

If you are having trouble reading this email, [read the online version](#).
Please do not reply to this email



March 5, 2009

Fidelity Shuffles Managers

On February 27, Fidelity made management changes to six of its Select sector funds. The appointments all seem to be par for the course, as Fidelity likes to develop its portfolio managers by giving them varied assignments among the Select funds before promoting them to the "big leagues" with a position managing a broader equity fund. None of the changes listed below should be of concern to current investors in the funds affected; however, we generally do not recommend investing in a majority of the narrowly focused sector funds available, as the risk often outweighs the reward.

Eddie Lee Yoon has been named sole manager of Select Health Care, as well as its Advisor and VIP clones, where he formerly shared management duties with Matthew Sabel. Yoon, who has been with Fidelity since 2006, will also continue to manage Select Medical Equipment and Systems. Based on Jim Lowell's proprietary Manager Rankings, Yoon is one of the best managers in the Select group through 2008, so ranked due to his track record on Select Medical Equipment and Systems.

Andrew G. Hatem was appointed manager of Select Medical Delivery, also succeeding Sabel. Hatem has been following health care stocks since mid-2008 as a research analyst. He's held a number of analyst roles for Fidelity since joining one of the firm's sub-companies in 1994, moving over to the equity research group in 1998. He's followed many different market sectors over the years, culminating in multi-year stints managing both Select Air Transportation and Select Defense and Aerospace until 2007 and 2008, respectively.

Douglas Simmons now manages Select Environmental, where he succeeded Stavros Koutsantonis II. Simmons remains manager of Telecom and Utilities, Select Utilities (along with its Advisor and VIP clones), and a co-manager of VIP Contrafund, Balanced and Advisor Balanced, as well as a member of Fidelity's Multi-Manager Group. Simmons has been with Fidelity since 2003 and formerly managed Select Environmental from 2004 until 2007. He's ranked in the bottom half of the year-end 2008 Manager Rankings for sector fund managers based upon his results on Select Utilities and Telecom and Utilities, but Koutsantonis came in last, ranked 28 of 28, so the change could be seen as an upgrade.

Brian Lempel was given his first management position at Select

In This Issue

- **Fidelity Shuffles Managers**
- **A New Vanguard Growth Fund?**

Software and Computer Services, where he succeeded Mayank Tandon. Since joining Fidelity in 2004, Lempel has followed companies in the technology sector. The manager the untested Lempel is replacing, Tandon, was ranked in the middle of Jim's 2008 year-end Manager Rankings in the Select group, so it remains to be seen whether this move will be improvement to the fund or not.

John Mirshekari was named manager of Select Transportation, succeeding Anton An. Mirshekari joined Fidelity's equity research group in 2003, and has followed a number of segments of the transportation sector including trucking, shipping, and recreational vehicles since. In 2008, he joined the small-cap team, but recently returned to the cyclical group to once again follow companies in the transportation sector.

Michael K. Weaver succeeded Lee Miles as manager of Select Automotive. He joined Fidelity in 2005 and since then has followed a wide range of market sectors. He got his start with Barclays Capital in 1998 as analyst, moving on to similar positions first with JP Morgan and then Janus Capital Group prior to joining Fidelity. Weaver does not yet have a track record managing funds for Fidelity, but he's replacing one of the top-five Select fund managers according to the 2008 year-end Manager Rankings in Lee Miles, who may be a difficult act to follow.

A New Vanguard Growth Fund?

In the *Adviser Fund Update* posted on January 22nd, we mentioned the significant management change Vanguard made to Growth Equity, a perennial underachiever, where original manager Turner Investments was given the boot and the fund was split 50/50 between co-manager Baillie Gifford and new addition Jennison Associates. Since that time, the new management team has wasted no time in making the fund their own, so much so that Growth Equity looks like a totally new fund.

In the two weeks following the shakeup, from January 16th to January 31st, Baillie Gifford and Jennison significantly streamlined and reallocated the fund, as the accompanying table below makes clear.

By January's end, the fund had already been trimmed by 26 stocks, meaning that either Jennison is holding fewer stocks than Turner did, or many of their chosen companies overlap with those held by Baillie Gifford. Either way, the fund is more focused.

In addition, you can see a more-than-doubling of the allocation to foreign stocks, a new emphasis on the health care sector (up to nearly 24% of assets from 14% a month prior) and a significant cutback in the allocation to technology stocks, which shrank from over 22% of the portfolio to under 16%. (Technology stocks were always Turner favorites and contributed to the fund's volatility and sustained losses in the past.)

While this could be due in part to the new concentration in the fund as well as market action, you can see that four of the names in portfolio's 10 largest holdings are new compared to December's end. And six names are new compared to the portfolio six months ago.

This may not be the endpoint for Growth Equity's makeover, as two weeks is a short period of time in which to completely restructure a fund, but it certainly seems like our feeling that this should be considered a brand new fund has already been proven true. It remains

to be seen if we'll see a corresponding makeover of the fund's performance, however. As such, we would not yet recommend Growth Equity as a "buy" for investors' portfolios, although we do think the fund's prospects are much better now than they were under the previous management.

Growth Equity's New Look

	Turner/Baillie Gifford	Baillie Gifford/Jennison
	12/31/2008	1/31/2009
Number of stocks	104	78
Foreign	4.1%	8.7%
Cash	3.8%	2.5%
Sector Breakdown		
Consumer Discretionary	10.1%	6.4%
Consumer Staples	17.1%	19.1%
Energy	10.9%	12.6%
Financials	8.3%	8.3%
Health Care	13.9%	23.9%
Industrials	12.0%	9.1%
Info Tech	22.4%	15.9%
Materials	4.4%	4.7%
Telecom	0.9%	-
Utilities	-	-
Top-10		
	25%	27%
1	PepsiCo	Genentech
2	Schlumberger	Schlumberger
3	Qualcomm	Wal-Mart Stores
4	Gilead Sciences	Gilead Sciences
5	Genentech	PepsiCo
6	Google	Berkshire Hathaway Class B
7	Intel	Walgreen
8	Kroger	Progressive
9	Hewlett-Packard	Google
10	Progressive	Baxter International

About Adviser Investments

Adviser Investments is an independent, professional money management firm specializing in Fidelity and Vanguard mutual funds. With 1,500 clients and \$850 million dollars under management, Adviser is one of the nation's largest mutual fund research and money management firms. Our staff of 35 investment professionals focuses on helping individual investors, trusts, foundations, and institutions meet their investment goals. Our minimum account size is \$350,000.

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

You are receiving emails from Adviser Investments at the email address of **EmailAddress** because you have agreed to receive updates and information about Adviser Investments via email. To unsubscribe from further email based communications and special offers, please [click here](#) For more information you can also see our [Privacy Policy](#).

Adviser Investments
85 Wells Avenue
Newton, MA 02459
USA

