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www.CarpenterAnalytix.com
(603) 643-6430

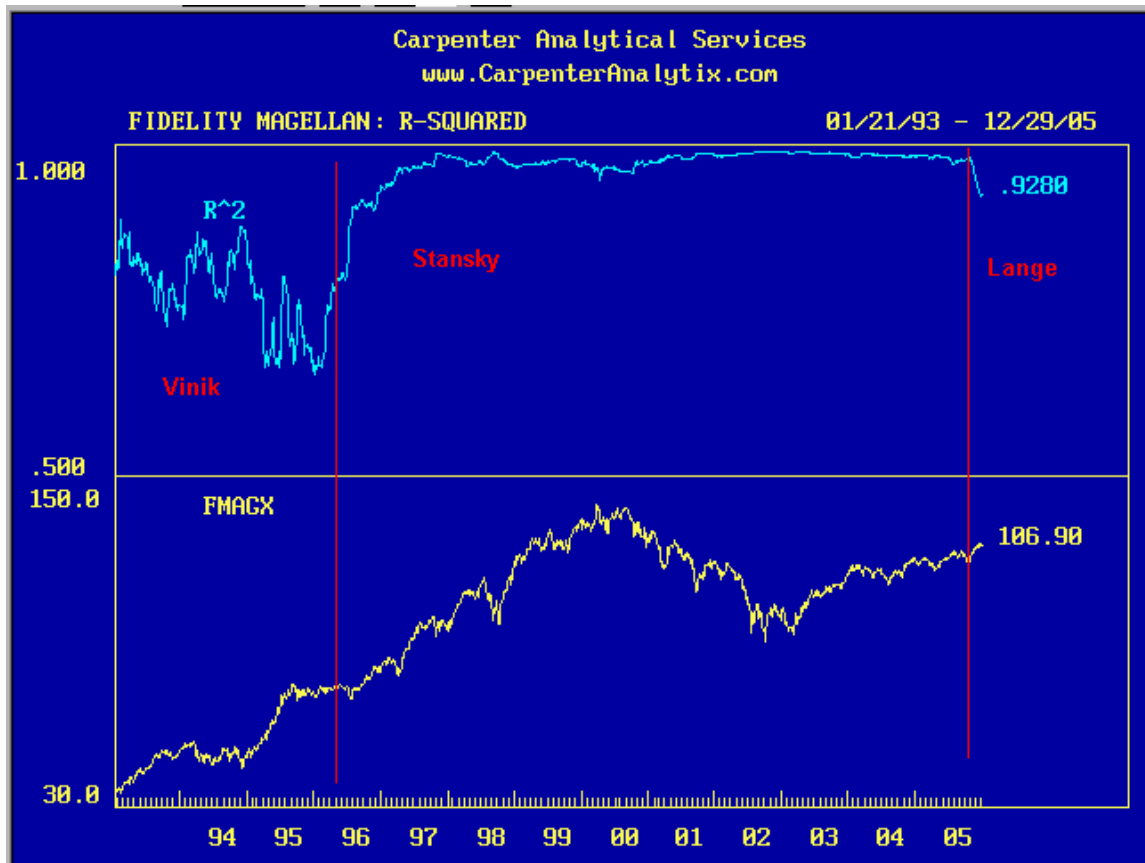
Magellan Morphs

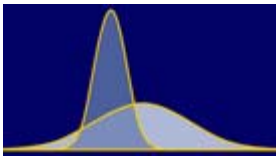
Fidelity Behemoth is De-Indexing! January 10, 2005

Fidelity Magellan Fund (FMAGX) is reincarnating again. Under Jeffrey Vinik, it became a wild and wooly speculation vehicle. For ten years under Robert Stansky, the portfolio became more and more like an index fund. Now under Harry Lange for just two months, *Magellan* is already showing significant new behavior.

Index Dependence. One key measure of fund indexing is a fund's R^2 (R-squared), showing what percentage of returns variation is accounted for strictly by mimicking an index. When Stansky took over from Vinik, he promptly raised the R^2 from about 75% to more than 90% index dependence. For the final year of Stansky's tenure (through October 31), R^2 averaged 98%!

Then Harry Lange took over. And de-indexing began forthwith. Index dependence is down to 93% so far, and falling fast. The graph is unmistakable, and more de-indexing seems assured.

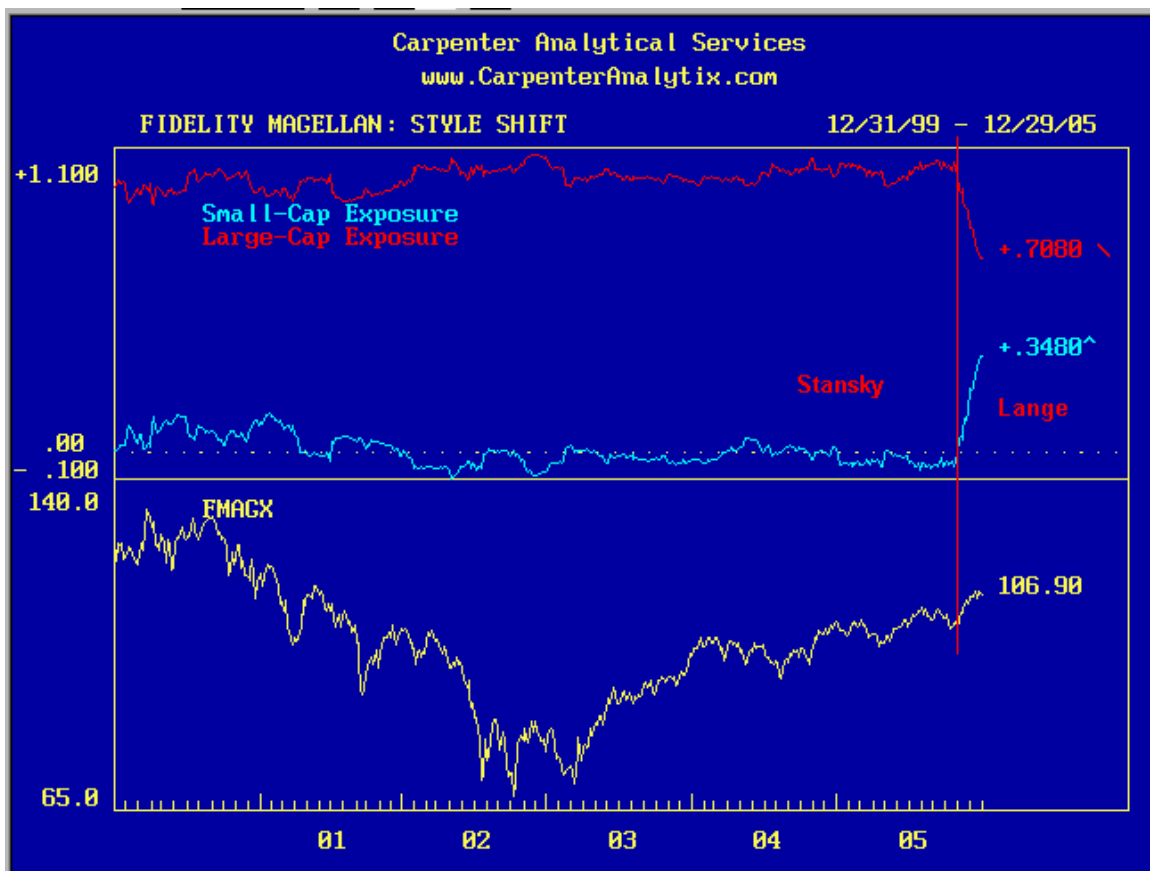




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Large-Cap/Small-Cap. One dimension of the new *Magellan* strategy is a shift from large-cap stocks toward small-cap stocks. The graph below tracks six years of the fund's large-cap sensitivity (red path) and to small-cap sensitivity (blue path). With Stansky, the fund was relentless in its large-cap dominance (while the small-cap sensitivity wandered randomly around zero).

Then Lange took over in November. From October 31 to December 29, the large-cap sensitivity dropped from .97 to .71, and the small-cap jumped from .03 to .35.



Other Changes. Volatility has increased, with beta up from 1.02 to 1.10 in the last two months. Observed alpha (market-independent excess return) has increased from average zero over the last Stansky year, to +.09 at last posting...a level not seen in *Magellan* since march or 2000.

These changes are as expected in our November paper (*New Manager; New Performance?*). Bottom line there was an expectation for positive alpha, higher volatility, greater beta variability, and lower R^2 . The 6-page paper is posted at our web site; www.CarpenterAnalytix.com. Click on *FMAGX* link in center matrix of home page.

For queries, comments or custom fund analysis, please use *Contact* link at the web site.

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