Inside look: How Strategic Advisers® Funds Seek to Deliver Value for Clients

“Customization, risk management, unique access, and negotiated fees—these are some of the characteristics that we believe make Strategic Advisers® funds beneficial for our clients.”

John Stone, Associate CIO, Strategic Advisers LLC

THE BACKGROUND

Strategic Advisers (SA) funds, also called multi-manager funds, are available only to clients enrolled in Fidelity® Wealth Services.

SA funds form the primary building blocks of many Portfolio Advisory Services accounts. The investment team carries out rigorous research to select mutual funds, exchange-traded funds (ETFs), and sub-advisers for SA funds.

- Sub-advisers are third-party managers hired by Strategic Advisers. They include firms such as T. Rowe Price and AllianceBernstein. Through sub-advisers, our clients can gain access to fund managers at lower costs and with greater customization compared with traditional mutual funds.
- Clients can also gain access to strategies from institutional managers such as J.P. Morgan Investment Management and Fidelity Institutional Asset Management (FIAM) LLC, which are not available through retail mutual funds.
- Our longstanding relationships with some managers may allow clients to gain exposure to mutual fund strategies that are closed to new investors.

THE OPPORTUNITY

The SA fund framework allows for customization and seeks to enhance risk management.

Customization can help your investment team manage your account more strategically. For example, we may require that a sub-adviser hold less cash in their portion of the portfolio than they would in a comparable mutual fund, which may improve the portfolio’s performance.

In other cases, we may choose to feature just a subset of their holdings (e.g., only their U.S. value stocks, not their core stocks), providing a level of control not available through mutual funds or ETFs.

In addition, having a single SA fund makes overall risk management more efficient than attempting to track multiple individual moving parts. Our approach may lead to less volatile performance over time. See page 2 for a complete list of SA funds with links to their most recent risk data.

OUR RESPONSE

We’re able to provide clients with unique access to fund managers at lower fees.

Since the first one launched in 2005, we’ve been able to incorporate a wider swath of our international stock, U.S. stock, and bond allocations into SA funds. Over the years, we’ve introduced more than 10 additional funds and may add more in the future.

Our scale also allows us to negotiate aggressively on fees with these providers, helping you keep more of your investment returns. Using Strategic Advisers Large Cap Fund as an example, the fund’s costs are lower than those for more than 80% of peers.

SA funds provide the potential for diversification, risk management, and notable cost savings.

WHY IT MATTERS TO YOU

Multi-manager funds can provide several key benefits for clients:

- Access to investment strategies that may not be available to other individual investors.
- Streamlined risk management through more efficient diversification, which may produce better risk-adjusted returns over the long run.
- Lower investment expenses through negotiated fees.

The results of following this approach can be notable. See page 2 for a complete list of SA funds with links to their most recent performance data. This reinforces our belief that SA funds are powerful vehicles to manage client accounts more effectively.
Strategic Advisers Funds

Strategic Advisers® Core Income Fund (FPCIX)
Strategic Advisers® Emerging Markets Fund (FSAMX)
Strategic Advisers® Fidelity® Core Income Fund (FIWGX)
Strategic Advisers® Fidelity® Emerging Markets Fund (FGOMX)
Strategic Advisers® Fidelity® International Fund (FUSIX)
Strategic Advisers® Fidelity® U.S. Total Stock Fund (FCTDX)
Strategic Advisers® Income Opportunities Fund (FPIOX)
Strategic Advisers® International Fund (FILFX)
Strategic Advisers® Large Cap Fund (FALCX)
Strategic Advisers® Short Duration Fund (FAUDX)
Strategic Advisers® Small-Mid Cap Fund (FSCFX)
Strategic Advisers® Tax-Sensitive Short Duration Fund (FGNSX)

Please see above for a full list of SA funds with links to their performance, holdings, sub-advisers, and more.

Looking at the largest SA fund, Strategic Advisers® Large Cap Fund (FALCX) as an example, T. Rowe Price Associates Inc., JPMorgan Investment Management, and AllianceBernstein L.P. are the three largest sub-advisers within the fund. Source: https://fundresearch.fidelity.com, as of 1/31/2021.

Both JPMorgan Investment Management and FIAM LLC offer institutional strategies within FALCX that are not available through retail mutual funds. Source: https://fundresearch.fidelity.com, as of 1/31/2021.

The net expense ratio in the FALCX prospectus has a peer group percentile of 86% within the Morningstar U.S. open-ended large blend peer group, as of 3/11/2021.

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

Past performance is no guarantee of future results.

Diversification and asset allocation do not ensure a profit or guarantee against loss.

For more information on the investment strategies employed by the Strategic Advisers® funds or any other mutual fund, please see the fund’s prospectus. In addition to hiring sub-advisers, each of the Strategic Advisers funds listed in this report may also own mutual funds and/or exchange-traded funds. Please refer to the most recent full holdings reports on Fidelity.com for more details.

The views expressed in this commentary were prepared by Strategic Advisers LLC, the portfolio manager, based on input from our research team. They should not be construed as investment advice. Fidelity does not guarantee the accuracy of the views expressed in this commentary. The views are as of the date of publication, and are subject to change at any time without notice. Fidelity and Strategic Advisers LLC make no representation about the accuracy or completeness of the views expressed in this commentary. The views expressed in this commentary are not intended to be relied upon as a current or past recommendation, investment advisory service, or a solicitation of any product that may be sold.

Investment decisions should be based on an individual’s own goals, time horizon, and tolerance for risk.

Stock markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. Investing in stock involves risks, including the loss of principal. Investing in bonds involves risk, including interest rate risk, inflation risk, credit and default risk, call risk, and liquidity risk.

Fidelity® Wealth Services provides non-discretionary financial planning and discretionary investment management through one or more Portfolio Advisory Services accounts for a fee. Advisory services offered by Fidelity Personal and Workplace Advisors LLC (FPWA), a registered investment adviser, and Fidelity Personal Trust Company, FSB (FPTC), a federal savings bank. Nondeposit investment products and trust services offered through FPWA and its affiliates are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency, are not obligations of any bank, and are subject to risk, including possible loss of principal. Discretionary portfolio management services provided by Strategic Advisers LLC (Strategic Advisers), a registered investment adviser. Brokerage services provided by Fidelity Brokerage Services LLC (FBS), and custodial and related services provided by National Financial Services LLC (NFS), each a member NYSE and SIPC. FPWA, Strategic Advisers, FPTC, FBS, and NFS are Fidelity Investments companies.

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

Before investing, consider the funds’ investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus or, if available, a summary prospectus containing this information. Read it carefully.

© 2021 FMR LLC. All rights reserved.
928125.5.0