

# Fidelity Private Portfolio Service®

INVESTMENT MANAGEMENT WITH TAX-SENSITIVE STRATEGIES\* TO HELP YOU KEEP MORE OF WHAT YOU EARN.

## 10 Key Reasons to Consider Fidelity Private Portfolio Service®

### 1. Individualized investment approach

Every client is different. They have different tax rates, different investment objectives, different income needs, and may even live in different states. We take all of this into consideration when managing an account.

We start by getting to know the client. Our Investor Profile Questionnaire helps us understand their risk tolerance, investment objectives, and current portfolio holdings. We use sophisticated analysis to determine an appropriate asset allocation strategy and the investment vehicles to help them reach their goals.

Complete the Investor Profile Questionnaire for a no-obligation Investment Recommendation.

Once an account is funded, the Investment Manager begins to actively manage it by rebalancing and trading holdings to keep investments consistent with a client's strategy and income needs. Using proprietary technology, accounts are monitored daily for asset allocation, portfolio risk, additional cash, underrated securities, and the tax implications of trading decisions.

### 2. Our Investment Management Team

All Portfolio Advisory Services target portfolios are developed and managed by Strategic Advisers, Inc., a registered investment adviser and Fidelity Investments company, which is led by a team of experienced investment professionals working on your behalf.

#### Research Analysts—recommending and rating securities

The Mutual Fund Analysts are organized by style, and generate new investment ideas, provide in-depth analysis, carry out due diligence and monitor existing holdings. They use quantitative analysis of performance patterns and investment characteristics, plus research meetings with Fund Managers and other mutual fund company personnel. They also work with the Securities Analysts to provide ongoing coverage of all positions in client accounts.

Quantitative Analysts within the research team use sophisticated statistical and analytical tools to provide research in areas such as portfolio risk assessment and market scenario analysis to support the Portfolio Strategists.

#### Investment Managers—ongoing management of client accounts

A team of Investment Managers oversees more than 15,000 unique client accounts. Using proprietary technology, each account is monitored daily and reviewed individually on a routine basis. Fidelity uses a proprietary portfolio management system designed to help ensure that all of our clients receive thorough investment management of their assets with every review. In addition, Investment Managers rely on the research generated by the Strategic Advisers Mutual Fund, Securities, and Quantitative Analysts.

Investment Managers rely on proprietary tools for analysis and the latest investment research from the analyst team. They also evaluate market data and specific client information, including new funds and securities the client may bring into the portfolio. The Investment Managers synthesize all this information to carefully evaluate the potential tax implications that may arise from any portfolio change.

#### DID YOU KNOW?

An investor using a simple long-term investing strategy may incur significant taxes. From 1926–2008, a hypothetical investor in the S&P 500® Index would have had an average annual return of 9.6% compared with 7.5% after taxes!

We utilize tax-sensitive investment strategies when seeking to enhance your after-tax returns.\*

### 3. Tax-sensitive portfolio management\*

Taxes can have a considerable impact on the total return of a portfolio, and Fidelity Private Portfolio Service® seeks to deliver better after-tax returns. If a portfolio has unrealized losses, they have the potential to be turned into tax assets (if realized) to offset future gains or income. Each account is analyzed daily and, on an as-needed basis (instead of reviewing only at year-end), the Investment Manager will rebalance the account and look for tax-loss harvesting opportunities.

As part of the account-opening process, we work with you to gather your cost-basis information on your existing holdings. From there, we maintain records on the cost basis of new investments we purchase on your behalf. Utilizing this information helps us offer informed tax-sensitive investment management.\*

The Investment Team considers the potential federal income tax consequences of holding or selling securities as part of its investment management services in an effort to enhance your after-tax returns. Over the long run, this extra level of management may significantly contribute to helping you reach your investment goals. Prior to making decisions to hold or sell securities and selecting funds for your portfolio, Strategic Advisers, Inc., considers the following:

- **Ability to harvest tax losses.** Individual funds or stock and bond positions may experience price declines, possibly below your adjusted tax basis of the security. The Investment Team may then choose to realize tax losses in the account. By triggering realization of these losses, the Investment Team may be able to offset other capital gains, and up to \$3,000 of ordinary income, without significantly altering the overall investment attributes of the account. When a fund or individual security is sold to realize a tax loss, the position usually will be replaced with a similar fund (or funds) to maintain market exposure.
- **Opportunity to avoid and/or postpone gain realizations.** As applicable, the Investment Team reviews each specific lot of securities in your account—a block of shares bought at a particular time at a particular price—and weighs the potential federal income tax burden associated with selling that lot against the potential investment merits of the sale, such as return opportunity, added diversification, and support of risk-management strategies. Once it decides to sell a security, the Investment Team will attempt to sell the lot(s) that will generate the lowest overall federal income tax burden (or generate a tax loss) using the cost basis and holding period information on record.
- **Seek to manage exposure to mutual fund distributions.** After taking other factors into consideration, the Investment Team seeks to manage exposure to taxable fund distributions. Although the Investment Team cannot control when or how a fund will make distributions, it considers historical and projected dividend and capital gain distributions when selecting and trading funds for the account. In a given year, due to investment decisions or market conditions, clients may receive varying levels of taxable fund distributions within the account.
- **Purchase of municipal bond and money market funds, based on tax bracket and fund tax-equivalent yields.** When appropriate, the Investment Team may invest in state-specific and national municipal bond funds and money market funds to generate income generally exempt from federal and state income taxes (as alternatives to comparable taxable funds). When consistent with your overall investment objectives, the Investment Team may also use municipal bond and money market funds that are not state specific to generate income exempt from federal income taxes.<sup>2</sup>
- **Consideration of short-term capital gains.** The Investment Team will generally attempt to defer realization of short-term capital gains in favor of long-term gains.

Fidelity Private Portfolio Service seeks to control risk and deliver better after-tax returns for clients.

### 4. Broad investment universe

Today's investors face thousands of investment choices. Our Investment Management Team has narrowed down this universe to a few hundred investments. The list continuously changes based on daily evaluations, and a client's current holdings. We invest in Fidelity and non-Fidelity mutual funds, ETFs, mutual funds that invest in alternative asset classes and strategies such as commodities, real estate, merger arbitrage and long/short funds, and Advisor class shares.

### 5. Extensive research

Our analysts use internal and proprietary tools, sophisticated techniques, and third-party research to rate every holding in a managed portfolio.

Our process begins with a review of the positions in the managed portfolio and relies on security ratings and research generated by our Securities Analysts to diversify a client's exposure to stock, bond, and cash positions, and to selectively include alternative investment exposure when appropriate.

- **Quantitative research.** Our proprietary rating system evaluates past returns, risk, and consistency of results. Typically, we're looking for investments that have performed in the past the way we'd like them to fare in the future. We're likely to focus on funds that have a good record of consistent above-average returns relative to their peers, and haven't taken on excessive risk.
- **Qualitative research.** To identify an investment's potential future performance pattern, we analyze fundamental factors such as investment management and company infrastructure, portfolio characteristics, strategy, and execution, and hold face-to-face meetings with fund managers.

### Knowledge and experience

The markets are uncertain and constantly changing. We look for Fund Managers who have essential perspectives for handling market developments.

### A well-defined process

We choose investments to fill carefully defined roles in a portfolio, typically avoiding those investments whose managers have a history of changing—or abandoning—their investment styles to imitate what's in vogue. We scrutinize a manager's ability to articulate an investment style, and use information such as historical holdings and portfolio characteristics to verify our opinion.

### Original research

Most investment companies we work with do their own in-house research, which can help provide insights outside Wall Street consensus. We typically meet with other analysts, review their systems and methodologies, and often attend investment meetings to observe their process.

### Incentives and resources

We also seek to understand the entire investment organization and the environment managers work in. We believe a company's ability to retain its talent can be a key ingredient in its long-term investment success.

### Investment evaluation

We evaluate each investment for past performance and monitor performance and portfolio characteristics over time for changes. Because we do our work up front, we're generally not quick to pull the plug when an investment encounters a short-term slowdown. Instead, we carefully analyze the source of the problem and increase interactions with the fund company.

The goal is to provide risk-adjusted returns and enhanced after-tax returns. We rely on a robust Investment Management Team dedicated to the management of client assets and helping our clients achieve their goals.

Fidelity Private Portfolio Service®	
Minimum investment	For clients with \$300,000 or more in taxable assets
Portfolio management approach	Individual, tax-sensitive investment management <sup>1</sup> based on asset allocation and diversification
Primary investment vehicle	Fidelity and non-Fidelity mutual funds, and exchange-traded funds
Likely investors	Individuals in high tax brackets interested in a service that seeks to enhance after-tax returns, and/or whose portfolios include highly appreciated securities

## 6. Portfolio engineering

Many investors understand asset allocation can help with investment risk, but few have the experience and technology to use asset allocation as a strategic tool. With Fidelity Private Portfolio Service, the Investment Manager uses sophisticated techniques and tools that go broad and deep, allocating assets across and within asset classes. Our goal is to try to earn a more consistent, potentially higher return without straying from an established risk comfort zone. Asset allocation and diversification do not ensure a profit or protect against loss.

- **Broad diversification.** Within each asset and subasset class, the Investment Manager strategically diversifies an investment strategy to ensure exposure to investments with a range of varying characteristics, including growth and value, economic sector, domestic and international, size, maturity, and rating. This broad diversification helps position clients to take advantage of market opportunities, and are less likely to be seriously affected by the poor performance of any one market sector.

## 7. Ongoing portfolio monitoring

Accounts are monitored on a daily basis using a proprietary portfolio management system. Because the account strategy is based on sound, tested investment principles, your Investment Manager won't be chasing the next "hot" issue, trying to time the market, or "turning" holdings in an effort to generate quick profits. While your Investment Manager won't hesitate to make changes when a holding no longer meets a need, or it's necessary to rebalance to maintain a target asset allocation, we don't let our hearts rule our heads.

We also conduct an in-depth review of your account at regular intervals. This formal evaluation may show that a portfolio is properly aligned with the appropriate target asset mix, or it may generate action steps such as

rebalancing to bring an account more in line with its target, considering funds in other asset classes due to market conditions, or pursuing specific tax-sensitive investment strategies.†

## 8. In-depth reporting

Clients receive regular updates on account performance, and transaction reports whenever there's a trade, as well as timely communications on their account and the market in general. They receive a quarterly report that calculates the before- and after-tax performance of their account and includes robust market commentary and time- and money-weighted returns. Clients also receive extensive documentation, including estimated cost-basis, and gain/loss information.<sup>3</sup>

## 9. Dependable, personal service

An experienced Relationship Officer serves as a dedicated point person for each client. They're committed to providing help and assistance and will touch base with their clients periodically to answer questions and inquire about changes that could affect an investment plan. Every year they oversee an Annual Strategic Review with a client to help ensure that each investment plan continues to be appropriate for the client's situation and goals.

## 10. One advisory fee covers the investment service

One of the basic tenets of investing is investment expense. Fidelity Private Portfolio Service provides professional portfolio management, tax-sensitive investment strategies,<sup>†</sup> dedicated service, and timely communications for an annual advisory fee.<sup>4</sup>

There's no cost or commitment to taking the first step.

To learn more, find answers, or get started, talk to your Fidelity Representative today! Or visit us online at [Fidelity.com/pps](https://www.fidelity.com/pps).

Complete the Investor Profile Questionnaire for a no-obligation Investment Recommendation.

Turn here<sup>SM</sup>



**Before investing, consider the funds' investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus containing this information. Read it carefully.**

**Diversification does not ensure a profit or protect against loss.**

\* Fidelity Private Portfolio Service® (PPS) applies tax-sensitive investment management techniques (including tax-loss harvesting) on a limited basis, at its discretion, primarily with respect to determining when assets in a client's account should be bought or sold. As a discretionary investment management service, any assets contributed to an investor's account that PPS does not elect to retain may be sold at any time after contribution. An investor may have a gain or loss when assets are sold. Municipal fund interest dividends may be subject to federal, state, and/or local income taxes, as well as alternative minimum taxes depending on the types of bonds held, their issuers, and the state where you reside. Capital gain distributions from municipal funds are taxable.

† The tax information contained herein is general in nature, is provided for informational purposes only, and should not be construed as legal or tax advice. Fidelity does not provide legal or tax advice. Fidelity cannot guarantee that such information is accurate, complete, or timely. Laws of a particular state or laws which may be applicable to a particular situation may have an impact on the applicability, accuracy, or completeness of such information. Federal and state laws and regulations are complex and are subject to change. Changes in such laws and regulations may have a material impact on pre- and/or after-tax investment results. Fidelity makes no warranties with regard to such information or results obtained by its use. Fidelity disclaims any liability arising out of your use of, or any tax position taken in reliance on, such information. Always consult an attorney or tax professional regarding your specific legal or tax situation.

<sup>1</sup> Source: © 2009 Morningstar, Inc. The potential impact of federal income taxes on returns is based on the following assumptions: Stocks are represented by the S&P 500® Index, and they were purchased, held for five years, and then sold. Capital gains on stocks and bonds were taxed at applicable capital gains tax rates at the time of sale. All stocks were held five years. Dividends and interest income were taxed as they occurred. Tax was paid from its respective gain, dividend, or interest, and the net sale, dividend, or interest amount was reinvested. Federal income tax was calculated using the historical federal marginal income and capital gains tax rates for a single taxpayer earning \$100,000 in 2008 dollars. This amount was adjusted each year for inflation using the Consumer Price Index to determine the applicable tax rates for each year. Account fees, transaction charges, and state and local taxes are not taken into account. It is not possible to invest directly in an index. Past performance is no guarantee of future results.

<sup>2</sup> Income exempt from federal income tax may be subject to state or local tax. A portion of distributions from tax-exempt or municipal bond and/or money market funds may be subject to federal, state, or local income or alternative minimum taxes. For federal tax purposes, a fund's distributions of gains attributable to a fund's sale of municipal or other bonds are generally taxable as either ordinary income or long-term capital gains. Redemptions, including exchanges, may result in a capital gain or loss for federal and/or state income tax purposes.

<sup>3</sup> Fidelity Private Portfolio Service® (PPS) provides estimated tax basis, corresponding realized and unrealized gain and loss, and holding period information to their clients as a courtesy service. This information may not reflect all adjustments necessary for tax-reporting purposes. Clients should use their own records (such as trade confirmations) when calculating a reportable gain or loss resulting from a sale. PPS does not report tax basis, corresponding gain/loss, and holding period information to the IRS and is not responsible for the accuracy of information clients may be required to report to federal, state, and other taxing authorities.

<sup>4</sup> Your annual advisory fee is based on the average daily balance in your household's account(s). For more information on our advisory fee, including a detailed fee schedule, call 800-544-9371, or visit [Fidelity.com/pas/fee](https://www.fidelity.com/pas/fee).

The information presented in this brochure is accurate as of the date of its publication and is subject to change.

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