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August 23, 2010

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: File No. S7-12-10; Release Nos. 33-9126; 34-62300; IC-29301
Investment Company Advertising: Target Date Retirement Fund Names and Marketing (the "Release")

Dear Ms. Murphy:

Fidelity Management & Research Company ("Fidelity") appreciates the opportunity to comment on the Securities and Exchange Commission's proposed amendments to certain rules governing marketing materials used by target date funds. Fidelity is the investment manager for 65 target date funds, with aggregate assets in excess of $100 billion.

Fidelity commends the Commission and its staff for the careful deliberation undertaken in crafting the proposed rule amendments. Fidelity believes that investors will benefit from more informative marketing materials if many of the amendments are adopted as proposed, and therefore we generally support the rule amendments. However, we respectfully suggest that the Commission consider certain changes to the proposed new disclosure requirements, particularly regarding target date and glide path disclosures.[1] These and a few other comments are discussed below.

I. <u>Disclosure Requirements</u>

A. Glide Path Disclosure. We support the proposal to add a table, chart or graph depicting a target date fund's asset allocation over time (the "glide path"), and we agree with the Commission's proposed approach of not specifying asset classes required to be shown or the methodology for calculating the assets belonging to particular asset classes. Target date fund managers differ in approach to asset allocation and we believe that the investment adviser is best suited to select and define those asset classes that comprise the key components of its asset allocation strategy and resulting glide path.

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[1] In addition, Fidelity agrees with the comments supporting the proposed rule amendments made by the Investment Company Institute in their comment letter dated August 23, 2010 (the "ICI Comment Letter"). We also agree with the recommendations made in the ICI Comment Letter to further improve the proposed rule amendments.

We commend the Commission's decision not to propose rules governing portfolio construction. In addition, we urge the Commission not to require the disclosure of permissible allocations and ranges. We do not believe that rules limiting a portfolio manager's ability to adjust a fund's asset allocation to address extreme market conditions or evolving portfolio management strategies would be beneficial for shareholders. Instead, we recommend the disclosure of intended allocations, together with disclosure about the manager's discretion to alter the allocation in order to adapt to market conditions or other circumstances.

B. Target Date Disclosure. Fidelity recommends that the Commission eliminate the requirement to disclose the anticipated target date asset allocation adjacent to the first use of a fund's name. We believe that investors would be better served by disclosures describing how a target date fund is intended to be managed over time, not simply at a single future point in time. Although the asset allocation on the target date is an important element of a fund's glide path, the special emphasis proposed by the Commission could lead investors to focus overly much on investment risk at the target date versus other risks relevant to an investment decision.

For marketing materials describing a number of funds in a given complex's target date line-up, target date asset allocation disclosure will be the same for each fund that has the same glide path, and would not assist investors in determining which fund is an appropriate investment. We also believe that the disclosure will be of limited use to investors comparing target date funds offered by multiple providers. As the Commission has observed, target date fund asset allocation models used by competing fund complexes differ before and after the target date.[2] As a result, funds may have very similar intended target date allocations but quite different risk profiles over the intended glide path. For these reasons, we believe that disclosure of, or reference to, a fund's glide path in marketing materials provides better information than the proposed target date asset allocation disclosure.

C. Scope. As proposed, the rules would apply to materials that "place a more than insubstantial focus on one or more target date funds." We request that the Commission clarify how the proposed rules would apply to marketing materials for a complex's overall product line or materials intended for use by retirement plans and their participants. If the broad proposed standard is adopted, we recommend that the Commission exempt specific types of materials, such as marketing materials that do not reference a specific target date fund or funds (e.g., family ads) or communications that are not intended as marketing materials (e.g., shareholder reports and retirement plan enrollment materials). We also request that the Commission provide an exception for materials where inclusion of this information is not practicable, such as post cards and materials designed for viewing on mobile communications devices. Such exceptions could be conditioned upon the availability of information contained in the fund's prospectus, on a website or upon request from the party publishing the marketing material. Along those lines, we recommend that the Commission consider a "one-click away" approach for electronic communications, which has proven effective for communications with limitations on space.

In addition, we urge the Commission not to define "target date fund" as any fund with a

[2] See Release at 10.

date in the name. Such a definition would capture certain funds designed to help investors manage assets after retirement, such as Fidelity's Income Replacement Funds. These funds are not designed to help investors save up to and through a target retirement date; instead, they are designed to enable investors to withdraw money over time up to a target year after which remaining principal is returned to the investor. Because these funds have an entirely different type of target date, they should not be subject to the same disclosure requirements.

II. Antifraud Guidance (Rule 156)

Fidelity strongly supports the Commission's goals of enhancing investor understanding through eliminating misleading information in marketing materials, whether for target date funds or other types of mutual funds. However, we believe that the proposed amendments to rule 156 may be overly restrictive and in conflict with the purposes and intended use of target date funds.

As drafted, proposed rule 156 would provide that a statement that an investment in a fund is appropriate could be misleading if it places emphasis on a single factor (such as age) or because of representations that the fund is a simple investment plan or requires little or no monitoring. In fact, target date funds typically are designed as single fund retirement solutions, and the most important single selection criteria for most investors is the investor's intended retirement date. As noted in the Release, one of the factors contributing to the prevalence of target date funds in 401(k) plans is the designation of such funds as qualified default investment alternatives (QDIAs) by the Department of Labor.[3] Significantly, the Department of Labor's rules regarding QDIAs require a plan to take age into account in determining the appropriate default fund for a participant, but do not require the plan to take into account risk tolerances, investments or other preferences of the individual.[4]

One of the central concerns that target date funds are intended to address is the complexity of selecting and managing a diversified portfolio. We believe that target date funds "make it easier" for investors to obtain appropriate diversification in a single investment. Fidelity recommends that marketing materials be allowed to explain the nature and purpose of the funds without being deemed misleading, provided that such materials do not imply that there are no other factors to be considered when making an investment, or that any investment requires little or no monitoring. We request that the Commission consider revising the proposed

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[3] See Release at 8.

[4] See 29 CFR 2550.404c-5(e)(4)(i): "An investment fund product or model portfolio that applies generally accepted investment theories, is diversified so as to minimize the risk of large losses and that is designed to provide varying degrees of long-term appreciation and capital preservation through a mix of equity and fixed income exposures based on the participant's age, target retirement date (such as normal retirement age under the plan) or life expectancy. Such products and portfolios change their asset allocations and associated risk levels over time with the objective of becoming more conservative (i.e., decreasing risk of losses) with increasing age. For purposes of this paragraph (e)(4)(i), asset allocation decisions for such products and portfolios are not required to take into account risk tolerances, investments or other preferences of an individual participant. An example of such a fund or portfolio may be a 'life-cycle' or 'targeted-retirement-date' fund or account."

amendments to provide that such statements may be misleading only if they do not include additional risk disclosure.

III. Prospectus Disclosure

The Commission requested comments as to whether Form N-1A should be amended to require additional information with respect to target date funds. We do not believe that target date funds pose risks that are greater than those of other funds or that would warrant special or enhanced prospectus disclosure and accordingly we do not believe that amendments to Form N-1A are warranted. Although the Release notes that market losses, among other factors, have given rise to concerns about target date funds,[5] Fidelity Investments reviewed more than 17,000 corporate defined contribution plans through March 31, 2010 and found that plan participants who used target date products generally fared better than others—of those participants who did not allocate all of their assets to a target date fund, approximately 62% underperformed their age-based Freedom Fund for the year ending March 31, 2010.[6]

In addition, the Commission has asked whether target date funds should be required to disclose any use of derivatives. We believe that the current Form N-1A disclosure requirements are appropriate; if a fund has a principal strategy of using derivatives, it should have corresponding disclosure. If a target date fund has the flexibility to use derivatives but does not have a principal strategy to do so, the inclusion of prospectus disclosure regarding derivatives could be confusing for investors and could lead to a misunderstanding regarding the fund's principal investment strategies. A potential target date fund investor could conclude that target date funds are higher risk because of additional derivatives disclosure, when other types of funds could be using derivatives to the same extent, without the same disclosure.

Finally, although the Commission has declined to permit the use of combined summary prospectuses for target date funds, we continue to believe that such a combined prospectus would be beneficial for prospective investors and shareholders. The mandatory "fund by fund" format in a summary prospectus, which precludes the grouping or consolidation of information for closely related funds, may impede clear and concise disclosure to investors in target date funds. An investor evaluating the twelve Fidelity Freedom funds may find it more convenient to review a summary of each fund in the product line, as opposed to twelve separate summary prospectuses. We believe that a summary prospectus that consolidates certain information for these related funds would be a more informative and concise disclosure document for that investor. Accordingly, we request that the Commission consider modifying Form N-1A and Rule 498 to provide an exception to permit life cycle funds to integrate the presentation of summaries for multiple funds.

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[5] See Release at 8.

[6] Press Release, Fidelity Investments, 401(k) Balances up 55 Percent in One Year from 2009 Market Bottom (May 19, 2010).

For the reasons set forth above, we respectfully request that the Commission consider modifications to the proposed rule amendments in order to make the proposals even more beneficial for shareholders and potential investors.

We appreciate the opportunity to comment on the Commission's proposed rule amendments. Fidelity would be pleased to provide any further information or respond to any questions that the Commission or the staff may have.

Sincerely,

Scott C Goebel

cc: The Honorable Mary L. Schapiro, Chairman
The Honorable Kathleen L. Casey, Commissioner
The Honorable Elisse B. Walter, Commissioner
The Honorable Luis A. Aguilar, Commissioner
The Honorable Troy A. Paredes, Commissioner

Andrew J. Donohue, Director, Division of Investment Management