

Why ClearPath Lifecycle Solutions?

Commitment and experience: Pyramis Global Advisors and Fidelity Investments are the largest providers of lifecycle solutions in North America, with over \$90 billion in assets under management.¹ The management team – led by the world’s leading lifecycle investing pioneers – have over 100 years of collective industry experience.

Proprietary glidepath design: Our glidepath design, rooted in well-tested portfolio theory and informed by data on actual plan participant behaviours, helps plan members maximize their retirement savings.

Quality underlying building blocks: Backed by one of the world’s largest asset management and research platforms, ClearPath Lifecycle Solutions offer institutional-quality performance with disciplined risk management. Conveniently available in either institutional portfolios or mutual fund structures, the underlying building blocks offer a broad array of traditional and alternative asset classes.

¹ As at December 31, 2008.

For more on ClearPath Lifecycle Solutions,
call Fidelity in Canada at 1 800 817-5448
or visit www.pyramis.ca



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Read a fund’s prospectus before investing. Mutual funds are not guaranteed; their values change frequently and past performance may not be repeated. Investors will pay management fees and expenses, may pay commissions or trailing commissions and may experience a gain or loss.

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ClearPath™ Lifecycle Solutions

ClearPath™ Lifecycle Solutions are designed to deliver superior performance with a level of risk appropriate for the plan member, whether retirement is three years or thirty years away. Our proprietary glidepath design allocates assets according to the plan member's risk tolerance and retirement year, to help maximize long-term cumulative returns and preserve capital. As the member approaches the target retirement year, appropriate diversification and reduced exposure to risk are maintained.

The Design Process

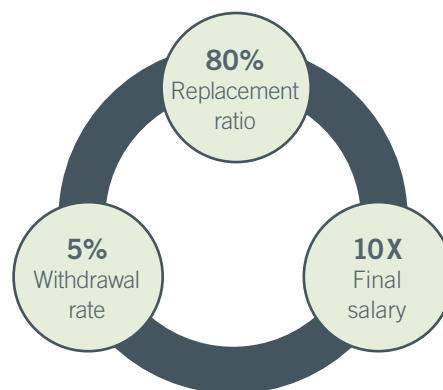
Fidelity's proprietary glidepath model is designed to help members accumulate the savings required for a successful retirement. The model incorporates three soundly based assumptions.

- **An 80% replacement ratio** – Fidelity's testing and research indicate that members need an income replacement of approximately 80% of their final salary in order to enjoy a comfortable retirement.
- **Final savings of ten times a member's final year salary** – In-depth analysis of Canadian salary and public pension benefit data indicates that members should save at least ten times their final year's salary to have a high probability of reaching their income targets.
- **A 5% withdrawal rate** – Careful review of Fidelity's recordkeeping data demonstrates that Canadian retirees will typically withdraw an average of 5% of their savings over the course of their retirement.

Using these 80-10-5 inputs, the glidepath model is constructed to help members set and reach appropriate retirement goals. The design has been subjected to rigorous stress testing, informed by a variety of market assumptions and actual plan member data from Fidelity's recordkeeping systems.

Glidepath Inputs

The three inputs of the proprietary glidepath design.



Source: Pyramis Global Advisors.

The ClearPath Glidepath

Fidelity’s glidepath design contains three distinct phases – accumulation, retirement and post-retirement – each of which has its own objective and asset allocation strategy.

- *The accumulation phase* – This stage begins when a plan member is approximately 40 years from retirement and can realize the most benefit from regular payroll contributions and a long-term horizon. The objective is to help members accumulate savings at least equal to ten times their final year’s salary. ClearPath starts the accumulation phase with an 85% allocation to equities. Then, as the accumulation phase progresses, exposure to riskier assets is gradually reduced as savings increase and retirement approaches.
- *The retirement phase* – This phase starts when the member first retires. At this point the equity allocation stands at 40%, in order to better protect capital and generate enough growth during retirement. Over the next ten years, the equity allocation gradually decreases until the final phase is reached.

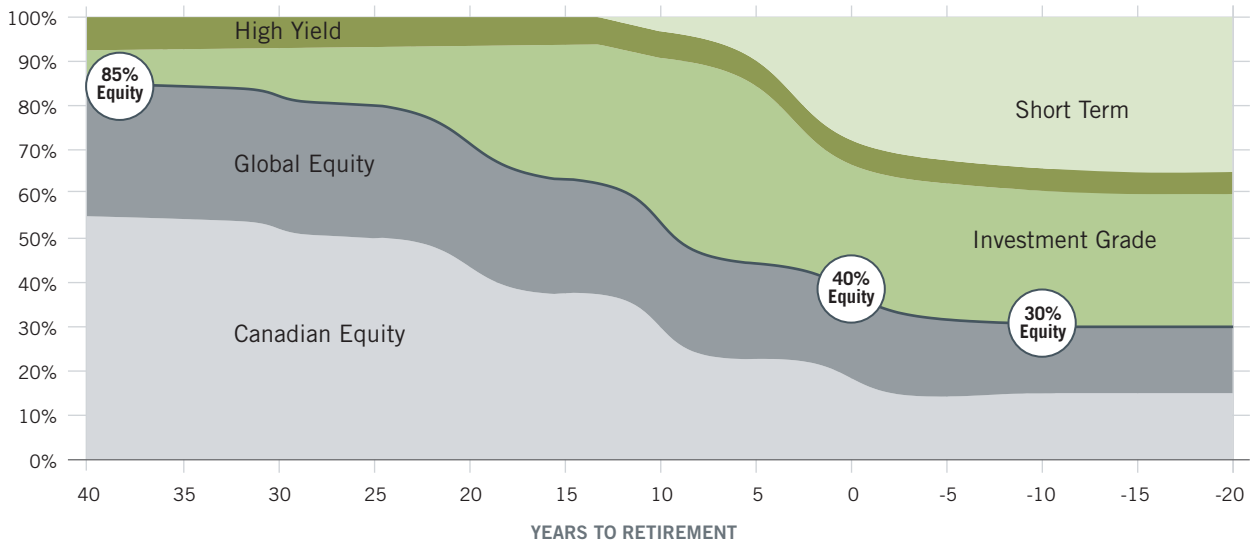
- *The post-retirement phase* – This final phase begins once the member has been retired for ten years. The primary objective of this phase is to ensure that there is enough equity allocation to hedge against inflation and longevity risk, while at the same time preserving capital and minimizing the risks of capital loss over a 12-month period. Our research shows this is best accomplished with a 30% allocation to equities.

Asset Allocation Team

ClearPath portfolios are managed by the ten-member *Pyramis Asset Allocation* team, which has over 100 years of collective industry experience. With widely varied backgrounds, the team members have a wealth of experience in portfolio management, risk management, asset allocation, investment consulting, actuarial science, economic forecasting and alternative investing. The team works very closely with each of the portfolio managers and group leaders of the underlying investment strategies.

Glidepath Design: The 85–40–30 Allocation

The glidepath is a multi-decade-long projection of what a dynamic asset allocation should be for a plan member from the start of working life until death. The “85-40-30” line refers to the percentages allocated to equities at key points in a member’s life. A young person starting work at age 20 to 25 has an 85% equity allocation. Over the course of the next 40 years the portfolio glides down to a 40% equity allocation. Finally, over a ten-year period in retirement, it glides down to a steady 30% equity allocation.



Dynamic allocation through the 85-40-30 line.

Quality Underlying Building Blocks

ClearPath Lifecycle Solutions are conveniently available in either mutual fund or institutional portfolios. Both investment options rely on the same rigorous investment process, differing only in their underlying investments.

Fidelity ClearPath Retirement Portfolios			
CANADIAN EQUITY <ul style="list-style-type: none"> Fidelity Canadian Large Cap Fund Fidelity True North® Fund Fidelity Canadian Disciplined Equity® Fund Fidelity Canadian Opportunities Fund 	U.S. EQUITY <ul style="list-style-type: none"> Fidelity American Disciplined Equity® Fund Fidelity American Value Fund Fidelity Small Cap America Fund 	GLOBAL/INTERNATIONAL EQUITY <ul style="list-style-type: none"> Fidelity Europe Fund Fidelity International Disciplined Equity™ Fund Fidelity Japan Fund Fidelity Far East Fund Fidelity Global Real Estate Fund 	FIXED INCOME <ul style="list-style-type: none"> Fidelity Canadian Bond Fund Fidelity American High Yield Currency Neutral Fund Fidelity Canadian Short Term Bond Fund Fidelity Canadian Money Market Fund
Fidelity ClearPath Institutional Portfolios			
CANADIAN EQUITY <ul style="list-style-type: none"> Pyramis Canadian Core Equity Pyramis Canadian Systematic Equity 	U.S. EQUITY <ul style="list-style-type: none"> Pyramis U.S. Large Cap Core 	GLOBAL/INTERNATIONAL EQUITY <ul style="list-style-type: none"> Pyramis Select International Equity Pyramis International Growth Fidelity Global Real Estate Fund 	FIXED INCOME <ul style="list-style-type: none"> Pyramis Canadian Bond Fidelity American High Yield Currency Neutral Fund Fidelity Canadian Money Market Fund

Portfolio Construction

Each ClearPath portfolio is constructed within an *institutional asset allocation framework*:

- Alpha and tracking error targets are transparent.
- Risk controls are established and maintained.
- Sources of beta and alpha are properly diversified.

Our portfolio managers seek to combine underlying portfolios of the same asset class, as with a DB plan, to decrease single manager risk and increase the likelihood of excess return compared with the component benchmarks.

As part of the portfolio managers' *stringent risk management process*, each underlying portfolio is continually monitored to

- ensure ongoing consistency of portfolio processes and performance
- quickly identify material deviations from risk, performance, style and process parameters
- implement a portfolio replacement process when necessary in a timely manner

Finally, to help increase plan member savings, all portfolios are subject to a disciplined monthly rebalancing process, with underlying strategies managed to within $\pm 1\%$ of their strategic allocation, to maximize the benefits of regular payroll contributions.

