

## Question & Answer Forum

**Please explain the defensive stance in your model portfolios. Are you worried about the economy?**

The economy is definitely a source of concern, as even a modest slowdown could have a significant

QUESTION & ANSWER FORUM - *Continued on page 2*

## Changes for Growth Model, Select System, VIP Sector Model, Unique Opportunities

On 10/16, several of our model portfolios will be making changes.

Our Growth Model will sell **Mid Cap Stock** (337/FMCSX) and buy **Utilities Fund** (311/FIUIX), for a resulting mix of 23% **Utilities Fund**, 25% **Value Discovery**, and 52% **Equity-Income**. This move will reduce risk and position the portfolio more defensively for the possibility of a slowdown in corporate earnings growth. There is no change in the VIP Growth Model at this stage.

Our Select System will be replacing **Electronics** (8/FSELX) with **Food & Ag / Consumer Staples** (9/FDFAX), for a resulting mix of 17% **Energy**, 21% **Brokerage**, 18% **Food & Ag / Consumer Staples**, 14% **Pharmaceuticals**, 12% **Multimedia**, and 18% **Telecom**. Our revised volatility model has more emphasis on risk-adjusted performance, and is favoring defensive groups over growth sectors.

Our VIP Sector Model will sell its position in **VIP Technology**, placing one-fourth of the proceeds in **VIP Financial Services**, and the rest in **VIP Consumer Industries**. The approximate mix will be 18% **VIP Health Care**, 20% **VIP Financial Services**, 17% **VIP Telecom & Utilities**, 16% **VIP Natural Resources**, and 29% **VIP Consumer Ind.**

Our Unique Opportunities Model will make two trades. **Pacific Basin** (302/FPBFX) will be replaced with **Int'l Value** (1597/FIVLX), and **Convertible Securities** (308/FCVFX) will be exchanged for **Utilities Fund** (311/FIUIX). The resulting mix will be approximately 23% **Natural Resources**, 19% **Int'l Value**, 24% **Utilities Fund**, and 34% **Equity-Income**. These moves will give us more exposure to European stocks and domestic utilities, while slightly reducing our exposure to both Japanese securities and the energy group.

## Review & Recommendations

Declining oil and natural gas prices were no help for the energy sector, but the market overall was cheered by the prospect that discretionary consumer spending might have a chance to bounce back. The Fed's decision to remain steady on interest rates was also good news, although concerns about a soft economy made for a muted response. The S&P 500 gained 2.6% for September.

The Dow Jones Industrial Average is getting lots of press coverage as it flirts with its previous high from early 2000, but those who claim the index took more than six and a half years to recover should sharpen their pencils. Stock dividends are ignored in the index, so in real life anyone who had matched the holdings of the Dow and reinvested their dividends would have recovered to breakeven on 12/13/04. Go ahead and break out the champagne, but keep in mind the celebration is almost 21 months late.

### GROWTH FUNDS

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

Funds that emphasize Blue Chip stocks did well. **OTC Portfolio** gained 4.6%, **Dividend Growth** was up 3.1%, and **Large Cap Growth** rose 2.5%. Others with overweighted energy positions were left behind. **Small Cap Independence** edged up 0.2%, **Focused Stock** declined 0.7%, and **Leveraged Company Stock** was off 1.5%.

### INTERNATIONAL FUNDS

**Int'l Value** offers broad exposure to foreign stocks, with an emphasis on European markets. **China Region** is the least risky bet on the emerging markets scene, and may benefit as the Chinese currency gains strength over the next year.

As a group, foreign stock funds were weaker than domestic stock funds, but there were a few exceptions. **Southeast Asia** gained 2.9%, **China Region** rose 2.1%, and **Worldwide** posted a 0.9% increase. For the laggards, a selloff in commodities and weakness in Japanese stocks was mainly to blame. **Int'l Small Cap** declined 2.6%, **Japan Smaller Companies** lost 2.9%, and **Japan** was down 3.2%.

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impact on earnings growth. But it's not the only reason that a less risky posture could make sense in this market.

First off, individual investors are increasingly choosing cash because they can earn 5% in a CD or a money market account. In some cases money is being drained away from growth stocks as investors give up on long-term technology positions that show little hope of recovering from the 2000-2002 bear market.

Secondly, most of the money that's going into stocks is coming from stock buybacks, dividend reinvestments, and private equity deals. The stock groups that benefit are heavily skewed toward the large-cap value corner of the stylebox, and that may not change anytime soon.

Third, there's a lot of leverage out there. Hedge funds are mostly to blame, but even individuals are making use of futures to get around margin limits. With so many willing risk-takers, sectors that are popular have become much more volatile than usual.

Finally, on a year-over-year basis, the least risky stock groups – which often lack popularity – have become relatively steady performers. Like similar periods in the past, this may be a new phase that takes a while to play out.

### **What specifically do you like about Utilities Fund?**

As a new addition to the Growth Model and Unique Opportunities Model, **Utilities** is split about evenly between the telecom sector and the electric utilities group. On the telecom side, revenue growth from DSL services and the planned launch of cable television over phone lines could be a plus. The group also has buyout appeal in the eyes of private equity investors. On the traditional utility side, electric rates are moving higher and depression-era limits on ownership are slowly being stripped away. There's some risk that greenhouse gas regulations could hurt earnings, but if Europe is any example the costs will simply be passed along to the major users of electricity.

### **Please comment on the factors that caused the recent selloff in the energy group.**

The months of September and October are often a seasonally weak period for energy stocks, due to the gap between the summer driving season and winter heating demand. This year the effect has been more pronounced than usual because of a mild hurricane

season (so far), and the decreased likelihood of trade sanctions against Iran. Chances are, some of the current weakness will be recovered by early Spring (if not sooner). That's because refiners shut down for maintenance ahead of switching over to less efficient summer gasoline formulations.

Another factor in the selloff was the success of an ultra-deep test well in the Gulf of Mexico, which received extensive coverage in the press. That left some investors with the impression that there's plenty of deep-water oil just laying around waiting to be tapped, which is not exactly the case. For ultra-deep oil fields, only a few dozen rigs are capable of drilling down that far in water, and a single well can cost in excess of \$50 million. Even if the new discovery is as big as some experts think, it may take the better part of a decade to ramp up to big production volumes. By then, gasoline consumption in China and the Middle East may be close to U.S. demand levels. Ultra deep oil fields are actually a bullish development for the free-market oil companies. In an age of scarcity, discoveries like these could turn into a significant source of long-term revenue.

While it's disappointing to give back most of our year-to-date gains in **Energy** and **Natural Resources**, we continue to view these positions as long-term hedges against rising energy costs. And although it might make sense to reduce the energy weighting in the Unique Opportunities Model at some point, seasonal factors suggest waiting until next Spring, when **Natural Resources** is likely to have recovered some of its recent declines.

### **Why are you replacing Mid Cap Stock in the Growth Model, but not in the VIP Growth Model?**

On the mutual fund side, **Mid Cap Stock** has a heavy bias toward growth stocks. Shortly after we added it to the Growth Model, it was hurt by a selloff in the technology sector. Some of the losses have been recovered, but volatility remains well above the S&P 500's level.

**VIP Mid-Cap**, on the other hand, has greater balance from an industry mix standpoint, and its overweighted energy position gives it more of a value bias. We may still replace it with **VIP Telecom & Utilities**, but for now we want to wait and see how Fidelity repositions its annuity sector lineup.

### **I noticed your upgrade of China Region. Why do you like this fund better than other emerging market funds?**

**China Region** is significantly less volatile than

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**Emerging Markets, Latin America, and Southeast Asia**, and should hold up better when the next mass exodus hits the emerging market arena. The fund may also benefit from future strength of the Chinese currency. For more than a decade, the Chinese government has kept the yuan tied to the dollar at an artificially low level. The strings were loosened a bit earlier this year, but some U.S. manufacturers believe the yuan could still climb 30-40% if allowed to float free. So far, China has resisted political pressure to further strengthen its currency, saying it will do so when the time is right. But that window may have come and gone. Faced with an overheating economy, rising inflation, and limited ability to reign in lending, the Chinese government may have no choice but to let the yuan seek its natural level.

For **China Region**, a stronger yuan should translate to higher stock values for investments in Hong Kong and the Chinese mainland. It should also be a plus for stocks in competing countries such as Taiwan and Korea.

**I like the idea of a long-term bet on energy stocks, but I don't like the volatility. Is there any way to make a similar bet with less risk?**

Now that Select shareholders have approved the new sector benchmarks, **Utilities Growth** may eventually offer a direct play on electric utilities.

Over the next decade, the price of natural gas is likely to climb as much as oil, and the price of electricity will eventually follow. Electric utilities tend to be less volatile than energy stocks, as long as they're in good financial health. That's because electricity is usually bought and sold on long-term contracts, and because electric utility revenue includes support for infrastructure costs along with the actual generation. Together those factors make for relatively stable earnings.

**With money market rates at 5%, does it still make sense to follow your Income Model? Would you ever consider just holding cash in the portfolio?**

The Income Model has taken on slightly more risk this year, and is targeting a long-term return of 7% per year. We'll probably fall short of that goal for 2006, but there's a reasonable chance we'll finish ahead of money market funds.

Holding cash in the portfolio remains an option. However, with **Ultra-Short Bond** and **Floating Rate High Income** providing a combined yield of 6%, we've felt the two funds offer enough premium over cash to be worth their added risk. As for the

model's other two holdings, **Asset Manager 20%** and **Puritan**, both are delivering good returns for their positioning. Without some amount of equity risk, we wouldn't be able to meet the model's long-term goal.

**I'm thinking about converting my Retirement Reserves annuity to Fidelity's new Personal Retirement Annuity. Are there any drawbacks to this? Which group do you track on page 6?**

Fidelity's Personal Retirement Annuity carries an annual fee of just 0.25% – a full 55 basis points lower than the Retirement Reserves lineup. Both annuity programs have the same VIP choices, so the only significant drawback to the Personal Retirement Annuity is the lack of a guaranteed death benefit. But that may not matter much if your Retirement Reserves account balance is well above its starting value, or if your beneficiaries are comfortable with the amount of investment risk carried in the account.

The figures in our VIP Corner reflect the fee structure for Retirement Reserves. To keep things simple, we don't plan to switch over to the Personal Retirement Annuity returns until the group has five years of history. To approximate performance of a fund held in a Personal Retirement Annuity, add 0.5 percentage points to its one-year, three-year, and five-year figures.

**How long have you served as Chief Investment Strategist at Weber Asset Management, and how much does the firm have under management?**

Ken Weber and I have been partners for 14 years. At the end of the third quarter, total assets under management stood at about \$300 million. Roughly one out of every 15 Fidelity Monitor subscribers is a client of the firm.

The main benefit of this service is the relief that comes from putting your portfolio on "auto-pilot." As a Weber client, everything that needs to be done with your Fidelity account is taken care of – the research, the trading, the record-keeping, and the performance reporting. A customized investment plan incorporates the same mutual fund selection techniques used in Fidelity Monitor, while being tailored to your specific objectives. And you enjoy peace of mind knowing that no important trades will be missed.

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

Gain/loss percentages are for prior month's close (annualized for periods over a year). Reinvested distributions are assumed, with no adjustment for loads. Size figures are for the beginning of the prior month, in millions. Dividend Yield is based on actual dollars posted to accounts, not the SEC yield that Fidelity must quote. Risk is based on standard deviation of daily gains and losses over a one-year period, relative to the S&P 500. Fee: **0.75(90)** indicates a 0.75% redemption fee on shares held less than 90 days. As of September, 2003, all retail Fidelity funds are no-load. If a fund is closed to new investors, we will list it as such in the Fee column. 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						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***	1.66	1.5(90)	17.65	3680.7	-0.8	1.7	1.9	1.6	9.4	3.8	2.1
Blue Chip Gth (312/FBGRX)	H***	1.05	none	42.67	19853.3	1.3	2.5	4.3	4.2	7.1	3.4	5.8
Blue Chip Value (1271/FBCVX)	B****↑	1.13	none	14.09	245.3	7.3	2.0	4.0	11.0	15.3		
Capital Apprec (307/FDCAX)	B****	1.37	none	26.64	7897.2	6.1	2.1	0.4	8.1	11.9	11.8	9.9
Contrafund (22/FCNTX)	B****	1.18	Closed	66.55	64437.1	4.8	1.1	0.8	8.7	16.0	11.6	11.2
Discovery (339/FDSVX)	H***	0.95	none	12.29	425.9	8.5	1.8	6.8	11.3	10.4	6.1	
Disc Equity (315/FDEQX)	H***	1.18	none	29.68	7134.6	7.1	2.0	3.4	9.1	13.8	8.4	9.2
Dividend Gth (330/FDGFY)	B****	0.92	none	30.51	15754.0	8.3	3.1	7.0	12.0	9.4	5.4	10.1
Export Fund (332/FEXPX)	H***	1.29	0.75(30)	21.78	4289.9	2.5	1.0	1.0	8.9	15.0	10.9	13.1
Fidelity Fifty (500/FFTYX)	H***	1.29	none	21.45	1177.5	2.9	1.5	-1.0	7.8	9.9	8.7	10.8
Focused Stock (333/FTQGX)	H***	1.43	none	12.01	102.3	0.9	-0.7	-3.8	2.4	15.1	3.0	
Growth Company (25/FDGRX)	H****↓	1.44	Closed	64.27	27626.6	1.0	1.9	0.3	7.2	12.1	8.2	9.0
Independence (73/FDFFX)	H***	1.28	none	20.67	4404.3	5.2	1.0	0.7	9.2	12.6	9.1	9.3
Large Cap Growth (763/FSLGX)	H***	1.62	none	10.95	151.0	-2.0	2.5	0.1	1.8	11.5		
Large-Cap Stock (338/FLCSX)	H***	1.08	none	16.46	730.2	5.6	2.1	4.0	10.4	10.2	5.3	6.8
Large Cap Value (708/FLVLX)	B****	1.18	none	14.14	916.3	9.4	1.4	3.9	10.8	17.7		
Lev Co Stock (122/FLVCX)	B****	1.55	1.5(90)	27.08	4375.8	8.5	-1.5	-0.7	10.5	24.8	30.1	
Low-Priced Stock (316/FLPSX)	H***	1.05	Closed	40.10	36149.6	7.3	1.5	2.1	9.2	17.5	17.0	15.4
Magellan (21/FMAGX)	H***	1.28	Closed	87.88	45004.6	2.1	1.1	0.3	6.2	9.0	4.3	7.2
Mid Cap Growth (793/FMSGX)	H***	1.82	0.75(30)	12.85	431.5	-0.7	2.1	-3.9	2.1	13.9		
Mid Cap Stock (337/FMCSX)	H****↓	1.54	Closed	28.44	11825.9	9.4	2.1	0.1	14.7	15.8	10.2	12.2
Mid Cap Value (762/FSMVX)	H***	1.26	0.75(30)	15.90	472.3	7.3	1.1	1.0	9.0	19.2		
New Millennium (300/FMILX)	H***	1.73	Closed	36.65	2355.1	5.0	1.9	-2.4	8.4	11.0	11.8	13.6
OTC Portfolio (93/FOCPX)	H***	1.50	none	38.31	7802.6	1.4	4.6	5.3	6.5	9.6	10.1	6.9
Small Cap Gth (1388/FCPGX)	H***	1.57	1.5(90)	13.34	408.4	4.3	0.6	-1.6	5.1			
Small Cap Indep (336/FDSCX)	H***	1.52	1.5(90)	20.99	2506.2	2.5	0.2	-2.3	3.6	14.6	10.3	8.0
Small Cap Stock (340/FLCLX)	H***	1.46	Closed	18.04	4609.1	5.2	0.9	-0.7	7.0	15.2	14.1	
Small Cap Value (1389/FCPVX)	H***	1.43	1.5(90)	12.98	947.5	6.2	1.6	-1.3	9.9			
Stock Selector (320/FDSSX)	H***	1.06	none	26.48	817.7	7.0	2.0	4.9	11.0	12.5	7.4	7.4
Tax Mgd Stock (343/FTXMX)	B****	1.38	1(730)	13.20	65.3	4.2	0.5	-0.5	5.9	14.3	7.2	
Trend (5/FTRNX)	H***	1.05	none	61.07	865.0	6.7	1.7	4.9	9.9	12.2	7.6	5.6
Value (39/FDVLX)	B****	1.10	none	81.51	16076.8	7.4	1.9	3.7	12.0	19.3	15.7	11.9
Value Discovery (832/FVDFX)	B****	1.21	none	16.50	802.0	8.8	1.0	2.7	13.4	19.2		
Value Strategies (14/FSLSX)	B****	1.14	none	32.98	182.7	6.4	1.5	2.7	11.5	12.8	14.4	
<b>GROWTH &amp; INCOME FUNDS:</b>												
Balanced (304/FBALX)	B****	0.86	none	18.87	20340.6	6.1	0.9	2.9	9.3	12.7	10.3	11.1
Convertible Sec (308/FCVXS)	B****	1.07	none	23.70	2058.9	6.5	-0.5	-0.5	6.7	10.8	10.0	11.6
Equity-Income (23/FEQIX)	B****	1.01	none	57.50	27150.9	11.5	2.5	6.1	14.9	14.5	9.1	9.5
Equity-Income II (319/FEQTX)	B****	1.01	none	24.08	11287.2	6.8	2.8	4.4	9.0	11.4	8.8	9.1
Fidelity Fund (3/FFIDX)	H***	1.13	none	33.99	7982.5	7.4	2.2	4.7	11.5	11.9	6.6	8.2
Growth & Income (27/FGRIX)	H***	1.07	none	29.54	29049.3	3.7	2.1	2.7	5.5	8.5	4.0	7.2
Growth & Inc II (361/FGRTX)	H***	1.08	none	10.61	183.4	6.7	2.0	5.1	10.0	9.3	6.4	
Puritan (4/FPURX)	B****	0.67	none	19.48	23957.1	8.7	1.9	5.3	11.1	11.1	8.2	8.8
Strategic Div & Inc (1329/FSDIX)	B****	0.93	none	12.98	999.3	7.6	0.9	3.2	10.5			
Utilities (311/FUIIX)	B****↑	1.08	none	17.41	1268.2	19.4	1.2	8.3	15.6	20.3	7.0	8.4
<b>SELECT FUNDS:</b>												
Air Transportation (34/FSAIX)	H***	1.71	0.75(30)	43.42	75.7	9.1	3.4	-5.2	20.4	17.5	13.1	14.4
Automotive (502/FSAVX)	H***	1.45	0.75(30)	35.05	14.9	2.7	3.3	2.2	-0.2	8.1	13.0	6.4
Banking (507/FSRBX)	B****	1.02	0.75(30)	38.02	402.2	8.8	2.0	5.3	14.5	11.1	9.5	11.2
Biotechnology (42/FBIOX)	H***	1.73	0.75(30)	60.78	1456.9	-3.1	0.6	-0.3	1.8	7.3	2.0	9.7
Brokerage (68/FLSXB)	B****	1.59	0.75(30)	75.47	907.3	13.5	7.4	11.3	26.3	22.2	18.1	19.1
Business Ser (353/FBSOX)	H***	1.26	0.75(30)	16.36	34.6	3.3	-0.5	-3.0	9.0	12.4	7.7	
Chemicals (69/FSCHX)	H***	1.45	0.75(30)	68.24	85.8	6.9	3.2	2.1	13.0	21.6	16.3	9.3
Computers (7/FDCPX)	H***	1.62	0.75(30)	36.39	451.2	0.9	2.9	6.7	2.4	4.5	6.0	7.3
Const & Housing (511/FSHOX)	S**	2.01	0.75(30)	43.81	153.3	-4.4	2.2	-1.3	-4.6	16.7	17.3	12.4
Consumer Indust (517/FSCPX)	H***	1.07	0.75(30)	26.37	52.6	7.4	3.7	5.1	12.3	9.9	6.4	8.0
Cyclical Indust (515/FCYIX)	H***	1.41	0.75(30)	20.56	65.9	7.7	2.0	-1.6	12.8	21.8	14.8	
Defense & Aero (67/FSDAX)	H***	1.35	0.75(30)	78.59	919.0	9.8	2.9	2.8	11.3	23.5	17.4	13.7
Develop Commun (518/FSDCX)	H***	1.82	0.75(30)	20.25	391.5	1.2	3.3	2.1	3.5	11.9	2.7	6.6
Electronics (8/FSELX)	H****↓	1.96	0.75(30)	42.30	2280.4	-3.3	-0.3	0.7	0.0	5.4	4.8	9.5
Energy (60/FSENX)	B****	2.61	0.75(30)	46.65	2756.9	4.4	-5.9	-10.0	1.5	33.7	19.6	13.7
Energy Services (43/FSSESX)	H***	3.20	0.75(30)	64.44	1704.5	0.1	-5.0	-12.9	2.7	31.2	25.3	15.1
Environmental (516/FSLEX)	H***	1.35	0.75(30)	16.44	57.4	5.1	0.4	-4.0	4.6	10.9	9.1	1.8
Financial Services (66/FIDSX)	B****	1.11	0.75(30)	122.01	483.8	9.5	3.7	7.6	17.5	13.7	10.3	12.6
Food & Agriculture (9/FDFAX)	B****	0.79	0.75(30)	57.36	224.6	14.5	1.2	6.7	16.6	15.0	9.0	9.5
Gold (41/FSAGX)	H***	2.61	0.75(30)	33.41	1548.6	11.6	-6.6	-3.0	31.0	18.1	26.6	5.7
Health Care (63/FSPPX)	H***	1.03	0.75(30)	127.51	2200.1	3.0	0.7	7.2	6.3	11.8	4.8	10.4
Home Finance (98/FSVLX)	H***	1.09	0.75(30)	53.47	266.0	6.5	3.4	3.6	11.8	9.1	9.0	10.6
Indust Equip (510/FSCGX)	H***	1.42	0.75(30)	29.04	79.4	9.0	1.6	-1.6	12.8	18.0	12.4	8.8
Indust Materials (509/FSDPX)	H***	1.80	0.75(30)	45.87	211.3	7.1	-1.5	-5.6	16.3	20.1	19.6	8.8
Insurance (45/FSPCX)	H***	1.02	0.75(30)	70.94	184.7	4.5	3.4	6.9	10.1	14.7	11.0	15.5
Leisure (62/FDLSX)	H***	1.28	0.75(30)	78.85	201.6	3.8	2.8	-1.6	10.3	12.5	10.9	10.9
Medical Delivery (505/FSHCX)	H***	1.31	0.75(30)	50.82	789.8	-4.3	0.0	4.6	-0.2	28.6	15.3	10.3
Medical Equip/Sys (354/FSMEX)	S**	1.12	0.75(30)	23.25	868.6	-0.3	-1.5	6.1	0.1	10.8	11.4	
Multimedia (503/FBMPX)	B****	1.16	0.75(30)	45.37	100.5	1.2	2.3	1.1	6.9	8.7	10.1	10.1
Natural Gas (513/FSNGX)	H***	3.02	0.75(30)	36.71	1391.5	-2.7	-7.8	-10.4	-7.1	31.8	19.3	13.3
Nat Resources (514/FNARX)	B****	2.58	0.75(30)	25.23	1190.7	6.6	-5.1	-10.0	6.3	31.0	19.1	
Networking/Infra (912/FNINX)	H***	2.05	0.75(30)	2.33	106.1	-0.9	3.1	0.9	2.2	2.2	3.0	
Paper & Forest (506/FSFPX)	H***	1.41	0.75(30)	30.03	21.5	0.5	-0.8	1.9	11.3	4.7	5.1	5.2
Pharmaceuticals (580/FPHAX)	B****	1.06	0.75(30)	10.69	208.8	11.1	0.4	6.1	13.1	9.7	2.4	
Retailing (46/FSRPX)	H****↑	1.46	0.75(30)	51.86	58.6	9.8	7.2	4.8	15.4	14.1	11.2	10.2
Software (28/FSCSX)	H***	1.34	0.75(30)	60.28	596.3	14.8	4.0	11.1	16.4	11.0	14.5	12.6
Technology (64/FSPTX)	H***	1.51	0.75(30)	63.24	1660.3	0.1	1.9	3.6	2.8	5.7	7.7	8.9
Telecom (96/FSTCX)	B****	1.36	0.75(30)	45.78	413.0	18.3	4.4	8.8	21.7	19.4	5.7	5.8
Transportation (512/FSRFY)	H***	1.82	0.75(30)	47.25	97.3	3.3	3.1	-9.6	11.1	17.2	15.7	13.7
Utilities Growth (65/FSUTX)	B****	1.07	0.75(30)	51.36	447.4	19.3	1.4	7.5	16.7	22.0	6.7	9.6
Wireless (963/FWRXL)	H***	1.43	0.75(30)	6.55	319.0	1.7	2.7	3.8	2.7	26.3	6.6	

SEPTEMBER 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***	1.46	1 (30)	17.77	479.4		4.6	-1.1	1.8	12.2	14.1	15.5
Canada (309/FICDX)	B****	1.40	1.5(90)	47.37	3039.4		9.8	-1.5	3.8	13.2	26.9	22.6
China Region (352/FHKCX)	B****	1.20	1.5(90)	22.37	627.4		15.9	2.1	6.3	20.1	18.4	17.4
Diversified Int'l (325/FDIVX)	B****	1.33	Closed	36.31	41560.1		11.6	-0.1	3.1	17.4	21.7	17.2
Emerging Mkts (322/FEMKX)	H***	1.88	1.5(90)	20.89	2781.0		13.3	0.2	4.6	26.7	33.2	28.6
Europe (301/FIEUX)	H***	1.42	1 (30)	40.78	3696.1		13.4	-0.4	3.7	17.0	26.9	18.0
Europe Cap Appr (341/FECAX)	H***	1.42	1 (30)	26.63	864.3		20.9	0.8	6.0	25.3	24.5	16.3
Global Balanced (334/FGBLX)	B****	0.81	1 (30)	22.53	244.4		7.0	0.4	2.4	9.7	13.8	11.9
Int'l Discovery (305/FIGRX)	B****	1.37	1 (30)	35.36	7281.1		11.7	-0.1	3.4	17.9	22.6	17.8
Int'l Small Cap (818/FISMXX)	H***	1.41	Closed	28.21	2097.2		4.6	-2.6	-2.6	11.4	26.8	
Int'l Small Cap Opp (1504/FSCOX)	B****	1.89	2 (90)	13.69	1010.3		9.0	0.6	-1.6	26.4		
Int'l Value (1597/FIVLX)	B****	1.2 Est	1 (30)	10.19	129.7			-0.3	3.8			
Japan (350/FJPNX)	H***	2.25	1.5(90)	16.72	1807.6		-8.3	-3.2	-2.9	11.3	17.0	12.7
Japan Smaller Co (360/FJSCX)	H***	2.35	Closed	13.34	1356.1		-20.7	-2.9	-7.9	0.8	16.1	16.6
Latin America (349/FLATX)	H***	2.72	1.5(90)	38.51	2769.5		20.4	0.8	6.2	28.9	47.6	33.2
Nordic (342/FNORX)	H***	1.78	1.5(90)	34.42	330.9		15.2	-0.4	0.6	14.1	28.8	18.4
Overseas (94/FOSFX)	H***	1.35	1 (30)	45.31	6805.1		8.9	-0.8	2.3	18.7	19.7	13.6
Pacific Basin (302/FPBFX)	H***	1.52	1.5(90)	26.65	1059.6		3.8	0.7	0.5	18.2	20.1	17.2
Southeast Asia (351/FSEAX)	H***	1.53	1.5(90)	24.69	1380.0		16.4	2.9	7.2	29.1	27.2	25.4
Worldwide (318/FWWFX)	H***	1.18	1 (30)	21.03	1299.0		7.5	0.9	3.0	14.2	15.9	12.0
<b>INDEX AND ASSET ALLOCATION:</b>												
Four-In-One Index (355/FFNOX)	H***	0.90	none	28.20	1238.4		8.1	1.7	4.3	10.6	12.9	8.9
NASDAQ Comp (1282/FNCMX)	H***	1.36	0.75(90)	30.57	124.9		2.8	3.5	4.2	5.5	8.4	
Spart Ext Mkt Idx (398/FSEMXX)	H***	1.35	0.75(90)	36.37	1584.8		5.8	0.9	0.2	8.6	16.0	14.0
Spart Int'l Index (399/FSIIX)	B****	1.32	1(90)	40.72	1935.5		14.3	0.2	4.0	19.2	22.0	14.0
Spart 500 Index (317/FSMKX)	H***	1.00	none	92.85	7084.3		8.5	2.6	5.6	10.7	12.2	6.9
Spart Total Mkt Idx (397/FSTMXX)	B****	1.06	0.5(90)	37.31	2208.2		8.0	2.2	4.4	10.3	13.1	8.5
Asset Mgr 50% (314/FASMXX)	H***	0.53	none	16.60	9236.2		4.9	1.3	3.4	7.5	6.9	5.8
Asset Mgr 85% (347/FAMRX)	H***	1.01	none	12.79	437.5		5.9	1.5	3.6	10.0	12.0	7.0
Asset Mgr 70% (321/FASGX)	H***	0.71	none	15.82	3108.0		4.9	1.5	3.4	8.0	7.7	5.8
Asset Mgr 20% (328/FASIX)	B****	0.34	none	13.14	2091.4		4.8	1.0	3.1	6.8	7.1	6.8
Freedom 2000 (370/FFFBX)	B****	0.33	none	12.53	1567.5		3.7	1.0	2.6	5.2	5.1	4.7
Freedom 2005 (1312/FFVFX)	B****	0.56	none	11.48	620.7		4.6	1.1	3.0	6.8		
Freedom 2010 (371/FFFCX)	B****	0.58	none	14.50	11136.1		4.7	1.2	3.1	7.0	8.0	6.7
Freedom 2015 (1313/FFVFX)	B****	0.69	none	11.98	3348.6		5.1	1.3	3.1	7.9		
Freedom 2020 (372/FFFDX)	B****	0.82	none	15.24	14875.6		5.5	1.5	3.2	8.7	10.7	8.0
Freedom 2025 (1314/FFTWX)	B****	0.85	none	12.44	2709.9		5.6	1.4	3.2	9.0		
Freedom 2030 (373/FFFEEX)	B****	0.96	none	15.63	9187.6		5.9	1.6	3.2	9.6	12.0	8.5
Freedom 2035 (1315/FFTHX)	B****	0.96	none	12.76	1517.0		6.0	1.6	3.2	9.8		
Freedom 2040 (718/FFFEEX)	B****	0.98	none	9.20	4355.2		6.2	1.7	3.3	10.0	12.9	8.9
Freedom 2045 (1617/FFFGX)	B****	1.0 Est	none	10.18	16.5			1.7	3.2			
Freedom 2050 (1618/FFFHX)	B****	1.0 Est	none	10.17	13.6			1.6	3.1			
Freedom Income (369/FFFAAX)	B****	0.28	none	11.50	2180.6		3.7	0.9	2.6	5.1	4.7	4.2
Real Estate Income (833/FRIFX)	H***	0.26	0.75(90)	11.75	590.2		7.5	1.1	3.8	8.3	9.5	
Real Estate (303/FRESX)	H***	1.42	0.75(90)	34.14	7073.1		21.5	2.9	8.3	25.8	26.9	22.3
Int'l Real Estate (1368/FIREX)	H***	1.28	1.5(90)	14.60	513.3		20.1	1.3	7.7	27.6		
<b>TAXABLE BOND FUNDS:</b>												
Capital & Income (38/FAGIX)	H***	0.25	1(90)	8.59	6440.9	6.07	7.3	1.2	3.7	8.5	10.6	13.1
Floating Rate (814/FFRHXX)	B****↑	0.04	1(60)	9.93	2888.2	6.61	4.3	0.6	1.9	5.5	4.8	
Focused High Inc (1366/FHIFX)	H***	0.14	1(90)	10.01	44.0	6.10	4.7	1.2	3.8	5.8		
GNMA Portfolio (15/FGMNX)	H***	0.26	none	10.74	3372.2	5.05	2.6	0.5	3.3	3.4	3.2	4.0
Gov't Income (54/FGOVX)	H***	0.26	none	10.06	5265.7	6.76	2.6	0.7	3.3	3.2	2.8	4.2
High Income (455/SPHIX)	H***	0.15	1(90)	8.88	4012.7	7.07	6.3	1.2	3.5	7.9	8.6	10.4
Inflation-Protected (794/FINPX)	H***	0.42	none	10.99	1436.3	2.28	1.6	0.1	3.4	1.6	4.4	
Intermed Bond (32/FTHRX)	H***	0.21	none	10.28	7541.6	4.49	3.2	0.8	3.1	3.8	2.8	4.4
Intermed Gov't Inc (452/FSTGX)	H***	0.19	none	10.02	754.4	3.97	2.8	0.6	2.7	3.2	2.1	3.6
Invest Grade Bond (26/FBNDX)	H***	0.26	none	7.39	10100.0	4.79	3.5	0.9	4.0	4.2	3.7	5.0
Mortgage Securities (40/FMSFX)	H***	0.26	none	11.03	1604.5	5.04	3.4	0.8	3.5	3.9	3.6	4.6
New Markets Inc (331/FNMIX)	H***	0.42	1(90)	14.82	2013.2	6.03	7.7	0.4	6.1	9.5	12.7	15.7
Short-Term Bond (450/FSHBX)	H***	0.11	none	8.87	6321.5	4.58	3.3	0.5	2.1	4.1	2.6	3.6
Spart Gov't Inc (453/SPGVX)	H***	0.26	none	10.85	724.9	4.18	2.6	0.7	3.2	3.2	3.0	4.4
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.5 Est	none	9.93	17.1	4.28	2.1	1.1	4.3			
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.3 Est	none	9.88	5.1	4.74	1.2	1.6	6.4			
Spart S-Term Tr Idx (1563/FSBIX)	H***	0.1 Est	none	10.02	16.7	4.18	2.7	0.6	2.4			
Strategic Income (368/FSICX)	H***	0.22	none	10.56	3733.6	5.30	5.3	0.7	3.6	6.2	7.5	9.6
Strategic Real Rtn (1505/FSRRX)	H***	0.51	0.75(60)	10.10	2529.7		2.5	-1.2	0.5	2.3		
Total Bond (820/FTBFX)	H***	0.25	none	10.44	2410.4	4.71	3.6	0.9	3.8	4.3	4.0	
Ultra-Short Bond (812/FUSFX)	B****	0.05	0.25(60)	10.02	862.4	5.30	3.6	0.4	1.4	4.5	2.8	
US Bond Index (651/FBIDX)	H***	0.26	none	10.87	6107.0	4.72	3.2	0.8	3.8	3.8	3.5	4.9
<b>MUNICIPAL BOND FUNDS:</b>												
AZ Municipal Inc (434/FAZXX)	H***	0.19	0.5(30)	11.44	107.0	3.69	3.3	0.7	3.6	3.9	3.6	4.7
CA Municipal Inc (91/FCFTX)	H***	0.17	0.5(30)	12.42	1537.8	4.12	3.6	0.7	3.4	4.1	4.5	4.9
CA Short-Int TF (1534/FCSTX)	B****	0.1 Est	0.5(30)	10.09	82.4	3.35	3.0	0.5	2.4			
CT Municipal Inc (407/FICNX)	H***	0.17	0.5(30)	11.42	424.3	3.88	3.2	0.6	3.3	3.8	3.4	4.5
FL Municipal Inc (427/FFLIX)	H***	0.17	0.5(30)	11.48	471.2	4.00	3.3	0.7	3.2	4.0	3.9	4.8
Intermediate Muni (36/FLTMX)	H***	0.14	0.5(30)	9.98	2033.1	3.92	3.1	0.6	2.9	3.7	3.4	4.6
MA Municipal Inc (70/FDMMX)	H***	0.19	0.5(30)	11.92	1821.4	4.02	3.4	0.7	3.4	4.2	4.4	5.1
MD Municipal Inc (429/SMDMX)	H***	0.18	0.5(30)	10.89	111.1	3.81	3.3	0.7	3.5	4.1	3.7	4.5
MI Municipal Inc (81/FMHTX)	H***	0.17	0.5(30)	11.88	554.6	3.97	3.4	0.7	3.4	4.2	3.7	4.9
MN Municipal Inc (82/FIMIX)	H***	0.16	0.5(30)	11.43	335.5	4.07	3.2	0.6	3.0	3.8	3.6	4.6
Municipal Income (37/FHIGX)	H***	0.18	0.5(30)	12.85	4528.5	4.12	3.6	0.6	3.4	4.3	4.5	5.4
NJ Municipal Inc (416/FNJHX)	H***	0.20	0.5(30)	11.55	561.7	3.96	3.6	0.7	3.6	4.1	4.1	5.0
NY Municipal Inc (71/FTFMX)	H***	0.19	0.5(30)	12.83	1371.6	3.84	3.4	0.7	3.5	4.2	4.1	5.3
OH Municipal Inc (88/FOHFX)	H***	0.18	0.5(30)	11.68	414.8	3.97	3.3	0.7	3.5	4.0	4.0	5.0
PA Municipal Inc (402/FPXTX)	H***	0.16	0.5(30)	10.81	308.0	4.06	3.2	0.6	3.0	3.9	3.8	4.7
Short-Int Municipal (404/FSTFX)	B****	0.09	0.5(30)	10.21	1535.6	3.07	2.4	0.4	2.0	2.8	1.8	2.9
Tax-Free Bond (90/FTABX)	H***	0.19	0.5(30)	10.78	427.5	4.02	3.6	0.7	3.5	4.4	4.6	5.6

SEPTEMBER PERFORMANCE			2006	One	Three	One	3-Yr	5-Yr	10-Yr
Indexes and Model Portfolios	Risk	Value	YTD	Month	Month	Year	Rate	Rate	Rate
Dow Jones Industrial	0.97	11679.07	10.9	2.7	5.4	13.0	10.4	8.1	9.2
S&P 500	1.00	1335.85	8.5	2.6	5.7	10.8	12.3	7.0	8.6
NASDAQ	1.34	2258.43	3.0	3.5	4.1	5.9	8.9	9.2	6.8
Russell 2000	1.70	725.59	8.6	0.8	0.4	9.9	15.5	13.8	9.1
Fidelity Monitor Income Model	0.23	84048.45	4.1	1.0	2.5	5.6	4.7	5.2	5.1
Fidelity Monitor G&I Model	0.71	168982.51	7.9	1.7	4.6	10.6	12.8	12.0	10.2
Fidelity Monitor Growth Model	1.15	184521.86	7.3	2.0	3.8	10.7	15.6	13.0	10.0
Fidelity Monitor Select System	1.42	332663.40	5.2	1.8	2.7	8.0	12.6	12.3	10.9
Fidelity Monitor Unique Opportunities	1.35	116241.71	7.0	-0.4	-0.7	11.0	20.4	20.2	

## UNIQUE OPPORTUNITIES MODEL

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

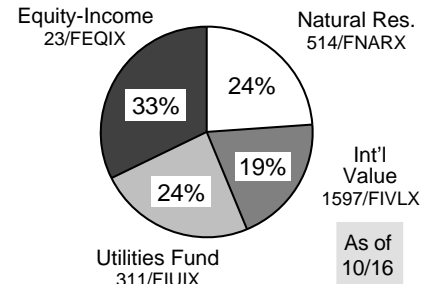
FUND	NAV	SHARES	BALANCE
Natural Resources	\$25.23	1068.344	\$26954.32
Pacific Basin	\$26.65	843.140	\$22469.68
Conv. Securities	\$23.70	1179.745	\$27959.96
Equity-Income	\$57.50	675.787	\$38857.75

33% Foreign Holdings

Balance as of 9/30/06: **\$116241.71**  
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:	+ 7.0%



In September our Unique Opportunities Model declined 0.4%. On 10/16 we will sell **Pacific Basin** and buy **Int'l Value**. We will also sell **Convertible Securities** and buy **Utilities Fund**.

## VIP CORNER

VIP SECTOR: (as of 10/16)

18% Health Care, 20% Fin. Ser.,  
17% Tel. & Util., 16% Nat. Res.,  
29% Consumer Industries

VIP GROWTH MODEL:

25% Mid-Cap Stock,  
42% Equity-Income,  
33% Contrafund

VIP G & I MODEL:

32% Equity-Income,  
55% Balanced,  
13% Freedom Income.

VIP INCOME MODEL:

70% Freedom Income,  
30% Balanced.

### SEPTEMBER VIP PERFORMANCE

Portfolio	Rating	Unit Value	2006 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***	10.69	-1.6	1.7	1.7	0.6		
VIP Asset Manager	H ***	33.14	2.4	0.7	2.5	4.8	5.5	4.8
VIP Asset Manager: Growth	H ***	21.43	1.0	0.6	2.1	3.8	5.9	4.6
VIP Balanced	B ****	16.45	5.4	0.8	2.6	8.4	6.8	5.8
VIP Consumer Industries	B ****	11.87	6.3	3.7	4.7	11.2	8.9	5.9
VIP Contrafund	B ****	41.65	4.2	1.0	0.6	8.1	15.5	11.1
VIP Cyclical Industries	H ***	16.44	7.8	2.3	-1.5	12.9	21.5	14.4
VIP Dynamic Capital Appreciation	B ****	14.07	5.4	2.0	0.3	11.1		
VIP Equity-Income	B *****	64.11	11.0	2.5	6.1	14.2	13.8	8.4
VIP Financial Services	B ****	14.31	8.9	3.6	7.4	16.7	13.1	9.9
VIP Freedom 2005	B ****	10.96	4.6	1.1	3.3	6.6		
VIP Freedom 2010	B ****	11.00	4.7	1.1	3.3	6.8		
VIP Freedom 2015	B ****	11.20	5.3	1.2	3.3	8.0		
VIP Freedom 2020	B ****	11.34	5.6	1.3	3.3	8.6		
VIP Freedom 2025	B ****	11.43	5.8	1.2	3.3	9.2		
VIP Freedom 2030	B ****	11.53	5.9	1.3	3.2	9.5		
VIP Freedom Income	B ****	10.63	3.9	0.9	2.6	4.9		
VIP Growth	H ***	58.70	2.6	2.3	3.0	5.7	7.0	3.3
VIP Growth & Income	B ****	18.48	6.3	1.9	5.0	9.4	8.6	5.8
VIP Growth Opportunities	H ***	12.36	-4.5	3.3	0.2	0.3	6.8	4.1
VIP Growth Stock	H ***	10.26	-3.1	1.7	2.8	-1.4		
VIP Health Care	H ***	12.31	1.8	0.1	6.3	4.9	10.9	4.6
VIP High Income	H ***	30.27	6.1	1.2	3.4	7.2	7.3	9.3
VIP Index 500	H ***	35.83	7.8	2.5	5.4	9.8	11.2	5.9
VIP Int'l Capital Appreciation	H ***	11.71	2.9	-1.2	1.5	10.1		
VIP Investment Grade Bond	H ***	29.01	2.5	0.8	3.6	2.9	2.7	4.2
VIP Mid Cap	B ****	20.15	4.6	-1.6	-1.6	8.6	20.9	15.4
VIP Money Market		20.29	2.9	0.3	1.1	3.7	1.9	1.4
VIP Natural Resources	B ****	20.15	6.0	-5.1	-10.1	5.5	30.2	18.6
VIP Overseas	H ***	37.30	6.6	-0.4	1.6	15.8	18.1	11.9
VIP Real Estate	H ***	20.71	23.9	2.3	8.7	28.2		
VIP Strategic Income	H ***	11.64	4.6	0.7	3.5	5.1		
VIP Technology	H ****↓	10.19	0.8	2.9	4.4	5.4	7.1	8.2
VIP Telecom & Utilities	B ****	12.20	20.1	1.5	8.3	17.3	21.9	6.9
VIP Value	B ****	11.41	7.0	2.8	4.4	9.5		
VIP Value Leaders	B ****	11.51	6.3	1.9	3.7	9.6		
VIP Value Strategies	B ****	13.91	6.0	1.4	2.5	10.9		
Fidelity Monitor VIP Income Model		19231.99	3.0	0.9	2.6	3.4	3.9	5.4
Fidelity Monitor VIP G&I Model		23914.21	5.9	1.4	3.7	8.3	8.4	6.8
Fidelity Monitor VIP Growth Model		35471.87	7.1	1.0	2.3	10.7	12.2	8.1
Fidelity Monitor VIP Sector Model		17589.09	10.7	0.9	3.6	12.1	14.2	

## 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	\$19.48	789.433	\$15378.15
Asset Mgr. Inc.	\$13.14	2508.487	\$32961.52
Ultra-Short Bond	\$10.02	1613.041	\$16162.67
Floating Rate	\$9.93	1968.390	\$19546.11

8% Foreign Holdings

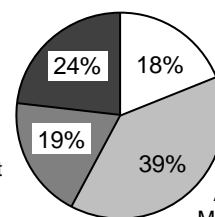
Balance as of 9/30/06: **\$84048.45**  
Balance at start of 2006: **\$80716.02**

## 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:	+ 4.1%

Floating Rate High Income  
814/FFRHX

Ultra-Short  
812/FUSFX



Puritan 23/FPURX  
Asset Mgr 20% (Income) 328/FASIX

Our Income Model gained 1.0% for the month of September.

## 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.	\$13.14	2734.932	\$35937.01
Puritan	\$19.48	1961.199	\$38204.16
Balanced	\$18.87	2196.328	\$41444.71
Equity-Income	\$57.50	928.637	\$53396.63

10% Foreign Holdings

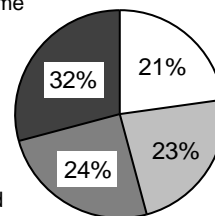
Balance as of 9/30/06: **\$168982.51**  
Balance at start of 2006: **\$156588.48**

## 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:	+ 7.9%

Equity-Income  
23/FEQIX

Balanced  
304/FBALX



Asset Mgr 20% (Inc) 328/FASIX  
Puritan 4/FPURX

In September our Growth and Income Model gained 1.7%.

## 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
Mid Cap Stock	\$28.44	1478.383	\$42045.21
Value Discovery	\$16.50	2792.154	\$46070.54
Equity-Income	\$57.50	1676.628	\$96406.11

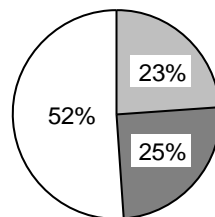
13% Foreign Holdings

Balance as of 9/30/06: **\$184521.86**  
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:	+ 7.3%

Equity-Income  
23/FEQIX



Utilities 311/FUIX

As of 10/16

Value Discovery 832/FVDFX

Our Growth Model gained 2.0% in September, versus 2.6% for the S&P 500. On 10/16 we will sell **Mid Cap** and buy **Utilities**.

## 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	\$46.65	1181.190	\$55102.51
Brokerage	\$75.47	950.274	\$71717.18
Electronics	\$42.30	1401.899	\$59300.33
Pharmaceuticals	\$10.69	4221.920	\$45132.32
Multimedia	\$45.37	889.845	\$40372.27
Telecom	\$45.78	1333.307	\$61038.79

21% Foreign Holdings

Balance as of 9/30/06: **\$332663.40**  
Balance at start of 2006: **\$316217.19**

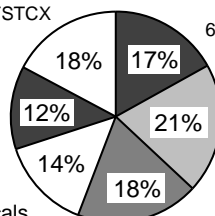
## PERFORMANCE

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:	+ 5.2%

Telecom  
96/FSTCX

Multimedia  
503/FBMPX

Pharmaceuticals  
580/FPHAX



Energy 60/FSENX

Brokerage 68/FSLBX

Food & Ag (Consumer Staples) 9/FDFAX

As of 10/16

Our portfolio gained 1.8% in September, versus 2.6% for the S&P. On 9/18 we sold **Technology** (\$63.26), buying **Pharmaceuticals** (\$10.67). On 10/16 we'll sell **Electronics** and buy **Food & Ag**.

# Happenings

Select shareholders gave their stamp of approval to Fidelity's restructuring of its sector fund lineup. In addition to the modified strategies that will come with the new benchmarks, several funds are changing their names: **Business Services** will become **IT Services**, **Consumer Industries** is changing over to **Consumer Discretionary**, **Cyclical Industries** will be known as **Industrials**, **Developing Communications** is changing to **Communications Equipment**, **Food & Agriculture** will become **Consumer Staples**, and **Industrial Materials** will soon be known as **Materials**. The new names are effective 10/1.

It was a light month for fund manager changes. Charles Hebard has taken over at **Blue Chip Value** and **VIP Value Leaders** (we have returned **Blue Chip Value** to a buy rating). Also, Kristina Salen has become manager of **Multimedia**.

If September is any indication, year-end capital gain distributions may be larger than usual for many stock funds. While there isn't much you can do for funds you already own, you may want to check Fidelity's year-end payout estimates before making a new purchase in a non-retirement account. They should be posted on fidelity.com later this month. ■

## SEPTEMBER DISTRIBUTIONS

<b>Asset Manager 20%</b>	\$ 0.05 / \$13.00 (9/8)
<b>Balanced</b>	\$ 0.86 / \$18.58 (9/8)
<b>Blue Chip Growth</b>	\$ 1.04 / \$41.53 (9/8)
<b>Blue Chip Value</b>	\$ 0.38 / \$13.74 (9/8)
<b>Dividend Growth</b>	\$ 0.66 / \$29.68 (9/8)
<b>Freedom Income</b>	\$ 0.03 / \$11.39 (9/8)
<b>Government Income</b>	\$ .005 / \$10.03 (9/8)
<b>Growth &amp; Income</b>	\$ 5.80 / \$28.71 (9/6)
<b>Int'l Real Estate</b>	\$ 0.87 / \$14.37 (9/8)
<b>Leveraged Co. Stock</b>	\$ 1.14 / \$26.77 (9/8)
<b>Low-Priced Stock</b>	\$ 3.63 / \$39.25 (9/8)
<b>Puritan</b>	\$ 0.58 / \$19.06 (9/8)
<b>Real Estate Income</b>	\$ 0.36 / \$11.63 (9/8)
<b>Real Estate</b>	\$ 3.52 / \$33.51 (9/8)
<b>Small Cap Growth</b>	\$ 0.07 / \$13.01 (9/8)
<b>Small Cap Value</b>	\$ 0.54 / \$12.62 (9/8)
<b>Value Discovery</b>	\$ 0.51 / \$16.20 (9/8)

Funds scheduled for October include **Asset Manager**, **Asset Manager 20%**, **AZ Muni**, **Balanced**, **Convertible Securities**, **Equity-Income**, **Equity-Inc. II**, **Export & Multinational**, **Fidelity Fund**, **Freedom Income**, **Growth & Income**, **Growth & Income II**, **Puritan**, **Strategic Dividend & Income**, **MD Muni**, **Short-Intermediate Municipal**, and **Utilities**.

RECOMMENDATIONS - Continued from page 1

## 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%** (formerly **Asset Manager Income**).

Dividend stocks continued to set the pace, with **Equity-Income II** gaining 2.8%, and **Equity-Income** moving up 2.5%. **Fidelity Fund** and **Growth & Income** also performed well, posting returns of 2.2% and 2.1%, respectively. The laggard of the group, **Convertible Securities**, was hurt by its heavy exposure to the energy sector. The fund finished with a 0.5% decline.

## BOND FUNDS

Income Model holdings are listed on page 7. **Ultra-Short Bond** offers a yield slightly higher than money markets while carrying minimal interest rate risk. **Floating Rate High Income** provides an income stream on par with junk bond funds, but with only a fraction of the credit risk.

The prospect of a weaker economy gave bonds a boost. Leading the group, **Spartan Long-Term Treasury Index** moved up 1.6%, while **Spartan Intermediate-Term Treasury Index** rose 1.1%. Junk bonds also did well, thanks to the Fed's decision to stand pat on short-term interest rates. **Capital & Income**, **Focused High Income**, and **High Income** all finished with a 1.2% gain. The group's only loser was **Strategic Real Return**, which slipped 1.2% on commodity-related weakness.

Municipal bond funds posted returns ranging from 0.4% to 0.7%.

## SELECT PORTFOLIOS

Select System holdings are listed on page 7. Funds rated buy include **Telecommunications**, **Food & Ag** (soon to become **Consumer Staples**), **Pharmaceuticals**, **Brokerage**, **Banking**, **Financial Services**, **Utilities Growth**, **Multimedia**, **Natural Resources**, and **Energy**.

**Brokerage** jumped 7.4% on early evidence that suggested third quarter earnings are holding up just fine. **Retailing** rose 7.2% as investors anticipated a rebound in consumer spending. **Telecom** led the utilities group with a gain of 4.4%. The bottom end was dominated by energy and commodities. **Energy Services** declined 5.0%, **Natural Resources** lost 5.1%, **Energy** slid 5.9%, **Gold** was down 6.6%, and **Natural Gas** fell 7.8%. ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reserves (55/FDRXX)	83350.2	4.97	CT MM (418/FCMXX)	1496.4	3.21			
Select MM (85/FSLXX)	1604.7	5.03	MA MM (74/FDMXX)	4436.4	3.18	FL MM (428/FSFXX)	1721.9	3.32
Money Market (454/SPRXX)	6679.5	5.02	MI MM (420/FMIXX)	767.5	3.23	MA AMT TF (426/FMSXX)	1680.3	3.39
Gov't MM (458/SPAXX)	485.4	4.93	NJ MM (417/FNJXX)	1712.3	3.20	AMT Tax-Free (460/FIMXX)	3325.3	3.45
US Treas. MM (415/FDLXX)	1797.6	4.67	NY MM (92/FNYXX)	3700.1	3.21	NJ AMT TF (423/FSJXX)	1038.8	3.39
Tax-Free MM (275/FMOXX)	2623.5	3.31	OH MM (419/FOMXX)	869.7	3.22	NY AMT TF (422/FSNXX)	1958.6	3.37
US Gov't Reser (50/FGRXX)	3208.6	5.00	AZ MM (433/FSAXX)	267.0	3.37	PA MM (401/FPTXX)	487.2	3.26
CA MM (97/FCFXX)	4315.2	3.31	CA AMT TF (457/FSPXX)	2867.3	3.42	Municipal MM (10/FTEXX)	16912.7	3.38