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# AlphaProfit™

## Sector Investors' Newsletter

Service for \$ophisticated \$ector Investors

Monthly Report

### WHAT'S INSIDE

At A Glance .....	1
Market Review & Outlook.....	1
ETF & Mutual Fund Selections .	2
Performance & Prospects .....	2
Stock Searchlight .....	3
Portfolio Composition .....	4
ETF & Mutual Fund Facts .....	5
Scorecard .....	7
Preferred ETF & Mutual Fund Returns .....	8

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### At A Glance

#### Portfolios

**Focus:** Air Transportation, Biotechnology, Transportation

**Core:** Air Transportation, Biotechnology, Construction & Housing, Consumer Discretionary, Environmental Services, Health Care, IT Consulting & Services, Medical Equipment, Pharmaceuticals, Retailing, Transportation

**Sector Portfolio Indicator:** Buy on Dips

**Favored Buy:** None

**Stocks:** CCC, LLY, LUV, MTZ, ONXX

### Market Review & Outlook

**Economy unwell.** The U. S. economy is mired in a deep recession. Gross domestic product declined at a 3.8% annual rate during 2008's fourth quarter. Slumping economic activity is taking a toll on corporate profits and employment.

Fourth quarter corporate profits declined over 40% year-over-year, with double-digit declines in earnings even outside the ailing financial sector. Corporations are laying off workers in record numbers to bring costs inline with demand. January layoff announcements from just Boeing, Caterpillar, Pfizer, and Sprint Nextel totaled well over 50,000. These job losses add to nearly 2.6 million jobs lost in 2008, the highest annual loss since 1945.

**Downgrading the AlphaProfit Sector Portfolio Indicator to 'Buy on Dips'.** The government is continuing its efforts to revive the economy and restore financial order. The Federal Reserve has stated that it may keep short-term interest rates near zero for some time.

The central bank's intervention has

helped to thaw credit markets. Despite this success, the economic malaise is entrenched and leading measures of economic activity suggest that the slump is deepening. Corporations as well as analysts are slashing their 2009 and 2010 earnings forecasts.

Meanwhile, the House of Representatives has passed an \$819 billion stimulus plan. Discussions to form a FDIC-run 'bad bank' are underway in a bid to facilitate commercial banks unload toxic assets and increase lending.

With broad U. S. stock indexes retreating nearly 9% in January, stock prices are about 40% lower than they were a year ago. Stocks appear attractive based on cycle-average earnings potential and present long-term investors good buying opportunities. Yet, we believe it is not prudent to 'rush out and pay full price' for equities as the timing on the resumption of corporate earnings growth is nebulous.

We are downgrading the AlphaProfit Sector Portfolio Indicator to 'Buy on Dips'. As a point of reference, the S&P closed at 825.88 on

## 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 or Industry Group	Mutual Funds					ETFs
	Recommendation (Ticker)	Availability, Trans. Fees, and Min. Holding Period				Recommendation (Ticker, Liquidity)
		E*Trade	Fidelity	Schwab	Ameritrade	
Air Transport	<b>Fidelity Sel Air Trans (FSAIX)</b>	A, F	A, NTF, 30	R, F	A, F	<b>Equal weight mix of BA, LUV, PCP, &amp; UPS</b> (no pure-play ETF available)
Biotechnology	Biotech Ultra ProFund (BIPIX)	A, NTF, 90	A, NTF, 180	A, NTF, No	A, F	iShares Nasdaq Biotechnology (IBB, Good)
	<b>Fidelity Sel Biotech (FBIOX)</b>	A, F	A, NTF, 30	R, F	A, F	<b>SPDR S&amp;P Biotech (XBI, Good)</b>
	Rydex Biotechnology (RYOIX)	A, NTF, 90	A, NTF, 180	A, NTF, No	A, F	
Construction & Housing	<b>Fidelity Sel Construct (FSHOX)</b>	A, F	A, NTF, 30	R, F	A, F	<b>50% SPDR S&amp;P Homebuild (XHB, Good) +50% PowerShares Build (PKB, Limited)</b>
Consumer Disc	Cons Serv Ultra ProFund (CYPX)	A, NTF, 90	N	A, NTF, No	A, F	<b>Cons Discretionary SPDR (XLY, Good)</b>
	<b>Fidelity Sel Cons Disc (FSCPX)</b>	A, F	A, NTF, 30	R, F	A, F	
Environ Services	<b>Fidelity Sel Environ (FSLEX)</b>	A, F	A, NTF, 30	R, F	A, F	<b>MarketVectors Env Serv (EVX, Limited )</b>
Health Care	<b>Fidelity Sel Health Care (FSPHX)</b>	A, F	A, NTF, 30	R, F	A, F	<b>Health Care SPDR (XLV, Good)</b>
	Health Ultra ProFund (HCPIX)	A, NTF, 90	A, NTF, 180	A, NTF, No	A, F	
	Rydex Health Care (RYHIX)	A, NTF, 90	A, NTF, 180	A, NTF, No	A, F	
	Schwab Health Care (SWHFX)	A, NTF, 90	A, NTF, 180	A, NTF, 30	A, NTF, 30	
IT Consulting & Services	<b>Fidelity Sel IT Serv (FBSOX)</b>	A, F	A, NTF, 30	R, F	A, F	<b>Equal weight mix of ACS, ADP, ADS, &amp; MA</b> (no pure-play ETF available)
Medical Equip	<b>Fidelity Sel Med Equip (FSMEX)</b>	A, F	A, NTF, 30	R, F	A, F	<b>iShares DJ US Med Devices (IHI, Limited)</b>
Pharmaceuticals	<b>Fidelity Sel Pharma (FPHAX)</b>	A, F	A, NTF, 30	R, F	A, F	Pharmaceutical HOLDRs (PPH, Good)
	Pharma Ultra ProFund (PHPIX)	A, NTF, 90	A, NTF, 180	A, NTF, No	A, F	<b>PowerShares Pharma (PJP, Limited)</b>
Retailing	<b>Fidelity Sel Retailing (FSRPX)</b>	A, F	A, NTF, 30	R, F	A, F	<b>SPDR S&amp;P Retail (XRT, Good)</b>
	Rydex Retailing (RYRIX)	A, NTF, 90	A, NTF, 180	A, NTF, No	A, F	
Transportation	<b>Fidelity Sel Transport (FSRFX)</b>	A, F	A, NTF, 30	R, F	A, F	<b>iShares DJ US Transportation (IYT, Good)</b>
	Rydex Transportation (RYPIX)	A, NTF, 90	A, NTF, 180	A, NTF, No	A, F	
<b>Minimum Purchase Requirements</b>						<b>Availability:</b> A-Available, C-Limited to current shareholders, I-Limited to Institutional investors, N-Not available, R-Limited to retail investors. <b>Trans. Fees:</b> F-Transaction fee applies, NTF-No transaction fee subject to holding period. <b>Min. Holding Period:</b> 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. <b>Liquidity:</b> Investors should consider limit orders when trading ETFs with limited liquidity. <b>Note:</b> 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.
<b>ETF/Fidelity Fund</b>	<b>Regular Accounts</b>	<b>Retirement Accounts</b>				
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.						

January 30. At this stage, we are inclined to add new money to recommended investments only below 785 on the S&P 500.

## Performance & Prospects

In January, higher exposure to the health care sector enabled the Al-

phaProfit Core model portfolio to outperform the Dow Jones Wilshire 5000 benchmark while the AlphaProfit Focus model portfolios underperformed.

## Air Transportation

AlphaProfit's Air Transportation

basket performed generally in line with the DJW 5000 while Fidelity Select Air Transportation lost more. Larger positions in Delta, Continental, and AMR likely pressured the Fidelity fund's performance. Major airlines reported massive losses in their fourth quarter as unfavorable fuel hedges exacerbated the im-



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
Calgon Carbon	CCC	\$14.32	22.4	-	\$14.10	\$17.80	\$10.70	Above Average
Eli Lilly	LLY	\$36.61	8.9	5.4%	\$37.50	\$42.00	\$32.30	Below Average
Southwest Air.	LUV	\$7.12	11.7	0.3%	\$7.70	\$10.00	\$5.40	Above Average
MasTec	MTZ	\$10.39	9.5	-	\$11.10	\$13.70	\$8.10	Above Average
Onyx Pharma.	ONXX	\$31.77	28.4	-	\$33.30	\$38.40	\$27.10	Average

*Earnings estimates from Capital IQ*

**CCC.** Shares of water and air purification specialist Calgon Carbon are down over 18% in January even though the company's growth prospects appear largely recession resistant. For the 3-month period ending on September 30, 2008 Calgon earned 12 cents a share, inline with analysts' estimate. Calgon is well positioned to benefit from more stringent limits for discharge of mercury in power plant flue gases. Disinfection of drinking water and wastewater presents opportunities as well. Analysts expect Calgon's EPS to increase 34% in 2009 to \$0.70 a share.

**LLY.** A relatively attractive dividend yield makes shares of Eli Lilly appealing for growth-seeking conservative investors. Excluding items pertaining to the ImClone Systems acquisition, the drug maker earned \$1.07 a share during the fourth quarter, 2 cents a share higher than analysts' forecast. Lilly has 60 molecules in various stages of clinical development. The risk of bad mergers is lower here since Lilly intends to

focus on investments and innovation rather than on big combinations. On February 3, the U. S. Food & Drug Administration approved Lilly's blood thinner *Prasugrel*.

**LUV.** We are re-featuring shares of Southwest Airlines following their 18% decline in January. Southwest earned 8 cents a share during the fourth quarter, exceeding analysts' 5 cents a share estimate. Looking ahead, Southwest's key operating metric has improved 7% in January, a remarkable achievement. Yet, shares have fallen on concerns over soft booking trends for February and March. Southwest is combating this softness with a fare sale. We believe Southwest's shares should recover later this year as year-over-year EPS comparisons become favorable.

**MTZ.** Specialty construction contractor MasTec is executing well and is well positioned to benefit from increasing infrastructure investments. The designer and builder of infrastructure for communication companies and utilities

earned 36 cents a share in the third quarter beating analysts' forecast by nearly 13%. Late in 2008, MasTec completed the purchase of Wanzek Construction for \$200 million. Wanzek's expertise in wind farm construction extends MasTec's reach into the promising alternative energy market. MasTec's shares trade at a modest forward P/E multiple vis-à-vis the company's growth prospects.

**ONXX.** Biotechnology company Onyx Pharmaceutical's sales of cancer drug *Nexavar* are ramping up nicely. Global *Nexavar* net sales as reported by Onyx's collaborator Bayer increased 73% to \$181 million during the most recent quarter. While *Nexavar*'s market share for kidney cancer treatment has saturated, its recent approval for liver cancer in China, several European countries, and the U. S. raises the possibility of *Nexavar* becoming a billion dollar drug. While Onyx shares trade at a relatively lofty forward P/E multiple, they have speculative buyout appeal.

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*continued on page 6*

## Portfolio Composition

The AlphaProfit model portfolios were last repositioned at the close of trading on December 31, 2008.

### AlphaProfit Focus™ Model Portfolio

Fidelity Fund Holding (Ticker Symbol)	December 31, 2008		January 31, 2009	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Air Transport (FSAIX)	\$327,539	33.40%	\$273,850	31.19%
Biotechnology (FBIOX)	\$325,634	33.20%	\$326,460	37.18%
Transportation (FSRFX)	\$327,539	33.40%	\$277,743	31.63%
Total (rounded to)	\$980,712	100.00%	\$878,053	100.00%

### AlphaProfit Core™ Model Portfolio

Fidelity Fund Holding (Ticker Symbol)	December 31, 2008		January 31, 2009	
	Amount Invested	Percent Portfolio	Value	Percent Portfolio
Air Transport (FSAIX)	\$44,946	10.00%	\$37,579	9.01%
Biotechnology (FBIOX)	\$76,274	16.97%	\$76,468	18.33%
Cons & Housing (FSHOX)	\$31,461	7.00%	\$27,455	6.58%
Cons Discretion (FSCPX)	\$31,461	7.00%	\$28,880	6.92%
Environmental (FSLEX)	\$31,461	7.00%	\$28,477	6.83%
Health Care (FSPHX)	\$31,461	7.00%	\$31,659	7.59%
IT Services (FBSOX)	\$31,493	7.01%	\$29,751	7.13%
Med Equipment (FSMEX)	\$31,621	7.03%	\$33,061	7.93%
Pharmaceut (FPHAX)	\$31,461	7.00%	\$29,997	7.19%
Retailing (FSRPX)	\$31,461	7.00%	\$28,965	6.94%
Transportation (FSRFX)	\$76,406	17.00%	\$64,790	15.53%
Total (rounded to)	\$449,509	100.00%	\$417,082	100.00%

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

pect of falling travel demand.

In the near-term, airline shares may be in for rough weather. Bookings for travel in the next two months are weak. To offset falling demand, airlines are slashing capacity. Looking farther, airlines can return to profitability if fuel prices stay low and economy does not deteriorate further. In the aircraft manufacture space, Boeing is aggressively cutting costs in a bid to meet its lowered 2009 earnings forecast.

### Biotechnology

Preferred investments in the biotechnology group materially outperformed the DJW 5000. Earnings per share at Gilead Sciences and Celgene exceeded analysts' forecast while Amgen's and Genentech's EPS trailed modestly. We are how-

ever cautious in our outlook. Citing drug pricing and economic uncertainty, Celgene and Genentech have lowered their EPS forecasts.

Acquisition activity continues to stir excitement as cash-rich buyers use a tough financing environment and revalued equity market to their benefit. Cephalon has acquired an option to take control of Ception Therapeutics if Ception successfully completes key drug development milestones. After six months of talks, Roche has turned hostile and lowered Genentech's takeover offer price by \$2.50 a share.

### Construction & Housing

Hurt by notable weakness in shares of building material makers, preferred investments in the construction and housing group underper-

formed the DJW 5000.

Falling home prices and declining construction spending are taking a toll on corporate performance. Construction equipment maker Caterpillar, construction services provider Jacobs Engineering, and paint maker Sherwin-Williams have lowered their 2009 earnings forecasts.

We see investments in the construction and housing sector as a government-assisted turnaround play. The Federal Reserve's success in lowering mortgage rates appears to be spurring distressed property buyers. The construction industry stands to benefit from President Obama's \$900 billion plan to jumpstart the economy through infrastructure spending.

### Consumer Discretionary

While strong contribution from education service provider Apollo Group likely helped Fidelity Select Consumer Discretionary to perform inline with the DJW 5000, Consumer Discretionary Select Sector SPDR lagged.

McDonald's is faring relatively well in this weak economic environment. Backed by a 7.2% increase in global same-store sales, the fast food giant earned 87 cents a share, beating analysts' forecast by nearly 5%. Analysts expect McDonald's to grow EPS by 5% in 2009.

Expecting sales to decline in 2009, Home Depot is trying to realign its cost structure and plans to eliminate 7,000 jobs. Weakness in advertising spend is hurting media companies. Time Warner expects to take a \$25 billion charge in its fourth quarter to write down several assets.

### Environmental Services

Market Vectors Environmental Services lost less ground while Fidelity Select Environmental Services lost a tad more than the DJW 5000. Lower weighting in the better performing waste hauling group likely affected the Fidelity fund's return.

## ETF &amp; Mutual Fund Facts

Industry	Air Transportation		Biotechnology	
MF/ETF	Fidelity Sel. Air Transport	Equal Weight Mix	Fidelity Sel. Biotech	SPDR S&P Biotech
Ticker	FSAIX	None	FBIOX	XBI
Manager/Index	M. FitzMaurice	AlphaProfit	R. Kaul	S&P Biotech Sel. Industry
Category	Mid Cap Blend	Large Cap Blend	Large Cap Growth	Mid Cap Growth
Risk Rating	Average	Below Average	Above Average	Above Average
Top 10 Holdings	Delta Air Lines	Boeing	Amgen	BioMarin Pharmaceutical
	Boeing	Precision Castparts	Genentech	Myriad Genetics
	Continental Airlines	Southwest Airlines	Gilead Sciences	OSI Pharmaceuticals
	Precision Castparts	United Parcel Service	Biogen Idec	Biogen Idec
	FedEx		Celgene	Gilead Sciences
	United Parcel Service		Cephalon	Onyx Pharmaceuticals
	AMR		Genzyme	Martek Biosciences
	Alaska Air		Alexion Pharmaceuticals	Cephalon
	JetBlue Airways		Vertex Pharmaceuticals	Cubist Pharmaceuticals
	Ryanair Holdings		Acorda Therapeutics	Amgen
% Portfolio	64.7%	100.0%	74.8%	48.6%
% Foreign	10.0%	0.0%	<5.0%	0.0%
Date	As of Dec. 31, 2008	As of Dec. 31, 2008	As of Dec. 31, 2008	As of Dec. 26, 2008
Industry/Index	Consumer Discretionary		Environmental Services	
MF/ETF	Fidelity Sel. Cons. Disc.	Cons. Disc. Sel. SPDR	Fidelity Sel. Environment	Mkt. Vect. Envir. Svcs.
Ticker	FSCPX	XLY	FSLEX	EVX
Manager/Index	J. Harris	Cons. Disc. Sel. Sector	S. Koutsantonis	NYSE Arca Envir. Svcs.
Category	Large Cap Growth	Large Cap Blend	Mid Cap Growth	Mid Cap Growth
Risk Rating	Below Average	Below Average	Below Average	Average
Top 10 Holdings	McDonald's	McDonald's	Veolia Environnement	Republic Services
	Target	Comcast	Republic Services	Waste Management
	Lowe's	Walt Disney	Ecolab	Stericycle
	Comcast	Home Depot	Waste Management	Veolia Environnement
	Time Warner	Time Warner	Stericycle	Covanta Holding
	Walt Disney	Lowe's	Covanta Holding	CLH Intl.
	Staples	Target	Clean Harbors	Waste Connections
	Apollo Group	News Corp	Donaldson	Tetra Tech
	Home Depot	Nike	Pall	Calgon Carbon
	DIRECTV	Amazon.com	Waste Connections	American Ecology
% Portfolio	48.6%	53.5%	69.5%	76.9%
% Foreign	<5.0%	0.0%	12.5%	9.6%
Date	As of Dec. 31, 2008	As of Dec. 26, 2008	As of Dec. 31, 2008	As of Dec. 26, 2008
Industry/Index	Health Care		IT Services	
MF/ETF	Fidelity Sel. Health Care	Health Care Sel. SPDR	Fidelity Sel. IT Services	Equal Weight Mix
Ticker	FSPHX	XLV	FBSOX	None
Manager/Index	M. Sabel & E. Yoon	Health Care Sel. Sector	J. Liou	AlphaProfit
Category	Large Cap Growth	Large Cap Blend	Mid Cap Growth	Large Cap Growth
Risk Rating	Below Average	Below Average	Below Average	Average
Top 10 Holdings	Merck	Johnson & Johnson	Accenture	Affiliated Computer Svcs.
	Pfizer	Pfizer	Visa	Automatic Data Process
	Genentech	Abbott Laboratories	Automatic Data Process	Alliance Data Systems
	Wyeth	Merck	Western Union	MasterCard
	Medco Health Solutions	Amgen	Affiliated Computer Svcs	
	Baxter Intl.	Wyeth	Fiserv	
	Covidien	Bristol-Myers Squibb	Lender Proc Svcs	
	Schering-Plough	Gilead Sciences	MasterCard	
	Amgen	Eli Lilly	Cognizant Tech Solutions	
	Abbott Laboratories	Medtronic	Alliance Data Systems	
% Portfolio	48.4%	60.3%	75.9%	100.0%
% Foreign	9.4%	0.0%	15.2%	0.0%
Date	As of Dec. 31, 2008	As of Dec. 26, 2008	As of Dec. 31, 2008	As of Jan. 31, 2009

**ETF & Mutual Fund Facts** (continued from pg. 5)

Industry	Medical Equipment		Pharmaceuticals	
MF/ETF	Fidelity Sel. Med. Eqpt.	iShares DJ US Med. Dev.	Fidelity Sel. Pharma	PowerShares Pharma
Ticker	FSMEX	IHI	FPHAX	PJP
Manager/Index	E. Yoon	DJ US Medical Devices	A. Oh	Dyn. Pharma. Intellidex
Category	Large Cap Growth	Mid Cap Growth	Large Cap Blend	Large Cap Growth
Risk Rating	Below Average	Below Average	Below Average	Below Average
Top 10 Holdings	Baxter Intl. Covidien Medtronic Boston Scientific St. Jude Medical Medco Health Solutions Hospira C.R. Bard Allergan Illumina	Medtronic Covidien Thermo Fisher Scientific Stryker St. Jude Medical Boston Scientific Zimmer Holdings Intuitive Surgical Varian Medical Systems Waters	Johnson & Johnson Pfizer Abbott Laboratories Wyeth Merck Eli Lilly Bristol-Myers Squibb Schering-Plough Allergan Gilead Sciences	Gilead Sciences Bristol-Myers Squibb Merck Pfizer Amgen Wyeth Abbott Laboratories Johnson & Johnson Prestige Brands Valeant Pharma Intl.
% Portfolio	66.3%	55.6%	68.5%	46.3%
% Foreign	18.0%	0.0%	10.4%	0.0%
Date	As of Dec. 31, 2008	As of Dec. 26, 2008	As of Dec. 31, 2008	As of Dec. 26, 2008
Industry/Index	Retailing		Transportation	
MF/ETF	Fidelity Sel. Retailing	SPDR S&P Retail	Fidelity Sel. Transport	iShares DJ US Transport
Ticker	FSRPX	XRT	FSRFX	IYT
Manager/Index	E. Hornbuckle	S&P Retail Sel. Industry	A. An	DJ US Transport. Avg.
Category	Large Cap Growth	Mid Cap Blend	Large Cap Growth	Large Cap Blend
Risk Rating	Below Average	Below Average	Below Average	Below Average
Top 10 Holdings	Staples Lowe's Home Depot Target Amazon.com AutoZone TJX Advance Auto Parts Wal-Mart Best Buy	Guess? CarMax Office Depot Netflix Children's Place Limited Brands AutoZone Amazon.com Gymboree RadioShack	United Parcel Service Union Pacific Norfolk Southern FedEx CSX Burlington North Santa Fe C.H. Robinson Wwide Expeditors Intl. Southwest Airlines UTI Worldwide	Burlington North Santa Fe FedEx United Parcel Service Union Pacific Norfolk Southern Overseas Shipholding C.H. Robinson Wwide Expeditors Intl. Landstar System JB Hunt Transport Svcs
% Portfolio	64.2%	20.8%	68.5%	72.3%
% Foreign	0.0%	0.0%	6.8%	0.0%
Date	As of Dec. 31, 2008	As of Dec. 26, 2008	As of Dec. 31, 2008	As of Dec. 26, 2008

**Disclosure continued from page 3**

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.

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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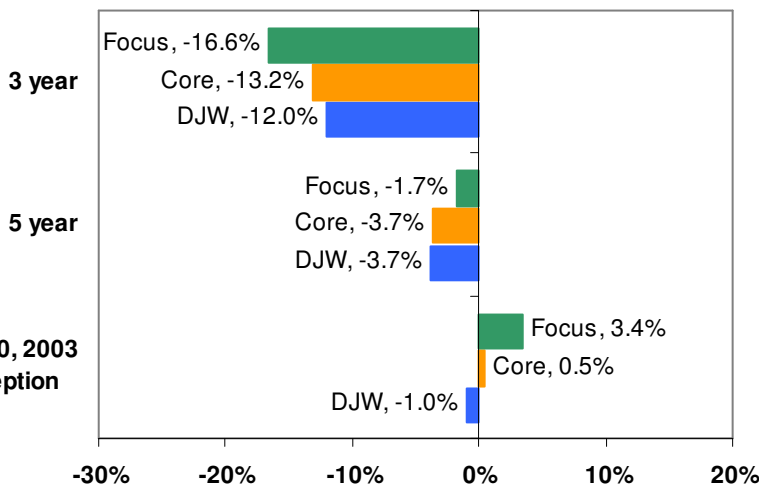
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**ETF & Mutual Fund Facts** (continued from pg. 6)

Industry	Construction & Housing		
MF/ETF	Fidelity Sel. Const.	SPDR S&P Homebuil.	PowerShares Build.
Ticker	FSHOX	XHB	PKB
Manager/Index	D. Kelley	S&P Homebuilders	Dyn. Buil. Intellidex
Category	Mid Cap Value	Mid Cap Value	Mid Cap Blend
Risk Rating	Below Average	Average	Below Average
Top 10 Holdings	Home Depot	Sherwin Williams	Mohawk Industries
	Lowe's	NVR	Martin Marietta Mat
	Vulcan Materials	Leggett & Platt	Caterpillar
	Sherwin Williams	Home Depot	NVR
	Equity Residential	Mohawk Industries	Lowe's
	Pulte Homes	Rent A Center	Home Depot
	Toll Brothers	Lennox	Jacobs Engineering
	Masco	Bed Bath & Beyond	Fluor
	Fluor	Owens Corning	MasTec
	Foster Wheeler	Pulte Homes	EMCOR
% Portfolio	61.4%	49.9%	47.8%
% Foreign	<5.0%	0.0%	0.0%
Date	As of Dec. 31, 2008	As of Dec. 26, 2008	As of Dec. 26, 2008

**Scorecard**

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



better performing health care provider and medical equipment groups and outperformed Health Care Select Sector SPDR by nearly 180 basis points.

Leading health care companies, Abbott Laboratories and UnitedHealth reported year-over-year revenue gains of 10% and 9%, respectively during the fourth quarter; Johnson & Johnson's revenue fell 5%.

Health care companies taken together are likely to show modest earnings growth in 2009. Supported by the dynamism of its recently launched products, Abbott expects 2009 EPS to increase by over 10%. EPS growth at J&J and UnitedHealth is likely to be more modest.

**IT Consulting & Services**

Preferred investments in IT Consulting & Services outperformed the DJW 5000 with many shares limiting losses to single digits.

Outsourcing firm Affiliated Computer Services exceeded analysts' second quarter EPS forecast and raised its fiscal 2009 earnings forecast. On January 31, we replaced Accenture with ACS in AlphaProfit's IT Consulting & Service basket for ETF investors.

Elsewhere, the outlook is mixed. India-based Satyam Computer's admission of massive corporate fraud could put other foreign outsourcing firms to greater scrutiny while opening business opportunities for players like Accenture and Cognizant Technology. With U. S. consumer spending in retreat, credit card networks like MasterCard and Visa can be vulnerable to declining volumes.

**Medical Equipment**

Bucking general market weakness, Fidelity Select Medical Equipment & Systems and iShares DJ US Medical Devices advanced 4.6% and 3.4%, respectively to outperform the DJW 5000. Medical equipment companies came through with their earnings with EPS at Baxter International, Covidien, St. Jude Medi-

Environmental services firms are executing relatively well and we like their prospects. Fourth quarter earnings at technical services provider Tetra Tech and air filtration systems maker Clarcor exceeded analysts' forecast. Signaling confidence in its future purification equipment maker, Pall Corp. has increased its dividend by 11.5%. The demand for sanitation chemicals made by Ecolab and medical waste

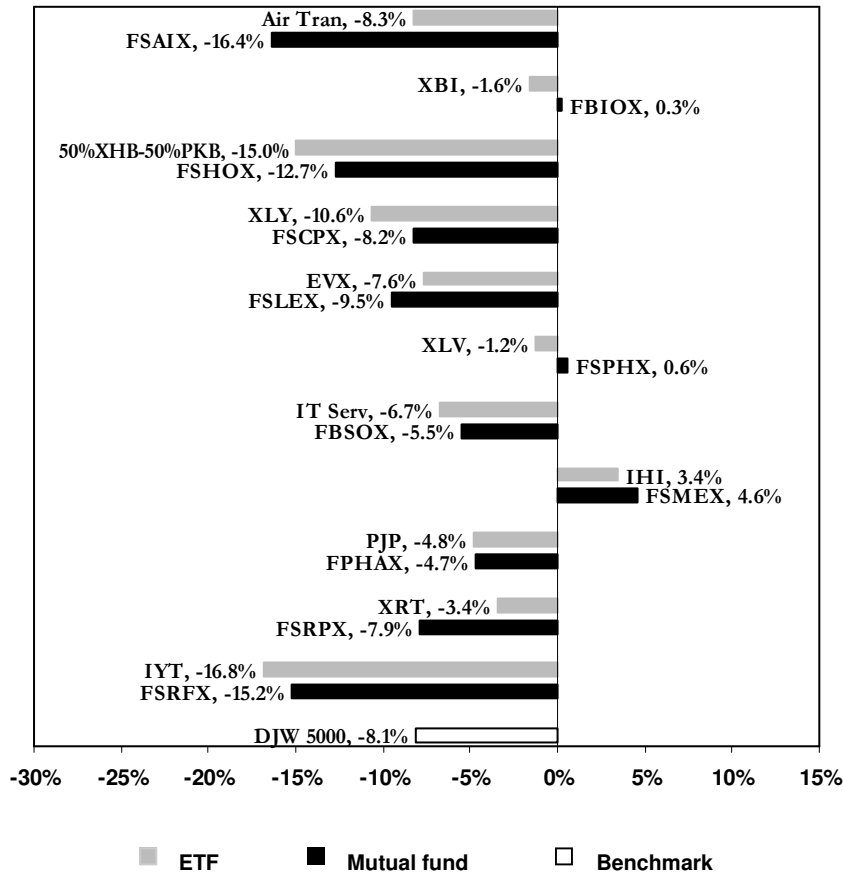
services provided by Stericycle tend to be recession resistant and both companies are taking steps to grow EPS in 2009.

**Health Care**

Preferred investments in the health care sector outperformed the DJW 5000. Fidelity Select Health Care likely benefited from Wyeth's takeover offer as well as exposure to

## Preferred ETF &amp; Mutual Fund Returns

January 2009



## Featured Quote

*'There are two ways you can put money into a company. You can loan them money, in which case the management's job is to minimize your return. Or you can actually be an owner of the business, in which case their job is to maximize return. We like management working for us.'*

**Ron Muhlenkamp**

2.7% from November to mark the sixth straight monthly decline, the longest decline on record. Even Wal-Mart felt the pinch and lowered its fourth quarter EPS forecast.

Elsewhere, Amazon trounced analysts' fourth quarter EPS forecast and provided an upbeat first quarter revenue assessment. Stronger retailers like Bed Bath & Beyond and Best Buy are positioning to prosper after their competitors have gone bankrupt. Office product retailers are getting hurt from shrinking small business spending.

cal, and Varian Medical Systems exceeding analysts' forecast.

Companies like Baxter, Medtronic, Stryker, and Varian Medical stand to grow EPS at a double-digit clip at a time when possibility of corporate EPS growth in the marketplace is eroding.

Shares of such companies also trade at modest forward P/E multiples. We like the outlook for medical equipment although strength in the U. S. dollar, weakness in discretionary consumer spending, and rollbacks in hospital capital spend can undermine prospects.

### Pharmaceuticals

Losing less than 5%, preferred investments in the pharma group outperformed the DJW 5000. Pfizer's \$66 billion takeover offer for Wyeth took center stage here. Wyeth's shares rose nearly 15% while Pfizer's shares fell nearly

18% after a 50% dividend cut.

Although challenging financial market conditions can render deal financing difficult, speculation of additional combinations are likely to sway share prices. Bristol-Myers Squibb and Schering-Plough are seen as acquisition targets.

Bristol-Myers and Pfizer have both lowered their 2009 earnings forecasts. Earnings at Merck and Schering-Plough stand to benefit from the U. S. Food & Drug Administration's favorable ruling on their cholesterol-lowering drug *Vytorin*.

### Retailing

Preferred investments in the retailing group outperformed the DJW 5000. Benefiting from strength in Amazon and Netflix shares, equal-weighted SPDR S&P Retail fared better than Fidelity Select Retailing.

In December, retail sales declined

### Transportation

Preferred investments in the transportation sector Fidelity Select Transportation and iShares DJ US Transportation Average lagged the DJW 5000 by sizeable margins. Shares of normally stodgy performers UPS and FedEx declined over 20%. Low double-digit losses were common in major railroad shares.

A rapidly contracting economy is causing transportation volumes to shrink. Freight company customers are opting for slower, lower margin services. The pricing power of railroads is being tested. We believe a pick up in economic activity will help benefits from lower fuel and other operating costs to flow to the bottom line and enable transportation stocks to lead a broad market recovery.

**AlphaProfit Investments, LLC**  
Date: January 31, 2009