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AlphaProfit™

Sector Investors' Newsletter

Service for \$ophisticated \$ector Investors



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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 declined 1.1% and 1.5% in February faring modestly better than the Dow Jones Wilshire 5000 benchmark's 1.6% loss.

From ecstasy to gloom. The 1.6% decline in the Dow Jones Wilshire 5000 index hardly portrays the gyrations in the levels of optimism and pessimism in February.

DJW 5000 climbed above its record set on March 24, 2000 at the height of the Internet bubble.

Towards the last week of February, optimism on the future course of equity prices however started to fade. First, concerns on the state of the U. S. housing and mortgage markets heightened after HSBC Holdings, one of the most aggressive players in the U. S. sub-prime mortgage market raised its forecast for bad-debt charges by 20%. Sec-

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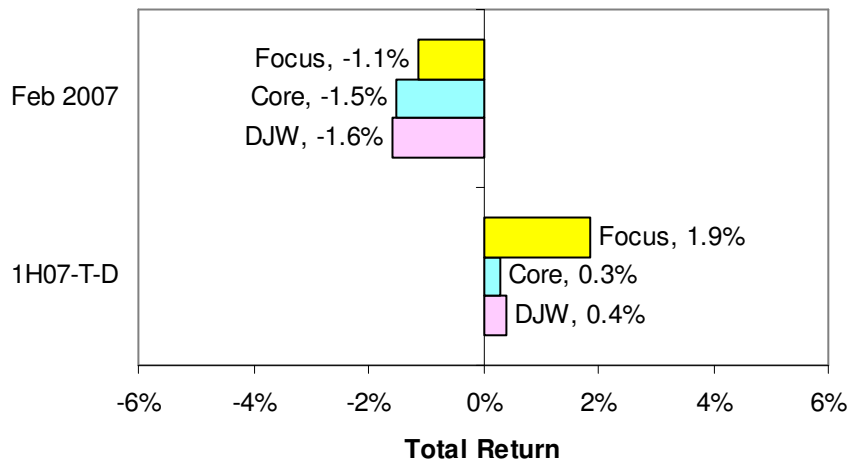
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Equity markets started February on a strong note as investors continued to embrace a strong growth-low inflation outlook. A modest up-tick in the unemployment rate in January along with comments from Federal Reserve Chairman Bernanke on easing inflationary pressures lent support. The popular S&P 500 index set a six-year high while the

ond, rising costs of medical care and air travel pushed the core consumer price index higher by a larger-than-expected 0.3%.

What started as a gradual decline reached climactic proportions during the closing days of February. The global sell-off started in Shanghai, China on February 27 where equity prices declined nearly 9% on

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		February 28, 2007	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Computers (FDCPX)	\$520,970	33.33%	\$518,199	32.55%
Paper & Forest (FSPFX)	\$520,970	33.33%	\$553,851	34.79%
Soft. & Comp. (FSCSX)	\$520,970	33.33%	\$520,096	32.67%
Total (rounded to)	\$1,562,910	100.00%	\$1,592,147	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		February 28, 2007	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Computers (FDCPX)	\$70,363	10.00%	\$69,989	9.92%
Gold (FSAGX)	\$70,363	10.00%	\$70,440	9.98%
Paper & Forest (FSPFX)	\$70,363	10.00%	\$74,804	10.60%
Soft. & Comp. (FSCSX)	\$140,726	20.00%	\$140,490	19.90%
Spartan 500 (FSMKX)	\$351,816	50.00%	\$350,092	49.60%
Total (rounded to)	\$703,632	100.00%	\$705,817	100.00%

concerns that tighter credit conditions will slow growth. Equity markets around the world followed suit losing over \$1 trillion in market value on February 27 and 28.

In the U. S., a 7.8% decline in durable goods orders and Freddie Mac's decision to tighten lending standards to sub-prime borrowers added to negative sentiment. The Dow Jones Industrial Average plunged 416 points or 3.3% on February 27, losing all of the year's gains and then some.

M&A action and talk. A steady stream of merger and acquisition transactions flowed through the month with private equity firms and corporations seeking targets.

Electric utility TXU Corp. received a \$45 billion buyout offer from a group of private equity firms. Spain's second-largest bank Banco Bilbao Vizcaya acquired Alabama-based Compass Bancshares for

\$9.6 billion.

In other transactions, mortgage insurer MGIC Investment agreed to buy smaller rival Radian Group, while custodian bank State Street agreed to buy Investors Financial Services. Meanwhile, the transaction-friendly environment fostered deal rumors with companies from Alcoa to Yahoo! receiving attention as potential targets.

Share prices in industry groups like electric utilities, paper & forest products, and materials benefited from deal activity. In the AlphaProfit model portfolios gains from paper & forest products and gold-related shares helped offset weakness elsewhere. The Focus and Core model portfolios with declines of 1.1% and 1.5% marginally fared better than their DJW 5000 benchmark.

Major Movers

(Company and fund ticker symbols in

parentheses.)

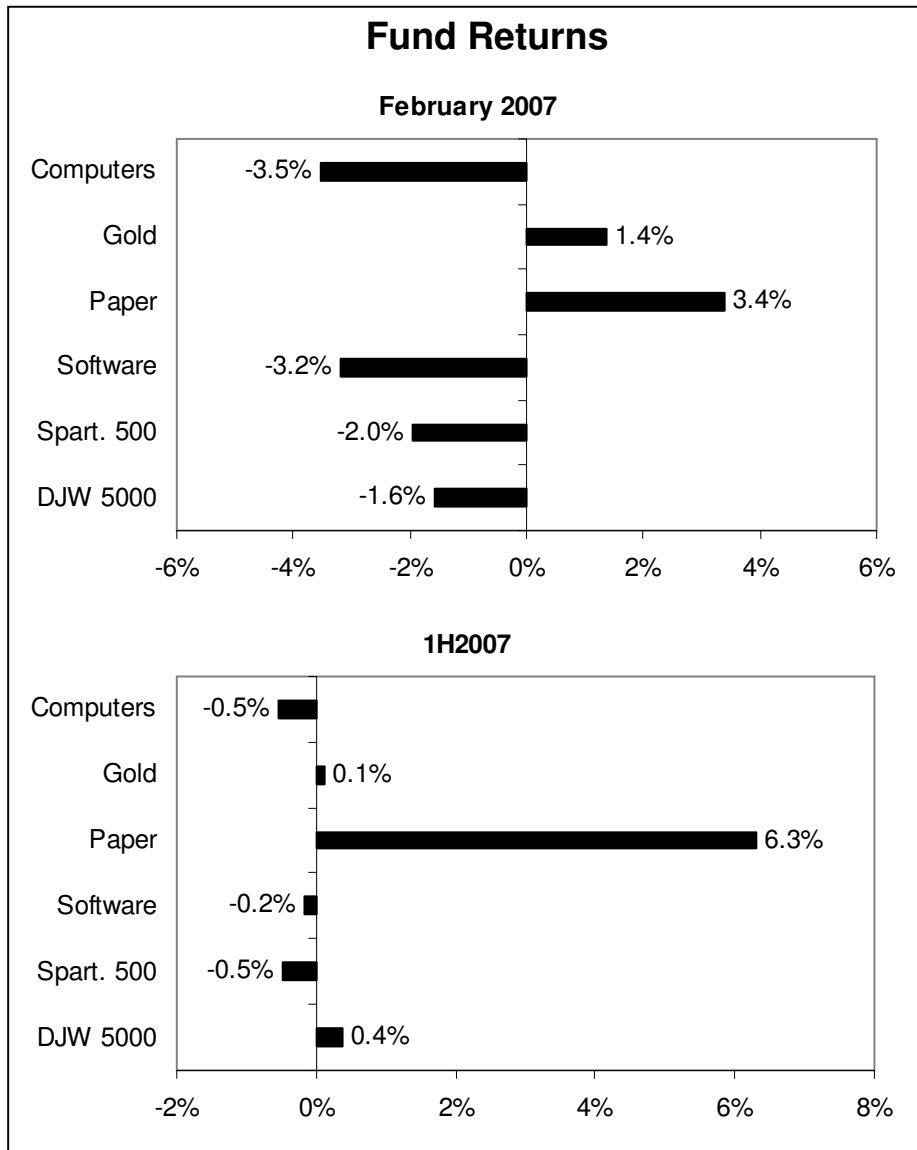
Two out of five stocks on the list of top 10 holdings gained in February. The winners list was packed with paper & forest product companies with the top four winners belonging to this group. Technology heavyweights were among the weaker performers.

Icahn prods Temple-Inland. With Carl Icahn threatening a proxy fight to take control of the company's board, conglomerate Temple-Inland (TIN-FSPFX) agreed to separate itself into three stand-alone public companies and sell its timberlands. The three public companies will focus on packaging & forest products, financial services, and real estate. Investors welcomed the news and bid shares of Temple-Inland up by almost 20% to make them the best performer in both model portfolios.

Comverse shines de-listed. Shares of option scandal-plagued Comverse Technology (CMVT.FSCSX), that were de-listed from the NASDAQ in January, gained nearly 13% and were the best performing technology stock in both model portfolios. Following the departure of Comverse's CEO Zeev Bregman, analysts speculated that the Board will either break up or sell the billing solutions provider.

Google whipped even after delivering. Shares of Google (GOOG-FSCSX) declined close to 10% and were the worst performer in both model portfolios. Expectations on Google were high given its history of several 'better-than-expected' quarters. Google earned \$3.18 per share during its fourth quarter, handily exceeding the \$2.92 a share analysts' forecast. Investors however refused to go 'ga ga' with Google's numbers. Google's slight dip in operating margin was a point of concern as was the possibility of growth slowing in the periods ahead.

In a ruling that can have implications for the search business in general, a Belgian newspaper won



The U. S. economy continues to grow with weakness in housing and manufacturing offset by strength in the services sector.

U. S. residential construction activity is weak. Housing starts slumped 14.3% in January to an annual rate of 1.408 million. Construction spending is likely to contract for some time. The number of building permits issued, a leading indicator of construction spending, fell 2.8%.

Data indicative of strength in manufacturing activity such as the Institute for Supply Management's factory index and orders for durable goods declined in January. The National Association of Purchasing Management-Chicago's business barometer declined in February to 47.9 suggesting contraction in manufacturing activity.

Meanwhile, the services sector continues to boom. The Institute for Supply Management's index of non-manufacturing businesses increased to 59.0 in January. A reading well above the 50.0 threshold suggests continued expansion in the services sector.

Fidelity Select Computers, Software & Computer Services

As use of PC-based Internet matures, mobile access to the Internet is continuing to evolve. Hewlett-Packard has gotten its fiscal year off to a good start. Michael Dell is taking an active role to mend things at the company he founded. Companies serving enterprise customers are executing well and investors are taking note of Sony's turnaround efforts.

PC-based Internet. As PC-based Internet matures, growth rates for Internet companies are trending lower though the rates themselves are the envy of most companies. Google's (GOOG-FSCSX) revenue increased a healthy 73% in 2006, yet down from 92% and 118% in

a copyright lawsuit against Google complaining that Google illegally linked to articles posted on the newspaper's web site. Google will appeal the ruling on grounds that its Google News service is 'entirely legal'. At the month-end price of just under \$450 per share, Google shares trade at forward P/E of about 24, on par with the company's expected 5 year growth rate.

Excitement wears out of Microsoft. Following the launch of the consumer version of its *Windows Vista* operating system in late January, Microsoft (MSFT-FSCSX, FSMKX) went through a period of 'sell on the newsitis'. Shares of the software giant gave ground on each of the first eight trading days in February. Confusing investors, com-

pany CEO Steve Ballmer talked down *Vista* revenue expectations while founder Bill Gates stated the product has been incredibly well-received.

Microsoft also received a surprise on the legal front when a San Diego court ordered the company to pay \$1.5 billion to Alcatel-Lucent for violating two digital music-related patents. Microsoft believes that it has properly licensed the technology and intends to appeal. Microsoft shares finished the month nearly 9% lower than where they started and were among the weaker performers in both model portfolios.

Outlook

(Company and fund ticker symbols in parentheses.)

Top 10 Fund Holdings

Fidelity Investments has reported the top 10 holdings of their mutual funds as of December 31, 2006. Microsoft is represented in two of the five funds held in the Core model portfolio. There is no overlap in the top 10 holdings of the three funds in the Focus model portfolio.

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	Converse 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	60.9% of portfolio	52.0% of portfolio	63.6% of portfolio	19.6% of portfolio
15.5% foreign	77.7% foreign	7.4% foreign	10.6% foreign	NA

2005 and 2004, respectively.

To pump up growth rates, companies in the Internet space are introducing new products while beefing up the competitiveness of their current offerings. Google is trying to extend the capabilities of the desktop to the browser. The company has launched *Google Apps Premier Edition*, a suite of web-based data storage, communication, and collaboration software applications. At an access cost of \$50 per year, the *Premier Edition* is positioned as a low-cost alternative to Microsoft's (MSFT-FSCSX, FSMKX) highly profitable *Office* product.

While it will take some time for Google to match the functionality and integration of Microsoft's offering to encourage *Office's* 450 million users to switch, *Google Apps Premier Edition* does represent a significant long-term threat for Microsoft. Among major corporations, Procter & Gamble (PG-FSMKX) and General Electric (GE-FSMKX) are reported to have signed up for Google's package.

Yahoo! (YHOO-FSCSX) is looking to its new online search advertising system to revive revenue growth and to better monetize its traffic. Yahoo!'s new system *Panama* enables advertisers to better manage

their marketing return on investment. Yahoo! also intends to launch 100 new subject-oriented websites built around leading entertainment brands. The 'Brand Universe' sites are expected to appeal to younger audiences.

Online marketplace eBay (EBAY-FSCSX) is targeting car sales for its growth. eBay has rolled out a new service that allows U. S. auto dealers to list used cars at a fixed price. eBay has reaffirmed its 2007 outlook and expects revenue and earnings per share to grow at least 18% and 20%, respectively

Mobile Internet. Leadership in mobile search, the next frontier of online advertising, is up for grabs. Yahoo! and Google are vying to dominate this emerging space while telecom operators want to enhance their cut. Yahoo!'s content-rich approach can provide a competitive advantage here as users are likely to prefer being routed directly to content rather than to a list of links.

Following Yahoo!'s footsteps of providing graphical advertising to Vodafone users, Google has entered into a deal with the European cell phone giant to offer its map features. Meanwhile, some of Europe's mobile phone operators want to keep revenue from mobile search to them-

selves and are looking at creating their own mobile search engine.

H-P vs. Dell. Hewlett-Packard (HPQ-FDCPX) delivered a robust fiscal first quarter report earning 65 cents per share, 3 cents a share higher than analysts' forecast. Strong sales of notebook PCs and printers lifted sales 11% to \$25.1 billion. H-P's operating margin improved to 7.3% from 6.6% in the year-ago period. Commenting on the results, CEO Mark Hurd said, 'This was a solid start to the year: revenue grew, margins expanded and we continued to take market share.' Hurd has set an operating margin target of 9% to 9.5% for fiscal 2008.

Meanwhile, founder Michael Dell has returned as CEO of Dell (DELL-FDCPX) to try and turn around his company. Several management changes have been made in short order with a view to improve customer service and manufacturing. With Dell having lost market share in recent years to H-P, Dell's direct-sales model is being questioned and the company is experimenting with new ways to sell computers.

Michael Dell has stated that his company's turnaround is expected to take at least a couple of quar-

ters. In the meanwhile, Dell has a host of legal issues to deal with including multiple federal probes into its accounting practices and a shareholder lawsuit accusing the company of making illegal payments to Intel.

While investors generally reacted positively to Michael Dell's return, they bid down shares of H-P by nearly 10% in February on concerns of intensifying competition. At the month-end close of \$39.35, H-P shares traded at a forward P/E less than 14.

Enterprise services and products. Higher demand for IT services from Europe and from health care companies vaulted Cognizant Technology's (CTSH-FDCPX) fourth quarter revenue by 64% from the year-ago period to \$424 million. The company earned 46 cents per share, beating analysts' forecast by 3 cents per share. European demand continues to be a key growth driver for Cognizant. The company expects revenue to increase 57% in the first quarter of 2007 and full year revenue to exceed \$2 billion.

Electronic commerce and payment services provider First Data (FDC-FSCSX) has reaffirmed its 2007 earnings forecast. Following the spin-off of its Western Union money transfer business, First Data continues to restructure its asset portfolio. The company will close its low-return check and money order division freeing up between \$250 million and \$300 million in cash. First Data is acquiring two software companies Intelligent Results and Datawire Communication engaged in providing customer data analytics and Internet-based transaction delivery services, respectively.

In the data storage space, Network Appliance (NTAP-FDCPX) is executing well. NetApps' revenue increased 35% in its fiscal third quarter to \$730 million, thanks to strong demand from Germany and Britain. Per-share earnings of 29 cents exceeded forecast by a penny. NetApps expects year-over-year

revenue to increase over 32% in the final fiscal quarter.

NetApps' larger competitor EMC (EMC-FDCPX) is working to sell a 10% stake in VMware, its virtualization software unit, through a public offering. VMware has demonstrated rapid revenue growth with revenue increasing 83% in 2006. EMC believes that greater transparency of VMware will allow its shares to trade at a premium higher than what VMware receives credit for as being a part of EMC.

Consumer products. Investors have been warming up to Sony's (SNE-FDCPX) progress in its turnaround efforts. Sony's shares were up nearly 12% in February. Since being introduced in November

'This was a solid start to the year: revenue grew, margins expanded and we continued to take market share.'

*Mark Hurd
CEO, Hewlett-Packard*

2006, sales of Sony's video game console *PlayStation3*, have significantly trailed that of Nintendo's (JP: 7974-FSCSX) *Wii*. Sony is working to improve the availability of *PS3* units. Sony also plans to streamline its money-losing semiconductor unit by focusing on imaging devices to lower capital expenditure.

Sony is banking on the success of the Blu-ray DVD format over the HD DVD. While Blu-ray discs have an edge over HD DVDs in gigabytes of data they pack on a disc, the success of the Blu-ray format is being threatened by the availability of lower-priced HD DVD players. To step up the competitiveness of the Blu-ray format, Sony is working to introduce a cheaper Blu-ray disc player early this summer.

Apple (AAPL-FDCPX) and Cisco Systems have resolved their *iPhone* trademark dispute. Apple has stated it is on track to release its *iPhone* mobile-phone product in June and expects to sell 10 million units in 2008. Apple TV, a device

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.

Google (GOOG) p. 2, 4
Hewlett-Packard (HPQ) p. 4
International Paper (IP) p. 7

that allows Internet content to be seen on TV, is however getting delayed. The company now expects to launch it in March after a two month delay.

Computer hardware and software-related stocks were among the laggards in February as investors gravitated towards groups with copious deal news and rumors. Analysts currently expect earnings in the technology sector to grow in excess of 20%. While there is some risk that growth may fall short of expectations, earnings growth here will still likely exceed that in many other sectors.

The software space has too many players in general. Content management and security are two areas ripe with consolidation plays. Transaction activity in the software space should likely perk up given the interest companies like H-P, IBM, and Oracle have in acquiring such businesses. H-P, for example, aspires to triple profits from the software business in two years; the company acquired two smaller firms Bristol Technology and PolyServe in February. We continue to include Fidelity Select Computers and Fidelity Select Software & Computer Services in both model portfolios.

Fidelity Select Gold

Leading gold miners came through with their earnings while continuing to face challenges in maintaining production. The longer-term outlook for gold remains favorable even after its gains in February.

Mining company earnings and

outlook. Gold mining majors Barrick Gold (ABX-FSAGX) and Newmont Mining (NEM-FSAGX) reported profits exceeding analysts' forecasts. Both companies benefited from higher realized gold prices. Higher gold production resulting from the Placer Dome acquisition powered Barrick's revenue to a 74% increase. Newmont's revenue increase was however restrained to a modest 13% by declining gold production.

With gold production forecasted to decline at both Barrick and Newmont, companies are banking on high gold prices to shore up results. Barrick reduced its fixed-price sales position, i.e., hedge book, by 1 million ounces during the quarter. Commenting on his company's outlook, Newmont CEO Wayne Murdy has stated 'We continue to reinvest in our business while maintaining our positive outlook for the gold price.'

Meanwhile, recent acquirers Goldcorp (GG-FSAGX) and IAMGOLD (IAG-FSAGX) are well-positioned to increase production. Goldcorp expects the Glamis Gold acquisition to help increase gold production by 59% in 2007. IAMGOLD forecasts gold output to increase 55% to 1 million ounces in 2007.

In other developments, Kinross Gold completed its acquisition of Bema Gold (BGO-FSAGX) late in

February. Crystallex International (KRY-FSAGX) appears to be getting optimistic that the final permit to start work on its Las Cristinas project in Venezuela will soon come through. Anticipating the need for financing mine development, the company has made key management changes.

A well-supported rally. The \$14.60 per ounce increase in gold price in February was supported by a rising oil price and a weakening U. S. dollar. Cold weather helped oil to tack on nearly \$3 per barrel. Hawkish comments from the European Central Bank and a 0.25% increase in the Bank of Japan's benchmark interest rate to 0.5% caused the dollar to decline nearly 2% against the euro and the yen.

Looking ahead, there are several factors that augur well for gold bullion. First, default rates among subprime borrowers in the U. S. mortgage market are rising. This has the potential of ballooning into a credit crisis that can challenge the financial system.

Second, an improving economy is causing interest rates in Japan to rise. As speculators unwind their yen carry trades, the Japanese currency is likely to appreciate against the dollar. While this process can potentially be disruptive to the global financial system in the short-run, it is likely to be supportive of

gold prices in the long-run.

Third, rising oil and commodity prices are continuing to charge U. S. inflation indicators while widening the trade deficit. Lastly, saber-rattling exchanges between Iran and the Bush administration add to the safe-haven appeal of gold.

While a strengthening U. S. economy and rising inflation raise the risk of the Federal Reserve extending the interest rate tightening cycle, the factors favoring gold bullion make gold-related investments a worthy holding within diversified portfolios. We continue to include Fidelity Select Gold in the Core model portfolio.

Fidelity Select Paper & Forest Products

Share prices in the paper and forest products groups have off-late received a lift from takeover activity as well as corporate efforts to enhance shareholder value. Earnings reports for the quarter completed were robust. Rising dividends add to investment appeal.

Transactions enhance value. Focusing on timber assets, paper and forest products companies are engaging in or contemplating transactions to better realize value. Long-view Fiber (LFB-FSPFX) has

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agreed to be acquired by Toronto-based Brookfield Asset Management for \$1.6 billion. Brookfield sees value-creation potential in Longview's timberland assets.

Weyerhaeuser (WY-FSPFX) remains focused on restructuring initiatives to reduce the breadth of the company's businesses and to make timber a greater portion of the company's asset base. Weyerhaeuser's spin-off of its fine paper business to merge it with Canada's Domtar has been approved by the latter's shareholders. During the second quarter, Weyerhaeuser plans to sell all of its Canadian wholesale building materials distribution centers.

These efforts could facilitate Weyerhaeuser's conversion to a real-estate investment trust, a step major shareholder Franklin Mutual Advisers, has been advocating as a means to enhance shareholder value. The company has stated that it is analyzing 'alternative structures' for its timberlands business.

MeadWestvaco (MWV-FSPFX) is working on a strategic plan for its timber assets with a view to unlocking value. The company owns about 1.1 million acres of timberlands in the U. S. Major mover Temple-Inland (TIN-FSPFX) has agreed to break up and enhance shareholder value.

Better-than-expected earnings. Operating earnings from the paper, forest products, and packaging companies were generally strong. Additionally, the companies benefited from one-time items that made year-over-year bottom-line comparisons impressive.

Results at North America's largest paper company International Paper (IP-FSPFX) were particularly robust. Efforts to focus on uncoated paper and container-board production enabled IP to take out \$400 million from its cost structure and made year 2006 the best since 2000.

Excluding one-time items, IP reported 47 cents in per share earn-

ings, more than double the 19 cents a share tally reported in the year-ago period. Including a one-time \$1.8 billion gain from sale of assets, the company posted \$2 billion in profit, compared to the \$77 million loss reported in the year-ago period. Looking ahead, IP expects first quarter results to benefit from higher demand in its container and printing paper businesses while rising input costs offset some of these benefits. IP shares trade a forward P/E of 14.

On an operating basis, forest products company Weyerhaeuser earned 95 cents per share in its fourth quarter and exceeded the 75 cents per share forecasted by analysts. The fourth quarter 2006 earnings excluded \$293 million in pretax profit reaped from real estate sales.

'Mergers, asset sales, and other strategic changes are likely to be catalysts for specific stocks going forward. The downturn in housing however presents risks as demand for wood products weaken.'

Declining log prices are however expected to reduce Weyerhaeuser's timberlands earnings during 2007's first quarter.

Higher prices for corrugated containers and lower energy costs helped Temple-Inland earn 74 cents per share, exceeding analysts estimate by one penny. Canada-based West Fraser Timber (CA: WFT-FSPFX) lost five cents a share during the fourth quarter, less than the 21 cents a share analysts estimated. Both Temple-Inland and West Fraser benefited from the settlement of lumber disputes between the U. S. and Canada. West Fraser is purchasing 13 sawmills from IP for \$325 million and expects the transaction to close at the end of March.

Returning cash to shareholders. Plum Creek Timber (PCL-FSPFX), Sealed Air (SEE-FSPFX), and Temple-Inland have all increased quarterly dividends with Sealed Air hiking the payout by 33%. Sealed Air

has also announced a 2-for-1 stock split. IP expects to buy back up to \$1.6 billion of its stock by year-end.

News quality from the paper and forest products group has been favorable. Going forward, mergers, asset sales, and other strategic changes are likely to be catalysts for specific stocks. The downturn in housing however presents risks as demand for wood products weaken. We continue to include Fidelity Select Paper & Forest Products in both model portfolios.

Fidelity Spartan 500 Index Fund

All ten of the top holdings in the Spartan 500 Index fund declined in February. Stocks in the utilities, materials, and consumer staples sectors were stronger performers within the Standard & Poor's 500 Index. Share prices in the consumer discretionary, financial, and health care sectors lagged.

In this Report, we look at developments in the consumer discretionary, consumer staples, and utilities sectors which collectively represent about 25% of the S&P 500's market capitalization.

Consumer discretionary. Stocks in the consumer discretionary sector were impacted by weakness in residential housing. Home builders were among the weaker performers as home buyers stayed on the sidelines and home inventories swelled. Earnings reports from the nation's leading home-improvement retailers were relatively weak. Performance from media companies was mixed.

Toll Brothers, the largest U.S. luxury-home builder lowered its fiscal 2007 earnings forecast. The company said it will probably deliver 6,000 to 7,000 houses during 2007, lower than its prior forecast of 7,300 properties.

In home-improvement retailing, Lowe's performed a tad better than Home Depot. Lowe's revenue de-

clined by 3.7% from the year-ago period to \$10.4 billion as same-store sales fell 5.3%. Lowe's earned 40 cents a share, 3 cents a share higher than analysts' forecast. Home Depot's revenue increased 4% from the year-ago period to \$20.3 billion. However, same-store sales declined a larger 6.6%. Excluding one-time items, Home Depot earned 50 cents a share, a penny a share lower than forecasts and well below the 60 cents a share reported in the year-ago period. Home Depot intends to increase its capital expenditure in 2007 to improve its stores.

Among media companies, Disney delivered a stellar first quarter report, earning 50 cents a share, well in excess of the 40 cents a share estimated by analysts. Revenue increased 10% to \$9.7 billion. Performance at Disney's studio entertainment division was notably strong with revenue increasing 29% and operating income more than quadrupling to \$604 million. Brisk DVD sales also contributed to Disney's results.

Cable TV operator Comcast's fourth quarter profit tripled from year-ago levels. Yet, per share earnings of 21 cents was 3 cents lower than analysts' forecast. During the quarter, the company added 110,000 new customers to its basic video service, the highest quarterly increase in 10 years. For 2007, the company forecasts revenue growth of 11%, in line with analysts' expectations. Comcast expects to spend \$5.7 billion to accelerate the introduction of new products like high-definition video. Higher levels of spending are expected to keep free cash flow in 2007 at 2006 levels.

Consumer staples. News flow from companies in the consumer staples sector was generally good. Signs of consolidation among tobacco and beer companies added to investor enthusiasm.

Sector heavyweight, Procter & Gamble (PG-FSMKX) has reiterated its 5% to 7% sales growth

forecast through 2010. The company expects operating margin to expand to 24% setting the stage for double-digit per-share earnings growth through 2010. P&G plans to launch a new, quick-acting version of tooth whitening agent *Crest Whitestrips*. The company is also seeking a buyer for its adult diaper business in Japan valued at around \$500 million.

Meanwhile, earnings from retailing giant Wal-Mart exceeded analysts' forecasts as gross margin expanded. The company earned 95 cents a share during the fourth

'Electric utilities were the strongest performers within the S&P 500. Investors reacted favorably to President Bush's budget proposals targeted at this sector. Investors also bid up share prices of electric utility companies speculating additional deals to follow after TXU Corp. received a leveraged buyout offer.'

quarter, 5 cents higher than forecasts. Wal-Mart has agreed to acquire a 35% stake in Trust-Mart, a Taiwan-based hypermarkets operator in China.

In the soft-drink space, Coca-Cola and to a lesser extent PepsiCo reported strong results. Coca-Cola's quarterly revenue increased 6.8% compared to PepsiCo's 2.8%. International operations were notably strong at both beverage companies. While PepsiCo raised its 2007 earnings per share forecast by 2 cents to \$3.30, Coca-Cola raised its quarterly dividend by nearly 42%.

In a legal victory for Altria (MO-FSMKX), an Oregon Supreme Court threw out a \$79.5 million punitive damage award against the company's Philip Morris unit. With litigation risks abating, tobacco makers are contemplating acquisitions. U. K.-based Imperial Tobacco has agreed to buy Commonwealth Brands for \$1.9 billion to enter the U. S. discount cigarette market. Unfazed by rising competition,

Philip Morris is raising list prices on most of its cigarette brands by \$1.99 per carton.

Rumors of consolidation brewed through the beer space. A Brazilian newspaper reported that Anheuser-Busch was in early merger talks with Belgian beverage giant InBev. While A-B holds a 48.8% share of U. S. beer sales, InBev with brands like *Beck's* and *Stella Artois* is the world's largest brewer by volume. A-B already has rights to distribute most of InBev's brands in the U. S. Shares of A-B as well as other brewers like Molson Coors traded higher on the news.

Utilities. Electric utilities were the strongest performers within the S&P 500. Investors reacted favorably to President Bush's budget proposals targeted at this sector. Investors also bid up share prices of electric utility companies speculating additional deals to follow after TXU Corp. received a leveraged buyout offer.

Utilities stand to benefit from President Bush's proposed budget. The budget includes \$9 billion in loan guarantees to encourage higher use of renewable fuels and to lower emissions. Large power plants, including nuclear and coal-fired power plants, and biofuel projects would receive \$4 billion. Bush has also allocated \$1 billion for developing renewable power supplies and power transmission technologies.

With demand for electricity expected to outstrip generation capacity in many parts of the country, electric utilities are drawing renewed takeover interest. Texas-based TXU Corp. has agreed to be acquired by a group of private equity firms including Kohlberg Kravis Roberts and Texas Pacific Group for nearly \$45 billion, the largest leveraged buyout in history.

The offer for TXU comes after state regulators in New Jersey and Maryland blocked the Exelon-Public Service Enterprise Group and FPL Group-Constellation Energy merg-

ers, respectively. The TXU deal will require approval from the Nuclear Regulatory Commission and is expected to close during the second half of 2007. The TXU offer has stirred speculation that other electric utilities including Exelon and Entergy could garner takeover interest and investors have been quick to bid their share prices up.

During the opening months of 2007, large-cap stocks have lagged mid- and small-cap stocks. The large-cap universe however remains attractive vis-à-vis mid- and small-cap stocks from a risk-reward perspective. These characteristics can come in handy during troubled times. 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 relief on the interest rate front unlikely to come in the near-term, prospects for slowing earnings growth will likely push stock prices into a trading range.

The S&P 500 companies reporting fourth quarter earnings recorded close to a 10% increase on a year-over-year basis. Declining energy prices impacted earnings in the energy sector while companies in the consumer discretionary sector saw their profit margins deteriorate.

Analysts currently expect earnings growth in the first quarter to average about 4%.

Economic growth in the U. S. is slowing. Estimate for gross domestic product growth during the fourth quarter was revised downward from an annualized rate of 3.5% to 2.2%. This is the third consecutive quarter that the U. S. economy has now grown at a rate less than 3%.

While the service sector has been a key source of strength, troubles in the mortgage market and tempering growth in overseas economies have the potential of undermining growth in the U. S. Mortgage lenders are seeing default rates on sub-prime mortgages tick up as weaker home prices and increases in mortgage rates make it harder for borrowers to repay. In a bid to cool growth and speculation in China, the People's Bank of China has raised its key short-term interest rate and increased bank reserve requirements in recent months.

The Federal Reserve remains vigilant on signs of inflation perking up. Supporting the Federal Reserve's stance, the increase in consumer prices exceeded forecasts in January. The core personal consumption expenditures index has consistently been at or above the central bank's 'comfort' range of 1% to 2% for almost three years. Barring extraordinary events such as a housing-induced credit crunch or trouble in Asian economies, it appears

Featured Quote

'In life and business, there are two cardinal sins. The first is to act precipitously without thought and the second is to not act at all.'

Carl Icahn

unlikely that the Federal Reserve will ease monetary policy soon.

With earnings growth poised to slow and the Federal Reserve standing pat on short-term interest rates, equity prices will likely settle into a trading range once the current sell-off runs its course.

Given this outlook, we maintain the AlphaProfit Sector Portfolio Indicator at 'Buy on Dips', the mid-point of the three-point scale. Subscribers getting started in tracking the AlphaProfit model portfolios or adding capital to their investment accounts may want to invest cash during periods of weakness rather than periods of strength. None of the funds included in the model portfolios carries a 'Favored Buy' rating at the present time.

AlphaProfit Investments, LLC
Date: February 28, 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.

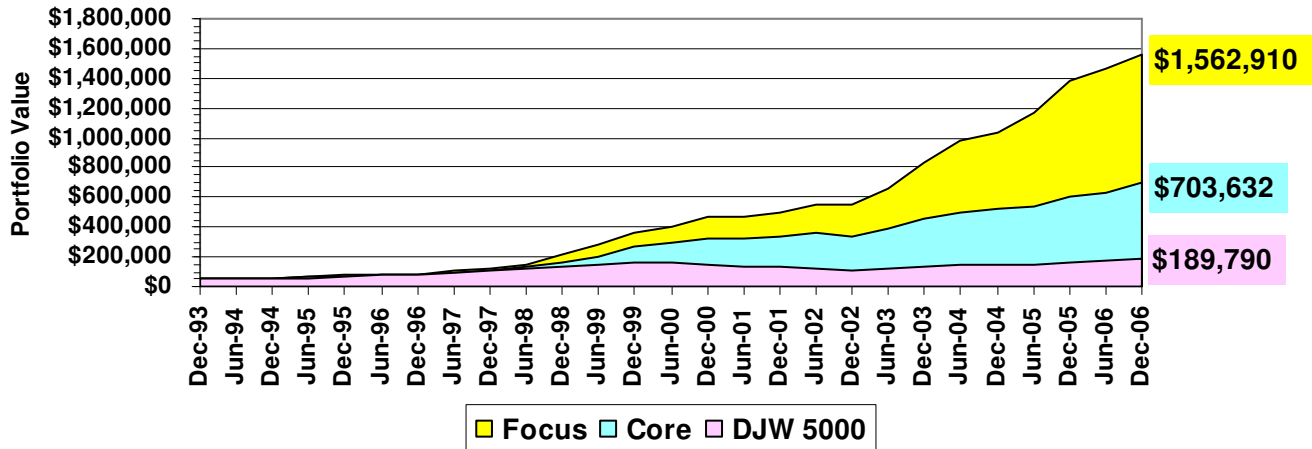
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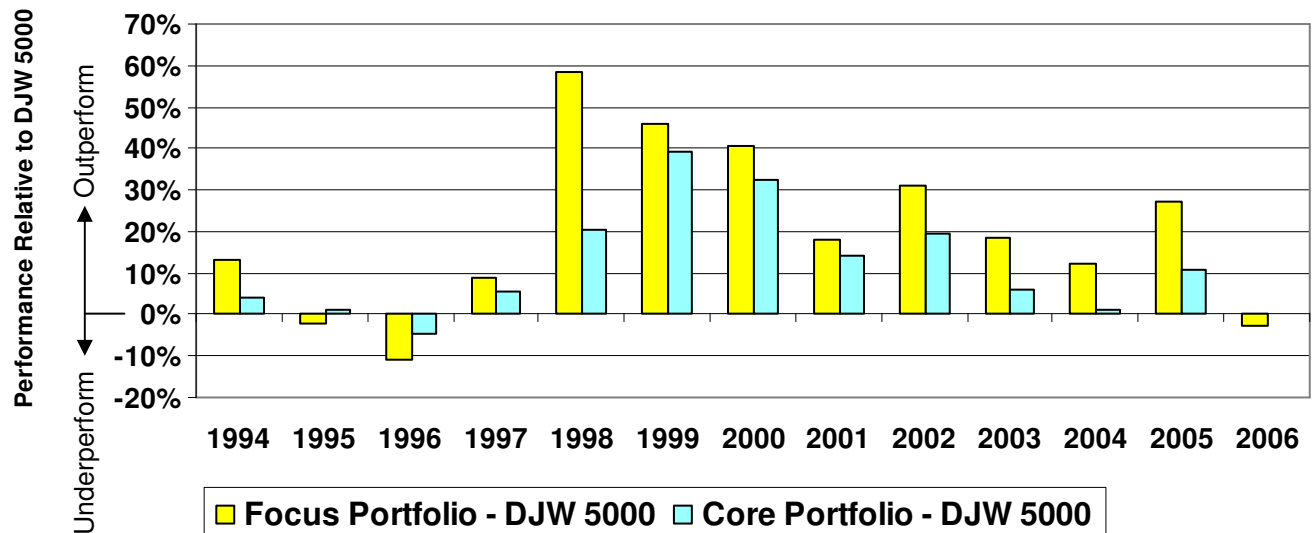
AlphaProfit Model Portfolio Long-Term Performance

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 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.