November 10, 2025

Q&A: Disclosure Changes for Five Equity Index Funds

Q1: I see that Fidelity has modified the diversification policy for five equity index funds. What can you tell me?

A: That's correct. Effective November 10, 2025, Fidelity has updated the diversification policy for five equity index funds to allow them to operate as non-diversified when needed to better match their index weightings.

Q2: Which funds are now permitted to operate as non-diversified, and what are their benchmarks?

Fund Name	Benchmark
Fidelity 500 Index Fund (FXAIX)	S&P 500® Index
Fidelity SAI U.S. Large Cap Index Fund[1] (FLCPX)	S&P 500® Index
VIP Index 500 Portfolio (Initial Class, Service Class and Service Class 2)	S&P 500® Index
Fidelity Total Market Index Fund (FSKAX)	Dow Jones U.S. Total Stock Market Index
Series Total Market Index Fund (FCFMX)	Dow Jones U.S. Total Stock Market Index

Q3: Why was this change made?

A: Index funds are designed to closely track their performance benchmarks. When index funds track indexes that are not themselves diversified, diversification limits can make it difficult for the funds to match the index weightings of certain constituents of their benchmarks.

To enable certain diversified index funds to better match their index weightings at all times, the modified diversification policy permits the funds to operate as non-diversified if changes in the relative market cap or weightings of issuers in the fund's index cause the fund to become non-diversified.

[1] This fund is only available to clients enrolled in Fidelity® Wealth Services.

This flexibility helps the funds to track their benchmarks more closely and helps to minimize tracking error and reduce trading costs.

The U.S. Securities and Exchange Commission has issued no-action relief to certain diversified index funds permitting the funds to operate as non-diversified to the approximate extent the index is non-diversified.

Q4: What are the diversification limits?

A: The diversification limits are defined in Section 5(b)(1) of the Investment Company Act of 1940.

Section 5(b)(1) limits the amount that a fund may invest in any one issuer to 5% of the fund's total assets and to 10% of such issuer's voting securities, with respect to 75% of the fund's total assets.

A non-diversified fund can invest a larger percentage of its assets in fewer companies compared to a diversified fund. As a result, changes in the market value of a single investment could cause greater fluctuations in share price than would occur in a more diversified fund.

Q5: Is this SEC relief applicable to all index funds?

A: The SEC no-action relief applies to index funds that seek to track the performance of an unaffiliated target broad-based index by investing all or substantially all of their assets in securities that comprise the index in approximately the same proportion as such securities' weighting in the index.

Q6: Are there plans to update the diversification policies for other broad-based index funds?

A: Fidelity is currently reviewing its equity index lineup to identify additional funds and will update disclosure as needed.

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The performance of the fund and its index may vary somewhat due to factors such as transaction costs, sample selection, and timing differences associated with additions to and deletions from its index.

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