ADVISER INVESTMENTS

ADVISER FUND UPDATE

Market Summary and Commentary for Individual Investors from Adviser Investments

November 20, 2015

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Beware Buying the Dividend

With Thanksgiving around the corner, many investors are giving thanks for another annual tradition: Distribution season.

In December, funds will pay out any accumulated income, as they do every year. This income, along with any capital gains distributions you receive from funds held outside of a tax-advantaged retirement account, is taxable in the year it is received. Income or capital gains you receive this year will have to be included in your 2015 return when the tax man calls in April.

If you are planning to purchase any additional fund shares before year-end, you should check when your funds are planning to make their year-end distributions. Why? Because if you buy shares of a fund prior to its "ex-dividend" date (the date on which the fund's price is reduced by the amount of the expected dividend or capital gain), you will be on the hook to pay taxes on distributions on those shares even though you didn't own the shares when that income was "earned." Buying shares just before the ex-dividend date is often referred to as "buying the dividend," and it's something we generally avoid for our clients.

To help you sidestep this mistake with your Fidelity and Vanguard funds, we've compiled a list of those that are scheduled to pay out income and/or capital gains next month. Funds that do not appear on the list are not expected to make distributions this year, however, this information is subject to change (as are the distribution dates).

Note: Any shares you own on the fund's "record date" will be eligible for distributions. And ETFs distribute on a different schedule, with the ex-dividend date actually falling two business days before the record date.

So, again, to avoid additional distributions just before the end of the tax-year, don't buy a fund—or additional shares in a fund—for taxable accounts until after the record date.

Record Date: 12/3 Ex-Dividend Date: 12/4
Fidelity Funds: Arizona Municipal Income, Canada, Capital Appreciation, China Region, Disciplined Equity, Diversified International, Emerging Asia, Emerging Europe, Middle East, Africa (EMEA), Emerging Markets Discovery, Emerging Markets, Europe, Event Driven Opportunities, Export and Multinational, Focused Stock, Global Commodity Stock, Global Equity Income, Growth Company, International Capital Appreciation, International Discovery, International Growth, International Small Cap, International Small Cap Opportunities, International Value, Japan, Japan Smaller Companies, Large Cap Stock, Latin America, Leveraged Company Stock, Magellan, Maryland Municipal Income, Massachusetts Municipal Income, New York Municipal Income, Nordic, Overseas, Pacific Basin, SAI Small-Mid Cap 500 Index, Small Cap Discovery, Small Cap Growth, Small Cap Stock, Small Cap Value, Stock Selector Small Cap, Telecom and Utilities, Total Emerging Markets, Total International Equity, Value, Worldwide.

Record Date: 12/10 Ex-Dividend Date: 12/11
Fidelity Funds: All Asset Manager funds, Blue Chip Growth, Blue Chip Value, Contrafund, Convertible Securities, Dividend Growth, Equity Dividend Income, Equity-Income, Fidelity, Global Balanced, Government Income, Growth Discovery, Growth Strategies, Independence, International Enhanced Index, Large Cap Core Enhanced Index, Large Cap Growth Enhanced Index, Large Cap Value Enhanced Index, Low-Priced Stock, Mega Cap Stock, Mid Cap Enhanced Index, Mid Cap Value, Mid-Cap Stock, Nasdaq Composite Index, New Millennium, OTC Portfolio, SAI International Minimum Volatility Index, SAI U.S. Minimum Volatility Index, Small Cap Enhanced Index, Stock Selector All Cap, Stock Selector Large Cap Value, Strategic Dividend & Income, Strategic Income, Value Discovery.

Record Date: 12/15 Ex-Dividend Date: 12/16
Vanguard Funds: Capital Opportunity, Capital Value, Dividend Growth, Equity Income, Explorer Value, Extended Duration Treasury Index, Growth and Income, Mid-Cap Growth, PRIMECAP, Structured Broad Market, U.S. Value, Wellesley Income, Windsor, Windsor II.

Record Date: 12/17 Ex-Dividend Date: 12/18
Fidelity Funds: Connecticut Municipal Income, Conservative Income Bond, Income Replacement 2016, Income Replacement 2020, Intermediate Government Income, Limited Term Government, New Jersey Municipal Income, Real Estate Income, Real Estate Investment Portfolio, Select Air Transportation, Stock Selector Mid Cap, Trend Fund, Value Strategies.
Vanguard Funds: Global Minimum Volatility, International Explorer Fund.

Record Date: 12/21 Ex-Dividend Date: 12/17
Vanguard Funds: Extended Duration Treasury ETF.

Record Date: 12/21 Ex-Dividend Date: 12/22
Vanguard Funds: Intermediate-Term Bond Index, Intermediate-Term Government Bond Index, Long-Term Bond Index, Mortgage-Backed Securities Index, Short-Term Bond Index, Short-Term Corporate Bond Index, Short-Term Government Bond Index, Total Bond Market Index.

Record Date: 12/22 Ex-Dividend Date: 12/23
Fidelity Funds: Inflation-Protected Bond, Limited Term Municipal Income, Minnesota Municipal Income, Municipal Income, Ohio Municipal Income, Pennsylvania Municipal Income.

Record Date: 12/23 Ex-Dividend Date: 12/24
Vanguard Funds: Convertible Securities, Explorer, Health Care, High-Yield Corporate, Intermediate-Term Investment-Grade, Intermediate-Term Treasury, Long-Term Investment-Grade, Long-Term Tax-Exempt, Long-Term Treasury, Massachusetts Tax-Exempt, Morgan Growth, New Jersey Long-Term Tax-Exempt, New York Long-Term Tax-Exempt, Ohio Long-Term Tax-Exempt, Pennsylvania Long-Term Tax-Exempt, PRIMECAP Core, Selected Value, Short-Term Federal, Short-Term Treasury, Strategic Equity, Strategic Small-Cap Equity, Structured Large-Cap Equity, Total Bond Market II Index, U.S. Growth, Wellington.

Record Date: 12/28 Ex-Dividend Date: 12/23
Vanguard Funds: Intermediate-Term Bond ETF, Intermediate-Term Government Bond ETF, Long-Term Bond ETF, Mortgage-Backed Securities ETF, Short-Term Bond ETF, Short-Term Corporate Bond ETF, Short-Term Government Bond ETF, Total Bond Market ETF.

Record Date: 12/28 Ex-Dividend Date: 12/29
Fidelity Funds: All Freedom funds, all Freedom Index funds, Four-in-One Index, Global Strategies.
Vanguard Funds: Diversified Equity, all LifeStrategy funds, STAR, all Target Retirement funds.

Two Senior Vanguard Managers Announce Retirement
Last week, Vanguard announced that two senior Wellington Management portfolio managers, helming its Energy and Long-Term Investment Grade funds, will call it quits at the end of June 2016, and named their replacements.

In preparation, Vanguard added Greg LeBlanc as a co-manager on Energy to work alongside retiring manager Karl Bandtel until LeBlanc assumes sole leadership of Wellington's portion of the fund in the second half of next year. The $9.2-billion fund's objective, strategies and policies will not change.

Wellington has advised Energy since its 1984 inception, and Vanguard Quantitative Equity Group joined the advisory team in 2005.

At Vanguard Long-Term Investment Grade, Scott St. John will take over full responsibility for Wellington's portion of the $14.2-billion fund (about 90% of assets under management) at the end of June when manager Lucius Hill—who has steered the ship since 2008—retires. St. John began co-managing with Hill in May 2014 and is also a seasoned Wellington portfolio manager.

We don't feel that either of these moves should be of concern to shareholders.

About Adviser Investments

Adviser Investments and its subsidiaries operate as an independent, professional money management firm with particular expertise in Fidelity and Vanguard mutual funds. With 2,600 clients and over $3 billion under management, Adviser Investments is one of the nation's largest mutual fund research and money management firms. Our investment professionals focus on helping individual investors, trusts, foundations and institutions meet their investment goals. Our minimum account size is $350,000. In 2015, Adviser Investments was named to *Barron's* list of the top 100 independent financial advisers nationwide for the third consecutive year and its list of the top advisory firms in Massachusetts for the second time. We have also been recognized on the *Financial Times* 300 Top Registered Investment Advisers list in 2014 and 2015.

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