AlphaProfit™

Sector Investors' Newsletter

Monthly Report

$ervice for $ophisticated $ector Investors

Ideas. Insights. Results.

WHAT'S INSIDE

AlphaProfit Sector Investors' Newsletter (ISSN: 1547-9668) is published monthly by AlphaProfit Investments, LLC.

The Subscription Price Schedule for the AlphaProfit Sector Investors' Newsletter is posted at http://www.alphaprofit.com. To subscribe or to learn more about AlphaProfit Investments, visit www.alphaprofit.com.

Copyright © 2006 AlphaProfit Investments, LLC. All rights reserved.

No part of this document may be reproduced in any manner without written permission of AlphaProfit Investments, LLC.

AlphaProfit Investments, LLC neither is associated with nor receives any compensation from Fidelity Investments.

Please review our Terms & Conditions of Use and Subscriber Agreement which is available on our website at www.alphaprofit.com, which governs your relationship with AlphaProfit Investments, LLC, including, but not by way of limitation, use of this newsletter.

Fund Exchanges
Core Portfolio: None
Focus Portfolio: None

AlphaProfit SP Indicator™
Reading: Buy
Favored Buy: FSAGX, FSDPX

Scorecard

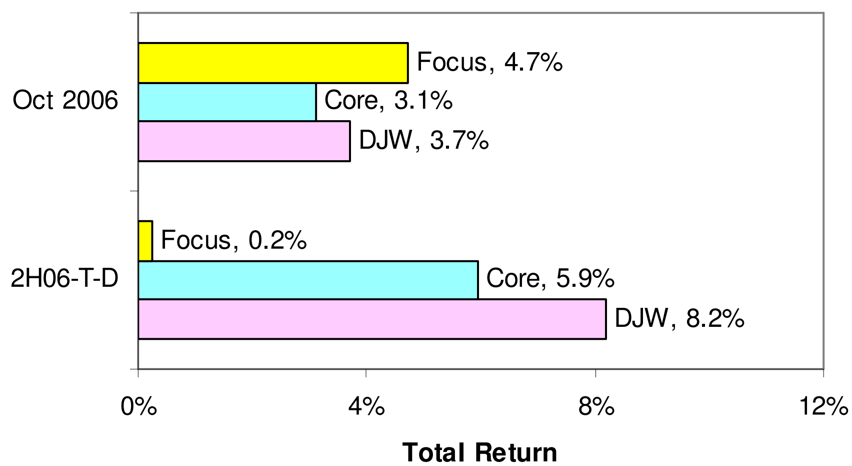
The AlphaProfit Focus and Core model portfolios gained 4.7% and 3.1%, respectively in October. The Dow Jones Wilshire 5000 Total Market Index gained 3.7% in comparison.

Dow sets record. Underpinned by strong third quarter earnings reports and a decline in the price of oil, the U. S. equity market continued its winning ways in October. With a 3.4% gain, the Dow Jones Industrial Average broke through the 12,000 level to set a new all-time high.

Profits at the S&P 500 companies increased over 17% from year-ago levels. The strength was spread across several sectors and industry groups with names like Amazon, DuPont, Exxon Mobil, and IBM posting notably robust numbers.

Meanwhile, oil continued to slide losing over $5 per barrel. The backdrop of receding energy prices and relatively strong retail sales gave investors confidence that consumer spending will likely not be undermined by weakness in the housing market.

Interest rates and the dollar. With economic and earnings news generally being upbeat, bond yields and the U. S. dollar gained in value through most of the month. These rallies however abruptly reversed when the third quarter gross domestic product growth estimate of 1.6% fell short of expectations. Bond yields and the U. S. currency ended essentially unchanged for the month.



Portfolio Composition

AlphaProfit Focus™ Model Portfolio

The Focus Portfolio was last repositioned at the close of business on June 30, 2006. We are leaving the Focus portfolio unchanged at this time.

Fidelity Fund Holding	June 30, 2006		October 31, 2006	
(Ticker Symbol)	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Gold (FSAGX)	$729,221	50.00%	$733,663	50.18%
Materials (FSDPX)	$729,221	50.00%	$728,288	49.82%
Total (rounded to)	$1,458,442	100.00%	$1,461,951	100.00%

AlphaProfit Core™ Model Portfolio

The Core Portfolio was last repositioned at the close of business on June 30, 2006. We are leaving the Core portfolio unchanged at this time.

Fidelity Fund Holding	June 30, 2006		October 31, 2006	
(Ticker Symbol)	Amount Invested	Percent Portfolio	Value	Percent Portfolio
IT Services (FBSOX)	$64,599	10.15%	$66,056	9.80%
Cons. Staples (FDFAX)	$65,048	10.22%	$70,169	10.41%
Gold (FSAGX)	$96,120	15.11%	$96,705	14.35%
Health Care (FSPHX)	$58,261	9.16%	$63,048	9.36%
Materials (FSDPX)	$96,120	15.11%	$95,997	14.24%
Insurance (FSPCX)	$59,280	9.32%	$64,355	9.55%
Pharma. (FPHAX)	$63,538	9.99%	$68,512	10.17%
Telecomm. (FSTCX)	$65,934	10.36%	$73,553	10.91%
Util. Growth (FSUTX)	$67,311	10.58%	$75,553	11.21%
Total (rounded to)	$636,212	100.00%	$673,948	100.00%

Taking cue from the Federal Reserve's 'Beige Book' survey, equity investors remained sanguine that economic growth is slowing to a sustainable pace and will not trigger inflation. The Federal Reserve supported the bullish cause by leaving short-term interest rates unchanged at 5.25%.

Investors returned to industrial and consumer discretionary sectors against the backdrop of steady growth and interest rates making them better performers. Health care shares were among the weaker performers as investors fretted over the impact of upcoming House and Senate elections on the future of Medicare Part D prescription drug benefits.

Exposure to materials and gold helped the AlphaProfit Focus model portfolio gain 4.7% and outperform the Dow Jones Wilshire 5000 Index's 3.7% gain. Meanwhile, health care shares hurt the performance of the AlphaProfit Core model portfolio and limited the advance to 3.1%.

Major Movers

(Company and fund ticker symbols in parentheses.)

The breadth of the stock market advance helped about two-thirds of the top 10 holdings gain in October. Boosted by consolidation activity, materials and IT services companies were among the notable winners. Telecom equipment companies and pharmaceutical manufacturers frequented the losers list.

Open Solutions closes. The chapter of Open Solutions (OPEN-FBSOX) as a public company is set to end. The software company that specializes in products for financial institutions has agreed to be acquired by Providence Equity Partners and The Carlyle Group for $785 million. Open's stock vaulted close to 30% to trade near the $38 per share offer price and became the Core model portfolio's top performer in October.

The thoroughbred races. Shares of Norfolk Southern (NSC-FSDPX) with a 19% gain were the Focus model portfolio's top performer. The thoroughbred's shares were in favor after being put in the dog house for some months as the railroad delivered a stellar earnings report exceeding analysts' forecast for revenue and earnings. An 11% increase in revenue propelled earnings per share to jump nearly 40% from the year-ago level.

Buenaventura bucks the trend. Shares of Peru's top precious metals miner Buenaventura (BVN-FSAGX) bucked the general uptrend in gold mining shares and lost 4.3% to become the Focus model portfolio's bottom performer. The company's third quarter profit of $82 million was short of the $92 million forecasted by analysts. A 14% decline in gold production largely accounted for the earnings shortfall.

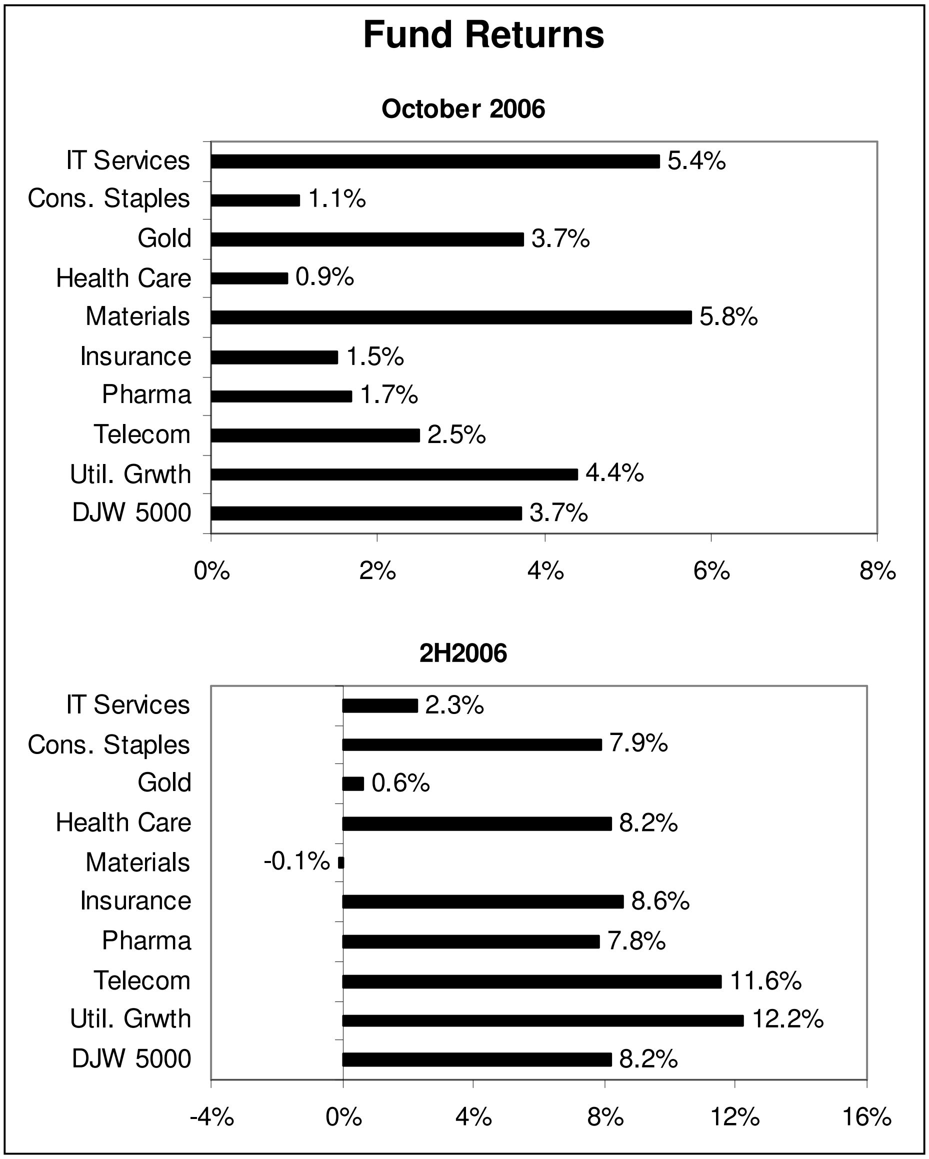
Volatility rules Corning. Shares of fiber optic and flat panel glass maker Corning (GLW-FSTCX) swung into the minus column after taking top honors in September. The shares lost over 16% to become the Core model portfolio's worst performer. While the company's third quarter per-share earnings exceeded analysts' forecast, weakness in the telecommunications unit hurt revenue. Corning's fourth quarter revenue guidance fell short of analysts' forecast.

Outlook

(Company and fund ticker symbols in parentheses.)

Economic growth in the U. S. is slowing. Falling oil prices and signs of stabilization in the housing market are providing a prop to consumer sentiment.

The Institute for Supply Management's manufacturing index declined from 54.5 in August to 52.9 in September. The decline was largely caused by weakness in the housing



market, a factor that also impacted the Chicago Purchasing Managers' business barometer. The Chicago Purchasing Managers' Index declined to 53.5 in October, the lowest since August 2005.

Oil has declined by about 25% since early August taking the pressure off gasoline prices. This has lessened the burden on consumers. The median price of a new home has declined by nearly 10% in the last 12 months, the fastest price decline in nearly 36 years. With sales of new homes increasing 5.3% in September, the housing market is beginning to show some signs of stability.

Relief from high gasoline prices and declining home prices appear to be helping consumer sentiment. The University of Michigan's consumer sentiment index rose to 93.6 in October, the highest since July 2005.

Fidelity Select Consumer Staples

Food companies are performing well by introducing new products and managing costs.

McDonald's (MCD-FDFAX) continues to execute well both in the U. S. and abroad. Global same-store sales for the third quarter were up 5.8% and margins improved in all regions of the world. Brisk sales of the newly introduced chicken-wrap and breakfast items helped results in the U. S. The fast-food giant's third quarter per-share profit increased 17% from the year-ago period while revenue increased 10%. Upside in McDonald's shares, which trade at a forward P/E of about 16, is likely to be realized if the company can further its European turnaround and widen the operating margin.

Beverage titans PepsiCo (PEP-FDFAX) and Coca-Cola (KO-FDFAX) came through with their third quarter earnings. PepsiCo reported a 72% increase in per-share earnings on a 9% increase in revenue while Coca-Cola reported a 15% gain in per-share earnings on a 7% increase in revenue. Looking ahead, PepsiCo intends to be on the acquisition trail having earmarked $500 million for acquisitions. Meanwhile, Coca-Cola plans to launch jointly with Nestle (NESN.VX-FDFAX), a sparkling green tea beverage *Enviga* claimed to burn calories.

Altria (MO-FDFAX), parent of Philip Morris USA, reported a modest $0.02 per-share drop in third quarter earnings from the year-ago period as performance in Spain and Japan offset market share gains in North America. In the near-term, Altria shares will likely be volatile as a U. S. Supreme Court hears a case on the magnitude of punitive damages juries can award. Altria intends to finalize its decision to spin off Kraft at its January 31 board meeting.

We like the prospects for the consumer staples group as companies manage to control costs and deliver on the earnings front. We continue to include Fidelity Select Consumer Staples in the Core model portfolio.

Fidelity Select Gold

Gold mining industry continues to consolidate. Economic and political conditions have the possibility of facilitating the current rally in gold to continue.

Consolidation. In a drive to acquire reserves, gold miners are en-

cont'd on page 5

Top 10 Fund Holdings

Fidelity Investments has reported the top 10 holdings of their mutual funds as of September 30, 2006. Managers of **Fidelity Select Materials** and **Fidelity Select IT services** have been quite active. In Select Materials chemical and coal companies are less of a force as CONSOL Energy, Dow Chemical, DuPont and Peabody Energy exit. Nickel producer Falconbridge departs as well. The five vacancies are filled with uranium producer Cameco, steel producer Ipsco, railroad Norfolk Southern, copper producer Phelps Dodge, and industrial gas producer Praxair. The fund is more diversified with the top 10 holdings now comprising 36% of assets, down from 46%.

There are four changes in Fidelity Select IT Services. Payroll processor Automatic Data Processing, credit card processor CyberSource, business analysis software provider Fair Isaac, and credit rating agency Moody's take the spots vacated by Accenture, Alliance Data Systems, Ceridian, and Sapient.

Fidelity Select Pharmaceuticals and **Fidelity Select Telecommunications** make three changes each. Large, branded name drug makers Bristol-Myers Squibb, Eli Lilly, and Schering Plough replace NutriSystem, Takeda Pharmaceutical, and Teva Pharmaceuticals in Select Pharmaceuticals.

Select Telecommunications has lightened on telecom equipment disconnecting Nokia, Nortel Networks and Qualcomm. The fund instead prefers telecom service providers. Alltel, now a pure-play wireless company along with Internet connectivity provider Level 3 Communications and networking solutions provider Time Warner Telecommunications get connected. Diversification increases with top 10 holdings now accounting for 63% of the fund's assets, down from 71%.

Cons. Staples (FDFAX)	Gold (FSAGX)	Health Care (FSPHX)
Nestle ADR	Newcrest Mining	Pfizer
Unilever NV (NY)	Barrick Gold	Johnson & Johnson
Altria Group	Meridian Gold	Merck
Coca Cola	Aber Diamond	UnitedHealth
PepsiCo	Newmont Mining	Amgen
McDonald's	Cambior	Wyeth
Kroger	Goldcorp	WellPoint
Sysco	Freeport-McMoRan C&G	Allergan
Kellogg	Buenvaventura (Cia Min)	Baxter Intl.
General Mills	Crystallex Intl.	Cardinal Health
49.9% of portfolio	*61.8% of portfolio*	*46.7% of portfolio*
23.2% foreign	*84.5% foreign*	*7.6% foreign*

IT Services (FBSOX)	Insurance (FSPCX)	Materials (FSDPX)
First Data	Amer. Intl. Group	Alcoa
Paychex	St. Paul Travelers	Burl. North. Santa Fe
Open Solutions	Ace	Phelps Dodge
Hypercom	MetLife	Can. Natl. Railway
Fair Issac	Hartford Fin. Svcs.	Praxair
Automatic Data Proc.	Prudential Financial	U. S. Steel
Moneygram Intl.	Aflac	Alcan
Cognizant Tech Cl. A	Allstate	Ipsco
CyberSource	Chubb	Norfolk Southern
Moody's	Endurance Spl. Hldg.	Cameco
57.6% of portfolio	*49.6% of portfolio*	*35.8% of portfolio*
4.2% foreign	*29.3% foreign*	*30.2% foreign*

Pharma. (FPHAX)	Telecomm. (FSTCX)	Util. Growth (FSUTX)
Merck	AT&T	Verizon Comm.
Pfizer	Qwest Comm.	Bellsouth
Novartis ADR	Verizon Comm.	AT&T
Wyeth	BellSouth	Sprint Nextel
Roche Holdings	Alltel	Alltel
Johnson & Johnson	Motorola	Level 3 Comm.
AstraZeneca ADR	Level 3 Comm.	Exelon
Schering-Plough	Time Warner Telecom.	Qwest Comm.
Lilly (Eli)	Sprint Nextel	FPL Group
Bristol-Myers Squibb	Corning	Entergy
59.7% of portfolio	*63.3% of portfolio*	*64.9% of portfolio*
32.1% foreign	*7.0% foreign*	*NA*

Fidelity Select Gold, **Fidelity Select Health Care**, and **Fidelity Select Utilities Growth** make two changes each. Select Gold lightens on platinum holdings removing Impala Platinum and Lonmin. Freeport-McMoRan Copper & Gold, a low-cost copper producer with copper and gold mining operations in Indonesia, and Goldcorp, North America's third largest gold producer, find a place.

Health care instrument maker Baxter International and drug distributor Cardinal Health take the place of Abbott Laboratories and Genentech in Select Health Care. Select Utilities Growth sheds AES and FirstEnergy and adds Alltel and Level 3 Communications.

cont'd on page 5

cont'd from page 4

Fidelity Select Consumer Staples and **Fidelity Select Insurance** make one change each with Select Consumer Staples swapping Archer-Daniels-Midland with food distributor Sysco and Select Insurance swapping UnitedHealth with property and casualty insurer Chubb.

With all of these changes included Alltel, AT&T, BellSouth, Johnson & Johnson, Level 3 Comm., Merck, Pfizer, Qwest Comm., Sprint Nextel, Verizon Comm., and Wyeth are each represented in two out of the nine Core model portfolio funds. There is no overlap in the top 10 holdings of the two funds in the Focus model portfolio.

From a geographical diversification perspective, Canadian exposure remains high in the Focus model portfolio with Select Gold and Select Materials having 54% and 30% of assets invested north of the border. In the Core model portfolio, Select Insurance has nearly 26% of its assets invested in companies domiciled in tax havens, Bermuda and Cayman Islands while Select Pharmaceuticals has about 13% and 10% of its assets invested in Switzerland and Japan, respectively.

cont'd from page 3

gaging in takeover activity. Goldcorp (GG-FSAGX) will likely succeed in taking over Glamis Gold even though Goldcorp's founder is trying to force Goldcorp shareholders to vote on this deal.

Barrick Gold (ABX-FSAGX) has increased its ownership in Pioneer Metals to 98% and is set to take control. Additionally, Barrick continues to pursue NovaGold having increased the offer by 10% to $1.7 billion while NovaGold believes the revised offer to be inadequate.

Papua New Guinea-based Lihir Gold is buying Australia-based prospector Ballarat Goldfields for about $266 million. Speculation on Australia-based Newcrest (AU: NCM-FSAGX) being a takeover target continues even though the company has asserted its commitment to exploration.

Corporate earnings. Benefiting from a healthy commodity price environment, Freeport-McMoRan Cop-per & Gold (FCX-FSAGX) posted a strong report more than doubling its third quarter per-share earnings. Freeport earned $1.67 per share beating analysts' estimate of $1.59 per share. Realized price for gold and copper price was 37% and 98% higher, respectively from the year-ago period.

Auguring well for the future, the company is seeing strong demand for its copper concentrate and physical gold. The company forecasts copper sales of 415 million pounds in the fourth quarter, up from 346 million pounds in the third. Gold sales are expected to dip a tad from 478,000 ounces to 470,000 ounces. Freeport trades at a forward P/E of 11 yielding 2.1%.

Economic and political factors. Gold mining shares appear to have bottomed, having rallied close to 10% from the lows set in early October. The rally was underpinned by softness in the U. S. economy and OPEC's efforts to stem the decline in oil prices.

While a weakening U. S. economy in itself can cause the U. S. dollar to lose ground against foreign currencies, rising interest rates in U. K., Germany, and Canada increases the likelihood.

Adding to this, the U. S. trade deficit widened to a record $69.9 billion in August. The imbalance in trade for goods and services has been financed largely by foreign central banks. Efforts made by central banks to diversify their reserves away from the dollar pose a risk for the U. S. currency.

OPEC held an extraordinary meeting to cut production quota by 1.2 million barrels per day. If OPEC nations exercise discipline and rein in production, the price of oil will likely rise.

A decline in the U. S. dollar and a rise in the price of oil are both inflationary. As such, the above factors have the possibility of rekindling inflation fears and extending the current rally in gold mining shares. We rate Fidelity Select Gold 'Favored Buy' and include this fund in both model portfolios.

Stock Searchlight

Stocks with appealing earnings trends and relatively attractive valuation characteristics are highlighted. Subscribers seeking stocks for the intermediate term may find the list worthy of further study.

Amgen (AMGN)	**p. 5**
AT&T (T)	**p. 8, 9**
Freeport-C&G (FCX)	**p. 5**
McDonald's (MCD)	**p. 3**
Norfolk Southern (NSC)	**p. 2, 8**
Pfizer (PFE)	**p. 6**
St. Paul Travelers (STA)	**p. 7**

Fidelity Select Health Care, Pharmaceuticals

Helped by demand from Medicare drug benefits, cost cuts, and growing sales of newer products, drug companies came through with their earnings. Yet, negative drug development news and election-related uncertainty weighed on shares.

Earnings exceed forecasts. Major drug companies came through with their earnings. A 27% increase in the sales of anemia treatment *Aranesp* enabled Amgen (AMGN-FSHCX) to earn $1.04 a share during the third quarter, up from 85 cents in the year-ago period. The earnings tally exceeded analysts' estimate of 98 cents a share. Amgen increased its 2006 earnings forecast by 10 cents a share to the $3.85 to $3.95 range. Amgen shares trade at a forward P/E multiple of 17.

Increase in sales of cholesterollowering pill *Lipitor* to Medicare beneficiaries offset the impact of generic competition and boosted Pfizer's revenue (PFE-FSPHX, FPHAX) by 9% to $12.3 billion. The company's adjusted earnings tallied 54 cents a share, well ahead of the analysts' 45 cents a share estimate. To bolster profits, Pfizer is looking to cut costs beyond the $4 billion target announced last year. Pfizer shares trade at a forward P/E of 12.

In other earnings reports, AstraZeneca (AZN-FPHAX) increased its third quarter per-share earnings by 32%, thanks to a 62% increase in sales of cholesterol drug *Crestor* and a 13% increase in sales of heartburn treatment *Nexium*. Meanwhile, a 91% increase in Lilly's (LLY-FPHAX) newer antidepressant *Cymbalta* and higher sales of antipsychotic drug *Zyprexa* to Medicare beneficiaries enabled the company to report a 10% increase in per-share earnings.

Year-over-year earnings comparisons at Bristol-Myers Squibb (BMY-FPHAX) and Merck (MRK-FSPHX, FPHAX) were less robust. Generic competition impacted sales of Bristol's blood thinner *Plavix* and cholesterol drug *Pravachol*. Merck's per-share earnings dropped nearly 22% as generic competition caused sales of its cholesterol drug *Zocor* to plunge 65%.

Pipeline woes. Bristol-Myers Squibb, Merck, and J&J reported positive pipeline developments. Merck won approval for *Januvia*, a potential blockbuster oral pill for Type 2 diabetes. Yet, news from Pfizer and AstraZeneca dampened sentiment.

Recent studies have shown Pfizer's experimental cholesterol pill *Torcetrapib* to increase blood pressure. Pfizer is looking to this drug to protect its cholesterol drug dominance. As such, data that undermine the safety of *Torcetrapib* may materially impact Pfizer.

AstraZeneca suffered a setback in its stroke drug development effort. The company has terminated the development of NXY-059 since Phase III trials did not provide adequate evidence of reducing stroke-related disability.

Biotech partnerships and deals. Major drug companies continue to look to biotechnology to develop new products and drive growth. Merck is acquiring Sirna Therapeutics for $1.1 billion. Sirna's RNA interference technology has shown promise in cancer research. Eli Lilly has completed the first phase of its $560 million biotechnology complex expansion in Indianapolis. Wyeth (WYE-FSPHX, FPHAX) has signed an alliance with Britain's Biotica Technology to leverage the latter's expertise in biosynthetic engineering and develop novel compounds. Deal making between biotech companies continues as well with Gilead Sciences buying Myogen for $2.5 billion.

Midterm elections. The possibility of Democrats gaining majority in one or both houses of Congress after the November 7 elections impacted health care share prices in October. Investors fear that Democrats may modify the new Medicare prescription drug benefit legislation, allow drug imports, or give Medicare greater leverage to negotiate discounts and thereby adversely impact the profitability of branded drug manufacturers.

We believe the markets have overreacted. Even if Democrats win both houses, they may not have adequate power to override a Presidential veto and make sweeping changes to Medicare. We continue to like the prospects for the pharmaceutical and health care shares within the context of a decelerating economy. Drug companies have come through with their earnings and legal woes appear to be under control. We maintain Fidelity Select Health Care and Pharmaceuticals in the Core model portfolio.

Fidelity Select Insurance

Leading insurers reported strong year-over-year earnings comparisons and are returning cash to shareholders. Yet, outlook for

Disclosure

AlphaProfit Sector Investors' Newsletter is for information purposes only. The Information is provided with the understanding that AlphaProfit Investments, LLC is not acting in a fiduciary capacity. Nothing herein should be construed as an offer to buy or sell securities or to give individual investment advice. The newsletter does not have regard to the specific investment objectives, financial situation, and particular needs of any specific person who may receive this report. The products mentioned in the document may not be eligible for sale in some states or countries, and they may not be suitable for all types of investors. Before buying any mutual fund, read its prospectus carefully.

Owners and employees of AlphaProfit Investments, LLC do invest in Fidelity mutual funds to track the model portfolios mentioned in the newsletter. Any one or more of their positions may not necessarily be the same as that of a Subscriber. Owners and employees of AlphaProfit Investments, LLC may also for their own accounts buy, sell or hold long or short positions in common stocks or other securities of companies mentioned in the newsletter.

Investments in equity mutual funds such as those included in the model portfolios shown herein carry an inherent element of risk, including the potential for loss of the principal. Past performance is no guarantee of future results.

The model portfolios presented in this newsletter are the products of AlphaProfit Investments, LLC. The proprietary ValuM™ Investment Process is used to select sectors for investment in the AlphaProfit Sector Investors' Newsletter model portfolios. This process evaluates sectors based on their valuation, momentum, and news flow quality.

continued on page 10

this industry group is becoming cloudy.

Benefiting from an essentially eventless hurricane season property and casualty insurers St. Paul Travelers (STA-FSPCX) and Allstate (ALL-FSPCX) both reported over $1 billion in net operating income. St. Paul's catastrophe-related losses amounted to just $10 million compared to losses in excess of over $1 billion from Hurricanes Katrina and Rita in the year-ago period. Likewise, catastrophes cost Allstate $110 million, substantially lower than the $3 billion incurred a year-ago.

Earnings comparisons at reinsurers Ace (ACE-FSPCX) and Endurance Specialty Holdings (ENH-FSPCX) were strong. Ace, for example, reported $1.96 per share in operating income compared to a 70 cent per share loss a year ago.

The nation's largest life insurer MetLife (MET-FSPCX) reported operating earnings of $958 million, 23% higher than last year's $780 million tally. MetLife also sold its Manhattan apartment complexes for $5.4 billion. The insurer expects to record an after-tax gain of $3 billion from this deal. Meanwhile diversified insurer, Hartford Financial's (HIG-FSPCX) P&C segment results benefited from a light hurricane season while its life insurance segment results were uplifted by strong annuity sales.

As profitability improves, insurance companies are working towards returning cash to shareholders. Hartford has its increased quarterly dividend by 25% and announced plans to buy back $300 million of its shares. Allstate has unveiled a new, $3 billion share repurchase plan that will commence after the current $4 billion program is completed in the fourth quarter.

While pricing in the reinsurance business remains strong, pricing in the P&C segment is showing signs of being pressured by rising competition. Meanwhile, in the life insurance segment, a strong equity market is helping boost variable annuity product sales while an inverted yield curve is pressuring interest rate spread-based income. We are cautious on our outlook for Fidelity Select Insurance while continuing to include the fund in the Core model portfolio.

Fidelity Select IT Services

Companies engaged in facilitating financial transactions are generally performing up to the mark. Business portfolios continue to be optimized and private equity firms continue to acquire IT service providers.

Reporting earnings for the first time since the Western Union spin-off, credit card payment processor First Data (FDC-FBSOX) met analysts' forecast posting 44 cents a share in profit. First Data is positioning itself to process debit card transactions in Canada by joining the Interac Association.

First Data's smaller competitor CyberSource (CYBS-FBSOX) and payment transfer services provider Moneygram International (MGI-FBSOX) both reported relatively strong revenue gains. Point-of-sale terminal maker Hypercom (HYC-FBSOX) however has warned that its third quarter earnings will fall short of forecast. The company is accelerating product development and investing in distributor channels to grow revenue by 9% to 12% in 2007.

Payroll processor, Automatic Data Processing (ADP-FBSOX) reported a 17% increase in its first-quarter profit as revenue rose 15%. The company has upped its 2007 revenue growth target to 11%. ADP is acquiring Taxware for $125 million and plans to spin off its brokerage services group before the end of fiscal 2007.

Strong performance in its corporate and structured finance units helped Moody's (MCO-FBSOX) to increase its revenue by 17% in the third quarter. Moody's earned 55 cents a share, up 15% from the year-ago period. The credit rating agency expects earnings per share in 2006 to increase around 20%.

After a lackluster third quarter, Fidelity Select IT Services was among the better performers in the model portfolios in October. Endowed with relatively stable cash flow and attractive valuation, IT service companies are attracting the attention of private equity firms. Major mover Open Solutions (OPEN-FBSOX) for example is being acquired by private equity firms. We continue to remain optimistic on the fund's prospects and include it in the Core model portfolio.

Fidelity Select Materials

The materials industry landscape is changing as corporations seek

2006 Election Results

Following elections on November 7, the Democrats control the House and the Senate. Shares in the health care and telecommunication sectors have come under pressure since then losing about 2% to 4%.

The results increase the likelihood that the health care sector can become the subject of debates and negative headlines. That said, the Democrats do not have adequate majority to force sweeping changes under a Republican-led administration.

In the telecommunications sector, the AT&T-BellSouth merger may get delayed. With BellSouth being the target and AT&T being the acquirer, the development is more of a negative for BellSouth shareholders than AT&T shareholders.

We believe the decline in health care and telecommunication share prices is a short-term reaction. We are making no changes to the model portfolios.

Date: November 9, 2006

mergers to garner scale. A strong global economy is helping miners, metal producers, and railroads post strong year-over-year earnings comparisons.

Aluminum. Alcoa's (AA-FSDPX) days as the world's largest aluminum company may be numbered. Russia's two major aluminum producers, Rusal and Sual, and Swiss commodities trader Glencore International are teaming up to create a powerhouse. Annual aluminum output from the combined entity called Rusal will be 4 million tons, larger than Alcoa's 3.7 million tons. The companies expect to complete the deal by April 2007.

On the earnings front, per-share earnings at Alcoa and Alcan (AL-FSDPX) increased over 86% and 130% from the year-ago level. Looking ahead, Alcan has increased its 2006 operating cash flow forecast by 35% to $2.7 billion. Alcan plans to buy back up to 5% of its shares.

Other metals. The consolidation theme continued in other metals as well. In steel, India's Tata Steel has offered $8 billion to buy Anglo-Dutch Corus Group. Tata Steel has stated that it is reviewing a number of takeover opportunities globally and triggered speculation that U. S. Steel (X-FSDPX) may be in play. Meanwhile, Ipsco's (IPS-FSDPX) takeover of NS Group is expected to close in the fourth quarter. In the nickel space, Brazil's Companhia Vale do Rio Doce has completed its $17 billion takeover of Inco.

On the operating front, steel manufacturers are scaling back production to prevent inventory buildup. Backed by strength in copper and molybdenum markets, Phelps Dodge's (PD-FSDPX) third quarter revenue jumped 59% and per-share earnings more than doubled. The company expects the copper market to remain strong through 2006.

Railroads. Helped by strong loading volumes and higher fuel surcharges, earnings reports from railroad companies were notably strong. Burlington Northern Santa Fe (BNI-FSDPX), Canadian National (CNI-FSDPX), and Norfolk Southern (NSC-FSDPX) handily beat analysts' earnings forecasts with Norfolk Southern beating estimates by a whopping 26%.

Coal transportation volumes were strong. Soaring imports from China boosted inter-modal business as well. To facilitate expansion of the inter-modal business, Canadian National, CSX, and Norfolk Southern are looking to add a major yard in the Chicagoland area. Norfolk Southern expects to increase infrastructure investments by 10% in 2007 to $1.3 billion. Railroads in general trade at modest forward P/E multiples with Norfolk Southern changing hands at about 13.

Economic data from both the U. S. and key foreign countries suggests that the global economy will likely continue growing. Shares in the materials sector remain attractively priced against this backdrop. We believe these shares will likely extend their out-performance from October. We rate Fidelity Select Materials 'Favored Buy' and include this fund in both model portfolios.

Fidelity Select Telecommunications, Utilities Growth

(As of October 2, Douglas Simmons has taken over as portfolio manager of Fidelity Select Utilities Growth.)

Uncertainty on regulatory approval for mergers is increasing in the telecom space while the FPL-Constellation merger is called off. Telecom majors came through with their earnings.

Deal dynamics. The Department of Justice has approved the AT&T (T-FSTCX, FSUTX)-BellSouth (BLS-FSTCX, FSUTX) mega merger. Uncertainty however prevails on Federal Communications Commission approval. Although the FCC has scheduled a vote for November 3, Republican commissioner McDowell has said he would not vote on the deal because of his prior work representing AT&T and BellSouth competitors. This in turn matches Republican and Democrat strength at the FCC.

Level 3 Communications (LVLT-FSTCX, FSUTX) has agreed to acquire Broadwing in a $1.4 billion deal to further its strategy of offering broadband Internet communications services without relying on third parties for part of the transmission.

Meanwhile, FPL Group (FPL-FSUTX) and Constellation Energy have scrapped their $12.5 billion merger. Approval for this deal got embroiled in Maryland politics over Constellation's rate hike request. Following the repeal of the 1935 Public Utility Holding Company Act in early 2006, power has shifted from the Federal Energy Regulatory Commission to state regulatory commissions. With states taking a closer look at protecting the interests of consumers, state-level approval has proven harder to come. As such, electric utilities are likely to look to their unregulated businesses for profits and growth.

Telecom majors on track. Wireless and broadband continued to be major driver of telecom service companies as wire line businesses decline. Excluding merger-related and other one-time items, AT&T and BellSouth both beat analyst earnings estimates by fairly wide margins. AT&T earned 63 cents a share versus analysts' forecast of 58 cents a share while BellSouth earned 65 cents a share versus the 59 cents a share estimate.

Cingular, AT&T's wireless joint venture with BellSouth, added 1.4 million net customers in the third quarter. Meanwhile, AT&T and BellSouth added 380,000 and 176,000 broadband customers, respectively. AT&T's majority-owned joint venture in India has become the first foreign telecom operator in India to secure national and international long distance licenses.

Verizon (VZ-FSTCX, FSUTX) too beat analysts' estimate earning 68 cents a share. Verizon Wireless, Verizon's joint venture with Vodafone, added 1.9 million net customers. The company's 448,000 net customer additions in the broadband business however fell short of expectation. To streamline its businesses, Verizon plans to spin off its U. S. print and Internet yellow pages directories business as a separate company, Idearc around mid-November.

Other earnings. Rising sales of Internet and data services enabled Qwest Communications (Q-FSTCX, FSUTX) to report its third consecutive profitable quarter. To enhance shareholder returns, Qwest will buy back up to $2 billion or 12% of its outstanding common stock. Meanwhile, Sprint Nextel's (S-FSTCX, FSUTX) per share earnings of 32 cents was a penny short of analysts' forecast. Sprint's wireless customer count increased by 233,000 to 51.3 million.

In electric utility earnings, FPL Group beat forecasts while Exelon (EXC-FSUTX) trailed. FPL Group has lowered its forecast for 2007 fuel costs by about 6% to $6 billion. Should such forecast come to fruition, the company expects to reduce customer rates by about 5%. Entergy (ETR-FSUTX) expects higher energy prices to help improve profitability of its nuclear power business. The company has raised its third quarter earnings forecast.

We continue to like the prospects for telecommunication service providers. Valuation levels are generally quite attractive. AT&T shares for example trade at a forward P/E of 13 and offer a dividend yield close to 4%. Our outlook on electric utilities is more guarded as opportunities to create value from take-overs gets more difficult. For now, we include both Fidelity Select Telecommunications and Fidelity Select Utilities Growth in the Core model portfolio.

Market Outlook & Sector Portfolio Indicator Reading: Buy

The equity market has been on a roll since August. The market as measured by the Dow Jones Wilshire 5000 has gained over 8.5% since then. The advance is based on optimism that the U. S. economy is slowing to a sustainable level and will avoid a recession. Investors expect the Federal Reserve to start reducing interest rates in the not-too-distant future. A 17% year-over-year increase in third quarter earnings added to the optimism.

We believe the U. S. economy will likely grow at annualized rates of 2% to 3% in the periods ahead. Gross domestic product is initially estimated to have increased at a 1.6% annual rate during the third quarter. The yield curve is inverted with the 90-day Treasury bill yielding 33 basis points over the 10-year Treasury bond.

Given that an inverted yield curve has on many occasions preceded a slowing economy, we believe there is some risk that growth will fall short of 2%. A slowing U. S. economy also raises the odds that the string of double-digit corporate earnings growth seen during the past 13 quarters will break.

The Federal Reserve is concerned with inflation ticking up from wage pressure. Employment costs are up 3.3% during the past year, the fastest increase in five quarters. With the unemployment rate falling to 4.6% in September, the central bank has warned that high levels of resource utilization could feed inflation. As such, rate cuts may not be readily forthcoming.

Having rallied strongly during the past few months, the U. S. equity market may well take a breather as economic data bring the above concerns to light. We however believe the sell-off will likely be of modest proportions.

We remain optimistic on the possibility that the model portfolios will outperform the broad market in the months ahead. The backdrop for Fidelity Select Gold and Industrial Materials remains favorable and we rate these funds 'Favored Buy'. With these funds included in both model portfolios, we rate the AlphaProfit Sector Portfolio Indicator 'Buy'.

AlphaProfit Investments, LLC
Date: October 31, 2006 ■

Featured Quote

'There are no secrets to success. It is the result of preparation, hard work, and learning from failure.'

Colin Powell

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 Consumer Staples	FDFAX	Large Cap Blend	Below Average	R. Lee
Select Gold	FSAGX	Mid Cap Growth	Above Average	D. Dupont
Select Health Care	FSPHX	Large Cap Growth	Below Average	M. Sabel
Select Insurance	FSPCX	Large Cap Value	Average	S. Hermsdorf
Select IT Services	FBSOX	Mid Cap Growth	Below Average	B. Hesse, J. Morrow
Select Materials	FSDPX	Large Cap Growth	Average	J. Simes
Select Pharmaceuticals	FPHAX	Large Cap Growth	Below Average	A. Oh
Select Telecommunications	FSTCX	Large Cap Blend	Above Average	B. Younger
Select Utilities Growth	FSUTX	Large Cap Value	Average	D. Simmons

Manager Changes: As of October 2, Douglas Simmons has taken over as portfolio manager of Fidelity Select Utilities Growth from Brian Younger.

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.

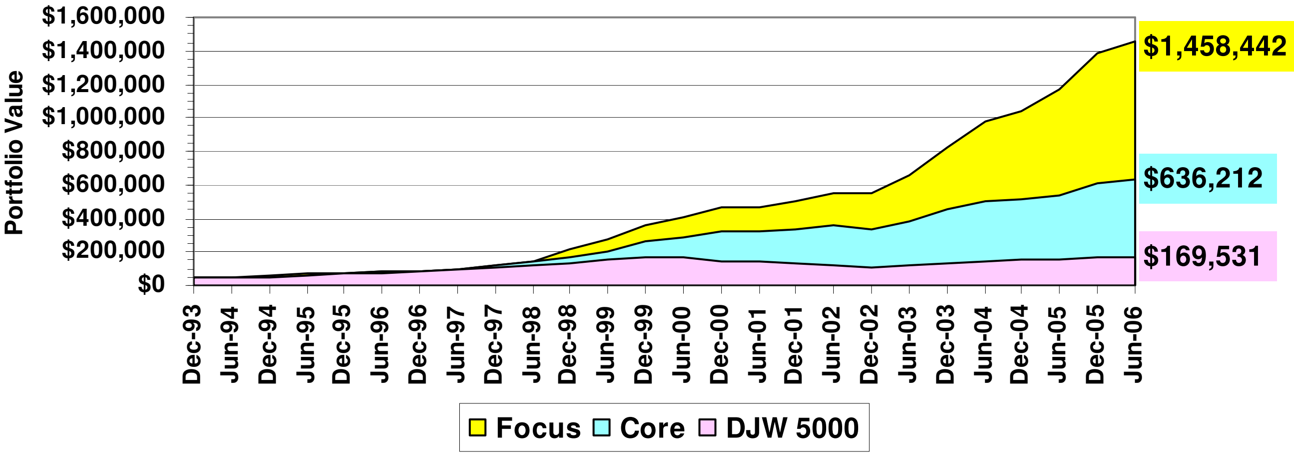
The information contained in this newsletter is obtained from various sources believed to be accurate and is provided without warranties of any kind. Opinions expressed herein reflect the thought of AlphaProfit Investments, LLC and are subject to change without notice. The third-party trademarks or service marks appearing within this newsletter are the property of their respective owners. All other trademarks appearing herein are the property of AlphaProfit Investments, LLC.

AlphaProfit Investments, LLC does not represent that this information, including any third-party information, is accurate or complete and it should not be relied upon as such. AlphaProfit Investments, LLC is not responsible for any errors or omissions herein. AlphaProfit Investments, LLC disclaims any liability for any direct or incidental loss incurred by applying any of the information in this publication.

Please review our Terms & Conditions of Use and Subscriber Agreement which is available on our website at www.alphaprofit.com, which governs your relationship with AlphaProfit Investments, LLC, including, but not by way of limitation, use of this newsletter.

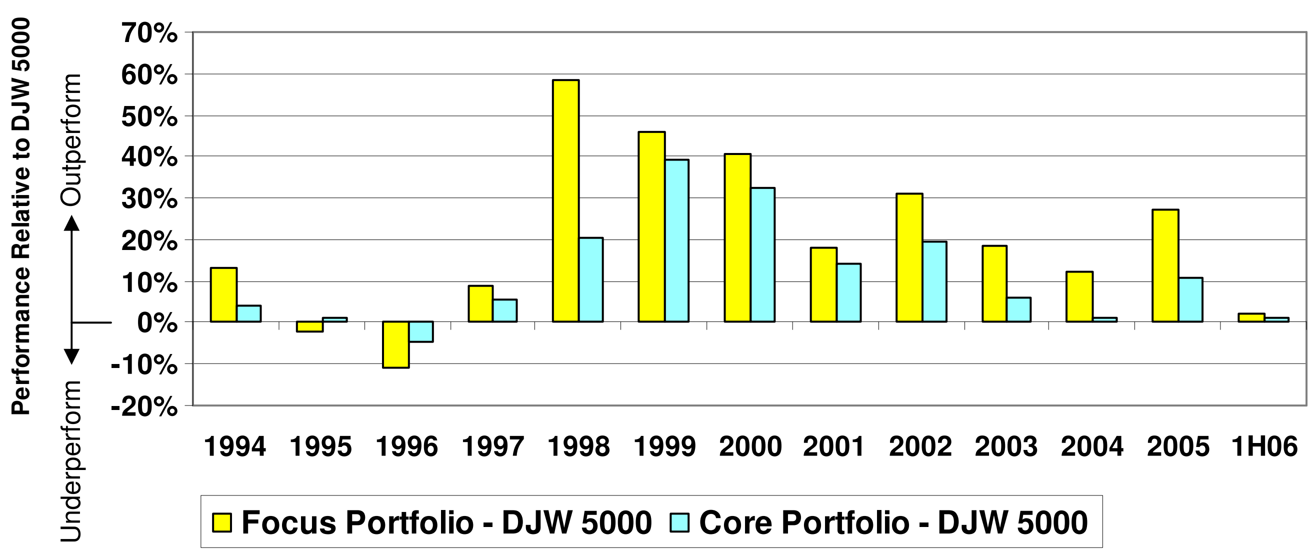
AlphaProfit Model Portfolio Long-Term Performance

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 June 30, 2006; 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	122.9%	213.8%	2816.9%	30.6%	25.7%	31.0%	1.38	1.13
Core	66.0%	94.8%	1172.4%	18.4%	14.3%	22.6%	0.78	1.04
DJW 5000	44.5%	22.0%	239.1%	13.1%	4.1%	10.3%	0.14	0.37

	Total Return												
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	1H06
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%	5.7%
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%	4.9%
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%	3.5%



Glossary of Terms Used

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

AlphaProfit Core™ Model Portfolio: Generally comprises of 7 to 8 Fidelity Select Funds. When fewer number of Select Funds appear attractive, the portfolio includes Index funds. Model portfolio is usually fully invested in equity funds. Turnover of funds in the Core Portfolio is lower than in the Focus Portfolio. Subscribers seeking long-term capital appreciation in retirement or regular accounts may find this portfolio suitable.

AlphaProfit Focus™ Model Portfolio: Typically includes 2 Fidelity Select Funds deemed most attractive. Model portfolio is usually fully invested in equity funds. Typical holding period for Select Funds included in this portfolio is 6 months. Turnover of funds in the Focus Portfolio is higher than in the Core Portfolio. Subscribers seeking aggressive growth of capital in retirement or regular accounts may find this portfolio suitable.

AlphaProfit Sector Portfolio Indicator™: AlphaProfit's proprietary short-term indicator used to assess attractiveness and risks in investing additional capital. Indicator is assigned one of the three readings: (a) Buy - Current prices are good to trade at. (b) Buy on Dips - Weakness may likely develop and may be used as buying opportunity. (c) Wait - Defer investing cash.

Basis Point: Equal to 1/100th of a percent.

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

Compound Annual Return: A calculated number that describes the rate at which an investment has grown, if it grew at a steady rate.

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.

Dow Jones Wilshire 5000® (Full Cap): Measures the performance of all U.S. headquartered equity securities with readily available price data. Over 5,000 capitalization weighted (stock price times number of shares outstanding) security returns are used to adjust the index. The index is an excellent approximation of dollar changes in the U.S. equity market.

Favored Buy: Fund rating assigned when a particular fund's risk-reward ratio is deemed superior to those of other funds in the model portfolios. Rating is removed when the fund becomes as attractive as the other funds in the model portfolios. Rating is provided for Subscribers investing in model portfolio funds on *ad hoc* basis.

Fidelity Select Portfolio® Funds: A group of 41 equity mutual funds that focus their investments on a particular sector or industry group.

Fidelity Spartan 500 Index® Fund: Seeks to provide investment results corresponding to the total return of common stocks publicly traded in the U.S., as represented by the Standard & Poor's 500 Index (S&P 500®).

Fidelity Spartan® Total Market Index Fund: Seeks to provide investment results corresponding to the total return of a broad range of U.S. stocks. The fund normally invests at least 80% of the fund's assets in common stocks included in the Dow Jones Wilshire 5000.

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

Risk Rating: AlphaProfit's classification of 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: A commonly used 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®: A market-capitalization weighted index of 500 stocks chosen by Standard and Poor's, Inc. It is used as a benchmark of U.S. equity performance.

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