



November 22, 2013

In This Issue

Distribution Season Has Arrived

The arrival of Thanksgiving and the holiday season also brings the beginning of an annual investing tradition: Distribution season.

In December, many funds will pay out accumulated income, as they do every year. This income, along with any capital gains distributions you receive from funds held outside of a tax-advantaged retirement account, is taxable in the year it is received—so any income or capital gains you get as a holiday bonus this year will have to be included in your 2013 tax return come April.

If you are planning to make any additional purchases before year-end, it's important to know when your funds are planning to make their year-end distributions. Why? Because if you buy shares of a fund prior to its "ex-dividend" date (the date on which the fund's price is reduced by the amount of the expected dividend or capital gain), you will be on the hook to pay taxes on distributions on those shares even though you didn't own the shares when that income was "earned." Buying shares just before to the ex-dividend date is often referred to as "buying the dividend," and it's something we avoid whenever possible for our clients.

To help you sidestep this mistake with Fidelity and Vanguard funds, we've put together a list of those that are currently scheduled to pay out income and/or capital gains next month. Fidelity funds that do not appear on the list are not expected to make distributions this year, however, this information is subject to change (as are the distribution dates). Note that any shares you own on the fund's "record date" will be eligible for distributions and that ETFs distribute on a different schedule, with the ex-dividend date actually falling before the record date.

So, again, to avoid additional distributions just before the end of the tax-year, don't buy a fund—or additional shares in a fund—until after the record date.

Record Date: 12/5 Ex-Dividend Date: 12/6

Fidelity Funds: Arizona Municipal Income, California Limited Term Tax-Free Bond, Canada Capital & Income, Capital Appreciation, China Region, Disciplined Equity, Diversified International, Emerging Asia, Emerging Europe Middle East Africa (EMEA), Emerging Markets Discovery, Emerging Markets, Europe Capital Appreciation, Europe, Export and Multinational, Floating Rate High Income, Focused High Income, Focused Stock, Global Commodity Stock, Global Equity Income, Global High Income, Growth Company, High Income, International Capital Appreciation, International Discovery, International Growth, International Small Cap, International Small Cap Opportunities, International Value, Japan, Japan Smaller Companies, Large Cap Stock, Latin America, Leveraged Company Stock, Magellan, Maryland Municipal Income, Massachusetts Municipal Income, Fidelity Municipal Income 2021, New York Municipal Income, Nordic, Overseas, Pacific Basin, Small Cap Discovery, Small Cap Growth, Small Cap Stock, Small Cap Value, Stock Selector Small Cap, Total Emerging Markets, Total International Equity, Value, Worldwide, Select Biotechnology, Select Communications Equipment, Select Electronics, Select Energy Service, Select Environment and Alternative Energy, Select Technology, Select Utilities, Select Wireless.

Record Date: 12/12 Ex-Dividend Date: 12/13

Fidelity Funds: All Asset Manager funds, Balanced, Blue Chip Growth, Blue Chip Value, Contrafund, Dividend Growth, Fidelity, Global Balanced, Growth Strategies, Independence, International Enhanced Index, International Real Estate, Large Cap Core Enhanced Index, Large Cap Growth Enhanced Index, Large Cap Value Enhanced Index, Low-Priced Stock, Mega Cap Stock, Mid Cap Enhanced Index, Mid Cap Value, Mid-Cap Stock, Nasdaq Composite Index, New Millennium, OTC Portfolio, Puritan, Real Estate Income, Real Estate Investment, Small Cap Enhanced Index, Stock Selector All Cap, Stock Selector Large Cap Value,

- Distribution Season Has Arrived

Stock Selector Mid Cap, Strategic Dividend & Income, Strategic Income, Strategic Real Return, Value Discovery, Value Strategies, Spartan 500 Index, Spartan Emerging Markets Index, Spartan Extended Market Index, Spartan Global ex U.S. Index, Spartan International Index, Spartan Mid Cap Index, Spartan Small Cap Index, Spartan Total Market Index.

Record Date: 12/16 Ex-Dividend Date: 12/17

Vanguard Funds: Capital Opportunity, Capital Value, Dividend Growth, Emerging Markets Select Stock, Energy, Equity Income, Explorer, Explorer Value, FTSE Social Index, Growth & Income, Growth Equity, Health Care, International Explorer, International Growth, all Managed Payout funds, MidCap Growth, Morgan Growth, Precious Metals & Mining, PRIMECAP, PRIMECAP Core, Selected Value, U.S. Value, Wellesley Income, Windsor II, U.S. Growth.

Record Date: 12/18 Ex-Dividend Date: 12/19

Vanguard Funds: Consumer Discretionary Index, Consumer Staples Index, Developed Markets Index, Dividend Appreciation Index, Emerging Markets Stock Index, Energy Index, European Index, , FTSE All-World ex-U.S. Index, FTSE All-World ex-U.S. SmallCap Index, Global ex-U.S. Real Estate Index, Health Care Index, High Dividend Yield Index, Industrials Index, Information Technology Index, Materials Index, Pacific Index, Short-Term Inflation Index, Telecommunication Services Index, Tax-Managed International, Total International Stock Index, Total Stock Market Index, Total World Stock Index, Utilities Index.

Record Date: 12/19 Ex-Dividend Date: 12/20

Fidelity Funds: Connecticut Municipal Income, all Income Replacement funds, Inflation-Protected Bond, Intermediate Municipal Income, Limited Term Government, Limited Term Municipal Income, Michigan Municipal Income, Minnesota Municipal Income, Municipal Income, New Jersey Municipal Income, New Markets Income, Ohio Municipal Income, Pennsylvania Municipal Income, Trend, Select Air Transportation, Select Automotive, Select Banking, Select Brokerage and Investment Management, Select Chemicals, Select Computers, Select Construction and Housing, Select Consumer Discretionary, Select Consumer Finance, Select Consumer Staples, Select Defense and Aerospace, Select Energy, Select Financial Services, Select Health Care, Select Industrial Equipment, Select Industrials, Select Insurance, Select IT Services, Select Leisure, Select Materials, Select Medical Delivery, Select Medical Equipment and Systems, Select Multimedia, Select Natural Gas, Select Natural Resources, Select Pharmaceuticals, Select Retailing, Select Software and Computer Services, Select Telecommunications, Select Transportation, Spartan Inflation-Protected Bond Index, Spartan Inflation-Protected Bond Index, Spartan Intermediate Treasury Bond Index, Spartan Short-Term Treasury Bond Index, Spartan U.S. Bond Index.

Record Date: 12/24 Ex-Dividend Date: 12/20

Vanguard Funds: Consumer Discretionary ETF, Consumer Staples ETF, Dividend Appreciation ETF, Extended Duration Treasury ETF, Energy ETF, FTSE All-World ex-U.S. ETF, FTSE All-World ex-U.S. SmallCap ETF, FTSE Developed Markets ETF, FTSE Emerging Markets ETF, FTSE Europe ETF, FTSE Pacific ETF, Global ex-U.S. Real Estate ETF, Health Care ETF, High Dividend Yield ETF, Industrials ETF, Information Technology ETF, Materials ETF, MegaCap ETF, MegaCap Growth ETF, MegaCap Value ETF, Russell 1000 ETF, Russell 1000 Value ETF, Russell 1000 Growth ETF, Russell 3000 ETF, S&P 500 Value ETF, S&P 500 Growth ETF, S&P MidCap 400 ETF, S&P MidCap 400 Growth ETF, S&P MidCap 400 Value ETF, S&P SmallCap 600 ETF, S&P SmallCap 600 Value ETF, S&P SmallCap 600 Growth ETF, Short-Term Inflation-Protected Securities ETF, Telecommunication Services ETF, Total International Stock ETF, Total Stock Market ETF, Total World Stock ETF, Utilities ETF.

Record Date: 12/20 Ex-Dividend Date: 12/23

Vanguard Funds: 500 Index, Emerging Markets Government Bond Index, Extended Market Index, Financials Index, Growth Index, Intermediate-Term Corporate Index, LargeCap Index, Long-Term Corporate Index, MidCap Growth Index, MidCap Index, MidCap Value Index, Mortgage-Backed Securities Index, REIT Index, Short-Term Corporate Index, Short-Term Government Index, SmallCap Growth Index, SmallCap Index, SmallCap Value Index, Total International Bond Index, Value Index.

Record Date: 12/27 Ex-Dividend Date: 12/24

Vanguard Funds: Emerging Markets Government Bond ETF, Extended Market ETF, Financials ETF, Growth ETF, Intermediate-Term Corporate ETF, Intermediate-Term Government ETF, LargeCap ETF, Long-Term Corporate ETF,

Long-Term Government ETF, MidCap ETF, MidCap Growth ETF, MidCap Value ETF, Mortgage-Backed Securities ETF, REIT ETF, Russell 2000 ETF, Russell 2000 Growth ETF, Russell 2000 Value ETF, S&P 500 ETF, Short-Term Corporate ETF, Short-Term Government ETF, SmallCap ETF, SmallCap Growth ETF, SmallCap Value ETF, Total International Bond ETF, Value ETF.

Record Date: 12/24 Ex-Dividend Date: 12/26

Vanguard Funds: Balanced Index, Convertible Securities, Diversified Equity, Global Equity, Inflation-Protected Securities, International Value, all LifeStrategy funds, Market Neutral, STAR, Strategic Equity, Strategic SmallCap Equity, all Target Retirement funds, Tax-Managed Balanced, Tax-Managed Capital Appreciation, Tax-Managed Growth & Income, Tax-Managed SmallCap, Wellington, Windsor.

Record Date: 12/26 Ex-Dividend Date: 12/27

Fidelity Funds: All Freedom funds, Four-in-One Index, Global Strategies.

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