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# AlphaProfit™

## Sector Investors' Newsletter

Service for \$ophisticated \$ector Investors

Monthly Report

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### At A Glance

#### Portfolios

**Focus:** Biotechnology, IT Services, Medical Equipment, Oil & Gas E&P

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

**Sector Portfolio Indicator:** Wait

**Favored Buy:** None

**Stocks:** CTSB, LPS, MA, MON

### Market Review & Outlook

#### Investor confidence undermined.

Worsening economic data, shifting priorities in government's bailout efforts, and massive cuts in analysts' corporate earnings forecasts undermined investor confidence in November. Fears that Citigroup may need to raise more capital to overcome mounting commercial loan losses added to negative sentiment. On November 21, the widely followed S&P 500 index dipped to an 11-year low.

#### Worsening employment picture.

The U. S. economy appears to be worsening particularly from an employment perspective. With nearly 600,000 jobs lost in the past three months, the unemployment rate has risen to 6.5%. The rise in weekly jobless claims to a 25-year high of 516,000 portends further increase in the unemployment rate.

#### Global rescue act.

With inflation becoming a non-issue, governments worldwide are focusing to jump-start economies. Following on the series of measures last year, the Federal Reserve has most recently committed \$800 billion to re-suscitate lending. The U. S. government has also acted to rescue Citigroup. Elsewhere, China lowered

interest rates by over 1% and laid out a \$586 billion stimulus package in November. The Bank of England slashed interest rates by 1.5%.

#### Downgrade Sector Portfolio Indicator to 'Wait'.

The S&P 500 surged more than 21% from its November 21 low to record its best weekly gain since 1974. Given this sharp run-up, a pullback in equity prices could be in the offing. In the near-term, equity prices are likely to be influenced by two opposing factors: Investors' drive to seek bargains and tax loss-related selling. Reflecting most of the near-term negatives, U. S. equities are attractively valued particularly vis-à-vis Treasury bonds. The dividend yield on the S&P 500 is about 3.4% compared to the 2.9% yield on the 10-year Treasury bond. Offsetting this attraction to put new money to work, investors will seek to sell los-

### Model Portfolio Repositioning

The model portfolios will be repositioned after the markets close on December 31. To help you closely track the model portfolios, we will publish the **Repositioning Alert** by 12:00 p.m. Central Time on **Wednesday, December 31** in the Subscriber Login area.

## 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	
Biotechnology	Allianz RCM Biotech (DRBNX)	C, NTF, 90	C, NTF, 180	A, NTF, 90	A, NTF, 90	iShares Nasdaq Biotechnology (IBB, Good)
	<b>Fidelity Sel Biotech (FBIOX)</b>	A, F	A, NTF, 30	R, F	A, F	<b>SPDR S&amp;P Biotech (XBI, Good)</b>
	Rydex Biotechnology (RYOIX)	A, NTF, 90	A, NTF, 180	A, NTF, No	A, F	
	Biotech Ultra ProFund (BIPIX)	A, NTF, 90	A, NTF, 180	A, NTF, No	A, F	
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, Good)
Computers	<b>Fidelity Sel Computers (FDCPX)</b>	A, F	A, NTF, 30	R, F	A, F	<b>Internet Arch HOLDERS (IAH, Limited)</b> PowerShares Dyn Hard (PHW, Limited)
IT Services	<b>Fidelity Select IT Serv (FBSOX)</b>	A, F	A, NTF, 30	R, F	A, F	<b>Equal weight mix of ACN, ADP, ADS, &amp; V</b> (no pure-play ETF available)
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, Good)+15% SPDR S&amp;P O&amp;G Equip (XES, Limited)</b>
	<b>Fidelity Sel Natural Gas (FSNGX)</b>	A, F	A, NTF, 30	R, F	A, F	iShares DJ US O&G Exp & Prd (IEO, Good) SPDR S&P O&G Exp & Prd (XOP, Good)
Software	<b>Fidelity Sel Software (FSCSX)</b>	A, F	A, NTF, 30	R, F	A, F	<b>60% Software HOLDERS (SWH, Limited) +40% First Trust DJ Internet (FDN, Limited)</b> First Trust DJ Internet (FDN, Limited) iShares S&P Software (IGV, Good) Software HOLDERS (SWH, Limited)
S&P 500	Dreyfus S&P 500 Index (PEOPX)	A, NTF, 90	A, NTF, 180	A, NTF, 90	A, NTF, 90	iShares S&P 500 (IVV, Good)
	<b>E*TRADE S&amp;P 500 Index (ETSPX)</b>	A, NTF, 4m	A, F	A, F	A, F	<b>SPDR S&amp;P 500 (SPY, Good)</b>
	<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	Broadband HOLDERS (BDH, Limited) <b>iShares S&amp;P Network (IGN, Limited)</b> PowerShares Dyn Network (PXQ, Limited)

## Minimum Purchase Requirements

ETF/Fidelity Fund	Regular Accounts	Retirement Accounts
Fidelity Select	\$2,500	\$500*
Fidelity Spartan 500 Index Inv	\$10,000	\$10,000
ETFs	1 share	1 share
HOLDERS	100 shares	100 shares

\* \$500 for SEP-IRA, Keogh, and prototype retirement accounts. \$2,500 for traditional, Roth, and rollover IRA accounts.

**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 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.

## 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	\$18.62	12.5	-	\$19.70	\$24.00	\$15.40	Above Average
Lender Process.	LPS	\$24.63	9.9	1.6%	\$26.10	\$32.00	\$20.20	Above Average
MasterCard	MA	\$143.23	16.4	0.4%	\$152.60	\$189.90	\$115.20	Above Average
Monsanto	MON	\$79.85	23.1	1.2%	\$84.70	\$103.90	\$65.30	Above Average

*Earnings estimates from Reuters*

**CTSH.** Shares of IT services provider Cognizant Technology Solutions trade at modest valuation metrics, compared to the company's growth prospects. Cognizant reported a 31% increase in its third quarter revenue with the 38 cents a share EPS tally exceeding analysts' forecast. EPS growth in 2009 is expected to be a respectable single-digit figure. Cognizant possesses a clean balance sheet devoid of any long-term debt, a facet that should enhance the company's resilience in riding out the global economic slowdown.

**LPS.** Shares of mortgage services provider Lender Processing Services are down over 24% in November even after the company posted decent third quarter results in late October. Lender Processing

earned 61 cents a share matching analysts' forecast. The company possesses a relatively recession-resilient business model in which increased business from rising mortgage defaults helps offset weakness in loan servicing. The company forecasts revenue to increase 10% during the final quarter and analysts expect EPS to grow 13% in 2009.

**MA.** Bucking a strained consumer-spending environment, credit card processor MasterCard reported a 12% gain in global dollar volume during the third quarter. This in combination with a keen focus on expenses enabled the company to earn \$2.47 a share, higher than analysts' \$2.25 a share forecast. A legal settlement with Discover Financial resulted in a one-time \$516

million charge. While revenue growth will likely slow to single-digits in 2009, tight rein on expenses should likely enable MasterCard to expand EPS at a double-digit clip.

**MON.** Shares of agriculture-products company Monsanto are down nearly 50% from their \$145.80 a share high set on June 18. The company meanwhile has come out with upbeat forecasts and reaffirmed its guidance to double gross profit by 2012. Monsanto is confident that its innovative technologies can add substantial value for farmers by increasing farm yields and reducing input costs. The company is seeing opportunity in Brazil, India, and Mexico where per-acre grain yields significantly lag those in the U. S.

ers and recognize losses for tax purposes before year-end.

With the U. S. economy facing considerable headwinds, we downgrade the AlphaProfit Sector Portfolio Indicator to 'Wait' before repositioning the model portfolios. Subscribers with positions in the current investment recommendations can maintain their holdings. Aggressive investors can consider modestly increasing their overall exposure to equities. New subscribers can defer committing capital until the model portfolios are repositioned. In general, we encourage subscribers to maintain adequate cash reserves and have appropriate diversification in their overall portfolio.

### Performance & Prospects

Driven by outsized losses in chemicals, medical equipment, telecom

equipment, and oil & gas exploration and production, the AlphaProfit model portfolios underperformed the Dow Jones Wilshire 5000 index in November.

### Biotechnology

Preferred investments in the biotechnology group marginally lagged the DJW 5000. Cephalon's shares gained a modest 3% in November following its inclusion in the S&P 500 index and approval of its *Treanda* drug for non-Hodgkins lymphoma.

We continue to like the biotechnology group for its comparative lack of economic sensitivity. Leading biotech companies like Amgen, Biogen Idec, and Genzyme have topped analysts' third-quarter profit forecasts and raised full year earnings guidance. Genzyme is seeking

approval for its leukemia drug *Clolar* in patients older than 21 years. Gilead Sciences is working to widen its product offerings beyond treating AIDS and HIV.

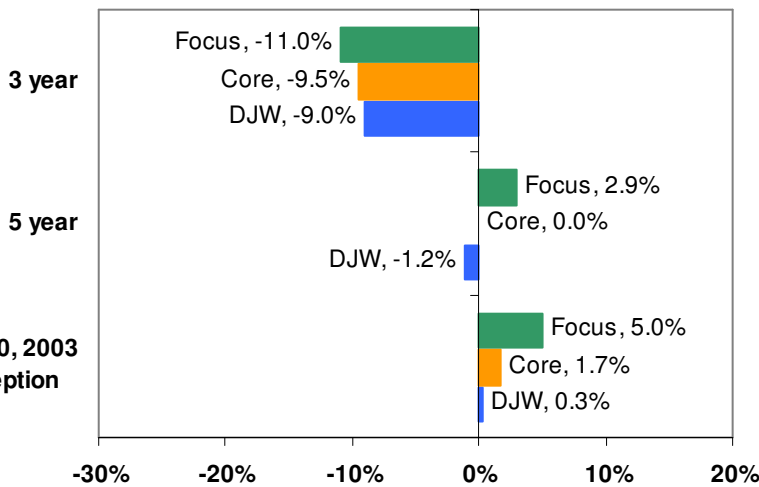
The possibility of takeovers adds appeal as well as risk. Competing against Bristol-Myers Squibb, Eli Lilly has completed the \$6.5 billion purchase of ImClone Systems. Genentech's shares are being weighed down by the possibility that Roche may not pursue its plan to take full control of the former.

### Chemicals

Preferred investments in chemicals group underperformed the DJW 5000 benchmark. The ETF combo benefited from a 32% gain in shares of food processor and ethanol producer Archer Daniels Midland after the company's revenue

**Scorecard**

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



DJW 5000 benchmark. Fears of slumping corporate demand, reports of lower-than-expected sales at electronics retailer Best Buy, and a revenue warning from chip maker Intel prompted analysts to cut earnings forecasts for computer companies.

Meanwhile, Hewlett-Packard pre-announced its fiscal fourth quarter earnings to shore up its sagging stock price. Earning \$1.03 a share, H-P edged out analysts' \$1.01 a share forecast. Even though revenue declined 3%, aggressive cost cuts enabled Dell to increase EPS by 9% from the year-ago period.

The PC industry is feeling the impact of the global economic slowdown. Led by a steeper decline in U. S. shipments, global unit shipments in 2009 will likely be lower than in 2008. Chip manufacturers are contending with high inventories. Selected chipmakers like SanDisk with valuable intellectual property may be taken over.

**IT Services**

Preferred investments in the IT services group lost less ground than the DJW 5000 index. While Fidelity Select IT Services declined nearly 7%, a 17% gain in Automatic Data Processing's shares limited losses for AlphaProfit's custom IT basket to 2%. ADP increased its cash dividend by 14% pushing the forward

	Nov 2008	Qtr-To-Date	Year-To-Date	1 Year
Focus	-10.4%	-27.5%	-42.7%	-43.7%
Core	-10.1%	-26.3%	-42.4%	-42.6%
DJW 5000	-8.2%	-24.3%	-38.5%	-38.8%

and earnings exceeded analysts' forecast.

The outlook is clouded for most chemical companies except those with somewhat stable demand like Ecolab. The global credit crisis has impacted end market demand forcing corporate customers to cut inventory. Rising raw material costs and unfavorable changes in exchange rates are adding to pressure.

Fertilizer maker Mosaic has an-

nounced plans to cut phosphate production by nearly 20%; more opportunistic companies like Agrium and Potash Corp. of Saskatchewan are contemplating synergistic acquisitions at depressed asset prices. Dow Chemical is mired in transactions to form K-Dow the joint venture with Kuwait Petroleum, and to acquire Rohm & Haas.

**Computers**

Preferred investments in the computers group underperformed the

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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 8*

ETF & Mutual Fund Facts				
Industry/Index		Chemicals		
MF/ETF	Fidelity Sel. Chem.	iShares Bas. Mtls.	Mkt. Vectors Agri.	
Ticker	FSCHX	IYM	MOO	
Manager/Index	M. Schuldt	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	Syngenta	
	DuPont	Dow Chemical	Monsanto	
	Praxair	Freeport McMoRan	Mosaic	
	Dow Chemical	Praxair	Potash Corp.	
	Air Products	Alcoa	Deere	
	Mosaic	Newmont Mining	Archer Daniels	
	Ecolab	Air Products	Wilmar Intl.	
	Celanese	Peabody Energy	Yara Intl.	
	Solutia	Nucor	Komatsu	
	Albemarle	International Paper	Agrium	
% Portfolio	73.1%	52.5%	58.1%	
% Foreign	1.7%	0.0%	43.4%	
Date	As of Sep. 30, 2008	As of Sep. 26, 2008	As of Sep. 26, 2008	
Industry/Index		Natural Gas		
MF/ETF	Fidelity Sel. Nat. Gas	iShares O&G E&P	SPDR O&G E&S	
Ticker	FSNGX	IEO	YES	
Manager/Index	J. McElligott	DJ US Oil & Gas E&P	S&P Oil & Gas E&S	
Category	Mid Cap Growth	Large Cap Growth	Mid Cap Growth	
Risk Rating	Above Average	Above Average	Above Average	
Top 10 Holdings	Chesapeake Energy	Occidental Petro.	Noble Energy	
	Plains Exp. & Pro.	Devon Energy	Diamond Offshore	
	Range Res.	Apache	Transocean	
	Ultra Petroleum	XTO Energy	ENSCO Intl.	
	Valero Energy	Anadarko Petro.	Smith Intl.	
	Denbury Res.	EOG Resources	Schlumberger	
	Southwestern Energy	Chesapeake Energy	Rowan Companies	
	Quicksilver Res.	Valero Energy	Baker Hughes	
	XTO Energy	Southwestern Energy	Superior Engy. Svcs.	
	Comstock Res.	Noble Energy	Nabors Industries	
% Portfolio	50.5%	58.1%	43.3%	
% Foreign	17.2%	0.0%	0.0%	
Date	As of Sep. 30, 2008	As of Sep. 26, 2008	As of Sep. 26, 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	SAP	eBay	
	Google	Microsoft	Yahoo!	
	Oracle	Adobe Systems	Google	
	Cognizant Tech. Soln.	Oracle	Juniper Networks	
	Visa	Intuit	Amazon.com	
	Adobe Systems	CA	Verisign	
	MasterCard	BMC Software	Salesforce.com	
	Symantec	Symantec	TD Ameritrade	
	Quest Software	Check Point Soft.	Check Point Soft.	
	Nintendo	TIBCO Software	Expedia	
% Portfolio	65.3%	99.2%	69.8%	
% Foreign	12.9%	22.5%	0.0%	
Date	As of Sep. 30, 2008	As of Sep. 26, 2008	As of Sep. 26, 2008	

dividend yield to 3.3%. The company earned 54 cents a share during the fiscal first quarter beating analysts' 50 cents a share forecast. In other earnings news, Visa earned 58 cents a share that exceeded analysts' 56 cents a share forecast.

While companies in the IT service business are not immune to an economic slowdown, we believe it is worthwhile to have exposure to this group. Outsourcing service providers like Accenture and Alliance Data enjoy relatively stable revenue from long-term contracts. Credit card networks like MasterCard and Visa are relatively immune to consumer loan losses. Fiserv has reaffirmed its 2008 EPS forecast.

### Medical Equipment

Preferred investments in the medical equipment group trailed the DJW 5000 benchmark after Medtronic's shares declined 24%. The 800 lb. gorilla of the medical equipment group earned 67 cents a share during the fiscal second quarter, 4 cents short of analysts' forecast. Market share losses in key business segments restrained the company's growth. The U. S. Department of Justice has subpoenaed Medtronic on 'off-label' uses of *Infuse* spinal graft. Meanwhile, per-share earnings at American Medical Systems and Becton, Dickinson exceeded analysts' forecast.

The near-term outlook for medical equipment companies is segment-specific. Medical supply makers are generally well insulated from the financial turmoil. Signaling confidence, Baxter and Becton, Dickinson have raised their dividends by 20% and 16%, respectively. A weaker global economy may however pressure demand for capital equipment and elective procedures. A stronger greenback is a headwind for equipment makers like Covidien and St. Jude Medical.

### Oil & Gas E & P

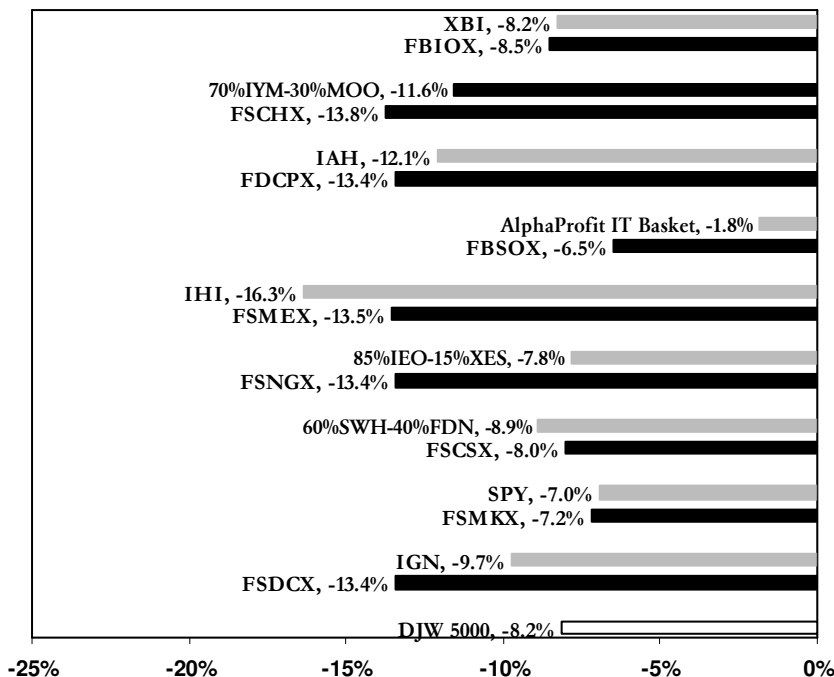
Preferred investments in the oil & gas exploration and production

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

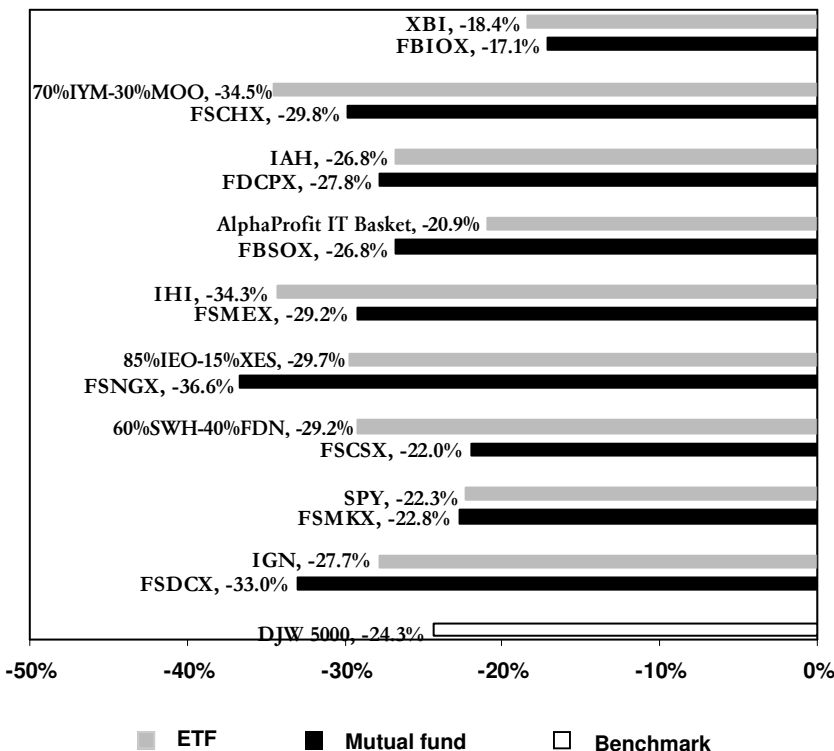
Industry/Index	Computers		Telecom Equipment	
MF/ETF	Fidelity Sel. Computers	Internet Arch. HOLDRS	Fidelity Sel. Com. Eqpt.	iShares S&P Network
Ticker	FDCPX	IAH	FSDCX	IGN
Manager/Index	H. Lawrence	Merrill Lynch	C. Chai	S&P N.A. Tech Network
Category	Large Cap Growth	Large Cap Growth	Large Cap Growth	Mid Cap Growth
Risk Rating	Above Average	Above Average	Above Average	Above Average
Top 10 Holdings	Hewlett-Packard	Intl. Bus. Mach.	Qualcomm	Qualcomm
	Apple	Hewlett-Packard	Cisco Systems	Cisco Systems
	Intl. Bus. Mach.	Cisco Systems	Starent Networks	Motorola
	EMC	Apple	Motorola	Juniper Networks
	Dell	Dell	Research In Motion	Foundry Networks
	SanDisk	EMC	CommScope	Corning
	Ju Teng International	Sun Microsystems	Powerwave Tech.	Research In Motion
	Qualcomm	Juniper Networks	Comverse Tech.	Harris
	Seagate Technology	NetApp	ADC Telecomm.	Brocade Comm.
	NetApp	Symantec	Apple	CommScope
% Portfolio	76.8%	98.8%	64.4%	60.3%
% Foreign	7.4%	0.0%	15.8%	6.9%
Date	As of Sep. 30, 2008	As of Sep. 26, 2008	As of Sep. 30, 2008	As of Sep. 26, 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	Procter & Gamble	Microsoft
	Boston Scientific	Stryker	Microsoft	Procter & Gamble
	Bard C.R	Boston Scientific	Johnson & Johnson	Johnson & Johnson
	Allergan	St. Jude Medical	JP Morgan Chase	Chevron
	Alcon	Zimmer Holdings	Chevron	JP Morgan Chase
	Amer. Med. Systems	Intuitive Surgical	AT&T	AT&T
	Gen-Probe	Varian Medical Systems	Bank of America	Bank of America
	Becton, Dickinson	Waters	Intl. Bus. Mach.	Intl. Bus. Mach.
% Portfolio	67.8%	56.9%	20.2%	20.3%
% Foreign	19.5%	0.0%	0.0%	0.0%
Date	As of Sep. 30, 2008	As of Sep. 26, 2008	As of Sep. 30, 2008	As of Sep. 26, 2008
Industry/Index	Biotechnology		IT Services	
MF/ETF	Fidelity Sel. Biotech	SPDR S&P Biotech	Fidelity Sel. IT Services	Equal Weight Mix
Ticker	FBIOX	XBI	FBSOX	None
Manager/Index	R. Kaul	S&P Biotechnology	J. Liou	AlphaProfit
Category	Large Cap Growth	Mid Cap Growth	Mid Cap Growth	Large Cap Growth
Risk Rating	Above Average	Above Average	Below Average	Average
Top 10 Holdings	Amgen	Vertex Pharmaceuticals	Accenture	Accenture
	Genentech	Imclone Systems	Western Union	Automatic Data Proc.
	Biogen Idec	Myriad Genetics	Visa	Alliance Data Systems
	Gilead Sciences	Gilead Sciences	Automatic Data Proc.	Visa
	Cephalon	Cephalon	Fiserv	
	Alexion Pharmaceuticals	OSI Pharmaceuticals	Affiliated Computer Svcs.	
	Genzyme	Alkermes	Alliance Data Systems	
	Biomarin Pharma	Isis Pharmaceuticals	MasterCard	
	Xenoport	United Therapeutics	Paychex	
	Celgene	Alexion Pharmaceuticals	Lender Proc. Svcs.	
% Portfolio	72.0%	47.4%	74.2%	100.0%
% Foreign	1.4%	0.0%	15.5%	0.0%
Date	As of Sep. 30, 2008	As of Sep. 26, 2008	As of Sep. 30, 2008	As of Oct. 31, 2008

Preferred ETF & Mutual Fund Returns

November 2008



4Q2008-T-D



Most oil & gas companies are pruning their capital spending plans in response to lower commodity prices. Cash-strapped companies like Chesapeake Energy are scrambling to raise capital and sell assets. While takeover activity can spike selected oil & gas shares, year-over-year earnings comparisons in this group are likely to be unfavorable in 2009 and could weigh down share prices.

Software

Preferred investments in the software group performed generally in line with DJW 5000 benchmark. Concerned with the performance of online businesses Blue Nile and Expedia, investors drove Amazon's shares down by 25%. The decline in search-engine keyword prices, traffic to e-commerce sites, and online ad click-through rates prompted analysts to question the resilience of Google's business model to a recession. Google's shares lost 18%.

Google scrapped its Internet advertising partnership with Yahoo! after the U. S. Department of Justice raised objections. Google now holds 63.1% of the U. S. search market, up from 58.5% last year; Yahoo! ranks second with 20.5%. Microsoft with 8.5% share of the U. S. search market has stated it is no longer interested in acquiring Yahoo! It remains to be seen if Microsoft and Yahoo! collaborate on online search.

S&P 500 Index

Preferred investments tracking the S&P 500 index fared better than the DJW 5000 benchmark. Larger losses in mid-cap securities dragged the DJW 5000 lower. Stocks in the utilities and telecom services sectors held up better as

group's performance was mixed vis-à-vis the DJW 5000 benchmark. Higher exposure to large cap value names helped the ETF combo limit losses. Fidelity Select Natural Gas' exposure to small cap growth names likely exacerbated its loss.

For the fifth straight month, oil and gas prices have declined, caused by fear that a prolonged global recession will lower demand for petroleum products. OPEC's 1.5 million barrel per day production cut effective since November 1 has not stemmed the slide.

**Featured Quote**  
*"Long-term investors who ignore attractive valuations are not investors at all."*  
**John Hussman**

## Portfolio Composition

The AlphaProfit model portfolios were last repositioned at the close of trading on September 30, 2008.

### AlphaProfit Focus™ Model Portfolio

Fidelity Fund Holding (Ticker Symbol)	September 30, 2008		November 30, 2008	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Biotechnology (FBIOX)	\$324,318	24.81%	\$268,809	28.37%
IT Services (FBSOX)	\$324,318	24.81%	\$237,451	25.06%
Medical Equip. (FSMEX)	\$320,186	24.50%	\$226,804	23.94%
Natural Gas (FSNGX)	\$338,257	25.88%	\$214,337	22.62%
Total (rounded to)	\$1,307,078	100.00%	\$947,401	100.00%

### AlphaProfit Core™ Model Portfolio

Fidelity Fund Holding (Ticker Symbol)	September 30, 2008		November 30, 2008	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Biotechnology (FBIOX)	\$45,277	7.53%	\$37,528	8.47%
Chemicals (FSCHX)	\$64,002	10.64%	\$44,939	10.14%
Comm. Equip. (FSDCX)	\$56,957	9.47%	\$38,188	8.62%
Computers (FDCPX)	\$55,589	9.24%	\$40,109	9.05%
IT Services (FBSOX)	\$45,277	7.53%	\$33,150	7.48%
Medical Equip. (FSMEX)	\$44,700	7.43%	\$31,663	7.15%
Natural Gas (FSNGX)	\$47,223	7.85%	\$29,923	6.75%
Soft. & Comp. (FSCSX)	\$56,175	9.34%	\$43,836	9.89%
Spartan 500 Idx. (FSMKX)	\$186,163	30.96%	\$143,757	32.44%
Total (rounded to)	\$601,362	100.00%	\$443,092	100.00%

At newsletter inception on September 30, 2003, the Focus and Core model portfolios had values of \$735,204 and \$406,160, respectively.

investors favored them for their relatively high, secure dividends. Shares in the finance, technology, and consumer discretionary sectors lost the most.

In corporate developments, Procter & Gamble raised its fiscal second quarter and fiscal 2009 EPS fore-

cast by 13 cents a share. Johnson & Johnson is acquiring Omrix Biopharmaceuticals for \$438 million. General Electric has confirmed that it will maintain its dividend through 2009. The conglomerate is working to reduce costs in its finance arm by \$2 billion. The Federal Reserve has formally approved Bank of Amer-

ica's purchase of Merrill Lynch. BofA has also announced plans to increase its stake in China Construction Bank from 10.8% to 19.1%.

## Telecom Equipment

Preferred investments in the telecom equipment group underperformed the DJW 5000 benchmark. The telecom equipment landscape was littered with losers like JDS Uniphase, Nortel Networks, and Powerwave Technologies, each losing over 50%. ADC Telecommunications was among the few winners gaining 12%. In earnings news, industry heavyweights Cisco Systems and Qualcomm reported EPS higher than analysts' forecast.

Weakness in the global economy is affecting demand for telecom gear pretty much across the board. Cisco expects revenue in the current quarter to decline between \$500 million and \$1 billion from the year-ago period while Qualcomm has lowered its fiscal 2009 revenue forecast by over \$1.4 billion from the \$12 billion previously expected. Nokia expects industry handset sales in 2009 to decline from 1.24 billion units forecast for 2008. Corning has withdrawn its previously provided 2009 financial forecast.

**AlphaProfit Investments, LLC**  
Date: November 30, 2008

## 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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