

FIDELITY SELECT FUNDRANKER™

Volume 10 Issue 2

The Right Funds at the Right Time

February 2015

Broad Market Erratic in January

The broad market S&P 500 Index moved erratically in January, down 3% early, mid, and late in the month with upswings back to even between the drops. With this lackluster performance, it failed to set any new all-time highs, so its 17 month run of setting new all-time highs regrettably came to a close with December, 2014.

Four *Top Eight Model Portfolio* funds gained value in January. Biotechnology outperformed with a one-month gain of 6.59%. Health Care, Medical Equipment & Systems, and Medical Delivery added one-month gains ranging from 2.07% to 0.06%. Electronics, Retailing, Air Transportation, and Transportation lagged with one-month losses ranging from 1.86% to 6.11%. The *Top Eight Model Portfolio* set three new all-time highs in January, the fourth month in a row it has set all-time highs.

In January, the *Top Eight Model Portfolio* lost a fractional 0.506%, while the Nasdaq Composite and S&P 500 Indexes lost 2.102% and 3.006%.

Final Performance of Funds Sold on January 2

Fundranker exchanged two funds on January 2. Here are the returns they contributed to the *Top Eight Model Portfolio*:

Fund	Bought	Sold	Return
Consumer Staples (FDFA)	12/2/2014	1/2/2015	(2.17)%
Pharmaceuticals (FPHAX)	10/6/2014	1/2/2015	3.72%

ETF Experiment Disappoints

As we discussed last month, we collected price and dividend data from December, 2005, through December, 2014, for the 84 exchange traded index funds that Fidelity offers commission-free, and we considered a number of different portfolios.

Our ranking system requires 12 months of data. Only 26 of the 84 ETFs existed from December, 2005, through December, 2006, so those funds made up our first ranking, and we started eight hypothetical ETF test portfolios as of January 3, 2007. The test portfolios consisted of holding the top five, top six, top seven, and on up through the top 12 ETFs.

We tracked and ranked those first 26 ETFs throughout 2007 and added more of the 84 ETFs 12 months after their dates of inception. By the end of 2008, we were tracking and ranking 38 ETFs. We added four ETFs during 2009, four more during 2010, one more during 2011, nine more during 2012, 13 more during 2013, and 10 more during 2014, for a total of 79 ETFs. The last five ETFs are due to be added in 2015.

We are disappointed in the outcome of our experiment. We hoped that some combination of ETFs would outperform or at least match our *Top Eight Model Portfolio* of Select funds (highlighted in gold below). As you can see in the table of returns below, our ETF Top 5 through Top 12 test portfolios all performed about the same as the S&P 500 Index over the entire eight year period, although they differed quite a bit from it in some years:

	2007	2008	2009	2010	2011	2012	2013	2014	8 Years
Top 5	13.6	4.4	19.6	1.1	3.0	5.1	17.0	(3.7)	74.9
Top 6	11.4	3.5	20.6	2.3	0.3	4.5	17.9	(2.9)	70.9
Top 7	10.4	0.7	18.5	3.1	1.1	4.7	18.3	(1.4)	67.7
Top 8	10.1	(1.9)	19.6	4.0	1.4	3.4	18.3	0.7	67.9
Top 9	9.5	(6.2)	19.4	6.4	1.9	6.2	18.4	1.6	70.0
Top 10	9.3	(6.4)	18.6	8.0	2.5	5.3	18.4	2.1	71.0
Top 11	9.0	(9.1)	19.6	7.4	2.5	7.4	19.0	3.5	72.5
Top 12	9.0	(12.0)	20.4	7.7	1.3	7.6	21.1	3.5	69.8
Nasdaq	10.5	(40.0)	45.0	17.8	(1.0)	17.3	39.7	14.6	110.6
S&P500	5.4	(37.0)	26.5	14.8	2.0	15.9	32.3	13.6	71.3
TEMP	19.5	(37.9)	22.5	15.5	(3.1)	16.3	43.4	13.9	93.2

Despite significant drops in 2008, our *Top Eight Model Portfolio* and the Nasdaq Composite Index both outperformed all of our ETF test portfolios over the test period. We thought having some bond funds in the mix might improve performance in down years, which it

certainly did in 2008 and slightly in 2011, but it also pulled down performance in up years. We also conjecture that Select funds, which are actively managed, turn out to be a better fit for use in our ranking system than index ETFs, which are not actively managed.

We conclude at this point that we won't continue this experiment, and we won't list an ETF model portfolio in our newsletter. We don't regret the effort, however; now we know that Fidelity's commission-free ETFs aren't a good fit for our system.

Fundranker Goes All in on Health Care

Fidelity has five Select funds listed in Morningstar's Health category, and we'll hold all five of them for our February *Top Eight Model Portfolio*. We have been in and out of several of them over the last few months, but this is our first time to hold all five.

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Questions and Suggestions

Do you have a question about the *Fundranker* system or a suggestion for the newsletter or website? Check out our FAQs, peruse our *Fundranker Blog*, or use our *Contact Us* form at www.fundranker.com. We welcome your input.

Top Eight Model Portfolio for February 2015

Fund Name (Symbol)	Purchase	Return to 1/30
1. Biotechnology (FBIOX)	9/5/2014	22.31%
2. Health Care (FSPHX)	8/5/2013	56.72%
3. Electronics (FSELX)	3/5/2014	23.63%
4. Medical Eqpt & Systems (FSMEX)	11/5/2014	6.84%
5. Consumer Staples (FDFA)	2/2/2015	
6. Medical Delivery (FSHCX)	1/2/2015	0.18%
7. Pharmaceuticals (FPHAX)	2/2/2015	
8. Air Transportation (FSAIX)	9/5/2014	8.80%
Funds to be sold on February 2:		
10. Retailing (FSRPX)	1/2/2015	(1.25)%
11. Transportation (FSRFX)	8/6/2014	14.40%

Fundranker Exchanges for February 2

Sell Transportation (FSRFX), buy Consumer Staples (FDFA)
Sell Retailing (FSRPX), buy Pharmaceuticals (FPHAX)

Start a New Portfolio

February 2 ([see new portfolio FAQ](#))

Optional Rebalancing Exchange Dates

Held funds: none; New funds: Feb 2 ([see rebalancing FAQ](#))

Upcoming Fundranker Exchange Dates

If no new funds are to be exchanged, *Fundranker* will exchange on March 2 ([early exchange date](#)); otherwise, to avoid roundtrip transactions on funds purchased on February 2, *Fundranker* will exchange on March 4, our [late exchange date](#).

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<i>Fundranker Ratings for 1/30/15</i>	12-Month	6-Month	3-Month	1-Month	<i>Fundranker</i>	<i>Fundranker</i>
Fund (Symbol)	Return %	Return %	Return %	Return %	Rating**	Ranking
Air Transportation (FSAIX)	22.53*	14.29*	7.34*	(3.99)	13.043	8
Automotive (FSAVX)	6.29	(1.89)	1.44	(1.74)	1.025	21
Banking (FSRBX)	1.26	(2.42)	(6.57)	(8.93)	(4.165)	35
Biotechnology (FBIOX)	27.26*	35.25*	11.82*	6.59*	24.230	1
Brokerage & Investment Mgmt (FSLBX)	1.96	(0.85)	(4.61)	(7.98)	(2.870)	34
Chemicals (FSCHX)	7.78	(1.87)	(2.04)	(2.09)	0.445	23
Communications Equipment (FSDCX)	6.10	0.48	(2.00)	(6.31)	(0.433)	26
Computers (FDCPX)	11.03	1.41	(1.77)	(5.48)	1.298	20
Construction & Housing (FSHOX)	17.85*	14.94*	4.82*	(0.21)	12.350	9
Consumer Discretionary (FSCPX)	13.59	8.90	3.13	(3.06)	5.640	16
Consumer Finance (FSVLX)	4.02	0.34	(6.34)	(7.23)	(2.303)	33
Consumer Staples (FDFAX)	25.16*	11.76*	3.83*	0.70*	14.363	5
Defense & Aerospace (FSDAX)	6.94	11.67*	5.46*	1.70*	9.443	13
Electronics (FSELX)	35.00*	12.39*	7.19*	(1.86)	16.180	3
Energy (FSENX)	(10.09)	(23.06)	(13.93)	(2.66)	(12.435)	37
Energy Service (FSESX)	(26.24)	(38.72)	(26.34)	(8.41)	(24.928)	39
Environment & Alternative Energy (FSLEX)	1.81	(3.11)	(1.06)	(3.38)	(1.435)	30
Financial Services (FIDSX)	8.23	2.07	(3.31)	(6.07)	0.230	24
Gold (FSAGX)	(4.18)	(15.72)	23.25*	17.03*	7.095	15
Health Care (FSPHX)	26.70*	17.08*	5.73*	2.07*	16.895	2
Industrial Equipment (FSCGX)	(0.48)	(0.78)	(2.79)	(4.36)	(2.103)	32
Industrials (FCYIX)	6.62	5.06	(0.07)	(2.74)	2.218	19
Insurance (FSPCX)	9.99	3.03	(3.54)	(6.99)	0.623	22
IT Services (FBSOX)	7.25	7.26	1.41	(3.40)	3.130	17
Leisure (FDLSX)	13.62	9.58	5.72*	0.23*	9.288	14
Materials (FSDPX)	2.15	(5.16)	(2.03)	(2.32)	(1.840)	31
Medical Delivery (FSHCX)	22.13*	12.93*	3.91*	0.06*	13.758	6
Medical Equipment & Systems (FSMEX)	24.53*	15.27*	6.90*	1.31*	16.003	4
Multimedia (FBMPX)	5.66	(0.45)	(3.32)	(6.75)	(1.215)	29
Natural Gas (FSNGX)	(16.12)	(29.66)	(17.06)	(5.75)	(17.148)	38
Natural Resources (FNARX)	(9.64)	(22.86)	(11.08)	(0.69)	(11.068)	36
Pharmaceuticals (FPHAX)	24.12*	12.45*	3.52	1.92*	13.503	7
Retailing (FSRPX)	16.80*	15.40*	6.24*	(2.01)	12.108	10
Software & Computer Services (FSCSX)	2.63	1.68	(2.13)	(5.26)	(0.770)	28
Technology (FSPTX)	8.83	2.77	(0.61)	(1.37)	2.405	18
Telecommunications (FSTCX)	3.94	(2.23)	(2.80)	(1.64)	(0.683)	27
Transportation (FSRFX)	24.89*	12.64*	2.16	(6.11)	10.395	11
Utilities (FSUTX)	18.66*	9.11	1.78	0.32*	9.468	12
Wireless (FWRLX)	3.53	(0.14)	(1.50)	(1.76)	0.032	25

*Bonus point for being in the top 12 positive returns for a specific period

**Bonus points plus average of 12-, 6-, 3-, and 1-month returns

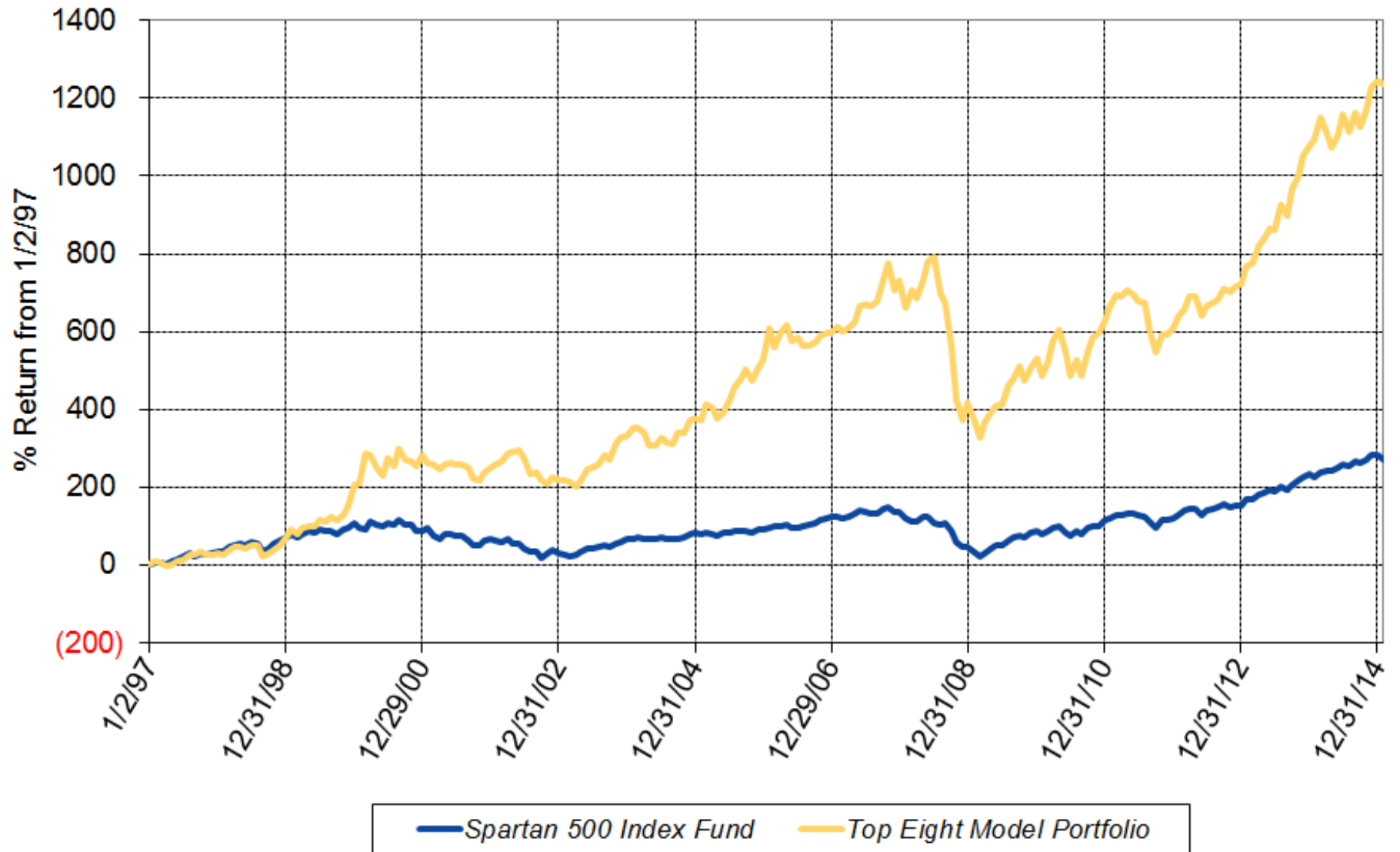
Sell on February 2, 2015

Buy on February 2, 2015

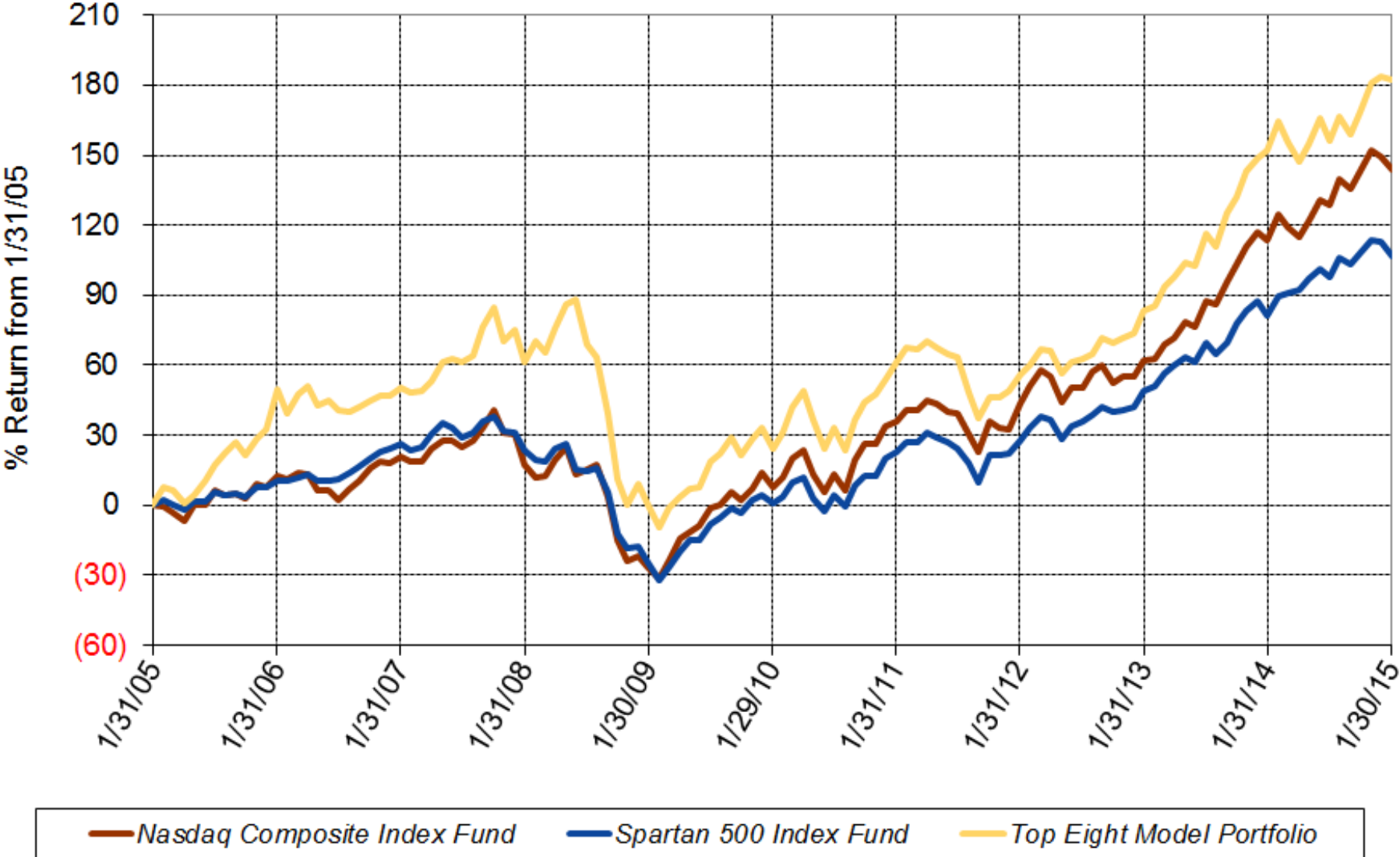
Hold

Fundranker Performance for January 2015													
12/31 Funds	12/31 Shares	12/31 Amount	<=1/2 Div Shrs	1/2 Shares	1/2 Amount	1/2 Funds	1/2 Shares	1/2 Amount	>1/2 Div Shrs	1/30 Shares	1/30 Amount	Jan Return	
FSRFX	422.743	40,676.33	none	422.743	40,494.55	FBIOX	179.860	40,250.98	none	179.860	42,419.98		
FBIOX	183.693	40,645.75	none	183.693	41,108.66	FSRFX	420.200	40,250.98	none	420.200	37,960.87		
FSAIX	550.044	41,038.78	none	550.044	40,868.27	FSELX	474.770	40,250.98	none	474.770	39,500.86		
FSPHX	183.318	39,908.33	none	183.318	39,965.16	FSAIX	541.736	40,250.98	none	541.736	38,804.55		
FSELX	487.434	41,324.65	none	487.434	41,324.65	FSMEX1,041.153		40,250.98	none	1,041.153	40,948.55		
FSMEX1,038.873		40,329.05	none	1,038.873	40,162.83	FSPHX	184.629	40,250.98	none	184.629	41,024.56		
FPHAX	1,830.782	39,142.12	none	1,830.782	39,105.50	FSHCX	490.746	40,250.98	none	490.746	40,324.60		
FDFAX	402.086	39,295.86	none	402.086	38,978.22	FSRPX	450.487	40,250.98	none	450.487	39,746.47		
Top Eight		322,360.87			322,007.84			322,007.80			320,730.44	(0.506)	
FNCMX1,632.105		101,729.10	none						none	1,632.105	99,591.05	(2.102)	
FUSEX1,255.352		91,452.39	none						none	1,255.352	88,703.17	(3.006)	
Yearly Summaries				1997	1998	1999	2000	2001					
				Return %	Return %	Return %	Return %	Return %					
<i>Top Eight Model Portfolio</i>				29.144	33.441	76.892	25.824	(8.468)					
Nasdaq Composite Index Fund				N/A	N/A	N/A	N/A	N/A					
Spartan 500 Index Fund - Investor Class				33.628	28.498	20.633	(9.132)	(12.054)					
Yearly Summaries				2002	2003	2004	2005	2006					
				Return %	Return %	Return %	Return %	Return %					
<i>Top Eight Model Portfolio</i>				(9.333)	35.952	10.340	31.341	10.863					
Nasdaq Composite Index Fund				N/A	N/A	8.598	1.902	10.031					
Spartan 500 Index Fund - Investor Class				(22.173)	28.487	10.733	4.858	15.712					
Yearly Summaries				2007	2008	2009	2010	2011					
				Return %	Return %	Return %	Return %	Return %					
<i>Top Eight Model Portfolio</i>				19.463	(37.882)	22.518	15.464	(3.133)					
Nasdaq Composite Index Fund				10.497	(40.041)	44.959	17.811	(0.957)					
Spartan 500 Index Fund - Investor Class				5.426	(37.047)	26.502	14.842	2.036					
Yearly Summaries				2012	2013	2014	2015 YTD						
				Return %	Return %	Return %	Return %						
<i>Top Eight Model Portfolio</i>				16.302	43.354	13.946	(0.506)						
Nasdaq Composite Index Fund				17.325	39.746	14.602	(2.102)						
Spartan 500 Index Fund - Investor Class				15.929	32.251	13.590	(3.006)						
Lifetime Summary				1/2/97 to 1/30/15		1/2/97 to 1/30/15							
				Total Return %		Average Annual Return %							
<i>Top Eight Model Portfolio</i>				1,236.377		15.415							
Nasdaq Composite Index Fund				N/A		N/A							
Spartan 500 Index Fund - Investor Class				269.597		7.497							
10-Year Summary				1/31/05 to 1/30/15		1/31/05 to 1/30/15							
				Total Return %		Average Annual Return %							
<i>Top Eight Model Portfolio</i>				182.142		10.929							
Nasdaq Composite Index Fund				143.805		9.321							
Spartan 500 Index Fund - Investor Class				106.697		7.531							
5-Year Summary				1/29/10 to 1/30/15		1/29/10 to 1/30/15							
				Total Return %		Average Annual Return %							
<i>Top Eight Model Portfolio</i>				127.128		17.830							
Nasdaq Composite Index Fund				126.943		17.810							
Spartan 500 Index Fund - Investor Class				105.576		15.503							
3-Year Summary				1/31/12 to 1/30/15		1/31/12 to 1/30/15							
				Total Return %		Average Annual Return %							
<i>Top Eight Model Portfolio</i>				80.914		21.850							
Nasdaq Composite Index Fund				70.266		19.410							
Spartan 500 Index Fund - Investor Class				61.686		17.370							
1-Year Summary				1/31/14 to 1/30/15		1/31/14 to 1/30/15							
				Total Return %									
<i>Top Eight Model Portfolio</i>				12.024									
Nasdaq Composite Index Fund				14.192									
Spartan 500 Index Fund - Investor Class				14.132									

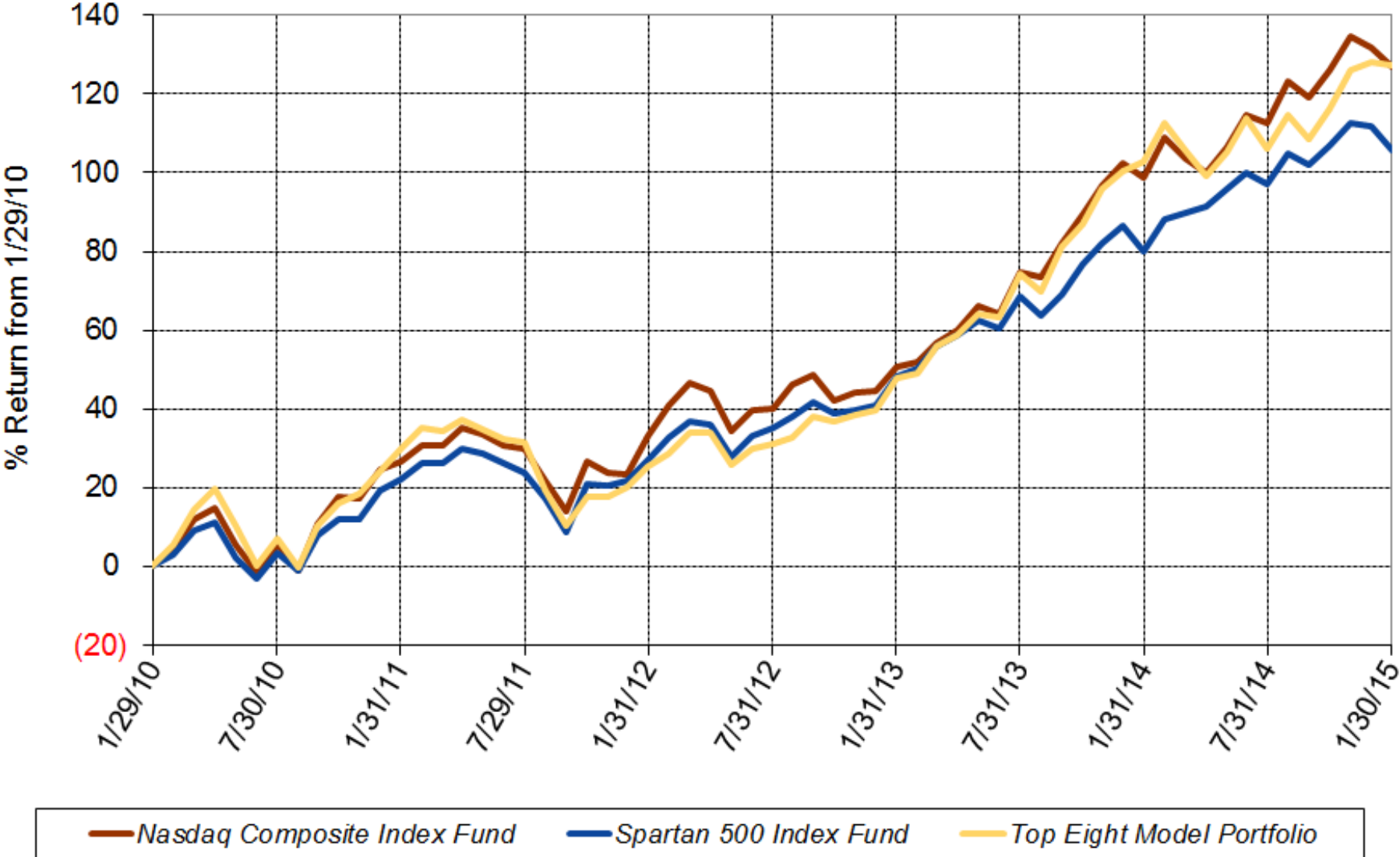
Lifetime Chart



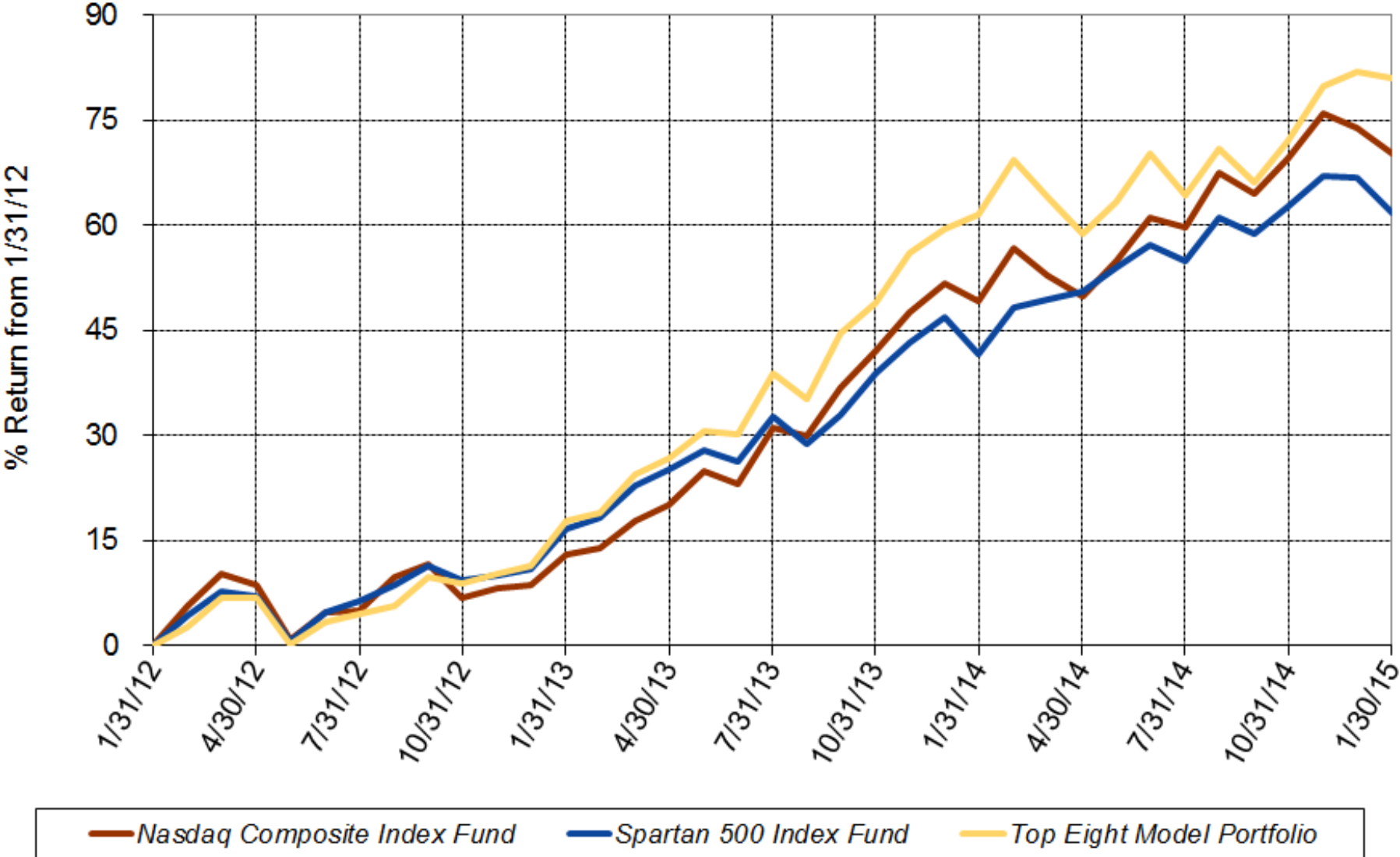
10-Year Chart



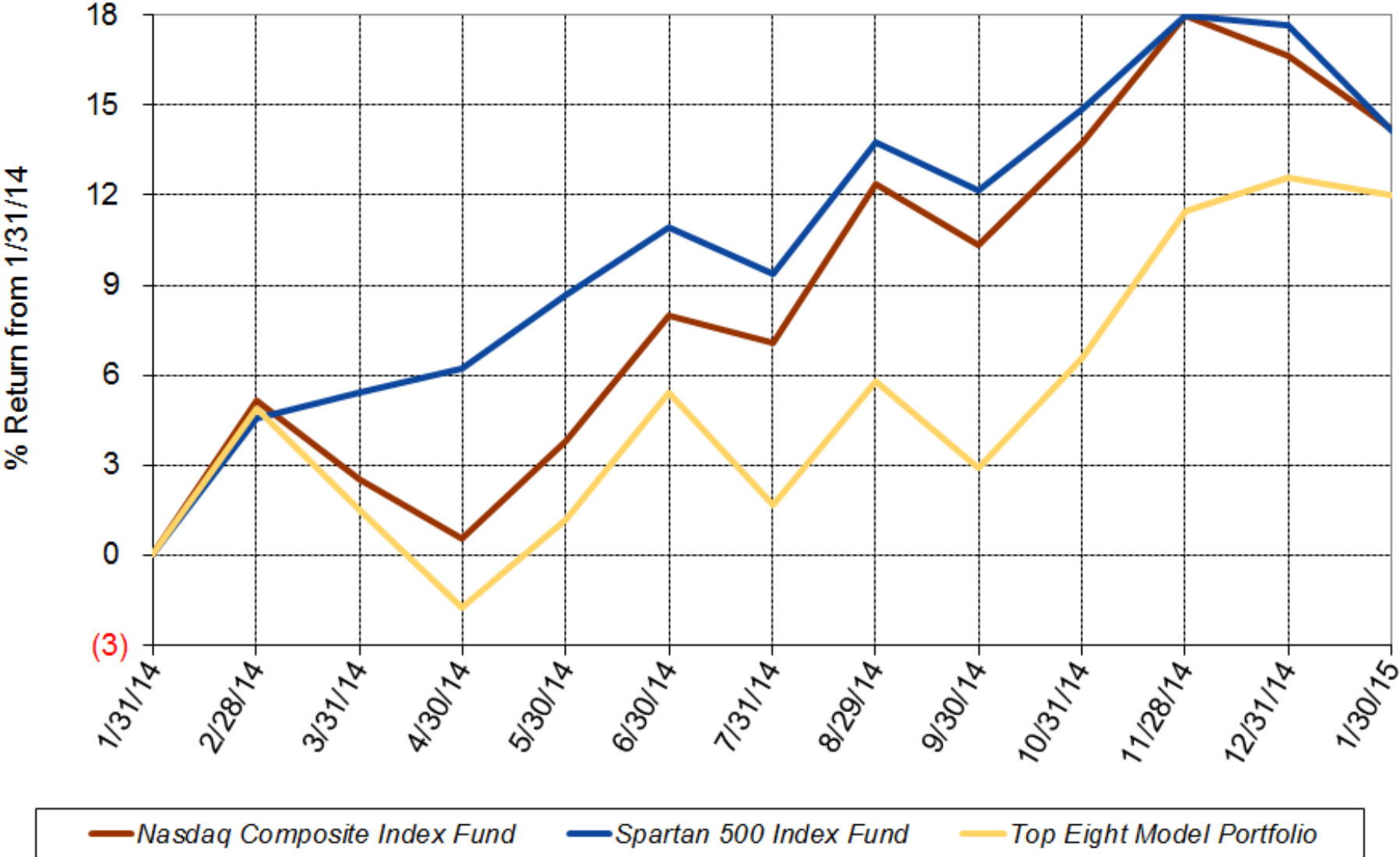
5-Year Chart



3-Year Chart



1-Year Chart



(3)

Daily Chart January 2015

