

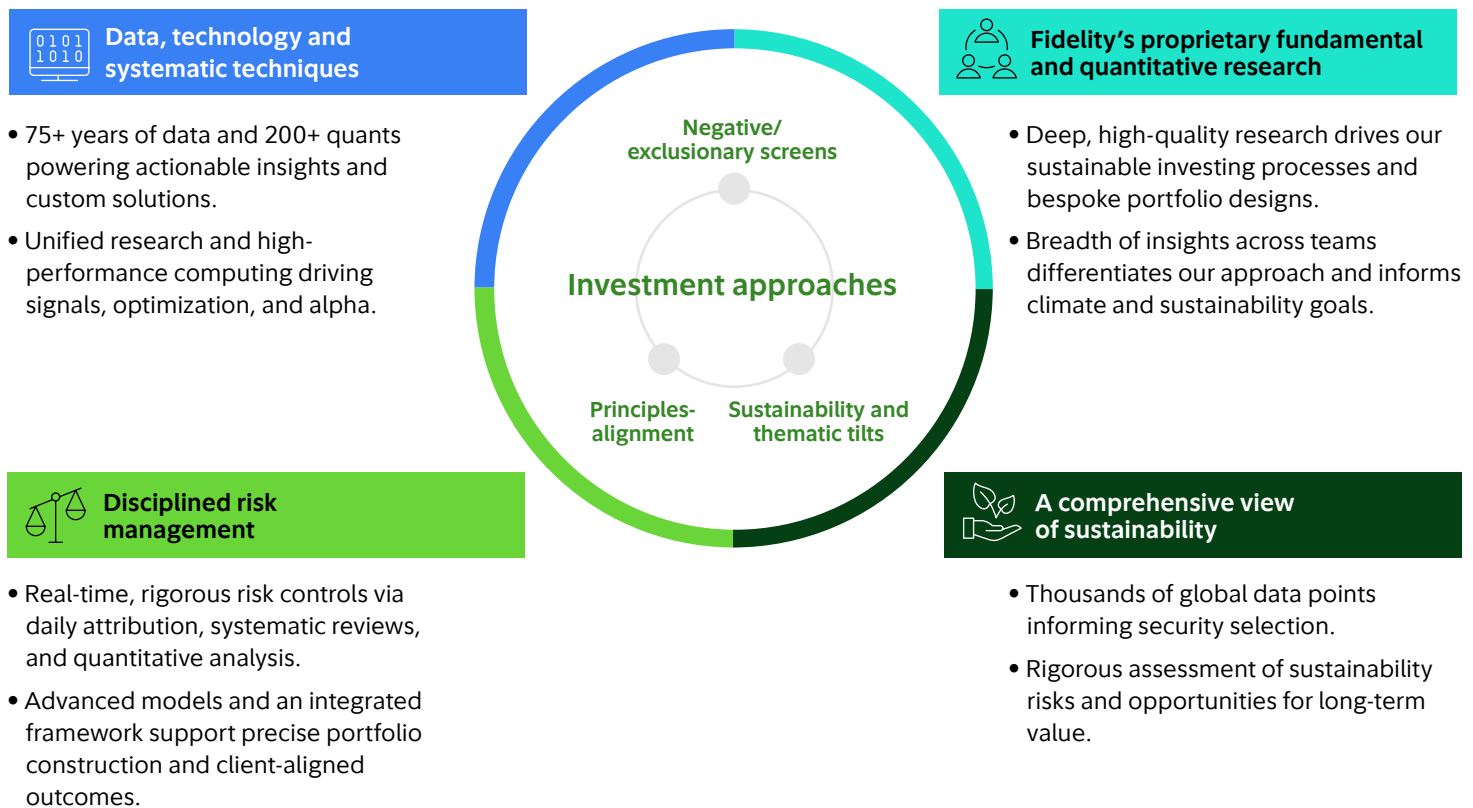
Aligning portfolios with sustainability goals and institutional principles

Designing and delivering bespoke portfolios for institutional clients

Leveraging the scale and expertise of Fidelity's investment divisions, our teams build and manage customized portfolios across global equity, fixed-income, and multi-asset strategies, allowing clients to express their investment preferences at competitive cost. By fully integrating technology, sustainability insights, alpha research and data, trading, portfolio optimization, and rigorous risk controls, we deliver personalized solutions tailored to each client's objectives.

Our approach provides the flexibility to design fully bespoke solutions for even the most complex sustainability objectives. Our capabilities span global exclusionary screens, sustainability and thematic tilts such as low-carbon strategies, and principles-aligned investing.

Institutional-quality portfolio design backed by Fidelity's full strength



Investment approaches

Exclusionary

This approach provides the ability to address a preference through the application of exclusions. These exclusions can prohibit investments in issuers with involvement in certain activities to target alignment with an organization's principles, values, or mission. These screens can be based on themes, controversies, faith-based preferences, business involvement, sector, industry, country, or specific securities provided by the client. Examples of these types of exclusions can involve companies with high carbon emissions, management teams with limited gender diversity, businesses involved in oil & gas, or those misaligned with a variety of faith-based criteria.

SCREENING EXAMPLES

Basic characteristics	Faith-based	Business involvement	Themes
e.g., specific ticker, sector, industry, or country	e.g., Catholic values, Baptist values, Islamic values	e.g., alcohol, gambling, tobacco	e.g., carbon footprint, diversity

Sustainability and thematic tilts

Using quantitative analysis to assist with portfolio construction and risk exposures, we can apply portfolio tilts to gain exposure to one or more specific trends or toward issuers with better sustainability profiles. Using Fidelity's proprietary thematic models and ESG ratings and/or third-party ESG ratings, this can result in an overweight of securities with better sustainability characteristics. Fidelity's ESG ratings help us assess how financially material sustainability factors impact an issuers' earnings, business model, and strategic vision. We can then gain a more comprehensive view of an issuers' positioning based on these factors on a sector-relative basis, and can additionally target specific themes, such as climate transition, gender diversity, etc.

Principles-aligned investing

Clients increasingly seek exposure to sustainability or look to build a portfolio of principles-aligned investments. This approach could aim to deliver or outperform benchmark-like returns while concurrently aligning holdings with the goals or mission of an organization. Examples of this approach could include strategies that target veteran-aligned companies or aligning with United Nations Sustainable Development Goals (SDGs) such as biodiversity or education.

Fidelity custom sustainable strategies are built to align with client needs

Establishing a clear understanding of portfolio objectives, guidelines, and criteria for managing assets is critically important. This helps ensure that a client's financial resources are managed prudently and in alignment with preferences.

	Portfolio constraints		
	Market exposure	Sustainability goal(s)	Implementation requirement(s)
Description	What type of asset class exposure is desired?	What principles and preferences are important to you?	How do you expect the strategy to meet its goals?
Examples	<ul style="list-style-type: none"> Domestic and International Equity (across all market caps, styles, and regions) Fixed Income (Sovereign, Corporates, Municipals, Global) 	<ul style="list-style-type: none"> Industry and/or issuer exclusions Gain exposure to a theme (e.g. Climate transition, energy storage, education, faith-based) Best-in-class sustainability profile Mitigate sustainability risks 	<ul style="list-style-type: none"> Achieve capital appreciation through alpha research Maintain low tracking error to leading indexes or custom benchmarks Meet liquidity needs

For illustrative purposes only.

Our process to create custom investment mandates is grounded in three core steps, starting with understanding a client’s time horizon, market exposure needs, and preferred benchmark. Next, we take the time to understand how the assets should be invested to help ensure consistency with each client’s investment principles and preferences. Finally, we identify the investment goals and implementation requirements for the portfolio, including the measurement and monitoring of portfolio exposures through shifting market dynamics.

At the aggregate level, portfolios frequently exhibit stronger sustainability characteristics, whether evaluated by Fidelity or thirdparty ESG ratings providers. Some examples of portfolio characteristics we may aim to monitor and manage in accordance with client goals include reduced carbon footprints, a greater share of issuers with carbon reduction targets, or increased board gender diversity.

Innovation in action for a custom ocean-friendly mandate

Fidelity worked closely with a client to develop a customized investment solution that would deliver index-like returns while aligning more closely with their principles. Specifically, the mandate was designed to reduce exposure to issuers engaged in business activities that conflict with the preservation of clean oceans (SDG Goal 14: Life below water, among other SDG’s used), while also targeting improved sustainability outcomes relative to the benchmark index.

Step 1: Exclude securities based on sustainable characteristics	Step 2: Identify relevant sustainable development goals for an ocean-friendly portfolio	Step 3. Determine portfolio weights, balancing sustainability and risk/return targets
<ul style="list-style-type: none"> Starting universe includes equities in the Russell 3000 Apply Fidelity's sustainable investing exclusion criteria Use SDG frameworks to exclude issuers misaligned or strongly misaligned with the relevant SDGs 	<ul style="list-style-type: none"> Classify SDGs that are aligned with the goal of healthy and biodiverse ocean ecosystems Includes clean water & sanitation, responsible consumption & production, climate action, and life below water 	<ul style="list-style-type: none"> Target superior environmental profile relative to the S&P 500 based on Fidelity's proprietary ESG ratings, favoring securities with higher environmental ratings where possible Minimize tracking error to the S&P 500 index by leveraging quantitative portfolio construction techniques

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Committed to offering our clients a range of investment choices to align with their unique preferences

Our aim is to meet clients and prospects wherever they are and help them get to where they want to be. We can offer education, reporting, and a range of implementation options as needed, including for clients interested in sustainability.

For more information, please contact your Fidelity representative to discuss how a custom solution could meet your objectives. You can find more information about Fidelity’s range of investment solutions that incorporate sustainable investing considerations at i.fidelity.com/sustainable.



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Russell 3000 Index is a market capitalization-weighted index designed to measure the performance of the 3,000 largest companies in the U.S. equity market.

S&P 500 Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent US equity performance.

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While environmental, social and corporate governance (ESG) factors are available to incorporate into our investment process across all Fidelity fund/strategy offerings, ESG assessments represent one of many pieces of research available to the portfolio managers and the degree to which it impacts a fund's holdings may vary fund by fund based on the portfolio manager's discretion. Investing based on ESG factors may cause a strategy to forgo certain investment opportunities available to strategies that do not use such criteria. Because of the subjective nature of sustainable investing, there can be no guarantee that ESG criteria used by Fidelity in its ESG strategies will reflect the beliefs or values of any particular client.

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