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AlphaProfit™

Sector Investors' Newsletter

Service for Sophisticated Sector Investors



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Recommendations

Portfolios	Sector Portfolio Indicator: 'Buy'
Focus: Medical Equipment and Software Core: Chemicals, Computers, Medical Equipment, Software, S&P 500 Index, and Telecom Equipment	Favored Buy: None Stocks: MSFT, NOK, PPG, STJ, WDC

Market Review & Outlook

Recession fears heighten. Economic indicators released early in the New Year raised the specter of a recession. The Institute of Supply Management reported that its factory index declined below 50.0 to 47.7 in November suggesting that the economy is slowing. The Labor Department reported that the unemployment rate increased by 0.3% in December to 5%.

Corporate reports provide little relief. Investors were spooked by earnings reports from Citigroup and Merrill Lynch, each of which lost nearly \$10 billion during the fourth quarter. Disappointing holiday sales reported by Sears Holdings raised recession concerns as well.

Crisis reaches a climax. Going into the fourth week of January, things were a tailspin as equity prices tumbled worldwide. In a bid to avert a possible 'crash' in U. S. equity prices, the Federal Reserve cut short-term interest rates by 0.75% on January 22. The central bank followed with an additional 0.5% cut in benchmark interest rates after the Open Market Committee met on January 29 and 30.

Markets volatile. Intraday swings in the Dow Jones Industrial Average index averaged 277 points,

nearly three times the level seen a year ago. The widely followed Standard & Poor's 500 index ended the month with a loss of 6.0%, its worst start to a year since 1990. Technology shares were notably weak and pushed the NASDAQ Composite Index to a 9.9% loss.

Near-term growth expected to be sluggish. The Commerce Department reported that gross domestic product increased at a 0.6% annualized rate during the fourth quarter, the slowest pace since 2002. The Conference Board's index of leading economic indicators declined for the third straight month in December suggesting that growth is rapidly decelerating.

Federal & State initiatives. The 1.25% cut in short-term interest rates provides some relief. In a bid to jumpstart the economy, the Bush administration and House lawmakers have announced a \$146 billion stimulus plan to provide tax credits

Featured Quote

'Some environments are good for realizing value and some for finding value.'

Harold Levy

AlphaProfit ETF & 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	
	Name (Ticker)	Availability, Trans. Fees, and Min. Holding Period				Name (Ticker)	Liquidity
		E*Trade	Fidelity	Schwab	Ameritrade		
Chemicals	Fidelity Sel Chemicals (FSCHX)	A, F	A, NTF, 30	R, F	A, F	iShares DJ US Basic Mat (IYM)	Good
						Materials Select SPDR (XLB)	Good
						Vanguard Materials (VAW)	Limited
Computers	Fidelity Sel Computers (FDCPX)	A, F	A, NTF, 30	R, F	A, F	Internet Arch HOLDERS (IAH)	Limited
						PowerShares Dyn Hard (PHW)	Limited
Medical Equip	Fidelity Sel Med Equip (FSMEX)	A, F	A, NTF, 30	R, F	A, F	iShares DJ US Med Device (IHI)	Limited
Software	Fidelity Sel Software (FSCSX)	A, F	A, NTF, 30	R, F	A, F	First Trust DJ Internet (FDN)	Limited
						Internet HOLDERS (HHH)	Limited
						iShares S&P Software (IGV)	Good
						Software HOLDERS (SWH)	Good
						60% SWH + 40% FDN mix	
S&P 500	Dreyfus S&P 500 Index (PEOPX) E*TRADE S&P 500 Index (ETSPX) Fidelity Spartan 500 Idx (FSMKX) Schwab S&P 500 Index (SWPIX)	A, NTF, 90	A, NTF, 180	A, NTF, 90	A, NTF, 90	iShares S&P 500 (IVV)	Good
		A, NTF, 4m	N	N	N	SPDR S&P 500 (SPY)	Good
		A, F	A, NTF, No	A, F	A, F		
		A, F	A, F	A, NTF, 30	A, F		
Telecom Equip	Fidelity Sel Com Equip (FSDCX)	A, F	A, NTF, 30	R, F	A, F	Broadband HOLDERS (BDH)	Limited
						iShares S&P Network (IGN)	Good
						PowerShares Dyn Network (PXQ)	Limited
Minimum Purchase Requirements						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.	
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.							

and rebates to 117 million families. New York State regulators are working with leading banks to raise new capital for insurers like Ambac and MBIA.

Earnings growth. Dragged lower by losses at financial firms, aggregate fourth quarter earnings for the S&P 500 companies are running 34% lower than in the year ago period, the biggest year-over-year decline since 2001. On a brighter note, non-financial firms in the S&P have increased profits by 23%.

Sector Portfolio Indicator at 'Buy'. The U. S. economy has weakened and a consumer-led recession could well be underway.

However, there are some pockets of strength as evident from the 5.2% increase in durable goods orders in December. We expect the first quarter to be a low point for the economy and corporate earnings before the benefits from interest rate cuts work through the economy and activity picks up.

Equity investors face some risks in the near-term. Bond insurers will likely be downgraded if the recapitalization plan being worked by New York regulators does not result in timely action. Banks could face billions of dollars in additional write-downs if bond insurers lose their AAA rating.

Volatility in equity prices will likely remain at elevated levels akin to those seen since November. Meanwhile, the S&P 500 member companies on average trade at a relatively inexpensive 16.5 times last year's earnings. Investors braving volatility and putting capital to work are likely to be rewarded in the period ahead. We maintain the AlphaProfit Sector Portfolio Indicator reading at 'Buy'.

Performance & Prospects

In January, both AlphaProfit model portfolios underperformed the Dow Jones Wilshire 5000 benchmark. While investments in the medical equipment and chemicals groups fared better than the benchmark,

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
Microsoft	MSFT	\$28.56	15.3	1.5%	\$29.70	\$34.20	\$26.30	Below Average
Nokia	NOK	\$35.40	14.6	-	\$36.80	\$42.30	\$32.60	Average
PPG Industries	PPG	\$64.37	11.5	3.2%	\$66.90	\$76.90	\$59.20	Below Average
St. Jude Medical	STJ	\$41.87	19.8	-	\$40.20	\$45.00	\$37.00	Below Average
Western Digital	WDC	\$28.20	7.5	-	\$29.20	\$32.70	\$25.90	Above Average

Earnings estimates from Reuters

Microsoft. Driven by strong global PC shipments and tougher anti-piracy measures, revenue in Microsoft's division responsible for *Windows* and *Office* products increased 50% from the year-ago period. Sales of *Windows Vista* licenses crossed the 100 million mark. The software titan earned 50 cents a share in its fiscal second quarter, exceeding analysts' 46 cents a share forecast. While Microsoft is not immune to a global slowdown, the company has raised revenue and earnings forecasts for its full fiscal year ending in June. During the first half of 2008, Microsoft expects to release new versions of Server 2008 and SQL Server 2008 database systems.

Nokia. Continuing its expansion into emerging markets, Nokia is selling more handsets and increasing profits. The company earned 0.47 euro a share, up 47% from the year-ago period. Sales increased 34% to 15.7 billion euros, and operating margin widened to 15.9% from 13%.

Benefiting from Motorola's troubles, Nokia has increased its market share in the handset market to 40%, a tally that exceeds the total of Nokia's three largest competitors. Additionally, the company is seeing opportunities to gain share, particularly in North America and Japan. Nokia expects number of mobile units in use globally to increase 10% in 2008.

PPG Industries. Paint and chemical maker PPG Industries reported a 27% increase in its fourth quarter profit on a 15% increase in revenue. The per-share earnings tally of \$1.21 exceeded analysts' \$1.12 a share forecast. Higher sales volumes and selling prices in PPG's industrial coatings segment boost-ed performance. Coatings as well as optical and specialty materials make up 80% of PPG's business.

St. Jude Medical. Excluding charges, St. Jude Medical earned 54 cents a share during the fourth quarter exceeding analysts' 49 cents a share estimate. A weaker U. S.

dollar and a 19% increase in sales of implantable defibrillators helped revenue to increase 18% to over \$1 billion. St. Jude is benefiting from Medtronic's product safety woes. The company has affirmed analysts' \$2.09 a share estimate for 2008. St. Jude is well positioned to compete in the atrial fibrillation and neuromodulation markets offering strong growth potential.

Western Digital. Western Digital is benefiting from strong sales of disk drives as usage of consumer gadgets like notebook computers and digital video recorders increase and corporate customers seek more storage capacity. Western Digital reported \$1.35 a share in second quarter profit trouncing analysts' \$1.04 a share forecast. Auguring well for the future, the company has stated that it has not seen any effect of a softening U. S. economy on orders. Western Digital expects its third quarter EPS to exceed 85 cents, ahead of analysts' 72 cent forecast.

this benefit was more than offset by exposure to groups in the technology sector.

Chemicals

Investments in the chemicals group and materials sector fared better than the broad market in January on a relative basis. Volatility in the chemicals group ticked above normal proportions as stocks like Monsanto and Potash Corp. of Saskatchewan with exposure to the agriculture segment swooned before

recovering. A temporary pullback in grain prices and concerns over a decline in ethanol demand caused 'momentum' money to exit such stocks.

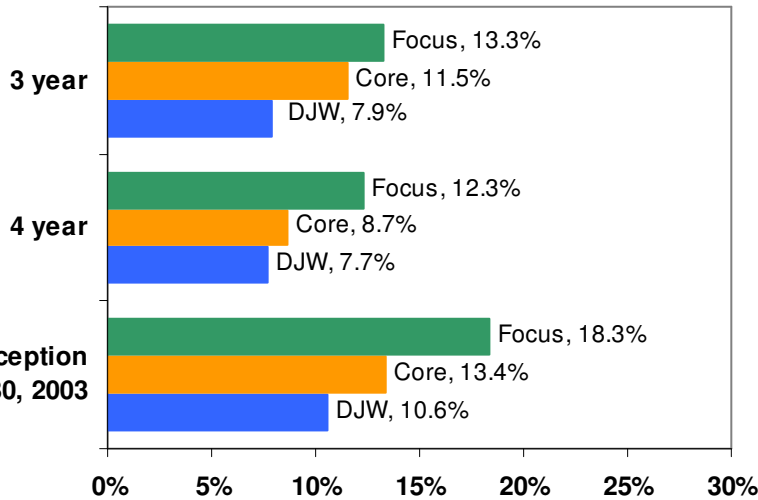
On the earnings front, leading companies like Dow Chemical, DuPont, and Monsanto exceeded their EPS forecasts. Gas manufacturers Air Products and Praxair too reported strong numbers. Praxair increased its quarterly dividend by 25%. Fertilizer manufacturer Potash doubled its per-share earnings from the

year-ago level and handily beat analysts' forecast.

Chemical companies are enjoying strong pricing power. Rising agriculture acreage and demand for biofuels in translating into increased demand for herbicides, genetically-engineered seeds, and fertilizers. Gas companies are seeing an increase in demand from rising energy needs, tightening environmental regulations, and increasing manufacturing activity in emerging economies. Chemical companies

Scorecard

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



chitecture HOLDRS fared better than Fidelity Select Computers. Relatively large stakes in Apple, VMWare, and Garmin, each of which declined over 25%, likely affected Select Computers' performance.

International Business Machines' strong fourth quarter earnings report represented a high point for this group after Apple provided a tepid fiscal second quarter forecast. IBM's per-share earnings exceeded analysts' forecast by 4.5% and the company raised its 2008 EPS forecast by 5%. The upward momentum however did not sustain as investors scrutinized earnings reports with a fine comb.

Focusing on rising competition in the server space, investors did not reward Sun Microsystems for beating analysts' earnings forecast, increasing bookings, or widening gross margins. EMC outperformed analysts' earnings and revenue forecast and its software license revenue increased by 20%. Yet, EMC's shares came under pressure, as investors were disappointed with results from high-flyer VMWare, an entity 86%-owned by EMC.

We believe investments in the computer group will begin to fare well if the slowdown in the U. S. is relatively short. EMC management ex-

	Jan 2008	1H-T-D	YTD	1 Year
Focus	-7.7%	-7.7%	-7.7%	-5.3%
Core	-8.9%	-8.9%	-8.9%	-2.3%
DJW	-6.1%	-6.1%	-6.1%	-2.7%

like Celanese and Dow Chemical are seeking to benefit from China's push to replace oil and natural gas with coal as the raw material for chemical production.

We like the prospects for the chemicals group. Many chemical companies have substantial exposure to overseas economies. As such, they are confident of offsetting weakness in U. S. demand with strength abroad. Companies like Air Prod-

ucts, DuPont, and Monsanto have revised their 2008 earnings guidance upward. Potash has been bold enough to predict sensational earnings in 2008.

Computers

Investments in the computer group fared worse than the broad market on concerns that the U. S. economy is sliding into recession. Between preferred investments, Internet Ar-

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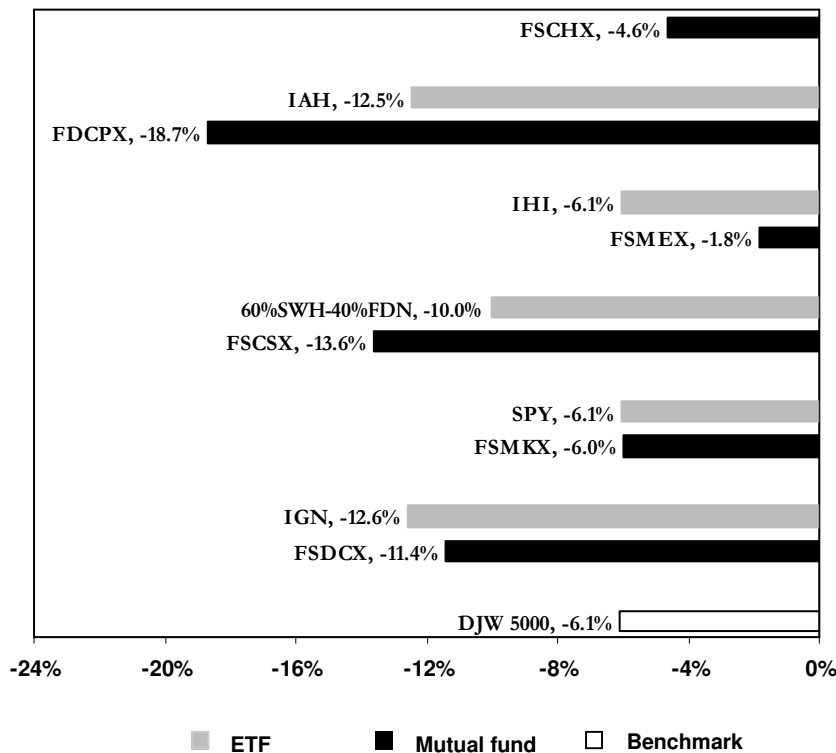
continued on page 7

ETF & Mutual Fund Facts

Industry/Index	Chemicals		Software		
MF/ETF	Fidelity Sel. Chemicals	Fidelity Sel. Software	Software HOLDRS	First Trust DJ Internet	
Ticker	FSCHX	FSCSX	SWH	FDN	
Manager/Index	M. Schuldt	M.Tandon	Merrill Lynch	Dow Jones Internet	
Category	Large Cap Blend	Large Cap Growth	Large Cap Growth	Large Cap Growth	
Risk Rating	Average	Average	Average	Above Average	
Top 10 Holdings	Monsanto	Microsoft	Microsoft	Amazon.com	
	Dow Chemical	Google	SAP	eBay	
	DuPont	Cognizant Tech. Soln.	Oracle	Google	
	Praxair	Oracle	Adobe Systems	Yahoo!	
	Air Products	Nintendo	CA	Verisign	
	PPG Industries	Apple	Intuit	BEA Systems	
	Mosaic	MasterCard	BMC Software	IAC/Interactive	
	Celanese	Ubisoft Entertainment	Symantec	Akamal Tech.	
	Ecolab	Satyam Comp. Svcs.	Check Point Software	TD Ameritrade	
	Hercules	eBay	TIBCO Software	Check Point Software	
% portfolio	63.5%	64.8%	99.2%	69.5%	
% Foreign	0.0%	18.4%	19.1%	0.0%	
Date	As of Dec. 31, 2007		As of Jan. 31, 2008		
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 GSTI Multi. 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.	Cisco Systems	Qualcomm	
	Apple	Hewlett-Packard	Research In Motion	Cisco Systems	
	Western Digital	Cisco Systems	Corning	Corning	
	Intl. Bus. Mach.	Apple	Comverse Tech.	Research In Motion	
	Nokia	Dell	Qualcomm	Juniper Networks	
	Dell	EMC	Juniper Networks	CommScope	
	Sun Microsystems	Sun Microsystems	F5 Networks	Tellabs	
	EMC	Juniper Networks	Nokia	Motorola	
	VMware	Network Appliance	Powerwave Tech.	Harris	
	Garmin	Symantec	Harris Stratex Networks	JDS Uniphase	
% portfolio	76.9%	98.6%	64.7%	62.4%	
% Foreign	13.7%	0.0%	28.1%	10.7%	
Date	As of Dec. 31, 2007		As of Dec. 31, 2007		
Industry/Index	Medical Equipment		S&P 500 Index		
MF/ETF	Fidelity Sel. Med. Eqpt.	iShares DJ US Med. Device	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	Mid Cap Growth	Mid Cap Growth	Large Cap Blend	Large Cap Blend	
Risk Rating	Below Average	Below Average	Below Average	Below Average	
Top 10 Holdings	Medtronic	Medtronic	ExxonMobil	ExxonMobil	
	Baxter International	Covidien	General Electric	General Electric	
	Becton Dickinson	Zimmer Holdings	Microsoft	Microsoft	
	Bard C. R.	Thermo Fisher Scientific	AT&T	AT&T	
	Covidien	Stryker	Procter & Gamble	Procter & Gamble	
	Boston Scientific	Boston Scientific	Chevron	Bank of America	
	Inverness Med. Inn.	St. Jude Medical	Johnson & Johnson	Johnson & Johnson	
	St. Jude Medical	Intuitive Surgical	Bank of America	Chevron	
	Alcon	Varian Medical Systems	Apple	Altria	
	Allergan	Respironics	Cisco Systems	Pfizer	
% portfolio	65.7%	58.3%	19.6%	19.9%	
% Foreign	14.0%	0.0%	0.0%	0.0%	
Date	As of Dec. 31, 2007		As of Dec. 31, 2007		

Preferred ETF & Mutual Fund Returns

January 2008



pects IT spending to increase in 2008 at a rate slightly lower than that in 2007. Apple continues to introduce new products, the latest one being *MacBook Air*, a slim portable computer. The growing use of flash memory devices in servers as well as products like *MacBook Air* augurs well for Sandisk. With over 60% of business at Hewlett-Packard, IBM, and Sun coming from abroad, computer companies are likely to benefit from growth overseas. Valuation metrics in the computer group appear attractive against these prospects.

Medical Equipment

Shares in the medical equipment group lost less ground compared to the broad market, as investors preferred the relative stability of such businesses. Between preferred investments, Fidelity Select Medical Equipment & Systems fared better than iShares DJ US Medical Devices. The latter was dragged lower by the decline in shares of orthopedic products maker Stryker and analytical instruments maker Thermo

Fisher Scientific. Stryker received a warning letter from the U. S. FDA ordering the company to fix problems in the manufacture of hip replacement parts.

Leading companies in the medical equipment group came through with their earnings. Per-share earnings at Allergan, Baxter International, Becton Dickinson, St. Jude Medical, and Zimmer Holdings exceeded analysts' forecasts. Results at Stryker were in-line with analysts' estimate. Inverness Medical Innovation's decision to acquire troubled disease-management company Matria Healthcare for \$900 million was unpopular with investors. Questioning the value of this acquisition, investors bid down Inverness stock by 20%.

Looking ahead, Baxter International is seeing strong demand and pricing trends for plasma products. The company has made progress towards fixing problems with its *Colleague* infusion pumps and is looking to re-commercialize this product. The U. S. FDA has approved

Becton Dickinson's rapid staphylococcus infection test for identifying deadly antibiotic-resistant strains in hospitalized patients. Baxter and Becton Dickinson have both raised 2008 earnings forecasts.

Companies in the medical equipment group are benefiting from a weaker U. S. dollar. Orthopedic products maker Zimmer Holdings that operates in over 20 countries and sells products globally reported an increase in revenue from currency translation effects.

Most businesses within the medical equipment group are immune to the vagaries of the economy with some more resistant than others. While analysts are concerned over the demand resilience of Allergan's *Botox* anti-wrinkle treatment, company management has assured that demand is continuing to grow. We like the prospects for companies in the medical equipment group.

Software

Investments in the software group fared worse than the broad market. The Software HOLDRS-First Trust DJ Internet Index combo outperformed Fidelity Select Software & Computer Services. The former benefited from its stake in SAP and BEA Systems while the latter lagged from its exposure to Apple, Cognizant Technology, and Nintendo.

Companies in the software group put in a mixed performance on the earnings front with MasterCard and Microsoft posting strong numbers. Operating metrics at credit card processor MasterCard were robust with gross dollar volume rising 15% and number of transactions vaulting 17%. Microsoft's results are discussed on page 3.

Fourth-quarter profits at SAP declined 6% as the German enterprise software maker invested nearly \$60 million in its new 'Business By Design' product. eBay's decision to change its auction listing and commission fees

Portfolio Composition

AlphaProfit Focus™ Model Portfolio

Fidelity Fund Holding (Ticker Symbol)	December 31, 2007		January 31, 2008	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Medical Equip. (FSMEX)	\$826,506	50.00%	\$811,551	53.19%
Soft. & Comp. (FSCSX)	\$826,506	50.00%	\$714,074	46.81%
Total (rounded to)	\$1,653,012	100.00%	\$1,525,625	100.00%

AlphaProfit Core™ Model Portfolio

Fidelity Fund Holding (Ticker Symbol)	December 31, 2007		January 31, 2008	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Chemicals (FSCHX)	\$76,924	10.00%	\$73,372	10.48%
Comm. Equip. (FSDCX)	\$76,924	10.00%	\$68,122	9.73%
Computers (FDCPX)	\$76,924	10.00%	\$62,557	8.93%
Medical Equip. (FSMEX)	\$115,386	15.00%	\$113,298	16.18%
Soft. & Comp. (FSCSX)	\$192,310	25.00%	\$166,149	23.72%
Spartan 500 Idx. (FSMKX)	\$230,772	30.00%	\$216,923	30.97%
Total (rounded to)	\$769,239	100.00%	\$700,422	100.00%

The AlphaProfit model portfolios were last repositioned at the close of business on December 31, 2007. 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.

Recent Development in Software

On February 1, Microsoft offered \$44.6 billion to buy Yahoo! The \$31 a share offer represents a 62% premium to Yahoo's closing price on January 31.

Web content. eBay's PayPal payment processing service is growing at a rapid clip offsetting weakness in the company's marketplace.

A lower U. S. currency affects different companies in this group differently. While U. S. based companies Microsoft and Oracle generally benefit, Nintendo's profits erode when translated into a stronger Japanese yen. Likewise, IT service providers like Cognizant Technology and Satyam Computer are at a disadvantage since their costs are primarily denominated in Indian rupees.

Remaining confident of their future, software companies are engaging in acquisitions and providing investors with value-creating opportunities. Oracle is buying middleware provider BEA Systems for \$8.5 billion after upping its offer by nearly 14%. Amazon.com is buying audio book seller Audible for \$300 million to expand digital audio content.

Telecom Equipment

Investments in the telecom equipment group fared worse than the broad market. Preferred investments, Fidelity Select Communications Equipment and iShares S&P

gave investors concern even though the company's fourth quarter EPS exceeded analysts' forecast. Strong sales of media products such as books, DVDs, and video games helped Internet retailer Amazon.com report earnings inline with analysts' forecast. Internet media company Yahoo! struggled and its fourth quarter earnings declined 23%.

Selected software companies are quite upbeat on their prospects.

SAP expects core-operating margin to widen as standalone sales increase 12% to 14% in 2008. MasterCard expects strength in business momentum to continue in 2008 and is forecasting revenue to increase at a double-digit clip.

Google has succeeded in forcing the yet-to-be-named winner of the U. S. airwaves auction to open its network to all mobile devices. An open network will allow Google to sell more advertising on mobile

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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GSTI Networking performed comparably.

Following a weak start, shares in the telecom equipment group rallied after Juniper Networks reported strong earnings and alleviated concerns that slowing economic growth may cause demand for telecom equipment to falter. Per-share earnings at Corning and Qualcomm exceeded analysts' forecasts as well. Sales in Corning's display technologies business that includes LCD glass surged 25%. Qualcomm's revenues increased 20% backed by strong demand for web-enabled cell phones.

Motorola disappointed investors with its earnings report. Motorola's handset unit shipments declined nearly 38% from the year-ago level.

Looking ahead, investments in the economically sensitive telecom equipment group are likely to fare well when the U. S. economy resumes growing at a more rapid pace. Meanwhile, companies like Juniper and Corning are quite upbeat on their prospects and have increased earnings forecasts. Juniper believes telecom service companies will continue to buy more of its network equipment to handle growing Internet traffic. Corning has affirmed that demand for LCD glass has stayed strong in the current quarter and demand continues to outstrip the company's capacity.

BlackBerry maker Research In Motion expects a limited 'negative effect' from the woes of the financial services sector. A California judge has ordered Qualcomm to stop selling certain 3G wireless chips that infringe Broadcom's patents. The injunction will hurt Qualcomm in the

short-term until the company has alternative products. Motorola is exploring means to turn itself around while activist investor Carl Icahn is calling for Motorola to be split into three parts.

S&P 500 Index

Investments tracking the S&P 500 index declined nearly 6% faring a tad better than the DJW 5000 benchmark. From a sector perspective, financials and consumer discretionary shares performed better despite posting weak earnings reports. The 1.25% cut in short-term interest rates prompted bargain hunting and short covering in these battered sectors.

Technology and energy shares were weaker performers. Investors grew skittish of owning shares in the technology group as fears of a recession increased. The backdrop of a \$4 per barrel decline in the price of oil weighed on energy shares as did Schlumberger's less-than-upbeat comments on demand for oil services in North America.

In earnings-related news, General Electric reported a 4% increase in its quarterly profit and reaffirmed its outlook for 2008. Higher sales of jet engines and power-plant turbines abroad enabled the company to compensate for slackness in the U. S. GE sold its remaining U. S. sub prime mortgages to exit this business.

AT&T reported a 62% increase in fourth-quarter earnings as revenue increased 91% to \$30.4 billion from the BellSouth acquisition and addition of 2.7 million wireless customers. Earnings on a per-share basis increased 2%. AT&T reaffirmed its

outlook for 14% growth in EPS in 2008.

Health care giants Johnson & Johnson and Pfizer performed quite well on the earnings front. J&J increased its EPS by 9% from the year-ago period while Pfizer's EPS beat analysts' forecast by over 10%. J&J's international sales vaulted 26% with nearly 40% of the increase resulting from a lower U. S. currency. J&J nudged its 2008 earnings forecast higher. Pfizer raised its 2008 revenue outlook and stated its efforts to rebuild its product pipeline are on track.

Bank of America reported a fourth quarter profit of just 5 cents a share. Per-share earnings declined 95% from the year-ago period as sub prime credit write-offs and trading losses took a bite. The bank also raised \$13 billion in preferred stock to fund the acquisition of Countrywide Financial.

Sanguine comments from the likes of GE give us confidence that major multinationals in the S&P 500 index will benefit from strength in overseas economies. Such companies will likely continue benefiting from a lower dollar. Companies in the financial sector are trading at attractive valuation metrics. BofA shares for example offer a 6% dividend yield. We include exposure to the S&P index in the Core model portfolio for diversification purposes.

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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.