

Sector Rotation System



We will not be making any changes to the model portfolio this week. Computers (FDCPX) and Telecommunications (FSTCX) have both fallen out of the top ten momentum rankings but have not been held the 30 days required to avoid Fidelity's short term trading penalty.

The Sector Rotation System model portfolio had a very respectable week in terms of performance when compared to Fidelity's S&P 500 Index fund (FSMKX). For the week the model portfolio lost 0.66% compare with a loss of 1.94% for FSMKX. On a year-to-date basis the model portfolio is up 12.86% vs. a gain of 6.84% for FSMKX.

Fidelity Energy Service (FSESX) was by far the best performing Fidelity sector fund this week gaining 2.05%. FSESX is also Fidelity's best performing sector fund on a year-to-date basis gaining 35.08%. We purchased this fund in our model portfolio on 3/26/07 and currently have an unrealized gain of 25.06%.

If you have been a subscriber of the SRS for more than a year you may feel a little déjà vu. We were in a similar situation in early May 2006. The SRS portfolio was up 13.71% year-to-date vs. 6.84% for FSMKX. The portfolio then had heavy positions in Energy (FSENX), Energy Service, and Natural Resources (FNARX). Unfortunately the commodity related funds reversed course sharply and two weeks later we lost 10%. I am hoping that this time will be different.

While I might be tempted to sell my energy related funds and lock in my profits, I am not going to do so. One of the biggest benefits of the SRS is that it removes the natural human emotions that are involved with buy and sell decisions. I believe these emotions are what lead to the biggest investment mistakes by both individual and professional investors. How many of you are looking to shift your portfolio to a more aggressive position after the market has fallen 20%? It is a lot more difficult to execute when it actually happens.

On the other hand, if you had a system that has been successful long term, that told you what to buy and what to sell, I believe you would make fewer mistakes. Your mindset changes from worrying about whether you made the right decision to just following the system. If you make fewer mistakes your returns will get better.

If you don't have the time or would prefer not to spend the time managing your investments you are much better off working with an investment professional.

Lange Asset Management currently manages over \$24 million for individual and small businesses. We would love the opportunity to get to know you and see if we can help you with your investments.

Call today for a free portfolio consultation (866) 455-2643.

This Week's Changes

Buy

No Trades

Sell

No Trades

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PORTFOLIO PERFORMANCE

Sector Rotation System		Fidelity S&P 500 Index Fund	
1 Week	-0.66%	1 Week	-1.94%
4 Week	3.16%	4 Week	-0.72%
12 Week	12.11%	12 Week	6.18%
26 Week	13.50%	26 Week	7.43%
YTD	12.86%	YTD	6.84%
52 Week	24.19%	52 Week	22.91%
Since	78.98%	Since	42.22%
2006	9.41%	2006	15.71%
2005	16.74%	2005	4.31%
2004	9.29%	2004	10.73%
2003	36.27%	2003	28.49%
2002	-16.63%	2002	-22.48%

CURRENT PORTFOLIO

Purchase									Percent	Days
Rank	Date	Name	NAV	Shares	NAV	Value	Cost	Gain	Gain	Held
1	3/26/07	Energy Service	FSESX	220.371	88.94	19,600	15,672	3,928	25.06%	88
2	3/26/07	Energy	FSENX	304.380	60.34	18,366	15,672	2,694	17.19%	88
3	3/5/07	Nat. Resources	FNARX	577.878	34.87	20,151	15,677	4,474	28.54%	109
4	3/5/07	Natural Gas	FSNGX	430.276	46.78	20,128	15,677	4,451	28.39%	109
5	6/4/07	IT Services	FBSOX	851.261	18.84	16,038	15,995	43	0.27%	18
6	5/14/07	Wireless	FWRLX	2049.150	8.21	16,824	15,983	840	5.26%	39
7	5/7/07	Industrial Equipment	FSCGX	490.334	35.06	17,191	16,416	775	4.72%	46
9	5/7/07	Industrials	FCYIX	761.075	22.40	17,048	16,416	632	3.85%	46
12	6/11/07	Computers	FDCPX	372.161	43.52	16,196	16,022	175	1.09%	11
17	5/29/07	Telecomm	FSTCX	313.233	55.66	17,435	17,544	(110)	-0.62%	24
						178,976				

MODEL CHANGES

We will not be making any changes to the model portfolio this week.

Optimized Momentum Rankings

Name	Symbol	3/30	4/6	4/13	4/20	4/27	5/4	5/11	5/18	5/25	6/1	6/8	6/15	6/22
Energy Service	FSESX	1	1	1	1	1	1	1	1	1	1	1	1	1
Energy	FSENX	5	4	4	4	3	3	3	2	2	2	3	2	2
Natural Resources	FNARX	3	3	3	2	5	4	4	3	3	4	4	3	3
Natural Gas	FSNGX	2	2	2	3	2	2	2	4	4	5	5	5	4
IT Services	FBSOX	14	6	6	7	9	8	11	14	11	7	7	7	5
Wireless	FWRLX	17	16	20	15	16	14	7	5	5	3	2	4	6
Industrial Equipment	FSCGX	19	27	32	33	20	10	9	10	7	8	9	6	7
Automotive	FSAVX	27	26	24	29	17	13	13	6	10	15	17	12	8
Industrials	FCYIX	25	29	30	26	15	9	10	8	9	9	10	8	9
Chemicals	FSCHX	9	15	22	27	24	25	25	15	14	14	16	14	10
Technology	FSPTX	16	19	23	29	31	29	27	27	32	32	20	16	11
Computers	FDCPX	32	36	38	42	41	36	24	18	13	11	8	9	12
Materials	FSDPX	6	8	7	9	10	16	12	11	12	10	11	13	13
Networking & Infrastructure	FNINX	38	37	35	37	33	34	37	39	40	41	24	17	14
Communications Equipment	FSDCX	11	10	13	18	18	18	19	24	20	19	15	11	15
Electronics	FSELX	26	32	29	17	7	7	6	16	31	40	39	22	16
Telecommunications	FSTCX	10	11	11	13	21	21	15	13	8	6	6	10	17
Paper & Forest	FSPFX	18	20	21	23	29	31	29	27	26	22	13	18	18
Defense & Aerospace	FSDAX	15	21	27	36	37	30	23	20	21	16	12	15	19
Software	FSCSX	20	17	19	24	27	23	30	31	34	26	19	20	20
Environmental	FSLEX	28	28	34	34	30	24	32	32	35	33	32	25	21
Fidelity S&P 500 Index	FSMKX	24	25	25	21	19	19	17	17	15	17	18	19	22
Multimedia	FBMPX	35	31	26	31	38	39	39	34	30	31	30	27	23
Insurance	FSPCX	33	34	37	35	28	20	14	12	17	25	25	24	24
Leisure	FDLSX	23	22	28	28	34	33	34	32	28	28	20	21	25
Medical Equipment & Systems	FSMEX	13	13	16	20	23	27	35	37	36	34	34	28	26
Air Transportation	FSAIX	34	33	36	39	42	42	42	41	41	38	37	38	27
Medical Delivery	FSHCX	7	7	10	14	22	28	31	29	22	12	14	23	28
Construction & Housing	FSHOX	39	38	40	40	39	40	36	35	27	20	22	33	29
Brokerage	FSLBX	36	35	31	16	12	15	18	25	25	24	31	30	30
Healthcare	FSPHX	30	24	15	11	8	12	16	23	18	23	27	26	31
Pharmaceuticals	FPHAX	31	23	12	6	4	5	5	9	6	13	23	29	32
Consumer Discretionary	FSCPX	22	18	17	19	32	38	40	40	37	36	36	37	33
Consumer Staples	FDFAV	8	9	9	12	14	17	28	26	29	29	29	31	34
Transportation	FSRFX	29	30	17	8	11	26	26	21	23	21	28	34	35
Retailing	FSRPX	12	14	14	22	26	35	38	38	39	39	33	35	36
Financial Services	FIDSX	37	39	39	32	25	22	20	22	24	27	35	36	37
Home Finance	FSVLX	41	42	42	38	35	32	21	19	16	18	26	32	38
Gold	FSAGX	21	12	8	10	36	41	41	42	42	42	42	42	39
Banking	FSRBX	40	41	41	41	40	37	33	30	33	35	40	39	40
Biotechnology	FBIOX	42	40	33	25	13	11	22	36	38	37	40	41	41
Utilities Growth	FSUTX	4	5	5	5	6	6	8	7	19	30	38	40	42

Mutual Fund Performance

Name	Symbol	Close	1 Dy Rtn	2 Dy Rtn	3 Dy Rtn	4 Dy Rtn	5 Dy Rtn	10 Dy Rtn	15 Dy Rtn	20 Dy Rtn	60 Dy Rtn	YTD Fnd
Air Transportation	FSAIX	50.36	-0.89	-0.32	-0.63	0.46	-0.73	0.74	-1.77	0.52	0.16	6.35
Automotive	FSAVX	45.34	0.11	0.82	0.69	0.98	0.87	4.49	3.23	2.56	11.24	17.37
Banking	FSRBX	32.35	-1.43	-1.46	-2.94	-2.82	-2.56	-1.13	-3.32	-3.32	-1.29	-1.95
Biotechnology	FBIOX	63.92	-1.71	-1.72	-3.27	-3.44	-4.23	-2.08	-5.22	-3.75	2.16	-1.60
Brokerage	FSLBX	74.70	-1.83	-1.89	-3.18	-3.23	-3.08	-1.16	-4.90	-3.33	2.12	4.06
Chemicals	FSCHX	77.66	-0.24	0.66	-0.09	0.73	0.84	3.64	1.86	3.35	8.12	17.07
Communications Equipment	FSDCX	22.73	-0.96	-0.18	-0.57	-0.74	-0.87	1.47	0.13	1.52	7.73	11.09
Computers	FDCPX	43.52	-1.18	0.39	-0.93	-0.82	0.12	0.48	1.19	1.75	8.29	10.21
Construction & Housing	FSHOX	46.00	-1.41	-1.12	-1.20	-1.12	-1.52	-0.76	-3.77	-2.00	0.66	4.25
Consumer Discretionary	FSCPX	26.45	-0.90	-0.90	-1.34	-1.31	-1.45	-0.53	-2.61	-1.20	0.55	5.84
Consumer Staples	FDFA	60.62	-0.96	-0.75	-1.08	-1.59	-1.85	-1.14	-3.26	-1.53	2.29	7.15
Defense & Aerospace	FSDAX	86.45	-1.19	-0.96	-2.14	-1.32	-1.83	-0.51	-1.18	1.21	4.82	11.01
Electronics	FSELX	49.70	-1.15	1.00	0.32	0.00	-0.20	3.71	2.81	3.58	7.93	13.44
Energy	FSENX	60.34	-0.53	1.36	-1.15	-1.31	-1.15	4.27	2.22	3.53	18.02	25.62
Energy Service	FSESX	88.94	1.25	3.41	1.19	1.69	2.05	8.85	7.75	7.74	25.92	35.08
Environmental	FSLEX	18.17	-0.60	-0.66	-0.55	-0.49	-0.22	1.51	-0.76	0.44	4.13	5.15
Fidelity S&P 500 Index	FSMKX	104.13	-1.28	-0.65	-2.00	-1.83	-1.94	-0.27	-2.10	-1.13	5.09	6.85
Financial Services	FIDSX	118.91	-1.37	-1.34	-2.91	-2.60	-2.56	-1.51	-3.82	-3.44	1.28	1.38
Gold	FSAGX	34.19	-0.20	-0.12	-1.64	-0.58	-0.61	0.71	-2.43	-0.67	-1.08	-1.81
Healthcare	FSPHX	128.92	-1.27	-1.09	-2.27	-2.06	-2.42	-1.10	-3.60	-2.83	4.00	6.71
Home Finance	FSVLX	47.22	-1.32	-0.84	-2.96	-3.34	-2.82	-2.09	-4.55	-5.18	0.59	-2.50
Industrial Equipment	FSCGX	35.06	-0.74	-0.40	-1.24	-0.65	-0.79	2.16	0.78	2.82	10.33	15.07
Industrials	FCYIX	22.40	-0.80	-0.36	-1.19	-0.58	-0.93	1.86	-0.13	1.86	9.85	13.45
Insurance	FSPCX	73.72	-0.74	-0.70	-1.96	-1.52	-1.46	-0.08	-1.86	-1.29	5.24	3.98
IT Services	FBSOX	18.84	-0.48	-0.42	-1.26	-1.15	-0.32	2.34	0.05	3.52	13.19	16.03
Leisure	FDLSX	80.81	-0.65	-1.02	-2.49	-2.53	-2.77	-1.34	-2.85	-1.73	2.07	4.77
Materials	FSDPX	56.11	-0.60	0.14	-1.01	-0.37	-0.32	2.00	-0.46	1.96	9.05	19.99
Medical Delivery	FSHCX	52.18	-1.01	-0.87	-2.16	-2.10	-2.16	-2.16	-4.52	-2.25	1.00	9.73
Medical Equipment & Systems	FSMEX	24.01	-1.11	-0.99	-2.08	-1.64	-2.00	-0.21	-1.40	-0.70	2.43	7.06
Multimedia	FBMPX	46.48	-0.98	-1.13	-1.32	-0.81	-0.85	0.91	-1.19	-0.32	4.05	4.63
Natural Gas	FSNGX	46.78	-0.93	1.04	-1.10	-1.25	-1.22	4.05	1.39	3.15	16.45	29.11
Natural Resources	FNARX	34.87	-0.54	1.01	-1.41	-1.44	-1.41	3.81	1.78	3.38	17.19	27.71
Networking & Infrastructure	FNINX	2.64	-0.75	0.76	-0.38	0.00	0.00	1.93	1.54	3.94	6.45	6.88
Paper & Forest	FSPFX	36.51	-0.65	-0.11	-0.84	-0.60	-0.41	1.11	-0.82	1.53	5.88	12.76
Pharmaceuticals	FPHAX	11.52	-1.45	-1.20	-2.62	-2.29	-2.78	-0.86	-3.92	-4.32	7.02	8.91
Retailing	FSRPX	54.34	-0.82	-0.64	-0.77	-1.24	-1.24	-1.45	-3.34	-0.93	-0.05	7.56
Software	FSCSX	70.55	-0.54	-0.30	-1.27	-1.29	-0.80	0.38	-0.93	1.00	4.63	7.59
Technology	FSPTX	76.58	-0.64	0.88	0.30	0.39	0.72	3.11	2.45	4.09	7.48	12.80
Telecommunications	FSTCX	55.66	-1.00	-0.75	-2.02	-1.83	-1.38	-0.93	-3.08	-0.20	7.53	14.86
Transportation	FSRFX	55.24	-0.91	-0.11	-0.65	-0.40	-1.43	-0.54	-4.01	-1.71	2.25	10.80
Utilities Growth	FSUTX	60.10	-1.65	-0.92	-3.59	-3.47	-4.39	-0.83	-6.24	-7.15	-0.95	8.73
Wireless	FWRLX	8.21	-0.97	-0.73	-1.79	-2.15	-1.56	0.37	-1.20	2.24	12.93	17.29

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