.83
Retailing	\$48.53	654.282	\$31752.31

9% Foreign Holdings

Balance as of 10/29/04: \$257726.82  
Balance at start of 2004: \$256163.60

## PERFORMANCE

1989:	+ 23.4%
1990:	+ 31.3%
1991:	+ 35.3%
1992:	+ 20.4%
1993:	+ 25.9%
1994:	- 0.9%
1995:	+ 39.0%
1996:	+ 5.2%
1997:	+ 29.3%
1998:	+ 21.7%
1999:	+ 44.9%
2000:	- 14.9%
2001:	- 7.3%
2002:	- 14.7%
2003:	+ 38.4%
*2004:	+ 0.6%



We logged a gain of 1.6% in October, compared to the S&P 500's 1.5% return. On 11/15 we will sell **Health Care** and buy **Utilities Growth**. Also on that day we will sell **Insurance** and buy **Multimedia**. Approximate asset mix: 95% stock, 5% cash.

The least risky of the technology group, **Software** seems poised to benefit from a rebound in business spending. It's been slow in coming, but the improved outlook for internet-based services could eventually get things rolling. The software industry still has some consolidation potential, and rising dividends and stock buybacks may provide a boost even if strong revenue growth remains elusive. **Software** is in the mid-cap growth category and is currently around 70% more volatile than the overall market.

**Utilities Growth** has roughly 60% in telecom stocks, 10% in cable companies (most of which offer telecom services), and 30% in traditional gas and electric providers. After several tough years, most telecom firms are enjoying revenue growth. Traditional phone companies are benefiting from the growth of broadband services, and wireless carriers are rolling out new internet and picture messaging services to take advantage of the latest cell phone features. Even traditional utilities are seeing a boost from stronger-than-expected demand for electricity and natural gas. The stock market remains skeptical, but valuations remain attractive, and utility earnings seem poised for growth even if borrowing costs rise. **Utilities Growth** is considered a large-cap value fund, and its volatility is similar to the S&P 500 index. ■

## Happenings

**International Growth & Income** has a new strategy, a new manager, and a new name. Now known as **International Discovery**, the fund will seek long-term growth of capital, dropping the income component from its objective. William Kennedy, who has twice managed **Pacific Basin**, is the new stockpicker. Fidelity says these changes will not significantly alter the way the fund is managed, but as a precaution we have downgraded it to a hold while making our own assessment in the coming months.

**Diversified International** has closed to new accounts, evidently because strong inflows have limited the fund's ability to outperform. We continue to rate it a buy for existing shareholders, but we have also upgraded **Spartan International Index** as an alternative choice for broad-based foreign exposure.

Several fund manager changes took place in October. Nicola Stafford is the new stockpicker for **Business Services & Outsourcing**, Dale Nicholls has taken over at **Pacific Basin**, and Harlan Carere is the new leader at **Biotechnology**. ■

take on the risks of oversupply. **Utilities** did well with a 3.9% increase. On the bottom end, **Fidelity Fund** lagged the S&P 500 with a 0.7% return.

### BOND FUNDS

Income Model holdings are listed on page 7. Our bond favorites include **Ultra-Short Bond** and **Floating Rate High Income**.

Lower quality funds posted another good month as some investors anticipated that the Fed will slow its pace of tightening moves in 2005. **Capital & Income** was up 2.4%, **High Income** climbed 2.2%, **Strategic Income** returned 2.1%, and **New Markets Income** gained 2.0%. Investment-grade funds ended the month slightly positive. Low-risk **Ultra-Short Bond** finished last, returning 0.3%. The municipal bond group posted gains ranging from 0.3% to 1.0%.

### SELECT PORTFOLIOS

Select System holdings are listed on page 7. Our current buys, in increasing order of risk, include **Utilities Growth, Banking, Retailing, Natural Resources, Multimedia, Energy, and Software**.

Technology sectors dominated the top spots as investors anticipated a weak dollar and looked forward to an uptick in business spending in 2005. **Developing Communications** jumped 9.0%, **Software** climbed 8.8%, **Networking** gained 8.3%, and **Computers** was up 8.0%. On the bottom end, **Biotechnology** slid 2.7%, **Insurance** pulled back 2.9%, and **Paper & Forest Products** lost 4.7%. ■

### OCTOBER DISTRIBUTIONS

Asset Manager	\$ 0.08 / \$15.59 (10/8)
Asset Manager Income	\$ 0.03 / \$12.27 (10/1)
Balanced	\$ 0.07 / \$16.60 (10/8)
Convertible Securities	\$ 0.13 / \$20.17 (10/8)
Equity-Income	\$ 0.20 / \$50.23 (10/8)
Equity-Income II	\$ 0.08 / \$22.80 (10/8)
Export & Multinational	\$ 0.55 / \$18.34 (10/8)
Fidelity Fund	\$ 0.08 / \$28.15 (10/8)
Freedom Income	\$ 0.02 / \$11.12 (10/1)
Growth & Income	\$ 0.10 / \$36.02 (10/8)
Growth & Income II	\$ 0.02 / \$ 9.22 (10/8)
Puritan	\$ 0.11 / \$18.20 (10/8)
Strategic Dividend & Income	\$ 0.055 / \$10.61 (10/8)
Utilities	\$ 0.15 / \$12.46 (10/8)
Spartan AZ Muni	\$ 0.055 / \$11.52 (10/8)
Spartan MD Muni	\$ 0.02 / \$11.04 (10/8)

Funds that are scheduled for November (11/5) include **Asset Manager Income** and **Freedom Income**. Fidelity is now posting year-end distribution estimates on its Web site.

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser (55/FDRXX)	56691.0	1.43	CT MM (418/FCMXX)	1020.4	1.22	FL MM (428/FSFXX)	1262.2	1.27
Select MM (85/FSLXX)	645.1	1.48	MA MM (74/FDMXX)	3430.5	1.19	Spart MA MM (426/FMSXX)	962.9	1.30
Spart MM (454/SPRXX)	5686.2	1.43	MI MM (420/FMIXX)	584.4	1.16	Spart Municipal (460/FIMXX)	3277.5	1.40
Spart US Gov't (458/SPAXX)	560.6	1.40	NJ MM (417/FNJXX)	1372.3	1.18	Spart NJ MM (423/FSJXX)	639.9	1.34
Spart US Treas (415/FDLXX)	2200.6	1.25	NY MM (92/FNYXX)	3006.9	1.17	Spart NY MM (422/FSNXX)	1103.0	1.31
Tax-Free MM (275/FMOXX)	982.7	1.28	OH MM (419/FOMXX)	683.5	1.19	PA MM (401/FPTXX)	312.7	1.25
US Gov't Reser (50/FGRXX)	2262.5	1.48	AZ MM (433/FSAXX)	156.5	1.23	Municipal MM (10/FTEXX)	15609.8	1.31
CA MM (97/FCFX)	3072.0	1.20	Spart CA MM (457/FSPXX)	1349.6	1.36			