



ADVISER FUND UPDATE

Market Summary and Commentary for Individual Investors from Adviser Investments



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Fidelity Shuffles Managers

Fidelity announced several portfolio manager changes over the past month. The most notable change occurred at Fidelity Mid Cap Growth and Advisor Growth Strategies, where Steve Calhoun has been replaced by Fidelity's Stock Selector Mid Cap team. The team includes Douglas Simmons, Samuel J. Wald, Pierre Sorel, Patrick Venanzi, Rayna Lesser Hannaway, Mahantesh Kori, Shadman Riaz and Gordon Scott, each of whom will manage sector-specific sleeves of the portfolio.

- Fidelity Shuffles Managers
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Historically, most Fidelity funds have been run by a lone named manager, but this latest change shows that Fidelity is open to a more team-based approach at some funds. Hopefully, the new team will achieve better results, as Mid Cap Growth has trailed its benchmark, the Russell Midcap Growth Index, over the past one-year, three-year, five-year and 10-year periods.

Calhoun has also been relieved of his duties as manager of Growth Strategies and VIP Growth Strategies, which has also trailed its benchmark for some time. Taking Calhoun's place is Christopher T. Lee, who joined Fidelity in 2004 as an equity analyst for the semiconductor industry. Lee was later appointed manager of Select Electronics and Select Consumer Finance, both of which he will continue to co-manage.

Joining Lee as co-manager of Select Consumer Finance is Shilpa M. Mehra, who had been covering commercial services stocks for Fidelity since 2009. More recently, she served as a research analyst covering the financial services industry.

In another Select fund manager change (a common occurrence at Fidelity, which uses the Select funds as a stepping stone for up-and-coming talent in its in-house manager training regimen), Gordon Scott has taken the helm at Select Consumer Discretionary and VIP Consumer Discretionary, succeeding John Harris. Scott began his career at Fidelity in 2005 as a research associate covering transportation and machinery stocks and later covered a broad range of stocks within the consumer sector. In 2011, Scott was named co-manager of Advisor Stock Selector Mid Cap, which he continues to manage.

Over at Europe Fund, Risteard Hogan has taken over portfolio management duties from Melissa Reilly, who will continue to manage Europe Capital Appreciation, Advisor Europe Capital Appreciation and the European equity subportfolio of Global Balanced. Europe has trailed its benchmark, the MSCI Europe Index, slightly over the one-year and three-year periods, but has outperformed it over the five-year and 10-year periods.

Hogan joined Fidelity in 2005 as a research analyst and moved to his current position in the International Equity Research division in 2006. Previously, he managed consumer staples and financial subportfolios for Fidelity between 2008 to 2011. Prior to joining Fidelity, Hogan conducted fundamental research on the European financials, international chemicals and building materials industries for Fidelity Worldwide Investment, which operates independently from Fidelity.

Vanguard Cuts Expenses on More Funds

Following up on last month's expense ratio adjustments for a number of its funds and ETFs, Vanguard has reduced expenses on various share classes of 27 additional funds and ETFs (with one increase thrown in for good measure). The reductions range from as little as one basis point (0.01%) to nine basis points (0.09%). The sole increase was at Conservative Allocation Annuity, which saw expenses go from 0.20% to 0.25%.

The cuts are good news for shareholders, because even small reductions in expenses can add up to significant savings over longer periods of time (for more of the math behind expenses, see our *Adviser Fund Update* from April 13 by [clicking here](#)). Expressed as a percentage of assets under management, the expense ratio tells you how much you are paying to support the firm's annual cost of operating a particular fund or ETF. These expenses are deducted from the fund's or ETF's assets and therefore reduce your returns.

At Adviser Investments, fund expenses have always been taken into account in our analysis of potential funds for our client portfolios. We believe that, all other factors being equal, a fund with lower expenses will deliver better long-term results. But it's important to remember that expense ratios are just one factor that we consider when sizing up potential funds for our clients. We believe the most important factor is the fund manager, because behind every mutual fund is a living, breathing person with talents, biases and a track record. We make it our business to know the fund managers, their styles and their histories better than anyone else in the field. That's why our approach is to "buy the manager, not the fund."

Below are the new expense ratios for the Vanguard funds and ETFs affected by the most recent changes:

Fund	Share Class	Old Expense Ratio	New Expense Ratio
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Inflation-Protected Securities	Investor	0.22%	0.20%
Total Bond Market Index	Admiral	0.11%	0.10%
Total Bond Market Index	ETF	0.11%	0.10%
500 Index	Admiral	0.06%	0.05%
500 Index	ETF	0.06%	0.05%
Balanced Index	Admiral	0.12%	0.10%
Balanced Index	Investor	0.26%	0.24%
Extended Market Index	Admiral	0.16%	0.14%
Extended Market Index	ETF	0.16%	0.14%
Extended Market Index	Investor	0.30%	0.28%
Growth Index	Admiral	0.12%	0.10%
Growth Index	ETF	0.12%	0.10%
Growth Index	Investor	0.26%	0.24%
Large-Cap Index	Admiral	0.12%	0.10%
Large-Cap Index	ETF	0.12%	0.10%
Large-Cap Index	Investor	0.26%	0.24%
Mid-Cap Growth Index	ETF	0.12%	0.10%
Mid-Cap Growth Index	Investor	0.26%	0.24%
Mid-Cap Index	Admiral	0.12%	0.10%
Mid-Cap Index	ETF	0.12%	0.10%
Mid-Cap Index	Investor	0.26%	0.24%
Mid-Cap Value Index	ETF	0.12%	0.10%
Mid-Cap Value Index	Investor	0.26%	0.24%
Small-Cap Growth Index	ETF	0.12%	0.10%
Small-Cap Growth Index	Investor	0.26%	0.24%
Small-Cap Index	Admiral	0.17%	0.16%
Small-Cap Index	ETF	0.17%	0.16%
Small-Cap Index	Investor	0.31%	0.30%
Small-Cap Value Index	ETF	0.23%	0.21%
Small-Cap Value Index	Investor	0.37%	0.35%
Tax-Managed Balanced	Admiral	0.15%	0.12%
Tax-Managed International	Admiral	0.18%	0.12%
Tax-Managed Small-Cap	Admiral	0.18%	0.13%
Total Stock Market Index	Admiral	0.07%	0.06%
Total Stock Market Index	ETF	0.07%	0.06%
Value Index	Admiral	0.12%	0.10%
Value Index	ETF	0.12%	0.10%
Value Index	Investor	0.26%	0.24%
Balanced Annuity	—	0.30%	0.29%
Capital Growth Annuity	—	0.44%	0.42%
Conservative Allocation Annuity	—	0.20%	0.25%
Diversified Value Annuity	—	0.40%	0.39%
Equity Income Annuity	—	0.35%	0.33%
Equity Index Annuity	—	0.19%	0.17%
Mid-Cap Index Annuity	—	0.28%	0.26%

REIT Index Annuity	—	0.30%	0.28%
Total Stock Market Index Annuity	—	0.20%	0.18%
Market Neutral	Investor	1.80%	1.71%

Source: Vanguard

About Adviser Investments

Adviser Investments and its subsidiaries operate as an independent, professional money management firm with particular expertise in Fidelity and Vanguard mutual funds. With 2,400 clients and over \$2 billion under management, Adviser Investments is one of the nation's largest mutual fund research and money management firms. Our investment professionals focus on helping individual investors, trusts, foundations, and institutions meet their investment goals. Our minimum account size is \$350,000.

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