



March 30, 2012

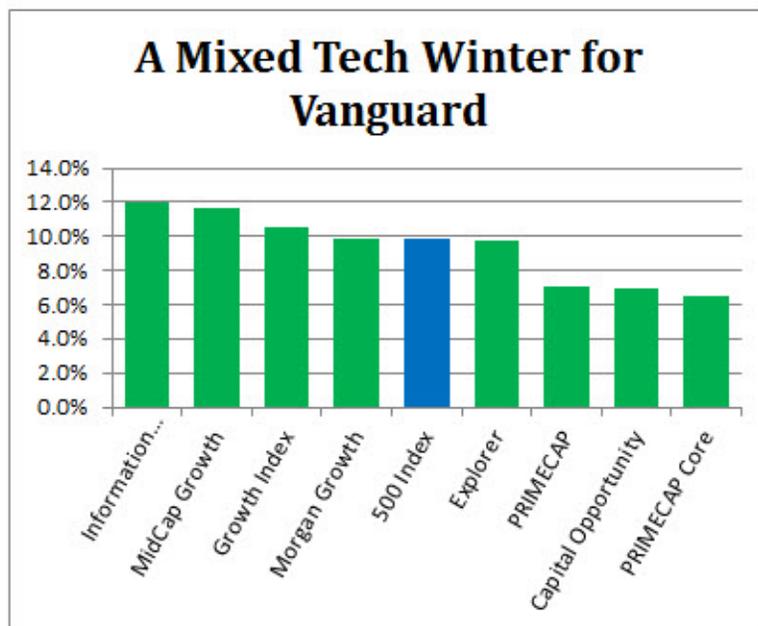
In This Issue

Is the Tech Rally Over?

As one of the mildest winters in recent memory drew to a close, the annual 'season' of Tech Winter also ended. In years past, we've written 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 two-plus decades and found overwhelming evidence of the trend. While it is not a sure thing every year, the most recent Tech Winter lends some support to the theory.

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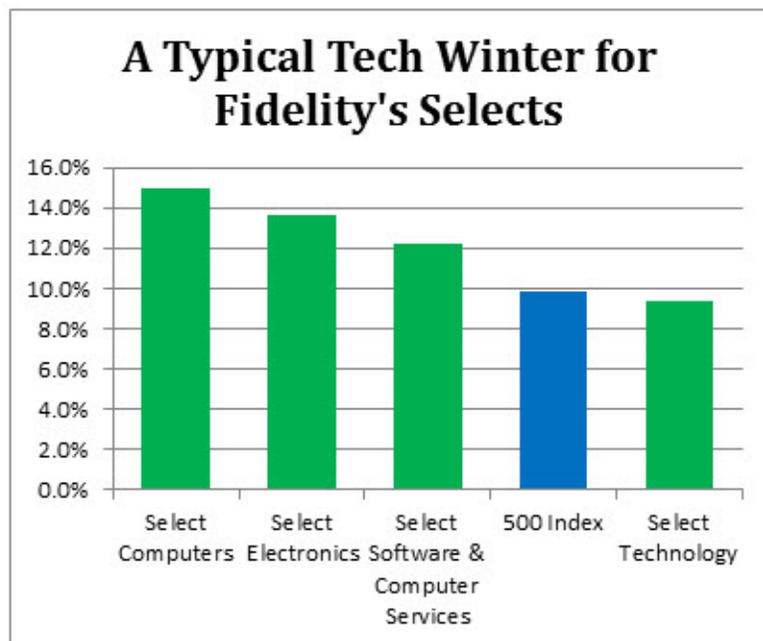
From November 2011 through February 2012, the lack of snow we saw this winter was echoed in the lagging performance of a number of Fidelity and Vanguard's diversified tech-heavy funds when compared to S&P 500. As is typical, however, most of the technology sector funds at the two firms outperformed the market.



Sources: Adviser Investments, Morningstar Direct

Vanguard's 500 Index (used in the charts as proxy for the S&P 500) returned 9.8% from the start of November 2011 through February of this year, with four of Vanguard's tech-heavy funds surpassing it. The notable outperformers were MidCap Growth

(26% of assets in tech stocks through February), which gained a solid 11.6% over the period, and Information Technology ETF, which gained 12.0%. Growth Index (up 10.6%, 32% in tech) and Morgan Growth (up 9%, 37% in tech) also outperformed, while Explorer (25% in tech) had a near miss, gaining 9.7%. PRIMECAP (32% in tech), Capital Opportunity (35%) and PRIMECAP Core (27%) all underperformed by about 300 basis points (3%) or more.



Sources: Adviser Investments, Morningstar Direct

Fidelity's tech-focused Select funds were also Tech Winter outperformers, although Select Technology lagged the index by about 50 basis points. The best of the bunch, Select Computers, gained 14.9%, while Select Technology (13.6%) and Select Computers (12.2%) had respectable showings as well.

A big part of why we like to talk about the Tech Winter phenomenon is because it highlights the value that skilled active management can bring to a portfolio. One of the key underpinnings to our philosophy at Adviser Investment is that you should *buy the manager, not the fund*[™]. By building our client portfolios to include some of the industry's top managers from Fidelity, Vanguard and other fund providers, we're hitching a ride on the shoulders of giants. The managers we invest alongside know how to take advantage of short-term market phenomena (like Tech Winter), while also maintaining a disciplined long-term strategy.

When looking at these shorter-term trends, we do not advise making drastic moves in a portfolio in an attempt to catch four months of potential outperformance--such an approach runs counter to our long-term investment philosophy. However a diversified portfolio with tech exposure could help investors benefit from Tech Winter without adding unnecessary risk.

Tech for All Seasons

Beyond the technology stocks' traditional seasonal outperformance, a commitment to the sector makes sense to our best managers on an extended basis, as the long-term growth trajectory, while likely to be volatile, shows promise; tech is a key component of the growth holdings in our client portfolios. Tech's influence is also felt within the health care sector (another sector where we see continuing growth potential), as there is overlap in the fields of biotechnology and medical data, services and equipment. This approach 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.

For ideas on how to best include technology stocks as a part of your investment strategy, we recommend you talk to a trusted investment adviser.

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