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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 on Dips
Favored Buy: None

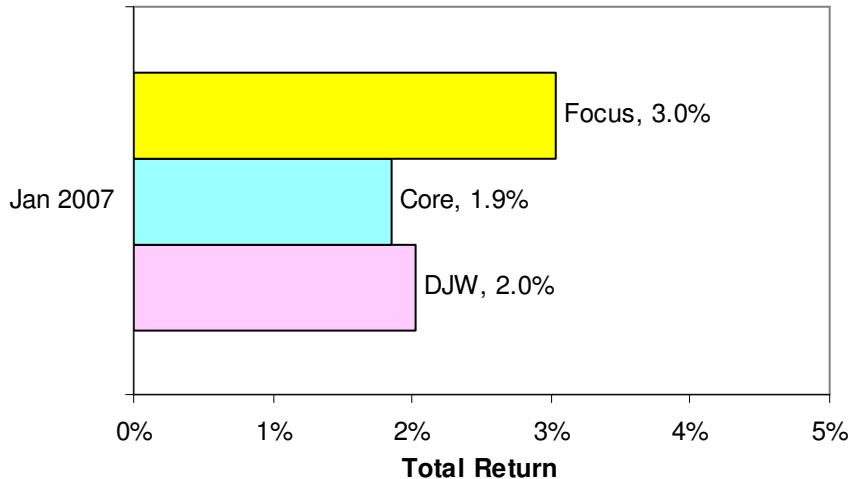
Scorecard

The AlphaProfit Focus and Core model portfolios ended January with gains of 3.0% and 1.9%, respectively. In comparison, the Dow Jones Wilshire 5000 index gained 2.0%.

An 'about-even' contest. For most of January, the contest between bulls and bears was evenly matched. The month started on a

tor sentiment. Improving consumer sentiment seen in conjunction with a stronger-than-expected jobs report gave comfort that all was well with the economy.

Fourth quarter earnings reports that started to flow around mid-January were generally sound, though not spectacular. Of the S&P 500 companies that reported in January, 61% exceeded analysts' forecasts, down from over 70% exceeding



somewhat jittery note as investors worried about rising inflation. While falling oil prices initially enthused investors, a precipitous 17% decline raised concerns of an economic slowdown. Weakness in sales of existing homes gave the bears 'ammo'.

A sweeping cold wave turned the fortunes for oil and an impressive rally in oil ensued to help lift inves-

estimates during the reporting season three months ago.

GDP and the Fed side with the bulls. Going into the last day of trading, the bulls had won a hard-fought advantage over the bears. On January 31, the Commerce Department reported that the gross domestic product increased at a 3.5% annual rate during the fourth quarter, exceeding the 3.0% rate

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Portfolio Composition

AlphaProfit Focus™ Model Portfolio

The Focus Portfolio was last repositioned at the close of business on December 29, 2006. We are leaving the Focus portfolio unchanged at this time.

Fidelity Fund Holding (Ticker Symbol)	December 29, 2006		January 31, 2007	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Computers (FDCPX)	\$520,970	33.33%	\$537,197	33.36%
Paper & Forest (FSPFX)	\$520,970	33.33%	\$535,726	33.27%
Soft. & Comp. (FSCSX)	\$520,970	33.33%	\$537,258	33.37%
Total (rounded to)	\$1,562,910	100.00%	\$1,610,181	100.00%

AlphaProfit Core™ Model Portfolio

The Core Portfolio was last repositioned at the close of business on December 29, 2006. We are leaving the Core portfolio unchanged at this time.

Fidelity Fund Holding (Ticker Symbol)	December 29, 2006		January 31, 2007	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Computers (FDCPX)	\$70,363	10.00%	\$72,555	10.12%
Gold (FSAGX)	\$70,363	10.00%	\$69,496	9.70%
Paper & Forest (FSPFX)	\$70,363	10.00%	\$72,356	10.10%
Soft. & Comp. (FSCSX)	\$140,726	20.00%	\$145,126	20.25%
Spartan 500 (FSMKX)	\$351,816	50.00%	\$357,131	49.83%
Total (rounded to)	\$703,632	100.00%	\$716,664	100.00%

forecasted by economists.

The Federal Reserve's Open Market Committee left short-term interest rates unchanged at 5.25% and commented that 'economic growth is accelerating without generating faster inflation'. These comments set off a sizzling rally during the last three hours of trading in January and enabled the bulls to record a convincing victory over the bears.

January marked a seventh straight monthly gain for the Dow Jones Industrial Average, the longest winning streak since 1995. Advancing 2.0% in January, the broader Dow Jones Wilshire 5000 index recorded its sixth consecutive monthly gain.

From a sector perspective, telecommunication and auto stocks were among the stronger performers while energy stocks lagged. All of the three Fidelity Select funds included in the AlphaProfit Focus model portfolio modestly outper-

formed the Dow Jones Wilshire 5000 benchmark while exposure to gold detracted the performance of the AlphaProfit Core model portfolio. The Focus and Core model portfolios ended January with gains of 3.0% and 1.9%, respectively.

Major Movers

(Company and fund ticker symbols in parentheses.)

Six out of ten stocks gained in the list of top 10 holdings we track. The winners' list was dominated by technology names. Bema Gold (BGO-FSAGX) and Temple-Inland (TIN-FSPFX) made their way to the list of top 10 winners from other groups. Selected gold miners along with S&P 500 titans American International Group (AIG-FSMKX), Exxon Mobil (XOM-FSMKX), and General Electric (GE-FSMKX) were among the weaker performers.

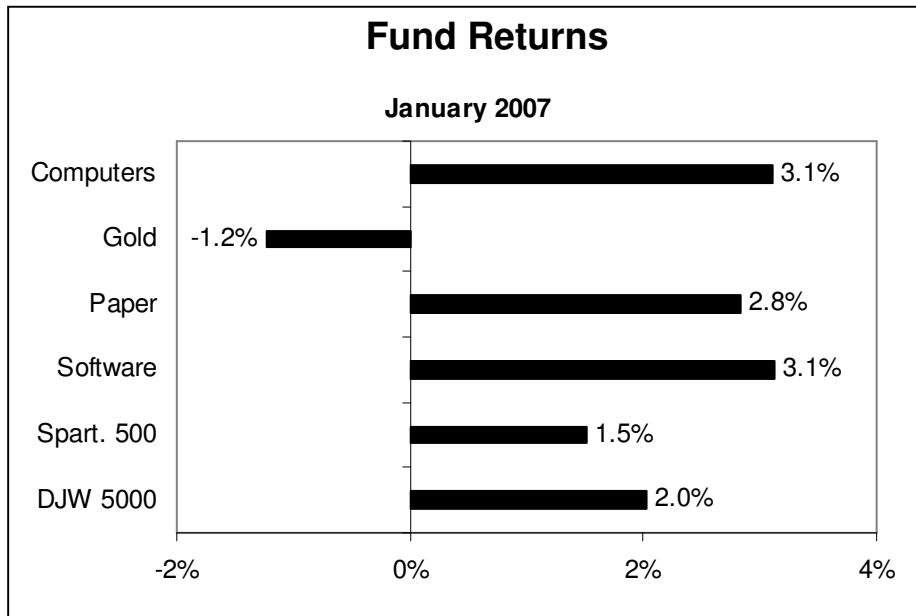
Sun shines. Shares of Sun Microsystems (SUNW-FDCPX) with a

23% gain were the top performer in both model portfolios. Investors gained confidence over the company's turnaround efforts. After years of losses totaling more than \$5 billion since 2002, Sun reported a relatively strong earnings report. Benefiting from cost cutting efforts, Sun reported \$126 million in net profit compared to the \$223 million loss reported in the year-ago period. The company also sold \$700 million of convertible notes to Kohlberg Kravis Roberts' publicly traded fund. The proceeds will likely be used to acquire other companies.

Nintendo charges ahead. The success of Nintendo's (JP:7974-FSCSX) gaming products translated into an 11% gain for its shareholders and made the company's shares the second best performer in both model portfolios. Nintendo has exceeded its annual profit target in just 9 months. While the company's new video gaming console *Wii* is a hit with customers, sales of its *DS* handheld console and game software have remained exceptionally strong.

Newcrest crestfallen. Australia's top miner Newcrest Mining (AU:NCM-FSAGX) disappointed investors by lowering its gold production forecast and reserve estimate. Newcrest cut its gold output forecast from its Telfer mine by 3.6% for the financial year ending June 30, 2007. With reserve reviews expected to be completed later in 2007, the company preliminarily cut its gold reserve estimate for the Telfer mine by 1.6 million ounces. Despite a rally in the price of gold, Newcrest's shares fell by nearly 22% to make them the Core model portfolio's worst performer.

Symantec seized. Citing weakness in business software sales and higher-than-expected costs Symantec (SYMC-FSCSX), maker of the popular Norton anti-virus software, reported 12 cents a share in earnings, short of the previously forecasted 14 to 15 cents a share range. Given Symantec's continued difficulties in making a success of



its \$13.5 billion Veritas Software acquisition, investors reacted negatively to the company's intent to acquire Altiris, a business software maker, for \$800 million. Symantec's \$1 billion stock buyback announcement did little to perk up investor's spirits.

Outlook

(Company and fund ticker symbols in parentheses.)

Economic indicators suggest the U. S. economy may be accelerating after moderating mid-way through 2006. Decline in gasoline prices and strength in the employment market have helped consumer spending to rebound during the fourth quarter and expand gross domestic product at a 3.5% annual rate.

The Conference Board's index of leading U.S. economic indicators gained 0.3% in December for its first increase since September. Gathering momentum in recent weeks with 14 consecutive gains, the Economic Cycle Research Institute's weekly leading index readings call for a pickup in economic activity in the coming months.

Fidelity Select Computers, Software & Computer Services

(M. Tandon has taken over portfolio management responsibility of Fidelity Select

Software & Computer Services from K. Cardwell.)

PC makers are now offering Windows Vista machines following Microsoft's introduction of this operating system. eBay and Google battle in online payment processing while Yahoo! is revving up its Internet search-based advertising platform. Leading hardware companies came through with their earnings while Apple showcased its TV and iPhone products.

Vista launch. In late January, Microsoft (MSFT-FSCSX, FSMKX) launched the consumer version of its *Windows Vista* operating system in 70 countries backed by a \$500 million marketing campaign. Having incurred \$6 billion in expenditure to develop *Vista*, Chairman Bill Gates personally promoted the company's first operating system in six years. The company also concurrently released *Office 2007* which includes popular software applications like *Word* and *Excel*.

On the earnings front, Microsoft reported 26 cents in per share profit, eclipsing the 23 cents a share analysts' estimate. Sales increased 6% to \$12.5 billion.

Since the consumer versions of *Vista* and *Office 2007* weren't ready for the just-past holiday season,

Microsoft has given coupons for free or discounted upgrades to encourage consumers to buy PCs running older versions of the software. *Vista* sales are running at a better-than-expected clip. Deferred sales of \$1.6 billion exceed Microsoft's prior estimate of \$1.5 billion.

With the March quarter benefiting from deferred sales, Microsoft has raised its revenue and earnings per share forecast for the financial year ending on June 30. Microsoft trades at a forward P/E of about 18.

Meanwhile, Hewlett-Packard (HPQ-FDCPX) and Dell (DELL-FDCPX) have started selling computers with the *Vista* operating system. HP has worked closely with Microsoft to ensure that its printing and imaging products are *Vista* ready while Dell has spent more than 100,000 engineer-hours testing the new operating system. Both PC manufacturers are optimistic that *Vista*, with its digital entertainment capabilities touted to "take over consumers' living rooms", will spur PC sales.

Internet. eBay's (EBAY-FSCSX) tactic of raising listing fees to prune low-quality listings and making its auction marketplace more transaction-active is working. In the final quarter of 2006, the company's marketplace sales rose 24%. eBay's PayPal payment processing business successfully battled intense holiday season promotion from Google's (GOOG-FSCSX) *Checkout* to record a 37% increase in revenue.

The marketplace and PayPal businesses enabled eBay's revenue to increase 29% to \$1.72 billion, topping the \$1.67 billion analysts' estimate. The company's per share earnings estimate exceeded analysts' forecast by over 10%. eBay has upped its first quarter revenue guidance. Following the repurchase of \$1 billion in stock in the fourth quarter, the company has committed to buying back \$2 billion in shares. eBay shares trade at a forward P/E of about 21.

Top 10 Fund Holdings

Computers (FDCPX)	Gold (FSAGX)	Paper & For. (FSPFX)	Software (FSCSX)	Spartan 500 (FSMKX)
Hewlett-Packard	Newcrest Mining	Weyerhaeuser	Google Cl. A	ExxonMobil
Sun Microsystems	Meridian Gold	MeadWestvaco	Microsoft	General Electric
Dell	Barrick Gold	Plum Crk. Tim. REIT	Oracle	Citigroup
Apple Computer	Newmont Mining	Temple-Inland	Symantec	Microsoft
EMC Corp.	Iamgold	Int'l. Paper	Yahoo!	Bank of America
Int'l. Bus. Mach.	Goldcorp	Sealed Air	Nintendo	Procter & Gamble
Network Appliance	Bema Gold	Smurfit-Stone Cont.	First Data	Johnson & Johnson
NCR Corp.	Lihir Gold	Rayonier REIT	Comverse Tech.	Pfizer
Sony Corp	Crystallex Int'l.	West Fraser Timb.	Quest Software	Amer. Int'l. Group
Cogn. Tech. Soln.	Ariz. Star Res.	Longview Fibre	eBay	Altria
65.8% of portfolio 15.5% foreign	60.9% of portfolio 77.7% foreign	52.0% of portfolio 7.4% foreign	63.6% of portfolio 10.6% foreign	19.6% of portfolio NA

Fidelity Investments has reported the top 10 holdings of their mutual funds as of December 31, 2006.

Fidelity Select Computers shows five changes. This fund has lightened up on semiconductor giants, with Intel and Texas Instruments getting switched off from the top 10 list. Retailer Best Buy, networking products manufacturer Cisco, and flat panel TV glass maker Corning get logged off as well. New entrants to the fund's top 10 list include IT services provider Cognizant Technology Solutions, PC manufacturer Dell, automated teller machine maker NCR, consumer products manufacturer Sony, and server manufacturer Sun Microsystems.

Fidelity Select Gold is studded with four changes. IAMGold which acquired Cambior gets a top 10 berth. The fund shows distaste for

anything not gold taking out Aber Diamond, Buenaventura, and Freeport McMoRan Copper & Gold. Their positions are filled by Bema Gold, Lihir Gold, and Arizona Star Resources. Bema Gold is being acquired by Kinross Gold and Lihir Gold plans to absorb Ballarat Goldfields. Arizona Star Resources is a gold exploration and development company. Foreign companies account for 78% of the portfolio's holdings with Canadian companies comprising 52%.

In **Fidelity Select Software & Computer Services**, two changes are made. Video game software maker Electronic Arts and enterprise content management software provider FileNet are deleted. FileNet was acquired by International Business Machines. Their places are taken by online auction enabler eBay and transactions processing service provider First Data.

Fidelity Select Paper & Forest Products packs two changes. Consumer goods companies Bemis and Kimberly Clark are flushed out and are replaced by the diversified paper & forest products company International Paper and Canadian integrated forest products company West Fraser Timber. The fund has gotten a tad less concentrated as allocation to the top 10 holdings declines from 57% to 52%.

In the **Fidelity Spartan 500 Index Fund**, tobacco products manufacturer Altria replaces financial services provider JP Morgan Chase in the top 10 list due to relative stock price performance.

As for the more widely held stocks, Microsoft is represented in two of the five funds held in the Core model portfolio. There is no overlap in the three funds included in the Focus model portfolio.

In addition to the *Checkout* payment system, Google is looking to services like mobile search and video advertising for growth. Google is partnering with the world's largest cell phone operator China Mobile to offer a mobile phone-based search service. The search giant is testing a program to allow its network of web publishers to display Internet video ads. The company is also making progress in integrating YouTube even as

piracy issues haunt the latter. Video clips from YouTube are now appearing in Google Video search results.

Yahoo! (YHOO-FSCSX) is trying to counter Google's dominance in search-based advertising. Yahoo! expects to launch its new Internet advertising system *Panama* one month ahead of schedule. Yahoo!'s challenges in maintaining pricing in its online brand advertising segment, its biggest revenue contributor,

mount as MySpace has displaced Yahoo! as the most popular Internet site.

Enterprise products. EMC's (EMC-FDCPX) efforts to expand beyond data storage are beginning to bear fruit. While fourth quarter revenue in the company's larger storage segment increased 9% to \$2.7 billion, revenue in the smaller VMWare computing virtualization unit doubled to \$232 million. EMC

earned 17 cents per share, exceeding analysts' 16 cent forecast.

Following a spate of acquisitions in 2006, EMC intends to focus on integration, execution, and cost control in 2007. EMC expects revenue and profits to grow by at least 14% and 18%, respectively in 2007. The company's virtualization and security businesses are expected to be key growth drivers. EMC trades at a forward P/E multiple of about 18.

Excluding one-time items, International Business Machines (IBM-FDCPX) earned \$2.20 a share, beating analysts' \$2.19 a share estimate. Among its diverse portfolio of businesses, IBM continues to look to its software segment for performance and growth. The company's software unit contributed 40% of its pre-tax earnings with revenue in this unit growing 14%. Revenue in IBM's key Global Services unit increased over 6%. Auguring well for the future, long-term service deal signings increased 89% to \$11.6 billion.

IBM continues to actively pursue acquisitions while eliminating non-core businesses. The company is acquiring two software companies Softek Storage Solutions and Consul that make software for data storage management and compliance, respectively. Realizing \$725 million for its printer business, IBM has formed a 49% owned joint venture InfoPrint Solutions with Japan's Ricoh. IBM intends to sell its 49% stake to Ricoh in three years.

In 2007, IBM forecasts revenue and earnings per share to increase 10%. IBM shares trade at a forward P/E of 13.

NCR (NCR-FDCPX) is working to improve profitability and become a pure-play automated teller machine and checkout scanner maker. As part of a plan to reduce headcount by 1,200, NCR will transfer production from its North and South American plants to Solectron in a five-year contract. NCR plans to spin off its data warehousing unit

Teradata as a publicly traded company. Having exceeded analysts' earnings forecast in 2006, NCR forecasts earnings per share to grow at least 15% in 2007.

Consumer products. The Consumer Electronics Show in Las Vegas and the Macworld Expo in San Francisco provided opportunities for technology companies to showcase their latest wares. Among emerging themes, the vision of television becoming a node on home networks is becoming a reality.

Apple (AAPL-FDCPX) unveiled a slew of new products including *iPhone* and *Apple TV* at Macworld. *iPhone* combines the *iPod* music player with a mobile phone and provides wireless Internet access for e-mail. In June, Apple plans to introduce two models of *iPhone* priced around \$500 and \$700. Scheduled to be introduced in February, *Apple TV* will allow users to send media files from their computers to their televisions.

Apple had a blowout fiscal first quarter, earning \$1.14 per share compared to analysts' 78 cents per share forecast. Apple's second quarter revenue and earnings guidance however fell short of analysts' forecast. To attach more significance to the growing importance of non-computer products, Apple has changed its name from Apple Computer to Apple, Inc.

In the \$30 billion global videogame business, Sony (SNE-FDCPX) is facing challenges. Coming under intense price competition from lower-priced consoles, Microsoft's *Xbox 360* and Nintendo's (JP:7974-FSCSX) *Wii*, Sony's new video game console *PlayStation 3* is off to a subdued start. Sony is working to turn around its gaming division. Meanwhile, Sony's electronics and movie divisions are seeing better days thanks to robust demand for digital cameras, flat-panel TVs, and DVD sales of hit movies like 'The Da Vinci Code'. Sony has increased its fiscal year net profit forecast from \$657 million to \$903 million.

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.

Bank of Amer. (BAC)	p. 7, 8
eBay (EBAY)	p. 3
EMC (EMC)	p. 4, 5
Int. Bus. Mach. (IBM)	p. 5
Microsoft (MSFT)	p. 3

Options backdating. The alleged use of improper practices in granting stock options has led to shares of Converse Technology (CMVT. PK-FSCSX) getting de-listed from the Nasdaq. Internal reviews caused Converse to miss the U. S. Securities and Exchange Commission's deadlines for submitting financial reports.

Meanwhile, Quest Software (QSFT-FSCSX) has petitioned the Nasdaq to remain listed while its financial reports get restated to properly account for option grants. The Nasdaq has granted conditional approval to Dell to remain listed while asking the company to provide key reports by mid-March. The SEC and the Justice Department have questioned Apple CEO Steve Jobs about backdated stock options.

Computer and software companies trade at relatively modest P/E multiples in relation to their growth prospects. The outlook for technology spending is relatively strong and earnings in this sector are expected to increase over 20% in 2007. We continue to include Fidelity Select Computers and Fidelity Select Software & Computer Services in both model portfolios.

Fidelity Select Gold

Gold made most from the rally in oil during the latter part of January. Interest rate trends generally remain favorable although a strengthening U. S. economy poses risks for gold. Gold miners continue to make progress in

their efforts to increase reserves.

Gold takes off. Gold rallied \$14.60 per ounce in January. The ride however wasn't smooth. Gold fell in sympathy with oil and base metals early in the month quickly losing over \$30 an ounce. The yellow metal however soon decoupled itself from other commodities and glittered when oil started to gain ground.

Interest rates and the economy.

The Bank of England raised its benchmark interest rate higher in January to 5.25%, matching the Federal funds rate. The European Central bank kept its key rate steady at 3.5%. Improving factory activity in Germany and consumer sentiment in France may well provide reason for the ECB to push rates higher in the coming months.

Meanwhile, economic activity in the U. S. shows renewed pep. A rising U. S. dollar along with the possibility of the Federal Reserve tightening interest rates pose risks for gold.

Quest for reserves. Gold miners are looking to development, exploration, and acquisition activities to increase reserves. Goldcorp (GG-FSAGX) is quickly moving forward in developing the Penasquito mine in Mexico acquired from the Glamis Gold purchase. Goldcorp has obtained the construction and operat-

ing permits for this project ahead of schedule.

Barrick Gold (ABX-FSAGX) expects to spend nearly \$175 million on its gold exploration effort in 2007. Nevada and Latin American nations like Chile, Argentina, and Peru will be key target areas. IAMGOLD (IAG-FSAGX) has announced better-than-expected results from its Westwood-Mooshla underground exploration program in Canada's Quebec region.

Kinross Gold is looking to close the purchase of Bema Gold (BGO-FSAGX) to increase reserves. With Bema Gold shareholders having approved the deal, the transaction will likely close in February after getting certain regulatory approvals.

While eight of Fidelity Select Gold's top 10 holdings gained in January, the fund's sub-par performance was likely caused by the declines in Major Mover Newcrest Mining (AU:NCM-FSAGX) and Crystallex International (KRY-FSAGX). While Newcrest's gold reserves in the Telfer mine in Australia are not living up to expectations, comments made by Venezuela's foreign minister on nationalizing the mining industry adversely impacted shares of Crystallex.

The macroeconomic environment for gold and gold-related assets remains generally favorable. Invest-

ment demand for gold has been strong off-late. If history serves as any guide, rising gold prices should temper jewelry demand. We continue to include Fidelity Select Gold as part of the Core model portfolio.

Fidelity Select Paper & Forest Products

(J. Bennett is now the sole portfolio manager of Fidelity Select Paper & Forest Products Portfolio previously co-managed by C. Bartel and J. Bennett.)

Most paper and packaging companies came through with their earnings even though energy costs and weakness in residential construction selectively strained results. Companies here continue to restructure through mergers, joint ventures, and divestitures. Meanwhile, shareholders are pressuring companies to enhance value.

Operating performance. Strength in Latin American demand enabled Sealed Air (SEE-FSPFX) to increase fourth quarter sales by 6% to \$1.15 billion. Moderating raw material costs and emphasis on supply chain improvements helped the company report an 18% increase in per share earnings from year-ago levels. Sealed Air is looking to expand product offerings and increase capacity in high-growth emerging markets to drive sales in 2007. The company expects mid-single digit increase in sales, with earnings per

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continued on page 10

share increasing 11%.

Rayonier (RYN-FSPFX) earned 59 cents a share beating analysts' 45 cents a share forecast. The fifth largest private timberland owner in the U. S. plans to focus on integrating its timberland acquisitions in 2007. The company intends to continue its strategy of seeking participation agreements from developers to better realize value for its real estate.

Smurfit-Stone Container's (SSCC-FSPFX) efforts to turn around the company through restructuring, supply change improvements, and headcount reduction are working. The company reversed losses from 2005 and earned 28 cents a share in 2006.

Higher-than-expected energy costs caused MeadWestvaco (MWV-FSPFX) to miss analysts' earnings per share forecast by a penny even though demand and pricing for its paperboard products remained firm.

Plum Creek Timber (PCL-FSPFX) benefited from the softwood-lumber dispute settlement between the U. S. and Canada. However, excluding this one-time benefit, Plum Creek's earnings missed analysts' forecast by two cents a share. While the company is seeing strong demand in its rural real estate and paper product segments, its wood products business is being impacted by weak residential construction activity. Plum Creek has also lowered its 2007 earnings forecast.

Mergers and joint ventures. Newsprint manufacturers Abitibi-Consolidated and Bowater have agreed to merge in a \$1.4 billion deal and create the third largest publicly traded paper and forest products company in North America.

Weyerhaeuser's (WY-FSPFX) \$3.3 billion deal to combine its fine paper business with Canada's Domtar to form a new Domtar has received Canadian antitrust approval. Not long ago, International Paper (IP-FSPFX) disclosed plans to pur-

chase a 50% stake in Russia's Ilim Pulp to establish a joint venture. IP has also entered into a joint venture with Sun Paper in China. These joint ventures position IP to enter the high-growth, low-cost markets of Russia and China.

Divestitures and plant closings. IP is selling 13 of its 21 sawmills to West Fraser Timber (CA:WFT-FSPFX) for \$325 million. Since embarking on its massive restructuring effort in July 2005, IP has sold nearly \$10 billion in assets with the intent of focusing on core businesses. Believing timing to be right, MeadWestvaco intends to sell

Billionaire investor Carl Icahn has taken a 6.7% stake in Temple-Inland with the intent of engaging in discussions with company management to spin off one or more businesses. Icahn has stated that the Temple's conglomerate structure 'obfuscates the true value' of its assets.

300,000 acres of forestlands in Alabama, Georgia, and West Virginia to capture value from these assets.

Activist shareholders. Billionaire investor Carl Icahn has taken a 6.7% stake in Temple-Inland (TIN-FSPFX) with the intent of engaging in discussions with company management to spin off one or more businesses. Icahn has stated that the Temple's conglomerate structure of operating four businesses forest products, corrugated packaging, real estate, and financial services 'obfuscates the true value' of its assets.

Following pressure from Franklin Mutual Advisers to convert timberland assets into a more tax-efficient Real Estate Investment Trust (REIT) structure, Weyerhaeuser has appointed Debra Cafaro, the chief executive of a REIT, to its board. This has stirred speculation that Weyerhaeuser is seriously considering a REIT structure for its timberland assets. Weyerhaeuser will however have to figure out solu-

tions for avoiding a potential \$4 billion tax hit and for assets that do not fit in a REIT structure.

Companies in the paper and forest products group on their own as well as in response to pressure from shareholders are working to enhance shareholder value. We like the prospects of this restructuring group and include Fidelity Select Paper & Forest Products in both model portfolios.

Fidelity Spartan 500 Index Fund

In January, stocks in the telecommunications, materials, and health care sectors were stronger performers within the Standard & Poor's 500 Index. Shares of energy, utility, and financial services firms lagged. In this Report, we look at developments in the financial services, energy, and materials sectors which collectively represent about 35% of the S&P 500's market capitalization.

Financial services. Companies with exposure to capital market-sensitive businesses like investment banking did well while retail banking results reflected the adverse impact of an inverted yield-curve. Credit card businesses of financial institutions benefited from strong credit card member spending during the holiday season while weakness in the housing market impaired mortgage lending. Taken in the aggregate, earnings of financial service firms were somewhat disappointing. Financial institutions continued to garner scale and expand internationally through acquisitions.

In fourth quarter earnings reports, both Bank of America (BAC-FSMKX) and Citigroup (C-FSMKX) reported numbers ahead of analysts' forecasts. Benefits from the MBNA acquisition and growth in capital market and investment banking activities powered the 28% increase in Bank of America's 2006 net income. The bank also an-

nounced a \$14 billion share buy-back program. Bank of America shares yield over 4% and trade at a forward P/E of about 10.

Bank of America has refuted rumors that the company may be interested in acquiring mortgage lender Countywide Financial while the company may seek acquisitions to enhance its retail presence in the Chicago area.

Excluding one-time items, Citigroup earned \$1.03 per share compared to the 98 cents a share it earned in the year-ago period. Analysts expressed frustration with Citigroup's rising expenses. During the fourth quarter, revenue was up 15% while expenses rose faster at 23%. To get a handle on expenses, Chairman and CEO Charles Prince has appointed Robert Druskin as Chief Operating Officer and made expense reduction a top priority.

Citigroup is buying London-based Egg Banking PLC for \$1.1 billion. Egg Banking is the world's largest stand-alone online bank. Egg Banking and Citigroup's British consumer banking and finance operations combined will have over four million customers and three million credit card users. Separately, Citigroup has also agreed to buy ABN AMRO's Mortgage Group to strengthen its U. S. mortgage origination and servicing business.

American International Group (AIG-FSMKX) is trying to buy the remaining 30.1% of auto insurer 21st Century Insurance Group it already does not own for \$690 million.

Energy. The trend in share prices of energy companies mirrored the trend in crude. After plummeting in the early part of the month on concerns of weakening oil demand, negative developments in Venezuela, and less-than-robust year-over-year earnings comparisons, share prices staged a rebound. Cold weather, strong earnings from energy services company Schlumberger, and the U. S. decision to double the Strategic Petroleum Re-

serve aided the rebound.

Stagnation in oil prices is making year-over-year earnings comparisons for the oil majors less robust. Chevron has warned that fourth quarter earnings will be impacted by an 18% drop in the price of oil during the first two months of the fourth quarter. ConocoPhillips' fourth quarter revenue and profits declined by nearly 20% from the year-ago period due to lower natural gas prices and narrower refining margins. Results in the year-ago period benefited from hurricanes Katrina and Rita.

Oil and natural gas producers are finding reserve replacement a challenging endeavor. While ConocoPhillips added 2.6 billion barrels to

Financial service companies with exposure to capital market-sensitive businesses like investment banking did well while retail banking results reflected the adverse impact of an inverted yield-curve. Credit card businesses of financial institutions benefited from strong credit card member spending during the holiday season while weakness in the housing market impaired mortgage lending.

its reserves in 2006, nearly 85% of the reserve replacement came from acquisitions. Less than 15% of the reserves were replaced by exploration and development as reservoirs performed poorly and field life expectancy was revised downward.

Meanwhile, Schlumberger continued to benefit from the rising exploration and development budgets of oil and gas producers. Schlumberger's fourth quarter revenue climbed 33% to \$5.35 billion, while per share earnings increased nearly 77% to 92 cents a share. Both revenue and earnings per share exceeded analysts' forecast.

Russia is among nations that offer potential for oil majors to increase reserves and production. Exxon

Mobil (XOM-FSMKX) is ramping up production at its Sakahlin-1 project in Russia. Chevron is part of new joint venture formed by Russia's gas monopoly Gazprom that will produce hydrocarbons in West Siberia. Chevron and Exxon Mobil may also benefit from the opportunity to construct a new \$3 billion petrochemical facility in Iraq.

Materials. The strength in materials-related shares sprung from several factors. Declining energy and chemical feedstock prices provided a positive backdrop for chemical and industrial gas producers. Strong demand for ethanol used in gasoline blending helped shares of corn seed producers DuPont and Monsanto. Earnings reports from most metal producers were generally strong.

Rumors that a consortium of private equity firms will make an offer for Dow Chemical aided shares of this company to advance. Meanwhile, Dow's fourth quarter per share profit exceeded analysts' forecasts. Looking to 2007, Dow expects energy costs to trend lower and demand for its products to remain strong. Dow has also announced the launch of two new businesses in coating and footwear materials.

Among gas producers, strong pricing and industrial demand coupled with benefits from cost savings initiatives helped margins to expand. Earnings at both Air Products and Praxair exceeded analysts' forecasts.

In the metals arena, robust demand for aluminum from aerospace and commercial construction markets and higher metal prices boosted Alcoa's fourth quarter revenue and profits. The company has increased its annual dividend by 13% and announced plans to buyback 10% of its outstanding shares.

After lowering its earnings forecast in December, steel producer Nucor reported earnings per share that exceeded the lowered forecasts. The results provided optimism that

steel inventory overhang will be worked through by March. Copper producer Phelps Dodge too managed to report per share earnings ahead of analysts' forecasts as the impact of lower copper demand from the year-ago period was more than offset by higher prices.

Looking ahead, valuation metrics in the financial services sector are relatively attractive compared to those in the energy and materials space. While an inverted yield curve presents headwinds for retail banking, we believe it will begin to take on a normal positive slope after the Federal Reserve starts to lower short-term interest rates. Meanwhile, strength in equity markets should be supportive of robust investment banking and merger & acquisition activity. Shares in the energy and materials sectors should fare well if the recent pickup in economic activity endures.

With limited number of industry groups worthy of over-weighting, we include the Fidelity Spartan 500 Index Fund in the Core model portfolio to provide reasonable diversification across sectors.

Market Outlook & Sector Portfolio Indicator Reading: Buy on Dips

With earnings growth forecasts being lowered and the timetable for interest rate cuts likely to be pushed farther, the stock market will likely be hard-pressed to maintain its current rate of advance.

The stock market as measured by the popular indexes has rallied im-

pressively since the second-half of 2006. The Dow Jones Industrial Average has gone on a record-setting streak and the S&P 500 has now advanced eight months in a row.

The advance has been helped by robust corporate earnings and moderate inflation. Weakness in the housing sector has not caused the economy to derail. Against this backdrop, investors have been upbeat, expecting the Federal Reserve to start lowering interest rates.

The Federal Reserve left its benchmark short-term interest rate unchanged at 5.25% after its January 31 meeting. Inflation appears to be relatively contained for now. During the fourth quarter, the core personal consumption expenditures (PCE) price index was up 2.1% from the year-ago period. This is slightly above the Fed's assumed comfort range of 1% to 2%.

As the stock market continues its uptrend and discounts optimistic scenarios, there are reasons to be cautious. For one, the impact of weakness in housing should not be under-estimated. Second, data from S&P 500 company earnings reports released in January suggest that the string of double-digit earnings growth increases may have broken during the fourth quarter.

Looking ahead, analysts have lowered profit growth forecasts for the S&P 500 companies in the first quarter to 6.1%. And year-over-year comparisons stand to get tougher in the second and third quarters as robust earnings from such periods

Featured Quote

'We would accomplish many more things if we did not think of them as impossible.'

Vince Lombardi

in 2006 become the basis for evaluation.

On the interest rate front, the recent pickup in economic activity pushes the timetable for interest rate reductions farther out while incrementally raising the risk of prompting the Federal Reserve to raise rates.

While it is conceivable that broad indexes like the S&P 500 will end 2007 higher than where they are, it is likely that the rate of increase going forward will be lower than that recorded over the past eight months. As such, it makes sense to avoid chasing rallies and buy during periods of weakness. We are accordingly lowering the reading of the AlphaProfit Sector Portfolio Indicator from 'Buy' to 'Buy on Dips'. None of the Fidelity Select Funds carries a 'Favored Buy' rating at the current time.

AlphaProfit Investments, LLC
Date: January 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 Computers	FDCPX	Large Cap Growth	Above Average	H. Lawrence
Select Gold	FSAGX	Mid Cap Growth	Above Average	D. Dupont
Select Paper & Forest Products	FSPFX	Mid Cap Value	Average	J. Bennett
Select Software & Comp. Services	FSCSX	Mid Cap Growth	Above Average	M. Tandon
Spartan 500 Index Fund - Investor Cl.	FSMKX	Large Cap Blend	Below Average	Geode Capital

Manager Changes:

Justin Bennett is now the sole portfolio manager of Fidelity Select Paper & Forest Products Portfolio. This fund was previously co-managed by Chris Bartel and Justin Bennett.

Mayank Tandon has taken over portfolio management responsibility of Fidelity Select Software & Computer Services from Kelly Cardwell.

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.

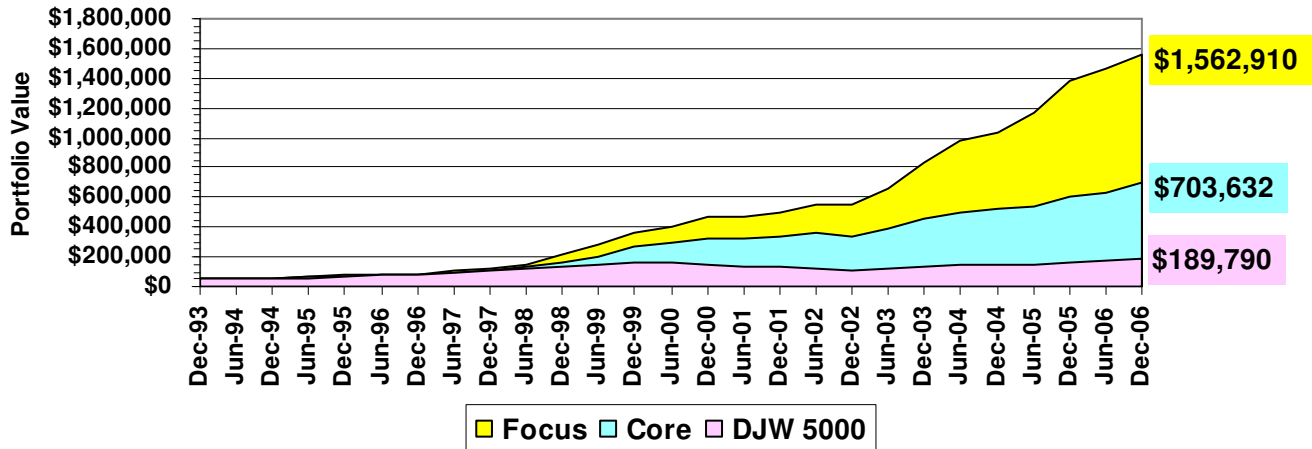
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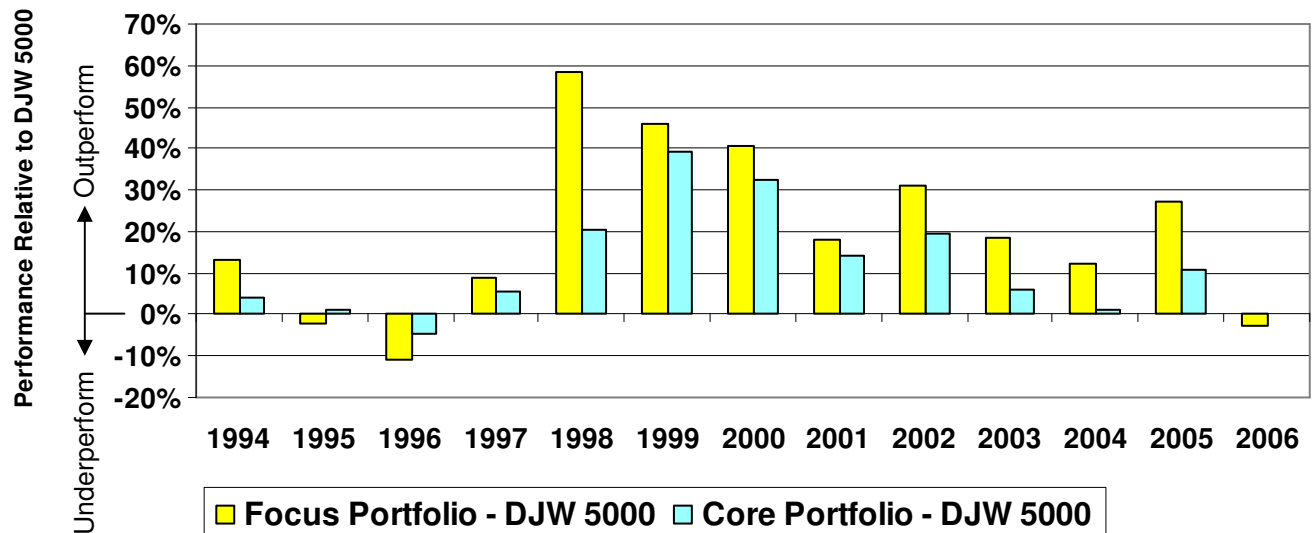
AlphaProfit Model Portfolio Long-Term Performance

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 December 31, 2006; the returns do not include the one-time 3% front-end sales load charged by Fidelity Investments® for deposits made in the Fidelity Select Portfolio® funds. On Sept. 23, 2003, Fidelity Investments eliminated the one-time 3% front-end sales load for deposits in Fidelity Select Portfolio funds.



	Cumulative Return			Compound Annual Return			Sharpe Ratio	
	3 year	5 year	Inception	3 year	5 year	Inception	5 year	Inception
Focus	88.4%	210.6%	3025.8%	23.5%	25.4%	30.3%	1.33	1.11
Core	54.6%	109.8%	1307.3%	15.6%	16.0%	22.6%	0.89	1.05
DJW 5000	38.8%	44.6%	279.6%	11.5%	7.7%	10.8%	0.32	0.40

	Total Return												
	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
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%
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%
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%



Glossary of Terms Used

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

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

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

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

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

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

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

Cumulative or Holding Period Return: Total return earned by the fund or portfolio over the referenced holding period. All distributions are reinvested in the fund paying the distribution.

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

changes in the U.S. equity market.

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

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

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

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

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

Risk Rating: AlphaProfit's classification of Fidelity Select Funds into 3 categories, 'Above Average', 'Average', and 'Below Average' based on the fund's standard deviation of returns over the last 8 years. Shorter history is used for newer funds.

Sharpe Ratio: A commonly used measure of risk adjusted return. This ratio is calculated using the formula, (portfolio return minus risk free return)/standard deviation of portfolio return. The return on the Vanguard® Prime Money Market Fund is used as a measure of risk free return.

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

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