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AlphaProfit™

Sector Investors' Newsletter

Service for Sophisticated Sector Investors



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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: CF, EMC, MA, NOK

Economy & Markets

Global financial crisis. Confidence in the financial system is eroding as the list of failing firms continues to grow. Lehman Brothers has filed for bankruptcy. Washington Mutual has become the largest bank in U. S. history to fail. Merrill Lynch has been forced to seek a merger. American International Group is selling assets to continue as a going concern. Fannie Mae and Freddie Mac have been taken over by the government.

The financial crisis has spread globally. Governments of Belgium and Netherlands have rescued banking and insurance heavyweight Fortis. The U. K. government has nationalized mortgage lender Bradford & Bingley.

Global slowdown concerns. Hit by large losses, banks are increasingly cautious on lending money. The difference between the 3-month London Interbank Offered Rate and the 3-month Treasury bill rate, a commonly used credit risk barometer, has widened to an abnormal 3.15%. The credit squeeze is throttling the economic engine. Unemployment rate has jumped to 6.1%, the highest reading since September 2003. Slowing growth in

the U. S. and Europe has raised the specter of a global slowdown.

Equity prices battered. The popular Standard and Poor's 500 index extended its slide to the third quarter. The third quarter showed a shift in sector leadership with first-half leaders energy and materials swooning nearly 20% on fears that demand growth for commodities will wane as global growth slows. After losing over 40% in the 12-month period ending on June 30, shares in the financial sector on average held their own with a flattish performance during the third quarter.

Recommendations

The volatility index or VIX, a measure of market fear, has escalated to levels indicative of panic. Although a consensus has yet to emerge, Congressional leaders and the White House staff realize the need

Recent Developments

On Friday October 3, the House of Representatives passed the \$700 billion bailout bill. With President Bush also signing this bill, the Treasury Department has its work cut out for buying toxic assets, restoring confidence, and improving credit availability.

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, V, & WU (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
CF Industries	CF	\$57.67	4.1	0.7%	\$60.00	\$69.00	\$50.70	Above Average
EMC	EMC	\$10.12	13.0	-	\$10.50	\$12.10	\$8.90	Above Average
MasterCard	MA	\$151.71	17.4	0.4%	\$157.80	\$181.50	\$133.50	Above Average
Nokia	NOK	\$15.73	6.3	5.3%	\$16.40	\$18.90	\$13.80	Above Average

Earnings estimates from Reuters

CF. Being a part of agriculture momentum plays, shares of CF industries lost nearly 40% of their value in September. CF remains optimistic on the prospects of its phosphate business. During the second quarter, the company earned \$5.02 a share, trouncing analysts' forecast by nearly 40%. Trading at a measly forward P/E multiple, volatile CF shares potentially can levitate to a higher level if markets return to normalcy.

EMC. EMC shares have declined over 20% to make them appealing vis-a-vis both EMC's growth prospects as well as sum-of-parts value.

With EMC recently introducing an enterprise flash drive storage solution, analysts expect its EPS to ramp up to 92 cents in 2009 from 78 cents in 2008. At the current quote, investors do not appear to be rewarding EMC for its ownership in rapidly growing virtualization software provider VMware.

MA. From a high of \$320.30 set on May 30, shares of MasterCard have declined nearly 45% at the end of September. While vulnerable to slowing global growth, MasterCard's well-recognized brand positions it to benefit from the long-term secular trend of electronic payment forms replacing

cash. After reaffirming its fiscal 2008 revenue guidance in late July, MasterCard forecasted revenue to increase at a double-digit clip in 2009.

NOK. Shares of Nokia declined over 25% in September, pushing the dividend yield to an income-play level. Intense price competition will likely dent Nokia's market share in the upcoming quarter. Longer-term, we believe Nokia will benefit from introduction of new handset models as well as its *Comes With Music* online content offering. During the second quarter, Nokia earned 56 cents a share, above analysts' forecast.

to restore confidence in the financial system quickly and are working on a 'financial bailout plan'. A combination of relief measures such as the passage of a bailout plan, increase in insurance limit on bank deposits, reduction in short-term interest rates, and quick addition of liquidity to the financial system can potentially stem further rapid erosion in stock prices and set the stage for stabilization.

Looking beyond the near-term volatility, the range of possible outcomes has widened. If efforts made by the U. S. government and central banks worldwide are successful, confidence in the financial system can return and pave the way for sustained recovery of financial and consumer shares. If such efforts are less successful, the possibility of a U. S.-led global slowdown will increase. Quality of third quarter earnings reports and outlook for corporate profits in the first half of 2009 will also influence the course of equity prices.

To improve the resilience of the

model portfolios to a wider range of possible outcomes and enhance their ability to participate in a potential recovery, we are adding biotechnology and IT services groups. Following repositioning, we rate the AlphaProfit Sector Portfolio Indicator 'Buy'. We encourage subscribers to maintain adequate cash reserves and have appropriate diversification across asset classes in their overall portfolio to navigate through these challenging times.

Investment Thesis

Biotechnology

We believe investors will likely value the secular growth characteristics of biotech companies in a macroeconomic environment where earnings growth is hard to come by. During the next 12 months, EPS growth at Biogen Idec, Cephalon, Genzyme, and Gilead Sciences is likely to average over 16%. Their valuation however remains relatively modest. These companies, on average, trade at a forward P/E multiple of 16.7, implying a PEG ra-

tio of about 1.0.

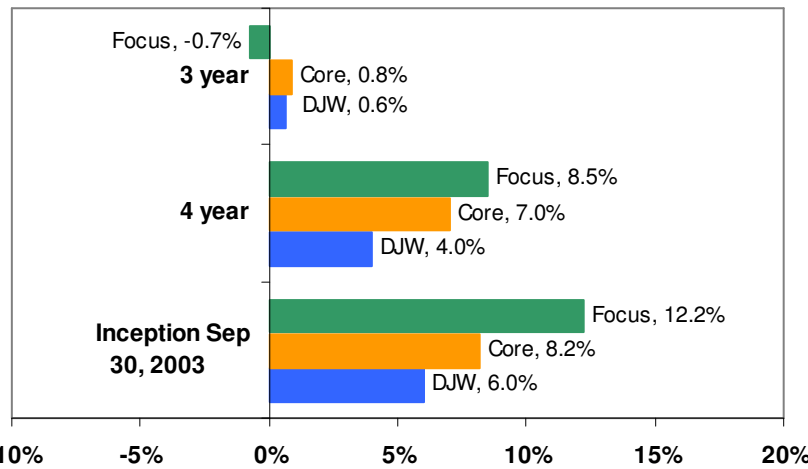
Sales of Gilead's HIV drugs *Truvada* and *Atripla* are increasing rapidly. Genzyme is expecting approvals for its stem-cell transplantation and arthritis pain drugs by year-end. Amgen's experimental osteoporosis drug *denosumab* is showing promising results in reducing the risk of spine fractures in postmenopausal women.

Adding to investment appeal, takeover activity in the biotech space is rising. Genentech and ImClone Systems have received offers of \$44 billion and \$5 billion from Roche and Bristol-Myers Squibb, respectively for parts the latter companies already do not own. Genentech has called the offer inadequate while ImClone has made overtures that a higher offer from another suitor is imminent.

Negative surprises from clinical trials and drug safety studies are part-and-parcel of the biotech investing game. Tightening credit availability can increase financing costs and

Scorecard

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



prolific rates. After buying back \$1.5 billion of stock in fiscal 2008, ADP has upped its buyback commitment by 50 million shares or nearly 10% of its outstanding shares.

Outsourcing service providers Accenture and Affiliated Computer Services derive healthy portions of revenue from maintenance contracts. Transaction systems provider Fiserv offers mission critical systems that are less susceptible to budget cuts.

Consumer finance companies MasterCard and Visa have come under pressure recently on concerns of slack consumer spending. These companies stand to benefit from any upswing resulting from governmental efforts to restore confidence in the financial system and to stem home foreclosures.

As for risks, further deterioration in the macroeconomic environment can adversely affect business prospects in this group. Falling interest rates and rising unemployment can pressure payroll processors.

We highlight Fidelity Select IT Services as a preferred investment for playing the IT services thesis. In the absence of pure-play ETFs, we recommend an equal weighted mix of Accenture, Automatic Data Processing, Visa, and Western Union as an alternative for ETF investors.

	Sep 2008	Qtr-To-Date	Year-To-Date	1 Year
Focus	-12.5%	-19.1%	-20.9%	-25.3%
Core	-13.3%	-15.4%	-21.8%	-23.4%
DJW 5000	-9.4%	-8.7%	-18.7%	-21.2%

The Focus and Core model portfolio look-alikes constructed with preferred ETFs lost 17.4% and 15.3%, respectively during 3Q2008.

impede takeover transactions.

We highlight Fidelity Select Biotechnology and SPDR S&P Biotech ETF as preferred investments for playing the biotechnology thesis.

IT Services

The IT services group consists of payroll and outsourcing service providers, and consumer finance com-

panies. We believe this mélange of stable revenue earners and higher growth companies will offer a less bumpy ride as we wait for the financial and consumer milieu to improve.

Automatic Data Processing and Paychex enjoy relatively stable revenue streams from leading positions in payroll processing. Both companies are generating cash at

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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 8

ETF & Mutual Fund Facts

Performance & Prospects

In September, both AlphaProfit model portfolios underperformed the Dow Jones Wilshire 5000 index. All sectors of the market lost ground during the month.

Chemicals

Preferred investments in the chemicals group underperformed the DJW 5000 benchmark. Amid weakening fertilizer prices, redemption-hit hedge funds exited momentum-driven agriculture product stocks *en masse*. Air Products, normally a steady performer, lowered its earnings forecast.

Company-specific news generally remains upbeat. Monsanto has increased its fiscal 2008 earnings forecast. A strike at Potash is constraining fertilizer supplies. Chemical company shares are however trading on macroeconomic concerns. Fertilizer makers and diversified chemical companies are trading at low single-digit and low double-digit forward multiples, respectively. Chemical companies are currently more of a value than a growth play.

Computers

Preferred investments in the computer group underperformed the DJW 5000 benchmark. Shares of large-diversified companies like Hewlett-Packard and International Business Machines held up reasonably well while others like Apple, Dell, and NetApp declined.

Concerns of slackening PC demand are weighing on computer and memory maker shares. With share valuation metrics depressed, takeover and buyback activity is perking up. Samsung has offered \$6 billion for flash memory maker SanDisk. Hewlett-Packard has increased its stock buyback commitment by \$8 billion.

Medical Equipment

Preferred investments in the medi-

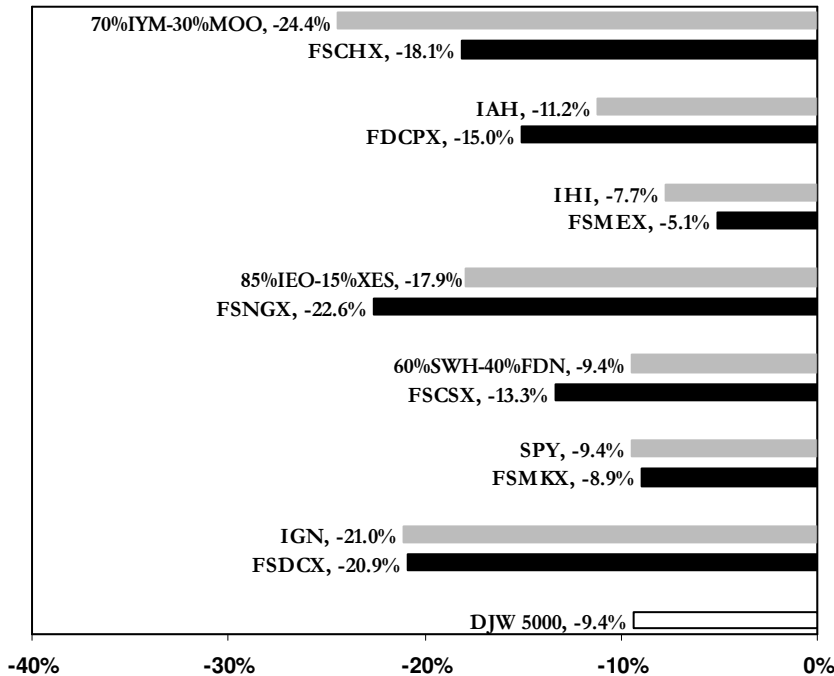
ETF & Mutual Fund Facts				
Industry/Index		Chemicals		
MF/ETF	Fidelity Sel. Chem.	iShares Bas. Mtls.	Mkt. Vectors Agri.	
Ticker	FSCHX	IYM	MOO	
Manager/Index	M. Schuldt	DJ US Basic Materials	DAX Agribusiness	
Category	Large Cap Growth	Large Cap Growth	Large Cap Growth	
Risk Rating	Average	Average	Above Average	
Top 10 Holdings	Monsanto	DuPont	Syngenta	
	DuPont	Dow Chemical	Monsanto	
	Praxair	Freeport McMoRan	Mosaic	
	Mosaic	Praxair	Potash Corp.	
	Dow Chemical	Alcoa	Deere	
	Air Products	Newmont Mining	Archer-Daniels	
	Albemarle	Air Products	Wilmar Intl.	
	CF Industries	Peabody Energy	Yara Intl.	
	FMC	Nucor	Komatsu	
	Ecolab	International Paper	Agrium	
% Portfolio	69.8%	52.5%	58.1%	
% Foreign	5.7%	0.0%	43.4%	
Date	As of Jun. 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	FSENGX	IEO	XES	
Manager/Index	J. McElligott	DJ US Oil & Gas E&P	S&P Oil & Gas E&S	
Category	Large 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	
	Ultra Petroleum	Apache	Transocean	
	Range Res.	XTO Energy	ENSCO Intl.	
	Denbury Res.	Anadarko Petro.	Smith Intl.	
	Southwestern Energy	EOG Resources	Schlumberger	
	Quicksilver Res.	Chesapeake Energy	Rowan Companies	
	Valero Energy	Valero Energy	Baker Hughes	
	EOG Res.	Southwestern Energy	Superior Engy. Svcs.	
	Can. Nat. Res.	Noble Energy	Nabors Industries	
% Portfolio	47.9%	58.1%	43.3%	
% Foreign	15.4%	0.0%	0.0%	
Date	As of Jun. 30, 2008	As of Sep. 26, 2008	As of Sep. 26, 2008	
Industry/Index		Software		
MF/ETF	Fidelity Sel. Software	Software HOLDRS	First Tr. DJ Internet	
Ticker	FSCSX	SWH	FDN	
Manager/Index	M. Tandon	Merrill Lynch	Dow Jones Internet	
Category	Large Cap Growth	Large Cap Growth	Mid Cap Growth	
Risk Rating	Average	Average	Above Average	
Top 10 Holdings	Microsoft	SAP	eBay	
	Google	Microsoft	Yahoo!	
	Oracle	Adobe Systems	Google	
	Cognizant Tech. Soln.	Oracle	Juniper Networks	
	Visa	Intuit	Amazon.com	
	MasterCard	CA	Verisign	
	Satyam Comp. Svcs.	BMC Software	Salesforce.com	
	Adobe Systems	Symantec	TD Ameritrade	
	Nintendo	Check Point Soft.	Check Point Soft.	
	Quest Software	TIBCO Software	Expedia	
% Portfolio	64.6%	99.2%	69.8%	
% Foreign	15.5%	22.5%	0.0%	
Date	As of Jun. 30, 2008	As of Sep. 26, 2008	As of Sep. 26, 2008	

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

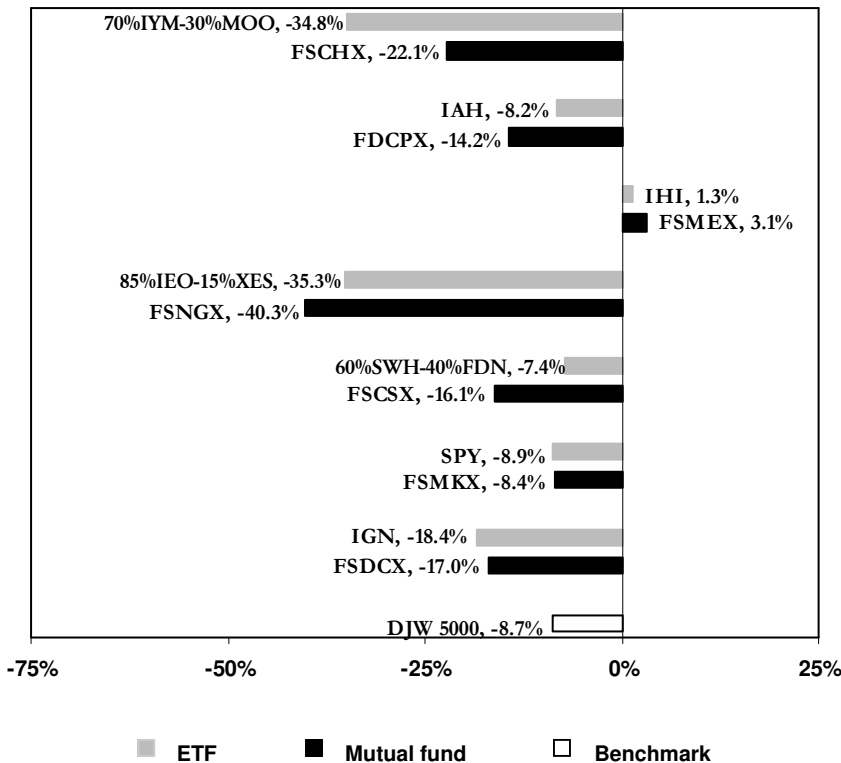
Industry/Index	Computers		Telecom Equipment	
MF/ETF	Fidelity Sel. Computers	Internet Arch. HOLDRS	Fidelity Sel. Com. Eqpt.	iShares S&P Network
Ticker	FDCPX	IAH	FSDCX	IGN
Manager/Index	H. Lawrence	Merrill Lynch	C. Chai	S&P N.A. Tech Network
Category	Large Cap Growth	Large Cap Growth	Large Cap Growth	Mid Cap Growth
Risk Rating	Above Average	Above Average	Above Average	Above Average
Top 10 Holdings	Apple	Intl. Bus. Mach.	Cisco Systems	Qualcomm
	Hewlett-Packard	Hewlett-Packard	Qualcomm	Cisco Systems
	Intl. Bus. Mach.	Cisco Systems	Comverse Tech.	Motorola
	Dell	Apple	High Tech Computer	Juniper Networks
	EMC	Dell	Research In Motion	Foundry Networks
	SanDisk	EMC	Starent Networks	Corning
	Micron Technology	Sun Microsystems	Juniper Networks	Research In Motion
	High Tech Computer	Juniper Networks	Powerwave Tech.	Harris
	NetApp	NetApp	Nokia	Brocade Comm.
	Seagate Technology	Symantec	ADC Telecomm.	CommScope
% Portfolio	72.6%	98.8%	64.9%	60.3%
% Foreign	7.3%	0.0%	19.3%	6.9%
Date	As of Jun. 30, 2008	As of Sep. 26, 2008	As of Jun. 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	Microsoft	Microsoft
	Alcon	Stryker	Chevron	Procter & Gamble
	Becton Dickinson	Boston Scientific	AT&T	Johnson & Johnson
	Allergan	St. Jude Medical	Procter & Gamble	Chevron
	Boston Scientific	Zimmer Holdings	Johnson & Johnson	JP Morgan Chase
	Amer. Med. Systems	Intuitive Surgical	Intl. Bus. Mach.	AT&T
	Stryker	Varian Medical Systems	Apple	Bank of America
	Gen-Probe	Waters	ConocoPhillips	Intl. Bus. Mach.
% Portfolio	70.9%	56.9%	19.2%	20.3%
% Foreign	19.6%	0.0%	0.0%	0.0%
Date	As of Jun. 30, 2008	As of Sep. 26, 2008	As of Jun. 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	Large Cap Growth	Large Cap Growth
Risk Rating	Above Average	Above Average	Below Average	Average
Top 10 Holdings	Amgen	Vertex Pharmaceuticals	Visa	Accenture
	Genentech	Imclone Systems	Accenture	Automatic Data Proc.
	Elan	Myriad Genetics	Western Union	Visa
	Gilead Sciences	Gilead Sciences	MasterCard	Western Union
	Alexion Pharmaceuticals	Cephalon	Affiliated Computer Svcs	
	Cephalon	Osi Pharmaceuticals	Cognizant Tech. Soln.	
	Biogen Idec	Alkermes	Automatic Data Proc.	
	Wyeth	Isis Pharmaceuticals	Alliance Data Systems	
	Acorda Therapeutics	United Therapeutics	Fiserv	
	United Therapeutics	Alexion Pharmaceuticals	Paychex	
% Portfolio	61.9%	47.4%	72.7%	100.0%
% Foreign	6.2%	0.0%	16.3%	0.0%
Date	As of Jun. 30, 2008	As of Sep. 26, 2008	As of Jun. 30, 2008	As of Sep. 30, 2008

Preferred ETF & Mutual Fund Returns

September 2008



3Q2008



decimation. The medical equipment group will likely lag the broad market once recovery begins.

Oil & Gas E&P

Preferred investments in oil & gas exploration and production were among the major losers. Concerns of falling global energy demand and failure of commodity hedge funds like Ospraie led to painful liquidation. We have pruned exposure to this group to make way for new selections.

With oil and gas prices down nearly 30% and 45%, respectively in the third quarter, companies like Chesapeake Energy are cutting back on their drilling programs while OPEC has urged members to comply with output quotas. Hurricane activity has lowered Gulf Coast oil and gas output. These factors have the possibility of propping up energy commodity prices during winter. Meanwhile, well-heeled energy companies like BP and Occidental are taking advantage of lower asset prices and acquiring reserves. Investments in the oil & gas group offer the potential for strong returns at considerable risk.

Software

Preferred investments in the software group underperformed the DJW 5000 benchmark with the 60% Software HOLDRS+40% combo barely missing the mark. Most internet companies suffered double-digit declines while enterprise software providers lost less ground.

Software companies are executing well. Oracle's fiscal first quarter EPS exceeded analysts' forecast.

Featured Quote

'Sailing is a lot like investing. You can't always dictate conditions. You want to make progress, but can't always go in a straight line.'

Christopher Davis

cal equipment group lost less ground and performed better than the DJW 5000 benchmark. The defensive characteristics of the medical equipment business have so far helped such shares avoid large losses in this bear market.

While we continue to value the economic insensitivity of the medical equipment business, we are reducing exposure to make way for other selections. Valuation metrics for medical equipment stocks are higher than those for groups seeing

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)	Before Repositioning		After Repositioning	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Biotechnology (FBIOX)	\$0	0.00%	\$324,318	24.81%
IT Services (FBSOX)	\$0	0.00%	\$324,318	24.81%
Medical Equip. (FSMEX)	\$814,122	62.29%	\$320,186	24.50%
Natural Gas (FSNGX)	\$492,956	37.71%	\$338,257	25.88%
Total (rounded to)	\$1,307,078	100.00%	\$1,307,078	100.00%

FSMEX and FSNGX were reduced. FBIOX and FBSOX were added.

AlphaProfit Core™ Model Portfolio

Fidelity Fund Holding (Ticker Symbol)	Before Repositioning		After Repositioning	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Biotechnology (FBIOX)	\$0	0.00%	\$45,277	7.53%
Chemicals (FSCHX)	\$64,002	10.64%	\$64,002	10.64%
Comm. Equip. (FSDCX)	\$56,957	9.47%	\$56,957	9.47%
Computers (FDCPX)	\$55,589	9.24%	\$55,589	9.24%
IT Services (FBSOX)	\$0	0.00%	\$45,277	7.53%
Medical Equip. (FSMEX)	\$113,657	18.90%	\$44,700	7.43%
Natural Gas (FSNGX)	\$68,820	11.44%	\$47,223	7.85%
Software (FSCSX)	\$56,175	9.34%	\$56,175	9.34%
Spartan 500 Idx. (FSMKX)	\$186,163	30.96%	\$186,163	30.96%
Total (rounded to)	\$601,362	100.00%	\$601,362	100.00%

FSMEX and FSNGX were reduced. FBIOX and FBSOX were added.

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

Sales of new software licenses rose a healthy 10%. Microsoft has upped its quarterly dividend and announced plans to buyback an additional \$40 billion in shares in the next five years.

S&P 500 Index

Fidelity Spartan 500 Index fund lost nearly 9% while the SPDR S&P 500 ETF lost a bit more from tracking error. Weaker performance of mid-

cap stocks pushed the DJW 5000 benchmark to a larger loss.

Among index heavyweights, General Electric's health caused investors' angst since financial services make up 45% of the conglomerate's business. After trading at multi-year lows, GE shares partly recouped losses when the company's lowered earnings forecast gave investors' fears a pause.

Telecom Equipment

Preferred investments in the telecom equipment group were among the weaker performers. Shares of smartphone maker Research In Motion and network solutions provider Nortel Networks declined 44% and 63%, respectively.

Comments from Ciena on phone companies delaying purchases negatively affected investor sentiment. Demand for smartphones, hitherto resilient to economic forces, are now beginning to wilt while intense price competition is eroding profitability. Corning is seeing a decline in order for glass used in flat-screen TVs.

We expect shares in the telecom equipment group to recover only after the financial turmoil subsides and confidence returns. Meanwhile, depressed valuation levels can provide opportunities for cash-rich companies like Cisco to acquire synergistic assets.

AlphaProfit Investments, LLC
Date: September 30, 2008

Disclosure continued from page 4

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

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