ADVISER INVESTMENTS

ADVISER FUND UPDATE

Market Summary and Commentary for Individual Investors from Adviser Investments

In

November 25, 2009

Vanguard Bond Indexes Bow
On Monday, November 23, Vanguard opened seven new bond index funds (and corresponding ETFs) to investors. We wrote to you about these funds back in early September, so we won't rehash all of the details here, but, suffice to say, they tread similar ground to many of Vanguard's existing bond funds.

However, the new indexes do not have an investor share class available, and the Signal and Institutional class shares require minimum initial investments of $1 million and $5 million, respectively, making the ETF shares the most attractive entry for a majority of investors. As ETFs, the new bond indexes fill niches in Vanguard's bond ETF offerings, expanding the total from five to 12, focusing in on the corporate, Treasury/government and mortgage bond markets that were previously only covered by Vanguard's broader ETF offerings. The ETFs should also provide competition for Barclay's iShares unit, somewhat ironically, considering that the new bond indexes are based upon Barclays indexes (see table below).

Fund Name	Benchmark	Symbol	Expenses
Short-Term Government ETF	Barclays US 1-3 Year Government Float Adjusted Index	VGSH	0.15%
Short-Term Corporate ETF	Barclays US 1-5 Year Corporate Index	VCSH	0.15%
Intermediate-Term Government ETF	Barclays US 3-10 Year Government Float Adjusted Index	VGIT	0.15%
Intermediate-Term Corporate ETF	Barclays US 5-10 Year Corporate Index	VCIT	0.15%
Mortgage-Backed Securities ETF	Barclays US MBS Float Adjusted Index	VMBS	0.15%
Long-Term Government ETF	Barclays US Long Government Float Adjusted Index	VGLT	0.15%
Long-Term Corporate ETF	Barclays US Long Corporate Index	VCLT	0.15%

These new ETFs, depending upon the skill with which their managers sample the underlying indexes, could provide viable, slightly lower-cost alternatives to several of Vanguard's bond funds, giving investors more flexibility and choice in how they construct their portfolios. We would avoid the longer-maturity funds for now, however.

'Tis The Season For Distributions
As the holiday season gets into full swing with Thanksgiving, investors have a second holiday calendar to follow, marking off the days their funds are scheduled to make year-end distributions. This year does not seem like it will be inducing too many capital gains-related tax headaches, but many funds will still be paying out accumulated income as dividends.

For this reason, investors concerned with tax consequences should take notice of what's going on in their funds or in funds they may be adding to their portfolio in the near-term. You'll want to avoid buying any shares in any fund that is going to make a year-end distribution before its "ex-dividend" date; that way you won't wind up paying taxes on a fund you didn't own and whose returns you have yet to experience. (Note: Distributions do not affect tax-deferred retirement accounts. The whole point of an IRA, 401(k), SEP, annuity or other tax-advantaged account is to allow for tax-free compounding of interest and capital gains.)

You can see a full distribution calendar for both Fidelity and Vanguard below—if you don't see a fund on the list, it is not expected to make a distribution this year.

Distribution Calendar
Record Date: Friday, Nov. 27
Reinvest Date: Monday, Nov. 30
Fidelity Funds: Europe

Record Date: Friday, Dec. 4
Reinvest Date: Monday, Dec. 7
Fidelity Funds: Arizona Municipal Income, California Short-Intermediate Tax-Free Bond, Canada, Capital & Income, Capital Appreciation, China Region, Disciplined Equity, Diversified International, Emerging Markets, Europe Capital Appreciation, Export and Multinational, Floating Rate High Income, Focused High Income, Focused Stock, Global Balanced, 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, Magellan, Maryland Municipal Income, New York Municipal Income, Nordic, Overseas, Pacific Basin, Select Biotechnology, Select Communications Equipment, Select Electronics, Select Energy Service, Select Environmental, Select Technology, Select Utilities, Select Wireless, Small Cap Discovery, Small Cap Growth, Small Cap Independence, Small Cap Stock, Small Cap Value, Southeast Asia, Stock Selector, Tax Managed Stock, Telecom and Utilities, Total International Equity, Value, Worldwide

Record Date: Friday, Dec. 11
Reinvest Date: Monday, Dec. 14
Fidelity Funds: Blue Chip Value, California Municipal Income, Convertible Securities, Dividend Growth, Emerging Europe, Middle East, Africa (EMEA), Equity-Income, Equity-Income II, Fifty, Growth & Income, Growth Company, Growth Strategies, Independence, Intermediate Government Income, International Enhanced Index, Large Cap Core Enhanced Index, Large Cap Growth, Large Cap Growth Enhanced Index, Large Cap Value, Large Cap Value Enhanced Index, Leveraged Company Stock, Low-Priced Stock, Massachusetts Municipal Income, Mega Cap Stock, Mid Cap Enhanced Index, Mid Cap Growth, Mid Cap Value, Select Air Transportation, Select Automotive, Select Banking, Select Brokerage and Investment Management, Select Chemicals, Select Construction Housing, Select Consumer Discretionary, Select Consumer Staples, Select Defense and Aerospace, Select Energy, Select Gold, Select Health Care, Select Home Finance, Select Industrial Equipment, Select Industrials, Select Insurance, Select IT Services, Select Materials, Select Medical Delivery, Select Medical Equipment and Systems, Select Multimedia, Select Natural Gas, Select Natural Resources, Select Pharmaceuticals, Select Transportation, Small Cap Enhanced Index, Small Cap Opportunities, Tax-Free Bond, Ultra-Short Bond, Value Discovery, Value Strategies

Record Date: Tuesday, Dec. 15
Reinvest Date: Wednesday, Dec. 16

Vanguard Funds: Asset Allocation, Capital Opportunity, Equity Income, Social Index, Growth Equity, International Growth, MidCap Growth, Precious Metals & Mining, Strategic SmallCap Equity, U.S. Value

Record Date: Friday, Dec. 18
Reinvest Date: Monday, Dec. 21
Fidelity Funds: 130/30 Large Cap, all Asset Manager funds, Balanced, Blue Chip Growth, Connecticut Municipal Income, Contrafund, Government Income, Growth Discovery, Inflation-Protected Securities, Institutional Short-Intermediate Bond, Intermediate Bond, International Real Estate, Investment Grade Bond, Mid-Cap Stock, Mortgage Securities, NASDAQ Composite Index, New Jersey Municipal Income, New Markets Income, New Millennium, OTC, Puritan, Real Estate High Income, Real Estate Income, Real Estate Investment, Select Financial Services, Select Leisure, Select Retailing, Select Software & Computer Services, Select Telecommunications, Short-Term Bond, Strategic Dividend and Income, Strategic Income, Strategic Real Return, Total Bond, U.S. Bond Index, Fidelity, Spartan 500 Index, Spartan Extended Market Index, Spartan Intermediate Treasury Bond Index, Spartan International Index, Spartan Long-Term Treasury Bond Index, Spartan Short-Term Treasury Bond Index, Spartan Total Market Index, Spartan U.S. Equity Index
Vanguard Funds: Consumer Discretionary Index, Consumer Staples Index, Dividend Appreciation Index, Energy Index, Growth Index, Health Care Index, High Dividend Yield Index, Industrials Index, Information Technology Index, Large-Cap Index, Materials Index, Telecom Services Index, Total Stock Market, Utilities Index, Value Index, Wellesley Income

Record Date: Tuesday, Dec. 22
Reinvest Date: Wednesday, Dec. 23
Vanguard Funds: Emerging Markets Index, European Index, Extended Market Index, Financials Index, World ex-U.S. Index, World ex-U.S. SmallCap Index, Inflation-Protected Securities, MidCap Growth Index, MidCap Index, MidCap Value Index, Pacific Index, REIT Index, SmallCap Growth Index, SmallCap Index, SmallCap Value Index, Tax-Managed International, Total World Stock Index, Windsor, Windsor II

Record Date: Wednesday, Dec. 23
Reinvest Date: Thursday, Dec. 24
Fidelity Funds: All Income Replacement funds, Intermediate Municipal Income, Michigan Municipal Income, Minnesota Municipal Income, Municipal Income, Ohio Municipal Income, Pennsylvania Municipal Income, Short-Intermediate Municipal Income, Trend

Record Date: Thursday, Dec. 24
Reinvest Date: Monday, Dec. 28
Vanguard Funds: 500 Index, Balanced Index, Capital Value, Convertible Securities, Explorer, Growth & Income, International Value, Morgan Growth, PRIMECAP, Selected Value, Strategic Equity, Tax-Managed Balanced, U.S. Growth, Wellington, Consumer Discretionary ETF, Consumer Staples ETF, Dividend Appreciation ETF, Energy ETF, Extended Duration Treasury ETF, Growth ETF, Health Care ETF, High Dividend Yield ETF, Industrials ETF, Information Technology ETF, Large-Cap ETF, Materials ETF, MegaCap ETF, MegaCap Growth ETF, Mega Cap Value ETF, Telecommunications ETF, Total Stock Market ETF, Utilities ETF, Value ETF

Record Date: Monday, Dec. 28
Reinvest Date: Tuesday, Dec. 29
Fidelity Funds: All Freedom funds

Record Date: Tuesday, Dec. 29
Reinvest Date: Wednesday, Dec. 30
Vanguard Funds: Developed Markets Index, Diversified Equity, Dividend Growth, Energy,

Global Equity, Health Care, International Explorer, STAR *LifeStrategy* funds, Market Neutral, PRIMECAP Core, STAR, Target Retirement funds, Tax-Managed Capital Appreciation, Tax-Managed Growth & Income, Tax-Managed SmallCap, Total International, Emerging Markets ETF, Europe Pacific ETF, European ETF, Extended Market ETF, Financials ETF, World ex-U.S. ETF, World ex-U.S. SmallCap ETF, MidCap ETF, MidCap Growth ETF, MidCap Value ETF, Pacific ETF, REIT ETF, SmallCap ETF, SmallCap Growth ETF, SmallCap Value ETF, Total World Stock ETF

About Adviser Investments

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