

# Capital Gain Distribution Estimates

## Estimated distribution overview

### Q. What is Fidelity doing this year with regard to providing information on mutual fund capital gain distributions to Fidelity fund shareholders?

A. As disclosed in the prospectus for each Fidelity mutual fund, all Fidelity mutual funds distribute capital gains (if necessary) at year-end (in December or late November) and certain Fidelity mutual funds make a second capital gain distribution during the year (between February and October).

With respect to the year-end capital gain distributions, we will make available two different categories of mutual fund capital gain distribution information to assist investors with year-end tax planning:

- **September 30 Estimates:** Available by October 31, with an “as of” date of September 30, 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 and other tax adjustments.
- **Estimated Year-End:** Available by November 30 with an “as of” date of October 31, these are the estimates of a fund’s required capital gain

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 based on tax adjustments and other factors.

- **Fiscal Estimates:** Available at or near the end of each month from January through September, these are estimates of a fund’s capital gain distribution payable in the following month with the estimate as of the end of the prior month. So, for example, if a Fidelity mutual fund has a scheduled capital gain distribution with a Pay Date in March, the Fiscal Estimate will be posted by the end of February with an “as of” date of January 31. Fiscal estimates are subject to change based on tax adjustments and other factors.

### Q. Why is Fidelity providing distribution information for Fidelity funds?

A. At Fidelity we have always believed in the importance of providing shareholders with information and tools to help them make their own investment decisions. In that spirit, we provide these estimates to assist shareholders with tax and investment planning, and to help customers and prospective customers who may be considering a purchase to evaluate the consequences of “buying a dividend.”

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. We believe that providing this information will be of great assistance to our shareholders and prospective shareholders who are formulating their investment and tax plans.

## Basics of mutual fund capital gain distributions

### Q. What is a mutual fund capital gain distribution?

A. A mutual fund capital gain distribution is a distribution paid by a mutual fund to its investors that is derived from net capital gains realized from the sale of a fund’s investments. In order to avoid taxes at the fund level, mutual funds must pay substantially all net investment income and net capital gains to their investors annually. Investors may elect to receive cash or reinvest in additional shares of the fund.

### Q. How should I consider using distribution information?

A. Knowing about upcoming distributions can help investors with tax planning. If 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

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be able to make some planning adjustments in an effort to minimize the effect. 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 the IRS determines that the replacement investment purchased within the 61-day window beginning 30 days before and ending 30 days after the sale, is substantially identical to the one you sold at a loss, you will have a wash sale. You will not be able to use the loss for tax purposes, and you may incur penalties and interest charges if taking the loss caused you to underpay your tax for that year. From a tax perspective, you can manage a portfolio of mutual funds similarly to the way you would manage a portfolio of stocks. If you have held the shares for more than one year, it will affect 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.

**Q. What are the potential tax implications of mutual fund capital gain distributions to shareholders?**

A. Shareholders are required to pay taxes on mutual fund capital gain 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 generally taxed at long-term capital gains tax rates; distributions of short-term capital gains are generally taxed at ordinary income tax rates. Ordinary income tax rates generally are higher than long-term capital gains tax rates.

**Q. Should I wait to buy a fund until after the distributions are made?**

A. If you are considering purchasing a mutual fund within a tax-advantaged account, then forthcoming distributions should not affect the timing of your 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. Fund distributions will generally result in taxable income and will normally give rise to an associated increase in your overall tax burden or reduction in your overall tax benefit. 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 potential 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 you are considering a purchase, you should also factor in the size of the dividend relative to the size of your expected investment.

**Q. How does a mutual fund generate capital gains to be distributed?**

A. In general, a mutual fund generates capital gains for shareholders by selling investments that have increased in value.

**Q. What types of taxable capital gain distributions do mutual funds make?**

- **Long-Term Capital Gains**  
Long-term capital gain distributions are paid by the fund from its net realized long-term capital gains. Long-term gains realized by the fund include gains from the sale of securities that the fund owned for more than one year and may include some distributions received from investments held by the fund. Long-term capital gain distributions are taxable to shareholders at long-term capital gains tax rates when distributed, regardless of how long shareholders owned their shares in the fund.
- **Short-Term Capital Gains**  
Short-term capital gain distributions are paid by the fund from its net

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realized short-term capital gains. Short-term capital gains realized by the fund include gains on the sale of securities that the fund owned for one year or less, regardless of how long shareholders owned their shares in the fund. Generally, short-term capital gain distributions are taxed as ordinary income.

*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.*

**Q. When are capital gains paid to investors?**

A. Each fund has a distribution policy that can be found in the fund's prospectus. Capital gains (if required) for equity and bond funds generally are paid after fiscal year-end and at calendar year-end.

**Q. Is a fund's share price affected when a distribution is paid?**

A. 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.

**Q. 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.

**Q. 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 with respect to an investment in the fund if the fund has not made a taxable distribution, and shareholders will not receive a Form 1099-DIV for that fund.

**Q. 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 after 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 generally pay taxes, if any, only when money is withdrawn. This information will usually be reported on a Form 1099-R.

**Q. 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 ("Ex-Date"):** This is the date on which the distribution amount per share is deducted from the NAV per share. The ex-date, also known as the declaration date, is generally the business day after the record date.
- **Payable Date ("Pay Date"):** The fund pays all record date shareholders their proportional share of the distribution on this date. For Fidelity funds, the pay date for distributions paid in cash is normally the business day after the ex-date. 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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## Mutual fund capital gain distribution estimates

### Q. What exactly are capital gain distribution estimates?

A. Capital gain distribution estimates are estimates of the per-share amount of realized capital gains expected to be distributed by mutual funds.

### Q. Why do you make Fidelity fund capital gain distribution estimates?

A. Because a fund's distribution has tax implications for shareholders, Fidelity makes estimates to give shareholders a general indication of what a fund's capital gain distribution is going to be. We also provide this service to those customers and prospective customers who may be considering making a purchase of Fidelity funds and want to avoid "buying a dividend" and to assist them with tax planning.

### Q. How do the Fidelity fund estimates differ?

A. There are 3 different types of estimates that are differentiated based on their "as of" date in the last column of the table:

- Estimates that are "as of" a month end from January through August are estimates of non-year-end capital gain distributions.

The Ex-Date and Pay Date are disclosed in the table. These estimates are subject to change based on tax adjustments and other factors.

- Estimates that are "as of" September 30 are estimates of the year-end capital gain distributions for generally all Fidelity mutual funds (except Variable Insurance Product Funds, Money Market Funds and funds that are only owned by other Fidelity mutual funds) and are a snapshot of realized capital gains as of September 30. Because the year-end capital gain distributions will be based on capital gains realized through October 31 (or November 30 for funds with a November fiscal year end), the actual distributions will vary from the estimates based on activity after September 30 and other tax adjustments.
- Estimates that are "as of" October 31 are updated estimates of the year-end capital gain distributions, but are only provided for certain funds. These estimates are subject to change based on tax adjustments and other factors.

### Q. Why aren't you providing an estimate "as of" October 31 on every Fidelity fund?

A. Preparing estimates is a resource-intensive, time-consuming process, so it is impractical for us to prepare estimates of the year-end capital gain distributions as of October 31 on more than 500 Fidelity funds. Instead, because we generally provide distribution updates on all Fidelity mutual funds as of September 30, we believe it is a better use of our resources to calculate estimates as of October 31 only for the Fidelity funds about which we expect to receive the most calls from our customers. Although the estimates as of September 30 may not have been updated for a fund you hold or are considering investing in, the September 30 update can provide you with valuable guidance when making investment decisions.

### Q. How do you determine which Fidelity funds to estimate as of October 31?

A. We provide estimates as of October 31 generally on larger Fidelity funds and on some other funds whose distribution estimates have historically been of interest to shareholders.



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