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AlphaProfit™

Sector Investors' Newsletter

Service for \$ophisticated \$ector Investors

Monthly Report

WHAT'S INSIDE

Scorecard	1
Portfolio Composition	2
Major Movers.....	2
Year-End Repositioning	2
Outlook	3
Fund Returns.....	3
Top 10 Fund Holdings.....	4
ETF & Mut. Fund Selections ...	5
Stock Searchlight	7
Recent Developments.....	8
Market Outlook & Sector Portfolio Indicator.....	9
Fund Facts and News	10
Long-Term Performance	11
Glossary of Terms Used.....	12

Fund Exchanges

Core Portfolio: None
Focus Portfolio: None

AlphaProfit SP Indicator™

Reading: Buy
Favored Buy: None

Scorecard

The AlphaProfit Core and Focus model portfolios ended November with declines of 6.5% and 8.6%, respectively compared to a 4.5% loss for the Dow Jones Wilshire 5000.

Housing woes. After a hiatus of about two months, additional losses from sub-prime mortgages came to bear in November. Citigroup increased its write-down estimate by \$11 billion to account for losses. Industry write-downs from the housing fallout approached the \$50 bil-

lion mark and Wells Fargo called the housing market the worst since the Great Depression. The New York Attorney General's decision to expand the probe of the mortgage industry added to the concerns.

Oil and dollar. Adding pressure on consumers, the price of oil spiked to \$98.70 a barrel on supply-related concerns after a Yemeni oil pipeline was attacked. With the value of the U. S. dollar continuing to erode, certain members of the Organiza-

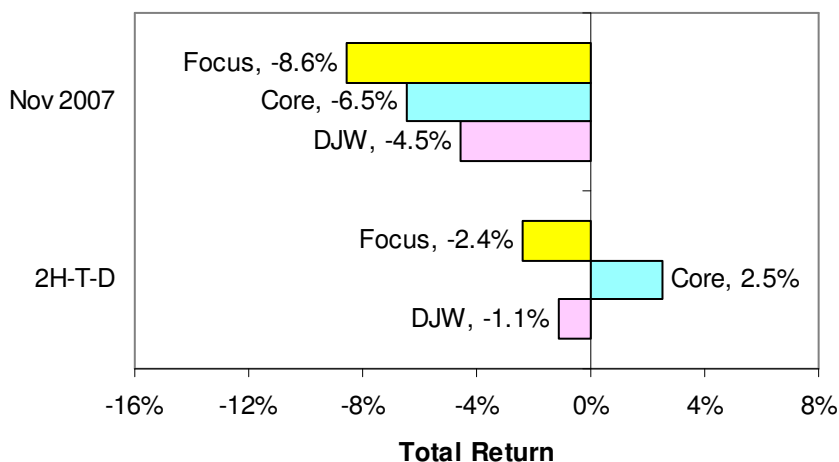
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lion mark and Wells Fargo called the housing market the worst since the Great Depression. The New York Attorney General's decision to expand the probe of the mortgage industry added to the concerns.

Consumer and economy. Worries

tion of Petroleum Exporting Countries urged others to consider alternatives to the U. S. dollar for pricing oil. The beleaguered dollar received a jolt when a Chinese official called for his nation to diversify part of its vast foreign-currency holdings into

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		November 30, 2007	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Automotive (FSAVX)	\$861,343	50.00%	\$769,069	45.73%
Materials (FSDPX)	\$861,343	50.00%	\$912,752	54.27%
Total (rounded to)	\$1,722,686	100.00%	\$1,681,822	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		November 30, 2007	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Automotive (FSAVX)	\$116,335	15.45%	\$103,872	13.45%
Gold (FSAGX)	\$68,623	9.11%	\$87,760	11.36%
Materials (FSDPX)	\$116,335	15.45%	\$123,278	15.96%
Soft. & Comp. (FSCSX)	\$75,750	10.06%	\$83,852	10.86%
Spartan 500 (FSMKX)	\$376,159	49.94%	\$373,523	48.37%
Total (rounded to)	\$753,202	100.00%	\$772,285	100.00%

other currencies like the euro.

Correction leads to rally. The above factors set the stage for the first 10% correction since March 2003. On November 26, the S&P 500 ended 10% lower than its record close on October 9.

During the closing days of November, a rally ensued as speculators and investors showed an inclination to cover short positions and pick up bargains. The rally was premised on expectation that the Federal Reserve will soon lower short-term interest rates. Federal Reserve Vice Chairman Donald Kohn's comments buttressed this prospect. The price of oil trended lower amidst rumors of OPEC raising production quotas for member countries. A relatively strong start to the holiday shopping season gave investors comfort that consumer spending will hold up despite headwinds.

While the broad averages pared their losses, the gains were hardly

adequate to reverse the carnage from the get go. The Dow Jones Wilshire 5000 index ended November with a loss of 4.5%. Small-cap and mid-cap issues were decidedly unpopular as investors turned risk-averse and the Russell 2000 proxy lost 7.3%.

Shares in defensive groups like consumer staples, healthcare, and utilities held up better than the averages. Consumer discretionary, financial, and technology shares underperformed. The lack of substantial exposure to defensive groups hurt the performance of the AlphaProfit model portfolios in November. The Core and Focus model portfolios finished the month with losses of 6.5% and 8.6%, respectively.

Major Movers

(Company and fund ticker symbols in parentheses.)

Losers outnumbered winners nearly eight-to-one in the list of top 10 fund

holdings we track. Companies with businesses essentially immune to the economic cycle presented themselves in the short list of winners. Likewise, companies with a notably strong earnings trend like MasterCard (MA-FSCSX) and Monsanto (MON-FSDPX) managed to advance. Each of the model portfolio funds had at least one of their top 10 holdings in list of the 10 biggest losers.

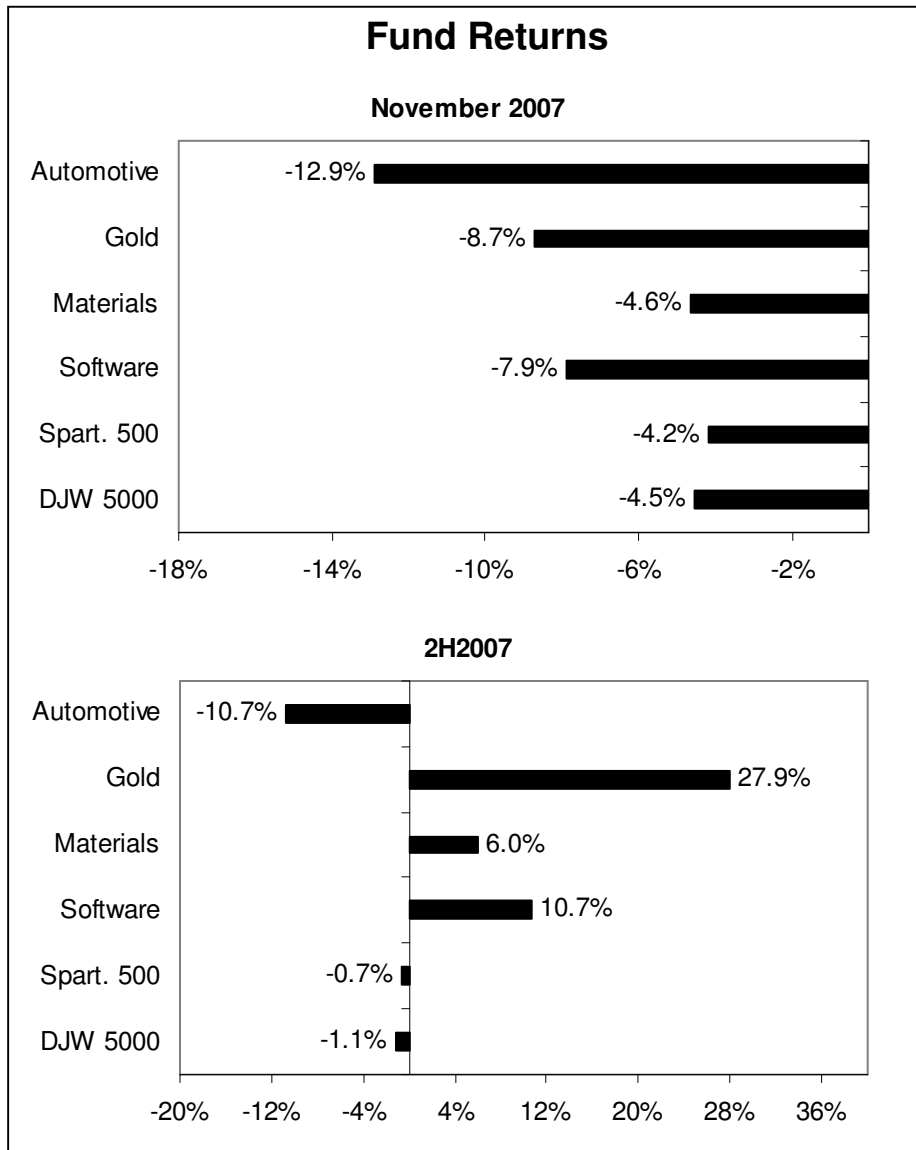
Procter popular. Shares of Procter & Gamble (PG-FSMKX) with a 6% advance were the best performer in the Core model portfolio. Valuing the diversity and economic insensitivity of Procter's consumer products businesses, investors gravitated towards the company's shares in an uncertain economic environment. Procter has terminated its agreement with Natestch Pharmaceutical to develop a nasal spray for treating osteoporosis.

Monsanto strengthens. Monsanto shares with a modest 2% gain claimed honors as the best performer in the Focus model portfolio.

Year-End Model Portfolio Repositioning

The model portfolios will be repositioned after the markets close on December 31. To help you closely track the model portfolios, we will publish the **Repositioning Alert Preview** by 12:00 p.m. Central Time on **Monday, December 31** in the Subscriber Login area. We will follow this with the **Repositioning Alert Confirmation** by 3:00 p.m. Central Time on **Tuesday, January 1**.

The **January Indicator Update** including an overview of the considerations resulting in the repositioning changes will be published by 12:00 p.m. Central Time on **Wednesday, January 2**. The Repositioning Alert Preview and Confirmation documents as well as the January Indicator Update will be emailed to you when they are published on the web site.



The company provided an upbeat assessment of its prospects, forecasting gross profit to double during the next five years. Monsanto expects its *DEKALB* brand of genetically-engineered seeds to gain market share both in the U. S. and abroad. During its upcoming fiscal first quarter, Monsanto expects to earn 35 cents a share, higher than analysts' 19 cents a share forecast. Prior to November, Monsanto shares have been among the major winners in August and September.

Skeptics punish Cognizant. Shares of Cognizant Technology (CTSH-FSCSX) lost 25% even though the company earned 32 cents a share, exceeding analysts' 29 cents a share forecast. Cognizant's earnings forecast for the next

quarter was in line with analysts' expectation while its revenue forecast fell a tad short. Investors questioned the company's ability to achieve its growth targets given that Cognizant derives a sizeable chunk of its revenue from the distressed financial services industry.

GM grounded. General Motors (GM-FSAVX) hit the headlines by announcing a staggering \$39 billion loss for the third quarter. While the loss resulted largely from a one-time \$38.6 billion non-cash charge taken to write down the value of deferred tax credits, GM's \$247 million loss from its ongoing North American auto operations was a point of concern. A 49% stake in GMAC Financial Services dragged GM's bottom line lower by \$757

million. Investors pushed GM stock lower by nearly 24% in November, making it the Focus model portfolio's worst performer.

Outlook

(Company and fund ticker symbols in parentheses.)

While most economic indicators suggest that the U. S. economy is weakening, they do not forecast a recession.

The October readings of the Institute of Supply Management's manufacturing and non-manufacturing indexes moved in opposite directions with both measures remaining above the 50 threshold suggesting expansion.

Reflecting conditions in November, the National Association of Purchasing Management-Chicago's business barometer climbed 3.2 points to 52.9 and exceeded the 50.0 threshold suggesting continued expansion.

The Conference Board's index of leading economic indicators declined 0.5% in October. Over the past six months, this index has declined at a 1% annual rate. The decline falls short of the 4% drop required to signal a recession.

Meanwhile, members of the Federal Reserve's Open Market Committee have lowered their growth estimate for 2008 to 1.8%, down from the 2.5% to 2.75% range forecasted in June.

Fidelity Select Automotive

Both General Motors and Ford reported losses for the third quarter. While GM's staggering loss dented investor confidence and sent shares in the auto group sliding, Ford's results gave investors some confidence that the company is on track to turn profitable. International operations remained a bright spot for auto companies. Auto part companies are seeing strong cash flow that is enabling them

Top 10 Fund Holdings

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

Automotive (FSAVX)	Gold (FSAGX)	Materials (FSDPX)	Software (FSCSX)	Spartan 500 (FSMKX)
Johnson Controls	Lihir Gold	Monsanto	Microsoft	ExxonMobil
General Motors	Goldcorp	DuPont	Google	General Electric
Ford Motor	Newcrest Mining	FreePort McMoran	Cogn. Tech. Soln.	AT&T
Harley-Davidson	Barrick Gold	Dow Chemical	Oracle	Citigroup
BorgWarner	Gold Fields	Alcoa	Nintendo	Microsoft
Goodyear Tire	Kinross Gold	Praxair	Yahoo!	Bank of America
Autoliv	IAMGOLD	Air Prod. & Chem.	Apple	Procter & Gamble
Gentex	Newmont Mining	Nucor	Satyam Comp.Svcs.	Cisco
Renault SA	Randgold Resources	3M	eBay	Chevron
Wabco Holdings	Agnico-Eagle Mines	Celanese	MasterCard	Johnson & Johnson
<i>73.5% of portfolio</i>	<i>59.1% of portfolio</i>	<i>43.9% of portfolio</i>	<i>67.6% of portfolio</i>	<i>19.7% of portfolio</i>
<i>10.6% foreign</i>	<i>86.0% foreign</i>	<i>5.0% foreign</i>	<i>20.1% foreign</i>	<i>NA</i>

to target acquisitions and raise dividends.

Domestic automakers. Major mover General Motors' (GM-FSAVX) record \$39 billion loss for the third quarter affected share prices across the auto group. GM wrote down the value of deferred tax credits since its cumulative three-year quarterly earnings worsened despite some recent profitable quarters. While a large part of the loss resulted from a non-cash charge that has no impact on GM's cash position or ability to use tax credits in the future, the charge undermined investors' confidence in GM's future.

Excluding items, GM reported \$2.80 a share in losses, in excess of the 25 cents a share loss forecasted by analysts. Among the few bright spots in GM's report were brisk sales of its recently launched *Cadillac CTS* and *Buick Enclave* models in the U. S. and strength in international operations.

While Ford (F-FSAVX) too reported a third-quarter loss, the report card suggested that the automaker's turnaround efforts are working. Ford lost 19 cents a share, less than the 46 cents a share loss forecasted by analysts. Ford has stated it is on track to reduce cash burn by \$5 billion and turn profitable by 2009. Having terminated its efforts

to sell Volvo, Ford is pursuing the sale of Jaguar and Land Rover businesses.

Like GM and Chrysler LLC, Ford has renegotiated its labor contract with the United Auto Workers. Ford's new four-year contract calls for the company to fund a \$13.2 billion healthcare trust. This trust will enable Ford to eliminate nearly \$24 billion in retiree healthcare obligations and help save nearly \$1 billion in annual healthcare costs.

Industry dynamics. Auto sales in the U. S. are sluggish as consumers battle the impact of falling home prices, rising mortgage rates, and spiking oil prices. Industry sales will likely tally around 16 million units in 2007, the lowest in a decade. Fuel economy requirements in the U. S. stand to be ratcheted higher. Democrats and Republicans are working on a compromise to bring new fuel economy legislation into law. Separate fuel-efficiency standards for cars and sport-utility vehicles will likely be adopted.

Meanwhile, the business climate in international markets is more favorable as demand for autos continues to grow particularly in emerging economies. A strong presence in emerging markets including the Middle East has enabled Toyota to offset weakness in the U. S. and Japan and thrive. Toyota reported a 2.7% in-

crease in operating profit and raised its profit forecast for its fiscal year ending in March 2008.

Auto parts. The impetus to improve fuel economy is driving demand for BorgWarner's (BWA-FSAVX) turbochargers and dual-clutch transmission products. BorgWarner expects \$1.95 billion from its power train business from 2008 through 2010, up 15% from its prior forecast. To achieve its targets, BorgWarner is developing new dual-clutch products and expanding its turbocharger facility in Korea.

A restructuring industry is providing well-heeled auto part companies with acquisition opportunities. Johnson Controls (JCI-FSAVX) has entered into an agreement to purchase an auto interior components plant from Ford. The plant makes instrument and door panels. Sweden-based auto part maker Autoliv (ALV-FSAVX) has launched a strategic review to take advantage of acquisition opportunities in the North American auto part industry.

Robust cash flow is allowing auto-part companies to raise dividends. BorgWarner and Johnson Controls have increased their quarterly cash dividends by 29% and 18%, respectively.

The outlook for U. S. auto demand

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.

has deteriorated during the second half of 2007. Consumer confidence is being undermined by troubles in the housing and home finance markets. Meanwhile, the new labor contracts negotiated by domestic automakers offer the promise of providing significant cost savings. The valuation metrics for auto company shares remain quite attractive. For now, we continue to include Fidelity Select Automotive in both model portfolios.

Fidelity Select Gold

Rising operating and mine development costs are putting pressure on mining company earnings. The near-term outlook for gold bullion remains favorable despite its recent pullback.

Gold miners. Gold miners posted disappointing earnings reports for

the most part, as rising costs took a substantial bite out of profitability. Barrick Gold (ABX-FSAGX) earned 39 cents a share, down from 46 cents a share earned in the year-ago period. The tally fell short of analysts' 42 cents a share forecast. A 32% increase in operating costs offset the benefit of a 20% increase in the realized price for gold sold. An 11% decline in gold production added to pressure on Barrick's bottom line. Kinross Gold (KGC-FSAGX) and Randgold Resources (GOLD-FSAGX) too reported earnings lower than those in the year-ago period.

IAMGOLD (IAG-FSAGX) was an exception reporting an increase in earnings on a year-over-year basis. IAMGOLD's gold production soared 73% from the year-ago period, helping revenue to increase nearly 160%. The company earned 7 cents a share, exceeding analysts'

6 cents a share forecast.

Mining companies are seeing mine development costs escalate. Barrick Gold expects the costs of developing the Cerro Casale mine in Chile to exceed the prior forecast of \$2 billion. Barrick plans to acquire Cerro Casale from its proposed purchase of Arizona Star Resources. Gold Fields (GFI-FSAGX) has delayed the launch of its Cerro Corona project in Peru by four months and boosted capital cost forecasts by 23%.

Gold miners are looking to acquire and develop reserves to increase production. Randgold is planning to raise about \$200 million in equity capital to fund development of the Tongon project in Ivory Coast and to pursue acquisitions. Randgold, which has two mines in Mali, has entered into a joint venture with African Gold Group to explore AGG's

Bagoe East & West concessions in Mali. Following an agreement with partner NovaGold Resources, Barrick will raise its stake in Alaska's Donlin Creek project from 30% to 50%.

Meanwhile, Newmont Mining (NEM-FSAGX) is making progress in its turnaround plans. To focus on its core operations, Newmont is selling royalty assets and other non-core investments for \$1.3 billion. The company expects the sale to result in a pre-tax gain of about \$950 million during the fourth quarter.

Bullion. Starting November at just under \$800 an ounce, gold breached the \$850 mark in short order. An ailing dollar, record oil prices, and a deepening credit crisis supported the surge. During the latter part of the month, gold lost ground as the U. S. dollar rebounded from multi-decade lows and oil dropped nearly \$10 per barrel from its record set on November 21. Gold closed at \$789.10 an ounce, down nearly 2% for the month.

Investors have piled into gold since the turn of the year driving the price up from around \$640 an ounce, as fears of inflation from a falling dollar and rising price of oil stayed high. The U. S. currency is losing stature as a world currency. Some OPEC

members are considering alternatives to the dollar for pricing oil. China appears to be serious in diversifying its foreign exchange reserves away from the dollar.

Concerns from a depreciating dollar are likely to support the price of gold in the near-term. Longer-term, downside to the dollar may be limited if U. S. exports continue their recent rise. Meanwhile, the cost structure for gold mining is changing with miners having trouble in growing earnings even against the backdrop of strong gold price. We continue to include Fidelity Select Gold in the Core model portfolio.

Fidelity Select Materials

Chemical and gas companies are executing well while the drive to take over companies is alive in the metals world. Fears of a global economic slowdown led investors to bid down share prices of materials companies in November.

Chemicals and gases. While major mover Monsanto (MON-FSDPX) has upped its earnings outlook, DuPont (DD-FSDPX) has reaffirmed its 2007 earnings guidance. Excluding one-time items, DuPont expects to earn between \$3.15 and \$3.20 a share. DuPont expects a higher tax rate in the fourth quarter to pres-

sure growth in full-year net income.

Major chemical companies are targeting their seeds and biofuels businesses for their growth. Monsanto plans to invest \$230 million to double its Iowa corn seed production over the next two years. Monsanto's collaboration with Belgian biotech group Devgen is proving fruitful; the two companies have developed a new insect-protection approach for crops that can be built into seeds. DuPont plans to invest about \$300 million between 2007 and 2010 in beachhead biofuels facilities. Chemical companies are also seeing strong pricing power with Celanese (CE-FSDPX) raising the price on polyvinyl alcohol and emulsion products.

With the top 10 global chemical companies controlling just 20% of the world market, consolidation talk persists in the chemical industry. Juergen Hambrecht, chief executive of German chemical giant BASF has stated that his company 'is not that big that it cannot be taken over'.

3M (MMM-FSDPX) continues to rework its business portfolio mix with a series of tuck in acquisitions. The company is acquiring safety products maker Aearo Technologies for \$1.2 billion. The deal will expand 3M's personal protection

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continued on page 10

product line. To complement its existing orthodontic solutions, 3M has acquired Lingualcare, an orthodontic technology and services company that makes the 'invisible' *iBraces* system. 3M has also acquired abrasive products manufacturer Standard Abrasives to support the growth of its Abrasive Systems Division. Meanwhile, Dow Chemical (DOW-FSDPX) has sold its foam business to packaging materials manufacturer Sealed Air.

Gas manufacturer Praxair (PX-FSDPX) is trying to acquire a 50% stake in Norwegian chemical group, Yara International. The European Commission has cleared Praxair's proposal. Yara focuses on the production and marketing of fertilizers and nitrogen-based chemicals. Praxair's competitor Air Products (APD-FSDPX) is moving forward with the sale of its 65% stake in Air Products Polymers and its 20% stake in Wacker Polymer Systems to Germany-based Wacker Chemie.

Metals. Cash-laden foreign mining companies are on the prowl. Australia's BHP Billiton has stated that it offered \$110 billion for U. K.'s Rio Tinto. Rio Tinto however rebuffed the offer. To placate shareholders, Rio Tinto said it would boost its 2007 dividend payout by 30% and follow this with dividend increases of at least 20% for the next two years.

Brazil's largest steelmaker Gerdau SA has agreed to acquire Houston-based Quanex's vehicular metals unit for \$1.7 billion to secure North American production of steel used in automobile parts.

Since the turn of the year, the U. S. dollar has declined against Australian and Canadian currencies to the tune of 11% and 15%, respectively. A weaker U. S. dollar is hurting overseas operations of U. S.-based metal and mining companies. Asset-rich U. S. companies like Alcoa (AA-FSDPX) and Freeport-McMoRan Copper & Gold (FCX-FSDPX) could well become takeover targets.

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
Cognizant Tech.	CTSH	\$31.10	27.0	0.0%	3
Ford	F	7.51	NMF	0.0	4
IAMGOLD	IAG	8.57	35.7	0.7	5

NMF=Not meaningful

Source: Reuters

Meanwhile, Freeport is witnessing strong cash flow, thanks to relatively strong copper prices. Freeport sold its international wire and cable business obtained from the Phelps Dodge acquisition. The company will use \$620 million in net proceeds to pare debt.

Shares of materials companies essentially declined in line with the stock market averages. Individual stocks like Freeport were pummeled as investors feared that slowing growth in the U. S. would cut demand for copper.

U. S. demand for most materials is being impacted by a sagging housing market and weakness in the automobile industry. Meanwhile, international demand for materials remains strong and most companies are offsetting lower U. S. demand with stronger international sales. The gap between supply and demand varies by commodity with inventory levels playing a key role.

As with the supply-demand balance, valuation metrics vary across different segments of the materials sector.

Taken in total the materials sector appears reasonably attractive and is worthy of overweighting. We continue to include Fidelity Select Materials in both model portfolios.

Fidelity Select Software & Computer Services

Software stocks were caught in the broad sell-off in the technology sector. Internet companies are looking to mobile telephony

to pursue their growth. The holiday season promises to be a good one for several firms in this group.

Investors had hitherto believed the technology sector to be largely insulated from the troubles in the credit markets. Communications equipment giant Cisco Systems ended such an illusion by stating that demand for its wares from financial firms is slowing. Technology stocks sold off across the board in November. Enterprise software and service provider stocks declined the most.

Google (GOOG-FSCSX) is looking to the wireless market for profits. The company plans to bid for a prized piece of the wireless spectrum in a government auction beginning on January 24. Bidding for these airwaves starts at \$4.6 billion. Google plans to create a mobile-phone operating system called *Android*. While Google plans to make *Android* available free of charge, the company is looking to strike revenue sharing deals with wireless service providers. Leading foreign wireless operators are working with handset makers to develop Google-based phones. Google-based phones are due to appear in the latter half of 2008. Verizon Wireless plans to open its network to Google-based phones by the end of 2008.

Yahoo! (YHOO-FSCSX) too is targeting the wireless arena for growth. Yahoo!'s plans appear less capital-intensive. The company has stated that it has no intent of getting into software design for phones.

Yahoo! is focusing on distribution deals to generate revenue via advertising on mobile phones. Yahoo! has agreed to provide nine Asian mobile operators with Internet-search service.

The holiday shopping season is off to a relatively strong start. According to comScore, total online spending on the Monday after Thanksgiving, i.e., Cyber Monday, hit \$733 million. This year's tally is 21% higher than the tally in 2006. eBay's (EBAY-FSCSX) PayPal payment service is well positioned to benefit from this strength.

Microsoft (MSFT-FSCSX) is beginning to see mass adoption of its *Windows Vista* operating system by businesses and consumers. Improved measures to curb piracy and greater adoption of the higher-margined premium version of the operating system are pushing *Vista* revenue and profits higher. Microsoft is optimistic on holiday season *Vista* sales and estimates *Windows* revenue to increase by 12% to 13% this fiscal year.

Apple (AAPL-FSCSX) is now selling *iPhones* in Britain, France, and Germany via partnerships with O2, Orange, and T-Mobile, respectively. Apple plans to sell 10 million *iPhones* in 2008. To this effect, Apple is in discussion with China Mobile, the world's biggest wireless operator. An agreement with China Mobile can give Apple access to a market with 523 million subscribers, more than the combined population of the European Union.

After surrendering the lead in U. S. video game console sales to Microsoft's *Xbox 360* for just one month, Nintendo's (JP: 7974-FSCSX) *Wii* reclaimed the number one spot in October. *Wii's* holiday season sales are off to a strong start. Keeping production relatively tight to avoid a glut, Nintendo has stated that *Wii* supplies will be scarce during the holiday season.

Software stocks have generally been unduly punished. Even though

corporate customers may prune software budgets, monies slated for maintenance contracts are less likely to be cut. We view the recent decline in software stocks as a buying opportunity and continue to include Fidelity Select Software & Computer Services in the Core model portfolio.

Fidelity Spartan 500 Index Fund

Eight of the top 10 holdings in the Spartan 500 Index fund lost ground in November. Consumer staples, healthcare, and utility stocks within the Standard & Poor's 500 Index were stronger performers. Share prices in financial, technology, and telecommunication sectors lagged. In this Report, we look at developments in the financial sector that accounts for about 20% of the S&P 500's market capitalization.

Financial services firms are in a state of turmoil announcing massive write-downs. For some firms, legal trouble seems to be brewing. Commercial and investment banks are making management changes and infusing capital to put things back on track. Some help from the government is on its way as well.

The biggest banks wrote down more than \$25 billion of assets during the third quarter. Their troubles have however not ended. Citigroup (C-FSMKX) has stated that it may have to write down \$8 billion to \$11 billion of its debt this quarter while Bank of America (BAC-FSMKX) expects to write down \$3 billion of debt during the fourth quarter. Securities firms like Merrill Lynch, Morgan Stanley, and Bear Stearns too have written down the value of sub-prime mortgage-related assets.

Some financial institutions have gotten into legal trouble. The New York attorney general has started a probe alleging that he has uncovered a 'pattern of collusion' leading to inflated appraisals on loans originated by several banks including

Washington Mutual.

Members of the S&P 500 Financials Index have on average reported a 22% decline in third quarter profits. This poor showing has led to key management changes. Citigroup and Merrill Lynch have both seen their chief executives resign. Former Treasury Secretary and Board member Robert Rubin has taken over as Citigroup's Chairman while the head of the New York Stock Exchange John Thain has taken the top spot at Merrill Lynch.

Financial service companies are taking measures to shore up their capital base. Citigroup has sold a 4.9% stake to Abu Dhabi Investment Authority in exchange for \$7.5 billion. Freddie Mac has cut its dividend to conserve cash. The government sponsored mortgage loan provider plans to sell \$6 billion in non-convertible preferred stock.

The government has stepped in to provide some relief to beleaguered homeowners. Financial services

Recent Developments

On December 6, President Bush agreed to Treasury Secretary Henry Paulson's plan to avert foreclosures. The plan will enable some sub-prime borrowers to refinance mortgages or freeze interest rates on adjustable-rate loans for five years. The plan is expected to allow 1.2 million Americans to keep their homes.

On December 11, the Federal Reserve reduced both the federal funds rate and the discount rate by 0.25%. Stocks sold off as investors were dissatisfied with the magnitude of the discount rate cut. The FOMC Committee members acknowledged an increase in 'uncertainty surrounding the outlook for economic growth and inflation'. The Committee stated that it 'will act as needed to foster price stability and sustainable economic growth.'

Date: December 11, 2007

firms stand to benefit from such measures. Treasury Secretary Henry Paulson is working with leading banks on a plan to prevent home foreclosures from getting out of control and stem the tide in mortgage-related losses.

Meanwhile, banks are trying to prevent structured investment vehicles, companies that borrow short-term to invest in higher-yielding securities, from collapsing and forcing fund managers to sell their assets. The nation's three largest banks Citigroup, Bank of America, and JPMorgan Chase have reached agreement on setting up an \$80 billion fund to help revive the short-term debt market.

Fourth-quarter earnings at U. S. banks and brokerages may well decline further due to charges linked to credit-market losses. For now, we continue to include the Fidelity Spartan 500 Index fund in the Core model portfolio for diversification purposes.

Market Outlook & Sector Portfolio Indicator Reading: Buy

Investors have reacted to fears of a recession caused by a retrenchment in consumer spending. The Treasury Secretary is working on a plan to avert foreclosures. With short-term interest rates likely to trend lower, the equity market will likely fare well if the U. S. economy skirts a recession in 2008.

Home prices as measured by the national Case-Shiller index declined 1.7% during the third quarter, the

largest quarter-to-quarter price decline on record. Home prices fell in September in all 20 major cities.

During the past three months, banks have tightened lending standards on real estate and commercial loans made to consumers and businesses. Investors are concerned that write-downs taken by financial services firms worldwide may force them to cut lending by thousands of billions of dollars.

Measures of consumer sentiment have trended lower in recent months with the Conference Board's confidence index decreasing to the lowest since the aftermath of Hurricane Katrina in October 2005. Investors are concerned that tight credit availability and sluggishness in consumer spending could cause the U. S. economy to slip into recession.

While issues stemming from housing excesses and tight credit conditions will take some time to heal, there are some positives worth noting.

First, Treasury Secretary Henry Paulson is negotiating an agreement with banks to stem a surge in foreclosures. The plan will likely allow selected borrowers to refinance their loans or freeze the interest rate they pay on adjustable-rate mortgages.

Second, several Federal Reserve policy makers are seeing downside risks to the economy. Even inflation hawks like St. Louis Federal Reserve President William Poole has stated that policy makers might need to consider 'additional rate cuts' should housing problems

Featured Quote

'Opportunity is rare, and a wise man will never let it go by him.'

Bayard Taylor

spread. As such, short-term interest rates are likely to trend lower in the period ahead.

These measures are likely to offer relief to homeowners and financial institutions. It remains to be seen if these measures prove adequate in preventing the U. S. economy from slipping into recession. Meanwhile, members of the S&P 500 index on average trade at about 16 times estimated earnings. We believe the equity market will likely fare well if adequate measures are taken in a timely manner and the U. S. economy expands in 2008.

The AlphaProfit model portfolios will be repositioned on December 31 against this backdrop, with a view to capture upside while mitigating risks in the event of a recession. In the interim, we maintain the AlphaProfit Sector Portfolio Indicator reading at 'Buy'. None of the funds currently included in the model portfolios carries a 'Favored Buy' rating.

AlphaProfit Investments, LLC
Date: November 30, 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	Large Cap Value	Average	L. Miles
Select Gold	FSAGX	Large 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.

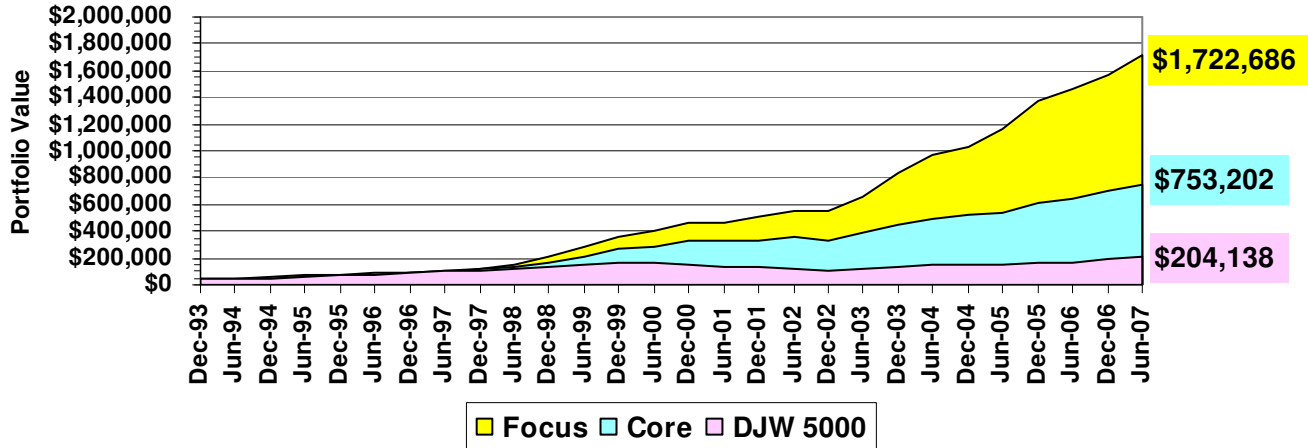
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AlphaProfit Model Portfolio Long-Term Performance

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.

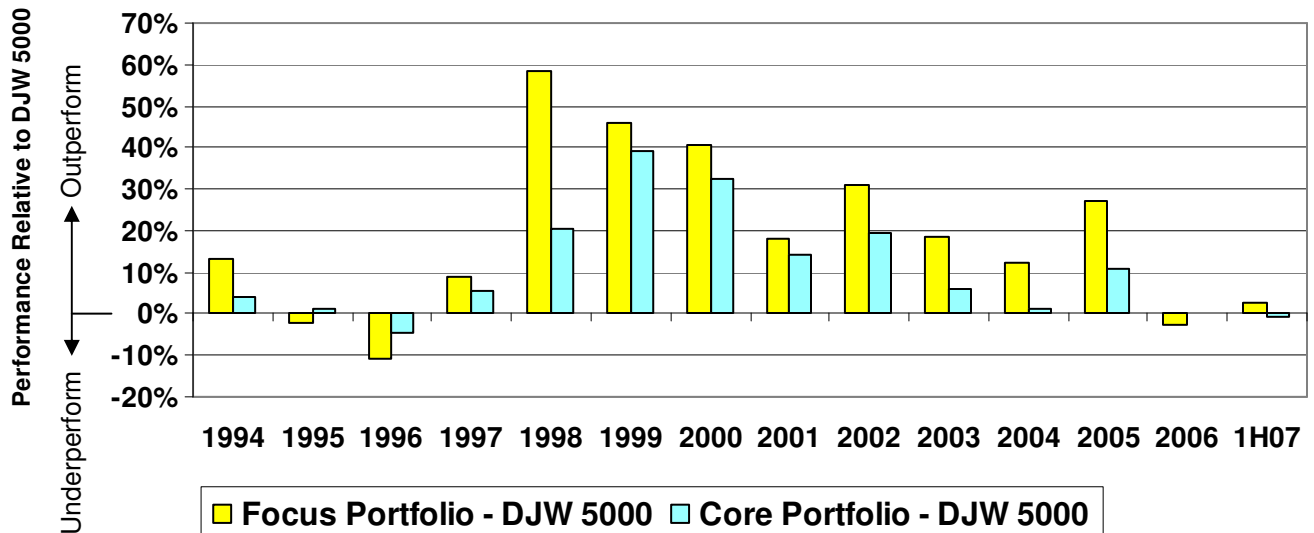


	Cumulative Return			Compound Annual Return			Sharpe Ratio	
	3 year	5 year	Inception	3 year	5 year	Inception	5 year	Inception

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.