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Fidelity Flips Calendar, Managers

As the calendar turns to 2014, Fidelity has continued its annual tradition of shuffling assignments for managers on several funds. The changes appear to be routine and unlikely to have a major impact on shareholders.

The manager changes effective January 1 include:

- **Fidelity Dividend Growth.** Ramona Persaud has succeeded Larry Rakers as portfolio manager. Combined, Fidelity Dividend Growth and Fidelity Advisor Dividend Growth will give Persaud nearly \$10 billion in assets under management. Over the past three years, Fidelity Dividend Growth returned an annualized 12%, underperforming 91% of its peer funds. Advisor Dividend Growth has lagged 74% of similar funds over that period.

Persaud will also remain a manager for Fidelity's Global Equity Income fund, its Advisor clone and the global sub-portfolio of Fidelity Equity-Income. Persaud has been at Fidelity since 2003 and assumed her prior portfolio manager positions in 2011.

Rakers is taking on a new position with Fidelity's Global Asset Allocation.

- **Fidelity VIP Balanced Portfolio.** Also succeeding Rakers, the Stock Selector Large Cap Team, led by Bob Stansky, has added another fund to its charges. The team will continue managing Fidelity Balanced, Fidelity Advisor Balanced, and Fidelity Series All-Sector Equity (all managed since 2008) and VIP Contrafund (2007).
- **Fidelity Disciplined Equity.** Alex Devereaux has taken sole portfolio management responsibilities. He had co-managed the fund alongside Keith Quinton since January 2013.

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Devereaux joined Fidelity in 2005 as a quantitative analyst in the core Quantitative Research group, where he focused on alpha modeling, risk management and portfolio construction.

- **Fidelity Canada.** Ristead Hogan has joined existing portfolio manager Doug Lober as co-manager. Hogan joined Fidelity's International Equity Division in 2006. In 2010, he began managing the financials sub-portfolio for Fidelity International Equity Central. He started managing Fidelity Europe in 2012, and in 2013, assumed management responsibilities at Fidelity Europe Capital Appreciation, Fidelity Advisor Europe Capital Appreciation and the Europe sub-portfolio of Fidelity Global Balanced.
- **Select Insurance.** Peter Deutsch has been named sole portfolio manager, having co-managed the fund alongside Court Dignan since June 2013. (Dignan will remain manager of Fidelity Mid Cap Value.) Deutsch came to Fidelity in 2010 as a regional bank sector analyst. He is currently responsible for coverage of all domestic large-cap insurance companies.
- **Fidelity Advisor Capital Development.** Matthew Fruhan replaced Harlan Carere as manager of this \$3 billion fund. Fruhan will continue to manage Fidelity's Mega Cap Stock, Large Cap Stock and Growth & Income funds. (This change went into effect mid-December, 2013.)

Fidelity Introduces Event-Driven Funds

On December 18, Fidelity announced the launch of two new actively managed funds that will aim to capitalize on mispriced assets as a result of specific events, such as spinoffs, mergers and acquisitions, restructurings and proxy battles. The Fidelity Event Driven Opportunities Fund and Fidelity Advisor Event Driven Fund will be managed by Arvind Navaratnam, who joined Fidelity in 2010 and has a background in private equity and identifying specific situations to invest in.

The funds will have no limitation as to where to invest. Unlike funds restricted to certain sectors, regions, asset class or market cap size, Navaratnam can invest in equities or bonds depending on the specific circumstances afforded by special situations, a sampling of which you can see in the table below. A number of the opportunities will come from the massive market turnover created when large index funds ("passive funds") are forced to sell out of a position, but Navaratnam will also be looking for undervalued companies or burgeoning opportunities that come

from times of change in an index or company.

Sources of Potential Opportunity

	Event	Potential Opportunity
Corporate Spinoffs	Creation of an independent company through the sale or distribution of new shares of an existing business/division of a parent company	1) Mispricing from forced selling by passive funds may create favorable entry points 2) Focused management teams at the new entity
Activist Investing/13D Filings	Required SEC filing when an investor purchases 5% or more of a company's shares	Differentiated view of the impact an activist investor may have on advocating and effecting change over time
Index Deletions	When a firm is deleted from an equity index, such as the S&P 500	1) Mispricing from forced selling by passive funds may create favorable entry points 2) May create under-appreciated stocks with low investor expectations

Source: Fidelity.

The Fidelity Advisor Event Driven fund can only be purchased through brokers, but the Event Driven Opportunities fund is available to individual investors for a \$2,500 minimum initial investment. It charges 1.30% a year in operating expenses.

These funds represent an interesting approach to the markets, and Fidelity has the research resources to give Navaratnam a huge array of data and opportunities to parse when building out the portfolios. How well he does so will determine the funds' success—we'll be watching.

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