



## ADVISER FUND UPDATE

Market Summary and Commentary for Individual Investors from Adviser Investments



April 24, 2015

### Fidelity Fifty Fund to Merge With Focused Stock

A special meeting of shareholders is scheduled for May 12 to vote on the proposal to fold Fidelity Fifty into Fidelity Focused Stock. Fidelity's Board of Trustees has already unanimously supported the move, which will combine two funds with very similar investment goals and the same benchmark into one larger fund.

If approved by shareholders, the merger is expected to take place in early June 2015.

The two funds are managed by Stephen DuFour, who took over Fifty in March 2011. The fund's name very simply describes its strategy, which is to invest in around 50 growth stocks.

DuFour has managed Focused Stock since March 2007. The fund's "focused" mandate has resulted in a portfolio concentrated in his best 30 to 80 ideas. DuFour has the ability to pick stocks from companies of any size, but has generally stuck to the large-cap growth sphere, and primarily opted for U.S. companies. He does not limit himself to any specific industry or sector when looking for names for the portfolio.

### The Funds Are Now Nearly Identical

	Fidelity Fifty	Fidelity Focused Stock
<b>Total Holdings</b>	51	51
<b>Percentage in Top 10</b>	43.6%	45.1%
<b>Expense Ratio</b>	0.83%	0.78%
<b>Net Assets</b>	\$748.6 million	\$1.5 billion
<b>Inception</b>	Sept. 17, 1993	Nov. 12, 1996
<b>Benchmark</b>	S&P 500	S&P 500

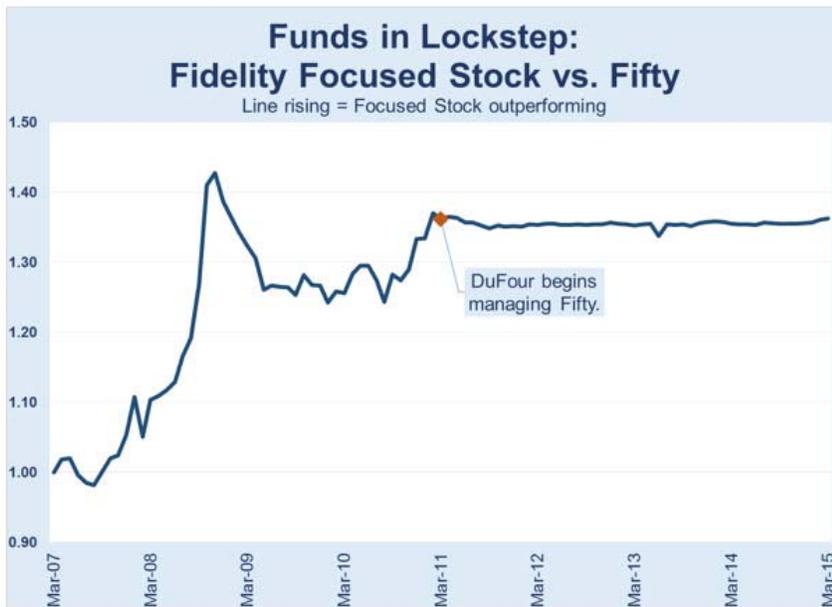
Source: Fidelity. Data as of 3/31/15.

### In This Issue

- Fidelity Fifty Fund to Merge With Focused Stock
- New Fidelity Fixed Income Index Manager

Once taking over Fifty, DuFour reworked the portfolio to his liking, which made it a near mirror image of Focused Stock, giving Fidelity the chance to simplify its fund lineup by combining the portfolios.

One way we like to compare two funds here at Adviser Investments is to look at their relative performance head to head—when we chart those results, it shows up as a single line. When the line is rising, one fund is outperforming the other; when it's sinking, the comparison fund is outperforming; and when it's flat, the two funds are performing about the same. As the relative performance chart below shows, the funds have performed almost identically over the last four years.



Sources: Morningstar (data through 3/31/2015). Adviser Investments (analysis).

Beyond giving Fidelity a slimmer fund lineup, the merger also gives the firm a chance to remove Fifty's performance track record, which isn't as good as Focused Stock's, from the books.

Fifty's shareholders will receive an equivalent value of Focused Stock shares on the day the reorganization takes place. We don't think the merger is a cause for concern for investors who own either fund, as the combined asset level will still be relatively small for a large-cap growth fund and the strategy should also remain the same under DuFour's continued management. In addition, investors in Fifty will see their expenses go down from 0.83% to 0.78% with the move.

### **New Fidelity Fixed Income Index Manager**

Effective May 1, Jay Small will assume co-management of all Fidelity passively managed bond portfolios. He takes over for Alan Bembenek. Small will join current co-manager Brandon Bettencourt.

Small will help oversee Spartan U.S. Bond Index, Series Inflation-Protected Bond Index, Inflation-Protected Bond Index, Spartan Inflation-Protected Bond Index, Spartan Short-Term Treasury Bond Index, Spartan Intermediate Treasury Bond Index and Spartan Long-Term Treasury Bond Index.

He has been at Fidelity since 2010. Before that, he worked as a corporate bond trader at 40/86 Advisors (formerly known as Conseco Capital Management). The move seems fairly routine and should not be a concern for shareholders in the funds impacted.

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