

Sector Review

Six months ago we made changes to our sector ranking system, allowing our Select System to branch out into any Fidelity Select with an asset base of \$100 million or more. That gave the model portfolio access to plenty of defensive and value-oriented choices, and added some new growth options too.

SECTOR REVIEW - *Continued on page 2*

Changes Planned For Select System, Unique Opportunities, and Income Model

On Monday, 10/17, our Select System will sell **Utilities Growth** (65/FSUTX) and buy **Wireless** (963/FWRLX). The resulting mix will be roughly 22% **Energy**, 18% **Brokerage**, 19% **Wireless**, 15% **Software**, 14% **Medical Delivery**, and 12% **Telecommunications**. Place your trades over the weekend in order to obtain the Monday 10 am price. We are making this change because **Wireless** offers growth potential exceeding that of **Utilities Growth**, and our volatility model suggests it may be worth the added risk. There are no changes in our VIP Sector Model.

On the same day, our Unique Opportunities Model will sell **Utilities Growth** (65/FSUTX) and buy **Pacific Basin** (302/FPBFX), for a mix of 18% **Natural Resources**, 12% **Pacific Basin**, 13% **Europe**, 25% **Leveraged Company Stock**, and 32% **Value**. We've been waiting for a good opportunity to increase our foreign exposure. **Pacific Basin** offers a low-risk bet on a continued recovery for the Japanese stock market.

Also on 10/17, our Income Model will sell one-third of **Ultra-Short Bond** (812/FUSFX) and buy **Asset Manager Income** (328/FASIX). The resulting mix will be 19% **Short-Term Bond**, 19% **Asset Manager Income**, 39% **Ultra-Short Bond**, and 23% **Floating Rate High Income**. **Asset Manager Income** offers a higher potential return than **Ultra-Short Bond**, and carries only slightly more risk than a government bond fund. Its stock holdings, which are heavily biased toward the energy group, account for 25% of assets. Cash and bonds make up the remaining 75%.

Review & Recommendations

Despite the damage done by hurricanes Katrina and Rita, and an uncertain timetable for restoring full oil production and refining capacity, the market still managed a small gain as investors factored in the likelihood of an increase in federal spending. The S&P 500 finished September with a 0.8% increase.

GROWTH FUNDS

Growth Model holdings are listed on page 7. Our favorites include **Contrafund** and **Value. Small Cap Value** and **Low-Priced Stock** have both been downgraded to a hold as we take a more cautious view of funds with an overweighted position in the consumer sector.

Large-caps fared better than small-caps as investors became more prudent in the face of economic uncertainty. **Fidelity Fifty** gained 3.3%, and both **Large Cap Value** and **Focused Stock** returned 3.1%. On the flip side, **Small Cap Growth** was up 0.4%, **Value Strategies** slipped 0.2%, and **Small Cap Value** declined 0.4%.

INTERNATIONAL FUNDS

Int'l Discovery and **Spartan Int'l Index** offer broad exposure to foreign markets. **Europe** provides a focused bet on a group of defensive stocks. **Pacific Basin** should benefit from recovery in Japan while minimizing risk with its diversified portfolio.

Countries that export oil did well for the month. Also, favorable economic news in Japan – combined with a stronger-than-expected dollar – gave a boost to markets in the Pacific Rim. **Latin America** surged 15.3%, **Japan** jumped 10.1%, **Emerging Markets** climbed 9.9%, and **Pacific Basin** was up 7.2%. Even those that finished behind did well relative to domestic growth funds. **Europe Capital Appreciation** rose 1.6%, and **Global Balanced** gained 1.5%.

GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. Our favorites include **Balanced**, **Strategic Dividend & Income**, **Convertible Securities**, **Equity-Income**, and **Puritan**. For a low-risk choice, consider **Asset Manager Income**. **Convertible Securities**, new to our list of favorites, was added because we expect new manager Thomas Soviero to

RECOMMENDATIONS - *Continued on page 8*

SECTOR REVIEW - *Continued from page 1*

Early results have been encouraging. Since the change-over, the Select System has exceeded the S&P 500 by about 8 percentage points, and on a year-to-date basis it has moved into the top quartile of Select returns.

This month we review our method of ranking the Select family and choosing the holdings for the Select System. Then we'll move on to a discussion of the sector changes that are taking place in the market, and review the industry groups that we currently rate a buy – along with a few others that are in a unique situation.

TRYING TO PREDICT THE FUTURE

Using statistics to try and discern future price movements is no small challenge. Only a fraction of today's best performing sectors will remain in the limelight a year from now, and between now and then some lackluster groups will begin to outperform.

Our volatility model attempts to improve the odds of picking winners by comparing each sector's standard deviation to its historical level. We've found that industry groups with lower-than-usual volatility stand a greater chance of sustaining or developing a favorable trend. Conversely, those with larger than usual daily price swings are more likely to surprise on the downside.

Complicating the task is the fact that some sectors are more predictable than others. When we rank the Selects, our model takes into account that future performance is sometimes best explained by relative volatility calculations, whereas in other cases recent performance provides the best indication. There are also some funds, such as **Gold**, where you can never be too sure about future trends no matter how you look at the data .

As for our latest ranking update, the big shift is that many growth-oriented sectors are climbing back into the top spots. It's well-known that growth stock valuations have become more attractive following five years of declining prices and improving earnings. What's different now is that earnings are starting to reflect a steady increase in business spending, and high energy costs have not impacted consumer spending as much as the market had expected. Still, it's hardly the time to give up on value stocks. We're still in a merger and acquisition market, and over half the profits earned by the S&P 500 companies come from the energy and finance groups alone.

Fortunately, our top choices include plenty of attractive choices from both camps. Here is a review

of our current favorites, along with a few others that may also be of interest:

BROKERAGE (BUY)

Brokerage stocks are still relatively cheap from the 2000-2002 bear market, and in recent quarters revenue from fixed-income trading is turning out to be a key source of growth. Business is improving overseas, and over the last year investors have shown greater interest in trading currencies and commodities. Of all the financial sectors, **Brokerage** is least likely to be impacted by rising interest rates or a slowdown in consumer spending.

ENERGY (BUY)

Until Katrina hit, consumer habits had changed very little in response to escalating energy costs. Now, voluntary conservation may play a greater role in limiting the country's demand for fossil fuels. But even if the price of oil doesn't see as much upward pressure, **Energy** remains an attractive long-term holding. That's because energy companies currently provide about 30% of S&P 500 earnings, yet they account for only 10% of the index's capitalization.

GOLD (HOLD)

Traditionally, gold has been a global store of value, useful for either hedging against inflation, or protecting against a tumble in the dollar. The latest jump in the metal's price coincided with widespread discussions of government costs for rebuilding New Orleans and compensating hurricane victims, reflecting the potential for a rising federal deficit and additional weakness for the dollar. It's also worth noting that jewelry demand has picked up after a long-term slump, thanks to increased demand from India and other emerging countries. At any rate, **Gold** is one of the most volatile funds in the Select family. If you invest, limit your position to 10% of holdings, and plan to be there for several years.

MEDICAL DELIVERY (BUY)

This fund, which focuses mainly on HMOs and other medical providers, continues to benefit from impressive pricing power. Long-term liability costs are no longer a major concern, and technology is helping these companies to cut administrative costs and improve efficiency. **Medical Delivery** is nearly six years into its current outperforming cycle, and may be on borrowed time. However, with rising energy prices creating plenty of economic uncertainty, investors are placing a premium on defensive stocks that can deliver steady earnings growth.

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MULTIMEDIA (BUY)

This group of stocks tends to be driven mainly by advertising revenue. Spending is currently on the upswing, although Web-based advertising accounts for most of the growth. **Multimedia** has 15-20% of its assets in Google and Yahoo, the giants of online advertising, so it hasn't missed out on the trend. Despite the fund's exposure to relatively high-priced stocks, its volatility has been surprisingly moderate, averaging just slightly more than the S&P 500.

NATURAL GAS (BUY)

Natural gas represents the growth side of the energy sector. From a global perspective, it's far more abundant than oil, but much more difficult to transport. North American production rates are in decline, yet demand from electricity producers and Canadian oil-sands projects continues to grow. The solution is to import Liquefied Natural Gas (LNG) with super-cooled tankers, but that will require a whole new infrastructure – and may take 15-20 years. Among other things, that will be the job of the companies in this portfolio. **Natural Gas** carries more risk than **Energy**, because domestic natural gas prices tend to be more volatile than oil prices. At this stage, it's not clear if the extra risk will translate into a higher long-term return.

NATURAL RESOURCES (BUY)

This fund blends together several commodity groups, weighting them approximately by market cap. Energy stocks account for about 80% of holdings because of their large market value. The fund's smaller positions in paper, aluminum, and gold offer a small amount of diversification. Compared to the other energy Selects, this portfolio has 5-20% less volatility. If you are looking for an energy position to buy and hold for the next five years, **Natural Resources** is a solid bet.

SOFTWARE (BUY)

Consolidation in this sector has been picking up, and corporations are finally beginning to spend for productivity measures and new services. With roughly 15% invested in Microsoft, this fund is somewhat exposed to the fortunes of a company that's often portrayed as a struggling giant. But even Microsoft is likely to see a significant boost from business spending. **Software** is the least volatile Select in the technology group – its overall risk is 20-25% lower than other sectors.

TECHNOLOGY (BUY)

Valuations have dropped to reasonable levels,

earnings growth is not exciting but remains steady, and high energy costs have only had a mild impact on sales of consumer electronics – in part because of stronger-than-expected wage growth. **Technology** has never been for the faint of heart, but it's almost certain that the next five years will be better than the last five.

TELECOMMUNICATIONS (BUY)

In spite of heavy-handed competition, Regional Bell Operating Companies (RBOCs) are managing to find some modest revenue growth opportunities, such as DSL and cable television over phone lines. And their stock prices are cheap, with dividend yields in the 4-5% range. **Telecommunications** also devotes about one-third of its portfolio to equipment suppliers, such as Motorola and Corning. That's been a good strategy over the last year, considering that most of the new services require infrastructure upgrades.

UTILITIES GROWTH (HOLD)

This fund has seen an increase in volatility, so we're replacing it in the Select System and the Unique Opportunities Model. However, there's a chance it may find its way back into the Select System several months from now. **Utilities Growth** is a currently a mix of electric utilities, unregulated power providers, satellite broadcasters, RBOCs, and wireless service providers. The electric side of the portfolio has benefited from rising natural gas prices, which until now have helped revenues to climb faster than overall costs. But going forward, the steep climb in natural gas prices may trigger public resistance, limiting the ability of electric utilities to pass along costs.

WIRELESS (BUY)

The fund is basically a bet on the cell phone industry. Depending on your point of view, this portfolio is either an aggressive utility fund or a conservative technology portfolio. It holds a mix of cell phone carriers and equipment suppliers. After a period of consolidation, wireless providers are now boosting revenue with new internet-based services, along with text and picture messaging. Now the carriers are gearing up for broadband internet, music, and video services. Competition from Wi-Fi, satellite-based services, and other dedicated portable devices remains an issue. But the carriers are in a unique position because they've spent years securing radio spectrum and constructing a national cellular network, and their customers are already carrying cell phones and are excited about adding new services.

SECTOR REVIEW - *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. 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 ↓.

SEPTEMBER PERFORMANCE						2005	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
Aggressive Gth (324/FDEGX)	H***	1.33	1.5(90)	17.37	4506.8	4.6	0.8	6.6	15.1	23.3	-19.0	2.7
Blue Chip Gth (312/FBGRX)	H***	1.00	none	42.08	22429.0	1.2	0.4	3.4	9.6	12.8	-6.0	6.3
Blue Chip Value (1271/FBCVX)	B****	1.04	none	13.24	185.8	6.4	1.4	5.7	17.3			
Capital Apprec (307/FDCAX)	H***	1.21	none	27.05	7021.8	3.9	1.5	7.2	15.2	24.6	2.3	9.8
Contrafund (22/FCNTX)	B****	0.93	none	63.53	53436.0	12.0	2.9	8.4	22.1	18.6	4.0	11.8
Discovery (339/FDSVX)	S**	0.97	none	11.19	450.2	-0.3	1.8	5.2	9.3	13.2	-2.9	
Disc Equity (315/FDEQX)	H***	1.07	none	27.39	5761.5	8.3	1.9	5.6	19.5	17.1	0.1	9.0
Dividend Gth (330/FDGFEX)	H***	1.02	none	28.27	16809.7	0.1	0.6	2.3	8.9	13.0	0.2	11.0
Export Fund (332/FEPPX)	H***	1.10	0.75(30)	21.32	3140.4	8.6	1.8	6.7	19.2	23.0	5.7	14.0
Fidelity Fifty (500/FFTYX)	H***	1.15	0.75(30)	21.86	822.2	6.0	3.3	8.9	17.7	15.3	5.0	10.8
Growth Company (25/FDGRX)	H***	1.28	none	59.97	25056.8	7.0	3.0	7.4	21.5	23.8	-6.8	9.7
Large Cap Growth (763/FSLGX)	H***	1.26	0.75(30)	11.16	105.3	8.8	0.9	4.8	23.6	18.9		
Large-Cap Stock (338/FLCSX)	H***	1.01	none	14.99	637.5	2.8	1.4	5.3	12.6	13.0	-5.3	7.5
Large Cap Value (708/FLVX)	B****	1.06	0.75(30)	13.33	372.1	9.8	3.1	6.6	20.1	20.5		
Lev Co Stock (122/FLVCX)	B****	1.42	1.5(90)	25.72	3437.9	15.3	0.8	8.3	33.5	53.1		
Low-Priced Stock (316/FLPSX)	H***↓	0.96	Closed	41.29	37347.6	6.7	0.7	4.5	21.4	24.9	18.2	16.1
Magellan (21/FMAGX)	S**	1.00	Closed	105.87	53890.9	2.3	0.7	3.6	10.7	13.8	-3.5	6.8
Mid Cap Growth (793/FSMGX)	H***	1.35	0.75(30)	12.89	146.2	10.4	0.7	6.6	26.6	24.0		
Mid Cap Stock (337/FMCSX)	H***	1.22	0.75(30)	25.91	9352.6	10.7	1.3	9.3	23.1	20.3	0.3	12.7
Mid Cap Value (762/FSMVX)	B****	1.16	0.75(30)	15.76	224.4	11.8	2.7	6.9	26.1	23.8		
New Millennium (300/FMILX)	H***	1.30	Closed	33.82	3371.7	6.7	2.9	11.9	18.0	17.9	-3.2	15.3
OTC Portfolio (93/FOCPX)	H***	1.30	none	35.98	7933.6	3.7	0.9	5.4	19.1	18.3	-8.8	8.0
Independence (73/FDFFX)	H***	1.12	none	18.97	4540.9	6.5	2.4	7.9	18.4	17.6	-4.5	9.3
Small Cap Gth (1388/FCPGX)	H***	1.3 Est	1.5(90)	12.80	230.1	13.4	0.4	6.3				
Small Cap Indep (336/FDSCX)	H***	1.18	1.5(90)	21.65	1474.2	9.8	0.7	7.0	24.4	17.9	6.2	8.0
Small Cap Stock (340/FLSLX)	H***	1.15	2(90)	18.61	4267.5	6.2	1.3	6.9	19.0	23.5	8.5	
Small Cap Value (1389/FCPVX)	H***↓	0.9 Est	1.5(90)	12.42	644.4	13.7	-0.4	6.8				
Stock Selector (320/FDSSX)	H***	1.01	none	23.98	777.8	5.1	1.7	5.3	15.2	16.9	-2.1	7.2
Focused Stock (333/FTQGX)	H***	1.30	0.75(30)	11.77	100.3	16.5	3.1	9.1	29.0	20.0	-4.9	
Trend (5/FTRNX)	H***	1.00	none	55.95	857.4	4.3	1.7	5.0	13.8	17.3	-1.4	5.6
Value (39/FDVLX)	B****↓	1.02	none	78.16	13090.1	9.6	0.6	4.9	22.1	25.1	15.3	12.3
Value Discovery (832/FVDFX)	B****	1.10	none	15.13	180.9	13.8	1.6	8.2	26.1			
Value Strategies (14/FSLSX)	H***	1.42	none	36.70	182.0	-1.9	-0.2	2.1	14.3	24.3	8.2	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B****	0.78	none	18.44	14932.3	7.5	0.9	5.1	16.6	17.9	7.6	10.7
Convertible Sec (308/FCVXS)	B****↑	0.73	none	22.67	1775.1	5.7	2.1	7.7	14.5	16.9	3.4	12.0
Equity-Income (23/FEQIX)	B****	0.96	none	53.18	26066.4	2.6	0.9	4.0	12.0	17.5	3.9	9.8
Equity-Income II (319/FEQTX)	B****	1.03	none	24.25	12313.6	2.5	1.0	4.2	11.9	18.2	3.9	9.8
Fidelity Fund (3/FFIDX)	H***	0.97	none	30.75	10137.0	3.5	1.3	3.7	11.2	15.3	-2.2	9.0
Growth & Income (27/FGRIX)	B****	0.91	none	37.18	31117.5	0.9	1.2	2.6	9.0	11.7	-1.2	8.6
Growth & Inc II (361/FGRTX)	B****	0.94	none	10.04	183.8	4.3	2.2	8.5	11.7	13.5	-0.5	
Puritan (4/FPURX)	B****↓	0.63	none	18.71	24146.8	2.4	0.4	2.6	9.1	13.5	5.1	9.0
Strategic Div & Inc (1329/FSDIX)	B****	0.81	none	12.09	769.1	6.9	1.1	5.1	16.4			
Utilities (311/FUIX)	B****	0.99	none	15.31	1054.1	13.5	3.2	7.5	27.6	24.3	-3.3	7.7
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.41	0.75(30)	37.21	38.2	10.5	2.1	9.1	22.1	21.3	3.4	11.6
Automotive (502/FSAVX)	H***	1.18	0.75(30)	35.21	34.9	1.1	-2.1	7.7	13.9	16.4	11.4	7.4
Banking (507/FSRBX)	H***	1.09	0.75(30)	36.89	378.6	-5.1	-1.6	-1.0	2.7	12.6	6.9	12.4
Biotechnology (42/FBIOX)	H***	2.13	0.75(30)	59.68	1728.8	3.5	-0.5	9.5	8.8	18.9	-9.5	11.0
Brokerage (68/FSLBX)	B****	1.25	0.75(30)	65.18	540.4	16.7	4.6	9.8	36.5	26.4	5.0	17.7
Business Ser (353/FBSOX)	H***	1.08	0.75(30)	15.90	31.3	0.6	1.5	6.0	12.8	18.3	4.2	
Chemicals (69/FSCHX)	H***	1.58	0.75(30)	64.62	176.3	-4.4	-2.3	-0.7	9.3	21.3	16.2	10.0
Computers (7/FDCPX)	H***	1.69	0.75(30)	35.54	588.2	1.1	-0.2	5.4	19.5	23.1	-15.4	6.9
Const & Housing (511/FSHOX)	H***	1.82	0.75(30)	47.28	285.6	9.6	-1.1	0.9	25.5	29.7	21.0	15.4
Consumer Indust (517/FSCPX)	S**↓	1.07	0.75(30)	24.26	41.2	-1.6	-1.1	-1.1	11.8	10.6	2.1	8.7
Cyclical Indust (515/FCYIX)	H***	1.30	0.75(30)	19.65	63.3	7.2	1.0	6.9	19.1	24.8	10.5	
Defense & Aero (67/FSDAX)	H***	1.18	0.75(30)	75.46	854.5	16.3	1.1	6.4	25.4	23.3	12.9	15.0
Develop Commn (518/FSDCX)	H***	1.65	0.75(30)	19.56	455.5	1.2	3.6	9.8	22.0	31.8	-15.9	6.3
Electronics (8/FSELX)	H***	1.89	0.75(30)	42.31	2707.2	12.0	0.7	8.0	28.7	25.6	-12.7	10.4
Energy (60/FSENX)	B****	2.05	0.75(30)	49.92	2277.4	56.3	6.1	24.1	66.5	39.0	15.0	16.8
Energy Services (43/FSSEX)	H***	2.48	0.75(30)	64.10	1325.8	50.3	4.7	23.1	57.0	35.0	11.1	18.5
Environmental (516/FSLEX)	H***↑	1.22	0.75(30)	15.72	23.9	9.9	0.6	7.8	22.0	17.6	6.5	2.3
Financial Services (66/FIDSX)	H***	1.06	0.75(30)	110.95	445.6	0.1	1.4	2.7	9.3	15.9	4.4	13.1
Food & Agriculture (9/FDFAX)	S**	0.90	0.75(30)	52.38	125.1	3.9	0.7	4.1	18.6	12.0	8.4	9.1
Gold (41/FSAGX)	H***	2.34	0.75(30)	30.41	671.0	19.7	19.3	25.5	20.7	16.6	24.7	5.4
Health Care (63/FSPHX)	H***	1.13	0.75(30)	145.08	2259.0	13.3	0.3	6.2	20.4	14.1	1.0	11.9
Home Finance (98/FSVLX)	S**	1.16	0.75(30)	55.60	325.3	-11.5	-1.1	-2.9	-6.2	13.4	9.8	12.0
Indust Equip (510/FSCGX)	H***	1.33	0.75(30)	27.09	42.6	3.8	1.0	7.9	16.0	21.3	4.8	9.3
Indust Materials (4109/FSDPX)	H***	1.50	0.75(30)	41.28	120.4	5.3	4.6	12.7	13.6	27.1	18.4	8.1
Insurance (45/FSPCX)	H***	1.29	0.75(30)	66.39	180.9	8.0	3.3	4.6	16.3	18.0	9.6	16.2
Leisure (62/FDLSX)	H***	1.12	0.75(30)	75.33	198.8	-2.1	1.0	1.7	11.1	19.8	2.9	11.2
Medical Delivery (505/FSHCX)	B****	1.46	0.75(30)	53.31	1362.5	23.8	2.7	6.4	60.7	23.0	19.8	12.5
Medical Equip/Sys (354/FSMEX)	H***	0.98	0.75(30)	25.04	1186.3	7.0	-0.3	3.6	15.1	20.8	10.5	
Multimedia (503/FBMPX)	B****	1.05	0.75(30)	45.94	82.3	1.7	1.3	3.3	14.8	21.5	2.4	9.9
Natural Gas (513/FSNGX)	B****	2.36	0.75(30)	42.54	1429.5	52.6	8.5	26.3	63.2	42.3	15.3	17.3
Nat Resources (514/FNARX)	B****	1.99	0.75(30)	25.01	533.7	46.4	6.4	24.3	53.2	35.9	14.1	
Networking/Infra (912/FNINX)	H***	1.82	0.75(30)	2.28	93.6	-3.0	3.2	8.1	18.1	23.9	-25.7	
Paper & Forest (506/FSFPX)	S**	1.48	0.75(30)	27.54	18.5	-17.1	-0.5	1.3	-13.4	5.9	6.1	4.5
Pharmaceuticals (580/FPHAX)	H***	1.16	0.75(30)	9.75	104.7	7.8	2.8	10.0	17.1	13.6		
Retailing (46/FSRPX)	S**↓	1.45	0.75(30)	50.56	78.5	2.0	-2.9	-4.2	12.7	16.2	3.5	10.9
Software (28/FSCSX)	B****	1.42	0.75(30)	51.77	613.6	-1.3	2.9	5.1	17.8	23.6	-5.5	12.5
Technology (64/FSPTX)	B****↑	1.53	0.75(30)	61.52	1886.5	2.2	0.9	5.5	20.2	25.5	-15.1	8.4
Telecom (96/FSTCX)	B****	1.17	0.75(30)	37.93	355.8	2.3	1.3	5.1	14.7	27.2	-10.5	4.1
Transportation (512/FSRFX)	H***	1.51	0.75(30)	44.10	56.7	4.0	3.8	12.7	22.3	25.6	13.2	13.1
Utilities Growth (65/FSUTX)	H***↓	0.98	0.75(30)	44.88	368.8	11.8	1.7	5.8	24.7	25.2	-5.1	8.9
Wireless (963/FWRXLX)	B****↑	1.22	0.75(30)	6.77	437.3	16.1	1.7	9.5	32.2	43.1	-7.8	

SEPTEMBER PERFORMANCE							2005	One	Three	One	3-Yr	5-Yr	
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Div. Yield	YTD	Mth	Mth	Year	Rate	Rate	
Aggressive Int'l (335/FIVFX)	H***	1.02	1 (30)	17.75	702.8		6.2	2.2	7.8	20.9	20.7	2.8	
Canada (309/FICDX)	B****	1.11	1.5(90)	42.02	1440.0		24.1	5.2	16.8	39.8	35.1	13.6	
Diversified Int'l (325/FDIVX)	H***	0.92	Closed	31.92	28697.8		11.5	3.5	10.8	27.0	26.3	7.9	
Emerging Mkts (322/FEMKX)	H***↑	1.22	1.5(90)	16.69	1215.6		29.1	9.9	20.5	52.9	36.8	13.1	
Europe (301/FIEUX)	B****	1.06	1 (30)	39.09	2645.0		14.5	2.4	11.0	36.3	35.2	4.8	
Europe Cap Appr (341/FECAX)	H***	1.05	1 (30)	24.15	503.3		12.2	1.6	10.2	29.1	23.5	6.3	
China Region (352/FHKCX)	H***	0.91	1.5(90)	18.85	408.2		10.5	3.5	6.0	21.4	22.4	5.2	
Global Balanced (334/FGBLX)	H***	0.67	1 (30)	22.31	197.1		6.3	1.5	5.6	18.9	17.4	5.6	
Int'l Discovery (305/FIGRX)	B****↑	0.98	1 (30)	31.68	3685.3		12.3	4.3	11.4	31.3	26.3	5.9	
Int'l Small Cap (818/FISMX)	B****	1.05	Closed	28.30	2110.7		21.6	4.0	14.0	42.7	45.5		
Int'l Small Cap Opp (1504/FSCOX)	B****	1.1 Est	2 (90)	10.83	45.6			5.2					
Japan (350/FJPNX)	H***	1.60	1.5(90)	15.05	822.4		17.6	10.1	22.7	31.2	19.9	-3.3	
Japan Smaller Co (360/FJSCX)	H***	1.58	1.5(90)	13.99	1254.6		11.2	3.4	9.0	23.3	25.5	5.4	
Latin America (349/FLATX)	H***	2.04	1.5(90)	30.66	1035.7		45.0	15.3	29.1	77.3	59.7	18.1	
Nordic (342/FNORX)	H***	1.20	1.5(90)	33.06	190.3		19.7	2.8	12.1	39.8	33.8	3.6	
Overseas (94/FOSFX)	H***	1.08	1 (30)	38.72	4833.8		9.4	4.1	11.3	25.0	23.0	1.3	
Pacific Basin (302/FPBFX)	B****	1.11	1.5(90)	23.02	562.4		16.4	7.2	14.3	32.9	21.9	2.8	
Southeast Asia (351/FSEAX)	H***↑	1.17	1.5(90)	19.77	753.2		20.4	7.2	11.4	35.3	28.3	9.2	
Worldwide (318/FWWFX)	H***	0.98	1 (30)	19.50	1191.8		6.8	2.5	8.4	19.9	20.6	3.8	
INDEX AND ASSET ALLOCATION:													
Four-In-One Index (355/FFNOX)	H***	0.82	0.5(90)	26.19	987.5		4.1	1.0	4.2	14.0	17.0	1.1	
NASDAQ Comp (1282/FNCMX)	S**	1.27	0.75(90)	29.19	109.5		-0.7	0.1	4.8	13.8			
Spart Ext Mkt Idx (398/FSEMX)	H***	1.15	0.75(90)	34.21	1726.6		7.1	0.8	5.2	21.7	24.0	2.0	
Spart Int'l Index (399/FSIIX)	B****	1.01	1(90)	34.74	1377.2		9.0	3.8	10.5	25.3	24.3	2.9	
Spart 500 Index (317/FSMKX)	H***	1.00	0.5(90)	85.18	12852.4		2.7	0.8	3.6	12.2	16.6	-1.6	
Spart Total Mkt Idx (397/FSTMX)	B****	1.02	0.5(90)	34.32	3207.1		4.1	0.8	4.1	14.7	18.2	-0.6	
Asset Manager (314/FASMX)	H***	0.55	none	16.28	10315.3		1.5	0.3	1.8	7.1	10.3	1.3	
Asset Mgr Agg (347/FAMRX)	H***	1.12	none	11.69	401.7		3.4	1.4	6.7	14.2	20.7	-3.4	
Asset Mgr Gth (321/FASGX)	H***	0.75	none	14.94	3368.3		0.8	0.5	2.3	8.3	12.4	-0.6	
Asset Mgr Inc (328/FASIX)	B****	0.36	none	13.00	1689.1		4.2	1.0	2.8	8.8	9.6	4.9	
Freedom 2000 (370/FFBFX)	B****	0.28	none	12.31	1600.0		2.5	0.1	1.2	5.6	6.3	2.5	
Freedom 2005 (1312/FFVFX)	B****	0.46	none	11.11	332.1		3.5	0.4	2.5	8.9			
Freedom 2010 (371/FFFCX)	B****	0.48	none	14.02	9436.0		3.6	0.5	2.7	9.4	10.8	2.2	
Freedom 2015 (1313/FFVFX)	B****	0.59	none	11.45	1420.3		4.2	0.7	3.5	11.5			
Freedom 2020 (372/FFFDX)	B****	0.70	none	14.52	11227.2		4.6	1.0	4.2	13.1	14.9	0.9	
Freedom 2025 (1314/FFTWX)	B****	0.75	none	11.78	1088.0		4.8	1.0	4.5	14.0			
Freedom 2030 (373/FFEX)	B****	0.81	none	14.74	6687.2		5.2	1.3	5.1	15.0	16.8	0.0	
Freedom 2035 (1315/FFTHX)	B****	0.82	none	12.00	580.5		5.3	1.4	5.2	15.5			
Freedom 2040 (718/FFFFX)	B****	0.86	none	8.67	2648.6		5.3	1.4	5.3	16.1	18.3	-0.6	
Freedom Income (369/FFAFX)	B****	0.25	none	11.38	2052.6		2.4	0.0	1.1	5.0	5.2	3.2	
Real Estate Income (833/FRIFX)	H***	0.27	0.75(90)	11.78	655.4		4.3	-0.2	1.0	8.2			
Real Estate (303/FRESX)	S**	1.48	0.75(90)	31.32	5855.1		10.9	0.6	4.2	29.3	26.5	19.3	
Int'l Real Estate (1368/FIREX)	H***	1.3 Est	1.5(90)	12.25	165.6		8.2	2.8	7.9	28.6			
TAXABLE BOND FUNDS:													
Capital & Income (38/FAGIX)	H***	0.30	1(90)	8.43	5369.7	5.88	3.8	-0.5	2.0	11.1	22.3	7.0	
Floating Rate (814/FRHX)	B****	0.07	1(60)	9.97	2432.1	4.92	3.1	0.4	1.5	4.7	5.4		
Focused High Inc (1366/HHIFX)	H***	0.2 Est	1(90)	10.03	38.1	5.73	1.8	-0.3	0.9	4.8			
GNMA Portfolio (15/FGMNX)	H***	0.22	none	10.93	4027.3	4.45	1.8	-0.6	-0.3	2.8	3.2	5.5	
Gov't Income (54/FGOVX)	H***	0.30	none	10.18	5247.2	3.58	1.8	-1.0	-0.7	2.6	2.7	6.0	
Intermed Bond (32/FTHRX)	H***	0.23	none	10.34	7480.2	3.99	1.1	-0.7	-0.4	1.7	3.7	6.1	
Intermed Gov't Inc (452/FSTGX)	H***	0.23	none	10.10	880.8	3.39	1.0	-0.6	-0.4	1.3	2.1	5.5	
Invest Grade Bond (26/FBNDX)	H***	0.29	none	7.42	7194.3	4.01	2.0	-0.9	-0.4	3.1	4.6	6.6	
Mortgage Securities (40/FMSFX)	H***	0.22	none	11.12	1856.3	4.69	1.9	-0.6	-0.1	3.0	3.9	6.1	
New Markets Inc (331/FNMIX)	H***	0.50	1(90)	14.69	1568.2	5.63	9.2	2.3	4.0	16.0	22.2	14.3	
Short-Term Bond (450/FSHFX)	B****	0.13	none	8.88	4972.6	3.86	1.4	-0.2	0.2	1.7	2.9	4.7	
Spart Gov't Inc (453/SPGVX)	H***	0.30	none	10.97	880.6	3.76	1.9	-0.9	-0.6	2.7	3.0	6.3	
High Income (455/SPHIX)	H***	0.25	1(90)	8.83	3268.5	6.69	2.0	-0.4	1.4	7.2	15.1	4.6	
Spart Invest Grade (448/FSIBX)	H***	0.27	none	10.57	2890.7	4.09	1.9	-0.9	-0.4	3.2	4.8	6.9	
Strategic Income (368/FSICX)	H***	0.25	none	10.56	3975.0	5.01	2.3	-0.5	0.9	7.7	12.1	9.3	
Inflation-Protected (794/FINPX)	H***	0.50	none	11.44	1651.0	1.25	2.2	-0.2	-0.1	4.7	6.2		
Total Bond (820/FTBFX)	H***	0.26	none	10.48	430.6	4.22	1.8	-0.9	-0.3	3.5			
Ultra-Short Bond (812/FUSFX)	B****	0.05	0.25(60)	10.03	885.0	3.41	2.1	0.3	0.8	2.5	2.0		
US Bond Index (651/FBIDX)	H***	0.28	none	10.96	5826.1	4.35	1.7	-1.0	-0.7	2.7	4.3	6.7	
MUNICIPAL BOND FUNDS:													
AZ Municipal Inc (434/FAZAX)	H***	0.25	0.5(30)	11.47	100.6	3.69	2.1	-0.7	-0.4	3.1	3.6	6.0	
CA Municipal Inc (91/FCIFX)	H***	0.24	0.5(30)	12.54	1572.0	4.09	3.1	-0.5	0.1	4.6	4.0	6.0	
CT Municipal Inc (407/FICNX)	H***	0.24	0.5(30)	11.55	444.5	3.91	1.6	-0.7	-0.5	2.5	3.3	5.8	
FL Municipal Inc (427/FFLIX)	H***	0.24	0.5(30)	11.63	519.6	3.98	2.1	-0.7	-0.3	3.4	3.7	6.0	
Intermediate Muni (36/FLTMX)	H***	0.21	0.5(30)	10.04	1903.8	3.81	1.9	-0.5	0.0	2.8	3.6	5.8	
MA Municipal Inc (70/FDMMX)	H***	0.25	0.5(30)	12.07	1863.5	4.19	2.8	-1.0	-0.3	4.1	4.1	6.4	
MD Municipal Inc (429/SMDMX)	H***	0.23	0.5(30)	10.94	111.5	3.74	1.8	-0.8	-0.4	3.0	3.6	5.7	
MI Municipal Inc (81/FMHTX)	H***	0.24	0.5(30)	11.95	585.9	3.94	1.9	-0.8	-0.4	3.0	3.8	6.1	
MN Municipal Inc (82/FIMIX)	H***	0.21	0.5(30)	11.50	357.2	4.03	2.0	-0.6	-0.2	3.2	3.8	5.7	
Municipal Income (37/FHIGX)	H***	0.25	0.5(30)	13.01	4763.3	4.21	2.9	-0.7	-0.1	4.3	4.4	6.8	
NJ Municipal Inc (416/FNJHX)	H***	0.27	0.5(30)	11.68	573.7	3.92	2.8	-0.9	-0.5	4.1	4.0	6.1	
NY Municipal Inc (71/FTFMX)	H***	0.25	0.5(30)	12.95	1458.7	3.90	2.3	-0.9	-0.4	3.6	4.0	6.5	
OH Municipal Inc (88/FOHFX)	H***	0.26	0.5(30)	11.86	433.4	4.00	2.2	-0.8	-0.5	3.5	4.0	6.3	
PA Municipal Inc (402/FPXTX)	H***	0.23	0.5(30)	10.91	314.9	4.02	2.0	-0.7	-0.2	3.3	3.8	6.0	
Short-Int Municipal (404/FSTFX)	B****	0.12	0.5(30)	10.23	1818.7	2.72	0.6	-0.2	0.0	1.0	2.0	4.0	
Tax-Free Bond (90/FTABX)	H***	0.27	0.5(30)	10.79	345.8	3.96	2.9	-0.8	-0.2	4.4	4.5		
SEPTEMBER PERFORMANCE							2005	One	Three	One	3-Yr	5-Yr	10-Yr
Indexes							YTD	Month	Month	Year	Rate	Rate	Rate
Dow Jones Industrial								1.0	3.5	7.3	14.2	2.0	10.3
S&P 500							-0.2	0.8	3.6	12.3	16.7	-1.5	9.5
NASDAQ							-0.6	0.0	4.8	14.2	23.1	-9.7	8.0
Russell 2000							3.3	0.2	4.6	17.9	24.1	6.4	9.4

SEPTEMBER PERFORMANCE			2005	One	Three	One	3-Yr	5-Yr	10-Yr
Model Portfolios	Risk	Value	YTD	Month	Month	Year	Rate	Rate	Rate
S&P 500	1.00	1228.81	2.8	0.8	3.6	12.3	16.7	-1.5	9.5
Fidelity Monitor Income Model	0.05	79622.68	2.2	0.2	0.9	4.0	5.2	4.9	5.4
Fidelity Monitor G&I Model	0.66	152823.10	5.5	0.9	4.0	14.6	18.7	7.3	10.5
Fidelity Monitor Growth Model	1.01	166609.26	7.8	0.5	5.0	19.2	24.4	3.6	10.2
Fidelity Monitor Select System	1.05	308093.85	12.0	3.2	8.7	21.5	21.9	1.7	11.3
Fidelity Monitor Unique Opportunities	1.09	104765.45	14.6	2.0	8.8	27.7	29.2	12.9	

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	\$25.01	742.049	\$18558.65
Utilities Growth	\$44.88	290.076	\$13018.61
Europe	\$39.09	350.191	\$13688.97
Leveraged Co.	\$25.72	996.929	\$25641.01
Value	\$78.16	433.191	\$33858.21

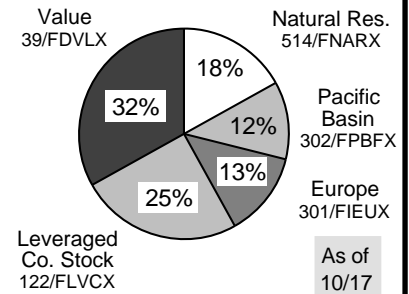
25% Foreign Holdings

Balance as of 9/30/05: \$104765.45

Balance at start of 2005: \$91397.34

PERFORMANCE

Partial Yr 99: +33.8%
 2000: -20.5%
 2001: +1.6%
 2002: -2.1%
 2003: +43.2%
 2004: +20.6%
 *2005: +14.6%



Our Unique Opportunities Model gained 2.0% in September. On 10/17 we will sell **Utilities Growth** and buy **Pacific Basin**.

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:	VIP GROWTH:	VIP G&I MODEL:	VIP INCOME MODEL:
14% Technology, 15% Financial Ser, 32% Telecom & Util., 24% Natural Res., 15% Health Care	25% Mid-Cap Stock, 41% Equity-Income, 34% Contrafund	32% Equity-Income, 54% Balanced, 14% Investment Grade Bond.	70% Inv. Grade, 30% Money Market.

SEPTEMBER VIP PERFORMANCE Portfolio	Rating	Unit Value	2005 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***	10.63		0.8				
VIP Asset Manager	H ***	31.63	0.9	0.1	1.6	6.3	9.8	0.4
VIP Asset Manager: Growth	H ***	20.64	0.3	0.5	2.2	7.5	12.1	-2.1
VIP Balanced	B *****	15.18	2.1	1.1	4.5	6.9	9.6	1.0
VIP Consumer Industries	S **↓	10.68	-2.3	-1.3	-1.7	10.9	10.2	
VIP Contrafund	B ****	38.54	11.9	2.9	8.4	21.9	18.2	3.6
VIP Cyclical Industries	H ***	14.56	6.9	0.9	6.7	18.6	24.5	
VIP Dynamic Capital Appreciation	H ***	12.66	14.1	2.9	9.6	27.1		
VIP Equity-Income	B ****	56.15	2.1	0.9	3.9	11.4	16.8	3.3
VIP Financial Services	B ****	12.26	-0.3	1.3	2.6	8.8	15.3	
VIP Freedom 2005	B ****	10.28		0.3				
VIP Freedom 2010	B ****	10.29		0.4				
VIP Freedom 2015	B ****	10.37		0.7				
VIP Freedom 2020	B ****	10.43		0.9				
VIP Freedom 2025	B ****	10.47		1.1				
VIP Freedom 2030	B ****	10.53		1.3				
VIP Freedom Income	B ****	10.13		0.0				
VIP Growth	H ***	55.54	1.9	0.4	4.4	10.3	13.6	-7.4
VIP Growth & Income	B ****	16.89	3.7	2.0	8.2	10.8	12.9	-1.0
VIP Growth Opportunities	H ***	12.33	2.9	2.2	4.2	12.1	15.0	-3.8
VIP Growth Stock	H ***	10.40		1.8				
VIP Health Care	B ****	11.74	12.7	0.2	6.0	19.6	13.4	
VIP High Income	H ***	28.24	0.8	-0.5	1.5	5.3	14.0	1.3
VIP Index 500	H ***	32.62	2.1	0.7	3.4	11.2	15.6	-2.5
VIP Int'l Capital Appreciation	H ***	10.63		1.7				
VIP Investment Grade Bond	H ***	28.21	1.0	-1.1	-0.8	2.0	3.9	6.0
VIP Mid Cap	B ****	18.55	13.1	2.3	10.2	27.9	25.2	10.6
VIP Money Market		19.57	1.5	0.2	0.6	1.7	0.7	1.5
VIP Natural Resources	B ****	19.11	45.8	6.4	24.0	52.4	35.5	
VIP Overseas	H **	32.22	8.8	4.0	11.1	24.1	21.8	-0.2
VIP Real Estate	S **	16.16	10.4	0.6	4.1	28.5		
VIP Strategic Income	H ***	11.08	1.8	-0.6	0.7	6.7		
VIP Technology	B ****	9.67	5.2	2.8	8.2	23.4	26.0	
VIP Telecom & Utilities	B ****	10.39	11.3	1.6	5.6	23.6	24.0	
VIP Value	B ****	10.42		0.9				
VIP Value Leaders	B ****	10.51		1.3				
VIP Value Strategies	H ***	12.55	-2.6	-0.3	1.8	13.1		
Fidelity Monitor VIP Income Model		18591.47	1.3	-0.7	-0.4	3.3	6.1	4.8
Fidelity Monitor VIP G&I Model		22087.05	2.2	0.7	2.8	8.2	11.7	1.9
Fidelity Monitor VIP Growth Model		32042.60	6.5	2.0	6.1	16.1	15.6	-2.0
Fidelity Monitor VIP Sector Model		15688.05	12.6	2.4	9.4	22.7	24.8	

INCOME MODEL

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

FUND	NAV	SHARES	BALANCE
Short-Term Bond	\$8.88	1656.990	\$14714.07
Ultra-Short Bond	\$10.03	4624.064	\$46379.36
Floating Rate	\$9.97	1858.501	\$18529.25

6% Foreign Holdings

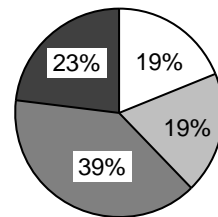
Balance as of 9/30/05: \$79622.68

Balance at start of 2005: \$77905.57

PERFORMANCE

1992:	+ 10.1%
1993:	+ 11.3%
1994:	- 2.1%
1995:	+ 14.8%
1996:	+ 9.0%
1997:	+ 10.5%
1998:	+ 3.5%
1999:	+ 3.0%
2000:	+ 0.3%
2001:	+ 5.6%
2002:	+ 5.4%
2003:	+ 8.4%
2004:	+ 4.2%
*2005:	+ 2.2%

Floating Rate High Income
814/FFRHX



Short-Term
450/FSHBX

Asset Mgr.
Income
328/FASIX

Ultra-Short
812/FUSFX

As of
10/17

For September our Income Model gained 0.2%. On 10/17 we will sell one-third of **Ultra-Short Bond** and buy **Asset Manager Income**.

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.	\$13.00	2589.021	\$33657.27
Puritan	\$18.71	1837.921	\$34387.50
Balanced	\$18.44	2056.228	\$37916.84
Strat. Div. & Inc.	\$12.09	3876.054	\$46861.49

8% Foreign Holdings

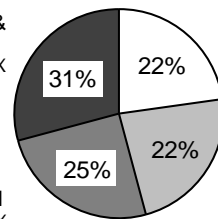
Balance as of 9/30/05: \$152823.10

Balance at start of 2005: \$144788.14

PERFORMANCE

1994:	- 3.7%
1995:	+ 21.6%
1996:	+ 15.8%
1997:	+ 18.7%
1998:	+ 11.1%
1999:	+ 12.2%
2000:	+ 2.7%
2001:	+ 1.3%
2002:	- 6.4%
2003:	+ 33.0%
2004:	+ 11.5%
*2005:	+ 5.5%

Strategic Dividend & Income
1329/FSDIX



Asset Mgr.
Income
328/FASIX

Balanced
304/FBALX

Puritan
4/FPURX

Our Growth and Income Model was up 0.9% in September.

GROWTH MODEL

Our Growth Model aims for long-term growth of 13% per year. The model typically invests in a mix of domestic stock funds and will strive to hold profitable positions for at least one year.

FUND	NAV	SHARES	BALANCE
Small Cap Value	\$12.42	3265.664	\$40559.55
Value	\$78.16	812.842	\$63531.73
Equity-Income	\$53.18	1175.592	\$62517.98

10% Foreign Holdings

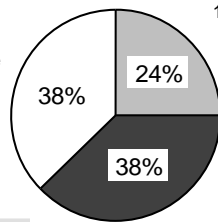
Balance as of 9/30/05: \$166609.26

Balance at start of 2005: \$154558.63

PERFORMANCE

1987:	+ 2.8%
1988:	+ 26.0%
1989:	+ 30.4%
1990:	- 4.4%
1991:	+ 40.6%
1992:	+ 15.7%
1993:	+ 31.9%
1994:	- 2.1%
1995:	+ 27.2%
1996:	+ 19.2%
1997:	+ 25.5%
1998:	+ 9.9%
1999:	+ 29.0%
2000:	- 10.8%
2001:	- 6.4%
2002:	- 17.1%
2003:	+ 46.1%
2004:	+ 12.4%
*2005:	+ 7.8%

Equity-Income
23/FEQIX



1389/FCPVX
Small Cap
Value

Value
39/FDVLX

For September our Growth Model gained 0.5%, compared to a 0.8% increase for the S&P 500.

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	\$49.92	1360.001	\$67891.25
Brokerage	\$65.18	870.904	\$56765.52
Utilities Growth	\$44.88	1313.858	\$58965.95
Software	\$51.77	869.714	\$45025.09
Medical Delivery	\$53.31	795.875	\$42428.10
Telecom	\$37.93	975.954	\$37017.94

10% Foreign Holdings

Balance as of 9/30/05: \$308093.85

Balance at start of 2005: \$275072.39

PERFORMANCE

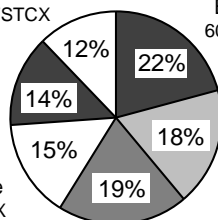
1989:	+ 23.4%
1990:	+ 31.3%
1991:	+ 35.3%
1992:	+ 20.4%
1993:	+ 25.9%
1994:	- 0.9%
1995:	+ 39.0%
1996:	+ 5.2%
1997:	+ 29.3%
1998:	+ 21.7%
1999:	+ 44.9%
2000:	- 14.9%
2001:	- 7.3%
2002:	- 14.7%
2003:	+ 38.4%
2004:	+ 7.4%
*2005:	+ 12.0%

Telecom
96/FSTCX

Med Delivery
505/FSHCX

Software
28/FSCSX

Wireless
65/FWRLX



Energy
60/FSENX

Brokerage
68/FSLBX

As of
10/17

We gained 3.2% in September, versus 0.8% for the S&P 500. On 9/12 we sold **Chemicals** (\$67.63) and bought **Software** (\$52.23). On 10/17 we will sell **Utilities Growth** and buy **Wireless**.

VIP SECTOR RATINGS

On the variable annuity side, the choices are limited to seven major industry groups, so our ratings are slightly different. **VIP Consumer Industries** and **VIP Cyclical Industries** are rated hold, owing to the potential for a domestic slowdown in consumer spending and the risks of global economic weakness. The remaining five sectors are all rated buy. **VIP Financial Services** includes banks and insurance companies along with its brokerage holdings, but overall we consider it a favorable mix. **VIP Health Care** is hardly a pure play on medical providers like **Medical Delivery**, but it has some similar holdings and its pharmaceutical and biotech positions are not likely to be as much of a drag going forward. **VIP Natural Resources** holds about 80% energy stocks, so it's quite similar to **Energy**. **VIP Technology** doesn't have much exposure to Microsoft, but it holds other software stocks and includes some of the communications equipment suppliers that reside in **Telecommunications** and **Wireless**. **VIP Telecom & Utilities** is similar to **Utilities Growth**. It's not as attractive as **Wireless**, but it does include exposure to the same type of stocks. ■

SEPTEMBER DISTRIBUTIONS

Asset Manager: Income	\$ 0.03 / \$12.88 (9/2)
Balanced	\$ 0.55 / \$18.49 (9/9)
Blue Chip Growth	\$ 0.13 / \$42.57 (9/9)
Blue Chip Value	\$ 0.11 / \$13.29 (9/9)
Dividend Growth	\$ 0.26 / \$28.42 (9/9)
Freedom Income	\$ 0.02 / \$11.37 (9/2)
Ginnie Mae	\$ 0.02 / \$11.00 (9/9)
Growth & Income	\$ 1.14 / \$37.45 (9/9)
Int'l Real Estate	\$ 0.52 / \$12.30 (9/9)
Leveraged Co. Stock	\$ 0.44 / \$25.90 (9/9)
Low-Priced Stock	\$ 1.67 / \$41.67 (9/9)
Puritan	\$ 0.48 / \$18.84 (9/9)
Real Estate Income	\$ 0.33 / \$11.85 (9/9)
Real Estate	\$ 1.19 / \$31.84 (9/9)
Small Cap Growth	\$ 0.138/\$13.05 (9/9)
Small Cap Value	\$ 0.267/\$12.59 (9/9)
Total Bond	\$ 0.04 / \$10.57 (9/9)
Value Discovery	\$ 0.44 / \$15.16 (9/9)

Funds scheduled for October include **Asset Manager, Asset Mgr. Income, Balanced, Convertible Securities, Equity-Income, Equity-Inc. II, Export & Multinational, Fidelity Fund, Freedom Income, Growth & Income, Growth & Income II, Puritan, Strategic Dividend & Income, Spartan AZ, Spartan MD, Spartan Short-Int. Muni, and Utilities.**

enhance the fund's long-term performance.

Utilities, up 3.2%, appeared to benefit from its holdings of independent power producers. **Growth & Income II** rose 2.2%, and **Convertible Securities** gained 2.1%. Trailing behind was **Puritan**, edging up just 0.4% due to bond-related losses.

BOND FUNDS

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

New Markets Income climbed 2.3% on optimism that high oil prices would improve credit for countries that export oil. **Floating Rate High Income** and **Ultra-Short Bond** were helped by low interest-rate sensitivity; the two posted respective gains of 0.4% and 0.3%. In contrast, **Gov't Income** and **U.S. Bond Index** were hurt by rising long-term interest rates; both funds were off 1.0%.

Among municipals, **Short-Intermediate Muni** was off just 0.2%, but long-term funds finished with declines of 0.5% to 1.0%.

SELECT PORTFOLIOS

Select System holdings are listed on page 7. Funds rated buy, as ranked by our volatility model, include **Energy, Multimedia, Brokerage, Wireless, Software, Telecommunications, Natural Resources, Technology, Natural Gas, and Medical Delivery.**

Gold and energy funds grabbed the top spots. **Gold** jumped 19.3%, **Natural Gas** climbed 8.5%, **Natural Resources** rose 6.4%, and **Energy** gained 6.1%. Consumer sectors were a bit on the weak side. **Automotive** declined 2.1%, **Chemicals** lost 2.3%, and **Retailing** slid 2.9%. ■

Happenings

Fidelity has launched **Strategic Real Return**, a fund designed to outpace inflation while generating income. Its neutral mix is 30% inflation-protected bonds, 25% floating rate loans, 25% commodity-linked notes and related holdings, and 20% real estate type investments. We're rating it a buy, and we'll include it in our data pages starting next month.

There were four manager changes announced last month. Rick Mace has taken over **Aggressive Int'l** and **VIP Int'l Capital Appreciation**, Douglas Simmons has been named manager of **Utilities**, and J. Fergus Shiel is the new stockpicker for **VIP Capital Appreciation**. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reserves (55/FDRXX)	61157.1	3.39	CT MM (418/FCMXX)	1246.1	2.29			
Select MM (85/FSLXX)	701.4	3.38	MA MM (74/FDMXX)	3947.4	2.22	FL MM (428/FSFXX)	1544.3	2.27
Money Market (454/SPRXX)	5733.2	3.45	MI MM (420/FMIXX)	650.3	2.19	MA AMT TF (426/FMSXX)	1271.5	2.33
Gov't MM (458/SPAXX)	494.6	3.42	NJ MM (417/FNJXX)	1486.1	2.18	AMT Tax-Free (460/FIMXX)	3807.0	2.39
US Treas. MM (415/FDLXX)	1895.1	3.06	NY MM (92/FNYXX)	3316.5	2.18	NJ AMT TF (423/FSJXX)	759.5	2.40
Tax-Free MM (275/FMOXX)	1773.3	2.30	OH MM (419/FOMXX)	758.8	2.20	NY AMT TF (422/FSNXX)	1438.5	2.39
US Gov't Reser (50/FGRXX)	2300.2	3.51	AZ MM (433/FSAXX)	216.1	2.29	PA MM (401/FPTXX)	386.2	2.25
CA MM (97/FCFXX)	3714.6	2.22	CA AMT TF (457/FSPXX)	1841.4	2.40	Municipal MM (10/FTEXX)	16481.1	2.33