

## Celebrating 20 Years

This issue marks two decades for Fidelity Monitor. To commemorate the event, we're taking a detailed look at the past, present, and future of the model portfolio that got us started.

Back in October, 1986, the idea of a mainstream portfolio dedicated to Fidelity's growth fund lineup was a bit experimental. Back then, other newsletters offered portfolios based on Fidelity's Select family, but the idea of a Fidelity-only growth model hadn't caught on. It just wasn't comfortable to run a diversified portfolio with such a limited number of choices.

Fortunately, that didn't stop us from diving in. On 10/31/86 we put \$15,000 to work in **Magellan**, **Equity-Income**, **Overseas**, and **Cash Reserves**. After paying a 3% front-end load on **Magellan** and **Overseas**, and a 2% load on **Equity-Income**, our Growth Model had a balance of \$14,768.90.

Instead of seeing a Fidelity growth portfolio as a restriction of choice, we saw it as an opportunity. Fidelity had a lot of talented managers, and a well-honed research department. Limiting ourselves to Fidelity's lineup would not be a handicap. Rather, it would avoid the dilution in long-term performance that might otherwise occur with inferior stock funds.

CELEBRATING 20 YEARS - *Continued on page 2*

## Review & Recommendations

A relief rally took hold in October. Investors came to the realization that consumer spending and corporate earnings are holding up just fine, even with the ongoing slump in the housing market. There's a possibility that things could get worse, but for now there isn't much evidence that they're going to. The S&P 500 gained 3.3% for the month.

### GROWTH FUNDS

Growth Model holdings are listed on page 7. Our favorite funds in this category include **Value Discovery** and **Large Cap Value**.

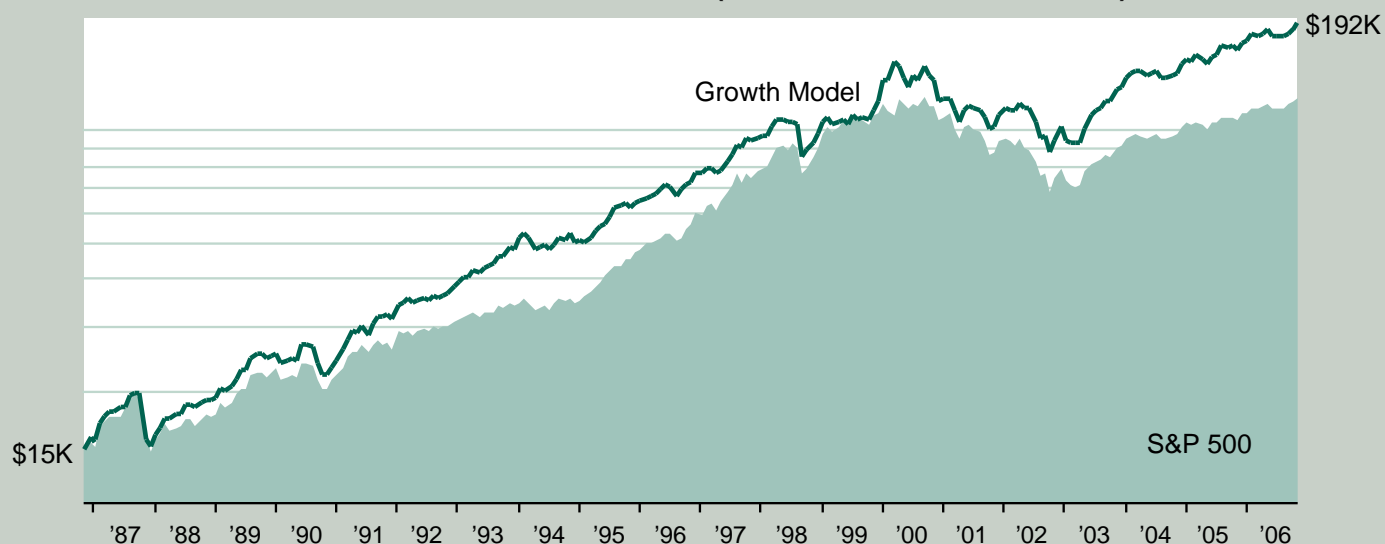
Smaller stocks responded to the revised view that the economy might attain a soft landing. **Small Cap Value** gained 6.0%, **Small Cap Independence** climbed 5.9%, and **Aggressive Growth** was up 5.3%. On the bottom end, funds with overweighted health care positions trailed behind. **Blue Chip Growth** gained 2.5%, and **Discovery** rose 1.1%.

### INTERNATIONAL FUNDS

**Int'l Value** offers broad-based exposure to foreign stocks, while emphasizing European markets. **China Region** is the least risky bet on the emerging market arena, and might benefit from weakness in the dollar.

RECOMMENDATIONS - *Continued on page 8*

Over the last 20 years, our Growth Model has multiplied in value by a factor of 13, for an annualized return of 13.7% (versus 11.4% for the S&P 500)



Early on, it was hard to tell if we were on the right track. In October, 1987, the crash wiped out 25% of the Growth Model's value, putting us back where we started. We stuck to a fully invested approach, even though other newsletters went heavily into cash, hedging against the possibility of a repeat of the Great Depression. By early 1989 we had recovered to new highs, but less than a year later another selloff took hold as the economy slid toward recession.

By late 1991, any doubts about our approach were finally put to rest. The market was rallying strongly on the Fed's aggressive easing moves, and our 5-year return was significantly ahead of the S&P 500. In addition, Fidelity had broadened its growth fund lineup, offering plenty of new choices.

As the Growth Model's popularity grew, our subscribers lobbied heavily for a no-load approach. Initially we offered no-load substitutes for the funds that carried front-end loads. Later we created a no-load version of the Growth Model. By 1999 there were enough no-load choices to restrict the Growth Model itself to no-load funds. The issue finally became moot when Fidelity eliminated front-end loads on all of its funds in 2003.

Then there was the issue of tax-efficiency, which we studied extensively in the mid-1990s. We didn't find any reason to alter our selection criteria, because funds that perform well on a pre-tax basis usually do well after taxes too. However, we did see some opportunity in trying to avoid short-term gains. After the Growth Model marked 10 years, we went back and calculated what would have happened if we had held all profitable positions long enough to qualify for long-term capital gains. Surprisingly, both pre-tax and after-tax performance improved. Knowing subscribers with retirement accounts were unlikely to be hurt by longer holding times, we began trying to wait a full year on profitable positions. It turned out to be relatively easy, and the practice continues today.

#### **FLEXIBLE STRATEGY**

Our Growth Model invests mainly in Fidelity's domestic stock funds, aiming to outperform the S&P 500 while maintaining comparable risk. Unlike the Select System and Unique Opportunities Model, which sometimes place big bets on narrow segments of the market, the Growth Model takes more of a mainstream approach. As such, it's less likely to lag the market when things don't go the right way.

The Growth Model usually holds a blend of 2-4 funds, and it's not unusual for a single fund to account

for more than half of the portfolio's assets – just as **Equity-Income** does now (as an “anchor” for the model, it's a solid bet – closely coupled to the S&P 500 with a high probability of benefiting from stock buybacks and dividend increases). Holding a limited number of funds has sometimes prompted subscribers to question the Growth Model's diversification. We've never seen this as a big issue, because it only takes 2 or 3 broad-based funds to gain exposure to several hundred stock positions. We've always tried to avoid “diversification overkill,” an all too common problem in mutual fund portfolios. We want enough funds to own a big slice of the domestic stock market, but not so many that we limit our ability to outperform.

As it turns out, limiting the number of funds we hold has been one of the bigger success factors over the years. Some of our best gains have come from being in the most rewarding corner of the stylebox for the conditions at hand. Suppose that small-cap value stocks are outperforming. Does it really make sense to dilute your position with a large-cap growth fund? It may not be possible to get the styleboxes right 100% of the time, but this is a much easier game to play than trying to figure out whether the market is headed up or down. Which brings us to our next point of discussion.

#### **WHY WE DON'T TIME THE MARKET**

The Growth Model doesn't rotate into cash when things look bearish. It's our belief that any form of market timing would only dilute our returns:

- The concept of timing the market seems simple when reflecting on history, but predicting the future is an entirely different game – and the statistics are formidable for anyone who bets against stocks. The market moves up about two-thirds of the time, so a cash position has only a 33% probability of being right for any given period. Anyone who regularly moves in and out of cash may cut their average risk level, but they have almost no chance of beating the S&P 500 over a long period of time.

- Those who get out at the right time rarely get back in at the right time. It takes a person who's on pins and needles to take profits just as stocks top out, and it takes a battle-hardened opportunist to jump in at the bottom of a bear market. It's rare the same person can flip between those two personalities. More common is the nervous investor who gets out shortly after the market heads down, then remains in cash for the rest of the decline and the full recovery, returning only when the market hits new highs.

- Seasonal strategies don't hold up over time.

**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) 2006.

As soon as they become popular, they self-destruct because some of the participants shift their timing to try and come out better than the rest of the “herd.” Two strategies that are currently headed for oblivion include the four-year Presidential cycle and being out of stocks from May to November. The fundamental reasons for these trends disappeared long ago, so they persist only because investors still believe they work. Eventually, they’ll join the things-that-used-to-work scrap heap, just like the January Effect did.

- It’s not necessary to time the market, because the opportunity available with fund selection dwarfs any chance to get ahead with timing. Seven years ago we did a quarterly study of perfect market timing versus perfect fund selection. It was no contest. Over a 14-year period, perfect market timing multiplied money by a factor of 25, whereas perfect mutual fund selection (in Fidelity’s diversified growth lineup) grew it by a factor of 200! These results could never be achieved in the real world, of course. But they make a good case for ignoring the market’s ups and downs.

By their very nature, financial markets move in directions that surprise and disappoint the maximum number of participants. If a majority wants to buy, prices move up. If there are more sellers than buyers, prices fall. The only way to win is to stay in the game and benefit from the long-term trend.

#### CURRENT POSITIONING

The Growth Model’s three holdings (**Equity-Income, Value Discovery, and Utilities**) represent over 350 unique stock positions. Each of the top stocks (AT&T, Exxon, Bank of America, BellSouth, and AIG) account for roughly 2-4% of portfolio assets. The model’s overall asset mix is 98% stock, 2% cash. Foreign holdings are 8% of total assets. Volatility is slightly higher than the S&P 500, and industry group weightings are summarized to the right.

Our current concentration is the large-cap value corner of the stylebox. Traditionally, large-caps are the place to be when the treasury yield curve is flat and stable. We favor the value side because most of the money flowing into the market has been coming from buybacks and private equity deals (insiders and takeover artists are the ultimate value investors).

Large-cap growth stocks tend to lead the market when earnings growth turns soft, so we may need to move more toward growth sometime next year. At this stage, however, profits are still growing at a healthy rate, and competitive pressures in the tech sector have limited its attractiveness.

#### OTHER CONSIDERATIONS

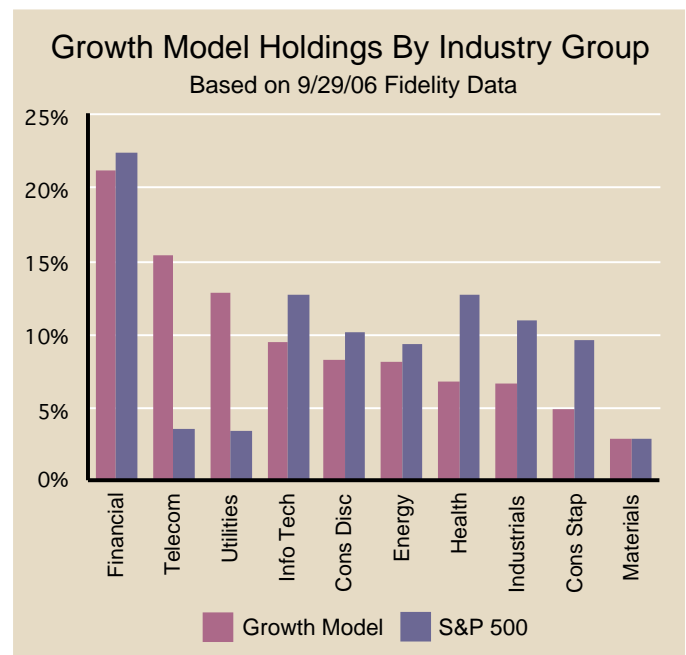
The Growth Model is designed for investors

who have a long investment horizon, preferably eight years or more. If you’re going to need your money sooner, consider our Growth and Income Model (ideal for a 3-8 year horizon) or our Income Model (a good fit for less than three years).

The Growth Model is not limited to growth funds. Lately, we’ve been holding growth and income funds, because large-cap value is scarce in Fidelity’s growth fund lineup. Foreign stock funds remain an option as well, although in the past we have usually limited our foreign exposure to less than 30%.

Does it make sense to follow the Growth Model when the Growth and Income Model has performed just as well over the last decade? We certainly don’t see a problem with cutting back on risk, and there is definitely a case to be made for growth and income as a long-term investment strategy. Still, it’s worth noting that our choices for the Growth and Income Model performed unusually well at a time when the Growth Model was enduring the 2000-2002 bear market. Our long-term performance goals (13% for the Growth Model, 10% for the Growth and Income Model) are probably about right for the next ten years.

If you are joining our Growth Model from a cash position, one option for reducing startup risk is to join up over time. Divide the amount you’re investing by eight and make purchases once a quarter over a two-year period. This “dollar cost averaging” approach can work to your advantage, because more shares will be purchased whenever stock prices have pulled back, which reduces your breakeven point. ■



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

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

OCTOBER PERFORMANCE						2006	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
Aggressive Gth (324/FDEGX)	H***	1.71	1.5(90)	18.58	3664.3	4.4	5.3	11.3	10.3	9.1	1.6	2.9
Blue Chip Gth (312/FBGRX)	B****↑	1.07	none	43.73	20174.8	3.9	2.5	7.9	8.1	6.3	3.0	5.9
Blue Chip Value (1271/FBCVX)	B****	1.13	none	14.59	269.2	11.1	3.5	7.5	17.6	14.6		
Capital Apprec (307/FDCAX)	B****	1.38	none	27.41	8115.0	9.2	2.9	6.9	14.5	10.3	11.2	10.2
Contrafund (22/FCNTX)	B****	1.18	Closed	68.96	65030.3	8.6	3.6	5.9	14.5	14.9	12.2	11.3
Discovery (339/FDSVX)	H***	0.96	none	12.43	433.1	9.8	1.1	7.5	13.6	9.8	5.8	
Disc Equity (315/FDEQX)	H***	1.17	none	30.83	7322.3	11.3	3.9	7.0	16.2	13.0	8.9	9.3
Dividend Gth (330/FDGFY)	B****	0.94	none	31.47	16163.2	11.7	3.1	9.1	16.3	9.3	5.7	10.2
Export Fund (332/FEXPX)	H***	1.33	0.75(30)	22.53	4276.6	6.2	3.6	6.2	11.7	14.3	10.4	13.5
Fidelity Fifty (500/FFTYX)	H***	1.28	none	22.30	1174.0	7.0	4.0	7.3	14.4	9.6	9.2	11.0
Focused Stock (333/FTQGX)	H***	1.41	none	12.32	92.7	3.5	2.6	1.0	8.7	14.5	3.3	
Growth Company (25/FDGRX)	H***	1.46	Closed	67.30	28104.1	5.8	4.7	8.3	13.7	11.1	7.2	9.5
Independence (73/FDFFX)	H***	1.26	none	21.42	4428.9	9.0	3.6	7.0	16.8	12.0	8.9	9.8
Large Cap Growth (763/FSLGX)	H***	1.67	none	11.39	158.4	1.9	4.0	9.8	7.8	11.3		
Large-Cap Stock (338/FLCSX)	H***	1.11	none	17.08	747.4	9.6	3.8	8.5	15.6	9.7	5.3	7.0
Large Cap Value (708/FSLVX)	B****	1.14	none	14.70	1022.9	13.8	4.0	6.3	18.8	16.9		
Lev Co Stock (122/FLVCX)	B****	1.53	1.5(90)	28.10	4394.3	12.6	3.8	4.4	20.3	22.5	29.8	
Low-Priced Stock (316/FLPSX)	H***	1.06	Closed	41.50	36397.4	11.0	3.5	6.9	18.1	16.3	16.9	15.6
Magellan (21/FMAGX)	H***	1.33	Closed	90.45	44893.0	5.0	2.9	6.6	10.7	8.3	4.5	7.2
Mid Cap Growth (793/FSMGX)	H***	1.86	0.75(30)	13.45	430.4	3.9	4.7	7.0	10.3	12.6		
Mid Cap Stock (337/FMCSX)	H***	1.57	Closed	29.20	12134.9	12.3	2.7	7.4	22.5	13.9	9.0	12.8
Mid Cap Value (762/FSMVX)	H***	1.25	0.75(30)	16.53	512.5	11.5	4.0	6.2	17.1	18.0		
New Millennium (300/FMILX)	H***	1.75	Closed	38.25	2354.6	9.6	4.4	8.5	17.9	9.1	10.0	14.1
OTC Portfolio (93/FOCPX)	H***	1.57	none	40.11	8147.8	6.1	4.7	15.6	12.8	8.9	8.3	7.5
Small Cap Gth (1388/FCPGX)	H***	1.63	1.5(90)	13.94	409.5	9.0	4.5	8.4	12.3			
Small Cap Indep (336/FDSCX)	H***	1.56	1.5(90)	22.23	2515.9	8.5	5.9	8.8	14.1	13.8	10.6	9.0
Small Cap Stock (340/FLSCX)	H***	1.53	Closed	18.76	4612.3	9.4	4.0	9.4	15.4	13.8	13.8	
Small Cap Value (1389/FCPVX)	H***	1.47	1.5(90)	13.76	953.4	12.5	6.0	8.5	18.6			
Stock Selector (320/FDSSX)	H***	1.07	none	27.24	831.5	10.1	2.9	8.1	15.3	11.7	7.5	7.4
Tax Mgd Stock (343/FTXMX)	B****	1.36	1(730)	13.77	65.6	8.7	4.3	5.5	13.9	13.7	7.6	
Trend (5/FTRNX)	H***	1.05	none	62.90	876.4	9.9	3.0	7.3	15.0	11.3	7.6	6.1
Value (39/FDVLX)	B****	1.10	none	83.82	16490.3	10.5	2.8	7.6	19.0	18.1	15.8	12.1
Value Discovery (832/FVDFX)	B****	1.19	none	17.04	858.7	12.3	3.3	6.3	21.4	17.8		
Value Strategies (14/FSLSX)	B****	1.16	none	34.53	188.4	11.4	4.7	9.2	20.8	10.8	13.5	
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B****	0.86	none	19.27	20702.3	9.0	2.7	5.8	14.8	12.1	10.6	11.0
Convertible Sec (308/FCVX)	B****	1.09	none	24.31	2029.4	9.9	3.2	3.1	14.8	10.5	9.9	11.8
Equity-Income (23/FEQIX)	B****	1.02	none	59.15	27953.2	15.7	3.8	8.5	21.2	13.9	9.8	9.6
Equity-Income II (319/FEQTX)	B****	1.03	none	24.89	11326.4	10.9	3.8	8.4	15.6	10.6	9.3	9.3
Fidelity Fund (3/FFIDX)	H***	1.15	none	34.96	7926.9	10.6	3.0	7.9	16.2	10.9	6.6	8.4
Growth & Income (27/FGRIX)	H***	1.11	none	30.55	29215.0	7.4	3.6	7.7	10.7	8.5	4.6	7.4
Growth & Inc II (361/FGRTX)	H***	1.04	none	10.91	187.1	9.8	2.9	8.1	14.1	8.8	6.5	
Puritan (4/FPURX)	B****	0.68	none	19.81	24388.2	11.4	2.5	6.4	15.3	10.7	8.4	8.8
Strategic Div & Inc (1329/FSDIX)	B****	0.92	none	13.33	1025.4	11.1	3.2	5.7	16.7			
Utilities (311/FUIX)	B****	0.98	none	18.23	1353.7	25.6	5.1	9.1	27.6	20.3	9.7	8.5
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H***	1.82	0.75(30)	46.40	80.3	16.6	6.9	7.6	28.7	17.0	13.8	15.3
Automotive (502/FSAVX)	H***	1.41	0.75(30)	37.72	15.1	10.5	7.6	13.4	16.6	7.8	12.9	7.1
Banking (507/FSRBX)	B****	1.04	0.75(30)	38.34	406.7	9.7	0.8	3.1	13.1	8.5	10.7	10.6
Biotechnology (42/FBIOX)	H***	1.76	0.75(30)	66.71	1443.3	6.4	9.8	11.3	14.6	10.8	1.4	11.2
Brokerage (68/FSLBX)	B****	1.68	0.75(30)	77.23	1036.2	16.2	2.3	11.1	26.5	20.8	17.4	19.0
IT Ser / Bus Ser (353/FBSOX)	H***	1.32	0.75(30)	17.24	32.7	8.9	5.4	8.6	15.2	12.0	7.8	
Chemicals (69/FSCHX)	H***	1.48	0.75(30)	70.64	90.6	10.6	3.5	9.2	17.7	19.2	16.1	9.6
Computers (7/FDCPX)	H***	1.71	0.75(30)	37.80	460.1	4.8	3.9	17.0	11.2	1.8	2.9	7.2
Const & Housing (511/FSHOX)	S**	2.02	0.75(30)	45.71	149.2	-0.3	4.3	9.5	6.1	13.6	17.4	13.1
Consumer Disc (517/FSCPX)	H***	1.11	0.75(30)	27.93	63.1	13.8	5.9	13.2	18.7	9.6	7.5	8.5
Industrial / Cyc Ind (515/FCYIX)	H***	1.43	0.75(30)	21.24	66.5	11.2	3.3	7.0	20.0	19.6	14.4	
Defense & Aero (67/FSDAX)	H***	1.41	0.75(30)	80.76	951.1	12.8	2.8	4.9	20.7	20.4	17.2	14.2
Com Equip / DevC (518/FSDCX)	H***	1.94	0.75(30)	19.96	417.6	-0.2	-1.4	10.3	5.6	6.7	2.5	6.9
Electronics (8/FSELX)	H***	2.11	0.75(30)	43.11	2246.8	-1.4	1.9	9.0	10.2	2.1	0.8	9.7
Energy (60/FSENX)	B****	2.66	0.75(30)	48.60	2318.0	8.7	4.2	-6.3	13.9	35.2	19.6	13.8
Energy Services (43/FSESX)	H***	3.37	0.75(30)	66.96	1430.1	4.0	3.9	-7.8	13.2	33.5	20.9	14.3
Environmental (516/FSLEX)	H***	1.38	0.75(30)	17.41	56.4	11.3	5.9	6.3	15.9	11.1	9.8	2.5
Financial Services (66/FIDSX)	B****	1.15	0.75(30)	124.63	514.0	11.8	2.1	8.2	18.1	12.0	11.1	12.1
Con Stap / Food Ag (9/FDFAX)	B****	0.81	0.75(30)	57.97	277.1	15.7	1.1	5.3	18.3	14.1	9.2	9.4
Gold (41/FSAGX)	H***	2.75	0.75(30)	34.66	1425.4	15.7	3.7	0.6	44.1	16.0	28.1	6.4
Health Care (63/FSPHX)	H***	1.04	0.75(30)	128.67	2203.4	3.9	0.9	4.7	8.7	12.3	5.1	10.7
Home Finance (98/FSVLX)	H***	1.12	0.75(30)	54.29	273.7	8.2	1.5	5.9	13.4	6.2	10.5	10.0
Indust Equip (510/FSCGX)	H***	1.47	0.75(30)	29.84	79.7	12.0	2.8	6.4	21.1	15.5	11.4	9.1
Materials / Ind Mat (509/FSDPX)	H***	1.90	0.75(30)	48.51	189.4	13.3	5.8	4.6	24.1	18.6	20.3	9.5
Insurance (45/FSPCX)	H***	1.06	0.75(30)	72.02	205.4	6.1	1.5	8.4	10.9	13.2	12.2	15.1
Leisure (62/FDLSX)	H***	1.32	0.75(30)	83.60	209.6	10.1	6.0	12.9	18.5	12.5	12.0	11.8
Medical Delivery (505/FSHCX)	H***	1.34	0.75(30)	49.88	777.7	-6.0	-1.8	3.1	-1.0	26.1	16.5	10.9
Medical Equip/Sys (354/FSMEX)	S**	1.17	0.75(30)	24.03	842.1	3.0	3.4	6.3	6.1	11.3	11.8	
Multimedia (503/FBMPX)	B****	1.18	0.75(30)	48.94	103.8	9.1	7.9	12.7	15.3	8.6	11.9	11.3
Natural Gas (513/FSNGX)	H***	3.04	0.75(30)	38.63	1164.5	2.4	5.2	-6.3	7.4	33.7	19.7	13.1
Nat Resources (514/FNARX)	B****	2.64	0.75(30)	26.57	1008.8	12.2	5.3	-3.9	20.7	32.1	19.4	
Networking (912/FNINX)	H***	2.17	0.75(30)	2.38	111.6	1.3	2.1	16.7	5.3	0.4	-1.0	
Paper & Forest (506/FSFPX)	H***	1.43	0.75(30)	31.22	22.6	4.5	4.0	7.7	21.0	5.1	6.0	5.6
Pharmaceuticals (580/FPHAX)	B****	1.07	0.75(30)	10.87	290.4	13.0	1.7	4.5	17.2	11.1	3.0	
Retailing (46/FSRPX)	H***	1.49	0.75(30)	55.03	93.8	16.5	6.1	16.7	22.9	13.6	12.2	11.1
Software (28/FSCSX)	H***	1.39	0.75(30)	64.30	832.4	22.5	6.7	16.9	22.8	11.3	10.5	13.2
Technology (64/FSPTX)	H***	1.61	0.75(30)	66.41	1648.6	5.2	5.0	14.6	10.4	3.7	4.6	9.5
Telecom (96/FSTCX)	B****	1.43	0.75(30)	46.92	477.9	21.3	2.5	12.6	26.6	16.9	7.3	6.3
Transportation (512/FSRFY)	H***	1.93	0.75(30)	50.19	96.2	9.7	6.2	7.1	18.0	16.6	16.3	14.5
Utilities Growth (65/FSUTX)	B****	0.99	0.75(30)	53.62	476.6	24.6	4.4	8.0	26.8	21.0	9.7	9.6
Wireless (963/FWRLX)	H***	1.52	0.75(30)	6.70	320.1	4.0	2.3	6.7	9.1	22.2	6.8	

OCTOBER PERFORMANCE						Div.	2006	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	1.54	1 (30)	18.15	468.3		6.8	2.1	3.8	18.3	12.7	13.9
Canada (309/FICDX)	B****	1.46	1.5(90)	49.48	3015.2		14.7	4.5	8.4	26.9	25.8	23.9
China Region (352/FHKCX)	B****	1.23	1.5(90)	22.94	669.2		18.9	2.5	8.3	30.8	16.6	17.0
Diversified Int'l (325/FDIVX)	B****	1.40	Closed	37.58	42076.2		15.5	3.5	6.1	25.9	21.0	17.2
Emerging Mkts (322/FEMKX)	H***	1.94	1.5(90)	22.03	2864.4		19.5	5.5	8.4	41.9	32.3	28.7
Europe (301/FIEUX)	H***	1.48	1 (30)	42.32	3770.3		17.7	3.8	6.0	27.4	25.6	16.7
Europe Cap Appr (341/FECAX)	H***	1.48	1 (30)	27.47	981.0		24.8	3.2	8.1	34.8	22.8	16.2
Global Balanced (334/FGBLX)	B****	0.83	1 (30)	23.08	248.9		9.6	2.4	4.7	14.2	13.0	11.5
Int'l Discovery (305/FIGRX)	B****	1.43	1 (30)	36.66	7532.9		15.8	3.7	6.4	26.3	21.7	17.6
Int'l Small Cap (818/FISMX)	H***	1.49	Closed	29.03	1924.6		7.6	2.9	1.6	20.7	24.6	
Int'l Small Cap Opp (1504/FSCOX)	B****	1.99	2 (90)	14.23	966.5		13.3	3.9	7.5	36.9		
Int'l Value (1597/FIVLX)	B****	1.2 Est	1 (30)	10.61	138.8			4.1	6.2			
Japan (350/FJPNX)	H***	2.36	1.5(90)	16.86	1743.6		-7.5	0.8	-0.6	12.7	14.8	11.8
Japan Smaller Co (360/FJSCX)	H***	2.50	Closed	13.43	1249.5		-20.2	0.7	-2.3	-0.4	11.4	15.5
Latin America (349/FLATX)	H***	2.77	1.5(90)	41.13	2823.2		28.6	6.8	10.2	43.6	48.2	34.2
Nordic (342/FNORX)	H***	1.87	1.5(90)	36.59	328.6		22.5	6.3	7.9	29.7	27.9	18.9
Overseas (94/FOSFX)	H***	1.42	1 (30)	47.08	6845.2		13.1	3.9	5.8	26.8	18.5	13.5
Pacific Basin (302/FPBFX)	H***	1.60	1.5(90)	27.35	1036.3		6.5	2.6	4.7	24.5	18.7	16.8
Southeast Asia (351/FSEAX)	H***	1.60	1.5(90)	25.59	1461.2		20.7	3.6	9.6	41.4	25.2	24.5
Worldwide (318/FWWFX)	H***	1.22	1 (30)	21.82	1285.8		11.5	3.8	6.9	21.3	15.2	11.7
<b>INDEX AND ASSET ALLOCATION:</b>												
Four-in-One Index (355/FFNOX)	H***	0.91	none	29.11	1282.2		11.6	3.2	7.3	16.2	12.3	9.0
NASDAQ Comp (1282/FNCMX)	H***	1.41	0.75(90)	32.04	130.7		7.7	4.8	13.4	12.2	7.3	
Spart Ext Mkt Idx (398/FSEMXX)	H***	1.37	0.75(90)	38.19	1603.7		11.1	5.0	8.3	16.8	15.0	13.9
Spart Int'l Index (399/FSIIX)	B****	1.38	1(90)	42.31	2024.4		18.7	3.9	7.0	27.3	21.2	14.3
Spart 500 Index (317/FSMKX)	B****↑	1.00	none	95.87	7328.9		12.0	3.3	8.4	16.3	11.3	7.1
Spart Total Mkt Idx (397/FSTMXX)	H***↓	1.06	0.5(90)	38.66	2290.8		11.9	3.6	8.3	16.5	12.2	8.7
Asset Mgr 50% (314/FASMX)	H***	0.54	none	16.77	9244.9		6.9	1.9	5.2	10.3	6.9	5.8
Asset Mgr 85% (347/FAMRX)	H***	0.97	none	13.13	448.2		8.7	2.7	6.7	16.1	10.4	6.5
Asset Mgr 70% (321/FASGX)	H***	0.73	none	16.20	3137.3		7.4	2.4	6.2	11.4	7.6	5.9
Asset Mgr 20% (328/FASIX)	B****	0.33	none	13.25	2127.6		6.0	1.1	3.6	9.1	6.7	6.8
Freedom 2000 (370/FFFBX)	B****	0.34	none	12.71	1568.9		5.2	1.4	3.8	7.3	5.2	4.5
Freedom 2005 (1312/FFVFX)	B****	0.58	none	11.73	631.4		6.9	2.2	5.1	10.5		
Freedom 2010 (371/FFFCX)	B****	0.60	none	14.81	11306.9		6.9	2.1	5.1	10.7	7.8	6.5
Freedom 2015 (1313/FFVFX)	B****	0.71	none	12.27	3500.5		7.6	2.4	5.7	12.2		
Freedom 2020 (372/FFFDX)	B****	0.83	none	15.66	15223.8		8.4	2.8	6.3	13.6	10.2	7.9
Freedom 2025 (1314/FFTXX)	B****	0.87	none	12.79	2848.7		8.5	2.8	6.4	14.0		
Freedom 2030 (373/FFFEY)	B****	0.98	none	16.11	9443.0		9.2	3.1	7.0	15.1	11.4	8.4
Freedom 2035 (1315/FFTHX)	B****	0.99	none	13.16	1609.5		9.3	3.1	7.0	15.4		
Freedom 2040 (718/FFFFX)	B****	1.01	none	9.49	4526.6		9.6	3.2	7.1	15.8	12.0	8.7
Freedom 2045 (1617/FFFGX)	B****	1.0 Est	none	10.51	24.1			3.2	7.2			
Freedom 2050 (1618/FFHHX)	B****	1.0 Est	none	10.51	21.1			3.3	7.4			
Freedom Income (369/FFFAA)	B****	0.29	none	11.60	2195.3		5.0	1.2	3.3	7.0	4.8	4.1
Real Estate Income (833/FRIFX)	H***	0.26	0.75(90)	11.99	615.3		9.7	2.0	4.9	11.5	9.8	
Real Estate (303/FRESX)	H***	1.41	0.75(90)	36.46	7293.1		29.7	6.8	13.6	37.4	28.8	25.0
Int'l Real Estate (1368/FIREX)	H***	1.35	1.5(90)	15.32	586.0		26.0	4.9	10.7	38.9		
<b>TAXABLE BOND FUNDS:</b>												
Capital & Income (38/FAGIX)	H***	0.25	1(90)	8.71	6577.3	6.0	9.3	1.9	4.9	11.9	10.4	13.1
Floating Rate (814/FFRHX)	B****	0.04	1(60)	9.94	2926.0	6.6	5.0	0.6	1.9	5.9	4.8	
Focused High Inc (1366/FHIFX)	H***	0.14	1(90)	10.08	45.6	6.1	6.0	1.2	4.1	7.6		
GNMA Portfolio (15/FGMNX)	H***	0.28	none	10.77	3369.4	4.8	3.3	0.7	2.6	4.7	3.6	3.9
Gov't Income (54/FGOVX)	H***	0.28	none	10.07	5218.8	4.2	3.1	0.4	2.5	4.4	3.4	3.8
High Income (455/SPHIX)	H***	0.14	1(90)	8.93	4125.5	7.6	7.6	1.2	3.9	9.5	8.2	10.4
Inflation-Protected (794/FINPX)	H***	0.45	none	10.95	1422.3	2.3	1.4	-0.2	1.6	2.6	4.2	
Intermed Bond (32/FTHRX)	H***	0.23	none	10.30	7563.8	4.4	3.7	0.6	2.6	4.9	3.3	4.2
Intermed Gov't Inc (452/FSTGX)	H***	0.21	none	10.03	751.9	3.9	3.2	0.4	2.1	4.2	2.6	3.4
Invest Grade Bond (26/FBNDX)	H***	0.27	none	7.41	10276.0	4.9	4.2	0.7	3.1	5.7	4.2	4.7
Mortgage Securities (40/FMSFX)	H***	0.28	none	11.06	1613.9	4.9	4.1	0.7	2.7	5.3	4.0	4.4
New Markets Inc (331/FNMIX)	H***	0.41	1(90)	15.04	2052.9	6.0	9.8	2.0	4.8	13.7	13.1	16.2
Short-Term Bond (450/FSHBX)	H***	0.12	none	8.88	6792.8	4.5	3.8	0.5	1.8	4.7	2.9	3.5
Spart Intermed Tr Idx (1561/FBIBX)	H***	0.5 Est	none	9.95	9.0	4.2	2.6	0.6	3.3			
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.3 Est	none	9.91	5.9	4.6	1.9	0.7	5.1			
Spart S-Term Tr Idx (1563/FSBIX)	H***	0.1 Est	none	10.02	17.9	4.1	3.1	0.3	1.8			
Strategic Income (368/FSICX)	H***	0.24	none	10.63	3829.6	5.2	6.5	1.1	3.4	8.2	7.6	9.3
Strategic Real Rtn (1505/FSRRX)	H***	0.53	0.75(60)	10.16	2676.4	4.7	4.2	1.7	0.6	6.2		
Total Bond (820/FTBFX)	H***	0.26	none	10.47	2543.0	4.7	4.3	0.7	3.0	5.8	4.5	
Ultra-Short Bond (812/FUSFX)	B****	0.05	0.25(60)	10.02	882.9	5.0	4.1	0.4	1.3	4.8	2.9	
US Bond Index (651/FBIDX)	H***	0.28	none	10.89	6226.4	4.7	3.8	0.6	3.0	5.2	4.0	4.6
<b>MUNICIPAL BOND FUNDS:</b>												
AZ Municipal Inc (434/FSAAZ)	H***	0.20	0.5(30)	11.43	109.4	3.7	3.9	0.6	2.9	5.3	4.1	4.6
CA Municipal Inc (91/FCTFX)	H***	0.19	0.5(30)	12.46	1551.4	4.0	4.3	0.7	2.8	5.5	4.9	4.8
CA Short-Int TF (1534/FCSTX)	B****	0.1 Est	0.5(30)	10.10	87.2	3.3	3.3	0.4	1.8			
CT Municipal Inc (407/FICNX)	H***	0.18	0.5(30)	11.45	423.2	3.9	3.8	0.6	2.7	4.9	3.8	4.4
FL Municipal Inc (427/FFLIX)	H***	0.18	0.5(30)	11.50	470.0	4.0	3.8	0.5	2.6	5.2	4.4	4.6
Intermediate Muni (36/FLTMX)	H***	0.15	0.5(30)	10.00	2048.3	3.8	3.6	0.5	2.4	4.8	3.8	4.5
MA Municipal Inc (70/FDMMX)	H***	0.20	0.5(30)	11.98	1843.1	4.0	4.3	0.8	3.2	5.8	4.8	5.0
MD Municipal Inc (429/SMDMX)	H***	0.19	0.5(30)	10.91	113.9	3.7	3.8	0.5	2.9	5.1	4.1	4.4
MI Municipal Inc (81/FMHTX)	H***	0.18	0.5(30)	11.91	560.1	3.9	4.0	0.6	2.7	5.4	4.1	4.8
MN Municipal Inc (82/FMIX)	H***	0.17	0.5(30)	11.46	335.4	4.0	3.8	0.6	2.6	5.0	4.0	4.5
Municipal Income (37/FFHGX)	H***	0.19	0.5(30)	12.90	4549.5	4.1	4.3	0.7	2.9	5.8	4.9	5.3
NJ Municipal Inc (416/FNJHX)	H***	0.21	0.5(30)	11.59	568.1	3.9	4.3	0.7	3.0	5.8	4.6	4.9
NY Municipal Inc (71/FTFMX)	H***	0.21	0.5(30)	12.88	1373.4	3.8	4.2	0.7	3.0	5.6	4.6	5.2
OH Municipal Inc (88/FOHFX)	H***	0.19	0.5(30)	11.73	417.2	3.9	4.1	0.8	3.0	5.5	4.5	4.9
PA Municipal Inc (402/FPXTX)	H***	0.17	0.5(30)	10.83	308.8	4.0	3.7	0.5	2.5	5.0	4.2	4.5
Short-Int Municipal (404/STTFX)	B****	0.09	0.5(30)	10.22	1530.1	3.0	2.7	0.4	1.7	3.3	2.1	2.9
Tax-Free Bond (90/FTABX)	H***	0.20	0.5(30)	10.82	439.0	4.0	4.3	0.7	3.1	5.9	5.1	5.4

OCTOBER PERFORMANCE Indexes and Model Portfolios	Risk	Value	2006 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
Dow Jones Industrial	0.98	12080.73	14.8	3.6	8.6	18.4	9.6	8.2	9.3
S&P 500	1.00	1377.94	12.1	3.3	8.4	16.4	11.4	7.3	8.6
NASDAQ	1.40	2366.71	8.0	4.9	13.4	12.5	7.7	7.6	7.3
Russell 2000	1.74	766.84	15.0	5.8	9.8	20.0	14.5	13.8	9.8
Fidelity Monitor Income Model	0.25	85000.57	5.3	1.1	3.2	6.5	4.9	5.1	5.1
Fidelity Monitor G&I Model	0.71	173236.01	10.6	2.5	6.1	15.4	12.0	12.4	10.2
Fidelity Monitor Growth Model	1.16	191920.82	11.6	4.0	8.3	18.0	14.4	13.4	10.3
Fidelity Monitor Select System	1.43	346027.81	9.4	4.0	8.2	14.8	11.5	12.7	11.4
Fidelity Monitor Unique Opportunities	1.34	120998.02	11.4	4.1	3.7	21.2	19.6	20.3	

## UNIQUE OPPORTUNITIES MODEL

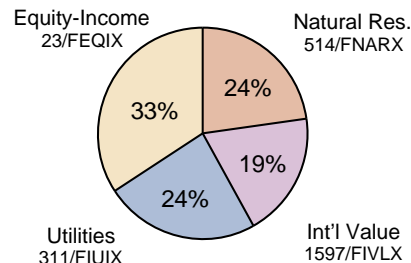
This model aims for a long-term growth rate of 12% per year by emphasizing value, inflation protection, and foreign opportunities.

FUND	NAV	SHARES	BALANCE
Natural Resources	\$26.57	1068.344	\$28385.90
Int'l Value	\$10.61	2164.515	\$22965.50
Utilities	\$18.23	1618.262	\$29500.92
Equity-Income	\$59.15	678.710	\$40145.70

31% Foreign Holdings  
Balance as of 10/31/06: \$120998.02  
Balance at start of 2006: \$108605.62

### PERFORMANCE

Partial Yr 99:	+ 33.8%
2000:	- 20.5%
2001:	+ 1.6%
2002:	- 2.1%
2003:	+ 43.2%
2004:	+ 20.6%
2005:	+ 18.8%
*2006:	+ 11.4%



In October we were up 4.1%. On 10/16 we sold **Pacific Basin**, (\$26.93), buying **Int'l Value** (\$10.49). We also sold **Convertible Securities** (\$24.19) and bought **Utilities** (\$17.74). The current asset mix is 98% stock, 2% cash.

## VIP CORNER

VIP SECTOR MODEL:	VIP GROWTH MODEL:	VIP G & I MODEL:	VIP INCOME MODEL:
18% Health Care, 20% Financial, 16% Utilities, 16% Energy, 30% Consumer Discretionary	25% Mid-Cap Stock, 42% Equity-Income, 33% Contrafund	33% Equity-Income, 54% Balanced, 13% Freedom Income.	69% Freedom Income, 31% Balanced.

OCTOBER VIP PERFORMANCE Portfolio	Rating	Unit Value	2006 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***	11.24	3.5	5.1	11.0	9.2		
VIP Asset Manager	H ***	33.75	4.3	1.9	3.9	7.6	5.4	4.7
VIP Asset Manager: Growth	H ***	21.93	3.4	2.3	4.3	7.1	5.7	4.4
VIP Balanced	B ****	16.89	8.3	2.7	5.6	14.0	6.9	5.8
VIP Cons Disc (Consumer Indust)	B ****	12.55	12.4	5.7	12.8	17.3	8.7	7.0
VIP Contrafund	B ****	43.15	8.0	3.6	5.8	13.9	14.5	11.7
VIP Industrials (Cyclical Industries)	H ***	16.97	11.2	3.2	7.1	20.0	19.3	14.1
VIP Dynamic Capital Appreciation	B ****	14.48	8.6	3.0	7.0	15.0	11.1	
VIP Equity-Income	B ****	66.24	14.7	3.3	7.9	20.0	13.1	9.1
VIP Financial Services	B ****	14.61	11.2	2.1	8.1	17.4	11.3	10.5
VIP Freedom 2005	B ****	11.18	6.7	2.0	4.9	10.1		
VIP Freedom 2010	B ****	11.21	6.7	2.0	4.9	10.4		
VIP Freedom 2015	B ****	11.45	7.7	2.3	5.4	12.0		
VIP Freedom 2020	B ****	11.63	8.3	2.6	5.9	13.2		
VIP Freedom 2025	B ****	11.74	8.7	2.7	6.1	14.0		
VIP Freedom 2030	B ****	11.87	9.0	2.9	6.4	14.7		
VIP Freedom Income	B ****	10.75	5.0	1.1	3.2	6.8		
VIP Growth	H ***	60.41	5.5	2.9	8.4	10.4	5.6	2.7
VIP Growth & Income	B ****	19.01	9.4	2.9	8.0	13.5	8.1	6.0
VIP Growth Opportunities	H ***	13.25	2.4	7.2	14.2	8.3	7.4	4.9
VIP Growth Stock	H ***	10.57	-0.1	3.1	9.1	5.2		
VIP Health Care	H ***	12.62	4.3	2.5	5.6	9.0	11.9	4.9
VIP High Income	H ***	30.67	7.5	1.3	4.0	9.2	7.2	9.6
VIP Index 500	H ***	36.97	11.3	3.2	8.2	15.3	10.4	6.2
VIP Int'l Capital Appreciation	H ***	11.96	5.1	2.1	3.7	16.2		
VIP Investment Grade Bond	H ***	29.20	3.2	0.6	2.9	4.4	3.2	4.0
VIP Mid Cap	B ****	20.90	8.5	3.7	3.6	16.6	19.2	15.6
VIP Money Market		20.37	3.3	0.4	1.1	3.8	2.0	1.4
VIP Energy (Natural Resources)	B ****	21.00	10.5	4.2	-5.0	18.7	30.9	18.6
VIP Overseas	H ***	38.38	9.8	2.9	5.0	22.6	16.6	11.5
VIP Real Estate	H ***	22.02	31.8	6.3	12.1	39.9	28.8	
VIP Strategic Income	H ***	11.75	5.5	0.9	3.1	7.0		
VIP Technology	H ***	10.45	3.4	2.6	14.7	10.1	4.5	4.6
VIP Utilities (Telecom & Utilities)	B ****	12.73	25.4	4.4	8.5	27.6	20.9	9.4
VIP Value	B ****	11.85	11.1	3.8	8.3	15.9		
VIP Value Leaders	B ****	11.92	10.1	3.5	7.2	16.1		
VIP Value Strategies	B ****	14.56	10.9	4.6	9.1	20.2	9.6	
Fidelity Monitor VIP Income Model		19540.93	4.6	1.6	3.9	5.7	4.5	5.4
Fidelity Monitor VIP G&I Model		24557.35	8.7	2.7	6.0	13.4	8.3	6.8
Fidelity Monitor VIP Growth Model		36717.75	10.9	3.5	6.1	17.0	11.2	8.1
Fidelity Monitor VIP Sector Model		18287.41	15.1	4.0	7.2	20.6	11.9	

## INCOME MODEL

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

FUND	NAV	SHARES	BALANCE
Puritan	\$19.81	795.521	\$15759.27
Asset Mgr. 20%	\$13.25	2516.135	\$33338.79
Ultra-Short Bond	\$10.02	1619.802	\$16230.42
Floating Rate	\$9.94	1979.083	\$19672.09

9% Foreign Holdings

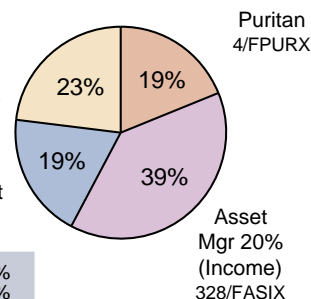
Balance as of 10/31/06: **\$85000.57**  
Balance at start of 2006: **\$80716.02**

## PERFORMANCE

1992:	+ 10.1%
1993:	+ 11.3%
1994:	- 2.1%
1995:	+ 14.8%
1996:	+ 9.0%
1997:	+ 10.5%
1998:	+ 3.5%
1999:	+ 3.0%
2000:	+ 0.3%
2001:	+ 5.6%
2002:	+ 5.4%
2003:	+ 8.4%
2004:	+ 4.2%
2005:	+ 3.6%
*2006:	+ 5.3%

Floating Rate High Income  
814/FFRHX

Ultra-Short  
812/FUSFX



Our Income Model gained 1.1% for the month of October. The current asset mix is 20% stock, 68% bond, and 12% 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. 20%	\$13.25	2743.270	\$36348.33
Puritan	\$19.81	1976.324	\$39150.98
Balanced	\$19.27	2209.145	\$42570.22
Equity-Income	\$59.15	932.654	\$55166.48

9% Foreign Holdings

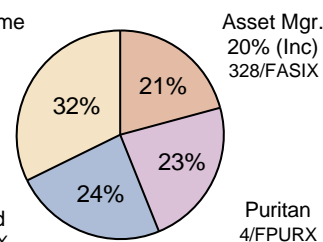
Balance as of 10/31/06: **\$173236.01**  
Balance at start of 2006: **\$156588.48**

## PERFORMANCE

1994:	- 3.7%
1995:	+ 21.6%
1996:	+ 15.8%
1997:	+ 18.7%
1998:	+ 11.1%
1999:	+ 12.2%
2000:	+ 2.7%
2001:	+ 1.3%
2002:	- 6.4%
2003:	+ 33.0%
2004:	+ 11.5%
2005:	+ 8.2%
*2006:	+ 10.6%

Equity-Income  
23/FEQIX

Balanced  
304/FBALX



In October our Growth and Income Model gained 2.5%. The current asset mix is 65% stock, 28% bond, and 7% 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
Utilities	\$18.23	2454.249	\$44740.96
Value Discovery	\$17.04	2792.154	\$47578.30
Equity-Income	\$59.15	1683.881	\$99601.56

8% Foreign Holdings

Balance as of 10/31/06: **\$191920.82**  
Balance at start of 2006: **\$171931.86**

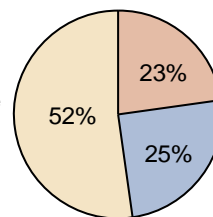
## PERFORMANCE

1987:	+ 2.8%
1988:	+ 26.0%
1989:	+ 30.4%
1990:	- 4.4%
1991:	+ 40.6%
1992:	+ 15.7%
1993:	+ 31.9%
1994:	- 2.1%
1995:	+ 27.2%
1996:	+ 19.2%
1997:	+ 25.5%
1998:	+ 9.9%
1999:	+ 29.0%
2000:	- 10.8%
2001:	- 6.4%
2002:	- 17.1%
2003:	+ 46.1%
2004:	+ 12.4%
2005:	+ 11.2%
*2006:	+ 11.6%

Equity-Income  
23/FEQIX

Utilities  
311/FUIUX

Value Discovery  
832/FVDFX



Our Growth Model rose 4.0% in October, versus 3.3% for the S&P 500. On 10/16 we sold **Mid Cap** (\$29.45) and bought **Utilities** (\$17.74). Current asset mix is 98% stock, 2% 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	\$48.60	1181.190	\$57405.83
Brokerage	\$77.23	950.274	\$73389.66
Consumer Staples	\$57.97	1090.776	\$63232.28
Pharmaceuticals	\$10.87	4221.920	\$45892.27
Multimedia	\$48.94	889.845	\$43549.01
Telecom	\$46.92	1333.307	\$62558.76

18% Foreign Holdings

Balance as of 10/31/06: **\$346027.81**  
Balance at start of 2006: **\$316217.19**

## PERFORMANCE

1989:	+ 23.4%
1990:	+ 31.3%
1991:	+ 35.3%
1992:	+ 20.4%
1993:	+ 25.9%
1994:	- 0.9%
1995:	+ 39.0%
1996:	+ 5.2%
1997:	+ 29.3%
1998:	+ 21.7%
1999:	+ 44.9%
2000:	- 14.9%
2001:	- 7.3%
2002:	- 14.7%
2003:	+ 38.4%
2004:	+ 7.4%
2005:	+ 15.0%
*2006:	+ 9.4%

Telecom  
96/FSTCX

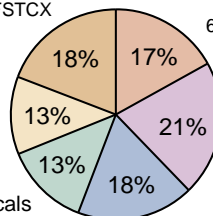
Multimedia  
503/FBMPX

Pharmaceuticals  
580/FPHAX

Energy  
60/FSENX

Brokerage  
68/FSLBX

Consumer Staples  
(Food & Ag)  
9/FDFAX



Our Select System gained 4.0% in October, versus 3.3% for the S&P 500. On 10/16 we sold **Electronics** (\$44.28) and bought **Cons Staples** (\$56.91). The asset mix is 94% stock, 6% cash.

# Happenings

Fidelity has reduced to \$5000 the initial amount required to open a Charitable Gift Fund account, and has also cut the minimum grant amount from \$250 to \$100. The changes follow recent reductions in the annual fee, and broadening of the investment pool choices. Like other donor-advised funds, The Gift Fund offers many of the advantages of a private foundation without all the overhead. A key benefit is the ability to donate and take a tax deduction on your appreciated securities while avoiding capital gains. Then, as the money continues to grow in a Gift Fund account, you can recommend grants to IRS-recognized charities on your own timetable.

Keith Quinton is the new stockpicker for **Disciplined Equity**, Douglas Simmons has taken over **Utilities Growth** and **VIP Utilities**, Martin Zinny is the new leader at **Consumer Discretionary**, and Darren Maupin is now heading **Aggressive Int'l**.

Fidelity's variable annuity sectors have adopted new benchmarks, and some funds have changed names. **VIP Consumer Industries** has become **VIP Consumer Discretionary**, **VIP Cyclical Industries** is now known as **VIP Industrials**, **VIP Natural Resources** has become **VIP Energy**, and **VIP Telecom & Utilities** is now just **VIP Utilities**.

**Spartan Gov't Income** was merged into **Gov't Income Fund** on 10/27. ■

## OCTOBER DISTRIBUTIONS

Asset Manager 50%	\$ 0.14 / \$16.52 (10/6)
Asset Manager 20%	\$ 0.04 / \$13.12 (10/6)
AZ Municipal Income	\$ 0.04 / \$11.37 (10/6)
Balanced	\$ 0.11 / \$18.85 (10/6)
Convertible Securities	\$ 0.14 / \$23.51 (10/6)
Equity-Income	\$ 0.25 / \$57.79 (10/6)
Equity-Income II	\$ 0.10 / \$24.28 (10/6)
Export & Multinational	\$ 0.03 / \$21.91 (10/6)
Fidelity Fund	\$ 0.06 / \$34.28 (10/6)
Freedom Income	\$ 0.04 / \$11.49 (10/6)
Growth & Income	\$ 0.06 / \$29.90 (10/6)
Growth & Income II	\$ 0.01 / \$10.72 (10/6)
MD Municipal Income	\$ 0.003/\$10.86 (10/6)
Puritan	\$ 0.15 / \$19.45 (10/6)
Strategic Dividend & Income	\$ 0.06 / \$13.00 (10/6)
Strategic Real Return	\$ 0.11 / \$9.99 (10/6)
Utilities	\$ 0.07 / \$17.44 (10/6)

Funds that are scheduled for November include **Asset Manager 20%** and **Freedom Income**. Year-end payout estimates are now available on fidelity.com (search on the term "year-end" to pull up a link that will direct you there).

## RECOMMENDATIONS - Continued from page 1

European stocks continued to move up on solid earnings, and a recovery in commodities helped on the emerging market side. **Latin America** gained 6.8%, **Nordic** rose 6.3%, **Emerging Markets** posted a 5.5% increase, and **Canada** rose 4.5%. Japanese stocks, however, remained in a holding pattern on continuing evidence of a stalled recovery. **Japan** edged up 0.8%, while **Japan Smaller Companies** posted a gain of 0.7%.

## GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. Our favorites include **Equity-Income**, **Puritan, Balanced**, and **Utilities**. For less risk, consider **Asset Manager 20% (Income)**.

Investors continued to show interest in dividend stocks. **Utilities** gained 5.1%, while **Equity-Income** and **Equity-Income II** both moved up 3.8%. Funds that hold a mix of stocks and bonds did well for their risk level, but still trailed those that focus only on stocks. **Balanced** posted an increase of 2.7%, and **Puritan** returned 2.5%.

## BOND FUNDS

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

Both **New Markets Income** and **Strategic Real Return** were helped by a rebound in the global commodity markets, posting gains of 2.0% and 1.7%, respectively. **Capital & Income** did well on an improved outlook for the economy, returning 1.9%. On the bottom end, **Inflation-Protected Bond** slid 0.2% as the Fed dashed hopes that a rate cut might be right around the corner. Municipal bond funds posted gains ranging from 0.4% to 0.8%.

## SELECT PORTFOLIOS

Select System holdings are listed on page 7. Funds rated buy include **Telecommunications**, **Utilities Growth**, **Financial Services**, **Banking**, **Pharmaceuticals**, **Brokerage**, **Consumer Staples**, **Multimedia**, **Natural Resources**, and **Energy**.

**Biotechnology** led the pack in the sector arena, jumping 9.8%. **Multimedia** and **Automotive** also did well, posting respective gains of 7.9% and 7.6%. The laggards included **Banking**, which edged up 0.8%, **Communications Equipment** with a 1.4% slip, and **Medical Delivery** with a 1.8% decline. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reserves (55/FDRXX)	85071.9	4.97	CT MM (418/FCMXX)	1473.7	3.08	FL MM (428/FSFXX)	1688.9	3.19
Select MM (85/FSLXX)	1674.6	5.05	MA MM (74/FDMXX)	4387.8	3.10	MA AMT TF (426/FMSXX)	1775.8	3.17
Money Market (454/SPRXX)	6448.7	5.02	MI MM (420/FMIXX)	790.7	3.11	AMT Tax-Free (460/FIMXX)	3282.5	3.31
Gov't MM (458/SPAXX)	480.4	4.93	NJ MM (417/FNJXX)	1730.6	3.08	NJ AMT TF (423/FSJXX)	1043.1	3.17
US Treas. MM (415/FDLXX)	1779.3	4.65	NY MM (92/FNYXX)	3895.1	3.13	NY AMT TF (422/FSNXX)	1982.3	3.19
Tax-Free MM (275/FMOXX)	2604.8	3.18	OH MM (419/FOMXX)	867.4	3.08	PA MM (401/FPTXX)	468.8	3.15
US Gov't Reser (50/FGRXX)	3188.4	5.00	AZ MM (433/FSAXX)	268.7	3.11	Municipal MM (10/FTEXX)	16873.8	3.24
CA MM (97/FCFXX)	4336.8	3.05	CA AMT TF (457/FSPXX)	2903.5	3.20			