



ADVISER FUND UPDATE

Market Summary and Commentary for Individual Investors from Adviser Investments



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Fidelity Shuttters Three Funds, Launches Five

Fidelity recently announced that three of its funds, Fifty, Tax Managed Stock and 130/30 Large Cap, will close to new investors on October 12. Based on their performance records, we don't imagine too many people will be disappointed by the news.

Fidelity Fifty, a fund that concentrated its bets on 50–60 stocks, is the largest of the three funds to close. It took a drubbing in 2008, when it lost 48%, and since then its assets have dropped from \$1.6 billion to \$682 million. Stephen DuFour became manager of the fund in March 2011 and has done well, but the fund continues to bleed assets. It's likely that Fifty's assets will be merged into another of Fidelity's funds with a similar objective.

Tax Managed Stock has lagged its S&P 500 benchmark over the past one-year, three-year, five-year and 10-year periods. The fund's assets are just \$58 million and Fidelity may also choose to merge it with another fund.

Closing 130/30 Large Cap, a rare product failure for Fidelity, also seems like a logical move. The fund leveraged the value of its long positions and hedged against those positions by selling some positions short. The results were anything but stellar, as the fund lagged the S&P 500 by more than 6% over the three-year period ended Sept. 30. With only \$16 million in assets, few investors will be sorry to see this fund liquidated.

As these funds disappear, Fidelity is launching five new funds, all part of Fidelity's actively managed "Series" group of funds. These funds are designed specifically for use within Fidelity's target-date funds (the Freedom Funds), so they are not available as standalone investments.

Two of Fidelity's top managers, Joel Tillinghast (manager of Low-Priced Stock) and Will Danoff (manager of Contrafund) will each have management responsibilities for one of the new funds. Tillinghast will manage Series Intrinsic Opportunities while Danoff will run Series Opportunistic Insights. Both of these funds use the Russell 3000 Index as a benchmark.

The three other new Series funds are:

- Fidelity Series Equity-Income, managed by Jim Morrow

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- Fidelity Series Mega Cap, managed by Matthew Fruhan
- Fidelity Series Stock Selector Large Cap Value, managed by a team that includes Bruce Dirks as lead portfolio manager, along with Stephen Barwikowski, Justin Bennett, Laurie Bertner, Katherine Buck, Matthew Friedman and John Mirshekari.

The new Series funds could very well change the composition and character of the Freedom funds, depending upon how large a position they take in the funds of funds' portfolios. We're not convinced that a target-date fund will ever be the best choice for most investors, but adding talented active managers to the equation may improve Fidelity's lineup.

Fidelity Manager Moves

In other Fidelity fund news, Sammy Simnagar has been named the new manager of Emerging Markets, succeeding Bob Von Rekowsky. The Emerging Markets fund has trailed its benchmark over the past one-year, three-year, five-year and 10-year periods through the end of September, so it's not surprising that Fidelity decided to shake things up.

Simnagar joined Fidelity in 1998 as an equity research analyst and has been covering companies in the energy, materials and industrials sectors within developing countries since 2003. In 2008, he was named manager of International Capital Appreciation. That fund has outpaced its benchmark by a wide margin over the past three years through September, after suffering a 51% loss in 2008.

Finally, Eddie Yoon, manager of Select Healthcare and Select Medical Equipment and Systems, has been named manager for the health care assets of Mid Cap Growth Fund, Advisor Stock Selector Mid Cap and Advisor Growth Strategies, succeeding Patrick Venanzi. Yoon joined Fidelity in July 2006 and was previously an analyst for JP Morgan Asset Management from 2002 to 2006.

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