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AlphaProfit™

Sector Investors' Newsletter

Service for \$ophisticated \$ector Investors

Monthly Report

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Fund Exchanges
Core Portfolio: None
Focus Portfolio: None

AlphaProfit SP Indicator™
Reading: Buy
Favored Buy: None

Scorecard

The AlphaProfit Core and Focus model portfolios declined 2.1% and 3.7%, respectively in July. The Dow Jones Wilshire 5000 benchmark declined 3.4%.

Dow claims 14,000. In what turned out to be a two-phased market, equity prices first embarked on a spirited rally as large buyback and M&A announcements as well as robust earnings reports lifted investor sentiment. Health care giant Johnson &

fer. This triggered speculation on other deals and the Dow Jones Industrial Average motored to a 283-point gain on July 12. Earlier, Hilton Hotels agreed to be bought by Blackstone Group for \$20 billion while Canada's BCE agreed to go private in a \$30 billion transaction.

Strong earnings from the likes of International Business Machines enabled the DJIA to close above 14,000. This milestone was achieved in just 59 trading days after surpassing 13,000, more than twice as

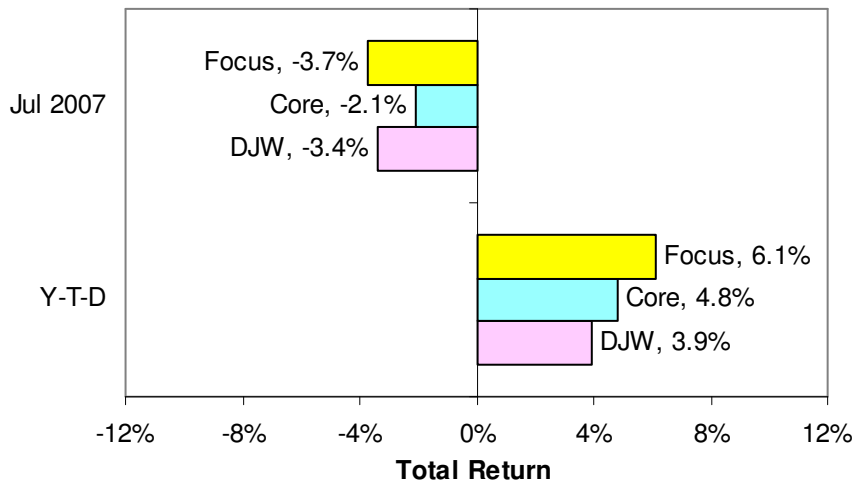
AlphaProfit Sector Investors' Newsletter (ISSN: 1547-9668) is published monthly by AlphaProfit Investments, LLC.

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.

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Johnson announced a \$10 billion buyback while energy heavyweight ConocoPhillips said it will buy back \$15 billion of stock.

fast as the previous 1,000-point advance.

In M&A, activity reached climactic proportions when U. K.-based Rio Tinto offered nearly \$39 billion for Canada-based aluminum producer Alcan, trumping Alcoa's hostile of-

Bears win on credit jitters. Gains however vaporized and the broad indexes quickly plunged into negative territory for the month as concerns on losses incurred by financial institutions in the mortgage

Portfolio Composition

AlphaProfit Focus™ Model Portfolio

The Focus Portfolio was last repositioned at the close of business on June 29, 2007. We are leaving the Focus portfolio unchanged at this time.

Fidelity Fund Holding (Ticker Symbol)	June 29, 2007		July 31, 2007	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Automotive (FSAVX)	\$861,343	50.00%	\$809,310	48.80%
Materials (FSDPX)	\$861,343	50.00%	\$849,029	51.20%
Total (rounded to)	\$1,722,686	100.00%	\$1,658,339	100.00%

AlphaProfit Core™ Model Portfolio

The Core Portfolio was last repositioned at the close of business on June 29, 2007. We are leaving the Core portfolio unchanged at this time.

Fidelity Fund Holding (Ticker Symbol)	June 29, 2007		July 31, 2007	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Automotive (FSAVX)	\$116,335	15.45%	\$109,307	14.82%
Gold (FSAGX)	\$68,623	9.11%	\$72,463	9.83%
Materials (FSDPX)	\$116,335	15.45%	\$114,672	15.55%
Soft. & Comp. (FSCSX)	\$75,750	10.06%	\$76,426	10.36%
Spartan 500 (FSMKX)	\$376,159	49.94%	\$364,535	49.43%
Total (rounded to)	\$753,202	100.00%	\$737,402	100.00%

market increased and availability of credit to finance transactions tightened across the globe.

Bear Stearns disclosed that investors in two of its hedge funds were wiped out by bad bets on sub-prime mortgages. American Home Mortgage, a sub-prime loan provider, said that it is unable to make \$300 million of mortgages it had already agreed to provide.

Major financial institutions were unable to obtain favorable terms in the credit markets to finance the buyout of several large transactions. While banks stepped in to hold the debt and keep the Chrysler and Alliance Boots transactions on track, some transactions were delayed. Cadbury Schweppes, the world's largest confectionery company, extended the deadline to sell its U. S. beverage unit as two buyout groups bidding for the division struggled to arrange financing.

Against this backdrop, share prices

in the financial and consumer discretionary sectors fared poorly. While technology companies remained largely insulated from the troubles, the backdrop of rising gold and oil prices enabled shares of gold mining and energy companies to shine. The AlphaProfit Core and Focus model portfolios declined 2.1% and 3.7%, respectively in July compared to a 3.4% drop for the Dow Jones Wilshire 5000 index.

Major Movers

(Company and fund ticker symbols in parentheses)

Winners and losers were about evenly split among the list of top 10 fund holdings we track. While gold mining shares frequented the winners list, automotive shares frequented the losers list.

Nintendo unstoppable. Nintendo (JP: 7974-FSCSX) reported a quadrupling of its quarterly profit backed by robust sales of its *DS* handheld gaming device, *Wii* gaming console,

and related software. With sales of *DS* and *Wii* expected to hit 26 million units and 16.5 million units, up from the prior forecast of 22 million and 14 million units, respectively, the company now expects earnings to grow 40% for the fiscal year ending on March 31, 2008. Building on the strong advance this year, shares of Nintendo jumped nearly 36% in July to become the best performer in the Core model portfolio.

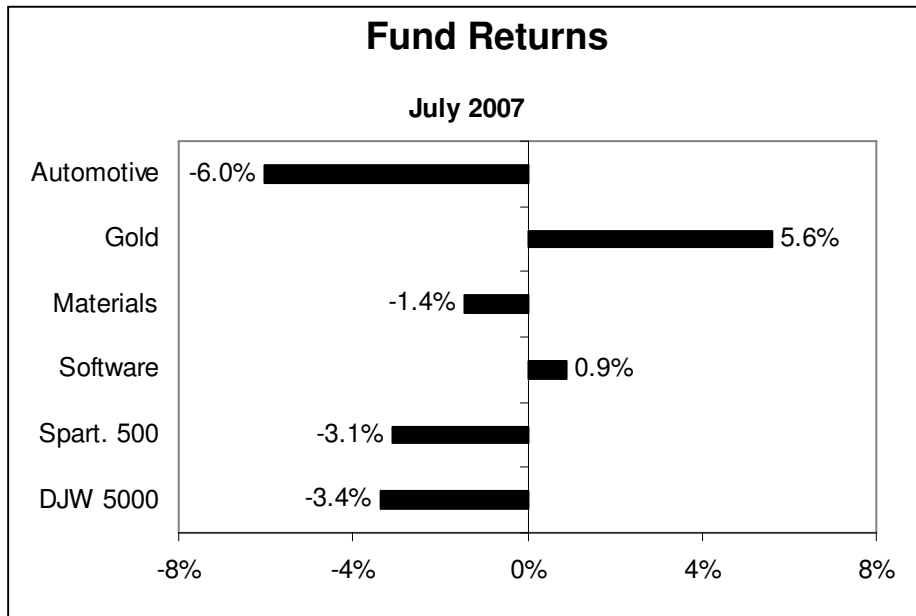
Goodyear punished despite performance. Shares of Goodyear Tire (GT-FSAVX) declined nearly 17% to become the worst performer in both model portfolios. Excluding one-time charges and gains, Goodyear reported 36 cents a share in earnings, exceeding the 31 cents a share analysts' estimate. Given tight conditions in the credit market, investors seemed to be concerned that Goodyear may not complete the sale of its Engineered Products Division to private-equity firm Carlyle Group for \$1.5 billion. The deal however appeared to be on track with the United Steelworkers approving a five-year contract and clearing the way for the sale.

Nucor bent by weakness. Hurt by competition from Chinese imports and weak demand for steel from auto and home construction sectors, Nucor (NUE-FSDPX) reported \$1.14 a share in earnings, a penny lower than analysts' forecast and 30 cents a share lower than the tally reported in the year-ago period. The company also wrote down \$67 million in inventories. The recycled steel maker expects bar shipments to improve during the second half. Sheet products are however expected to remain under pressure due to price competition from Chinese imports. With a loss of about 14%, shares of Nucor were the second worst performer in both model portfolios.

Outlook

(Company and fund ticker symbols in parentheses)

Troubles in the credit markets are likely to have a bigger impact



on M&A activity than on economic growth.

Losses suffered by financial institutions from defaults on sub-prime mortgages are causing investors to put a higher premium on risk. Investors are requiring higher interest rates on debt issued to finance corporate buyouts. As such, M&A activity is likely to moderate in the period ahead.

The U. S. economy appears to be in a reasonably good shape to weather the troubles in credit and housing markets. In June, the Institute for Supply Management's manufacturing index modestly increased to 56.0 while the index of non-manufacturing businesses inched higher to 60.7, a 14-month high. ISM readings above 50 point to growth.

Fidelity Select Automotive

Overcoming the challenges in domestic operations, General Motors and Ford posted notably strong earnings reports. In the auto parts arena, companies are managing the impact of rising raw material costs reasonably well. Ongoing negotiations with the United Auto Workers will likely drive share price volatility in this group.

Automakers. General Motors (GM-

FSAVX) and Ford (F-FSAVX) reported relatively upbeat earnings trouncing analysts' forecasts. Excluding one-time items, GM reported \$2.48 per share in adjusted net income compared to the analysts' forecast of \$1.13 per share. Excluding special items, Ford earned 13 cents per share compared to the 35 cents per share loss analysts were expecting. This was Ford's first quarterly profit in two years.

While both GM and Ford made significant progress in reducing costs, their North American operations continued to bleed red ink. GM reported a net loss of \$39 million from its North American operations while Ford's North American division lost \$279 million before taxes.

GM's strategy of pursuing growth in emerging markets is working. Net income in GM's Latin America, Africa and Middle East unit was up 53% from the year ago period to \$213 million. Notwithstanding difficult conditions in the credit markets, GM is working to sell its Allison Transmission unit to private equity buyers for \$5.6 billion. Meanwhile, Ford continues to pursue the sale of *Jaguar* and *Land Rover* subsidiaries. The company is also conducting a strategic review of its *Volvo* unit.

Strength in international sales en-

abled motorcycle manufacturer Harley-Davidson (HOG-FSAVX) to report a 25% increase in per-share earnings. At \$1.14 a share, per-share earnings exceeded analysts' forecasts by a penny. Retail sales in Canada, Europe and Japan increased at double-digit rates while retail sales in the U. S. declined 5%. Harley expects EPS to grow in the 4% to 6% range in 2007. As for its product lineup, Harley has unveiled its 2008 models with 10 of them offering anti-lock brakes as an option.

Auto Parts. Results from auto parts companies were mostly on track with forecasts. While earnings from major mover Goodyear Tire (GT-FSAVX) exceeded forecasts, BorgWarner (BWA-FSAVX) and Johnson Controls (JCI-FSAVX) reported earnings in line with expectations.

Overcoming the impact of lower U. S. vehicle production and higher commodity costs with rising international sales, BorgWarner reported \$1.29 in per-share earnings, 7% higher than last year's tally. Global trends in increasing fuel economy and lowering emissions helped quarterly revenue to increase 16% to \$1.4 billion. For all of 2007, BorgWarner now expects revenue to rise 10%. The company has raised its earnings-per-share forecast to the \$4.63 to \$4.83 range.

Johnson Controls reported \$1.98 a share in net income, 16% higher than the tally reported in the year-ago period. The company confirmed its full-year earnings forecast of \$6.25 to \$6.30 a share. JCI has established a joint venture with a Chinese company to make and sell maintenance-free lead acid batteries. JCI is also selling its European diagnostics division for about \$44 million.

UAW Negotiations. With sales of North American-built vehicles sinking to their second lowest level in 14 years in June, the center of attention will shift to negotiations between the domestic automakers

Top 10 Fund Holdings

Automotive (FSAVX)	Gold (FSAGX)	Materials (FSDPX)	Software (FSCSX)	Spartan 500 (FSMKX)
Johnson Controls	Barrick Gold	Monsanto	Microsoft	ExxonMobil
General Motors	Newcrest Mining	DuPont	Google	General Electric
Ford Motor	Meridian Gold	Alcoa	Cogn. Tech. Soln.	AT&T
Harley-Davidson	IAMGOLD	FreePort McMoran	Oracle	Citigroup
BorgWarner	Newmont Mining	Dow Chemical	Nintendo	Microsoft
Goodyear Tire	Lihir Gold	Praxair	Yahoo!	Bank of America
Autoliv	Goldcorp	Air Prod. & Chem.	Apple	Procter & Gamble
Toyota Motor	Gold Fields	3 M	MasterCard	Amer. Intl. Group
Renault SA	Kinross Gold	Nucor	Quest Software	Chevron
DaimlerChrysler	Ariz. Star Res.	Weyerhaeuser	eBay	Pfizer
71.3% of portfolio	66.5% of portfolio	42.0% of portfolio	66.5% of portfolio	19.0% of portfolio
14.9% foreign	83.0% foreign	6.5% foreign	19.1% foreign	NA

Fidelity Investments has reported the top 10 holdings for all of their funds, as of June 30, 2007.

Fidelity Select Automotive makes two changes, taking on board Autoliv and DaimlerChrysler. Autoliv is a Sweden-based supplier of automotive safety systems. Germany-based DaimlerChrysler is the world's fifth largest auto manufacturer. DaimlerChrysler has announced it will sell about 80% of its stake in Chrysler to a private equity firm, Cerberus Capital Management. To make room for these changes, BMW and Gentex are off loaded from the top 10 list. Foreign holdings account for about 15% of this fund.

Fidelity Select Software & Computer Services also shows two changes. Apple, which is transforming itself from a computer manufacturer into a consumer electronics company, enters the top 10 list. MasterCard, the global leader in electronic payments transactions, is also swiped in. To accommodate Apple and MasterCard, Utimaco Safeware and Western Union are deleted from the top 10 holdings. Foreign holdings in Fidelity Select Software & Computer Services has modestly ticked up to 19%

In **Fidelity Select Materials**, the Minnesota-based manufacturer of diversified products 3M, is posted to the top 10 list while U. S. Steel departs. Foreign holdings in Fidelity Select Materials remain relatively limited at just over 6%.

There are no changes to the top 10 list of **Fidelity Select Gold**. Foreign companies continue to remain dominant at 83% of the fund's assets. Canadian, South African, and Australian companies account for 53%, 10%, and 9% respectively.

In the **Fidelity Spartan 500 Index fund's** top 10 list, Chevron replaces Altria. Chevron is the second largest integrated oil major in the U. S. Altria's market capitalization declined after it spun off its Kraft Foods subsidiary into a separate publicly-traded company.

With all of these changes included, Microsoft is represented in two out of the five funds in the Core model portfolio. There is no overlap of equities among the top 10 lists of the two funds in the Focus model portfolio.

and the United Auto Workers.

The Detroit automakers lost a combined \$15 billion in 2006 and the bleeding has not stopped. The domestic automakers pay their unionized workers about \$30 an hour more in wages and benefits compared to Japanese automakers. With the national contract with the 180,000-member strong UAW set to expire on September 14, the domestic automakers are looking to UAW concessions to lower their

cost structure. The carmakers are likely to focus on bringing health care costs under control by shifting the responsibility of retiree health care to a union-controlled trust fund.

News from UAW negotiations is likely to add to volatility in auto stocks in the near-term. The UAW is likely to look to enter into 'pattern bargaining' in which one automaker reaches a template agreement for the other two. Additionally, the possibility of a strike cannot be ruled out. Given the unten-

able position the Detroit automakers are in, and the union's relatively weak negotiating position, we are optimistic that the carmakers will prevail and effect savings in their new contracts. We continue to include Fidelity Select Automotive in both model portfolios.

Fidelity Select Gold

Gold miners are pursuing acquisitions and focusing on exploration efforts to increase gold re-

AlphaProfit ETF and Mutual Fund Selections

Mutual fund and exchange-traded fund recommendations for playing the investment thesis discussed in the Newsletter

Sector, Industry Group, or Index	Mutual Funds					ETFs	
	Name (Ticker)	Availability, Trans. Fees, and Min. Holding Period				Name (Ticker)	Liquidity
		E*Trade	Fidelity	Schwab	Ameritrade		
Auto	Fidelity Sel Automotive (FSAVX)	A, F	A, NTF, 30	R, F	A, F	No ETF currently available	
Gold	Fidelity Sel Gold (FSAGX)	A, F	A, NTF, 30	R, F	A, F	iShares COMEX Gold Trust (IAU)	Limited
	Midas (MIDSX)	A, NTF, 90	A, NTF, 180	A, NTF, 90	A, NTF, 90	Market Vectors Gold Min (GDV)	Good
	Prec Met Ultra ProFund (PMPX)	A, NTF, 90	A, NTF, 180	A, NTF, No	A, F	PowerShares DB Gold (DGL)	Limited
	Rydex Precious Metals (RYPX)	A, NTF, 90	A, NTF, 180	A, NTF, 90	A, F	streetTRACKS Gold (GLD)	Good
	US Glob World Prec Min (UNWPX)	A, F	A, NTF, 180	A, NTF, 90	A, NTF, 90		
Materials	Basic Mat UltraProFund (BMPX)	A, NTF, 90	A, NTF, 180	A, NTF, No	A, F	iShares DJ Basic Materials (IYM)	Limited
	Fidelity Sel Materials (FSDPX)	A, F	A, NTF, 30	R, F	A, F	Materials Select SPDR (XLB)	Good
	ICON Materials (ICBMX)	A, NTF, 90	A, NTF, 180	A, NTF, 90	A, NTF, 90	PowerShares Dyn Bas Mat (PYZ)	Limited
	Rydex Basic Materials (RYBIX)	A, NTF, 90	A, NTF, 180	A, NTF, 90	A, F	Vanguard Materials (VAW)	Limited
Software	Fidelity Sel Soft & Com (FSCSX)	A, F	A, NTF, 30	R, F	A, F	iShares GS Software (IGV)	Limited
						PowerShares Dyn Software (PSJ)	Limited
						Software HOLDRs (SWH)	Limited
S&P 500	Dreyfus S&P 500 Index (PEOPX)	A, NTF, 90	A, NTF, 180	A, NTF, 90	A, NTF, 180	iShares S&P 500 Index (IVV)	Good
	Fidelity Spartan 500 Idx (FSMKX)	N	A, NTF, 90	A, F	A, F	SPDR Trust (SPY)	Good
	Schwab S&P 500 Index (SWPIX)	N	C, F	A, NTF, 30	A, F		
	E*TRADE S&P 500 Index (ETSPX)	A, NTF, 4m	N	N	I, F		

Funds included in AlphaProfit model portfolios in **bold**. **Availability:** A-Available, C-Limited to current shareholders, I-Limited to Institutional investors, N-Not available, R-Limited to retail investors. **Trans. Fees:** F-Transaction fee applies, NTF-No transaction fee subject to holding period. **Min. Holding Period:** For no transaction fee (NTF) funds, minimum number of days or months a fund needs to be held to avoid both fund's short-term redemption fee and broker's transaction fee. Minimum holding period not provided for transaction fee (F) funds. **Liquidity:** Investors should consider limit orders when trading ETFs with limited liquidity. **Note:** The above table is for information purposes only. Before buying any mutual fund or exchange-traded fund, read its prospectus carefully. For securities held in brokerage accounts, read the broker's specific terms and conditions which apply to trading of the securities.

serves. Miners continue to unwind their fixed price contracts to provide shareholders more leverage to the price of gold. The macroeconomic environment remains favorable for gold.

July brought the best possible combination for gold in that the dollar declined against major world currencies and oil rallied. The price of gold sprinted \$35 an ounce from its June close, trading as high as \$684.90 an ounce. Turmoil in the global financial markets caused some profit taking and the yellow metal closed the month at \$666.90 an ounce.

On the earnings front, Meridian Gold (MDG-FSAGX) reported 24 cents in earnings per share, up from the 19 cents tally reported in the year-ago period and a penny ahead of analysts' forecasts. Revenue increased 47% as ounces of

gold sold increased 37%.

Meridian's progress at its Mercedes project in Mexico as well as El Penon and Minera Florida operations in Chile augurs well for its future. As such, the company is garnering buyout interest. Meridian has received a takeover offer from Canadian miners Yamana Gold and Northern Orion, which Meridian calls inadequate. There is speculation that Meridian may be seeking a white knight. It remains to be seen if Goldcorp (GG-FSAGX), Agnico-Eagle Mines, or Kinross Gold (KGC-FSAGX) will step in with an offer.

In efforts being made to organically increase reserves and production, Barrick Gold (ABX-FSAGX) is working to improve the feasibility study of its \$2 billion Pueblo Viejo project in the Dominican Republic estimated to have 18.1 million ounces

of gold. Barrick is also moving forward with an \$87 million exploration and development program at its Donlin Creek gold project and is targeting to have the feasibility study completed by early October. Gold Fields (GFI-FSAGX) is working on successfully starting up its Los Filos mine in Mexico and ramping up production at its Marlin mine in Guatemala.

Following a change at the helm, Newmont Mining (NEM-FSAGX) is taking steps to increase shareholder value. Joining the likes of Barrick Gold and Lihir Gold (LIHR-FSAGX), who have partly or totally closed their fixed price contracts, Newmont has eliminated fixed price contracts to sell 1.85 million ounces of gold. This will increase the correlation of the company's earnings stream to the price of gold. Newmont is also evaluating a possible sale or initial public offering of its

non-core merchant banking business.

We continue to like the prospects for gold and gold mining shares. Supply of gold from mine production as well as central bank sales are limited while ETF-led investment demand is increasing worldwide. Interest rates abroad stand to increase. Benchmark interest rates in the U. S. have a possibility of trending lower sooner rather than later. As such, the interest rate differential between the dollar and key foreign currencies may widen. A weakening dollar increases inflationary pressures, a scenario that can help gold thrive. In the near-term, trouble in the mortgage and credit markets increases the 'safe-haven' appeal of gold. Strong commodity prices coupled with ongoing M&A activity in the gold patch should continue to support mining share prices. We continue to include Fidelity Select Gold in the Core model portfolio.

Fidelity Select Materials

Earnings from most materials companies were on target or better with those from 3M, Air Products & Chemicals, and Freeport-McMoRan Copper & Gold being standouts. Earnings at steel companies were less robust. Going forward, consolidation is

likely to proceed at a measured pace.

Chemicals and gases. While weakness in North American housing and automotive sectors adversely affected chemical companies in general, the bottom-line impact was company-specific. 3M (MMM-FSDPX) and Dow Chemical (DOW-FSDPX) offset the above weakness with strong international growth whereas DuPont (DD-FSDPX) compounded these troubles with higher spending in its agricultural segment.

3M reported \$1.23 a share in earnings, exceeding the \$1.18 count expected by analysts. Revenue increased nearly 8% from the year-ago period to \$6.1 billion. The diversity of differentiated, innovative products helped 3M increase margins in most businesses. 3M is selling its pharmaceutical business in Europe. Excluding gains from this transaction, the company expects to earn \$4.80 to \$5.00 per share in 2007.

Dow Chemical reported \$1.07 in per-share earnings, two cents a share higher than analysts' forecast. Dow's revenue increased 6% to \$13.3 billion. To grow its specialty chemicals business, Dow has bought Bayer AG's Wolff Walsrode cellulose for about \$725 million.

DuPont reported \$1.04 a share in earnings, two cents a share short of analysts' forecasts. DuPont is accelerating its \$5 billion stock buy-back program and has affirmed its 2007 earnings forecast.

Strong pricing and demand from emerging markets enabled industrial gas manufacturers to report robust earnings reports. Air Products & Chemicals (APD-FSDPX) reported \$1.16 a share in earnings on a 16% increase in revenue to \$2.6 billion while Praxair (PX-FSDPX) reported 89 cents a share in earnings on a 12% increase in revenue to \$2.3 billion. Per-share earnings from both companies exceeded analysts' forecasts. Both companies have raised their 2007 earnings forecasts. Praxair has authorized a \$1 billion share repurchase plan.

Takeover interest is keen in the chemicals group. Private equity firm Apollo Management is buying Huntsman Chemical for \$6.5 billion while Dutch chemical company Basell is buying Lyondell Chemical for \$12.1 billion. Britain's Imperial Chemical Industries has rejected a sweetened \$15.8 billion takeover offer from Dutch chemical company Akzo Nobel. Dow, Germany's BASF and India's Reliance Industries are reported to be interested in ICI.

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Copper and steel. Leading copper producer, Freeport-McMoRan Copper & Gold (FCX-FSDPX) posted blockbuster second quarter results following the integration of its Phelps Dodge acquisition. With revenue quadrupling to \$5.8 billion, the company earned \$3.47 a share, well in excess of the \$2.47 a share analysts' estimate. Freeport used its robust cash flow to pare down net debt by \$1.2 billion during the quarter.

Freeport has 94 billion lbs. of recoverable copper in reserves assuming conservative, below-market prices. Freeport plans to take advantage of high current prices and grow through the expansion of its existing mines, rather than focus on acquisitions of unproven reserves.

In the steel group, Chinese exports of subsidized steel along with weakness in North American housing and automotive sectors are pressuring earnings. Earnings from major mover Nucor (NUE-FSDPX) disappointed. Earnings at U. S. Steel declined 25% from the year-ago period as costs increased and product mix shifted towards lower margined ones.

Heads of leading steel companies expect intercontinental combinations in the steel industry to continue. U. S. Steel continues to be seen as a takeover target. In recent deal activity, Chaparral Steel agreed to be bought by Canada's Gerdau Ameristeel for \$4.2 billion.

Aluminum. Consolidation activity in aluminum reached a peak in July with Britain's Rio Tinto putting forth a friendly offer to acquire Canadian aluminum producer Alcan. Earlier, Alcoa (AA-FSDPX) pursued Alcan only to be rebuffed. Rio Tinto's winning offer was nearly \$11 billion higher than Alcoa's \$27.5 billion bid. Soon after Alcoa withdrew from the contest to acquire Alcan, reports emerged that Anglo-Australian mining giant BHP Billiton was talking to private equity firms to put together a takeover bid for Alcoa. With conditions in the credit markets deteriorating soon thereaf-

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.

Company	Ticker	Price	Est. P/E	Div. Yield	Page
Air Products	APD	\$86.37	19.9	1.8%	6
Apple	AAPL	131.76	35.3	-	8
Bank of America	BAC	47.42	9.7	5.4	8
BorgWarner	BWA	86.45	17.9	0.8	3
Citigroup	C	46.57	10.1	4.6	8
eBay	EBAY	32.40	23.5	-	7
Freeport-McMoran	FCX	93.98	10.0	1.3	7
General Motors	GM	32.40	9.3	3.1	3
Google	GOOG	510.00	33.4	-	7
3M	MMM	88.92	18.0	2.2	6

Source: Reuters

ter, an offer for Alcoa failed to materialize. In earnings news, Alcoa earned 81 cents a share, in line with analysts' forecasts.

Rapid industrialization and infrastructure buildup in BRIC nations is fueling the global materials boom. The pace of consolidation going forward is likely to be more measured as credit markets stabilize. Softness in North American residential construction and automotive markets represents a risk for this group. Potential for an autoworkers strike poses added risks for near-term steel demand. We continue to include Fidelity Select Materials in both model portfolios.

Fidelity Select Software & Computer Services

In the Internet space, eBay and Google are executing well. Apple's successes with its products continue. Xbox 360 is posing challenges for Microsoft.

Supported by a 30% increase in second-quarter revenue, eBay (EBAY-FSDPX) reported 34 cents in per-share earnings, two cents ahead of analysts' forecast. Year-over-year revenue growth at eBay's payments processing division PayPal and telephony division Skype were robust at 31% and 102%, respectively. PayPal has launched

Mobile Checkout, a service that allows consumers to buy items from mobile devices. Meanwhile, Skype is trying to increase usage and develop additional revenue streams. Notwithstanding the growth opportunities available to PayPal and Skype, eBay will have to reverse declines in listings in its larger marketplace division to power growth ahead. eBay management is optimistic and has raised 2007 revenue and earnings-per-share forecasts.

In other Internet company earnings, Google (GOOG-FSDPX) trailed analysts' estimates for a change while Yahoo!'s (YHOO-FSDPX) earnings were in line with previously lowered forecasts. Google's revenue and earnings increased 57% and 26%, respectively from the year-ago period while Yahoo! reported flat earnings comparisons on an 11% increase in revenue. Google continues to dominate the U. S. search market with a 49.5% share. June web search statistics were however distorted by web searches automatically triggered by Microsoft's *Chicktionary* puzzle.

Google is targeting multiple avenues for its growth. The company has indicated that it may spend at least \$4.6 billion on buying wireless spectrum in a government auction if certain conditions are met. Google is expanding its *Print Ads* program

from 50 newspapers to 225 newspapers. To further *Google Apps* and Internet security offerings, Google is acquiring Postini, an email filtering and compliance services provider for \$625 million.

Excluding one-time charges, Microsoft (MSFT-FSCSX, FSMKX) earned 39 cents a share in its fiscal fourth quarter, in line with analysts' forecasts. Quarterly revenue increased 13% to \$13.4 billion. *Office 2007* was a bright spot showing 19% revenue growth. Operating system-related revenue rose 14%. The online services division continued to lose money. Microsoft has raised its fiscal 2008 earnings-per-share forecast by a penny to the \$1.69 to \$1.73 range.

Microsoft's challenges in its games division are increasing. The company has taken a \$1.2 billion pre-tax charge to extend the warranties of *Xbox 360* game customers. Meanwhile, price competition is intensifying in the gaming console space with Sony cutting the price of its *PlayStation 3* console by \$100 or 17%. So far, Microsoft has stood pat with its pricing for the *Xbox 360*.

Strong product sales enabled Apple (AAPL-FSCSX) to post record quarterly results. With *Macintosh* computer prices coming down and computers becoming more *Windows* compatible, Apple sold a record 1.76 million units, up 33% from the year-ago period. *iPod* music players were a strong contributor as well and *iPhone* sales got off to a decent start. Apple's third quarter revenue increased to \$5.4 billion, a record. The company earned 87 cents a share, handily exceeding analysts' 64 cents a share forecast.

Enthusiasm on new products and relatively strong earnings reports have enabled the software group to hold up better against the credit-market led woes. We remain optimistic on the relative performance of this group and include Fidelity Select Software & Computer Services in the Core model portfolio.

Fidelity Spartan 500 Index Fund

Four of the top 10 holdings in the Spartan 500 Index fund gained in July. Industrial, energy, and technology stocks within the Standard & Poor's 500 Index were stronger performers. Share prices in financial, consumer discretionary, and health care sectors lagged. In this Report, we look at developments in the financial sector which accounts for about 20% of the S&P 500's market capitalization.

Share price performance and investor sentiment towards shares in the financial sector were driven by developments resulting from loan defaults even though leading banks

The second quarter was a profitable one for the nation's leading banks. While performance in the wealth management and investment banking divisions were strong, significant increases in provisions for loan losses were a typical sore spot in bank report cards.

came through with their second quarter earnings. Moody's lowered its ratings on mortgage bonds worth \$5.2 billion and Standard & Poor's said it may downgrade \$12 billion of securities due to delinquencies in sub-prime loans.

The second quarter was a profitable one for the nation's leading banks. Citigroup (C-FSMKX) and Bank of America (BAC-FSMKX) performed better than analysts' expectations. Citigroup earned \$1.24 per share, nine cents per share higher than forecasts while BofA earned \$1.28 per share, eight cents per share higher than forecasts. Strong gains in international revenue enabled Citigroup's net revenue to climb 20% to \$26.6 billion. BofA derives more of its revenue from domestic operations and its net revenue increased 8% to \$20 billion.

While performance in the wealth management and investment banking divisions were strong, significant increases in provisions for loan losses were a typical sore spot in bank report cards. Citigroup added \$465 million to its loan reserves, bringing the bank's total credit costs to \$934 million during the second quarter. At BofA, loan loss reserves increased nearly 80% from year-ago levels to \$1.8 billion while bad loans rose nearly 50% to \$1.5 billion.

BofA continues to make progress in acquiring the Chicago-based LaSalle Bank unit of Netherlands-based ABN AMRO. ABN AMRO agreed to a combined bid from BofA and Barclays with BofA purchasing LaSalle and Barclays, the rest of ABN AMRO. The deal is embroiled in courts after a consortium of financial institutions led by the Royal Bank of Scotland offered a higher price for all of ABN AMRO. While legal outcomes in both the U. S. and Netherlands are in favor in BofA buying LaSalle, ABN AMRO management has recently stated that it no longer supports the Barclays offer.

Financial institutions are looking abroad for their growth. Citigroup plans to boost the number of its branches in Japan from 140 to nearly 200 as the financial titan looks to expand its role in the world's second largest economy. American International Group's (AIG-FSMKX) subsidiary has received approval from Chinese regulators to establish a wholly owned unit in China. JPMorgan Chase has secured a commercial banking license from Beijing and is considering developing a retail presence in China.

With conditions in the credit market taking a toll on equity prices and international growth driving earnings of multinational companies, we prefer to include the Fidelity Spartan 500 Index fund to bring a measure of diversity and stability to the Core model portfolio. The fund seeks to track the S&P 500 index, a

large-cap proxy for the U. S. equity market.

Market Outlook & Sector Portfolio Indicator Reading: Buy

Ignoring a myriad of positives, investors have fixated on mortgage-related losses and credit availability off-late. The rough patch may well set up some attractive opportunities for venturesome investors.

In recent years, several leveraged buyouts have been financed by selling lower-rated, higher-yielding bonds. A meltdown in the sub-prime mortgage market has caused debt buyers to become cautious and put a higher premium on risk. As such, liquidity for financing deals is drying up. Equity markets around the globe have been rattled by these events as stock investors have sensed a slowdown in M&A activity.

The housing market has not bottomed yet. The National Association of Home Builders/Wells Fargo sentiment index declined to 24 in July, the lowest level since January 1991. Home prices continue to fall in many parts of the nation. As such, there may be more bad news to come from the credit markets.

Offsetting these negatives are quite a few positives. First, second quarter earnings have been robust. The S&P 500 member companies re-

porting second quarter results so far have posted an average earnings increase of 10.2%, more than twice the analysts' 4.8% estimate at the start of the reporting season. Companies like General Electric, a bellwether for the U. S. economy, are doing well.

Second, valuation metrics are not overly high particularly for large-cap U. S. companies. Members of the S&P 500 index on average trade at 15.5 times next year's earnings. With corporate coffers flush with cash and valuation metrics attractive, corporations are likely to step up stock buyback activity even if M&A activity slows.

Third, growth abroad continues to remain strong. During the second quarter, the Chinese economy is estimated to have grown at an 11.9% annual rate. A weak dollar is helping U. S. companies in that they are seeing higher demand for their products priced in dollars. Currency translation of profits earned abroad by multinational companies is boosting earnings as well.

Fourth, some relief on inflation appears to be on the way. Core consumer inflation increased 0.1% for the fourth consecutive month in June. This pushed the annual increase in core inflation down to 1.9%, the lowest level in three years. It is entirely conceivable that the Federal Reserve will put in some interest rate cuts sooner

Featured Quote

'The greatest cause of human financial struggle is the fear of losing money.'

Robert Kiyosaki

rather than later to revive the ailing financial system.

Against this backdrop, we maintain the AlphaProfit Sector Portfolio Indicator reading at 'Buy'. We believe investors willing to weather volatility and putting cash to work during this rough patch will be rewarded in the periods ahead. None of the sectors or industry groups included in the model portfolios carries a 'Favored Buy' rating.

AlphaProfit Investments, LLC
Date: July 31, 2007 ■



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 Automotive	FSAVX	Mid Cap Value	Average	L. Miles
Select Gold	FSAGX	Mid Cap Growth	Above Average	D. Dupont
Select Materials	FSDPX	Large Cap Blend	Average	D. Fischer
Select Software & Comp. Services	FSCSX	Large Cap Growth	Above Average	M. Tandon
Spartan 500 Index Fund - Investor Cl.	FSMKX	Large Cap Blend	Below Average	Geode Capital

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 as well as all retirement accounts in the Fidelity Spartan 500 Index Fund is \$10,000. 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.

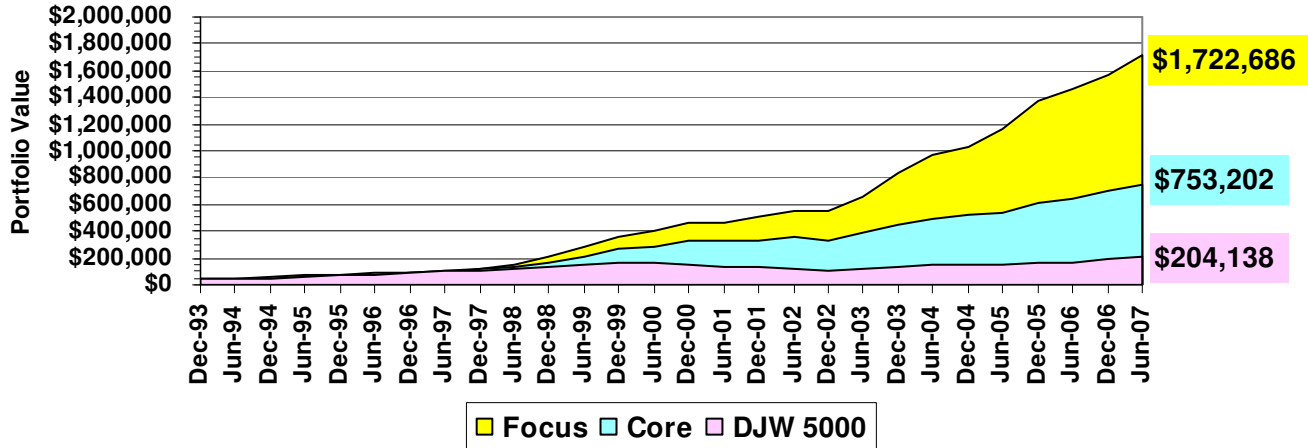
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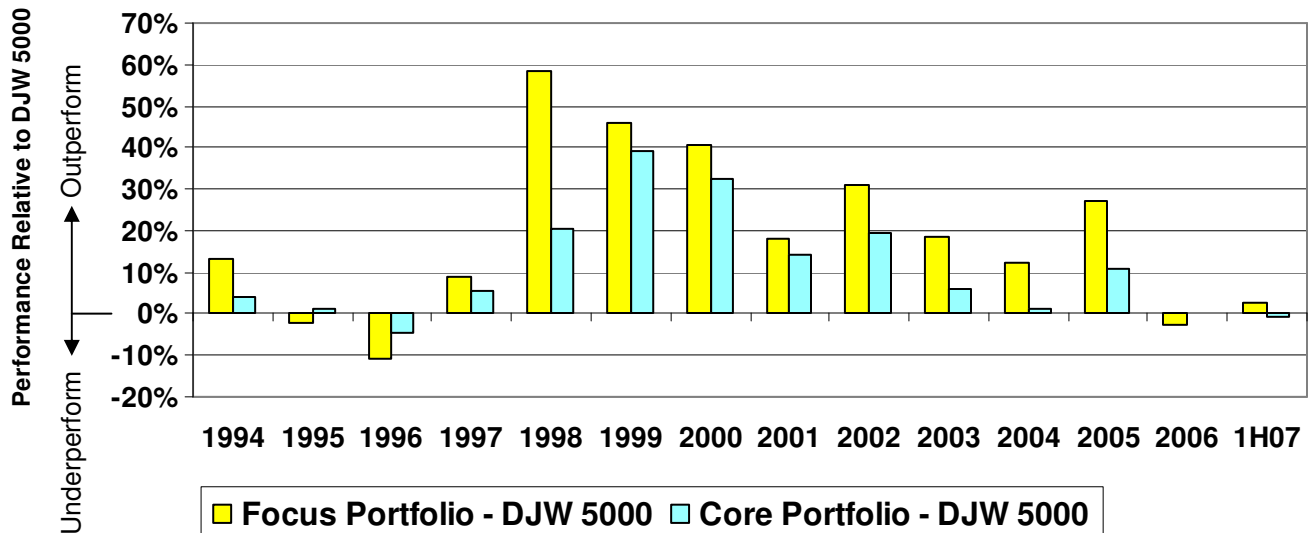
AlphaProfit Model Portfolio Long-Term Performance

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 June 30, 2007; 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	76.4%	211.4%	3345.4%	20.8%	25.5%	30.0%	1.30	1.11
Core	50.7%	110.8%	1406.4%	14.6%	16.1%	22.3%	0.87	1.05
DJW 5000	43.6%	76.2%	308.3%	12.8%	12.0%	11.0%	0.63	0.42

	Total Return													
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	1H07
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%	13.2%	10.2%
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%	16.0%	7.0%
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%	15.9%	7.6%



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 or ETF 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.

Exchange-trade funds (ETFs): Baskets of securities that trade like individual stocks on an exchange. ETFs are traded throughout the trading day and can be bought on margin.

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>.

Liquidity: Degree to which an ETF can be traded without affecting the ETF's price. ETFs with limited liquidity tend to have higher bid-ask spreads.

Minimum holding period: For no transaction fee (NTF) funds, minimum number of days or months a fund needs to be held to avoid both fund's short-term redemption fee and broker's transaction fee.

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.