

Sector Rotation System



Sven Lange
President

We will be making one change to the model portfolio this week. On Monday we are going to sell IT Services (FBSOX) and with the proceeds purchase Telecommunications (FSTCX).

The model portfolio performed extremely well during this holiday shortened week gaining 2.73% vs. a gain of 1.85% for Fidelity's S&P 500 Index fund (FSMKX). Year-to-date the model portfolio is up 15.42%.

Gold (FSAGX) was the best performing Fidelity sector fund this week gaining 4.89% and 6 spots in the momentum rankings. While the fund is not ranked high enough to be included in the model portfolio I did notice that a few of the funds top stock holdings saw a significant increase in volume over the past couple of weeks. Newmont Mining (NEM) for example traded nearly 18 million shares on Friday gaining 5.56%. It is still too early to tell what the reason is for the latest demand but it may be worth watching.

IT Services (FBSOX) was one of the worst performing Fidelity sector funds this week. Over the past several weeks the fund appears to be stuck in the mud. The drag on performance may be associated with First Data Corp (FDC) the fund's top holding. FDC has been trading in a fairly tight range since it was announced that it was being purchased by a consortium of private equity groups.

Last week, I discussed a change in attitude among stock traders recently. For the first time in quite a while I noticed that the market appeared to be factoring in some of the headwinds that I saw facing stock prices over the next 6-12 months.

This week the optimism that helped push the Dow Jones Industrials and the S&P 500 indexes to record highs returned as the few traders that did not take a vacation shrugged off rising interest rates and higher oil prices. There is even speculation that analysts are now expecting 2nd quarter earnings to beat expectations on average.

It will be interesting to see how the market will react next week when many analysts return from vacation. Will the focus be on inflation and higher interest rates or will the focus be on corporate earnings when Alcoa unofficially kicks off earnings season. Either way, expect volatility as the tug of war between the bulls and the bears is likely to continue.

In times likes these I believe it is best to take a middle of the road approach when it comes to portfolio allocation. Since it is possible we could see a correction over the next 6 months I believe we have to protect against that possibility. At the same time it is possible the market could continue to rally like we have seen over the past 6 months and in that case we don't want to miss out completely. To protect against a correction I recommend increasing your fixed income position by 10%. If the correction doesn't happen and the market continues to rally we will still have 90% of our equity position.

If you have any questions or would like to learn more about our personalized money management services give me a call at 866-455-2643.

This Week's Changes

Buy

Telecommunications --
FSTCX

Sell

IT Services -- FBSOX

Table of Contents

- Outlook1
- Portfolio Perf.2
- Model Portfolio2
- Model Changes.....2
- Rankings3
- Portfolio4

PORTFOLIO PERFORMANCE

Sector Rotation System		Fidelity S&P 500 Index Fund	
1 Week	2.73%	1 Week	1.85%
4 Week	5.19%	4 Week	1.65%
12 Week	10.37%	12 Week	5.77%
26 Week	19.08%	26 Week	9.54%
YTD	15.42%	YTD	8.89%
52 Week	24.67%	52 Week	23.10%
Since 12/31/01	83.03%	Since 12/31/01	44.95%
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

Rank	Purchase Date	Name	NAV	Shares	NAV	Value	Cost	Gain	Percent Gain	Days Held
1	3/26/07	Energy Service	FSESX	220.371	89.20	19,657	15,672	3,985	25.43%	102
2	5/14/07	Wireless	FWRLX	2049.150	8.87	18,176	15,983	2,193	13.72%	53
3	7/2/07	Automotive	FSAVX	393.088	46.38	18,231	18,385	(153)	-0.83%	4
4	7/2/07	Technology	FSPTX	235.974	79.65	18,795	18,385	411	2.23%	4
5	7/2/07	Chemicals	FSCHX	232.512	79.43	18,468	18,385	84	0.46%	4
7	6/11/07	Computers	FDCPX	372.161	45.45	16,915	16,022	893	5.57%	25
8	3/5/07	Nat. Resources	FNARX	577.878	35.38	20,445	15,677	4,768	30.42%	123
9	3/26/07	Energy	FSENX	304.380	60.89	18,534	15,672	2,861	18.26%	102
10	5/7/07	Industrial Equipment	FSCGX	490.334	35.86	17,583	16,416	1,167	7.11%	60
14	6/4/07	IT Services	FBSOX	851.261	19.06	16,225	15,995	230	1.44%	32
		Total				183,030				

MODEL CHANGES

We will be making one change to the model portfolio this week. On Monday we are going to sell IT Services (FBSOX) and with the proceeds purchase Telecommunications (FSTCX).

Optimized Momentum Rankings

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

Page 4
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	52.24	0.66	1.18	2.29	3.71	3.65	2.81	3.36	4.06	4.04	10.32
Automotive	FSAVX	46.38	0.26	-0.90	-0.83	0.78	0.85	2.41	4.37	6.50	12.57	20.06
Banking	FSRBX	32.60	0.09	-0.37	0.03	1.18	0.74	-0.67	-1.21	-0.85	2.04	-1.20
Biotechnology	FBIOX	65.19	0.08	-0.02	-0.03	0.96	0.57	0.25	-1.29	-1.57	1.51	0.35
Brokerage	FSLBX	76.11	0.71	0.17	1.28	2.44	1.41	0.03	-0.57	-0.56	4.27	6.03
Chemicals	FSCHX	79.43	0.24	0.52	0.46	1.92	2.32	2.03	4.46	5.65	11.04	19.74
Communications Equipment	FSDCX	23.73	0.08	1.02	1.15	2.46	3.94	3.40	4.31	5.65	10.32	15.98
Computers	FDCPX	45.45	0.55	2.02	3.18	3.84	4.39	3.20	5.33	5.23	13.00	15.09
Construction & Housing	FSHOX	46.74	1.26	2.10	1.85	2.68	2.70	0.17	0.84	-0.57	4.40	5.93
Consumer Discretionary	FSCPX	27.14	1.12	2.07	1.99	2.76	2.49	1.69	1.88	1.31	2.43	8.60
Consumer Staples	FDFAV	61.86	0.23	0.15	0.45	1.19	1.28	1.06	0.63	0.11	2.98	9.34
Defense & Aerospace	FSDAX	89.14	0.37	1.08	1.48	2.97	3.23	1.89	1.80	2.51	8.19	14.47
Electronics	FSELX	50.78	0.67	1.09	1.50	2.65	2.36	0.99	3.70	7.20	10.58	15.91
Energy	FSENX	60.89	0.84	0.88	1.67	3.24	3.93	0.38	0.86	3.41	16.06	26.77
Energy Service	FSESX	89.20	1.02	1.05	1.77	3.83	4.10	1.55	3.48	7.38	22.75	35.48
Environmental	FSLEX	18.33	-0.16	-0.43	-0.16	1.10	0.99	0.27	1.21	1.55	5.10	6.08
Fidelity S&P 500 Index	FSMKX	106.13	0.36	0.40	0.78	1.85	1.70	0.62	0.59	1.00	6.45	8.90
Financial Services	FIDSX	120.12	0.29	-0.20	0.38	1.55	0.86	-0.36	-1.18	-1.40	3.22	2.41
Gold	FSAGX	35.62	2.12	3.19	3.31	4.89	5.82	3.97	5.07	2.56	-0.80	2.30
Healthcare	FSPHX	131.43	0.09	0.23	0.54	1.33	0.84	0.65	0.24	-0.18	4.28	8.78
Home Finance	FSVLX	47.30	0.68	0.08	0.45	1.74	1.11	-1.15	-2.23	-3.17	4.45	-2.34
Industrial Equipment	FSCGX	35.86	0.50	0.39	0.73	2.37	2.46	1.53	2.22	4.24	13.98	17.70
Industrials	FCYIX	22.99	0.66	0.61	1.05	2.54	2.68	1.82	2.50	4.12	13.72	16.44
Insurance	FSPCX	74.28	0.12	-0.34	-0.05	0.83	0.50	0.01	-0.38	-0.11	5.96	4.77
IT Services	FBSOX	19.06	0.63	0.47	0.11	0.85	1.06	0.69	1.82	2.47	9.23	17.39
Leisure	FDLSX	84.16	0.59	2.33	2.99	3.65	3.98	3.47	2.36	2.10	5.70	9.11
Materials	FSDPX	57.53	0.68	1.25	1.29	2.81	3.40	1.91	3.21	3.94	10.47	23.02
Medical Delivery	FSHCX	53.30	0.40	0.70	1.00	2.07	1.06	1.12	0.43	-0.52	2.28	12.08
Medical Equipment & Systems	FSMEX	24.73	0.49	0.73	0.82	2.27	2.23	1.85	1.94	2.27	4.03	10.27
Multimedia	FBMPX	47.42	0.13	0.47	0.42	1.50	1.45	1.02	1.83	2.02	4.86	6.75
Natural Gas	FSNGX	46.35	0.48	0.52	1.38	2.59	3.25	-1.84	-1.09	0.94	12.08	27.92
Natural Resources	FNARX	35.38	0.86	1.00	1.61	3.30	4.03	0.91	1.20	3.81	15.74	29.57
Networking & Infrastructure	FNINX	2.72	0.37	1.49	1.87	3.03	3.42	2.26	3.82	5.43	8.80	10.12
Paper & Forest	FSPFX	37.34	0.00	1.52	1.49	2.81	3.18	1.61	3.15	2.61	8.29	15.33
Pharmaceuticals	FPHAX	11.78	-0.08	-0.17	0.08	0.68	0.34	0.77	0.60	-0.17	6.91	11.37
Retailing	FSRPX	55.60	1.87	2.62	2.21	2.66	2.47	1.48	1.13	0.23	1.44	10.05
Software	FSCSX	72.88	0.94	1.59	2.24	3.24	2.72	2.75	2.95	2.84	6.94	11.15
Technology	FSPTX	79.65	0.64	1.49	2.23	3.23	4.00	3.35	5.88	7.62	10.93	17.32
Telecommunications	FSTCX	58.89	0.14	0.19	1.53	2.77	3.15	4.75	5.01	4.05	12.84	21.52
Transportation	FSRFV	56.33	0.54	0.27	1.02	2.31	1.90	1.04	0.90	0.66	5.67	12.99
Utilities Growth	FSUTX	62.01	-0.39	-0.75	-0.78	1.49	1.82	1.47	0.23	0.02	0.21	12.18
Wireless	FWRLX	8.87	0.34	0.80	1.72	3.99	6.48	7.00	7.38	7.91	20.68	26.71

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