



## **Fidelity® Wealth Services**

### Program Fundamentals

Strategic Advisers LLC  
245 Summer Street, V5D  
Boston, MA 02210  
617-563-7000  
Fidelity.com

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This brochure provides information about the qualifications and business practices of Strategic Advisers LLC ("Strategic Advisers"), a Fidelity Investments company, as well as information about Fidelity® Wealth Services.

Throughout this brochure and related materials, Strategic Advisers refers to itself as a "registered investment adviser" or "being registered." These statements do not imply a certain level of skill or training.

Please contact us at 800-544-3455 with any questions about the contents of this brochure. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Strategic Advisers is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## **SUMMARY OF MATERIAL CHANGES**

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The SEC requires investment advisers to provide and deliver a summary of material changes to their advisory services program brochure (also referred to as the Form ADV Part 2A). The section below highlights only material revisions that have been made to the Fidelity® Wealth Services Program Fundamentals from March 29, 2019, through March 27, 2020. Clients can obtain a copy of the Program Fundamentals, without charge, by calling 800-544-3455, by visiting [fidelity.com/forms](https://fidelity.com/forms), or by contacting their Fidelity representative. Capitalized terms are defined herein.

### **IMPORTANT INFORMATION ABOUT SMA SLEEVES AVAILABLE TO TAX-SMART PROGRAM ACCOUNTS**

Effective as of June 1, 2020, we are amending the Program's Client Agreement to provide us with the discretion to choose the separately managed account sleeves (now referred to as SMA Sleeves) to be used in a Tax-Smart Program Account to invest in individual securities if a client has agreed to the use of SMA Sleeves for a particular asset class. The Program includes multiple SMA Sleeves that align with either domestic stocks or foreign stocks, and we currently propose the use of individual SMA Sleeves to clients. After the date of the amendment, we will no longer propose the use of individual SMA Sleeves to clients who have previously agreed to the use of SMA Sleeves aligned to a particular asset class; provided, however, that we will provide advance notice regarding the use of an SMA Sleeve for which there is an additional SMA Sleeve Fee (up to 0.35% for domestic stock SMA Sleeves and up to 0.40% for international stock SMA Sleeves where one or more model providers unaffiliated with FFWA are used). Please see "Methods of Analysis, Investment Strategies and Risk of Loss" for more information about the use of SMA Sleeves.

## TABLE OF CONTENTS

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SUMMARY OF MATERIAL CHANGES	2
ADVISORY BUSINESS	4
FEES AND COMPENSATION	4
PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT	4
TYPES OF CLIENTS	5
METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS	5
DISCIPLINARY INFORMATION	20
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS	20
CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING	23
BROKERAGE PRACTICES	24
REVIEW OF ACCOUNTS	26
CLIENT REFERRALS AND OTHER COMPENSATION	27
CUSTODY	28
INVESTMENT DISCRETION	28
VOTING CLIENT SECURITIES	28
FINANCIAL INFORMATION	29

## ADVISORY BUSINESS

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Strategic Advisers LLC ("Strategic Advisers") is a registered investment adviser and an indirect, wholly owned subsidiary of FMR LLC (collectively with Strategic Advisers and its affiliates, "Fidelity Investments," "Fidelity," "us" or "we"). Strategic Advisers was formed in 1977 and provides a variety of investment management services including discretionary portfolio management services to retail and institutional clients and non-discretionary advisory services. This brochure provides information about Strategic Advisers' role only with respect to the Program. For information about the additional services that Strategic Advisers provides, please see Strategic Advisers' relevant Form ADV Part 2A brochures.

Strategic Advisers serves as sub-advisor to its affiliate, Fidelity Personal and Workplace Advisors LLC ("FPWA"), in connection with various investment advisory programs offered by FPWA, including Fidelity® Wealth Services (the "Program"). As sub-adviser, Strategic Advisers will make the day-to-day discretionary trading decisions with respect to the Program's Portfolio Advisory Services accounts ("Program Accounts") and will receive a portion of the advisory fees clients pay to FPWA in connection with the Program. Important information regarding FPWA and the Program can be found in FPWA's Fidelity Wealth Services Program Fundamentals ("FPWA Program Fundamentals").

As described in the FPWA Program Fundamentals, the Program includes discretionary investment management, access to assistance from one or more Fidelity representatives, and access to financial planning. Program Accounts can include tax-advantaged accounts ("Retirement Program Accounts"), taxable accounts ("Taxable Program Accounts"), which can be managed with tax-smart investing techniques ("Tax-Smart Program Accounts"), and BlackRock® Diversified Income Portfolio ("BDIP") Program Accounts. Tax-Smart Program Accounts can be invested in individual securities through separately managed account sleeves ("SMA Sleeves") discussed below, and are managed using a tax-smart investing techniques that seek enhanced after-tax returns.

As of December 31, 2019, Strategic Advisers' total assets under management were \$436,654,685,517 on a discretionary basis, and \$20,055,910,175 on a non-discretionary basis.

## FEES AND COMPENSATION

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Clients of the Program do not pay Strategic Advisers for the services it provides under the Program. Instead, as compensation for its discretionary portfolio management services provided to Program Accounts, Strategic Advisers receives a portion of the advisory fee paid to FPWA by Program clients. Strategic Advisers and its affiliates can receive compensation with respect to the mutual funds and exchange-traded products ("ETPs") that are held in a client's Program Account. However, a crediting program reduces the advisory fees paid to FPWA by the amount of compensation, if any, Strategic Advisers and its affiliates retain with respect to these mutual funds and ETPs that is derived as a direct result of investments by Program Accounts (the "Credit Amount"). Compensation that is not directly derived from Program Account assets is not included in the Credit Amount calculation. Please see the FPWA Program Fundamentals for information about Program fees and the application of the Credit Amount.

## PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

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Strategic Advisers does not currently charge performance-based management fees for any of its advisory services and, therefore, does not engage in side-by-side management.

## TYPES OF CLIENTS

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Strategic Advisers provides discretionary portfolio management services for clients' Program Accounts. Please see the FPWA Program Fundamentals for information about the types of clients eligible for the Program.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

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This section contains information about how Strategic Advisers provides discretionary portfolio management services to Program Accounts.

FPWA will propose an appropriate long-term asset allocation (an "Asset Allocation") that corresponds to a level of risk consistent with a client's financial situation, investment goals and objectives, risk tolerance, planned investment time horizon, and other information the client provides (the "Profile Information"). Each Asset Allocation is designed to correspond to a level of risk ranging from conservative (lower risk/lower return potential) to aggressive (higher risk/higher return potential). If a client has selected an Asset Allocation that differs from the allocation proposed by FPWA, the performance of the Program Account will differ from the performance of an account managed according to the Asset Allocation originally proposed, perhaps significantly, and such clients understand and acknowledge directing Strategic Advisers to manage the Program Account according to such Asset Allocation. Subject to the imposition of reasonable restrictions, Strategic Advisers will apply its proprietary methodology to manage a client's Program Account to align with the identified Asset Allocation. It is important to understand that a Program Account's actual asset allocation can deviate from the identified Asset Allocation for reasons that include market movement and investment decisions that seek to increase potential returns or reduce risks.

Please note that not all Taxable Program Accounts are managed with tax-smart investing techniques, including BDIP Program Accounts and accounts transitioned into this Program from Fidelity Portfolio Advisory Service® and invested using the Blended or Fidelity-Focused investment universe. These accounts will generally not be managed using the same tax-smart investing techniques used to manage the Tax-Smart Program Accounts as described herein, will not have access to the SMA Sleeves, and will not be able to modify the international stock exposure in an Asset Allocation. Clients can elect to convert their Taxable Program Accounts (other than BDIP Program Accounts and Blended or Fidelity Focused Program Accounts owned by certain business entities) into Tax-Smart Program Accounts. It is currently anticipated that the transition of Taxable Program Accounts (other than BDIP Program Accounts and Blended or Fidelity Focused Program Accounts owned by certain business entities) over time into Tax-Smart Program Accounts will be completed during the course of 2020, and clients who own such accounts will be contacted by FPWA as part of the transition to confirm certain Profile Information that will be used to provide tax-smart investing techniques. As we begin to apply such techniques to accounts that have not previously received them, clients should be aware that this conversion is likely to result in securities transactions that will have potentially significant tax consequences. Please see the FPWA Program Fundamentals or contact a Fidelity representative for more information.

Program Accounts will be managed either (i) using individualized, federal tax-smart investing that seeks to enhance after-tax returns, in the case of Tax-Smart Program Accounts, or (ii) without regard to a client's individual tax situation, in the case of all other Program Accounts. Program Accounts will include allocations to a combination of the primary asset classes: domestic stocks (U.S. equity securities), foreign stocks (non-U.S. equity securities), bonds (fixed income securities of all types and maturities, including lower-quality debt securities), and short-term assets (short-duration investments). Program Accounts can also have allocations to nontraditional asset classes and/or extended asset classes, including, but not limited to, real estate, inflation-protected debt securities, commodities, or other alternative investments. At times, investments in these asset classes could make up a substantial portion of a Program Account. As a result, a client's exposure to the primary asset classes, particularly bond and short-term investments, can be reduced to gain exposure to these nontraditional and/or extended asset classes.

Program Accounts, other than Tax-Smart Program Accounts, are generally invested in a model-based portfolio made up of mutual funds and/or ETPs. Model-based Program Accounts are managed in alignment with a model portfolio and, unlike Tax-Smart Program Accounts that are personalized based on a client's existing holdings and tax profile, generally differ from the model portfolio with respect to the mutual funds and/or ETPs held, or the weights of such positions, based on the timing of client investments and withdrawals and any client-imposed investment restrictions. Tax-Smart Program Accounts can include several different "sleeves" in which different types of investments are held. For most investment strategies, the majority of positions will be held in the "Central Investment Positions" sleeve, which holds interests in mutual funds and ETPs based on the Tax-Smart Program Account's Asset Allocation. If a Tax-Smart Program Account qualifies, the account can have SMA Sleeves that hold individual securities within a given asset class to provide an additional layer of tax-smart investing techniques. SMA Sleeves are managed based on investment models provided to Strategic Advisers by affiliated and/or unaffiliated investment advisers ("Model Providers"), or managed by Strategic Advisers without the use of investment models provided by other investment advisers.

In addition, a client may request that we gradually invest their Tax-Smart Program Account funding assets over time if 100% of the intended funding assets are deposited into the account. Amounts to be invested gradually will be held in a short-term position sleeve and invested in the client's core Fidelity money market fund. Please note that such gradual investing assets are not managed on a discretionary basis and are not assessed an annual Gross Advisory Fee or subject to the Credit Amount calculation. Clients should contact a Fidelity representative for more information on gradual investing.

Strategic Advisers will manage eligible securities that a client uses to fund a Tax-Smart Program Account. Please see the FPWA Program Fundamentals for information about eligible securities. We believe that appropriate asset allocation and diversification are of primary importance and apply tax-smart investing techniques as secondary consideration in managing a Tax-Smart Program Account. Accordingly, clients should understand that they could have significant tax consequences as a result of the management of a Tax-Smart Program Account. Please contact a Fidelity representative for more information.

The mutual funds used in the Program are selected from among those available through Fidelity's mutual fund supermarket, the Fidelity FundsNetwork®. Mutual funds and ETPs used in the Program are managed by Fidelity and/or non-Fidelity advisers and could include mutual funds managed by Strategic Advisers or an affiliate that have been developed specifically for use in programs offered or managed by Strategic Advisers or an affiliate (the "Fidelity Program Dedicated Funds") and/or other funds that are not available for investment directly to retail investors (together with Fidelity Program Dedicated Funds, "Program Only Funds"). The Fidelity Program Dedicated Funds can invest in individual equity and fixed income securities, mutual funds, ETPs, and derivatives, and engage the use of Fidelity and non-Fidelity sub-advisors ("Fund Sub-advisors").

Strategic Advisers generally uses both fundamental and quantitative investment strategies to manage Program Accounts. Strategic Advisers uses sophisticated research tools to gauge when certain primary and extended asset classes should be used. This involves both evaluating characteristics such as sector weightings, duration, valuation, and market capitalization, as well as focusing on key economic indicators and trends. When determining how to allocate assets among underlying mutual funds and ETPs, Strategic Advisers considers a variety of objective and subjective factors, including, but not limited to, proprietary fundamental and quantitative fund research, a manager's experience and investment style, fund company infrastructure, fund availability, current public information about a fund such as expense ratio, performance history, asset size and portfolio turnover, and overall fit within Program Accounts. Strategic Advisers' investment professionals will obtain and use information from various sources to assist in making allocation decisions among asset classes, as well as decisions regarding the purchase and sale of specific mutual funds, ETPs, and individual securities. Sources of information used include publicly available information and performance data on mutual funds and ETPs, individual securities, equity markets, fixed income markets, international markets, and broad-based economic indicators. Strategic Advisers will use both

primary sources (e.g., talking directly with fund companies and managers) and secondary sources (reports prepared by fund companies and other sources that provide data on specific fund investment strategies, portfolio management teams, fund positioning, portfolio risk characteristics, performance attribution, and historical fund returns) as inputs into its investment process.

In general, Strategic Advisers will evaluate the mutual funds available in the Fidelity FundsNetwork® platform and make fund investment determinations based on investment methodology. Strategic Advisers will review the share classes offered by identified funds and seek to choose the share class that is appropriate for clients after the application of the Credit Amount. In addition, Strategic Advisers generally chooses share classes of the funds it invests in on a Program-wide basis, and generally does not vary its share class selections among Program Accounts or modify its share class selections for clients who receive fee waivers (primarily Fidelity employees).

### **About the Program Account Investment Approaches and Universes**

The Program offers the following two investment approaches and three investment universes for the management of Program Accounts, other than BDIP Program Accounts, to accommodate investor preferences. Clients select between Total Return and Defensive investment approaches. The Total Return investment approach seeks to enhance total return for a given level of risk through broad diversification across asset classes. The Defensive investment approach seeks to temper downside risk in an effort to provide a smoother investment experience over the long term (as compared to a Total Return approach) by implementing “defensive” strategies. Defensive investment approach Program Accounts will have increased exposures to defensive investments that, in the judgment of Strategic Advisers, could cause the account to have lower sensitivity to broader market price movements. These defensive investments include conservative equity (those with stable earnings growth, low financial leverage and a high return on equity, or those that are expected to rise and fall in price less or more slowly than the market generally), which can be combined with increased exposure to longer-term high-quality bonds to help reduce variability in returns and reduce some of the equity and credit risk associated with the other investments used in Defensive Program Accounts. As part of its evaluation of the business cycle, Strategic Advisers can manage Defensive Program Accounts to have lower equity exposure than the identified long-term Asset Allocation, with the amount of variation expected to be greater in Defensive Program Accounts with higher long-term allocations to equity. There is no guarantee that the “defensive” strategies used in managing Defensive Program Accounts will produce the desired results, and clients should be aware that this approach is generally expected to limit a client’s gains during rising market environments. Clients select from the Blended, Fidelity Focused and Index Focused investment universes for their Total Return Program Accounts (please note that only the Blended investment universe is available for Defensive Program Accounts). Additional investment approaches and universes could be made available from time to time. Retirement Program Accounts managed using the Total Return approach and either the Blended or Fidelity-Focused investment universe currently invest only in mutual funds; however, mutual funds and ETPs can be used in all Program Accounts. We currently anticipate introducing the ability to use ETPs in Retirement Program Accounts managed using the Total Return approach and either the Blended or Fidelity-Focused investment universe during the course of 2020.

Blended and Fidelity Focused Program Accounts seek to enhance risk-adjusted returns through broad diversification across asset classes. Blended Program Accounts use both Fidelity and non-Fidelity investments. Fidelity Focused Program Accounts primarily use investments from Fidelity. Blended and Fidelity Focused Program Accounts will generally invest in actively managed investments, but can also invest in passively managed investments that seek to replicate the performance of their applicable market indexes, based on market conditions, risk management and trading considerations, and the availability of actively and passively managed investments used to gain exposure to a particular asset or sub-asset class, in each case in the judgment of Strategic Advisers.

Index Focused Program Accounts also seek to enhance risk-adjusted returns through broad diversification across asset classes, but will have a preference for passively managed investments. Index Focused Program Accounts use both Fidelity and non-Fidelity investments. Index Focused Program Accounts can also invest in actively managed investments when deemed appropriate by the investment team, based on market conditions and the availability of actively and passively managed investments used to gain exposure to a particular asset or sub-asset class, in each case in the judgment of Strategic Advisers. In general, for Index Focused Program Accounts, the investment management team can use actively managed investments to gain exposure to certain fixed income asset classes, including high yield, short-term bond and money market, though this could change in the future depending on the availability and appropriateness of passively managed investments with exposure to certain asset or sub-asset classes. Accordingly, Index Focused Program Accounts that are taxable or that have a more conservative asset allocation can hold a higher percentage of actively managed investments than other accounts with the same asset allocation or investment universe, respectively.

### **About Tax-Smart Investing Techniques**

Strategic Advisers believes appropriate asset allocation is of primary importance. If, based on information the client provides, Strategic Advisers determines that the client's Tax-Smart Program Account requires modification to its Asset Allocation, it will generally make such changes as soon as reasonably possible, even if such changes would trigger significant tax consequences. The potential federal income tax consequences of holding, buying, and selling securities are considered as part of the investment services provided to Tax-Smart Program Accounts. Please note that Strategic Advisers does not take direction from a client on when to take gains or losses from the client's Tax-Smart Program Account. Clients who participate in Fidelity Private Wealth Management ("PWM") can provide Strategic Advisers with a target capital gain amount for the year and Strategic Advisers will take this into consideration in managing these clients' Tax-Smart Program Accounts. Please see the FPWA Program Fundamentals for information about the types of clients eligible for PWM. Strategic Advisers cannot guarantee the effectiveness of its tax-smart investing techniques in serving to reduce or minimize a client's overall tax liability or the tax results of a given transaction. Furthermore, if a Tax-Smart Program Account is held by an entity, such as a corporation or limited liability company, the tax-smart investing techniques used will not take into account all the tax rules applicable to that entity, which, in certain circumstances, may reduce the effectiveness of the tax-smart investing techniques. For example, if a Tax-Smart Program Account is held by an entity treated as a corporation for federal income tax purposes, the tax-smart investing techniques will not take into account the rules limiting the use of capital losses by a corporation, which could affect the amount and timing of taxes payable by such entity. The specific tax-smart investing techniques used will depend on the size of the account and the investment strategy selected. Prior to making trading decisions to buy, hold, or sell mutual funds, ETPs, or other types of securities for a client's Tax-Smart Program Account, the following is considered:

*Purchase of municipal bond funds, based on factors including tax bracket and estimated tax-equivalent yields.* When appropriate, Program Accounts will be invested in state-specific municipal bond funds (as alternatives to comparable taxable bond funds) to seek to generate income generally exempt from federal (and state, if a resident of the issuer's state or another exemption applies) income taxes. When consistent with overall portfolio objectives, Program Accounts will also invest in non-state-specific (i.e., national) municipal bond funds to seek to generate income generally exempt from federal income taxes.

*Ability to harvest tax losses.* Individual mutual fund, ETP, stock, or bond positions can experience price declines, possibly below a client's adjusted tax basis in the security (as determined by the tax basis information on record for the client's Tax-Smart Program Account). In such instances, losses could be realized in the client's Tax-Smart Program Account for tax purposes. In cases where a position is sold to realize a capital loss for tax purposes, the position usually will be replaced with investments we believe will maintain consistent market exposure. In harvesting tax losses, Strategic Advisers does not attempt to harvest every tax loss that occurs in the client's Tax-Smart Program Account.



*Opportunity to avoid and/or postpone capital gain realizations.* As applicable, each specific lot of securities in a client's Tax-Smart Program Account — a block of shares bought at a particular time at a particular price — is reviewed and the potential federal income tax burden associated with selling that lot is weighed against the potential investment merits of the sale, such as performance potential, added diversification, and support of risk-management strategies. Once it decides to sell an eligible security, Strategic Advisers will attempt to sell the lot(s) that will generate the lowest overall federal income tax burden (or generate a loss for tax purposes) using the tax basis and holding period information on record, with a preference for long-term capital gains over short-term capital gains.

*Seeking to manage exposure to fund distributions.* After taking other factors into consideration, Strategic Advisers seeks to manage exposure to taxable fund distributions by considering historical and projected dividend and capital gain distributions when selecting and trading funds for the account. It is important to understand that in a given year, due to investment decisions or market conditions, a client could receive varying levels of taxable fund distributions within a client's Tax-Smart Program Account. In general, Strategic Advisers will not sell a fund merely to avoid a taxable fund distribution, but in fact looks at the overall portfolio to determine the most appropriate action.

*Asset location services.* In addition, for eligible clients with both Tax-Smart and Retirement Program Accounts, Strategic Advisers can use asset location strategies to seek to strategically position assets within the type of account (taxable, tax-deferred, or tax-exempt) that could help enhance marginal after-tax returns. Generally, this means locating more tax-efficient investments in a Tax-Smart Program Account and less tax-efficient investments in a Retirement Program Account.

### **About the SMA Sleeves for Tax-Smart Program Accounts**

If a client's Tax-Smart Program Account qualifies, a portion of the account can be invested in the SMA Sleeves offered by Strategic Advisers. These SMA Sleeves provide an additional layer of tax-smart investing techniques within a Tax-Smart Program Account. Strategic Advisers uses its discretion in allocating a client's assets between mutual funds/ETPs and the SMA Sleeves, and within and among the SMA Sleeves. Additional SMA Sleeves can be made available from time to time. Once a client has agreed to the use of SMA Sleeves within one of the primary asset classes, we will have the discretion to use any such additional SMA Sleeve from that primary asset class within a client's Tax-Smart Program Account; provided, however, that we will provide advance notice regarding the use of an SMA Sleeve for which there is an additional SMA Sleeve fee. A client can impose a restriction on the use of SMA Sleeves entirely, or on the use of certain SMA Sleeves, by contacting a Fidelity representative. Please see FFWA's Program Fundamentals for more information about any applicable SMA Sleeve fees.

#### *Domestic Stock SMA Sleeves*

The **Strategic Advisers Tax-Managed U.S. Large Cap SMA Sleeve** will initially consist of a diversified portfolio of approximately 200–300 securities currently selected from the universe of approximately 500 securities that make up the Fidelity U.S. Large Cap Index<sup>SM</sup>. This SMA Sleeve is intended to act as a diversified, risk-adjusted portfolio that attempts to closely align with the return (before taxes) and overall risk profile of the Fidelity U.S. Large Cap Index<sup>SM</sup>. Strategic Advisers will trade holdings in this SMA Sleeve actively within the universe of securities that make up the Fidelity U.S. Large Cap Index<sup>SM</sup> in an attempt to enhance after-tax returns through methods such as proactive tax-loss harvesting and deferring the realization of capital gains. Note that this trading could result in a "drift" from the Fidelity U.S. Large Cap Index<sup>SM</sup> and/or wash sales from trading activity in non-Program accounts.

The **Strategic Advisers Equity Growth and Strategic Advisers Equity Value SMA Sleeves** are each actively managed to seek additional opportunities for return and tax-smart investing, as compared to the Russell 1000® Growth Index and Russell 1000® Value Index, respectively. These SMA Sleeves will

invest in equity securities that are designed to complement the Strategic Advisers Tax-Managed U.S. Large Cap SMA Sleeve, which provides core market exposure. Each of these SMA Sleeves will initially consist of approximately 100–200 securities, selected by Strategic Advisers based on the portfolio recommendations of multiple Model Providers. The Model Providers are selected by Strategic Advisers to have complementary investment styles and can be affiliated or unaffiliated with Strategic Advisers. Strategic Advisers then blends those stock portfolio recommendations for each of these SMA Sleeves. These SMA Sleeves can also invest in American Depositary Receipts (“ADRs”), real estate investment trusts (“REITs”), and ETPs.

The **Fidelity Strategic Advisers U.S. Large Cap Equity SMA Sleeve** is actively managed to seek capital appreciation and to outperform the S&P 500® Index over a full market cycle by investing in U.S. large cap stocks. This SMA Sleeve will initially consist of approximately 150–250 securities, selected by Strategic Advisers based on the portfolio recommendations of the affiliated Model Provider. This SMA Sleeve can also invest in ADRs, REITs, and ETPs. The Model Provider provides multiple investment models to Strategic Advisers, with growth, value and core equity exposures, which Strategic Advisers then blends in its discretion, based on its view of market cycle implications and overall positioning.

#### *International Stock SMA Sleeves*

The **Fidelity Strategic Advisers Blended International Equity SMA Sleeve** and **Fidelity Strategic Advisers International Equity SMA Sleeve** are each actively managed to seek capital appreciation and to outperform the MSCI EAFE Index (Net MA Tax) over a full market cycle. Each SMA Sleeve invests primarily in ADRs and a mutual fund designed for use in Program Accounts that invests in foreign securities to obtain foreign exposures for which Strategic Advisers believes ADRs are either unavailable or inappropriate. Each SMA Sleeve will initially consist of approximately 100–200 securities, selected by Strategic Advisers based on the portfolio recommendations of the Model Providers. Strategic Advisers will blend model portfolios for international equity exposure at its discretion based upon market cycle implications and overall portfolio positioning. The Model Provider(s) for the Fidelity Strategic Advisers International Equity SMA Sleeve will be affiliated with Strategic Advisers, while the Model Provider(s) for the Fidelity Strategic Advisers Blended International Equity SMA Sleeve will include at least one Model Provider that is unaffiliated with Strategic Advisers.

The **Fidelity Strategic Advisers Tax-Managed International Equity Index SMA Sleeve** will initially consist of a diversified portfolio of approximately 250–350 securities selected from the universe of approximately 900 securities that make up the Fidelity Developed ex North America Focus Index (Net). This SMA Sleeve is intended to act as a diversified, risk-adjusted portfolio that attempts to closely align with the return (before taxes) and overall risk profile of the Fidelity Developed ex North America Focus Index (Net). This SMA Sleeve invests primarily in ADRs and ETPs. Strategic Advisers will trade holdings in this SMA Sleeve actively within the universe of securities that make up the Fidelity Developed ex North America Focus Index (Net) in an attempt to enhance after-tax returns through methods such as proactive tax-loss harvesting and deferring the realization of capital gains. Note that this trading could result in a “drift” from the Fidelity Developed ex North America Focus Index (Net) and/or wash sales from trading activity in non-Program accounts.

For additional information about the Model Providers who provide stock portfolio recommendations to Strategic Advisers, please contact a Fidelity representative. At any time, Strategic Advisers, in its discretion, can change the weight allocated to a particular Model Provider’s stock portfolio recommendations within client accounts. In addition, Strategic Advisers can, in its discretion, replace the Model Providers from which it receives stock portfolio recommendations, or can contract with additional Model Providers to provide stock portfolio recommendations. Where Strategic Advisers uses more than one investment model with respect to a particular SMA Sleeve, Strategic Advisers uses its discretion to blend those investment models. If deemed appropriate, Strategic Advisers can substitute other securities or ETPs for securities identified by a Model Provider. Strategic Advisers can also use ETPs to obtain certain exposures within an SMA Sleeve while implementing a client-imposed investment restriction. The number of securities used by Strategic Advisers within an SMA Sleeve will vary over time and could be materially higher or lower

than Strategic Advisers' initial estimates. There is expected to be an overlap among the securities held in each of the SMA Sleeves associated with a particular asset class. Each of the securities purchased in the SMA Sleeves will appear on the monthly account statement. Securities selected for the SMA Sleeves are individually tailored based on a client's existing holdings and unique financial situation, and on the tax attributes of the assets in the client's Tax-Smart Program Account. A client can expect that the securities that make up the SMA Sleeves can vary, perhaps significantly, from the securities purchased for other clients in the Program.

When determining the appropriateness of implementing SMA Sleeves, Strategic Advisers considers the trade-offs inherent in managing a client's Tax-Smart Program Account toward the appropriate risk and return while monitoring the potential tax consequences. This could mean that the implementation of the SMA Sleeves might not happen on the first set of trades, and indeed could happen in small amounts over the course of months or even years from the start date. In some circumstances, a client's account could have such large embedded gains that it is not in the client's best interest to sell their existing mutual fund or ETP holdings to invest in SMA Sleeves. In the future, Strategic Advisers might offer additional SMA Sleeves. These SMA Sleeves can be managed by Strategic Advisers or by affiliated or unaffiliated third-party registered investment advisers retained by Strategic Advisers. If such additional SMA Sleeves become available, Strategic Advisers will consider whether these SMA Sleeves are appropriate for a client's Tax-Smart Program Account and could offer these additional SMA Sleeves to a client.

### **About the Fidelity Program Dedicated Funds and Program Only Funds**

Fidelity Program Dedicated Funds enable Strategic Advisers to choose from an expanded group of Fidelity and non-Fidelity mutual funds and ETPs and Fund Sub-advisors. All Fidelity Program Dedicated Funds are considered to be Fidelity funds; however, these funds can have a blend of both affiliated and unaffiliated mutual funds, ETPs and Fund Sub-advisors, or a preference for affiliated mutual funds, ETPs and Fund Sub-advisors. Certain of these funds are structured so that, within one fund, Strategic Advisers can hire and/or fire Fund Sub-advisors who will purchase equity or fixed income securities for the fund, and buy and sell mutual funds, ETPs, and certain types of derivatives. This structure is designed to simplify Program Accounts and provide Strategic Advisers with greater visibility into the underlying holdings of the funds. For more information on the investment strategies employed by the Fidelity Program Dedicated Funds, please see the prospectuses for those funds.

Fidelity Program Dedicated Funds can be used in any Program Account and are available only to clients of certain of Fidelity's managed account programs. A significant portion (up to 100%) of the assets in a Program Account, other than Tax-Smart and BDIP Program Accounts, could be invested in the Fidelity Program Dedicated Funds.

If an investor ceases to be a client of the Program, in general, Strategic Advisers will redeem any and all Program Only Fund shares, as well as shares of other funds that can no longer be held by the client due to other restrictions, such as minimum balance requirements, and a client could incur gains or losses as a result of such redemptions.

### **About Strategic Advisers' Model Provider Selection Process**

Prior to selecting a Model Provider for the Program, Strategic Advisers performs a comprehensive review of the Model Provider and its investment style and approach. Strategic Advisers' review generally includes, among other things, assessing information about the Model Provider and its investment strategy collected from third-party sources and information received directly from the Model Provider. In selecting a Model Provider, Strategic Advisers will consider a variety of factors, including, but not limited to, investment approach, portfolio characteristics, and total assets of the Model Provider. Strategic Advisers

will evaluate information from both quantitative and qualitative analyses, including, but not limited to, the Model Provider's investment strategy and ability to adhere to the investment guidelines, credit research capabilities, security coverage, experience, growth of assets under management, stability of management, governance program and trading and operational capabilities. Strategic Advisers evaluates a Model Provider's adherence to the investment strategy not less than semiannually based on the factors described above.

### **About Program Accounts Selecting BDIP**

Clients can select the BDIP strategy, which seeks an attractive level of investment income for an appropriate level of risk by investing in mutual funds and ETPs that invest in (or track) the following primary asset classes: domestic stocks, foreign stocks, investment grade and high yield bonds, and short-term investments. Strategic Advisers has retained BlackRock Investment Management, LLC ("BlackRock") as Model Provider for this strategy. Strategic Advisers can select investments for a BDIP Program Account that differ from BlackRock's model portfolio, but could also implement BlackRock's model portfolio without change. Strategic Advisers is responsible for portfolio management, trading, and supervision of BDIP Program Accounts. BlackRock is not acting as an investment adviser or portfolio manager with respect to BDIP Program Accounts.

Mutual funds and ETPs included in the model portfolio are identified by BlackRock based on a variety of objective and subjective factors, including, but not limited to, performance, expenses, quality, history of portfolio management, understanding of style consistency, asset size, availability, trading characteristics, current public information on the investment and its management, and overall fit within the model portfolio. BDIP Program Accounts are not intended to provide a complete investment program. Clients are responsible for appropriate diversification of assets outside of BDIP Program Accounts to help guard against the risk of loss. Cash flows from dividend distributions or interest payments will be reinvested in the portfolio, unless a client elects otherwise. In selecting mutual funds and ETPs for inclusion in the model portfolio provided to Strategic Advisers, BlackRock will primarily select mutual funds and ETPs advised by it (or one of its affiliates) and which pay fees and other compensation to BlackRock (or one of its affiliates), including iShares® ETPs (collectively, "BlackRock Affiliated Funds"). BlackRock can also include mutual funds or ETPs advised by third parties, including Strategic Advisers or its affiliates, if BlackRock determines, in its sole discretion, that a BlackRock Affiliated Fund might not achieve the investment objective. The mutual funds and ETPs included in the model portfolio provided by BlackRock will vary in their exposure to different asset classes, as well as different styles (investing for capital appreciation or income). Strategic Advisers has designed investment guidelines for the mutual funds and ETPs held in BDIP Program Accounts. These guidelines can change from time to time. BlackRock can provide a similar model portfolio to, or manage accounts using a similar investment strategy for, its other clients and could provide the model to such accounts or clients prior to providing it to Strategic Advisers.

BlackRock seeks to generate a higher yield and a lower risk profile for its model portfolio than that of a balanced portfolio that holds 50% equity investments and 50% investment grade fixed income (including short-term assets). However, in constructing the model portfolio, BlackRock has wide flexibility in the relative investment weightings given to each asset class and generally can allocate from 20% to 80% to equity investments and correspondingly from 20% to 80% to fixed income investments (including high-yield and short-term assets). BlackRock seeks to balance income and risk in the model portfolio by targeting lower volatility over a rolling three-year period that is in line with a balanced portfolio (as measured by the annualized standard deviation of monthly returns).

### **Personalizations and Investment Restrictions**

A client can elect to personalize a Program Account (other than a BDIP Program Account) by modifying the Asset Allocation of the account by increasing or decreasing the exposure to international stocks within certain limits, or by imposing reasonable restrictions on the management of any Program Account. Any

such personalization or proposed restriction is subject to our review and approval. Such a restriction can include prohibitions such as with respect to the purchase of a particular fund, individual security, industry or sub-asset class, provided such restriction is not inconsistent with the Program's stated investment strategy or philosophy, or is not fundamentally inconsistent with the nature or operation of the Program. If a restriction is accepted, assets will be invested in a manner that is appropriate given the restriction. Imposing an investment restriction can delay the start of discretionary management. The performance of a Program Account managed using personalizations and/or restrictions will differ, at times significantly, from the performance of a Program Account without personalizations and/or restrictions, possibly producing lower overall results. Program Account personalizations and restrictions should be requested through a Fidelity representative.

### **Additional Information about Strategic Advisers' Investment Practices**

In managing Program Accounts, Strategic Advisers will obtain information from various sources. Strategic Advisers will use both primary sources (e.g., talking directly with fund companies and fund managers) and secondary sources (e.g., analysts' reports from fund companies that will provide data on the investment strategies, risk profiles, and historical returns). Secondary sources also include a variety of publicly available market and economic information and third-party research, as well as proprietary research generated by Strategic Advisers. Strategic Advisers will analyze this information to assist in making allocation decisions among asset classes, as well as in making purchase and sale decisions. Strategic Advisers does not seek access to material nonpublic information on any investment used by the Program. With respect to Fidelity mutual funds or ETPs used by the Program, the investment team at Strategic Advisers that manages Program Accounts does not have access to the proprietary or material nonpublic information of the Fidelity mutual funds or ETPs.

When investing in Fidelity and non-Fidelity funds, Strategic Advisers from time to time consults the fund manager to understand the manager's guidelines concerning general limitations, if any, on the aggregate percentage of fund shares that can be held under management by Strategic Advisers on behalf of all its clients. Funds are not required to accept investments and can limit how much Strategic Advisers can purchase. One way that Strategic Advisers deals with potential capacity issues is to use Fidelity Program Dedicated Funds instead of third-party funds. Additionally, Strategic Advisers can establish internal limits on how much it invests in any one fund across the programs for which it provides management services. Regulatory restrictions sometimes limit the amount that one fund can invest in another, which means that Strategic Advisers or the Fidelity Program Dedicated Funds could be limited in the amount they can invest in any particular fund. Strategic Advisers will work closely with fund management to minimize the impact of its reallocation activity on acquired funds. In certain situations, liquidating positions in underlying funds will be accomplished over an extended period of time as a result of operational considerations, legal considerations, or input from underlying fund managers. To the extent that a Program Account already owns securities that directly or indirectly contribute to an ownership threshold being exceeded, securities held in such a Program Account could be sold to bring account-level and/or aggregate ownership below the relevant threshold. In the event that any such sales result in realized losses for a Program Account, that Program Account will bear such losses depending on the particular circumstances.

Except with respect to Fidelity Focused Program Accounts, Strategic Advisers will invest Program Accounts in mutual funds available through Fidelity's mutual fund supermarket, the Fidelity FundsNetwork, and ETPs available for sale through Fidelity. Strategic Advisers does not have a predetermined allocation to Fidelity or non-Fidelity mutual funds or ETPs, other than the exclusive use of Fidelity money market funds. Similarly, Strategic Advisers does not have a predetermined allocation with respect to the use of Fidelity or non-Fidelity Model Providers for the SMA Sleeves. The application of the Credit Amount, lack of additional fees associated with the use of Fidelity Model Providers and that Strategic Advisers' investment professionals are not compensated based on the amount of Fidelity or non-Fidelity mutual



funds or ETPs used in the Program mitigates Strategic Advisers' economic conflict in choosing between Fidelity and non-Fidelity mutual funds, ETPs and Model Providers. However, Strategic Advisers will achieve greater efficiencies and economies of scale with respect to the research and management services that it provides to clients when it utilizes Fidelity mutual funds, ETPs and Model Providers and can consider these efficiencies when selecting investments for Program Accounts.

From time to time, Strategic Advisers and/or its affiliates can determine that, as a result of regulatory requirements that apply to Strategic Advisers and/or its affiliates due to investments in a particular country or in an issuer operating in a particular regulated industry, investments in the securities of issuers domiciled or listed on trading markets in that country or operating in that regulated industry above certain thresholds are impractical or undesirable. The foregoing limits and thresholds could apply at the Program Account level or in the aggregate across all accounts (or certain subsets of accounts) managed, sponsored, or owned by, or otherwise attributable to Strategic Advisers and its affiliates. For investment risk management and other purposes, Strategic Advisers and its affiliates also generally apply internal aggregate limits on the amount of a particular issuer's securities that can be owned by all such accounts. In such instances, the adviser could limit or exclude a client's investment in a particular issuer, which can also include investment in related derivative instruments, and investment flexibility will be restricted. Additionally, many of the mutual funds Strategic Advisers invests in have policies that restrict excessive trading. As a result, a fund can reject trade orders if they are deemed to represent excessive trading. In general, a fund will restrict future trade activity if it deems the excessive trading policy, as outlined in the fund prospectus, has been violated (for example, a purchase and sale within a 30-day period). As a result, to comply with a fund's trading policies, Strategic Advisers will be required to suspend investment management of a Program Account. Strategic Advisers will cease to manage a Program Account as soon as reasonably practicable. The imposition of any such order can take up to one (1) business day to implement, and will stop any trading activity that is occurring in a Program Account.

### **Material Investment Risks**

In general, all the portfolios managed by Strategic Advisers in the Program are subject to the list of investment risks discussed below. However, investment strategies that have higher concentrations of equity have greater exposure to the risks associated with equity investments, such as stock market volatility and foreign exposure. On the other hand, investment strategies that have higher exposure to fixed income will have greater exposure to the risks associated with those products, such as credit risk and bond investment risk.

**Risk of Loss.** The discretionary investment management strategies implemented by Strategic Advisers for clients in the Program, including conservative investments, involve risk of loss. Investments in a Program Account are not a deposit of a bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency. A client could lose money by investing in mutual funds, ETPs, and individual securities. A client could lose money by investing in the Program.

Many factors affect each investment's or Program Account's performance. Strategies that pursue investments in equities will be subject to stock market volatility, and strategies that pursue fixed income investments (such as bond or money market funds) will see values fluctuate in response to changes in interest rates. All strategies are ultimately affected by impacts to the individual issuers, such as changes in an issuer's credit quality, or changes in tax, regulatory, market, or economic developments. Non-diversified funds, SMA Sleeves, and accounts that invest in a smaller number of individual issuers can be more sensitive to these changes. Nearly all investments or accounts are subject to volatility in non-U.S. markets, through either direct exposure or indirect effects in U.S. markets from events abroad. Those investments and accounts that are exposed to emerging markets are potentially subject to heightened volatility from greater social, economic, regulatory, and political uncertainties, as the extent of economic development, political stability, market depth, infrastructure, capitalization, and regulatory oversight can be less than in more developed markets. Additionally, investments or accounts that pursue debt exposure are subject to risks of prepayment or default, and funds, SMA Sleeves, or accounts that pursue strategies

that concentrate in particular industries or are otherwise subject to particular segments of the market (e.g., money market funds' exposure to the financial services industry, municipal funds' exposure to the municipal bond market, or international or emerging markets funds' exposure to a particular country or region) can be significantly impacted by events affecting those industries or markets. Strategies that lead funds, SMA Sleeves, or accounts to invest in other funds bear all the risks inherent in the underlying investments in which those funds invest, and strategies that pursue leveraged risk, including investment in derivatives — such as swaps (interest rate, total return, and credit default) and futures contracts — and forward-settling securities, magnify market exposure and losses. Additionally, investments and accounts are subject to operational risks, which can include risk of loss arising from failures in internal processes, people, or systems, such as routine processing errors or major systems failures, or from external events, such as exchange outages.

In addition, investments in the mutual funds, ETPs, and individual securities in a Program Account could be subject to the following risks:

**Investing in Mutual Funds and ETPs.** A Program Account bears all the risks of the investment strategies employed by the mutual funds and ETPs held in the Program Account, including the risk that a mutual fund or ETP will not meet its investment objectives. For the specific risks associated with a mutual fund or ETP, please see its prospectus.

**ETPs.** An ETP is a security that trades on an exchange and can seek to track an index, a commodity, or a basket of assets. ETPs can include exchange-traded funds, exchange-traded notes, unit investment trusts, closed-end funds, master limited partnerships, and certain trusts. ETPs can be actively or passively managed. The performance of a passively managed ETP might not correlate to the performance of the asset it seeks to track. ETPs trade on secondary markets or exchanges and are exposed to market volatility and the risks of their underlying securities. ETPs that use derivatives, leverage, or complex investment strategies are subject to additional risks. Share trading can be halted or the security could cease to trade on an exchange. Trading volume and liquidity can vary and could affect the ability to buy or sell shares, or could cause the market price of shares to experience significant premiums or discounts relative to value of the assets underlying the shares. Because ETPs trade on exchanges, buyers and sellers experience a spread between the bidding price and the asking price, and the size of these spreads can vary significantly. ETPs can also have unique risks depending on their structure and underlying investments.

**Money Market Funds.** A client could lose money by investing in a money market fund. Although a money market fund seeks to preserve the value of a client's investment at \$1.00 per share, it cannot guarantee it will do so. An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Fidelity, the sponsor of Fidelity's money market funds, has no legal obligation to provide financial support to a Fidelity money market fund, and a client should not expect that Fidelity will provide financial support to a Fidelity money market fund at any time. Fidelity's government and U.S. Treasury money market funds will not impose a fee upon the sale of shares, nor temporarily suspend an investor's ability to sell shares, if a fund's weekly liquid assets fall below 30% of its total assets because of market conditions or other factors.

**Funds with Multiple Managers.** Separate investment decisions and the resulting purchase and sale activities of a fund's sub-advisors might adversely affect a fund's performance or lead to disadvantageous tax consequences.

**Quantitative Investing.** Funds or securities selected using quantitative analysis can perform differently from the market as a whole as a result of the factors used in the analysis, the weight placed on each factor, changes to the factors' behavior over time, market volatility, or the quantitative model's assumption about market behavior. In addition, Strategic Advisers' quantitative investment strategies rely on algorithmic processes, and therefore are subject to the risks described below under the heading, "Operational Risks."

**Investing for Volatility Management.** The ability of Defensive and BDIP Program Accounts to manage the overall level of account volatility in response to market volatility depends on Strategic Advisers' ability (and, for BDIP Program Accounts, BlackRock's ability in providing the model portfolio to Strategic Advisers) to estimate correctly the volatility of the investments it chooses relative to the broader market. Volatility could be higher than anticipated, and the specific investments used to manage volatility might not be as correlated or uncorrelated with the broader market as expected. There can be no guarantee of success in managing the overall level of volatility. These accounts might not realize the anticipated benefits from the volatility management process or could realize losses because of the investment techniques used to manage volatility, or because of the limitations of volatility management processes in periods of extremely high or low volatility. Under certain market conditions, the use of volatility management processes could also result in less favorable performance than if such processes had not been used. The volatility management strategies used in managing these accounts can cause them to underperform when markets rise, and there can be no guarantee that these strategies will help mitigate losses when markets fall.

**Stock Investments.** Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Different parts of the market can react differently to these developments. Value and growth stocks can perform differently from other types of stocks. Growth stocks can be more volatile. Value stocks can continue to be undervalued by the market for long periods of time. In addition, stock investments are subject to risk related to market capitalization as well as company-specific risk.

**Bond Investments.** In general, the bond market is volatile, and fixed income securities carry interest rate risk. As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities. During periods of very low or negative interest rates, we could be unable to maintain positive returns on bond investments. Very low or negative interest rates can magnify interest rate risk for the markets as a whole and for individual bond investments. Changing interest rates, including rates that fall below zero, can also have unpredictable effects on markets and can result in heightened market volatility. The ability of an issuer of a bond to repay principal prior to a security's maturity can cause greater price volatility, and, if a bond is prepaid, a bond fund could have to invest the proceeds in securities with lower yields. Fixed income securities also carry inflation risk, as well as credit and default risks for both issuers and counterparties. The interest payments of inflation-protected bonds are variable and usually rise with inflation and fall with deflation. Unlike individual bonds, most bond funds do not have a maturity date, so holding them until maturity to avoid losses caused by price volatility is not possible. In addition, investments in certain bond structures are less liquid than other investments, and therefore are more difficult to trade effectively.

**Credit Risk.** Changes in the financial condition of an issuer or counterparty, and changes in specific economic or political conditions that affect a particular type of security or issuer, can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's credit quality or value. Lower-quality debt securities and certain types of other securities involve greater risk of default or price changes due to changes in the credit quality of the issuer.

**Municipal Bonds.** The municipal market can be significantly affected by adverse tax, legislative, or political changes, and by the financial condition of the issuers of municipal securities. Municipal funds normally seek to earn income and pay dividends that are expected to be exempt from federal income tax. If a fund investor is a resident in the state of issuance of the bonds held by the fund, interest dividends could also be exempt from state and local income taxes. Income exempt from regular federal income tax (including distributions from municipal and money market funds) can be subject to state, local, or federal alternative minimum tax. Certain funds normally seek to invest only in municipal securities generating income exempt from both federal income taxes and the federal alternative minimum tax; however, outcomes cannot be guaranteed, and the funds sometimes generate income subject to these taxes. For federal tax purposes, a fund's distribution of gains attributable to a fund's sale of municipal or other bonds is generally taxable as either ordinary income or long-term capital gains.



Redemptions, including exchanges, can result in a capital gain or loss for federal and/or state income tax purposes. Tax code changes could impact the municipal bond market. Tax laws are subject to change, and the preferential tax treatment of municipal bond interest income could be removed or phased out for investors at certain income levels. Because many municipal bonds are issued to finance similar projects, especially those relating to education, health care, transportation, and utilities, conditions in those sectors can affect the overall municipal market. Budgetary constraints of local, state, and federal governments on which the issuers are relying for funding can also impact municipal bonds. In addition, changes in the financial condition of an individual municipal insurer can affect the overall municipal market, and market conditions can directly impact the liquidity and valuation of municipal bonds.

**Foreign Exposure.** Foreign securities and securities of U.S. entities with substantial foreign operations are subject to interest rate, currency exchange rate, economic, tax, operational, regulatory, and political risks, all of which are likely to be greater in emerging markets. These risks are particularly significant for investment strategies that focus on a single country or region or emerging markets, or for clients who elect to increase international stock exposure. Foreign markets can be more volatile than U.S. markets and can perform differently from the U.S. market. Emerging markets can be subject to greater social, economic, regulatory, and political uncertainties and can be extremely volatile. Foreign exchange rates can also be extremely volatile. Foreign markets can also offer less protection to investors than U.S. markets. For example, foreign issuers are generally not bound by uniform accounting, auditing, and financial reporting requirements and standards of practice comparable to those applicable to U.S. issuers. Adequate public information on foreign issuers might not be available, and it could be difficult to secure dividends and information regarding corporate actions on a timely basis. Regulatory enforcement can be influenced by economic or political concerns, and investors could have difficulty enforcing their legal rights in foreign countries. Furthermore, investments in securities of foreign entities can result in clients owning an interest in a “passive foreign investment company” (a “PFIC”). Clients holding an interest in a PFIC could be subject to additional tax liabilities and filing requirements as a result of such investments. The rules regarding investments in PFICs are complex, and clients are urged to consult with their tax advisors.

**Risks of Investing in ADRs.** ADRs are certificates evidencing ownership of shares of an underlying foreign issuer that are issued by depositary banks and generally trade on an established market in the U.S. or elsewhere. ADRs are alternatives to directly purchasing the underlying foreign securities in their national markets and currencies. However, ADRs are subject to many of the risks associated with investing directly in foreign securities. The depositary bank can charge fees for various services, including forwarding dividends and interest and corporate actions. In addition, certain ADRs are not traded on a National Securities Exchange, can be less liquid than other investments, and could therefore be more difficult to trade effectively. Investing in ADRs can make it more difficult for U.S. persons to benefit from applicable treaty rates that could otherwise reduce withholding on any distributions from the underlying foreign issuer. Recovery of any extra foreign tax withheld can be costly and complex, and recovery might not be available for certain registration types such as Individual Retirement Accounts.

**Derivatives.** Certain funds and ETPs used by Strategic Advisers contain derivatives. Generally speaking, a derivative is a financial contract whose value is based on the value of a financial asset (such as a stock, bond, or currency), a physical asset (such as gold, oil, or wheat), or a market index (such as the S&P 500® Index). Investments in derivatives subject these funds to risks different from, and possibly greater than, those of the underlying securities, assets, or market indexes. Some forms of derivatives, such as exchange-traded futures and options on securities, commodities, or indexes, have been trading on regulated exchanges for decades. These types of derivatives are standardized contracts that can easily be bought and/or sold, and whose market values are determined and published daily. Nonstandardized derivatives (such as swap agreements), on the other hand, tend to be more specialized or complex, and can be more difficult to value. Derivatives could involve leverage because they can provide investment exposure in an amount exceeding the initial investment. As a result, the use of derivatives can cause these

funds to be more volatile, because leverage tends to exaggerate the effect of any increase or decrease in the value of a fund's portfolio securities.

**Alternative Investments.** Alternatives are classified as assets whose investment characteristics and/or performance differ substantially from the primary asset classes and therefore offer opportunities for additional diversification. Strategic Advisers does not invest in private equity, hedge funds, or similar investments directly in Program Accounts; however, Strategic Advisers can invest in mutual funds that invest significantly in these instruments, and therefore clients could have indirect exposure to these types of investments. Generally, alternatives can be illiquid.

**Real Estate.** Real estate is a cyclical industry that is sensitive to interest rates, economic conditions (both nationally and locally), property tax rates, and other factors. Changes in real estate values or economic downturns can have a significant negative effect on issuers in the real estate industry.

**Commodity-Linked Investing.** Commodity-linked investments can be more volatile and less liquid than the underlying commodity, instruments, or measures and their value can be affected by the performance of the overall commodities markets, as well as by weather, political, tax, and other regulatory and market developments.

**Illiquid Investments.** Illiquid securities sometimes trade infrequently in the secondary market. As a result, valuing an illiquid security can be more difficult, and buying and selling an illiquid security at an acceptable price can be more difficult or delayed. Difficulty in selling an illiquid security can result in a loss. The relative liquidity of any investment, particularly those that trade on exchanges, can vary, at times significantly.

**Risks and Limitations Associated with Tax-Smart Investing Techniques.** Strategic Advisers applies tax-smart investing techniques on a limited basis, at its discretion. Strategic Advisers actively manages for federal income taxes, but does not manage in consideration of state or local taxes; foreign taxes; foreign tax applied to dividends or any potential reclaim; federal tax rules applicable to entities; or estate, gift, or generation-skipping transfer taxes. In harvesting tax losses, Strategic Advisers does not attempt to harvest every tax loss that occurs in a Tax-Smart Program Account. It is important to understand that in a given year, due to investment decisions or market conditions, a client could receive varying levels of taxable distributions within a Tax-Smart Program Account. In general, Strategic Advisers will not sell a fund merely to avoid a taxable fund distribution but, in fact, looks at the overall portfolio to determine the most appropriate action.

Strategic Advisers relies on information a client provides in an effort to provide tax-smart investing techniques and does not offer tax advice. Strategic Advisers cannot guarantee the effectiveness of its tax-smart investing techniques in serving to reduce or minimize a client's overall tax liability or the tax results of a given transaction. Strategic Advisers believes appropriate asset allocation is of primary importance, and will make changes to a Tax-Smart Program Account's asset allocation even if such changes trigger significant tax consequences.

**Growth Investing.** Growth stocks can react differently to issuer, political, market, and economic developments than the market as a whole and other types of stocks. Growth stocks tend to be more expensive relative to their earnings or assets compared with other types of stocks. As a result, growth stocks tend to be sensitive to changes in their earnings and more volatile than other types of stocks.

**Value Investing.** Value stocks can react differently to issuer, political, market, and economic developments than the market as a whole and other types of stocks. Value stocks tend to be inexpensive relative to their earnings or assets compared with other types of stocks. However, value stocks can continue to be inexpensive for long periods of time and might never realize their full expected value.

**Risks Associated with the Strategic Advisers Tax-Managed U.S. Large Cap SMA Sleeve and the Fidelity Strategic Advisers Tax-Managed International Equity Index SMA Sleeve.** The Strategic Advisers Tax-Managed U.S. Large Cap SMA Sleeve and the Fidelity Strategic Advisers Tax-Managed

International Equity Index SMA Sleeve each rely on a quantitative model that is designed to replicate the overall risk and return characteristics of their respective reference indices. To the extent that the quantitative model fails to adequately match the risk and return profile of the relevant reference index, the SMA Sleeve will perform differently from the reference index on a pretax basis. In addition, to the extent that the components of the applicable index perform in a highly correlated fashion, the strategy will generally be less effective at harvesting the tax losses on which the strategy relies. In addition, each of these SMA Sleeves relies on algorithmic processes, and therefore are subject to the risks described below under the heading, "Operational Risks."

**Model Overlay Risks.** There are risks associated with Program Accounts that use model portfolios provided by Model Providers. These accounts rely on Strategic Advisers' ability to purchase the investments in the Model Providers' portfolio recommendations. This might not be possible due to liquidity constraints or aggregate holdings limitations, among other reasons. Such Program Accounts will perform differently from the Model Providers' portfolio recommendations.

**Legislative and Regulatory Risk.** Investments in a Program Account could be adversely affected by new (or revised) laws or regulations. Changes to laws or regulations can impact the securities markets as a whole, specific industries, individual issuers of securities, and Strategic Advisers' determinations with respect to the expected rate of return, value, tax treatment, or creditworthiness of a particular security. Generally, the impact of these changes will not be fully known for some time.

**Cybersecurity Risks.** With the increased use of technologies to conduct business, Strategic Advisers and its affiliates are susceptible to operational, information security, and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events that may arise from external or internal sources. Cyberattacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information; corrupting data, equipment, or systems; or causing operational disruption. Cyberattacks can also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting Strategic Advisers, its affiliates, or any other service providers (including but not limited to custodians, transfer agents and financial intermediaries used by Fidelity or by an issuer of securities) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the ability to calculate asset prices, impediments to trading, the inability to transact business, destruction to equipment and systems, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which an account invests, counterparties with which an account engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers) and other parties.

**Operational Risks.** Operational risks can include risk of loss arising from failures in internal processes, people, or systems, such as routine processing incidents or major systems failures, or from external events, such as exchange outages. Algorithms are used by Strategic Advisers in support of its discretionary portfolio management process and contribute to operational risks. There is a risk that the algorithms and data input into the algorithms could have errors, omissions, imperfections, and malfunctions. Any decisions made in reliance upon incorrect data expose Program Accounts to potential risks. Issues in the algorithm are often extremely difficult to detect and could go undetected for long periods of time or never be detected. These risks are mitigated by testing and human oversight of the algorithms and their output. We believe that the oversight and testing performed on our algorithms and their output will enable us to identify and address issues appropriately. However, there is no assurance that the algorithms will always work as intended. In general, we will not assess each Program Account

individually, nor will we override the outcome of the algorithm with respect to any particular Program Account.

Not all incidents arising from operational failures, including those resulting from the mistakes of third parties, will be compensable by Strategic Advisers to a client. Strategic Advisers maintains policies and procedures that address the identification and correction of errors, consistent with applicable standard of care, to ensure that clients are treated fairly when an error has been detected. The determination of whether an incident constitutes an error is made by Strategic Advisers or its affiliates, in their sole discretion. In the event that Strategic Advisers or its affiliates make an error that has a financial impact on a Program Account, Strategic Advisers or its affiliates will generally return the Program Account to the position it would have been in had no error occurred. Strategic Advisers will evaluate each situation independently, and unless prohibited by applicable regulation or a specific agreement with the client, we can net a client's gains and losses from the error or a series of related errors with the same root cause and compensate clients for the net loss.

This corrective action could result in financial or other restitution to a Program Account, or inadvertent gains being reversed out of a Program Account. Under certain circumstances, clients will not be reimbursed for errors where the loss is less than \$10 per Program Account; in such cases, we have instituted controls designed to prevent Fidelity from receiving economic benefits from limiting the correction of such errors.

## **DISCIPLINARY INFORMATION**

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There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Strategic Advisers' advisory business or the integrity of its management personnel.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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Strategic Advisers is a wholly owned subsidiary of Fidelity Advisory Holdings LLC, which in turn is wholly owned by FMR LLC. FMR LLC is a Delaware limited liability company that, together with its affiliates and subsidiaries, is generally known to the public as Fidelity Investments or Fidelity. Various direct or indirect subsidiaries of FMR LLC are engaged in investment advisory, brokerage, banking, or insurance businesses. From time to time, Strategic Advisers and its customers will have material business relationships with the subsidiaries and affiliates of FMR LLC. In addition, the principal officers of Strategic Advisers serve as officers and/or employees of affiliated companies that are engaged in various aspects of the financial services industry.

Strategic Advisers is not registered as a broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor, nor does it have an application pending to register as such. Certain management persons of Strategic Advisers are registered representatives of Fidelity Brokerage Services LLC ("FBS"), a Strategic Advisers affiliate and a registered broker-dealer.

Strategic Advisers has, and its clients could have, a material relationship with the following affiliated companies:

### **Investment Companies and Investment Advisers**

- FPWA, a wholly owned subsidiary of Fidelity Advisory Holdings LLC, which in turn is wholly owned by FMR LLC, is a registered investment adviser under the Investment Advisers Act of 1940 (the "Advisers Act"). FPWA provides non-discretionary investment management services and serves as the sponsor to investment advisory programs, including this Program. Strategic Advisers acts as sub-advisor to FPWA in providing discretionary investment management to certain clients, and assists FPWA in evaluating sub-advisors.

- FMRCo, a wholly owned subsidiary of FMR LLC, is a registered investment adviser under the Advisers Act. FMRCo provides investment management services, including to registered investment companies in the Fidelity group of funds, and to clients of other affiliated and unaffiliated advisers. FMRCo acts as sub-advisor to FPWA in providing discretionary portfolio management to certain clients and provides model portfolio recommendations to Strategic Advisers in connection with Strategic Advisers' provision of discretionary portfolio management to certain clients. Strategic Advisers pays FMRCo an administrative fee for handling the business affairs of the registered investment companies advised by Strategic Advisers. In addition, Strategic Advisers shares employees from time to time with FMRCo.
- Fidelity Institutional Wealth Adviser LLC ("FIWA"), a wholly owned subsidiary of FMR LLC, is a registered investment adviser under the Advisers Act. FIWA provides non-discretionary investment management services and sponsors the Fidelity Managed Account Xchange program.
- FIAM LLC ("FIAM"), a wholly owned subsidiary of FIAM Holdings LLC, which in turn is wholly owned by FMR LLC, is a registered investment adviser under the Advisers Act, and is registered with the Central Bank of Ireland. FIAM provides investment management services, including to registered investment companies in the Fidelity group of funds, and to clients of other affiliated and unaffiliated advisers. Strategic Advisers has sub-advisory agreements with FIAM for certain registered investment companies advised by Strategic Advisers. Strategic Advisers provides model portfolio services to FIAM in connection with FIAM's services to its institutional and intermediary clients and FIAM compensates Strategic Advisers for such services. In addition, Strategic Advisers shares employees from time to time with FIAM.
- FMR Investment Management (UK) Limited ("FMR UK"), an indirect, wholly owned subsidiary of FMRCo, is a registered investment adviser under the Advisers Act, has been authorized by the U.K. Financial Conduct Authority to provide investment advisory and asset management services, and is registered with the Central Bank of Ireland. FMR UK provides investment management services, including to registered investment companies in the Fidelity group of funds, and to clients of other affiliated and unaffiliated advisers. FIAM has sub-advisory agreements with FMR UK for certain registered investment companies advised by Strategic Advisers.
- Fidelity Management & Research (Japan) Limited ("FMR Japan"), a wholly owned subsidiary of FMRCo, is a registered investment adviser under the Advisers Act and has been authorized by the Japan Financial Services Agency (Kanto Local Finance Bureau) to provide investment advisory and discretionary investment management services. FMR Japan provides investment management services, including to registered investment companies in the Fidelity group of funds, and to clients of other affiliated and unaffiliated advisers. FIAM has sub-advisory agreements with FMR Japan for certain registered investment companies advised by Strategic Advisers.
- Fidelity Management & Research (Hong Kong) Limited ("FMR Hong Kong"), a wholly owned subsidiary of FMRCo, is a registered investment adviser under the Advisers Act and has been authorized by the Hong Kong Securities & Futures Commission to advise on securities and to provide asset management services. FMR Hong Kong provides investment management services, including to registered investment companies in the Fidelity group of funds, and to clients of other affiliated and unaffiliated advisers. FIAM has sub-advisory agreements with FMR Hong Kong for certain registered investment companies advised by Strategic Advisers.

### **Broker-Dealers**

- Fidelity Distributors Company LLC ("FDC"), a wholly owned subsidiary of Fidelity Global Brokerage Group, Inc., which in turn is wholly owned by FMR LLC, is a registered broker-dealer under the Securities Exchange Act of 1934 (the "Exchange Act"). FDC acts as principal underwriter of the registered investment companies in the Fidelity group of funds, and also markets those funds and

other products advised by its affiliates to third-party financial intermediaries and certain institutional investors. Pursuant to a referral agreement and for compensation, FDC refers clients to FPWA.

- National Financial Services LLC ("NFS"), a wholly owned subsidiary of Fidelity Global Brokerage Group, Inc., which in turn is wholly owned by FMR LLC, is a registered broker-dealer under the Exchange Act and a registered investment adviser under the Advisers Act. NFS is a fully disclosed clearing broker-dealer that provides clearing, settlement and execution services for other broker-dealers, including its affiliate FBS. Fidelity Capital Markets ("FCM"), a division of NFS, provides trade executions for Fidelity affiliates and other clients. Additionally, FCM operates CrossStream®, an alternative trading system that allows orders submitted by its subscribers to be crossed against orders submitted by other subscribers. FCM charges a commission to both sides of each trade executed in CrossStream®. CrossStream is used to execute transactions for investment company and other Fidelity clients. NFS does not have any advisory clients, does not provide investment advice and does not receive compensation for investment advisory services. NFS provides transfer agent or subtransfer agent services and other custodial services to certain Fidelity clients.
- Luminex Trading & Analytics LLC ("LTA"), a registered broker-dealer and alternative trading system, operates an electronic execution utility (the "LTA ATS") that allows orders submitted by its subscribers to be crossed against orders submitted by other subscribers. FMR Sakura Holdings, Inc., a wholly owned subsidiary of FMR LLC, is the majority owner of LTA. LTA charges a commission to both sides of each trade executed in the LTA ATS. The LTA ATS is used to execute transactions for Fidelity affiliates' advisory clients. NFS serves as the clearing agent for transactions executed in the LTA ATS.
- FBS, a wholly owned subsidiary of Fidelity Global Brokerage Group, Inc., which in turn is wholly owned by FMR LLC, is a registered broker-dealer under the Exchange Act and provides brokerage products and services, including the sale of shares of registered investment companies in the Fidelity group of funds to individuals and institutions, including retirement plans administered by Fidelity affiliates. In addition, along with Fidelity Insurance Agency, Inc. ("FIA"), FBS distributes insurance products, including variable annuities, which are issued by Fidelity affiliates, Fidelity Investments Life Insurance Company ("FIL") and Empire Fidelity Investments Life Insurance Company® ("EFIL"). FBS provides shareholder services to certain of Fidelity's clients. FBS is the introducing broker for managed accounts offered by FPWA and places trades for execution with its affiliated clearing broker, NFS. Pursuant to a referral agreement and for compensation, FBS refers clients to FPWA.

### **Insurance Companies or Agencies**

- FIL, a wholly owned subsidiary of FMR LLC, is engaged in the distribution and issuance of life insurance and annuity products that offer shares of registered investment companies managed by Fidelity affiliates.
- EFIL, a wholly owned subsidiary of FIL, is engaged in the distribution and issuance of life insurance and annuity products that offer shares of registered investment companies managed by Fidelity affiliates to residents of New York.
- FIA, a wholly owned subsidiary of FMR LLC, is engaged in the business of selling life insurance and annuity products of affiliated and unaffiliated insurance companies.

### **Banking Institutions**

- Fidelity Management Trust Company ("FMT"), a wholly owned subsidiary of FMR LLC, is a limited-purpose trust company organized and operating under the laws of the Commonwealth of Massachusetts that provides non-discretionary trustee and custodial services to employee benefit plans and individual retirement accounts through which individuals can invest in affiliated or unaffiliated registered investment companies. FMT also provides discretionary investment management services to institutional clients.



- Fidelity Personal Trust Company, FSB ("FPTC"), a wholly owned subsidiary of Fidelity Thrift Holding Company, Inc., which in turn is wholly owned by FMR LLC, is a federal savings bank that offers fiduciary services to its customers that include trustee or co-trustee services, custody, principal and income accounting, investment management services, and recordkeeping and administration.

### **Limited Partnerships and Limited Liability Company Investments**

Strategic Advisers can provide discretionary investment management to partnerships and limited liability companies designed to facilitate acquisitions by mutual funds offered by Strategic Advisers. These funds are privately offered consistent with stated investment objectives. Strategic Advisers does not intend to engage in borrowing, lending, purchasing securities on margin, short selling, or trading in commodities.

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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Strategic Advisers has adopted a Code of Ethics for Personal Trading (the "Code of Ethics"). The Code of Ethics applies to all officers, directors, employees and other supervised persons of Strategic Advisers and requires that they place the interests of Strategic Advisers' clients above their own. The Code of Ethics establishes securities transaction requirements for all covered employees and their covered persons, including their spouses. More specifically, the Code of Ethics contains provisions requiring:

- (i) Standards of general business conduct reflecting the investment advisers' fiduciary obligations
- (ii) Compliance with applicable federal securities laws
- (iii) Employees and their covered persons to move their covered accounts to FBS unless an exception has been granted
- (iv) Reporting and review of personal securities transactions and holdings for persons with access to certain nonpublic information
- (v) Prohibition of purchasing of securities in initial public offerings unless an exception has been approved
- (vi) Reporting of Code of Ethics violations
- (vii) Distribution of the Code of Ethics to all supervised persons, documented through acknowledgments of receipt

Core features of the Code of Ethics generally apply to all Fidelity employees. The Code of Ethics also imposes additional restrictions and reporting obligations on certain advisory personnel, research analysts, and portfolio managers, including (i) preclearing of transactions in covered securities; (ii) prohibiting investments in limited offerings without prior approval; (iii) reporting of transactions in covered securities on a quarterly basis; (iv) reporting of accounts and holdings of covered securities on an annual basis; and (v) disgorgement of profits from short-term transactions unless an exception has been approved. Violation of the Code of Ethics requirements can also result in the imposition of remedial action. The Code of Ethics will generally be supplemented by other relevant Fidelity policies, including the Policy on Inside Information, Rules for Broker-Dealer Employees, and other written policies and procedures adopted by Fidelity and Strategic Advisers. A copy of the Code of Ethics will be provided upon request.

From time to time, Strategic Advisers and its related persons purchase or sell securities for themselves that they also recommend to clients. The conflicts of interest involved in such activities are contemplated in the Code of Ethics and other relevant Fidelity policies. In particular, the Code of Ethics and other Fidelity policies are designed to ensure that Fidelity personnel never place their personal interests ahead of Fidelity's clients in an attempt to benefit themselves or another party. The Code of Ethics and other Fidelity policies impose sanctions if these requirements are violated.

From time to time, in connection with our business, certain supervised persons obtain material nonpublic information that is usually not available to other investors or the general public. In compliance with applicable laws, Strategic Advisers has adopted a comprehensive set of policies and procedures that

prohibit the use of material nonpublic information by investment professionals or any other employees and that limit the transactions that Strategic Advisers can implement for Program Accounts.

In addition, Fidelity has implemented a policy on Business Entertainment and Workplace Gifts intended to set standards for business entertainment and gifts, to help employees make sound decisions with respect to these activities, and to ensure that the interests of Strategic Advisers' clients come first. Similarly, to ensure compliance with applicable "pay to play" laws, Fidelity has adopted a Political Contributions and Activities policy that requires all employees to preclear any political contributions and activities.

## **BROKERAGE PRACTICES**

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### **Transactions in Program Accounts**

Strategic Advisers has a duty to seek best execution for transactions in client accounts. In determining broker-dealer's ability for a transaction, Strategic Advisers or its affiliates evaluate a variety of criteria and use good faith judgment, including the broker-dealer's execution capabilities, reputation, and access to the markets for the securities being traded. Other possibly relevant factors Strategic Advisers or its affiliates consider in the context of a trade include, but are not limited to, the following: price; costs; the size, nature and type of the order; speed of execution; and financial condition and reputation of a broker-dealer. Strategic Advisers or its affiliates can choose to place trades for Program Accounts with affiliated or unaffiliated registered broker-dealers, and choose to execute an order using electronic channels, including Fidelity order routing systems or broker-dealer sponsored algorithms, or by verbally working an order with a broker-dealer. To obtain best execution for a transaction, Strategic Advisers can select a broker-dealer that does not necessarily charge the lowest available commission rate, however Strategic Advisers believes that its order-routing policies, taking into consideration the factors stated above, are designed to result in transaction processing that is favorable to Program clients. Strategic Advisers regularly monitors the quality of the execution of transactions allocated to affiliated and unaffiliated broker-dealers. The Program's advisory fee includes the cost of any commissions associated with Program Account transactions executed through broker-dealers affiliated with Strategic Advisers but does not include the cost of commissions associated with transactions executed through unaffiliated broker-dealers; provided, however, that Strategic Advisers or its affiliates can voluntarily assume the cost of commissions for Program Account transactions that are executed through unaffiliated broker-dealers, in which case clients will not be charged commissions for such transactions.

Strategic Advisers places ETP and individual security transactions for execution with its affiliate NFS, through FCM, when Strategic Advisers reasonably believes that the quality of the execution of the transaction is comparable to what could be obtained through other qualified broker-dealers. In certain circumstances, Strategic Advisers will allocate up to 100% of a Program client's order to FCM. NFS transmits orders received for execution through FCM to various exchanges or market centers based on a number of factors. These include the size of the order, trading characteristics of the security, favorable execution prices (including the opportunity for price improvement), access to reliable market data, availability of efficient automated transaction processing, and execution costs. Some market centers or broker-dealers execute orders at prices superior to the publicly quoted market prices. Where Strategic Advisers directs the market center to which an order is routed, FBS or NFS will route the order to such market center in accordance with Strategic Advisers' instructions without regard to its general order-routing practices. Neither FBS nor NFS receive any compensation in connection with directing equity trades for Program Accounts to market centers for execution, although FBS and/or NFS may receive consideration for directing orders for equity securities to certain market centers for non-Program Accounts.

With respect to investments made by Fidelity mutual funds and ETPs, Strategic Advisers and its affiliates can allocate brokerage transactions to unaffiliated broker-dealers that have entered into commission recapture arrangements with Strategic Advisers or its affiliates under which the broker-dealer, using predetermined methodology, rebates a portion of the compensation paid by the fund to offset that fund's expenses, which can be paid to Strategic Advisers or its affiliates. Not all broker-dealers with whom



Strategic Advisers trades have agreed to participate in brokerage commission recapture. Strategic Advisers expects that broker-dealers from whom Strategic Advisers or its affiliates purchase research products and services with "hard dollars" are unlikely to participate in commission recapture.

Please see the FPA Program Fundamentals for further information about Program fees, brokerage commissions and additional fees for transactions in a Program Account.

### **Trade Aggregation and Allocation**

Strategic Advisers' policy is to treat each of its clients' accounts in a fair and equitable manner when allocating orders for the purchase and sale of securities. While Strategic Advisers is under no obligation to aggregate orders for Program Accounts, in general Strategic Advisers will choose to aggregate trades of individual securities for Program Accounts with trades for other client accounts when, in Strategic Advisers' judgment, aggregation is in the best interest of all clients involved and it is operationally feasible to do so. Orders are aggregated to facilitate seeking best execution, to negotiate more favorable commission rates, or to allocate equitably among clients the effects of any market fluctuations that might have otherwise occurred had these orders been placed independently. The transactions are averaged as to price and allocated as to amount according to the purchase and sale orders actually placed for each client account. Strategic Advisers has adopted trade allocation policies for Program Accounts and/or funds of funds managed by Strategic Advisers designed to achieve fairness and not to purposefully disadvantage comparable client accounts over time when allocating purchases and sales.

### **Agency and Advisor Cross Trades**

To the extent permitted by law and applicable policies and procedures, Strategic Advisers can effect "agency cross trades" for Program Accounts. Agency cross trades are trades in which Strategic Advisers, or any person controlling, controlled by, or under common control with Strategic Advisers, acts as both investment adviser and broker for a client, and as broker for the party or parties on the other side of the trade. Agency cross trades will be executed in accordance with Section 206(3) of the Advisers Act, requiring written consent, confirmations of transactions, annual reporting, and compliance procedures. In addition, to the extent permitted by law and applicable policies and procedures, Strategic Advisers can effect "advisor cross trades" for Program Accounts when Strategic Advisers believes such trades are in the best interest of all clients involved. Advisor cross trades are trades in which Strategic Advisers, or an affiliate, acts as investment adviser to both clients involved in the trade. Advisor cross trades will be done through a book-entry transfer, either directly or through a broker-dealer (including FBS or NFS), based on one or more third-party pricing services and/or actual market bids.

### **Account Transaction Information**

When Strategic Advisers trades in a Program Account, unless FPA is acting as Trustee or Co-Trustee with respect to the Program Account, clients will receive a confirmation of such transaction from NFS, except with respect to automatic investments, automatic withdrawals, dividend reinvestments, and transactions that involve the core Fidelity money market fund where a client's account statement serves in lieu of a confirmation. Clients will receive monthly statements from NFS that will provide holdings and transaction information, including trades, contributions, withdrawals, advisory fees, and estimated gain/loss and tax basis information. Monthly statements and confirmations are also available online at Fidelity.com and by enrolling in the electronic delivery program. Clients should carefully review all statements and other communications received from FBS and NFS. Clients will also receive a prospectus for any new mutual fund or ETP not previously held, unless the client has elected to have Strategic Advisers act as agent for the receipt of any non-Fidelity prospectuses. The routing details of a particular order will be provided upon request, and an explanation of order-routing practices will be provided on an annual basis. In addition, from time to time, Fidelity will provide aggregated trade execution data to customers and prospective customers.

### **Soft Dollars**

Strategic Advisers does not have a soft dollar program.

## **Client-Directed Brokerage Activities**

Program Accounts are not available for brokerage activities outside of the activities directed by Strategic Advisers, including, but not limited to, margin trading or trading of securities by a client or any of the client's designated agents.

## **REVIEW OF ACCOUNTS**

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### **Ongoing Review and Adjustments of Program Accounts**

Strategic Advisers monitors Program Accounts and their investments periodically. Market conditions and/or an upturn or downturn in a particular security will at times cause a "drift" in a client's investment portfolio away from the long-term risk level associated with the client's Program Account. Strategic Advisers can choose to rebalance a client's Program Account to bring it back in line with the Asset Allocation. The number of times a Program Account is rebalanced will vary based on economic and market conditions, as well as changes in the attractiveness or appropriateness of specific funds or managers. Strategic Advisers can also modify the funds held in a Program Account to accommodate new fund allocations and fund closures.

In managing Program Accounts, Strategic Advisers could decide to adjust allocations for a number of reasons, including, but not limited to, the following:

- The weighting of a particular asset class, sector, or individual security that Strategic Advisers believes has too much or too little representation in a Program Account;
- Changes in the fundamental attractiveness or appropriateness of a particular mutual fund, ETP, or security;
- Changes in a client's Profile Information and any consequent changes to an associated investment strategy;
- Deposit/withdrawal of cash or securities into a Program Account;
- Accommodating mutual fund or ETP closures or limitations; or
- For Tax-Smart Program Accounts, certain changes in the client's tax situation or in the tax treatment of the investments in the Tax-Smart Program Account.

For Program Accounts, other than Tax-Smart and BDIP Program Accounts, Strategic Advisers' investment management team will make decisions regarding reallocations within the model portfolio upon which such Program Account is invested. These decisions are based on the investment management team's assessment of market and economic conditions and potential investment opportunities. Each model portfolio will be rebalanced periodically. Strategic Advisers will generally trade a Program Account when the model portfolio to which it is aligned is changed, subject to any restrictions a client requests. The Fidelity Program Dedicated Funds are reviewed daily and assets within the Fidelity Program Dedicated Funds are reallocated based on the discretion of the applicable fund's portfolio managers. As a result, reallocation activity applicable to such a Program Account's assets invested in the Fidelity Program Dedicated Funds could take place at the fund level, rather than directly in a client's Program Account.

Generally, Strategic Advisers reviews and adjusts account holdings in Tax-Smart Program Accounts as needed, based on the criteria listed above, with additional consideration given to the potential impact of federal income taxes. Periodically, Strategic Advisers will evaluate a client's Tax-Smart Program Account with respect to a variety of factors to determine whether the Tax-Smart Program Account could benefit from trading that day. Strategic Advisers does not anticipate that each Tax-Smart Program Account will be traded each day. Rather, Strategic Advisers' proprietary account evaluation system monitors each

Tax-Smart Program Account periodically to identify those accounts that could benefit from trading, and Strategic Advisers then evaluates those Tax-Smart Program Accounts to determine if trading is required.

In determining whether a Program Account requires trading on a given day, Strategic Advisers relies on the prior night's closing values of the securities held in a Program Account. In general, Strategic Advisers does not attempt to conduct intraday account evaluations, and Strategic Advisers does not generally attempt to time intraday price fluctuations in its decisions to buy or sell securities.

In certain instances, a "do-not-trade" restriction will be placed on a Program Account for reasons including, but not limited to, processing a trade correction, client request, or to comply with a court order. For the period when a do-not-trade restriction is on a Program Account, Strategic Advisers will suspend management of the Program Account and will not monitor the Program Account for potential buys and sells of securities. Additionally, in certain instances, deposits to a Program Account will not be invested and withdrawal requests will not be processed during a do-not-trade period. Strategic Advisers is not held responsible for any market loss experienced as a result of a do-not-trade restriction.

Clients have periodic performance summaries or similar reports made available to them that detail the performance of a client's Program Account(s) and summarize the market activity during the quarter. Industry standards are applied when calculating performance information. FFWA also makes available account performance information on a password-protected website.

## **CLIENT REFERRALS AND OTHER COMPENSATION**

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Strategic Advisers and its affiliates are compensated for providing services, including for investment management, distribution, transfer agency, servicing, and custodial services, to certain Fidelity and non-Fidelity mutual funds, ETPs and other investments in which Program Accounts are invested. These entities include Strategic Advisers, FMRCo and their affiliates as the investment adviser for the Fidelity funds; FDC as the underwriter of the Fidelity funds; and Fidelity Investments Institutional Operations Company, Inc. ("FIIOC"), as transfer agent for the Fidelity funds, servicing agent for non-Fidelity funds, and recordkeeper of certain workplace savings plans. Certain of the funds used in Program Accounts are available only to fee-based accounts offered by Fidelity. Unlike many other mutual funds, these funds do not charge fees or expenses for certain services provided by a Fidelity affiliate (but do charge fees for other services). Instead, compensation for such uncharged services is paid by FFWA or its affiliate. Strategic Advisers' affiliates also receive compensation and other benefits in connection with portfolio transactions effected on behalf of the Fidelity and non-Fidelity mutual funds, ETPs and other investments. FMRCo and its affiliates also obtain brokerage or research services, consistent with Section 28(e) of the Exchange Act, from broker-dealers in connection with the execution of the Fidelity funds' portfolio security transactions.

FBS and NFS receive compensation for executing portfolio transactions and providing, among other things, clearance, settlement, custodial and other services to Fidelity and non-Fidelity mutual funds, ETPs and other investments, and NFS provides securities lending agent services to certain Fidelity funds for which it receives compensation. FBS, NFS and FIIOC also offer Fidelity's mutual fund supermarket, the Fidelity FundsNetwork, and provide shareholder and other services to participating mutual funds for which FBS, NFS and FIIOC receive compensation including with respect to those mutual funds in which Program Accounts are invested.

The compensation described above that is retained by Strategic Advisers or its affiliates as a result of investments by the Program Accounts in Fidelity and non-Fidelity mutual funds and ETPs will be included in the Credit Amount (as described in "Fees and Compensation"), which reduces the gross advisory fee. However, to the extent that Strategic Advisers or its affiliates, including FBS, NFS or FIIOC, retain compensation that is neither a direct result of, nor directly derived from, investments by the Program Accounts, such compensation is not included in the Credit Amount, does not reduce the gross advisory fee and will be retained by Strategic Advisers or its affiliates. Receipt of compensation in addition to the gross advisory fee creates a financial incentive for Strategic Advisers and its affiliates to select investments

that will increase such compensation. Strategic Advisers seeks to address this financial conflict of interest through the application of the Credit Amount that will reduce the gross advisory fee, as applicable, and through personnel compensation arrangements (including those of Strategic Advisers' investment professionals and the Fidelity representatives) that are not differentiated based on the investments or share classes selected for Program Accounts. Strategic Advisers and its affiliates have also implemented processes reasonably designed to prevent the receipt of compensation from affecting the nature of the advice provided to Program Accounts.

See "Fees and Compensation" for additional information.

Client referrals are provided by affiliated entities, including FBS, or other affiliates, pursuant to referral agreements where applicable. As noted in the FPWA Program Fundamentals under "Information about Representative Compensation," some Fidelity representatives receive variable compensation or annual bonus in addition to their base pay for distributing and supporting Program Accounts.

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## **CUSTODY**

Strategic Advisers does not maintain custody for Program clients' assets in connection with the discretionary portfolio management services it provides to Program Accounts. To participate in the Program, clients must establish and maintain a brokerage account with FBS, a registered broker-dealer and an affiliate of FPWA and Strategic Advisers. NFS, an affiliate of FBS, FPWA, and Strategic Advisers, has custody of client assets and will perform certain account services, including the implementation of trading instructions, as well as custodial and related services. Certain personnel of FPWA, Strategic Advisers, FBS, and NFS share premises and have common supervision. Clients should carefully review all statements and other communications received from FBS and NFS.

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## **INVESTMENT DISCRETION**

Strategic Advisers' portfolio management services for Program Accounts include the discretionary authority to determine which securities to purchase or sell, the total amount of such purchases and sales, and the brokers or dealers through which transactions are effected in Program Accounts. Such discretionary authority is subject to certain limits, including the Program's investment objectives and policies, regulatory constraints, and those investment restrictions we agree to impose based on a client's request in accordance with applicable laws.

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## **VOTING CLIENT SECURITIES**

Strategic Advisers does not generally acquire authority for, or exercise, proxy voting on a client's behalf in connection with managing Program Accounts. Unless a client directs Strategic Advisers otherwise pursuant to the paragraph below, the client will receive proxy materials directly from the funds, the issuer of the individual security (or their service providers) or NFS. Strategic Advisers will not advise clients on the voting of proxies. Clients must exercise any proxy voting directly.

Notwithstanding the information above, a client can direct Strategic Advisers to act as agent to vote proxies on the client's behalf for the funds and other securities held in Program Accounts. For Fidelity funds, clients who make such a direction must instruct Strategic Advisers to vote proxies of a Fidelity fund in the same proportion as the vote of all other holders of such Fidelity fund. For non-Fidelity funds and other securities, such clients must instruct Strategic Advisers to vote proxies pursuant to the directions provided by Institutional Shareholder Services, Inc. ("ISS"), an unaffiliated third-party proxy advisory services provider. Please note that, unlike general proxy votes, Strategic Advisers generally treats certain voluntary corporate actions as subject to the exercise of its discretion as an investment manager. Accordingly, Strategic Advisers will make decisions with respect to voluntary corporate actions directly as

part of the investment management services it provides to Program Accounts. However, clients retain the right to make elections with respect to voluntary corporate actions if they so choose; if a client would like to make an election with respect to a security subject to a voluntary corporate action, the client will need to contact us to transfer the security out of the client's Program Account.

In connection with this election, clients must acknowledge that Strategic Advisers is acting solely at the client's direction, and does not exercise discretion with respect to the voting of any proxy. Clients receive information about ISS's proxy voting policies in the summary of ISS's proxy voting guidelines included with the enrollment materials. In some instances, ISS will be unable to provide proxy voting directions, in which case Strategic Advisers will not vote such proxy because it does not have discretion to determine how proxies are voted upon. To obtain a copy of ISS's summary proxy voting guidelines or information on how investment proxies were voted, contact a Fidelity representative. In addition, a client can request that Strategic Advisers act as agent for receipt of certain legally required communications, including prospectuses, annual and semiannual reports, and proxy materials for mutual funds and ETPs that are not managed by FMRCo or an affiliate thereof, and other individual securities.

## **FINANCIAL INFORMATION**

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Clients of the Program do not pay Strategic Advisers for the services it provides under the Program. Strategic Advisers does not solicit prepayment of client fees. Strategic Advisers is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

FOR MORE INFORMATION, PLEASE CALL US TOLL FREE AT

**800-544-3455**

*Monday through Friday, 8 a.m. to 7 p.m. Eastern time*



**Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.**

Diversification and asset allocation do not ensure a profit or guarantee against loss.

BlackRock Investment Management, LLC (BlackRock) is an independent entity that is not affiliated with any Fidelity Investments company. Strategic Advisers is the portfolio manager for BlackRock Diversified Income Portfolio Program accounts and implements trades for the accounts based on the model portfolio of investments it receives from BlackRock. Strategic Advisers can select investments for an account that differ from BlackRock's model.

For iShares ETFs, Fidelity receives compensation from the ETF sponsor and/or its affiliates in connection with an exclusive, long-term marketing program that includes promotion of iShares ETFs and inclusion of iShares funds in certain FBS platforms and investment programs. Additional information about the sources, amounts, and terms of compensation is described in the ETF's prospectus and related documents. Fidelity can add or waive commissions on ETFs without prior notice. BlackRock and iShares are registered trademarks of BlackRock, Inc. and its affiliates.

Fidelity does not provide legal or tax advice, and the information provided is general in nature and should not be considered legal or tax advice. Clients should consult an attorney, tax professional, or other advisor regarding their specific legal or tax situation.

Fidelity U.S. Large Cap Index<sup>SM</sup>: A float-adjusted market capitalization-weighted index designed to reflect the performance of the stocks of the largest 500 U.S. companies based on float-adjusted market capitalization.

Russell 1000<sup>®</sup> Growth Index: An unmanaged market capitalization-weighted index of those stocks of the 1,000 largest U.S.-domiciled companies that exhibit growth-oriented characteristics.

Russell 1000<sup>®</sup> Value Index: An unmanaged market capitalization-weighted index of those stocks of the 1,000 largest U.S.-domiciled companies that exhibit value-oriented characteristics

S&P 500<sup>®</sup> Index: 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 EAFE Index (Net MA Tax) is an unmanaged, market capitalization-weighted index that is designed to measure the investable equity market performance for global investors in developed markets, excluding the U.S. and Canada. Index returns are adjusted for tax withholding rates applicable to U.S.-based mutual funds organized as Massachusetts business trusts.

Fidelity Developed International ex North America Focus Index (Net) is a float-adjusted market capitalization-weighted index designed to reflect the performance of the developed international equity market, including large-capitalization stocks.

Indexes are unmanaged. It is not possible to invest directly in an index.

Fidelity, Fidelity Investments, the Fidelity Investments and pyramid design logo, FundsNetwork, and CrossStream are registered service marks of FMR LLC.

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