



AlphaProfit™

Sector Investors' Newsletter

Service for \$ophisticated \$ector Investors



Ideas. Insights. Results.

WHAT'S INSIDE

Scorecard 1

Portfolio Composition2

Major Movers.....2

Model Port. Repositioning2

Outlook3

Fund Returns.....3

Top 10 Fund Holdings4

ETF & Mut. Fund Selections ...5

Stock Searchlight7

Market Outlook & Sector Portfolio Indicator9

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 on Dips
Favored Buy: None

Scorecard

The AlphaProfit Focus and Core model portfolios gained 4.7% and 3.4%, respectively in May while the Dow Jones Wilshire 5000 benchmark advanced 3.6%.

Buying binge. M&A activity was among the more potent drivers of stock prices in May. Forty-one mergers of \$1 billion or more were announced during the month, the largest number for any month in history. The total value of deals announced worldwide since the start of 2007 exceeded \$2 trillion, 60% higher than last year's record pace.

Hathaway would spend as much as \$60 billion on the right deal.

Deals came in many flavors. There were friendly transactions as in Thompson's \$17 billion offer for Reuters. There were hostile ones as in Alcoa's \$27 billion offer for Alcan and there were competitive salvos like a \$96 billion bid for ABN Amro from a group of financial institutions trying to trump Barclays' offer.

Private-equity firms continued to anchor major deals for good measure. TPG Capital combined with Goldman Sachs' buyout arm, GS

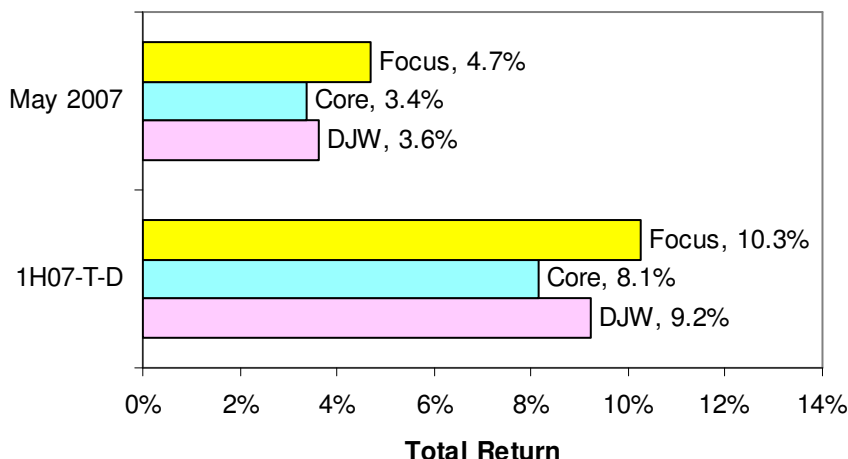
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Such rampant takeover activity provided investors with the comfort that there is substantial hidden value in the market. Billionaire investor Warren Buffett added to this bullish cause saying that his firm Berkshire

Capital Partners to offer \$28 billion for wireless service provider Alltel.

Earnings and inflation. Strong first-quarter earnings reports and abating inflation concerns were

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		May 31, 2007	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Computers (FDCPX)	\$520,970	33.33%	\$570,310	33.10%
Paper & Forest (FSPFX)	\$520,970	33.33%	\$587,776	34.11%
Soft. & Comp. (FSCSX)	\$520,970	33.33%	\$565,066	32.79%
Total (rounded to)	\$1,562,910	100.00%	\$1,723,152	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		May 31, 2007	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Computers (FDCPX)	\$70,363	10.00%	\$77,027	10.12%
Gold (FSAGX)	\$70,363	10.00%	\$69,371	9.12%
Paper & Forest (FSPFX)	\$70,363	10.00%	\$79,386	10.43%
Soft. & Comp. (FSCSX)	\$140,726	20.00%	\$152,638	20.06%
Spartan 500 (FSMKX)	\$351,816	50.00%	\$382,520	50.27%
Total (rounded to)	\$703,632	100.00%	\$760,942	100.00%

other factors supporting higher equity prices. Earnings from sectors like energy, materials, industrials, and technology that have a higher degree of sensitivity to overseas economies were notably robust.

Inflation fears receded as the price of oil and natural gas declined and the U. S. dollar gained against major world currencies. Data on wholesale price inflation was also supportive in keeping inflation fears at bay.

Records set. Weakness in housing and retail sales, a downward revision in the first-quarter gross domestic product growth estimate, and a one-day 6.8% rout in Chinese share prices failed to derail the bull-run. The widely followed S&P 500 index finally swept past its record high set in year 2000 at the height of the Internet bubble. The Dow Jones Industrial Average eclipsed the 13,400 level for the first time and then tacked on nearly 300 points in short order.

From a sector and industry-group perspective, telecommunications was a standout, thanks largely to buyout activity. Energy shares defied the backdrop of falling commodity prices to score impressive gains. Performance of the AlphaProfit model portfolios benefited from exposure to computer hardware and paper & forest products shares whereas gold mining shares were a drag. The AlphaProfit Focus and Core model portfolio gained 4.7% and 3.4%, respectively while the Dow Jones Wilshire 5000 index advanced 3.6%.

Major Movers

(Company and fund ticker symbols in parentheses.)

Nearly 7 out of 10 stocks in the list of top 10 fund holdings advanced in May. Computer hardware companies found themselves at both ends of the performance spectrum. The losers list was prominently populated by gold mining companies.

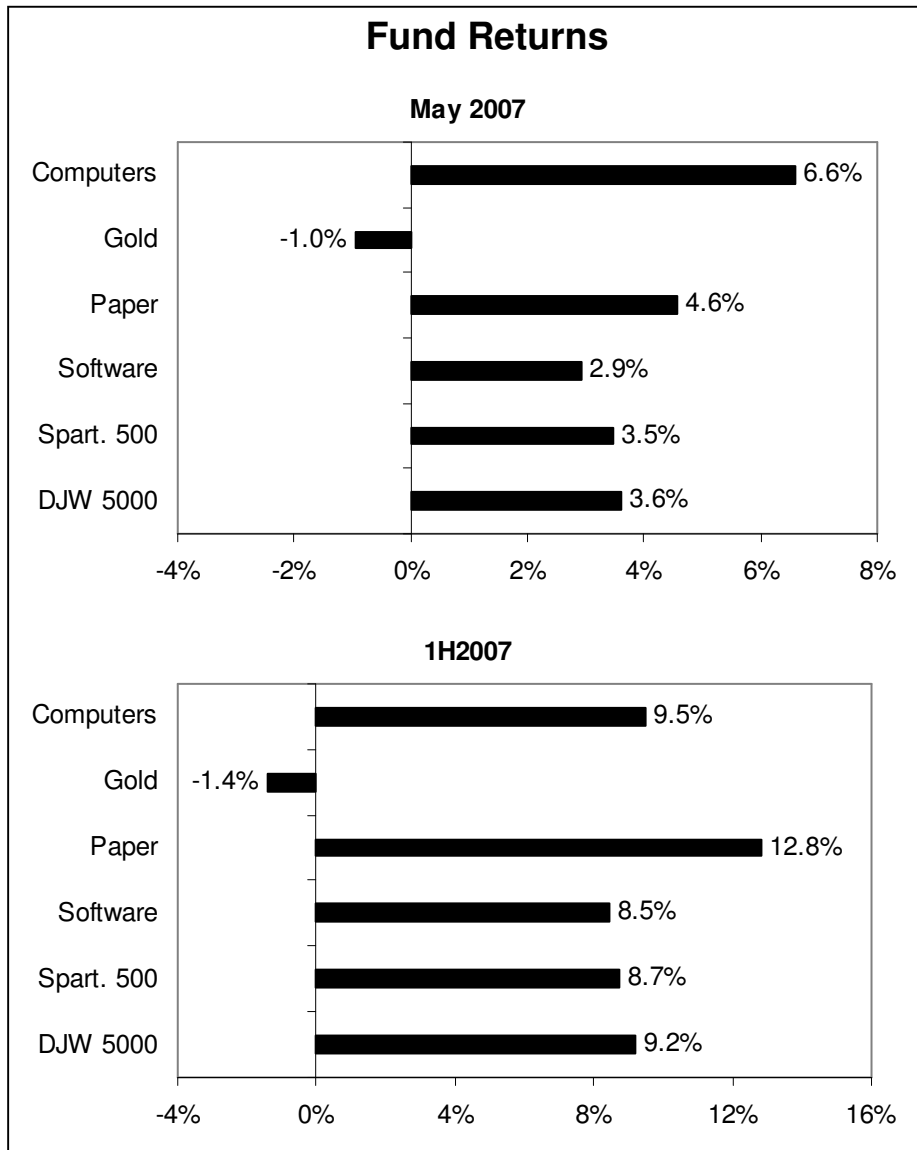
Apple beyond par. Crossing the \$100 mark, shares of Apple (AAPL-FDCPX) closed May at \$118. With a gain of over 21% for the month, Apple claimed honors as the best performer in both model portfolios. Investors reacted positively to a host of product-related news from the company.

Apple reached an agreement with recording giant EMI to sell digital-rights-management-free songs at the former's *iTunes* online music store. Priced at \$1.29 or 30 cents more than protected songs, the DRM-free music can be transferred between devices. Apple will enhance the capabilities of *Apple TV* so that users can stream Internet videos from web sites like YouTube to their living room TVs.

Apple also received approval from the U. S. Federal Communications Commission for sale of its much anticipated *iPhone*. The device is expected to be launched in the latter part of June. As the exclusive *iPhone* seller, AT&T (T-FSMKX) too stands to benefit and investors bid up the phone giant's shares by nearly 7%. AT&T was the top performer among the Fidelity Spartan 500 fund's top 10 holdings.

Mid-Year Model Portfolio Repositioning

The model portfolios will be repositioned after the markets close on June 29. To help you closely track the model portfolios, we will publish the **Repositioning Alert Preview** by **Noon Central Time on Friday, June 29** in the Subscriber Login area. We will follow this with the **Repositioning Alert Confirmation** by **11:00 a.m. Central Time on Sunday, July 1**. The **July Indicator Update** including an overview of the considerations resulting in the repositioning changes will be published by **Noon Central Time on Monday, July 2**. The **Repositioning Alert Preview** and **Confirmation** documents as well as the **July Indicator Update** will be e-mailed to Subscribers when they are published on the web site.



Nintendo continues to run. With sales of both the handheld device *Nintendo DS* and new video game console *Wii* running at breakneck speed, shares of Nintendo (JP:7974-FSCSX) continued to surge. Following their 20% advance during the March-April period, the company's shares gained 13% in May.

Nintendo is now producing 2.5 million *DS* machines a month, the highest production ever for a Nintendo game machine. Nintendo is increasing production of *Wii* units in China. The company expects to sell 14 million *Wii* units during its current fiscal year with the cumulative tally rising to about 35 million by 2011.

Appliances turned off. Shares of Network Appliance (NTAP-FDCPX)

with a decline of about 14% turned in the worst performance in both model portfolios. Citing slowing U. S. technology spending and competitive pressures, NetApps lowered its fiscal first-quarter per-share earnings forecast to 14 cents to 15 cents, short of the 20 cents expected by analysts. Expecting first-quarter revenue to decline nearly 6% on a sequential basis, the company scrapped its full-year revenue growth forecast of 28% to 30%. With operating expenses rising faster than revenue, NetApps is cutting back on hiring.

Outlook

(Company and fund ticker symbols in parentheses.)

The first quarter appears to have

represented a low-point for the U. S. economy. Economic indicators reflective of more recent conditions as well as forward looking indicators suggest a modest pick up.

The Commerce Department revised the gross domestic product growth estimate for the January through March period downward from 1.3% to 0.6%. This is the slowest rate the U. S. economy has grown in more than four years.

The Institute of Supply Management's index of factory activity increased to 54.7 in April, the highest since May 2006. Reinforcing this pickup in manufacturing, the National Association of Purchasing Management-Chicago's business barometer increased 8.8 points to 61.7 in May. A plunge in building permits however caused the Conference Board's index of leading economic indicators to slip 0.5% in April.

The prospect of a recession appears relatively slim in the near-term. That said, strength in manufacturing is being undermined by weakness in housing. As such, the pace of growth during the second quarter may only be marginally higher than that recorded in the first quarter.

Fidelity Select Computers, Software & Computer Services

The online advertising space was the epicenter of deal activity in the software group. Google's stranglehold on Internet search continues to tighten. In the PC world, *Windows Vista* sales are on track and Hewlett-Packard's cost-cutting efforts are yielding results. In enterprise services, investors were less than enthused with Cognizant Technology's report card although the company's outlook appears promising.

Internet deals. The pace of consolidation in the online advertising

Top 10 Fund Holdings

Fidelity Investments has reported the top 10 holdings for all of their funds, as of March 31, 2007. Cognizant Technology and Microsoft are represented in two out of the five Core model portfolio funds. Cognizant Technology finds a top 10 berth in two of the three funds included in the Focus model portfolio.

Computers (FDCPX)	Gold (FSAGX)	Paper & For. (FSPFX)	Software (FSCSX)	Spartan 500 (FSMKX)
Hewlett-Packard	Newcrest Mining	Weyerhaeuser	Microsoft	ExxonMobil
Sun Microsystems	Meridian Gold	Temple-Inland	Google Cl A	General Electric
Apple	Barrick Gold	MeadWestvaco	Cogn. Tech. Soln.	Citigroup
Int'l. Bus. Mach.	Newmont Mining	Plum Crk. Timber	Oracle	AT&T
EMC Corp.	IAMGOLD	Buckeye Cell. 9.25%	Yahoo!	Microsoft
Dell	Kinross Gold Corp.	Bemis	Nintendo	Bank of America
Seagate Tech.	Lihir Gold	Smurfit-Stone Cont.	Quest Software	Procter & Gamble
Network Appliance	Gold Fields	Potlatch	eBay	Altria
NCR Corp.	Goldcorp	Longview Fibre	Utimaco Safeware	Pfizer
Cogn. Tech. Soln.	Ariz. Star Res.	Pack. Corp. of Amer.	Western Union	Amer. Int'l. Group
<i>73.4% of portfolio</i>	<i>64.9% of portfolio</i>	<i>60.9% of portfolio</i>	<i>65.6% of portfolio</i>	<i>19.3% of portfolio</i>
<i>8.8% foreign</i>	<i>82.5% foreign</i>	<i>6.9% foreign</i>	<i>16.8% foreign</i>	<i>NA</i>

space has reached frenzied proportions. Around mid-April, Google (GOOG-FSCSX) announced plans to purchase DoubleClick for \$3.1 billion. Both Microsoft (MSFT-FSCSX, FSMKX) and Yahoo! (YHOO-FSCSX) were quick to react in May. Microsoft is forking \$6 billion to purchase aQuantive. aQuantive helps advertisers target online ads and offers web site development services. Yahoo! plans to take full control of Right Media by purchasing 80% of the privately held firm it does not own for about \$680 million. Right Media focuses on direct marketing advertising, delivering high-volume ads to mass-market audiences.

Other players have joined the consolidation bandwagon as well. London-based advertising agency WPP Group has agreed to buy 24/7 Real Media for \$649 million. Time Warner's AOL is purchasing a controlling stake in Germany's Adtech. Such rampant consolidation has left fewer acquisition targets in the online advertising space with ValueClick arguably a prime pick.

Meanwhile, the U. S. Federal Trade Commission is investigating Google's planned acquisition of DoubleClick. The Wall Street Journal has reported Microsoft has been in merger talks with Yahoo! in recent

months. The deal however appears to have fallen through for now. Yahoo! has hired veteran investment banker Blake Jorgensen, a founder of Thomas Weisel Partners, as its Chief Financial Officer. With Yahoo! likely to focus on expanding through acquisitions rather than selling the company, a partnership with Microsoft appears more likely.

Internet search and marketplace.

Google continues to dominate Internet search. According to comScore, Google increased its share of the U. S. search market by 1.4% in April to 49.7%. Both Yahoo! and Microsoft's MSN service lost ground.

To further extend its leadership versus competitors, Google is enhancing its search service with what the company calls 'new universal search'. Google has started displaying videos, photos, and books along with web pages in its search results. Targeting overseas markets, Google also plans to introduce a feature to translate Internet search results in 12 languages.

Yahoo! has gone one up on Google in a limited way. Yahoo! has entered into a partnership with cable TV leader Comcast to supply advertising for Comcast.net after Comcast's search engine service contract with Google expires at the end of 2007.

eBay (EBAY-FSCSX) continues to grow its payment processing and Internet telephony businesses PayPal and Skype, respectively. PayPal has added 87 new markets to expand its services to 190 markets worldwide. Additionally, PayPal has received banking license from the European Union. To increase adoption in the U. S., Skype is teaming up with Wal-Mart. Wal-Mart is now offering Skype-certified Internet telephony hardware and Skype pre-paid calling cards.

PCs. Microsoft has sold nearly 40 million *Windows Vista* licenses within 100 days of launching the latest version of the operating system. Sales of the premium edition have accounted for 78% of the total. Microsoft's partnership with Chinese PC maker Lenovo appears to be going well. Lenovo has signed a \$1.3 billion deal to buy Microsoft *Windows, Office*, and other software suites. The agreement emulates the one inked in 2006 for \$1.2 billion. Microsoft and Lenovo are also building a joint R&D innovation centre in China.

Hewlett-Packard (HPQ-FDCPX) is executing well as efforts to turn-around its personal-systems unit bear fruit and profitability of the imaging and printing division continues to remain strong. Profits at

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		
Computers	Fidelity Sel Computers (FDCPX)	A, F	A, NTF, 30	R, F	A, F	Internet Architect HOLDRs (IAH) PowerShares Dyn Hard (PHW)	Limited Limited
Gold	Fidelity Sel Gold (FSAGX) Midas (MIDSX) Prec Met Ultra ProFund (PMPIX) Rydex Precious Metals (RYPMX) US Glob World Prec Met (UNWPX)	A, F A, NTF, 90 A, NTF, 90 A, NTF, 90 A, F	A, NTF, 30 A, NTF, 180 A, NTF, 180 A, NTF, 180 A, NTF, 180	R, F A, NTF, 90 A, NTF, No A, NTF, No A, NTF, 90	A, F A, NTF, 90 A, NTF, 90 A, F A, NTF, 90	iShares COMEX Gold Trust (IAU) Market Vectors Gold Min (GDX) PowerShares DB Gold (DGL) streetTRACKS Gold (GLD)	Limited Good Limited Good
Paper & For Pdt	Fidelity Sel Paper & For (FSPFX)	A, F	A, NTF, 30	R, F	A, F	No ETF currently available	
Software	Fidelity Sel Soft & Com (FSCSX)	A, F	A, NTF, 30	R, F	A, F	iShares GS Software (IGV) PowerShares Dyn Software (PSJ) Software HOLDRs (SWH)	Good Limited Good
S&P 500	Dreyfus S&P 500 Index (PEOPX) E*TRADE S&P 500 Index (ETSPX) Fidelity Spartan 500 Idx (FSMKX) Schwab S&P 500 Index (SWPIX)	A, NTF, 90 A, NTF, 4m N N	A, NTF, 180 N A, NTF, 90 C, F	A, NTF, 90 N N A, NTF, 30	A, NTF, 180 I, F A, F A, F	iShares S&P 500 Index (IVV) SPDR Trust (SPY)	Good Good

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.

the personal-systems unit, which includes PCs, increased 68% from the year-ago period to \$417 million as sales rose 24% to \$8.7 billion. The printing group remained H-P's most-profitable division earning \$1.2 billion as sales increased 6% to \$7.2 billion. Excluding one-time items, H-P earned \$1.9 billion or 70 cents a share on revenue of \$25.5 billion.

Company CEO Mark Hurd believes there is still plenty of room left to cut overhead costs. H-P has raised its current fiscal year profit forecast to between \$2.51 and \$2.53 a share and expects to cross the \$100 billion annual revenue milestone this year. H-P shares trade at a forward P/E of about 14.7.

As part of its turnaround strategy, Dell (DELL-FDCPX) is looking to reduce its reliance on direct sales by broadening its distribution to include third-party vendors and retailers. Starting June 10, Dell

plans to sell two desktop computer models at Wal-Mart Stores.

Enterprise services and products. Deriving strength from sales in retail, manufacturing, and logistics markets, first-quarter profit at Cognizant Technology Solutions (CTSH-FDCPX, FSCSX) jumped 60% from the year-ago period. The company earned 50 cents a share, beating analysts' 48 cents a share forecast. Revenue growth in Europe was particularly strong, increasing 84% from the year-ago period.

Cognizant is lowering its targeted headcount by 1,000 to preserve operating margin. Interpreting this to mean slowing demand, investors bid down the company's share price by 12%. Against the backdrop of strong fundamentals, this decline has the makings of a buying opportunity. Cognizant's shares trade at a forward P/E of 27 and P/E to growth rate ratio of 1.0.

Generating strong cash-flow, companies here are looking to acquisitions and share buybacks to drive earnings growth. Oracle (ORCL-FSCSX) is buying product life cycle management software provider Agile Software for \$495 million. This acquisition is expected to help Oracle broaden its product range. Meanwhile, SAP has announced plans to buy OutlookSoft to delve into the business intelligence area Oracle entered through the recently completed \$3.3 billion acquisition of Hyperion Solutions.

International Business Machines (IBM-FDCPX) has bought back 118.8 million or 8% of its outstanding shares. The buyback is expected to boost IBM's 2007 earnings-per-share growth to over 13% from an earlier forecast of 11%. Over the pull to 2010, IBM expects to nearly double earnings-per-share from \$6.11 in 2006 to about \$11. Sun Microsystems (SUNW-FDCPX) has approved a program to buy-

back up to \$3 billion in outstanding shares. EMC (EMC-FDCPX) continues to work towards making 10% of its virtualization software unit VMWare public in what may be a hot IPO.

While news flow from computer hardware and software companies has generally been favorable, share price performance here has essentially mirrored that of the broad U. S. equity market indexes. Growth in the computer hardware group has been boosted by strong demand from Asia and Europe while things have been somewhat muted in the U. S. In the software group, consolidation has been occurring at regular intervals. Going forward, the exposure of the model portfolios to the technology sector will depend on our outlook for the economy and the prospects of individual industry groups in this sector.

Fidelity Select Gold

While selected earnings reports provided reason for optimism, the macroeconomic environment was inimical to gold in May. Supported by relatively sound fundamentals, this decline may represent a pullback within a longer-term uptrend.

Mining earnings. Gold mining companies were in the thick of their

first-quarter earnings reporting season in May. The report cards were split in terms of company beating and trailing analysts' estimates. While the realized price for gold sold was materially higher from the year-ago period, the ability to increase production and contain operating costs was the differentiator.

Barrick Gold (ABX-FSAGX), Goldcorp (GG-FSAGX), and Meridian Gold (MDG-FSAGX) were among the companies exceeding analysts' forecasts. At Barrick, gold production remained flat with that reported in the year-ago period at about 2 million ounces. Gold production surged 89% at Goldcorp to 558,000 ounces, thanks to the acquisition of mines from Glamis Gold and Placer Dome. Production from Meridian's El Penon and Minera Florida mines exceeded the company's internal expectations.

Earnings from Gold Fields (GFI-FSAGX), IAMGOLD (IAG-FSAGX), and Kinross Gold (KGC-FSAGX) fell short of forecasts. At Gold Fields, higher unit costs and lower gold output took a substantial bite out of profits. Likewise, IAMGOLD could not flourish even with a 229% year-over-year increase in revenue as mining costs rose a staggering 377%. Higher personnel costs and professional fees relating to the Bema Gold acquisition undermined

Kinross' results.

In other developments, Barrick Gold has stated that it may consider expanding into production of other precious metals and base metals as means to improve share price performance. Barrick has also increased its exposure to the price of spot gold by eliminating fixed-price gold sales contracts. The company sold three-quarters of the stake it received in Gold Fields in exchange for a 50% stake in South Africa's South Deep mine. Barrick has raised its annual dividend by 36% and trades at a forward P/E of about 15.

Bullion slides. Gold declined by \$22 per ounce in May as inflation fears abated. Investors had fewer reasons to worry about inflation in light of benign wholesale price inflation data, falling oil and natural gas prices, and a strengthening U. S. dollar. Added to this, the U. S. and China engaged in trade talks giving rise to optimism that tensions between the two countries will reduce.

Recent pickup in economic activity can prompt the Federal Reserve to raise short-term interest rates in a bid to nip inflation. Such an event will likely be supportive of a higher U. S. dollar and as such be unfavorable towards gold and gold-related assets.

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continued on page 10

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.

Amer. Intl. Group (AIG) p. 8
Barrick Gold (ABX) p. 6
Cogniz. Tech. (CTSH) p. 5
Hewlett-Packard (HPQ) p. 5

strong year-over-year improvement in its Packaging Resources and Consumer Solutions segments as seasonal demand picks up and operating performance improves. Results in the company's Consumer & Office Products segment are expected to improve in the second-half of the year.

Timberlands. Timberlands continue to gain in popularity in institutional asset portfolios. Financial institutions are now reported to own nearly 5% of U. S. forests. For their part, forest product companies are working to realize higher value for their land holdings. MeadWestvaco is establishing a new business unit to better segment and manage its U. S. land holdings. The new Land Management Group will focus on creating long-term value and sustainable cash flow by pursuing value-enhancement strategies.

Alternate energy. Buckeye Technologies (BKI-FSPFX) is investing in alternative energy. The company plans to invest in a series of projects that will allow its wood cellulose plant in Florida to become increasingly independent of oil. The plant will eventually receive 92% of its energy from renewable energy sources. This announcement comes on the heels of Weyerhaeuser and Chevron agreeing to jointly explore commercial production of biofuels from cellulose.

Restructuring opportunities in the paper & forest products industry continue to offer potential for value creation from an investing perspective. Earnings streams of forest product companies are however being pressured by a weak housing

Notwithstanding this possibility, we believe the bullish case for gold over the medium-term remains largely intact. Commodity prices continue to exert inflationary pressures and some inflation indicators have been more sensitive than others in portraying such impact. The GDP price deflator for example jumped 4% during the first quarter, more than double the rate observed during the fourth quarter of 2006. Adding to inflation, we believe the U. S. dollar will likely resume its decline when overseas interest rates rise. We continue to favor including gold-related assets as part of diversified portfolios and maintain Fidelity Select Gold in the Core model portfolio.

Fidelity Select Paper & Forest Products

Weyerhaeuser is considering the sale or spin-off of its containerboard business. Weakness in the housing market is impacting forest product earnings. Timberlands have emerged as an asset class for institutional investments.

Restructuring. Weyerhaeuser (WY-FSPFX) continues to pursue steps to enhance shareholder value while increasing the possibility of converting to a real estate investment trust (REIT). The company is contemplating a sale or spin-off of its containerboard, packaging, and recycling business. With Weyerhaeuser having already separated its uncoated free sheet paper business, the completion of such a transaction will bring the wood products company closer to qualifying as a REIT. To become a REIT, a company must make at least 75% of its annual gross income from real estate-related activities such as renting or growing timber.

The containerboard industry as a whole stands to benefit from Weyerhaeuser's contemplated move. The separation of Weyerhaeuser's containerboard business can facilitate substantial consolidation in the containerboard industry. Such con-

solidation in turn can boost prices and margins on a sustainable basis for other containerboard manufacturers like Smurfit-Stone Container (SSCC-FSPFX) and Packaging Corporation of America (PKG-FSPFX).

Earnings. Weyerhaeuser's first quarter earnings report was relatively lackluster. Driven mainly by a one-time gain of \$756 million from asset sales, the company reported \$3.22 per share in earnings, reversing the \$2.34 loss per share reported in the year-ago period. The one-time gain stemmed largely from the company's move to combine the company's fine paper business with Canadian paper maker Domtar. Excluding one-time items, the company earned 20 cents a share. Quarterly revenue declined from \$4.5 billion to \$3.9 billion as sales of wood products fell 30% from \$2.1 billion to \$1.5 billion.

Looking ahead, Weyerhaeuser is projecting a relatively tame second quarter as weakness in housing and real estate markets impact its businesses. While weakness in housing starts and increasing log supplies are expected to pressure earnings in the timberland segment, a relatively weak spring building season is expected to impact the economics of the wood products unit. In the real estate segment, Weyerhaeuser expects to deliver approximately the same number of homes in the second quarter as in the first with margins continuing to come under competitive pressure.

MeadWestvaco (MWV-FSPFX) reported a 20% increase in its operating profit to \$77 million as higher selling prices and productivity improvements boosted results. The reported net income tally was however pressured by restructuring charges related to employee separation costs and facility closures.

MeadWestvaco remains upbeat on the prospects for the remainder of 2007 with results being boosted by new products and expansion into emerging markets. During the second quarter, the company expects

market. We continue to include Fidelity Select Paper & Forest Products in both model portfolios. Our commitment to this group beyond the mid-year point will be determined by the attractiveness of this group in comparison to other groups.

Fidelity Spartan 500 Index Fund

Seven of the top 10 holdings in the Spartan 500 Index fund gained in May. Stocks in telecommunications, energy, and materials sectors were stronger performers within the Standard & Poor's 500 Index. Share prices in utilities, consumer staples, and health care sectors lagged. In this Report, we look at developments in financial, consumer staples, and consumer discretionary sectors which collectively represent about 40% of the S&P 500's market capitalization.

Financial. The slump in housing is impacting banks as well as diversified financial institutions. Trade talks between the U. S. and China may provide U. S. financial institutions with more business opportunities. Consolidation continues in the financial services space.

According to the Federal Deposit Insurance Corporation, profits at federally insured banks and thrifts dropped by 2.5% in the first quarter to \$36 billion as a sluggish housing market increased loan defaults. While aggregate profits were \$912 million lower than in the year-ago period, they were the fourth-highest on record.

Insurance titan American International Group (AIG-FSMKX) reported a 29% jump in first-quarter net income after weakness in its U. S. consumer finance unit was more than offset by strength in the company's larger property and casualty insurance business. Excluding one-time items, AIG reported \$1.68 in per-share earnings, exceeding analysts' \$1.54 a share forecast.

AIG's General Insurance division reported a 32% increase in operating profit as underwriting profitability and investment income from premiums collected increased. Operating income in the consumer finance division declined 58% due to trouble in the sub-prime mortgage market. Federal bank regulators have tightened lending standards on sub-prime loans. AIG expects these new requirements to increase costs to the tune of \$128 million. AIG shares trade at a forward P/E of about 10.

Following negotiations between the Bush administration and China, the Asian nation has promised to allow U. S. banks, securities firms, and

An early Easter, chilly weather in April, and rising price of gasoline dampened shoppers' desire for spring merchandise. U. S. retailers posted the weakest same-store sales comparison on record in April. Of the 51 retailers reporting to Thomson Financial, 85% missed their same-store sales increase forecasts.

insurance companies greater access to its financial markets. AIG and brokerage firm Merrill Lynch may benefit from the increased opportunities to sell into China's vast market.

Citigroup (C-FSMKX) is buying mutual fund administrator Bisys Group for \$1.5 billion. The biggest U. S. bank has also completed the acquisition of U. K.-based online bank Egg PLC for \$1 billion. The LaSalle Bank unit of Dutch bank ABN Amro is at the center of a battle for control of ABN Amro. Bank of America (BAC-FSMKX) has offered to buy LaSalle and London-based Barclays has tabled an offer to buy the rest of ABN Amro. Royal Bank of Scotland, Spain's Santander and Belgium's Fortis are making a hostile offer for all of ABN Amro. These offers have put ABN Amro in a legal quagmire. A Dutch court has blocked ABN Amro's sale of LaSalle to Bank of America on

grounds that ABN Amro's management failed to get shareholder approval for the deal. The sale of LaSalle is also the subject of a court fight in the U. S. Bank of America and Royal Bank of Scotland will likely have to agree to a settlement before the sale of ABN Amro can gain traction.

Consumer discretionary and staples. April was a bad month for retailers as shoppers showed poor appetite for spring purchases. International operations are playing a key role in enabling major retailers and consumer products companies to expand earnings.

An early Easter, chilly weather in April, and rising price of gasoline dampened shoppers' desire for spring merchandise. U. S. retailers posted the weakest same-store sales comparison on record in April. The International Council of Shopping Centers estimates aggregate same-store sales declined 2.3% in April, the largest such decline dating back to November 1970. Of the 51 retailers reporting to Thomson Financial, 85% missed their same-store sales increase forecasts.

Retail giant Wal-Mart reported a 3.5% decline in same-store-sales, well below the 1.1% expected by analysts. Same-store-sales at the retailer's namesake stores declined 4.6% while those at Sam's Club climbed 2.5%. Competitor Target too reported a 6.1% decline in same-store sales, slightly lower than analysts' 6.7% forecast.

On the earnings front, Wal-Mart reported an 8% increase in its fiscal first-quarter profit and results met expectations. Tight cost control and strength in Sam's Club and international businesses helped drive results. Wal-Mart expects to earn between 75 and 79 cents a share during the second quarter, a tad lower than analysts' 79 cents a share forecast.

In consumer products, strong growth in developing markets helped Procter & Gamble's (PG-

FSMKX) earnings grow 14% during the company's third fiscal quarter. Earnings climbed to \$2.5 billion or 74 cents a share, inline with analysts' forecasts. Sales increased 8% to \$18.7 billion, exceeding analysts' forecast. Double-digit growth was recorded in developing markets with growth in hair-care products being especially strong in China.

Procter is overhauling its business structure, dividing them into three global units and breaking up the Gillette business acquired in 2005. The company has now upped its full-year earnings forecast to a range of \$3.01 to \$3.03 a share. Procter expects sales to increase between 11% and 12% this year.

With a month to go for the mid-year repositioning, the Spartan 500 Index fund is marginally trailing the Dow Jones Wilshire 5000 benchmark. Overseas economies continue to grow at a more rapid pace than the U. S. economy. We believe large-cap stocks represent better value than mid-cap and small-cap stocks and stand to fare better on a relative basis particularly if interest rates rise and the environment becomes less friendly for equities. We favor the large-cap Standard & Poor's 500 index over other U. S. equity market benchmarks. We continue to include the Fidelity Spartan 500 Index in the Core model portfolio for diversification purposes.

Market Outlook & Sector Portfolio Indicator Reading: Buy on Dips

Better-than-expected earnings and strong M&A activity have been among the key drivers of

equity prices. We see the possibility for rising inflation and weakness in consumer spending as major risks.

During the first quarter, S&P 500 member companies increased earnings by 12% from the year-ago period with nearly 67% of them topping analysts' expectations. The dichotomy between such robust earnings growth and anemic U. S. GDP growth is largely explained by the fact that growth abroad is more robust than in the U. S. Additionally, the U. S. dollar declined in the first-quarter and provided a tailwind for multinational companies repatriating earnings.

Off-late, investors have reacted optimistically to selected inflation indicators that have offered a sobering outlook. These include the muted 0.6% increase in unit labor costs during the first quarter and the 0.2% increase in core consumer prices in April. Against this backdrop, investors have conjured a best-case scenario of strong earnings growth and low inflation.

Inflation remains one of the key risks in our view. The ISM's gauge of prices paid by U. S. manufacturers jumped to 73 in April, the highest since August. While April's 0.2% increase in the core CPI may appear low, the measure is still up 2.3% on an annual basis. Additionally, a slackening job market coupled with rising gasoline prices and falling home prices could put consumer confidence and spending at risk.

Equity prices have been strong off-late. Better-than-expected earnings and strong M&A activity have been

Featured Quote

'The road to success in investing is paved with independence of spirit, decisiveness and the courage of one's conviction.'

Peter L. Bernstein

notable drivers of equity prices. The market as measured by the DJW 5000 index has risen 8.8% since February. Even then, the S&P 500 member companies on average trade at a relatively modest 18.0 times trailing earnings.

With less than a month left for the scheduled repositioning of the model portfolios, we maintain the AlphaProfit Sector Portfolio Indicator reading at 'Buy on Dips'. We suggest new Subscribers to consider the impact of short-term redemption fees before putting a portion of their assets to work. Current Subscribers seeking to add capital to their investment accounts may want to defer investing the cash until the model portfolios are repositioned. None of the funds carries a Favored Buy rating.

AlphaProfit Investments, LLC
Date: May 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	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.

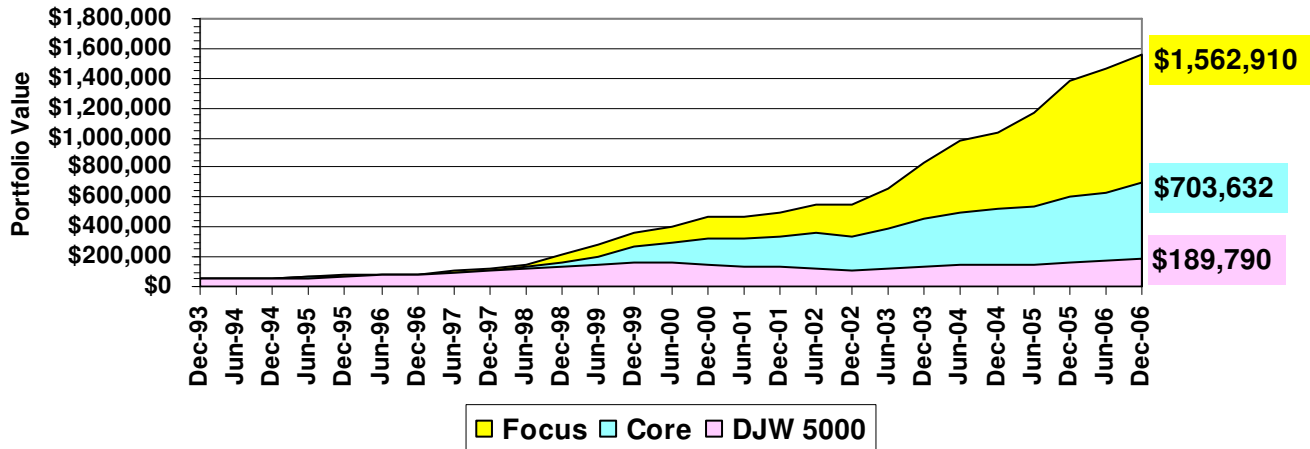
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AlphaProfit Model Portfolio Long-Term Performance

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 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.

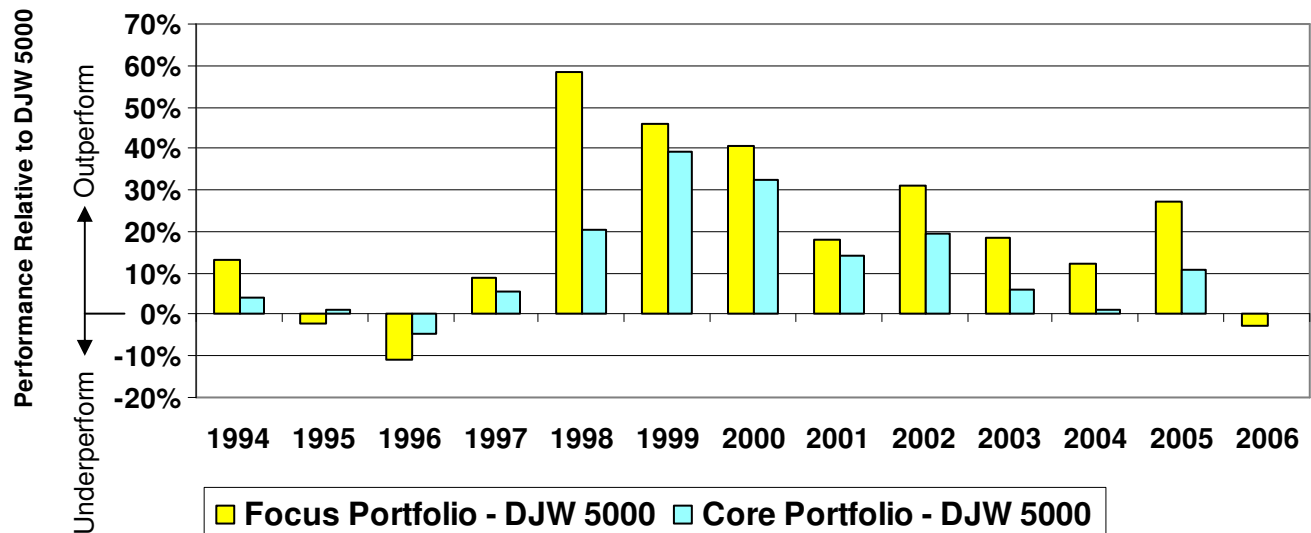


	Cumulative Return			Compound Annual Return			Sharpe Ratio	
	3 year	5 year	Inception	3 year	5 year	Inception	5 year	Inception

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 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.