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AlphaProfit™

Sector Investors' Newsletter

Service for \$ophisticated \$ector Investors

Monthly
Report

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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.

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

At A Glance

Portfolios

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

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

Sector Portfolio Indicator: Buy

Favored Buy: None

Stocks: BAX, JPM, NOV, WFT

Market Review & Outlook

Emotion-driven market. Fears of a deep global recession caused by freezing of credit availability led investors to panic in October. After starting the month at an abnormally high reading of 39.4, the volatility index or VIX, a commonly used fear gauge, scaled to an unprecedented 89.5.

During the month, the popular S&P 500 benchmark was in danger of setting a record for the largest monthly decline since 1931. In an emotion-driven market, investors pulled out record amounts of money from hedge funds and mutual funds. Margin calls forced overleveraged CEOs to sell their company's shares. The crash reverberated around the globe with more than half of the world equity markets losing over 20%.

A series of actions taken by governments and central banks worldwide provided some hope that a depression can be avoided. During the final week, the S&P 500 index rebounded 10% and cut its loss for the month to 17%. For the record books, October 2008 became the worst month since October 1987.

Sector Portfolio Indicator at 'Buy'.

We believe the market is in the early stage of a bottoming process. Pricing in most of the negatives, the S&P 500 member companies on average trade at about 12 times 2008 estimated earnings.

Central banks around the world have lowered interest rates a few times after finance ministers from the G-7 nations agreed to work together to alleviate the credit crisis. In the U. S., the Federal Reserve has lowered short-term interest rates by 1% in October. To ease the strain on the financial system, the Fed is buying commercial paper and the U. S. Treasury Department is taking equity stakes in banks. Among commercial banks, JP Morgan Chase has stated that it will work with borrowers in distressed states during the next 90 days and take a pause from putting more homes into foreclosure.

In the near-term, equity prices can extend their gains as credit-easing measures are implemented and the Presidential election ends political uncertainty. We are less sanguine on the intermediate-term. Our concern stems primarily from the fact that year-over-year corporate earnings comparisons are likely to be

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
	Recommendation (Ticker)	Availability, Trans. Fees, and Min. Holding Period				Recommendation (Ticker, Liquidity)
		E*Trade	Fidelity	Schwab	Ameritrade	
Biotechnology	Allianz RCM Biotech (DRBNX)	C, NTF, 90	C, NTF, 180	A, NTF, 90	A, NTF, 90	iShares Nasdaq Biotechnology (IBB, Good)
	Fidelity Sel Biotech (FBIOX)	A, F	A, NTF, 30	R, F	A, F	SPDR S&P Biotech (XBI, Good)
	Rydex Biotechnology (RYOIX)	A, NTF, 90	A, NTF, 180	A, NTF, No	A, F	
	Biotech Ultra ProFund (BIPIX)	A, NTF, 90	A, NTF, 180	A, NTF, No	A, F	
Chemicals	Fidelity Sel Chemicals (FSCHX)	A, F	A, NTF, 30	R, F	A, F	70% iShares DJ US Basic Mat (IYM, Good) +30% Market Vectors Agribus (MOO, Good) iShares DJ US Basic Mat (IYM, Good) Materials Select SPDR (XLB, Good) Vanguard Materials (VAW, Good)
Computers	Fidelity Sel Computers (FDCPX)	A, F	A, NTF, 30	R, F	A, F	Internet Arch HOLDERS (IAH, Limited) PowerShares Dyn Hard (PHW, Limited)
IT Services	Fidelity Select IT Serv (FBSOX)	A, F	A, NTF, 30	R, F	A, F	Equal weight mix of ACN, ADP, ADS, & V (no pure-play ETF available)
Medical Equip	Fidelity Sel Med Equip (FSMEX)	A, F	A, NTF, 30	R, F	A, F	iShares DJ US Med Device (IHI, Limited)
Oil & Gas E&P	AIM Energy (FSTEX)	C, NTF, 90	A, NTF, 180	C, NTF, 90	C, F	85% iShares DJ US O&G (IEO, Good)+15% SPDR S&P O&G Equip (XES, Limited)
	Fidelity Sel Natural Gas (FSNGX)	A, F	A, NTF, 30	R, F	A, F	iShares DJ US O&G Exp & Prd (IEO, Good) SPDR S&P O&G Exp & Prd (XOP, Good)
Software	Fidelity Sel Software (FSCSX)	A, F	A, NTF, 30	R, F	A, F	60% Software HOLDERS (SWH, Limited) +40% First Trust DJ Internet (FDN, Limited) First Trust DJ Internet (FDN, Limited) iShares S&P Software (IGV, Good) Software HOLDERS (SWH, Limited)
S&P 500	Dreyfus S&P 500 Index (PEOPX)	A, NTF, 90	A, NTF, 180	A, NTF, 90	A, NTF, 90	iShares S&P 500 (IVV, Good)
	E*TRADE S&P 500 Index (ETSPX)	A, NTF, 4m	A, F	A, F	A, F	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 HOLDERS (BDH, Limited) iShares S&P Network (IGN, Limited) PowerShares Dyn Network (PXQ, Limited)

Minimum Purchase Requirements

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

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

Availability: A-Available, C-Limited to current shareholders, I-Limited to Institutional investors, N-Not available, R-Limited to retail investors. **Trans. Fees:** F-Transaction fee applies, NTF-No transaction fee subject to holding period. **Min. Holding Period:** For no transaction fee (NTF) funds, minimum number of days or months a fund needs to be held to avoid both fund's short-term redemption fee and broker's transaction fee. Minimum holding period not provided for transaction fee (F) funds. **Liquidity:** Investors should consider limit orders when trading ETFs with limited liquidity. **Note:** The above table is for information purposes only. Before buying any mutual fund or exchange-traded fund, read its prospectus carefully. For securities held in brokerage accounts, read the broker's specific terms and conditions which apply to trading of the securities.



The AlphaProfit Sector Investors' Newsletter™ is edited and published by Dr. Sam Subramanian, Managing Principal and Chief Investment Officer of AlphaProfit Investments, LLC. Sam is an avid stock market investor and has tracked Fidelity Select Funds for several years. With a strong quantitative and analytical bent, Sam has honed his skills in security research and analysis. Sam developed the ValuM Investment Process™ for managing investments. The ValuM Investment Process has helped Sam build a successful track record in managing his investments since 1985. Prior to founding AlphaProfit Investments, LLC, Sam worked in positions of increasing responsibility in Finance and Corporate Strategy advising in Acquisitions and Divestitures, Asset Valuation, Trading, Bankruptcies, and Risk Management. Sam graduated with honors from the MBA program at the University of Michigan and has a Doctorate Degree in Chemical Engineering from Syracuse University. Sam also holds 16 U. S. patents.

Stock Searchlight

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

Company	Ticker	Price	Est. P/E	Div. Yield	Buy Below	Sell Above	Stop-Loss	Risk Rating
Baxter Intl.	BAX	\$59.82	18.5	1.5%	\$61.80	\$69.50	\$53.90	Average
JP Morgan	JPM	\$36.35	13.9	4.2%	\$38.80	\$48.70	\$28.90	Above Average
National Oilwell	NOV	\$25.98	5.4	-	\$28.50	\$38.80	\$18.50	Above Average
Weatherford Intl.	WFT	\$14.10	6.5	-	\$15.40	\$20.90	\$10.10	Above Average

Earnings estimates from Reuters

BAX. Baxter International is executing well. Excluding charges, the hospital supplies provider earned 88 cents a share during the third quarter exceeding analysts' 82 cents a share forecast. Sales in the company's bioscience and drug delivery units increased 17% and 10%, respectively. Baxter makes simple, life-saving products and is well positioned to prosper in this difficult macroeconomic environment. Expecting full-year revenue to increase 5% in 2008, Baxter has raised its 2008 earnings guidance.

JPM. Possessing a relatively secure dividend, shares of JP Morgan are a means to play the banking group's recovery prospects. The nation's largest bank earned 11 cents a share during the third quarter, against analysts'

forecast of 21 cents a share loss. While year-over-year EPS comparison in the coming quarters is unlikely to show growth, acquisition of fire-sale assets like Bear Stearns and Washington Mutual will likely enable JP Morgan's EPS to grow rapidly in the quarters farther. A cash infusion of \$25 billion from the U. S. government should strengthen the bank's ability to increase lending and acquire additional assets.

NOV. National Oilwell Varco earned \$1.35 a share during the third quarter, beating analysts' \$1.30 a share forecast. Helped by strong overseas demand for offshore rigs, revenue increased 18% from the year-ago period to \$3.6 billion. Bucking worldwide credit disruptions, National garnered \$2.4 billion in new orders during the quarter and increased its backlog

to \$11.8 billion. Shares of National Oilwell that are down over 40% in October, offer appealing rebound potential considering the company's sound balance sheet and visibility in forward earnings.

WFT. Akin to shares of peer National Oilwell, shares of Weatherford International offer the possibility for profits from a rebound. The oil services company earned 55 cents a share during the third quarter, beating the 53 cents a share analysts' forecast. Revenue increased 29% on a year-over-year basis as the company's worldwide rig count increased 11%. While Weatherford has not formally provided forward-looking information, its pipeline of geographically well-diversified projects should likely enable the company to withstand macroeconomic headwinds.

unfavorable in the fourth quarter.

Against the above backdrop, we rate the AlphaProfit Sector Portfolio Indicator 'Buy'. We believe the market milieu is quite attractive for investors with a multi-year time horizon. Investors with shorter time horizons may consider erring on the side of caution and use periods of strength to prune exposure to equities. Regardless of the investment time horizon, we encourage subscribers to maintain adequate cash reserves and to have appropriate diversification across asset classes in the overall portfolio.

Performance & Prospects

In October, both AlphaProfit model portfolios modestly underperformed the Dow Jones Wilshire 5000 index.

All sectors of the market lost ground during the month.

Biotechnology

Preferred biotechnology investments managed to limit their losses to 11% or less and materially outperform the DJW 5000 benchmark. Higher sales of key drugs and favorable exchange rates enabled several biotechnology companies to post strong earnings reports. Earnings at Amgen, Biogen-Idec, Celgene, and Gilead Sciences exceeded analysts' forecasts. Investor sentiment towards the biotechnology group received uplift after Eli Lilly offered \$70 a share for ImClone Systems, trouncing Bristol-Myers Squibb's \$62 a share offer.

The earnings outlook for biotechnol-

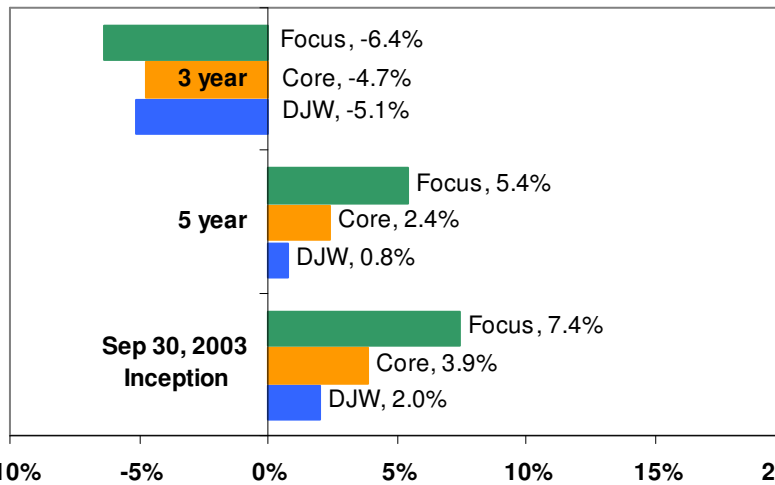
ogy companies appears relatively secure in a market battling high uncertainty. Companies like Amgen, Biogen-Idec, and Celgene have raised their earnings forecasts. Celgene is expecting approval for its blood disorder drug *Vidaza* in Europe in short order. Sales of Cephalon's leukemia drug *Treanda* are off to a strong start. As for takeovers, Roche continues to be interested in taking full control of Genentech. The potential for negative developments on safety of drugs like Amgen's *Aranesp* and Biogen-Idec's *Tysabri* poses risks.

Chemicals

Preferred investments in the chemicals group underperformed the DJW 5000 benchmark. Agriculture chemicals and metals-related

Scorecard

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



pects product demand to improve in 4 to 6 months.

Computers

Preferred investments in the computer group lost slightly less than the DJW 5000 benchmark. Major computer companies Apple, EMC, and International Business Machines delivered on their numbers and their per-share earnings exceeded analysts' forecasts. Memory chipmaker SanDisk was an exception and posted weak numbers.

Looking ahead, companies like EMC and Seagate Technology have offered tepid earnings forecasts. Apple's earnings forecast spans a wide range to account for economic uncertainty. IBM is an exception reaffirming its 2008 earnings forecast.

The computer business is typically economically sensitive. That said the resilience of individual businesses to economic vagaries varies. We believe Apple with nearly \$25 billion in cash as well as IBM and Hewlett-Packard with diverse businesses will likely fare better than turnaround situations like Sun Microsystems and higher-growth names like NetApp.

IT Services

Preferred investments in the IT Services group underperformed the

	Oct 2008	Qtr-To-Date	Year-To-Date	1 Year
Focus	-19.1%	-19.1%	-36.0%	-42.5%
Core	-18.1%	-18.1%	-35.9%	-40.3%
DJW 5000	-17.6%	-17.6%	-33.0%	-36.4%

stocks were notably weak with selected stocks suffering nearly 50% in losses. Mosaic's earnings miss and decision to cut phosphate production in response to high inventories caused agriculture-chemical shares to sell off across the board. Higher raw material costs, weakening product demand, and hurricane-related plant shutdowns affected results at Albemarle, Air Products, and DuPont.

for chemical companies. DuPont and Dow Chemical are bracing themselves for tough times. DuPont plans to focus on cash management and cost control while Dow Chemical is targeting to cut discretionary spending by over \$100 million. In the agriculture chemicals space, falling grain prices are a negative. Meanwhile, Monsanto has raised its fiscal 2008 earnings forecast. Potash Corp. management expects acquisition opportunities to materialize from the crisis and ex-

We are cautious on the prospects

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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 8

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

DJW 5000 benchmark. Marketing and transaction services company Alliance Data Systems and mortgage services provider Lender Processing Services went unrewarded after the former raised its full-year earnings forecast and the latter posted a strong earnings report. Meanwhile, Western Union was taken to the cleaners after the company withdrew its long-term growth forecast.

We remain optimistic on the prospects of the IT services group. IT service companies are well positioned to benefit from an improvement in macroeconomic factors. Credit card companies like MasterCard and Visa stand to benefit from any upswing in consumer spending resulting from falling interest rates, improving credit availability, and lower gasoline prices. Outsourcing service providers like Accenture and Affiliated Computer Services, and banking software provider Fiserv stand to benefit from the government's initiatives to prop up the financial services sector.

On October 31, we replaced Western Union with Alliance Data Systems in AlphaProfit's IT services basket for ETF investors.

Medical Equipment

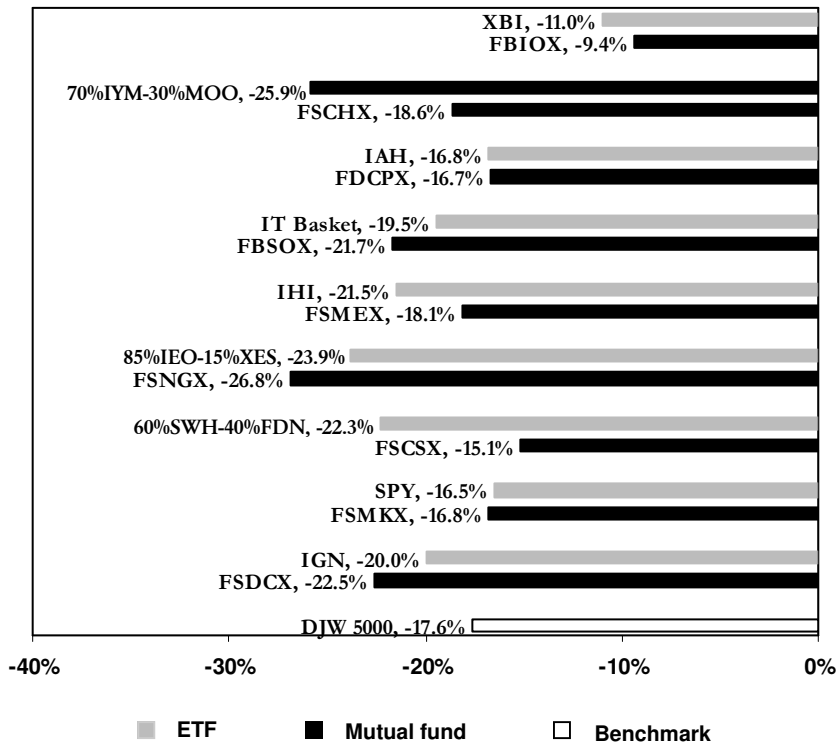
The normally steady medical equipment shares were a victim in October's panic selling and shares here underperformed the DJW 5000 benchmark. The performance of medical equipment companies was mixed on the earnings front. Stock searchlight feature Baxter International, along with CR Bard and GenProbe posted strong results and raised earnings forecasts. Increasing competition for devices as well as prescription drugs and a rising dollar caused companies like Alcon, Allergan, and St. Jude Medical to provide cautious forecasts.

We believe the recent downdraft in medical equipment shares is a buying opportunity for pursuing lower-risk returns in the period ahead. Disposable product manufacturers like Baxter and Becton, Dickinson

ETF & Mutual Fund Facts (cont'd from pg. 5)				
Industry/Index	Computers		Telecom Equipment	
MF/ETF	Fidelity Sel. Computers	Internet Arch. HOLDERS	Fidelity Sel. Com. Eqpt.	iShares S&P Network
Ticker	FDCPX	IAH	FSDCX	IGN
Manager/Index	H. Lawrence	Merrill Lynch	C. Chai	S&P N.A. Tech Network
Category	Large Cap Growth	Large Cap Growth	Large Cap Growth	Mid Cap Growth
Risk Rating	Above Average	Above Average	Above Average	Above Average
Top 10 Holdings	Hewlett-Packard	Intl. Bus. Mach.	Qualcomm	Qualcomm
	Apple	Hewlett-Packard	Cisco Systems	Cisco Systems
	Intl. Bus. Mach.	Cisco Systems	Starent Networks	Motorola
	EMC	Apple	Motorola	Juniper Networks
	Dell	Dell	Research In Motion	Foundry Networks
	SanDisk	EMC	CommScope	Corning
	Ju Teng International	Sun Microsystems	Powerwave Tech.	Research In Motion
	Qualcomm	Juniper Networks	Comverse Tech.	Harris
	Seagate Technology	NetApp	ADC Telecomm.	Brocade Comm.
	NetApp	Symantec	Apple	CommScope
% Portfolio	76.8%	98.8%	64.4%	60.3%
% Foreign	7.4%	0.0%	15.8%	6.9%
Date	As of Sep. 30, 2008	As of Sep. 26, 2008	As of Sep. 30, 2008	As of Sep. 26, 2008
Industry/Index	Medical Equipment		S&P 500 Index	
MF/ETF	Fidelity Sel. Med. Eqpt.	iShares DJ US Med. Dev.	Fidelity Spartan 500 Idx	SPDR S&P 500
Ticker	FSMEX	IHI	FSMKX	SPY
Manager/Index	E. Yoon	DJ US Sel. Medical Eq.	Geode Cap. Mgmt.	S&P 500 Total Return
Category	Large Cap Growth	Mid Cap Growth	Large Cap Blend	Large Cap Blend
Risk Rating	Below Average	Below Average	Below Average	Below Average
Top 10 Holdings	Baxter International	Medtronic	Exxon Mobil	Exxon Mobil
	Medtronic	Covidien	General Electric	General Electric
	Covidien	Thermo Fisher Scientific	Procter & Gamble	Microsoft
	Boston Scientific	Stryker	Microsoft	Procter & Gamble
	Bard C.R.	Boston Scientific	Johnson & Johnson	Johnson & Johnson
	Allergan	St. Jude Medical	JP Morgan Chase	Chevron
	Alcon	Zimmer Holdings	Chevron	JP Morgan Chase
	Amer. Med. Systems	Intuitive Surgical	AT&T	AT&T
	Gen-Probe	Varian Medical Systems	Bank of America	Bank of America
	Becton, Dickinson	Waters	Intl. Bus. Mach.	Intl. Bus. Mach.
% Portfolio	67.8%	56.9%	20.2%	20.3%
% Foreign	19.5%	0.0%	0.0%	0.0%
Date	As of Sep. 30, 2008	As of Sep. 26, 2008	As of Sep. 30, 2008	As of Sep. 26, 2008
Industry/Index	Biotechnology		IT Services	
MF/ETF	Fidelity Sel. Biotech	SPDR S&P Biotech	Fidelity Sel. IT Services	Equal Weight Mix
Ticker	FBIOX	XBI	FBSOX	None
Manager/Index	R. Kaul	S&P Biotechnology	J. Liou	AlphaProfit
Category	Large Cap Growth	Mid Cap Growth	Mid Cap Growth	Large Cap Growth
Risk Rating	Above Average	Above Average	Below Average	Average
Top 10 Holdings	Amgen	Vertex Pharmaceuticals	Accenture	Accenture
	Genentech	Imclone Systems	Western Union	Automatic Data Proc.
	Biogen Idec	Myriad Genetics	Visa	Alliance Data Systems
	Gilead Sciences	Gilead Sciences	Automatic Data Proc.	Visa
	Cephalon	Cephalon	Fiserv	
	Alexion Pharmaceuticals	Osi Pharmaceuticals	Affiliated Computer Svcs.	
	Genzyme	Alkermes	Alliance Data Systems	
	Biomarin Pharma	Isis Pharmaceuticals	MasterCard	
	Xenoport	United Therapeutics	Paychex	
	Celgene	Alexion Pharmaceuticals	Lender Proc. Svcs.	
% Portfolio	72.0%	47.4%	74.2%	100.0%
% Foreign	1.4%	0.0%	15.5%	0.0%
Date	As of Sep. 30, 2008	As of Sep. 26, 2008	As of Sep. 30, 2008	As of Oct. 31, 2008

Preferred ETF & Mutual Fund Returns

October 2008



possess robust businesses that should remain relatively insulated from the current economic turmoil. In the cardiac devices space, competition remains stiff, elevating uncertainty in performance on a company-specific basis. Certain segments like orthopedic devices may be more vulnerable to macroeconomic forces as rising unemployment leads to an increase in the number of uninsured.

Oil & Gas E & P

Preferred investments in the oil & gas exploration and production group underperformed the DJW 5000 benchmark. Fears that a sharp global economic slowdown will curb oil consumption caused commodity prices to decline for the fourth month in a row. A 9% rally in the trade-weighted dollar index added to downward pressure in commodities. Oil declined 32% in price while gas lost 13%.

Freeze in credit availability forced companies pursuing ambitious 'growth at any price' strategies to

rethink such plans. Chesapeake Energy and Quicksilver Resources reduced their capital spending plans. Forfeiting \$30 million, Denbury Resources shelved its plan to acquire the Conroe field for \$600 million. Adding to selling pressure in shares, chieftains of several oil and gas companies liquidated their holdings due to margin calls.

Oil and gas shares have now declined for four straight months. A rebound supported by oil supply cuts, corporate acquisition activity, or a reversal in the U. S. dollar could be in the works. On November 1, OPEC announced that it would cut production by 1.0 to 1.5 million barrels per day. Financially well-heeled companies have the opportunity to acquire distressed assets of indebted companies. Having rallied for four months in a row on relatively tenuous economic fundamentals, the greenback may well be due for a pullback.

Software

The performance of preferred in-

vestments in the software group was mixed. Fidelity Select Software & Computer Services lost less ground while the 60% Software HOLDRS+40% First Trust DJ Internet combo lost more ground than the DJW 5000 benchmark.

The Fidelity fund likely benefited from the 12% rally in shares of Google. Declines in shares of eBay, SAP, and Symantec exceeded 30% to dent the combo's return. A 31% increase in revenue lifted Google's third-quarter profit by 26%. The search titan's EPS tally exceeded analysts' forecast. In contrast, eBay, SAP, and Symantec lowered their earnings forecast.

The economic downturn is undermining strength in pockets such as online retailing and enterprise software that were hitherto resilient. Meanwhile, cash-rich companies like Oracle and CA are increasing their stock buyback programs. Software companies are showing healthy appetite for acquisitions with eBay acquiring Bill Me Later and Symantec picking up MessageLabs for nearly \$1 billion and \$700 million, respectively.

S&P 500 Index

Fidelity Spartan 500 and SPDR S&P 500 that seek to track the S&P 500 index performed comparably in October, losing nearly 17%. Both instruments lost less ground than the DJW 5000 benchmark where weaker performance of mid-cap shares amplified losses.

For the fifth straight quarter, S&P 500 member companies will likely report lower year-over-year profits. Aggregate earnings have declined 11% for 360 such companies that have reported results so far. Companies in the financial sector have

Featured Quote

'I skate to where the puck is going to be, not to where it has been.'

Wayne Gretzky

Portfolio Composition

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

AlphaProfit Focus™ Model Portfolio

Fidelity Fund Holding (Ticker Symbol)	September 30, 2008		October 31, 2008	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Biotechnology (FBIOX)	\$324,318	24.81%	\$293,874	27.78%
IT Services (FBSOX)	\$324,318	24.81%	\$253,986	24.01%
Medical Equip. (FSMEX)	\$320,186	24.50%	\$262,323	24.80%
Natural Gas (FSNGX)	\$338,257	25.88%	\$247,537	23.40%
Total (rounded to)	\$1,307,078	100.00%	\$1,057,720	100.00%

AlphaProfit Core™ Model Portfolio

Fidelity Fund Holding (Ticker Symbol)	September 30, 2008		October 31, 2008	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Biotechnology (FBIOX)	\$45,277	7.53%	\$41,027	8.33%
Chemicals (FSCHX)	\$64,002	10.64%	\$52,106	10.57%
Comm. Equip. (FSDCX)	\$56,957	9.47%	\$44,113	8.95%
Computers (FDCPX)	\$55,589	9.24%	\$46,313	9.40%
IT Services (FBSOX)	\$45,277	7.53%	\$35,458	7.20%
Medical Equip. (FSMEX)	\$44,700	7.43%	\$36,622	7.43%
Natural Gas (FSNGX)	\$47,223	7.85%	\$34,558	7.01%
Soft. & Comp. (FSCSX)	\$56,175	9.34%	\$47,671	9.67%
Spartan 500 Idx. (FSMKX)	\$186,163	30.96%	\$154,868	31.43%
Total (rounded to)	\$601,362	100.00%	\$492,737	100.00%

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

Telecom Equipment

Preferred investments in the telecom equipment group underperformed the DJW 5000 benchmark. Weakness spread across the board with leading companies like Cisco Systems, Qualcomm, and Research In Motion suffering double-digit losses.

Telecom equipment companies are enduring two inimical forces—restrained customer spending and stiff competition. Macroeconomic uncertainty is restraining consumer demand for flat-screen TVs, prompting Corning to lower its financial forecast. In handsets, Apple's aggressively priced 3G *iPhone* is taking market share from RIM. RIM plans to fight back by launching its touch-screen phone *Storm* and new *BlackBerry* model *Bold* before the holiday season.

While times are currently tough in the telecom equipment land, we believe businesses here will be among the first to recover as demand for higher network capacity forces telecom service providers to invest. Meanwhile, well-capitalized companies like Cisco can seek out attractively priced acquisitions.

caused most of the damage.

In corporate developments, General Electric reported a 22% drop in third quarter profit with strength in industrial and energy businesses more than offset by troubles in the finance arm. To improve liquidity and better deal with the ongoing global

credit crunch, GE raised \$15 billion by offering common and preferred stocks. Companies in economically less sensitive industries fared better. Consumer products giant Procter & Gamble and health care titan Johnson & Johnson reported quarterly earnings higher than those reported in the year-ago period.

AlphaProfit Investments, LLC
Date: October 31, 2008

Disclosure continued from page 4

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

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