

Miller  
Risk  
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*How Much is that Mutual Fund in the Window?*

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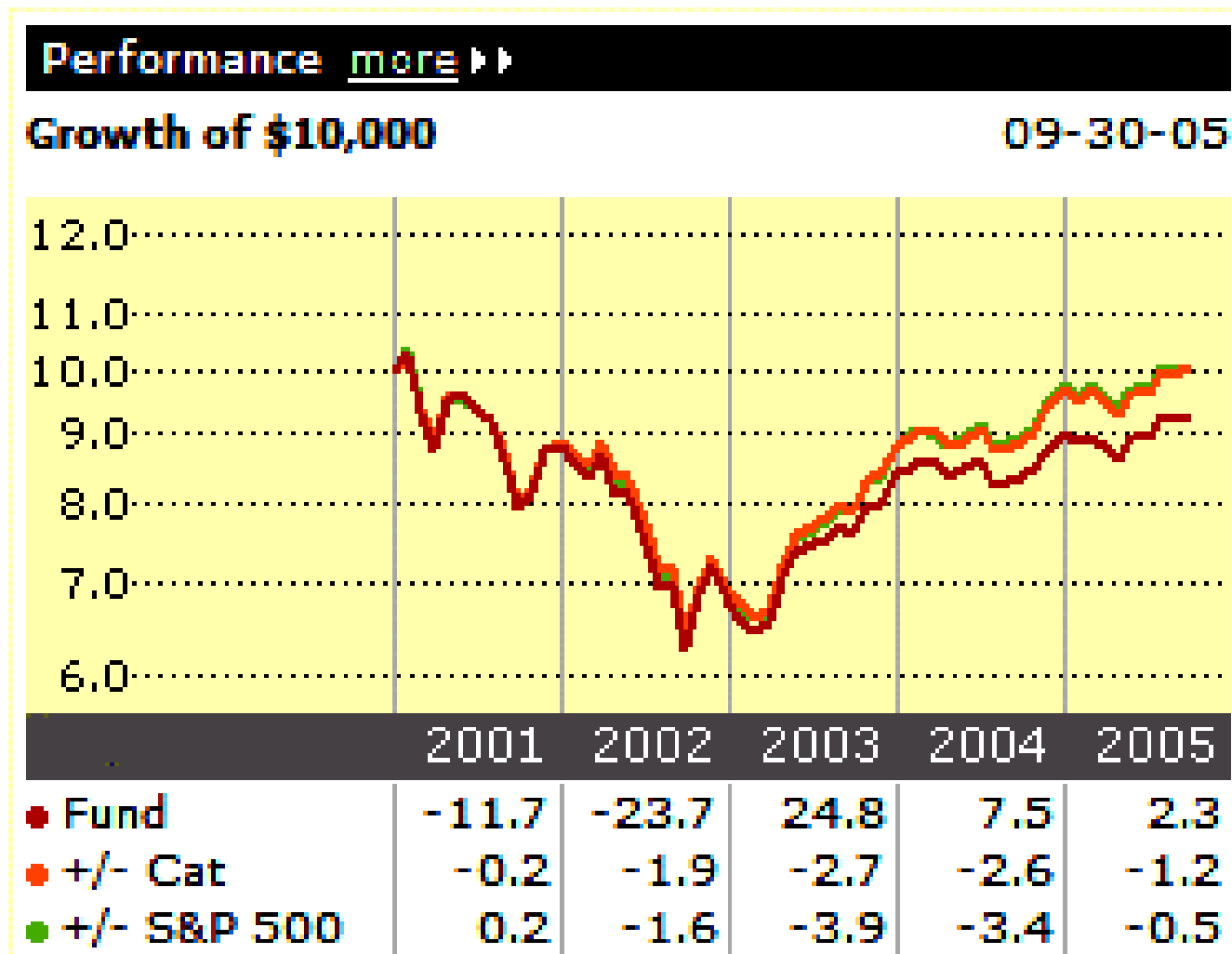
October 20, 2005

# *Today's Talk: A Financial Rorschach*

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## *Fidelity Magellan Fund: The Chart*



## *Fidelity Magellan Fund: The Numbers*

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### **Modern Portfolio Theory Statistics**

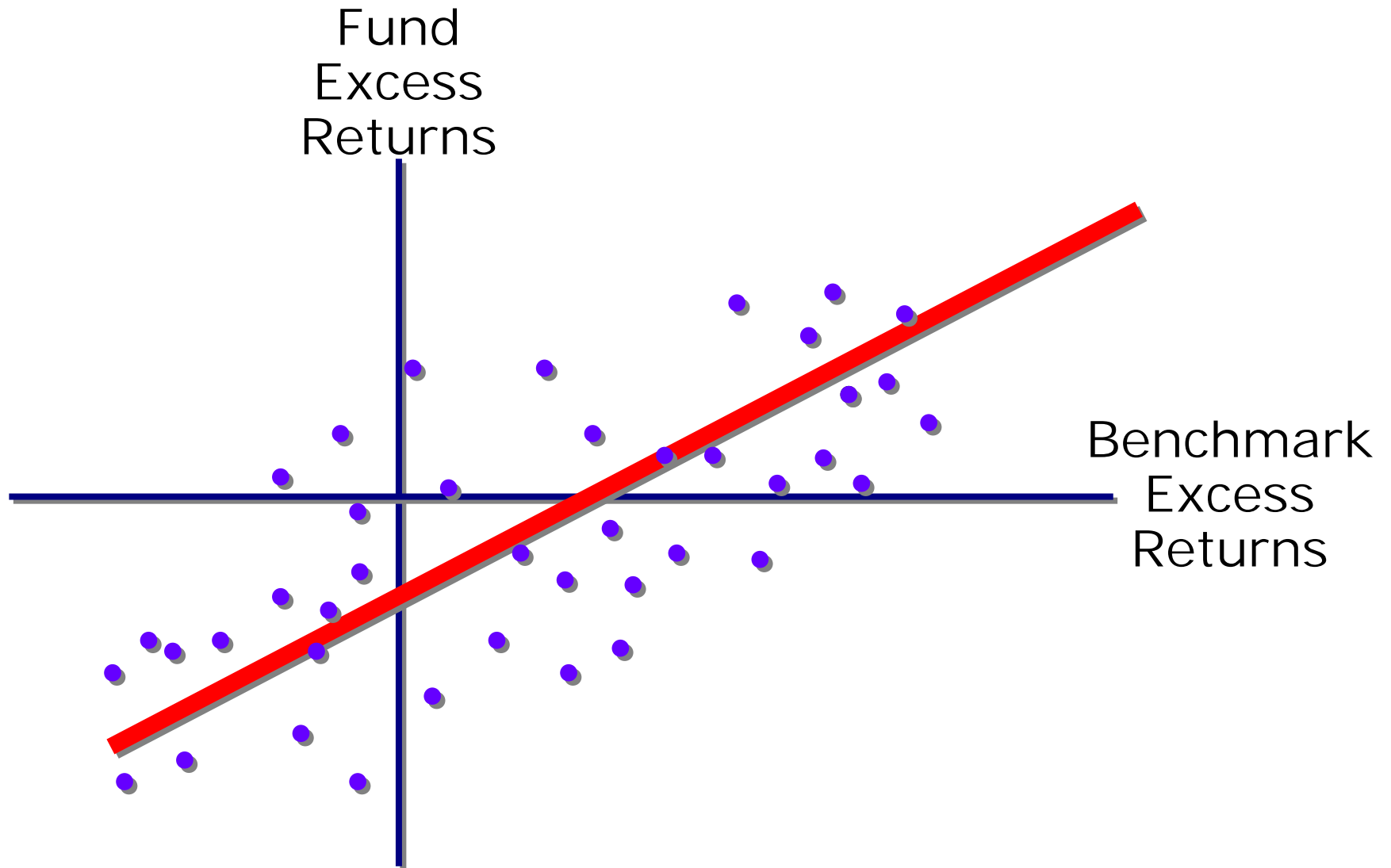
	<b>Standard Index</b>	<b>Best Fit Index</b>
	S&P 500	S&P 500
R-Squared	99	99
Beta	1.00	1.00
Alpha	-2.46	-2.46

### **Actual Fees %**

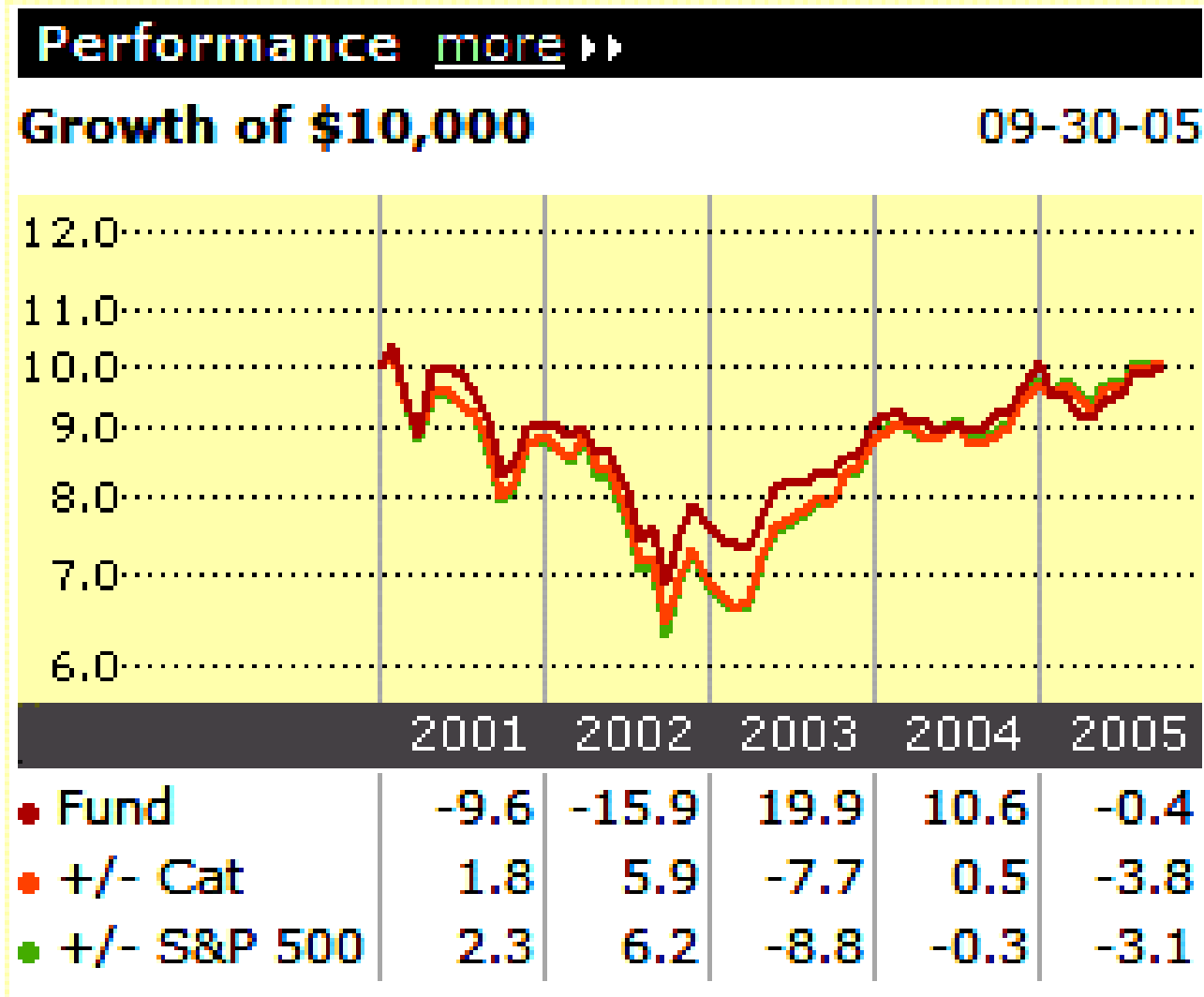
12b-1	0.00
Management	0.50
Expense Ratio: Annual Report	0.62

# *The Source of the Portfolio Statistics*

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## *Fidelity Discovery Fund: The Chart*



## *Fidelity Discovery Fund: The Numbers*

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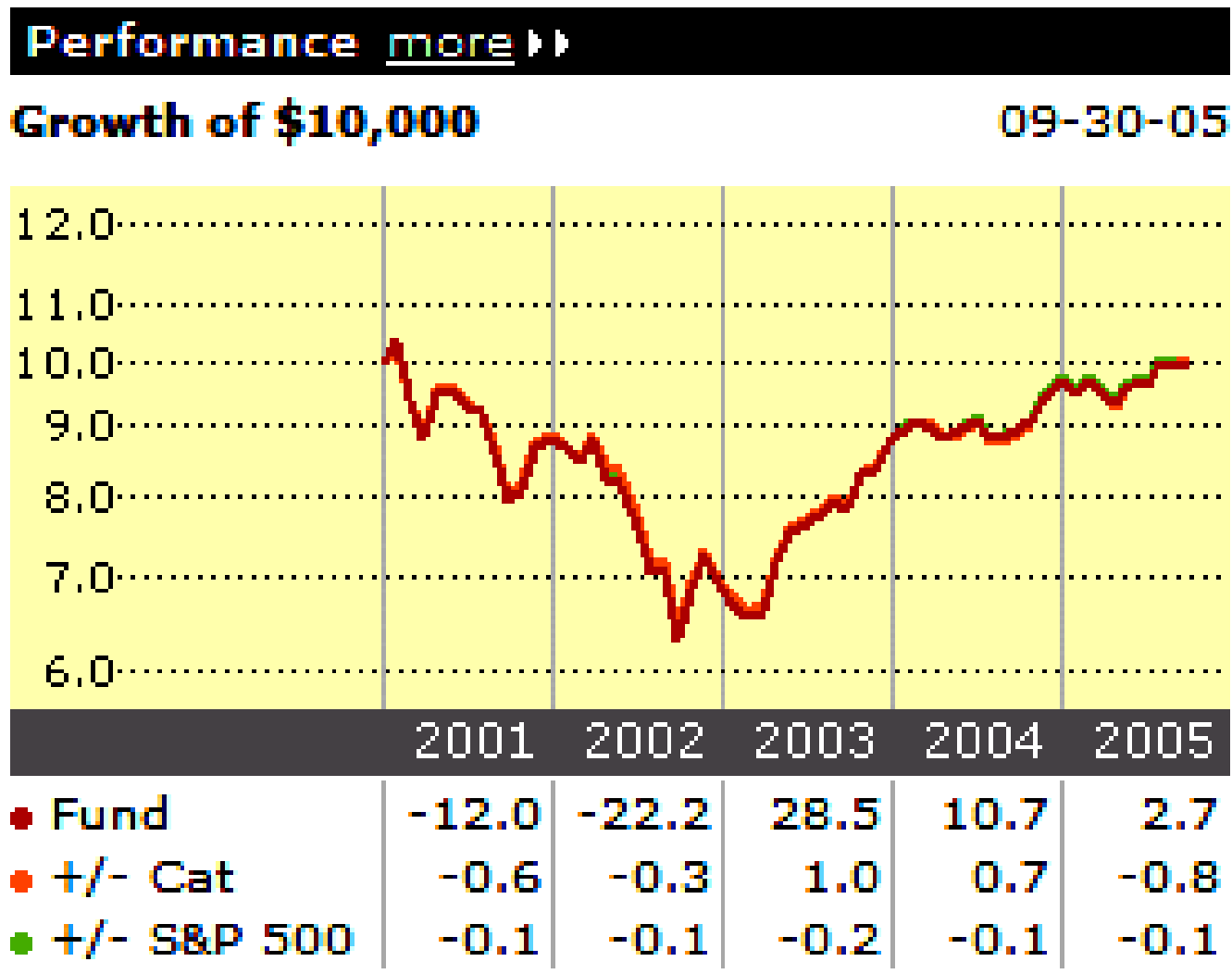
### **Modern Portfolio Theory Statistics**

	<b>Standard Index</b>	<b>Best Fit Index</b>
	S&P 500	S&P 500
R-Squared	84	84
Beta	0.86	0.86
Alpha	-1.08	-1.08

### **Actual Fees %**

12b-1	0.00
Management	0.56
Expense Ratio: Annual Report	0.70

# Vanguard 500 Index (retail): The Chart



Source: Morningstar



## *Vanguard 500 Index (retail): The Numbers*

### **Modern Portfolio Theory Statistics**

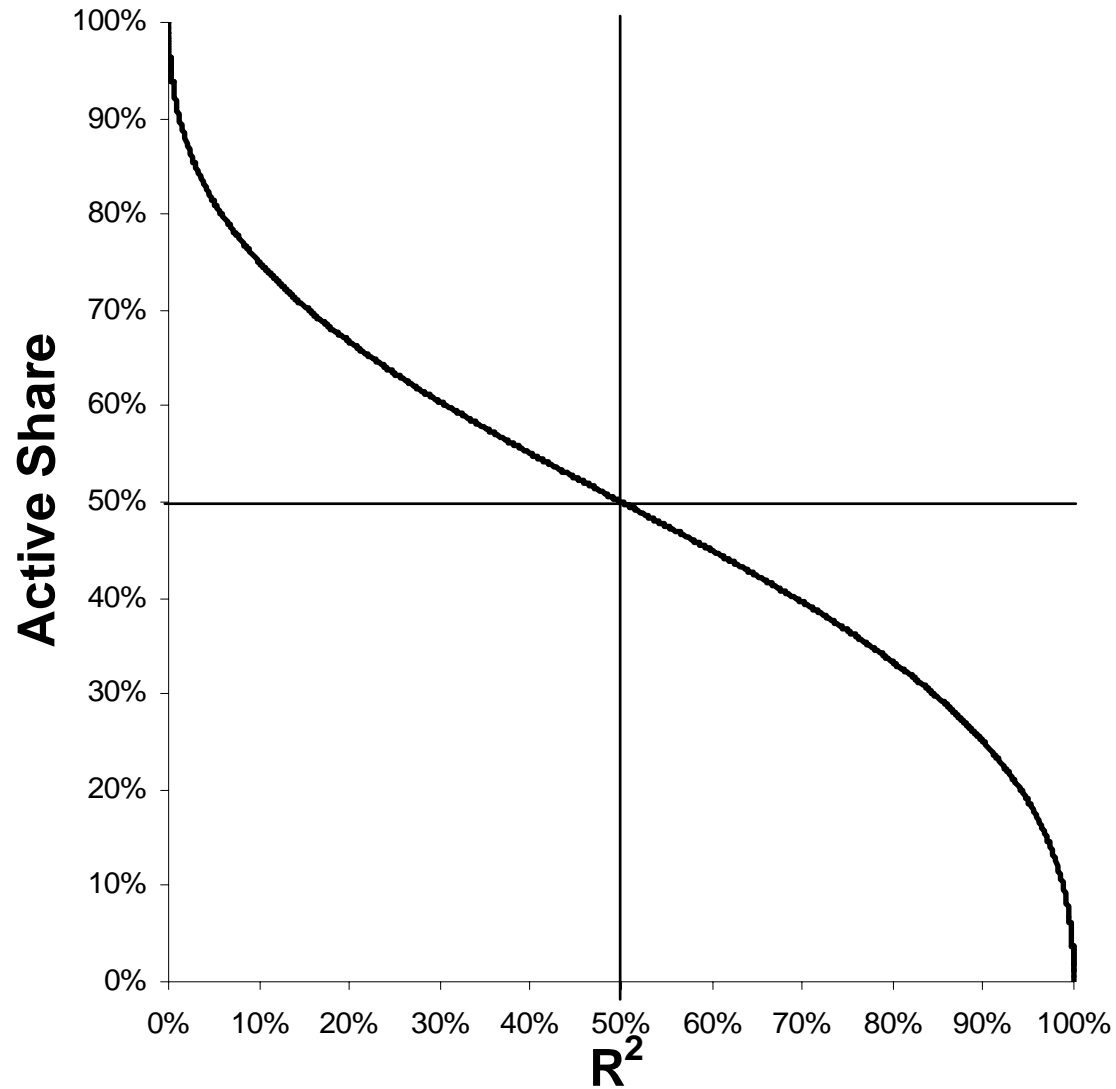
	<b>Standard Index</b>	<b>Best Fit Index</b>
	S&P 500	S&P 500
R-Squared	100	100
Beta	1.00	1.00
Alpha	-0.14	-0.14

### **Actual Fees %**

12b-1	0.00
Management	0.16
Expense Ratio: Annual Report	0.18

# *Translating $R^2$ into an Active Share*

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## *Replicating Fidelity Magellan Fund*

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**\$10,000 of Fidelity Magellan Fund  
(Annual Expense = \$62)**

**0.62%**



**\$9,133 of (leveraged) Vanguard 500 Index  
(Annual Expense = \$16.44)**

**0.18%**



**\$867 of Synthetic Magellan Hedge Fund  
(Annual Expense = \$45.46)**

**5.26%**

## *Replicating Fidelity Discovery Fund*

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**\$10,000 of Fidelity Discovery Fund  
(Annual Expense = \$70)**

**0.70%**



**\$6,962 of (leveraged) Vanguard 500 Index  
(Annual Expense = \$12.52)**

**0.18%**

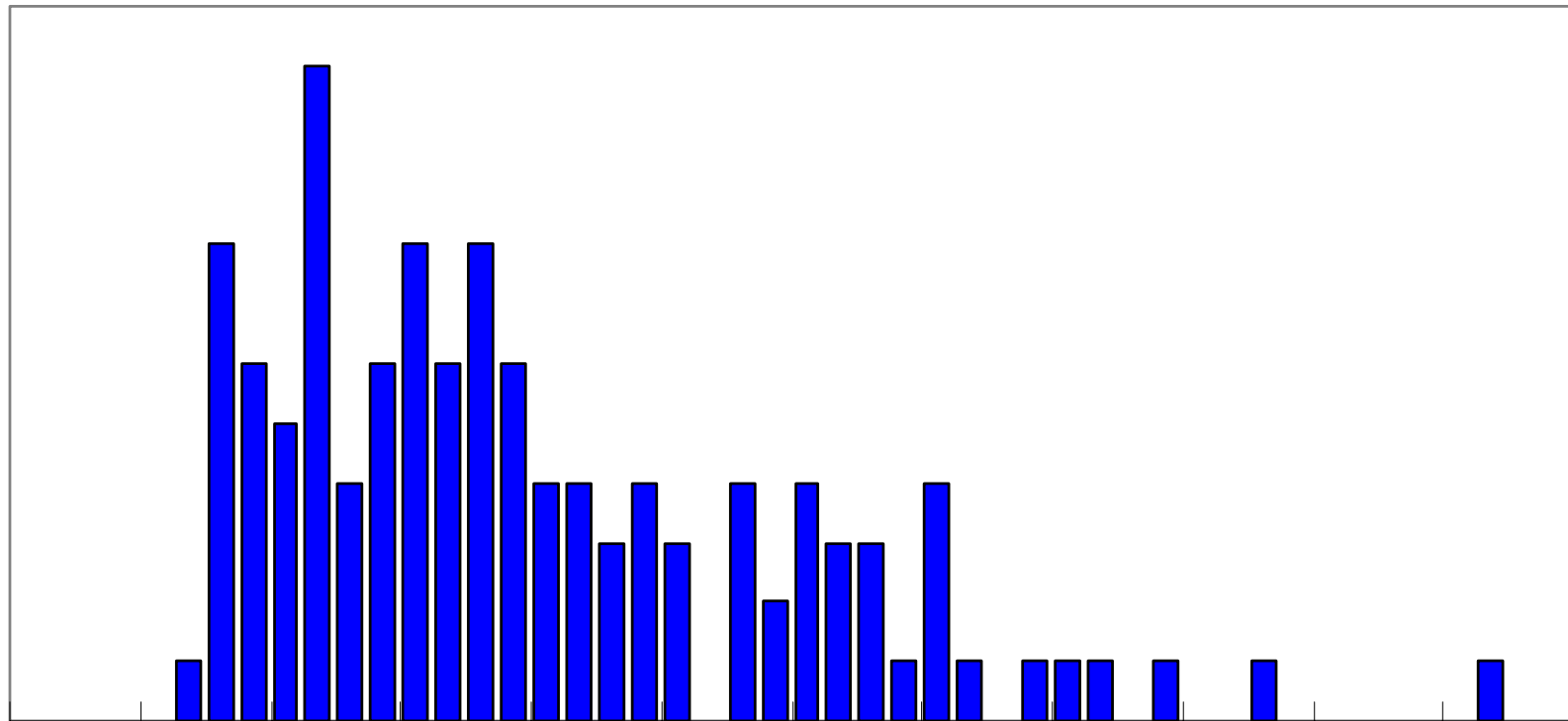
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**\$3,038 of Synthetic Discovery Hedge Fund  
(Annual Expense = \$57.48)**

**1.89%**

# *Distribution of Active Expense Ratios for Noninstitutional Large Cap Funds*

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0% 2% 4% 6% 8% 10% 12% 14% 16% 18% 20% 22%

Mean = 7.57% Standard deviation = 4.63%

## *Distribution of Active Expense Ratios for Institutional Large Cap Funds*

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