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BREAKING NEWS

Some Fidelity Funds Set To Split Shares 10-for-1

Fidelity is taking the unprecedented step of executing a 10-for-1 share split for a handful of its funds (see facing table). The changes will take place in two stages: at the close of market on Friday May 11, and on Friday June 8 of this year.



John Bonnanzio

The move is necessary, says Fidelity, as funds whose NAVs (net asset value) have risen dramatically over the years can be an obstacle to smaller investors. Notably, **Select Health Care** was launched in 1981 with a NAV of \$10.00 — now it's over \$230. (Over the life of the fund, its average annual return has been 16.8%!) All of the affected funds have NAVs that top \$100.

In addition, some investors prefer not to trade partial shares. The lower NAV can help to avoid that.

Example	NAV/Share	# of Shares	Total Value
Before Split	\$100	100	\$10,000
After Split	\$10	1,000	\$10,000

Importantly, **share splits do not change the value of your current fund holdings, nor are there any tax consequences.**

Using **Contrafund** as an example, on Wednesday May 9 its closing NAV was \$130.26. Assuming that an investor holds 100 shares, the value of that position was worth \$13,026.00.

Fund	Ticker	Ex-Date
OTC	FOCPX	11-May
Value	FDVLX	11-May
Select Retailing	FSRPX	11-May
Select Semiconductors	FSELX	11-May
Select Software & IT Svs	FSCSX	11-May
Contrafund	FCNTX	8-Jun
Growth Company	FDGRX	8-Jun
Magellan	FMAGX	8-Jun
Select Biotechnology	FBIOX	8-Jun
Select Chemicals	FSCHX	8-Jun
Select Defense & Aero	FSDAX	8-Jun
Select Financial Svs	FIDSX	8-Jun
Select Health Care	FSPHX	8-Jun
Select Leisure	FDLSX	8-Jun
Select Technology	FSPTX	8-Jun

This table shows only retail share classes of funds. Class K shares and Advisor shares of the above funds may also experience share splits.

In the unlikely event that the fund's NAV is unchanged after the market closes on Friday June 8, Contrafund's NAV would be readjusted to \$13.026. However, because the investor now owns 10-times more shares (1,000, up from 100), the value of their Contrafund investment is unchanged at \$13,026.

The bottom line is this: Despite the rather dramatic sound of a 10-for-1 share split, you are none the better or worse for this change. ■

— John Bonnanzio

Understanding A Fund's NAV

At the time of most funds' inception, their official price per share, or NAV, is \$10.00. The NAV is the dollar value of a single share, and is based on the value of all of the fund's holdings (minus liabilities), divided by the number of shares outstanding. (Money market funds—except prime and institutional funds — have a constant \$1.00 NAV.) There is no inherent advantage to buying a fund on the first day it is offered, 10 days later, or even 10 years later, as its current NAV merely reflects the value of its underlying holdings divided by the number of outstanding shares. ■