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February 22, 2008

Manager Changes Impact Fidelity & Vanguard

Veteran Vanguard Fund Manager to Retire

On February 14, Vanguard announced that veteran manager Earl. E. McEvoy of Wellington Management will be retiring at the end of June this year. McEvoy has been managing fixed income investments for Vanguard for over 25 years and currently runs the bond portion of Wellesley Income as well as Long-Term Investment-Grade and the "junk" bond funds, High-Yield Corporate and High-Yield Annuity.

The Replacements

McEvoy will be replaced by three senior Wellington Management managers on his four funds, and we're sure that they will be working closely with him in the months before his retirement to learn the ropes and preserve continuity.

On the bond portion of Wellesley Income, John C. Keogh, a senior vice president and partner, will be succeeding McEvoy. Keogh has been with Wellington Management since 1983 and currently manages the bond portion of Wellesley Income's mirror image balanced fund sibling, Wellington (Wellesley Income runs about a 65%/35% bond to equity ratio while Wellington has a roughly 35%/65% bond/equity balance).

Michael L. Hong, a CFA and vice president, will be taking over High-Yield Corporate and High-Yield Annuity. Hong, who has been with the firm since 1998, leads Wellington's high-yield credit research team, giving him intimate knowledge of the universe the funds cover. He also helps research and manage another high yield portfolio for Wellington, and that experience should certainly serve him well once the transition is complete.

The third replacement manager is Lucius T. Hill, III, a senior vice president, partner and fixed income manager, and he'll be running Long-Term Investment-Grade come July. Hill has been with Wellington since 1993 and in investment management since 1983. He helps run two different fixed income style groups for Wellington and has clients as varied as public funds, endowments, banks and corporate pension plans.

What Does This Mean For Investors?

Investors in these funds should not be overly concerned with McEvoy's

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retirement and the managers replacing him. McEvoy's experience, which we've drawn upon at various times for our clients, will probably not even be missed, as Wellington's management bench is talented and deep and our expectation is that they will be able to carry on competently in his stead. We doubt that there will be any noticeable effect on either the funds' composition or performance after McEvoy steps down.

Fidelity Manager Move

On February 6, Fidelity made a change on Puritan's management team—going forward Ramin Arani will be the sole manager for the equity portion of the fund. Stephen R. Petersen, formerly Arani's co-manager, will continue to manage Equity-Income and VIP Equity Income. George Fischer will remain as manager of the bond portion of Puritan.

Arani joined Fidelity in 1992 and followed the same path as countless managers before him, working his way up from analyst to manager, stopping in at a couple of Select funds along the way. During his Fidelity tenure, Arani has managed Select Retailing, Select and Advisor Health Care, as well as the equity portions of Advisor Asset Manager 70% and Asset Manager 85%. Most recently prior to his appointment as co-manager of Puritan in February 2007, Arani spent seven years managing Trend.

This change is not one for concern. While there are other Fidelity and Vanguard funds we favor for our clients in the growth and income/balanced areas, Puritan is a decent option for investors seeking a growth and income component for their portfolios.

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