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December 11, 2008

Fidelity Unwraps Two

Just in time for the holidays, Fidelity announced that on December 16th, two of our favorite funds will be reopening to new investors.

The assets of Contrafund and Low-Priced Stock, which had been closed to new investors since April 2006 and December 2003, respectively, are heavily dominated by retirement savings accounts. The shareholder bases of the two funds have aged, redeeming shares at a level that has outpaced the limited assets flowing into the funds (while the funds were closed, existing investors were permitted to add to their accounts, and certain financial advisers, Adviser Investments among them, were allowed to open new accounts). This trend, in combination with losses suffered in the tumultuous markets we've experienced this year, has greatly reduced assets in the funds. Contrafund ended November with \$45.0 billion in assets, down from \$80.9 billion at year-end 2007, while Low-Priced Stock saw more than half of its assets flow out, leaving it at \$17.3 billion through November, down from \$35.2 billion at the end of last year.

Fidelity hopes that reopening the funds will give managers Will Danoff (Contrafund) and Joel Tillinghast (Low-Priced Stock) some positive cash flow to help provide more buying opportunities, which currently abound with prices as depressed as they are.

We would strongly recommend that investors who had been shut out of these two funds and forced to seek alternatives consider making the necessary trades to get at least a foothold in them, lest they close again, leaving you out in the cold.

Fidelity Manager Move

As of December 4th, Jed Weiss took over as manager of International Small Cap Opportunities (retail and Advisor shares), succeeding Andrew H. Sassine. Sassine will continue to manage Fidelity Small Cap Stock Fund while Weiss will continue to manage International Growth (Advisor shares too) and co-manage Total International Equity (Advisor shares also).

Weiss joined Fidelity's Equity Research department in 1997, following the U.S. regional banks sector, later assuming coverage of the semiconductor industry. In 2000, he added coverage of networking stocks and managed Select Networking and Infrastructure from 2000

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until 2002. He managed Select Environmental from 2003 until 2004, while also covering several industries within the cyclical sector. From 2004 until 2007, he covered the telecommunications, health care and consumer sectors for the Global Emerging Markets team.

This change should not be cause for concern for existing investors in International Small Cap Opportunities.

'Tis The Season For Distributions

Year-end distribution season is upon us, and while it doesn't seem that this will be a particularly burdensome year from a capital gains standpoint, many funds will still have to pay out all of their accumulated income.

If you decide to make trades to avoid distributions and to take losses, you need to know when these dates are so you can avoid the "wash sale" rule, something that can be confusing to investors. In short, if you sell a fund for a loss within 30 days of receiving more shares in a reinvested distribution, you won't be able to recognize the full loss, since the number of shares received in the reinvestment will count as shares purchased within the 30-day window.

There are a couple of dates you need to keep in mind, the first being the record date. If you own shares in a fund after the close of trading on the record date, you will receive the distribution. You must sell a fund before, or on the day of, the record date to avoid the distribution. The reinvest or ex-dividend date is the day the fund's price is cut by the amount of the distribution, ex of any market appreciation or depreciation on that day.

Here's how someone might make a trade to avoid two distributions and take a loss in a fund at the same time. Suppose you have a loss in Vanguard's Explorer fund, whose record date is Monday, Dec. 29. Because Vanguard SmallCap Growth Index has a record date of Monday, Dec. 22, you could exchange your Explorer shares for the index fund's shares on any day from Dec. 23 through Dec. 29. So long as you buy the index fund after the 22nd, and sell Explorer before the 30th, you can avoid both funds' distributions entirely.

Of course, one could argue that you should simply take the distribution (assuming the bulk of the distribution is long-term gains) and then sell your shares at the new, lower price, for an even greater loss. It really comes down to how high the distribution will be and whether it's a distribution of income or dividends. If you do plan to make trades like this, you should also be sure to account for any fees you might have to pay and also be aware of any restrictions on the funds involved (for example, trading out of a closed fund and then not being able to get back in).

You can see a full distribution calendar for both Fidelity and Vanguard at the end of this update—if you don't see a fund on the list, it either is not expected to make a distribution this year or, in the case of a number of Fidelity funds, its reinvest date was in the first week of December.

Distribution Calendar

Record Date: Thursday, Dec. 11

Reinvest Date: Friday, Dec. 12

Fidelity Funds: Aggressive Growth, Blue Chip Value, Convertible Securities, Dividend Growth, Emerging EMEA, Equity-Income, Equity-

Income II, Fifty, Growth & Income, Growth Company, Independence, 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, Mega Cap Stock, Mid Cap Enhanced Index, Mid Cap Growth, Mid Cap Value, 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 Health Care, Select Home Finance, Select Industrial Equipment, Select Industrials, Select Insurance, Select Materials, Select Medical Equipment and Systems, Select Multimedia, Select Paper and Forest Products, Select Pharmaceuticals, Select Transportation, Small Cap Enhanced Index, Small Cap Opportunities, Value Discovery

Record Date: Monday, Dec. 15

Reinvest Date: Tuesday, Dec. 16

Vanguard Funds: Capital Opportunity, Energy, Equity Income, Health Care, International Growth, Precious Metals & Mining, PRIMECAP, Wellesley Income

Record Date: Thursday, Dec. 18

Reinvest Date: Friday, Dec. 19

Fidelity Funds: 130/30 Large Cap, all Asset Manager funds, Balanced, Blue Chip Growth, CT Muni, Government Income, Inflation-Protected Bond, Mid Cap Stock, NASDAQ Composite Index, NJ Muni, New Millennium, Puritan, Select Financial Services, Select Leisure, Select Retailing, Select Telecommunications, Strategic Real Return, Fidelity Fund, all Spartan funds

Vanguard Funds: Consumer Discretionary, Consumer Staples, Dividend Appreciation Index, Energy Index, Growth Index, Health Care Index, High Dividend Yield Index, Industrials, Inflation-Protected Securities, Information Technology, LargeCap Index, Materials, Telecom Services, Total Stock Market, Utilities, Value Index

Record Date: Thursday, Dec. 18

Reinvest Date: Monday, Dec. 22

Vanguard Funds: 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, Mega Cap 300 ETF, Mega Cap 300 Growth ETF, Mega Cap 300 Value ETF, Telecommunications Services ETF, Total Stock Market ETF, Utilities ETF, Value ETF

Record Date: Monday, Dec. 22

Reinvest Date: Tuesday, Dec. 23

Vanguard Funds: All-World ex-U.S., Emerging Markets, European Index, Extended Market, Financials Index, MidCap Growth Index, MidCap Index, MidCap Value Index, Pacific Index, REIT Index, SmallCap Growth Index, SmallCap Index, SmallCap Value Index, Social Index, Tax-Managed Capital Appreciation, Tax-Managed International, Total World Stock Index

Record Date: Monday, Dec. 22

Reinvest Date: Wednesday, Dec. 24

Vanguard Funds: All-World ex-US ETF, Emerging Markets ETF, Europe Pacific ETF, European ETF, Extended Market ETF, Financials ETF, Mid-Cap Growth ETF, Mid-Cap ETF, Mid-Cap Value ETF, Pacific ETF, REIT ETF, Small-Cap Growth ETF, Small-Cap ETF, Small-Cap

Value ETF, Total World Stock ETF

Record Date: Wednesday, Dec. 24

Reinvest Date: Friday, Dec. 26

Fidelity Funds: Contrafund, Dynamic Strategies, Four-In-One Index, all Freedom funds, Muni Income, New Markets Income, OH Muni, PA Muni, Strategic Income, Trend

Vanguard Funds: 500 Index, Asset Allocation, Balanced Index, Capital Value, Convertible Securities, Dividend Growth, Global Equity, Growth and Income, Growth Equity, International Explorer, International Value, MidCap Growth, Morgan Growth, PRIMECAP Core, Selected Value, Strategic Equity, Strategic SmallCap Equity, Tax-Managed Balanced, Tax-Managed Growth & Income, Tax-Managed SmallCap, U.S. Growth, U.S. Value, Wellington, Windsor, Windsor II

Record Date: Monday, Dec. 29

Reinvest Date: Tuesday, Dec. 30

Vanguard Funds: Developed Markets Index, Diversified Equity, Explorer, Market Neutral, STAR, STAR *LifeStrategy* funds, Target Retirement funds, Total International

About Adviser Investments

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