December 6, 2018

Q&A: MUTUAL FUND DISTRIBUTIONS

Q1: What is Fidelity doing this year with regard to providing information on mutual fund distributions to Fidelity fund shareholders?

A: Fidelity either already has, or will make three different categories of mutual fund distribution information available to investors to assist with year-end tax planning:

• *September Update*: These are made available in late October. These are the capital gain distribution amounts that would have been required if the fund's required calendar year distribution had been determined on September 30. The amounts will change based on fund activity occurring after September 30. However, the information is limited to estimates of capital gain distributions, which is of greatest interest to shareholders. We are not providing estimates of income distributions.

• *November Estimates*: Available in late-November, these are the estimates of a fund's required distributions payable at the end of the current calendar year. Estimated year-end distributions are calculated only for a select number of funds and are subject to change.

• *Final Year-End*: These are the actual year-end mutual fund distributions that have been declared and paid.

Q2: Why is Fidelity providing distribution information for Fidelity funds prior to the end of the fiscal tax period?

A: At Fidelity, we always have believed in the importance of providing shareholders with information and tools to help them make their own investment decisions.

We recognize that shareholders are interested in the effects of taxes on their investment portfolios, and are thinking about how distributions might affect their tax planning as we move toward the end of the year. We believe that providing this distribution information – beginning in October – is of great assistance to our shareholders and prospective shareholders who are formulating their investment and tax plans heading into year-end.

MUTUAL FUND DISTRIBUTION ESTIMATES

Q3: What exactly are distribution estimates?

A: Distribution estimates are estimates of the per-share amount of realized capital gains expected to be distributed by mutual funds by the end of a year.

Q4: Why do you make Fidelity fund distribution estimates?

A: Because a fund's distribution has tax implications for shareholders, Fidelity makes estimates for certain Fidelity funds late in the year to give shareholders a general indication of what a fund's year-end capital gain distribution is going to be. We also provide this service so shareholders and prospective shareholders who may be considering making a purchase of Fidelity funds and want to avoid "buying a dividend" can factor the expected distribution into their decision. The capital gain distribution estimates can also be used by shareholders to assist them with year- end tax planning.

Q5: How do the November Estimates differ from September Update?

A: The September Update is a snapshot of where each fund stands in terms of capital gains as of September 30. The November Estimates are estimates of the per-share amount of realized capital gains expected to be distributed by those funds by the end of the calendar year. In most cases, as required under the federal tax code, the final distributions will be based on capital gains realized through October 31 (or November 30 for funds with a November fiscal year end).

Q6: Are the November Estimates the amount that will be paid in December?

A: These amounts are estimates. It is reasonable to expect some adjustments in distribution estimates, which are typical and generally reflect updated information, up until the actual ex-dividend date.

Q7: How do you determine which Fidelity funds provide November Estimates?

A: We provide November Estimates generally on larger Fidelity funds and on other funds that likely will have a large distribution as a percentage of net asset value.

Q8: How would you characterize your distributions overall this year?

A: It's difficult to broadly characterize distributions. However, generally speaking, with regards to the equity funds, we think many funds will distribute gains this year. In general, the largest distributions are a result of the strength of the equity market over an extended period of time, though there are various factors that contribute to a fund's capital gains.

Q9: Why does my fund have such a large distribution?

A: Large distributions are a result of the strength of the equity market over an extended period of time, not just one year. Generally speaking, most of a fund's holdings have unrealized capital gains without the availability of loss offsets which would lower distributions.

BASICS OF MUTUAL FUND DISTRIBUTIONS

Q10: What is a mutual fund distribution?

A: A mutual fund distribution is derived from net capital gains realized from the sale of a fund's investments and income from dividends and interest earned by a fund's holdings less the fund's operating expenses. By law, mutual funds must pay substantially all net investment income and net capital gains to their investors, who may elect to receive cash or reinvest in additional shares of the fund.

Q11: How should investors consider using distribution information?

A: Knowing about upcoming distributions can help investors with year-end tax planning. If you know one of your mutual funds is going to make a distribution that will have tax consequences for you (e.g., your fund is held within a taxable account), then you may be able to make some planning adjustments in an effort to potentially reduce those tax consequences. If you are willing to make a material change in your investment, you can consider selling the investment and replacing it with a different investment in another fund in that area of the market.

If you only take into account market price changes reflecting the distribution, selling a fund prior to the distribution generally will result in more capital gain or less loss than if you sell the shares after the distribution. Selling shares after the distribution usually will yield less gain or more loss. The loss could be used to help offset the taxable distribution.

If you do so, be mindful of the wash sale rule, which results in the current disallowance of the taxable loss if you purchase a "substantially identical" investment within the 61 day window beginning 30 days before, and ending 30 days after the sale, giving rise to the loss. In short, from a tax perspective you can manage a portfolio of mutual funds similarly to the way you would manage a portfolio of stocks. Whether you have held the shares for more than one year will impact your tax benefit and may be a consideration in deciding whether to sell before or after the distribution. There may be other provisions in the tax law that may limit the tax benefit you may realize and the character of the losses generated.

Q12: What are the potential tax implications of mutual fund distributions to shareholders?

A: Shareholders are required to pay taxes on mutual fund distributions (unless the mutual funds are held in tax-advantaged accounts such as Individual Retirement Accounts and 401(k) and 403(b) accounts) regardless of whether the distributions are paid out in cash or reinvested in additional shares. Long-term capital gain distributions are taxed at long-term capital gains tax rates; distributions attributable to short-term capital gains and interest are taxed at ordinary income tax rates. Distributions attributable to investment income earned from corporate dividends may qualify for the lower long-term capital gains rate. Ordinary income tax rates generally are higher than long-term capital gains tax rates.

Q13: Should investors wait to buy a fund until after the distributions are made?

A: If investors are considering purchasing a mutual fund within a tax-advantaged account, then forthcoming distributions should not affect the timing of their investment decision, since they have no tax consequences while the assets remain in the account. For new investments within taxable accounts, upcoming distributions raise some important considerations. The distributions will result in taxable income and will normally give rise to an associated increase in their overall tax burden. Since the share price is adjusted by the same amount as the distribution, all other factors being equal, there is usually no economic benefit to purchasing the shares immediately before the distribution. However, the tax impact resulting from “buying the taxable dividend” could be significant. Bear in mind that tax consequences should be only one of many factors to evaluate when considering the purchase of a mutual fund, and it should not be the only factor. If investors are considering a purchase, you should also factor in the size of the dividend relative to the size of their expected investment.

Q14: How does a mutual fund generate income and capital gains to be distributed?

A: A mutual fund generates capital gains and income for shareholders in two ways – by selling investments that have increased in value and by earning dividends and interest on its investments.

Q15: What types of distributions do mutual funds make?

A: There are primarily three basic types of distributions for tax purposes: capital gains, qualified dividends, and ordinary (nonqualified) dividends. However, distributions are taxed differently depending on the transaction that gave rise to the distribution, as follows:

• Long-Term Capital Gains: Capital gain distributions are generally attributable to long-term gains generated by a fund from the sale of securities held for more than one year and are taxed at long-term capital gains tax rates when distributed to shareholders. Capital gain distributions may also consist of capital gain distributions received by a fund from its investment in another mutual fund.

• Ordinary Dividends:

Nonqualified Dividends: These consist of investment income earned by the fund from interest and nonqualified dividends less expenses. Non-qualified dividends are taxable at ordinary income tax rates. For federal tax purposes, ordinary income is generally taxed at higher rates than qualified dividends and long-term capital gains.

Qualified Dividends: Generally, dividends from common stock of domestic corporations and qualifying foreign corporations are taxed at the lower rate attributed to long-term capital gains.

• Short-Term Capital Gains: These are distributions of net short-term gains realized by the fund on the sale of securities. Short-term capital gains result when securities held for one year or less and other non-investment income required to be distributed by the fund (such as foreign currency gains that are taxed as ordinary income when distributed by the fund) are sold. When distributed, short-term capital gains are normally treated as ordinary dividends.

Estimates are only provided for long-term capital gains and short-term capital gains. Estimate are not provided for ordinary dividends.

NOTE: Unrealized gains on investments that have increased in value but have not yet been sold are not required to be distributed and are reflected daily as part of a fund's net asset value.

Q16: When are dividends and capital gains paid to investors?

A: Each fund has a distribution policy that can be found in the fund's prospectus as well as at fidelity.com (https://www.fidelity.com/mutual-funds/prices-documents/overview). Generally, Fidelity funds' distribution policy is as follows: Money market and most bond funds generally declare income dividends daily and distribute them monthly. Income dividends are often paid quarterly for growth and income funds, and annually at fiscal year-end and calendar year-end for growth funds. Capital gains (if required) for equity and bond funds generally are paid after fiscal year-end and at calendar year-end.

Q17: Is a fund's share price affected when a distribution is paid?

A: Capital gains and dividend distributions will reduce the fund's net asset value (NAV) per share by the amount of the distribution on the ex-dividend date. For example, if a Fidelity mutual fund were to pay a distribution of $2.00 per share and the fund's NAV was $30.00 per share prior to the distribution, on the ex-dividend date, the NAV would be reduced by $2.00 per share. Market activity may also impact the fund's NAV on the ex-dividend date, so the total change in a fund's NAV may be more or less than the dividend.

Q18: Does a fund's distribution affect its total return?

A: No. Distributions do not impact total return. Although the NAV drops when the distribution is paid, shareholders who reinvest their distributions also receive more shares.

Q19: How is a mutual fund affected if there is no required distribution?

A: There are no tax consequences to shareholders or to the fund if a distribution is not required. The fund's NAV and its investment performance would remain the same. Shareholders will not be required to pay taxes if the fund has not made a taxable distribution.

Q20: Who is responsible for paying taxes on these distributions?

A: Shareholders who hold shares in a taxable account are responsible for paying taxes on distributions they receive each year, whether they receive the distributions in cash or reinvest them in additional shares of the fund. The funds report distributions to shareholders on IRS Form 1099-DIV at the end of each calendar year. Certain accounts, such as Individual Retirement Accounts and 401(k) accounts, are tax-advantaged. Therefore, shareholders who own these types of accounts pay taxes, if any, only when money is withdrawn. This information will usually be reported on a Form 1099R.

Q21: How is distribution eligibility determined?

A: The timing of a distribution and the determination of which customers are eligible to receive it are based on the record date, the ex-dividend date, and the payable date. Different types of securities define these dates slightly differently. For open-end mutual funds, they are defined as follows:

- *Record Date*: All shareholders of record at 4 p.m. Eastern time on this day are eligible to receive the distribution. This date is usually the business day prior to the ex-dividend date.

- *Ex-Dividend Date*: This is the date on which the distribution amount per share is deducted from the NAV per share. The ex-dividend date, also known as the declaration date, is generally the business day after the record date.

- *Payable Date*: The fund pays customers their proportional shares of the distribution on this date. For Fidelity funds, the payable date for distributions paid in cash is normally the business day after the ex-dividend date, except for those funds with daily income distributions. Fidelity fund shares purchased with reinvested distributions usually are credited on the reinvestment date at the fund's 4 p.m. NAV for that date.

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