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ADVISER FUND UPDATE

Market Summary and Commentary for Individual Investors from Adviser Investments

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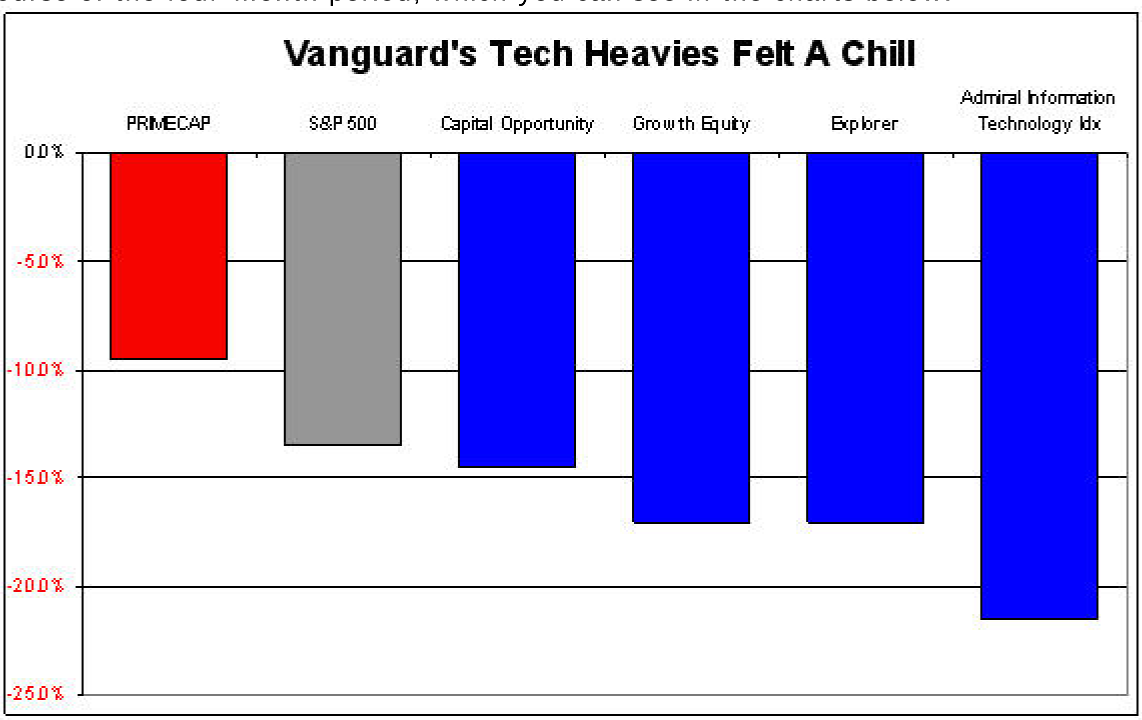
March 20, 2008

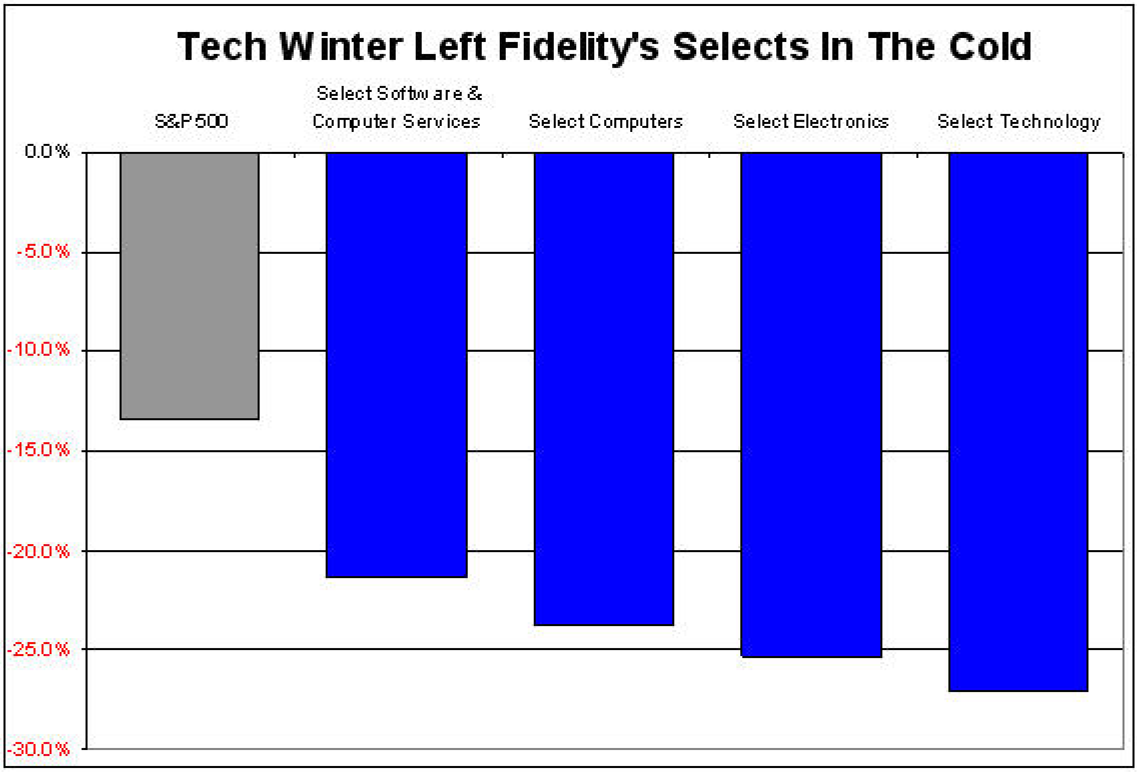
A Frosty Tech Winter

Back 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 23 years and found overwhelming evidence of the trend, although it is not a guarantee to occur every year, as was the case this last winter.

This most recent Tech Winter stands as a good example of the tech sector's risks, as tech stocks and tech-heavy funds mostly underperformed the S&P 500 Index over the course of the four-month period, which you can see in the charts below.



The S&P returned -13.5% from the start of November 2007 through February of this year, and most of Vanguard's tech-heavy funds were not able to beat that. However, a few of the funds were able to lose less than the index, such as PRIMECAP, which lost 9.5%, PRIMECAP Core, down 10.5%, and Growth Index, which dropped 12.1%. Capital Opportunity, Explorer, Growth Equity, MidCap Growth and Morgan Growth all felt the chill of underperformance, all losing between 13.9% and 17.0%. (While some of our favorite Vanguard funds missed the cut this Tech Winter, we do find it encouraging that they all surpassed the tech-only sector fund, which declined 21.5%, and this certainly endorses a broader approach to investing over any sector-reliant strategy.)



Fidelity's tech-focused Select funds had even worse of a time this year as their heavy exposure to falling tech stocks resulted in some significant losses. Select Software & Computer Services lost 21.3%, Select Computers dropped 23.8%, Select Electronics fell 25.3% and Select Technology lost 27.1% over the four-month period.

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. (And an unfortunate reality of the market is that sometimes those stock-picking talents won't net you gains over the near-term, but they can help you to lose less in the lean times, leaving you in a better position to recoup your losses when prices begin to rise again.) Among those managers is the team at PRIMECAP, responsible for Capital Opportunity (42% allocated to tech through February), PRIMECAP (28%) and PRIMECAP Core (25%). They are very fond of tech investing, but do it intelligently, hedging their bets by spreading a majority of their assets across multiple sectors. While the Fidelity funds we hold on behalf of our clients do not have quite the same tech focus, Contrafund (22% allocated to Tech through January) and Low-Priced Stock (14%) provided a bit of defense this Tech Winter, losing less than the market, as they returned -11.9% and -11.4% over the four months, respectively.

As we always caution 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. 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 helped protect our clients in this tumultuous Tech Winter and should do so for many years to come.

Fed Slashes Rates

On Tuesday, March 18, the Fed met and cut the Fed funds rate a further 0.75%, lowering it to 2.25%, the lowest it's been since late 2004. The move spurred an immediate market rally, with the Dow Jones Industrial Average finishing the day up

420+ points, a 3.5% rise.

The rally came despite expectations that the Fed would cut rates a full percentage point, but with a couple of dissenting members (who felt more moderate action was appropriate), the compromise number of 0.75% was agreed upon by the committee.

While some may be decrying the surge as the end of the bear market, we view it as more of a typical bear market rally, just another volatile day in the markets (we only have to look back to the prior week, when we saw the markets move up just as dramatically over the course of a single day on March 11th, only to trend back downwards over the days leading up to the 18th, to get a snapshot of this volatility in action).

The Fed's statement that accompanied the rate cut seemed to back this view, indicating that the committee sees a likelihood of dampened growth and economic activity over the coming quarters, while also noting increasing inflation levels, which they vow to keep close tabs on.

The positives to take away from this seemingly gloomy statement are, first, that the expectation of an economic downturn is already priced into the markets, along with the fact that we're seeing signposts of a recessionary economy could indicate that we are heading out of it (as we've written to you before, historically, market-watchers have not been able to label an economic downturn a recession until after the fact, as the market is on the road to recovery). Secondly, inflation implies growth, and so long as it's under control, it's acceptable.

Such nerve wracking volatility is commonplace in economic and market times like these. The best advice we can give is that which we've stood by for the entirety of Adviser Investments' history—don't let day-to-day or short-term market moves unduly influence your long-term plans. Stick with a diversified, risk adjusted investment discipline and you'll be able to withstand whatever the market throws at you.

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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