

▶ Getting started with mutual funds.

Mutual funds are a great way to invest:

They give you all the advantages of investing in stocks, bonds, and short-term investments. But they're also extremely convenient—and they let you benefit from a professional manager's expertise. Here's a bit more about how mutual funds work, and the kinds of funds you'll find in your workplace savings plan.

What is a mutual fund?

A mutual fund is a chance for an individual investor to invest in many stocks, bonds, and short-term investments—all at once, and with one simple transaction. By gathering money from thousands, even millions, of investors and spreading it among many investments, mutual funds make it easy for you to take advantage of many of the market's opportunities.

Every mutual fund is managed to achieve a certain objective, ranging from lower returns and less risk (a conservative objective) to higher returns and more risk (an aggressive objective). Most workplace savings plans offer a variety of fund choices, covering a range of objectives.

Inside your plan's mutual funds: stocks, bonds, and short-term investments.

The managers of mutual funds, who are known as portfolio managers, try to meet their funds' objectives by selecting from these three basic types of investments. And as a fund investor, you own a very small share of everything your fund invests in.

ACTION PLAN

- Understand what mutual funds are
- Learn how stocks, bonds, and short-term investments affect fund performance
- Discover the advantages of mutual fund investing

Here's a bit more about stocks, bonds, and short-term investments, and how they work within mutual funds:

Stocks. A share of stock represents ownership in a company. When you own shares in a mutual fund that invests in stocks, you own a small percentage of all the stocks that the fund owns. As the value of the stocks held by a mutual fund rises and falls, so does the share price (or net asset value) of the mutual fund. When a fund sells the stock it owns for a higher price than it paid, it earns a profit or "capital gain." On the other hand, if it sells at a lower price, it suffers a "capital loss." Although past performance is no guarantee of future results, stocks have historically provided better returns than bonds or short-term investments.

Bonds. Simply put, a bond is a loan from an investor to an organization or institution. Corporations, governments, and municipalities issue bonds as a way to raise money. As you might assume, much of the return on bond funds comes in the form of interest. The value of bond fund shares can also rise and fall—often in response to interest rate trends—though these moves are more modest than with stock funds.



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Short-term investments. Also known as money market or cash investments, these include certificates of deposit (CDs), government bonds, and other so-called “short-term debt.” Virtually all of a money market fund’s returns are interest on the investments it owns. Though most of these funds try to keep a stable \$1 share price, there’s no guarantee that they will. Unlike direct savings in CDs and other bank products, money market mutual funds don’t pay a guaranteed rate of interest and aren’t insured by the FDIC.

An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at \$1 per share, it is possible to lose money investing in these funds.

A fund may invest entirely in stocks, bonds, or short-term investments or may combine any of the three. The chart below shows the relationship between a fund’s objectives, its holdings, its relative risk, and its earnings potential.

Comparing mutual funds: a style guide

	Categories to the left have potentially more inflation risk and less investment risk			Categories to the right have potentially less inflation risk and more investment risk	
	MONEY MARKET	BOND	GROWTH AND INCOME	GROWTH	INTERNATIONAL/ GLOBAL EQUITY
What the fund primarily buys	Short-term instruments (like CDs, U.S. Treasury bills, etc.).	Bonds	A combination of stocks and bonds. May emphasize stocks more than bonds, or vice versa.	Stocks	Any combination of international securities (such as stocks, bonds, and/or short-term instruments).
How the fund tries to make money	Earning interest from short-term instruments.	Earning interest from bonds.	Selling its stock holdings for more than it paid for them and earning dividends from stocks or interest from bonds.	Selling its stock holdings for more than it paid for them.	Selling its stock holdings for more than it paid for them and earning dividends from stocks or interest from bonds.
General risk level	Low	Low to moderate	Moderate to high	High	High
Earnings potential	Low	Low to moderate	Moderate to high	High	High
Other characteristics	Work to keep a stable \$1 share price, but do not guarantee that they will be able to do so. Yield will vary.	Return, yield, and share price will vary.	Return and share price will vary.	Return and share price will vary.	Return and share price will vary. Foreign investments involve greater risk and may offer greater potential returns than U.S. investments.

This spectrum is based solely on the characteristics of the general investment categories. Risk associated with the investment options can vary significantly within each particular investment category and the relative risk of categories may change under certain economic conditions. For a more complete discussion of risk associated with the mutual fund options offered through your plan, please read the prospectus before making your investment decision.

Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation.

The benefits of investing in mutual funds.

Mutual funds make it simple to invest in an increasingly complex financial marketplace. There are two big reasons why.

Diversification. Most financial professionals say it's better to own a variety of investments than to depend on the success of a small handful. By spreading your money around, you're far more likely to have some investments that are doing well at any given time, even if others are doing poorly. In other words, diversifying your investments can help you spread the risk. And mutual funds offer built-in diversification. Keep in mind, however, that diversification can't ensure a profit or guarantee against loss.

Professional management. Well trained and dedicated to the fund's success, portfolio managers search for securities that suit the fund's objective. When you select funds according to *your* objectives, you benefit directly from the manager's efforts. You also save the considerable time and effort involved in researching individual securities and trading them yourself. Of course, you're ultimately responsible for selecting and monitoring the funds you choose, and for making sure they continue to meet your investment objectives.

How mutual funds make money.

There are two ways to earn money with mutual funds.

Capital appreciation. If the stocks or bonds your fund holds increase in value, your fund's share price can also increase. This could allow you to sell your shares at a higher price than you bought them for.

Dividends, interest, and capital gains distributions. If the stocks held by your fund pay dividends, the bonds it holds pay interest, or your fund sells a stock or a bond at a profit, all investors receive their share of the proceeds. When you invest within your workplace savings plan—or any retirement plan—these distributions are automatically reinvested in the funds that pay them out.

What is a prospectus?

Every mutual fund issues a prospectus, a booklet that summarizes all the details of the fund. A prospectus will tell you the fund's objective, what it invests in, who manages the fund, its fees and expenses, and other important information. Always read a fund's prospectus before investing.

HERE'S HELP

To learn more about the mutual funds available for your workplace savings plan account, or for help determining your target investment mix:

- Visit Fidelity NetBenefits®
- Call your plan's toll-free number

Before investing in any mutual fund, please carefully consider the investment objectives, risks, charges, and expenses. For this and other information, call or write Fidelity for a free prospectus. Read it carefully before you invest.

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