May 2, 2019

Submitted electronically to: rule-comments@sec.gov

Ms. Vanessa Countryman
Acting Secretary
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

RE: File No. S7-27-18
Funds of Funds Arrangements
Release Nos. 33-10590; IC-33329

Dear Ms. Countryman:

The independent trustees of Fidelity Rutland Square Trust II (the "Fidelity Strategic Advisers Funds" or "Funds") write to urge the Securities and Exchange Commissions ("SEC" or "Commission") to modify proposed new rule 12d1-4 ("Proposed Rule 12d1-4") and retain existing Rule 12d1-2 under the Investment Company Act of 1940 ("Investment Company Act" or "Act") to provide fund of funds arrangements, such as those utilized by the Fidelity Strategic Advisers Funds, with the same operational and regulatory flexibility as is available under existing SEC exemptive relief. If adopted as proposed, Proposed Rule 12d1-4 and the rescission of Rule 12d1-2 would likely result in decreased flexibility in the choice of underlying investments available to the Funds. This, in turn, could limit the potential set of exposures available to shareholders who are invested through the Fidelity managed account programs that utilize these Funds as building blocks in their asset allocation strategies.

The Funds were formed in 2005 to improve managed account portfolio construction and replaced many directly-held mutual fund holdings in Fidelity's Portfolio Advisory Services ("PAS") managed account program. PAS is a discretionary mutual fund asset allocation service for which clients pay a wrap fee based on account assets. The Funds are currently captive to the PAS program. In addition to the Funds' investment in underlying affiliated and unaffiliated mutual funds and exchange traded funds, each Fund also invests directly in securities through various affiliated and unaffiliated sub-advisers. The Funds have combined assets of approximately $170 billion as of February 28, 2019. The Funds represent approximately 57% of the PAS program total assets and 74% of the PAS program retirement assets. The Funds currently operate in reliance on SEC exemptive orders and certain Investment Company Act exemptive rules which permit both fund of funds and manager of managers structures, subject to various conditions.

The existing regulatory construct under which the Funds currently operate has, from the Independent Trustees and shareholder perspectives, significantly contributed to the Funds' success as critical components of the PAS program. The ability to combine fund of funds relief with multi-manager relief enables the Funds to invest in a wide array of investment strategies offered by third party or Fidelity-affiliated advisers. In addition, the Funds can choose among a host of different investment vehicles ranging from broadly offered affiliated or unaffiliated funds and ETFs, to dedicated Fidelity funds, to sub-advised sleeves. By consolidating these strategies and vehicles into the Funds, as opposed to investing directly through the PAS managed accounts, shareholders can gain a broad set of exposures in a simpler, easier to understand format and avoid having a multitude of positions in their accounts. Also, by gaining exposures to underlying funds in this fashion through the Funds, shareholders can avoid being deluged with shareholder communications, proxy statements and other communications from multiple underlying funds that shareholders may find overwhelming or confusing. The Independent Trustees believe that the Funds' compliance with the conditions of existing applicable SEC exemptive orders and rules has been effective in addressing Congress' investor protections concerns with fund of funds arrangements.

The Independent Trustees note that the underlying investments in these Funds would likely need to be restructured on account of the redemption limit under Proposed Rule 12d1-4, for example by significantly reducing the position sizes in underlying funds or by shifting from funds to sub-advised sleeves. In addition, certain of the Funds focus almost exclusively on investing in underlying Fidelity-affiliated funds and sub-advised sleeves without limit. Accordingly, if Rule 12d1-2 is rescinded, Section 12(d)(1)(G) would not be an option for these Funds and, if Rule 12d1-4 were the only option, then they would likely need to restructure to avoid the redemption limits given that such limits would be even more burdensome where the Funds' ownership levels of the underlying Fidelity funds could be quite high. Similarly, both the open architecture and Fidelity-focused Funds may invest in underlying Fidelity funds that have been established specifically for investment by these Funds and/or the managed accounts directly. To the extent that either the Fidelity-focused or open-architecture Funds would find investment in these "dedicated" underlying funds less attractive due to the redemption limits under Rule 12d1-4, then the dedicated funds may become less viable and the Funds may need to invest in other Fidelity funds. This, in turn, could negatively impact the shareholders invested through the Funds who could lose access to an efficient means of investing in other Fidelity funds through the purpose-built dedicated funds. As a result, if the final rule covers both affiliated and non-affiliated funds and Rule 12d1-2 is rescinded, the impact on the Funds would be even greater, given that their alternatives will be constrained either by their limited investment universe and/or the unavailability of dedicated Fidelity funds.

The Independent Trustees believe that, because the Funds' existing SEC exemptive orders provide the Funds with critical investment flexibility to choose the investment vehicle best-suited to deliver a particular investment strategy offered by a third party or Fidelity affiliate, the Funds play an important role in the efficient delivery of a broad range of investment strategies to shareholders who are invested under the PAS program. To the extent that the final rule would meaningfully limit or restrict this flexibility, it could result in a narrower set of exposures being available to shareholders who are invested through the PAS program.

The Independent Trustees also believe that existing participation agreements required by the conditions included in the Funds' fund of funds exemptive order have operated efficiently and effectively to prevent undue influence over an underlying fund. The Funds' Independent Trustees are vigilant in monitoring compliance with these conditions and we also work closely with the Funds' Chief Compliance Officer in this regard. The Independent Trustees find their responsibilities under the Funds' fund of funds order to be manageable and not overly burdensome.

As currently structured, the conditions to the Funds' exemptive order address fully the underlying policy concerns that led Congress to include Section 12(d)(1) in the Investment Company Act. In this regard, the Funds' existing pricing policy addresses concerns regarding duplicative fees. In addition, the Funds' order prohibits any acquired fund from itself exceeding the limits set forth in Investment Company Act Section 12(d)(1)(A) with limited exceptions. The Funds have also adopted proxy voting policies that are designed to limit their power to influence the outcome of shareholder votes of any acquired funds. In sum, the Funds already have in place a comprehensive and effective compliance framework that is tailored to protect investors from the harms Congress sought to address by enacting Section 12(d)(1) of the Investment Company Act.

The Funds Independent Trustees respectfully request that the Commission modify Proposed Rule 12d1-4 and retain Rule 12d1-2. In this regard, the Independent Trustees urge the Commission to take the following steps:

(1) The SEC should codify the conditions in existing fund of funds exemptive orders rather than creating new conditions.

(2) Alternatively, the SEC should allow fund of funds to operate under their existing orders or comply with Proposed Rule 12d1-4.

(3) If the SEC proceeds with Proposed Rule 12d1-4 in its current form, the SEC should eliminate the redemption limit condition. If the SEC

determines to retain the proposed redemption limit, the SEC should exclude fund of funds arrangements involving affiliated funds, captive fund of funds to affiliated managed account programs, and in-kind redemptions from compliance with this condition. These do not raise the risk of undue influence that Section 12(d)(1) seeks to address. Further, the SEC should permit a fund of funds to either comply with the redemption limit, or alternatively enter into a participation agreement with an unaffiliated acquired fund.

(4) The SEC should not rescind Rule 12d1-2 and should codify the ability of an acquiring fund to invest in securities and other types of investments consistent with applicable exemptive and no-action relief. Rule 12d1-2, together with certain exemptive orders and no-action relief, permit funds of funds that invest in affiliated funds to diversify their portfolio holdings through investment in unaffiliated funds, securities, money market funds, and other financial instruments, such as futures contracts. These types of investments provide portfolio managers with greater flexibility in seeking to meet an acquiring fund's investment objective.

(5) The SEC should continue to permit certain types of three –tier structures that use dedicated funds that are part of the same group of funds as the top-level funds, subject to management fees, sales loads, distribution fees and redemption fees being charged at only one level.

(6) The SEC should address the practical and operational difficulties relating to its proposed disclosure requirement. For example, if adopted as proposed, this requirement may present significant logistical problems for both an acquired fund and acquiring fund in providing timely communication that an acquired fund is changing its portfolio management strategy to become an acquiring fund and, therefore, may invest in other funds above the Section 12(d)(1)(A) limits.

The Independent Trustees of Fidelity Strategic Advisers Funds thank the Commission for the opportunity to provide comment on Proposed Rule 12d1-4 and related matters. We would be pleased to provide further information or to answer any questions at the convenience of the Commission's staff.

Sincerely,

Mary C. Farrell
Lead Independent Trustee