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Fidelity Rolls Out Three New Funds

On November 7, Fidelity introduced three new funds, expanding its already robust international and asset allocation lineup. The two international options are Total International Equity and International Growth, while the asset allocation offering goes by the flashy name of Dynamic Strategies. All three funds have Adviser class clones.

International Options

Total International Equity's (symbol: FTIEX) mandate is a broad one, allowing managers George W. Stairs and Jed Weiss (along with their support staff) to have their pick of companies in the developed and emerging markets, growth and value and large- to small-cap categories. Fidelity states that the fund is designed to be a one-stop option for investors seeking to add international flair to their portfolios.

The fund will share a benchmark with Vanguard's World ex-U.S. Index, the MSCI All Country World ex-U.S. Index, and will use it as a guide for regional and capitalization allocations. The portfolio itself is broken up into four sections, each investing in a different asset class, breaking down approximately into a 40% position in developed growth, 40% developed value, 15% emerging markets and 5% small-cap. Stairs will oversee the developed value portion of the fund, Weiss the developed growth, while team members from Fidelity's international small-cap and emerging markets groups tend to the remaining 20% of the fund.

The International Growth fund (FIGFX), appropriately enough, has a goal of long-term growth, and Jed Weiss will be pulling double duty as sole manager of the fund, backed up by research teams out of Fidelity's Boston, Hong Kong, London and Tokyo offices. The fund seeks out companies with above average growth potential, and is benchmarked to the MSCI EAFE Growth Index.

Stairs currently manages Fidelity's International Value fund (along with its Adviser clone), and joined the firm in 2005. Weiss has been with Fidelity since graduating from Harvard in 1997, and was initially working with domestic equities, first as a research analyst before moving on to manage Select Environmental and Select Networking and Infrastructure. He moved over to the Global Emerging Markets team in 2004, and Total International Equity and International Growth are his first management opportunities since.

Both of the new international funds require a \$2,500 initial investment and have a 1% trading fee for shares sold within 30 days of purchase. Total International Equity carries a 1.12% expense ratio, while International Growth will cost you 1.17% in expenses.

Neither of these international options seems like a particular standout, although International Growth does fill a hole in Fidelity's international style chart. It remains to be seen whether or not these funds will prove to be viable for our clients' portfolios, especially with quite a few quality international options already available at both Fidelity and Vanguard.

Dynamic Strategies

Asset allocation funds are one of our least favorite investment options, as we feel they are the least common denominator of investing, luring investors in with the promise of a complete package without necessarily using all of the best components. In the case of Dynamic Strategies (FDYSX), those components will be other Fidelity funds, commodities and unaffiliated exchange-traded funds (ETFs), and the promise is that it will be the most aggressive of the firm's asset allocation options when it comes to allocating those assets.

The fund will seek to maximize return via apportioning assets in stocks, bonds, short-term and money market investments, along with commodities. The management team of Jurrien Timmer and Andrew J. Dierdorf will use a combination of fundamental, technical and quantitative strategies to choose the allocations. When Timmer and Dierdorf foresee a shorter-term holding or are looking for something that can't be found with an existing Fidelity fund, they will buy the aforementioned un-affiliated ETFs for the portfolio.

As perhaps an indication of how dynamic Fidelity envisions Dynamic Strategies to be, it features a composite benchmark made up of the S&P 500 Index (50%), the Lehman Brothers U.S. Aggregate Index (40%) and the Lehman Brothers 3-Month U.S. Treasury Bill Index (10%). From our point of view, a 50/50 stock/bond split is not all that dynamic, however.

Timmer joined Fidelity in 1995, and rose through the ranks to become Director of Market Research, with a specialization in tactical asset allocation. Dierdorf has been with Fidelity since 2004 and along with Dynamic Strategies, co-manages Fidelity's 529 College Savings Plans and lifecycle funds for Canadian investors.

Dynamic Strategies has a \$2,500 minimum initial investment and charges 1.12% in expenses.

Vanguard Manager Moves

Vanguard made several plain vanilla management changes to five bond funds on November 2, none of which are cause for concern.

Former fixed-income manager Christopher Ryon left Vanguard and Reid Smith has taken over his duties at Intermediate-Term Tax-Exempt, Long-Term Tax-Exempt, and the bond portion of Tax-Managed Balanced.

John Carbone assumed management Ryon's responsibilities at New York Tax-Exempt and Massachusetts Tax-Exempt.

Both Smith and Carbone have extensive experience managing bond funds as part of Vanguard's Fixed Income Group and their addition to these funds should cause few, if any, noticeable effects in the portfolios or their management.

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