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AlphaProfit™

Sector Investors' Newsletter

$ervice for $ophisticated $ector Investors

Monthly Report

WHAT'S INSIDE

Market Review & Outlook.......... 1
ETF & Mutual Fund Selections . 2
Performance & Prospects 2
Stock Searchlight 3
Scorecard 4
ETF & Mutual Fund Facts 5
Preferred ETF & Mutual Fund Returns 6
Portfolio Composition 7

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For definitions of terms used in this report, please see Glossary available at www.alphaprofit.com.

Recommendations	
Portfolios **Focus:** Medical Equipment and Software **Core:** Chemicals, Computers, Medical Equipment, Software, S&P 500 Index, and Telecom Equipment	**Sector Portfolio Indicator**: 'Wait' **Favored Buy**: None **Stocks**: CA, CE, CTV, HPQ, JDSU

Market Review & Outlook

Economic indicators point to sluggishness. Manufacturing as well as service parts of the economy have slowed. January readings of the manufacturing indexes tracked by the Institute of Supply Management as well as the Federal Reserve Banks of New York and Philadelphia declined from the previous month and point to contraction. The ISM's non-manufacturing index, which tracks banks, retailers and construction firms swooned 12.5 points to 41.9 in January, its first reading below 50 in nearly five years.

Inflation ticks up and dollar loses ground. The Bureau of Labor Statistics has reported that consumer prices rose 4.3% year-over-year in January. The Federal Reserve's preferred measure of core inflation ticked up a disconcerting 0.3% for the month. Meanwhile, the U. S. dollar has continued to lose ground to major currencies with the dollar index hitting fresh lows in February. Dollar denominated-commodities like oil and gold spiraled to new all-time highs.

Consumer sentiment continues to decline. The combination of slowing growth and rising inflation has brought stagflation within the realm of possible economic outcomes. U. S. consumer sentiment as measured by Reuters and University of Michigan declined by 7.6 points in February to 70.8, nearly 30% lower than its January 2007 peak.

Equity market relatively sober. The equity market maintained a positive bias for most of February even though economic data caused investors angst. The technical rebound in equity prices continued from their January 22 low. Investors bid up prices on the belief that the Federal Reserve will lower short-term interest rates by as much as 0.75% when the Open Market Committee meets on March 18. Equity prices however started to lose steam towards month end. Broad measures like the Standard & Poor's 500 and the Dow Jones Wilshire 5000 retreated for the fourth straight month.

Downgrading Sector Portfolio In-

Model Portfolio Repositioning

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

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 HOLDRS (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 HOLDRS (HHH)	Limited
						iShares S&P Software (IGV)	Good
						Software HOLDRS (SWH)	Good
						60% SWH + 40% FDN mix	
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
	E*TRADE S&P 500 Index (ETSPX)	A, NTF, 4m	N	N	N	**SPDR S&P 500 (SPY)**	Good
	Fidelity Spartan 500 Idx (FSMKX)	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	**Fidelity Sel Com Equip (FSDCX)**	A, F	A, NTF, 30	R, F	A, F	Broadband HOLDRS (BDH)	Limited
						iShares S&P Network (IGN)	Good
						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
HOLDRS	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.

dicator to 'Wait'. We see some near-term risks for the equity market. While the Federal Reserve has signaled that further reduction in short-term interest rates is in the offing, the recent up tick in inflation and commodity prices can come in the way of the central bank cutting rates by the anticipated 0.75%. This in turn can conceivably trigger a stock market sell-off.

Trouble from credit markets poses risks as well. The efforts made by New York regulators and leading banks in shoring up the capital base of bond insurers like Ambac and MBIA appear to be hitting a snag. The delay in recapitalization increases the risk of larger loan losses at financial institutions. Meanwhile, analysts are increasing their loan loss estimates for financial institutions and paring back earnings estimates.

We downgrade the AlphaProfit Sector Portfolio Indicator to 'Wait' before repositioning the model portfolios. Looking past the near-term, we remain optimistic that the U. S. economy will likely benefit from the five interest rate cuts and the $168 billion stimulus plan. The Office of Federal Housing Enterprise Oversight's recent maneuver to promote increased mortgage lending by removing portfolio caps on Fannie Mae and Freddie Mac is also a step in the right direction.

Performance & Prospects

In February, both AlphaProfit model portfolios lost less ground than the Dow Jones Wilshire 5000 benchmark. The Core model portfolio benefited from the gains scored by the chemicals and computers groups. While exposure to the software group detracted the performance of both model portfolios, investments in the medical equipment group helped limit the damage.

Chemicals

Bucking the broad market decline, investments in the chemicals group and materials sector were popular with investors and gained in Febru-

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
CA	CA	$22.55	17.9	0.7%	$23.50	$27.00	$20.70	Average
Celanese	CE	$38.25	10.3	0.4%	$39.80	$45.80	$35.20	Average
CommScope	CTV	$37.75	11.6	-	$39.30	$45.20	$34.70	Above Average
Hewlett-Packard	HPQ	$47.92	13.6	0.7%	$48.70	$54.50	$44.10	Below Average
JDS Uniphase	JDSU	$12.10	20.5	-	$12.60	$14.50	$11.10	Above Average

Earnings estimates from Reuters

CA. IT management software provider, CA's efforts to turnaround are working. During its fiscal third quarter, the company earned 36 cents a share, exceeding analysts' 25 cents a share estimate. The company's cost reduction efforts helped it to widen its operating margin by 6% to 27%. CA has boosted its fourth quarter revenue and EPS guidance above analysts' forecast. The company expects bookings to grow in the mid-teens. CA is leveraging distribution partnerships to increase its Asia-Pacific revenue to 15% of its total, up from about 11% currently.

Celanese. Strong pricing and demand for acetyl products and the startup of a new plant in China enabled chemical producer Celanese to report 93 cents a share in fourth-quarter earnings, well above analysts' 82 cents a share forecast. Quarterly revenue increased 23% to $1.76 billion. Celanese is confident that its geographic reach and diversity in end-market exposure will enable the company to weather the adverse impact of weakness in the U. S. economy. The company has nudged its 2008 earnings forecast range higher and plans to buy back $400 million of its common stock.

CommScope. Communication network enabler CommScope reported 55 cents a share in fourth quarter profit exceeding analysts' 53 cents a share estimate. This earnings tally represents a 37.5% increase from the year-ago period. CommScope is optimistic that its $2.6 billion Andrew Corp. acquisition will improve its competitive positioning and enable it to prosper from the growing demand for bandwidth and communications infrastructure. Driven partly by the Andrew acquisition, CommScope expects revenue to more than double in 2008.

Hewlett-Packard. Backed by strong international demand and emphasis on cost reduction, computer products maker Hewlett-Packard reported strong fiscal first quarter results. H-P earned 86 cents a share on $28.5 billion revenue. EPS and revenue both exceeded analysts' forecasts. The company expects to benefit from additional cost reduction efforts and market share gains in key markets. Anticipating such benefits, H-P has increased its fiscal second quarter and full-year revenue and EPS guidance.

JDS Uniphase. Communications test and fiber-optic network equipment maker JDS Uniphase earned 22 cents a share during its fiscal second quarter, beating analysts 12 cents a share estimate. Revenue increased 12% sequentially to $399 million while gross margin expanded to 46%. JDS Uniphase expects revenue to increase by at least 5% year-over-year during the third quarter and exceed $380 million. Shares of JDS Uniphase are up close to 30% after the company reported its second quarter earnings.

ary. Shares of chemical companies benefited from strong earnings reports and positive corporate comments. Strong demand from China caused prices of metals like aluminum and copper to rally and provided a positive backdrop for metal-related shares.

In earnings-related news, cleaning products and services provider Ecolab reported EPS in-line with analysts' forecast. Ecolab is acquiring Ecovation for $210 million. Ecovation provides water treatment systems used in food production, a market Ecolab estimates as having $4 billion potential.

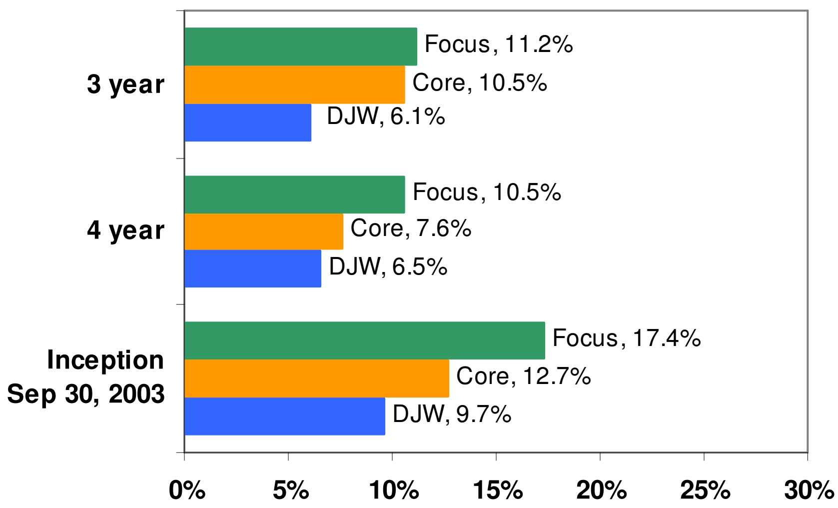
Supporting our optimism for the chemicals group in the intermediate-term, Monsanto has raised its 2008 earnings forecast while DuPont has reaffirmed its first quarter and full year 2008 earnings forecasts. Monsanto is seeing strong demand for its genetically modified seeds and herbicides. The company is also making progress towards commercializing new higher-yielding soybean technology.

DuPont is launching several new products including a new, low-dose *Rynaxypyr* insecticide to increase farm productivity. The company has also entered into agreements with Swiss agrochemicals group Syngenta and North Carolina-based Precision BioSciences to broaden its agriculture-related technologies. DuPont expects its Agriculture & Nutrition segment to grow earnings at a double-digit clip in 2008.

German chemical giants Bayer and BASF are both optimistic on their 2008 prospects. Bayer expects to

Scorecard

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



	Feb 2008	Qtr-To-Date	Year-To-Date	1 Year
Focus	-2.3%	-9.8%	-9.8%	-6.4%
Core	-1.8%	-10.6%	-10.6%	-2.6%
DJW	-3.0%	-8.9%	-8.9%	-4.1%

increase its core earnings and operating margin and BASF has proposed a 30% increase in its 2007 dividend.

Computers

Investments in the computer group fared better than the broad market after underperforming in January. Both preferred investments Fidelity Select Computers and Internet Architecture HOLDRS recorded gains comparable in magnitude.

Share prices in this group benefited from positive comments from Hewlett-Packard and International Business Machines. As noted on page 3, H-P's earnings exceeded analysts' forecast and the company raised its earnings guidance. IBM lifted the lower end of its 2008 EPS forecast range higher after adding $15 billion to its stock buyback commitment.

Elsewhere, Dell's turnaround efforts are slow in yielding results. The company earned 31 cents a share during its fiscal fourth quarter, short of analysts' 36 cents a share forecast.

U. S. demand for computing gear is showing signs of sluggishness. Dell is seeing U. S. companies in the financial sector turn conservative in their IT spending plans. Slack consumer demand has caused electronics retailer Best Buy to lower its earnings target.

We believe geographically diverse firms will offset the above weakness with strength abroad. Underpinning this optimism, H-P has stated that it has so far not seen a seasonal slowdown in European demand that accounts for 43% of its total business. Sun Microsystems expects year-over-year revenue growth of at least 5% through June 2008.

Apple is taking steps to prop up product demand. Having revamped its *MacBook* and *MacBook Pro* notebook computers, Apple will soon allow outside programmers to create software for its *iPhone*.

Medical Equipment

Investments in the medical equipment group performed better than the market for the second month in a row. iShares DJ US Medical Devices eked out a fractional gain for

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Investments in mutual funds and exchange-traded funds mentioned herein carry an inherent element of risk, including the potential for loss of principal. Past performance is no guarantee of future results.

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

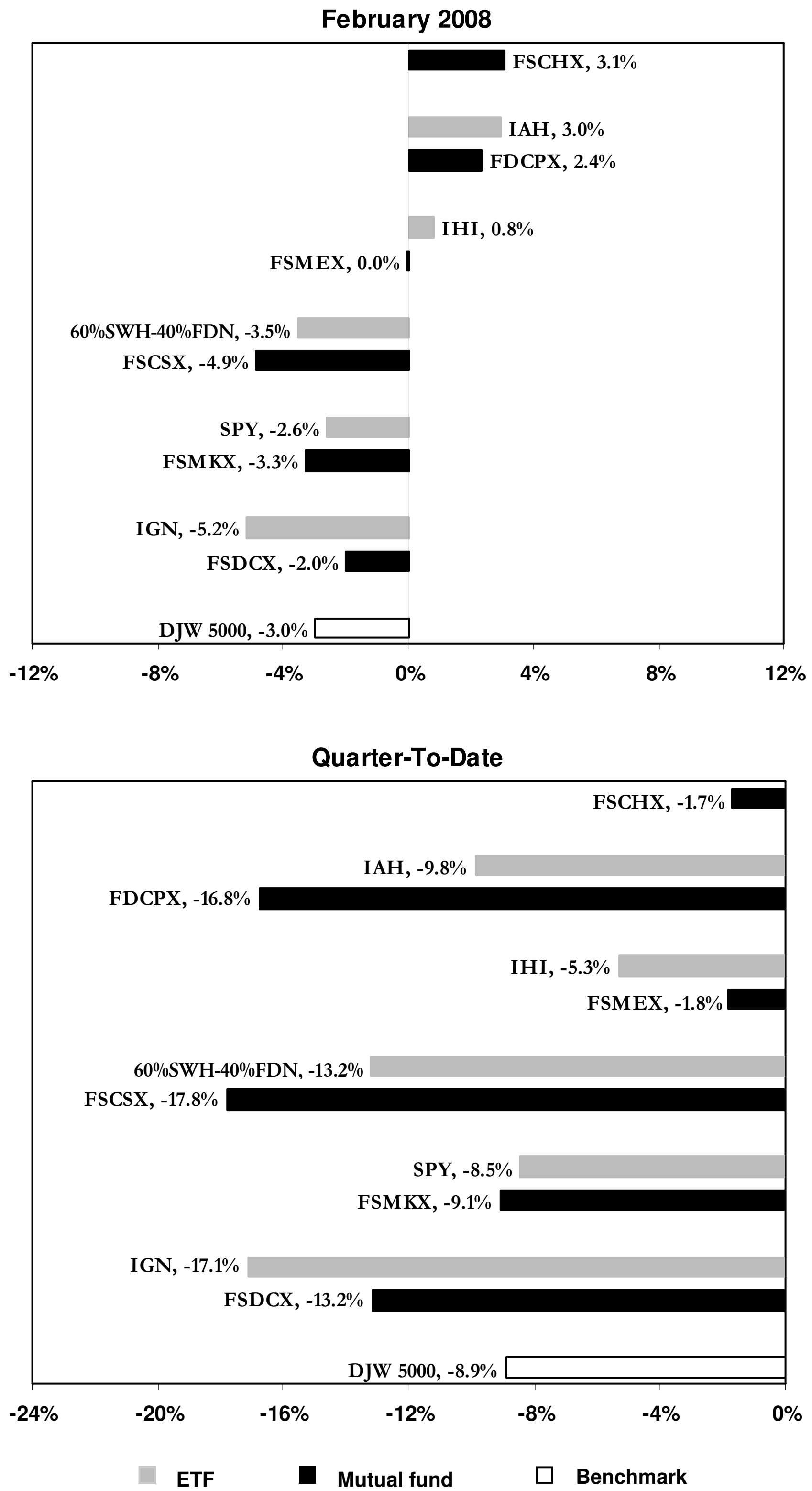
ETF & Mutual Fund Facts

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	Yahoo!
	Dow Chemical	Google	SAP	eBay
	DuPont	Cognizant Tech. Soln.	Adobe Systems	Amazon.com
	Praxair	Oracle	Oracle	Verisign
	Air Products	Nintendo	CA	Google
	PPG Industries	Apple	Intuit	BEA Systems
	Mosaic	MasterCard	BMC Software	Akamai Tech.
	Celanese	Ubisoft Entertainment	Symantec	TD Ameritrade
	Ecolab	Satyam Comp. Svcs.	Check Point Software	IAC/Interactive
	Hercules	eBay	TIBCO Software	Priceline.com
% portfolio	63.5%	64.8%	99.1%	71.1%
% Foreign	0.0%	18.4%	20.3%	0.0%
Date	As of Dec. 31, 2007	As of Dec. 31, 2007	As of Feb. 27, 2008	As of Feb. 27, 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	Research In Motion
	Intl. Bus. Mach.	Apple	Comverse Tech.	Corning
	Nokia	Dell	Qualcomm	Juniper Networks
	Dell	EMC	Juniper Networks	JDS Uniphase
	Sun Microsystems	Sun Microsystems	F5 Networks	Harris
	EMC	Juniper Networks	Nokia	Tellabs
	VMware	Network Appliance	Powerwave Tech.	Motorola
	Garmin	Symantec	Harris Stratex Networks	CommScope
% portfolio	76.9%	98.7%	64.7%	65.0%
% Foreign	13.7%	0.0%	28.1%	11.2%
Date	As of Dec. 31, 2007	As of Feb. 27, 2008	As of Dec. 31, 2007	As of Feb. 27, 2008

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	Thermo Fisher Scientific	General Electric	General Electric
	Becton Dickinson	Covidien	Microsoft	Microsoft
	Bard C. R.	Zimmer Holdings	AT&T	AT&T
	Covidien	Boston Scientific	Procter & Gamble	Procter & Gamble
	Boston Scientific	Stryker	Chevron	Bank of America
	Inverness Med. Inn.	St. Jude Medical	Johnson & Johnson	Chevron
	St. Jude Medical	Intuitive Surgical	Bank of America	Johnson & Johnson
	Alcon	Varian Medical Systems	Apple	Intl. Bus. Mach.
	Allergan	Applied Biosystems	Cisco Systems	Altria
% portfolio	65.7%	60.5%	19.6%	19.5%
% Foreign	14.0%	0.0%	0.0%	0.0%
Date	As of Dec. 31, 2007	As of Feb. 27, 2008	As of Dec. 31, 2007	As of Feb. 27, 2008

Preferred ETF & Mutual Fund Returns



the month while Fidelity Select Medical Equipment & Systems finished essentially flat.

Medical equipment companies were in the peak of their earnings-reporting season and performed well for good measure. Thermo Fisher, a scientific instruments and laboratory supplies maker, reported notably strong numbers driven by resilient demand for its products and technologies.

Boston Scientific's results suggested that the company's turnaround efforts are on track. Group heavyweight Medtronic and Inverness Medical Innovations beat analysts' earnings forecasts excluding one-time charges for lawsuit settlements and acquisitions.

While safety concerns on products like Baxter's *Heparin* and Allergan's *Botox* are a negative, we remain comfortable with the exposure to the medical equipment group against the backdrop of near-recessionary conditions in the U. S. For one, the legal milieu for the medical equipment group has gotten better. By barring state lawsuits, the Supreme Court has made it difficult for consumers to sue makers of devices approved by the U. S. Food & Drug Administration.

Hospital surveys show that the decline in the use of drug-eluting stents resulting from safety concerns has stemmed after hitting a trough in September 2007. Stent manufacturers like Boston Scientific and Medtronic stand to benefit from this trend. Medtronic received U. S. FDA approval for its *Endeavor* drug-eluting stent in February. The company is optimistic on *Endeavor*'s prospects, given the impressive market share it has garnered in Europe.

In other developments, St. Jude Medical has outlined ambitious plans for growing revenue and EPS at 15% and 21% rates for the next five years. Ophthalmic products maker Alcon and Thermo Fisher have both raised their earnings forecasts.

Software

Microsoft's $44.6 billion unsolicited offer for Yahoo! played a key role in determining the performance of investments in the software group. While Yahoo's shares gained nearly 45% in February, Microsoft's shares lost nearly 17%. The relatively heavy weight provided to Yahoo! in First Trust DJ Internet Index en-

Portfolio Composition

AlphaProfit Focus™ Model Portfolio

Fidelity Fund Holding (Ticker Symbol)	December 31, 2007 Amount Invested	December 31, 2007 Percent Portfolio	February 29, 2008 Value	February 29, 2008 Percent Portfolio
Medical Equip. (FSMEX)	$826,506	50.00%	$811,219	54.42%
Soft. & Comp. (FSCSX)	$826,506	50.00%	$679,377	45.58%
Total (rounded to)	$1,653,012	100.00%	$1,490,596	100.00%

AlphaProfit Core™ Model Portfolio

Fidelity Fund Holding (Ticker Symbol)	December 31, 2007 Amount Invested	December 31, 2007 Percent Portfolio	February 29, 2008 Value	February 29, 2008 Percent Portfolio
Chemicals (FSCHX)	$76,924	10.00%	$75,622	11.00%
Comm. Equip. (FSDCX)	$76,924	10.00%	$66,786	9.71%
Computers (FDCPX)	$76,924	10.00%	$64,037	9.31%
Medical Equip. (FSMEX)	$115,386	15.00%	$113,252	16.47%
Soft. & Comp. (FSCSX)	$192,310	25.00%	$158,076	22.99%
Spartan 500 Idx. (FSMKX)	$230,772	30.00%	$209,863	30.52%
Total (rounded to)	$769,239	100.00%	$687,635	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.

abled this ETF to record a gain for the month. Large stakes in Microsoft caused Fidelity Select Software & Computer Services and Software HOLDRS to lose ground.

While Microsoft has offered a 62% premium for Yahoo's shares, Yahoo! has deemed the offer inadequate. Investors have taken nearly $50 billion from Microsoft's market value on concern that Microsoft may fork additional billions to acquire Yahoo!

The magnitude of punishment given to Microsoft shares is unfair and they trade at an attractive valuation. Since the company's core business is performing well, we believe near-term downside in Microsoft shares is likely to be limited if the company does not raise its Yahoo! offer substantially. This in turn can help software-related investments fare better vis-à-vis the benchmark.

Elsewhere, Google disappointed investors. The Internet search giant's fourth quarter per-share earnings increased just 17% from the year-ago level. This marked the first quarter in Google's history as a public company that EPS growth failed to exceed 25%. Confusion over whether a 7% decline in Google's 'paid clicks' in January resulted from market weakness or Google's click quality initiatives added to pressure on the company's stock price.

Market research firm Gartner forecasts worldwide demand for business software to grow 8.2% in 2008. Demand from foreign telecom and manufacturing companies is likely to be an important growth driver. Offsetting this strength, U. S.–based companies in the financial services and consumer discretionary sectors are likely to reduce IT spending.

We believe companies like Microsoft, Oracle, and SAP with good diversity in their operating geographies, products, and customers are likely to weather this environment well and seek opportunities to build their portfolios. Companies like Akamai Technologies stand to benefit from the growing use of Internet and online video content. Given their reliance on U. S. consumer spending Intuit, Amazon, and to a lesser extent MasterCard, may find the environment somewhat challenging. The lower U. S. dollar adversely affects the economics of IT service providers like Cognizant Technology Solutions and Satyam Computer.

S&P 500 Index

Investments tracking the S&P 500 index declined nearly 3% faring a tad worse than the DJW 5000 benchmark. The DJW 5000 benefited from the relative out-performance of mid-cap stocks compared to large-cap stocks.

From a sector perspective, energy and materials shares received a boost as commodity prices surged. The price of oil spiked to $102.70 a barrel, a new all-time high, while copper soared to $3.85 a pound.

Financial and telecom services shares were weaker performers. Shares in the financial sector gave back gains from January as credit-related concerns returned to the forefront. Investors bid down shares of telecom service providers on fears that the new flat-rate cell-phone calling plans introduced by AT&T and Verizon will undermine profitability. AT&T for its part down-played such fears and backed its 2008 revenue forecast.

In corporate news, consumer products giant Procter & Gamble expects core EPS to grow at a double-digit clip even after divesting its *Folgers* coffee business. P&G plans to consolidate distribution centers and eliminate 15% of its management staff to enhance productivity.

Integrated oil heavyweights Exxon Mobil and Chevron reported mixed successes in replacing reserves. Exxon Mobil added 1.6 billion barrels of oil equivalent to its reserves in 2007, replacing 101% of its 2007 oil and gas production. Chevron replaced only 11% of its 2007 production and its petroleum reserves declined 7%.

General Electric continued its push into alternative energy. The conglomerate signed a $700 million contract to provide Renewable Energy Systems Americas with 1.5 megawatt wind turbines.

We value the diversification provided by investments indexed to the S&P 500. The large-cap, multinational members of this index are well positioned to benefit from rapid growth in emerging markets. Many such companies also stand to benefit from a lower U. S. dollar. While valuation metrics for financial companies in the S&P 500 are quite attractive, such companies in general are a troubled lot. As such, they are likely to be a drag on the performance of the S&P 500 index in the near-term.

Telecom Equipment

Shares in the telecom equipment group put in a lackluster showing in February. Between preferred investments, Fidelity Select Communications Equipment fared better than iShares S&P GSTI Networking. The former likely benefited from a larger exposure to better performing shares of Research In Motion while the latter was adversely impacted by its ownership in Motorola.

Group bellwether Cisco Systems reported a 17% increase in its fiscal second quarter revenue and 6% increase in EPS, inline with analysts' forecast. The company however reported a slowdown in order growth from all geographic regions including emerging markets. Canada-based telecom equipment company Nortel Networks took a massive one-time charge of about $1.1 billion and announced plans to cut 2,100 jobs. CommScope and JDS Uniphase reported robust results as reviewed on page 3.

We are neutral in our outlook for the telecom equipment group in the near-term. At a company level, we are optimistic on the prospects for Corning, Nokia, and Research In Motion. Corning is seeing strong demand for LCD glass and reaffirmed its first quarter earnings forecast. Nokia launched its *N-Gage* mobile gaming service and *Share on Ovi* media sharing site as part of its strategy of expanding into content-based mobile Internet services. Backed by *Blackberry's* strong holiday sales, RIM has upped its subscriber gain forecast for the current quarter by nearly 20% to 2.18 million.

Meanwhile, Motorola and Nortel are pursuing efforts to turn around their businesses. Motorola has put its handset unit up for sale. There is speculation that Motorola and Nortel may combine their wireless infrastructure units.

AlphaProfit Investments, LLC
Date: February 29, 2008 ■

Featured Quote

'While market values track business values quite well over long periods, in any given year the relationship can gyrate capriciously.'

Warren E. Buffett

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.