



ADVISER FUND UPDATE

Market Summary and Commentary for Individual Investors from Adviser Investments



December 2, 2016

Fidelity Chairman Announces Retirement

In an announcement we've long anticipated, Fidelity made it official on November 21: Chairman Ned Johnson plans to retire at the end of the year, naming his daughter and current Fidelity CEO Abigail Johnson as his successor.

We view this change as essentially positive, one that will enable the fund titan to continue to grow and evolve while retaining the philosophy and culture upon which Fidelity's well-deserved reputation is built.

"Surrendering your badge to the new sheriff in town is never easy," Adviser Investments Chief Investment Officer Jim Lowell told *Barron's*. "This might have taken too long for Ned, but I think this healthy for the family, and the company."

It's been [clear to us](#) since her appointment as president of Fidelity Financial Services in 2012 that Ms. Johnson would inevitably ascend to the top of the company, and her embrace of technology and product innovation will be a major factor in helping Fidelity react to sweeping changes in the industry.

Ms. Johnson began her career at Fidelity at age 27 in 1988 and worked as an analyst and portfolio manager on a number of funds while learning the ropes of the investment business that she went on to lead, becoming head of Fidelity's Asset Management division in 2001. In subsequent roles, she managed every aspect of Fidelity's distribution business, growing its scale and scope to serve its 25 million customers. She became CEO in October 2014.

Ms. Johnson's appointment is the latest branch on the family tree. Ned Johnson assumed the CEO role from his father and firm founder Edward Johnson II, in 1977, a position he held until passing the torch to his daughter in 2014 while remaining chairman. Following this next transition to Ms. Johnson, the 86-year-old Johnson will become chairman emeritus, maintaining an office at Fidelity headquarters and continuing to consult periodically with his daughter and the firm's board of directors.

We do not expect the transition or new leadership to have any negative impact on Fidelity investors. We've long viewed Ms. Johnson as a highly capable leader, and someone who Mr. Johnson knows has proven her constant value and her lasting worth.

In a broader scope, this marks more than the end of a chapter at Fidelity; it's the end of an era. Mr. Johnson joined the firm in 1957 as a research analyst, went on to manage Fidelity's Trend fund from 1958–1967 and served as the first helmsman of the Magellan fund from 1963–1971 before assuming executive control of the company in 1972.

Johnson quickly became known as an innovator in the financial services industry, pioneering the direct marketing of mutual funds in the 1970s and making Fidelity the first company to enable customers to write checks with their money market accounts. In 1972, Fidelity oversaw \$3.9 billion in assets; Mr. Johnson hands over the keys to a company with \$5.5 trillion in assets under administration upon his retirement. Not a bad run.

In an internal memo to employees, Johnson expressed his optimistic outlook for the firm's future: "While we have enjoyed much success, evolving customer preferences and new regulatory requirements are transforming the investment management industry. However, we are prepared to seize the opportunities in this changing competitive landscape. I have never felt more confident about Fidelity's future than I do now."

If you've followed our coverage, you know that, after a late start, Fidelity is pushing aggressively into the ETF market, including its [attempt to "reinvent"](#) the asset class with actively managed ETFs that look to capitalize on Fidelity's strong reputation for active management.

Fidelity has also been aggressively [keeping pressure](#) on Vanguard in their ongoing "fee wars" under Ms. Johnson's watch, as we've [covered](#) in [recent years](#). Given that fees are often a key factor distinguishing one firm's ETFs from another's, we expect to see these products get even cheaper for investors moving forward given her commitment to remaining competitive in the space and providing investors with low-cost options.

All indications are that Ms. Johnson will continue to innovate and move Fidelity forward. She's been hailed by board members for her attention to new technology and inventive products. We see Ms. Johnson's leadership as likely to be as focused on leveraging technology as her father's career was by bringing Wall Street to investors of all stripes nationwide.

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. We advise more than 2,500 clients and have over \$3 billion under management. Our investment professionals focus on helping individual investors, trusts, foundations and institutions meet their investment goals. Our minimum account size is \$350,000. In 2016, Adviser Investments was named to *Barron's* list of the top 100 independent financial advisers nationwide and its list of the top advisory firms in Massachusetts for the fourth consecutive year. We have also been recognized on the *Financial Times* 300 Top Registered Investment Advisers list in 2014, 2015 and 2016.

For more information, please visit www.adviserinvestments.com or call 800-492-6868.

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