

## Selects Go No-Load; 22 Years of Defying Conventional Wisdom

The load is gone, but Fidelity's Select family still isn't all that shareholder-friendly by some standards. The average fund's expense ratio is 1.5%. One out of five managers has never run a mutual fund before, and a third have served in their current assignment for less than 12 months. Asset turnover is often above 100%, and stock holdings are so concentrated that the top ten positions account for over 50% of assets in many portfolios. The Selects are popular with timers and traders. There's a 0.75% redemption charge on shares held less than 30 days, but few restrictions on moving between the various portfolios. As such, it's not unusual for some funds to shrink or grow by 20% in a single month. Wary of a sudden exodus, many Select managers tend to run with cash levels up around 10%.

Conventional wisdom might suggest that the Selects be avoided at all costs. Almost everything runs counter to what is considered good by the industry experts. There are so many controversial issues that many newspapers and magazines ignore the Selects when running stories about mutual funds.

But hold on. There's one big redeeming factor called performance, and the Selects just happen to be fairly good at it. In the mutual fund industry, most firms are doing well if even 25% of their stock funds exceed the S&P 500 over a 10-year period. The Select family, in contrast, stands head and shoulders above the pack, exceeding the index with more than 50% of its portfolios over the last decade. No other large group of funds has been able to pull off such a feat.

Statistically speaking, this is no upset victory. Fidelity didn't achieve it with strength in one particular market segment. Rather, the funds that outperformed are diverse. **Banking, Brokerage, Computers, Defense & Aerospace, Health Care, Insurance, Multimedia** – all of these portfolios exceeded the S&P 500 by several percentage points per year over the last 10 years.

Furthermore, the Selects have been doing this almost since their introduction. You can examine 10-year returns in any month over the last decade,

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## Review & Recommendations

Weakness in the job market and concerns about the trade deficit gave investors pause in September. The market rallied after the Fed reaffirmed its commitment to a low Federal Funds rate, but pulled back during a consolidation period later in the month. The S&P 500 finished with a decline of 1.1%.

### GROWTH FUNDS

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

**Capital Appreciation**, up 1.2%, was the group leader for the month. **Leveraged Company** and **Disciplined Equity** also did well, posting returns of +0.2% and -0.2%, respectively. Smaller stocks, especially growth issues, were weak. Finishing on the bottom were **Fidelity Fifty**, down 2.9%, and **Structured Mid-Cap Growth**, losing 3.0%.

### INTERNATIONAL FUNDS

**Diversified International** is our favorite choice for broad-based foreign stock exposure. **Japan** is our pick for a more aggressive bet.

Strength in the Japanese small-cap market boosted **Japan Smaller Companies** and **Int'l Small Cap**. The two funds were up 9.1% and 6.8%, respectively. Developing markets in the Pacific Rim were weak. **Emerging Markets**, up 0.2%, and **Southeast Asia**, finishing flat, were the group laggards.

### GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. Our favorite conservative funds include **Balanced** and **Puritan**. Go with **Equity-Income I** or **II** for a stock-oriented approach.

**Real Estate**, up 3.5%, and **Real Estate Income**, climbing 2.7%, appeared to be helped by declining long-term interest rates. **Equity-Income II** and **Fidelity Fund** lagged behind, in part because of weakness within the discretionary consumer group. The two funds were off 1.6% and 1.7%, respectively.

### BOND FUNDS

Income Model holdings are listed on page 7. Our favorites, in increasing order of risk, include

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and the story is pretty much the same. Half or more of the portfolios with a 10-year record tend to end up ahead of the S&P. Quite clearly, the Selects are able to outperform during periods of both strength and weakness.

### GOOD RESEARCH IS KEY

How is it that the Selects have performed so well despite above-average expenses, short management assignments, and the drag of relatively high cash positions? The answer is outstanding stock research. When your analysis team includes hundreds of workaholics who are determined to get the latest story and get it right, it pays off in spades.

In effect, every Fidelity Select manager gets what amounts to an internal stock research service that's superior to almost anything else around. Fidelity keeps thousands of companies on its radar screen, and its researchers put in long hours understanding each and every business model. They know the trends, the competitors, the risks, and the factors that influence the bottom line. Sometimes the Fidelity assessment is so accurate that consensus estimates from the Street can be challenged. Select managers then load up on stocks that have potential to exceed expectations, and wait for the market's reaction when earnings come out. More often than not, the winning bets exceed the losers by a significant margin.

As you might expect, fund manager experience and length of service are not critical factors when the research is good. Fidelity hires smart people with good risk-assessment skills, and sets them up for success. A college grad running a Select Portfolio could easily have an advantage over a veteran at some other mutual fund company, especially if the veteran manager does all of his or her own research.

Of course, good research is not cheap, which explains why the expense ratio of the average Select is 1.5%. But that's not necessarily a bad thing. Too many investors view the expense ratio as a burden and nothing else. In reality, though, the money spent on research has payback potential. If a group of funds is outperforming over the long run, the research cost may be paying for itself many times over.

By the same token, good research can allow a fund to win by concentrating its stock picks or by increasing its turnover. Those actions might have negative repercussions with mediocre stock research, but with high-confidence analysis it pays to focus on the most attractive opportunities.

The bottom line is that good research matters;

it matters more than all other factors combined.

### NO-LOAD AT LAST

For years Fidelity charged a 3% front-end load on the Selects and refused to make exceptions. The sales charge remained iron-clad even as several other mutual fund companies came out with no-load sector families.

Fidelity must have had second thoughts as the use of Exchange-Traded Funds (ETFs) mushroomed, making sector indexes relatively common. ETFs haven't been able to match the Selects on the range of choices or performance, but the absence of a front-end load and the ability to trade during market hours was enough to take a bite out of Fidelity's market share.

Perhaps Vanguard's recent foray into ETFs was the straw that broke the camel's back. Or perhaps Fidelity wants to be able to advertise that all of its funds are no-load. Either way, it's good news for Fidelity investors who have been interested in the Selects but have not wanted to pay a sales charge.

What about the loads that have already been paid? If you've been in the Selects for any length of time, there's a reasonable chance the 3% was recovered through improved performance (relative to Select alternatives). This could even be true for money invested just a few months ago. In our Select System, **Computers, Developing Communications, and Technology** are substantially ahead of the Goldman Sachs technology index this year. Going back further, some investors may feel that paying a load and losing money in the bear market was not a smart thing to do. However, odds are your Select holdings declined less than many non-Select choices outside of Fidelity.

On the other hand, load fees paid in recent weeks may have done little more than help pay for Fidelity's future marketing campaigns. And unlike the discount store chains, mutual fund companies do not carry price guarantees on their products. Still, Fidelity is probably hearing from some customers who paid a load just days before it was removed. And perhaps Fidelity has a process for resolving those disputes.

### RECOMMENDATIONS

For many, the ability to invest in the Selects without a sales charge opens up a whole range of new investment opportunities, but some caution is in order. Even though the Selects themselves have turned in good long-term performance, individual investors sometimes tend to "shoot themselves in the foot" by moving around too much. Most of the new money that comes into the Select family ends

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up chasing performance, and asset flows suggest that many investors end up buying high and selling low.

As such, first-time Select investors may want to consider the following suggestions:

- **Go slow.** It's much easier to lose money in sectors than it is with diversified funds. Start with just a small portion of your portfolio, and add to it only after you become comfortable with the results you achieve.

- **Don't increase your risk level all at once.** For example, if you currently follow the Growth Model and you want to switch over to the Select System, do it in stages. Spread out the transition over a period of 12 months or more.

- **Hedge.** Many investors use the Selects to become more aggressive, but they can also be used for protection. Worried about inflation or a downward slide in the dollar? Consider a 5% position in **Gold**, held for the long run. Concerned about the long-term impact of rising fossil fuel prices? A modest bet on **Energy Services** or **Natural Gas** may be just the ticket. Want a defensive bet that won't get hurt badly if the market pulls back suddenly? **Food & Agriculture** might be just the one.

- **Take a good look at how you've done with individual stocks, and consider a swap of individual stocks for industry positions in the Fidelity Selects.** Most individual investors will never be able to match the stockpicking ability of Fidelity's research group. It's simply not possible for one person to put in thousands of hours every week listening to conference calls, directing pointed questions to company execs, and studying balance sheets. So why not consider selling Wal Mart and buying **Retailing**. Or, as another example, selling eBay and buying **Multimedia**. Or selling Ford and buying **Automotive**. The idea here is to increase diversification, reduce risk, and simplify portfolio management. Note: selling stocks at a profit in a taxable account could trigger capital gains tax.

#### MODEL PORTFOLIOS

Although we have no immediate plans to make changes to our models, it will now be possible for us to increase the role of Selects in the Unique Opportunities portfolio. The door is also open to including Selects in our Growth Model, perhaps as a means for balancing out an underweighted sector mix in our diversified holdings. At some point we may even find the Selects useful in the Growth and Income Model or Income Model, depending on the need to hedge against inflation or higher oil prices.

Having the Selects available for more than just

the Select System is like having a new set of tools for the job of portfolio management. Most of the time the traditional choices will do the job, but occasionally market conditions may call for something a little more specific. We applaud Fidelity's decision, and we take comfort knowing that a full range of no-load investment options are now available to manage risk and seek opportunities. ■

## Fidelity Avoids Scrutiny

This past month, the mutual fund industry has been under the gun for improperly executing trades for hedge funds, allowing traders to take advantage of time-zone differences in foreign funds, and giving special breaks to big timers. However, there was one fund company that managed to stay above the fray.

It wasn't just a lucky break. Fidelity has never liked having "hot" money in its mutual funds, and for more than 15 years has deliberately tried to restrict the activities of timers and hedge funds. The only place where active traders get any freedom at all is the Select family, but even there Fidelity has devised a pricing system and an exchange policy that protects long-term shareholders.

The stories that illustrate Fidelity's determination to reign in "hot" money are noteworthy. Early in 1987, a popular market timing newsletter put a buy signal on several Fidelity stock funds, and the money came pouring in. Fidelity responded by closing the recommended funds for a three-week period, in effect shutting out anyone who didn't already own the recommended funds. A few years later, in late 1990, Fidelity matched up the trading patterns of accounts that were still following the service, and sent out warning letters that basically said to quit the game or take your business elsewhere. Making good on the promise, Fidelity refused to execute trades when those account holders attempted to move from cash to a Fidelity stock fund a few months later.

Fidelity went on to impose round-trip trading limits on all funds except the Selects. There have been a few modifications over the years, but even today you can count on getting a warning letter if you make more than four redemptions out of a given fund within a 12-month period. It's annoying for those who are simply liquidating a large position in stages, but it stands as a clear reminder of Fidelity's determination to protect long-term shareholders.

Although Fidelity does not limit the frequency of Select trades, the firm took steps to prevent timing

FIDELITY AVOIDS SCRUTINY - *Continued on page 8*

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

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

SEPTEMBER PERFORMANCE						2003	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Load	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
Aggressive Gth (324/FDEGX)	H***	1.14	0-1.5(90)	13.48	4914.7	20.5	-1.5	5.3	45.4	-35.3	-7.0	4.3
Blue Chip Gth (312/FBGRX)	H***	0.97	0-0	36.25	20407.9	13.9	-1.2	2.4	21.6	-14.6	-0.5	8.4
Blue Chip Value (1271/FBCVX)	H***	1.0 Est	0-0	9.85	26.5		-0.7					
Capital Apprec (307/FDCAX)	B****	1.12	0-0	21.90	3124.1	35.4	1.2	10.1	49.2	-4.7	8.0	10.4
Contrafund (22/FCNTX)	H***	0.66	0-0	44.36	32235.6	14.9	-0.8	5.0	16.3	-5.3	5.5	10.9
Discovery (Contra II) (339/FCONX)	H***↓	0.85	0-0	9.44	675.5	9.1	-1.0	0.6	19.9	-10.7	6.1	
Disc Equity (315/FDEQX)	H***	0.92	0-0	20.51	3474.5	14.1	-0.2	2.3	18.7	-9.5	2.7	8.9
Dividend Gth (330/FDGFY)	B****	1.02	0-0	24.86	15125.9	11.9	-0.8	0.2	23.6	-4.8	4.6	13.3
Export Fund (332/FEXPX)	B****	1.05	0-0.75(30)	16.11	871.3	17.2	-0.7	3.3	33.2	-1.8	10.5	
Fidelity Fifty (500/FFTYX)	H***	1.08	0-0.75(30)	17.83	915.6	11.3	-2.9	-0.2	24.6	1.2	11.9	12.3
Growth Company (25/FDGRX)	B****	1.17	0-0	45.71	20385.6	29.1	-0.9	8.5	44.3	-18.7	5.5	10.3
Large-Cap Stock (338/FLCSX)	H***	0.94	0-0	12.58	663.8	13.0	-1.1	3.3	19.3	-14.4	-0.3	
Lev Co Stock (122/FLVCX)	B****	1.11	0-1.5(90)	15.94	728.8	60.4	0.2	6.6	104.3			
Low-Priced Stock (316/FLPSX)	B****	0.80	0-1.5(90)	31.12	21019.8	23.7	-0.6	8.5	31.0	15.8	15.5	15.3
Magellan (21/FMAGX)	B****	0.99	Closed	88.72	63346.4	12.6	-1.5	1.5	21.1	-11.7	1.7	8.0
Mid Cap Stock (337/FMCSX)	B****	0.97	0-0.75(30)	19.26	6963.7	18.7	-2.8	5.4	28.5	-9.2	11.4	
New Millennium (300/FMILX)	B****	1.08	Closed	26.82	3218.0	21.1	-1.3	6.0	30.0	-12.4	15.6	17.0
OTC Portfolio (93/FOCPX)	B****	1.11	0-0	29.47	7354.0	23.3	-0.9	9.7	34.1	-20.0	3.2	9.1
Independence (73/FDFFX)	H***	1.07	0-0	14.71	4579.8	12.5	-1.7	1.9	24.4	-15.2	4.7	9.0
Small Cap Indep (336/FDSCX)	H***	0.69	0-1.5(90)	15.60	883.1	17.3	-1.8	4.6	12.8	-2.4	6.3	7.1
Small Cap Stock (340/FSLCX)	H***	0.82	0-2(90)	14.64	1907.4	23.6	-0.7	10.2	31.8	1.8	16.6	
Stock Selector (320/FDSSX)	H***	1.00	0-0	19.03	771.0	14.8	-0.9	2.4	24.6	-11.1	1.7	7.9
Strc Lg Cap Gth (763/FSLGX)	H***	0.99	0-0.75(30)	8.20	18.7	15.2	-1.3	2.6	23.5			
Strc Lg Cap Val (708/FSLVX)	H***	0.99	0-0.75(30)	9.32	20.1	10.7	-1.4	1.6	18.9			
Strc Mid Cap Gth (793/FSMGX)	H***	1.04	0-0.75(30)	9.15	37.4	24.7	-3.0	6.1	31.8			
Strc Mid Cap Val (762/FSMVX)	H***	0.92	0-0.75(30)	10.63	44.1	17.1	-1.2	4.7	22.2			
Focused Stock (333/FTQGX)	S**	1.02	0-0.75(30)	7.95	33.2	11.3	-0.5	3.4	16.1	-19.5	-2.5	
Trend (5/FTRNX)	B****	0.99	0-0	44.34	807.7	14.8	-1.2	2.0	25.6	-10.1	4.8	4.6
Value (39/FDVLX)	H***	0.95	0-0	54.58	5961.1	17.7	-2.1	4.9	28.9	10.3	10.0	11.1
Value Discovery (832/FVDFX)	H***	1.0 Est	0-0	11.03	37.0	13.1	-2.3	2.3				
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B****	0.66	0-0	15.31	8255.3	16.6	-0.3	3.4	25.0	3.3	7.1	8.4
Convertible Sec (308/FCVXS)	H***	0.43	0-0	18.62	1641.6	17.5	0.8	1.8	25.4	-2.4	12.7	11.2
Equity-Income (23/FEQIX)	B****↓	1.00	0-0	44.51	20587.0	13.6	-1.3	2.8	24.3	-2.4	3.8	9.7
Equity-Income II (319/FEQTX)	B****	1.09	0-0	20.30	10996.1	17.7	-1.6	3.6	30.0	-1.5	4.6	9.9
Fidelity Fund (3/FFIDX)	H***	0.95	0-0	25.01	9742.8	13.0	-1.7	2.5	21.8	-10.7	1.3	9.6
Growth & Income (27/FGRIX)	H***	0.81	0-0	32.71	28357.5	8.8	-0.6	0.9	14.9	-8.1	1.1	9.5
Growth & Inc II (361/FGRTX)	H***	0.87	0-0	8.63	220.5	14.3	-1.5	1.9	23.2	-6.4		
Puritan (4/FPURX)	B****	0.61	0-0	16.99	20014.5	10.9	0.0	2.0	18.6	1.3	4.8	8.9
Real Estate Inc (833/FRIFX)	B****	0.2 Est	0-0.75(90)	11.11	253.7		2.7	3.5				
Real Estate (303/FRESX)	H***	0.61	0-0.75(90)	22.12	2290.4	22.6	3.5	9.8	24.6	14.2	12.6	10.3
Utilities (311/FUIUX)	H***	1.00	0-0	10.55	831.8	10.5	0.7	-3.8	27.7	-17.5	-3.9	4.5
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	S**	1.21	0-0.75(30)	28.04	45.2	27.2	-1.0	3.3	32.5	-4.2	11.9	11.0
Automotive (502/FAVX)	S**	1.09	0-0.75(30)	27.82	38.0	22.8	-4.7	9.8	24.5	10.8	6.3	5.4
Banking (507/FSRBX)	H***	1.13	0-0.75(30)	35.45	397.1	17.2	0.1	4.1	19.2	5.2	6.5	13.6
Biotechnology (42/FBIOX)	B****	1.15	0-0.75(30)	49.24	1980.3	27.1	-2.6	5.0	38.7	-20.6	11.0	10.9
Brokerage (68/FSLBX)	H***	1.46	0-0.75(30)	45.41	390.9	24.5	-0.2	6.2	39.6	-4.1	15.1	15.1
Business Ser (353/FBSOX)	S**	1.23	0-0.75(30)	12.69	34.0	11.7	-2.5	3.2	27.2	-1.8	7.6	
Chemicals (69/FSCHX)	H***	1.20	0-0.75(30)	41.66	38.4	7.9	-5.2	3.5	12.3	10.0	7.9	9.2
Computers (7/FDCPX)	B****	1.59	0-0.75(30)	31.91	875.4	44.8	-2.9	13.4	67.4	-27.0	1.4	14.7
Const & Housing (511/FSHOX)	H***	1.18	0-0.75(30)	29.40	63.4	21.9	-0.6	7.1	31.2	16.0	10.6	10.7
Consumer Indust (517/FSCPX)	H***	0.85	0-0.75(30)	21.74	31.6	12.8	-2.2	2.5	14.6	-2.0	2.8	8.4
Cyclical Indust (515/FCYIX)	H***	1.01	0-0.75(30)	13.56	26.8	13.9	-4.4	5.2	21.3	1.0	6.3	
Defense & Aero (67/FSDAX)	S**	0.97	0-0.75(30)	45.00	268.9	13.5	-4.8	4.9	10.9	2.8	9.9	13.6
Develop Commn (518/FSDCX)	B****	1.35	0-0.75(30)	14.45	546.0	46.4	-1.1	15.0	69.2	-32.3	2.9	8.0
Electronics (8/FSELX)	H***	2.05	0-0.75(30)	36.08	3462.4	48.1	-4.1	17.0	69.0	-24.4	10.8	17.9
Energy (60/FSENX)	H***	0.97	0-0.75(30)	21.98	192.6	7.3	-2.0	-1.3	13.9	-5.1	7.0	7.3
Energy Services (43/FSSESX)	B****	1.54	0-0.75(30)	29.12	408.6	-0.9	-5.4	-6.6	11.7	-8.3	12.2	11.0
Environmental (516/FSLEX)	H***	0.88	0-0.75(30)	12.07	12.4	17.0	-1.3	8.6	24.8	1.7	-1.5	1.5
Financial Services (66/FIDSX)	H***	1.10	0-0.75(30)	102.97	473.9	16.1	0.6	4.7	24.5	-0.4	8.0	13.5
Food & Agriculture (9/FDFAX)	H***	0.65	0-0.75(30)	40.83	88.7	5.2	1.8	2.3	7.8	4.7	3.4	10.1
Gold (41/FSAGX)	H***	1.31	0-0.75(30)	26.38	677.2	13.3	1.2	17.7	26.1	33.8	15.5	4.8
Health Care (63/FSPHX)	H***	0.82	0-0.75(30)	110.59	1889.8	8.5	0.5	-2.5	13.0	-7.2	2.6	15.4
Home Finance (98/FSVLX)	H***	1.03	0-0.75(30)	57.55	359.2	18.3	1.1	6.3	25.8	11.2	10.1	14.8
Indust Equip (510/FSGDX)	H***	1.11	0-0.75(30)	19.79	38.6	13.8	-6.0	7.6	22.8	-4.5	3.1	8.9
Indust Materials (509/FSDPX)	H***	0.94	0-0.75(30)	28.79	44.0	20.1	1.4	13.4	37.8	15.9	9.7	7.6
Insurance (45/FSPCX)	H***	1.07	0-0.75(30)	50.46	102.2	13.2	0.4	2.6	19.7	4.8	11.4	14.4
Leisure (62/FDLSX)	H***	1.09	0-0.75(30)	63.29	168.0	26.5	-2.2	4.1	33.2	-3.6	6.4	11.0
Medical Delivery (505/FSHCX)	H***	1.36	0-0.75(30)	26.04	96.2	10.0	1.2	8.2	-12.6	5.0	4.9	9.6
Medical Equip/Sys (354/FSMEX)	H***	0.70	0-0.75(30)	19.03	299.1	23.4	0.7	3.4	29.7	6.6	18.4	
Multimedia (503/FBMPX)	H***	1.38	0-0.75(30)	42.64	178.9	25.6	-6.7	2.4	49.7	-2.2	8.9	12.1
Natural Gas (513/FSNGX)	H***	1.06	0-0.75(30)	18.75	181.2	11.8	-2.2	-2.2	16.9	-6.1	10.0	6.8
Nat Resources (514/FNARX)	H***	0.91	0-0.75(30)	12.24	32.1	10.7	-1.8	1.7	18.6	-2.9	8.4	
Networking/Infra (912/FNINX)	H***	1.80	0-0.75(30)	2.18	145.5	46.3	-3.1	14.1	81.7	-39.9		
Paper & Forest (506/FSFPX)	H***	1.09	0-0.75(30)	26.85	17.4	3.4	-0.9	7.8	15.2	9.2	10.0	9.2
Pharmaceuticals (580/FPHAX)	H***	0.88	0-0.75(30)	8.36	57.2	14.8	4.6	-0.5	25.5			
Retailing (46/FSRPX)	H***	1.01	0-0.75(30)	41.17	100.8	20.6	-4.7	5.2	22.0	-2.6	3.7	9.3
Software (28/FSCSX)	B****	1.35	0-0.75(30)	44.48	776.0	22.0	-2.8	5.9	60.5	-13.8	10.4	15.2
Technology (64/FSPTX)	B****	1.60	0-0.75(30)	53.75	2236.9	42.6	-1.6	12.2	72.2	-27.2	6.8	13.3
Telecom (96/FSTCX)	H***	1.57	0-0.75(30)	27.54	349.1	7.7	-4.3	-5.4	47.1	-25.7	-5.7	3.5
Transportation (512/FSRFX)	S**	1.13	0-0.75(30)	30.84	33.0	25.9	-1.1	5.9	36.8	8.7	15.0	11.6
Utilities Growth (65/FSUTX)	H***	0.98	0-0.75(30)	29.75	191.5	13.0	0.2	-4.0	26.1	-20.8	-3.8	5.0
Wireless (963/FWRLX)	H***	1.38	0-0.75(30)	3.45	114.3	42.0	-3.4	10.6	49.4	-30.2		

SEPTEMBER PERFORMANCE						Div.	2003	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Load	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
Aggressive Int'l (335/FIVFX)	H***	0.80	0-1 (30)	13.53	503.5		26.1	1.7	9.1	32.6	-4.7	6.0
Canada (309/FICDX)	H***	0.65	0-1.5(90)	23.43	133.4		29.3	1.6	6.2	36.4	1.6	15.0
Diversified Int'l (325/FDIVX)	B****	0.61	0-1 (30)	21.21	10035.7		23.6	3.1	9.6	31.1	-1.6	9.0
Emerging Mkts (322/FEMKX)	H***	0.68	0-1.5(90)	9.12	353.4		26.5	0.2	13.2	37.1	-0.3	8.7
Europe (301/FIEUX)	H***	1.04	0-1 (30)	22.74	1161.9		24.1	4.4	8.0	41.5	-10.3	-0.3
Europe Cap Appr (341/FECAX)	H***	0.79	0-1 (30)	16.04	379.1		16.0	3.7	4.7	22.4	-4.2	3.4
China Region (352/FHKCX)	H***	0.68	0-1.5(90)	14.08	166.0		29.7	2.8	19.6	32.5	-2.4	12.8
Global Balanced (334/FGBLX)	H***	0.47	0-1 (30)	17.27	101.9		16.8	2.6	7.5	20.4	-0.7	5.7
Int'l Growth & Inc (305/FIGRX)	B****	0.71	0-1 (30)	20.62	1080.7		22.6	3.1	10.8	28.9	-5.2	7.0
Int'l Small Cap (818/FISMV)	B****	0.7 Est	0-2 (90)	16.33	237.1		54.8	6.8	23.1	71.0		
Japan (350/FJPNX)	B****	0.96	0-1.5(90)	10.46	464.4		24.1	3.6	18.1	19.8	-16.2	7.7
Japan Smaller Co (360/FJSCX)	H***	0.76	0-1.5(90)	9.07	560.6		40.8	9.1	30.3	27.2	-5.8	20.8
Latin America (349/FLATX)	H***	0.97	0-1.5(90)	12.67	201.3		35.8	2.7	12.2	63.0	-2.8	7.2
Nordic (342/FNORX)	H***	0.89	0-1.5(90)	17.94	75.6		17.8	1.9	8.3	27.9	-13.9	4.2
Overseas (94/FOSFX)	H***	0.95	0-1 (30)	27.28	3176.6		24.0	2.9	11.9	28.7	-9.7	1.9
Pacific Basin (302/FPBFX)	B****	0.75	0-1.5(90)	16.03	346.6		25.6	3.2	16.8	23.6	-7.8	9.9
Southeast Asia (351/FSEAX)	H***	0.93	0-1.5(90)	12.62	355.6		30.6	0.0	16.9	32.5	-0.8	13.3
Worldwide (318/FWWFX)	H***	0.89	0-1 (30)	14.46	777.0		21.7	0.8	7.3	28.6	-4.0	5.4

**INDEX AND ASSET ALLOCATION:**

Four-In-One Index (355/FFNOX)	H***	0.76	0-0.5(90)	20.78	369.0		15.3	0.1	3.7	23.1	-6.7	
Spart Ext Mkt Idx (398/FSEMIX)	B****	0.88	0-0.75(90)	24.16	686.5		25.6	-1.3	7.5	32.8	-8.4	5.2
Spart Int'l Index (399/FSIIX)	H***	0.83	0-1(90)	23.81	335.8		18.7	3.2	7.9	26.1	-8.9	0.7
Spart 500 Index (317/FSMKX)	H***	1.00	0-0.5(90)	68.99	8468.7		14.6	-1.1	2.6	24.2	-10.2	0.9
Spart Total Mkt Idx (397/FSTMV)	H***	0.96	0-0.5(90)	26.87	1585.8		16.8	-1.1	3.6	25.9	-9.6	2.0
Asset Manager (314/FAMTX)	H***	0.53	0-0	14.95	10790.8		10.4	0.5	0.5	18.3	-2.1	5.3
Asset Mgr Agg (347/FAMRX)	H***	1.02	0-0	9.26	233.1		33.6	1.3	9.7	37.7	-13.0	
Asset Mgr Gth (321/FASGX)	H***	0.75	0-0	13.47	3528.7		12.5	-0.1	0.6	22.7	-5.7	2.7
Asset Mgr Inc (328/FASIX)	B****	0.25	0-0	11.80	937.1		10.2	0.6	1.7	14.3	3.4	5.0
Freedom 2000 (370/FFFBX)	B****	0.21	0-0	11.60	1418.8		5.9	1.0	1.0	8.6	0.8	5.7
Freedom 2010 (371/FFFCX)	B****	0.39	0-0	12.58	5845.6		10.5	0.9	2.1	15.4	-1.8	6.0
Freedom 2020 (372/FFFDX)	B****	0.61	0-0	12.15	5488.8		14.6	0.4	3.3	21.6	-5.7	5.1
Freedom 2030 (373/FFFEY)	B****	0.72	0-0	11.86	3199.5		16.2	0.1	3.9	24.3	-7.9	4.2
Freedom 2040 (718/FFFFX)	B****	0.80	0-0	6.87	752.7		17.6	-0.1	4.4	26.6	-9.5	
Freedom Income (369/FFFAV)	B****	0.17	0-0	10.99	1462.7		4.7	0.8	0.7	6.8	2.3	5.0

**TAXABLE BOND FUNDS:**

Capital & Income (38/FAGIX)	B****	0.32	0-1(90)	7.81	3893.9	6.06	30.6	2.3	2.5	47.0	4.1	6.2
Floating Rate (814/FFRFX)	B****	0.1 Est	0-1(60)	9.84	621.5	2.57	5.2	0.6	1.1			
GNMA Portfolio (15/FGMNX)	H***	0.12	0-0	11.24	5048.4	1.84	2.0	1.6	0.7	3.6	7.2	6.1
Gov't Income (54/FGOVX)	H***	0.25	0-0	10.34	3602.6	2.81	2.4	2.8	-0.7	2.9	8.3	5.9
Intermed Bond (32/FTHRX)	H***	0.18	0-0	10.78	6732.0	3.37	4.5	2.5	-0.1	6.5	8.7	6.6
Intermed Gov't Inc (452/FSTGX)	H***	0.19	0-0	10.39	1203.0	2.62	2.2	2.4	-0.4	3.3	8.1	6.2
Invest Grade Bond (26/FBNDX)	H***	0.19	0-0	7.62	5208.1	3.48	4.4	2.7	0.0	6.9	8.8	6.4
Mortgage Securities (40/FMSFX)	H***	0.12	0-0	11.38	1231.1	1.78	3.0	1.8	0.9	4.7	7.9	6.5
New Markets Inc (331/FNMIX)	H***	0.37	0-1(90)	13.29	739.9	5.86	23.1	2.9	2.1	39.6	14.2	20.9
Short-Term Bond (450/FSHBX)	B****	0.09	0-0	9.05	5331.0	2.68	3.1	1.1	0.2	5.0	6.6	5.8
Spart Gov't Inc (453/SPGVX)	H***	0.26	0-0	11.12	991.9	3.61	2.4	3.0	-0.8	3.0	8.6	6.1
High Income (455/SPHIX)	B****	0.18	0-1(90)	8.68	2489.3	6.66	20.1	2.5	2.7	28.6	1.8	2.7
Spart Invest Grade (448/FSIBX)	H***	0.19	0-0	10.93	2682.3	3.65	4.6	2.8	0.0	7.1	9.0	6.7
Strategic Income (368/FSICX)	B****	0.15	0-0	10.26	1681.0	5.37	13.6	3.2	1.7	20.4	10.1	8.8
Inflation-Protected (794/FINPX)	H***	0.2 Est	0-0	11.04	528.6	1.54	6.4	3.5	0.3	6.9		
Total Bond (820/FTBFX)	H***	0.2 Est	0-0	10.56	79.1	3.59	5.5	3.0	0.0			
Ultra-Short Bond (812/FUSFX)	B****	0.1 Est	0-0.25(60)	10.04	255.9	1.22	1.4	0.2	0.4	2.1		
US Bond Index (651/FBIDX)	H***	0.2 Est	0-0	11.38	4669.0	3.46	4.3	2.8	-0.1	6.5	9.0	

**MUNICIPAL BOND FUNDS:**

Spart AZ Muni Inc (434/FAZAX)	H***	0.19	0-0.5(30)	11.64	68.6	3.79	4.0	3.1	-0.1	3.9	7.6	5.6
Spart CA Muni Inc (91/FCIFX)	H***	0.17	0-0.5(30)	12.67	1503.9	4.29	3.4	2.9	-0.2	2.5	6.8	5.2
Spart CT Muni Inc (407/FICNX)	H***	0.17	0-0.5(30)	11.95	442.9	4.13	3.7	3.0	-0.3	3.5	7.6	5.5
Spart FL Muni Inc (427/FFLIX)	H***	0.17	0-0.5(30)	11.88	536.1	4.10	3.7	3.4	-0.1	3.5	7.5	5.3
Spart Intermediate (36/FLTMX)	H***	0.15	0-0.5(30)	10.35	1702.2	4.04	4.4	2.9	0.6	4.3	7.5	5.5
Spart MA Muni Inc (70/FDMMX)	H***	0.17	0-0.5(30)	12.34	1808.9	4.38	3.9	2.9	-0.3	3.6	7.7	5.5
Spart MD Muni Inc (429/SMDMX)	H***	0.16	0-0.5(30)	11.06	93.3	3.96	3.9	2.9	-0.1	3.7	7.3	5.3
Spart MI Muni Inc (81/FMHTX)	H***	0.17	0-0.5(30)	12.22	549.5	4.22	4.8	3.1	-0.1	4.6	8.0	5.5
Spart MN Muni Inc (82/FMIX)	H***	0.14	0-0.5(30)	11.74	332.7	4.06	4.1	2.6	0.1	4.2	7.2	5.1
Spart Municipal Inc (37/FHIGX)	H***	0.18	0-0.5(30)	13.33	4620.4	4.43	4.4	3.4	-0.1	4.2	8.3	5.9
Spart NJ Muni Inc (416/FNJHX)	H***	0.18	0-0.5(30)	11.91	535.7	4.20	3.8	3.4	-0.1	3.7	7.5	5.6
Spart NY Muni Inc (71/FTFMX)	H***	0.18	0-0.5(30)	13.42	1411.8	4.19	4.1	3.2	-0.3	4.0	8.2	5.7
Spart OH Muni Inc (88/FOHFX)	H***	0.18	0-0.5(30)	12.16	419.5	4.19	4.4	3.2	-0.2	4.1	7.8	5.5
Spart PA Muni Inc (402/FPXTX)	H***	0.16	0-0.5(30)	11.14	285.9	4.27	3.9	2.9	0.0	3.8	7.5	5.3
Spart Short-Int Muni (404/FSTFX)	B****	0.08	0-0.5(30)	10.60	1763.5	2.65	2.9	1.7	0.9	3.5	5.8	4.7
Spart Tax-Free Bond (90/FTABX)	H***	0.20	0-0.5(30)	10.81	218.5	4.20	4.6	3.7	0.1	4.3		

**SEPTEMBER PERFORMANCE**

Indexes & Model Portfolios	Risk	Value	2003 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
Dow Jones Industrial	1.00	9275.06	13.1	-1.3	3.8	25.0	-2.6	5.3	12.3
S&P 500	1.00	995.97	14.7	-1.1	2.6	24.4	-10.1	1.0	10.1
NASDAQ	1.25	1786.94	34.3	-1.3	10.2	53.2	-21.1	1.4	9.5
Russell 2000	1.01	487.68	28.5	-1.9	9.1	36.5	-0.8	7.5	8.3
Fidelity Monitor Income Model	0.07	73132.99	6.0	1.3	1.3	7.0	5.3	4.3	5.7
Fidelity Monitor G&I Model	0.51	117831.76	20.7	0.2	3.4	29.0	3.2	7.6	
Fidelity Monitor Growth Model	1.05	119499.57	27.0	0.3	6.8	38.2	-5.0	6.2	10.0
Fidelity Monitor Select System	1.14	233141.94	26.0	-2.6	7.5	37.0	-6.3	8.9	11.0
Fidelity Monitor Unique Opportunities	0.69	66649.24	25.9	1.0	6.3	37.3	5.3		

## UNIQUE OPPORTUNITIES MODEL

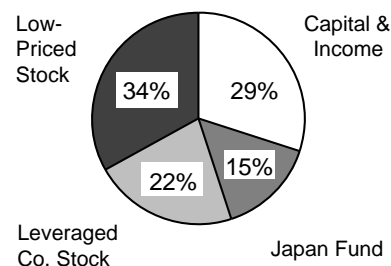
This model invests in special situations and where Fidelity's research skills give it an edge over its peers.

FUND	NAV	SHARES	BALANCE
Capital & Income	\$7.81	2478.400	\$19356.30
Japan	\$10.46	982.913	\$10281.27
Leveraged Co.	\$15.94	915.526	\$14593.48
Low-Priced Stock	\$31.12	720.379	\$22418.19

22% Foreign Holdings  
**Balance as of 9/30/03: \$66649.24**  
**Balance at start of 2003: \$52924.96**

### PERFORMANCE

Partial Yr 99: + 33.8%  
 2000: - 20.5%  
 2001: + 1.6%  
 2002: - 2.1%  
 \*2003: + 25.9%



Our Unique Opportunities portfolio gained 1.0% for the month of September.

## 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 (+20.7% YTD)	Portfolio B (+12.0% YTD)	Portfolio C (+13.3% YTD)	Portfolio D (+13.3% YTD)
58% Dividend Growth, 42% Capital Appreciation	64% Magellan, 36% Contrafund	32% Magellan 68% Equity-Income	31% Magellan 69% Equity-Income

For the month of September, Portfolio A gained 0.1%, Portfolio B slid 1.2%, and Portfolios C and D both declined 1.3%.

## VIP CORNER

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

VIP SECTOR MODEL:	VIP GROWTH:	VIP G&I MODEL:	VIP INCOME MODEL:
100% VIP Technology	34% VIP Equity-Income, 66% VIP Growth	41% VIP Asset Mgr, 30% VIP Equity-Inc., 29% VIP High Inc.	72% VIP Inv. Grade, 28% VIP High Income.

SEPTEMBER VIP PERFORMANCE		Unit Value	2003 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
Portfolio	Rating							
VIP Asset Manager	B ****	28.24	10.3	0.6	0.5	18.1	-3.0	2.4
VIP Asset Manager: Growth	H ***	18.04	12.7	-0.2	0.5	23.0	-7.7	0.2
VIP Balanced	H ***	13.51	11.0	0.1	1.3	17.3	-2.1	1.4
VIP Contrafund	H ***	27.03	14.5	-0.8	5.0	15.9	-5.8	4.8
VIP Equity-Income	B ****	43.52	13.2	-1.3	2.7	23.6	-3.0	2.8
VIP Growth	B *****	47.93	18.8	-2.3	5.1	26.6	-16.2	0.1
VIP Growth & Income	B ****	14.42	14.1	-1.4	1.9	22.8	-6.7	1.3
VIP Growth Opportunities	B ****	10.16	16.2	-1.4	3.2	25.3	-12.1	-4.7
VIP High Income	B ****	24.48	19.9	2.7	2.8	28.4	-2.6	-1.5
VIP Index 500	H ***	26.03	13.8	-1.2	2.3	23.2	-11.0	0.0
VIP Investment Grade Bond	B ****	26.80	3.8	2.6	-0.4	6.5	8.3	5.9
VIP Overseas	H ***	22.63	22.5	2.8	11.4	26.9	-11.4	0.3
VIP Mid Cap	H ***	11.41	18.5	-1.4	9.2	20.7	0.5	
VIP Consumer Industries	H ***	9.18	13.0	-2.3	2.4	15.1		
VIP Cyclical Industries	H ***	9.17	13.7	-4.4	5.1	21.4		
VIP Financial Services	H ***	9.90	15.6	0.5	4.6	23.6		
VIP Health Care	B ****	9.03	8.0	0.4	-2.7	12.3		
VIP Natural Resources	H ***	9.12	10.9	-1.8	1.6	18.7		
VIP Technology	B ****	8.29	41.9	-1.8	11.9	71.4		
VIP Telecom & Utilities	H ***	6.73	11.4	0.0	-4.6	23.5		
Morgan Stanley Emg Mkts Debt	H ***	14.96	19.8	2.3	2.3	32.9	12.6	
Morgan Stanley Emg Mkts Equity	H ***	9.38	26.4	1.0	13.5	35.6	-6.0	
Morgan Stanley Global Equity	H ***	11.22	12.0	0.9	5.0	17.2	-2.3	
Morgan Stanley Int'l Magnum	H ***	8.41	10.7	2.6	6.9	16.9	-10.5	
PBHG Growth II	S **	8.53	18.1	-3.6	6.4	18.0	-32.2	
PBHG Select Value	H ***	13.76	3.4	-1.0	1.6	13.3	-17.8	
PBHG Select 20	S **	12.91	18.6	-4.4	3.1	17.8	-20.8	
PBHG Small Cap Value	H ***	15.28	19.2	-3.0	5.2	20.4	-5.4	
PBHG Tech & Communications	S **	6.91	29.8	-3.5	10.5	45.2	-48.0	
Strong Mid Cap Growth Fund II	S **	10.89	23.0	-3.5	2.3	29.2	-26.4	
Strong Opportunity Fund II	H ***	13.73	22.4	-2.0	5.9	34.2	-5.2	
CS Int'l Focus	H ***	8.13	14.7	-0.1	5.9	19.2	-15.0	
CS Global Post-VC	S **	8.57	31.2	0.5	11.0	32.6	-23.5	
CS Small Cap Growth	S **	9.41	28.3	-4.6	8.5	37.3	-15.9	
Fidelity Monitor VIP Sector Model		11813.27	42.0	-1.8	11.9	46.4		
Fidelity Monitor VIP Growth Model		25088.10	16.0	-2.0	4.4	21.1	-10.8	0.8
Fidelity Monitor VIP G&I Model		18793.82	11.7	0.6	1.9	18.7	-2.2	2.0
Fidelity Monitor VIP Income Model		17143.47	7.9	2.6	0.4	10.2	5.3	3.6

## INCOME MODEL

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

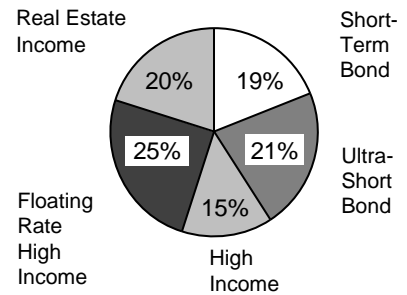
FUND	NAV	SHARES	BALANCE
Short-Term Bond	\$9.05	1566.564	\$14177.40
Ultra-Short Bond	\$10.04	1548.748	\$15549.43
High Income	\$8.68	1242.045	\$10780.95
Floating Rate	\$9.84	1852.665	\$18230.22
Real Estate Inc.	\$11.11	1295.679	\$14394.99

4% Foreign Holdings

Balance as of 9/30/03: \$73132.99  
Balance at start of 2003: \$68975.37

## PERFORMANCE

1992: + 10.1%  
1993: + 11.3%  
1994: - 2.1%  
1995: + 14.8%  
1996: + 9.0%  
1997: + 10.5%  
1998: + 3.5%  
1999: + 3.0%  
2000: + 0.3%  
2001: + 5.6%  
2002: + 5.4%  
\*2003: + 6.0%



Our Income Model gained 1.3% in September. The income stream for the month was 3.2%.

## GROWTH AND INCOME MODEL

Our Growth and Income Model is for conservative growth, with a long-term goal of 10% per year. The model holds funds that focus on stocks and bonds.

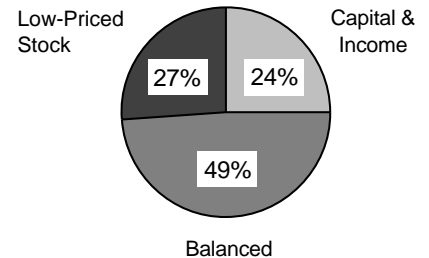
FUND	NAV	SHARES	BALANCE
Capital & Inc.	\$7.81	3664.326	\$28618.39
Balanced	\$15.31	3779.345	\$57861.77
Low-Priced Stock	\$31.12	1007.442	\$31351.60

9% Foreign Holdings

Balance as of 9/30/03: \$117831.76  
Balance at start of 2003: \$97626.98

## PERFORMANCE

1994: - 3.7%  
1995: + 21.6%  
1996: + 15.8%  
1997: + 18.7%  
1998: + 11.1%  
1999: + 12.2%  
2000: + 2.7%  
2001: + 1.3%  
2002: - 6.4%  
\*2003: + 20.7%



Our Growth and Income Model gained 0.2% for the month of September.

## GROWTH MODEL

Our Growth Model aims for long-term growth of 13% per year. The model will typically invest in a mix of domestic stock funds and will focus only on those that do not charge a load.

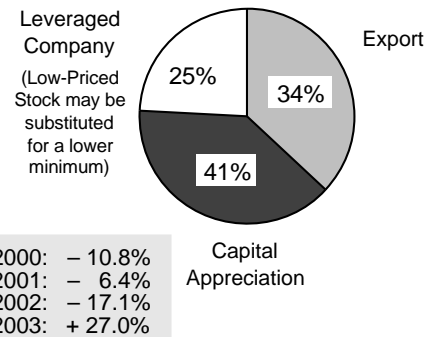
FUND	NAV	SHARES	BALANCE
Export	\$16.11	2533.346	\$40812.20
Capital Apprec.	\$21.90	2213.934	\$48485.15
Leveraged Co.	\$15.94	1894.744	\$30202.22

9% Foreign Holdings

Balance as of 9/30/03: \$119499.57  
Balance at start of 2003: \$94089.60

## PERFORMANCE

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



In September our Growth Model gained 0.3%, versus a decline of 1.1% for the S&P 500.

## SELECT SYSTEM

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

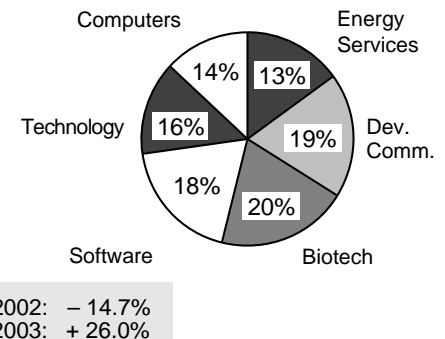
FUND	NAV	SHARES	BALANCE
Energy Services	\$29.12	1023.041	\$29790.95
Developing Com.	\$14.45	3151.676	\$45541.72
Biotechnology	\$49.24	938.154	\$46194.70
Software	\$44.48	938.003	\$41722.37
Technology	\$53.75	676.687	\$36371.93
Computers	\$31.91	1050.463	\$33520.27

7% Foreign Holdings

Balance as of 9/30/03: \$233141.94  
Balance at start of 2003: \$185070.14

## PERFORMANCE

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



Our Select System was down 2.6% in September, compared to a 1.1% decline for the S&P 500.

activity from negatively affecting performance. The 0.75% 30-day redemption fee made the Selects too expensive for many highly-active traders. And with the redemption fee proceeds being directed back into the funds, the timers are actually giving long-term shareholders a small performance boost.

Fidelity became heavy-handed with newsletters in the mid-1990s, as the firm sought to limit the impact of mass trading on individual funds. Concern over the possibility of blocked trades prompted some newsletters to introduce non-Fidelity portfolios.

The most defining moment of all occurred in late 1997, when the Asian currency crisis was roiling the world markets. After several days of large losses, the U.S. market bounced back strongly. Before the market closed, money flooded into **China Region** as market timers attempted to capitalize on the time zone difference. The goal of the timers was to lock in the U.S. market gain and capture the anticipated Asian market rebound as well. Those timers might have made an extra 10%, but it would have diluted the returns of long-term shareholders. Fidelity didn't allow it to happen. Fair value pricing was invoked, and Fidelity estimated **China Region's** value based on the latest stock price information available. As a result, the timers bought in at a price much higher than they expected. The move was controversial at the time, and some market timers complained to the SEC that Fidelity had eliminated an opportunity that was rightfully theirs. After an investigation, the SEC sided with Fidelity, saying that fair value pricing was not only appropriate for the situation, but probably necessary to protect the interest of long-term shareholders.

Clearly, Fidelity has set an example to follow. Those of us with most of our money in Fidelity funds can rest easy as other fund companies change the way they do business. This time around, there's one fund company that won't be showing up in the headlines. ■

## Happenings

Fidelity made three manager changes over the last two months. Jody Simes now heads **Industrial Materials**, Matthew Friedman is the new leader for **Multimedia**, and William Kennedy has taken over stockpicking responsibilities at **Pacific Basin**.

Three new VIP Portfolios were introduced on 9/20: **Dynamic Capital Appreciation**, **Real Estate**, and **Value Strategies**. For now, we rate them hold. ■

## Ultra-Short, Short-Term, Floating Rate High Income, Strategic Income, High Income, and Capital & Income.

It was a strong month for bonds as long-term interest rates tumbled. **Inflation-Protected Bond** gained 3.5%, and **Strategic Income** moved up 3.2%. Shorter-maturity funds saw the least benefit from the rate tumble. **Floating Rate High Income** returned 0.6%, and **Ultra-Short Bond** edged up 0.2%. Muni bonds also did well. **Spartan Short-Intermediate Muni** rose 1.7%; longer-maturity portfolios posted gains ranging from 2.6% to 3.7%.

### SELECT PORTFOLIOS

Select System holdings are listed on page 7. Our current buys include **Biotechnology**, **Software**, **Dev. Communications**, **Computers**, **Technology**, and **Energy Services**.

Defensive sectors tended to dominate the top spots. **Pharmaceuticals** gained 4.6%, **Food & Agriculture** was up 1.8%, and **Industrial Materials** rose 1.4%. Finishing on the bottom were **Industrial Equipment**, down 6.0% as the rate of economic growth appeared to slow, and **Multimedia**, which fell 6.7% on fears of weakness in consumer spending. ■

### SEPTEMBER DISTRIBUTIONS

Asset Manager	\$ 0.08 / \$15.05 (9/12)
Asset Manager: Income	\$ 0.02 / \$11.86 (9/5)
Balanced	\$ 0.06 / \$15.55 (9/5)
Blue Chip Growth	\$ 0.12 / \$37.27 (9/5)
Blue Chip Value	\$ 0.01 / \$10.04 (9/5)
Convertible Securities	\$ 0.18 / \$18.65 (9/12)
Dividend Growth	\$ 0.13 / \$25.45 (9/5)
Equity-Income	\$ 0.19 / \$45.33 (9/12)
Equity-Income II	\$ 0.05 / \$20.66 (9/12)
Fidelity Fund	\$ 0.06 / \$25.64 (9/12)
Freedom Income	\$ 0.01 / \$10.96 (9/5)
Gov't Income	\$ 0.14 / \$10.13 (9/5)
Growth & Income	\$ 0.10 / \$33.40 (9/5)
Growth & Income II	\$ 0.01 / \$8.84 (9/12)
Leveraged Co. Stock	\$ 0.10 / \$16.37 (9/5)
Low-Priced Stock	\$ 0.01 / \$32.01 (9/5)
Puritan	\$ 0.30 / \$17.16 (9/5)
Real Estate Income	\$ 0.03 / \$10.90 (9/5)
Real Estate	\$ 0.10 / \$21.68 (9/12)
Utilities	\$ 0.06 / \$10.65 (9/12)
Total Bond	\$ 0.06 / \$10.36 (9/5)
Value Discovery	\$ 0.15 / \$11.42 (9/5)

Funds scheduled for 10/3 include **Asset Manager: Income**, **Export & Multinational**, **Freedom Income**, **Spartan AZ**, **Spartan MD**, and **Spartan Short-Intermediate Muni**.

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser (55/FDRXX)	57212.6	0.79	CT MM (418/FCMXX)	1047.7	0.50			
Select MM (85/FSLXX)	866.1	0.76	MA MM (74/FDMXX)	3292.1	0.47	FL MM (428/FSFXX)	934.4	0.54
Spart MM (454/SPRXX)	6538.7	0.78	MI MM (420/FMIXX)	590.3	0.49	Spart MA MM (426/FMSXX)	1022.6	0.58
Spart US Gov't (458/SPAXX)	714.8	0.71	NJ MM (417/FNJXX)	1307.1	0.45	Spart Municipal (460/FIMXX)	3038.9	0.70
Spart US Treas (415/FDLXX)	2489.3	0.61	NY MM (92/FNYXX)	2797.4	0.50	Spart NJ MM (423/FSJXX)	575.7	0.63
Tax-Free MM (275/FMOXX)	485.4	0.57	OH MM (419/FOMXX)	679.4	0.51	Spart NY MM (422/FSNXX)	1108.8	0.61
US Gov't Reser (50/FGRXX)	2389.0	0.78	AZ MM (433/FSAXX)	134.3	0.52	PA MM (401/FPTXX)	289.4	0.51
CA MM (97/FCFXX)	2755.7	0.44	Spart CA MM (457/FSPXX)	1292.4	0.61	Municipal MM (10/FTEXX)	13987.6	0.59