

Fidelity Repositions Selects

Fidelity is changing tactics with its sector fund lineup. Shareholders are being asked to approve a plan that revamps the funds' benchmarks while adopting a more structured focus, complete with name changes for several funds. Hourly trading will be discontinued in October, at which time the funds will be subject to the same market timing limits that Fidelity carries on its regular diversified funds. What does all this mean?

Not much, really. Fidelity is simply tightening its grip on the one thing it does best: long term performance. As Exchange Traded Funds (ETFs) become increasingly popular for high-turnover strategies, it no longer makes sense for the Select family to compete on the basis of intraday pricing or flexible exchange policies. If Fidelity wants to compete in that arena, it will need to introduce its

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Changes for Select System, VIP Sector Model

On 9/18, our Select System will be selling **Technology** (64/FSPTX) and replacing it with **Pharmaceuticals** (580/FPHAX), for a mix of 18% **Energy**, 20% **Brokerage**, 18% **Electronics**, 14% **Pharmaceuticals**, 12% **Multimedia**, and 18% **Telecom**. Make the trade over the weekend to get the Monday 10 a.m. price. We're overweighted in technology, and other sectors offer good returns with less volatility. **Pharmaceuticals** is a good defensive bet for a slowing economy, and will help boost the model's foreign exposure.

Our VIP Sector Model will sell one-third each of **VIP Technology** and **VIP Natural Resources**, buying **VIP Health Care**. The resulting mix will be approximately 20% **VIP Technology**, 18% **VIP Health Care**, 15% **VIP Financial Services**, 16% **VIP Telecom & Utilities**, 17% **VIP Natural Resources**, and 14% **VIP Consumer Industries**.

For those who prefer to move early, we don't see a problem making the Select System trade before 9/18 (there's a 45% chance that you might be worse off), but VIP Sector Model investors should not move early to avoid being subject to the 60-day redemption fee on **VIP Technology**.

Review & Recommendations

The market warmed up to the idea that the Fed might actually hold off on future rate hikes for a while, although investors are far from convinced. A decline in the price of oil, due partly to the cease-fire in Lebanon, was also a positive factor. The S&P 500 gained 2.4% for the month of August.

GROWTH FUNDS

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

Most funds that focused on growth stocks performed well. **OTC Portfolio** gained 5.5%, **Discovery** was up 4.4%, and **Small Cap Stock** climbed 4.3%. Others struggled. **Tax-Managed Stock** gained 0.6%, **Mid Cap Growth** edged up 0.2%, and **Focused Stock** declined 0.8%.

INTERNATIONAL FUNDS

Int'l Value offers broad exposure to foreign stocks, with an emphasis on European markets. We downgraded **Pacific Basin** to a hold because the opportunities in Canada and Europe have become more attractive. We are considering a change for the Unique Opportunities Model later on.

The top performers were **Canada**, which rose 5.3% despite a weak energy group, and **Europe Capital Appreciation** with a 3.9% increase. New signs of economic weakness surfaced in Japan, weighing down funds with exposure to the region. **Japan** gained 1.8%, **Pacific Basin** rose 1.3%, and **Japan Smaller Companies** was off 0.1%.

GROWTH & INCOME FUNDS

Growth and Income Model holdings are listed on page 7. Our favorites include **Equity-Income**, **Puritan**, **Balanced**, and **Convertible Securities**. For less risk, consider **Asset Manager Income**.

Growth-oriented holdings helped **Growth & Income II** to gain 3.0%. **Utilities**, up 2.6%, also did well. Trailing behind, **Strategic Dividend & Income** returned 1.5%, and **Convertible Securities** edged up just 0.4% due to energy-related weakness.

BOND FUNDS

Income Model holdings are listed on page 7. **Ultra-Short Bond** offers minimal interest-rate risk.

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own lineup of sector ETFs, perhaps by creating clones of the benchmarks the Selects will be trying to beat.

While that may or may not be part of Fidelity's plan, the Select family would still be the group that offers the greatest long-term performance advantage. That's because sector ETFs are based on well-defined indexes that focus on large, liquid stocks. The Selects, on the other hand, benefit from Fidelity's research-driven approach to active management.

ACTIVE MANAGEMENT DONE RIGHT

It's rare that you find an article about the Select funds in newspapers or magazines, because they fly in the face of what the "experts" consider acceptable. They don't offer minimal expenses, low turnover, long manager tenure, or broad diversification.

Fortunately, in the real world, none of those factors make much difference when the stockpicking is consistently good. Fidelity's research team includes hundreds of workaholics who are determined to get the latest story, and get it right. In effect, every Select manager is set up for success by 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 fully understanding the business models. They know the trends, the competitors, the risks, and the major factors that influence the bottom line.

It pays off in spades. Consider the 20 years ended 7/31/06, a period over which the S&P 500 posted annual returns of 11.4%, growing in value by a factor of about 8.7. Only a small fraction of industry stock funds managed to beat it. But of the 26 Selects that have been around that long, 20 finished ahead of the S&P 500, a resounding 77% success rate.

No family of sector ETFs can ever hope to compete with that. Being sub-indexes of a larger index, a majority will lag the S&P 500 over the long run. And being capitalization-weighted, they will incur more risk doing so. Many sector ETFs have 50% of their assets in just a few stocks, making for excessive volatility. And exposure to small-cap stocks is low to maintain good liquidity. It's the price that ETF investors pay to buy and sell anytime without restrictions.

Don't worry about the loss of hourly trading for the Selects. While it's been convenient to watch the performance of the Selects during market hours, it hasn't offered any trading advantage for the approach we use. And in some cases, subscribers have been confused by the use of the 10 a.m. price in our models.

The new market timing limits won't have much impact either. Fidelity's definition of a round-trip trade is the purchase and sale of a fund within 30 days. To be in violation, it's necessary to make two round trips in a 90-day period, or 4 round trips in a 12-month period. That's far more activity than most Select investors generate. But even those who like to move around will have two ways to avoid getting tripped up. The first is to hold every position for at least 30 days. The second is to pick a similar but different fund when returning to a particular segment of the market.

SELECT SYSTEM UPDATE

Our sector model has been trailing the S&P 500 in recent months, mostly because it favored some of the more volatile growth sectors at a time when the market grew increasingly wary of inflation. We're in the process of making some adjustments to our volatility model, with the goal of steering the Select System toward less risky choices. In addition to reducing overall volatility, the modifications should also make the Select System more tolerant of any changes that come with the new Select benchmarks. These tweaks are relatively minor and we expect to phase in them in between now and the end of the year.

Following is a review of all the sector funds we currently rate a buy, including all of our latest Select System holdings.

BANKING (BUY)

Thanks to fee-based income, earnings for the money-center banks have not been hurt much by rising interest rates or the slowdown in mortgage lending. While rising mortgage defaults may become more of an issue, it's mostly the consumer finance firms and institutional bond investors that will bear the burden on this front. **Banking** offers a mix of value stocks that pay good dividends and carry market-level risk.

BROKERAGE (BUY)

A recent article in Barron's suggested that the bullish run in brokerage stocks is just about over, but it offered no compelling reason why the growth of private equity deals and hedge fund services should suddenly dry up. Even if earnings growth slows by a third, the valuations in this group are not out of line. Most of the profit-taking in recent months was a result of worrying about what might happen, as opposed to what actually has.

ELECTRONICS (BUY)

The stage could be set for chip demand to grow

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faster than expected, even if the economy continues to slow. Web-based video services are growing rapidly, and it takes a lot more hardware to stream video compared with delivering traditional content. Microsoft's Vista operating system is slated to be out in January, and may fuel a new round of computer purchases and hardware upgrades. Finally, portable music players and camcorders are increasingly using flash memory in place of hard drives and other types of magnetic storage. **Electronics** is a volatile fund, but semiconductor stocks carry lower multiples than other technology stocks, and the group may benefit from growth outside the U.S.

ENERGY (BUY)

This sector has slipped down in rank in our volatility model, but we are keeping it in the Select System as a hedge, and because we still like the long-term story. Energy stock values are cheap relative to the price of oil, mostly because of widespread doubt that the price of oil will remain high. But there's a good reason why oil prices won't go back to "normal." Consumers in emerging countries are buying cars like Americans did in the 1920s, but unlike that era there are no new giant oil fields laying around waiting to be discovered. Lacking the ability to offset the world's declining output of light, sweet crude, the major oil companies are pursuing heavy, sour deposits and other non-conventional sources that are difficult to refine into usable fuels. They're also returning a lot of money to shareholders in the form of dividends and share buybacks.

FINANCIAL SERVICES (BUY)

This sector overlaps heavily with the banking and insurance groups. It also invests in consumer finance, although that area is not a major focus at the current time. The dividends paid here are not as high compared with **Banking**, but the growth opportunities are slightly better. Over the years, Fidelity analysts have done well in this value-oriented segment, and there's a good chance they will continue to beat the market.

FOOD & AGRICULTURE (BUY)

This fund is the only one in the Select lineup that focuses on the consumer staples sector. **Food & Ag** is a defensive sector that carries less risk than the S&P 500, but it usually keeps up with the index over the long run. The fund tends to perform well when economic growth is slowing, but inflation keeps rising. That's because consumer eating habits tend to stay the same regardless of what the economy

does, but the companies that sell food tend to gain pricing power as the least efficient producers are forced to pass along cost increases. **Food & Ag's** major focus is food and beverage companies, although it does carry some agricultural and tobacco exposure.

MULTIMEDIA (BUY)

The stocks in this fund are driven mostly by advertising revenue. While there's plenty of growth in this area, not all of it is going through traditional channels. Fortunately, **Multimedia** has a nice balance of new-age advertisers and old-line media companies. Many of the traditional firms have been struggling with major revisions to their business models, but things are finally beginning to click. The majority of **Multimedia's** holdings fall in the consumer discretionary category, but about 30% of the fund is in the technology group.

NATURAL RESOURCES (BUY)

Energy stocks, at 70% of assets, continue to account for most of the assets in this fund. Volatility is still more than double the S&P 500's level, the result of an ongoing tug-of-war between buyers and sellers. Compared to **Energy**, there's more emphasis on oil service companies here, and mining companies have a modest impact on performance. **Natural Resources** makes for a good hedge against rising inflation, but you shouldn't jump in unless you can hold the fund for a long time. The odds of a short-term loss are high, but over a five-year period there's a good chance you'll beat the S&P 500.

PHARMACEUTICALS (BUY)

There's been plenty of bad news in this group. Patent expirations, increased litigation risk, and expanding government influence have been weighing down performance in recent years. But at this stage, those factors are largely factored in. Going forward, there's opportunity for firms offering unique products, and many foreign producers are poised for growth (**Pharmaceuticals** has 40% invested overseas). In addition, the fund's defensive characteristics make it a good choice for a slowing economy.

TELECOMMUNICATIONS (BUY)

Stock values in the telecom arena remain cheap, and many of the companies are offering good dividend yields. Long-term opportunities in broadband and cable television are looking increasingly attractive, and near-term earnings are continuing to improve as DSL and other services gain popularity. **Telecom** is holding about 30% in technology stocks, most of

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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 ↓.

AUGUST 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***	1.63	1.5(90)	17.35	3601.9	-2.5	3.9	-1.1	0.7	8.2	-1.3	2.8
Blue Chip Gth (312/FBGRX)	H***	1.05	none	42.69	19632.7	-1.1	2.8	1.0	2.1	5.8	0.9	6.2
Blue Chip Value (1271/FBCVX)	H***↓	1.13	none	14.20	272.1	5.2	1.8	1.6	10.3	14.3		
Capital Apprec (307/FDCAX)	B****	1.36	none	26.10	7739.7	4.0	1.8	-2.5	7.5	11.6	8.0	10.3
Contrafund (22/FCNTX)	B****	1.17	Closed	65.84	63846.3	3.6	1.1	0.5	10.7	15.3	10.1	11.6
Discovery (339/FDSVX)	H***↑	0.94	none	12.07	410.9	6.6	4.4	4.4	11.3	9.4	3.7	
Disc Equity (315/FDEQX)	H***	1.17	none	29.09	7018.9	5.0	0.9	2.1	9.0	13.0	6.5	9.5
Dividend Gth (330/FDGFX)	B****	0.92	none	30.25	15529.4	5.1	2.5	3.2	9.2	8.0	2.9	10.3
Export Fund (332/FEXPX)	H***	1.27	0.75(30)	21.57	4508.8	1.6	1.6	0.9	9.8	14.3	8.3	14.1
Fidelity Fifty (500/FFTYX)	H***	1.28	none	21.13	1157.3	1.3	1.7	-0.7	9.7	8.3	7.8	11.1
Focused Stock (333/FTQGX)	H***	1.43	none	12.10	105.9	1.7	-0.8	0.1	6.3	15.2	1.5	
Growth Company (25/FDGRX)	B****	1.42	Closed	63.05	27310.3	-0.9	1.5	-1.1	8.3	11.0	3.8	9.5
Independence (73/FDFFX)	H***	1.28	none	20.47	4333.5	4.2	2.2	0.4	10.8	11.6	6.2	9.7
Large Cap Growth (763/FSLGX)	H***	1.59	none	10.68	159.6	-4.4	3.0	-2.2	0.2	10.1		
Large-Cap Stock (338/FLCSX)	H***	1.07	none	16.12	720.9	3.5	2.4	1.9	9.6	9.0	2.6	7.3
Large Cap Value (708/FLVLX)	B****↑	1.18	none	13.94	818.4	7.9	0.8	3.6	12.6	16.6		
Lev Co Stock (122/FLVCX)	B****	1.53	1.5(90)	28.65	4166.8	10.1	2.1	2.5	13.1	25.5	26.0	
Low-Priced Stock (316/FLPSX)	H***	1.04	Closed	43.18	35822.5	5.7	1.8	-0.6	8.4	16.7	14.9	15.6
Magellan (21/FMAGX)	H***	1.26	Closed	86.91	44468.0	0.9	2.4	-1.5	5.7	8.0	2.4	7.5
Mid Cap Growth (793/FMSGX)	H***	1.78	0.75(30)	12.59	439.9	-2.7	0.2	-5.0	0.8	12.0		
Mid Cap Stock (337/FMCSX)	B****	1.52	Closed	27.85	11511.2	7.1	2.5	-2.2	13.8	13.9	5.8	12.6
Mid Cap Value (762/FSMVX)	H***	1.26	0.75(30)	15.72	454.0	6.1	1.0	1.7	10.8	18.3		
New Millennium (300/FMILX)	H***	1.71	Closed	35.97	2518.2	3.1	2.1	-4.2	9.5	9.8	7.6	14.2
OTC Portfolio (93/FOCPX)	H***	1.45	none	36.62	7364.9	-3.1	5.5	0.4	2.7	7.6	4.4	7.2
Small Cap Gth (1388/FCPGX)	H***	1.56	1.5(90)	13.33	402.5	3.7	3.1	-2.3	4.9			
Small Cap Indep (336/FDSCX)	H***	1.53	1.5(90)	20.95	2445.4	2.3	2.5	-2.3	4.1	13.8	10.1	8.5
Small Cap Stock (340/FLSCX)	H***	1.44	Closed	17.88	4477.4	4.3	4.3	-3.2	7.4	14.6	10.9	
Small Cap Value (1389/FCPVX)	H***	1.41	1.5(90)	13.32	957.1	4.5	0.8	-2.9	7.6			
Stock Selector (320/FDSSX)	H***	1.06	none	25.96	801.3	4.9	3.0	2.7	10.6	11.4	5.3	7.7
Tax Mgd Stock (343/FTXMX)	B****	1.37	1(730)	13.13	65.0	3.6	0.6	1.0	7.5	13.5	5.1	
Trend (5/FTRNX)	H***	1.05	none	60.03	868.1	4.9	2.4	2.9	9.9	11.1	5.1	6.1
Value (39/FDVLX)	B****	1.09	none	79.99	15663.6	5.4	2.7	1.1	10.5	17.8	12.6	12.0
Value Discovery (832/FVDFX)	B****	1.21	none	16.85	727.7	7.7	1.9	2.2	14.1	17.9		
Value Strategies (14/FSLSX)	B****	1.14	none	32.50	163.6	4.9	2.8	0.1	9.7	11.7	8.8	
GROWTH & INCOME FUNDS:												
Balanced (304/FBALX)	B****	0.85	none	19.56	19787.9	5.1	2.1	1.7	9.3	12.3	8.9	11.3
Convertible Sec (308/FCVXS)	B****↓	1.05	none	23.81	2044.1	7.0	0.4	0.0	9.5	11.2	7.5	11.9
Equity-Income (23/FEQIX)	B****	1.01	none	56.10	26300.3	8.8	2.0	3.2	13.1	13.1	6.7	9.6
Equity-Income II (319/FEQTX)	B****	1.01	none	23.43	11266.1	3.9	1.6	1.2	7.1	9.8	6.3	9.2
Fidelity Fund (3/FFIDX)	H***	1.13	none	33.25	8044.2	5.0	2.4	3.0	10.5	10.5	4.0	8.5
Growth & Income (27/FGRIX)	H***	1.04	none	34.78	28868.2	1.5	1.8	0.2	4.6	7.6	2.6	7.5
Growth & Inc II (361/FGRTX)	H***	1.08	none	10.40	182.1	4.6	3.0	2.8	10.2	8.1	4.7	
Puritan (4/FPURX)	B****	0.67	none	19.69	23562.2	6.7	1.8	3.1	9.4	10.4	6.7	9.0
Strategic Div & Inc (1329/FSDIX)	B****	0.93	none	12.86	972.5	6.6	1.5	2.6	10.7			
Utilities (311/FUIUX)	H***	1.09	none	17.20	1125.2	18.0	2.6	10.2	17.8	20.0	5.7	8.4
SELECT FUNDS:												
Air Transportation (34/FSAIX)	H***	1.69	0.75(30)	41.98	102.8	5.5	-2.6	-4.4	18.9	15.8	6.2	13.9
Automotive (502/FSAVX)	H***	1.42	0.75(30)	33.94	13.0	-0.6	2.0	-3.3	-5.4	5.2	8.7	6.2
Banking (507/FSRBX)	B****↑	1.04	0.75(30)	37.29	382.8	6.7	0.3	2.8	10.5	10.4	8.0	11.5
Biotechnology (42/FBIOX)	H***	1.72	0.75(30)	60.39	1494.4	-3.7	0.8	0.0	0.7	6.1	-0.8	10.3
Brokerage (68/FLBXX)	B****	1.58	0.75(30)	70.29	894.6	5.7	1.1	0.9	23.1	19.3	13.5	18.8
Business Ser (353/FBSOX)	H***↓	1.22	0.75(30)	16.44	37.8	3.9	3.6	-1.6	11.2	11.6	5.1	
Chemicals (69/FSCHX)	H***	1.45	0.75(30)	66.13	85.2	3.5	2.3	-3.7	7.0	18.2	13.3	9.4
Computers (7/FDCPX)	H***	1.58	0.75(30)	35.36	407.2	-2.0	9.4	-0.1	-0.7	2.5	-0.8	8.2
Const & Housing (511/FSHOX)	S**	2.02	0.75(30)	42.87	163.1	-6.5	2.7	-5.3	-7.7	15.6	13.5	12.8
Consumer Indust (517/FSPCX)	H***	1.10	0.75(30)	25.42	51.4	3.6	3.0	1.7	7.1	7.7	3.8	8.2
Cyclical Indust (515/FCYIX)	H***	1.39	0.75(30)	20.15	67.6	5.5	1.5	-4.5	11.6	19.2	10.7	
Defense & Aero (67/FSADX)	H***	1.34	0.75(30)	76.34	928.7	6.6	-0.9	-1.2	9.3	20.3	15.8	13.9
Develop Commun (518/FSDCX)	H***	1.78	0.75(30)	19.60	362.5	-2.0	8.3	-4.6	3.8	10.3	0.3	7.2
Electronics (8/FSLEX)	B****	1.91	0.75(30)	42.42	2151.7	-3.0	7.3	-1.9	1.0	4.1	-2.6	11.0
Energy (60/FSENX)	B****	2.54	0.75(30)	49.58	2872.4	10.9	-4.4	-2.4	14.4	35.6	19.0	15.0
Energy Services (43/FSESX)	H***	3.08	0.75(30)	67.84	1888.6	5.4	-6.6	-8.9	13.1	31.0	22.3	16.1
Environmental (516/FSLEX)	H***	1.33	0.75(30)	16.38	66.1	4.7	0.0	-6.6	4.9	10.2	5.6	2.1
Financial Services (66/FIDSX)	B****↑	1.13	0.75(30)	117.63	469.5	5.6	2.1	2.7	14.9	12.6	8.1	12.9
Food & Agriculture (9/FDFAX)	B****↑	0.82	0.75(30)	56.68	179.6	13.1	3.0	7.2	16.0	15.2	8.1	9.7
Gold (41/FSAGX)	H***	2.60	0.75(30)	35.77	1490.9	19.4	3.8	1.7	67.4	21.4	28.8	6.2
Health Care (63/FSPHX)	H***	1.03	0.75(30)	126.62	2134.2	2.3	3.0	6.1	5.8	11.7	4.4	11.1
Home Finance (98/FSVLX)	H***	1.11	0.75(30)	51.71	269.1	3.0	0.9	-0.5	6.9	8.2	7.9	10.8
Indust Equip (510/FSCGX)	H***	1.40	0.75(30)	28.58	81.2	7.2	1.9	-4.4	12.1	14.9	7.8	9.1
Indust Materials (509/FSDPX)	H***	1.74	0.75(30)	46.58	227.2	8.8	0.5	-5.2	23.5	21.3	17.2	9.2
Insurance (45/FSPCX)	H***	1.07	0.75(30)	68.60	184.5	1.1	3.3	3.0	9.9	13.6	10.1	15.6
Leisure (62/FDLSX)	H***	1.28	0.75(30)	76.71	198.5	1.0	3.6	-3.6	8.4	10.6	6.9	11.1
Medical Delivery (505/FSHCX)	H***	1.30	0.75(30)	50.83	785.0	-4.3	5.1	5.9	2.5	29.1	14.9	11.0
Medical Equip/Sys (354/FSMEX)	S**	1.10	0.75(30)	23.60	837.2	1.2	4.4	6.4	1.3	11.6	11.7	
Multimedia (503/FBMPX)	B****	1.16	0.75(30)	44.34	78.8	-1.1	2.1	-0.8	5.8	5.3	6.6	10.5
Natural Gas (513/FSNGX)	H***	2.95	0.75(30)	39.82	1446.6	5.5	-3.4	1.3	9.3	34.4	18.9	14.7
Nat Resources (514/FNARX)	B****	2.51	0.75(30)	26.58	1237.9	12.3	-3.9	-3.3	19.1	32.5	17.6	
Networking/Infra (912/FNINX)	H***	2.00	0.75(30)	2.26	92.2	-3.8	10.8	-6.6	2.3	0.1	-3.4	
Paper & Forest (506/FSFPX)	H***↑	1.41	0.75(30)	30.28	21.1	1.4	4.5	2.2	11.6	4.6	1.8	5.7
Pharmaceuticals (580/FPHAX)	B****↑	1.05	0.75(30)	10.65	171.7	10.7	2.4	5.1	15.9	11.2	2.6	
Retailing (46/FSRPX)	S**	1.51	0.75(30)	48.37	56.6	2.4	2.5	-1.9	4.4	9.7	6.1	9.8
Software (28/FSCSX)	H***	1.31	0.75(30)	57.95	534.2	10.4	5.4	8.2	15.1	8.6	7.2	13.5
Technology (64/FSPTX)	H***↓	1.46	0.75(30)	62.04	1569.5	-1.8	7.1	0.3	1.7	4.4	1.6	10.0
Telecom (96/FSTCX)	B****	1.33	0.75(30)	43.86	388.6	13.4	5.3	6.1	18.1	16.0	4.0	5.7
Transportation (512/FSRFX)	H***	1.75	0.75(30)	45.84	134.8	0.2	-2.2	-8.8	11.8	15.6	10.3	13.4
Utilities Growth (65/FSUTX)	B****↑	1.08	0.75(30)	50.66	384.8	17.7	2.0	10.0	17.1	21.5	5.4	9.7
Wireless (963/FWRLX)	H***	1.39	0.75(30)	6.38	331.2	-1.0	1.6	-1.2	1.7	23.8	4.1	

AUGUST 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)	17.97	478.7		5.8	2.8	2.3	15.9	15.2	12.4
Canada (309/FICDX)	B****	1.38	1.5(90)	48.10	2831.0		11.5	5.3	3.1	20.9	28.2	20.7
China Region (352/FHKCX)	B****↑	1.19	1.5(90)	21.92	592.1		13.6	3.5	3.3	21.7	18.7	13.3
Diversified Int'l (325/FDIVX)	B****	1.32	Closed	36.33	40152.9		11.6	2.6	2.4	21.5	23.0	14.8
Emerging Mkts (322/FEMKX)	H***	1.84	1.5(90)	20.85	2693.2		13.1	2.6	3.5	39.0	33.2	24.5
Europe (301/FIEUX)	H***	1.40	1 (30)	40.93	3541.2		13.8	2.5	3.5	20.2	28.9	14.6
Europe Cap Appr (341/FECAV)	H***	1.42	1 (30)	26.41	782.5		19.9	3.9	1.3	26.2	25.7	13.6
Global Balanced (334/FGBLX)	B****	0.81	1 (30)	22.44	238.1		6.6	1.8	0.9	10.9	14.6	10.2
Int'l Discovery (305/FIGRX)	B****	1.36	1 (30)	35.39	6944.3		11.8	2.7	2.7	23.0	23.9	15.0
Int'l Small Cap (818/FISMX)	H***	1.40	Closed	28.96	2134.6		7.4	1.4	-3.5	18.9	30.8	
Int'l Small Cap Opp (1504/FSCOX)	B****	1.3 Est	2 (90)	13.61	1014.4		8.4	2.8	-4.3	32.3		
Int'l Value (1597/FIVLX)	B****	1.2 Est	1 (30)	10.22	101.7			2.3				
Japan (350/FJPNX)	H***	2.26	1.5(90)	17.27	1765.0		-5.3	1.8	-1.5	26.6	19.7	10.6
Japan Smaller Co (360/FJSCX)	H***	2.33	Closed	13.74	1389.8		-18.3	-0.1	-8.6	7.4	20.8	15.0
Latin America (349/FLATX)	H***	2.69	1.5(90)	38.22	2643.2		19.5	2.4	8.7	47.5	48.6	28.7
Nordic (342/FNORX)	H***	1.74	1.5(90)	34.57	318.3		15.7	2.0	-0.2	17.8	29.8	16.0
Overseas (94/FOSFX)	H***	1.35	1 (30)	45.69	6566.7		9.8	2.7	2.7	24.5	21.2	11.0
Pacific Basin (302/FPBFX)	H***↓	1.51	1.5(90)	26.46	1060.2		3.1	1.3	-2.0	25.8	21.1	13.9
Southeast Asia (351/FSEAX)	H***	1.52	1.5(90)	24.00	1326.7		13.2	2.7	1.9	34.6	26.0	21.0
Worldwide (318/FWWFX)	H***	1.17	1 (30)	20.85	1276.9		6.5	2.2	2.2	16.1	15.9	9.3
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FNOX)	H***	0.89	none	27.74	1195.6		6.4	2.3	2.7	9.8	12.3	6.8
NASDAQ Comp (1282/FNCMX)	H***	1.33	0.75(90)	29.54	113.3		-0.7	4.5	0.4	2.0		
Spart Ext Mkt Idx (398/FSEMX)	H***	1.34	0.75(90)	36.05	1549.2		4.9	2.2	-0.3	8.5	15.1	10.7
Spart Int'l Index (399/FSIX)	B****	1.31	1(90)	40.65	1781.5		14.1	2.8	3.6	23.5	23.2	11.5
Spart 500 Index (317/FSMKX)	H***	1.00	none	90.53	6945.6		5.8	2.4	3.1	8.8	10.8	4.5
Spart Total Mkt Idx (397/FSTMX)	B****	1.06	0.5(90)	36.51	2136.3		5.7	2.3	2.4	8.9	11.9	6.0
Asset Manager (314/FASMX)	H***	0.53	none	16.38	9168.8		3.5	1.9	1.9	6.4	6.6	4.3
Asset Mgr Agg (347/FAMRX)	H***	1.01	none	12.60	428.0		4.3	2.4	2.0	9.8	11.9	3.6
Asset Mgr Gth (321/FASGX)	H***	0.71	none	15.58	3069.2		3.3	2.2	1.5	6.8	7.2	3.8
Asset Mgr Inc (328/FASIX)	B****	0.34	none	13.06	2049.1		3.8	1.4	2.0	6.8	7.0	6.2
Freedom 2000 (370/FFFBX)	B****	0.32	none	12.41	1563.9		2.7	1.3	1.7	4.3	5.1	4.0
Freedom 2005 (1312/FFVFX)	B****	0.55	none	11.35	607.1		3.4	1.7	1.8	6.0		
Freedom 2010 (371/FFFCX)	B****	0.58	none	14.33	10891.8		3.5	1.7	1.8	6.3	7.9	5.4
Freedom 2015 (1313/FFVFX)	B****	0.68	none	11.83	3190.5		3.8	1.9	1.7	7.3		
Freedom 2020 (372/FFFDX)	B****	0.81	none	15.02	14413.9		4.0	2.0	1.6	8.2	10.3	6.0
Freedom 2025 (1314/FFTWX)	B****	0.85	none	12.27	2559.5		4.1	2.1	1.6	8.6		
Freedom 2030 (373/FFFEEX)	B****	0.95	none	15.38	8868.4		4.2	2.1	1.4	9.2	11.5	6.1
Freedom 2035 (1315/FFTHX)	B****	0.95	none	12.56	1422.4		4.3	2.1	1.4	9.5		
Freedom 2040 (718/FFFFX)	B****	0.97	none	9.05	4174.4		4.5	2.1	1.3	9.7	12.2	6.2
Freedom 2045 (1617/FFFGX)	B****	1.0 Est	none	10.01	10.3			2.1				
Freedom 2050 (1618/FFHHX)	B****	1.0 Est	none	10.01	8.9			2.2				
Freedom Income (369/FFFAV)	B****	0.28	none	11.43	2163.4		2.8	1.1	1.8	4.2	4.6	3.8
Real Estate Income (833/FRIFX)	H***	0.26	0.75(90)	11.98	520.7		6.3	1.7	3.4	7.0	10.1	
Real Estate (303/FRESX)	H***	1.43	0.75(90)	36.65	6844.5		18.0	3.4	10.4	23.0	27.1	20.7
Int'l Real Estate (1368/FIREX)	H***	1.27	1.5(90)	15.28	446.0		18.5	4.1	8.4	29.4		
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	H***	0.25	1(90)	8.53	6270.9	6.20	6.0	1.7	2.0	6.8	11.0	11.0
Floating Rate (814/FFRHX)	H***	0.04	1(60)	9.92	2825.5	6.54	3.7	0.6	1.5	5.2	4.8	
Focused High Inc (1366/FHIFX)	H***	0.14	1(90)	9.94	42.4	6.15	3.5	1.6	2.2	4.2		
GNMA Portfolio (15/FGMNX)	H***	0.25	none	10.73	3355.5	4.81	2.1	1.4	2.9	2.2	3.6	4.2
Gov't Income (54/FGOVX)	H***	0.26	none	10.05	5320.2	4.14	1.9	1.4	2.9	1.5	3.5	4.4
High Income (455/SPHIX)	H***	0.15	1(90)	8.82	3888.3	7.12	5.0	1.4	1.8	6.2	9.0	8.4
Inflation-Protected (794/FINPX)	H***	0.42	none	11.00	1424.6	2.35	1.5	1.7	3.5	1.2	5.6	
Intermed Bond (32/FTHRX)	H***	0.21	none	10.24	7466.6	4.51	2.4	1.3	2.5	2.3	3.4	4.5
Intermed Gov't Inc (452/FSTGX)	H***	0.19	none	9.99	757.3	3.96	2.1	1.0	2.2	1.9	2.7	3.9
Invest Grade Bond (26/FBNDX)	H***	0.26	none	7.35	9876.7	4.61	2.5	1.5	3.1	2.3	4.3	5.0
Mortgage Securities (40/FMSFX)	H***	0.25	none	10.99	1601.6	5.01	2.6	1.2	2.9	2.5	4.0	4.7
New Markets Inc (331/FNMIX)	H***	0.42	1(90)	14.83	1940.5	6.17	7.3	2.4	5.3	11.6	13.7	14.9
Short-Term Bond (450/FSHBX)	H***	0.11	none	8.86	6149.8	4.61	2.9	0.8	1.8	3.4	2.8	3.7
Spart Gov't Inc (453/SPGVX)	H***	0.26	none	10.81	723.7	4.12	1.9	1.3	2.7	1.6	3.8	4.6
Spart Intermed Tr Idx (1561/FIBIX)	H***	0.5 Est	none	9.86	10.0	4.40	1.0	1.7	3.5			
Spart L-Term Tr Idx (1562/FLBIX)	H***	0.3 Est	none	9.76	4.3	4.86	-0.4	2.7	5.4			
Spart S-Term Tr Idx (1563/FSBIX)	H***	0.1 Est	none	9.99	17.6	3.89	2.1	0.8	1.8			
Strategic Income (368/FSICX)	H***	0.23	none	10.53	3634.6	5.40	4.6	1.5	2.6	4.9	8.4	9.0
Strategic Real Rtn (1505/FSRRX)	H***	0.5 Est	0.75(60)	10.22	2277.7		3.7	0.1	1.5			
Total Bond (820/FTBEX)	H***	0.24	none	10.39	2295.8	4.69	2.7	1.5	3.1	2.5	4.7	
Ultra-Short Bond (812/FUSFX)	B****	0.05	0.25(60)	10.02	846.7	5.36	3.2	0.4	1.4	4.4	2.7	
US Bond Index (651/FBIDX)	H***	0.27	none	10.82	5916.9	4.77	2.3	1.5	3.2	1.9	4.1	5.0
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FAZAX)	H***	0.19	0.5(30)	11.39	105.1	3.73	2.6	1.6	2.3	2.4	4.5	4.6
CA Municipal Inc (91/FCTFX)	H***	0.17	0.5(30)	12.38	1512.0	4.15	2.9	1.5	2.4	2.9	5.3	4.7
CA Short-Int TF (1534/FCSTX)	B****	0.1 Est	0.5(30)	10.07	78.8	3.30	2.5	1.0	1.6			
CT Municipal Inc (407/FICNX)	H***	0.17	0.5(30)	11.39	418.7	3.91	2.6	1.5	2.2	2.4	4.2	4.4
FL Municipal Inc (427/FLIX)	H***	0.18	0.5(30)	11.44	470.6	4.04	2.6	1.4	2.1	2.6	4.8	4.6
Intermediate Muni (36/FLTMX)	H***	0.15	0.5(30)	9.95	1988.2	3.90	2.4	1.2	1.9	2.6	4.2	4.5
MA Municipal Inc (70/FDMMX)	H***	0.19	0.5(30)	11.87	1793.7	4.08	2.7	1.5	2.2	2.5	5.1	4.8
MD Municipal Inc (429/SMDMX)	H***	0.18	0.5(30)	10.85	110.4	3.86	2.6	1.6	2.4	2.5	4.4	4.3
MI Municipal Inc (81/FMHTX)	H***	0.17	0.5(30)	11.84	547.4	4.02	2.8	1.4	2.2	2.7	4.5	4.7
MN Municipal Inc (82/FIMIX)	H***	0.16	0.5(30)	11.40	334.7	4.10	2.6	1.4	2.1	2.5	4.3	4.4
Municipal Income (37/FHIGX)	H***	0.18	0.5(30)	12.81	4466.2	4.18	2.9	1.5	2.3	2.9	5.4	5.2
NJ Municipal Inc (416/FNJHX)	H***	0.20	0.5(30)	11.51	552.2	3.94	2.9	1.7	2.5	2.5	5.1	4.7
NY Municipal Inc (71/FTFMX)	H***	0.19	0.5(30)	12.78	1352.0	3.89	2.7	1.5	2.3	2.5	4.9	5.0
OH Municipal Inc (88/FOHFX)	H***	0.19	0.5(30)	11.64	408.3	4.01	2.6	1.6	2.2	2.5	4.9	4.8
PA Municipal Inc (402/FPXTX)	H***	0.16	0.5(30)	10.78	304.0	4.09	2.5	1.4	2.0	2.5	4.6	4.5
Short-Int Municipal (404/FSTFX)	B****	0.09	0.5(30)	10.19	1527.3	3.09	1.9	0.9	1.3	2.2	2.2	2.9
Tax-Free Bond (90/FTABX)	H***	0.19	0.5(30)	10.74	413.4	4.03	2.9	1.7	2.3	2.9	5.6	5.4

AUGUST PERFORMANCE Indexes and Model Portfolios	Risk	Value	2006 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
Dow Jones Industrial	0.98	11381.15	7.8	2.0	2.5	11.1	8.9	5.0	9.4
S&P 500	1.00	1303.82	5.8	2.4	3.1	8.9	11.0	4.7	8.9
NASDAQ	1.31	2183.75	-0.4	4.5	0.4	2.3	7.2	4.5	7.2
Russell 2000	1.68	720.53	7.8	3.0	0.3	9.4	14.5	10.4	9.4
Fidelity Monitor Income Model	0.22	83238.39	3.1	1.0	1.6	4.8	4.9	5.3	5.2
Fidelity Monitor G&I Model	0.71	166213.19	6.1	1.8	2.9	9.7	12.2	10.1	10.4
Fidelity Monitor Growth Model	1.15	180843.67	5.2	2.1	1.7	9.0	14.9	10.8	10.1
Fidelity Monitor Select System	1.40	326940.42	3.4	2.2	0.5	9.5	11.0	9.9	11.0
Fidelity Monitor Unique Opportunities	1.32	116707.44	7.5	0.0	-0.2	13.6	20.9	17.9	

UNIQUE OPPORTUNITIES MODEL

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

FUND	NAV	SHARES	BALANCE
Natural Resources	\$26.58	1068.344	\$28396.58
Pacific Basin	\$26.46	843.140	\$22309.48
Conv. Securities	\$23.81	1179.745	\$28089.73
Equity-Income	\$56.10	675.787	\$37911.65

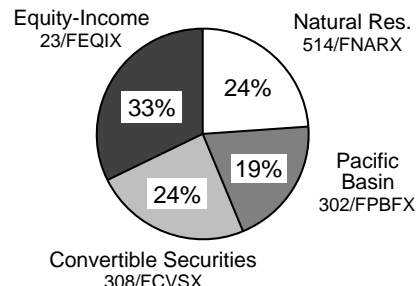
33% Foreign
Holdings

Balance as of 8/31/06: **\$116707.44**

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:	+ 7.5%



For the month of August our Unique Opportunities Model was at breakeven.

VIP CORNER

VIP SECTOR: (as of 9/18)

20% Tech., 18% Health Care,
15% Fin. Ser., 16% Tel. & Util.,
17% Nat. Res., 14% Cons. Ind.

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.

AUGUST VIP PERFORMANCE Portfolio	Rating	Unit Value	2006 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Aggressive Growth	H ***	10.51	-3.3	3.8	-1.4	-0.3		
VIP Asset Manager	H ***	32.89	1.6	1.3	1.1	4.1	5.4	3.6
VIP Asset Manager: Growth	H ***	21.29	0.4	1.3	0.2	3.6	5.6	3.0
VIP Balanced	B ****	16.32	4.6	2.0	1.4	8.6	6.5	4.4
VIP Consumer Industries	B ****↑	11.45	2.6	2.9	1.3	5.8	6.8	3.3
VIP Contrafund	B ****	41.22	3.2	1.0	0.2	10.1	14.8	9.6
VIP Cyclical Industries	H ***	16.07	5.4	1.5	-4.5	11.3	18.8	10.6
VIP Dynamic Capital Appreciation	B ****	13.79	3.3	1.8	-2.7	12.1		
VIP Equity-Income	B ****	62.55	8.3	1.9	3.1	12.4	12.3	6.1
VIP Financial Services	B ****	13.81	5.1	2.2	2.5	14.1	11.9	7.7
VIP Freedom 2005	B ****	10.85	3.5	1.8	2.0	5.8		
VIP Freedom 2010	B ****	10.88	3.5	1.7	2.0	6.1		
VIP Freedom 2015	B ****	11.07	4.1	1.9	1.8	7.5		
VIP Freedom 2020	B ****	11.19	4.2	2.0	1.6	8.2		
VIP Freedom 2025	B ****	11.29	4.5	2.0	1.6	9.0		
VIP Freedom 2030	B ****	11.39	4.6	2.1	1.4	9.6		
VIP Freedom Income	B ****	10.54	3.0	1.2	1.8	4.1		
VIP Growth	H ***	57.40	0.3	3.0	-0.3	3.7	5.4	0.1
VIP Growth & Income	B ****	18.12	4.3	3.0	2.7	9.5	7.4	4.2
VIP Growth Opportunities	H ***	11.97	-7.5	3.2	-2.5	-0.7	5.1	1.6
VIP Growth Stock	H ***	10.09	-4.7	4.0	0.1	-1.3		
VIP Health Care	H ***	12.30	1.7	2.9	5.6	5.0	11.0	4.4
VIP High Income	H ***	29.92	4.9	1.5	1.8	5.4	7.9	7.2
VIP Index 500	H ***	34.95	5.2	2.3	2.9	7.9	9.9	3.6
VIP Int'l Capital Appreciation	H ***	11.86	4.2	2.8	1.5	13.5		
VIP Investment Grade Bond	H ***	28.78	1.7	1.4	2.8	0.9	3.3	4.3
VIP Mid Cap	B ****	20.47	6.3	1.5	-1.5	12.9	21.0	14.7
VIP Money Market		20.23	2.6	0.4	1.1	3.6	1.7	1.4
VIP Natural Resources	B ****	21.23	11.7	-3.9	-3.4	18.2	31.7	17.0
VIP Overseas	H ***	37.44	7.1	2.4	1.3	20.9	19.4	9.2
VIP Real Estate	H ***	20.26	21.2	3.1	12.7	26.1		
VIP Strategic Income	H ***	11.57	3.9	1.4	2.4	3.7		
VIP Technology	B ****	9.90	-2.0	8.7	-2.2	5.3	5.5	2.2
VIP Telecom & Utilities	B ****	12.01	18.3	2.4	10.7	17.4	21.3	5.3
VIP Value	B ****	11.10	4.1	1.5	1.1	7.5		
VIP Value Leaders	B ****	11.30	4.4	1.7	1.3	8.9		
VIP Value Strategies	B ****	13.72	4.5	2.8	0.0	9.0		
Fidelity Monitor VIP Income Model		19069.11	2.1	1.4	1.7	1.9	4.5	5.4
Fidelity Monitor VIP G&I Model		23593.39	4.4	1.9	2.1	7.6	8.1	5.4
Fidelity Monitor VIP Growth Model		35127.51	6.1	1.5	1.0	11.8	11.1	5.2
Fidelity Monitor VIP Sector Model		17440.64	9.8	2.3	3.8	13.9	13.2	

INCOME MODEL

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

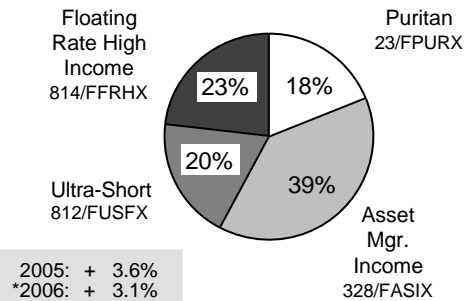
FUND	NAV	SHARES	BALANCE
Puritan	\$19.69	766.120	\$15084.90
Asset Mgr. Inc.	\$13.06	2498.876	\$32635.32
Ultra-Short Bond	\$10.02	1606.212	\$16094.24
Floating Rate	\$9.92	1958.057	\$19423.93

8% Foreign Holdings

Balance as of 8/31/06: \$83238.39
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%



Our Income Model gained 1.0% for the month of August. On 8/14 we sold **Balanced** (\$18.99) and bought **Puritan** (\$19.27).

GROWTH AND INCOME MODEL

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

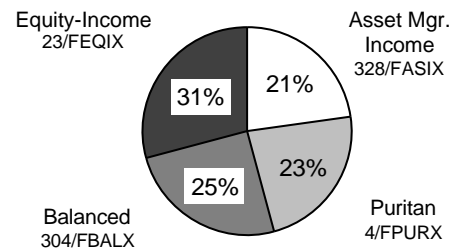
FUND	NAV	SHARES	BALANCE
Asset Mgr. Inc.	\$13.06	2724.453	\$35581.36
Puritan	\$19.69	1903.282	\$37475.62
Balanced	\$19.56	2099.165	\$41059.67
Equity-Income	\$56.10	928.637	\$52096.54

10% Foreign Holdings

Balance as of 8/31/06: \$166213.19
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:	+ 6.1%



For August our Growth and Income Model gained 1.8%.

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.

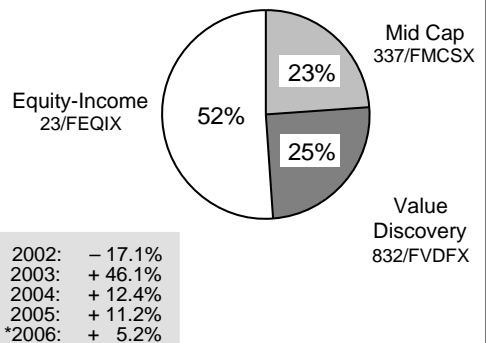
FUND	NAV	SHARES	BALANCE
Mid Cap Stock	\$27.85	1478.383	\$41172.97
Value Discovery	\$16.85	2706.936	\$45611.87
Equity-Income	\$56.10	1676.628	\$94058.83

13% Foreign Holdings

Balance as of 8/31/06: \$180843.67
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%



Our Growth Model gained 2.1% in August, compared with the S&P 500's increase of 2.4%.

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.

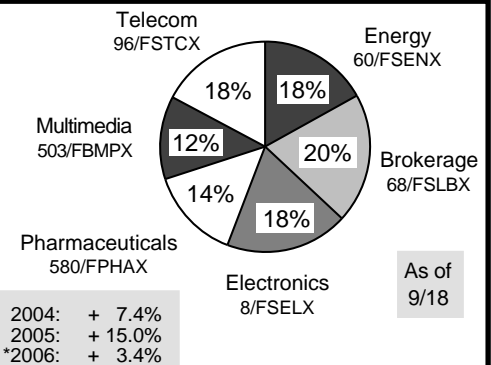
FUND	NAV	SHARES	BALANCE
Energy	\$49.58	1181.190	\$58563.40
Brokerage	\$70.29	950.274	\$66794.76
Electronics	\$42.42	1401.899	\$59468.56
Technology	\$62.04	712.107	\$44179.12
Multimedia	\$44.34	889.845	\$39455.73
Telecom	\$43.86	1333.307	\$58478.85

21% Foreign Holdings

Balance as of 8/31/06: \$326940.42
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%



Our portfolio gained 2.2% in August, versus 2.4% for the S&P. On 8/14 we sold **Biotech** (\$57.56), buying **Multimedia** (\$43.48). On 9/18 we'll sell **Technology** and buy **Pharmaceuticals**.

which is invested in equipment providers such as Motorola, Qualcomm, and Nokia.

UTILITIES GROWTH (BUY)

This fund represents a blend of telecom and traditional utility stocks. On the telecom side, it enjoys the advantages described above. On the power generation side, it has benefited as regulators become more willing to relax ownership restrictions, and as higher natural gas costs push up the price of electricity. Because most electric utilities have their own coal, hydro, and nuclear plants, they have enjoyed rising margins. Given the limits to natural gas supplies North America, that's a process that may continue for some years to come. ■

Question & Answer Forum

I've been following your Growth Model, and I'm disappointed with Mid-Cap Stock. Are you planning to replace it?

Mid-Cap was chosen for its overweighted tech-stock position. It helps balance out **Equity-Income**, which has relatively little growth stock exposure. Tech stocks have finally begun to recover from recent losses, so the fund may be back on track.

If not, it might make sense to take a small loss and move on later this year. But a key challenge is deciding on a suitable replacement. There haven't been many stock funds that have consistently outperformed in recent months. That may change now that the Fed has paused, but it will take some time to get a handle on the groups that are most likely to lead the market in 2007. ■

AUGUST DISTRIBUTIONS

Asset Manager: Income	\$ 0.04 / \$12.92 (8/4)
Discovery	\$ 0.09 / \$11.58 (8/4)
Fidelity Fifty	\$ 1.86 / \$20.63 (8/4)
Freedom Income	\$ 0.04 / \$11.32 (8/4)
Growth & Income II	\$ 0.18 / \$10.10 (8/4)

Funds scheduled for September include **Asset Manager Income, Balanced, Blue Chip Growth, Blue Chip Value, Dividend Growth, Freedom Income, Ginnie Mae, Gov't Income, Growth & Income, Intermediate Gov't Income, Int'l Real Estate, Leveraged Company Stock, Low-Priced Stock, OTC Portfolio, Puritan, Real Estate, Real Estate Income, Small Cap Growth, Small Cap Value, Total Bond, Ultra-Short Bond, and Value Discovery.**

Bonds were helped by signs that inflationary pressures are easing. **Spartan Long-Term Treasury Index** benefited from lower interest rates, posting a 2.7% gain. **New Markets Income** also did well, climbing 2.4%. On the bottom end, **Strategic Real Return** managed to finish with a 0.1% return.

Municipal bond funds posted gains ranging from 0.9% to 1.7%.

SELECT PORTFOLIOS

Select System holdings are listed on page 7. Funds rated buy include **Multimedia, Brokerage, Telecom, Pharmaceuticals, Banking, Financial Services, Food & Ag, Electronics, Utilities, Natural Resources, and Energy.**

The technology group staged a rebound from recent losses. **Networking** gained 10.8%, **Computers** was up 9.4%, **Developing Communications** climbed 8.3%, and **Electronics** rose 7.3%. The energy group, in contrast, gave back some of its gains. **Natural Gas** slipped 3.4%, **Natural Resources** declined 3.9%, **Energy** posted a 4.4% loss, and **Energy Services** was down 6.6%. ■

Happenings

Fidelity may have complicated its Select proxy process by mailing letters to shareholders informing them of their plans to end hourly trading and begin imposing market timing restrictions in October. It's hard to know whether those changes – which don't require a shareholder vote – will affect the outcome of the proposal to adopt new benchmarks. Still, the ill will created by the letters could have an impact, most likely by reducing the number of shareholders who vote on a timely basis. We're fine with the new benchmarks, and we'd like to encourage all Select shareholders to vote their proxies.

Only a few funds had new manager assignments in August. Matthew Sabel was named co-manager of **Health Care**, Aaron Cooper has taken over at **VIP Health Care**, and Yolanda Taylor is the new stockpicker at **Brokerage.**

The Spartan title may soon be used only for index funds. **Spartan Gov't Income** was closed to new investors in June, and **Spartan Investment Grade Bond** merged into **Investment Grade Bond** late July.

Later this month, the Asset Manager funds will be renamed to reflect each fund's neutral stock weighting, becoming **Asset Manger 20%, Asset Manager 50%, Asset Manager 70%, and Asset Manager 85%.** ■

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reserves (55/FDRXX)	82040.4	4.98	CT MM (418/FCMXX)	1450.6	3.05			
Select MM (85/FSLXX)	1440.9	5.03	MA MM (74/FDMXX)	4458.5	3.11	FL MM (428/FSFXX)	1756.1	3.13
Money Market (454/SPRXX)	6525.9	5.02	MI MM (420/FMIXX)	762.2	3.08	MA AMT TF (426/FMSXX)	1628.0	3.18
Gov't MM (458/SPAXX)	482.0	4.93	NJ MM (417/FNJXX)	1714.1	3.10	AMT Tax-Free (460/FIMXX)	3288.0	3.30
US Treas. MM (415/FDLXX)	1766.9	4.75	NY MM (92/FNYXX)	3898.8	3.10	NJ AMT TF (423/FSJXX)	1006.9	3.20
Tax-Free MM (275/FMOXX)	2597.4	3.17	OH MM (419/FOMXX)	845.4	3.15	NY AMT TF (422/FSNXX)	1849.2	3.22
US Gov't Reser (50/FGRXX)	3238.0	4.96	AZ MM (433/FSAXX)	270.4	3.15	PA MM (401/FPTXX)	462.1	3.16
CA MM (97/FCFXX)	4240.3	3.10	CA AMT TF (457/FSPXX)	2781.7	3.23	Municipal MM (10/FTEXX)	17155.4	3.22