AlphaProfit™

Sector Investors' Newsletter

Monthly Report

$ervice for $ophisticated $ector Investors

Ideas. Insights. Results.

WHAT'S INSIDE

Fund Exchanges
Core Portfolio: None
Focus Portfolio: None

AlphaProfit SP Indicator™
Reading: Buy on Dips
Favored Buy: None

Scorecard

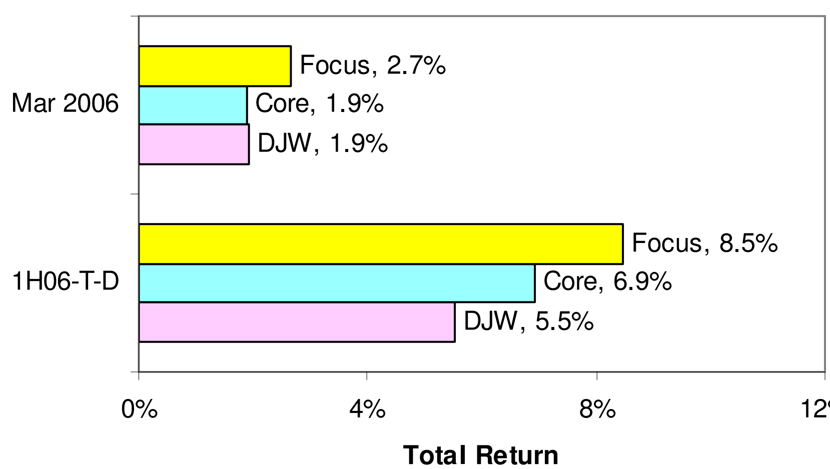
In March, the AlphaProfit Focus and Core model portfolios gained 2.7% and 1.9%, respectively. The Dow Jones Wilshire 5000 Total Market Index gained 1.9%.

M&A in limelight. March was a banner month for mergers and acquisitions helping make the first quarter of 2006 the strongest in deal activity since 2000. First, AT&T announced its agreement to buy BellSouth for $67 billion. Then, North Fork Bancorp's charged credit card issuer Capital One over $14 billion for the buyout.

Private equity firms also got into the M&A act in good measure. Office REIT CarrAmerica, education service provider Education Management, and casino operator Kerzner International became the target of private equity firms.

Among other M&A action, the London Stock Exchange turned down a $4 billion proposal from the Nasdaq. The New York Stock Exchange completed its previously announced merger with Archipelago to form NYSE Group and trade under ticker symbol NYS.

Yields surge. Concerns over rising inflation and short-term interest rates persisted through March. A relatively benign consumer price report and signs of a slowing housing market offered hope that the Federal Reserve may be close to calling quits in raising short-term interest rates. Comments from the Federal Reserve following the 15th consecutive 0.25% increase in short-term interest rates however



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Portfolio Composition

AlphaProfit Focus™ Model Portfolio

Our Focus Portfolio was last repositioned at the close of business on December 31, 2005. We are leaving our Focus portfolio unchanged at this time.

Fidelity Fund Holding	December 31, 2005		March 31, 2006	
(Ticker Symbol)	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Biotech. (FBIOX)	$460,134	33.33%	$487,969	32.59%
Energy Svce. (FSESX)	$460,134	33.33%	$517,022	34.53%
Pharma. (FPHAX)	$460,134	33.33%	$492,112	32.87%
Total (rounded to)	$1,380,403	100.00%	$1,497,103	100.00%

AlphaProfit Core™ Model Portfolio

Our Core Portfolio was last repositioned at the close of business on December 31, 2005. We are leaving our Core portfolio unchanged at this time.

Fidelity Fund Holding	December 31, 2005		March 31, 2006	
(Ticker Symbol)	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Biotech. (FBIOX)	$60,651	10.00%	$64,320	9.92%
Bus. Svce. (FBSOX)	$60,651	10.00%	$65,287	10.07%
Energy Svce. (FSESX)	$60,651	10.00%	$68,150	10.51%
Food & Ag. (FDFAX)	$60,651	10.00%	$63,621	9.81%
Health Care (FSPHX)	$60,651	10.00%	$61,776	9.52%
Insurance (FSPCX)	$60,651	10.00%	$60,615	9.35%
Pharma. (FPHAX)	$121,302	20.00%	$129,732	20.00%
Telecomm (FSTCX)	$60,651	10.00%	$69,286	10.68%
Util. Growth (FSUTX)	$60,651	10.00%	$65,786	10.14%
Total (rounded to)	$606,511	100.00%	$648,573	100.00%

stifled this optimism. Meanwhile, bond investors had a bout of 'yielditis' and pushed the yield on the 10-year Treasury security higher by 30 basis points to 4.85%. (1 basis point =0.01%)

Equity investors merry. Speculation on possible take-over transactions provided a lift to equity prices. Surging gold and oil prices buoyed commodity-related shares. Investors remained enthusiastic in committing capital to equities even as bond yields soared.

The widely followed S&P 500 Index breached the 1,300 mark for the first time since May 2001 and the Nasdaq Composite Index recorded a five-year high. The broad Dow Jones Wilshire 5000 Total Market Index gained 1.9% in March. The AlphaProfit Focus model portfolio out-performed the DJW 5000 benchmark with a 2.7% gain while the AlphaProfit Core model portfolio matched the benchmark's 1.9%. gain.

The positive showing in March enabled the DJW 5000 to post an impressive 5.5% gain for the first quarter. The Focus and Core model portfolios outperformed their benchmark with gains of 8.5% and 6.9%, respectively.

Major Movers

(Company and fund ticker symbols in parentheses.)

Roughly half of the list of top 10 holdings we track gained in March. Energy service and selected health care stocks were among the month's major winners. BellSouth (BLS-FSTCX, FSUTX) received a buy-out offer from AT&T (T-FSTCX, FSUTX) and gained 10% to figure in the list of top 10 winners. The backdrop of rising interest rates proved to be a headwind for electric utility shares.

Revlimid revs Celgene. Investors bid up shares of Celgene (CELG-FBIOX) by over 16% to make them the top performer in both model portfolios. The U. S. FDA granted priority review for Celgene's *Revlimid* to treat multiple myeloma. Priority review shortens the review to six months from ten months required for a normal review.

Diamond Offshore, a cut above the rest. Shares of Diamond Offshore (DO-FSESX) with a 15% gain were the second best performer in both model portfolios. While several energy service stocks performed well in March, investors showed a distinct liking for Diamond Offshore, given its upwardly revised earnings guidance, ample exposure to international oil drilling, and limited exposure to natural gas.

Cephalon grounded. Following a 23% gain from January through February, high-flying shares of Cephalon (CEPH-FBIOX) were brought to earth. Citing the potential for serious skin reactions, a U. S. FDA advisory panel voted against Cephalon's experimental drug *Sparlon* to treat attention deficit hyperactivity disorder in children. Cephalon lowered its 2006 sales forecast by $100 million. The *Sparlon* set-back has the potential of derailing Cephalon's near-term growth prospects. The 24% decline made Cephalon shares the worst performer in both model portfolios.

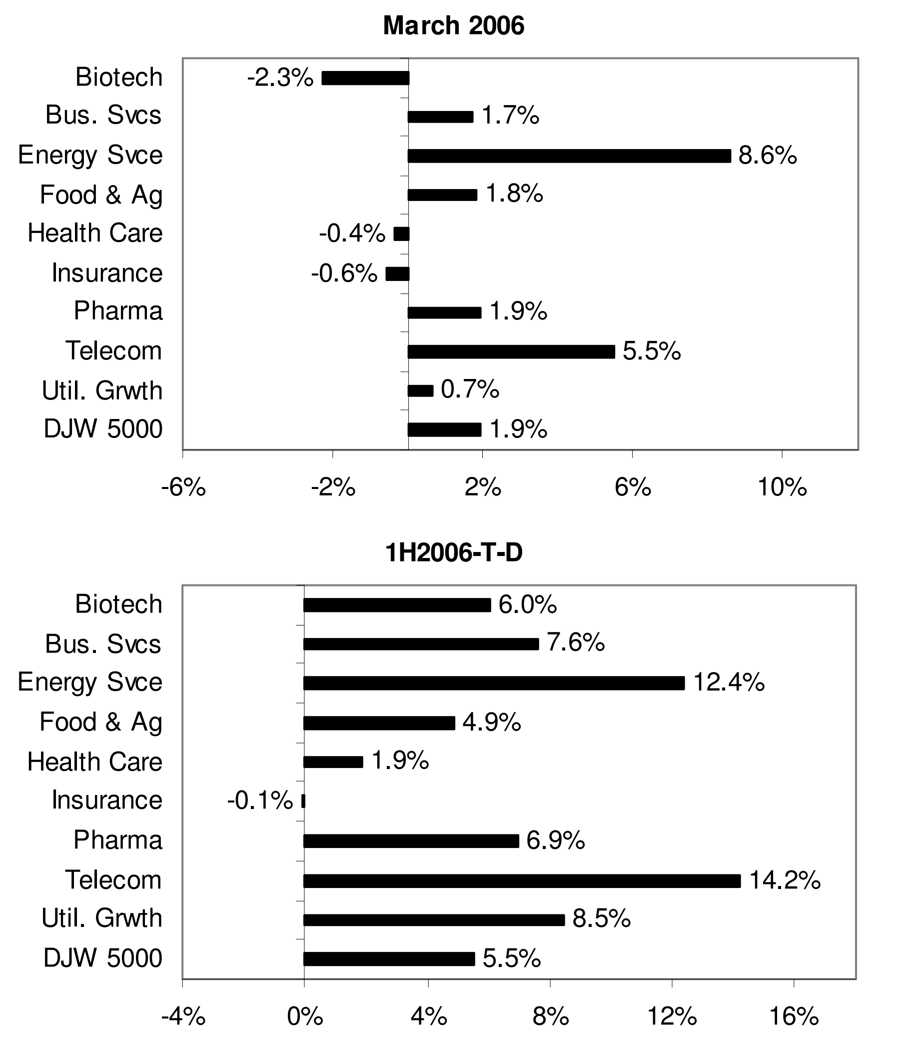
Outlook

(Company and fund ticker symbols in parentheses.)

Economic growth appears to have perked up to an above trend-line rate in the first quarter of 2006 following a hurricane-caused slowdown in the final quarter of 2005.

The Commerce Department re-

Fund Returns



ported its final estimate for U.S. real gross domestic product growth during 2005's last quarter. GDP grew at a 1.7% clip, up from an original estimate of 1.1%.

Suggesting a pickup in economic activity, the Institute of Supply Management's factory index rose to 56.7 in February from 54.8 in January - the first time this index has increased on a month-over-month basis since October 2005. Economists forecast an economic growth rate of 4.6% for the first quarter.

Fidelity Select Biotechnology, Healthcare, Pharmaceuticals

Deal activity among drug companies has perked up. Biotechnology behemoth Genentech has set the bar higher by upping its growth forecasts. Branded drug companies continue to defend their turf against fellow branded drug companies as well as generic drug manufacturers.

Deal dynamics. The pharma land is in the midst of deal activity. Germany's Schering AG received an unsolicited $17.4 billion takeover offer from compatriot Merck KGaA. Schering however rejected Merck's offer and accepted Bayer's white-knight bid of $19.5 billion. Meanwhile in generic drugs, Watson Pharmaceuticals agreed to buy Andrx for $1.9 billion.

More mergers may well follow. AstraZeneca (AZN-FPHAX), long rumored to be a take-over target, may finally whet the appetite of Glaxo SmithKline (GSK-FPHAX) or Novartis (NVS-FPHAX). A Novartis-Wyeth (WYE-FSPHX, FPHAX) combination also makes strategic sense. Other possibilities include Schering-Plough (SGP-FPHAX) either joining forces with Merck (MRK-FSPHX, FPHAX) or buying Kos Pharmaceuticals to enhance its cholesterol drug franchise.

Pfizer (PFE-FSPHX, FPHAX), the eighth-largest biotech company, is eying biotech acquisitions in the $1 to $4 billion range, to become the fourth largest biotech company by 2010. Meanwhile, Pfizer is seeing 'strong interest' for its consumer products business. The sale of this business is expected to fetch Pfizer more than $10 billion.

Merck is licensing technology to develop anti-hypertension drugs from French biotech firm NicOx. This comes on the heels of Pfizer licensing nitric oxide-related technology from NicOx for ophthalmic use last month.

Botox-maker, Allergan (AGN-FSPHX) has received approval for the purchase of Inamed after a protracted Federal Trade Commission review. The approval is contingent on Allergan relinquishing its rights to *Reloxin*, a wrinkle remover similar to *Botox* that was licensed by Inamed.

Charting a promising future. Genentech (DNA-FBIOX, FSPHX) has upped its 2006 per-share earnings forecast to 40% to 50%, from its previous forecast of 35% to 45%. The company now forecasts 25% annual earnings growth till 2010, up from 20%. Company Chief Executive Arthur Levinson said, 'Our success over the past several years has transformed our business, leading to additional opportunities for growth.'

Genentech expects to submit six applications to widen the use of its current drugs and drive near-term results. Several studies to expand the use of *Avastin* beyond breast and lung cancers are underway.

Over the longer term, Genentech plans to bring at least 20 new molecules into clinical development from its 'Horizon 2010' program. Genentech expects to have 15 new product approvals by 2010.

Top 10 Fund Holdings

The list of mutual fund top 10 holdings is as of December 31, 2005. Health care related-companies Genentech, Merck, Pfizer, Wellpoint, and Wyeth and telecom service providers Alltel, AT&T, Bellsouth, Qwest Communications, Sprint Nextel, and Verizon Communications each find a place in two of the Core model portfolio funds. There is no overlap among the top 10 holdings of the three Focus model portfolio funds.

Biotechnology (FBIOX)	**B. Svc. & Out. (FBSOX)**	**Energy Svce. (FSESX)**
Genentech	First Data	Halliburton
Celgene	Aff. Comp. Services	Schlumberger
Gilead Sciences	Accenture Cl. A	Natl. Oilwell Varco
Bioden-Idec	Auto. Data Process.	BJ Services
Amgen	Ceridian	Baker Hughes
Medimmune	Paychex	Nabors Industries
Genzyme	State Street	Global SantaFe
Cephalon	DST Systems	Diamond Offshore
Sepracor	Alliance Data Systems	Weatherford Intl.
Amylin Pharma.	Cognizant Tech. Solns.	Noble Corp.
54.8% of portfolio	*51.9% of portfolio*	*56.9% of portfolio*
91 holdings	*71 holdings*	*46 holdings*

Food & Ag. (FDFAX)	**Health Care (FSPHX)**	**Insurance (FSPCX)**
Nestle ADR	UnitedHealth	Amer. Intl. Group
Altria	Genentech	Ace
Pepsico	Wyeth	St. Paul Travelers
Unilever	Pfizer	Hartford Fin. Svcs.
McDonald's	Alcon	Wellpoint
Coca Cola	Merck	Metlife
Kellogg	Wellpoint	Aflac
Coca Cola Ent.	Health Net	Allstate
General Mills	Allergan	Prudential Financial
Kroger	Johnson & Johnson	Endurance Spl. Hldgs.
53.8% of portfolio	*37.7% of portfolio*	*48.2% of portfolio*
82 holdings	*237 holdings*	*88 holdings*

Pharma. (FPHAX)	**Telecomm. (FSTCX)**	**Util. Growth (FSUTX)**
Merck	Qwest Comm.	AT&T
Wyeth	AT&T	Verizon Comm.
Novartis ADR	Sprint Nextel	BellSouth
Roche Holdings	Verizon Comm.	Sprint Nextel
AstraZeneca	Qualcomm	Publ. Svc. Ent. Grp.
Pfizer	Nortel Networks	AES
Teva Pharma. ADR	Bellsouth	Exelon
Inverness Med. Innov.	Nextel Partners Cl. A	TXU
Schering-Plough	Motorola	Qwest Comm.
GlaxoSmithKline	Alltel	Alltel
51.6% of portfolio	*70.4% of portfolio*	*67.8% of portfolio*
113 holdings	*34 holdings*	*39 holdings*

FDA in-action. Genentech and its partner Biogen Idec (BIIB-FBIOX) have received U.S. FDA approval for using their cancer drug *Rituxan* to treat rheumatoid arthritis. This approval has the potential of widening the use of *Rituxan* to treat other autoimmune disorders such as lupus. The FDA has granted priority review for Genentech's *Lucentis* to treat macular degeneration.

The FDA has also approved a new, once-in-three-weeks dosing regimen for *Aranesp*, Amgen's (AMGN-FBIOX) treatment for chemotherapy-induced anemia. This regimen reduces treatment time and positions *Aranesp* favorably versus competing offerings like Johnson & Johnson's (JNJ-FSPHX) *Procrit*.

Meanwhile, uncertainty continues over the re-introduction of Biogen's withdrawn multiple sclerosis drug *Tysabri*. The FDA has decided to extend its *Tysabri* review by up to 90 days even after a committee of doctors and scientists voted unanimously that the FDA should allow Biogen and its partner Elan to sell the drug. The timetable for *Tysabri* has been pushed back and the FDA may now act only by June end.

Cholesterol bucks. Major pharma companies continue to battle each other for supremacy in the lucrative cholesterol-lowering drug market. Following the completion of a major clinical study over two years, AstraZeneca upped the ante by stating at the American College of Cardiology Conference that its *Crestor* drug reversed plaque buildup in arteries.

Pfizer, maker of the world's best selling drug *Lipitor*, retorted that this is not the first time that a statin drug has demonstrated plaque regression. Pfizer added that only its *Lipitor* drug has shown cardiovascular benefits for a wide range of patients with excellent efficacy and safety profiles. For their part, Merck and Schering-Plough stated that their jointly-marketed *Vytorin* was more effective in lowering 'bad' cholesterol than Merck's *Zocor* alone.

In 2005, Pfizer's revenue from *Lipitor* totaled over $12 billion, while controversy over drug safety limited *Crestor* sales to $1.3 billion. *Zocor* sales totaled $4.4 billion and *Vytorin* sales had ramped to $2.4 billion. *Zocor* however loses patent protection in June. It remains to be seen if *Vytorin's* benefits will help Merck from losing patients to generic forms of *Zocor* later this year.

Lawsuits and Settlements. To extend their profit streams, branded drug manufacturers are taking a two-pronged approach of suing and settling with generic drug manufacturers. In certain cases, such settlements have not been popular with third-parties.

AstraZeneca and Shire PLC have filed suit against generic drug company Teva Pharmaceuticals (TEVA-FPHAX) over their heartburn and hyperactivity drugs, *Nexium* and *Adderall XR*, respectively.

Sanofi-Aventis, Bristol-Myers Squibb, and generic drug company Apotex have agreed to settle their patent dispute relating to blockbuster blood thinner, *Plavix.* However super-market chain Kroger (KR-FDFAX) has filed suit against the three companies saying this agreement stifles generic competition.

Insurers under pressure. Rumors of UnitedHealth (UNH-FSPHX) buying Humana surfaced in March and put pressure on shares of the former. UnitedHealth denied these rumors stating that it will focus on growing its existing businesses and integrating its recent PacifiCare acquisition. UnitedHealth's shares later recouped some of their losses. Meanwhile, premium increases and additions to membership rolls should likely fuel earnings growth of 15% to 20% at UnitedHealth and WellPoint (WLP-FSPHX) in 2006.

Smaller is better. Large-cap biotech companies that were stock market leaders in 2005 have lagged during the first quarter of 2006. Shares of Genentech and Amgen are down about 8% this year.

The strength in the biotech group has stemmed from share price performance of smaller companies such as Celgene (CELG-FBIOX) and Gilead Sciences (GILD-FBIOX) which are up double-digits. We believe growth prospects of the large-cap biotech companies remain attractive and this phase of underperformance is temporary.

The American Society of Clinical Oncology has its annual meeting in Atlanta in early June. The possibility of favorable clinical data being presented at this meeting should likely provide a positive backdrop to biotechnology news flow in the near-term.

> *'Our success over the past several years has transformed our business, leading to additional opportunities for growth.'*
>
> Arthur Levinson
> CEO, Genentech

We like the prospects for the health care sector despite uneven performance from certain industry groups. While biotech and health insurance companies are expected to grow earnings rapidly, the valuation of major pharma companies is relatively attractive. Deal activity offers value-creation opportunities as well.

The health care sector will likely fare well vis-à-vis other sectors when economic growth begins to moderate. We include Fidelity Select Biotechnology and Fidelity Select Pharmaceuticals in both model portfolios. We include Fidelity Select Health Care in the Core model portfolio with a view to having some exposure to health insurance and medical equipment companies.

Fidelity Select Business Services & Outsourcing

Accenture's $450 million charge was a blemish in a canvas of positive news flow from the business services group.

Accenture's (ACN-FBSOX) contract to build a computer system to support patient care and modernize Britain's National Health Service has become an albatross. Accenture is recording a $450 million charge on this 10-year contract since it expects its costs to exceed contract revenue by this amount.

Accenture's core business however remains strong. Excluding the $450 million charge, the company reported earnings of 38 cents per share, substantially higher than 11 cents per share reported in the year-ago period and ahead of the company's forecast of 33 to 35 cents per share.

Information technology service providers continue to ink deals. Accenture has signed a three-year, $179 million extension of its U.S. Department of Education information system contract to support student loan origination and disbursement.

Affiliated Computer Services (ACS-FBSOX) has signed a 5 year, $200 million contract with paper producer MeadWestVaco. Likewise, Alliance Data Systems (ADS-FBSOX), a transaction service provider, has inked a deal with women's apparel retailer, United Retail Group. Alliance will provide a comprehensive private label credit card solution for United Retail's AVENUE stores.

Payroll processors and financial service providers are performing well. Strong performance from its human resource service segment helped payroll processor Paychex (PAYX-FBSOX) record a 15% gain in total third-quarter revenue. Net income increased 24% to $115 million. The company's execution during this important selling season augurs well for its future.

Strong cash flow from operations is enabling State Street (STT-FBSOX) to increase payout to shareholders. The world's largest institutional asset manager has upped its quarterly dividend by 12% to 19 cents a share. The company's board has also authorized a 15 million share repurchase plan.

Accenture's troubles with Britain's National Health Service result from underestimating costs associated with this project. With companies in the business service universe generally executing well and large U.S. clients expected to increase IT spending by over 5% this year, we remain optimistic on the prospects for Fidelity Select Business Services & Outsourcing.

Fidelity Select Energy Service

Share prices in the energy service group recouped some of February's losses as the price of crude rallied. Meanwhile, increased spending by oil and gas companies bodes well for energy service earnings.

The price of crude oil rallied about $5 per barrel to close March at $66.63 per barrel. The backdrop of rising oil prices provided support to share prices in the energy service group. Concern over reliability of oil supplies from Iran, Nigeria, and Iraq continued to drive oil prices. Iran's stand on its nuclear program raised concerns of United Nations' sanctions. Unrest continued to take a toll on Nigeria's oil output which has already declined 20% in recent times. Then, there were concerns that Operation *Swarmer* may further reduce Iraqi oil production.

Oil and gas companies continue to invest to keep current production high while seeking to increase reserves. Even the recent decline in the price of natural gas, does not appear to have curbed appetite as total bids from the annual Gulf of Mexico lease sale were 35% higher than last year's tally.

> *'We expect our future cash flow to significantly exceed our capital requirements, and our board of directors is committed to returning a substantial amount of our cash flow to shareholders.'*
>
> *Jon Marshall*
> *President, GlobalSantaFe*

Chevron and BP have signed contracts worth $1.7 billion and $570 million, respectively with offshore driller Transocean. Chevron says it will spend over $15 billion a year through 2008, up from $11 billion in 2005, to grow its production over 3% per year for the next five years. Meanwhile, GlobalSantaFe (GSF-FSESX) has signed a seven-year, $1 billion deal to supply a new ultra-deepwater drilling rig.

Cash continues to build in the coffers of energy service companies. And for good measure, cash is being returned to shareholders via buybacks. GlobalSantaFe President, Jon Marshall commented 'We expect our future cash flow to significantly exceed our capital requirements, and our board of directors is committed to returning a substantial amount of our cash flow to shareholders'.

GlobalSantaFe's board has authorized the company to buy back up to $2 billion worth of shares. This comes on the heels of two dividend increases in 2005 that lifted the quarterly cash dividend from 7.5 cents per share to 22.5 cents per share. Recently, BJ Services (BJS-FSESX) has upped its share repurchase plan by $450 million.

Looking ahead, the start of the summer driving season should lead to a seasonal increase in gasoline demand. Regulations taking effect on May 31 call for refiners to stop blending gasoline with MTBE. Gasoline production has been impacted as refiners retool. The resulting decline in gasoline inventories has caused gasoline prices to spike. This may well support crude prices in the near-term.

Notwithstanding the volatility in share prices, the earnings outlook for the energy service group remains favorable. We continue to include Fidelity Select Energy Ser-

continued on page 10

vice in both model portfolios.

Fidelity Select Food & Agriculture

Earnings of companies in the food and agriculture group remain on track. The game plan to drive earnings growth includes new product introduction, revitalized advertising, and organizational restructuring.

A 7.5% increase in sales, along with a strong emphasis on improving operations, let Kroger (KR-FDFAX) report 39 cents in per-share earnings, beating analysts' forecast of 36 cents per share. Kroger expects annual earnings to increase around 7% in 2006. The super-market chain has initiated a quarterly cash dividend of 6.5 cents per share.

Higher sales of *Yoplait* yogurt and *Progresso* soup helped General Mills (GIS-FDFAX) offset rising commodity, fuel, and advertising costs and increase its quarterly earnings 7% from year-ago levels. The performance of its *Cheerios* and *Wheaties* breakfast cereal business held steady although market share was lower than year-ago levels.

To bring fizz to its carbonate drink sales, Coca-Cola (KO-FDFAX) has launched a new ad campaign dubbed 'The Coke Side of Life'. The company will soon debut a new drink *Blak* in the U.S. *Blak* is a coffee-induced drink positioned as a premium, mid-calorie beverage.

Meanwhile, the dispute between Coca-Cola and its smaller bottlers over a new delivery system continues. Following a lawsuit filed by about 50 bottlers to block Coca-Cola Enterprises (CCE-FDFAX), the largest bottler, from delivering PowerAde to Wal-Mart warehouses, Coca-Cola and Coca-Cola Enterprises have filed motions to dismiss the lawsuit.

McDonald's (MCD-FDFAX) European operations appear to be turning around, thanks to promotions and new-menu offerings. Same store sales in Europe increased a strong 5.4% in February.

With competition increasing in the bottled water market, Nestle (NESN.VX-FDFAX) is working to reorganize its 75 bottled water brands into a more coherent unit. Nestlé Waters is the world's biggest bottled water group by volume. Some smaller brands will likely be phased out while Nestle focuses its marketing efforts on major brands such as *Perrier*.

We continue to like the prospects for Fidelity Select Food & Agriculture and include this fund in the Core model portfolio.

Fidelity Select Insurance

(As of March 13, Stephen Hermsdorf manages Fidelity Select Insurance.)

Insurers seek to drive growth by entering new geographies and launching new products. Following Aviva's failed $30 billion bid for Prudential PLC, potential for consolidation adds to investment appeal.

Insurance companies are entering new geographies and introducing new products to drive growth. Prudential (PRU-FSPCX) has set up an insurance company in Mexico with the goal of forming a full-fledged financial group. The insurer seeks to open a bank and potentially acquire a pension fund in this Latin American country. American International Group's (AIG-FSPCX) National Union Fire Insurance Company is offering insurance against liabilities arising from handling of private or confidential data.

Prudential has agreed to acquire Allstate's (ALL-FSPCX) variable annuities business for an initial investment of about $560 million. This transaction enables Prudential to gain accounts worth about $16 billion in assets.

London-based Prudential PLC, an entity no way connected with its name-sake U. S. insurer, received a $30 billion stock-swap buyout offer from UK rival Aviva. The stock offer proved unpopular with Prudential's shareholders and Aviva later abandoned its bid.

Following the above bid, share prices in the insurance group perked up on possibility of other combinations. The rally however fizzled out when St. Paul Travelers (STA-FSPCX) denied a Wall Street Journal report that it was in merger talks with Zurich Financial.

We believe, the argument for consolidation in the insurance space is strong. Life insurance companies stand to benefit from economies of scale. Some property and casualty insurers have surplus capital that

Q & A

Do you always stick with recommended holdings for 6 months at a time or will you ever reposition the model portfolios mid-course?

We typically reposition the model portfolios after the last trading days of June and December. That said, we will reposition the model portfolios mid-course if the fundamentals for a particular sector or industry group deteriorate. We will notify Subscribers ahead of time before such a mid-course repositioning.

Our objective is to keep the model portfolios fully invested in sector or index mutual funds at all times. Our exchange decisions seek to optimize a confluence of factors including providing adequate time for our investment thesis to play out, capitalizing on opportunities in sector funds currently not included in the model portfolios, and maintaining a level of tax efficiency.

can be gainfully used for carefully chosen acquisitions. Among domestic insurers we see MetLife (MET-FSPCX) and AIG as potential buyers while among foreign insurers, France's Axa appears to be open to doing a major transaction.

Fidelity Select Insurance put in a tame showing during the first quarter. Pricing power and consolidation are among the factors that may help insurer shares fare better going forward. Additionally, following the $1.6 billion settlement with AIG, New York Attorney General Eliot Spitzer is stated to be in late stage talks with a number of insurers and brokers. Settlement on the regulatory front will remove the legal overhang impacting certain companies here. We continue to include Fidelity Select Insurance in the Core model portfolio.

Fidelity Select Telecommunications, Utilities Growth

AT&T grabbed the headlines with its BellSouth purchase. Further consolidation in the service provider space is likely. Mergers among telecom equipment companies may also surface. Rising interest rates and close scrutiny of electric utility mergers by state regulators have impacted electric utility share prices.

AT&T rings BellSouth. AT&T (T-FSTCX. FSUTX) has agreed to buy BellSouth (BLS-FSTCX, FSUTX) in a $67 billion stock deal that will create the nation's largest telecom service provider serving over 70 million local-phone customers, 54 million wireless subscribers, and 10 million DSL Internet users. With approvals required from both the Department of Justice and the Federal Communications Commission, the deal will likely complete in about a year.

Commenting on this deal, AT&T Chairman Edward Whitacre, Jr. said 'This merger is a logical next step that creates substantial value for customers and stockholders of both AT&T and BellSouth.'

From a strategic point, this merger will allow AT&T to develop an integrated suite of services including wireless, wireline, broadband, and video offerings under a single brand and thereby better compete against cable companies. Cingular, the wireless joint venture between AT&T and BellSouth, stands to be a major beneficiary. With a unified ownership structure, Cingular will likely adopt the more recognizable AT&T Wireless brand and increase its market share lead over Verizon Wireless.

From a financial point, AT&T expects $18 billion in savings from the merger, three-quarters of which will be from lower operating costs. Headcount reduction is expected to account for 50% of the operating cost savings.

'This merger is a logical next step that creates substantial value for customers and stockholders of both AT&T and BellSouth.'

Edward Whitacre, Jr.
Chairman, AT&T

More consolidation. We believe the AT&T-BellSouth transaction has the potential to trigger further consolidation. Considering regulatory, technological, and financial factors some transactions appear more plausible than others. These include Verizon (VZ-FSTCX, FSUTX) buying out Vodafone's share in Verizon Wireless to gain full control and Vodafone in turn buying T-Mobile to maintain a U.S. presence. A Verizon-Alltel (AT-FSTCX, FSUTX) combination is also within the realm of possibilities particularly after Alltel becomes a pure wireless company. Qwest (Q-FSTCX, FSUTX) will likely focus on buying assets being unloaded by AT&T and BellSouth to get their merger approved.

Meanwhile for Sprint-Nextel (S-FSTCX, FSUTX), things appear to be moving smoothly towards the spin-off of its local phone unit, EMBARQ. Sprint-Nextel has received approval from the Missouri Public Service Commission for the spin-off and regulators from Kansas, Pennsylvania, and Washington are expected to follow suit.

Equipment provider impact. Mergers among telecom service companies provide them more power in their negotiations with telecom equipment manufacturers. To effectively deal with this threat, telecom equipment providers may themselves consolidate. Reports of Alcatel and Lucent engaging in merger-talks have appeared in the media. It remains to be seen if the Alcatel-Lucent transaction becomes a precursor for more consolidation in the equipment provider space.

Wireless buzz. Nokia has raised its industry forecast for handset demand from 10% to 15% based on strong demand in China and India. Qualcomm (QCOM-FSTCX) is prospering from the migration to 3G cellular infrastructure. The switch to 3G accelerates the adoption of Qualcomm's CDMA-based technology while ending the reign of GSM, a competing standard. Qualcomm receives royalties each time a CDMA-based chip is used. Meanwhile, Motorola (MOT-FSTCX) is combining its networks business with its government and enterprise unit.

Electric utility woes. Shares in the electric utility group came under pressure following the rise in bond yields. Electric utility shares, typically owned by income-oriented investors, become less attractive as bond yields increase. Additionally, state regulators are scrutinizing electric utility mergers with a fine comb and some approvals have not been readily forthcoming.

Exelon's (EXC-FSUTX) purchase of Public Service Enterprise Group (PEG-FSUTX) appears to have hit a bump in New Jersey. To win approval from the Federal Energy Regulatory Commission as well as several states, the companies have agreed to give up marketing control of 6,600 megawatts of capacity. Attempts to reach a settlement in New Jersey have however proved difficult. This deal will likely close only in the second half of 2006.

Meanwhile, North Carolina regulators placed more than 70 conditions and approved Duke Energy's purchase of Cinergy. The $9 billion deal creates one of the nation's largest public utilities.

We like the prospects for telecom service providers. For one, service providers are poised to derive substantial synergies from transactions announced. The possibility for further industry rationalization adds to investment appeal. While rising interest rates do present a risk to share prices of both telecom service providers and electric utilities, such risks should diminish when the Federal Reserve pauses on raising short-term interest rates. We continue to include Fidelity Select Telecommunications and Fidelity Select Utilities Growth in the Core model portfolio.

AlphaProfit Sector Portfolio Indicator
Reading: Buy on Dips

Corporate profits appear to be growing at a good clip for now. The Federal Reserve will likely pause on raising interest rates only when there is tangible evidence of moderation in economic growth.

The Labor Department stated that employers added 243,000 workers to their payrolls in February, following the 170,000 jobs created in January. The unemployment rate rose marginally to 4.8% from 4.7%.

According to Thomson Financial data, first-quarter earnings growth for the S&P 500 companies is expected to exceed 10% for the 11th straight quarter. The equity market remained buoyant through March and equity prices increased measurably during the first quarter. Sectors and industry groups sensitive to economic growth performed well powering the Dow Jones Wilshire 5000 to a 5.5% advance during the first quarter - the index's best showing for the first quarter since 1998.

Meanwhile, inflation is an issue for concern. Unit labor costs, a key gauge of inflationary pressures, increased at a 3.3% annual rate during the fourth quarter, the most in a year. The fourth quarter also marked the first decline in U. S. non-farm productivity since the first quarter of 2001. The combination of rising labor costs and falling productivity leads to inflation concerns.

To combat the threat of a possible rise in inflation, the Federal Reserve raised the overnight lending rate for the 15th straight time to 4.75%. The Federal Open Market Committee has stated that further tightening may be needed. Bond yields have surged across the board. The yield curve has lifted by about 30 basis points while remaining essentially flat.

We believe U.S. economic growth will moderate either based on Federal Reserve's actions to-date or those to follow. Economists currently expect U.S. economic growth to return to a trend-line rate of around 3% in the second quarter. However, if moderation does not materialize, the Federal Reserve will likely persist in raising short-term interest rates until growth moderates.

Featured Quote

'Long-range goals keep you from being frustrated by short-term failures.'

James Cash Penney

The AlphaProfit model portfolios include a combination of economically-sensitive and economically-insensitive groups. While this strategy has restrained performance during the first quarter, we believe such a strategy is prudent given the macroeconomic backdrop.

Given our cautious near-term outlook, we maintain the 'Buy on Dips' reading on the AlphaProfit Sector Portfolio Indicator. None of the funds carries a 'Favored Buy' rating at the present time.

AlphaProfit Investments, LLC
Date: March 31, 2006 ■

The AlphaProfit Sector Investors' Newsletter™ is edited and published by Dr. Sam Subramanian, Managing Principal and Chief Investment Officer of AlphaProfit Investments, LLC. Sam is an avid stock market investor and has tracked Fidelity Select Funds for several years. With a strong quantitative and analytical bent, Sam has honed his skills in security research and analysis. Sam developed the ValuM Investment Process™ for managing investments. The ValuM Investment Process has helped Sam build a successful track record in managing his investments since 1985. Prior to founding AlphaProfit Investments, LLC, Sam worked in positions of increasing responsibility in Finance and Corporate Strategy advising in Acquisitions and Divestitures, Asset Valuation, Trading, Bankruptcies, and Risk Management. Sam graduated with honors from the MBA program at the University of Michigan and has a Doctorate Degree in Chemical Engineering from Syracuse University. Sam also holds 16 U. S. patents.

Fund Facts and News

Fidelity Fund	Ticker	Fund Style	Risk Rating	Manager
Select Biotechnology	FBIOX	Mid Cap Growth	Above Average	R. Kaul
Select Bus. Svcs. & Outsourcing	FBSOX	Mid Cap Growth	Below Average	J. Morrow, B. Hesse
Select Energy Service	FSESX	Large Cap Growth	Above Average	J. Dowd
Select Food & Agriculture	FDFAX	Large Cap Blend	Below Average	R. Lee
Select Health Care	FSPHX	Large Cap Growth	Below Average	H. Carere
Select Insurance	FSPCX	Large Cap Value	Average	S. Hermsdorf
Select Pharmaceuticals	FPHAX	Mid Cap Growth	Below Average	H. Carere
Select Telecommunications	FSTCX	Large Cap Value	Above Average	B. Younger
Select Utilities Growth	FSUTX	Large Cap Value	Average	B. Younger

Manager Changes: As of March 13, 2006, Stephen Hermsdorf has taken over management of Fidelity Select Insurance.

Fidelity Select Portfolio® Fund's Initial Purchase Requirements:
The minimum initial investment for regular as well as Traditional, Roth, and Rollover IRA accounts in any Fidelity Select Portfolio Mutual Fund is $2,500. The minimum initial investment is $500 for SEP-IRA and Keogh accounts. Check fund prospectus for details.

Fidelity Spartan 500 Index® Fund's Initial Purchase Requirements:
The minimum initial investment for regular accounts in the Fidelity Spartan 500 Index Fund is $10,000. The minimum initial investment for Traditional, Roth, and Rollover IRA accounts is $2,500 and the minimum initial investment for SEP-IRA and Keogh accounts is $500. Check fund prospectus for details.

Disclosure continued from page 6

We calculate total returns based on price changes, assuming reinvestment of all distributions in the funds in which they were paid. The 3% Fidelity Select Portfolio® front-end load, taxes, and costs such as brokerage transaction fees are not factored in the results. On Sept. 23, 2003 Fidelity Investments eliminated the 3% front-end sales load on Fidelity Select Portfolio fund deposits.

Fidelity Investments typically provides updates on top 10 holdings excluding money market instruments and/or futures contracts held by Fidelity mutual funds at the end of each quarter around the middle of the month following the end of the quarter. All of the fund's holdings are not reported and the holdings may change at any time. Several of the companies discussed herein were held by the mutual funds in our model portfolios, per reporting date mentioned in this report. The mutual funds may or may not currently be invested in the companies mentioned in this report.

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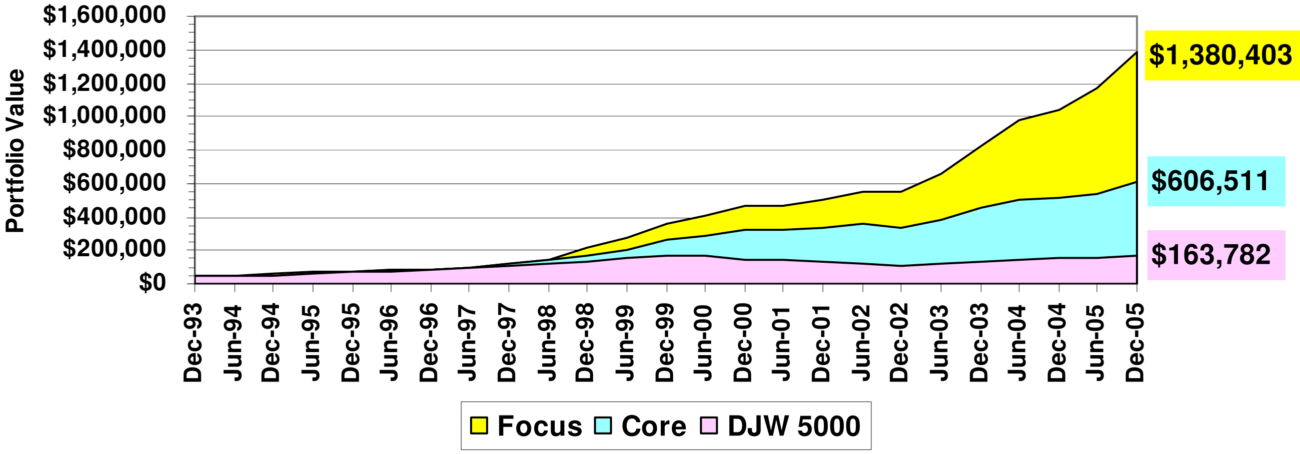
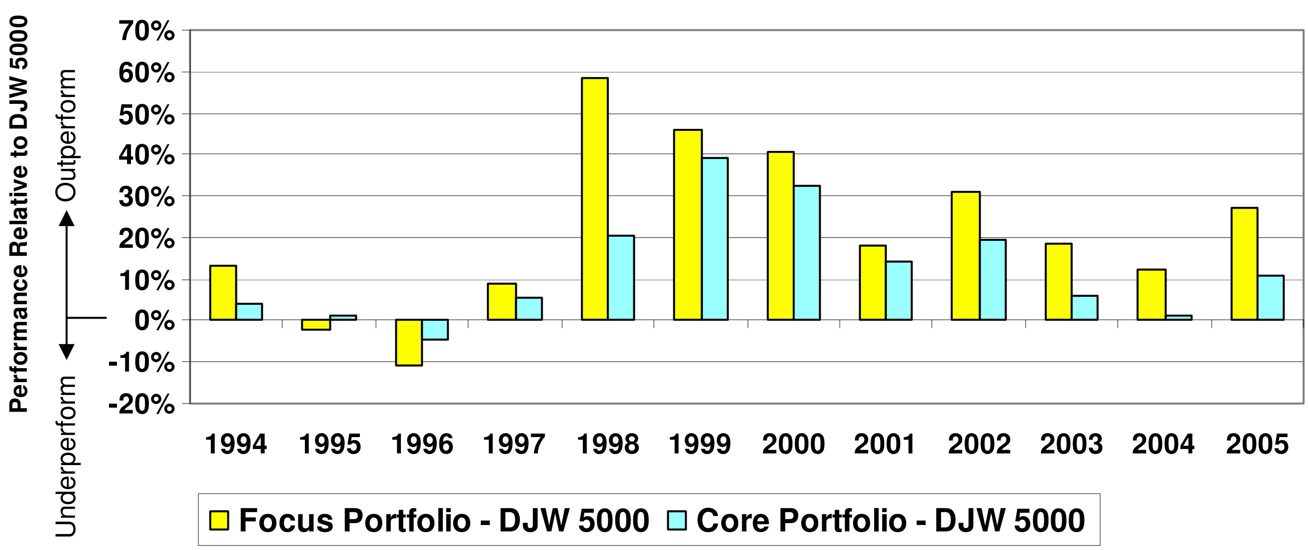
AlphaProfit Model Portfolio Long-Term Performance

The Core and Focus Portfolios were initiated on December 31, 1993 each with a $50,000 value. No new capital is added. All distributions are reinvested in the fund in which they are paid. The performance shown below is as of December 31, 2005; the returns do not include the one-time 3% front-end sales load charged by Fidelity Investments® for deposits made in the Fidelity Select Portfolio® funds. On Sept. 23, 2003, Fidelity Investments eliminated the one-time 3% front-end sales load for deposits in Fidelity Select Portfolio funds.



	Cumulative Return			Compound Annual Return			Sharpe Ratio	
	3 year	5 year	Inception	3 year	5 year	Inception	5 year	Inception
Focus	149.5%	193.9%	2660.8%	35.6%	24.1%	31.9%	1.15	1.16
Core	83.4%	86.8%	1113.0%	22.4%	13.3%	23.1%	0.69	1.06
DJW 5000	57.6%	11.1%	227.6%	16.4%	2.1%	10.4%	0.04	0.38

	Total Return											
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Focus	13.0%	34.2%	10.4%	40.1%	82.1%	69.3%	29.9%	7.1%	10.0%	50.0%	24.8%	33.4%
Core	3.9%	37.6%	16.7%	36.7%	44.0%	62.8%	21.4%	3.3%	-1.4%	37.6%	13.9%	17.0%
DJW 5000	-0.1%	36.4%	21.2%	31.3%	23.4%	23.6%	-10.9%	-11.0%	-20.9%	31.6%	12.6%	6.3%



Glossary of Terms Used

Alpha: Difference between the expected return of the sector fund and the "fair return" for the fund based on its historical responsiveness to market movements.

AlphaProfit Sector Portfolio Indicator™: Proprietary short-term indicator used by AlphaProfit Investments, LLC to assess attractiveness and risks in investing additional capital. The indicator considers upcoming portfolio re-positioning exchanges along with economic and equity market metrics.

AlphaProfit Core™ Portfolio: This portfolio generally comprises of 7 to 8 Fidelity Select Funds. When fewer number of Select Funds appear attractive, the portfolio invests in the Spartan 500 Index or Spartan Total Market Index fund. The portfolio is usually fully invested in equity funds. Portfolio turnover for the Core Portfolio is lower than that of the Focus Portfolio. Subscribers seeking long-term capital appreciation in retirement as well as regular accounts may find this portfolio suitable.

AlphaProfit Focus™ Portfolio: This portfolio typically invests in 2 Fidelity Select Funds that are deemed most attractive. The portfolio is usually fully invested in equity funds. The typical holding period for the Select Funds included in this portfolio is 6 months. Portfolio turnover for the Focus Portfolio is higher than that of the Core Portfolio. Subscribers seeking aggressive growth of capital in retirement as well as regular accounts may find this portfolio suitable.

Beta: Beta is a measure of the responsiveness of a security such as sector fund or stock to market movements.

Compound Annual Return: The compound annual return rate earned by the portfolio over the referenced time period.

Cumulative or Holding Period Return: Total return earned by the fund or portfolio over the referenced holding period. All distributions are reinvested in the fund paying the distribution.

DJ Wilshire 5000® (Full Cap): This index measures the performance of all U.S. headquartered equity securities with readily available price data. Over 5,000 capitalization weighted security returns are used to adjust the index. Therefore, the index is an excellent approximation of dollar changes in the U.S. equity market.

Fidelity Select Portfolio® Funds: This refers to a group of 41 equity mutual funds that focus their investments on a particular sector or industry of the stock market.

Fidelity Spartan 500 Index® Fund: This mutual fund seeks investment results that correspond to the total return (i.e., the combination of capital changes and income) of common stocks publicly traded in the United States, as represented by the Standard & Poor's 500 Index (S&P 500®), while keeping transaction costs and other expenses low.

Fidelity Spartan® Total Market Index Fund: This mutual fund seeks to provide investment results that correspond to the total return of a broad range of United States stocks. The fund normally invests at least 80% of the fund's assets in common stocks included in the DJ Wilshire 5000.

Front-End Load: Mutual fund commission or sales fee that is charged at the time fund shares are purchased. On September 23, 2003, Fidelity Investments eliminated the 3% one-time front-end sales charge on deposits made into the Fidelity Select Portfolio® Stock Funds.

Fund Style: Fund style information obtained from Morningstar, Inc. at http://www.morningstar.com.

Risk Rating: AlphaProfit Investments, LLC classifies Fidelity Select Funds into 3 categories, 'Above Average', 'Average', and 'Below Average' based on the fund's standard deviation of returns over the last 8 years. Shorter history is used for newer funds.

Sharpe Ratio: This ratio is commonly used as a measure of risk adjusted return. This ratio is calculated using the formula, (portfolio return minus risk free return)/standard deviation of portfolio return. The return on the Vanguard® Prime Money Market Fund is used as a measure of risk free return.

S&P 500®: This index consists of 500 stocks chosen by Standard and Poor's, Inc. It is a market-value weighted index (stock price times number of shares outstanding) that is widely used as a benchmark of U.S. equity performance.

ValuM™ Investment Process: This is a proprietary investment process used by AlphaProfit Investments, LLC to select investments. The investment process selects sector funds for including in the model portfolio based on the sector's momentum, valuation, and news flow quality.