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# AlphaProfit™

## Sector Investors' Newsletter

Service for Sophisticated Sector Investors

Monthly Report

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### At A Glance

#### Portfolios

**Focus:** Medical Equipment, Oil & Gas E&P

**Core:** Chemicals, Computers, Medical Equipment, Oil & Gas E&P, Software, S&P 500 Index, and Telecom Equipment

**Sector Portfolio Indicator:** Buy

**Favored Buy:** None

**Stocks:** CTSH, NOV, OXY, PWAV

### Market Review & Outlook

#### Government props up financials.

July started on a weak note as investors feared that government-sponsored mortgage facilitators Fannie Mae and Freddie Mac are inadequately capitalized and that a government bailout is imminent. The failure of mortgage lender IndyMac added to nervousness. Treasury Secretary Paulson's plan to explicitly guarantee Fannie Mae and Freddie Mac debt failed to calm investors. On July 15, shares in the financial sector plummeted 6%, their biggest one-day loss in over eight years.

On July 15, the U. S. Securities and Exchange Commission Chairman Cox disallowed certain types of short sales in shares of 19 financial institutions including government-sponsored mortgage facilitators. This set the stage for a short squeeze of monumental proportions and shares in the financial sector rocketed to a 37% gain in six trading sessions.

#### Energy stocks swoon.

Shares in the energy group had been trending lower since early July on concern that global demand for petroleum products is weakening in response to higher prices. The SEC ruling prompted an exodus from the energy group as investors sold their winners to raise capital for covering short po-

sitions in the financial sector. The price of crude oil dropped nearly 12% in July, providing some relief to consumers battered by high gasoline prices.

#### Sector Portfolio Indicator at 'Buy'.

We are maintaining the AlphaProfit Sector Portfolio Indicator reading at 'Buy'. At prices materially lower than they were a month ago, shares in the oil & gas exploration and production group trade at pessimistic expectations versus their earnings potential. Oil & gas shares can recover some of their recent losses in the period ahead. Our Sector Portfolio Indicator reading assignment is predicated on this expectation.

Our outlook for the broad market is more tempered. Estimates for losses from the housing slump continue to rise with organizations like PIMCO and the IMF putting the tab at \$1 trillion. Global financial firms have so far reported nearly \$470 billion in

### Featured Quote

***'Diversification is the bedrock of portfolio management. It is the only free-lunch in this whole gosh-darned business.'***

***Jim Cramer***

## AlphaProfit ETF &amp; Mutual Fund Selections

Mutual fund and exchange-traded fund recommendations for playing the investment thesis discussed in the Newsletter. Preferred mutual funds and ETFs in **bold**.

Sector, Industry Group, or Index	Mutual Funds					ETFs
	Recommendation (Ticker)	Availability, Trans. Fees, and Min. Holding Period				Recommendation (Ticker, Liquidity)
		E*Trade	Fidelity	Schwab	Ameritrade	
Chemicals	<b>Fidelity Sel Chemicals (FSCHX)</b>	A, F	A, NTF, 30	R, F	A, F	<b>70% iShares DJ US Basic Mat (IYM, Good) +30% Market Vectors Agribus (MOO, Good)</b> iShares DJ US Basic Mat (IYM, Good) Materials Select SPDR (XLB, Good) Vanguard Materials (VAW, Limited)
Computers	<b>Fidelity Sel Computers (FDCPX)</b>	A, F	A, NTF, 30	R, F	A, F	<b>Internet Arch HOLDRS (IAH, Limited)</b> PowerShares Dyn Hard (PHW, Limited)
Medical Equip	<b>Fidelity Sel Med Equip (FSMEX)</b>	A, F	A, NTF, 30	R, F	A, F	<b>iShares DJ US Med Device (IHI, Limited)</b>
Oil & Gas E&P	AIM Energy (FSTEX)	C, NTF, 90	A, NTF, 180	C, NTF, 90	C, F	<b>85% iShares DJ US O&amp;G (IEO, Limited) +15% SPDR S&amp;P O&amp;G Equip (XES, Limited)</b> iShares DJ US O&G Exp & Prd (IEO, Limited) SPDR S&P O&G Exp & Prd (XOP, Good)
	<b>Fidelity Sel Natural Gas (FSNGX)</b>	A, F	A, NTF, 30	R, F	A, F	
Software	<b>Fidelity Sel Software (FSCSX)</b>	A, F	A, NTF, 30	R, F	A, F	<b>60% Software HOLDRS (SWH, Good)+40% First Trust DJ Internet (FDN, Limited)</b> First Trust DJ Internet (FDN, Limited) iShares S&P Software (IGV, Limited) Software HOLDRS (SWH, Good)
S&P 500	Dreyfus S&P 500 Index (PEOPX)	A, NTF, 90	A, NTF, 180	A, NTF, 90	A, NTF, 90	<b>iShares S&amp;P 500 (IVV, Good)</b> <b>SPDR S&amp;P 500 (SPY, Good)</b>
	E*TRADE S&P 500 Index (ETSPX)	A, NTF, 4m	N	N	A, F	
	<b>Fidelity Spartan 500 Idx (FSMKX)</b>	A, F	A, NTF, No	A, F	A, F	
	Schwab S&P 500 Index (SWPIX)	A, F	A, F	A, NTF, 30	A, F	
Telecom Equip	<b>Fidelity Sel Com Equip (FSDCX)</b>	A, F	A, NTF, 30	R, F	A, F	<b>Broadband HOLDRS (BDH, Limited)</b> <b>iShares S&amp;P Network (IGN, Good)</b> PowerShares Dyn Network (PXQ, Limited)
<b>Minimum Purchase Requirements</b>						<b>Availability:</b> A-Available, C-Limited to current shareholders, I-Limited to Institutional investors, N-Not available, R-Limited to retail investors. <b>Trans. Fees:</b> F-Transaction fee applies, NTF-No transaction fee subject to holding period. <b>Min. Holding Period:</b> 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. <b>Liquidity:</b> Investors should consider limit orders when trading ETFs with limited liquidity. <b>Note:</b> 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.
<b>ETF/Fidelity Fund</b>	<b>Regular Accounts</b>	<b>Retirement Accounts</b>				
Fidelity Select	\$2,500	\$500*				
Fidelity Spartan 500 Index Inv	\$10,000	\$10,000				
ETFs	1 share	1 share				
HOLDRS	100 shares	100 shares				
* \$500 for SEP-IRA, Keogh, and prototype retirement accounts. \$2,500 for traditional, Roth, and rollover IRA accounts.						

losses and write-downs and have raised nearly \$350 billion in capital since the third quarter of 2007.

The government is adopting several measures to stabilize the financial system. The Federal Reserve has extended two emergency lending programs until January 2009. President Bush has signed into law a housing bill that seeks to offer affordable government-backed mortgages to homeowners at risk of foreclosure. The SEC has extended its restrictions on short sales of financial com-

panies until August 12 to limit traders from driving down such stocks.

Businesses are perceiving value at current market prices and takeover activity is picking up. Belgium-based beer titan InBev has agreed to buy Anheuser-Busch known for its iconic *Budweiser* for \$52 billion while Switzerland-based drug firm Roche has offered \$44 billion for 44% of biotech firm Genentech it does not own. On the earnings front, second quarter profits reported by S&P 500 member companies have declined nearly

23% from the year-ago period.

We believe steps taken by the government in conjunction with an increase in takeover activity will likely help stabilize equity markets. A sustained recovery is likely to materialize when the Federal Reserve takes a more accommodative approach to monetary policy and clarity on year-over-year corporate earnings growth improves. We prefer to err on the side of caution and encourage subscribers to maintain adequate cash reserves and have appropriate diver-

## Stock Searchlight

*Stocks with appealing earnings trends and relatively attractive valuation characteristics are highlighted.*

Company	Ticker	Price	Est. P/E	Div. Yield	Buy Below	Sell Above	Stop-Loss	Risk Rating
Cognizant Tech.	CTSH	\$30.79	21.4	-	\$32.00	\$36.80	\$28.30	Above Average
Nat. Oilwell Varco	NOV	\$69.50	13.9	-	\$72.30	\$83.10	\$63.90	Above Average
Occidental Pet.	OXY	\$76.21	7.1	1.7%	\$79.30	\$91.20	\$70.10	Above Average
Powerwave Tech	PWAV	\$4.95	29.1	-	\$4.80	\$5.40	\$4.40	Above Average

*Earnings estimates from Reuters*

**CTSH.** Information technology and outsourcing company Cognizant Technology Solutions earned 35 cents a share in the second quarter, matching analysts' forecast. Revenue increased 33% from the year-ago period to \$685 million pushing EPS higher by about 30%. Citing macroeconomic conditions, Cognizant has lowered its 2008 revenue and EPS forecast to imply year-over-year growth of 32% and 26%, respectively. Cognizant's shares trade at a modest valuation compared to its growth rate.

**NOV.** Oilfield services company National Oilwell Varco reported \$1.20 a share in second quarter earnings, beating analysts' forecast by 7 cents a share. The com-

pany is seeing strong demand for its offshore rigs internationally and onshore rigs in North America. During the second quarter, National Oilwell increased its backlog for rigs and drill pipe by a record \$2.2 billion to \$10.8 billion. The company is benefiting from its Grant Prideco acquisition and is optimistic on market conditions for the remainder of 2008.

**OXY.** Occidental Petroleum earned \$2.78 a share in the second quarter, up 65% from the year-ago tally. The company increased its oil & gas output by 5.4% from the year ago level. The EPS gain was also backed by strong realized prices for oil & natural gas. Auguring well for the future, Oxy expects production to increase 6% in 2008 followed by annual increases of 8% in both

2009 and 2010. A powerful cash generator, Oxy has recently increased its buyback commitment by 20 million shares after hiking its quarterly dividend payment by 28% in May.

**PWAV.** Wireless solutions provider Powerwave Technologies is benefiting from strong demand for its products from wireless operators. The company's second quarter revenue increased over 32% from the year-ago period to nearly \$245 million. Progress in restructuring efforts enabled gross margin to widen from 18% a year-ago to nearly 25%. Powerwave has raised its 2008 revenue forecast mid-point by 4% to \$980 million representing an annual revenue growth of 20%.

sification in their overall portfolio.

### Performance & Prospects

The AlphaProfit model portfolios underperformed the Dow Jones Wilshire 5000 benchmark in July. The underperformance was largely caused by losses in oil & gas exploration and production stocks. The model portfolios benefited from exposure to medical equipment as well as selected technology groups.

### Chemicals

Share prices in the chemicals group generally underperformed the DJW 5000 benchmark. Despite reporting strong earnings growth, agriculture-related companies were 'found guilty by association' and generally hit hard as part of the commodity sell-off. Fidelity Select Chemicals lost less ground than the 70% iShares DJ Basic Materials+30% Market Vectors Agribusiness combo. A

9% loss in the Market Vectors ETF dragged the combo lower.

Agriculture-related companies like CF Industries, Mosaic, Potash, and Syngenta reported strong year-over-year earnings growth with CF Industries trouncing analysts' forecast by nearly 38%. Chemical heavyweight DuPont benefited from a 23% increase in agriculture and nutrition sales.

Looking ahead diversified chemical manufacturers like Dow Chemical and DuPont will benefit from lower fuel and feedstock costs resulting from lower petroleum product prices. Gas companies are executing well and Air Products and Praxair have nudged their EPS forecasts higher.

Non-agriculture chemical companies trade at compelling valuation metrics sparking takeover interest. Dow has offered a 74% premium to

buy specialty chemical maker Rohm and Haas for \$15 billion. Ashland is acquiring Hercules for nearly \$3 billion.

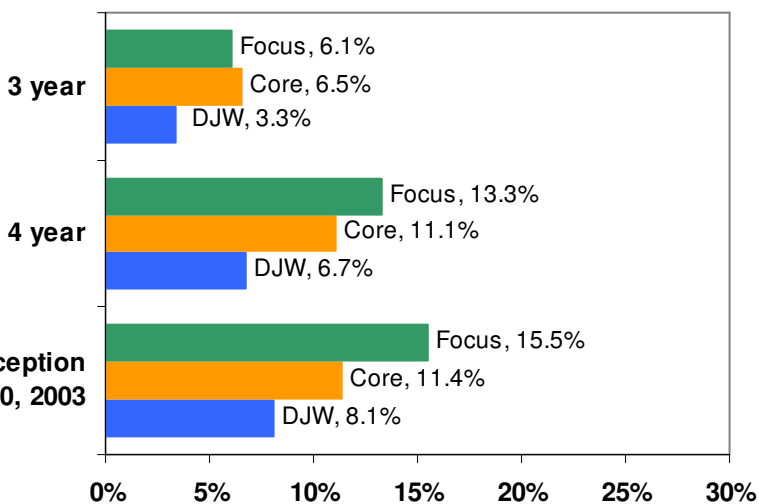
Pricing and demand trends for agriculture-related products like fertilizers, herbicides, and high-yielding seeds remain strong. That said, the correction in agriculture-chemical names is a part of a broad commodity sell-off that could have further to go. Better-than-expected crop yields or changes to U. S. ethanol policy can lead to additional downdraft in such names.

### Computers

The performance of preferred investments in the computer group was mixed with the Internet Architecture HOLDERS gaining 3% and Fidelity Select Computers losing 1%. Larger exposure to major computer manufacturers helped the HOLDERS while exposure to disk

**Scorecard**

Model portfolio returns are compared with that of the Dow Jones Wilshire 5000 benchmark. Returns for periods longer than 1 year are annualized.



stand to benefit from any improvement in the macroeconomic milieu. Meanwhile, larger computer companies are executing well against macroeconomic headwinds. IBM has raised its profit outlook for 2008 by \$0.25 a share to \$8.75 a share. Gartner estimates Dell's second quarter global PC shipments rose 22%. New smartphones from Apple and Samsung are selling well. Memory chipmakers are however having a tougher time as chip demand and pricing have weakened.

**Medical Equipment**

Investment recommendations in the medical equipment group bucked the overall market and gained in July. Fidelity Select Medical Equipment & Systems and iShares DJ US Medical Devices performed comparably, gaining nearly 5% each.

Medical equipment companies reported per-share earnings that were generally inline or better than analysts' forecast. Companies like American Medical Systems and June Stock Searchlight feature Varian Medical Systems were among those beating analysts' forecast by at least 25%. Strong sales of urological medical devices powered American Medical's earnings. Varian's profits received a boost from rising sales of its oncology systems. Analytical instrument makers Thermo Fisher Scientific and Wa-

	Jul 2008	Qtr-To-Date	Year-To-Date	1 Year
Focus	-8.8%	-8.8%	-10.9%	-11.2%
Core	-4.0%	-4.0%	-11.2%	-7.4%
DJW 5000	-0.8%	-0.8%	-11.7%	-10.2%

drive manufacturers and memory chipmakers likely dented the Fidelity fund.

In earnings-related developments, a 41% increase in *Macintosh* computer sales enabled Apple to exceed analysts' per-share earnings forecast. July Stock Searchlight feature International Business Machines earned \$1.98 a share during its second quarter, up 28% from the year-ago period. The technology titan's diversification in software, ser-

vices, and hardware enabled revenue to increase 13%.

Citing weak sales of consumer electronics, Sandisk surprised investors with a second quarter loss and caused shares of other memory chipmakers like Micron Technology to sell off. Seagate Technology's fourth quarter earnings shortfall was another sore spot in the computer group.

Companies in the computer group

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The model portfolios presented in this newsletter are the products of AlphaProfit Investments, LLC. The proprietary ValuM™ Investment Process is used to select sectors for investment in the AlphaProfit Sector Investors' Newsletter model portfolios. This process evaluates sectors based on their valuation, momentum, and news flow quality.

*continued on page 7*

## ETF &amp; Mutual Fund Facts

Industry/Index	Chemicals		
MF/ETF	Fidelity Sel. Chem.	iShares Bas. Mtls.	Mkt. Vectors Agri.
Ticker	FSCHX	IYM	MOO
Manager/Index	M. Schuldtt	DJ US Basic Materials	DAX Agribusiness
Category	Large Cap Growth	Large Cap Growth	Large Cap Growth
Risk Rating	Average	Average	Above Average
Top 10 Holdings	Monsanto DuPont Praxair Mosaic Dow Chemical Air Products Albemarle CF Industries FMC Ecolab	Monsanto Freeport McMoRan DuPont Dow Chemical Praxair Alcoa Newmont Mining Peabody Energy U. S. Steel Mosaic	Potash Corp. Syngenta Mosaic Deere Monsanto Archer-Daniels Wilmar Intl. IOI Corp. Yara Intl. Agrium
% Portfolio	69.8%	55.9%	68.7%
% Foreign	5.7%	0.0%	55.9%
Date	As of Jun. 30, 2008	As of Jun. 27, 2008	As of Jun. 27, 2008
Industry/Index	Natural Gas		
MF/ETF	Fidelity Sel. Nat. Gas	iShares O&G E&P	SPDR O&G E&S
Ticker	FSNGX	IEO	XES
Manager/Index	J. McElligott	DJ US Oil & Gas E&P	S&P Oil & Gas E&S
Category	Large Cap Growth	Large Cap Growth	Mid Cap Growth
Risk Rating	Above Average	Above Average	Above Average
Top 10 Holdings	Chesapeake Energy Plains Exp. & Pro. Ultra Petroleum Range Resources Denbury Resources Southwestern Energy Quicksilver Res. Valero Energy EOG Resources Can. Nat. Resources	Occidental Petroleum Devon Energy Apache Anadarko Petroleum XTO Energy Chesapeake Energy EOG Resources Valero Energy Noble Energy Southwestern Energy	Weatherford Intl. Diamond Offshore Nabors Industries Natl. Oilwell Varco Pride Intl. Halliburton Baker Hughes Patterson-UTI Engy. Rowan Companies Transocean
% Portfolio	47.9%	54.7%	42.7%
% Foreign	15.4%	0.0%	0.0%
Date	As of Jun. 30, 2008	As of Jun. 27, 2008	As of Jun. 27, 2008
Industry/Index	Software		
MF/ETF	Fidelity Sel. Software	Software HOLDRS	First Tr. DJ Internet
Ticker	FSCSX	SWH	FDN
Manager/Index	M.Tandon	Merrill Lynch	Dow Jones Internet
Category	Large Cap Growth	Large Cap Growth	Mid Cap Growth
Risk Rating	Average	Average	Above Average
Top 10 Holdings	Microsoft Google Oracle Cognizant Tech. Soln. Visa MasterCard Satyam Comp. Svcs. Adobe Systems Nintendo Quest Software	SAP Microsoft Adobe Systems Oracle CA Intuit BMC Software Symantec Check Point Software TIBCO Software	eBay Google Yahoo! Amazon.com Juniper Networks Verisign Salesforce.com Akamai Tech. TD Ameritrade Priceline.com
% Portfolio	64.6%	99.2%	70.8%
% Foreign	15.5%	20.7%	0.0%
Date	As of Jun. 30, 2008	As of Jun. 27, 2008	As of Jun. 27, 2008

ters Corp. reported robust results with second quarter earnings increasing 52% and 39%, respectively from the year-ago level.

Elsewhere, increasing competition in the drug-coated stent market is making the going rough for Boston Scientific. Medtronic launched *Endeavor* in February to end a four-year duopoly enjoyed by Boston Scientific and Johnson & Johnson. Boston Scientific's U. S. stent sales declined 30% during the second quarter. In July, Abbott's *Xience* stent received U. S. Food & Drug Administration approval further intensifying competition.

We like the prospects for the medical equipment group against the backdrop of rising economic uncertainty. Several medical equipment and supply companies including Alcon, Baxter, Becton Dickinson, and St. Jude Medical as well as analytical instrument makers like Thermo Fisher and Waters have raised their earnings forecast.

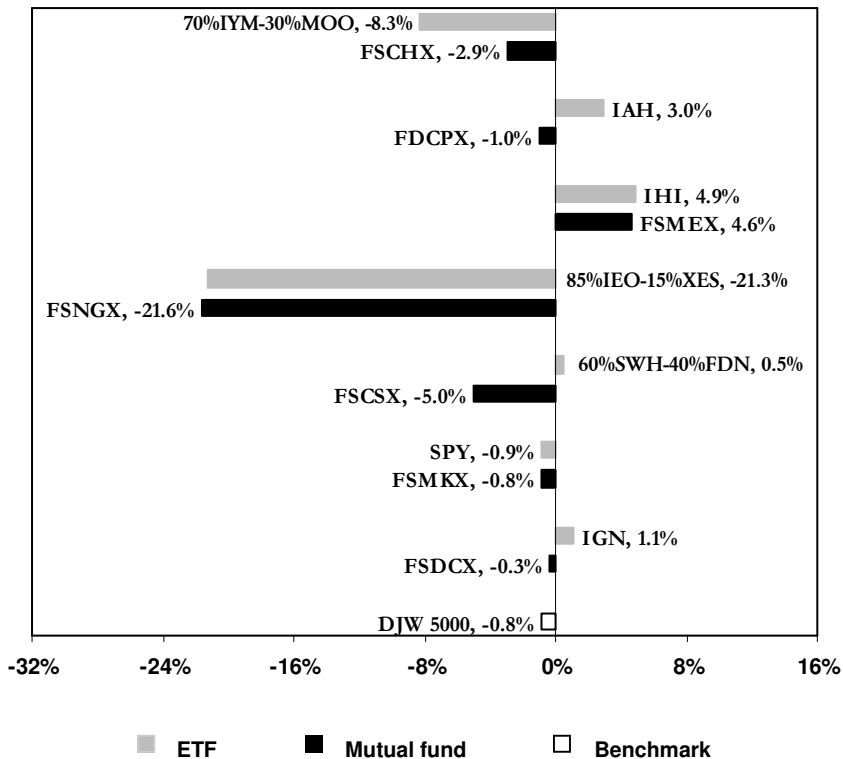
U. S. medical equipment companies are benefiting from a lower dollar as a decline in the currency has made their products cheaper. Instrument makers are seeing strong demand from emerging economies like China and India. From an election perspective, medical equipment companies involved in diagnostics stand to benefit from efforts made to rein healthcare costs through preventive medicine. Quality control and product safety issues can at times be a source of trouble for medical equipment companies as seen recently at Baxter and Stryker.

## Oil &amp; Gas E &amp; P

Shares in the oil & gas exploration and production group suffered a reversal in July after outperforming the broad market by nearly 20% during the second quarter. The price of oil & gas declined nearly 12% and 32%, respectively. Preferred investments Fidelity Select Natural Gas and the 85% iShares DJ US Oil & Gas E&P+15% SPDR S&P Oil & Gas E&S combo declined over 21% each.

## Preferred ETF &amp; Mutual Fund Returns

July 2008



Against the backdrop of declining commodity prices, earnings reports failed to be an important driver of stock prices in the oil & gas group. Most oil & gas companies reported healthy year-over-year earnings growth with a few like Apache, EOG Resources, and Southwestern beating analysts' forecast by wide margins.

Worries of demand destruction contributed to a decline in the price of energy commodities. U. S. gasoline consumption was estimated to have declined nearly 5% from the year-ago level in July. With commodity prices in retreat, hedge funds likely sold their winners from the oil & gas group to cover short positions in the financial sector.

A steep fall in the price of energy-related assets in general has shifted investor sentiment to one of fear. We believe the 32% decline in the price of natural gas is an overreaction considering inventory levels are lower than their 5-year average.

We believe oil & gas shares will be abnormally volatile in the period

ahead. While potential supply disruptions from hurricanes and political tensions can support prices, a sustained uptrend can result when investors begin to focus on the earnings potential of oil & gas companies. Considering that oil & gas companies like Apache, Devon, Occidental, and Marathon trade at a relatively modest average forward P/E multiple of 7 and PEG ratio of 0.26, we are optimistic that they will attract investor attention soon. This in turn can pave the way for the oil & gas group to at least partially recoup their recent losses and outperform the broad market in the period ahead.

### Software

The performance of software companies was mixed in July. The 60% Software HOLDERS+40% First Trust DJ Internet combo gained 0.5% while Fidelity Select Software & Computer Services lost nearly 5%. The combo received a boost from HOLDERS' 2% gain. The HOLDERS benefited from its selection of enterprise software companies while the Fidelity fund's performance was

likely hurt by losses in shares of IT service providers and credit card processors.

Microsoft and Google disappointed investors as their per-share earnings fell short of analysts' forecast. Losses in Microsoft's online unit more than doubled while Google's paid clicks decreased 1% from the previous quarter. Per-share earnings at business software maker SAP increased by 18%, exceeding analysts' forecast.

Results from credit card processors MasterCard and Visa differed in quality with the former posting a superior report card. Yahoo! management 'settled' with activist investor Carl Icahn and rejected Microsoft's offer to end Microsoft-Yahoo! deal-related headlines.

The outlook for software companies is mixed. Macroeconomic conditions have caused Microsoft, Google, and IT service providers like Cognizant and Satyam to temper their outlook. MasterCard is seeing slower growth in U. S. credit card spending. On the brighter side, enterprise software companies like SAP and BMC are more upbeat on their prospects. In the consumer space, higher gasoline prices are encouraging consumers to shop online and Internet retailer Amazon has upped its earnings outlook.

### S&P 500 Index

Fidelity Spartan 500 Index and SPDR S&P 500 that seek to track the S&P 500 index performed comparably in July losing nearly 0.9%. Their performance was also in line with the 0.8% decline in the DJW 5000 benchmark.

S&P 500 member companies were at the peak of their earnings-reporting season in July. Of over 250 such companies reporting earnings by month-end, nearly 75% topped analysts' forecasts. Financial firms reported a 90% decline in earnings from the year-ago level while companies in the consumer discretionary sector reported a 33% drop.

## Portfolio Composition

### AlphaProfit Focus™ Model Portfolio

Fidelity Fund Holding (Ticker Symbol)	June 30, 2008		July 31, 2008	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Medical Equip. (FSMEX)	\$789,820	48.89%	\$826,273	56.08%
Natural Gas (FSNGX)	\$825,613	51.11%	\$647,078	43.92%
Total (rounded to)	\$1,615,433	100.00%	\$1,473,352	100.00%

### AlphaProfit Core™ Model Portfolio

Fidelity Fund Holding (Ticker Symbol)	June 30, 2008		July 31, 2008	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Chemicals (FSCHX)	\$82,162	11.55%	\$79,788	11.68%
Comm. Equip. (FSDCX)	\$68,601	9.65%	\$68,362	10.01%
Computers (FDCPX)	\$64,816	9.11%	\$64,180	9.40%
Medical Equip. (FSMEX)	\$110,264	15.50%	\$115,353	16.89%
Natural Gas (FSNGX)	\$115,261	16.21%	\$90,336	13.22%
Soft. & Comp. (FSCSX)	\$66,924	9.41%	\$63,600	9.31%
Spartan 500 Idx. (FSMKX)	\$203,207	28.57%	\$201,489	29.50%
Total (rounded to)	\$711,236	100.00%	\$683,109	100.00%

The AlphaProfit model portfolios were last repositioned at the close of business on June 30, 2008. We are leaving both of the model portfolios unchanged at this time. At newsletter inception on September 30, 2003, the Focus and Core model portfolios had values of \$735,204 and \$406,160, respectively.

In corporate developments, General Electric reported a 6% drop in its second quarter profit from the year-ago level. To restore growth, the company is pumping \$4 billion in capital from Abu Dhabi into its ailing commercial finance business, selling its Japanese consumer-lending business for \$5.4 billion, and reorganizing into four business units.

In the energy sector, strong com-

modity prices helped majors Exxon Mobil and ConocoPhillips offset sluggish output and post higher profits in their exploration and production segments. Exxon Mobil earned \$11.7 billion, narrowly eclipsing its previous record while ConocoPhillips earned \$5.4 billion.

Elsewhere, healthcare giant Johnson & Johnson and telecom services heavyweight AT&T increased

their revenue and earnings from the year-ago period.

Exposure to the S&P 500 index serves to diversify the Core model portfolio at a time of high economic uncertainty.

### Telecom Equipment

Preferred investments in the telecom equipment group fared modestly better than the broad market. iShares S&P North American Networking gained nearly 1% while Fidelity Select Communications Equipment lost a fraction.

Shares of Juniper Networks, Motorola, Nokia, and Qualcomm were among those raking double-digit gains in July. Juniper Networks reported notably strong results. The high-end router maker's profits increased nearly 40% from the year-ago period as revenue rose 32%.

Higher handset shipments and aggressive cost cuts enabled Motorola to report a profitable quarter. Nokia stated that its share of the global handset market increased to 40% while Qualcomm raised its fiscal 2008 earnings forecast. Qualcomm and Nokia ended their technology-licensing dispute through a legal settlement.

The current macroeconomic environment is not providing much help to telecom equipment companies. Industry bellwether Cisco has stated that tech spending may not pick up until 2009. LCD glassmaker

### Disclosure continued from page 4

We calculate total pre-tax returns based on price changes, assuming reinvestment of all distributions in the funds in which they were paid.

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## ETF &amp; Mutual Fund Facts (cont'd from pg. 5)

Industry/Index	Computers		Telecom Equipment	
MF/ETF	Fidelity Sel. Computers	Internet Arch. HOLDERS	Fidelity Sel. Com. Eqpt.	iShares S&P Network
Ticker	FDCPX	IAH	FSDCX	IGN
Manager/Index	H. Lawrence	Merrill Lynch	C. Chai	S&P N.A. Tech Network
Category	Large Cap Growth	Large Cap Growth	Large Cap Growth	Mid Cap Growth
Risk Rating	Above Average	Above Average	Above Average	Above Average
Top 10 Holdings	Apple	Intl. Bus. Mach.	Cisco Systems	Qualcomm
	Hewlett-Packard	Hewlett-Packard	Qualcomm	Cisco Systems
	Intl. Bus. Mach.	Apple	Comverse Tech.	Research In Motion
	Dell	Cisco Systems	High Tech Computer	Corning
	EMC	Dell	Research In Motion	Nortel Networks
	Sandisk	EMC	Starent Networks	Motorola
	Micron Technology	Sun Microsystems	Juniper Networks	Juniper Networks
	High Tech Computer	Juniper Networks	Powerwave Tech.	Brocade Comm.
	Netapp	Network Appliance	Nokia	CommScope
	Seagate Technology	Symantec	ADC Telecomm.	JDS Uniphase
% Portfolio	72.6%	99.3%	64.9%	59.2%
% Foreign	7.3%	0.0%	19.3%	12.6%
Date	As of Jun. 30, 2008	As of Jun. 27, 2008	As of Jun. 30, 2008	As of Jun. 27, 2008
Industry/Index	Medical Equipment		S&P 500 Index	
MF/ETF	Fidelity Sel. Med. Eqpt.	iShares DJ US Med. Dev.	Fidelity Spartan 500 Idx	SPDR S&P 500
Ticker	FSMEX	IHI	FSMKX	SPY
Manager/Index	E. Yoon	DJ US Sel. Medical Eq.	Geode Cap. Mgmt.	S&P 500 Total Return
Category	Large Cap Growth	Mid Cap Growth	Large Cap Blend	Large Cap Blend
Risk Rating	Below Average	Below Average	Below Average	Below Average
Top 10 Holdings	Baxter International	Medtronic	Exxon Mobil	Exxon Mobil
	Medtronic	Covidien	General Electric	General Electric
	Covidien	Thermo Fisher Scientific	Microsoft	Microsoft
	Alcon	Stryker	Chevron	Chevron
	Becton Dickinson	Boston Scientific	AT&T	AT&T
	Allergan	Zimmer Holdings	Procter & Gamble	Procter & Gamble
	Boston Scientific	St. Jude Medical	Johnson & Johnson	Johnson & Johnson
	Amer. Med. Systems	Intuitive Surgical	Intl. Bus. Mach.	Intl. Bus. Mach.
	Stryker	Waters	Apple	Apple
	Gen-Probe	Varian Medical Systems	ConocoPhillips	ConocoPhillips
% Portfolio	70.9%	57.4%	19.2%	19.4%
% Foreign	19.6%	0.0%	0.0%	0.0%
Date	As of Jun. 30, 2008	As of Jun. 27, 2008	As of Jun. 30, 2008	As of Jun. 27, 2008

Corning is bracing itself for softer demand as consumers restrain their spending on discretionary items like flat-panel TVs.

We take some comfort in the fact that telecom equipment firms with unique 'in-demand' wares are faring

well in this challenging economic milieu. Juniper is benefiting from a compelling product cycle and has increased its revenue forecast. Demand for smartphones remains strong and chipset maker Qualcomm is prospering from this trend. Smartphone maker Research In

Motion is seeking to keep product momentum strong with the launch of its new 3G smartphone *BlackBerry Bold* soon.

**AlphaProfit Investments, LLC**  
Date: July 31, 2008



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.