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January 25, 2008

### **The Fed's Emergency Rate Cut**

As we're sure you're aware, the Fed made an emergency rate cut before the market's open on Tuesday morning, dropping the Fed funds rate by 75 basis points (the largest cut in 20 years) down to 3.50%. The move came too late to turn the markets around, but it is a welcome one, as it establishes the Fed's willingness to cut rates in the future as necessary.

There is still some argument about whether we're in a recession, heading for one, or going to miss one altogether, but what is clear is that the markets are experiencing a return to reality as sub-prime and recession-related fears bring pricing back to closer to where it should be. So far we've seen a 20% decline from peak prices, and we may continue to see further declines in the months and quarters ahead, but this is not necessarily a bad thing.

The drop in prices has flooded the market with values that our managers are most assuredly scooping up by the handful, which should increase the value and growth potential of their portfolios for years to come. The fact that our sell-off here at home is being mirrored by overseas markets is also a boon for the dollar, which will likely strengthen as foreign currencies will be forced to react to the possibility of a global recession.

So while financial headlines and 'infotainment' networks may be screaming about doom and gloom, there are still many positives to look to in the markets. As long-term strategists and investors, we see a sell-off like this as a great opportunity for values that should help grow our portfolios in the years ahead. At Adviser Investments, it's not our practice to be swayed by short-term volatility and we hope that you won't either.

For more on our views on the market and economy, please take a look at our Adviser Market Outlook report, which can be ordered here: <http://www.adviserinvestments.com/offers/market-outlook>

### **Fidelity Magellan Reopens**

After a decade of being closed to new investors, Fidelity's flagship Magellan fund was reopened on January 15<sup>th</sup>. This was something we predicted would eventually happen back in October 2005 when Harry Lange replaced Bob Stansky as the fund's manager. Lange's go-anywhere global growth style struck us then, as now, as a remedy for the bloated, stagnating fund, which had done little to distinguish itself from the S&P 500 under Stansky's tenure.

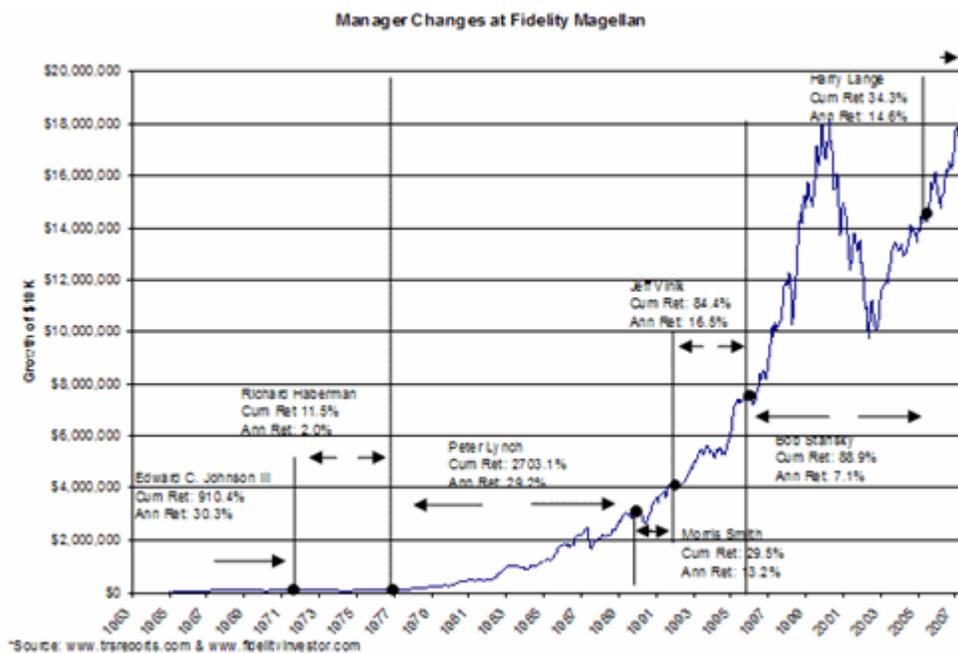
While under Lange, the fund saw about 30% of assets withdrawn (Fidelity

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says that outflows can be attributed to retirees making withdrawals—about 85% of assets in the fund are in 401(k) plans and other retirement vehicles) and it now sits at about \$45 billion in size. Back in 2000, at its peak, Magellan was the largest mutual fund on the market, weighing in at a hefty \$110 billion, which certainly contributed to its decline in performance, as Stansky struggled to find suitable investments for the fund's overwhelming assets.

Lange has upped Magellan's international exposure to about 28%—under Stansky it was only 4%—and he has broken the fund away from its S&P 500 clone-like standing to more of a global growth style, following no particular benchmark or index, instead seeking growth opportunities where they crop up. He has also put nearly 28% of assets in the technology sector, about twice the market's weighting, which has certainly provided some of the impetus behind the fund's recent outperformance (the fund gained 18.8% in 2007, compared to the S&P 500's 5.5%). Take a look at the chart below to see how Magellan's managers' cumulative and annualized returns compare to each other over the history of the fund. Since taking over, Lange has more than doubled Stansky's 7.1% annualized return with an average gain of 14.6% per year.



Magellan's renovation and reopening is a big positive for Fidelity, but also for investors seeking a good large growth fund for their portfolios.

## About Adviser Investments

Adviser Investments is an independent, professional money management firm specializing in Fidelity and Vanguard mutual funds. With 1,400 clients and \$1.2 billion dollars under management, Adviser is one of the nation's largest mutual fund research and money management firms. Our staff of 35 investment professionals focuses on helping individual investors, trusts, foundations, and institutions meet their investment goals. Our minimum account size is \$350,000.

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Adviser Investments  
85 Wells Avenue  
Newton, MA 02459  
USA

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