



AlphaProfit™

Sector Investors' Newsletter



Service for \$ophisticated \$ector Investors

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Fund Exchanges
Core Portfolio: None
Focus Portfolio: None

AlphaProfit SP Indicator™
Reading: Buy on Dips
Favored Buy: FBIOX

Scorecard

In April, the AlphaProfit Focus and Core model portfolios gained 0.7% and 0.3%, respectively. The Dow Jones Wilshire 5000 Total Market Index gained 1.1%.

Sparkling start shortened. The equity markets started April on a strong note. The bullish tone set by first quarter equity fund returns and retirement account contributions ahead of the April 17 deadline kept

inflation fears and rising political tensions. A strong March jobs report raised fears of inflation. The Labor Department reported that 211,000 new jobs were added, more than the 190,000 economists expected. The unemployment rate fell to 4.7%. Iran continued its defiance against United Nations and Western nations giving rise to fears that the U. S. may launch a military strike against Iran.

Earnings to the rescue. The first-quarter earnings parade that started

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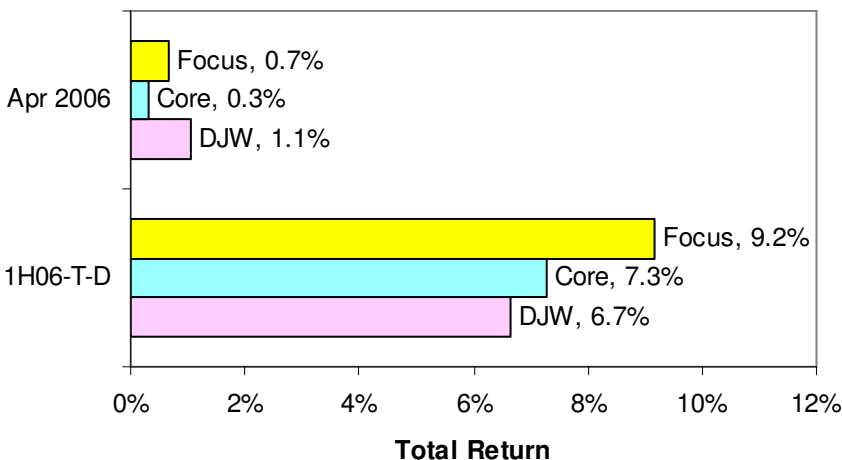
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money inflow strong. Comments from Federal Reserve officials helped alleviate inflation concerns. The ensuing rally pushed the widely followed Standard & Poor's 500 Index through the 1,300 level to set a new high since 2001.

The rally was however cut short by

in earnest in the second-half of the month provided much-needed tonic to get the market out of the malaise. According to Thomson Financial, about 70% of the reporting S&P 500 companies delivered earnings higher than their forecasts. The list of out-performers included several Dow components such as Boeing,

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 (Ticker Symbol)	December 31, 2005		April 30, 2006	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Biotech. (FBIOX)	\$460,134	33.33%	\$457,715	30.37%
Energy Svce. (FSEEX)	\$460,134	33.33%	\$550,938	36.56%
Pharma. (FPHAX)	\$460,134	33.33%	\$498,263	33.07%
Total (rounded to)	\$1,380,403	100.00%	\$1,506,917	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 (Ticker Symbol)	December 31, 2005		April 30, 2006	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Biotech. (FBIOX)	\$60,651	10.00%	\$60,332	9.27%
Bus. Svce. (FBSOX)	\$60,651	10.00%	\$65,973	10.14%
Energy Svce. (FSEEX)	\$60,651	10.00%	\$72,620	11.16%
Food & Ag. (FDFAX)	\$60,651	10.00%	\$64,468	9.91%
Health Care (FSPHX)	\$60,651	10.00%	\$59,780	9.19%
Insurance (FSPCX)	\$60,651	10.00%	\$62,125	9.55%
Pharma. (FPHAX)	\$121,302	20.00%	\$131,354	20.19%
Telecomm (FSTCX)	\$60,651	10.00%	\$68,455	10.52%
Util. Growth (FSUTX)	\$60,651	10.00%	\$65,489	10.07%
Total (rounded to)	\$606,511	100.00%	\$650,596	100.00%

Caterpillar, 3M, and United Technologies. Disappointing reports like those from American Express and Microsoft were relatively few.

Commodities rule supreme. With political tensions rising vis-à-vis Iran, concerns over stability of oil supplies pushed oil prices above their highs recorded last August. This along with a declining U. S. dollar enabled gold prices to sprint higher. While oil prices gained about 8%, gold did better surging over 11% to record a 25-year high.

The Dow Jones Wilshire 5000 Total Market Index finished April with a gain of 1.1%. In contrast to the first quarter when small-caps led the rally, large-caps were the better performers in April. While exposure to the energy service group aided the performance of the AlphaProfit

model portfolios, exposure to health insurers and biotechs detracted performance. In April, the AlphaProfit Focus and Core model portfolios lagged their benchmark with gains of 0.7% and 0.3%, respectively.

Major Movers

(Company and fund ticker symbols in parentheses.)

Only two out of five stocks on the list of top 10 holdings we track managed to advance in April. Energy service stocks frequented the winners' list. Selected companies from the business services and insurance groups also recorded double digit gains to earn a spot in the list of top five winners. Health insurers and biotechs were among the major losers.

Baker Hughes gets cooking. Shares of energy service company Baker Hughes (BHI-FSEEX) vaulted over 18% to gain honors as the best performer in both model portfolios. Strong demand and pricing helped the company to nearly double its first quarter net income from year-ago levels as revenue increased 26%. The per-share earnings tally of 99 cents handily beat analysts' forecast of 79 cents. Investors also liked Baker's decision to sell its 30% minority stake in WesternGeco to Schlumberger for \$2.4 billion.

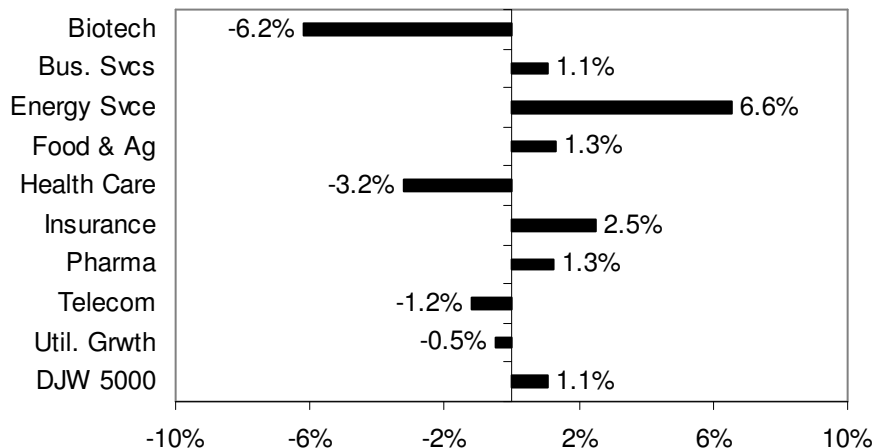
Earnings momentum continues at Alliance Data. Alliance Data (ADS-FBSOX) increased its earnings over 70% from year-ago levels to 69 cents per share, beating the 62 cents per share analysts' estimate. ADS also upped its full-year earnings forecast to \$2.60 a share from \$2.36 a share. This stellar earnings card came on the heels of a strong fourth-quarter report. Investors liked ADS' earnings consistency and drove the company's shares higher by over 17%. ADS' shares were the Core model portfolio's second best performer.

Aetna hospitalized. Shares of health insurer Aetna (AET-FSPHX) were wounded though it reported better-than-expected earnings and raised 2006 operating earnings estimates. Investors focused on the increase in Aetna's medical cost ratio to 79.4% from 77.9% in the year-ago period. The increase indicated that insurance claims were rising faster than premiums. Aetna shares traded lower by over 21% to become the worst performer in the Core model portfolio.

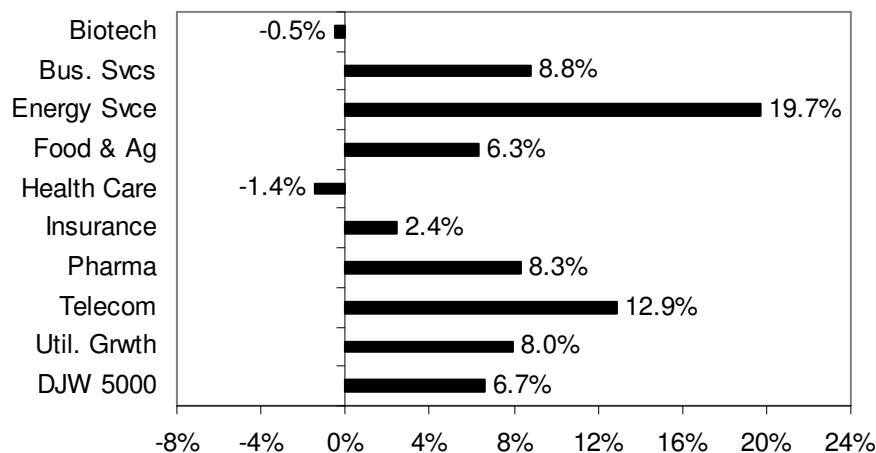
Not enough viruses for MedImmune. A drop in worldwide sales of MedImmune's (MEDI-FBIOX) respiratory drug *Synagis* caused the company to miss first quarter revenue and earnings estimates. MedImmune cited a slower-than-expected start to the 2005-06 respiratory syncytial virus season as one of the reasons for the shortfall. With a 14% loss, MedImmune's shares

Fund Returns

April 2006



1H2006-T-D



were the Focus model portfolio's worst performer.

Outlook

(Company and fund ticker symbols in parentheses.)

Further expansion of the U. S economy appears to be in the cards. The Institute for Supply Management's factory index declined slightly from 56.7 in February to 55.2 in March. Although the reading was lower than the 57.3 forecasted by economists, readings above 50 suggest continued expansion.

Foreign equities perform well. Even though U. S. economic growth has been strong in 2006, the dollar has lost ground to the tune of 3% to 6% against major world currencies.

Most of the decline occurred in April on the belief that the Federal Reserve will soon pause on raising interest rates. A declining greenback has provided a kicker for dollar-denominated returns from shares of foreign companies.

Fidelity Select Biotechnology, Health Care, and Pharmaceuticals

Branded drug companies came through with their earnings even as they battle challenges from generic drugs and law suits. Biotech earnings were mixed. Health insurer shares continued to slide to make valuation attractive.

Major pharma earnings on target.

Per-share earnings at Pfizer (PFE-FSPHX, FPHAX) and Merck (MRK-FSPHX, FPHAX) were helped by stock buybacks and cost controls, respectively. Performance at Wyeth (WYE-FSPHX, FPHAX) and Astra-Zeneca (AZN-FPHAX) was driven by drug sales.

Pfizer reported 61 cents in adjusted earnings per share, up from 54 cents in the year-ago period. As part of its plan to buy \$4 billion of its stock in 2006, Pfizer bought \$1 billion of stock during the first quarter. Pfizer expects 2006 revenue to be comparable with those of 2005.

Merck bettered its first-quarter earnings forecast reporting 78 cents per share ex-restructuring charges. The company eliminated 1,800 positions during the first quarter as part of its plan to eliminate 7,000 positions by the end of 2008.

Wyeth's first quarter profit increased 4% from the year-ago period. Sales of antidepressant *Effexor* and gastrointestinal reflux drug *Protonix* increased 9% and 18%, respectively. The company expects sales of *Effexor*, *Protonix* and four other products to exceed \$1 billion by year-end. Astra-Zeneca's first quarter earnings increased 37% as sales of its five key products including heartburn drug *Nexium* and antipsychotic drug *Seroquel* increased 25%.

Challenges remain. Branded drugs with sales of about \$100 billion are expected to go off-patent during the next five years.

Among cholesterol-lowering drugs, Merck's *Zocor* loses patent protection on June 23. Cost-conscious insurers already appear to be switching patients from competing medications to *Zocor* to facilitate a switch to low-cost generics as soon as they become available. Additionally, Teva Pharmaceutical (TEVA-FPHAX) has won final approval from the U. S. FDA for its version of Bristol-Myers Squibb's cholesterol drug *Pravachol*. The introduction of

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Top 10 Fund Holdings

Fidelity Investments has released the top 10 holdings of its mutual funds as of March 31, 2006. Health care companies Amgen, Genentech, Merck, Pfizer, WellPoint, and Wyeth as well as telecom service providers AT&T, BellSouth, Qwest Communications, Sprint Nextel, and Verizon Communications each are represented in two of the nine Core model portfolio funds. There is no overlap in the top 10 holdings of the Focus model portfolio funds.

Looking at changes to the top 10 lists, **Fidelity Select Pharmaceuticals**, **Fidelity Select Business Services & Outsourcing**, and **Fidelity Select Telecommunications** show three changes each. Select Pharmaceuticals has taken a liking for Japanese drug companies bringing in Astellas Pharmaceuticals and Takeda Pharmaceuticals. Drug distributor Cardinal Health also gets a top 10 berth. To make way for the new entrants, GlaxoSmithKline, Inverness Medical, and Schering-Plough exit. Select Pharmaceuticals has increased the number of holdings from 113 to 154.

With the expansionary phase of the economic cycle now maturing, Select Business Services & Outsourcing appears to be shifting emphasis to late-cycle plays while cutting back on information technology service providers. Staffing company Robert Half and advertising service provider Omnicom are new entrants to the top 10 list. Money transfer services provider Moneygram International is the third new entrant. Affiliated Computer Services, Cognizant Technology Solutions, and DST Systems are logged-off.

Telecom equipment manufacturers enter Select Telecommunications *en masse* with Cisco Systems, Corning, and Lucent Technologies taking the slots of Alltel, Nextel Partners, and Nortel Networks.

Biotechnology (FBIOX)

Celgene
Biogen Idec
Genentech
Gilead Sciences
Amgen
MedImmune
Genzyme
Cephalon
Amylin Pharma.
Sepracor

51.4% of portfolio
91 holdings

Food & Ag. (FDFAX)

Nestle ADR
Unilever
Pepsico
Altria
Coca Cola
McDonald's
Kellogg
Sysco
Starbucks
General Mills

52.9% of portfolio
73 holdings

Pharma (FPHAX)

Merck
Novartis ADR
Pfizer
Wyeth
Teva Pharma. ADR
AstraZeneca
Takeda Pharma
Roche Holdings
Cardinal Health
Astellas Pharma

47.4% of portfolio
154 holdings

Fidelity Select Health Care and **Fidelity Select Food & Agriculture** make two changes each. Biotech giant Amgen and health insurer Aetna replace Alcon and Health Net in Select Health Care's top 10. Ubiquitous coffee house Starbucks and food distributor Sysco replace Coca Cola Enter-

B. Svc. & Out. (FBSOX)

First Data
Accenture Cl. A
Omnicom Group
Alliance Data Systems
State Street
Paychex
Auto. Data Process.
Ceridian
Moneygram Intl.
Robert Half Intl.

48.4% of portfolio
77 holdings

Health Care (FSPHX)

Pfizer
Wyeth
UnitedHealth
Merck
Johnson & Johnson
Amgen
Genentech
WellPoint
Allergan
Aetna

41.7 of portfolio
274 holdings

Telecomm. (FSTCX)

AT&T
Verizon Comm.
Qwest Comm.
Qualcomm
Motorola
Sprint Nextel
Cisco
Corning
BellSouth
Lucent

63.5% of portfolio
49 holdings

prises and Kroger in Select Food & Agriculture.

Fidelity Select Energy Service and **Fidelity Select Utilities Growth** make one change each. Select Energy Service cements off-

Energy Svce. (FSESX)

Diamond Offshore
GlobalSantaFe
Noble Corp.
National Oilwell Varco
Halliburton
BJ Services
EnSCO Intl.
Weatherford Intl.
Schlumberger
Baker Hughes

59.6% of portfolio
59 holdings

Insurance (FSPCX)

Amer. Intl. Group
St. Paul Travelers
Ace
Hartford Fin. Svcs.
Metlife
Aflac
Prudential Financial
WellPoint
Allstate
Endurance Spl. Hldg.

49.2% of portfolio
73 holdings

Util. Growth (FSUTX)

Verizon Comm.
AT&T
BellSouth
Sprint Nextel
Qwest Comm.
Publ. Svc. Ent. Grp.
Exelon
Alltel
AES
Southern Co.

70.4% of portfolio
38 holdings

cont'd on page 5

cont'd from page 4

shore oil driller Ensco International to its top 10 list in place of onshore driller Nabors Industries. Select Utilities Growth swaps TXU Corporation for Southern Company.

Except for changes to the order of names, the top 10 list of **Fidelity Select Biotechnology** and **Fidelity Select Insurance** remain unchanged.

cont'd from page 3

generics will likely negatively impact the sales of Pfizer's competing \$12 billion blockbuster drug *Lipitor* well-ahead of its patent expiry in 2010.

To combat the generic threat, Merck and Pfizer are trying to bring combination products that not only reduce LDL or bad cholesterol but also elevate HDL or good cholesterol. Delays in approval of generic drugs due to budgetary constraints at the Office of Generic Drugs could also benefit branded drug companies.

Meanwhile, Merck and Wyeth continue to battle lawsuits. Cases from plaintiffs who have taken Merck's *Vioxx* for more than 18 months are now coming to court. Merck has received a setback in one such case in New Jersey where the jury ruled Merck liable. It is conceivable such rulings may draw more lawsuits and render initial liability estimates low. Wyeth's battles with diet-drug '*Fen-Phen*' continue while the company maintains that its reserves for settlement and legal costs are adequate.

Biotech performance mixed. Genentech (DNA-FBIOX), Celgene (CEPH-FBIOX) and Gilead Sciences (GILD-FBIOX) reported strong earnings. Amgen's (AMGN-FBIOX, FSPHX) report was on target. Sepracor (SEPR-FBIOX) and Genzyme (GENZ-FBIOX) disappointed.

Genentech reported a 58% increase in its per-share adjusted earnings. Quarterly U.S. sales of the company's oncology drugs *Herceptin* and *Avastin* rose 123% and 96%, respectively from the year-ago pe-

riod. Genentech has now filed for FDA approval of *Avastin* to treat lung cancer. Genentech expects 2006 adjusted earnings per share to grow between 45% and 55%, up from the 40% to 50% increase forecasted in March.

Meanwhile, sales of Celgene's recently approved myelodysplastic syndrome treatment *Revlimid*, are ramping up nicely. Strong demand for its once-a-day HIV pill and surging royalties from flu vaccine *Tamiflu* handily contributed to Gilead's performance.

Amgen reported a 26% increase in its per-share earnings from the year-ago period. Sales of anemia product *Aranesp* and rheumatoid-arthritis therapy *Enbrel* increased 25% and 11%, respectively. Amgen is looking to *Panitumumab*, a colorectal cancer treatment, to drive earnings growth.

A reversal in wholesaler inventories along with rising competition in the insomnia drug market appears to have impacted sales of Sepracor's *Lunesta* even as the company incurred higher marketing costs. Weaker sales of arthritis drug *Synvisc* and drug launch costs dragged Genzyme's earnings lower.

In other developments, Cephalon has now submitted findings to the FDA showing that its Attention Deficit Hyperactivity Disorder drug *Sparlon* does not cause Stevens Johnson Syndrome. In March, Cephalon shares declined on such concerns. The FDA is expected to rule on *Sparlon* by May 22. Meanwhile, Cephalon is looking to launch alcoholism drug *Vivitrol* in late June.

Corporate developments. Novartis (NVS-FPHAX) has completed the purchase of biotech company Chiron for \$5.4 billion. The transaction was approved by Chiron shareholders after Novartis upped the offer from \$45 per share to \$48 per share. The Chiron acquisition provides Novartis access to vaccines and diagnostic businesses.

AstraZeneca is selling its U.S. anesthetic and analgesic business for \$350 million and paying \$200 million to Abraxis Bioscience for an agreement to co-promote *Abraxane*, for metastatic breast cancer.

Taking responsibility for marketing its type 2 diabetes drug *Actos* in the U. S., Takeda Pharmaceuticals (TKD.SG-FPHAX) has terminated its collaboration with Eli Lilly per its 1998 agreement.

Insurer blues. The weakness in health insurer share prices continued through the first quarter earnings season despite strong current reports and near-term forecasts. Investors reacted negatively to rising medical costs at Aetna (AET-FSPHX) and inquiries pertaining to option grants at UnitedHealth (UNH-FSPHX), putting pressure on share prices across the group. Even WellPoint (WLP-FSPHX, FSPCX) declined 8% after posting an unquestionably strong earnings report and increasing second quarter and 2006 earnings guidance.

On the enrollment front, major insurers are benefiting from the launch of the U. S. Medicare Part D prescription drug benefit program. The total number of participants has exceeded the government's goal of 30 million. UnitedHealth bagged the top spot enrolling 4.5 million members as of the first quarter.

Fidelity Select Biotechnology rated 'Favored Buy'. The American Society of Clinical Oncology holds its annual meeting in Atlanta, GA from June 2 to 6. We believe this forum could set the stage for positive clinical data to be presented.

In the near-term, certain drug pipeline-related developments may also increase investor enthusiasm. Genentech plans to file for the approval of *Avastin* in treating metastatic breast cancer in the second quarter. The FDA's decision on use of Celgene's *Thalomid* for treating newly diagnosed multiple myeloma is expected by May 25. The FDA's

ruling on use of Celgene's *Revlimid* in treatment of relapsed or refractory multiple myeloma is expected before June 30.

We believe news quality from the biotech group may improve in the near-term. As such, we see the recent decline in biotech shares as a buying opportunity and are rating Fidelity Select Biotechnology 'Favored Buy'.

Turning to other health care groups, valuation in the health insurance group has become attractive. Shares of Aetna, UnitedHealth, and WellPoint trade at forward P/E multiples lower than 14. Shares of major U. S. drug companies are trading at relatively low multiples as well. Pfizer, for example, trades at valuation levels not seen in decades yielding over 3%. Meanwhile, a declining dollar is boosting dollar-denominated share prices of foreign drug companies.

We continue to include Fidelity Select Pharmaceuticals in both model portfolios. Fidelity Select Health Care finds a place in the Core model portfolio.

Fidelity Select Business Services & Outsourcing

Following three years of sustained economic expansion, business service providers are

benefiting from corporations increasing their payroll and marketing budgets. Financial service providers continue to thrive.

Payroll processors and recruiting firms are benefiting from increases in corporate hiring. Automatic Data Processing (ADP-FBSOX) reported a 13% increase in its per-share quarterly earnings from continuing operations. Revenue from the U. S. payroll and tax filing business increased 8%. ADP remains confident of growing revenue 10% during the full-year.

Citing strong demand for accountants, staffing company Robert Half International (RHI-FBSOX) reported a 23% increase in revenue from year-ago levels. Per-share quarterly earnings surged 31%.

Advertising and marketing service providers are seeing their business ramp up as well. Omnicom's (OMC-FBSOX) per-share earnings increased 13% from the year-ago period to 93 cents and topped analysts' estimates by 3 cents. Operations across the globe were strong with U. S. and International revenues growing 7% and 4%, respectively.

Among financial service providers, the global boom in financial markets is helping State Street (STT-FBSOX) continue its growth. The institutional service provider's reve-

nue increased 16% from year-ago levels enabling per-share earnings to grow a robust 30%. Company Chairman Ronald Logue commented 'Our fee revenue continues to be strong across all business units and geographies, especially management fees from State Street Global Advisors.'

Strong money transfer transaction growth and superior float management in a flat yield environment helped cash transfer and money order firm Moneygram International (MGI-FBSOX) to report a 11% increase in first quarter profits. The company has upped its 2006 per-share earnings forecast.

As economic growth matures, slowing productivity growth and increasing competition for customers will drive corporate clients to add to their staff while increasing marketing budgets. We remain optimistic on the prospects for Fidelity Select Business Services & Outsourcing and include this fund in the Core model portfolio.

Fidelity Select Energy Service

Strong showing of energy service shares was underpinned by rising crude oil prices and robust earnings reports. Yet, a cautious stance may be warranted as risk of commodity price correction

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increases.

Crude oil prices added \$3.95 per barrel to their March close to end April at \$71.88 per barrel. The rally was driven by two factors: concerns over sustainability of supplies and increasing capital flow.

The Iranian President said his country completed its first enrichment of uranium and 'does not give a damn' about U. N. resolutions seeking to stop such activity. The continued defiance heightened concerns that the U. S. may launch a military strike against the world's fourth-largest oil producer.

The first exchange-traded fund that seeks to track oil prices, U. S. Oil Fund, was launched in April. Increase in capital flow resulting from the launch of this investment vehicle also boosted crude oil prices.

Meanwhile, surging gasoline prices at the pump and strong profits being reported by major oil companies and refiners have attracted law makers' attention. President Bush

Offshore driller Diamond Offshore reported a nearly five-fold increase in its per-share earnings from year-ago levels, while rig construction equipment provider National Oilwell Varco reported more than a doubling of its per-share earnings.

has ordered the Department of Justice to look for possible price manipulation by gasoline refiners and marketers. In a bid to cool oil prices in the near-term, the President has also decided to suspend additions to the Strategic Petroleum Reserve.

On the earnings front, industry heavyweights Schlumberger (SLB-FSESX) and Halliburton (HAL-FSESX) chimed in with strong numbers. Schlumberger's per-share earnings were up over 80% from year-ago levels while Halliburton's were up 25%.

Some of the smaller energy service companies reported even more

spectacular comparisons. Offshore driller Diamond Offshore (DO-FSESX) reported a nearly five-fold increase in its per-share earnings from year-ago levels, while rig construction equipment provider National Oilwell Varco (NOV-FSESX) reported more than a doubling of its per-share earnings.

The business outlook and pricing environment for the energy service companies remains strong. While rig operators are seeing day rates set new highs, service providers like Halliburton are working to push rate increases through as contracts come for renewal. Yet, crude oil prices will continue to remain a key factor in determining the direction of energy service share prices in the near-term. The supply disruption premium embedded in the price of oil is likely to be unwound, should there be some semblance of progress in the political discussions with Iran.

As such, we are taking a somewhat cautious stance towards the energy service group in the near-term while continuing to include Fidelity Select Energy Services in the model portfolios.

Fidelity Select Food & Agriculture

Food companies are executing well even as raw material costs escalate. A growing middle class in emerging markets and a trend towards healthy eating in developed markets offer growth opportunities.

Global food giants came through with their earnings. McDonald's (MCD-FDFAX) reported a 14% increase in per-share operating earnings from the year-ago period. The company's U. S. operations performed well and European operations showed signs of a sustainable turnaround. The company targets to follow its recent successes with premium-roasted coffee and spicy chicken with new menu items like big breakfast burrito.

Looking at other companies, soft drink titans Pepsico (PEP-FDFAX) and Coca-Cola (KO-FDFAX) reported first-quarter earnings that were ahead of the year-ago tally by 12% and 10%, respectively. The nation's largest cereal maker Kellogg (K-FDFAX) reported an 8% increase in first quarter earnings from the year-ago level as revenue climbed 6%. Nestle (NESN.VX-FDFAX), which does not report earnings on a quarterly basis, reported a 6.7% organic growth in revenue for the first quarter.

In developed markets, food companies are driving growth from the trend towards healthy eating. Pepsico is scoring strong volume gains thanks to its 'Smart-Spot' brands such as *Gatorade*, *Aquafina*, and *Quaker granola bars* that target health-conscious customers. Kellogg will introduce organic versions of its popular cereal brands like *Frosted Mini-Wheats* and extend its organic brand *Kashi*, into frozen entrees.

Emerging markets continue to be a key growth area as rising income levels lead to rise in consumption of prepared foods. McDonald's has set its eyes on China where the fast-food giant plans to build 'drive-thrus' at a rapid pace.

Rising cost of energy and raw materials do pose some risks here as companies are likely to have trouble in passing all of the cost increases to customers. Pepsico, for example, expects rising costs of oranges to pressure the bottom-line of its *Tropicana* brand in 2006.

We believe the positives outweigh the risks and continue to include Fidelity Select Food & Agriculture in the Core model portfolio.

Fidelity Select Insurance

Insurer shares have benefited from positive sentiment towards the financial sector in general. Leading insurers have come through with their earnings and are taking steps to mitigate risk.

Valuation remains attractive.

Belief that the Federal Reserve will soon pause on raising short-term interest rates enthused investors towards shares in the financial sector. A marginally expanding spread between long- and short-term interest rates also provided comfort. Share prices of the nation's leading property & casualty and life insurance companies were helped by generally strong earnings reports. Shares of health insurer WellPoint (WLP-FSPCX, FSPHX) likely were a drag on performance.

Strong sales of investment products propelled Hartford Financial Services' (HIG-FSPCX) per-share earnings to a 33% increase from year-ago levels. Mutual fund sales vaulted 86% while variable annuity sales increased 24%. Chairman Ramani Aiyer commented, 'The Hartford's strong performance during the quarter demonstrates our unrelenting focus on core markets where we have competitive advantages.' Hartford now expects 2006 core earnings to range between \$8.80 and \$9.10 a share, up from its previous forecast of \$8.20 to \$8.50 a share.

Allstate (ALL-FSPCX) and MetLife (MET-FSPCX) reported per-share earnings growth of 34% and 22%, respectively from year-ago levels. Both companies raised their 2006 operating earnings forecast. Allstate's combined ratio, a measure of underwriting profitability, trended in the right direction, declining 3% from a year ago. MetLife is benefiting from its Travelers Life & Annuity acquisition and total annuity deposits ballooned 51% to \$3.8 billion.

Following large hurricane-related losses last year, insurers are taking steps to mitigate risks. Allstate is limiting its exposure to disaster-prone areas of the U. S. Ace (ACE-FSPCX) has increased its reinsurance coverage in the U. S. by over \$200 million.

Meanwhile, share price valuation in

the insurance group remains attractive. Hartford Financial, for example, trades at a forward P/E of around 10. The P/BV ratio for insurers like MetLife and Ace is below 1.5. We continue to like the prospects for the insurance group and include Fidelity Select Insurance in the Core model portfolio.

Fidelity Select Telecommunications and Utilities Growth

Performance of telecom and electric utility companies was mixed on the earnings front. With telecom service providers consolidating, merger activity is shifting to the telecom equipment space. Exelon's merger ambitions run into opposition in New Jersey.

Mixed reports. Telecom service companies performed unevenly on the earnings front with AT&T (T-FSTCX, FSUTX) faring better than Sprint Nextel (S-FSTCX, FSUTX). Motorola's (MOT-FSTCX) networking business in China was a sore

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spot. In power generation, AES (AES-FSUTX) performed well while Southern Co. (SO-FSUTX) did not.

With merger synergies accruing at a rapid clip, AT&T reported a 63% increase in its first quarter profit even as consolidated revenue declined 5% to \$15.8 billion. Following SBC's purchase of AT&T to form the new AT&T, job reduction programs are running ahead of schedule. The new AT&T and BellSouth (BLS-FSTCX, FSUTX) now expect to complete their merger by year-end, three months ahead of the previously targeted March 2007 close.

Delay in realization of merger-

related savings caused Sprint Nextel's per-share earnings to fall short of analysts' forecasts. Sprint Nextel's transition to a pure wireless entity is imminent. The company will spin off its local telephony unit Embarq on May 17. Sprint Nextel is targeting to use cable TV companies as a marketing channel for its wireless services. Sprint Nextel has teamed up with five cable companies and is working to offer wireless service packages.

Motorola's profits declined about 1% to \$686 million from the year-ago period even though revenue increased 23% to \$10 billion. Strength in the handset business was offset by weakness in networking. Wireless operators in China delayed spending on network equipment as they are waiting for the government to issue licenses for building high-speed wireless networks. Motorola expects the networking business to improve in the second quarter.

AES increased its fourth quarter per-share earnings by 75% from the year-ago period. Higher electricity rates in Brazil and Argentina and lower tax rates were the key drivers. Meanwhile, higher operating and maintenance costs pressured Southern Company's first-quarter earnings. The performance of Southern's wholesale generation business was a bright spot where earnings were up 20%. Southern intends to accelerate the pace of acquisitions and expansions in the wholesale unit.

Consolidation shifts. Following consolidation among telecom service providers, telecom equipment companies are now joining forces to increase negotiating leverage as well as scale economies. Lucent Technologies (LU-FSTCX) and Alcatel are merging. The combined company will be a Paris-based entity with about \$25 billion in revenue; it will rival Cisco (CSCO-FSTCX) as the top phone and computer-network equipment maker.

World phone. Qualcomm (QCOM-FSTCX) seeks to make high-speed world cellular phones, a reality for the masses. Currently, there are two major incompatible network technologies used around the world, EV-DO and W-CDMA. While world phones that work across technologies are available, they work at slower Internet speeds than EV-DO and W-CDMA phones and are too expensive for the mass market. Qualcomm is building phone chips that work on both EV-DO and W-CDMA and expects such cellular phones to be available by year-end.

Exelon opposed. Approval for Exelon's (EXC-FSUTX) proposed merger with Public Service Enterprise Group (PEG-FSUTX) is not readily forthcoming in New Jersey. The New Jersey Division of Rate Counsel, which serves as an advisor to the state's Board of Public Utilities, is opposing the transaction on grounds that the deal will reduce competition. Exelon continues to work with state regulators and intends to pursue the merger as long as the deal continues to make economic sense.

An enthusiastic response to telecom service company mergers helped the telecommunication group fare particularly well during the first quarter. Share prices have since taken a breather. Income-oriented investors typically invest in telecom and electric utility companies for their relatively high dividend yields. As such, these groups could be somewhat vulnerable if interest rates continue to trend higher.

Looking out farther, we like the defensive characteristics of the telecom and electric utility companies. Consolidation opportunities are appealing as well. We continue to in-

clude Fidelity Select Telecommunications and Fidelity Select Utilities Growth in the Core model portfolio.

AlphaProfit Sector Portfolio Indicator Reading: Buy on Dips

While there are some signs that a moderation in economic growth may be in the offing, a pause in the up-tick in short-term interest rates is far from a foregone conclusion.

U. S. economic growth in 2006 has been strong. The Commerce Department states that the economy grew at the 4.8% annual rate during the first quarter, the fastest pace in

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over two years. Early indications are that growth remained strong in April as well.

Inflation has generally been tame although rising commodity prices cause concerns. The year-over-year increase in the core consumer price index was 2% at the end of the first quarter, right around the top of the Federal Reserve's target range. Rising oil and industrial metals prices however continue to add to inflationary pressure. The yield on the 10-year treasury bond has steadily ascended in 2006 adding 68 basis points from its 2005 close to end April at 5.07%.

The equity market has weathered the combined impact of rising oil prices and interest rates admirably well. Stellar earnings reports and a belief that the Federal Reserve is set to pause on raising short-term interest rates have helped bullish

Featured Quote

'Investing is an inexact science. It is better to be approximately right than precisely wrong.'

George Hartman

sentiment. Equity prices as measured by the Dow Jones Wilshire 5000 index are up 6.7% in 2006.

There are some signs that economic growth may moderate. Following the 0.5% decline in February, the Conference Board's index of leading indicators declined 0.1% in March. China appears to want to temper growth and has increased its one-year lending rate from 5.58% to 5.85%. Yet, it remains to be seen if growth will actually moderate.

In the absence of some tangible evidence that growth is actually moderating, we believe there are risks to the expectation that the Federal Reserve will pause on raising short-term interest rates. Additionally, it is unclear how long the pause will be. Meanwhile, the equity market appears to be increasingly factoring the pause in interest rate hikes into stock prices.

Against this backdrop, we are cautious in our near-term outlook for the equity market and are rating the AlphaProfit Sector Portfolio Indicator 'Buy on Dips'. We rate Fidelity Select Biotechnology 'Favored Buy'.

AlphaProfit Investments, LLC
Date: April 30, 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	B. Hesse, J. Morrow
Select Energy Service	FSESX	Large Cap Growth	Above Average	J. Dowd
Select Food & Agriculture	FDFAI	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: None.

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.

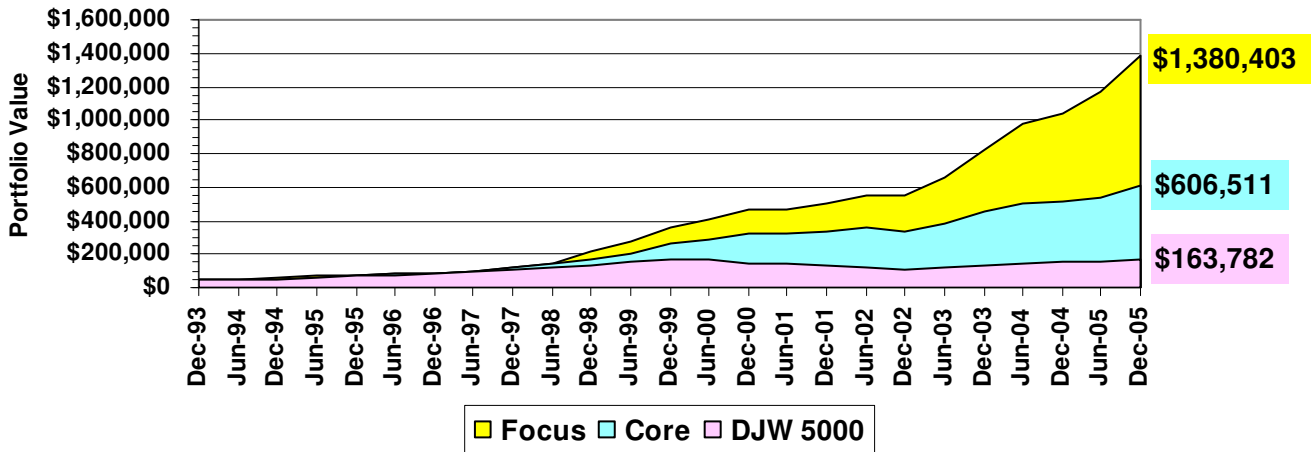
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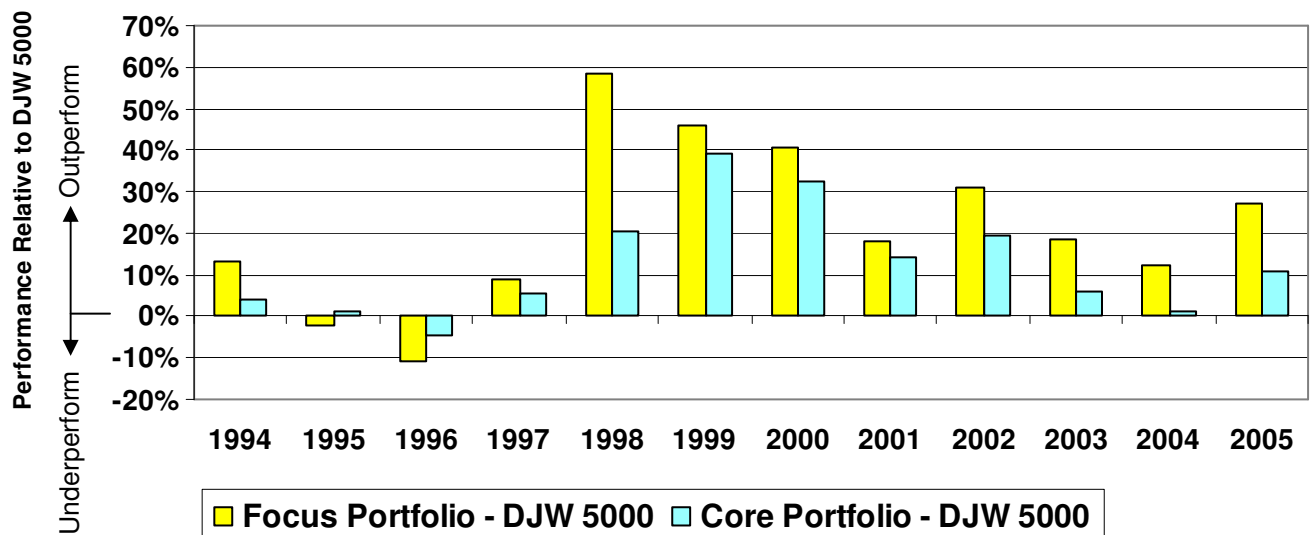
AlphaProfit Model Portfolio Long-Term Performance

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 invest-

ments 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.