

Jack
Bowers



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Monitor™

Investing Outside The Box

With expectations reduced for stocks, bonds, and cash, many investors have become receptive to non-traditional assets. The housing bust has some picking up “bargains” in residential real estate. Currencies, commodities and energy ventures appear compelling to others. And there are several categories of collectibles that seem to do well over time: art, rare coins, stamps, antiques, memorabilia, and vintage autos. Finally, there are personal ventures so far out in left field it’s a stretch to call them investments.

Putting your money into these alternatives can often be engaging and personally rewarding, while providing a greater sense of control over your nest egg. But any time you move away from securities backed by earnings or yield, the risk level can rise and the diversification aspects can go out the window. This month we take a look at the implications of non-traditional investments.

INCOME VERSUS SCARCITY

Traditional investments, such as stocks and bonds, have underlying income sources in the form of earnings or yield. It’s a better long-term foundation than alternatives, where scarcity is the main mechanism for appreciation.

Why? Because advancing technology tends to make scarce things abundant over the long term, and the rate at which this happens could be speeding up. In *The Rational Optimist*, author Matt Ridley notes that the cost in wage-hours of 100 square feet of housing has changed little since 1956, but today that same space in housing is of better quality and has more amenities. He also notes that it took about 4700 hours of work to afford a Model T Ford in 1908, versus about 1000 hours for a basic vehicle today (one that brims with features the Model T never had). In the 1950s, it took 30 minutes worth of wages to earn the price of a McDonald’s cheeseburger, versus 3 minutes today. And paying for an hour of night-time illumination has declined from 8 seconds in 1950 to half a second today.

Obviously, there can be long-lasting counter-trends. We’ve certainly seen this with food, energy, and housing

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Check Hotline For Switches

As announced on our 6/30 hotline update, we are making changes in several of our model portfolios on 7/2 (see page 3 for details).

Please continue to check our hotline each weekend; trades are typically announced near the end of the month.

Review & Recommendations

Stocks finished the month higher, mainly on the removal of uncertainty surrounding the situation in Europe. The elections in Greece reaffirmed support for staying in the euro-zone, and Germany did an about face after a long period of stonewalling in the effort to spread sovereign debt credit risk across all euro-zone members. The market was also helped by the Fed’s announcement that Operation Twist would be extended until the end of 2012. For the month of June, the S&P 500 gained 4.1%.

DOMESTIC EQUITY FUNDS

Please see page 7 for current holdings in our Unique Opportunities Model and our Growth Model. For single fund substitutes, we recommend **Blue Chip Growth** as an alternative to Unique Opportunities, and **Strategic Dividend & Income** in place of the Growth Model.

Tax-Managed Stock led the group with a 5.5% increase. **Disciplined Equity** and **Equity-Income** were close behind with respective gains of 5.3% and 4.9%. On the flip side, funds emphasizing the consumer discretionary group lagged. **Mid-Cap Growth** returned 1.6%, while **Independence** edged up 1.2%.

INTERNATIONAL FUNDS

Foreign stock funds, especially those focused on European markets, rebounded strongly as policy makers started taking the euro-debt problem more seriously. **Int’l Value** jumped 8.1%, **Int’l Real Estate** climbed 7.7%, **Europe** was up 7.1% and **Europe Cap App** gained 6.7%. On the bottom end, **China Region** rose 2.4% and **Canada** returned 2.1%.

GROWTH & INCOME FUNDS

Please see page 7 for our current Growth and Income Model holdings. For a single fund alternative, consider holding **Balanced**.

Real Estate climbed 5.3% and **Telecom & Utilities** was up 4.5%. On the bottom, **Convertible Securities** suffered due to its automotive holdings, rising 0.8%.

INCOME FUNDS

Please see page 7 for our Income Model holdings. For a single fund alternative, consider **Focused High Income**.

It was a good month for emerging market debt and high-yield bonds. **New Markets Income** was up 3.3%, and **Global High Income** rose 2.4%. But **Spartan**

RECOMMENDATIONS - *Continued on page 8*

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from time to time. But as technology unleashes new and better ways of doing things, these inflationary deviations should occur less often, and when they do happen the surge in price isn't likely to be as intense as it has in the past. In other words, inflation itself is becoming less of a threat as advancing technology creates greater "liquidity" in the supply chain, in the labor pool, and in the sources of capital that make it all happen. All while reducing the labor content of goods and services via productivity gains.

REAL ESTATE

Property is popular as a long-term investment – partly because it provides a hedge against inflation, but also because there can be tax breaks. In an era of collapsed prices and low interest rates, many see real estate as a bargain – to the point that they are willing to sell stocks to buy a rental property or a vacation home.

For some situations this might make sense, but there are several things to keep in mind:

- Real estate appreciation might fall short of inflation over the next few decades. On the supply side, technology-driven innovation by construction firms could reduce both the labor hours and material cost of a home, much as it has for commercial construction. On the demand side, the generation following the Boomers is smaller in number and probably lower in household income, and it's not clear if there will be enough foreign buyers to pick up the slack.

- The mortgage-interest deduction, which is limited to \$1 million of debt, is likely to be reduced. And the deduction for vacation homes may disappear.

- The "expense ratio" of real estate (property taxes, insurance and maintenance) is often double that of an actively managed stock fund, and if you add in a mortgage it may be 5 times higher. Furthermore, the "redemption fee" (selling cost) can run 10%!

- Properties that generate income all 12 months of the year are less likely to disappoint from an investment standpoint, but being a landlord carries greater risks and is usually a lot more work than maintaining a portfolio.

Bottom line, unless a real estate purchase involves some sort of fringe benefit, you might be better off simply buying and holding Fidelity **Real Estate**, or simply sticking with traditional investments.

COMMODITIES

The world's population is growing, living standards are rising, and satisfying demand for natural resources will be a stretch. Or maybe not. At current production rates, global reserves of iron ore should last about 400 years, while copper reserves are good for about 120 years. And with any innovation in mining, plastics, or electrical conductors, those reserves could last many times longer. Five years ago it seemed we were on the verge of energy scarcity, but thanks to the innovation of optimizing the combination of horizontal drilling and

hydrofracing, the U.S. now has natural gas reserves of 100 years and will cut its dependency on mid-East oil in half by the end of this decade.

The old joke about the drunk looking for his keys under the street light (because he can see better there) actually rings true for much of the world's natural resource extraction. We dig gold out of the first mile of the earth's crust because that's the cheapest and easiest way to produce it. There may be many other abundant sources – deep veins, the bottom of the ocean, asteroids, the planet's core – but no one is looking there (not yet, anyway).

The economic impact of substitution is also under-appreciated. Today's global demand for copper might be much higher if technology hadn't made fiber optics and wireless transmission cheap. Likewise, we might be using a lot more steel if aluminum hadn't come along. Going forward, nano-tech materials (made from carbon) could eventually stand in for wide variety of materials.

Then there's the ongoing march of getting more out of less. Whether it's energy efficiency, rare metals, or human labor, competitive economies have a way of eliminating scarcity from the equation. Capitalism and advancing technology are a powerful combination – rare is the shortage that can hold the economy hostage for more than a decade.

With those thoughts in mind, recognize that the risk of investing in commodities may actually be higher today than it was a few decades ago.

COLLECTIBLES

On the surface, things like art, rare coins, classic cars and other collectibles would seem to have a pretty robust scarcity model. These things have historical significance and are limited in number, while rising affluence within emerging economies could mean that more money will be chasing them. It's certainly possible that well-chosen items could outperform real estate and commodities, but the group as a whole may face some unique headwinds:

- Competition from other interesting things that wealthy consumers can spend money on. Today's Forbes 400 list is filled with self-made billionaires who want to stretch the limits of technology rather than assembling art collections or making large donations to museums. If the future offers a choice between a rare painting or a video screen with footage from a personal space exploration vehicle, it's not hard to guess what might hang on the wall. In the same vein, an authentic restoration of a famous vehicle could take a back seat to a drivable replica of the same thing. Nano-tech materials could lead to a new class of sculptures that appear to stretch the laws of physics. In summary, the money spent on traditional collectibles may be diluted by an explosion of new high-tech alternatives.

- Fakes. Advancing technology makes it easier to clone things, as evidenced by the arms race on paper money. Some counterfeit \$100 bills can no longer be identified by

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human eyes, forcing banks to use scanning machines to detect them. At some point, the fraudsters might clone valuable collectibles. That could boost authentication costs and cast a chill over the entire segment.

- Reduced emphasis and/or funding on the part of museums. Just as jewelry demand backs the price of gold, museums back the price of art and collectibles. Any shift in floor space from historical displays to modern technology-oriented exhibits could reduce the rate of appreciation.

VANITY INVESTMENTS

This segment may overlap some of the categories described above, but leans more in the direction of doing something notable or interesting. Sheldon Jacobs, founding editor of No-Load Fund Investor back in 1979, originally coined the term “vanity investment” to describe ventures where making money is not necessarily the primary motive (in his latest book, *Investing Without Wall Street*, he talks about being an angel investor for a Broadway play).

Because this category of investing is more about doing something for fun, challenge, or engagement (with the hope that you might make some money along the way), it’s hard to be too critical. Based on my own experience, there’s a lot you can learn, and it may even sharpen your skills when it comes to traditional investments. But don’t expect big returns. As Sheldon notes, the main benefit of a vanity investment is to give you something interesting to talk about. With that in mind, allow me to digress.

ELIMINATING ENERGY EXPENSES

As an electrical engineer, solar panels and electric transportation have been a long-time interest of mine, but until 2001 they could not be considered much more than an expensive hobby. Then the California electricity crisis hit, tripling our household electricity costs, and gasoline began a long steady climb. It occurred to me that with sufficient capital investment, it might be possible to eliminate energy costs from the household budget, and perhaps earn a decent return at the same time.

My first plunge was a 5 kilowatt solar array in 2002. Like most other states, California’s net-metering law allows for “spinning the meter backwards” anytime the panels produce more electricity than the household uses (over a year’s time, you pay only for electricity use that exceeds the annual solar output). At the time, solar panels were expensive and took up a lot of space for what they produced. I sized the array to offset only a third of my household usage. The return on investment was 18% – but only because of the steep rate increases that occurred in the top residential tiers after the panels were in.

My next focus was on ground-source heat pumps (sometimes known as a geo-loop systems), one of the more efficient ways to heat and cool a home. It’s not cheap

to do this when the house is already built, so I opted for a small retrofit serving the downstairs bedrooms. After signing a waiver on driveway damage and getting the permits, a small drilling rig and crew spent two days boring through 440 feet of decomposed granite, creating two vertical “wells” for circulating water. In our area, it was an untested technology. But a decade later, it still delivers ice cold air on the hottest of days, using only a fraction of the power of a conventional system. It has also survived several long-lasting power outages that ruined compressors in our other A/C units. But it was capital intensive – the investment return was only 4%.

Next, I bought Toyota’s original RAV4-EV, a 2003 all-electric vehicle. The fueling cost was rock bottom – even with California’s high-cost electricity, it was like paying \$1.50 per gallon for gasoline. And in this area, it doesn’t take much in the way of additional solar panels on your house to offset the added cost of electricity if you plug in at night. Unfortunately, my experience was mixed. The range on this vehicle maxed out at around 90 miles, and the charging time was slow. At times I struggled with my normal travel routine. I sold the vehicle at a small loss.

My interest in electric vehicles was rekindled in 2006

INVESTING OUTSIDE THE BOX - *Continued on page 8*

Model Portfolio Changes

As announced on our 6/30 hotline, on Monday, 7/2 we will be making the following changes, which are aimed at reducing exposure to small-cap stocks:

- Our Income Model will sell **Low-Priced Stock** (FLPSX) and buy **New Markets Income** (FNMIX). John Carlson has an excellent track record managing emerging market debt, and this fund is less risky than in the past – most issues are now investment-grade rated and dollar denominated.

- Our Growth and Income Model will sell **Low-Priced Stock** (FLPSX) and buy **Growth & Income** (FGRIX). This move will provide greater emphasis on dividend stocks while bringing financial exposure up closer to a neutral level.

- Our Growth Model will sell **Low-Priced Stock** (FLPSX), buying **Equity Dividend Income** (FEQTX). Here too we’re boosting dividend stocks, but in a way that is more sector neutral.

- Our Unique Opportunities Model will sell one-half of **Stock Selector Small Cap** (FDSCX), adding the proceeds to **Focused Stock** (FTQGX). Last month’s change left us slightly underweighted in technology. This move will help get us back to a more neutral level.

- Our VIP Income Model will sell **VIP Value** and buy **Morgan Stanley Emerging Market Debt** (which is similar to **New Markets Income**).

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. Size figures are for the close of the prior month, in millions. Risk is based on standard deviation of monthly gains and losses over a three-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. All retail Fidelity funds are no-load. If a fund is closed to new investors, it is listed as such in the Fee column. Fidelity limits 30-day roundtrip trades to two in the last 90 days and four in the last 12 months. Fund ratings: **Buy** means the fund is one of our top choices in its category, **OK to Buy** means accumulate at the expense of lower-rated funds, **Hold** means we have a neutral view, **OK to Sell** means reduce to below 5% of holdings, **Sell** means move on to a higher-rated fund within the same asset class. Upgrades and downgrades from the prior month are indicated by ↑ and ↓.

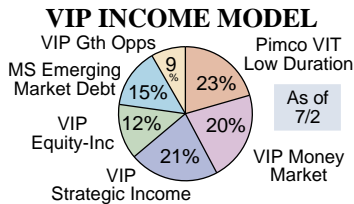
JUNE PERFORMANCE						2012	One	Three	One	3-Yr	5-Yr	10-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	YTD	Mth	Mth	Year	Rate	Rate	Rate
EQUITY FUNDS:												
130/30 Large Cap (2063/FOTTX)	Sell	1.16	none	7.20	15.4	3.4	4.8	-4.1	-7.5	9.2		
Growth Strategies (324/FDEGX)	Hold	1.32	1.5(90)	19.52	1411.8	4.9	2.4	-8.1	-9.3	14.4	-2.4	5.0
Blue Chip Gth (312/FBGRX)	Buy	1.21	none	46.92	10449.9	10.6	2.6	-6.9	1.2	19.0	3.7	5.3
Blue Chip Value (1271/FBCVX)	Sell	1.20	none	10.29	235.6	5.2	4.4	-6.3	-8.1	9.7	-6.4	
Capital Apprec (307/FBCAX)	Buy	1.16	none	28.36	4270.8	15.2	1.7	-1.8	6.4	19.2	0.9	7.5
Contrafund (22/FCNTX)	Buy	0.93	none	74.81	56819.8	10.9	2.3	-3.5	6.1	16.6	2.9	8.2
Disc Equity (315/FDEQX)	Sell	1.12	none	23.28	4747.0	8.2	5.3	-4.0	-1.1	11.1	-3.4	3.9
Dividend Gth (330/FDGFY)	Hold	1.33	none	28.14	6277.5	8.8	3.6	-6.5	-4.4	15.8	-0.4	4.3
Equity-Income (23/FEQIX)	Buy	1.14	none	44.53	6284.8	8.4	4.9	-1.7	-1.4	13.8	-3.4	4.0
Equity Dividend Inc (319/FEQTX)	Buy	1.13	none	18.85	4062.8	8.9	4.5	-0.6	1.0	13.9	-2.7	4.1
Export Fund (332/FEXPX)	OK to Sell	1.05	0.75(30)	22.66	1720.7	9.6	3.6	-3.4	1.6	13.8	-0.8	6.5
Fidelity Fifty (500/FFTYX)	Buy	1.03	none	19.09	654.9	9.5	3.8	-3.2	0.9	15.4	-2.2	4.2
Fidelity Fund (3/FFIDX)	Hold	1.05	none	34.51	4232.4	10.8	4.0	-3.0	1.2	14.1	0.1	5.1
Focused Stock (333/FTQGX)	Buy	1.10	none	15.02	474.9	9.5	3.6	-3.3	0.6	17.9	3.9	6.7
Growth & Income (27/FGRIX)	Buy ↑	1.06	none	19.93	4563.7	9.7	4.5	-3.3	6.5	15.5	-6.2	0.5
Growth Company (25/FDGRX)	Buy	1.17	Closed	91.56	23818.2	13.2	2.7	-6.6	3.4	19.7	4.7	9.2
Growth Discovery (339/FDSVX)	Buy	1.17	none	15.09	862.5	10.5	2.2	-5.1	2.1	19.3	1.5	5.6
Independence (73/FDFFX)	Hold	1.45	none	23.81	3039.1	10.0	1.2	-7.2	-7.1	15.7	-0.1	6.0
Large Cap Growth (763/FSLGX)	OK to Buy	1.12	none	10.77	130.4	11.4	3.1	-4.6	2.1	16.7	0.2	4.8
Large Cap Stock (338/FLCSX)	Buy	1.21	none	18.79	870.8	9.7	4.6	-5.1	3.6	17.6	0.6	4.9
SS Large Cap Val (708/FSLVX)	OK to Sell	1.08	none	11.07	438.0	7.6	4.7	-2.6	1.4	12.8	-4.7	3.7
Lev Co Stock (122/FLVCX)	Buy	1.50	1.5(90)	28.27	2982.7	12.6	4.0	-3.8	-4.9	18.1	-2.3	16.1
Low-Priced Stock (316/FLPSX)	OK to Buy ↓	1.06	1.5(90)	38.42	22998.1	7.5	3.8	-5.6	-1.0	17.2	1.7	8.7
Magellan (21/FMAGX)	OK to Buy	1.20	none	69.34	12090.2	10.3	3.4	-5.2	-4.2	10.1	-3.4	2.5
Mega Cap Stock (361/FGRTX)	Buy	1.09	none	11.11	1266.6	10.0	4.3	-4.1	7.8	16.8	0.6	5.5
Mid Cap Growth (793/FSMGX)	Hold	1.32	0.75(30)	11.99	233.1	5.2	1.6	-7.8	-8.4	16.1	-2.7	5.0
Mid Cap Stock (337/FMCSX)	Hold	1.30	0.75(30)	28.38	4706.3	8.6	3.6	-4.2	-0.6	19.9	0.1	7.0
Mid Cap Value (762/FSMVX)	OK to Buy	1.20	0.75(30)	16.53	531.4	9.0	4.0	-3.4	-1.4	20.0	-0.5	6.9
New Millennium (300/FMILX)	OK to Buy	1.10	none	31.51	1904.0	9.2	4.5	-3.5	4.7	18.7	3.3	7.8
OTC Portfolio (93/FOCPX)	OK to Buy	1.30	none	58.38	5670.5	6.7	3.8	-8.9	-2.3	17.2	4.9	8.4
Small Cap Discov (384/FSCRX)	Buy	1.33	1.5(90)	21.48	2657.8	8.5	2.6	-4.1	1.4	21.4	6.4	
Small Cap Growth (1388/FCPGX)	OK to Buy	1.31	1.5(90)	16.12	1156.2	8.1	3.1	-3.8	-3.6	18.0	1.0	
Stock Sel Small Cap (336/FSDCX)	Buy	1.39	1.5(90)	19.00	1397.6	5.4	2.6	-6.0	-4.9	19.2	-2.1	5.4
Small Cap Stock (340/FSLCX)	Buy	1.57	2 (90)	17.02	2933.5	5.8	2.5	-7.1	-14.0	13.4	-0.4	6.7
Small Cap Value (1389/FCPVX)	OK to Buy	1.27	1.5(90)	15.21	1692.5	8.8	3.6	-2.8	2.2	17.6	2.7	
Stock Sel All Cap (320/FDSSX)	Hold	1.14	none	26.63	2243.6	9.7	3.8	-4.3	-0.8	14.7	-0.7	5.1
Tax Managed Stock (343/FTXMX)	Sell	1.24	none	12.25	51.5	6.2	5.5	-4.3	-8.6	11.4	-4.6	3.7
Trend (5/FTRNX)	OK to Buy	1.13	none	74.34	1095.3	11.2	3.1	-4.6	2.0	18.8	3.3	7.0
Value (39/FDVLX)	Hold	1.33	none	68.86	5358.2	8.5	3.7	-5.0	-3.6	18.0	-2.6	6.3
Value Discovery (832/FVDFX)	Hold	1.20	none	15.46	401.7	9.3	4.7	-3.1	1.1	15.3	-2.2	
Value Strategies (14/FSLSX)	Buy	1.38	none	28.13	297.8	12.2	3.8	-2.6	-4.2	19.5	-1.8	7.2
SPECIALTY / HYBRID FUNDS:												
Balanced (304/FBALX)	Buy	0.67	none	19.42	14509.2	7.2	2.8	-1.8	4.3	13.5	1.8	7.2
Convertible Sec (308/FCVXX)	Buy	0.98	none	23.83	1813.9	5.1	0.8	-6.0	-7.7	14.0	0.3	6.9
Global Balanced (334/FGBLX)	Hold	0.79	1 (30)	22.47	452.8	4.9	2.4	-2.3	-2.7	10.3	2.9	7.7
Global Strategies (1960/FDYSX)	Hold	0.76	none	9.28	214.3	7.8	2.2	-0.2	-0.7	10.9		
Puritan (4/FPURX)	Buy	0.71	none	19.04	15042.4	8.0	2.5	-2.1	3.7	13.4	2.2	6.1
Real Estate Income (833/FRIFX)	OK to Buy	0.43	0.75(90)	11.08	2067.1	9.9	2.6	3.0	9.6	18.6	5.2	
Real Estate (303/FRESX)	OK to Buy	1.40	0.75(90)	31.63	3385.0	15.1	5.3	3.0	13.3	35.6	2.6	10.3
Strategic Div & Inc (1329/FSDIX)	Buy	0.89	none	11.92	1798.3	8.8	3.8	0.6	7.0	19.3	0.6	
Strategic Real Rtn (1505/FSRRX)	Hold	0.48	0.75(60)	9.48	597.3	4.0	2.2	0.8	2.5	11.5	3.8	
Telecom & Utilities (311/FUIUX)	OK to Buy	0.74	none	18.50	919.0	7.2	4.5	6.6	9.4	17.1	0.1	8.7
SELECT FUNDS:												
Air Transportation (34/FSAIX)	OK to Buy	1.45	0.75(30)	38.32	69.3	11.0	1.1	-1.5	2.0	27.1	1.1	7.2
Automotive (502/FAVXX)	Hold ↓	2.00	0.75(30)	32.91	116.8	5.7	-1.2	-14.4	-21.8	17.4	-3.8	3.6
Banking (507/FSRBX)	Hold	1.50	0.75(30)	18.66	464.0	16.9	3.5	-1.9	7.0	14.3	-8.2	-0.6
Biotechnology (42/FBIOX)	OK to Buy ↑	1.25	0.75(30)	104.39	1858.5	28.3	7.6	7.0	28.0	22.3	11.4	11.2
Brokerage (68/FSLBX)	Hold	1.57	0.75(30)	44.13	329.7	10.4	5.2	-9.4	-8.3	3.9	-7.0	4.8
Chemicals (69/FSCHX)	Buy	1.60	0.75(30)	108.89	827.6	15.3	4.3	-2.4	3.0	26.5	9.1	12.8
Com Equipment (518/FSDCX)	Hold	1.57	0.75(30)	20.62	227.4	-6.5	1.2	-18.8	-24.9	6.9	-2.1	7.0
Computers (7/FDCPX)	OK to Buy	1.41	0.75(30)	60.99	758.2	13.2	2.5	-9.7	2.6	22.6	6.9	8.7
Const & Housing (511/FSHOX)	OK to Buy ↑	1.51	0.75(30)	42.11	222.0	17.6	6.1	-0.7	18.1	21.9	2.0	7.5
Cons Discretionary (517/FSCPX)	OK to Buy	1.19	0.75(30)	26.25	303.0	13.9	1.4	-3.3	7.5	23.0	2.9	5.1
Consumer Finance (98/FSVLX)	Buy	1.21	0.75(30)	13.24	218.2	20.0	5.5	-1.2	10.8	15.4	-19.2	-7.2
Consumer Staples (9/FDFAX)	Hold	0.78	0.75(30)	77.96	1219.7	9.6	5.7	1.3	12.0	17.4	7.8	8.8
Defense & Aero (67/FSDAX)	Hold	1.13	0.75(30)	81.48	627.9	4.9	2.7	-5.0	-0.4	19.5	1.7	8.9
Electronics (8/FSLEX)	Buy	1.75	0.75(30)	46.58	964.6	5.4	2.8	-14.8	-7.2	15.8	-0.6	3.5
Energy (60/FSLEX)	Hold	1.66	0.75(30)	46.84	1855.7	-4.9	4.5	-10.9	-18.2	11.0	-2.9	10.2
Energy Service (43/FSSEX)	OK to Sell ↓	2.03	0.75(30)	59.24	1034.4	-8.9	-0.7	-13.1	-28.3	8.4	-6.3	8.0
Environ & Alt Energy (516/FSLEX)	OK to Sell ↓	1.16	0.75(30)	15.40	63.3	2.2	3.0	-6.1	-19.5	5.4	-2.5	4.0
Financial Services (66/FIDSX)	Hold	1.54	0.75(30)	56.24	404.0	15.0	4.0	-6.6	-3.3	4.8	-12.0	-1.3
Gold (41/FSAGX) <i>Limit to 5% weight</i>	Sell	1.74	0.75(30)	35.92	2972.6	-14.9	1.2	-11.9	-22.3	5.4	13.2	15.6
Health Care (63/FSPHX)	Hold	0.89	0.75(30)	135.09	2140.3	13.4	5.0	1.5	6.1	19.8	6.0	8.1
IT Services (353/FBSOX)	Buy	1.25	0.75(30)	23.48	312.9	11.7	4.4	-5.7	4.9	22.9	6.7	9.7
Indust Equip (510/FSGXX)	OK to Buy	1.53	0.75(30)	34.04	296.5	10.1	2.3	-7.2	-3.1	21.8	1.5	8.1
Industrials (515/FCYIX)	Buy	1.39	0.75(30)	23.53	517.4	8.8	2.4	-5.5	-3.3	21.4	3.2	9.7
Insurance (45/FSPCX)	OK to Sell	1.17	0.75(30)	47.86	263.1	8.0	3.4	-1.9	1.1	15.8	-6.1	2.3
Leisure (62/FDLSX)	Hold	1.19	0.75(30)	103.28	444.2	7.3	-1.1	-7.4	6.6	22.5	6.4	10.5
Materials (509/FSDPX)	Hold	1.64	0.75(30)	65.54	944.6	7.4	4.3	-4.7	-6.5	20.3	5.0	12.1
Medical Delivery (505/FSHCX)	Hold	1.08	0.75(30)	61.06	876.9	11.5	3.4	-4.2	2.3	22.8	4.5	9.6
Medical Equip & Sys (354/FSMEX)	Hold	0.99	0.75(30)	28.00	1273.3	13.3	5.4	-1.2	-3.2	12.9	6.5	10.3
Multimedia (503/FBMPX)	Hold	1.29	0.75(30)	50.69	205.8	17.7	7.1	1.5	6.6	27.1	4.0	10.1
Natural Gas (513/FSNGX)	Hold	1.49	0.75(30)	29.58	630.4	-2.4	3.9	-5.8	-13.3	5.8	-6.0	8.8
Nat Resources (514/FNARX)	Hold	1.66	0.75(30)	29.26	1061.6	-6.5	3.4	-12.2	-21.1	10.1	-2.0	10.8
Pharmaceuticals (580/FPHAX)	Buy	0.83	0.75(30)	14.73	703.7	9.1	6.0	2.3	8.3	20.9	7.5	8.2
Retailing (46/FSRPX)	OK to Buy	1.21	0.75(30)	59.46	523.9	16.2	1.4	-3.4	12.2	25.8	8.0	9.1
Software (28/FSCTX)	OK to Buy	1.20	0.75(30)	83.21	1673.8	13.0	4.5	-6.2	8.5	21.7	8.1	11.4
Technology (64/FSPTX)	Buy	1.36	0.75(30)	97.50	2153.1	12.8	3.2	-7.7	-1.0	20.4	4.8	8.9
Telecom (96/FSTCX)	OK to Buy ↑	0.99	0.75(30)	47.78	338.2	9.3	5.9	2.7	-3.7	13.1	-2.1	9.5
Transportation (512/FSRFY)	Hold	1.41	0.75(30)	52.77	202.1							

JUNE PERFORMANCE						30-day	2012	One	Three	One	3-Yr	5-Yr
Fund Name (Code/Symbol)	Rating	Risk	Fee	NAV	Size	Yield	YTD	Mth	Mth	Year	Rate	Rate
INTERNATIONAL FUNDS:												
Canada (309/FICDX)	OK to Sell	1.19	1.5(90)	50.27	3086.2		0.3	2.1	-5.1	-14.6	8.7	-0.9
China Region (352/FHKCX)	OK to Sell	1.40	1.5(90)	26.40	1279.4		4.4	2.4	-5.3	-15.3	6.2	2.8
Diversified Int'l (325/FDIVX)	OK to Sell	1.27	1 (30)	27.03	12696.1		5.9	5.4	-6.0	-11.6	6.8	-5.5
Emerging Asia (351/FSEAX)	OK to Sell	1.37	1.5(90)	26.38	1281.8		4.8	4.1	-6.9	-14.4	9.3	-2.7
Emerging EMEA (2053/FEMEX)	OK to Sell	1.39	1.5(90)	8.33	104.5		6.4	5.7	-6.8	-11.7	9.9	
Emerging Markets (322/FEMKX)	OK to Sell	1.46	1.5(90)	20.91	2251.7		1.9	3.3	-9.4	-19.4	8.2	-4.5
Emg Mkts Discov (2374/FEDDX)	OK to Buy	1.5 E	2 (90)	10.70	18.8		13.1	3.8	-4.7			
Europe (301/FIEUX)	OK to Sell	1.50	1 (30)	27.18	523.4		6.7	7.1	-6.1	-15.5	5.9	-5.5
Europe Cap Appr (341/FECAX)	OK to Sell	1.51	1 (30)	16.31	274.7		5.5	6.7	-7.2	-16.5	5.5	-6.7
Glob Commod Stk (2120/FFGCX)	OK to Sell	1.6 E	1 (30)	13.53	382.3		-2.9	5.0	-10.1	-20.8	6.1	
Int'l Capital Apprec. (335/FIVFX)	Buy	1.42	1 (30)	12.23	662.3		10.0	4.4	-6.2	-7.6	11.6	-4.3
Int'l Discovery (305/FIGRX)	OK to Sell	1.31	1 (30)	29.34	5446.0		6.3	6.0	-5.2	-12.1	7.1	-5.1
Int'l Growth (1979/FIGFX)	OK to Buy	1.22	1 (30)	8.45	100.1		8.2	5.1	-4.3	-5.3	13.6	
Int'l Real Estate (1368/FIREX)	Sell	1.39	1.5(90)	8.12	227.7		16.8	7.7	-0.5	-8.7	7.4	-8.2
Int'l Small Cap (818/FISMIX)	OK to Buy	1.23	2 (90)	18.39	695.8		5.0	3.0	-9.0	-15.8	10.0	-3.7
Int'l Small Cap Opp (1504/FSCOX)	Buy	1.20	2 (90)	9.94	304.2		7.5	2.7	-5.1	-6.6	15.9	-7.9
Int'l Value (1597/FIVLX)	OK to Sell	1.36	1 (30)	6.80	120.1		4.0	8.1	-4.2	-17.3	3.8	-8.1
Japan (350/FJPNX)	Hold	0.99	1.5(90)	9.70	394.8		5.4	6.1	-5.1	-5.4	1.5	-7.3
Japan Smaller Co (360/FJSCX)	Hold	1.02	1.5(90)	8.70	250.3		1.8	6.6	-2.9	-4.0	4.0	-5.7
Latin America (349/FLATX)	Hold	1.53	1.5(90)	48.57	2449.0		-0.7	3.6	-12.3	-16.2	10.1	-0.3
Nordic (342/FNORX)	Hold	1.65	1.5(90)	28.27	281.2		5.6	4.7	-9.7	-18.7	11.1	-6.2
Overseas (94/FOSFX)	OK to Sell	1.42	1 (30)	28.71	1477.8		8.4	5.6	-6.1	-13.0	4.8	-7.2
Pacific Basin (302/FPBFX)	OK to Buy	1.21	1.5(90)	22.81	566.7		6.4	3.8	-6.5	-12.3	13.1	-2.5
Total Emerg Mkts (2369/FTEMX)	Hold	1.2 E	1.5(90)	10.16	61.1		5.9	3.9	-5.1			
Total Int'l Equity (1978/FTIEX)	OK to Buy	1.28	1 (30)	6.74	255.6		6.5	6.0	-4.5	-11.6	9.0	
Worldwide (318/FWWFX)	Hold	1.17	1 (30)	18.69	991.4		7.8	4.6	-4.3	-5.2	12.9	-0.8
INDEX AND ASSET ALLOCATION:												
Four-In-One Index (355/FFNOX)	Hold	0.92	none	27.75	2205.7		6.9	4.1	-3.3	0.0	12.7	0.0
Int'l Enhanced Idx (2010/FIENX)	OK to Sell	1.27	1 (30)	6.46	21.9		3.7	7.0	-6.8	-13.9	6.3	
Lg Cap Core Eh Idx (1827/FLCEX)	Hold	0.99	none	9.65	247.3		8.1	3.9	-3.6	5.2	15.4	0.0
Lg Cap Gth Eh Idx (1829/FLGEX)	OK to Buy	1.02	none	10.83	149.3		9.3	2.8	-4.0	5.8	17.0	2.1
Lg Cap Val Eh Idx (1828/FLVEX)	OK to Sell	1.02	none	7.68	71.0		7.9	4.8	-3.0	2.7	14.6	-2.8
Mid Cap Enh Idx (2012/FMEIX)	Hold	1.17	0.75(30)	9.35	72.4		6.9	2.3	-4.9	-3.5	18.0	
NASDAQ Comp (1282/FNCMX)	OK to Buy	1.17	0.75(90)	39.17	393.7		13.2	3.9	-4.9	7.0	17.9	3.3
Small Cap Enh Idx (2011/FCPEX)	Hold	1.35	1.5(90)	9.50	115.8		8.3	4.5	-4.8	-1.1	18.3	
Spart 500 Index (650/FUSEX)	Hold	1.00	none	48.52	10277.4		9.4	4.1	-2.8	5.4	16.3	0.2
Spart Em Mkts Idx (2341/FPPEX)	Hold	1.5 E	1.5(90)	9.18	48.8		3.1	4.4	-8.7			
Spart Extend Mkt Idx (398/FSEMX)	Hold	1.26	0.75(90)	38.22	1996.8		9.0	3.2	-4.7	-2.1	19.2	1.8
Spart Glob Ex-US Idx (2345/FSGUX)	Hold	1.3 E	1(90)	9.81	13.7		3.0	5.8	-7.5			
Spart Int'l Index (399/FSIIX)	Hold	1.29	1(90)	30.79	2693.0		3.5	7.1	-7.0	-13.8	6.1	-5.9
Spart Mid Cap Idx (2349/FSCLX)	Hold	1.3 E	0.75(30)	11.15	8.3		7.3	2.3	-4.9			
Spart Real Estate Idx (2353/FRXIX)	OK to Buy ↑	1.6 E	0.75(90)	11.71	14.2		14.7	5.5	3.5			
Spart Small Cap Idx (2356/FSPPX)	Hold	1.4 E	1.5(90)	11.47	12.6		7.6	4.3	-4.2			
Spart Total Mkt Idx (397/FSMTX)	Hold	1.04	0.5(90)	39.39	3019.2		9.4	4.0	-3.1	3.9	16.9	0.5
Asset Mgr 20% (328/FASIX)	Hold	0.27	none	13.12	4242.5		3.8	0.8	0.3	3.6	8.4	3.9
Asset Mgr 30% (1957/FTANX)	Hold	0.39	none	9.89	321.9		4.6	1.3	-0.1	3.3	9.8	
Asset Mgr 40% (1958/FFANX)	Hold	0.50	none	9.80	284.4		5.4	1.8	-0.8	2.5	10.7	
Asset Mgr 50% (314/FASMIX)	Hold	0.62	none	15.84	6504.9		5.8	2.1	-1.4	1.4	11.6	2.6
Asset Mgr 60% (1959/FSANX)	Hold	0.73	none	9.75	518.7		6.4	2.5	-2.0	0.2	12.0	
Asset Mgr 70% (321/FASGX)	Hold	0.85	none	16.51	2584.1		6.9	2.9	-2.8	-1.1	12.7	1.0
Asset Mgr 85% (347/FAMRX)	Hold	1.03	none	13.34	652.3		7.7	3.6	-3.8	-3.0	13.0	-0.1
TAXABLE BOND FUNDS:												
Capital & Income (38/FAGIX)	Buy	0.72	1(90)	9.06	9287.1	5.85	7.6	1.6	-0.2	0.6	17.3	7.4
Conservative Inc (2267/FCONX)	Buy	0.1 E	none	10.02	626.8	0.67	0.9	0.2	0.3	0.7		
Corporate Bond (2208/FCBFX)	Buy	0.4 E	none	11.15	289.2	2.74	5.0	0.3	2.9	11.7		
Floating Rate (814/FFRHX)	Buy	0.27	1(60)	9.79	5493.4	3.84	3.2	0.9	0.6	3.4	6.9	4.0
Focused High Inc (1366/FHIFX)	Buy	0.40	1(90)	9.19	932.1	4.92	5.8	1.8	1.8	7.6	12.9	6.4
GNMA Portfolio (15/FGMNX)	Buy	0.15	none	11.91	10333.7	2.55	1.9	0.1	1.5	6.3	6.7	7.4
Global High Inc (2297/FGHNX)	Buy	0.7 E	1(90)	9.63	194.0	5.70	6.8	2.4	0.8			
Gov't Income (54/FGOVX)	Hold	0.19	none	10.87	4248.0	1.17	1.7	-0.2	2.3	7.3	5.5	6.7
High Income (455/SPHIX)	Buy	0.54	1(90)	8.98	5599.2	6.31	7.0	2.1	1.2	6.1	14.8	7.7
Inflation-Protected (794/FINPX)	Hold	0.30	none	13.23	3054.1	0.00	3.8	-0.7	3.1	11.4	9.2	7.5
Intermed Bond (32/FTHRX)	OK to Buy	0.18	none	11.02	4170.1	1.71	2.6	0.2	1.7	5.9	8.0	5.8
Intermed Gov't Inc (452/FSTGX)	Hold	0.16	none	11.04	1143.5	0.58	1.2	-0.1	1.5	4.9	4.4	5.8
Invest Grade Bond (26/FBNDX)	OK to Buy	0.17	none	7.87	4737.5	2.18	3.4	0.1	2.3	7.9	9.3	5.9
Mortgage Securities (40/FMSFX)	Buy	0.13	none	11.28	760.2	2.68	2.4	0.1	1.3	5.9	7.1	5.4
New Markets Inc (331/FNMIX)	Buy ↑	0.47	1(90)	16.66	5236.4	4.60	8.1	3.3	2.0	11.6	14.3	9.8
Short-Term Bond (450/FSHFX)	Buy	0.08	none	8.54	7593.1	0.80	1.2	0.2	0.4	1.6	3.6	2.1
Spart Inter Tr Idx (1561/FIBIX)	OK to Sell	0.35	none	11.58	563.4	0.92	2.7	-0.4	3.9	12.3	8.2	8.8
Spart L-Term Tr Idx (1562/FLBIX)	Sell	0.80	none	13.34	122.9	2.25	4.4	-1.5	11.0	32.3	13.4	11.9
Spart S-Term Tr Idx (1560/FSBIX)	Hold	0.11	none	10.62	176.9	0.22	0.4	0.0	0.6	2.1	2.7	4.3
Strategic Income (368/FSICX)	Buy	0.35	none	11.07	9534.1	3.90	4.6	1.2	1.1	4.8	11.0	7.8
Total Bond (820/FTBFX)	Buy	0.18	none	11.13	13174.9	2.47	3.5	0.3	2.2	7.6	9.4	7.1
Ultra-Short Bond (812/FUSFX)	Hold	0.03	0.25(60)	8.20	288.8	0.60	0.9	0.0	0.1	0.4	0.9	-2.4
Spart US Bond Index (651/FBIDX)	Hold	0.17	none	11.91	5958.2	1.84	2.4	0.1	2.1	7.5	6.8	6.2
MUNICIPAL BOND FUNDS:												
AZ Municipal Inc (434/FAZAX)	Hold	0.27	0.5(30)	12.05	175.1	2.12	4.0	-0.1	1.9	10.3	7.3	5.5
CA Municipal Inc (91/CTFX)	Hold	0.31	0.5(30)	12.73	1746.8	2.52	4.6	-0.1	2.2	11.4	8.4	5.4
CA Short-Int TF (1534/FCSTX)	Hold	0.13	0.5(30)	10.81	787.1	0.89	1.4	0.0	0.7	3.7	4.1	4.4
CT Municipal Inc (407/FICNX)	Hold	0.25	0.5(30)	11.99	582.5	1.66	2.6	-0.3	1.7	8.4	6.5	5.6
Intermediate Muni (36/FLTMX)	Hold	0.19	0.5(30)	10.58	4269.3	1.52	2.7	0.0	1.6	7.5	5.9	5.3
MA Municipal Inc (70/FDMMX)	Hold	0.27	0.5(30)	12.59	2465.1	2.02	4.0	-0.1	2.0	10.4	7.5	5.7
MD Municipal Inc (429/SMDMX)	Hold	0.23	0.5(30)	11.56	223.9	1.55	3.2	-0.1	1.9	8.8	6.5	5.3
MI Municipal Inc (81/FMHTX)	Hold	0.22	0.5(30)	12.43	656.4	2.08	3.4	-0.1	1.7	9.2	6.6	5.5
MN Municipal Inc (82/FIMIX)	Hold	0.21	0.5(30)	11.95	542.1	1.59	2.9	-0.2	1.5	8.2	6.1	5.4
Municipal Income (37/FHIGX)	Hold	0.27	0.5(30)	13.34	6423.5	2.26	4.2	-0.2	1.9	10.6	7.9	5.7
NJ Municipal Inc (416/FNJHX)	Hold	0.27	0.5(30)	12.18	670.2	1.94	3.8	-0.1	1.7	10.4	7.0	5.6
NY Municipal Inc (71/FTFMX)	Hold	0.26	0.5(30)	13.54	1880.0	1.89	3.5	0.0	1.9	9.2	7.0	5.6
OH Municipal Inc (88/FOHFX)	Hold	0.24	0.5(30)	12.21	597.4	2.08	3.5	-0.1	2.0	9.2	6.7	5.6
PA Municipal Inc (402/FPXTX)	Hold	0.22	0.5(30)	11.33	454.8	2.12	3.9	-0.1	1.9	9.8	6.8	5.6
Short-Int Municipal (404/FTTFX)	Hold	0.10	0.5(30)	10.86	3611.0	0.70	1.3	0.1	0.8	3.5	3.5	4.1
Tax-Free Bond (90/FTABX)	Hold	0.27	0.5(30)	11.51	2335.5	2.30	4.4	-0.1	2.2	11.1	7.9	6.0

JUNE PERFORMANCE Indexes and Model Portfolios	Risk	Value	2012 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate	10-Yr Rate
Dow Jones Industrial	0.91	12880.09	6.9	4.1	-1.8	6.7	18.3	2.0	6.0
S&P 500	1.00	1362.16	9.5	4.1	-2.8	5.4	16.4	0.2	5.3
NASDAQ	1.17	2935.05	13.3	3.9	-4.8	7.0	18.2	3.5	8.1
Russell 2000	1.36	798.49	8.5	4.9	-3.5	-2.1	17.8	0.5	7.0
Fidelity Monitor Income Model	0.32	304793.24	4.4	1.8	-0.6	7.3	10.4	3.7	4.8
Fidelity Monitor G&I Model	0.71	385867.11	7.2	2.2	-3.0	2.4	12.3	0.3	6.6
Fidelity Monitor Growth Model	1.00	1363747.73	8.8	3.3	-3.9	0.9	16.5	-1.3	6.8
Fidelity Monitor Select System	1.19	1693697.43	10.2	4.3	-3.4	1.1	16.7	1.4	8.0
Fidelity Monitor Unique Opportunities	1.18	260665.20	7.5	3.3	-5.9	-4.6	15.0	-1.2	8.7

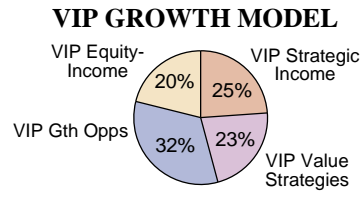
VIP CORNER

Fidelity's Variable Insurance Products allow tax-deferred growth, but the benefit may be offset by higher tax rates at withdrawal. Performance figures reflect the Personal Retirement Annuity fee structure. Our model portfolios switched to the Personal Retirement Annuity group on 12/31/11.



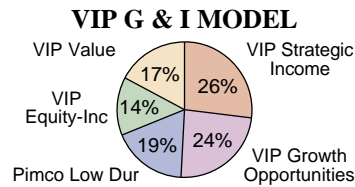
PAST PERFORMANCE

1993: +12.3%	2003: + 9.9%
1994: - 3.8%	2004: + 5.1%
1995: +16.9%	2005: + 1.8%
1996: + 6.3%	2006: + 6.1%
1997: +10.9%	2007: + 6.2%
1998: + 0.4%	2008: -18.3%
1999: + 0.8%	2009: +22.9%
2000: - 2.4%	2010: + 7.3%
2001: - 3.4%	2011: + 7.4%
2002: + 7.3%	*2012: + 4.8%



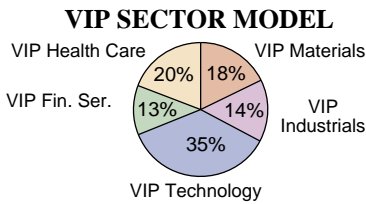
PAST PERFORMANCE

1993: +20.6%	2003: +30.0%
1994: + 4.6%	2004: + 7.0%
1995: +36.1%	2005: +10.1%
1996: +16.1%	2006: +14.5%
1997: +23.5%	2007: + 9.3%
1998: +22.6%	2008: -45.5%
1999: +22.1%	2009: +25.1%
2000: -10.3%	2010: +17.7%
2001: -14.0%	2011: - 2.2%
2002: -21.7%	*2012: + 9.5%



PAST PERFORMANCE

1995: +26.4%	2004: + 6.3%
1996: +12.8%	2005: + 4.5%
1997: +21.4%	2006: +11.6%
1998: +15.1%	2007: + 7.7%
1999: + 6.1%	2008: -31.0%
2000: - 4.9%	2009: +27.1%
2001: + 3.1%	2010: +12.0%
2002: - 9.4%	2011: - 1.0%
2003: +20.8%	*2012: + 7.3%



PAST PERFORMANCE

2003: +57.5%	2008: -41.4%
2004: + 6.3%	2009: +50.2%
2005: +14.0%	2010: +15.0%
2006: +17.7%	2011: - 5.0%
2007: +11.2%	*2012: + 9.8%

Model portfolio performance is listed at the bottom of the page.

JUNE VIP PERFORMANCE Portfolio	Rating	Risk	PRA Value	2012 YTD	One Month	Three Month	One Year	3-Yr Rate	5-Yr Rate
VIP Asset Manager	Hold	0.71	13.45	5.9	1.2	-2.5	-1.3	11.3	2.8
VIP Asset Manager: Growth	Hold	0.99	12.69	7.0	1.7	-4.3	-4.3	12.2	1.2
VIP Balanced	OK to Buy	0.93	13.90	7.3	2.6	-4.0	-0.6	13.7	2.1
VIP Consumer Discretionary	OK to Buy	1.19	13.68	13.9	1.4	-3.2	7.3	22.7	2.7
VIP Consumer Staples	Hold	0.78	14.18	9.2	5.6	1.2	10.9	16.7	7.4
VIP Contrafund	Hold	1.10	13.37	9.2	4.0	-4.2	1.0	15.6	0.7
VIP Disciplined Small Cap	Hold	1.35	10.54	7.9	4.5	-5.0	-1.7	17.5	-0.8
VIP Dynamic Capital Appreciation	Buy	1.17	13.86	15.1	1.7	-1.9	6.0	18.9	0.3
VIP Emerging Markets	OK to Sell	1.46	7.32	1.6	3.1	-9.7	-19.6	7.7	
VIP Energy	Hold	1.66	13.31	-5.0	4.4	-11.0	-18.5	10.9	-3.2
VIP Equity-Income	Buy	1.09	11.51	8.3	4.8	-1.8	2.5	15.7	-2.9
VIP Financial Services	Buy	1.54	6.60	15.2	4.3	-6.4	-3.4	4.8	-12.0
VIP FundsManager 20	Hold	0.24	12.53	2.9	0.9	0.0	2.7	6.3	3.0
VIP FundsManager 50	Hold	0.57	12.06	5.0	2.0	-1.8	0.7	9.6	1.5
VIP FundsManager 60	Hold	0.68	10.74	5.5	2.4	-2.4	-0.5	10.5	
VIP FundsManager 70	Hold	0.80	11.34	6.3	3.1	-2.8	-1.4	11.2	-0.2
VIP FundsManager 85	Hold	0.98	10.69	6.5	3.6	-3.9	-3.5	12.2	-1.7
VIP Growth	Buy	1.17	12.69	10.4	2.2	-5.2	1.6	18.7	0.7
VIP Growth & Income	OK to Buy	1.05	12.37	9.7	4.4	-3.3	6.5	15.1	-0.7
VIP Growth Opportunities	Buy	1.21	12.74	13.6	3.2	-6.4	5.2	21.6	0.3
VIP Growth Stock	OK to Buy	1.10	13.45	10.8	3.0	-4.6	2.5	19.0	3.2
VIP Growth Strategies	Hold	1.32	10.97	4.8	2.2	-8.2	-9.6	13.8	-2.8
VIP Health Care	Buy	0.90	15.36	13.0	5.0	1.1	5.8	19.6	5.9
VIP High Income	Buy	0.49	15.55	7.0	2.0	1.5	6.3	13.8	6.1
VIP Index 500	Hold	1.00	12.52	9.3	4.1	-2.9	5.1	16.1	0.0
VIP Industrials	Buy	1.40	16.10	8.6	2.4	-5.6	-3.4	21.4	3.2
VIP Int'l Capital Appreciation	Buy	1.42	10.86	9.9	4.3	-6.5	-7.7	11.5	-4.5
VIP Investment Grade Bond	OK to Buy	0.18	14.38	3.2	0.1	2.1	7.2	8.2	6.5
VIP Materials	Buy	1.65	13.43	7.1	4.2	-5.0	-7.0	20.0	4.9
VIP Mid Cap	OK to Buy	1.05	14.20	6.7	2.7	-6.0	-5.7	14.2	1.1
VIP Money Market			11.43	-0.1	0.0	-0.1	-0.1	-0.1	1.1
VIP Overseas	OK to Sell	1.42	10.67	6.6	5.1	-7.3	-16.5	6.7	-6.2
VIP Real Estate	OK to Buy	1.41	15.40	14.6	5.7	3.2	11.7	34.4	3.0
VIP Strategic Income	Buy	0.33	15.78	4.3	1.2	1.0	4.5	10.2	7.4
VIP Technology	Buy	1.36	16.55	13.0	3.8	-7.5	-1.2	20.5	5.0
VIP Telecommunications	OK to Buy ↑	0.97	9.62	9.6	6.1	2.7	-0.9	13.5	-2.6
VIP Utilities	OK to Buy	0.69	15.61	7.0	3.4	6.9	10.8	15.8	1.3
VIP Value	Buy	1.25	11.24	8.8	4.9	-3.9	0.4	17.9	-2.9
VIP Value Leaders	Sell	1.20	9.27	5.2	4.3	-6.5	-8.3	9.4	-6.6
VIP Value Strategies	Buy	1.38	12.31	12.1	3.9	-2.7	-4.0	19.4	-2.2
Lazard Retirement Emerging Mkts	OK to Sell	1.42	13.94	8.0	6.5	-7.7	-11.1	12.0	1.4
Morgan Stanley Emerg Mkt Debt	Buy ↑	0.50	15.85	6.9	3.5	1.2	8.8	12.3	7.3
Morgan Stanley Emerg Mkt Equity	OK to Sell	1.35	11.77	5.8	4.7	-6.5	-12.9	10.0	-1.3
Morgan Stanley Global Tactical Alloc	Hold	1.06	9.73	5.0	3.5	-3.2	-3.3	9.2	-4.5
Pimco VIT Low Duration	Buy	0.1 E	11.07	2.9	0.3	1.2	2.0		
Fidelity Monitor VIP Income Model		0.36	255468.67	4.8	1.9	-1.0	9.3	10.0	4.3
Fidelity Monitor VIP G&I Model		0.71	283109.85	7.3	2.6	-2.0	1.7	11.7	0.9
Fidelity Monitor VIP Growth Model		1.09	355823.72	9.5	3.1	-2.9	1.9	15.7	-2.9
Fidelity Monitor VIP Sector Model		1.28	219773.09	9.8	3.9	-4.7	-2.7	16.2	1.7

INCOME AND PRESERVATION MODEL

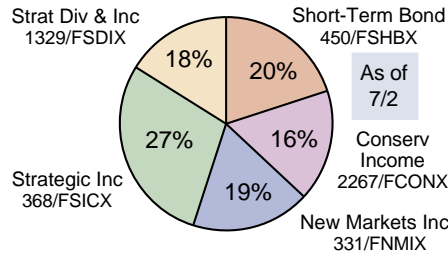
For low-risk investors wanting to stay ahead of inflation.

FUND	NAV	SHARES**	BALANCE**
Short-Term Bond	\$8.54	7014.317	\$59902.27
Conservative Income	\$10.02	4993.903	\$50038.91
Low-Priced Stock	\$38.42	1480.266	\$56871.82
Strategic Income	\$11.07	7570.811	\$83808.88
Strategic Div. & Inc.	\$11.92	4544.577	\$54171.36

38% Foreign Holdings

Balance as of 6/29/12: \$304793.24

Balance at start of 2012: \$291865.71



PAST PERFORMANCE

Starting Balance: \$100,000

1992: +10.1%	2003: +8.4%
1993: +11.3%	2004: +4.2%
1994: -2.1%	2005: +3.6%
1995: +14.8%	2006: +6.9%
1996: +9.0%	2007: +4.0%
1997: +10.5%	2008: -18.2%
1998: +3.5%	2009: +20.0%
1999: +3.0%	2010: +9.1%
2000: +0.3%	2011: +6.3%
2001: +5.6%	*2012: +4.4%
2002: +5.4%	

Our Income Model gained 1.8% in June. Please see page 3 for details on our 7/2 trade, and continue checking our updates weekly.

GROWTH AND INCOME MODEL

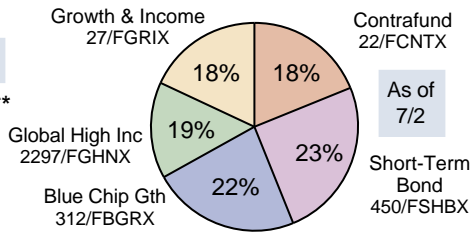
For investors seeking a conservative path to growth.

FUND	NAV	SHARES**	BALANCE**
Contrafund	\$74.81	924.496	\$69161.55
Short-Term Bond	\$8.54	10550.768	\$90103.56
Blue Chip Growth	\$46.92	1832.140	\$85964.01
Global High Inc.	\$9.63	7572.288	\$72921.13
Low-Priced Stock	\$38.42	1762.542	\$67716.86

17% Foreign Holdings

Balance as of 6/29/12: \$385867.11

Balance at start of 2012: \$360092.10



PAST PERFORMANCE

Starting Balance: \$100,000

1994: -3.7%	2004: +11.5%
1995: +21.6%	2005: +8.2%
1996: +15.8%	2006: +13.7%
1997: +18.7%	2007: +6.1%
1998: +11.1%	2008: -33.5%
1999: +12.2%	2009: +28.1%
2000: +2.7%	2010: +12.2%
2001: +1.3%	2011: -0.3%
2002: -6.4%	*2012: +7.2%
2003: +33.0%	

Our Growth and Income Model gained 2.2% in June. Please see page 3 for our 7/2 trade, and keep checking our updates weekly.

GROWTH MODEL

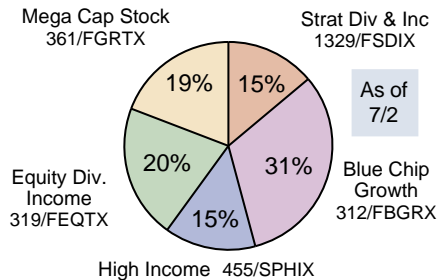
For moderately aggressive stock-oriented investors.

FUND	NAV	SHARES**	BALANCE**
Strategic Div & Inc	\$11.92	16564.250	\$197445.86
Blue Chip Growth	\$46.92	9147.627	\$429206.66
High Income	\$8.98	22329.066	\$200515.01
Low-Priced Stock	\$38.42	7239.382	\$278137.06
Mega Cap Stock	\$11.11	23262.209	\$258443.14

9% Foreign Holdings

Balance as of 6/29/12: \$1363747.73

Balance at start of 2012: \$1253929.63



PAST PERFORMANCE

Starting Balance: \$100,000

1987: +2.8%	2000: -10.8%
1988: +26.0%	2001: -6.4%
1989: +30.4%	2002: -17.1%
1990: -4.4%	2003: +46.1%
1991: +40.6%	2004: +12.4%
1992: +15.7%	2005: +11.2%
1993: +31.9%	2006: +15.7%
1994: -2.1%	2007: +7.3%
1995: +27.2%	2008: -42.7%
1996: +19.2%	2009: +31.8%
1997: +25.5%	2010: +17.7%
1998: +9.9%	2011: -1.7%
1999: +29.0%	*2012: +8.8%

We rose 3.3% in June, versus a 4.1% return for the S&P 500. Please see page 3 for our 7/2 trade, and keep checking our updates weekly.

SELECT SYSTEM (SECTOR PORTFOLIO)

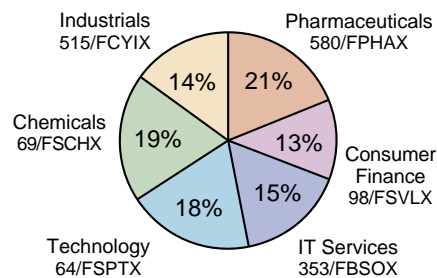
For aggressive stock-oriented investors.

FUND	NAV	SHARES**	BALANCE**
Pharmaceuticals	\$14.73	23465.977	\$345653.84
Consumer Finance	\$13.24	15949.040	\$211165.29
IT Services	\$23.48	10835.167	\$254409.72
Technology	\$97.50	3182.955	\$310338.11
Chemicals	\$108.89	3013.524	\$328142.63
Industrials	\$23.53	10369.224	\$243987.84

15% Foreign Holdings

Balance as of 6/29/12: \$1693697.43

Balance at start of 2012: \$1537362.65



PAST PERFORMANCE

Starting Balance: \$100,000

1989: +23.4%	2001: -7.3%
1990: +31.3%	2002: -14.7%
1991: +35.3%	2003: +38.4%
1992: +20.4%	2004: +7.4%
1993: +25.9%	2005: +15.0%
1994: -0.9%	2006: +13.6%
1995: +39.0%	2007: +15.6%
1996: +5.2%	2008: -39.3%
1997: +29.3%	2009: +35.4%
1998: +21.7%	2010: +11.6%
1999: +44.9%	2011: +1.2%
2000: -14.9%	*2012: +10.2%

We were up 4.3% in June, versus a 4.1% increase for the S&P 500. Please check our weekend hotline or email for any changes in July.

UNIQUE OPPS MODEL (AGGR. GROWTH)

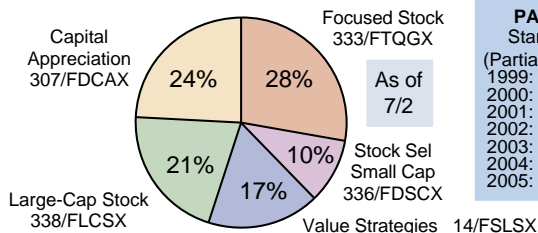
For aggressive stock-oriented investors.

FUND	NAV	SHARES**	BALANCE**
Focused Stock	\$15.02	3111.720	\$46738.03
Stock Sel Small Cap	\$19.00	2762.934	\$52495.75
Value Strategies	\$28.13	1601.496	\$45050.08
Large Cap Stock	\$18.79	2886.514	\$54237.60
Cap. Appreciation	\$28.36	2191.246	\$62143.74

7% Foreign Holdings

Balance as of 6/29/12: \$260665.20

Balance at start of 2012: \$242518.36



PAST PERFORMANCE

Starting Balance: \$100,000

(Partial Yr 99)	2006: +16.6%
1999: +33.8%	2007: +11.6%
2000: -20.5%	2008: -47.6%
2001: +1.6%	2009: +45.8%
2002: -2.1%	2010: +19.3%
2003: +43.2%	2011: -5.8%
2004: +20.6%	*2012: +7.5%
2005: +18.8%	

We gained 3.3% in June, versus a 4.1% gain for the S&P 500. Please see page 3 for our 7/2 trade, and keep checking our updates weekly.

INVESTING OUTSIDE THE BOX - *Continued from page 3*

by Silicon Valley start-up Tesla Motors. Unlike the major automakers, which had built EVs only because they had to, Tesla was privately-financed and had plans to make longer range vehicles that were fun and exciting. Their high-priced Roadster would be able to go over 200 miles on a full battery, and its charging speed was triple the RAV4-EV's rate. I sold some shares of **Natural Resources** and plopped down a large deposit. A drive train problem almost ran the company out of cash, but a loan from Diamler got the car into production, and my car was delivered in early 2009. I hit the road. If there wasn't any established charging infrastructure along the way, I plugged in at the nearest RV park. Some 44,000 miles later, I've saved \$6,000 in fueling costs for an energy savings yield of about 2%, and the fun factor has made up for low returns.

My enthusiasm for Tesla prompted me to participate in their IPO two years ago. High battery costs make it necessary for Tesla to compete in the luxury segment for its new Model S, but those costs are falling about 10% a year, so at some point electrics could go mainstream. But Tesla might stumble, so it's only a single digit weighting in my portfolio. Still, it's been fun being an "insider" – as a driver you know when even the analysts are wrong.

Meanwhile, I'm more convinced than ever that it will be possible to take household electricity and gasoline expenses down to zero. Stay tuned. Like any good vanity investment, I'll probably be talking about it again.

RECOMMENDATIONS

With the exception of a primary residence, traditional investments (stocks, bonds and cash) should account for the bulk of your personal net worth. Alternative holdings that are based on scarcity or real estate should be limited to no more than 25% of your nest egg. And if you decide to go down the vanity path, draw the line at 10%.

These limits may seem harsh, especially for those who see rental property being more tangible than mutual funds. But personal involvement and local control do not reduce risk. Diversification is what reduces risk. Despite a less-than-stellar record for stocks over the last 12 years, and the meager yields of cash and bonds in today's slow-growth environment, traditional investments are still the best bet for an uncertain future. Why? On the stock side, U.S. companies are adaptable and resilient, benefitting more from advancing technology than foreign competitors. On the bond side, domestic issues have enough diversity and liquidity to survive and prosper regardless of treasury ratings or a higher rate of inflation. As for cash, the safety of dollar-based holdings is second to none, and yields will eventually edge up after consumers get to a point where their debts are back to a manageable level. ■

RECOMMENDATIONS - *Continued from page 1*

Long-Term Treasury suffered a 1.5% decline as investors rotated from bonds into stocks.

On the municipal front, most funds finished with a small loss for the month.

SELECT PORTFOLIOS

Please see page 7 for current Select System holdings.

Biotechnology, helped by good news on the patent protection front, climbed 7.6%. **Multimedia** rose 7.1%, and **Construction & Housing** was up 6.1%. On the flip side, **Energy Service** slipped 0.7%, **Leisure** was off 1.1% and **Automotive** declined 1.2%. ■

Question & Answer

I liked it better when your Income Model emphasized bond funds and had a higher yield.

Our recent switch from **Low-Priced Stock** to **New Markets Income** moves us back in that direction. We've heard from many safety-oriented readers on this topic, and we're reconsidering the strategy change we made late last year. While an all-bond version of the portfolio would be less risky and provide a higher income stream, it's total return over the long run would likely be lower, perhaps in the range of about 5% per year. ■

Happenings

Fidelity has launched **Stock Selector Mid-Cap**, a new team-managed fund that will compete with the S&P MidCap 400 Index. Most likely, we'll rate the fund a hold.

Joanna Bewick is now the lead manager for **Strategic Income, Strategic Dividend & Income**, and **Strategic Real Return**. And Jeff Moore is co-managing **Total Bond** with Ford O'Neil, who remains its lead manager. ■

JUNE DISTRIBUTIONS

Asset Manager 20%	\$ 0.017/\$12.98 (6/1)
Asset Manager 30%	\$ 0.015 / \$9.72 (6/1)
Capital & Income	\$ 0.005 / \$8.94 (6/8)
Focused High Income	\$ 0.032 / \$9.07 (6/8)
Large Cap Stock	\$ 0.029/\$18.14 (6/8)
Mid Cap Stock	\$ 0.569/\$27.56 (6/8)
Real Estate	\$ 0.100/\$29.22 (6/1)
Real Estate Income	\$ 0.123/\$10.73 (6/1)
Small Cap Discovery	\$ 0.240/\$20.88 (6/8)
Small Cap Stock	\$ 0.476/\$16.71 (6/8)
Spartan Real Estate Index	\$ 0.045/\$10.81 (6/1)

Funds scheduled for July include **Asset Manager 20%, 30%, 40%, and 50%, Balanced, Convertible Securities, Equity-Income, Equity Dividend Income, Fidelity Fund, Growth & Income, Puritan, Strategic Dividend & Inc., Spartan 500 Index, Strategic Real Return**, and **Telecom & Utilities**.

Money Market Funds	Size	Yield	Money Market Funds	Size	Yield	Money Market Funds	Size	Yield
Cash Reser. (55/FDRXX)	115208.1	0.01	CT MM (418/FCMXX)	1761.4	0.01			
Select MM (85/FSLXX)	5855.9	0.08	MA MM (74/FDMXX)	5352.8	0.01			
Money Market (454/SPRXX)	3370.5	0.01	MI MM (420/FMIXX)	857.1	0.01	MA AMT TF (426/FMSXX)	283.2	0.01
Gov't MM (458/SPAXX)	3333.4	0.01	NJ MM (417/FNJXX)	2167.4	0.01	AMT Tax-Free (460/FIMXX)	1189.0	0.01
US Treas. MM (415/FDLXX)	6064.4	0.01	NY MM (92/FNYXX)	4978.0	0.01	NJ AMT TF (423/FSJXX)	215.0	0.01
Tax-Free MM (275/FMOXX)	7391.9	0.01	OH MM (419/FOMXX)	1053.8	0.01	NY AMT TF (422/FSNXX)	432.0	0.01
US Gov't Reser (50/FGRXX)	2539.2	0.01	AZ MM (433/FSAXX)	369.9	0.01	PA MM (401/FPTXX)	676.8	0.01
CA MM (97/FCFXX)	5361.6	0.01	CA AMT TF (457/FSPXX)	455.8	0.01	Municipal MM (10/FTEXX)	23949.3	0.01