



## **FIDELITY DIVERSIFYING SOLUTIONS LLC**

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This brochure provides information about the qualifications and business practices of Fidelity Diversifying Solutions LLC ("FDS"). Throughout this brochure and related materials, FDS may refer to itself as a "registered investment adviser" or as "being registered." These statements do not in any way imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at 617-563-7000. 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 FDS is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **MATERIAL CHANGES**

Material changes have been made to this brochure since its most recent filing on November 15, 2022. This annual amendment includes updates related to (i) the list of affiliated advisers of and funds managed by FDS and (ii) the description of certain activities in Item 10 Other Financial Industry Activities and Affiliations.

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## Item 4. Advisory Business

Fidelity Diversifying Solutions LLC ("FDS") is an investment management firm primarily providing discretionary advisory and sub-advisory services to registered and unregistered investment companies, business development companies, real estate investment trusts, and various institutional clients. FDS also shares its investment research as described below. FDS has been in business since 2022. FDS is a Fidelity Investments company, and is wholly owned by FMR LLC. FDS is part of the Fidelity Asset Management Solutions (FAMS) business unit which, together with its affiliates, FIAM LLC and Fidelity Institutional Asset Management Trust Company, provides a broad array of investment solutions with its Global Institutional Solutions (GIS), Global Asset Allocation (GAA), and institutional equity, fixed income, high income, and alternative asset management teams.

FDS employs different strategies in providing investment advice depending on the type of client and their investment objectives and mandate. FDS offers advice on a variety of investment security types including but not limited to fixed income securities, equity securities, exchange-traded funds ("ETFs"), commodities, futures, options, swaps and other derivatives, real assets, leveraged loans, and private credit instruments (collectively, "Investments") on a discretionary basis. FDS provides and seeks to provide investment advisory services to open-end investment companies (also referred to as "mutual funds"), exchange-traded funds, and closed-end investment companies registered under the Investment Company Act of 1940 (the "1940 Act"), as well as business development companies ("BDCs"), real estate investment trusts and private (unregistered) funds, other collective investment vehicles (collectively, the "Funds" and each a "Fund") and various institutional clients (collectively, "Clients" and each, a "Client"). FDS acts as investment adviser under the terms of its management contract with each Client and has overall responsibility for directing the Investments of each Client in accordance with its investment objective, policies, and restrictions as provided in its registration statement filed with the SEC, offering memorandum (or similar disclosure document), limited partnership agreement, investment management agreement or other governing document ("Governing Documents"). Such advisory services provided to certain registered Funds, such as mutual funds, BDCs, closed-end investment companies ("Registered Funds", each a "Registered Fund"), are subject to the supervision of each such Fund's Board of Trustees. Generally, FDS and its affiliates provide all necessary office facilities and personnel for servicing the Funds' Investments and pays the salaries and fees of all officers of the Funds, members of the Boards of Trustees who are "interested persons" of the Funds, FDS or its affiliates, and of all personnel of the Funds, FDS or its affiliates who perform services relating to research, statistical, and investment activities.

FDS sub-advises Funds or accounts for affiliated and unaffiliated advisers. Further, FDS may also serve as an adviser or subadviser to various accounts for which FDS' affiliates, FIL Limited, FIL's subsidiaries or affiliates ("FIL") have contracted to provide investment advisory services. These accounts may include collective investment vehicles authorized in jurisdictions outside the United States. FDS disclaims that it is a related person of FIL.

FDS may in the future have institutional clients, including pension and profit-sharing plans, corporate entities, charitable organizations, state or municipal government entities or other separately managed account clients ("separately managed accounts"), other investment advisers, or non-U.S. investment vehicles.

In addition, FDS or its affiliates, subject to the supervision of the Board of Trustees of each relevant Registered Fund, provides the management and administrative services necessary for the operation of the Registered Funds, including business development companies. Additionally, FDS or its affiliates provide management and administrative services to certain privately offered unregistered investment funds and institutional client accounts. These services include, as applicable, providing facilities for maintaining each client's operations; supervising the Funds, or otherwise facilitating, on behalf of other clients, relations with custodians, transfer and pricing agents, accountants, underwriters and other persons dealing with clients; at the direction of the Funds or otherwise for other clients, preparing all general shareholder communications and conducting shareholder relations; maintaining each Fund's, if applicable, records, registration and notice filing status of each client's shares under applicable law, respectively; developing

management and shareholder services for each Fund, if applicable; and furnishing reports, evaluations and analyses.

FDS is registered with the Commodity Futures Trading Commission (“CFTC”) as a commodity trading advisor (“CTA”) and commodity pool operator (“CPO”). FDS is also a member of the National Futures Association (the “NFA”). FDS filed a notice of claim for exemption pursuant to CFTC Rule 4.7 on March 24, 2022. Rule 4.7 exempts a CTA and a CPO that files a notice of claim for exemption from having to provide a CFTC-mandated Disclosure Document to certain highly accredited clients known as Qualified Eligible Participants (“QEPs”) who consent to their accounts being Rule 4.7-exempt QEP accounts. Accordingly, FDS is exempt from the requirement to provide a CFTC Disclosure Document with respect to its Rule 4.7-exempt QEP accounts. In addition, certain FDS supervised persons are registered with the NFA as “associated persons” of FDS, if necessary or appropriate to perform their responsibilities.

From time to time, a manager, analyst or other employee of FDS or its affiliates will express views regarding a particular company, security, industry, or market sector. The views expressed by any such person are the views of only that individual as of the time expressed and do not necessarily represent the views of FDS or its affiliates or any other person in their organizations. Any such views are subject to change at any time based upon market or other conditions, and FDS and its affiliates disclaim any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for an account managed by FDS or its affiliates are based on numerous factors, may not be relied on as an indication of trading intent on behalf of an account.

FDS or its affiliates generally have authority to determine which Investments to purchase or sell, the total amount of such purchases and sales, and the brokers or dealers through which transactions are effected as well as the hold period of each Investment. However, with respect to each discretionary account, FDS's and its affiliates' authority is subject to certain limits, including applicable investment objectives, policies, and restrictions. These limitations are based on a variety of factors, such as regulatory constraints, as well as policies imposed by a Client's Governing Documents or its governing body (e.g., board of trustees, general partner, and/or investment committee) and may cause differences in an account's holdings, risk profile, commission rates, timing of trades and overall execution. With respect to certain of FDS's collective investment vehicle clients (e.g., investment companies, private funds), many of the applicable investment policies and limitations are set out in each client's Governing Documents, as well as certain regulatory filings, when and if required. With regard to accounts or collective investment products governed by the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), the client is responsible for a plan's compliance with requirements concerning Investments in “employer securities,” “employer real property,” “qualifying employer securities” or “qualifying employer real property” (as such terms are defined in Section 407 of ERISA) (collectively, “restricted securities”) and for identifying certain financial intermediaries or parties in interest that could result in prohibited transactions under ERISA, including, but not limited to, broker-dealers affiliated with such plan. The client is also responsible for informing FDS in writing of any restrictions on account Investments (including identifying such restricted securities or parties in interest to the plan) required in order for that plan to comply with ERISA. In the absence of such information or notification from a client, FDS takes no responsibility to limit Investments in such restricted securities or monitor transactions with client-affiliated financial intermediaries or other parties in interest to the plan to the extent such restrictions are necessary to avoid a non-exempt prohibited transaction under ERISA.

FDS does not generally provide claims filing services seeking recovery as a potential class member of a securities class action or enter into securities litigation on behalf of its separate account clients. For FDS's collective investment products, FDS handles such activities according to its policies and procedures. These policies and procedures provide for, among other things, the handling of certain events, such as dissolution of a collective investment product prior to receipt of certain class action proceeds, and the disposition of de minimis amounts and/or proceeds.

Upon request, FDS may provide pricing information to a client about securities held in that client's account that have been subject to a fair market valuation. However, FDS does not provide pricing services.

#### *Regulatory Assets Under Management:*

As of January 3, 2023, FDS managed \$86,361,473 of client assets on a discretionary basis. As of January 3, 2023, FDS did not have any non-discretionary regulatory assets under management.

### **Item 5. Fees and Compensation**

FDS offers investment management services to clients for a percentage of assets under management, a fixed fee, or fees based on performance as described below in Item 6. The specific fee varies by client based on several factors including without limitation, services performed, investment mandate, and account/relationship size. The fee applicable to any client, along with its fee schedule, is disclosed in the relevant Governing Documents.

#### *Registered Investment Companies and BDCs*

In the case of investment companies registered under the 1940 Act and BDCs, both the advisory contract with FDS and the sub-advisory agreement between FDS and the sub-adviser, if applicable, are subject to approval by the Board of Trustees, including trustees who are not interested persons (as defined in the 1940 Act) ("Independent Trustees"), of each registered investment company or BDC. The fees for providing these services are negotiated on a fund by fund basis and may vary significantly among Funds, though each negotiated rate generally consists of a fixed rate with respect to assets managed. In addition to this fixed rate, certain of the BDCs managed by FDS charge a performance-based fee.

The management fee or similar fixed advisory fee payable to FDS is deducted from an investment company's assets based on the accrual method described in the Governing Documents and is generally payable on a monthly basis in arrears or on such other terms as FDS and the client agree upon. Any investment advisory agreement concerning a registered investment company or BDC will terminate within two years of the effective date of the investment advisory agreement unless renewed, and must be renewed annually thereafter, by the investment company in a manner permitted by Section 15 of the 1940 Act. Any such agreement will also terminate upon assignment or upon sixty (60) days' advance written notice by any party to the agreement or by the applicable investment company.

FDS or its affiliates may, from time to time, voluntarily or contractually agree to reimburse certain of its investment company clients for management fees and other expenses above a specified limit. FDS or its affiliates retain the ability to be repaid by such clients if expenses fall below the specified limit prior to the period set in the Governing Documents. Reimbursement arrangements can decrease a Fund's expenses and enhance its performance. Voluntary reimbursement arrangements may be discontinued by FDS or its affiliates at any time.

#### **A. Mutual Fund Unitary Fee**

The management fee arrangements with certain FDS mutual fund Clients generally consist of a unitary fee, pursuant to which the management fee may vary by class. Under the unitary fee structure, a Fund pays a comprehensive fee to FDS to manage the Fund and pay for substantially all its operating expenses, with certain exceptions.

#### **B. Mutual Fund Expenses**

FDS or its affiliates generally pay the organizational and promotional expenses of Registered Funds comprising the Fidelity group of Funds. FDS' clients in the Fidelity group of Funds have unitary fee

arrangements pursuant to which FDS or its affiliates are responsible for paying all of Fund's operating expenses out of the management fee it receives from the Fund, subject to certain exceptions.

Most Funds pay for the typesetting, printing, and mailing of their proxy materials to shareholders, and the fees and expenses of the Independent Trustees. Other expenses paid by a Fund generally include interest, taxes, brokerage commissions, and securities lending agency fees, if applicable. A Fund is also liable for such non-recurring expenses as may arise, including costs of any litigation to which the Fund is a party, and any obligation to indemnify its officers and Trustees with respect to litigation. For information regarding FDS' and its affiliates' brokerage arrangements, see Brokerage Practices section herein.

#### C. BDCs and Registered Closed-end Investment Companies Performance Fees / Incentive Allocation

In addition to an advisory fee based on assets under management, one or more BDCs managed by FDS charge a performance or incentive fee based on the yield or income generated by the BDC. One or more of the BDCs also charge a performance or incentive fee on capital gains as disclosed in the Governing Documents of such BDC. Details of any performance or incentive based fees payable to FDS in respect of a Client are set out in the relevant Client's Governing Documents.

#### D. BDCs and Registered Closed-end Investment Companies Expenses

FDS will generally be responsible for all of its overhead costs and expenses, to the extent that such costs and expenses are not otherwise borne by one or more Clients. The Clients will generally pay the operating and investment expenses related to such Client, including but not limited to: (i) investment advisory fees, including management and incentive fees, to FDS, pursuant to the Advisory Agreement; (ii) the Administration Fee, as applicable; (iii) organization and offering expenses associated with the offering (including legal, accounting, printing, mailing, subscription processing and filing fees and expenses and other offering expenses, including reasonable bona fide due diligence expenses of participating intermediaries supported by detailed and itemized invoices, fees and expenses of a Fund's escrow agent and transfer agent, but excluding the shareholder servicing fee); (iv) all taxes, fees, costs, and expenses, retainers and/or other payments for accountants, legal counsel, advisers (including tax advisers), administrators, auditors (including with respect to any additional auditing required under The Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and any applicable legislation implemented by an EEA Member state in connection with such Directive (the "AIFMD")), investment bankers, administrative agents, paying agents, depositaries, custodians, trustees, sub-custodians, consultants (including individuals consulted through expert network consulting firms), engineers, senior advisers, industry experts, operating partners, deal sources (including personnel dedicated to but not employed by the Administrator, or its affiliates), and other professionals (except to the extent such taxes, fees, costs, and expenses are borne by the Administrator or its affiliates under the Administration Agreement or under the terms of the Advisory Agreement); (v) the cost of effecting any sales and repurchases of the common shares of a Fund and other securities; (vi) fees and expenses payable under any managing dealer and selected intermediary agreements, if any; (vii) interest and fees and expenses arising out of all borrowings, guarantees and other financings or derivative transactions (including interest, fees and related legal expenses) made or entered into by a Fund, including, but not limited to, the arranging thereof and related legal expenses; (viii) fees and expenses of any third-party valuation services or valuation agent; (ix) all fees, costs and expenses of any loan servicers and other service providers and of any custodians, lenders, investment banks and other financing sources; (x) costs incurred in connection with the formation or maintenance of entities or vehicles to hold a Fund's assets for tax or other purposes; (xi) costs of derivatives and hedging; (xii) all fees, costs and expenses, if any, incurred by or on behalf of a Fund in developing, negotiating and structuring prospective or potential Investments that are not ultimately made, including, without limitation any broken deal expenses, legal, research tax, administrative, accounting, travel, meals, accommodations and entertainment, advisory, consulting and printing expenses or other expenses associated with advisers in connection with conducting due diligence or otherwise pursuing a particular non-consummated transaction, reverse termination fees and any liquidated damages, commitment fees that become payable in connection with any proposed investment that is not ultimately made, forfeited deposits or similar payments; (xiii) the allocated costs



incurred by FDS and the Administrator in providing (or arranging for the provision of) managerial assistance to those portfolio companies that request it; (xiv) all brokerage costs, hedging costs, prime brokerage fees, custodial expenses, agent bank and other bank service fees; private placement fees, commissions, appraisal fees, commitment fees and underwriting costs; costs and expenses of any lenders, investment banks and other financing sources, and other investment costs, fees and expenses actually incurred in connection with evaluating, making, holding, settling, clearing, monitoring or disposing of actual Investments (including, without limitation, travel, meals, accommodations and entertainment expenses and any expenses related to attending trade association and/or industry meetings, conferences or similar meetings, any costs or expenses relating to currency conversion in the case of Investments denominated in a currency other than U.S. dollars) and expenses arising out of trade settlements (including any delayed compensation expenses); (xv) investment costs, including all fees, costs and expenses incurred in sourcing, evaluating, developing, negotiating, structuring, trading (including trading errors), settling, monitoring and holding prospective or actual Investments or investment strategies including, without limitation, any financing, legal, filing, auditing, tax, accounting, compliance, loan administration, travel, meals, accommodations and entertainment, advisory, consulting, engineering, data-related and other professional fees, costs and expenses in connection therewith (to the extent FDS is not reimbursed by a prospective or actual issuer of the applicable investment or other third parties or capitalized as part of the acquisition price of the transaction), or any fees, costs and expenses related to the organization or maintenance of any vehicle through which a Fund directly or indirectly participates in the acquisition, holding and/or disposition of Investments or which otherwise facilitate a Fund's investment activities; (xvi) transfer agent, dividend agent and custodial fees; (xvii) federal and state registration fees, franchise fees, any stock exchange listing fees and fees payable to rating agencies; (xviii) fees and expenses including reasonable travel, entertainment, lodging and meal expenses of, and any legal counsel or other advisers retained by, or at the discretion or for the benefit of, the Trustees who are not interested persons (as defined in the 1940 Act) of a Fund ("Independent Trustees"); (xix) costs of preparing financial statements, costs of Sarbanes-Oxley Act of 2002 compliance and attestation and costs of preparing and filing reports or other documents with the SEC, Financial Industry Regulatory Authority, U.S. Commodity Futures Trading Commission ("CFTC") and other regulatory bodies and other reporting and compliance costs, including registration and exchange listing and the costs associated with reporting and compliance obligations under the 1940 Act and any other applicable federal and state securities laws, and the compensation of professionals responsible for the foregoing (except to the extent such costs and expenses are borne by the Administrator or its affiliates under the Administration Agreement or under the Advisory Agreement); (xx) all fees, costs and expenses associated with the preparation and issuance of a Fund's periodic reports and related statements (e.g., financial statements and tax returns) and other internal and third-party printing (including a flat service fee), publishing (including time spent performing such printing and publishing services) and reporting-related expenses (including other notices and communications) in respect of a Fund and its activities (including internal expenses, charges and/or related costs incurred, charged or specifically attributed or allocated by a Fund or FDS or its affiliates in connection with such provision of services thereby) (except to the extent such costs and expenses are borne by the Administrator or its affiliates under the Administration Agreement or FDS under the Advisory Agreement); (xxi) the costs of any reports, proxy statements or other notices to shareholders (including printing and mailing costs) and the costs of any shareholder or Trustee meetings; (xxii) proxy voting expenses; (xxiii) costs associated with an exchange listing; (xxiv) costs of registration rights granted to certain investors; (xxv) any taxes and/or tax-related interest, fees or other governmental charges (including any penalties incurred where FDS lacks sufficient information from third parties to file a timely and complete tax return) levied against a Fund and all expenses incurred in connection with any tax audit, investigation, litigation, settlement or review of a Fund and the amount of any judgments, fines, remediation or settlements paid in connection therewith; (xxvi) all fees, costs and expenses of any litigation, arbitration or audit involving a Fund any vehicle or its portfolio companies and the amount of any judgments, assessments fines, remediations or settlements paid in connection therewith, Trustees and officers, liability or other insurance (including costs of title insurance) and indemnification (including advancement of any fees, costs or expenses to persons entitled to indemnification) or extraordinary expense or liability relating to the affairs of a Fund; (xxvii) fidelity bond, trustees and officers errors and omissions liability insurance and other insurance premiums; (xxviii) all fees, costs and expenses of winding up and liquidating a Fund's assets; and (xxix) extraordinary expenses (such as litigation or indemnification).



## *Private Funds and Separately Managed Account Clients*

### Management Fees

With respect to private Funds and separately managed account clients, investment management fees are based on the type of product, vehicle and amount of assets held in the client's account. Fees are generally based on an account's average net assets over a specified period of time (e.g., quarterly) but also may include performance or incentive fees and minimum fee arrangements. With respect to certain private Funds, investment management fees are calculated on the cost basis of gross assets, value of committed capital, or invested capital as disclosed in the private Fund's relevant Governing Documents.

Provided below is a general fee schedule of effective rates based on asset class. These fees will vary based on a variety of factors, including portfolio size, breakpoints, type of product structure, servicing requirements, asset aggregation among accounts, and any performance or minimum fee arrangement. Fees may be subject to negotiation and are subject to review and approval by the client in accordance with the requirements of applicable law. In addition, certain clients of FDS or its affiliates may have arrangements providing for the lowest available fee for a particular investment strategy under most favored nation clauses, or for a waiver of all or a portion of their fees. Such arrangements may also take into account the scope of a client's relationship with FDS and its affiliates, the account's size or other factors, and provide for an additional discount from the rates noted below.

<u>Asset Class or Strategy</u>	<u>Effective Rates</u>
• U.S. Equity	20.5 – 80 bps
• Non-U.S. Equity	20.5 – 110 bps
• Investment Grade Fixed Income	13.0 – 40 bps
• Non-Investment Grade Fixed Income	27 – 80 bps
• Asset Allocation	31 – 45 bps
• Real Estate Securities	27 – 78 bps
• Hedged Equity	50 – 155 bps
• Macro Opportunities	80 – 110 bps
• Risk Parity	69 – 169 bps
• Private Credit/Direct Lending	65 – 125bps
• Multi-Strategy Credit	125 bps

The majority of FDS's private Fund and separately managed account clients pay all of their other operating expenses. However, certain of FDS's clients may have all-inclusive fee arrangements, pursuant to which FDS's affiliates pay certain of the applicable client's expenses. FDS's affiliates' fees for providing these services are negotiated on an individual basis and vary significantly among clients and investment strategies. FDS and its affiliates also advise private Funds and other accounts, and charge fees based on assets under management as well as performance fees. FDS's private Funds are subject to the fee arrangements disclosed in each Fund's Governing Documents. The management fee received by FDS with respect to certain private Funds may be reduced by the amount of certain financial advisory, directors, break-up, or other similar fees received by FDS or its affiliates from third parties in connection with an investment by the Fund, as and to the extent set out in each such Fund's offering memorandum, limited partnership agreement and/or Governing Documents.

### Performance Fees / Incentive Allocation

In general, performance-based compensation (e.g., carried interest, performance fee, or performance participation allocation) paid by the private Funds and separately managed account clients, as applicable, ranges from 0% to 20% of net realized and unrealized profits in total for each year. Generally, this amount is payable to FDS, the general partner of the Client, or their relevant affiliate as disclosed in the Governing Documents of the Client. Such performance-based compensation is generally subject to net loss carry-forward provisions or "high water marks," as described in applicable Governing Documents. FDS, at its

discretion, may waive all or a portion of the performance-based compensation amount. Performance-based fees may create an incentive for FDS to make Investments that are riskier or more speculative than would be the case in the absence of performance-based compensation. With a performance-based fee arrangement, FDS receives compensation based on a share of the capital gains or capital appreciation of the private Funds or any portion of the Funds of the investor. Since the performance allocation will be determined on both realized and unrealized gains, FDS may receive a performance allocation at the end of a performance based compensation period reflecting gains that are not subsequently recognized by the relevant client.

Details of any performance-based fees payable to FDS in respect of a private Fund or Client account are set out in the relevant private Fund's or client account's Governing Documents. FDS may, and reserves the right, in its sole discretion, to reduce, waive, assign, defer, participate in, or otherwise share all or any portion of such performance-based fees

## Expenses

Private Funds also generally bear their own organizational, operating, investment, administrative, custodial, and other expenses and fees as disclosed in each such Fund's Governing Documents including but not limited to: (i) all costs and expenses incurred in connection with the evaluation, negotiation, acquisition, operation, maintenance, improvement, leasing, project management, renovation, hedging, financing, refinancing, monitoring or disposition of our Investments (whether or not consummated), including, without limitation, broken deal expenses (including for these purposes any expenses that would have been borne by any potential co-investors had such investment been consummated), private placement fees, sales commissions, appraisal fees, taxes, brokerage fees, project management fees, reasonable travel and out-of-pocket expenses, underwriting commissions and discounts, and costs and expenses relating to environmental, property management, engineering and appraisal services, insurance premiums, sales, leasing commissions, loan servicing fees, legal, accounting, investment banking, consulting, information services and professional fees and any other investment or disposition costs or expenses; (ii) all costs and expenses incurred in connection with the carrying of our Investments, including, without limitation, custodial fees, trustee fees, maintenance and storage costs of books and records and other administrative fees and expenses; (iii) costs and liabilities (including damages) incurred in connection with any costs and expenses of any litigation, investigation or regulatory, self-regulatory, governmental or legal inquiries involving our activities (whether or not threatened or pending) and the amount of any judgment or settlement paid in connection therewith, indemnification expenses (including without limitation indemnification expenses relating to the Independent Client Representative (as defined below) or legal counsel, valuation agents or other service providers engaged by or on behalf of the Independent Client Representative), and insurance expenses (including premiums); (iv) all taxes, fees and other related charges payable by, or otherwise imposed on, us, and expenses incidental to the transfer, servicing, management and accounting for our cash and securities, including all charges of depositories and custodians; (v) any costs and expenses incurred in connection with our reports and financial statements, tax returns, and any communications with or reporting to the Shareholders, (vi) all principal, interest payments, expenses and fees incurred in connection with any of our indebtedness or other credit arrangement; (vii) any fees and out-of-pocket expenses of professionals providing services to FDS, whether directly or on behalf of FDS' Investments, such as legal, compliance, accounting, audit, administration, consulting, valuation, audit and tax return preparation (including Permitted Affiliate Fees, as discussed in "Fees for other Services" above); (viii) any costs and expenses incurred in connection with any restructuring or amendments to our constituent or offering documents and our affiliates, including the Trustee; (ix) any costs and expenses in connection with the solicitation of any Shareholder votes or consents or meetings of Shareholders; (x) any costs and expenses incurred in connection with the payment of distributions to the Shareholders; (xi) any costs and expenses incurred in connection with any valuation of our assets; (xii) any costs and expenses incurred in connection with our dissolution, winding up or termination; (xiii) fees (which may include ongoing fees or ad-hoc fees for specific engagements) and expenses of the Independent Client Representative, as defined in the relevant Governing Documents, and meetings thereof (including any travel expenses and certain fees and expenses with respect to legal counsel, valuation agents or other service providers engaged by or on behalf of the Independent Client Representative (if any)), (xiv) non-cash expenditures, such as

depreciation, amortization and bad debt reserves, and (xvi) any other extraordinary expenses and all other expenses incidental to our operation.

**Offset Fees.** With respect to certain private Funds and separately managed accounts, FDS or one of its employees or affiliates may derive certain types of fees from third parties in connection with an investment or potential investment as described in the relevant Governing Documents (e.g., origination fees, collateral agent fees, consulting fees, transaction fees, work fees, monitoring fees, or any other fees or remuneration of any kind or nature (“Offset Fees”)). The management fee received by FDS from a private Fund or separately managed account or one of its affiliates may be reduced by the amount of the Offset Fees received by FDS, or its employees or its affiliates. The extent to which FDS or one of its employees or affiliates earns Offset Fees, if at all, is set forth in the private Fund’s or separately managed account’s Governing Documents.

Separately managed account clients generally bear their own operating expenses, including, but not limited to, fees and expenses associated with their investment strategy or program, including any relevant fees, costs and expenses identified above herein with respect to the private Funds, as applicable.

Please see each Fund’s applicable Governing Documents for additional detail on expenses for the Fund in question. Additionally, see the “Brokerage Practices” section below for additional information regarding brokerage commissions and expenses. Investors in the Funds should review all fees charged by FDS and its affiliates, custodians and brokers, and others to fully understand the total amount of fees and expenses to be paid.

Except as may be otherwise negotiated in particular cases, investors are able to withdraw or redeem from a Fund pursuant to the terms of the Fund’s Governing Documents. In general, the expenses, asset-based fee, and performance-based fee, as applicable, are charged to the investor through the date of termination.

## **Item 6. Performance-Based Fees and Side-By-Side Management**

FDS, its affiliates and their personnel may have differing investment or pecuniary interests in different clients managed by FDS. FDS faces a potential conflict of interest when (i) the actions taken on behalf of one account may impact other similar or different accounts (e.g., where accounts have the same or similar investment strategies or otherwise compete for investment opportunities, have potentially conflicting investment strategies or Investments, or have differing ability to engage in short sales and economically similar transactions) or (ii) FDS and its personnel have differing interests in such accounts (e.g., where FDS or its related persons are exposed to different potential for gain or loss through differential ownership interests or compensation structures) because FDS may have an incentive to favor certain accounts over others that may be less profitable. Such conflicts may present particular concern when, in addition to asset-based fees for the management of accounts, FDS and its affiliates also accept performance-based fees, and certain of FDS’s supervised persons may manage accounts that have both types of fees. A conflict of interest arises when a portfolio manager manages accounts simultaneously when one account has a performance fee or other incentive compensation arrangement and another account does not. In general, the management of multiple Funds and accounts (including proprietary accounts of FDS or one or more affiliates of FDS) gives rise to conflicts of interest if, for example, the accounts have different objectives, benchmarks, time horizons, and fees as the portfolio manager must allocate their time and investment ideas across multiple Funds and accounts. Because a portfolio manager must allocate their time and investment ideas across these multiple Funds and accounts, an economic incentive exists for the portfolio manager to invest more effort on behalf of those Funds and accounts that include a performance-adjusted component

to increase their and/or the adviser's performance and hence the adviser's and portfolio manager's compensation.

In addition, as a result of certain regulations governing the ability of accounts investing side-by-side or differences in investment strategies or mandates, it is possible that different account types are not permitted to participate in an investment opportunity at the same time.

The BDCs and registered closed-end Funds and certain affiliated Funds managed by FDS and its affiliates that engage in direct lending or other negotiated transactions, were granted an Exemptive Order by the SEC (the "Order") that permits these Funds (including those that charge performance or incentive fees) to invest side by side in direct lending or other negotiated transactions with certain other Funds and accounts managed by FDS and its affiliates, subject to the conditions of the Order.

Conflicts of interest also arise when account orders do not get fully executed due to being aggregated with those of other accounts managed by FDS and or its affiliates. Additionally, conflicts of interest arise with the allocation of limited investment opportunities to the extent that FDS has an incentive to allocate Investments that are more likely to generate excess distributions or are expected to increase in value to preferred accounts, including accounts with higher fee structures. FDS and its affiliates have adopted policies and procedures (for example, trade allocation procedures) and maintain a compliance program designed to help manage these actual and potential conflicts. Please also see Brokerage Practice section herein regarding FDS's trade allocation policies. There can be no assurance, however, that all conflicts have been addressed in all situations.

Where FDS and/or certain of its affiliates manage different accounts that have similar investment disciplines or strategies, they may choose to have one or more portfolio managers focus on those particular investment disciplines or strategies across accounts so as to ameliorate the competing interests those accounts have for the time and attention of the portfolio managers. Subject to a Fund's Governing Documents or a Client Account's Guidelines, portfolio holdings, position sizes and industry and sector exposures tend to be similar across similar accounts. The separate management of the trade execution and valuation of Funds from the portfolio management process also helps to mitigate conflicts of interest. Moreover, if a portfolio manager identifies a limited investment opportunity that may be suitable for more than one account, the portfolio may not be able to take full advantage of that opportunity due to an allocation of that opportunity across all accounts. FDS seeks to manage such conflicts by using procedures intended to provide a fair allocation of trading opportunities among accounts over time.

FDS and/or certain of its affiliates may execute transactions for an account that may adversely impact the value of Investments held by another account of FDS and/or certain of its affiliates. For example, FDS and/or certain of its affiliates manage accounts that engage in short sales and could sell short a security for such an account that another account of FDS and/or certain of its affiliates also trades or holds. In the case of a portfolio manager trading on behalf of multiple accounts, and subject to limited exceptions consistent with each account's investment objectives and strategies, FDS generally does not allow such a portfolio manager to place trade orders that conflict with trade orders placed for any existing positions for which they have portfolio management responsibility without prior approval of the Chief Investment Officer responsible for that portfolio. Although FDS or its affiliates monitor these and other transactions to attempt to ensure equitable treatment of all accounts, there can be no assurance that the price of a security held by an account would not be impacted as a result of transactions entered for another account. Investments selected for some accounts may outperform Investments selected for other accounts. Although FDS attempts to seek best execution on all orders, there may be instances in which it may appear that one client (or segment of clients) may receive a more favorable execution than another client (or segment of clients), depending upon the timing and nature of the order and other factors.

To the extent that FDS engages in short selling on behalf of client accounts, FDS's compliance program seeks to manage actual and potential conflicts associated with the contemporaneous management of long-short investment products ("long-short funds"), and long-only products ("long-only funds"), and to balance the needs of investors in both products. This compliance program restricts certain conduct, trading and

investment activity related to the long-short funds and short sales, that could result in accounts, including privately-offered Funds managed by FDS or its affiliates, being restricted from making certain trades and Investments that they would have otherwise made. If FDS has engaged a subadviser to a FDS account or a portion of a FDS account, the subadviser's conflict of interest policies will apply to that account subject to applicable law.

#### *Investments in Different Parts of an Issuer's Capital Structure*

FDS or its affiliates may invest in securities or purchase a loan relating to different parts of the capital structure of a single issuer for their Clients. In some cases, FDS or its affiliates may exercise rights, provide additional capital, or approve or disapprove certain corporate actions for certain Clients with respect to an issuer, or refrain from taking any such action or decision and such actions or decisions may adversely impact the value or rights of securities or loans held by other Clients.

For example, if a Client holds loans, securities, or other positions in the capital structure of an issuer that ranks senior in preference to the holdings of other client accounts in the same issuer, and the issuer experiences financial or operational challenges, FDS or its affiliates, acting on behalf of the Client, may exercise its rights or provide additional capital in connection with a liquidation, reorganization, or restructuring of the issuer with terms that may have an adverse effect on or otherwise conflict with the interests of other Clients. For example, in connection with any lending arrangements involving the issuer in which a Client participates, FDS or its affiliates, on behalf of certain Clients, may seek to exercise rights under the applicable loan agreement or other document in a manner that may prove detrimental to positions held by other Clients. Alternatively, in situations in which Clients hold a more senior position as compared to positions held by other Clients in the capital structure of an issuer experiencing financial or other difficulties, FDS or its affiliates may determine not to pursue actions and remedies available to the Client or enforce particular terms that might be unfavorable to the other Clients holding the less senior position so long as such determination does not adversely affect the Funds holding such rights to take action. Additionally, FDS or its affiliates may negotiate for a new investment that ranks senior to an existing investment or negotiate for other terms that are advantageous to the Clients making the new investment but disadvantageous to Clients that only hold the existing investment.

In addition, if Clients hold voting securities of an issuer in which other Clients hold loans, bonds, or other credit-related assets or securities, FDS or its affiliates may vote on certain matters in a manner that has an adverse effect on the positions held by other Clients. Conversely, Clients may hold voting securities of an issuer in which other Clients hold credit-related assets or Investments, and FDS or its affiliates may determine on behalf of the Clients not to vote in a manner adverse to the other Clients (including by abstaining from the relevant vote or voting *pari passu* in line with other investors in the same debt tranche) so long as such vote does not adversely affect the client accounts exercising such voting rights.

These potential issues are examples of conflicts of interest that FDS and its affiliates will face when client accounts invest in different parts of the capital structure of a single issuer. FDS and its affiliates address these issues based on the facts and circumstances of each situation. This may result in the creation of separate advisory groups to consult with and represent the Clients having potentially conflicting interests. Each of these separate groups will pursue options in the best interests of the Clients they support without taking into consideration the other group's positions.

As a result of the conflicts presented in the examples above, Clients could sustain losses or lower investment returns during periods in which other Clients achieve gains or higher investment returns generally or with respect to particular holdings in the same issuer than would have been the case had the conflicts described above not existed.



## **Item 7. Types of Clients**

FDS's clients are generally open-end investment companies, ETFs, and closed-end investment companies registered under the 1940 Act, and closed-end companies registered under the 1940 Act, as well as BDCs, real estate investment trusts, private (unregistered) Funds, other collective investment vehicles, and various institutional clients including pension and profit sharing plans, corporate entities, charitable organizations, state or municipal government entities or other separately managed account clients, other investment advisers, and non-U.S. investment Funds. FDS also sub-advises Funds or accounts for affiliated advisers and may do so for unaffiliated advisers. FDS may serve as an adviser or subadviser to various accounts for which FDS's affiliates or FIL have contracted to provide investment advisory services. These accounts may include, among others, unit trusts and investment companies authorized in jurisdictions outside the United States.

FDS will generally accept only institutional clients and only on a fully discretionary basis. Other accounts may be considered on a case-by-case basis and may be subject to minimum asset amounts. Investment vehicles managed by FDS may have different minimum initial investment amounts according to their respective offering documents.

## **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

FDS uses a variety of methods of Investment analysis to select Investments in managing client assets, including, as applicable: fundamental analysis (which may include evaluating financial condition, industry position, financially material sustainable investing factors, market and economic conditions impacting their profitability); quantitative analysis (i.e., mathematical and statistical modeling), technical analysis (i.e., statistical analysis or market activity); cyclical analysis (i.e., evaluating Investments based in part on their sensitivity to business cycles); and factor-based analysis (i.e., evaluating investment opportunities based on exposure to targeted characteristics). FDS also uses general macro-economic analysis as a component of its analysis methods. Inputs and incorporation of these different forms of analysis will vary, depending on product mandate, and vary over time depending on internal and external factors as well as market environment. Not all methods are utilized for all strategies or products. As part of due-diligence in fundamental analysis, FDS and/or its affiliates uses extensive in-person and/or remote corporate visits and interviews with company management teams in conducting research, offering statements of various municipalities as a source of information, as well as information and analysis relating to foreign sovereigns and currency markets.

FDS and its affiliates also transact in futures contracts, swaps and swaptions, including interest rate, total return and credit default swaps; written covered call options, futures transactions, currency forward transactions, and other currency related derivatives in managing certain accounts. Margin may be required in connection with certain client futures, options, swaps and other derivatives transactions or in connection with short sales. FDS does not engage in the purchase of securities on margin, except it may do so in connection with clearance and settlement of securities and permitted derivatives transactions.

FDS's affiliates engage in securities lending to parties such as broker-dealers or other institutions. FDS's affiliates have established allocation policies for its clients reasonably designed to ensure that securities lending opportunities are allocated equitably among participating clients in the same program over time.

### **Summary of Material Risks**

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the strategies and products advised or managed by FDS. These risk factors include only those risks we believe to be material, significant or unusual and relate to certain investment strategies or methods of analysis. Not all risks are described, and other risks may apply to any investment. With respect to FDS's investment companies and privately-offered Funds, more detailed information relating to the

investment strategies used to manage a particular Fund and the risks of investing in the Fund are set out in the applicable Fund's Governing Documents. Investing involves a risk of loss that clients need to be prepared to bear. Investment risks that apply, depending upon the investment strategy, include but are not limited to market risk, currency risk, sovereign risk, concentration risk, market capitalization risk, liquidity risk and counterparty risk. In addition, as investment strategies may develop and evolve over time, an investment in a particular investment strategy may be subject to additional and different risk factors than those set forth below. In the disclosure of risk factors set forth below, any reference to "Client" should be understood as a reference to any or all investment vehicles or client accounts for which FDS provides (directly or indirectly) investment and trading advice.

Due to regulatory and issuer-specific limits that apply to the ownership of securities of certain issuers, FDS and/or its affiliates limit Investments in the securities of such issuers. Similar limitations apply to futures and other derivatives, such as options. In addition, FDS and/or its affiliates from time-to-time determine that, because of regulatory requirements that apply to FDS and/or its affiliates in relation 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 is impractical or undesirable. The foregoing limits and thresholds may apply at the account level or in the aggregate across all accounts (or certain subsets of accounts) managed, sponsored, or owned by, or otherwise attributable to, FDS and/or its affiliates. For investment risk management and other purposes, FDS and/or its affiliates also generally apply internal aggregate limits on the amount of a particular issuer's securities that are owned by all such accounts. In connection with the foregoing limits and thresholds, FDS limits or excludes clients' Investments in particular issuers, futures, derivatives and/or other instruments (or limits the exercise of voting or other rights) and investment flexibility may be restricted. In addition, to the extent that client accounts already own securities that directly or indirectly contribute to such an ownership threshold being exceeded, FDS generally sells securities held in such accounts to bring account-level and/or aggregate ownership below the relevant threshold. If any such sales result in realized losses for client accounts, those client accounts may bear such losses depending on the particular circumstances.

Other than certain Fund structures such as master-feeder arrangements, FDS and its affiliates establish internal limits, and are subject to external limits, on how much the Funds and accounts they manage can invest in any one other Fund. Additionally, regulatory restrictions limit the amount that one Fund can invest in another, which means that FDS is limited in the amount it can cause a Fund it manages to invest in any particular Fund.

Additionally, Funds and accounts are subject to operational risks, which can include risks 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.

## **Risks Associated with Investment Strategies, Instruments and Markets**

### **For All Investment Strategies**

Past performance is no guarantee of future results. An investment may be risky and may not be suitable for an investor's goals, objectives, and risk tolerance. Investors should be aware that an investment's value may be volatile, and any investment involves the risk that you may lose money. Performance for individual accounts will differ from performance for composites and representative accounts due to factors, including but not limited to, portfolio size, trading restrictions, account objectives and restrictions, fees and expenses, and factors specific to a particular investment structure. None of FDS's investment strategies are insured by a bank and/or the Federal Deposit Insurance Corporation ("FDIC").

The value of a strategy's Investments will vary in response to many factors, including adverse or positive issuer, political, regulatory, market or economic developments. The value of an individual Investment or a particular type of Investments can be more volatile than and perform differently from the market as a whole.



Nearly all accounts are subject to volatility in non-U.S. markets, either through direct exposure or indirect effects on U.S. markets from events abroad, including fluctuations in foreign currency exchange rates and, in the case of less developed markets, currency illiquidity. Developments that disrupt global economies and financial markets, such as war, acts of terrorism, natural disasters, the spread of infectious illness, pandemic or other public health issues, recessions or other events may magnify factors that affect performance. In addition, some countries experience low or negative interest rates, from time to time, which may magnify interest rate risk for the markets as a whole and for the Funds or accounts. The discontinuation and replacement of LIBOR (an indicative measure of the average interest rate at which major global banks could borrow from one another) and other benchmark rates may have a significant impact on the financial markets and may adversely impact Fund or account performance. Additionally, Funds or accounts that pursue debt Investments are subject to risks of prepayment or default, as well as changes to bankruptcy or debtor relief laws, which may impede collection efforts or alter timing and amount of collections.

The investment processes used by FDS are dependent in part upon various computer and telecommunications technologies. The successful deployment of the investment processes, the implementation and operation of the investment processes, and various other critical activities of FDS could be severely compromised by telecommunications failures, power loss, software-related “system crashes,” fire or water damage, or various other events or circumstances. FDS does not provide a foolproof protection against all such events. Any event that interrupts FDS’s computer and/or telecommunications operations, including those in the cloud, could result in, among other things, the inability to establish, modify, liquidate, or monitor a Client’s investment portfolio, and, for those and other reasons, could have a material adverse effect on the operating results, financial condition, activities, and prospects of the relevant investment portfolio.

Many of the investment and trading strategies employed by FDS are reliant on the gathering, cleaning, culling and analysis of large amounts of data from third-party and other external sources. It is not possible or practicable, however, to factor all relevant, available data into economic forecasts or trading decisions. In addition, due to the automated nature of this data gathering and the fact that much of this data comes from third-party sources, it is inevitable that not all desired or relevant data will be available to, or processed by, FDS at all times. Investors should be aware that there is no guarantee that the data utilized in generating forecasts or making trading decisions on behalf of the Clients will be the most accurate data available or even free of errors. Investors should assume that the foregoing limitation and risks associated with large amounts of data from third-party and other external sources are an inherent part of investing. A specific form of “system implementation error” applies to FDS’s accessing and use of data, especially data obtained from third-party sources (including commercial data vendors). The data reflected in FDS’ systems at any given time could be erroneous or less than the best available data for a variety of reasons. There may also be incidents where data fails to load or FDS’ systems fail to retrieve or capture the data, for example, because of changes in the vendor’s or FDS’ system configurations due to upgrades, enhancements, maintenance or errors. Investors should assume that these data errors, like other system implementation errors, and their ensuing risks and impact are an inherent part of investing. Accordingly, unless otherwise required to do so, FDS does not expect to disclose discovered data errors to Clients.

### **For International Investment Strategies**

The performance of international strategies depends upon currency values, political and regulatory environments, and overall economic factors in the countries in which they invest. Foreign markets often are more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market, or economic developments and often perform differently from the U.S. market. Government actions as a result of the political process can result in additional market volatility in those regions affected by a particular issue (e.g., Brexit). Foreign exchange rates also can be extremely volatile. The risks are particularly significant for strategies that focus on a single country or region, or single group or type of countries. Non-U.S. security trading, settlement, and custodial practices (including those involving securities settlement where Fund or account assets are released prior to receipt of payment) that are less developed than those in U.S. markets may result in increased investment or valuation risks, increased counterparty exposure, or substantial delays (including those arising from failed trades or the insolvency of, or breach of duty by, a non-U.S.

broker-dealer, securities depository, subcustodian, clearinghouse or other party) for Funds and accounts that invest in non-U.S. markets.

### **For Emerging Markets Strategies**

The securities, derivatives, and currency markets of emerging market countries are generally smaller, less developed, less liquid, and more volatile than those of the United States and other developed markets and disclosure (including financial disclosures) and regulatory standards in many respects are less stringent. There also may be a lower level of monitoring and regulation of markets in emerging market countries and the activities of investors in such markets and enforcement of existing regulations may be extremely limited and arbitrary. Emerging market countries are more likely to experience political uncertainty and instability, including the risk of war, terrorism, nationalization, limitations on the removal of Funds or other assets, impacts of the spread of infectious diseases, or diplomatic developments that affect Investments in these countries. In many cases, there is a heightened possibility of government control of the economy, expropriation or confiscatory taxation, imposition of withholding taxes on interest payments, or other similar developments.

### **For Strategies with Investments that Are Denominated in Non-U.S. Currencies**

#### *Currency Risks.*

Investments that are denominated in a foreign currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments.

#### *Currency Hedging.*

Some Investments denominated in non-U.S. currencies may not hedge foreign exchange risk. Therefore, any hedging of currency exposure that is implemented will primarily involve hedging back to the U.S. dollar or other relevant currency, but in certain circumstances may involve other hedging activities. In addition, any currency hedging strategy used may not successfully limit any foreign exchange risk.

### **For Small to Mid-Capitalization Investment Strategies**

Stock markets and issuers of small and mid-cap companies are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Investments in smaller companies may involve greater risks than those in larger, better-known firms. Securities of smaller and medium-size issuers can perform differently from the market as a whole and other types of stocks, and may be more volatile than those of larger issuers.

### **For All Fixed Income Investment Strategies**

The performance of fixed income strategies will change daily based on changes in interest rates and market conditions and in response to other economic, political, or financial developments. Debt securities are sensitive to changes in interest rates depending on their maturity, and involves the risk that their prices may decline if interest rates rise or, conversely, if interest rates decline, their prices may increase. Debt securities carry the risk of default, prepayment, and inflation. Changes specific to an issuer, such as its financial condition or its economic environment, can affect the credit quality or value of an issuer's securities. Lower-quality debt securities (those rated or considered below investment grade quality, also referred to as high yield debt securities) and certain types of other securities are more volatile and speculative and involve greater risk due to increased sensitivity to adverse issuer, political, regulatory and market developments, especially in periods of general economic difficulty. The value of mortgage securities may change due to shifts in the market's perception of issuers and changes in interest rates, regulatory or tax changes.

### **For Direct Lending Investment Strategies**

Direct Lending strategies invest primarily in privately-held companies for which very little public information exists. Such companies also generally have more limited financial resources, are more vulnerable to adverse business, political, or financial developments or economic downturns, and may experience substantial variations in operating results. As a result, a fundamental risk associated with Direct Lending strategies is that the companies in whose debt a Fund invests will be unable to make regular payments (e.g., principal and interest payments) when due, or at all, or otherwise fail to perform. Some of these securities are rated below investment grade by rating agencies or would be rated below investment grade if they were rated; below investment grade securities, which are often referred to as “junk” have predominantly speculative characteristics with respect to the issuers’ capacity to pay interest and repay principal. Performance may be affected by the default or perceived credit impairment of certain Investments and by general or sector specific credit spread widening. Some privately-held companies and below-investment-grade securities may be difficult to value and are illiquid. There is the potential for inaccurate or incomplete information to be provided, which may affect the valuation of the collateral underlying the loans. General interest rate fluctuations, including volatility associated with the decommissioning of LIBOR and the transition to new reference rates, may have a substantial negative impact on certain Investments. Direct lending strategies may entail borrowing money from and issuing debt securities to banks, insurance companies and other lenders, which can increase investment risk. There may be a risk of loss of assets pledged as collateral in the event certain borrowings are unable to be serviced. Additionally, portfolio companies in which Direct Lending strategies may invest may be highly leveraged, and there is no restriction on the amount of debt a portfolio company can incur. Substantial indebtedness may add additional risk with respect to a portfolio company, and could (i) limit its ability to borrow money for its working capital, capital expenditures, debt service requirements, strategic initiatives or other purposes; (ii) require it to dedicate a substantial portion of its cash flow from operations to the repayment of its indebtedness, thereby reducing funds available to it for other purposes; (iii) make it more highly leveraged than some of its competitors, which may place it at a competitive disadvantage; and/or (iv) subject it to restrictive financial and operating covenants, which may preclude it from favorable business activities or the financing of future operations or other capital needs.

### **Investments into Special Situations**

In pursuing certain of its strategies, FDS may invest in companies involved in (or the target of) acquisition attempts or tender offers or companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of business enterprise, there exists the risk that the transaction in which such business enterprise is involved either will be unsuccessful, take considerable time or result in a distribution of cash or a new security the value of which will be less than the purchase price to the Client of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Client may be required to sell the investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Client may be invested, there is a potential risk of loss by the Client of its entire investment (direct or indirect) in such companies.

### **For All Real Estate Securities and Real Property Investment Strategies**

#### *Real Estate Industry Risk.*

The real estate industry is particularly sensitive to economic downturns. The value of Investments in real estate or securities of issuers in the real estate industry can be affected by changes in real estate values and rental income, property taxes, interest rates, tax and regulatory requirements, overbuilding, extended vacancies of properties, and the issuer’s management skill. As a consequence, Investments related to real estate may be more volatile than other Investments and the possibility of partial or total loss of capital exists. This risk may be amplified for strategies that narrowly focus on a single sector, such as data centers, or geographic region. Mortgage-backed securities are subject to the risk that mortgagors may not meet their

payment obligations and/or to prepayment risk. Each investment also has its unique interest rate and payment priority characteristics and risks.

#### *Property Development Risk.*

Strategies that engage in real estate development will be subject to risks normally associated with such activities, including risks relating to the availability and timely receipt of zoning and other regulatory approvals (both in the United States and in non-U.S. jurisdictions), the cost and timely completion of construction (including risks beyond FDS's control, such as weather or labor conditions or material shortages) and the availability of both construction and permanent financing on favorable terms. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on performance. In particular, the development of data center facilities involve unique construction requirements that expose strategies investing in these projects to risks which could have an adverse effect on the strategy's performance.

#### *Dependence on Cash Flow Produced by Properties.*

The success of the strategy is dependent upon the ability of the applicable property to produce cash flow. Even the liquidation value of a commercial property is determined, in substantial part, by the amount of the property's cash flow or its potential to generate cash flow. However, net operating income and cash flow can be volatile and may be insufficient to cover debt service on the loan at any given time. Converting commercial properties to alternative uses, tenant concentration, geographic concentration, and tenant bankruptcy may also adversely affect the cash flow produced by commercial properties.

#### *Federal or State Environmental Law Risk.*

Federal or State environmental laws may affect the value of a mortgaged property or the ability of a borrower to make required loan payments.

#### *Property Management Risk.*

The successful operation of a real estate project depends upon the property manager's performance and viability. Properties deriving revenues primarily from short-term sources are generally more management intensive than properties leased to creditworthy tenants under long-term leases. Management errors can, in some cases, impair short-term cash flow and the long-term viability of an income-producing property.

#### *Insurance Risk.*

The mortgaged properties may suffer casualty losses due to risks that insurance does not cover or for which insurance coverage is inadequate. There is no assurance borrowers will be able to maintain adequate insurance. Moreover, changes in laws may materially affect the borrower's ability to reconstruct the property or make major repairs or may materially increase the cost of such reconstruction or repairs.

### **For Investment Strategies that Use Derivatives/Commodities**

#### *Derivative Instruments.*

Derivatives may be volatile and involve significant risk, including but not limited to credit risk, currency risk, leverage risk, counterparty risk, liquidity risk, and valuation risk. Using derivatives can disproportionately increase losses and reduce opportunities for gains in certain circumstances. Derivatives involve leverage because they can provide investment exposure in an amount exceeding the initial investment. Leverage can magnify investment risks and cause losses to be realized more quickly. A small change in the underlying asset, instrument, or index can lead to a significant loss. Assets segregated to cover these

transactions may decline in value and are not available to meet redemptions. Government legislation or regulation could affect the use of these transactions and could limit the ability to pursue such investment strategies. There are a number of other risks associated with derivatives trading. Transactions in certain derivatives are subject to clearance on a U.S. national exchange and to regulatory oversight, while other derivatives are subject to risks of trading in the over-the-counter markets or on non-U.S. exchanges. Additional risks associated with derivatives trading include the risks described below:

- (a) Tracking. When used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent Clients from achieving the intended hedging effect or expose Clients to the risk of loss.
- (b) Liquidity. Derivative instruments, especially when traded in large amounts, may not be liquid in all circumstances, so that in volatile markets Clients may not be able to close out a position without incurring a loss. In addition, daily limits on price fluctuations and speculative position limits on exchanges on which Clients may conduct its transactions in derivative instruments may prevent prompt liquidation of positions, subjecting Clients to the potential of greater losses.
- (c) Leverage. Trading in derivative instruments can result in large amounts of leverage. Thus, the leverage offered by trading in derivative instruments will magnify the gains and losses experienced by the Client and could cause the Client account's net asset value to be subject to wider fluctuations than would be the case if the Client did not use the leverage feature in derivative instruments.
- (d) Over-the-Counter Trading/Counterparty Risk. Derivative instruments that may be purchased or sold by the Client accounts may include instruments not traded on an exchange. The risk of non-performance by the obligor on an instrument may be greater than, and the ease with which the Client accounts can dispose of or enter into closing transactions with respect to an instrument may be less than, that associated with an exchange-traded instrument. In addition, significant disparities may exist between "bid" and "ask" prices for derivative instruments that are not traded on an exchange. Derivative instruments not traded on exchanges also are not subject to the same type of government regulation as exchange-traded instruments, and many of the protections afforded to participants in a regulated environment may not be available in connection with these transactions. The Client accounts may only close out "over-the-counter" transactions with the relevant counterparty, and may only transfer a position with the consent of the particular counterparty. There also may be documentation risk, including the risk that the parties may disagree as to the proper interpretation of the terms of a contract. If such a dispute occurs, the cost and unpredictability of the legal proceedings required for Clients to enforce their contractual rights may lead the Client accounts to decide not to pursue its claims against the counterparty.

#### *Commodity Risk.*

Certain strategies have exposure to commodities. Exposure to commodities and commodity-related securities may subject a portfolio to greater volatility than Investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked Investments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity. In addition, to the extent that a portfolio gains exposure to an asset through synthetic replication by investing in commodity-linked Investments rather than directly in the asset, it may not have a claim on the applicable underlying asset and will be subject to enhanced counterparty risk.

#### *Futures Trading Risk.*

Certain of the Clients managed by FDS invest in exchange-traded futures contracts ("futures"). Futures prices are highly volatile, and are influenced by many external economic, governmental, and world events. The low margin deposits normally required in futures trading permits an extremely high degree of leverage



which can result in a substantial gain or loss to Clients from a relatively small price movement. Additional risks associated with futures trading are described below:

- (a) Price Volatility. Futures contracts have a high degree of price variability and are subject to periodic rapid and substantial changes. Price movements for futures contracts may be influenced by, among other things, changing supply and demand relationships, government, trade, fiscal and economic events and changes in interest rates. Governments from time to time intervene, directly and through regulation, in certain markets, often with the intent to influence prices directly. Consequently, substantial losses could occur.
- (b) Futures Markets are Leveraged and Speculative. The markets in which the Private Funds or Client accounts trade are speculative, highly leveraged and involve a high degree of risk. Volatility increases risk, particularly when trading with leverage. Trading on a leveraged basis, as the Private Funds or Client accounts do, even in stable markets involves risk; doing so in volatile markets necessarily involves a substantial risk of sudden, significant losses. Due to leverage, even a small movement in price could cause large losses for Clients. Market volatility and leverage mean that Clients could incur substantial losses, potentially impairing its equity base and ability to achieve its long-term profit objectives, even if favorable market conditions subsequently develop.
- (c) Illiquidity of Markets. Futures positions cannot always be liquidated at the desired price. It is difficult to execute a trade at a specific price when there is a relatively small volume of buy and sell orders in a market. A market disruption, such as when governments may take or be subject to political actions which disrupt the markets in their currency or major exports, can also affect the liquidity of the futures markets, thereby making it difficult to liquidate a position. Periods of illiquidity have occurred from time to time in the past. These periods of illiquidity and the events that trigger them are difficult to predict and there can be no assurance that FDS will be able to do so. There can be no assurance that market illiquidity will not cause losses for Clients.
- (d) Possible Effects of Speculative Position Limits. Most United States exchanges limit fluctuations in most futures contract prices during a single day by regulations referred to as “daily price fluctuation limits” or “daily limits”. During a single trading day, no trades may be executed at prices beyond the daily limit. Once the price of a particular futures contract has increased or decreased to the limit point, positions in the futures contract neither can be taken nor liquidated unless traders are willing to effect trades at or within the limit, which would be unlikely if underlying market prices moved beyond the limit. Futures prices have occasionally moved the daily limit for several consecutive days with little or no trading. In addition, even if futures prices have not moved the daily limit, FDS may not be able to execute trades at favorable prices if little trading in the contracts it wishes to trade is taking place. It is also possible that an exchange or the CFTC may suspend trading, order the immediate settlement of a particular contract or order that trading in a particular contract be conducted for liquidation purposes only. The CFTC and certain exchanges have established speculative position limits on the maximum net long or short futures and options positions which any person or group of persons acting in concert may hold or control in particular futures contracts. The CFTC has adopted a rule requiring each U.S. domestic exchange to set speculative position limits, subject to CFTC approval, for all futures contracts and options traded on such exchange which are not already subject to speculative position limits established by the CFTC or such exchange. The CFTC has jurisdiction to establish speculative position limits with respect to all futures contracts and options traded on exchanges located in the United States, and any exchange may impose additional limits on positions on that exchange. Some non-U.S. exchanges also have position limits in effect and, with respect to forward or swap contracts, OTC counterparties may limit the size or duration of positions available to clients as a consequence of credit considerations. In addition, pursuant to the Dodd-Frank Act, the CFTC has sought to implement regulations for federal speculative position limits in 25 core physical commodity contracts and their economically equivalent futures, options and swaps as well as aggregation rules and exemptions therefrom. In December 2016, the aggregation rules and exemptions were adopted by the CFTC. The aggregation rules, and the proposed speculative position limit rules, if adopted, could adversely

affect FDS's and/or its Clients' ability to maintain positions in certain futures contracts and related options. All trading accounts owned or managed by FDS and its principals will be combined for speculative position limit purposes. With respect to trading in futures subject to such limits, FDS may reduce the size of the positions which would otherwise be taken in such futures and not trade certain futures in order to avoid exceeding such limits. Such modification, if required, could adversely affect the operations and profitability of the Client account. There can be no guarantee that additional position-related limits will not be established by the CFTC, and other regulator or exchange for the markets where the Client accounts trade.

- (e) Trading on Non-U.S. Exchanges. In the event the Client accounts need to post margin for a trading contract denominated in currencies other than U.S. dollars, and with respect to any gains in such contract, the Client accounts will be subject to the risk of adverse exchange-rate movements between the U.S. dollar and the functional currencies of these contracts. Non-U.S. futures transactions involve executing and clearing trades on a non-U.S. exchange. This is the case even if the non-U.S. exchange is formally "linked" to a U.S. exchange, whereby a trade executed on one exchange liquidates or establishes a position on the other exchange. No U.S. organization regulates the activities of a non-U.S. exchange, including the execution, delivery, and clearing of transactions on such an exchange, and no U.S. regulator has the power to compel enforcement of the rules of the non-U.S. exchange or the laws of the non-U.S. country. Moreover, these laws or regulations will vary depending on the non-U.S. country in which the transaction occurs. For these reasons, Clients may not be afforded certain of the protections which apply to U.S. transactions, including the right to use U.S. alternative dispute resolution procedures. Due to the absence of a clearinghouse system on many non-U.S. markets, these markets are significantly more susceptible to disruptions, which may include prolonged suspensions of trading and involuntary settlement of positions at artificial prices, than on U.S. exchanges.
- (f) Failure of Non-Correlation Will Eliminate Benefits of Diversification. Historically, the commodity futures and foreign exchange markets generally have been non-correlated to the performance of other asset classes such as stocks and bonds. Non-correlation means that there is no statistically valid relationship between the past performance of commodity futures and forward contracts on the one hand and stocks or bonds on the other hand. Non-correlation should not be confused with negative correlation, where the over-performance of one asset is accompanied with the underperformance of the other (and vice versa). Because of this non-correlation, the Client accounts could be profitable during unfavorable periods for the stock market, or vice versa. The futures markets are fundamentally different from the securities markets in that for every gain in futures trading, there is an equal and offsetting loss. If Client accounts do not perform in a manner non-correlated with the general financial markets or correlation between markets suddenly increases, any diversification benefits will be lost and an investment in the Client account may not generate gains to offset losses from other Investments.
- (g) EFRP. FDS on behalf of a number of its Clients may engage in so-called exchange of futures for physicals ("EFP") and may engage in exchange of futures for swaps ("EFS") or exchange of futures for risk/over-the-counter derivatives ("EFR," together with EFPs and EFS, "EFRP") transactions. EFRP transactions possess three essential elements: (1) an integrally related physical/swap/derivatives transaction and futures transaction whose price and other terms are privately negotiated by the parties rather than on the exchange floor; (2) a transfer of ownership of the physical commodity or swap or instrument upon performance of the terms of the physical contract, swap contract or derivatives contract, with delivery to take place within a reasonable period of time in accordance with prevailing market practice; and (3) separate parties—that is, the accounts involved in the transaction must have different beneficial ownership. The critical element of each EFRP is that the futures transaction must be completed in conjunction with an actual purchase or sale in the related cash market. Because EFRPs are an exception from the general rule requiring competitive execution of futures contracts on the exchange floor, proper documentation of both the physical/swap/derivatives and futures components is critically important so as to avoid the CFTC or exchange recharacterizing the transaction as an illegal off-exchange



futures contract. In contrast to other types of futures transactions, it is permissible for the parties to an EFRP to agree to the terms of the transaction prior to execution of the off-exchange transaction; provided both parties comply with the applicable rules and regulations. In addition to the compliance risk and the fact that such transactions are more likely to be examined by the CFTC or the relevant exchange, EFRP transactions are subject to substantially the same risks as the relevant investment instruments subject to the exchange.

### *Swaps.*

Client accounts may enter into swaps. Swaps can be individually negotiated and structured to include exposure to a variety of different types of Investments or market factors. Depending on their structure, swaps may increase or decrease the Client account's exposure to long-term or short-term interest rates (in the United States or abroad), non-U.S. currency values, corporate borrowing rates, or other factors such as security prices, baskets of equity securities, or inflation rates. Swaps can take many different forms and are known by a variety of names (such as "contracts for differences"). Clients are not limited to any particular form of swap.

Swaps tend to shift investment exposure from one type of investment to another. For example, if Clients agree to exchange payments in U.S. dollars for payments in a non-U.S. currency, the swap would tend to decrease the Client's exposure to U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, swaps may increase or decrease the overall volatility of the Clients' portfolios. The most significant factor in the performance of swaps is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from Clients. If a swap calls for payments by the Clients, they must be prepared to make such payments when due.

Swaps and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the creditworthiness of the counterparty, market risk, liquidity risk and operations risk. Swaps bear risks associated with the underlying or reference assets as well as those associated with derivative contracts generally.

The Dodd-Frank Act and other regulatory initiatives have substantially changed the market structure for swaps. A substantial portion of swap transactions, which were formerly executed on a bi-lateral basis in the OTC markets, must now be submitted for clearing to regulated clearinghouses and must be executed through a regulated securities or futures exchange or through a swap execution facility (SEF). Swap trades submitted for clearing are subject to minimum initial and variation margin requirements set by the relevant clearinghouse, and possibly other restrictions, such as position limits, as well as possible regulator mandated margin requirements. Swap dealers will also be required to post margin to the clearinghouses through which they clear their customers' trades instead of using this margin in their own operations.

Swap margin rules that originate from the Dodd-Frank Act govern capital and margin requirements for uncleared swaps traded by swap dealers, major swap participants and certain other covered swap entities regulated by one or more of the Federal Reserve, Farm Credit Administration, Federal Deposit Insurance Corporation, Federal Housing Finance Agency, Office of the Comptroller of the Currency, and /or the CFTC (together, for purposes of this paragraph, the "Regulators"). The requirements may make it more difficult and costly for Clients to enter into highly tailored or customized transactions and may render certain strategies, in which Clients might otherwise have engaged, impossible or so costly that they will no longer be economical to implement.

### *Options.*

FDS on behalf of a number of its Clients may purchase and sell (write) listed and OTC options on futures, ETFs, major global market indices, individual equity securities and other instruments on national and international securities exchanges to exploit any opportunities caused by volatility in these markets. Option prices are based on, among other things, certain implied levels of volatility of the underlying index or equity

security. If volatility in the underlying index or equity security declines after a Client account has purchased an option, such account will incur losses. Those losses may exceed the premium paid for the option due to the possibility of losses on related hedge positions. In addition, option prices tend to decay over time and decrease or increase with decreases or increases in volatility. Unless increases in the value of options held by a Client account due to increased volatility offset the decay in the time value of the options, the Client account will incur losses.

The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security, plus the premium received, and gives up the opportunity for gain on the underlying security below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option. The writer of a call option which is covered (e.g., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities to satisfy the exercise of the call option can itself cause the price of the securities to rise further, sometimes by a significant amount, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire investment in the call option.

In the case of stock index options, successful use by a Client of options on stock indices will be subject to FDS's ability to correctly predict movements in the direction of the stock market generally or with respect to particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

Options may be cash settled, settled by physical delivery or settled by entering into a closing purchase transaction. In entering into a closing purchase transaction, a Client may be subject to the risk of loss to the extent that the premium paid for entering into such closing purchase transaction exceeds the premium received when the option was written.

#### *Credit Default Swaps.*

Client accounts may purchase and sell credit derivatives contracts—primarily credit default swaps—both for investment and trading and hedging purposes. The typical credit default swap contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract. Client accounts may also sell credit default swaps on a basket of reference entities representing an index of issuers or a “bespoke” basket as part of a synthetic collateralized debt obligation transaction. In circumstances in which the Client accounts do not own the debt securities that are deliverable under a credit default swap, the strategies are exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” In certain instances of issuer defaults or restructurings, it has been unclear under the standard industry documentation for credit default swaps whether a “credit event” triggering the seller’s payment obligation had occurred. In either of these cases, the Client accounts would be unable to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, Clients incur leveraged exposure to the credit of the reference entity and is subject to many of the same risks it would incur if it was holding debt securities issued by the reference entity. However, Clients will not have any legal recourse against the reference entity and will not benefit

from any collateral securing the reference entity's debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity's debt obligations to deliver to the Client following a credit event and will likely choose the obligations with the lowest market value to maximize the payment obligations of the Client. In addition, credit default swaps generally trade on the basis of theoretical pricing and valuation models, which may not accurately value these swap positions when established or when subsequently traded or unwound under actual market conditions.

As a result of recent initiatives implemented by derivatives market participants, including the International Swaps and Derivatives Association, Inc., designed to implement uniform settlement terms into standard credit default swap documentation, as well as refine the practices for the transparent conduct of the credit default swap market generally, certain of the preceding risks, including, without limitation, liquidity risk concerning the lack of availability of deliverable securities, may be mitigated for certain categories of credit default swap transactions covered by these initiatives. However, despite the derivatives market initiatives to uniformly address the risks associated with the credit default swap market, there can be no guarantee of the success of these initiatives or the ability to mitigate the risks with respect to covered credit default swaps. In any event, Clients may enter into certain credit default swap transactions that may not be covered by these initiatives. The regulation of credit default swaps is evolving, and significant changes in such regulation have been enacted or proposed and may adversely affect Clients.

### **For Investment Strategies that Use Leverage**

The use of leverage may result in a portfolio having exposure to substantially more assets than it has equity to cover the exposure. Leverage increases the return on Investments purchased with borrowed funds if the return on such Investments is greater than the cost of borrowing. However, the use of leverage exposes the strategy to additional levels of risk, including (i) greater losses from Investments than would otherwise have been the case in the absence of such borrowing to make the Investments, (ii) margin calls or changes in margin requirements that may force premature liquidations of investment positions at inopportune times and/or at depressed values and (iii) losses on Investments where the investment fails to earn a return that equals or exceeds the cost of leverage related to such Investments. In the event of a sudden, precipitous drop in value of assets, assets might not be able to be liquidated quickly enough to repay borrowings, further magnifying the losses incurred by the strategy.

### **For Investment Strategies that Invest in Exchange-Traded Funds**

Clients may invest in exchange-traded fund ("ETFs"). ETFs represent shares of ownership in either funds or trusts that hold portfolios of stocks, bonds or other instruments, which are generally designed to correspond to the price and yield performance of an underlying index or sub-index. ETFs typically trade on a securities exchange and their shares may, at times, trade at a premium or discount to their net asset values. The values of ETFs are subject to change as the values of their respective component securities or commodities fluctuate according to market volatility. National securities exchanges (for example, NYSE Amex Equities) list ETF shares for trading, which allows investors to buy and sell individual ETF shares at market prices throughout the day. Unlike open-ended investment companies, ETF shares purchased in the secondary market generally are not redeemable directly from the ETF (except by designated dealers) and must be sold in market transactions when liquidated. A primary risk factor relating to ETFs is that the general level of securities prices may rise or decline, thus affecting the value of an ETF. An ETF may also be adversely affected by the performance of the specific sector or group of industries on which it is based. Moreover, although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their underlying indices, ETFs may not be able to exactly replicate the performance of the indices because of their expenses and other factors. The Client accounts will incur brokerage costs when purchasing and selling shares of ETFs. As a shareholder of an ETF, Clients would bear, along with other shareholders, their pro rata portion of the ETF's expenses, including advisory fees. These expenses would be in addition to the advisory fees and other expenses that Clients bear directly in connection with the Client account's own operations.

### **For Investment Strategies that Utilize Short Selling**

Strategies that utilize short selling are subject to the risk of additional volatility and decreased liquidity. Potential losses from an uncovered short position in an equity security are unlimited. Losses could occur if short sales were poorly correlated with the strategy's other Investments, or if the adviser were unable to liquidate its positions because the market for securities subject to short sales is or becomes illiquid. Short sales may be restricted in response to market events and/or regulation. Furthermore, additional costs may be incurred in connection with short sale transactions, and the ability to continue to borrow a security is not guaranteed. Such restrictions and costs may prevent the full implementation of such investment strategies and may have a material adverse effect on them.

### **For Investment Strategies that Use Quantitative Investing**

As a result of the factors used in the quantitative analysis, the weight placed on each factor, and changes in the factor's historical trends, securities selected using quantitative analysis can perform differently from the market as a whole, or securities selected using only fundamental analysis. The factors used in quantitative analysis and the weight placed on those factors may not be predictive of a security's value. If the factors that affect a security's value change over time and are not adequately reflected in the quantitative model, the strategy may fail to achieve its investment objective.

With respect to quantitative statistical models developed internally or by a third-party and used by FDS, FDS will be dependent on the design of such models. Generally, quantitative statistical models rely on patterns, relationships and overall dependence structures inferred from historical prices and other financial or non- financial data, or may rely on theories or hypotheses from economics, finance or other sciences, in evaluating prospective investment and trading opportunities. Furthermore, most quantitative models cannot fully match the complexity of the markets and therefore sudden unanticipated changes in underlying market conditions can significantly impact the performance of the Client. As market dynamics shift over time, a previously highly successful model may become outdated – perhaps without FDS recognizing that fact before substantial losses are incurred by the Client. While FDS endeavors to undertake an in- depth review and testing of any model FDS intends to use, system implementation errors in models are often extremely difficult to detect and are generally entirely outside of the control of FDS. These system implementation errors may result in material losses to Clients before being discovered and may not in fact be discovered during FDS's ordinary, day-to- day operations, but may require extreme adverse events before manifesting themselves.

Decisions made by FDS in connection with its trading methodology for certain Clients are based chiefly on statistical analysis generated by its technology. The profitability of systematic investment and trading depends upon the accurate forecasting of price movements over applicable time horizons. No assurance can be given of the accuracy of the forecasts used or made by FDS.

### **For Private Equity Investment Strategies**

In pursuing a private equity strategy, FDS may invest in a portfolio of private equity funds (a "fund of funds" strategy) or directly in private companies (or a combination of the two). A fundamental premise of private equity multi-strategies is the acceptance of illiquidity and a higher degree of risk than is inherent to public stock or bond Investments, in expectation of higher returns. Certain Investments and/or underlying fund Investments may have little or no operating history. In addition, certain companies in which the strategy invests have high levels of debt or may be Investments in leveraged buyouts; leveraged buyouts by their nature require companies to undertake a high ratio of fixed charges to available income. Leveraged Investments are inherently more sensitive to declines in revenues and increases in expenses. The success of a private equity strategy depends on the identification by, and availability of suitable investment opportunities to, FDS, or in the case of a fund of funds strategy, sponsors of underlying funds. Sourcing suitable investment opportunities will be subject to market conditions and other factors outside the control of FDS and the sponsors of the underlying funds.

There is no established market for private equity partnership interests or for the privately held portfolio companies of private equity sponsors, and there may not be any comparable companies for which public market valuations exist. As a result, the valuation of portfolio Investments will be difficult, may be based on imperfect information and is subject to inherent uncertainties, and the resulting values may differ from values that would have been determined had a ready market existed for such Investments, from values placed on such Investments by other investors and from prices at which such Investments may ultimately be sold. An investment in a private equity strategy therefore involves a substantial degree of risk and should be considered only by investors able to bear the risk of loss of all or a substantial portion of their investment.

### **Additional Risks For Fund of Funds Strategies**

#### *Conflicts between the Fund of Funds and other FDS managed Funds.*

It is possible that one or more of funds managed by third party managers in which the Fund of Funds invests ("Portfolio Funds") may, at any time, take positions which may be opposite of positions taken by other Portfolio Funds or Funds managed by FDS generally. The Fund of Funds portfolio manager may possess certain confidential information of Portfolio Funds during the course of the portfolio management service. FDS has instituted an information barrier between the relevant lines of business.

#### *Multiple Investment Managers.*

It is also possible that the Portfolio Funds retained by the Fund of Funds may on occasion be competing with each other and with Funds managed by FDS for similar positions at the same time.

#### *Performance-Based Compensation Arrangements with Portfolio Funds.*

The Fund of Funds typically enters into arrangements with Portfolio Funds which provide that Portfolio Funds be compensated, in whole or in part, based on the appreciation in value (including unrealized appreciation) of the account during specific measuring periods. In certain infrequent cases, Portfolio Funds may be paid a fee based on appreciation during the specific measuring period without taking into account losses occurring in prior measuring periods, although it is anticipated that most, if not all, Portfolio Funds who charge such fees will take into account prior losses. Such performance fee arrangements may create an incentive for such Portfolio Funds to make Investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. The Fund of Funds may be required to pay an incentive fee to the Portfolio Funds who make a profit for the Fund of Funds in a particular fiscal year even though the Fund of Funds may in the aggregate incur a net loss for such fiscal year.

#### *Dependence on the Investment Manager.*

FDS as the Investment Manager is ultimately responsible for the selection of the Portfolio Funds for the Fund of Funds. The success of the Fund of Funds depends upon the ability of FDS to formulate and implement investment strategies that achieve the Fund of Funds' investment objective through its selection of Portfolio Funds.

#### *Diversification.*

Although the Fund of Funds seeks to obtain diversification by investing with a number of different Portfolio Funds, it is possible that several Portfolio Funds may take substantial positions in the same security or group of securities at the same time. This possible lack of diversification may subject the Investments of

the Fund of Funds to more rapid change in value than would be the case if the assets of the Fund of Funds were more widely diversified.

#### *Activities of Portfolio Funds.*

Although FDS seeks to select only Portfolio Funds which invests the Fund of Funds assets with the highest level of integrity, FDS has no control over the day-to-day operations of any of the selected Portfolio Funds. As a result, there can be no assurance that every Portfolio Fund in which the Fund of Funds invests conforms its conduct to these standards.

#### *Limits on Information.*

FDS as the Investment Manager requests detailed information from each Portfolio Fund regarding the Portfolio Fund's historical performance, investment strategy and key operations matters. However, FDS may not always be provided with detailed information regarding such matters because certain of this information may be considered proprietary information by the Portfolio Funds or not been available to Portfolio Funds' investors.

#### *Limited Operating History of Portfolio Funds.*

The Portfolio Funds in which the Fund of Funds invests may be new investment vehicles with a limited performance history (although the managers of such Portfolio Funds typically have prior experience in the securities industry). Therefore, such Investments may involve greater risks than investment in more established Portfolio Funds.

#### *Valuation of Investments.*

There is no established market for private equity partnership interests or for the privately held portfolio companies of private equity sponsors, and there may not be any comparable companies for which public market valuations exist. As a result, the valuation of such Investments will be difficult, may be based on imperfect information and is subject to inherent uncertainties, and the resulting values may differ from values that would have been determined had a ready market existed for such Investments, from values placed on such Investments by other investors and from prices at which such Investments may ultimately be sold. In addition, third-party pricing information may at times not be available regarding certain of the Fund's assets or, if available, may not be considered reliable. Valuations of these Investments will be determined by the General Partner in its discretion and will be final and conclusive as to all the Limited Partners. In addition, the General Partner expects to place significant reliance on the valuations reported by managers of the Fund's Investments, and the General Partner will typically not have sufficient information to undertake a complete valuation of its Investments independent from the valuations provided by the managers of the Investments. In addition, managers of these Investments may have incentives, based on their fee and carry arrangements or their fundraising activities for subsequent Funds, to determine that valuations of these Investments are either higher or lower than the General Partner would have determined had it undertaken an independent valuation of such Investments. The uncertainty of valuations could limit the ability of the Fund's investors to gauge the Fund's ongoing performance, and there can be no guarantee that the ultimate value of the Fund upon realization of its Investments will be consistent with the interim valuations reported by the General Partner.

#### **For Risk Premia Strategies**

Risk premia strategies are quantitative, rules-based investment strategies that are premised on well-known investment styles and factors (such as value, momentum, carry, etc.). However, the scope and complexity of risk premia strategies is continuously expanding beyond basic premia, as academics and industry conduct research and accumulate knowledgebase. There is no assurance that the strategies managed by



FDS will provide an acceptable return to investors or not incur substantial losses. The investment strategies that may be employed by FDS are speculative and involve a high degree of risk. There is no assurance that technical and risk management techniques utilized by FDS, as well as the investment decisions made by FDS, will not expose Clients to risk of significant losses. In addition, the analytical techniques used by FDS cannot provide any assurance that Clients will not be exposed to the risk of significant trading losses if the underlying patterns of market behavior studied by FDS and its affiliates, and which provide the basis for its statistical models, change in ways not anticipated by FDS and its affiliates.

### **For Relative Value Strategies**

Relative value strategies generally take long positions in securities believed to be undervalued and short or underweight positions in securities believed to be overvalued. In the event that the perceived mispricings underlying a strategy's trading positions were to fail to converge toward, or were to diverge further from expectations, the strategy might incur a loss.

### **For Sustainable Strategies**

A strategy's application of sustainability ratings process and/or its sustainable investing exclusion criteria may affect the strategy's exposure to certain issuers, sectors, regions, and countries and may affect the strategy's performance depending on whether such Investments are in or out of favor. This process may result in the strategy forgoing opportunities to buy certain securities when it might otherwise be advantageous to do so, or selling securities when it might be otherwise disadvantageous for it to do so. Because of the subjective nature of sustainable investing, there can be no guarantee that sustainable investing criteria used by FDS or its affiliates in its strategies will reflect the beliefs or values of any particular client. Additionally, FDS's or its affiliates' use of sustainability-related information and data obtained through third-party reporting could be incomplete or inaccurate, which could result in an imprecise evaluation of an issuer's practices with respect to sustainability factors.

### **For Sector and Other Concentrated Strategies**

**Non-Diversification:** The strategy may be primarily invested in a specific industry or sector. The strategy may not be widely diversified among a wide range of industries, sectors, issuers, geographic areas, capitalizations or types of securities. Accordingly, the strategy may be subject to more rapid change in value than otherwise.

**Health Care Sector Concentration:** Companies in the health care sector can be significantly affected by government regulation and reimbursement rates, as well as government approval of products and services, which could have a significant effect on price, and availability, and can be significantly affected by rapid obsolescence and patent expirations.

**Industrials Sector Concentration:** Companies in the industrials sector can be significantly affected by general economic trends, changes in consumer sentiment and spending, commodity prices, legislation, government regulation and spending, import controls, and worldwide competition, and can be subject to liability for environmental damage, depletion of resources, and mandated expenditures for safety and pollution control.

**Technology Sector Concentration:** Companies in the technology sector can be significantly affected by obsolescence of existing technology, patent expirations, short product cycles, falling prices and profits, competition from new market entrants, research and development costs, availability and price of components, global demand and general economic conditions.

**Biotechnology Sector Concentration:** Companies in the biotechnology industry can be significantly affected by patent considerations, intense competition, rapid technological change and obsolescence, and government regulation. These companies are also affected by regulatory approval for new drugs and medical products, product liability, and similar matters. The biotechnology sector may experience



considerable volatility in reaction to research and other business developments which may affect only one, or a few companies within the sector. The market values of Investments in the biotechnology industry are often based upon speculation and expectations about future products, research progress, and new product filings with regulatory authorities. In addition, compared to more developed industries, there may be a thin trading market in biotechnology securities.

**Mid-market Direct Lending Strategy:** Generally, little public information exists about these companies, and Clients rely on the ability of FDS's investment professionals to obtain adequate information to evaluate the potential returns from investing in these companies. If FDS is unable to uncover all material information about these companies, it may not make a fully informed investment decision, and Clients may lose money on their Investments. Middle-market companies generally have less predictable operating results and may require substantial additional capital to support their operations, finance expansion or maintain their competitive position. Middle-market companies may have limited financial resources, may have difficulty accessing the capital markets to meet future capital needs and may be unable to meet their obligations under their debt securities that the Clients hold, which may be accompanied by a deterioration in the value of any collateral and a reduction in the likelihood of the Clients realizing any guarantees the Clients may have obtained in connection with their investment. In addition, such companies typically have shorter operating histories, narrower product lines and smaller market shares than larger businesses, which tend to render them more vulnerable to competitors' actions and market conditions, as well as general economic downturns. Additionally, middle-market companies are more likely to depend on the management talents and efforts of a small group of persons. Therefore, the death, disability, resignation or termination of one or more of these persons could have a material adverse impact on the Clients' investment and, in turn, on the Clients. Middle-market companies also may be parties to litigation and may be engaged in rapidly changing businesses with products subject to a substantial risk of obsolescence. In addition, a Client's executive officers, directors and FDS may, in the ordinary course of business, be named as defendants in litigation arising from the Client's Investments.

### **Illiquid Investment Risk**

The market value of the Client's Investments will fluctuate with, among other things, changes in market rates of interest, general economic conditions, economic conditions in particular industries, the condition of financial markets and the financial condition of the issuers of the Client's Investments. In addition, the lack of an established, liquid secondary market for some Investments may have an adverse effect on the market value of those Investments and on the FDS's ability to dispose of them. Additionally, the Client's Investments may be subject to certain other transfer restrictions that may contribute to illiquidity, including because they may be treated as restricted securities under the Securities Act. Therefore, no assurance can be given that, if FDS decides to dispose of a particular investment, it will be able to dispose of such investment or if it is able to dispose of such investment it is not able to dispose of such investment at the price the investment is valued at prior to the disposition.

### **Risks From Hedging Activities**

FDS may, from time to time, attempt to hedge risks. There is a substantial risk, however, that hedging techniques may not be effective in limiting losses. If FDS analyzes market conditions incorrectly, FDS's hedging techniques could result in a loss, regardless of whether the intent was to reduce risk. These hedging techniques may also increase the volatility of the Client accounts, as they may involve a small investment of cash relative to the magnitude of the risk assumed, or result in a loss if the counterparty to the transaction does not perform as promised. The success of the hedging strategy of the Client accounts will be dependent upon FDS's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the positions in the portfolios being hedged. Since the characteristics of many financial instruments change as market conditions change over time, the success of the hedging strategy will also be subject to FDS's ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner. While Clients may enter into hedging transactions to seek to reduce risk, these transactions may result in a poorer overall performance for Clients than if they had not engaged in hedging transactions. For a variety of reasons (for example, cost, lot size

or the probability of the occurrence of a risk), Client accounts may not hedge against particular risks or may not establish a perfect correlation between hedging instruments and the portfolio holdings being hedged. An imperfect correlation may prevent the Client accounts from achieving the intended hedge, and the failure to hedge or an imperfect hedge may expose the Client accounts to the risk of loss.

### **Cash Management**

Some of the FDS's Clients may hold a significant cash position, which in some instances could be substantially all of the relevant Client's (Fund's) assets. FDS generally holds cash or invests the free cash of its advisory Clients for which it has investment discretion in a variety of money market instruments, including short-term United States or regulated money market funds (including affiliated money market funds). There are a number of negative factors and risks associated with holding a large position in cash and cash equivalent instruments as the assets are not actively exposed to the investment strategy and could become subject to inflation, negative interest rates (including the deposit rates with custodians) and negative yields, among other risks. Many central banks adopted negative interest rates in the past. Negative interest rates mean that the Client, instead of receiving money on deposits, must pay regularly to keep their money with the bank or the custodian. Holding large cash or cash-equivalent positions that are subject to inflation and/or negative interest or yields will subtract from the performance of the Client and may result with the losses.

## **2. Risks Associated With FDS' and Private Funds' or Client Accounts' Operations, Structure And Regulatory Status**

### **Risk Control Framework**

FDS has implemented risk management procedures to help monitor and manage the overall risk of the Clients. No risk management is fail-safe, and no assurance can be given that FDS' risk control procedures will be successful or work as anticipated.

### **Operational Risks and Information Technology Systems**

With the increased use of technologies to conduct business, FDS and its affiliates are susceptible to operational, information security and related risks. For example, computer, communications, data processing, networks, backup, business continuity or other operating, information or technology systems, including those outsourced to other providers, including those in the cloud, may fail to operate properly or become disabled, overloaded or damaged as a result of a number of factors. These factors could include events that are wholly or partially beyond our control and may have a negative effect on our ability to conduct business activities. We believe that we have taken reasonable steps to mitigate these risks, but do not believe that we can eliminate them altogether.

### **Cybersecurity Risk**

In general, cyber incidents can result from deliberate attacks or unintentional events and may arise from external or internal sources. Cyber-attacks 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. Cyber-attacks may 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 FDS, its Registered Funds, its affiliates, or any other service providers (including, but not limited to, accountants, custodians, transfer agents and financial intermediaries used by a Fund or account) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with the ability to calculate NAV, 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 a Fund or account invests, counterparties with which a Fund or 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), service providers and other parties.

### **Government Intervention; Market Disruptions**

The global financial markets have in the last decade gone through pervasive and fundamental disruptions that have led to extensive and unprecedented governmental and regulatory interventions. Such intervention has in certain cases been implemented on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, regulators across the world began to implement regulatory reforms in various jurisdictions, but such efforts have not been completely coordinated, resulting in some inconsistent regulations, confusion and uncertainty which has been detrimental to the efficient functioning of the markets and may be detrimental to previously successful investment strategies.

### **U.S. Regulatory Agenda**

There may be a transition across the US legislative and regulatory landscape, which may entail and overhaul of federal tax policies and other financial regulations, including changes in SEC and CFTC/NFA rules and regulations. In the event of any material regulatory or tax changes, Clients, FDS and/or the markets in which they trade and invest may adversely be affected.

### **3. Conflicts of Interest**

Various conflicts of interest arise in connection with the operation of the Funds or Client accounts. FDS has a responsibility to its Clients to exercise good faith and fairness in all dealings affecting the Clients and will endeavor to resolve all conflicts fairly and equitably.

FDS seeks to devote sufficient resources to pursue each Fund’s or Client account’s stated investment objectives, subject to general constraints on portfolio risk, exposure to extreme adverse events, concentration, liquidity and other qualitative, quantitative considerations and other considerations. However, FDS, its affiliates and managers, members, officers, directors, agents, and employees are not required to devote all or any specific portion of their working time to a Fund or Client. Rather, such persons will devote so much of their time and effort to our affairs as they determine is reasonably necessary in order to accomplish our purposes. Further, absent material conflicts with FDS, its Funds, or Clients not otherwise addressed in this Form ADV or in any of the Governing Documents, none of such persons will be required to refrain from any other business or investment activity unrelated to FDS and its affiliates or disgorge any profits from any such activity.

Without limiting the generality of the foregoing, FDS, its affiliates and managers, members, officers, directors, agents, and employees may act as an investment manager, investment adviser, sponsor, manager, general partner or managing member for other Funds and/or Client accounts (“Other Accounts”) and give advice, and take action, with respect to any of those Other Accounts that may differ from the advice given, or the timing or nature of action taken, with respect any particular Client. Where there is a limited supply of an investment opportunity, FDS will use commercially reasonable efforts to allocate or rotate investment opportunities in a manner deemed equitable, but FDS cannot assure equality among all Clients. In addition, FDS and its affiliates may advise Other Accounts that trade in identical or similar underlying Investments, or similar strategies, and that are generally classified as the same type of fund product, even though such activities may result in competition among Clients and/or may take substantial time and resources of FDS or its affiliates away from any particular Client. In addition to the key conflicts described below, certain of the key conflicts are described in more detail in the relevant sections of this Form ADV.

### **Selling Shareholder in the Distribution**

In certain instances, the purchase or sale of securities for the accounts of clients is restricted in connection with distributions of securities where FDS, its affiliates or their clients are proposing to act as selling shareholder in the distribution. Any such activity is evaluated in accordance with the Exchange Act's Regulation M, the 1940 Act, the Employee Retirement Income Security Act of 1974 ("ERISA") and other applicable rules and regulations and from time to time results in restrictions on the ability of client accounts to purchase or sell in the distribution and/or secondary market. From time-to-time, FCM, a division of NFS, an affiliated broker-dealer of FDS and its affiliates, acts as a selling agent or principal underwriter in underwritings of municipal, equity or other securities that FDS or its affiliates recommend to clients. The trustees of FDS's or its affiliates' U.S. registered investment company clients evaluate any such activity, if applicable, by FDS or its affiliates in accordance with Rule 10f-3 under the 1940 Act and procedures adopted pursuant to Rule 10f-3.

### **Significant Issuer Holding**

A conflict of interest situation is presented where a portfolio manager considers investing a client account in securities of an issuer in which FDS, its affiliates or their (or their Fund clients') respective directors, officers or employees already hold a significant position for their own account, including positions held indirectly through certain Funds or accounts managed by FDS or one of its affiliated advisers (collectively, "Proprietary Accounts"). Because the 1940 Act, as well as other applicable laws and regulations, restrict certain transactions between affiliated entities or between an adviser and its clients, client accounts managed by FDS or its affiliates, including accounts sub-advised by third parties, are, in certain circumstances, prohibited from participating in offerings of such securities (including initial public offerings and other offerings occurring before or after an issuer's initial public offering) or acquiring such securities in the secondary market. For example, ownership of a company by the Investor Entities advised by Impresa or other Proprietary Accounts has, in certain situations, resulted in restrictions on FDS's and its affiliates' client accounts' ability to acquire securities in the company's initial public offering and subsequent public offerings, private offerings, and in the secondary market, and additional restrictions could arise in the future; to the extent such client accounts acquire the relevant securities after such restrictions are subsequently lifted, the delay could affect the price at which the securities are acquired. A conflict of interest situation is presented when FDS or its affiliates acquire, on behalf of their client accounts, securities of the same issuers whose securities are already held in Proprietary Accounts, because such Investments could have the effect of increasing or supporting the value of the Proprietary Accounts. A conflict of interest situation also arises when FDS or its affiliates investment advisory personnel consider whether client accounts they manage should invest in an investment opportunity that they know is also being considered by an affiliate of FDS for a Proprietary Account, to the extent that not investing on behalf of such client accounts improves the ability of the Proprietary Account to take advantage of the opportunity. FDS and its affiliates have adopted policies and procedures and maintains a compliance program designed to help manage such actual and potential conflicts of interest.

### **Accounts with Performance Fees**

A conflict of interest situation is also presented when a portfolio manager manages accounts simultaneously and one account has certain performance fee and incentive compensation arrangements and another account does not. In addition, conflicts of interest are presented when the account's orders do not get fully executed due to being aggregated with those of other accounts managed by FDS and/or its affiliates. The policies described here, and elsewhere in this document, including descriptions of FDS's trade allocation policies, seek to mitigate these actual and potential conflicts of interest. There can be no assurance, however, that all conflicts have been addressed in all situations.

### **Investment into Closed Strategies**

Portfolio managers are permitted to invest in the strategies they manage even when, under certain circumstances, the strategy is closed to new investors.

### **Material Non-public Information**

From time-to-time, in connection with its business, FDS obtains material non-public information. In compliance with applicable laws, FDS has adopted a comprehensive set of policies and procedures that prohibit the use of material non-public information by investment professionals or any other employees. FDS also has procedures addressing the use of third party paid research consultants.

### **Principal Transactions and Certain Other Conflicted Transactions**

Subject to applicable law and Governing Documents, FDS or an affiliate sells to or acquires from Clients securities or other Investments. For example, from time-to-time, an affiliate of FDS acquires securities, real estate Investments or other Investments in a proprietary account temporarily on behalf of a Client and then transfers such Investments to the Client account, or a joint venture in which the Client invests (e.g., through a “warehousing” transaction), generally in connection with the Fund’s or client account launch or a closing. Because prior to transfer in a sale or after the transfer in an acquisition, as applicable, such assets are, in each case, owned by FDS or its affiliate, conflicts of interest arise regarding the decision of whether to transfer such assets and the valuation of those holdings at the time of such transfers. FDS reserves the right to cause these transfers to be made at cost, or cost plus an interest rate and/or carrying cost charged from the time of acquisition to the time of transfer, notwithstanding that the fair market value of any such Investments may have declined below or increased above cost from the date of acquisition to the time of such transfer. FDS also reserves the right to determine another methodology for pricing these transfers, including fair market value at the time of transfer, subject to the applicable Client’s Governing Documents. To the extent fair market valuations are to be used at the time of transfer, such valuations will be conducted in accordance with FDS’s valuation policy and procedures and/or as otherwise provided in the Governing Documents of the applicable Client. To the extent any such transaction qualifies as a “principal transaction” (i.e., where FDS is acting as principal for its own account and knowingly transacts with a Client) under the Advisers Act, FDS will conduct such transaction in accordance with the provisions of Section 206(3) of the Advisers Act. Certain Funds managed by FDS or its affiliates may accept contributions of securities from investors in exchange for interests in the Fund and distribute securities to investors in connection with redemptions. To the extent FDS or its related persons contribute assets to such a Fund as an investor or the Fund distributes assets to FDS or its related persons in connection with a redemption, such contributions or redemptions would generally be valued at their market value (e.g., using the relevant exchange-based closing price) at the time of the Fund’s closing (for contributions) or distribution (for redemptions) and otherwise conducted in accordance with the Fund’s Governing Documents and, where applicable, Section 206(3) of the Advisers Act.

In addition, FDS’s affiliates provide credit facilities or other loans to certain of FDS’s Fund Clients, subject to applicable law and the relevant Fund’s Governing Documents. For example, Fund Clients have borrowed or may borrow in the future from an affiliate of FDS to enable the Fund to acquire assets or pay expenses in advance of closings or the receipt of capital contributions, to facilitate redemptions, to leverage Investments and/or for other purposes. While FDS believes, when entering into the loan, that such loans will benefit the relevant Fund, a conflict of interest arises because an affiliate of FDS will benefit from the lending arrangement and will receive interest payments in connection with the arrangement. In addition, a conflict of interest arises in the event of a default or a breach of the loan terms by a Fund as the interests of FDS and its affiliate will differ from those of the Fund. In connection with its rights as lender, FDS’s affiliates act to protect their own commercial interests and may take actions in connection with a default, breach or otherwise, that adversely affect the Fund borrower.

For certain Funds, any required client consent in connection with the foregoing transactions may be granted by an independent representative or committee thereof, a committee of investors or another governing body acting for the Fund, in which case other investors will not have the separate opportunity to provide or withhold consent to the proposed transaction. More information relating to specific conflicts of interest relevant to certain FDS private funds is set out in the applicable fund’s Governing Documents for each relevant Fund.



## **Registered Investment Companies**

Conflicts of interest with respect to registered investment companies that arise from dealings with affiliated brokers are governed by various policies adopted by the respective Funds' Board of Trustees or Directors. For example, Section 10(f) of the 1940 Act is intended to prevent affiliated underwriters from "dumping" undesirable securities on funds or otherwise using fund purchases to benefit the underwriting syndicate. In accordance with Rule 10f-3, the Fund Boards of Trustees or Directors have adopted procedures by which the Funds are permitted to purchase securities in offerings for which FDS or its affiliates acts as a principal underwriter, provided that certain conditions are satisfied.

## **Loan Agent**

An affiliate of FDS, Fidelity Direct Lending LLC, acts as the administrative agent or other named agent (the "Loan Agent") to various loan/loan syndicate participants, which includes clients of FDS and/or its affiliates and other third-party lenders, and Clients of FDS/or and its affiliates also hold Investments in various tranches in the credit facilities and other parts of an issuers capital structure. These circumstances give FDS and its affiliated Loan Agent significant control over decisions made with respect to loans held by Clients. As is typical in agency arrangements involving direct lending credit facilities, the agent is the party responsible for administering and enforcing the credit facility, it can take certain actions and make certain decisions in its discretion, but generally is only permitted to take material actions affecting the rights and remedies of the lenders in accordance with the instructions of a designated percentage of the lenders (for example, 100% with respect to modifications of a loan's payment terms, although a lesser percentage typically applies to other material modifications). In the case of credit facilities that includes both senior and subordinate tranches, the agent can take actions affecting the rights and remedies of the lenders in accordance with the terms of a negotiated inter-creditor arrangement between the tranche holders. Clients may hold assets representing voting interests in an amount less than needed to direct, initiate, or prevent actions with respect to the relevant credit facility (other than preventing those that require the consent of each lender). The interests of FDS as the adviser and its affiliate as the Loan Agent, in seeking to maintain long-term and profitable relationships with private equity sponsors or obligors, could create an incentive for FDS to agree to repricings, modifications, and/or amendments to a loan to retain the loan and/or strengthen its business relationship with the obligor or the private equity sponsor, or for other reasons discussed herein. As a result of FDS or an affiliate acting as an adviser for different Clients invested in different parts of an issuer capital structure, including owning more of the related indebtedness of the obligor or holding indebtedness in a position in the capital structure of an obligor different than that of a Client, FDS and/or its affiliates could be in a position to exercise more control with respect to the related credit facility than that of FDS on behalf of a Client and could exercise such control in a manner adverse to the interests of a Client. As a result, there can be no assurance that loans will not be modified or amended to provide lower pricing and other less favorable terms or that such modifications or amendments will not adversely affect Client returns. Please also see Performance-Based Fees and Side-By-Side Management section for additional information regarding Investments in different parts of an issuer's capital structure.

Under SEC staff guidance, it is impermissible for FDS and its affiliates to retain fees for providing administrative agent services with respect to loans in which BDCs or registered closed-end investment companies managed by FDS or its affiliates have invested. While we believe our clients benefit from having an affiliate of FDS serve as an administrative agent on their behalf as lenders, the Loan Agent may decide not to serve as a loan agent for certain loans or otherwise outsource this function to a third party.

Certain third party expenses of the Loan Agent will be reimbursed by Clients or netted against the fees earned by the Loan Agent and forwarded to Clients as set forth in the Governing Documents of the Clients.

## **Outsourcing/Service Providers**

FDS and its affiliates conduct appropriate initial and ongoing due diligence on any outside vendor that provides products or services to FDS and enter into an appropriate contract in accordance with the applicable third-party service providers policy, and any applicable third-party risk management framework.

Clients also rely heavily on financial, accounting and other data processing systems developed by the Clients' and Firm's service providers. While the Firm generally conducts a review of service providers engaged by the Firm or the Clients prior to retaining such service providers pursuant to the Firm's policies, the Firm may not be in a position to verify the risks or reliability of such service providers' programs or systems and the Firm's review may fail to identify material issues and concerns related to the service provider in question.

FDS conducts appropriate due diligence on any outside vendor that provides products or services to FDS and its affiliates and enters into an appropriate contract in accordance with FDS policies and procedures, and any applicable third-party risk management framework at the firm. FDS' relationships with outside vendors are managed so that appropriate controls and oversight are in place to protect FDS' interests, including safeguarding of private and confidential information regarding its Clients and employees. Despite the Firm's best efforts, there can be no assurances that the Firm will be able to identify and address all material risks related to vendors. Furthermore, Clients may experience losses as a result of the failures or inadequate level of service by vendors.

### **Dual Hat Employees**

Certain employees of one or more of our affiliates are also officers or employees of FDS ("dual hat employees") for the purpose of performing investment advisory and related services. When FDS shares personnel with its affiliates pursuant to these arrangements, such personnel will be subject to FDS' compliance policies and procedures when acting on behalf of FDS, and subject to the policies and procedures of the affiliate when acting on behalf of that affiliate.

### **Core Investor**

The private Funds may have a limited number of investors at any time, and several (if not all) of these investors may be affiliated or advised by the same investment adviser and may contribute all or a substantial percentage of the private Funds' capital. Accordingly, it may be more likely that one or more of these affiliated or commonly advised investors request to redeem from the private Funds at the same time, including for reasons entirely unrelated to the investment performance of the private Funds. Any such redemption could pertain to a significant portion of the private Funds' capital. Such redemptions could materially and adversely affect the relevant private Funds or any remaining investors. FDS does not have a duty to inform or advise any investor in the relevant private Funds to make a similar redemption or take a similar action. Each Private Fund investor is responsible for making its own decision as to the timing and amount of any redemption from any of the private Funds.

*Additional information relating to specific conflicts of interest relevant to certain FDS Funds is set out in the applicable Fund's Governing Documents.*

## **Item 9. Disciplinary Information**

There are no legal or disciplinary events that are material to the evaluation of FDS's business or the integrity of its management.

## **Item 10. Other Financial Industry Activities and Affiliations**

Certain of FDS's supervised persons are registered representatives of an affiliated registered broker-dealer, Fidelity Distributors Company LLC.



## **Broker-Dealers**

FDS or its affiliates have relationships or arrangements with the following broker-dealers:

**Fidelity Distributors Company LLC (“FDC LLC”)**, a wholly-owned subsidiary of Fidelity Global Brokerage Group, Inc., is the principal underwriter for BDCs and general distributor of shares in the Fidelity family of registered, open-end management investment companies and Fidelity exchange-traded funds. FDC LLC markets products such as mutual funds, ETFs, private funds, and commingled pools advised by FMR, its affiliates, or certain unaffiliated advisers to certain third-party financial intermediaries and institutional investors. On behalf of certain FDC LLC investment advisor affiliates, FDC LLC also solicits intermediaries, institutions and governmental entities who are interested in purchasing investment advisory services directly or for their clients. FDC LLC also acts as a solicitor for FDS’s investment management services and products, and acts as a placement agent for certain privately offered investment funds advised by FDS. FDC LLC is a registered broker-dealer under the Securities Exchange Act of 1934, as amended (“Exchange Act”).

**Fidelity Brokerage Services LLC (“FBS”)**, a wholly owned subsidiary of Fidelity Global Brokerage Group, Inc., is a registered broker-dealer under the Exchange Act, and provides brokerage products and services, including the sale of shares of investment companies advised by FMR or FDS to individuals and institutions including retirement plans administered by affiliates. Pursuant to referral agreements and for compensation, representatives of FBS refer customers to various services offered by FBS’ related persons, and FBS acts as a solicitor for FDS’s investment management services and products. FBS also acts as a placement agent for certain privately-offered investment funds advised by FDS. In addition, FBS is the distributor of insurance products, including variable annuities, which are issued by FDS’s related persons, Fidelity Investments Life Insurance Company (FILI) and Empire Fidelity Investments Life Insurance Company (EFILI). FBS provides shareholder services to certain of FDS’s or FDS’s affiliates’ clients.

**Fidelity Global Brokerage Group, Inc. (“FGBG”)**, a wholly-owned subsidiary of FMR LLC, wholly-owns six broker-dealers: Fidelity Brokerage Services LLC, National Financial Services LLC, Fidelity Distributors Company LLC, Fidelity Prime Financing LLC, Digital Brokerage Services LLC and Green Pier Fintech LLC, and also has a membership interest in Titan Parent Company, LLC (“HoldCo”), a Delaware LLC and a holding company that owns Luminex Trading & Analytics LLC, which operates two alternative trading systems, the “Level ATS” and “Luminex ATS” (“LTA ATS”). Transactions for clients of FDS or other entities for which FDS serves as adviser or sub-adviser or provides discretionary trading services, as well as clients of FDS’s affiliates, are executed through the Level ATS and LTA ATS.

**Digital Brokerage Services LLC (“DBS”)**, a wholly owned subsidiary of Fidelity Global Brokerage Group Inc., is a registered broker-dealer under the Exchange Act. DBS operates a primarily digital/mobile application- based brokerage platform, which enables retail investors to open brokerage accounts via the mobile application and purchase and sell equity securities, including shares of investment companies advised by FMR. DBS receives remuneration from FMR for expenses incurred in servicing and marketing FMR products.

**Fidelity Clearing Canada ULC (“FCC”)** is engaged in the institutional brokerage business and provides clearing and execution services for other brokers, portfolio managers and institutional clients. FCC is a wholly-owned subsidiary of 483A Bay Street Holdings LP, which is a joint venture majority owned by FIL Limited and minority owned by Fidelity Canada Investors LLC. FCC is a registered investment dealer in all provinces and territories of Canada, a futures commission merchant in Ontario and Manitoba, a derivatives dealer in Québec and a member of the Investment Industry Regulatory Organization of Canada. Certain owners of Fidelity Canada Investors LLC are also employees of FMR LLC. FDS disclaims that it is a related person of FCC.

**National Financial Services LLC (“NFS”)** is a registered broker-dealer under the Exchange Act and is a fully disclosed clearing broker-dealer. As such, NFS provides clearing, settlement, and execution services for other broker-dealers, including its affiliate Fidelity Brokerage Services. Fidelity Capital Markets (FCM)

is a division of NFS which provides trade executions for FDS and other advisory 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. CrossStream is used to execute transactions for FDS or FDS's affiliates' investment company and other advisory clients. NFS provides transfer agent or sub transfer agent services and other custodial services to certain of FDS's or FDS's affiliates' clients. NFS may provide securities lending services to certain of FMR's or FMR's affiliates' clients. NFS is a wholly-owned subsidiary of Fidelity Global Brokerage Group Inc., a holding company that provides certain administrative services to NFS and other affiliates.

**Luminex Trading & Analytics LLC ("LTA")**, is a registered broker-dealer and operator of alternative trading systems ("ATS"), operates the LTA ATS and the Level ATS, which allow orders submitted by its subscribers to be crossed against orders submitted by other subscribers. Titan Parent Company, LLC, a Delaware LLC and holding company, owns LTA. FGBG and FMR Sakura Holdings, Inc., both wholly owned subsidiaries of FMR LLC, have membership interests in Titan Parent Company, LLC, along with other members. LTA charges a commission to both sides of each trade executed in the LTA ATS and Level ATS. The LTA ATS and Level ATS are used to execute transactions for FDS's or FDS's affiliates' investment company and other advisory clients. NFS serves as a clearing agent for FMR transactions executed in the LTA ATS.

FMR is authorized to place portfolio transactions with FCM and use CrossStream, an ATS operated by NFS, as well as LTA ATS and Level ATS, which are operated by LTA, if it reasonably believes the quality of the transaction is comparable to what it would be with other qualified broker-dealers. In addition, FMR places client trades with broker-dealers that use NFS or FCC as a clearing agent.

Transactions executed by brokers considered to be affiliates of FDS under the 1940 Act on behalf of registered investment company clients are effected in accordance with Rule 17e-1 under the 1940 Act, and procedures adopted thereunder.

FCM and LTA cross transactions on an agency basis between clients of FDS or its affiliates, including investment company clients, non-investment company clients, and other non-advisory clients (agency cross transactions), as permitted by applicable rules and regulations. Such transactions will be executed, to the extent required by law, in accordance with (i) Rule 206(3)-2 under the Advisers Act, requiring written consent, confirmations of transactions and annual reporting, and (ii) procedures adopted pursuant to Rule 17e-1 under the 1940 Act by the Board of Trustees or Directors of FDS's clients that are registered investment companies.

Conflicts of interest with respect to registered investment companies (i.e., mutual funds) that arise from dealings with affiliated brokers are governed by various policies adopted by the respective mutual funds' Board of Trustees or Directors. For example, Section 10(f) of the 1940 Act is intended to prevent affiliated underwriters from "dumping" undesirable securities on funds or otherwise using fund purchases to benefit the underwriting syndicate. In accordance with Rule 10f-3, the mutual fund Boards of Trustees or Directors have adopted procedures by which the Funds are permitted to purchase securities in offerings for which FCM acts as a principal underwriter, provided that certain conditions are satisfied.

Additionally, Section 17(a) prevents affiliated brokers on their own behalf from selling securities to or buying securities from the Funds, except to the extent allowed by law, to prevent those affiliated brokers from taking advantage of the Funds. The mutual fund Boards of Trustees or Directors have adopted policies and procedures preventing affiliated brokers from engaging in such transactions, except to the extent allowed by law. Furthermore, Section 17l prevents affiliated brokers from charging excessive fees for transactions on behalf of the Funds. Under Rule 17e-1, affiliated brokers are permitted to receive a "usual and customary brokerage commission" in connection with transactions effected on a securities exchange, and the Rule 17e-1 procedures adopted by the mutual fund Boards of Trustees or Directors ensure that the fees do not exceed the usual and customary requirements. In addition, FDS has adopted various policies and procedures to address provisions of and prohibitions under the Adviser's Act and ERISA (where applicable) with respect to potential conflicts of interest and self dealing.

In certain circumstances, trades are executed through alternative trading systems or national securities exchanges in which FDS or its affiliates have an interest. Any decision to execute a trade through an alternative trading system or exchange in which FDS or its affiliates have an interest would be made in accordance with applicable law, including best execution obligations. For trades placed on such a system or exchange, not limited to ones in which FDS or its affiliates have an ownership interest, FDS or its affiliates derive benefit in the form of increased valuation(s) of its equity interest, where it has an ownership interest, or other remuneration, including rebates.

### ***Different Investment Terms***

Certain of the Funds may issue multiple classes of units, shares or interests of which certain classes are subject to different investment terms, including those applicable to fees, transparency and liquidity. Furthermore, FDS may enter into letter agreements (often referred to in the industry as “side letters”) or other supplemental agreements with certain investors in the Funds, which may grant terms which differ from those outlined in the private Funds’ Governing Documents, including terms that are more favorable to such investors than those applicable to other investors. These terms may include (i) different subscription notice periods or minimum investment amounts, (ii) the waiver or reduction of management fees and/or incentive fees or incentive profit allocations, (iii) differing redemption or withdrawal terms, in terms of either the required notice to be given or the amount that may be redeemed or withdrawn, (iv) commitments to permit future Investments in the Fund by certain investors when the Fund is otherwise closed to new or additional Investments, (v) waiver of confidentiality undertakings, (vi) consent to transfer of interests in the private Funds, and (vii) undertakings designed to protect an investor from violating an applicable statute or administrative regulation. Funds and FDS may provide certain investors with supplemental information, reports and due diligence that may not be made available to all investors. The supplemental information or reports provided for in a side letter may affect the decision of the recipient to request a redemption or withdrawal from a private Fund. Additionally, FDS or its affiliates from time to time enter into economic and/or other fee-sharing arrangements with respect to one or more Funds and/or certain investors thereof, the rights of which will not generally be made available to other investors.

### ***Securities Lending Agent***

NFS provides securities lending services to the Registered Funds and other client accounts (lending accounts) that are advised by FDS or FDS’s affiliates under a securities lending agency agreement subject to a flat fee arrangement and a limit, or cap, on total daily compensation. An economic incentive exists for NFS to increase the amount of securities out on loan to generate income equal to the daily cap; however, FDS, not NFS, determines daily, the securities that are eligible to participate in the securities lending program. NFS has established policies and procedures designed to help ensure that the information NFS receives about the lending accounts in its capacity as securities lending agent is used solely in connection with the agency securities lending program and is not accessed by trading personnel who effect transactions in NFS proprietary accounts or in the accounts of NFS’s other clients.

NFS also borrows securities from certain Registered Funds pursuant to SEC exemptive relief. NFS uses automated third-party software to allocate loans to a pre-approved list of borrowers provided by FMR, FDS, or their affiliates, as applicable, to help ensure the fair allocation of lending opportunities between NFS and other borrowers. The above referenced policies and procedures help ensure that the information NFS receives in its capacity as securities lending agent is not used by NFS in its role as borrower.

If a borrower in a securities loan defaults, NFS would indemnify a lending account to the extent that the collateral deposited by the borrower is insufficient to make the lending account whole, which subjects NFS to collateral shortfall risk (“shortfall risk”). Management of the shortfall risk creates an incentive for NFS to limit the amount of securities lending activity NFS conducts on behalf of the lending accounts, which has the potential to reduce the volume of lending opportunities for certain types of loans. FMR has established policies and procedures that provide for FMR or its affiliates, as applicable, to compare loans entered into by NFS on behalf of the lending accounts with opportunities for securities loans that NFS passed over.

Missed opportunities will be evaluated by FMR or its affiliates, as applicable, and reviewed with NFS. NFS has purchased insurance to mitigate shortfall risk.

### **Securities Lending**

Funds may lend securities to parties such as broker-dealers or other institutions, including an affiliate, National Financial Services LLC (NFS). Funds for which FDS serves as adviser will not lend securities to affiliates. Securities lending allows a fund to retain ownership of the securities loaned and, at the same time, earn additional income. The borrower provides the fund with collateral in an amount at least equal to the value of the securities loaned. The fund seeks to maintain the ability to obtain the right to vote or consent on proxy proposals involving material events affecting securities loaned. If the borrower defaults on its obligation to return the securities loaned because of insolvency or other reasons, a fund could experience delays and costs in recovering the securities loaned or in gaining access to the collateral. These delays and costs could be greater for foreign securities. If a fund is not able to recover the securities loaned, the fund may sell the collateral and purchase a replacement investment in the market. The value of the collateral could decrease below the value of the replacement investment by the time the replacement investment is purchased. For certain Funds, loans will be made only to parties deemed by the fund's adviser to be in good standing and when, in the adviser's judgment, the income earned would justify the risks.

Certain Funds have retained agents, including NFS, an affiliate of the funds, to act as securities lending agent. If NFS acts as securities lending agent for a fund, it is subject to the overall supervision of the fund's adviser, and NFS will administer the lending program in accordance with guidelines approved by the fund's Trustees.

Cash received as collateral through loan transactions may be invested in other eligible securities, including shares of a money market fund. Investing this cash subjects that investment, as well as the securities loaned, to market appreciation or depreciation.

### **Investment Company or Other Pooled Investment Vehicle**

FDS may provide portfolio management services as subadviser for affiliated and unaffiliated registered investment companies. FDS disclaims that it is a related person of the unaffiliated investment companies for which it provides investment management services. FDS may also provide portfolio management services as adviser for a number of affiliated, privately-offered Funds.

Related persons of FDS are general partners of a partnership or a managing member of an LLC or other pooled investment vehicle, such as a privately-offered investment Fund, in which clients of FDS or its affiliates are solicited to invest and which FDS or its affiliates advise. These privately-offered investment Funds invest in a wide variety of interests, including securities and derivatives instruments, real estate, loans and other privately-offered Funds.

### **Other Investment Advisers**

FDS or its affiliates have relationships or arrangements with the investment advisers identified below. FDS or its affiliates provide certain investment management personnel to or use the investment management personnel of certain of the following investment advisers under personnel sharing arrangements or other inter-company arrangements. FDS generally shares its research with the investment advisers noted below, and in certain cases, on a delayed basis, and may also receive research services from these advisers. In addition, FDS or its affiliates provide certain administrative services to certain of the following investment advisers, including, but not limited to, securities and derivatives trade execution, investment compliance and proxy voting.

**Fidelity Management & Research Company LLC ("FMR")** is a wholly-owned subsidiary of FMR LLC and a registered investment adviser under the Advisers Act. FMR principally provides portfolio management services as an adviser or subadviser to registered investment companies. FMR or its affiliates provide

certain administrative services to FDS and its affiliates, including, but not limited to, securities execution, investment compliance and proxy voting. FMR provides model portfolio construction services to Strategic Advisers LLC in connection with Strategic Advisers' provision of discretionary portfolio management services to certain clients.

**Fidelity Personal and Workplace Advisors LLC ("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 Advisers Act. FPWA provides non-discretionary investment management services and serves as the sponsor to investment advisory programs. FMR acts as sub-advisor to FPWA in providing discretionary portfolio management services to certain FPWA client accounts.

**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 advice to third-party financial institutions in connection with the provision of model asset allocation portfolios ("Fidelity Model Portfolios") and model-delivered separately managed accounts ("Fidelity Advisor Separately Managed Accounts" or "Fidelity Advisor SMAs"). FIWA also sponsors the Fidelity Managed Account XchangeSM program ("FMAX"), a turn-key asset management program made available to individual investors through financial intermediaries, which includes Fidelity Model Portfolios and Fidelity Advisor SMAs.

**Strategic Advisers LLC ("Strategic Advisers")** is a wholly owned subsidiary of Fidelity Advisory Holdings LLC, which in turn is wholly owned by FMR LLC, and is a registered investment adviser under the Advisers Act. Strategic Advisers provides discretionary and non-discretionary advisory services and acts as the investment manager to registered investment companies that invest in affiliated and unaffiliated Funds and as sub-advisor to various retail accounts, including separately managed accounts. Strategic Advisers acts as sub-advisor to FPWA in providing discretionary portfolio management services to certain FPWA client accounts, and assists FPWA in evaluating other sub-advisors. FDS, or its affiliates, provide portfolio management services as sub-advisor to certain of Strategic Advisers' customers. Strategic Advisers is registered with the CFTC as a commodity pool operator and is a member of the NFA.

**FMR Investment Management (UK) Limited ("FMRIM (UK)")**, an indirect wholly-owned subsidiary of FMR, is registered as an investment adviser under the Advisers Act and has been authorized by the U.K. Financial Conduct Authority to provide investment advisory and portfolio management services. FMRIM (UK) provides investment advisory and portfolio management services as a sub-advisor to certain of FDS's clients, including investment companies in the Fidelity group of Funds, and provides trading services to FMR and its affiliates. FMRIM (UK) provides portfolio management services as an adviser or sub-advisor to clients of other affiliated and unaffiliated advisers. FMRIM (UK) is also authorized to undertake insurance mediation as part of its benefits consulting business. FMRIM (UK) is also registered with the Central Bank of Ireland.

**Ballyrock Investment Advisors LLC ("Ballyrock")** is a wholly-owned subsidiary of FMR LLC, and is registered as an investment adviser under the Advisers Act. Ballyrock provides investment advisory services to collateralized loan obligation ("CLO") issuers, with a focus on investments in high yield debt securities, including primarily bank loans. FMR or its affiliates provides portfolio management services as a sub-advisor to clients of Ballyrock.

**Impresa Management LLC ("Impresa")** is owned by trusts, the trustees of which are individuals, certain of whom are employees of FMR LLC. Impresa is a registered investment adviser under the Advisers Act and serves as (i) an investment adviser and general partner or manager for certain limited partnerships or limited liability companies (the "Investor Entities"); and (ii) an investment adviser and/or the ultimate general partner or manager (either directly or indirectly through subsidiary entities) to certain collective investment entities in which the Investor Entities invest and to Funds or other special purpose vehicles that co-invest or hold investments alongside such collective investment vehicles. Impresa also provides investment advisory services as an adviser to other affiliated entities or sub-advisor to other affiliated or unaffiliated entities. Impresa generally invests, on behalf of its clients, in securities of private companies, purchased



and sold in privately negotiated transactions, and generally does not purchase publicly traded securities. From time to time, Impresa clients acquire or hold publicly traded securities as a result of a private portfolio company's initial public offering, the purchase of additional securities in such an initial public offering or through the acquisition of a portfolio company by a public company. Impresa from time to time invests in less established or early-stage companies, as well as later-stage private companies. For more information regarding conflicts of interest relating to proprietary trading, see "Code of Ethics, Participation or Interest in Client Transactions and Personal Trading" section herein.

**FIAM LLC ("FIAM")** is a wholly-owned subsidiary of FIAM Holdings LLC, which in turn is wholly-owned by FMR LLC, and provides investment management services, including sub-advisory services to FDS or its affiliates. FIAM is a registered investment adviser under the Advisers Act. FIAM is also registered with the Central Bank of Ireland.

**Fidelity Investments Canada ULC ("FIC")** is a wholly-owned indirect subsidiary of 483A Bay Street Holdings LP, which is a joint venture majority owned by FIL Limited and minority owned by Fidelity Canada Investors LLC. FIC, a registered investment fund manager, portfolio manager, exempt market dealer and mutual fund dealer in all provinces and territories of Canada, as applicable, and is registered as a commodity trading manager in Ontario. FIC provides management and administrative services to Canadian investment funds, pooled funds and institutional accounts. FDS or its affiliates serve as subadviser for accounts managed or distributed by FIC or its affiliates. Certain owners of Fidelity Canada Investors LLC are also employees of FMR LLC. FDS disclaims that it is a related person of FIC.

**FIL Limited ("FIL")** was incorporated in 1969 and serves as investment manager and adviser to offshore funds and private accounts. FIL and FDS provide portfolio management services as an adviser or a subadviser to FDS or its affiliates, or FIL and their clients, respectively. FIL and its affiliates provide distribution services to, and act as a solicitor for FDS's investment management services and its products. FDS disclaims that it is a related person of FIL.

**FIL Investments (Japan) Limited ("FIJ")** is an indirect wholly-owned subsidiary of FIL, a Bermuda company, and is registered as an investment adviser under the Advisers Act. FIJ provides discretionary investment management services to clients of FMR, FDS's or its affiliates' clients with respect to Japan and other Asian countries and issuers, and serves as subadviser (generally through a delegation from FIL Investment Advisors) for certain of FMR's clients. FDS and its affiliates serve as subadviser to clients of FIJ. FIJ recommends to its clients, or invest on behalf of its clients, in securities that are the subject of recommendation to, or discretionary trading on behalf of, FDS's or its affiliates' clients. FDS disclaims that it is a related person of FIJ.

**FIL Investment Advisors ("FIA")** is a wholly-owned subsidiary of FIL and is registered as an investment adviser under the Advisers Act. FIA provides research and discretionary investment management services to FDS's or its affiliates' clients with respect to companies outside the U.S., and serves as subadviser for certain of FDS's or its affiliates' clients, or invest in, on behalf of its clients, securities that are the subject of recommendation to, or discretionary trading on behalf of, FDS's or its affiliates' clients. FDS disclaims that it is a related person of FIA.

**FIL Investment Advisors (UK) Limited ("FIA (UK)")** is an indirect wholly-owned subsidiary of FIL, and is registered as an investment adviser under the Advisers Act. FIA (UK) provides discretionary investment management services to certain of FDS's or its affiliates' clients with respect to companies outside the U.S. and serves as subadviser (generally through a delegation from FIA) for certain of FDS's or its affiliates' clients. FIA (UK) recommends to its clients, or invests in, on behalf of its clients, securities that are the subject of recommendation to, or discretionary trading on behalf of, FDS's or its affiliates' clients. FDS disclaims that it is a related person of FIA (UK).

**FIL Investment Management (Singapore) Limited ("FI(S)L")** is an indirect wholly-owned subsidiary of FIL and is a "Participating Affiliate" of FIA. FI(S)L, under the supervision and review of FIA and in accordance with FIA's applicable investment guidelines and compliance policies, determines the securities



to be purchased and sold for a limited number of FIA's clients. FI(S)L recommends to its clients, or invests in on behalf of its clients, securities that are the subject of recommendations to, or discretionary trading on behalf of, FDS's or its affiliates' clients. FDS disclaims that it is a related person of FI(S)L.

**Fidelity Management & Research (Japan) Limited ("FMR (Japan)")**, a direct wholly-owned subsidiary of FMR, 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) supplies investment research and investment advisory information and provides discretionary investment management services to certain clients of FMR and its affiliates, including investment companies in the Fidelity group of Funds, to FDS and its affiliates, and to clients of other affiliated and unaffiliated advisers.

**Fidelity Management & Research (Hong Kong) Limited ("FMR (Hong Kong)")**, a wholly-owned subsidiary of FMR, is a registered investment adviser under the Advisers Act, and has been authorized by the Hong Kong Securities & Futures Commission to advise on securities, advise on futures contracts, provide asset management services and conduct trading services. FMR (Hong Kong) provides investment advisory or portfolio management services as an adviser or subadviser for certain clients of FMR and its affiliates, including investment companies in the Fidelity group of Funds, to FDS and its affiliates, and for clients of other affiliated and unaffiliated advisers. FMR (Hong Kong) provides trading services to FMR and its affiliates.

**Fidelity Management & Research (Canada) ULC ("FMR-Canada")** is an indirect wholly-owned subsidiary of FMR. FMR-Canada is registered as a portfolio manager and a commodity trading manager with the Ontario Securities Commission. FMR-Canada provides portfolio management services as a sub-adviser to certain of FMR's and its affiliates' clients.

FDS or its affiliates use the investment management personnel of certain of the investment advisers noted above and the trust companies noted below under personnel sharing arrangements or other inter-company arrangements. In addition, FDS or its affiliates provide certain administrative services to certain of the foregoing investment advisers, including, but not limited to, securities and derivatives trade execution, investment compliance and proxy voting.

### **Banking, Thrift Institutions and Trust Companies**

FDS or its affiliates have relationships or arrangements with the following banking and trust institutions. FDS or its affiliates provide certain investment management personnel to or use the investment management personnel of certain of the following banking and trust institutions under personnel sharing arrangements or other inter-company arrangements. In addition, FDS or its affiliates provide certain administrative services to certain of the following investment advisors, including, but not limited to, securities and derivatives trade execution, investment compliance and proxy voting.

**Fidelity Management Trust Company ("FMTC")**, a limited-purpose trust company organized and operating under the laws of the Commonwealth of Massachusetts, provides non-discretionary trustee and custodial services to employee benefits plans and IRAs through which individuals invest in mutual funds managed by FMR or its affiliates, and discretionary investment management services to institutional clients, and acts as trustee and investment manager of collective investment trusts. FMTC is a wholly-owned subsidiary of FMR LLC.

**Fidelity Personal Trust Company, FSB ("FPTC")** 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. FPTC is a wholly owned subsidiary of Fidelity Thrift Holding Company, Inc., which in turn is wholly owned by FMR LLC.

**Fidelity Institutional Asset Management Trust Company ("FIAM TC")**, a trust company organized under the laws of the State of New Hampshire, provides investment management services principally for

institutional clients including employee benefit plans and acts as trustee and investment manager of its collective investment trusts. FIAM TC is a wholly-owned subsidiary of FIAM Holdings LLC, which in turn is wholly-owned by FMR LLC. FIAM or its affiliates provide certain administrative services to FIAM TC, including, but not limited to, trade execution, investment compliance and proxy voting.

### **Insurance Companies or Agencies**

FDS or its affiliates have relationships or arrangements with the following insurance companies and agencies:

**Fidelity Investments Life Insurance Company (“FILI”)**, a wholly-owned subsidiary of FMR LLC, is engaged in the distribution and issuance of life insurance and annuity products that offer shares of investment companies managed by FDS or its affiliates.

**Empire Fidelity Investments Life Insurance Company (“EFILI”)**, a wholly-owned subsidiary of FILI, is engaged in the distribution and issuance of life insurance and annuity products that offer shares of investment companies managed by FDS or its affiliates to residents of New York.

**Fidelity Insurance Agency, Inc.**, 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.

**Fidelity Health Insurance Services LLC**, a wholly owned subsidiary of FMR LLC, is an insurance licensed business entity (agency) under which certain workplace and individual insurance-related product and services are offered or sold. Product and services include Medicare-related products sold to individuals and employer-offered benefits such as broker/agent for certain group health plans, retiree transition to Medicare, and voluntary/optional insurance coverage.

**Soteria Reinsurance Ltd (“Soteria Re”)** is owned directly by Soteria Reinsurance Holdings, LLC which itself is a 100% owned subsidiary of FMR LLC. Soteria Re is a newly incorporated Bermuda exempted company. Soteria Re will focus on affiliated reinsurance of US Retail Fixed Annuities and Pension Risk Transfer Opportunities of existing and new Fidelity Investment Life Insurance Company (FILI) business.

### **Sponsor or Syndicator of Limited Partnerships; Other Personnel Sharing Arrangements**

Related persons of FDS are general partners of partnerships or managing members of LLCs or other pooled investment vehicle, such as privately-offered unregistered investment funds, in which clients of FDS are solicited to invest and FDS or an affiliate advises. These unregistered investment companies invest in a wide variety of interests including securities and derivatives instruments, real estate and other privately-offered funds.

FMR LLC and its affiliates provide certain personnel to FDS under personnel sharing arrangements or other inter-company arrangements that are utilized in the management of FDS’s funds and other client accounts.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

From time to time, FDS or its affiliates purchase or sell for the accounts of clients, securities in which FDS or its affiliates in-house accounts (including institutional accounts), affiliates, directors, officers or employees have a position, or securities in which FDS or its affiliates have a material financial interest. FDS or its affiliates invest in the same securities or related securities, (e.g., warrants, options or futures) that FDS or its affiliates recommend to clients. In addition, subject to the procedures discussed below, FDS or its

affiliates recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that FDS or its affiliates buy or sell the same securities for its own (or a related person's own) account.

These situations result, in part, from the breadth of securities purchased by FDS's or its affiliates' varied clients and the fact that personnel of FDS or its affiliates are permitted to invest in securities for their personal accounts. The conflicts of interest involved in such transactions are governed by a Code of Ethics for Personal Investing (the "Code"), which has been adopted and approved by the Board of Trustees of FDS's or its affiliates' investment company clients in the Fidelity group of Funds in accordance with Rule 17j-1 under the 1940 Act, and which incorporates the Adviser's Code of Ethics ("Adviser's Code") adopted in accordance with Rule 204A-1 under the Advisers Act.

The Code applies to all officers, directors, and employees of FDS, the employees of its investment adviser affiliates, and the employees of its non-investment adviser affiliates who have access to the non-public holdings of FDS and/or investment adviser affiliates' client accounts ("Advisory Personnel") and requires that they place the interests of FDS's clients above their own. The Code establishes securities transactions requirements for all Advisory Personnel and their covered persons, including their spouses.

In accordance with Rule 204A-1 of the Advisers Act, the Code: (1) describes the fiduciary duty Advisory Personnel have to FDS's clients; (2) requires Advisory Personnel of FDS to comply with federal securities laws; (3) requires Advisory Personnel of FDS to report, and for FDS or its affiliates to review, such Advisory Personnel's and their covered persons' transactions and holdings periodically (core money market funds excepted), including transactions in mutual funds advised by FDS or an affiliate and certain other funds; (4) requires Advisory Personnel of FDS to report any violations of the Code to FDS's or its affiliate's Ethics Office; and (5) requires FDS or its affiliates to provide each of its Advisory Personnel with a copy of the Code and any amendments, and requires Advisory Personnel to acknowledge their receipt and understanding of the Code.

In addition, the Code: (i) requires that Advisory Personnel and their covered persons move their covered accounts to Fidelity Brokerage Services LLC unless an exception exists or prior approval is obtained; (ii) requires preclearance of transactions in covered securities with limited exceptions; (iii) requires reporting of transactions in covered securities on a quarterly basis with limited exceptions; (iv) requires reporting of securities accounts and holdings of covered securities at the time of hire and annually thereafter; (v) prohibits personal trading by a portfolio manager within seven days before or after a trade any covered security of the same issuer by a client account managed by such portfolio manager except in limited circumstances; (vi) prohibits purchases of securities in initial public offerings unless an exception has been approved; (vii) prohibits Investments in limited offerings without prior approval; and (viii) requires disgorgement of profits from short-term transactions with limited exceptions. Violations of the Code's requirements may result in the imposition of remedial action, including termination.

FDS will provide a copy of its Code to any client or prospective client upon request.

In addition, FDS has implemented a Corporate Gifts & Entertainment Policy intended to set standards for business entertainment and the giving or receiving of gifts, help employees make sound decisions with respect to these activities, and ensure that the interests of FDS's clients come first. Similarly, to support compliance with applicable "pay-to-play" rules, FDS has implemented a Personal Political Contributions & Activities Policy which requires employees to pre-clear political contributions and activities. FDS also has a Global Anti-Corruption Policy regarding commercial bribery and bribery of government officials that prohibits directly or indirectly giving, offering, authorizing, promising, accepting, or receiving any bribe, facilitation payments, kickback or payoff (whether in cash or any other form) with the intent to improperly obtain or retain business or any improper advantage.

Certain conflicts related to participation or interest by FDS and its affiliates in certain client transactions are more fully described in Items 6 and 8 above herein.

## **Item 12. Brokerage Practices**

### **Selection of Brokers and Dealers to Effect Client Transactions**

FDS or its affiliates generally have authority to select brokers (whether acting as a broker or a dealer) to place or execute portfolio securities transactions on behalf of its client accounts. FDS or its affiliates are responsible for the placement of portfolio securities transactions for certain client accounts for which an affiliate or related person has investment discretion. In selecting a broker or dealer for a specific securities transaction, FDS or its affiliates evaluate a variety of criteria and use good faith judgment in seeking to obtain execution of portfolio securities transactions at commissions or costs that are reasonable in relation to the brokerage and research services provided, where allowed under applicable law. In addition, FDS and its affiliates may only choose brokers or dealers that are approved counterparties. Before a counterparty can establish a relationship with FDS or its affiliates, the counterparty must meet minimum standards.

### **Transactions with Certain Brokers**

FDS or its affiliates are sometimes authorized to place portfolio transactions with Fidelity Capital Markets (FCM), a division of NFS, an affiliated broker-dealer of FDS and its affiliates, or other broker-dealers with whom they are under common control, and use CrossStream and LTA ATS, alternative trading systems operated by NFS and LTA, respectively, if they reasonably believe the quality of the transaction is comparable to what it would be with other qualified broker-dealers. With respect to client trades that are executed by FDS's affiliates, FDS and such affiliates seek to ensure that the trade execution obtained is comparable to that of unaffiliated brokers and that the continued use of such affiliate is appropriate. Such transactions will, to the extent applicable, be executed in accordance with applicable law, including (i) Rule 206(3)-2 under the Advisers Act, requiring written consent, confirmations of transactions, and annual reporting, (ii) for clients that are investment companies registered under the 1940 Act, procedures adopted by the board of trustees of such clients pursuant to Rule 17e-1 under the 1940 Act, and (iii) ERISA.

In addition, FDS or its affiliates place client trades with broker-dealers that use NFS or FCC as a clearing agent. Similarly, equity trades may be executed through national securities exchanges in which FDS or its affiliates have an interest. Any decision to execute a trade through an alternative trading system or exchange in which FMR or its affiliates have an interest are made in accordance with applicable law, including their obligation to seek best execution. For trades placed on such a system or exchange, FDS or its affiliates may benefit in the form of increased valuations(s) of its equity interest, or other remuneration, but it is not possible to predict the likelihood of that occurring or quantify the amount of any such benefit in advance. By investing or remaining invested in an account managed by FDS, you are deemed to have authorized the possible execution of trades through affiliated brokers, alternative trading systems or exchanges in which FDS or its affiliates have an interest.

### **Transactions Among Clients**

FDS and its affiliates will engage in cross trades between accounts of clients of FDS or its affiliates, including investment company clients, non-investment company clients, and other non-advisory clients. When affecting such cross transactions, FDS or its affiliates are presented with conflicting divisions of loyalties and responsibilities regarding both parties to such transactions. Such cross transactions, including any principal transactions, will be executed in accordance with applicable law and policies and procedures. In particular, as part of certain investment strategies, FDS or its affiliates expects to cause certain funds or accounts to sell all or a portion of its investments, including any loans or certain other assets originated by such fund or account, to another fund or account advised by FDS or its affiliates (in each case subject to their own investment-review process). As a result, the selling fund's or account's initial participation in such loans or other assets may be greater, and its available liquid capital less, than it would have been if such fund or account did not expect to ultimately offer to sell part of such loans or other assets to another fund or account managed by FDS or its affiliates. To the extent a fund or account purchases loans or other assets and subsequently sells a portion thereof to other funds or accounts managed by FDS or its affiliates, such selling funds or accounts will bear the risk of changes in value of such loans or other assets during

the period it holds such loans or other amounts and the amount of capital available to the fund or account to pursue other investment opportunities may be reduced. Furthermore, it may be difficult to determine the value of the loans or other assets transferred by the selling fund or account. As a result, consideration due to the selling fund or account from the other funds or accounts managed by FDS or its affiliates whenever it may sell the loans or other assets is subject to uncertainty and valuation risks. Depending on the transaction structure, the transactions may disproportionately benefit the purchasing or selling fund or account and one fund or account may incur expenses or forego gains that would have been obtained had it not interested into such a transaction. The valuation of loans or other assets that may be transferred from the selling fund or account to other funds or accounts managed by FDS or its affiliates involves inherent conflicts of interest for FDS, and there is no guarantee that FDS will resolve these conflicts in a manner that will not have an adverse effect on a fund or account.

When FDS or its affiliates engage in internal cross transactions, where FDS or its affiliates directly effect the transaction between advisory clients without involving a broker, FDS or its affiliates will receive no compensation (other than its advisory fee), directly or indirectly, for the transaction. FDS may engage in cross trading where permissible, if it determines that such action and the conditions for the transaction would be favorable to both Clients and the terms of the transaction are fair to both parties. In certain situations, specific consent for each such transaction may be required from both parties to the transaction.

In selecting securities broker-dealers ("brokers"), including affiliates of FDS, to execute client portfolio securities transactions, FDS or its affiliates consider the factors they deem relevant in the context of a particular trade and in regard to FDS's or its affiliates' overall responsibilities with respect to the account and other investment accounts, including any instructions from the client, which emphasize, for example, speed of execution or use of specific brokers over other factors. Based on the factors considered, FDS or its affiliates may choose to execute an order using electronic channels including broker-sponsored algorithms, internal crossing, or by verbally working an order with one or more brokers. Other possibly relevant factors include, but are not limited to, the following: price; costs; the size, nature and type of the order; speed of execution, financial condition and reputation of the broker; broker specific considerations (e.g. not all brokers are able to execute all types of trades); broker willingness to commit capital; the nature and characteristics of the markets in which the security is traded; the trader's assessment of whether and how closely the broker likely will follow the trader's instructions to the broker; confidentiality and the potential for information leakage; the nature or existence of post-trade clearing, settlement, custody and currency convertibility mechanisms; and the provision of brokerage and research products and services, if applicable and where allowed by law.

In seeking best execution for portfolio securities transactions, FDS and/or its affiliates from time-to-time select a broker that uses a trading method, including algorithmic trading, for which the broker charges a higher commission than its lowest available commission rate. FDS and/or its affiliates may also select brokers that charge more than the lowest commission rate available from another broker. Occasionally FDS and/or its affiliates execute an entire securities transaction with a broker and allocate ("step out") all or a portion of the transaction and/or related commissions to a second broker where a client does not permit trading with an affiliate of FDS or in other limited situations. In those situations, the commission rate paid to the second broker may be higher than the commission rate paid to the executing broker. For futures transactions, the selection of a futures commission merchant is generally based on the overall quality of execution and other services provided by the futures commission merchant. FDS and/or its affiliates execute futures transactions verbally and electronically.

FDS and certain of its affiliates share trading facilities to execute the trades for their respective clients. As a result, an affiliate of FDS, from time to time, will execute a transaction on behalf of one of its accounts that may have an adverse effect on the terms of other transactions subsequently executed by FDS or FDS's affiliate on behalf of a FDS account (e.g., when a purchase on behalf of an account managed by an affiliate of FDS increases the value of a security subsequently purchased by a client of FDS, or when a sale by an account managed by an affiliate of FDS lowers the sale price received and subsequent sale by a client of FDS). In addition, because of regulatory and prudential limits on aggregate ownership of certain securities by FDS and its affiliates, purchases of such securities by FDS's clients may be limited.



If FDS grants investment management authority to a subadviser, that subadviser will be authorized to provide the services described in the sub-advisory agreement, and generally will do so in accordance with applicable law and the subadviser's policies, which may differ from FDS and its affiliates' policies.

To facilitate trade settlement and related activities in non-U.S. securities transactions, FDS or its affiliates effect spot foreign currency transactions with foreign currency dealers.

The Funds for which FDS provides management services may obtain custodial, clearing and related services through prime brokerage arrangements. These arrangements facilitate fund borrowings and permit the Funds to use other brokers to execute transactions, while maintaining only a limited number of custodial relationships. A prime broker is compensated primarily through interest on credit balances, margin borrowings, stock loans and brokerage fees and commissions. In selecting prime brokers, FDS considers, among other things, the clearance and settlement capabilities of the prospective prime broker, the prime broker's ability to provide effective and efficient reporting, the prime broker's creditworthiness and financial stability, and the likelihood that the prime broker will often be chosen as an executing broker on the basis of the considerations described above with respect to the selection of brokers. A prime broker may provide services to FDS, distinct from the custodial, lending and related services the prime broker provides to the Funds or other accounts. The prime broker may introduce FDS to prospective investors in a Fund. To the extent FDS receives such services, conflicts may exist between FDS's interests and the interests of the relevant Fund.

#### **Investment Research Products and Brokerage Services Furnished by Research Providers and Brokers**

FDS and its affiliates have established policies and procedures relating to brokerage commission uses in compliance with Section 28(e) of the Exchange Act, the provisions of the 1940 Act, and various interpretations of the staff of the SEC thereunder, and with regard to FMRIM (UK), where applicable, the revised Markets in Financial Instruments Directive in the European Union, commonly referred to as "MiFID II", as implemented in the United Kingdom through the Conduct of Business Sourcebook Rules of the UK Financial Conduct Authority (the "FCA"). FDS, however, currently does not rely on Section 28(e) or generate soft dollar commissions, as defined below.

For accounts managed outside the European Union or the United Kingdom, FDS or its affiliates execute portfolio securities transactions with brokers that provide products and services (as defined in Section 28(e) of the Exchange Act) ("Research and Brokerage Services") that assist them in fulfilling their investment management responsibilities") in accordance with applicable law. Research and Brokerage Services that FDS or its affiliates have received during the last fiscal year include, when permissible under applicable law, but are not limited to, economic, industry, company, municipal, sovereign (U.S. and non-U.S.), legal or political research reports; market color; company meeting facilitation; compilation of securities prices, earnings, dividends and similar data; quotation services, data, information and other services; analytical computer software and services; and investment recommendations. Brokers also provide Research and Brokerage Services in the form of a specific proprietary or third-party product or service, upon request by FDS or its affiliates. Some of these Research and Brokerage Services supplement FDS's or its affiliates' own research activities in providing investment advice to their clients. In addition to receiving these Research and Brokerage Services via written reports and computer-delivered services, such reports may also be provided by telephone, video and in person meetings with securities analysts, corporate and industry spokespersons, economists, academicians and government representatives and others with relevant professional expertise.

In addition, when permissible under applicable law, Research and Brokerage Services include those that assist in the execution, clearing and settlement of securities transactions, as well as other incidental functions (including, but not limited to, communication services related to trade execution, order routing and algorithmic trading, post-trade matching, exchange of messages among brokers or dealers, custodians and institutions, and the use of electronic confirmation and affirmation of institutional trades).



To the extent permitted by applicable law, from time-to-time, certain brokers who execute client transactions receive compensation in recognition of their Research and Brokerage Services that is in excess of the amount of compensation that other brokers might have charged. An economic incentive exists for FDS and/or its affiliates to select or recommend a broker-dealer based on their interest in receiving the Research and Brokerage Services, rather than on FDS's or its affiliates' clients interest in receiving most favorable execution. FDS's or its affiliates' expenses likely would be increased if they attempted to generate these additional Research and Brokerage Services through their own efforts or if they paid for these Research and Brokerage Services with their own resources. FDS and its affiliates manage the receipt of Research and Brokerage Services and the potential conflicts through their Commission Uses Program. The Commission Uses Program effectively "unbundles" commissions paid to brokers who provide Research and Brokerage Services, i.e., commissions consist of an execution commission, which covers the execution of the trade (including clearance and settlement), and a research charge, which is used to cover Research and Brokerage Services. Those brokers have client commission arrangements or commission sharing agreements (each a "CCA" or "CSA" respectively) in place with FDS and its affiliates (each of those brokers is referred to as a "CCA/CSA broker").

In selecting brokers for executing transactions on behalf of clients of FDS and its affiliates, FDS instructs its trading desks to select brokers and execute portfolio transactions on behalf of their clients based on the quality of execution and without any consideration of what Research and Brokerage Services the CCA/CSA broker provides. Commissions paid to a CCA/CSA broker include both an execution commission and either credits or transmits the research portion (also known as "soft dollars") to a CCA/CSA pool maintained by each CCA/CSA broker. Soft dollar credits ("credits") accumulated in CCA/CSA pools are used to pay research expenses. In some cases, FDS or its affiliates request that a broker that is not a party to any particular transaction provide a specific proprietary or third-party product or service, which would be paid with credits from the CCA/CSA pool. The administration of Research and Brokerage Services is managed separately from the trading desks, and traders have no responsibility for administering the research program, including the payment for research. FDS and/or its affiliates, at times, use a third-party aggregator to facilitate payments to research providers. Where an aggregator is involved, the aggregator would maintain credits in an account that is segregated from the aggregator's proprietary assets and the assets of its other clients ("segregated account") and uses those credits to pay research providers as instructed by FDS or its affiliates. Furthermore, where permissible under applicable law, certain of the Research and Brokerage Services that FDS or its affiliates receive are furnished by brokers on their own initiative, either in connection with a particular transaction or as part of their overall services. Some of these Research and Brokerage Services are provided at no additional cost to FDS or its affiliates or might not have an explicit cost associated with them.

Even if FDS does not have a CCA/CSA in place with a CCA/CSA broker, FDS may still indirectly benefit from soft dollars due to the fact that some portfolio managers are dual-hatted at FDS affiliates and could be eligible to receive soft dollar research in another affiliated adviser.

In connection with the allocation of client brokerage, FDS and/or its affiliates make a good faith determination that the compensation paid to brokers and dealers is reasonable in relation to the value of the Research and Brokerage Services provided to FDS and/or its affiliates, viewed in terms of the particular client transaction for the client or FDS's and/or its affiliates' overall responsibilities to that client or other clients for which FDS or its affiliates have investment discretion; however, each Research and Brokerage Service received in connection with a client's brokerage does not benefit all clients and certain clients will receive the benefit of Research and Brokerage Services obtained with other clients' commissions. As required under applicable laws or client policy, commissions generated by certain clients may only be used to obtain certain Research and Brokerage Services. As a result, certain client accounts will pay more proportionately for certain types of Research and Brokerage Services than others, while the overall amount of Research and Brokerage Services paid by each client continues to be allocated equitably. Certain non-equity accounts that on rare occasion may receive an equity security through an issuer restructuring or other event and are required or determine to dispose of such equity security, subject to applicable law and client policy, may trade at execution only rates outside of the Commission Usage Program. While FDS and its affiliates take into account the Research and Brokerage Services provided by a broker or dealer in

determining whether compensation paid is reasonable, neither FDS, its affiliates, nor their respective clients incur an obligation to any broker, dealer or third party to pay for any Research and Brokerage Services (or portion thereof) by generating a specific amount of compensation or otherwise. Typically, for accounts managed by FDS or its affiliates outside of the European Union or the United Kingdom, these Research and Brokerage Services assist FDS or its affiliates in terms of their overall investment responsibilities to a client or any other client accounts for which FDS or its affiliates may have investment discretion. Certain client accounts use brokerage commissions to acquire Research and Brokerage Services that also benefit other client accounts managed by FDS or its affiliates, and not every client account uses the Research and Brokerage Services that have been acquired through that account's commissions. In addition, FIL or its affiliates, if acting as an adviser to certain non-U.S. accounts that have been subadvised to FDS or its affiliates, have reimbursed, and may in the future reimburse, certain commissions or costs of those clients.

For accounts that are managed within the United Kingdom, FMRIM (UK) uses research payment accounts ("RPAs") to cover costs associated with equity and high income external research that is consumed by those accounts in accordance with MiFID II and FCA regulations. With RPAs, clients pay for external research through a separate research charge that is generally assessed and collected alongside the execution commission.\* For accounts that use an RPA, FMRIM (UK) establishes a research budget. The budget is set by first grouping accounts by strategy (e.g., asset allocation, blend, growth, etc.), and then determining what external research is consumed to support the strategies and portfolio management services provided within the European Union or the United Kingdom. In this regard, research budgets are set by research needs and are not otherwise linked to the volume or value of transactions executed on behalf of the account. For accounts where portions are managed both within and outside the United Kingdom, external research is paid using both a CCA/CSA and an RPA. Determinations of what is eligible research and how costs are allocated are made in accordance with FDS's and its affiliates' policies and procedures. Costs for research consumed by accounts that use an RPA are allocated among the accounts within defined strategies pro rata based on the assets under management for each account. The research charge paid on behalf of any one account that uses an RPA varies over time.

FMRIM (UK) is responsible for managing the RPA and may delegate its administration to a third-party administrator for the facilitation of the purchase of external research and payments to research providers. RPA assets are maintained in accounts at a third-party depository institution, held in the name of FMRIM (UK). FMRIM (UK) provides the adviser to certain accounts, and upon request, a summary of: (i) the providers paid from the RPA; (ii) the total amount they were paid over a defined period; (iii) the benefits and services received by FMRIM (UK); and (iv) how the total amount spent from the RPA compares to the research budget set for that period, noting any rebate or carryover if residual funds remain in the RPA.

Impacted accounts, like those accounts that participate in CCA/CSA pools, at times, will make payments to a broker that include both an execution commission and a research charge, but unlike CCA/CSAs (for which research charges may be retained by the CCA/CSA broker and credited to the CCA/CSA, as described above), the broker will receive separate payments for the execution commission and the research charge and will promptly remit the research charge to the RPA. Assets in the RPA are used to satisfy external research costs consumed by the accounts. If the costs of paying for external research exceed the amount initially agreed in relation to accounts in a given strategy, the adviser may continue to charge those accounts beyond the initially agreed amount in accordance with MiFID II, continue to acquire external research for the accounts using its own resources (referred to as "hard dollars"), or cease to purchase external research for those accounts until the next annual research budget. If assets for specific accounts remain in the RPA at the end of a period, they may be rolled over to the next period to offset next year's research charges for those accounts or rebated to those accounts.

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\* The staff of the SEC addressed concerns that reliance on an RPA mechanism to pay for research would be permissible under Section 28(e) of the Exchange Act by indicating that they would not recommend enforcement against investment advisers who used an RPA to pay for Research and Brokerage Services so long as certain conditions were met. Therefore, references to "research charges" as part of the RPA mechanism to satisfy MiFID II requirements can be considered "commissions" for Section 28(e) purposes.

Accounts managed by FMRIM (UK) that trade only fixed income securities will not participate in RPAs because fixed income securities trade based on spreads rather than commissions, and thus unbundling the execution commission and research charge is impractical. Therefore, FMRIM (UK) and its affiliates have established policies and procedures to ensure that external research that is paid for through RPAs is not made available to FMRIM (UK) portfolio managers that manage fixed income accounts in any manner inconsistent with MiFID II and FCA regulations.

Although FDS or its affiliates do not use client commissions to pay for products or services that do not qualify as Research and Brokerage Services or eligible external research under MiFID II and FCA regulations, where allowed by applicable law, they may use commission dollars to obtain certain products or services that are not used exclusively in FDS or its affiliates' investment decision-making process ("mixed-use products or services"). In those circumstances, FDS or its affiliates will make a good faith effort to evaluate the various benefits and uses to which they intend to put the mixed-use product or service, and will pay for that portion of the mixed-use product or service that does not qualify as Research and Brokerage Services with hard dollars.

FDS and/or its affiliates have arrangements with certain third-party research providers and brokers through whom FDS and/or its affiliates effect client trades, whereby FDS and/or its affiliates pay with account commissions or hard dollars for all or a portion of the cost of research products and services purchased from such research providers or brokers. If hard dollar payments are used, FDS and/or its affiliates, at times, will cause the client to pay more for execution than the lowest commission rate available from the broker providing research products and services to FDS and/or its affiliates, or that may be available from another broker. FDS's or its affiliate's potential determination to pay for research products and services separately (e.g., with hard dollars) is wholly voluntary on FDS's and its affiliate's part and may be extended to additional brokers or discontinued with any broker participating in this arrangement.

If FDS has engaged a subadviser to a FDS account or a portion of a FDS account, subject to applicable law, the subadviser's policies will apply to trading for that account. Those policies may differ from FDS's policies.

## **Other Considerations and Brokerage Arrangements**

### ***Commission Recapture and Broker Restrictions***

From time to time, FDS or its affiliates engage in brokerage transactions with brokers who are not affiliates of FDS who have entered into arrangements with FDS or its affiliates under which the broker will, at times, rebate a portion of the compensation paid by a client account ("Commission Recapture Program"). Not all brokers with whom the client account trades have been asked to participate in brokerage commission recapture. A FDS client may only participate in the Commission Recapture Program if the client has opted to participate in the Commission Recapture Program. A FDS client may participate in its own commission recapture arrangement as well as FDS's Commission Recapture Program upon notice to FDS. Should a FDS client elect not to participate in FDS's Commission Recapture Program, those rebated commissions that would have been allocated to the client's account remain with the broker for FDS's use in obtaining research services as provided for under applicable law.

FDS and its affiliates recommend that clients do not request them to direct client portfolio transactions to specific brokers. Clients may nonetheless make such requests, and FDS or its affiliates may direct such brokerage, subject to FDS's or its affiliates' attempt to seek quality execution and provided that the broker is an approved counterparty of FDS or its affiliates. In seeking to accommodate such directed brokerage requests, FDS and/or its affiliates may execute an entire securities transaction with a broker and allocate all or a portion of the transaction and/or related commissions to a second broker where a client does not permit trading with an affiliate of FDS or in other limited situations. Clients should be aware that if they direct portfolio transactions to specific brokers or if clients restrict trading with specific brokers (for example, because of affiliations): (a) FDS or its affiliates may be unable to achieve most favorable execution of such

directed or restricted transactions; (b) the client may pay higher brokerage commissions on such directed or restricted transactions because FDS or its affiliates may be unable to aggregate such transactions with other orders; and (c) the client may receive less favorable prices on such directed or restricted broker transactions.

In selecting brokers for clients of FDS to execute client portfolio transactions, FDS or its affiliates consider the factors they deem relevant in the context of a particular trade and in regard to FDS's or its affiliates' overall responsibilities with respect to the account and other investment accounts, including any instructions from the client. FDS and its affiliates do not receive client referrals for such selection. See above for more information.

As described above, certain of FDS's Funds may use prime brokers. In selecting prime brokers, FDS considers, among other things, the clearance and settlement capabilities of the prospective prime broker, the prime broker's ability to provide effective and efficient reporting, the prime broker's creditworthiness and financial stability, and the likely frequency that the prime broker will be chosen as an executing broker on the basis of the considerations described above with respect to the selection of brokers. A prime broker may provide services to FDS, distinct from the custodial, lending and related services the prime broker provides to the Funds or other accounts. The prime broker may introduce FDS to prospective investors in a Fund. To the extent FDS receives such services, conflicts may exist between FDS's interests and the interests of the relevant Fund.

To facilitate trade settlement and related activities in non-U.S. securities transactions, FDS or its affiliates effect spot foreign currency transactions with foreign currency dealers or engage a third party to do so. In certain circumstances, a FDS client may direct the execution of foreign currency transactions with or through a particular party. Due to local law and regulation, logistical or operational challenges, or the process for settling securities transactions in certain markets (e.g., short settlement periods), spot currency transactions are effected on behalf of clients by parties other than FDS or its affiliates, including clients' custodian banks (working through sub-custodians or agents in the relevant non-U.S. jurisdiction) or broker-dealers that executed the related securities transaction.

If FDS has engaged a subadviser to a FDS account or a portion of a FDS account, subject to applicable law, the subadviser's commission recapture and associated policies will apply to trading for that account. These policies may differ from FDS's policies.

## **Trade Allocation Policies**

### **Bunched Trades**

For trades executed on behalf of FDS's clients, it is the practice, when appropriate, to combine, or "bunch" orders of various accounts, including those of its clients, its affiliates' clients, and, in certain instances, proprietary accounts, for order entry and execution. Bunched orders are executed through one or more brokers. The allotment of trades among brokers is based on a variety of factors, which include price, order size, the time of order, the security and market activity. A bunched trade executed with a particular broker is generally allocated pro rata among the accounts that are participating in the bunched trade until any account has been filled. After any account has been filled, the trade is allocated pro rata among the remaining accounts. Each broker's execution of a bunched order will, at times, be at a price different than another broker's bunched order execution price for the same security. Additionally, as a result of accommodating the differing arrangements regarding the payment for research that is required by MiFID II, clients in a bunched trade will, at times, not pay a pro rata share of all costs associated with that bunched trade.

### **Allocation of Trades by High Income, Fixed Income and Equity Trading Desks**

FDS and its affiliates have established allocation policies for their various accounts (including proprietary accounts) and securities types (e.g., equity, fixed income and high income) to ensure allocations by Fidelity

Management & Research Company LLC's ("FMR") High Income, Fixed Income or Equity trading desks are appropriate given clients' differing investment objectives and other considerations. These policies also apply to initial and secondary offerings and to private security investments. When, in FDS's or its affiliates' opinion, the supply/demand is insufficient under the circumstances to satisfy all outstanding orders, across all securities types, the amount executed generally is distributed among participating accounts based on account net asset size (for purchases) and security position size (for sales), or otherwise according to the allocation policies. With limited exceptions, the trading systems contain rules that allocate trades on an automated basis in accordance with these policies. Generally, any exceptions to FDS's and its affiliates' policies (i.e., special allocations) must be approved by senior trading and compliance personnel and documented.

FDS's and its affiliates' trade allocation policies identify circumstances under which it is appropriate to modify or deviate from the general allocation criteria and describe the alternate procedures. For allocations based on net assets, the trade allocation policies for each of equity, fixed income, and high income define the method of calculating net assets to be used depending on particular circumstances. The trade allocation policies define net assets generally by reference to each account's assets managed by each of the equity, fixed income, or high income divisions, and by reference to certain security and account types, such as high income, investment grade or equity securities and accounts, as summarized below;

<b>Security and Account Type</b>	<b>Equity Trading Desk</b>	<b>Fixed Income Trading Desk</b>	<b>High Income Trading Desk</b>
High Income	1%	1% (except 100% if buying High Income security on Fixed Income desk)	100%
Equity	100%	1%	1%
Fixed Income	1%	100%	1% (except 100% if buying Fixed Income security on High Income desk)

The high income trade allocation policy also defines net assets similarly for bank loan and real estate accounts when acquiring bank loan and real estate securities, respectively. The high income policy generally provides that 100% of a bank loan account's net assets, but only 10% of net assets for other types of high income accounts, will be taken into account when allocating bank loans. Conversely, the high income trade allocation policy generally provides that only 10% of a bank loan account's net assets will be taken into account when allocating high income securities other than bank loans.

The equity trade allocation policy further provides that certain portfolios that are not managed by the equity division, but as part of their principal investment strategies or objectives trade common stock and instruments that trade on the equity desk, would receive an asset measure that is based on the maximum amount that each portfolio could invest in securities that trade on the equity desk. The equity and high income trade allocation policies also provide that certain multi-asset class portfolios that have principal investment strategies or objectives that include securities across all asset types will have 100% of their assets taken into account for allocation purposes when trading on the equity or high income trading desks, respectively. The equity trade allocation policy allows for certain specialized accounts, such as international, real estate investment or convertible securities accounts to receive an increased allocation by increasing the weighting of an account's net assets by a factor of two or four where the securities correlate closely to the investment objective or focus of the account. FDS and its affiliates utilize standard criteria, such as country of risk or country of incorporation, to determine whether an international security correlates to the investment objective or focus of the account. Short sale and "buy to cover" transactions generally are subject to the same general allocation criteria as non-short sale transactions, and thus could experience



significant delays in execution, which could materially impact the performance of accounts whose strategies rely on short sales.

What constitutes net assets differs for certain specialized accounts. For portfolios that raise capital through private offerings, the equity, high income, and fixed income trade allocation policies define net assets based on expected, committed, and/or funded capital, or a combination thereof, depending upon the stage of the portfolio's fundraising process. The high income policy defines net assets for collateralized loan obligation portfolios based on expected and total market exposure. Additionally, under the fixed income trade allocation policy, when defining what constitutes net assets for separately managed account (SMA) clients when trading alongside other client accounts, the assets of SMAs that follow similar investment strategies are grouped into an omnibus trading account, where that omnibus trading account is treated as a single portfolio for allocation purposes. After a retail SMA omnibus trading account receives an allocation of a purchase or sale of a security or other investment, such allocation will generally be further allocated among the SMAs participating in the account on a pro rata basis based on the final order size of each SMA.

Alternate allocation methods other than net asset size (for purchases) and security position size (for sales) are employed under certain circumstances, including for specialized strategies or alternative asset classes such as private credit and private real estate. The equity trade allocation policy allows for certain accounts designed to have common investment and trading strategies (e.g., one portfolio modeled on another portfolio) to receive allocations that would facilitate keeping the portfolios' holdings proportionately balanced. The fixed income trade allocation policy allows for several alternate allocation methods, in some cases only where the portfolio managers of all accounts involved in the allocation agree to the use of the alternate method(s) as follows:

- pro rata allocations based on the size of the accounts' orders;
- rotating investment opportunities among accounts that trade consistently on specific trading desks (e.g., taxable bond desks or money market desks);
- bunching securities or other investments that are deemed to be fungible and then allocating the bunched orders on a series basis so as to keep like-securities or other investments grouped together; and/or
- providing a priority allocation for trades the execution of which are contingent on the execution of other trades.

The fixed income trade allocation policy also provides for increased or priority allocations for accounts specializing in a particular type of security or other investment including the following:

- priority allocations for certain accounts for repurchase agreements;
- increased allocations of municipal securities to single state municipal money market and municipal bond accounts for obligations that are tax-exempt within their state; and
- a priority allocation of U.S. Treasury money market securities to Treasury-only money market accounts.

In addition, futures contracts are allocated based on order size.

All of the trade allocation policies generally provide for minimum allocations based on market-defined minimum denominations, or otherwise allow increased or decreased allocations in the following circumstances:

- to avoid a *de minimis* allocation
- to round to a trading round lot, or
- in the case of the high income trade allocation policy, to complete a sale of all holdings to avoid residual holdings in an amount less than a basic unit of trading.



Trade allocations are also impacted by various regulatory requirements depending on where the trade is executed and what types of accounts are included in the trade. In such circumstances, some accounts, at times, will be prioritized over others when supply/demand is insufficient. Client accounts receive priority of allocation over proprietary accounts. Accounts for which all the assets are those of FDS or its affiliates and are not otherwise used to seed new investment products or to meet potential claims of insurance policyholders are generally considered to be proprietary accounts. Accounts owned or managed for the benefit of individual employees of FDS or its affiliates or officers or trustees of various investment products are generally considered client accounts, subject to applicable law.

FDS engage subadvisers for certain FDS accounts. Those accounts or portions of accounts will be subject to that subadviser's trade allocation and associated trading policies, subject to applicable law. As a result, a client's accounts or portions of accounts may be subject to differing trade allocation policies as described above.

### **Allocation of Investment Opportunities – Illiquid Strategies**

FDS and certain of its affiliates established the compliance policy and procedures for allocations of investment opportunities for accounts/funds investing in certain illiquid strategies (not traded by the FMR trading desks noted above), including private credit (excluding broadly syndicated loans), private real estate, and private equity multi-strategy, sourced and managed by the Direct Lending team, Direct Real Estate Investment team, and Private Equity Multi-Strategy team, respectively.

FDS and its affiliates may form, sponsor, advise, manage, or invest on behalf of Funds, companies, vehicles, client accounts, firms, and proprietary accounts. FDS's policies seek to ensure the equitable allocation of investment opportunities among its clients over time. In cases where an investment may potentially be appropriate for several clients, FDS makes a determination of the appropriateness of the investment opportunity for a particular client and allocates an investment opportunity among eligible clients based on a variety of factors related to each such client FDS deems relevant, including, without limitation, the client's investment objectives and focus, available capital, core/focus investments, the client's existing portfolio, portfolio company restrictions, targeted rate of return, minimum and maximum investment size requirements, transaction structure, co-investment opportunity, cash flow considerations, risk considerations, tax implications, geographical location, target market, property type, board-established criteria (if any), legal and regulatory requirements, whether a related investment opportunity has already been made available to the client, investment limitations and other factors. Subject to the Adviser's Act and as further set forth in the Governing Documents of the relevant client and/or relevant allocation policy, certain clients may receive certain priority or other allocation rights with respect to certain Investments. While orders for Proprietary Accounts may be aggregated with orders for Client accounts, allocations to Client accounts will take precedence over allocations to Proprietary Accounts; provided that warehousing and similar arrangements for the benefit of the Funds and other Clients advised by FDS and its affiliated advisers, and Funds seeded with Fidelity's assets will be treated as third-party Client accounts and not as Proprietary Accounts.

In cases where an investment opportunity is being evaluated on behalf of and may be appropriate for more than one client and falls outside of the allocation methodology set forth in the relevant allocation policy, FDS will generally consult with an allocation, conflicts or similar internal committee or sub-committee to decide on an appropriate allocation of a particular investment opportunity among clients, which may take into account, among other things, the factors discussed above.

Further, FDS will not allocate investment opportunities based, in whole or in part, on (i) the relative fee structure or amount of fees paid by any Client or (ii) the profitability of any Client.

With respect to Investments sourced and managed by Private Equity Multi-Strategy Team ("PEMS Team"), where an investment is appropriate for more than one Client Account, the portfolio management team allocates the investment among such Clients based on one or more of the relevant factors related to each such Client, determined in the portfolio management team's discretion based on the factors outlined above;

provided, that in all cases, the portfolio management team will seek to make allocations of Investments in a fair and equitable manner over time and provided further that, to the extent an investment opportunity cannot be allocated among eligible Clients based on the above factors, such opportunity will generally be allocated to the Clients with the closest investment period expiration date in a waterfall approach .

With respect to Investments sourced and managed by Direct Real Assets Investment Team (“RE Team”), it is not expected that Investments will be divided among clients. In addition to the factors above, opportunities will generally be allocated on a rotation basis (i.e., opportunities will be allocated among clients for whom the investment is deemed appropriate first to the client that has gone the longest since last being awarded an opportunity under the rotation policy). Certain Client accounts may receive a priority allocation over other Client Accounts, provided, that an investment (i) falls within the focused market, strategy or asset class (the “Focus Strategy Client”) verse a Client account for which such investment is supplemental, and/or (ii) where a Client account that is a Fund has a need to make such investment in order to satisfy tax or regulatory requirements in connection with an upcoming closing. New Client accounts will start at the end of the rotation queue, unless such Client Account qualifies for a priority allocation detailed above.

With respect to Investments sourced and managed by Direct Lending Team, where an investment opportunity is appropriate for more than one client, Direct Lending Team allocates the investment opportunity among such clients based on one or more of the relevant factors related to each such client, determined in the Direct Lending Team’s sole discretion based on the factors outlined above.

In addition, Direct Lending Team is responsible for the investment management of BDCs regulated under the 1940 Act, and a portion of a registered closed-end interval fund and is subject to certain limitations relating to co-investments and joint transactions with other clients managed by Direct Lending Team. FDS and certain of its affiliates have received an exemptive order from the SEC that permits BDCs and registered closed-end investment companies, among other things, to co-invest with certain other persons of FDS, including certain affiliated accounts managed and controlled by the Adviser and/or its affiliates in negotiated transactions subject to certain terms and conditions. Reliance on the Order is subject to certain terms and conditions, including, among others, adherence to FDS’ allocation policies and procedures, enhanced record keeping and, where applicable, involvement of independent trustees of the applicable BDC. There can be no assurance that the Order will facilitate the successful consummation of investment opportunities that we believe are available to other clients as a result of the Order. In addition, there is also no assurance any of FDS’ clients will be able to participate in all investment opportunities pursued under the Order that are within its investment objectives. As a result of the BDCs’ or registered closed-end fund’s participation in opportunities alongside other clients pursuant to the exemptive order, a number of allocation adjustments could occur, including, among other things, requiring participating private investment fund clients, closed-end investment fund clients and BDC clients to be allocated some portion of each segment of a capital stack in order to participate in such transaction, accepting certain non pro rata allocations of such capital stack and excluding certain clients from participating in transactions where other clients hold an existing interest. As such, the allocations available to other clients for investment opportunities that are subject to the exemptive order could be adversely affected because of the participation of the BDCs or registered closed-end fund. Investment opportunities that are subject to the exemptive order are also subject to additional policies and procedures as a result of the participation of the BDCs and/or registered closed-end funds, which could delay deal execution and adversely impact the ability of other clients to deploy capital, participate in certain follow-on opportunities and/or sell their Investments at a desired size.

The allocation policy and procedures also detail a number of other items, including how Investments are exited and allocation modifications.

Co-investments allow our Clients to make direct investments into companies alongside FDS Funds. Depending on the size and other relevant factors associated with an investment opportunity (regardless of asset class or strategy), investment allocation decisions may be made with respect to potential co-investment in the investment opportunity by a Client, other third party, a related party or otherwise. In making this determination, FDS follows its policies and procedures governing co-investment allocations.

Subject to any restrictions contained in the offering and/or organizational documents of the relevant Client or any side letter or other terms negotiated with respect to such Client, in general, no investor in a client account has a right to participate in any co-investment opportunity, and certain persons and Clients may be offered co-investment opportunities, in the sole discretion of FDS or its related persons.

Special allocations are exceptions to the established criteria and will be made on or before the date of investment or disposition. Determinations as to why a special allocation is appropriate, how it will be implemented, and why it is consistent with the principle of fair and equitable treatment of portfolios over time, will be approved by the Alternatives Business Oversight Committee or assigned designee and the CCO, and appropriately documented. In addition, any such exception with respect to transactions subject to the Order shall comply with the co-investment exemptive order requirements.

### **Identification and Resolution of Errors**

As an investment adviser, FDS maintains policies and procedures that address the identification and correction of errors consistent with applicable standards of care and clients' investment management agreements. To the extent that an error occurs, FDS's policy is to identify and resolve the error as promptly as possible. FDS will address and resolve errors on a case by case basis, in its discretion, based on each error's facts and circumstances. FDS is not obligated to follow any single method of resolving errors.

An incident is any occurrence or event that interrupts normal investment-related activities or that deviates from applicable law, the terms of an investment management agreement, or applicable internal or external policies or procedures. Incidents can occur at FDS or at one of FDS's service providers and can be identified by any of the same.

The determination of whether an incident constitutes an error is made by FDS in its sole discretion based on the relevant facts and circumstances of each incident considered in light of the applicable standard of care. Errors include, without limitation: (i) purchases or sales that exceed the amount of securities intended to trade for a Fund or account; (ii) the purchase (or sale) of a security when it should have been sold (or purchased); (iii) the purchase or sale of a security not intended for the Fund or account, and/or contrary to investment guidelines or restrictions; and (iv) incorrect allocations of trades.

Situations that generally would be considered by FDS to be incidents but not errors include, without limitation, (i) failure by a portfolio manager to provide timely notification of an incorrect purchase of a security although the security purchased was appropriate for the Fund or account; (ii) passive or active breach of an internal or account-level limit; (iii) failure to update a portfolio manager in a timely manner regarding an increase in shares outstanding or additional room to buy for a security that had been at an aggregate limit; and (iv) external events, such as securities exchange outages. Other situations that result from failures in internal processes, people or systems, such as other routine processing errors or major systems failures, may be deemed to be incidents and not errors depending on the facts and circumstances. For example, computer, communications, data processing, networks, cloud computing, backup, business continuity or other operating, information or technology systems, including those FDS or its affiliates outsources to other providers, may fail to operate properly or become disabled, overloaded or damaged as a result of a number of factors. These factors could include events that are wholly or partially beyond FDS's or its affiliate's control and may have a negative impact on our ability to conduct business activities. Though losses arising from operating, information or technology systems failures could adversely affect a client account's performance, such losses would likely not be reimbursable under FDS's policies.

Additionally, incidents involving Fund monitoring or aggregate monitoring compliance violations may or may not be deemed by FDS to be errors depending on the facts and circumstances. For example, an active breach of a client mandate or regulatory limit (e.g., due to an acquisition of additional securities for an account) may be deemed to be an error and may be compensable depending on the particular circumstances, but a passive breach of such a limit (e.g., due to a reduction in the issuer's outstanding securities) would not be considered an error and would not be compensable. Active breaches of issuer or regulatory limits, including poison pill limits, may be deemed to be errors and may be compensable

depending on the circumstances, but passive breaches generally will not. Further, a passive breach of an aggregate limit on holdings of a security established internally by FDS and its affiliates, and instances where all available aggregate capacity on a security is not fully utilized, generally are not considered errors and are not compensable, but an active breach of an internal aggregate limit may be deemed to be an error and compensable depending on the particular circumstances. To the extent that client accounts already own securities that directly or indirectly contribute to certain ownership thresholds being exceeded, FDS may sell securities held in such accounts to bring account-level and/or aggregate ownership below the relevant threshold. If any such sales result in losses for client accounts, those client accounts may bear such losses depending on the particular circumstances.

FDS is responsible for notifying, when appropriate, the affected client of an error. FDS generally will not notify clients about incidents deemed not to be errors and non-compensable errors, unless otherwise agreed with particular clients. Generally, all errors requiring reimbursement to a Registered Fund or ETF of \$100,000 or more must be reported to the Compliance Committee (or other applicable Committee) of the fund's Board of Trustees at its next scheduled meeting.

When FDS determines that reimbursement is appropriate, the account will be compensated as determined in good faith by FDS. Resolution of errors includes, but is not limited to, permitting client accounts to retain gains or reimbursing client accounts for losses resulting from the error. The calculation of the amount of any loss will depend on the facts and circumstances of the error, and the methodology used by FDS may vary. Unless prohibited by applicable regulation or a specific agreement with the client, FDS will net a client's gains and losses from the error or a series of related errors with the same root cause and compensate the client for the net loss. In general, compensation is expected to be limited to direct monetary losses and will not include any amounts that FDS deems to be speculative or uncertain, nor will it cover investment losses not caused by the error. FDS may elect to establish an error account for the resolution of errors which could be used depending on the facts and circumstances.

### **Execution Management System Charges**

A third-party execution management system retained by FDS and its affiliates to provide the relevant services to FDS for some of its Funds and other Clients, in addition to the fees charged to FDS, also, as a standard practice, independently from FDS, charges a fee to the execution brokers used by FDS for trading in Client accounts. The charge is for services the execution management system provides to brokers, including maintaining the connectivity between such service provider and each relevant execution broker. The fee charged to execution brokers, in part, is based on FDS's and in certain circumstances its affiliates' usage of the execution management service systems and connectivity and determined by the service provider based on their internal pricing determination for its clients' connectivity. FDS believes that such charges may affect the execution fees charged by the brokers to FDS Clients.

## **Item 13. Review of Accounts**

Portfolio management assignments are made based on several factors, including the relevant experience and ability of the managers, the complexity of the Funds' or account's mandate and structure, the physical location of personnel, and similarities among Funds or accounts assigned to a manager. Each portfolio manager regularly reviews the holdings in the Funds and accounts for which they are responsible.

Portfolio managers draw on a large research and trading staff of FDS or its affiliates for support. FDS' and its affiliates' investment activities are organized on a group basis, with portfolio managers of similar accounts forming these groups. There are various groups directly related to portfolio management and other groups comprising FDS' or its affiliates' fundamental research departments, each of which has Chief Investment Officers or Managing Directors of Research. Each Chief Investment Officer and Managing Director of Research regularly receives detailed analysis of the Funds in their oversight groups, and conducts periodic Fund reviews with each manager. When a Chief Investment Officer or Managing Director of Research also has portfolio management responsibilities, an equivalent or more senior investment

professional of FMR with relevant investment experience conducts periodic reviews and regularly evaluates the investment performance of the subject portfolios. In addition, FDS' Asset Management Compliance group monitors the Funds' and accounts' trading activity for compliance with applicable regulations and other requirements.

FDS and its affiliates generally apply investment guidelines consistent with any applicable policies as determined by FDS or its affiliates, which include default interpretative guidance for certain phrases or terminology in the absence of specific and/or explicit guidance from a client, in the case of a separate or sub-advised account, or in a collective investment vehicle's investment guidelines.

The Trustees of each registered investment company client review at least annually the activities of FDS' responsible portfolio managers, and review on a regular basis the performance of the Fidelity Funds. FMR's Treasurer's Office monitors the operations of the Fidelity Funds on an ongoing basis. FDS also provides investment advisory services on a discretionary to other entities, or clients of other entities, related or unrelated to FDS. These entities, or their clients, similarly review the activities of FMR's portfolio managers and other investment professionals.

Members of the Board of Trustees of each of FDS' or its affiliates' registered investment company and BDC clients in the Fidelity group of Funds are supplied periodic reports providing, among other items, comparative performance data, sales and redemptions of shares information, and certain brokerage commission reports.

Reports to other non-investment company clients are prepared as requested by such clients. In limited circumstances in response to client inquiries, FDS or its affiliates provide research related information with respect to securities held in the relevant client's portfolio, in some instances on a delayed basis.

Each portfolio manager of FDS and any applicable investment review group or committee reviews the holdings in the funds or accounts for which they are responsible. Account assignments are made based on several factors, including the relevant experience and ability of the portfolio managers, the complexity of the strategies, the physical location of personnel, and the similarities among strategies assigned to a portfolio manager. A portfolio manager may manage two or more accounts, and generally the accounts have similar investment objectives and draw on research and trading staffs for support. If FDS has delegated advisory services to an affiliated subadviser, portfolio managers of the affiliated subadviser generally follow the same review guidelines.

FDS and its affiliates manage clients' separately managed accounts as described in each investment management agreement and as provided for in that client's statement of account objectives within the context of the investment guidelines dictated by that client. FDS does not undertake to ascertain a client's investment objectives outside of the guidelines determined by the client as stated in the investment management agreement. Any changes in a separately managed account client's investment objectives will be directed by such client as memorialized in the investment management agreement and FDS undertakes no obligation to update separately managed account client's investment objectives unless it has agreed to do so in its investment management agreement with such client.

FDS and its affiliates generally apply investment guidelines consistent with any applicable policies as determined by FDS or its affiliates, which include default interpretative guidance or accepted market practice for certain phrases or terminology in the absence of specific and/or explicit guidance from a client, in the case of a separate or sub-advised account, or in a collective investment vehicle's investment guidelines. FDS and its affiliates may, in certain circumstances, take up to 30 days to fully implement and be in compliance with guidelines for a new separate or sub-advised account or collective investment vehicle, or for certain changes to investment guidelines in the case of an existing account or product, unless otherwise agreed to or directed by the client. Monitoring of an account's investment guidelines occurs as described in FDS and its affiliates policies and procedures and any investment management agreement.



In its role as an adviser or subadviser, FDS may supply the boards of trustees of FDS's registered U.S. investment company clients, along with other clients, with monthly or periodic reports providing, among other items, comparative performance data and certain brokerage commission reports.

Reports to private Fund clients are prepared as described in their respective confidential offering memorandum or limited partnership agreements. Reports to other non-investment company clients are prepared as agreed in their respective investment management agreements or when requested by such clients, and clients of FDS and its affiliates may receive customized or different reports than other clients. From time to time FDS or its affiliates also supply to investors in private Funds it or its affiliates manage monthly unaudited performance information and annual audited financial statements. In limited circumstances in response to client inquiries, FDS or its affiliates provide research related information with respect to securities held in the relevant client's portfolio, in some instances on a delayed basis.

To help the government fight money laundering and the funding of terrorism, federal law requires FDS to obtain a client's name, date of birth, address, and a government-issued identification number before opening the account, and to verify the information. In certain circumstances, FDS and its affiliates may obtain and verify comparable information for any person authorized to make transactions in an account or beneficial owners of certain entities. Further documentation is required for certain entities such as trusts, estates, corporations, partnerships, and other organizations. A client's account may be restricted or closed if we cannot obtain and verify this information. FDS is not responsible for any losses or damages (including, but not limited to, lost opportunities) that may result if a client's account is restricted or closed.

## **Item 14. Client Referrals and Other Compensation**

FDS and its affiliates compensate affiliates and FIL for client referrals. In addition, FDS and/or its affiliates may engage non-affiliated solicitors for compensation in accordance with applicable law from time to time. Discretionary compensation of FDS's sales personnel is based in part on their success in raising assets on behalf of FDS.

## **Item 15. Custody**

Although FDS generally does not hold client assets, FDS may be "deemed," for purposes of the Advisers Act, to have custody of certain of its discretionary client's assets (for example, an adviser is deemed to have custody under the Advisers Act where an affiliate serves as qualified custodian or where the adviser, or its affiliate, has the ability to deduct advisory fees or legal capacity to access Funds' accounts). Discretionary clients for which FDS is deemed to have custody will receive account statements from the independent, qualified custodian or prime broker that has been appointed to serve as custodian with respect to clients' accounts. Clients should carefully review those statements.

An affiliate of FDS, Fidelity Direct Lending LLC, acts as administrative agent (the "Loan Agent") to various loan syndicate participants, which includes clients of FDS and its affiliates and other third-party lenders. In connection with the Loan Agent's role as administrative agent, monies relating to loan syndications are maintained in accounts at a qualified custodian (each, an "Agency Account"). The Loan Agent generally establishes the appropriate Agency Accounts in the Loan Agent's name as agent for the loan syndicate participants, which would include clients who are lenders under various loans and hold only cash and not loans. The Agency Account commingles client assets and assets of third-party syndicate participants. The Loan Agent distributes the monies in the Agency Account as appropriate and consistent with the relevant loan documents. The Loan Agent does not have discretion to determine how monies are used or allocated. For example, when borrowers make principal and interest payments to an Agency Account, the Loan Agent causes the proceeds to be distributed from the Agency Account to the various lenders in accordance with the loan documents and generally seeks to distribute such assets promptly after the payments are received. The qualified custodian does not send account statements to loan syndicate participants.

Under SEC staff guidance, FDS is deemed to have custody over client assets in the Agency Accounts because of the Loan Agent's role as administrative agent to the loan syndicate participants, which include Adviser's clients. In that role, the Loan Agent has access to, and authority over, monies in the Agency Accounts. Although the Loan Agent has no discretion over the use, allocation, or disbursement functions, the Loan Agent has control over the Agency Accounts.

## **Item 16. Investment Discretion**

FDS's discretionary authority to manage accounts on behalf of its Clients and any limitations that are imposed on such authority are described in the "Advisory Business" section of this brochure. FDS typically assumes this authority after the execution of a duly authorized investment management agreement, which may incorporate a power of attorney and once an account has been funded. In limited cases, FDS's investment trade decisions on behalf of a client's account may be overridden by the client, in which case FDS may not be held responsible for any loss associated with such action or other consequences that have an adverse material effect on the account. Such limitations on FDS's discretion are described in the investment management agreement entered into with each client and are subject to negotiation.

FDS and its affiliates exercise discretionary authority on behalf of their mutual fund, ETF, BDC and registered closed-end fund clients pursuant to management contracts and sub-advisory agreements (together, the "Advisory Contracts"). The Advisory Contracts are entered into in accordance with Section 15 of the 1940 Act, and approved and renewed by each fund's Board of Trustees, including the Independent Trustees. In approving the Advisory Contracts, the Board of Trustees authorizes by resolution FDS' and its affiliates' ability to exercise discretionary authority, and the Advisory Contracts contain the terms and limitations, if any, with regard to the authority granted.

In considering whether to approve or renew the Advisory Contracts for the relevant Fund, the Board of Trustees considers all factors it believes relevant, including (i) the nature, extent, and quality of the services to be provided to the Fund and its shareholders (including the investment performance of the Fund); (ii) the competitiveness of the Fund's management fee and total expenses; (iii) the total costs of the services to be provided by and the profits to be realized by FDS or its affiliates from its relationship with the Fund; (iv) potential "fallout benefits," if any, FDS or its affiliates may receive as a result of their association with Fidelity's registered Funds; and (v) whether economies of scale have been realized in respect of the management of the Fund, whether the Fund has appropriately benefited from any such economies of scale, and whether there is potential for realization of any further economies of scale.

With respect to FDS' non-registered Funds and other Clients, FDS provides advisory services pursuant to management or sub-advisory agreements, the terms of which are negotiated with such clients. The management and/or sub-advisory agreements contain the terms and limitations, if any, with regard to the authority granted.

## **Item 17. Voting Client Securities**

When authorized by clients, FDS or its affiliates ("Fidelity") generally cast votes on behalf of client accounts by proxy at shareholder meetings of issuers in which Fidelity invests client assets. Fidelity has established formal written proxy voting guidelines (the "Guidelines") which are designed to ensure that proxies are voted in accordance with the best interests of clients (to the extent authorized by clients) as determined by Fidelity in its sole judgment. Fidelity has also adopted these Guidelines as part of its proxy voting policies and procedures in accordance with Rule 206(4)-6 under the Advisers Act. FMR provides proxy voting services to FDS and its affiliates.

Clients may obtain a complete set of Guidelines, as well as a record of how their proxies were voted, by contacting FDS at the address or phone number found on the cover of this brochure.

In evaluating proxies, Fidelity considers factors that are financially material to individual companies and investing funds' investment objectives and strategies in support of maximizing long-term shareholder value. This includes considering the company's approach to financial and operational, human, and natural capital and the impact of that approach on the potential future value of the business.

Fidelity will vote on proposals not specifically addressed by the Guidelines based on an evaluation of a proposal's likelihood to enhance the long-term economic returns or profitability of the company or to maximize long-term shareholder value.

### **Proposals Relating to Director Elections**

Fidelity generally will support director nominees in elections where all directors are unopposed (uncontested elections), except where board composition raises concerns, and/or where a director clearly appears to have failed to exercise reasonable judgment or otherwise failed to sufficiently protect the interests of shareholders. Fidelity will evaluate board composition and generally will oppose the election of certain or all directors if, by way of example: inside or affiliated directors serve on boards that are not composed of a majority of independent directors; there are no women on the board or if a board of ten or more members has fewer than two women directors; there are no racially or ethnically diverse directors; the director is a public company CEO who sits on more than two unaffiliated public company boards; or the director, other than a CEO, sits on more than five unaffiliated public company boards. Fidelity will evaluate board actions and generally will oppose the election of certain or all directors if, by way of example: the director attended fewer than 75% of the total number of meetings of the board and its committees on which the director served during the company's prior fiscal year, absent extenuating circumstances; the company made a commitment to modify a proposal or practice to conform to these guidelines, and failed to act on that commitment; the company has not adequately addressed concerns communicated by Fidelity in the process of discussing executive compensation; the compensation appears misaligned with shareholder interests or is otherwise problematic and results in concerns with: the alignment of executive compensation and company performance relative to peers and the structure of the compensation program, including factors outlined in the Guidelines, or, within the last year, and without shareholder approval, a company's board of directors or compensation committee has either re-priced outstanding options, exchanged outstanding options for equity, tendered cash for outstanding options, or adopted or extended a golden parachute; or the board adopted or extended an anti-takeover provision without shareholder approval. Fidelity generally will support proposals calling for directors to be elected by a majority of votes cast if the proposal permits election by a plurality in the case of contested elections. Fidelity may oppose a majority voting shareholder proposal where a company's board has adopted a policy requiring the resignation of an incumbent director who fails to receive the support of a majority of the votes cast in an uncontested election.

Fidelity believes that strong management creates long-term shareholder value. As a result, Fidelity generally will vote in support of management of companies in which the Fidelity Funds' and other clients' assets are invested. Fidelity will vote its proxy on a case-by-case basis in a contested election (where directors are forced to compete for election against outside director nominees), taking into consideration a number of factors, among others: management's track record and strategic plan for enhancing shareholder value; the long-term performance of the company compared to its industry peers; and the qualifications of the shareholder's and management's nominees. Fidelity will vote for the outcome it believes has the best prospects for maximizing shareholder value over the long-term.

### **Proposals Relating to Executive Compensation**

Fidelity generally will support proposals to ratify executive compensation unless such compensation appears misaligned with shareholder interests or is otherwise problematic, taking into account (i) the actions taken by the board or compensation committee in the previous year, including whether the company repriced or exchanged outstanding stock options without shareholder approval; adopted or extended a golden parachute without shareholder approval; or adequately addressed concerns communicated by Fidelity in the process of discussing executive compensation; (ii) the alignment of executive compensation and company performance relative to peers; and (iii) the structure of the compensation program, including

factors such as whether incentive plan metrics are appropriate, rigorous and transparent; whether the long-term element of the compensation program is evaluated over at least a three-year period; the sensitivity of pay to below median performance; the amount and nature of non-performance-based compensation; the justification and rationale behind paying discretionary bonuses; the use of stock ownership guidelines and amount of executive stock ownership; and how well elements of compensation are disclosed.

### **Proposals Relating to Equity Compensation Plans**

The Guidelines generally oppose equity compensation plans or amendments to authorize additional shares under such plans if: the company grants stock options and equity awards in a given year at a rate higher than a benchmark rate (“burn rate”) considered appropriate by Fidelity and there were no circumstances specific to the company or the compensation plans that led Fidelity to conclude that the rate of awards is otherwise acceptable; the plan includes an evergreen provision, which is a feature that provides for an automatic increase in the shares available for grant under an equity compensation plan on a regular basis; or the plan provides for the acceleration of vesting of equity compensation even though an actual change in control does not occur. As to stock option plans, considerations include the following: the Guidelines that support the pricing of options should be priced at 100% of fair market value on the date they are granted; the Guidelines generally oppose the pricing of options at a discount to the market, although the price may be as low as 85% of fair market value if the discount is expressly granted in lieu of salary or cash bonus; and the Guidelines generally oppose the re-pricing of underwater options (options with an exercise price that is higher than the current price of the stock) because it is not consistent with a policy of offering options as a form of long-term compensation. Fidelity also generally opposes a stock option plan if the board or compensation committee has repriced options outstanding in the past two years without shareholder approval.

### **Proposals Relating to Changes in Corporate Control**

The Guidelines generally oppose measures that are designed to prevent or obstruct corporate takeovers. Such measures include: classified boards, “blank check” preferred stock, golden parachutes, poison pills, supermajority provisions, restricting shareholders’ right to call special meetings or to set board size, and any other provision that eliminates or limits shareholder rights.

### **Proposals Relating to Shareholder Rights**

The Guidelines generally (i) support simple majority voting, (ii) oppose cumulative voting, and (iii) oppose new classes of stock with differential voting rights, subject to evaluation of such proposals in the context of their likelihood to enhance long-term economic returns or maximize long-term shareholder value.

### **Proposals Relating to Environmental and Social Issues**

Fidelity generally considers management’s recommendation and current practice when voting on shareholder proposals concerning human and natural capital issues because it generally believes that management and the board are in the best position to determine how to address these matters. Fidelity, however, also believes that transparency is critical to sound corporate governance. Fidelity evaluates shareholder proposals concerning natural and human capital topics. To engage and vote more effectively on the growing number of submitted proposals on these topics, Fidelity developed a four-point decision-making framework. In general, Fidelity will more likely support proposals that: address a topic that its research has identified as financially material; provide disclosure of new or additional information to investors, improving transparency; provide value to the business or investors by improving the landscape of investment decision relevant information or contributing to Fidelity’s understanding of a company’s processes and governance of the topic in question; and are realistic or practical for the company to comply with.

### **Securities on Loan**

Securities on loan as of a record date cannot be voted. In certain circumstances, Fidelity may recall a security on loan before record date (for example, in a particular contested director election or a noteworthy merger or acquisition). Generally, however, securities out on loan remain on loan and are not voted because, for example, the income a Fund or Client account derives from the loan outweighs the benefit the Fund or client account receives from voting the security. In addition, Fidelity may not be able to recall and vote loaned securities if Fidelity is unaware of relevant information before record date, or is otherwise unable to timely recall securities on loan.

### **Conflicts of Interest**

Voting of shares is conducted in a manner consistent with the best interests of the Funds and Client accounts. In other words, securities of a company generally will be voted in a manner consistent with these guidelines and without regard to any other Fidelity companies' business relationships. For example, Fidelity's affiliates manage or administer employee benefit plans, or provide brokerage, underwriting, insurance, or banking services to companies whose management solicit proxies. Fidelity also has business or personal relationships with participants in proxy contests, corporate directors or candidates for directorships. Fidelity takes its responsibility to vote shares in the best interests of the Funds or Clients seriously and have implemented policies and procedures to address actual and potential conflicts of interest.

Investment Proxy Research Group ("IPR"), which is part of the Fidelity Fund and Investment Operations department, is charged with administering the Guidelines as agent to facilitate the voting of proxies. IPR votes proxies without regard to any other Fidelity companies' business relationships with that portfolio company. Like other Fidelity employees, IPR employees have a fiduciary duty to never place their own personal interest ahead of the interests of Fund shareholders or other Clients. In the event of a conflict of interest, Fidelity employees are required to follow the escalation process included in Fidelity's corporate policy on conflicts of interest.

Clients generally may not direct Fidelity's vote if Fidelity has been given proxy voting authority, subject to applicable law.

In very limited circumstances, clients have asked Fidelity to follow that client's investment voting guidelines. In such cases, Fidelity may engage a third party to vote such proxies.

If Fidelity has engaged a subadviser, that subadviser may vote proxies according to its own proxy voting guidelines for those Fidelity accounts or portions of Fidelity accounts for which the subadviser has been granted such authority.

## **Item 18. Financial Information**

FDS does not solicit prepayment of client fees more than six months in advance.

FDS is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

## **Item 19. Requirements for State-Registered Advisers**

FDS is not registered with any state securities authority.