

# The Best New Funds of 2011

The Contrarian | Russel Kinnel

## Our Contrarian Approach

I go against the grain to find overlooked funds that may be ready to rally.

There were a lot of trendy and unproven fund launches out there. For the most part, you can simply tune that news out. However, there are always a few promising names worth adding to your watchlist and occasionally even worth buying. The key is to find funds with proven managers and sound strategies so that there's more to go on than just a few months' returns. I'll save you the time of wading through all the flotsam by highlighting a few of the very best.

## Fidelity Municipal Income Funds

As I wrote earlier in the year, Fidelity has launched four defined-maturity muni-bond funds. They mature in 2015, 2017, 2019, and 2021. The idea is that duration (a measure of interest-rate sensitivity) will decline as the maturity date nears just like with a bond. Soon after the date of maturity (June 30), the funds will liquidate and the balance will be returned to shareholders. The funds' aim is to produce as high an income stream as possible up until the maturity date while still maintaining principal. Thus, you can dial in the right maturities for your needs. The advantages over an individual bond are that Fidelity gets better prices; can do better credit research; and can build a diversified, laddered portfolio to smooth out returns. Expenses are low—around 0.40%—and management is sound. All four funds are listed below.

## The Best of the Class of 2011

Name	Manager Name	Fund Size (USD Mil)	Net Expense Ratio Prospectus
Ariel Discovery	Maley; Kuhrt	3.7	1.50
Fidelity Municipal Income '15	Pagliocco; Ramundo; Sommer	28.9	0.40
Fidelity Municipal Income '17	Pagliocco; Ramundo; Sommer	21.1	0.40
Fidelity Municipal Income '19	Pagliocco; Ramundo; Sommer	21.8	0.40
Fidelity Municipal Income '21	Pagliocco; Ramundo; Sommer	24.5	0.40
GoodHaven	Trauner; Pitkowsky	90.8	1.10
TCW International Small Cap	Rohit Sah	23.4	1.44

## TCW International Small Cap TGICX

This fund has a known commodity in its manager, even though the fund is brand-new. Rohit Sah comes from Oppenheimer where he built a strong record at **Oppenheimer International Small Company** OSMAX. His is a bold, high-risk style that requires a long holding period for investors. He builds a focused portfolio with huge regional biases. He hates Europe and loves Asia and Canada. He favors energy and other commodity-producing companies. Or to put it another way, don't make this a core holding; it's too volatile for that.

The fund charges 1.44%, but there does seem to be room for that to come down as the management fee is 0.75%.

## GoodHaven GOODX

I'd categorize this fund as intriguing rather than as one I'd buy right away. Its managers, Keith Trauner and Larry Pitkowsky, were comanagers on **Fairholme** FAIRX and are investing in a focused but cash-heavy style you'll recognize from Fairholme. However, GoodHaven's a new company and Bruce Berkowitz was responsible for most of Fairholme's record, so I'd wait and see. We rate it Neutral for the time being. The managers have so far taken a different tack than did Berkowitz as they've bought some slow-growth tech stocks such as **Microsoft** MSFT and **Hewlett-Packard** HPQ rather than the downtrodden financial giants Berkowitz has gone for.

## Ariel Discovery ARDFX

This fund is run by seasoned value investor David Maley. Maley recently joined Ariel from Maple Hill Capital where he launched this micro-cap-heavy value fund. Maley is a deep-value investor who aims to buy companies at deep discounts to their intrinsic value—occasionally that's even at a discount to liquidation value. He tries to avoid all the value traps inherent in deep-value investing by avoiding companies with big debt loads. He also looks for companies whose bosses own a lot of shares and claim few executive perks. The current portfolio skews heavily to consumer cyclical and tech names while underweighting financials and energy. ■■