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Opinion | Matthew A. Winkler, Columnist

America's Best Stock Picker Keeps Beating Passive Funds

Fidelity's Adam Benjamin keeps proving wrong the narrative that actively managed funds are inferior to those tracking indexes.

By Matthew A. Winkler
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For the third time in four years, the stock picker beating everyone is Fidelity Investments Inc.'s decoder of computer chips, crushing every measure of performance as the more popular passively managed index funds tracking market benchmarks proved little more than also-rans in 2024.

He is Adam Benjamin, the 53-year-old who took charge of Boston-based Fidelity's Select Semiconductors Portfolio mutual fund in 2020 after two decades focusing on the industry that invigorates smartphones, virtual reality headsets, autonomous driving, cloud computing transition, electric vehicles and US national security.

The Best of 2024
The top performing US stock funds

Ticker	Name
Fidelity Select Semiconductors Portfolio	49.0%
Lord Abbett Growth Leaders Fund	44.6%
Hartford Growth Opportunities Fund	41.9%
T Rowe Price Science & Technology Fund Inc	40.3%
Fidelity Blue Chip Growth Fund	39.7%
Fidelity Series Blue Chip Growth Fund	39.6%
VanEck Semiconductor ETF	39.1%
Fidelity Blue Chip Growth K6 Fund	38.8%
Fidelity Advisor Growth Opportunities Fund	38.4%
Fidelity Growth Co K6 Fund	38.4%

Source: Bloomberg

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Benjamin is No. 1 for the second consecutive year among 431 US-based mutual or exchange-traded funds investing at least $5 billion over the prior five years, producing a 49% total return in 2024. He led his closest competitor by 4 percentage points and vanquished the S&P 500 Information Technology Index (up 37%), the S&P 500 Index (25%) and the Philadelphia Stock Exchange Semiconductor Index (20%), according to data compiled by Bloomberg. His 80% total return in 2023 humbled No. 2 by 5.3 percentage points when the S&P 500 Information Technology Index gained 58%. Benjamin dominated 2021 with a 59.2% total return when the runner-up ETF returned 56.2%. His only setback came in 2022 when the fund declined 35.2%, an outcome that still outperformed most peers.

While financial "experts" routinely assert that low-fee, passive funds tracking various indexes are superior to commission-charging, actively managed funds for long-term investors, data compiled by Bloomberg the past year show otherwise: Nine of the top 10 funds and 16 of the top 20 in 2024 were actively managed even after accounting for fees and other expenses. Six of the 10 leading funds and 11 of the top 20 are in the Fidelity family, which emphasizes selections that can't be replicated by benchmark funds whose composition changes infrequently.

To be sure, sponsors of index funds insist their risk is a smidgen of what active funds take on because benchmarks have fewer price and weighting changes that drive up volatility. Index funds also initiate myriad quantitative outcomes without replicating the qualitative decisions of active management.

Benjamin asserts that passive and active funds compete in the same categories of investor preferences with the same mathematical calculations. "We're just choosing between those relative opportunity sets and we're delivering better performance," he said during a Zoom interview earlier this month. "That doesn't mean we're taking on more risk to do that."

Tim Cohen, co-head of Fidelity Investments' equity division, said in a separate Zoom interview that "the difference between active and passive is actually very small" when determining the "absolute risk of being in an equity asset class. Those benchmarks are invested in securities which have beta streams, which are, you know, pretty volatile."

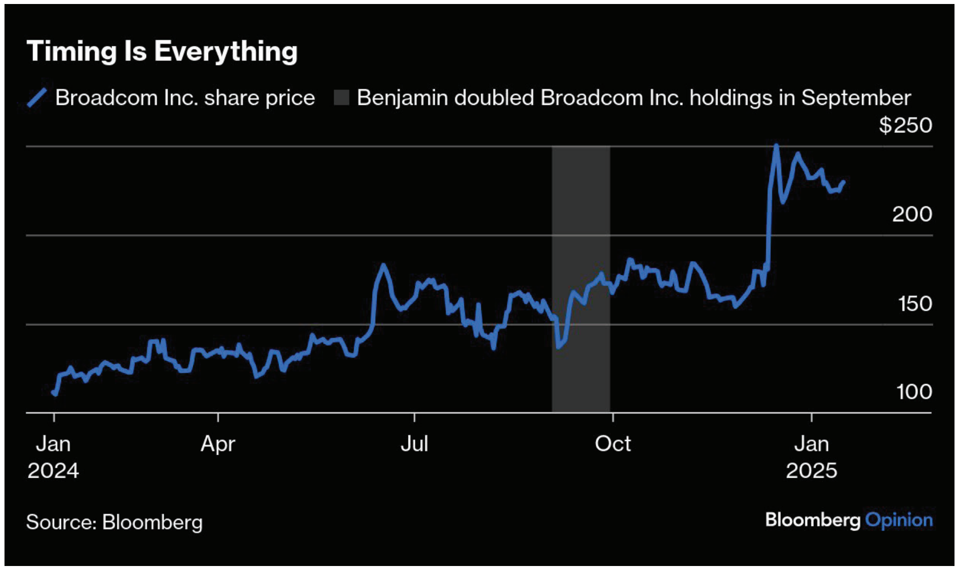
Sure enough, the dichotomy between passive and active funds became apparent when 2023's second-best performer, the Vaneck Semiconductor ETF, dropped to No. 7 last year because it suffered a loss of 10 percentage points in total return compared with the Fidelity Select Semiconductor Portfolio. The divergence derives from Benjamin's decision to overweight Nvidia Corp. relative to benchmarks, which contributed eight points to performance, according to data compiled by Bloomberg. Similar thinking around Astera Labs Inc. added three points, and an extra five points came from Marvell Technology Inc. and Impinj Inc. Just as important, avoiding Intel Corp. contributed five points.

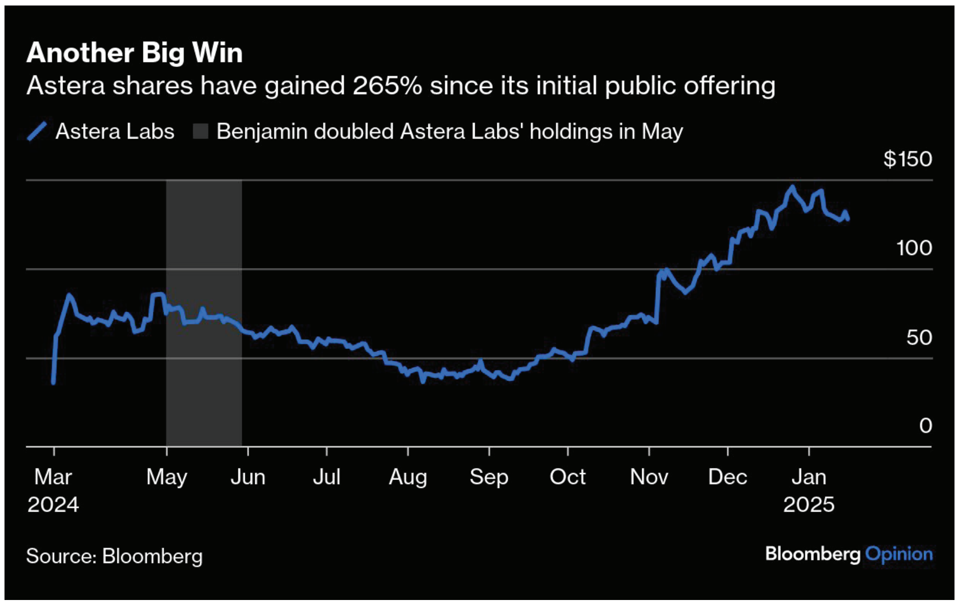
"The best advice I was ever given was, look at your funds that you manage every day as if you were buying that fund and those positions in the same way on that given day," said Benjamin, who joined Fidelity in 2011 before managing its funds in 2014, and noted that he gets up at 4 a.m. every morning.

Unlike any of the indexes or ETFs that follow semiconductors, Benjamin's familiarity with silicon and germanium, whose units are measured in a billionth of a meter, or nanometer, and mass-produced as 14- and 10-nanometer bits used in diodes, transistors, rectifiers and integrated circuits, underlines his idiosyncratic approach. He more than doubled the fund's holding of Broadcom Inc. in September to 11.8 million shares from 5.3 million when the average share value for the month was $162. Broadcom, which sells storage adopters, controllers, networking processors, motion control encoders and optical sensors, appreciated 43% in December to an average price of $205 and contributed five percentage points of total return to the fund in 2024, second only to Nvidia, according to data compiled by Bloomberg.

Research by Fidelity showed "Broadcom had been a relative underperformer for quite a period leading up to that point" when Benjamin said he increased its weighting in the fund. "It was a combination of the relative risk-reward of that grouping of the (Artificial Intelligence) basket within the benchmark."

Astera was snapped up by Benjamin when the developer of platforms for cloud and AI infrastructure became a public company in March. He doubled the fund's holdings to 5 million shares in May from 2.6 million at the time of the initial public offering at an average price of $73, about half its value of $132 on Dec. 31. Astera isn't included in the Philadelphia Stock Exchange Semiconductor Index, and only 35 of the 1,407 major publicly traded technology funds in the US own the company's shares. Benjamin allocated 3% of his portfolio to Astera when the stock provided three percentage points of total return as the fifth best performer in the fund, according to data compiled by Bloomberg.





"We owned [Astera Labs] when it was private for quite a few years," said Cohen. "Adam knew the company and the founders very, very well." Benjamin said his familiarity with private companies before they go public enabled him "to increase our bet size" in Astera "given the fact that we had confidence in the fundamental story and that ultimately ended up shining through as the company progressed through the year into the summer period, reporting some results in the July timeframe."

Nvidia remains Benjamin's favorite, accounting for about 25% of the fund while appreciating 171% the past year and contributing 34 percentage points, or two-thirds, of its total return. Capped by a 25% maximum holding rule, Benjamin was required to sell Nvidia whenever its value breeched the holding ceiling, which occurred repeatedly since December 2023, when it traded at a 44% discount to peers. After gaining 171% last year, Nvidia still traded at a 17% discount at the end of December, although its relative strength to the fund declined the most since 2018, according to data compiled by Bloomberg.

"I've been doing technology and semiconductors almost 25 years and there's no theme that I've seen like this AI trend," said Benjamin. "AI is going to be with us for a long time. It's not a fad. It's not something that we're going to wake up in a year or two years and be like, 'Oh, that was a big joke.' I'm pretty confident however long I'm going to be doing sector investing, which is the rest of my career."

– With assistance from Shin Pei and William Spada

Total Returns and Expense Ratios as of 12/31/24

		Cumulative %		Average Annual %				Net Expense Ratio	Gross Expense Ratio
	Inception date	3-Month	YTD	1-Year	3-Year	5-Year	10-Year		
FSELX – Fidelity Select Semiconductors Portfolio	7/29/1985	3.73	43.51	43.51	18.34	30.60	25.99	0.65	0.65
S&P 500	1/30/1970	2.41	25.02	25.02	8.94	14.53	13.10	--	--
MSCI IMI Semicon Eq 25/50	5/28/2004	(0.55)	37.03	37.03	18.70	30.57	25.27	--	--
FSBDX – Fidelity Series Blue Chip Growth Fund[1]	11/7/2013	9.42	39.66	39.66	11.32	22.54	18.98	0.01	0.01
FBGRX – Fidelity Blue Chip Growth Fund	12/31/1987	9.12	39.70	39.70	10.19	21.64	18.10	0.47	0.47
FBCGX – Fidelity Blue Chip Growth K6 Fund[2]	5/25/2017	8.59	38.14	38.14	10.14	21.78	0.00	0.45	0.45
FAGCX – FA Growth Opportunities Fund – CL I	7/3/1995	7.32	39.06	39.06	7.71	18.72	18.37	0.44	0.44
FGKFX – Fidelity Growth Company K6 Fund[1,2]	6/13/2019	7.41	38.36	38.36	10.83	22.91	0.00	0.45	0.45
Lord Abbett Growth Leaders Fund – Cl A	6/30/2011	13.37	44.60	44.60	5.54	17.73	15.56	0.91	0.91
Hartford Growth Opportunities Fund – Cl A	2/19/2002	9.41	41.90	41.90	7.91	16.86	14.95	1.10	1.10
T Rowe Price Science & Technology Fund Inc	9/30/1987	9.19	40.27	40.27	11.80	16.54	17.28	0.81	0.81
VanEck Semiconductors ETF- NAV	12/20/2011	(0.89)	39.10	39.10	17.03	28.77	25.79	0.35	0.35
VanEck Semiconductors ETF- MKT	12/20/2011	(0.91)	39.08	39.08	17.03	28.79	25.78	0.35	0.35

[1] Shares of the fund are only available for purchase by mutual funds for which FMR or an affiliate serves as investment manager.
[2] Class K and K6 Shares are available only in eligible employer-sponsored retirement plans.

Current performance may be higher or lower than that quoted. Visit fidelity.com, i.fidelity.com or call your investment professional for most recent month-end performance. Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate, so you may have a gain or loss when shares are sold. Total returns are historical and include changes in share price and reinvestment of dividends and capital gains, if any. **Net Asset Value (NAV) Return** represents the closing price of underlying securities at which the fund can create and redeem shares directly with the security. **Market Return** represents the price at which an investor can buy and sell a security in the secondary market. Since ETFs are bought and sold at prices set by the market—which can result in a premium or discount to NAV—the returns calculated using market price (market return) can differ from those calculated using NAV (NAV return). Life of fund (LOF) market returns are calculated using the first day the fund traded on an exchange, which may occur a few days after the NAV inception date. Market returns are based on the closing price on the listed exchange at 4 p.m. ET and do not represent the returns an investor would receive if shares were traded at other times.

FSELX - Top 10 Holdings* as of 12/31/24
NVIDIA CORP
BROADCOM INC
MARVELL TECHNOLOGY INC
TAIWAN SEMIC MFG CO LTD SP ADR
NXP SEMICONDUCTORS NV
ON SEMICONDUCTOR CORP
MICRON TECHNOLOGY INC
GLOBALFOUNDRIES INC
LAM RESEARCH CORP
MONOLITHIC POWER SYS INC
Top Ten % of total portfolio 80.82% out of 46 holdings

*The Top Ten Holdings are presented to illustrate examples of the securities in which the fund may invest, and may not be representative of the fund's current or future investments. For equity funds, the top ten holdings excludes money market investments and futures contracts. Depositary receipts are normally combined with the underlying security.

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The electronics industry can be significantly affected by rapid obsolescence, intense competition, and global demand. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. The fund may have additional volatility because of its narrow concentration in a specific industry. Non-diversified funds that focus on a relatively small number of stocks tend to be more volatile than diversified funds and the market as a whole. Growth stocks can perform differently from the market as a whole and other types of stocks and can be more volatile than other types of stocks.

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DEFINITIONS AND IMPORTANT INFORMATION

S&P 500 Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance. **MSCI U.S. IMI Semiconductors & Semiconductor Equipment 25/50 Index** is a modified market capitalization-weighted index of stocks designed to measure the performance of semiconductors and semiconductor equipment companies in the MSCI U.S. Investable Market 2500 Index. The MSCI U.S. Investable Market 2500 Index is the aggregation of the MSCI U.S. Large Cap 300, Mid Cap 450, and Small Cap 1750 Indices. **Expense Ratio** is the fund's total annual fund operating expenses as available in each fund's prospectus and represents the expenses that you pay each year as a percentage of the value of your investment. Any applicable brokerage charges are not included in the expense ratio.

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