



March 4, 2011

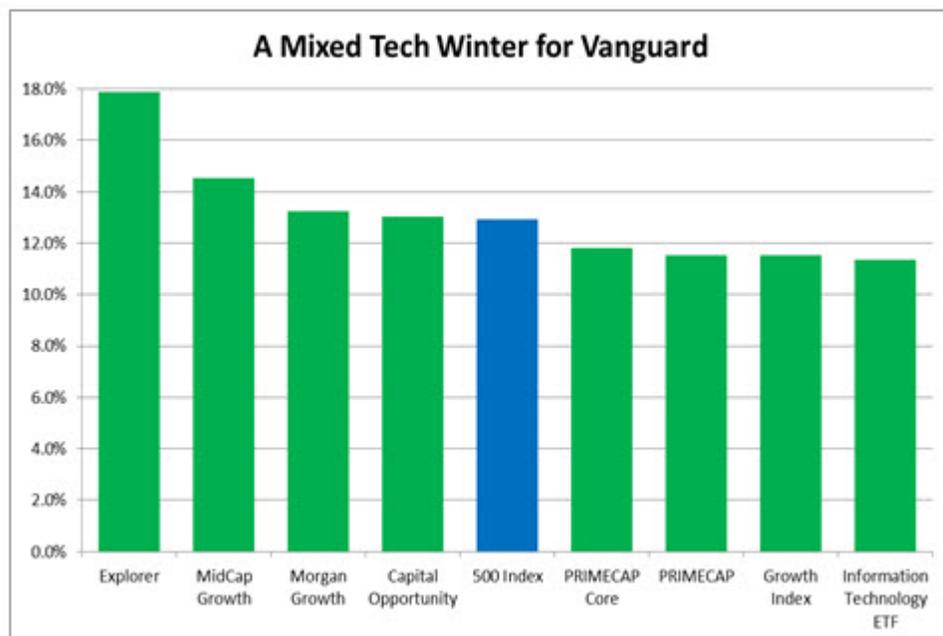
**In This Issue**

**A Snowy Tech Winter**

While winter may yet hold a few more weeks of storms and chilly temperatures in store, spring-like days have begun to creep into weekly forecasts, meaning we have come to the end of the annual 'season' of Tech Winter. If you recall, in November we wrote to you about what we call Tech Winter--the four month period from November to February during which technology stocks have traditionally outperformed. We've tracked this phenomenon over the past 26 years and found overwhelming evidence of the trend. While it is not a sure thing every year, the most recent Tech Winter lends support to the theory.

- A Snowy Tech Winter

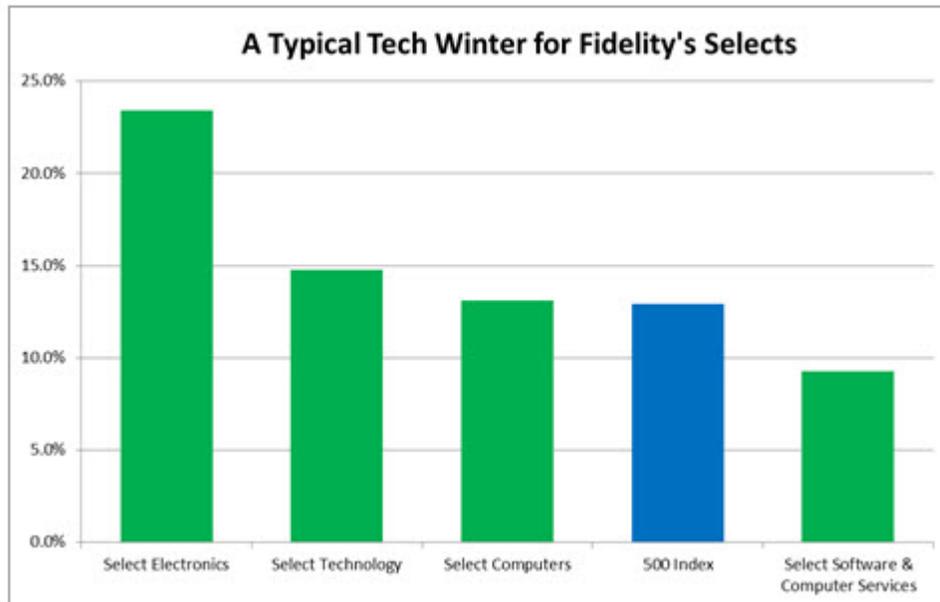
From November 2010 through February 2011, the most tech-heavy funds at both Vanguard and Fidelity, with a handful of exceptions, outperformed the S&P 500. Unlike last year, when the funds we use to track this trend outperformed the S&P 500 nearly across the board, this year, a number of tech-heavy funds at Vanguard and one at Fidelity lagged the index, although not by much.



Source: Adviser Investments

Vanguard's 500 Index (used in the charts as proxy for the S&P 500) returned 12.9% from the start of November 2010 through February of this year, and, as

mentioned above, four of Vanguard's tech-heavy funds surpassed that. The notable outperformers were Explorer, which gained an impressive 17.9% over the period (it was also helped by small-cap stocks' continued relative outperformance over the past couple of years) and MidCap Growth, which gained 14.5%. Capital Opportunity and Morgan Growth also beat the index, albeit by slimmer margins, while PRIMECAP Core, PRIMECAP, Growth Index and Information Technology ETF all lagged it, although none by more than 150 basis points or so.



Source: Adviser Investments

Fidelity's tech-focused Select funds were also Tech Winter outperformers, although Select Software & Computer Services failed to beat the index for the second year in a row. The best of the bunch, Select Electronics, gained a whopping 23.4%, while Select Technology (14.8%) and Select Computers (13.1%) had solid showings as well.

A big part of why we like to talk about the Tech Winter phenomenon is because it highlights the skills of some of our favorite managers and their dexterous stock-picking, which we put to use in our clients' portfolios. Among those managers is the team at PRIMECAP, responsible for Capital Opportunity (40% allocated to tech through January), PRIMECAP (32%) and PRIMECAP Core (26%). They are very fond of tech investing, but do it intelligently, hedging their bets by spreading a majority of their assets across multiple sectors. Obviously, this does not equate to a win every Tech Winter or over any other given short-term period. In fact, looking at the performance of PRIMECAP, where PRIMECAP Management has its longest tenure (dating back to 1984), we found that, on a monthly basis, the team has only beaten the S&P 500 57% of the time. However, those months of outperformance have been enough to account for a near doubling of the index's cumulative return over the 26-plus-year period, a shining example of quality active management prevailing over the markets.

The Fidelity funds we hold on behalf of our clients with tech holdings greater than the S&P 500's 19% allocation were a mixed bag this Tech Winter, with Contrafund (34% in tech through January) lagging the index with a 9.9% return over the four months, while Magellan (29%) outperformed, gaining 14.4%.

When looking at these shorter-term trends, we do not advise making drastic moves in your portfolio in an attempt to catch four months of potential outperformance--such a strategy runs counter to our long-term investment discipline. What we do recommend is keeping a diversified portfolio with tech exposure, so that you reap some benefit from Tech Winter without adding unnecessary risk. This philosophy has enhanced our client portfolios not only during the four months of Tech Winter, but the rest of the year--year in and year out--as well.

### **About Adviser Investments**

Adviser Investments is an independent, professional money management firm specializing in Fidelity and Vanguard mutual funds. With 1,500 clients and over \$1 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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