

# Portfolio Advisory Service *at Work*

FIDELITY®

---

Portfolio Advisory Service *at Work*

For investment professional use only. Not for distribution to the public as sales material in any form. The Fidelity Investments and pyramid design logo is a registered service mark of FMR LLC.

Fidelity Institutional Asset Management® (FIAM) provides products and services to investment professionals, plan sponsors, and institutional investors through Fidelity Investments Institutional Services Company, Inc., 500 Salem Street, Smithfield, RI 02917

**This communication is provided for informational and educational purposes only. Unless otherwise disclosed to you, in providing this information, Fidelity is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with any investment or transaction described herein. Fiduciaries are solely responsible for exercising independent judgment in evaluating any transaction(s) and are assumed to be capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies. Fidelity has a financial interest in any transaction(s) that fiduciaries, and if applicable, their clients, may enter into involving Fidelity's products or services.**

# Agenda

- 1 Key Drivers of Growth in Managed Accounts
- 2 Fidelity Managed Accounts: The Difference
- 3 How Does this Work
- 4 Panel

# Managed Accounts

*At Fidelity's Strategic Advisers, we believe, that different participants have different needs and plan sponsors should consider designing their retirement plan to offer a Managed Account.<sup>1</sup>*

<sup>1</sup> Fidelity managed accounts are offered through Strategic Advisers, Inc. a registered investment adviser and Fidelity Investments company

# Different Types of Investors

There is no one-size-fits-all solution. Offering a combination of strategies can be a powerful way to help address the diverse needs of employees.

DO-IT-YOURSELF	DO-IT-FOR-ME	
<p><b>CORE FUND LINEUP/TOOLS AND RESEARCH</b></p> <p>For employees actively engaged in managing their own retirement accounts.</p>	<p><b>Target Date</b></p> <p>For employees who want an asset allocation based on estimated retirement age.</p>	<p><b>MANAGED ACCOUNTS</b></p> <p>For employees who want an asset allocation based on their individual situation, including factors such as age, time horizon, risk profile, and overall financial situation.</p>
Eligible for QDIA /DUAL QDIA		

# Personalization and Outcomes are Two Key Drivers of Growth

## Managed Accounts take a Holistic Approach.

Key differences between Balanced Funds, Target Date Funds, and Managed Accounts in 401(k) plans, according to the Government Accountability Office (GAO)

	INVESTMENT PRODUCTS			INVESTMENT SERVICE	
	Balanced funds	Target date funds		Managed accounts	
		Basic	Custom*	Customized†	Customized + personalization‡
MIX OF ASSETS	Fixed mix over time	Mix adjusts over time			
ADJUST MIX BASED ON	N/A 	Retirement date/age 	Retirement date/age and plan demographics 	Individual characteristics 	Individual characteristics and additional personal information 
	Plans A, B, C	Plans A, B, C	Plans A Plans B Plan C		

Source: The following footnotes are from the Government Accountability Office (GAO) analysis of DOL publications, industry publications, and information from plan sponsors, recordkeepers, and managed account providers..] GAO –14-310

\*Some plan sponsors have established custom target date funds instead of relying on preexisting target date funds offered by investment management firms. Custom target date funds can be more precisely tailored to match a plan's objectives and demographics, and they offer a plan sponsor greater control over the underlying investments of a target date fund. However, custom target date funds may involve costs greater than those of an already-existing fund, so they may be more popular among larger plan sponsors.

†In customized managed account services, the provider allocates a participant's account based solely on the participant's age or based on additional factors that can be easily obtained from the plan's record keeper, such as gender, income, current account balance, and current savings rate.

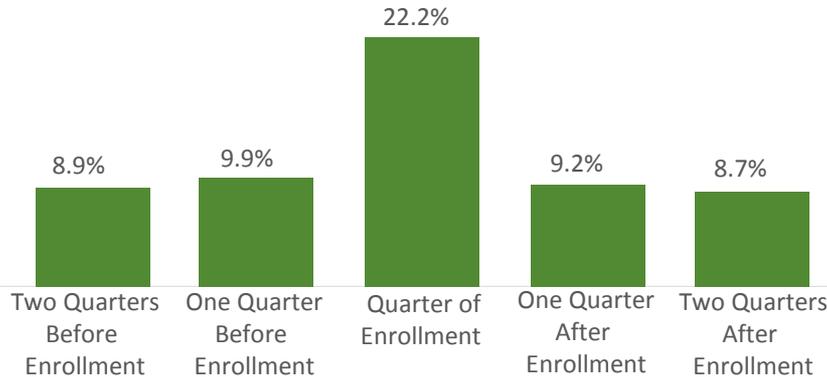
‡Personalization by managed account providers includes not only a review of age and recordkeeping data, but the provider also allows participants to provide personalized information such as stating their preferences for risk or the availability of spousal assets to inform the asset allocation process.

# Personalization and Outcomes Are Two Key Drivers of Growth

## 2X

Participants are more than **2x** as likely to increase their deferral rates in the quarter in which they enroll in PAS-W. \*

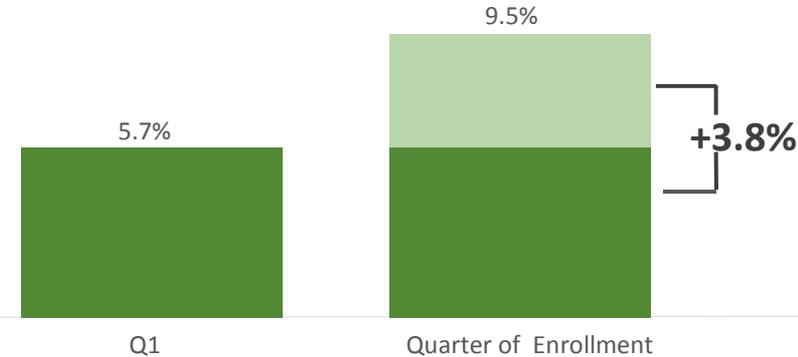
Percentage of PAS-W Participants who Increased Deferral Rate, by Quarter



## 3.8%

Among PAS-W participants who increased their deferral rates, the mean deferral rate was significantly higher. \*\*

Mean Deferral Rate



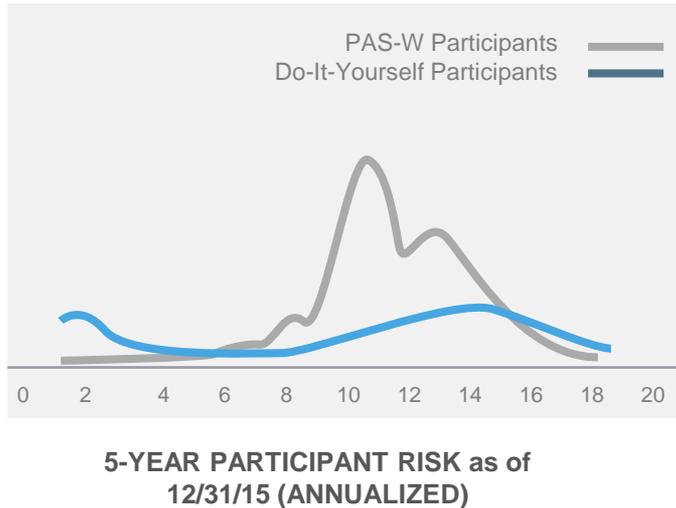
\*Analysis includes participants who (a) enrolled in Fidelity Portfolio Advisory Service at Work (PAS-W) between January 2007 and December 2014 on the Workplace Investments (WI) recordkeeping platform (b) maintained positive account balance one year before and after quarter-end of enrollment, (c) includes participants enrolled in Automatic Increase Program (AIP). (AIP is a service that allows plan participants, based on the terms of their plan, to systematically increase their personal contributions each year to the plan. Most increase rates are 1%; however, plans or participants can, in accordance with existing regulatory guidance select different increase rates. The plan determines whether to mandate a increase specific increase date for all participants or allow participants to choose their own increase date.) Excludes participants with prior enrollment in a Wealth Management Account on the WI recordkeeping platform. Excludes all non-qualified plans, all tax-exempt pooled plans and the FMR Retirement Savings Plan.

\*\*Analysis includes participants who increased their deferral rate in the quarter of enrollment. Quarter of enrollment is the quarter in which participants enrolled in PAS-W. Usually it represents the quarter in which participants received communications related to the PAS-W service or broader WI communications around asset allocation and/or received help by reaching out to a Fidelity representative.

# Personalization and Outcomes Are Two Key Drivers of Growth

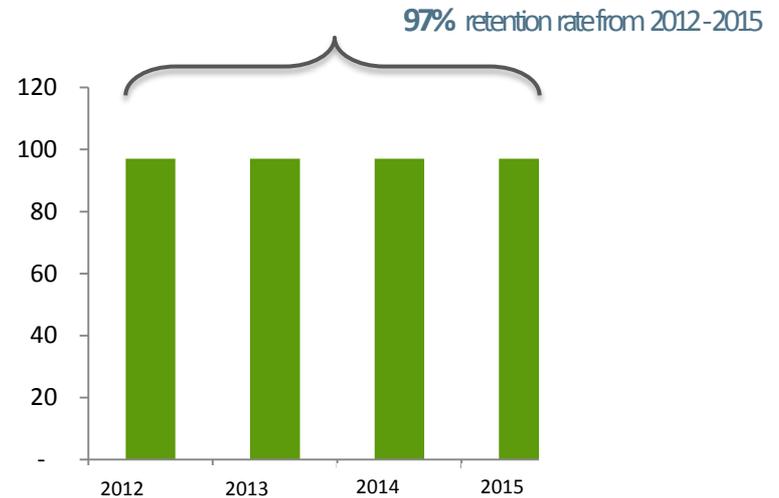
## 2X

Participants in PAS-W experience a **2x narrower range of risk** compared to Do-it-Yourself Investors.\*



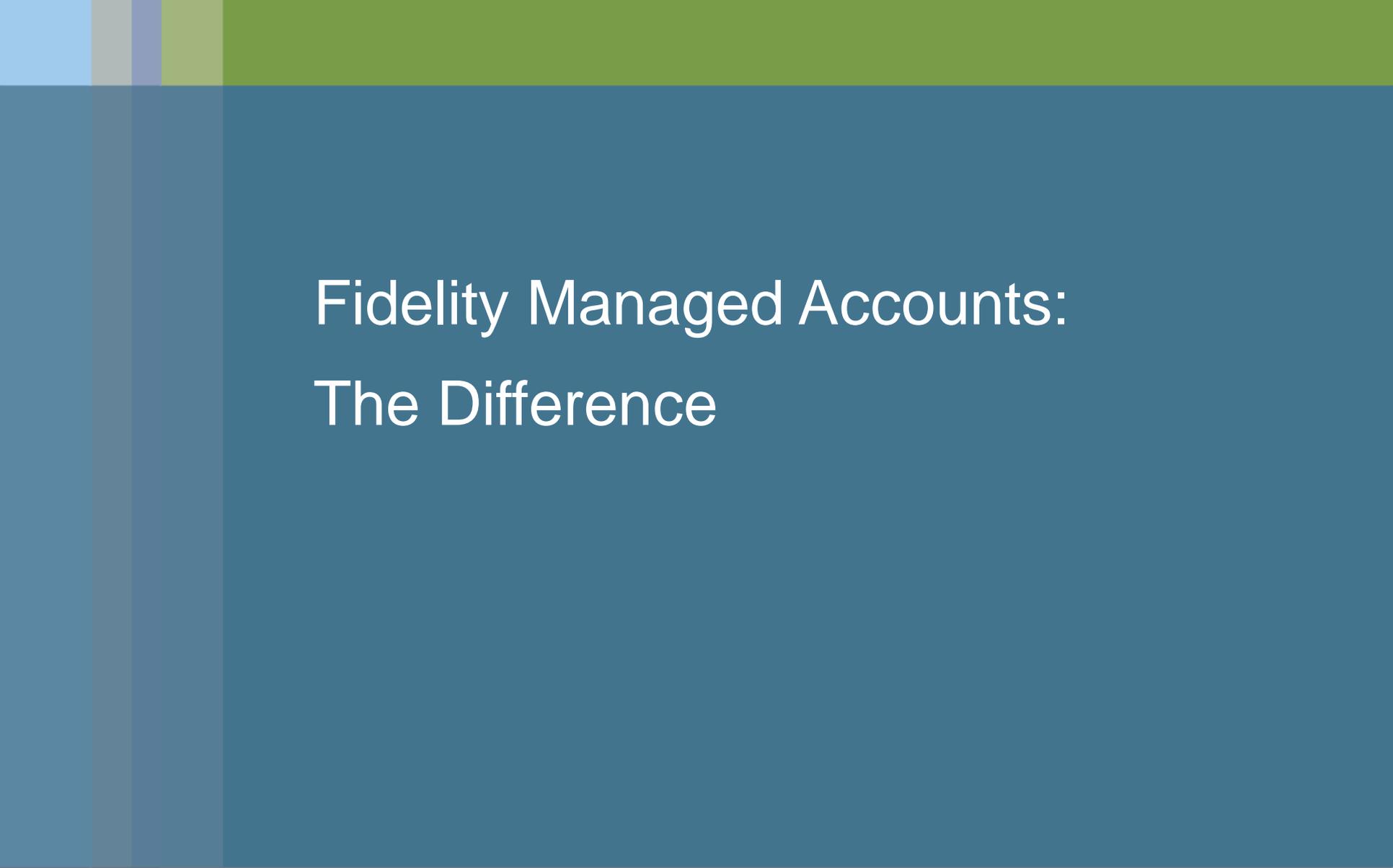
## 97%

The **retention rate** among participants who join PAS-W managed account service.\*\*



\*All data as of 12/31/2015. **Past performance is no guarantee of future results.** Information presented on risk is based on comparing the standard deviation of quarterly returns for PASW participants relative to participants that were defined as managing their own asset allocation. Information presented on returns is based on a participant-weighted composite of returns comparing PAS-W participants against participants that were defined as managing their own asset allocation. "Do-it-yourself" participants includes participants who were not enrolled in a managed account service and did not have 100% of their account balances in a target date or managed account product for this time period. **For additional information on the calculation and assumptions used, please see the "Methodology and Assumptions" page included at the end of this document.** Diversification/Asset Allocation does not ensure a profit or guarantee against loss.

\*\*Fidelity Workplace Investments (WI) record kept data on percentage of participants who maintained a PAS-W account, measured from January 1, 2010, to December 31, 2015 (excludes NonQual plans and FMRCo plans).



# Fidelity Managed Accounts: The Difference

# Why Fidelity: What Differentiates Us?

## Seamless Integration

An approach that aligns with your value proposition and eliminates the need for individual plan sponsor or participant integration allowing you to scale quickly and easily.

## Turnkey, Personalized Experience

An experience that is personalized: from participant awareness and education to sponsor and advisor insights and reporting.

## Experience of a Trusted Provider

Professional investment management helping participants prepare for, transition into and live in retirements.

# How Does this Work?

## Retirement Recordkeeper

- Leads the Sponsor Relationship
- Hosts the participant experience
- Executes trades
- Provides regular updates/reports to sponsors

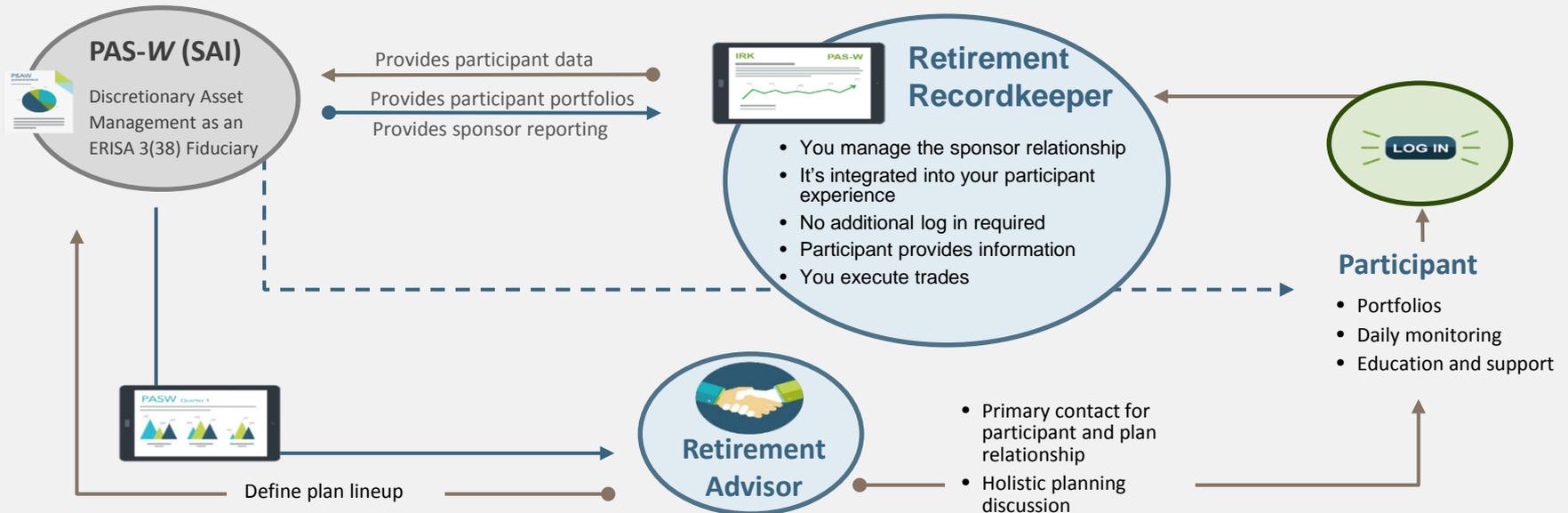
## Retirement Advisor

- Owns the participant relationship
- Leads holistic wealth planning/financial planning discussions
- Picks the plan line-up to be used by Fidelity SAI
- Maintains ongoing relationship with participant (..and sponsor as needed)

## PAS-W (SAI)

- Integrates right into existing systems
- Provides investment management for participants
- Provides regular reporting to advisor and sponsor
- Helps drive participant engagement and ongoing management

## How it Works







Panel

# Panelists



Moderator: **Stan Smith**, Fidelity Investments

## PANELISTS

---



**Betsey Grover**  
Fidelity Investments



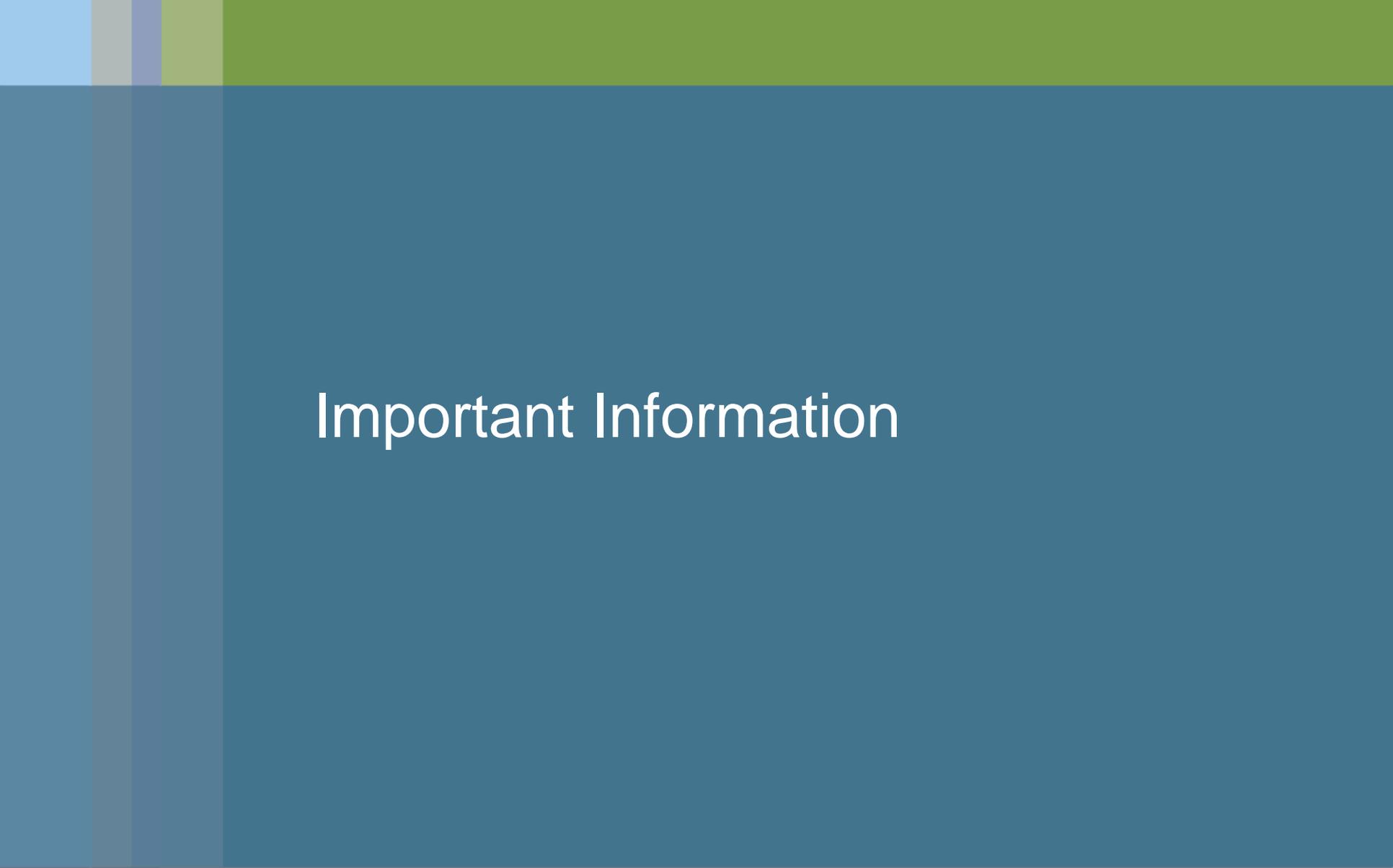
**Ben Healy**  
Sentinel



**Dallin Zobell**  
ABG-RM



**Warren Jennings**  
FIS



# Important Information

# Participant Dispersion of Returns Comparison

## Methodology and Assumptions

**About the PAS-W Participant and “Do-It-Yourself” Participant Composites.** 5-Year Annualized Participant Return information shown on the “Dispersion of Return” slide are based on composite return information for all plans that offered PAS-W on a continuous bases for the period from 1/1/2011 through 12/31/2015 (604 plans). All return information is annualized. Both composites are participant-weighted, meaning each participant provides an equal contribution to the analysis regardless of account size; as a result, plans with a greater number of enrolled participants may have a greater impact on the composite.

The PAS-W Participants composite includes annualized account performance for all participants that were enrolled in the PAS-W program for the entire 5 year period without disruption. However, in order to isolate the impact of account management on participant returns, the PAS-W Participant composite excludes participants whose accounts included greater than 20% exposure to company stock at any point during the period. The total number of participants included in the “PAS-W Participant” composite was 10,425.

The “Do-it-Yourself” participant composite includes all participants who were (1) not enrolled in a managed account service and (2) did not have 100% of their account balances in a target date or managed account product for the entire 5 year period. This composite also excludes participants whose accounts included greater than 20% exposure to company stock at any point during the period. The total number of participants included in the “Do-it-Yourself” composite was 310,971. Participants enrolled in PAS-W for only part of the period would be included in the “Do-it-Yourself” composite.

For ease of presentation, the composite presentations exclude (1) workplace savings plans designated for employees of Fidelity Investments and its affiliates and (2) participants in the top and bottom 1% of return outcomes in each composite. As noted above, the annualized 5 year period ending 12/31/2015 was used for this analysis. This 5 year period was selected as the longest available standard reporting period in which there was a sufficient sample size in both PAS-W and the “Do-it-Yourself” composites to provide an appropriate comparison between the composites. This information is provided for illustrative purposes only. Past performance is no guarantee of future results.

**About Participant Rates of Return.** Participant rates of return in both composites are calculated as the five-year, time-weighted annualized total returns as of 12/31/2015. Participant returns are calculated using a time-weighted investment return formula that attempts to eliminate the effect of participants' cash flows during the entire return period, and are presented net of fees, including any managed account fees accrued or underlying mutual fund fees. Participant returns include the performance of company stock exposure in participant accounts, except where, as noted above, participants with greater than 20% exposure to company stock have been excluded from the population. PAS-W does not manage participant company stock exposure, and as a result participant performance will vary from the performance PAS-W model portfolios to the extent participants hold any company stock.

**General information about PAS-W Performance.** Participants may be invested across the long-term asset allocations used by Strategic Advisers, Inc. (SAI) in the management of the service and therefore there may be broad deviation in individual participant returns. Furthermore, the investment options available within each plan's model portfolios may be substantially different from those of other plans, which accounts for the deviation of returns from plan to plan.

Therefore, the actual performance of participant's accounts and each plan's portfolios may differ significantly from the aggregate composite performance shown here. For additional information about PAS-W overall composite performance, please contact your Fidelity Representative. Information about SAI's standard advisory fees for the service may also be found in its Form ADV Part 2A Brochure for the service.

All performance shown is past performance, which does not guarantee future results. All returns include change in share value and reinvestment of dividends and capital gains, if any. Investment return and principal value of an investment will fluctuate, resulting in a gain or loss upon liquidation of shares. Current performance of these plans may be higher or lower than the performance stated.

**About Participant Rates of Risk.** The term 'risk' is defined here as the standard deviation of historical quarterly returns, annualized via multiplication by the square root of the number of return periods in one year. Risk was calculated as the annualized standard deviation of 20 quarterly returns for the five year charts. The standard deviation of historical returns measures the average deviation of a series of historical returns from its mean, and is a common measure of risk or volatility in investment portfolios.

**Standard Deviation.** Statistical measure of how much a return varies over an extended period of time. The more variable the returns, the larger the standard deviation. Investors may examine historical standard deviation in conjunction with historical returns to decide whether an investment's volatility would have been acceptable given the returns it would have produced. A higher standard deviation indicates a wider dispersion of past returns and thus greater historical volatility. Standard deviation does not indicate how an investment actually performed, but it does indicate the volatility of its returns over time. Standard deviation is annualized. The returns used for this calculation are not load-adjusted.

# Important Information

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

Diversification and /or asset allocation do not ensure a profit or protect against loss. Investments in mutual funds will continue to be subject to each fund's underlying fees and expenses. See a fund's prospectus for information on fund fees and expenses.

Fidelity Advisor Freedom Funds are designed for investors expecting to retire around the year indicated in each fund's name. Except for the Fidelity Advisor Freedom Income Fund, the funds' asset allocation strategy becomes increasingly conservative as it approaches the target dates and beyond. Ultimately, the funds are expected to merge with the Freedom Income Fund. The investment risk of each Fidelity Advisor Freedom Fund changes over time as its asset allocation changes. These risks are subject to the asset allocation decisions of the Investment Adviser. Pursuant to the Adviser's ability to use an active asset allocation strategy, investors may be subject to a different risk profile compared to the fund's neutral asset allocation strategy shown in its glide path. The funds are subject to the volatility of the financial markets, including that of equity and fixed-income investments in the U.S. and abroad, and may be subject to risks associated with investing in high-yield, small cap, commodity-linked, and foreign securities. No target date fund is considered a complete retirement program and there is no guarantee any single fund will provide sufficient retirement income at or through retirement. Principal invested is not guaranteed at any time, including at or after the funds' target dates.

The Fidelity equity band represents an interval of plus or minus ten percentage points around the Fidelity equity glide path, not to exceed 95% equity. Participants whose actual equity allocations fall within this age-based interval are said to be "inside" the equity band. The Fidelity equity band is not intended as a benchmark for individual investors; rather, it represents a range of equity allocations that may be appropriate for many investors saving for retirement. "Equities" are defined as domestic equity, international equity, company stock and the equity portion of blended investment options.

The content provided herein is general in nature and is for informational purposes only. This information is not individualized and is not intended to serve as the primary or sole basis for your decisions as there may be other factors you should consider.

*This communication is provided for informational and educational purposes only. Unless otherwise disclosed to you, in providing this information, Fidelity is not undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with any investment or transaction described herein. Fiduciaries are solely responsible for exercising independent judgment in evaluating any transaction(s) and are assumed to be capable of evaluating investment risks independently, both in general and with regard to particular transactions and investment strategies. Fidelity has a financial interest in any transaction(s) that fiduciaries, and if applicable, their clients, may enter into involving Fidelity's products or services.*

Fidelity Institutional Asset Management® (FIAM) provides products and services to investment professionals, plan sponsors, and institutional investors through Fidelity Investments Institutional Services Company, Inc., 500 Salem Street, Smithfield, RI 02917

Fidelity® Portfolio Advisory Service at Work is a service of Strategic Advisers, Inc., a registered investment adviser and a Fidelity Investments company. **This service provides discretionary money management for a fee.**

Fidelity Brokerage Services LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917

Past performance is no guarantee of future results.