AlphaProfit™

Sector Investors' Newsletter

Monthly Report

$ervice for $ophisticated $ector Investors

Ideas. Insights. Results.

WHAT'S INSIDE

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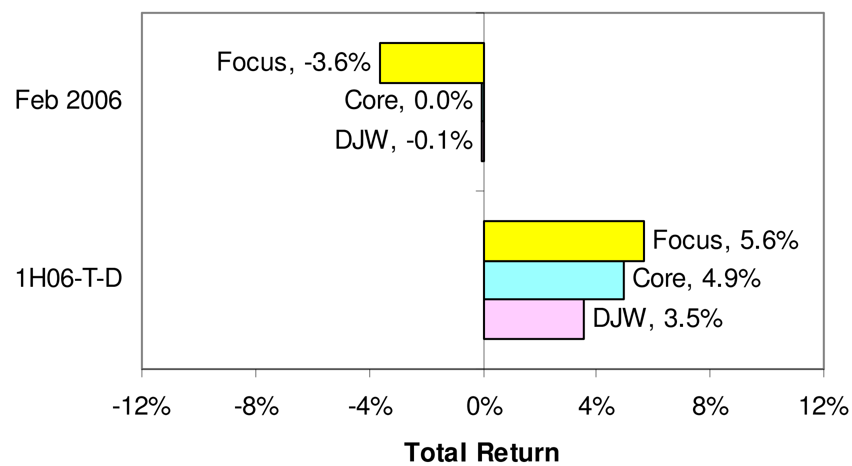
Fund Exchanges
Core Portfolio: None
Focus Portfolio: None

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

Scorecard

The AlphaProfit Core model portfolio ended February flat while the AlphaProfit Focus model portfolio declined 3.6%. The Dow Jones Wilshire 5000 Total Market Index benchmark barely budged, finishing 0.1% lower.

Rate fears. February got off to a rocky start on fears of rising interest rates following a relatively robust January jobs report. The Labor Department stated that 193,000 new jobs were added in January as the unemployment rate decreased to 4.7%, the lowest since 2001.



Minutes of the Federal Reserve's January 31 Open Market Committee meeting as well as comments from Federal Reserve officials added to fears of higher interest rates. Adding to supply of debt, the U. S. Treasury auctioned off $14 billion in 30-year bonds, the first sale of such securities since 2001. Against this backdrop, investors reacted skittishly to data suggestive of vigorous economic growth.

Commodities lose luster. Oil and natural gas prices declined in February. Rising inventories became the focus of attention as concerns over security of supplies were put on the backburner. The specter of rising political tension in the Middle East including Iran's standoff with Western nations over its nuclear program failed to lift oil prices.

Crude oil ended February at $61.41 per barrel, $7.33 lower from its January close. Gold lost luster as well, closing about 2% lower. Declining commodity prices caused

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		February 28, 2006	
(Ticker Symbol)	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Biotech. (FBIOX)	$460,134	33.33%	$499,406	34.25%
Energy Svce. (FSESX)	$460,134	33.33%	$476,079	32.65%
Pharma. (FPHAX)	$460,134	33.33%	$482,841	33.11%
Total (rounded to)	$1,380,403	100.00%	$1,458,326	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		February 28, 2006	
(Ticker Symbol)	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Biotech. (FBIOX)	$60,651	10.00%	$65,828	10.34%
Bus. Svce. (FBSOX)	$60,651	10.00%	$64,183	10.08%
Energy Svce. (FSESX)	$60,651	10.00%	$62,753	9.86%
Food & Ag. (FDFAX)	$60,651	10.00%	$62,472	9.81%
Health Care (FSPHX)	$60,651	10.00%	$62,005	9.74%
Insurance (FSPCX)	$60,651	10.00%	$60,951	9.58%
Pharma. (FPHAX)	$121,302	20.00%	$127,288	20.00%
Telecomm (FSTCX)	$60,651	10.00%	$65,674	10.32%
Util. Growth (FSUTX)	$60,651	10.00%	$65,348	10.27%
Total (rounded to)	$606,511	100.00%	$636,501	100.00%

commodity-related shares to reverse course from their surge in January with shares in the energy complex particularly being hit hard.

A stand-off. The bulls tried hard to keep January's momentum going. The Dow Jones Industrial Average reclaimed the 11,000 level to record a four and a half-year high. Rising interest rate jitters and the decline in commodity-related shares however dragged the Dow lower and the average closed shy of 11,000.

It was a stand-off between the bulls and bears as measured by the broader Dow Jones Wilshire 5000 Total Market Index which barely moved for the month. Looking at individual groups, energy and technology fared poorly while defensive ones such as telecom services and utilities fared better.

Contributions from better performing groups helped the AlphaProfit Core model offset losses in energy services and end the month flat. A higher weighting in energy services dragged the AlphaProfit Focus model portfolio 3.6% lower.

Major Movers

(Company and fund ticker symbols in parentheses.)

The number of winners and losers was even among the top 10 holdings we follow. Health care and business service companies were among the notable winners. Contrary to January, when eight out of the 10 top winners were energy service companies, nine of the 10 biggest losers in February were such companies. The tenth one was Alcon (ACL-FSPHX), an eye-care products maker, which reported lower earnings due to patent litigation charges.

Cephalon wide awake. Shares of Cephalon (CEPH-FBIOX) were on a roll in February advancing 12% to become the best performer across both model portfolios. The company has successfully inked agreements with four generic drug companies over its *Provigil* drug for sleep-related disorders. These agreements now allow *Provigil* to fend off generic competition at least until 2011. Cephalon raised its 2006 revenue and earnings forecast based on improving certainty in *Provigil* sales.

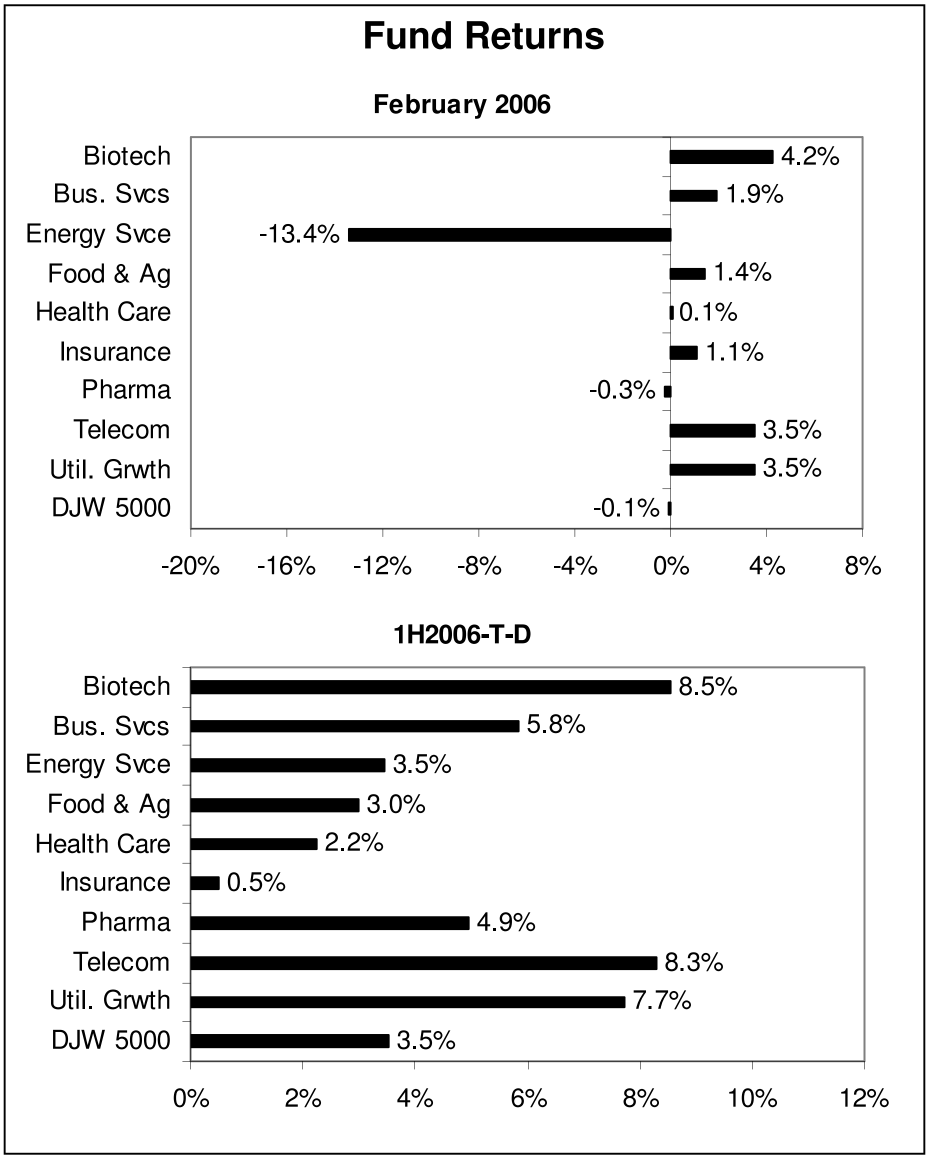
Paychex pays. Paychex's (PAYX-FBSOX) shares were popular with investors as they bid the price up over 10% in February to make them the Core model portfolio's second best performer. The company derives about 80% of its revenue from payroll services, an activity that stands to benefit from a relatively robust U. S. job market.

BJ Services pumped down. Shares of BJ Services (BJS-FSESX) with a 23% decline gained the dubious distinction of being the worst performer across both model portfolios. Weakness in the energy service group and the company's exposure to natural gas weighed on its shares. Investors and analysts questioned the ability of the pressure pumping service provider to maintain its growth following the steep decline in natural gas price in February.

Outlook

(Company and fund ticker symbols in parentheses.)

By most measures, the U. S. economy continues to demonstrate robust growth. The Institute for Supply Management's factory index declined modestly from 55.6 in December to 54.8 in January. The index still well above 50 suggests continued expansion. The New York Federal Reserve's economic index rose to 20.4 from 20.1 in January. Retail sales in January were also particularly strong, partly



due to warmer weather.

There are some concerns on the inflation front. Core producer prices, which exclude food and energy costs, increased 0.4% in January. This is the largest increase in the producer price index in a year. The surge in petroleum prices in January also appeared to add to inflationary pressures as the price of imports gained 1.3%.

Fidelity Select Biotechnology, Health Care, and Pharmaceuticals

European pharmaceutical companies are executing well. Merck has gained first mover advantage with new drugs and vaccines. Pfizer is embarking on transforming itself. March will likely be a key month for *Tysabri*. Deal possibilities increase in the biotechnology space. Plans for reducing Medicare spending have taken the oomph out of health care insurer shares.

European pharmas grow revenues. Revenue growth for European pharmaceutical companies remains healthy. Rapid growth in sales of asthma drug *Advair* and diabetes drug *Avandia* as well as a tight rein on costs enabled GlaxoSmithKline (GSK-FPHAX) to increase its fourth quarter earnings by 45% from year-ago levels. Looking ahead, the company forecasts EPS to rise around 10%. The company expects to introduce leukemia and migraine drugs in the U.S. in 2006. The company's cardiovascular drug *Arixtra* offers substantial potential as well.

A 32% rise in fourth-quarter net profit enabled AstraZeneca (AZN-FPHAX) to increase its full-year income tally by 28% to $4.7 billion. Revenue in 2005 increased 12% from year-ago levels to $24 billion. The company is likely to face generic competition following a U.S. court ruling that two of its *Toprol-XL* heart-drug patents are unenforceable. Factoring this possibility, the company expects 2006 EPS to grow 17% to 24%.

Roche (ROG.VX-FPHAX) is benefiting from its ownership in Genentech (DNA-FBIOX, FSPHX) and partnership with Gilead Sciences (GILD-FBIOX). Strong demand for Genentech's cancer drugs *Avastin* and *Tarceva* and surging sales of Gilead's-flu vaccine *Tamiflu* enabled Roche to increase its annual operating profit by 33% in 2005 while revenue advanced 19%. Roche expects total revenue in 2006 to increase more than 10%. The company has upped its dividend by 25%.

Roche has submitted a marketing authorization application to the European Medicines Agency for *Herceptin* as adjuvant treatment for a type of breast cancer. Roche is however delaying filing for the approval to use its *CERA* anemia treatment in kidney and cancer patients to 2009 from 2007. Amgen's (AMGN-FBIOX) *Epogen* stands to benefit from this delay.

Merck gains first mover advantage. Merck (MRK-FSPHX, FPHAX) has filed for an FDA review of its experimental drug *Januvia* to treat Type-2 diabetes. *Januvia* belongs to a new class of oral regimens; it gets a three to six month first mover advantage over Novartis' (NVS-FPHAX) *Galvus*.

Following Merck's filing for approval of its cervical cancer vaccine *Gardasil* in January, the U. S. FDA has granted priority review status with a ruling expected in early June. Assuming things stay on track, *Gardasil* should receive a head start over Glaxo's cervical cancer vaccine *Cervarix*. Glaxo expects to file for European and U.S. approval for *Cervarix* in 2006.

Merck has got approval for its *Rotateq* oral vaccine to prevent gastroenteritis, a leading cause of severe diarrhea in pediatric patients. *Rotateq* has the possibility of being added to routine schedule of vaccines given to U.S. infants.

Merck won a round in its *Vioxx*-related trials. A federal court jury ruled that the company was not responsible for the death of a 53-year-old Florida man who had a heart attack after taking the drug for less than a month. Merck however faces more challenges in defense against cases that involve longer-term use of *Vioxx*.

Top 10 Fund Holdings

Fidelity Investments has released the list of top 10 holdings of its mutual funds 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*

Pfizer's transformation. Pfizer (PFE-FSPHX, FPHAX) sees 2006 as a key year to transform itself. During an analyst meeting, Pfizer Chief Executive Henry McKinnell said, 'We are moving from what I call the old Pfizer, a company characterized by the medicines we launched so successfully in the 1990s, to the next generation Pfizer, characterized by a new wave of important medicines now reaching patients.'

As part of restructuring its businesses, Pfizer is seeking to sell or spin off its consumer products division for over $10 billion. Such a move will enable Pfizer to increase gross margins and to provide cash for developing or acquiring technologies related to its core pharmaceutical businesses. With several well-recognized branded assets such as *Listerine*, *Rogaine*, and *Sudafed*, the consumer products division should see interest from consumer product heavyweights like Procter & Gamble and Clorox as well as health care conglomerates like GlaxoSmithKline and Johnson & Johnson (JNJ-FSPHX).

Pfizer intends to launch six new products this year including inhaled insulin, *Exubera*, cancer drug, *Sutent* and a smoking cessation drug, *Champix*. Meanwhile, Pfizer will lose patent protection on antidepressant *Zoloft*, a $3 billion drug this year. Additionally, sales of *Lipitor*, a $13 billion drug, may well come under pressure as generic versions of Merck's competing cholesterol lowering drug *Zocor* become available later this year.

Tysabri's fate. The FDA has allowed Biogen Idec (BIIB-FBIOX) and its partner Elan to resume clinical trials of their multiple sclerosis drug, *Tysabri*. This has raised hopes that *Tysabri* will return to the market soon. Shares of Biogen Idec gained about 6% in February.

In early March, the FDA will hold an advisory meeting to discuss *Tysabri's* return. In our view, the best case scenario is for *Tysabri* to return to the market with a restricted use labeling. A favorable resolution could also pave the way for the drug to be tested against Crohn's disease. There is however some risk that the FDA will request additional safety data before approving wider use of the drug.

Meanwhile, Biogen Idec and its partner Genentech have received FDA approval for the use of *Rituxan* in treating a form of non-Hodgkin's lymphoma in combination with chemotherapy regimens.

Biotech deals. In the January Report, we had commented on Serono and possibly ImClone Systems being acquisition targets. Following Cephalon's settlement with four leading generic drug companies on *Provigil* patent litigation, the biotechnology company is rumored to be takeover candidate. Meanwhile, Biogen Idec seeks to expand beyond multiple sclerosis and non-Hodgkin's lymphoma drugs. The company has expressed its intent to seek out multibillion dollar acquisitions in oncology, neurology, and rheumatology.

Medicare spending. Shares of health insurance companies, in general, trended lower following President Bush's proposal to cut Medicare spending by about $36 billion over five years. While the political environment vis-à-vis health insurance companies bears watching, we believe demographics are a factor in their favor. As such, it makes sense to include them in measured quantities as part of diversified health care universe.

On the earnings front, Health Net (HNT-FSPHX) reported quarterly earnings of 65 cents per share, a penny ahead of analysts' forecast with revenue rising 3% to $2.9 billion. The company expects EPS to range from $2.90 to $3.10 in 2006.

European pharmaceutical companies offer superior growth prospects as impact of upcoming patent expirations is less of an issue. The valuation metrics for the U. S. majors remains attractive. Tidings from the biotechnology space remains positive and opportunities for deal making appear to be increasing. As such, we continue to include Fidelity Select Biotechnology and Fidelity Select Pharmaceuticals in both model portfolios while Fidelity Select Health Care continues to find a place in the Core model portfolio.

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>
> *Henry McKinnell*
> *Chief Executive, Pfizer*

Fidelity Select Business Services & Outsourcing

(As of March 1, Jim Morrow and Ben Hesse take over as co-managers.)

Increasing focus on offshoring, growing corporate appetite for improving efficiency, and strong economic growth are driving the performance of business service providers. Takeover activity adds to investment appeal.

New Jersey-based offshore outsourcing company Cognizant Technology Solutions (CTSH-FBSOX) reported strong results with earnings increasing 50% from year-ago levels to $45 million on revenue of $257 million. Cognizant has upped its revenue forecast for the next quarter to $275 million.

Cognizant enables U. S. and European companies to farm out tasks to workers in India. The company is on a robust growth trajectory having increased its employee count close to 60% in 2005. Cognizant expects to follow this with a 40% headcount increase in 2006. The company's partnership with SAP will likely enable it to increase its enterprise resource planning market business.

Driven by robust performance of the marketing services segment, Alliance Data Systems (ADS-FBSOX) increased per-share earnings by 42% from year-ago levels as revenue increased 22% to $421 million. The marketing services segment helps corporations increase their return on investment in marketing.

Ceridian (CEN-FBSOX), the payroll and transaction processor, reported fourth quarter earnings of $47 million, up from $11 million reported in the year-ago period. Higher margins in the company's Comdata segment boosted the bottom line. Comdata issues and processes credit cards for trucking and retail companies.

As for transaction tidings, Automatic Data Processing (ADP-FBSOX) has agreed to sell its claims services business for $975 million in cash. ADP cited favorable M&A market conditions as one of the reasons for the transaction. Meanwhile, Computer Sciences which had attracted the attention of Lockheed Martin and Hewlett-Packard is now rumored to be eyeing acquisitions.

We believe the IT outsourcing market offers ample growth opportunities for domestic firms like Accenture (ACN-FBSOX) and offshorers like Cognizant. Also, a strong job market bodes well for payroll processors like ADP and Ceridian. We continue to include Fidelity Select Business Services & Outsourcing in the Core model portfolio.

Fidelity Select Energy Service

Declining commodity prices contributed to the fall in energy service share prices. Energy service companies are executing well for the most part and fundamentals remain favorable.

The energy service group had to weather rough waters in February. Declining commodity prices caused sentiment to turn negative towards shares of energy service companies. The price of natural gas slid 29% as slack demand from an unseasonably warm January led to a buildup of natural gas inventories. While crude oil inventories increased too, concern over security of supplies supported oil prices and the decline was limited to 9%.

Meanwhile, most energy service companies delivered strong results. Baker Hughes (BHI-FSESX) beat analysts' earnings forecast as fourth quarter earnings vaulted 43% on a 19% growth in revenue. The company expects 2006 revenue to increase 19% to 21%. Chairman Chad Deaton said, 'To satisfy the global demand for oil and natural gas, our customers have increased their E&P budgets in 2006 and we expect continued strength through 2007.'

Strong demand for offshore drilling and continuing increase in rig day rates enabled Diamond Offshore (DO-FSESX), GlobalSantaFe, (GSF-FSESX), and Weatherford (WFT-FSESX) to report robust earnings. Transocean and Nabors (NBR-FSESX) however disappointed citing higher rig maintenance costs and an arbitration judgment, respectively.

We believe the intermediate-term fundamentals for this group are relatively favorable. First, oil exploration and production companies continue to increase capital spending. For example, Anadarko Petroleum plans to increase its capital spending 16% in 2006 to $4 billion.

'To satisfy the global demand for oil and natural gas, our customers have increased their E&P budgets in 2006 and we expect continued strength through 2007.'

Chad Deaton
Chairman, Baker Hughes

Second, energy service pricing remains strong. Transocean recently signed a three-year contract with Devon Energy at a rig-rate that matched last year's industry record. Third, energy service companies continue to be upbeat on their prospects. Halliburton (HAL-FSESX) has hiked its dividend 20% and Grant Prideco has announced a $150 million stock buyback.

Commodity price trends will likely continue to drive share prices in the energy service group. On the supply side, potential for disruption of overseas oil supplies exists. On the demand side, with winter on its way out, oil traders will likely have to mark time until the driving season perks up.

Continuing decline in commodity prices has the potential of tempering the enthusiasm of E&P companies to invest. With oil having held up better than natural gas in price, companies like GlobalSantaFe and Diamond Offshore that help produce oil may be less vulnerable than those exposed to natural gas production.

On balance, the valuation being provided to shares of energy service companies appears attractive. As stated in the February 20 Bulletin, venturesome accounts as well as accounts that have deferred buying shares of Fidelity Select Energy Service following the January 24 Bulletin may consider a measured increase in exposure.

Fidelity Select Food & Agriculture

Companies in the food and agri-

continued on page 10

culture group are executing well and focusing on emerging markets to drive growth. The travails of energy companies translate into a benefit here.

Strong international growth combined with contributions from Frito-Lay and Gatorade brands in North America enabled PepsiCo (PEP-FDFAX) to report a 15% increase in 2005 revenue with income increasing 13%. International beverage and snack volumes were up 11% and 6%, respectively.

Meanwhile, Coca-Cola (KO-FDFAX) held its market share in 2005 after losing close to a percentage point in 2004. Smaller bottlers are raising uproar over Coca-Cola conducting tests to deliver PowerAde to Wal-Mart warehouses instead of individual stores. Coca-Cola may overhaul its U.S. bottling system by acquiring some bottlers.

Unilever (UN-FDFAX) continues to streamline operations and enhance shareholder value. Persisting with its strategy of weeding out light brands, Unilever plans to sell most of its European frozen foods businesses. In May, the Anglo-Dutch firm plans to complete a review on integrating its Rotterdam and London headquarters.

Companies in the food group are targeting emerging markets for their growth. As stated by PepsiCo International Chairman Michael White, 'The trend is toward convenience with increasing number of women in the work force and fewer sit-down meals, particularly in high growth emerging markets, that is helping us with growth.'

PepsiCo International plans to launch its Quaker brand in India and China. Coca-Cola is targeting emerging markets such as Russia, China, and Turkey to drive growth. Nestle (NESN.VX-FDFAX) has outlined plans to become the number one bottled water brand in Thailand.

Warm weather, which has hurt share prices in the energy group, proved to be a boon for McDonald's (MCD-FDFAX). This coupled with the successful launch of the McArch card helped the fast-food giant post a sizzling 9.7% increase in January U. S. same-store sales. Meanwhile, gasoline prices have held up relatively well even as crude oil prices have declined. The resulting expansion in gasoline marketing margin augurs well for Kroger (KR-FDFAX).

We like the defensive characteristics of this relatively economically insensitive group and continue to include Fidelity Select Food & Agriculture in the Core model portfolio.

Fidelity Select Insurance

American International Group is getting its house in order. Property and casualty insurers are bearing the brunt of hurricanes. Consolidation opportunities add to investment appeal.

American International Group (AIG-FSPCX) has agreed to pay more than $1.6 billion to settle claims by the U.S. Securities and Exchange Commission and New York Attorney General Eliot Spitzer. The agreement ends key legal concerns. The company will also take a $1.1 billion after-tax charge to in-

Q & A

How consistent have the AlphaProfit model portfolios been in outperforming the Dow Jones Wilshire 5000 over short and long holding periods?

To provide some perspective on consistency, we look at the performance of the model portfolios over 6 month, 1 year, and 3 year time-frames since their inception on Dec. 31, 1993. It should be noted that the newsletter has been published continuously since Sept. 30, 2003 and the performance data prior to this date is the result of systematically selecting funds using the ValuM Investment Process™.

Between Dec. 31, 1993 and Dec. 31, 2005, there are 24, **6-month periods** that start with the last trading days of June or December (i.e., the scheduled repositioning days). The Focus and Core model portfolios have each outperformed the DJW 5000 benchmark during 20 of these 24 periods or **83% of the time**.

With a **1-year time-frame**, there are 23, 1-year periods that start with the last trading days of June or December. The Focus and Core model portfolios have each outperformed the DJW 5000 benchmark during 19 of these 23 periods or **83% of the time**.

Moving to a **3-year time-frame**, there are 19, 3-year periods that start with the last trading days of June or December. The Focus and Core model portfolios have each outperformed the DJW 5000 benchmark during 18 of these 19 periods or **95% of the time**.

Between Dec. 31, 2003 and Dec. 31, 2005, the Focus and Core model portfolios have outperformed the DJW 5000 benchmark during three of the four 6-month periods. Looking at the 1-year time-frame, the Focus model portfolio has outperformed the DJW 5000 benchmark during all three of the 1-year periods while the Core model portfolio has outperformed the DJW 5000 benchmark during two of the three 1-year periods.

This analysis suggests that the odds of outperforming the DJW 5000 benchmark increase when the time-frame used for comparative analysis is longer. In other words, the odds of outperforming the DJW 5000 benchmark increase when one sticks with the ValuM Investment Process for a longer time-frame.

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crease reserves following an internal study.

MetLife's earnings (MET-FSPCX) were a bright spot for the insurance group. The acquisition of the Travelers unit along with Citigroup's international insurance businesses helped MetLife increase its operating earnings 21% from year-ago levels as premiums rose 9%. Earnings of property and casualty insurers like Allstate (ALL-FSPCX), Endurance Specialty (ENH-FSPCX), and St. Paul Travelers (STA-FSPCX) were pressured by the impact of Hurricanes Katrina, Rita, and Wilma.

Hartford Financial (HIG-FSPCX) has piled up cash. In addition to hiking its quarterly dividend by 33%, the company could return as much as $500 million to its shareholders either through a special dividend or stock buybacks. Meanwhile, Aflac (AFL-FSPCX) has boosted it dividend by 18% and its board has increased the buyback commitment to about 47 million shares.

Given the fragmented state of the insurance industry, consolidation continues with some regularity. In February, Protective Life bought Chase's insurance business for about $1.2 billion while Berkshire Hathaway agreed to buy privately-held Applied Underwriters.

Shares of insurance companies have been among the weaker performers as part of a generally lackluster financial service group. A flat yield curve has reduced interest rate spread-based income. Additionally, hits to earnings from a severe 2005 hurricane season have weighed on these shares.

We remain optimistic on the prospects for Fidelity Select Insurance. We believe the pricing power wielded by property and casualty insurers will allow them to push premium rate increases through. Insurance company shares will likely fare better when the Federal Reserve stops raising interest rates. As such, we continue to include Fidelity Select Insurance in the Core model portfolio.

Fidelity Select Telecommunications and Utilities Growth

The wireless business continues to grow and service providers are adopting various tactics to stem the decline in wireline services. Motorola is working on developing the infrastructure for using cell phones as debit cards in the U. S. Changes on the regulatory front is perking up M&A activity in the electric utility group.

Growing through wireless. As a combined company, Sprint Nextel's (S-FSTCX, FSUTX) revenue was up 7% from year-ago total of the two separate companies. During the quarter, Sprint Nextel added 2 million new wireless customers, on par with Verizon Wireless and above Cingular's 1.8 million. Commenting on the future, company President Gary Forsee said, 'Our targets for the coming year call for a continuation of solid Wireless growth that is expected to be partially offset by a lower contribution from Long Distance.' Sprint Nextel expects to save $1 billion in 2006 from the merger.

Stemming the wireline decline. Phone companies are looking to 'discounted bundled' service packages as a means to stem the decline in wireline customers. Such service bundles include local calling, high-speed DSL Internet, wireless, and satellite-TV service.

AT&T (T-FSTCX. FSUTX) has lowered the price on its DSL offering to $12.99 per month. Sprint Nextel and Alltel (AT-FSTCX) are offering satellite-TV service through a partnership with DISH Network while BellSouth continues its partnership with DirecTV.

Phone companies are also providing wireline phones with features such as high-speed Internet access, electronic phone books, and stock quotes. Sprint Nextel and Alltel have plans to exit the local-phone business through a spin-off to focus on wireless.

Handset trends. Motorola (MOT-FSTCX) has developed a new cell phone for the U. S. market that turns the device into a debit card. Called 'M-Wallet', the service will allow shoppers to buy products by waving the cell phone over cash register scanners. Motorola is currently working with retailers to ensure their payment systems can handle this technology.

Qualcomm (QCOM-FSTCX), a chipset maker for WCDMA phones, predicts that the prices of 3G phones working on WCDMA networks will decline to the $100 to $120 range by the end of 2006 and trigger a surge in sales of such phones.

> *'Our targets for the coming year call for a continuation of solid Wireless growth that is expected to be partially offset by a lower contribution from Long Distance.'*
>
> *Gary Forsee*
> *President, Sprint Nextel*

Seeking to jointly develop and make mobile phones for the CDMA standard, Finland-based Nokia and Japan-based Sanyo Electric have formed a joint venture. In terms of shipment volumes, the joint venture will become the world's largest CDMA mobile phone maker alongside South Korea's Samsung Electronics.

Utility mergers. Merger and acquisition activity is perking up in the utility industry following changes to regulations. New regulations allow utility companies to provide energy beyond a small region and allow non-utility companies to own more than 10% of a utility company.

Beating Consolidated Edison, Britain-based National Grid has agreed to acquire New York-based

KeySpan for about $7.3 billion. This acquisition comes on the heels of National Grid buying Southern Union's Rhode Island gas-distribution network for about $500 million.

The Wall Street Journal has reported that General Electric along with an investment fund is interested in TXU's (TXU-FSUTX) distribution business. Additionally, with Warren Buffett stepping down from Coca-Cola's board of directors and given his interest in utility acquisitions, speculation continues that the billionaire investor is freeing up time to pursue deals in the utility group.

Utility earnings. Utilities continue to execute reasonably well on the operating front. Public Service Enterprise Group (PEG-FSUTX) reported a 15% rise in 2005 revenue from year-ago levels to $12.4 billion. Operating earnings tallied to $890 million or $3.65 per share. Meanwhile, TXU reported a 12% rise in 2005 revenue to $10.4 billion with operating income of $1.71 billion or $2.50 per share. The recent decline in the price of natural gas will likely benefit electric utilities that use gas for power generation.

We like the defensive characteristics of telecom service providers and electric utility companies. The valuation being provided to telecom service shares appears to underestimate their growth prospects. Prospects for deals in the electric utility space add to investment appeal. As such, 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

The equity market is treading a fine line between economic growth and inflation and strength on either count could lead to bumps.

Inflation concerns continue to heighten. The Consumer Price Index was up 4% and the core CPI ex. food and energy prices was up 2.1% over the past year, with the latter near the top end of the Federal Reserve's presumed comfort zone. Average hourly earnings rose 0.4% in January, suggesting some wage inflation. The Labor Department has stated that productivity declined at a 0.6% annual rate during the fourth quarter. The combination of rising wages and falling productivity does not bode well for inflation.

The Federal Reserve appears to be resolved to nip inflation. In his first congressional testimony after being appointed as Federal Reserve Chairman on February 1, Bernanke told Congress that more rate hikes 'may' be needed as the threat of higher inflation persists. Chicago Federal Reserve Bank's President Michael Moskow has also made hawkish comments.

While economic growth in the U. S. appears to be on a sound footing, there is some arguable evidence that growth may slow. The Conference Board's index of U.S. leading indicators rose a disconcertingly strong 1.1% in January. Meanwhile, the yield curve as measured by the difference in yields between 90-day Treasury bills and 10-year Treasury bonds has flattened suggesting a moderation in growth.

The housing market is showing signs of slowing with new home sales on the decline. Additionally, energy prices have remained elevated for a while and the Federal Reserve has already put 14 interest rate hikes in place. It remains to be seen if these factors will slow U. S. economic growth adequately for the central bank to pause.

The equity market appears to expect the Federal Reserve to raise rates two or three more times. We believe the most likely scenario is for economic growth to revert to a sustainable long-term trend-rate. However, if growth remains strong or if inflation accelerates, the Federal Reserve will likely go further in raising interest rates than is currently anticipated by the market. We expect the market to be choppy until there is clearer evidence.

Given the above prospect, we are downgrading the AlphaProfit Sector Portfolio Indicator to a less bullish stance of 'Buy on Dips'. As such, Subscribers getting started or seeking to add capital to their investment accounts may choose to buy into weakness rather than follow strength. None of the funds included in the model portfolio carries a 'Favored Buy' rating at the present time.

AlphaProfit Investments, LLC
Date: February 28, 2006 ■

Featured Quote

'The individual investor should act consistently as an investor and not as a speculator.'

Benjamin Graham

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	C. Hebard
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

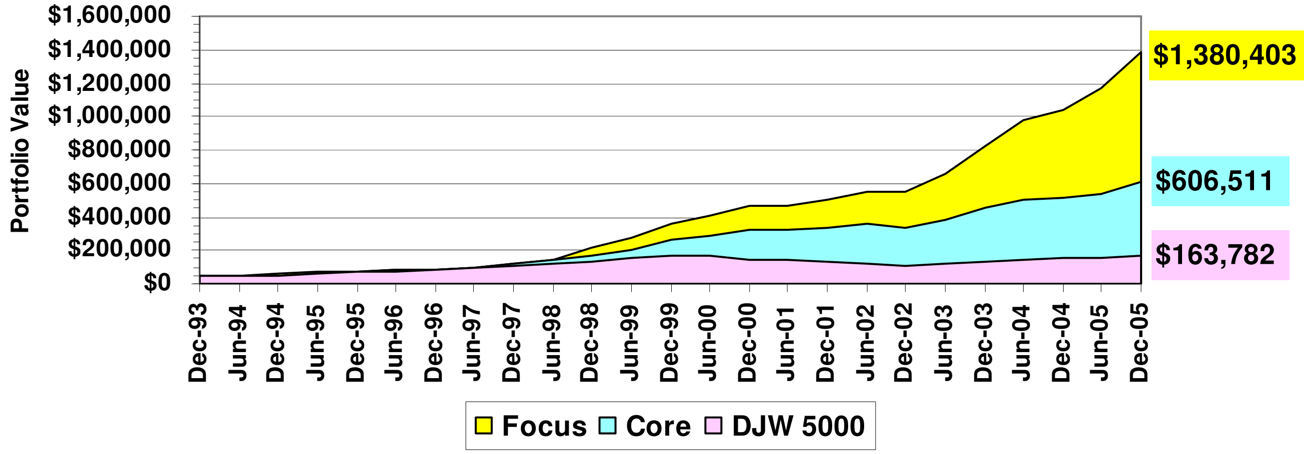
Manager Changes: As of March 1, 2006, James Morrow and Ben Hesse take over management of Fidelity Select Business Services & Outsourcing.

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.

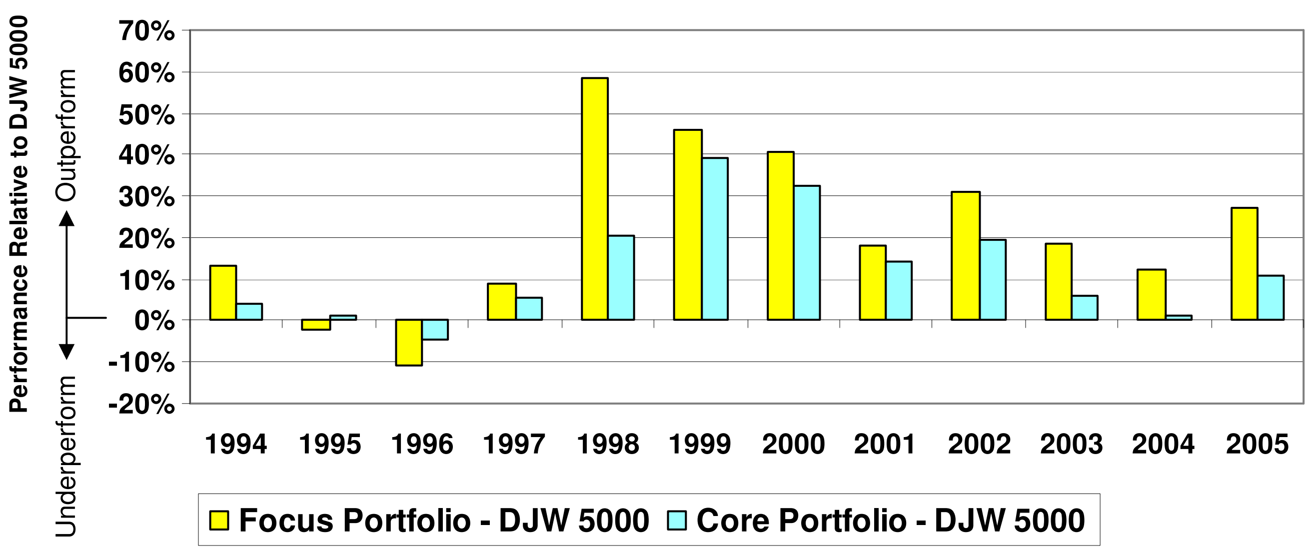
AlphaProfit Model Portfolio Long-Term Performance

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.