



Ideas. Insights. Results.

# AlphaProfit™

## Sector Investors' Newsletter

Service for Sophisticated Sector Investors

Monthly Report

### WHAT'S INSIDE

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

AlphaProfit Sector Investors' Newsletter (ISSN: 1547-9668) is published monthly by AlphaProfit Investments, LLC.

The Subscription Price Schedule for the AlphaProfit Sector Investors' Newsletter is posted at <http://www.alphaprofit.com>. To subscribe or to learn more about AlphaProfit Investments, visit [www.alphaprofit.com](http://www.alphaprofit.com).

Copyright © 2008 AlphaProfit Investments, LLC. All rights reserved. No part of this document may be reproduced in any manner without written permission of AlphaProfit Investments, LLC.

AlphaProfit Investments, LLC neither is associated with nor receives any compensation from any of the mutual fund and other companies, brokers, or entities connected with the exchange-traded funds mentioned in the newsletter.

Please review our Terms & Conditions of Use and Subscriber Agreement which is available on our website at [www.alphaprofit.com](http://www.alphaprofit.com), which governs your relationship with AlphaProfit Investments, LLC, including, but not by way of limitation, use of this newsletter.

For definitions of terms used in this report, please see Glossary available at [www.alphaprofit.com](http://www.alphaprofit.com).

### Recommendations

Portfolios	
<b>Focus:</b> Medical Equipment, Oil & Gas E&P, and Software	<b>Sector Portfolio Indicator:</b> Buy
<b>Core:</b> Chemicals, Computers, Medical Equipment, Oil & Gas E&P, Software, S&P 500 Index, and Telecom Equipment	<b>Favored Buy:</b> None
	<b>Stocks:</b> CF, IBM, OXY, PG

### Market Review & Outlook

**Earnings led bounce.** The U. S. equity market started the second quarter on a positive note, partly reversing losses suffered in the past two quarters. The bounce was led by better-than-expected first quarter earnings reports. Nearly 70% of the Standard and Poor's 500 index members topped estimates.

With analysts bracing for the worst, companies in the technology and consumer discretionary sectors exceeded forecasts the most. Strong earnings and optimistic comments from the likes of International Business Machines, Google, and Wal-Mart enabled investors to overcome the jitters caused by misses at Alcoa and General Electric.

**Disarray in finance.** With liquidity in credit markets drying up, Goldman Sachs and Morgan Stanley increased their so-called Level 3 assets, i.e., securities hardest to value. Several financial institutions including Citigroup, Lehman Brothers, and UBS raised equity capital to shore up their battered balance sheets. Meanwhile National City, Wachovia, and Washington Mutual slashed their dividends to conserve capital.

**Greenback rallies.** First quarter

earnings reports in combination with the March jobs data gave investors comfort that the contagion from the sub-prime debacle has not spread much beyond the financial sector. This sentiment was also supported by Commerce Department's first quarter gross domestic product growth estimate of 0.6%. The beleaguered dollar rallied over 4% against the Japanese yen and Swiss frank.

**Fed likely to pause.** The Federal Reserve lowered its benchmark short-term interest by another 0.25% to 2% on April 30. In announcing the rate cut, the central bank's Open Market Committee did not provide comments to suggest that further cuts in interest rates are in the offing.

While housing prices continue to decline and strain the financial system, commodity prices remain at elevated levels and pose an inflation threat. Driven largely by rising food prices, producer prices rose

### Featured Quote

**'Allow time to work its compounding magic for you: let market timing inflict its miseries on someone else.'**

**Jerry Tweddel & Jack Pierce**

## 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	iShares S&P 500 (IVV, Good) <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	Broadband HOLDRS (BDH, Limited) <b>iShares S&amp;P Network (IGN, Good)</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
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.

1.1% in March. The above backdrop suggests that the Federal Reserve will likely rely more on lending directly to banks than on cutting interest rates to ease the credit crunch.

**Sector Portfolio Indicator at 'Buy'.** On the economic front, things do not appear to be as bad as feared. First quarter earnings for the most part have turned out better than expected. The Conference Board's index of leading economic indicators ticked up 0.1% in March

to record its first increase in six months.

Looking at the equity market, valuation metrics for U. S. stocks appear quite attractive. Stocks in the S&P 500 index, on average, trade at a forward P/E multiple of 15. Merger and acquisition activity is returning. In April, Liberty Mutual, for example, agreed to buy property and casualty insurer Safeco for \$6.2 billion.

We are constructive in our intermediate-term outlook for equity prices.

We believe the backdrop for owning equities can improve in the coming months. In the near-term, the stock market is likely to be volatile. Investors are likely to lessen their focus on interest rate cuts and make earnings growth the primary arbiter for stock prices.

The recent strength in the U. S. dollar can endure if the Federal Reserve holds steady on interest rates. This in turn can reduce the appeal of commodities as an inflation hedge and cause commodity-

## 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
CF Industries	CF	\$136.63	10.4	0.3%	\$142.10	\$163.40	\$125.70	Above Average
Intl. Bus. Mach.	IBM	\$123.99	14.5	1.6%	\$115.00	\$128.80	\$105.80	Below Average
Occidental Pet.	OXY	\$87.07	10.7	1.5%	\$80.50	\$90.10	\$74.10	Average
Procter & Gamble	PG	\$65.32	18.7	2.4%	\$65.50	\$73.30	\$60.10	Below Average

*Earnings estimates from Reuters*

**CF.** Fertilizer manufacturer CF Industries earned \$2.77 a share, up from \$1.02 earned in the year-ago period as revenue climbed 41% to \$677 million. CF benefited from a strong product-pricing milieu. The company's phosphate fertilizer sales increased from strong exports. Nitrogen fertilizer volume declined due to a delay in the planting of corn in the U. S. CF expects strong grain prices to provide a positive backdrop for fertilizer demand in the second quarter.

**IBM.** Benefiting from a weak U. S. dollar, technology heavyweight International Business Machines posted a strong first quarter report card. IBM earned \$1.65 a share, up 36% from the year-ago period as revenue increased 11%. Buck-

ing economic weakness, the company managed to grow its U. S. revenue by 6%. IBM derives 25% of its revenue from BRIC nations, and is optimistic on its future. The company has raised its 2008 earnings forecast to \$8.50 a share and hiked its quarterly dividend by 25%.

**OXY.** Strong growth in oil and gas output, robust commodity prices, and wider margin in the chemicals segment powered Occidental Petroleum's first quarter results. Oxy earned \$2.20 a share, up sharply from \$0.93 a share earned in the year-ago period. The company raised its oil and gas production by 8.4%. Realized prices for oil and gas were higher by 68% and 28%, respectively. Oxy produces 37% of its oil and gas outside of the U. S.

The company is looking to the Middle East including United Arab Emirates and Oman for its growth.

**PG.** Consumer products giant Procter & Gamble offset rising input costs with price increases, cost controls, and strong growth in emerging markets to report a 11% increase in its fiscal third quarter EPS. Revenue increased 9%. Unit sales of key branded products like *Pampers* diapers, *Gillette Fusion* razors and *Head & Shoulders* shampoo increased at a double-digit clip in emerging markets. The company plans to raise prices for personal hygiene products this summer. P&G has nudged its fiscal 2008 earnings forecast higher to between \$3.48 and \$3.50 a share.

oriented equities to give back some gains temporarily. We rate the AlphaProfit Sector Portfolio Indicator 'Buy'.

### Performance & Prospects

Both AlphaProfit model portfolios outperformed the Dow Jones Wilshire 5000 benchmark in April. Relative performance benefited from exposure to stronger performing groups within the technology, energy, and materials sectors. Medical equipment was the sole underperformer.

### Chemicals

Investments in the chemicals group fared well with the 70% iShares DJ Basic Materials+30% Market Vectors Agriculture combo edging out Fidelity Select Chemicals. The former derived its strength from the

strong performance of agriculture-related stocks.

Agriculture-chemicals based companies reported exceptionally strong earnings with year-over-year growth at Mosaic and Potash Corp. of Saskatchewan exceeding 100%. Strong pricing power and productivity improvements enabled large chemical companies like DuPont and Monsanto to offset rising costs and exceed previously raised earnings estimates.

Looking ahead, Chinese fertilizer importers have agreed to pay \$576 per tonne of potash imports, more than triple the \$176 per tonne they paid a year ago. This should benefit fertilizer manufacturers like Mosaic and Potash. Meanwhile, gas companies Air Products and Praxair are having no trouble in passing cost increases for helium, argon, and hy-

drogen through.

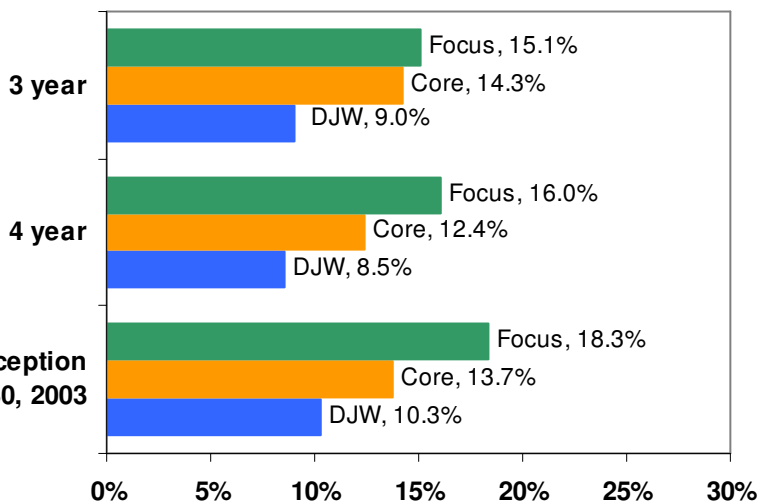
We like the longer-term prospects for the chemicals group, given the likelihood that product demand from international consumers will remain strong. Meanwhile, the momentum crowd has latched on to agriculture-related stocks causing volatility to surge. Weakness in grain prices resulting from a buildup in political action towards lowering ethanol amounts in gasoline or a rise in the U. S. dollar can trigger a sell-off.

### Computers

While both of the preferred investment selections in the computer group fared better than the benchmark, Fidelity Select Computers fared measurably better than Internet Architecture HOLDERS. The Fidelity offering likely benefited from small-cap names included in the fund.

**Scorecard**

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



Packard are seeing opportunity in the market for slim laptops. Both PC makers have unveiled thinner versions of computing gear.

We believe share prices in the computer group can add to their recent gains if the U. S. economy progresses towards recovery.

**Medical Equipment**

Shares in the defensive medical equipment group lacked popularity and lagged the DJW 500 benchmark in April, a month characterized by increasing investor risk-appetite. Fidelity Select Medical Equipment & Systems gained 3.2% while iShares DJ US Medical Devices recorded a modest loss. Losses in stocks like Intuitive Surgical and Thermo Fisher Scientific undermined the latter's performance.

Alcon, Boston Scientific, Gen-Probe, Intuitive Surgical, and Varian Medical Systems were among the companies posting relatively strong earnings comparisons versus analysts' forecasts. Strong foreign sales and currency translation benefits boosted results. A decline in terrorism-related spending pressured sales of Thermo Fisher Scientific's analytical instruments to the U. S. Department of Homeland Security.

While the U. S. economy is showing

	Apr 2008	Qtr-To-Date	Year-To-Date	1 Year
Focus	7.8%	7.8%	-3.8%	-3.4%
Core	7.5%	7.5%	-4.8%	-0.5%
DJW 5000	5.1%	5.1%	-5.0%	-4.7%

Stocks in the computer group were oversold going into the first quarter earnings season. Earnings reports from Apple, International Business Machines, EMC, and Samsung Electronics met or exceeded analysts' forecasts, supporting a rally in the group. Shares of selected smaller companies like Spansion rallied even after posting lackluster results.

boosted Apple's results while a 33% increase in handset sales powered Samsung Electronics' numbers. Businesses involved in manufacture of DRAM and flash memory chips endured difficult industry conditions.

Computer companies are trying to spur sales by launching new products. Apple expects to introduce its new iPhone along with several new notebook products in the second half of 2008. Dell and Hewlett-

A 51% year-over-year increase in sales of Macintosh computers

**Disclosure**

AlphaProfit Sector Investors' Newsletter is for information purposes only. The Information is provided with the understanding that AlphaProfit Investments, LLC is not acting in a fiduciary capacity. Nothing herein should be construed as an offer to buy or sell securities or to give individual advice on investing. The newsletter does not have regard to the specific investment objectives, financial situation, and particular needs of any specific person who may receive this report. The products mentioned in the document may not be eligible for sale in some states or countries, and they may not be suitable for all types of investors. Before buying or selling any mutual fund, exchange-traded fund, security, or investment, read the prospectus carefully. For securities held in brokerage accounts, read the broker's specific terms and conditions which apply to trading of the securities.

Owners and employees of AlphaProfit Investments, LLC do invest in Fidelity mutual funds to track the model portfolios mentioned in the newsletter. Any one or more of their positions may not necessarily be the same as that of a Subscriber. Owners and employees of AlphaProfit Investments, LLC may also for their own accounts buy, sell or hold long or short positions in mutual funds, exchange-traded funds, common stocks or other securities of companies mentioned in the newsletter.

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		
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	Monsanto	Monsanto	
	DuPont	DuPont	Potash Corp.	
	Praxair	Freeport McMoRan	Syngenta	
	Dow Chemical	Dow Chemical	Deere	
	Mosaic	Alcoa	Mosaic	
	Albemarle	Praxair	Wilmar Intl.	
	Air Products	Newmont Mining	Komatsu	
	Ecolab	Air Products	IOI Corp.	
	Potash Corp.	Nucor	Yara Intl.	
	CF Industries	Mosaic	CNH Global	
% Portfolio	66.3%	55.9%	62.8%	
% Foreign	6.8%	0.0%	54.1%	
Date	As of Mar. 31, 2008	As of Mar. 28, 2008	As of Mar. 28, 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	Quicksilver Res.	Occidental Petro.	Patterson UTI Engy.	
	Range Res.	Devon Energy	BJ Services	
	Chesapeake Energy	Apache	Oceaneering Intl.	
	Ultra Petroleum	XTO Energy	Superior Engy. Svcs	
	Valero Energy	Anadarko Petro.	Tidewater	
	EOG Res.	EOG Res.	Weatherford Intl.	
	Southwestern Energy	Valero Energy	Nabors Industries	
	Plains Exp. & Pro.	Chesapeake Energy	Natl. Oilwell Varco	
	XTO Energy	Noble Energy	Cameron Intl.	
	Transocean	Ultra Petroleum	Pride Intl.	
% Portfolio	59.9%	54.9%	41.3%	
% Foreign	11.5%	0.0%	0.0%	
Date	As of Mar. 31, 2008	As of Mar. 26, 2008	As of Mar. 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	Microsoft	eBay	
	Google	SAP	Amazon.com	
	Cognizant Tech. Soln.	Oracle	Yahoo!	
	Oracle	Adobe Systems	Google	
	Yahoo!	CA	Verisign	
	Visa	Intuit	BEA Systems	
	Nintendo	BMC Software	Akamai Tech.	
	MasterCard	Check Point Soft.	Check Point Soft.	
	Satyam Comp. Svcs.	Symantec	Priceline.com	
	Ubisoft Entertainment	TIBCO Software	TD Ameritrade	
% Portfolio	65.8%	99.0%	72.0%	
% Foreign	17.8%	20.8%	0.0%	
Date	As of Mar. 31, 2008	As of Mar. 26, 2008	As of Mar. 26, 2008	

signs of stabilizing, visibility in the path to recovery is not very clear. We believe it is prudent to maintain exposure to the economically less-sensitive medical equipment group to shield investment portfolios. Such exposure can come in handy if the quality of economic data deteriorates and fears of recession resurface.

Meanwhile, medical equipment companies are generally executing well. Alcon, Baxter International, Boston Scientific, Gen-Probe, and St. Jude Medical have raised their earnings forecasts.

In product-related news, Medtronic has received approval for its next-generation aortic stent *Talent* to treat deadly bulges in the human body's largest artery. *Talent* may help Medtronic expand the market for aortic stent treatment by 20%. Medtronic has also reached agreement with the U. S. Food and Drug Administration on quality system improvements for its external defibrillators.

St. Jude Medical has received U. S. FDA approval for its *Eon Mini* neurostimulator to treat chronic pain from failed back surgery. Eye-care products maker Alcon has received U. S. FDA approval for *Patanese*, a nasal spray to treat hay fever. Separately, Novartis has agreed to purchase Nestle's 77% stake in Alcon in a two-step deal valued up to \$39 billion.

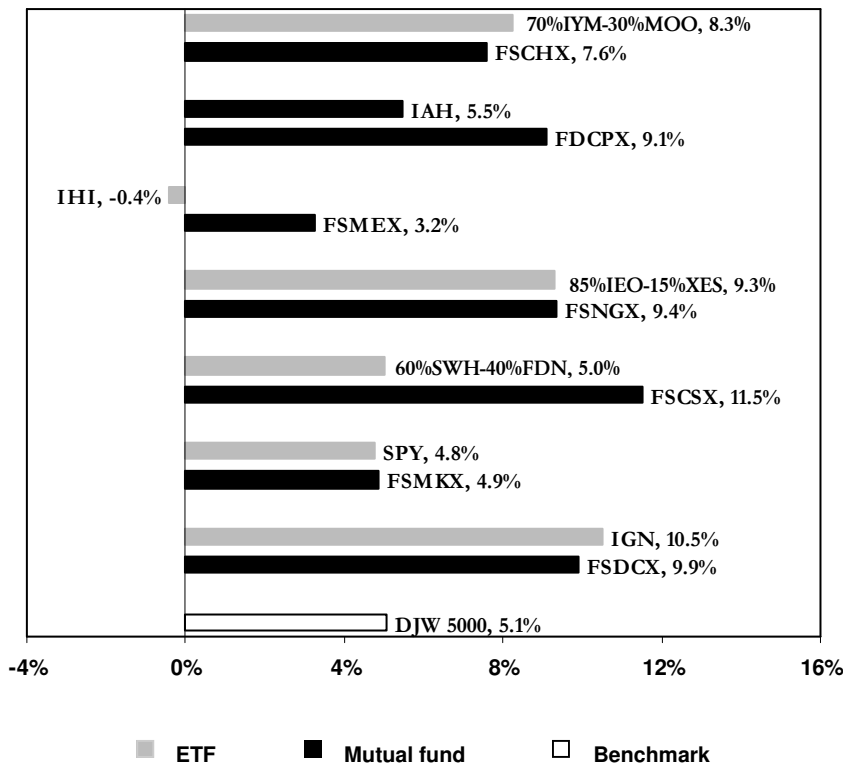
## Oil & Gas E&P

Investment selections in the oil & gas exploration and production group outperformed the DJW 5000 benchmark after their addition to the AlphaProfit model portfolios on March 31. The two 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 performed comparably gaining over 9% each.

Share price gains in the oil & gas E&P group were supported by a 12.2% and 6.5% rally in oil and gas prices, respectively. Most E&P com-

## Preferred ETF &amp; Mutual Fund Returns

April 2008



such exposure limited Software HOLDRS to a 2.9% gain.

Google's earnings were a high point for this group. Following its first quarter report, the Internet search giant's shares soared nearly 20% to regain the \$500 mark. The company reported a 31% increase in first quarter profit. Google's explanation that the decline in year-over-year paid click growth resulted from click quality improvement satisfied investors.

In other earnings reports, Microsoft's 47 cents a share earnings tally edged out analysts' estimate. However, the software giant reported a 24% decline in *Windows* operating system sales. A weaker dollar along with soft U. S. demand for enterprise software products hurt SAP's bottom line. Demonstrating strong growth in credit card payment volume and transactions processed, MasterCard and Visa trounced analysts' earnings forecasts by over 29% and 18%, respectively.

panies reported healthy year-over-year earnings gains with the likes of Southwestern Energy and Range Resources being standouts. In some cases, like XTO Energy, analysts' estimate turned out too optimistic.

Earnings from oil service companies were generally less robust with bellwether Schlumberger most notably missing analysts' forecasts. Several service companies including BJ Services commented on pricing pressure for services contracted in North America. Service companies however expect pricing for services like onshore drilling to improve during the second half of 2008.

The intermediate-term outlook for oil & gas companies remains favorable. The global demand for oil & gas should tend to rise as overseas economies grow and oil & gas products continue to remain subsidized by most developing countries. While violence in countries like Iraq and Nigeria supports oil prices, low U. S. inventories buffet natural gas. Stability in the U. S. dollar could how-

ever moderate the rate of increase in oil & gas prices going forward.

Oil & gas producers are working to take advantage of a robust price environment by raising output. XTO Energy, Range Resources, and EOG Resources expect to increase production by 23%, 19%, and 15%, respectively this year. Quicksilver Resources is targeting to double gas production from the Barnett shale.

### Software

The performance of preferred investments in the software group was mixed in April. Fidelity Select Software & Computer Services gained over 11% to outperform the DJW 5000 benchmark. The 60% Software HOLDRS+40% First Trust DJ Internet combo gained just 5% to lag the benchmark. Fidelity Select Software & Computer Services likely benefited from its stakes in credit card processors MasterCard and Visa and IT service providers Cognizant Technology Solutions and Satyam Computer. Lack of

In the proposed takeover of Yahoo! by Microsoft, the latter stood firm on the offer price and added an April 26 offer deadline. Yahoo! continued to call the offer inadequate and made overtures in seeking alternatives to Microsoft's offer.

Valuation metrics for software companies are attractive. Investor enthusiasm for owning Microsoft's shares will likely improve after clarity on the Yahoo! acquisition improves. Internet companies and credit card processors are poised to benefit from secular growth in the use of the web and consumers' preference for plastic over cash. Foreign software companies and IT service providers face headwinds from stronger local currencies while firms like Amazon and Intuit face risks from slackening U. S. consumer spending.

### Recent Development in Software

On Sunday May 4, Microsoft withdrew its bid for Yahoo! after both companies failed to reach agreement on price.

## Portfolio Composition

### AlphaProfit Focus™ Model Portfolio

Fidelity Fund Holding (Ticker Symbol)	March 31, 2008		April 30, 2008	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Medical Equip. (FSMEX)	\$531,507	36.04%	\$548,761	34.52%
Natural Gas (FSNGX)	\$491,534	33.33%	\$537,499	33.81%
Soft. & Comp. (FSCSX)	\$451,562	30.62%	\$503,453	31.67%
Total (rounded to)	\$1,474,603	100.00%	\$1,589,714	100.00%

### AlphaProfit Core™ Model Portfolio

Fidelity Fund Holding (Ticker Symbol)	March 31, 2008		April 30, 2008	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Chemicals (FSCHX)	\$74,116	10.89%	\$79,723	10.89%
Comm. Equip. (FSDCX)	\$65,861	9.67%	\$72,369	9.88%
Computers (FDCPX)	\$63,066	9.26%	\$68,794	9.40%
Medical Equip. (FSMEX)	\$74,202	10.90%	\$76,611	10.46%
Natural Gas (FSNGX)	\$68,621	10.08%	\$75,039	10.25%
Soft. & Comp. (FSCSX)	\$126,082	18.52%	\$140,571	19.20%
Spartan 500 Idx. (FSMKX)	\$208,929	30.69%	\$219,110	29.92%
Total (rounded to)	\$680,878	100.00%	\$732,216	100.00%

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

Bank of America reported a 77% drop in first quarter profit as provision for credit losses soared from \$1.2 billion to \$6.0 billion. General Electric's first quarter results fell short of its forecasts as weakness in financial markets and its health care business dented results. Tougher generic competition pressured Pfizer's first-quarter earnings to decline 18% from the year-ago period.

The S&P 500 member companies garner over 48% of their sales from abroad. Such companies stand to benefit from a lower greenback as U. S. products become cheaper overseas and the dollar values of sales denominated in foreign currencies increase.

### Telecom Equipment

Shares in the telecom equipment group partly recovered their losses from the opening quarter of 2008. iShares S&P North American Networking gained 10.5% while Fidelity Select Communications Equipment gained 9.9%

In earnings news, Research in Motion, Juniper Networks, and Corning posted notably strong results. RIM's fourth quarter profit more than doubled from the year-ago period. The company added more than 2 million BlackBerry subscribers during the quarter.

Strong router sales nearly doubled Juniper's operating margin and the company reported a 66% increase

### S&P 500 Index

Investments tracking the S&P 500 index gained nearly 5% lagging the DJW 5000 benchmark a bit. The DJW 5000 benefited from the strong performance of mid-cap stocks included in the index. From a sector perspective, energy and technology led the rally while defensive sectors like consumer staples and health care lagged.

Among major index components reporting earnings, Johnson & Johnson and Procter & Gamble posted strong results and raised their 2008 earnings forecasts. Strong growth in wireless enabled AT&T to report a 22% increase in first-quarter earnings. Proceeds from the Visa IPO enabled JP Morgan to offset losses in investment banking and retail banking and report a profit for the first quarter.

### 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.

Several of the companies discussed herein were held by the mutual funds or the exchange-traded entities, per the reporting date mentioned and may not be currently held by them. The information contained in this newsletter is obtained from various sources believed to be accurate and is provided without warranties of any kind. Opinions expressed herein reflect the thought of AlphaProfit Investments, LLC and are subject to change without notice.

AlphaProfit Investments, LLC does not represent that this information, including any third-party information, is accurate or complete and it should not be relied upon as such. AlphaProfit Investments, LLC is not responsible for any errors or omissions herein. AlphaProfit Investments, LLC disclaims any liability for any direct or incidental loss incurred by applying any of the information in this publication.

The third-party trademarks or service marks appearing within this newsletter are the property of their respective owners. All other trademarks appearing herein are the property of AlphaProfit Investments, LLC.

Please review our Terms & Conditions of Use and Subscriber Agreement which is available on our website at [www.alphaprofit.com](http://www.alphaprofit.com), which governs your relationship with AlphaProfit Investments, LLC, including, but not by way of limitation, use of this newsletter.

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

Industry/Index	Computers		Telecom Equipment	
	Fidelity Sel. Computers	Internet Arch. HOLDERS	Fidelity Sel. Com. Eqpt.	iShares S&P Network
MF/ETF	FDCPX	IAH	FSDCX	IGN
Ticker	FDCPX	IAH	FSDCX	IGN
Manager/Index	H. Lawrence	Merrill Lynch	C. Chai	S&P N. Am. 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.	Research In Motion	Research In Motion
	Intl. Bus. Mach.	Hewlett-Packard	Cisco Systems	Qualcomm
	Apple	Cisco Systems	Corning	Cisco Systems
	Dell	Apple	Comverse Tech.	Corning
	Nokia	Dell	High Tech Computer	Juniper Networks
	EMC	EMC	Qualcomm	JDS Uniphase
	Samsung Electronics	Sun Microsystems	Juniper Networks	Harris
	Spansion	Juniper Networks	Nokia	CommScope
	High Tech Computer	Network Appliance	Starent Networks	Motorola
	Juniper Networks	Symantec	Powerwave Tech.	Tellabs
% Portfolio	68.3%	98.8%	69.3%	66.3%
% Foreign	12.3%	0.0%	31.7%	11.4%
Date	As of Mar. 31, 2008	As of Mar. 26, 2008	As of Mar. 31, 2008	As of Mar. 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	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
	Covidien	Covidien	AT&T	Microsoft
	Becton Dickinson	Stryker	Microsoft	AT&T
	Boston Scientific	Zimmer Holdings	Procter & Gamble	Procter & Gamble
	Stryker	Boston Scientific	Johnson & Johnson	Johnson & Johnson
	Allergan	St. Jude Medical	Chevron	Bank of America
	Alcon	Intuitive Surgical	Bank of America	Chevron
	Bard C. R.	Varian Medical Systems	Intl. Bus. Mach.	Intl. Bus. Mach.
	Gen-Probe	Applied Biosystems	JP Morgan Chase	Altria
% Portfolio	68.3%	56.3%	19.9%	20.2%
% Foreign	17.6%	0.0%	0.0%	0.0%
Date	As of Mar. 31, 2008	As of Mar. 26, 2008	As of Mar. 31, 2008	As of Mar. 26, 2008

in first quarter profit. Corning's first quarter earnings tripled to more than \$1 billion on soaring demand for glass used in flat-screen televisions and computers.

Cell phone maker Nokia's EPS fell below analysts' forecast. Competitive conditions in the U. S. and exposure to dollar-linked currencies hurt the company's performance.

While macroeconomic considerations may cause telecom service providers to delay equipment purchases, such purchases cannot be deferred for long. Demand for Internet-based communications and online video is increasing rapidly forcing carriers to invest in routers and networking gear. This augurs well for Cisco and Juniper. Meanwhile, Corning is well positioned to

benefit from the rising penetration of LCD TVs that currently represent only 8% of the 1.9 billion TVs in homes worldwide.

**AlphaProfit Investments, LLC**  
Date: April 30, 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.