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# Overview of Strategic Advisers Investment Management

Mutual Securities

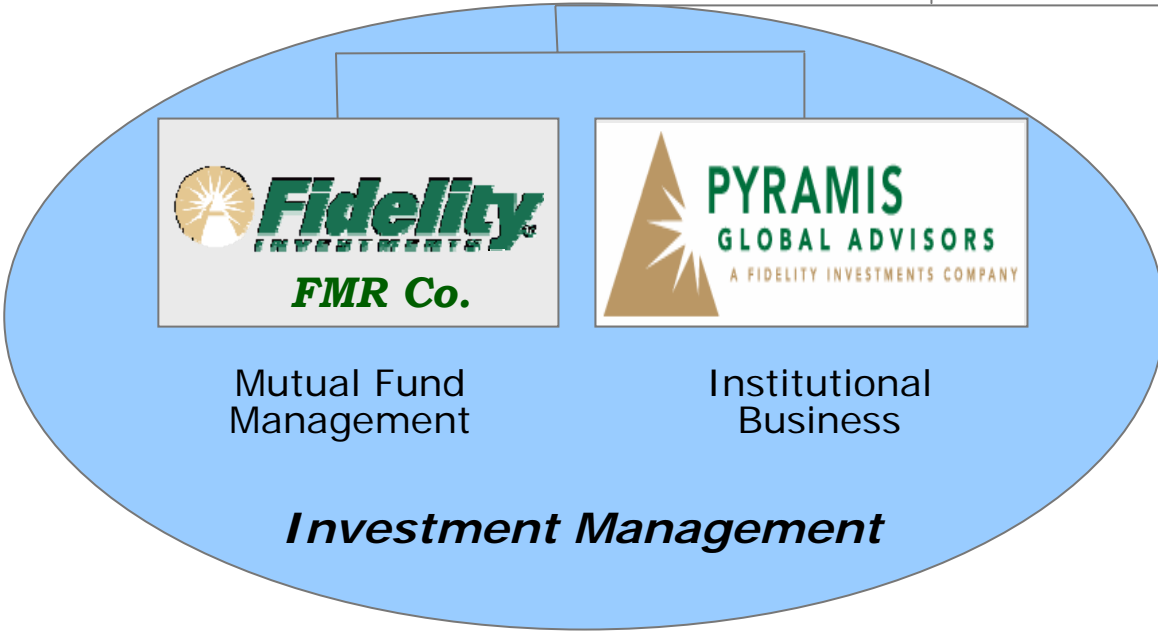


# Contents

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- Strategic Advisers Organization
- Investment Management Overview
  - Asset Allocation
  - Portfolio Construction Process
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# Fidelity's Specialized Investment Organizations



## Strategic Advisers Mission

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- Perform rigorous quantitative and qualitative manager research
- Provide superior discretionary account management for individuals, retirement plan participants, financial intermediaries, and institutions
- Provide state-of-the-art tools and quantitative solutions for multiple Fidelity business lines

## Strategic Advisers Highlights

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- More than 15 years in discretionary client account management
- Launched industry's first mutual fund wrap program
- The originator of Fidelity's approach to asset allocation
- Over \$40 billion in assets under management\*
- Trusted by more than 130,000 individual and institutional clients\*\*

## Strategic Advisers Investment Personnel

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- 17 Research Analysts covering >2300 funds
- 5 Portfolio Strategists
- 11 Investment Managers
- 7 Quantitative Investment Consultants
- 9 Quantitative Analysts & Developers
- 7 Product Development
- 17 Investment Support

# Strategic Advisers Team Credentials

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## Professional Designations

- **32 Chartered Financial Analysts (CFAs)**
- **5 Certified Financial Planners (CFPs)**
- **3 Certified Public Accountants (CPAs)**
- **3 Chartered Trust and Financial Advisors (CFTAs)**

## Advanced Degrees

- **60 Masters Degrees**
- **3 PhDs; 1 doctoral candidate**
- **Specialties include: economics, finance, portfolio management, mathematics, computer science, physics, chemistry**



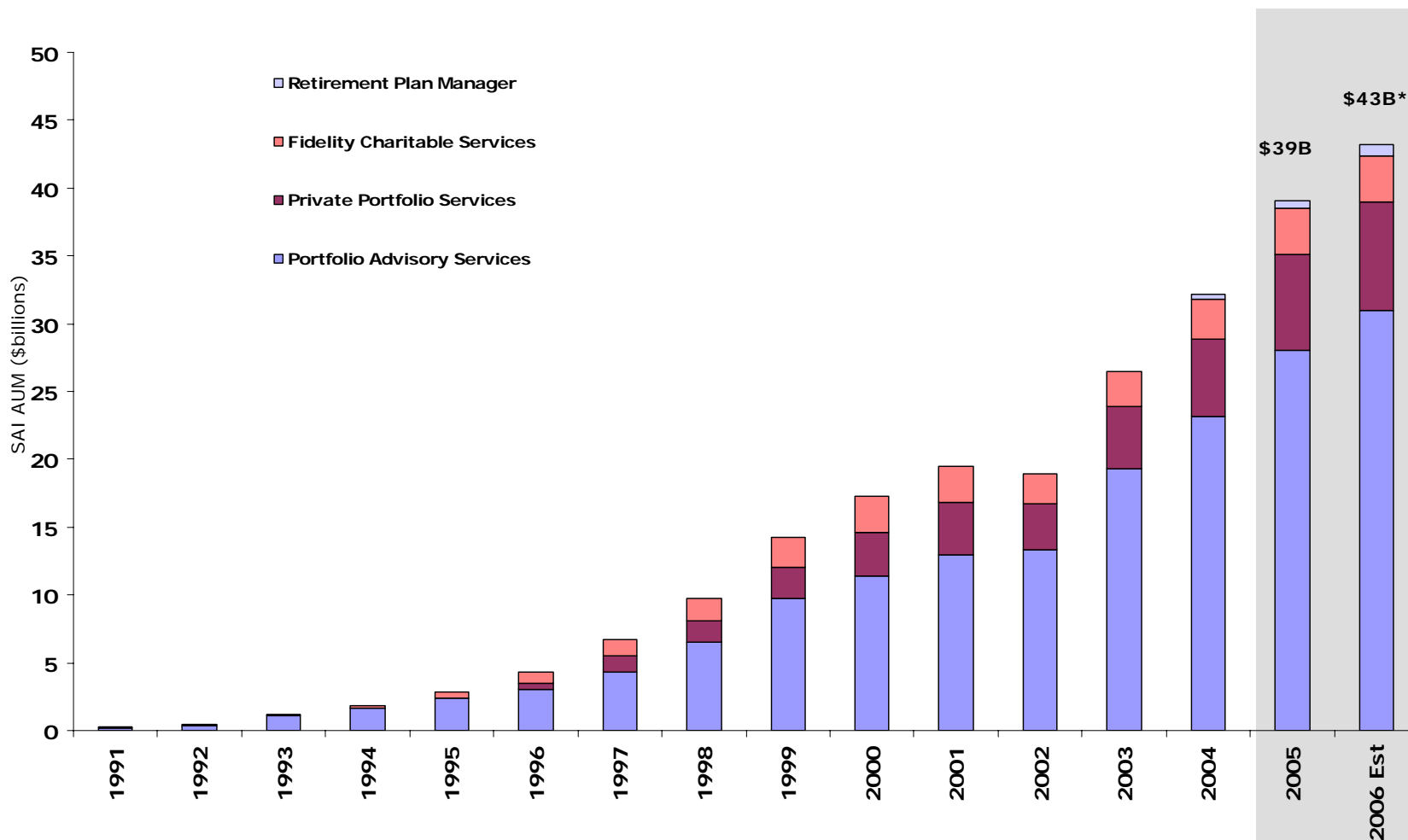
## Assets under Management *(\$ billion as of 1/31/2006)*

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<b>Portfolio Advisory Services (PAS)</b> mutual fund wrap program	\$29.3
<b>Private Portfolio Services (PPS)</b> tax-sensitive individual account management	\$ 7.4
<b>Retirement Plan Manager (RPM)</b> mutual fund wrap program for retirement plan participants	\$ 0.6
<b>Fidelity Charitable Services (CGF)</b> Fidelity's donor-advised fund (Fidelity Charitable Gift Fund)	\$ 3.6

<b>Total Assets under Management</b>	<b>\$40.9</b>
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# Strategic Advisers Asset Growth



Fidelity Investments Confidential Information

Strategic  
Advisers

\*2006 Budget was not revised based on 2005 year end asset level.

Source: FPI Finance, PAS Product Management; Cerulli Quantitative Update 2004; FESCO.

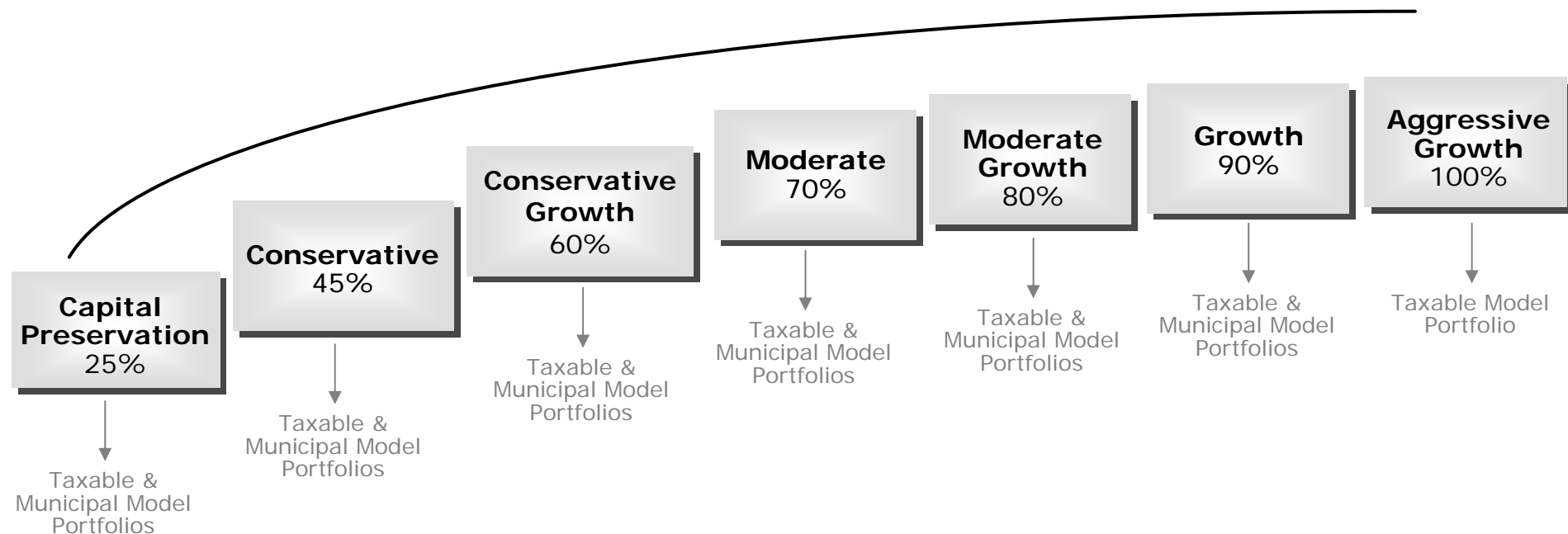
# Investment Management Overview

# Investment Approach

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- Align portfolio objective with client goals and tolerances
- Practice strategic asset allocation and broad diversification
- Implement portfolio exposures through selection of actively managed funds
- Maintain benchmark focus for risk management and performance evaluation
- Employ occasional tactical tilts to take advantage of valuation-based opportunities

# Target Asset Mixes (% Equity Allocation)



## Portfolio Benchmarks

Wilshire 5000 Total Market Index - US Equity

Morgan Stanley EAFE Index – International Equity

Lehman Brothers U.S. Universal Index – Taxable Fixed Income

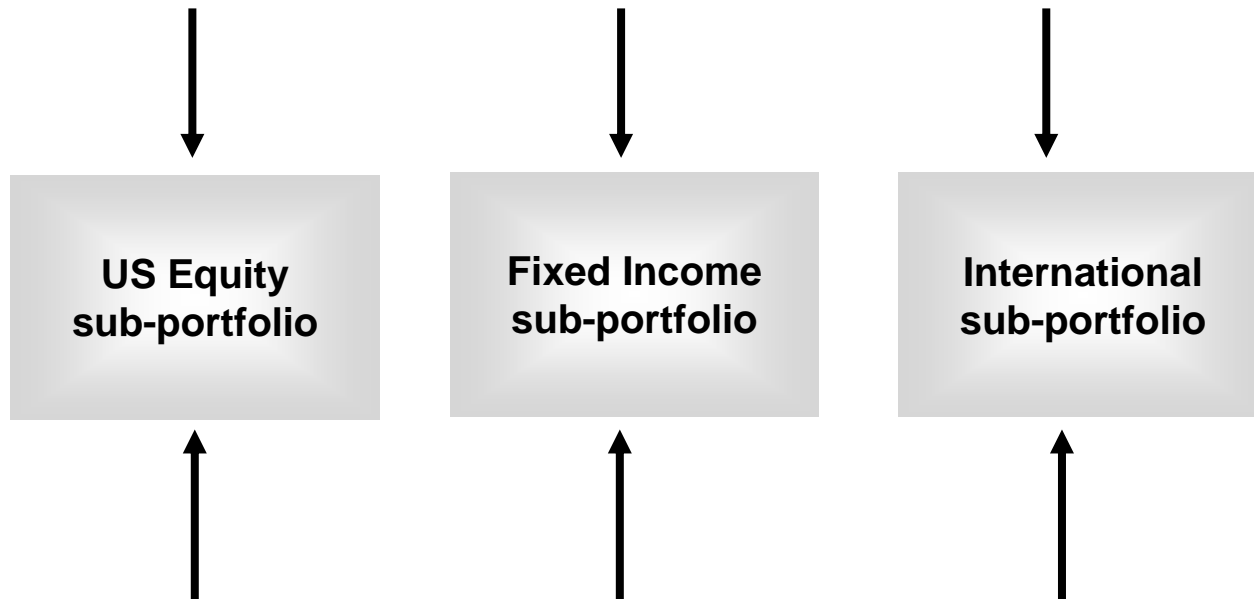
Lehman Brothers Municipal Bond Index – Municipal Bonds

Salomon Brothers 3-month T-Bill – Cash

# Portfolio Management Framework

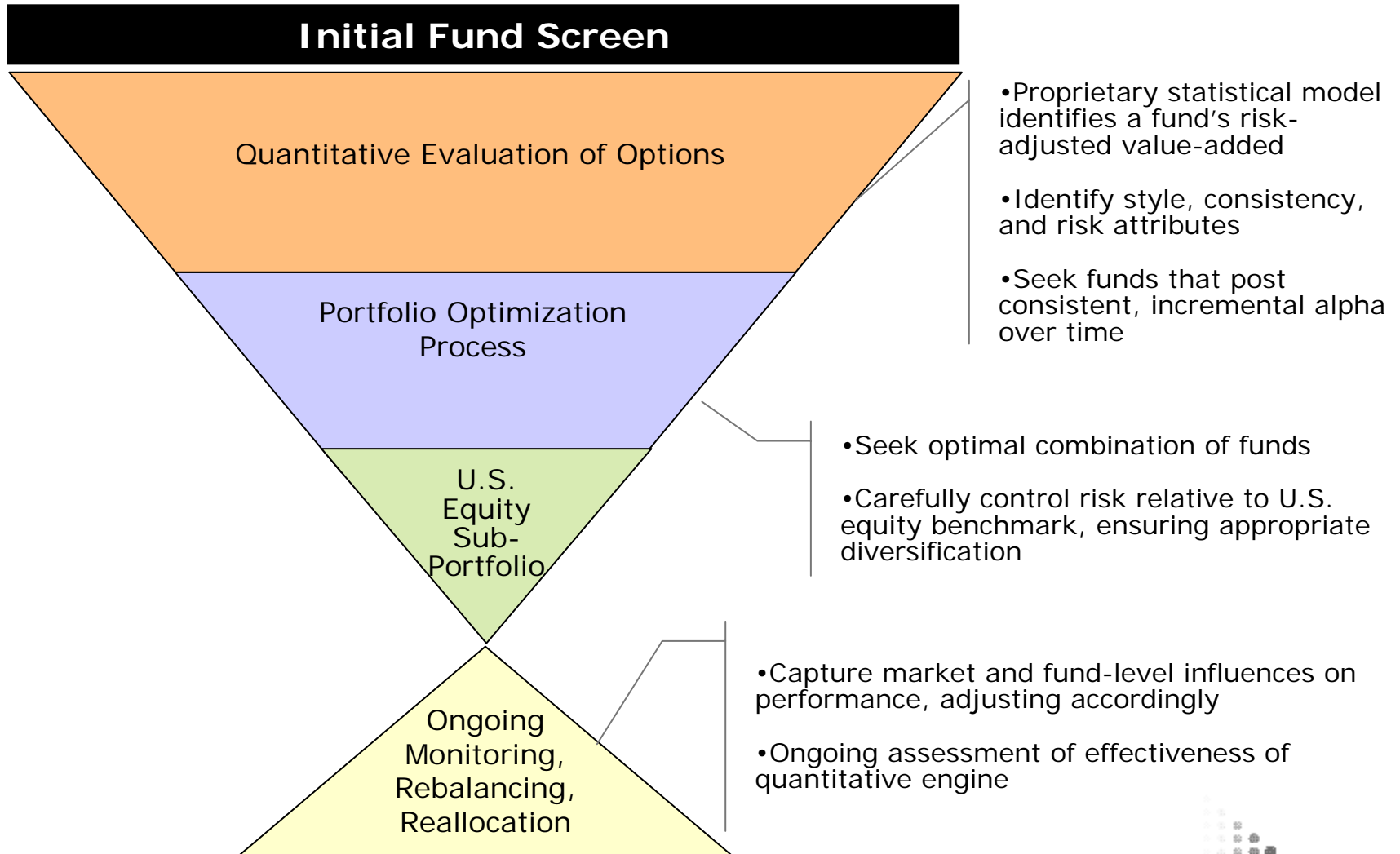
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## Portfolio Engineering & Tactical Positioning



## SAI Fundamental & Quantitative Research

# Quantitative Process: U.S. Equity Sub-Portfolio



# Fixed Income & International Investment Approach

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- Combine benchmark exposures with selective weightings in out-of-benchmark asset classes
- Employ research and fund selection as primary means of adding value
- Seek experienced fund managers with well-defined areas of specialty
- Combine distinctive funds for optimal diversification
  - Sample international fund combinations: Value and growth; aggressive and conservative; concentrated and diversified
  - Sample fixed income fund combinations: Duration flexible and interest-rate neutral; core high-yield and opportunistic credit-focused

## Tactical Asset Allocation

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- Valuation-based approach
- Seek only significant opportunities that arise infrequently, not short-term timing
- Examples:
  - Value stocks in 1999-2001
  - Treasury Inflation Protected Securities (TIPS) in 2000-2005
  - High yield in 2002-2004
- Moderate, controlled overweights and underweights

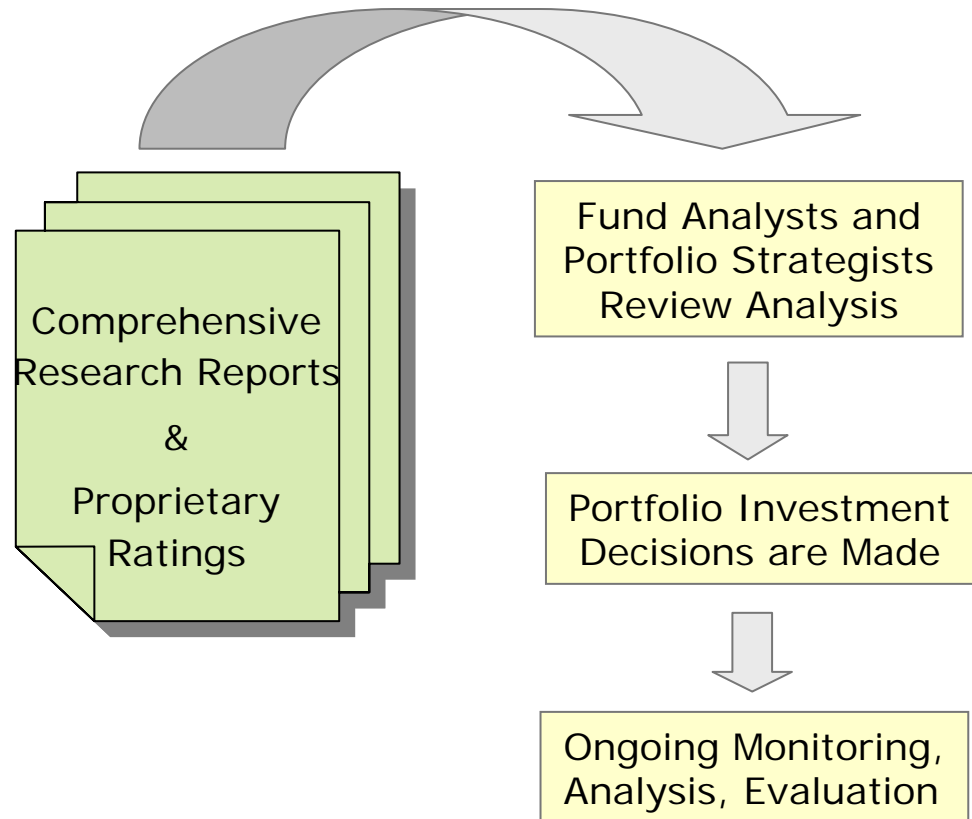
# Mutual Fund Research

## Quantitative Fund Research

- Proprietary peer groups & performance ratings
- Returns-based analysis
- Holdings-based analysis

## Qualitative Fund Research

- One-on-one, in-person meetings with portfolio managers
- Open discussions with fund research analysts and other investment personnel
- Quarterly conference calls and as-needed updates



## A Typical Quarter for SAI Analysts

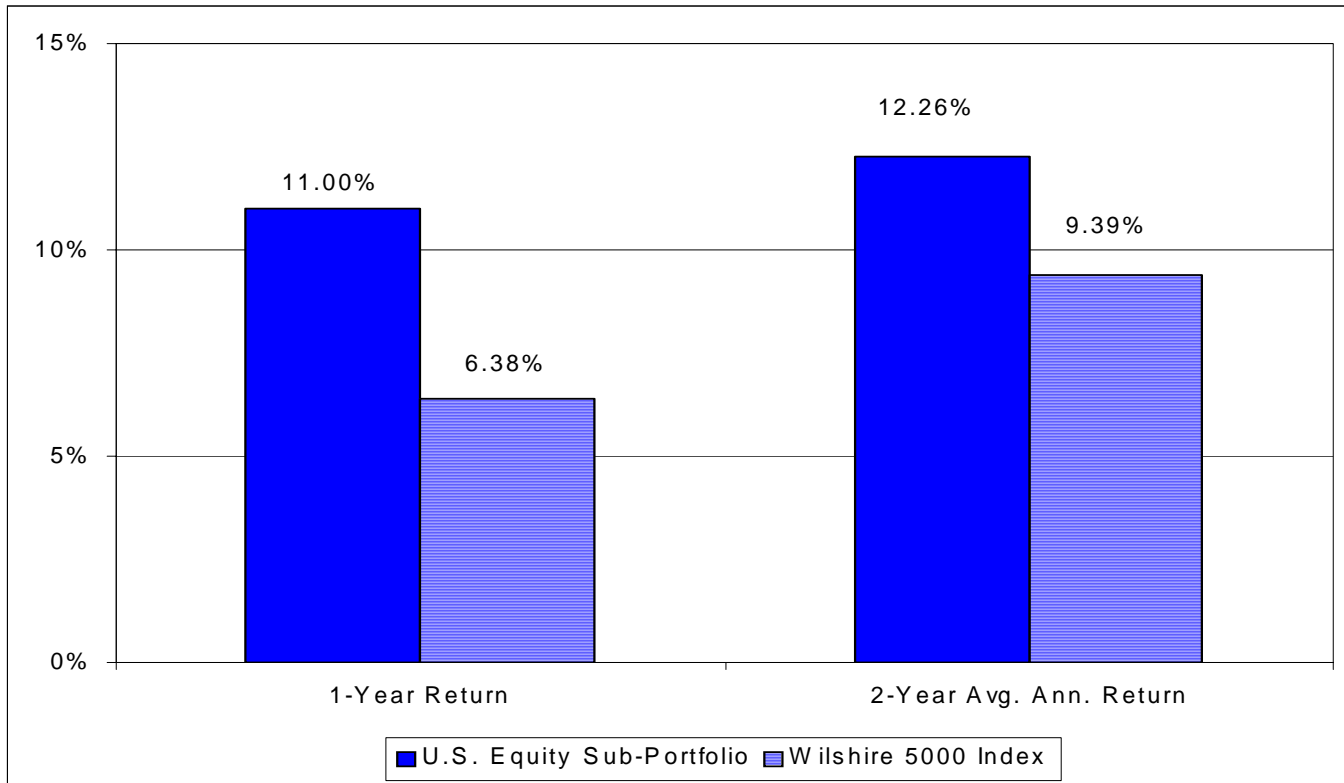
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- 125 manager meetings and conference calls
- More than 150 fund write-ups
- More than 50 peer group overviews

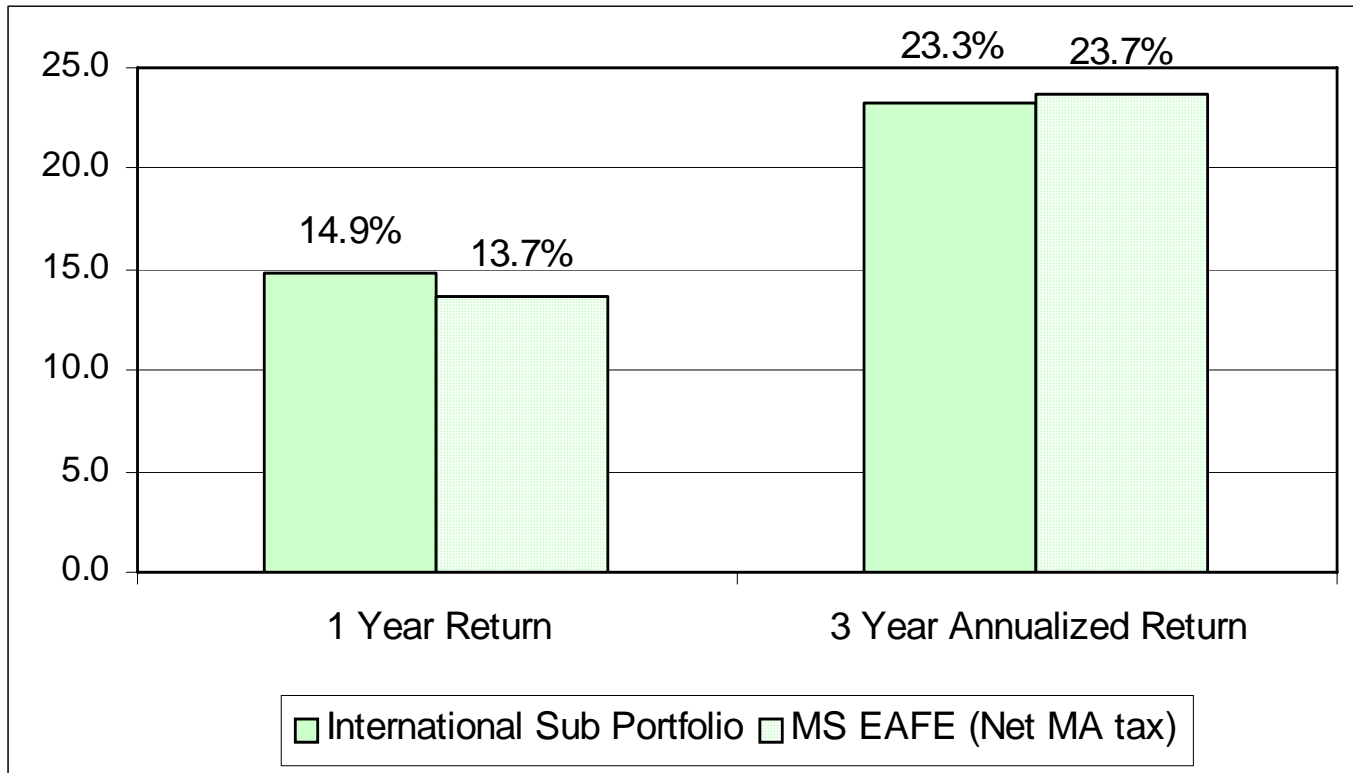
## Strategic Advisers Performance

# Representative U.S. Equity Performance: Quantitative Approach



Retirement Plan Manager U.S. Equity Sub-Portfolio performance for periods ending 12/31/2005. Gross of fees. Provided for illustrative purposes only.

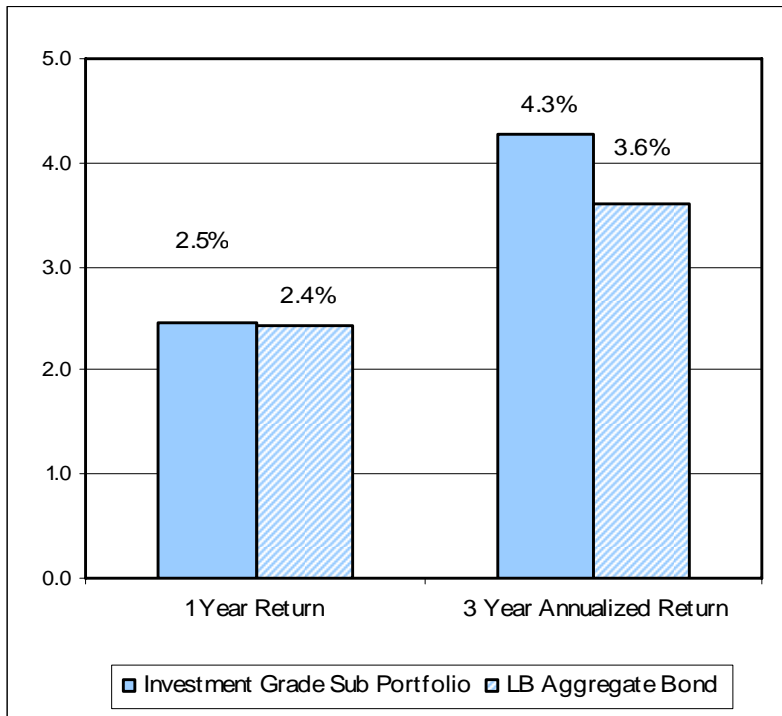
# Representative International Equity Performance



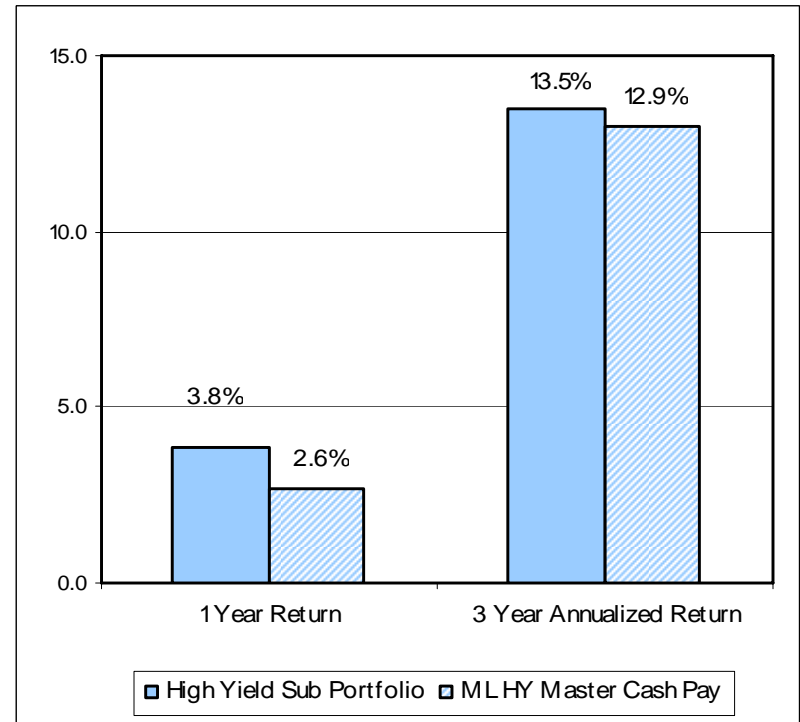
Portfolio Advisory Services Asset Weighted International Sub-Portfolio performance for periods ending 12/31/2005. Gross of fees. Provided for illustrative purposes only.

# Representative Taxable Fixed Income Performance

Investment-Grade Bond Sub-portfolio  
Performance

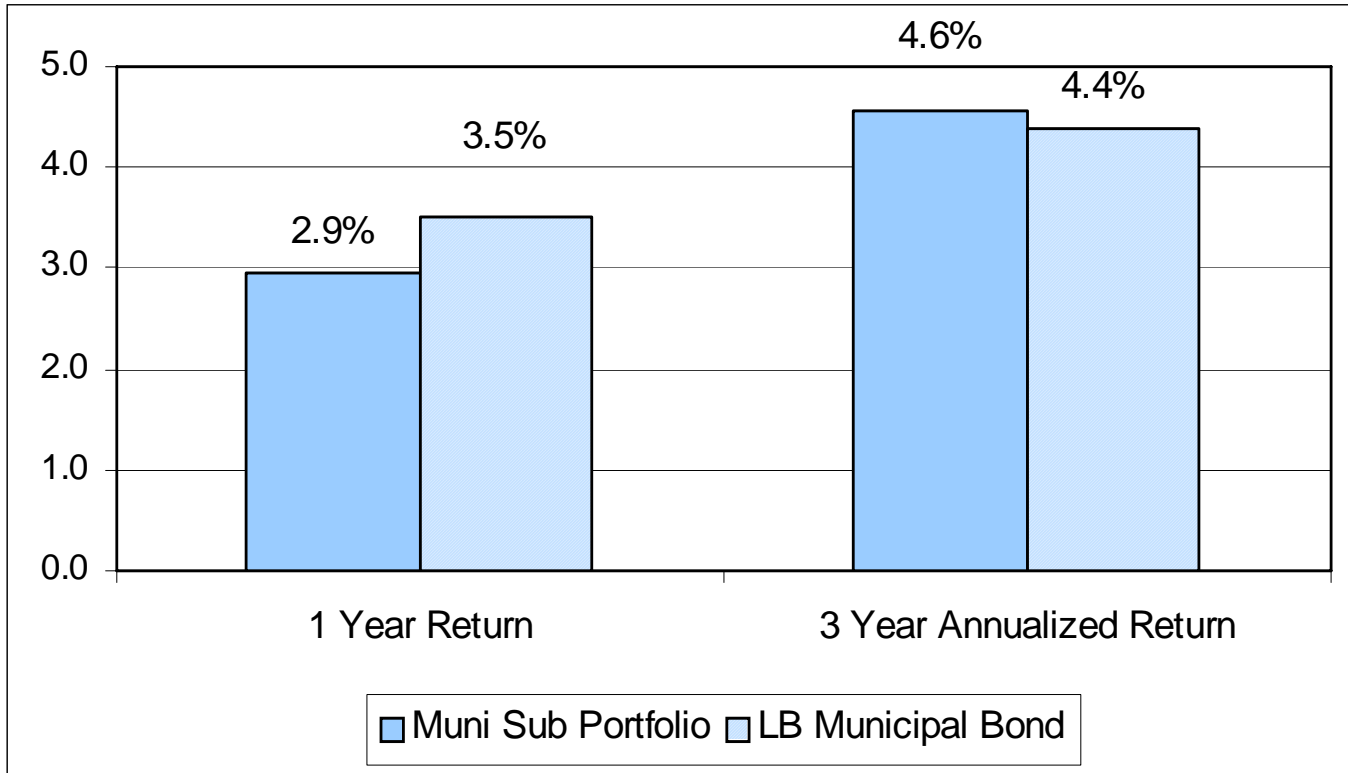


High Yield Bond Sub-portfolio  
Performance



Portfolio Advisory Services Asset Weighted Taxable Fixed Income Sub-Portfolio performance for periods ending 12/31/2005. Gross of fees. Provided for illustrative purposes only.

# Representative Municipal Bond Performance



Portfolio Advisory Services Asset Weighted Municipal Bond Sub-Portfolio performance for periods ending 12/31/2005. Gross of fees. Provided for illustrative purposes only.

## Summary: The Strategic Advisers Value Proposition

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- A proven disciplined approach to investing
- Institutional methodology and resources
- Access to leading money managers
- Consistent performance and risk management

# Appendix

# Executive Management

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## ***President***

### **Rick Spillane, CFA**

Rick Spillane is president of Strategic Advisers, Inc. (SAI), a subsidiary of Fidelity Investments. Fidelity is the largest mutual fund company in the United States, the No. 1 provider of workplace retirement savings plans and a leading online brokerage firm.

Mr. Spillane joined Fidelity in 1988 as an analyst and portfolio manager of Fidelity Select Technology Portfolio. He served as U.S. director of research from 1988 until 1994, when he was named chief investment officer for Fidelity International Limited in London, which was founded in 1969 to provide investment management services to investors outside the United States. In this role, Mr. Spillane oversaw the company's investment organization in Europe and acted as co-portfolio manager for the Fidelity Funds International Portfolio. Mr. Spillane returned to Boston in 1997 as group leader for the Income Growth Group within Fidelity Management & Research Company, subsequently overseeing international investing, then U.S. equity investing. He was named executive vice president and head of Global Investment Strategy in September 2002 and assumed his current role in June 2005.

Mr. Spillane also serves as vice chairman of Fidelity's Political Action Committee and is a member of Fidelity's Ethics Oversight Committee, FMR Investment Committee and the Board of Fidelity Investments Life Insurance Company. He also serves as a trustee of the Fidelity Rutland Square Trust.

Before joining Fidelity, Mr. Spillane was an analyst and portfolio manager for Eaton Vance Management in Boston for 10 years. Prior to Eaton Vance, he was a chemical engineer for Union Carbide Corporation in Tonawanda, New York, from 1972 to 1975.

Mr. Spillane serves on the Board of Xaverian Brothers High School and is a member of the Investment Committee for Rensselaer Polytechnic Institute, a member of the Catholic Schools Foundation and a member of the Babson Graduate Advisory Board. Born in 1951, Mr. Spillane received a bachelor of science degree in chemical engineering from Rensselaer Polytechnic Institute in Troy, New York, in 1972. He received an MBA, with distinction, from Harvard Business School in 1977. Mr. Spillane is a Chartered Financial Analyst charterholder.

# Portfolio Strategy

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## ***Director of Portfolio Strategy***

### **Geoffrey D. Stein, CFA**

Geoff Stein is Vice President and Director of Portfolio Strategy for Strategic Advisers, Inc. In this capacity, he oversees asset allocation strategy, mutual fund selection, and portfolio management for the Fidelity Portfolio Advisory Service, Private Portfolio Service and other discretionary programs. He is also an investment advisor for the Fidelity Charitable Gift Fund. Prior to joining Strategic Advisers in 1997, Mr. Stein served as Director in the Portfolio Analysis Group of Fidelity Management & Research Co., analyzing and communicating equity fund investment performance and strategies for senior management, institutional clients, and retail shareholders.

Prior to joining Fidelity in 1994, Mr. Stein served as Director of Client Service for Jacobs Levy Equity Management, a quantitative equity investment manager for major pension funds and endowments, and as a Senior Consultant for Cambridge Associates, serving endowments, foundations, and large family trusts with asset allocation advice, investment manager selection and performance analysis.

Mr. Stein received a BA in Economics, *magna cum laude*, from Yale University (1984), and an MBA from the Stanford University Graduate School of Business (1988). He holds the Chartered Financial Analyst designation, and is a member of the CFA Institute and the Boston Security Analysts Society.

# Research

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## ***Director of Research***

### **Jonathan F. Weed, CFA, CPA**

Jay Weed is Vice President and Director of Research for Strategic Advisers.

Since joining Fidelity in 1984, Mr. Weed has developed and managed a number of disciplined and tax-sensitive investment strategies, including approximately \$2 billion in Fidelity's equity index mutual funds (1988-1994) and the institutional Long-Short Market Neutral discipline (1991-1994). In addition, from January 1995 to May 1997 he managed Fidelity Congress Street Fund and Fidelity Exchange Fund, which ranked during this period in the first and second deciles, respectively, in Lipper's universe of Growth and Income funds.

Working also with Strategic Advisers, Fidelity's registered investment adviser to individuals, since its inception over 18 years ago, Mr. Weed was primary developer of Strategic's investor profiling process. In 1995 he was named Chief Investment Officer of Fidelity Personal Trust Services. In 1996 he also became Chief Investment Strategist of Strategic, managing the Portfolio Advisory Services model and target portfolios and supervising the Investment Managers responsible for the daily review and management of over 4,600 individual accounts worth \$4 billion. Mr. Weed was named Director of Research in 2002, managing the analysts and process for mutual fund selection across all asset classes as well as Strategic's Quantitative and Individual security research. Before joining Fidelity, Mr. Weed was a senior accountant in the emerging company audit and consulting group at Price Waterhouse from 1982 to 1984. Prior to that, he interned at the US Central Intelligence Agency.

Mr. Weed received a BA in physics and astronomy, *summa cum laude*, and was elected to Phi Beta Kappa at Dartmouth College in 1980. He received an MBA in general management with high distinction from the Amos Tuck School at Dartmouth in 1982. A Chartered Financial Analyst charterholder and a Certified Public Accountant, Mr. Weed is a member of the Association for Investment Management and Research and the American Institute of CPAs.

# U.S. Equity

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## ***U.S. Equity Strategist***

### **Scott Kuldell, CFA**

Scott Kuldell is a Senior Portfolio Strategist with Strategic Advisers, a Fidelity Investments Company, and Director of Investments for Retirement Plan Manager, Fidelity's investment management service for retirement plan participants.

Mr. Kuldell joined Fidelity in 1987 in the Fixed Income Group. From 1989 to 1994, he served as quantitative analyst responsible for derivatives strategies, currency strategy. From 1994 to 1996, he managed Short-Term World Income Fund, Deutschmark Performance Portfolio-- ranked the number one fixed income fund by Lipper in 1994, the Sterling Performance Portfolio, Yen Performance portfolio, and institutional global bond portfolios. He then served as currency strategist in 1996 before becoming senior quantitative analyst and head of Fidelity's worldwide strategic asset allocation policy and strategy. From 2000 to 2004, Mr. Kuldell was director of Asset Management Consulting for Strategic Advisers, Inc. In this role, he was responsible for large-scale transition management, institutional investment and risk management consulting, asset-liability management, and advice and guidance tools.

Born in 1965, Mr. Kuldell received a bachelor of arts degree, graduating Magna Cum Laude from Dartmouth College in 1987. He is a Chartered Financial Analyst.

# International

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## *International Strategist*

### **Wilfred Chilangwa, Jr., CFA**

Mr. Chilangwa is International Strategist for Strategic Advisers, which he joined in February 1997. His responsibilities include international sub-portfolio management for Portfolio Advisory Services, Private Portfolio Services and the Charitable Gift Fund. He is also responsible for international fund research and manages non-discretionary model portfolios for the Fidelity Life Insurance Company.

Prior to joining Strategic Advisers, Mr. Chilangwa was with State Street in Boston where he worked as a Senior Research Analyst on emerging markets and as Assistant Vice President focusing on new product development for global investment and asset administration.

Mr. Chilangwa's education includes an M.A. in International Finance and Economics from the Brandeis International Business School (May 1992), B.A. in Physics and Economics from Brandeis University (May 1991), and an International Baccalaureate from St. Clare's Oxford, U.K. He has also studied in Italy, Cyprus, Jordan and Zambia. Mr. Chilangwa is a Chartered Financial Analyst charterholder and a member of the CFA Institute, the Boston Security Analysts Society and the Boston Committee on Foreign Relations.

# Fixed Income

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## ***Fixed Income Strategist***

### **Gregory H. Pappas, CFA**

Mr. Pappas, Fixed Income Strategist, Senior Fund Analyst, has been with Strategic Advisers since November 1996 and is currently responsible for all fixed income fund research including taxable, tax-exempt and high yield asset classes. Prior to joining Strategic Advisers, he was with Fidelity's National Financial Correspondent Services group where he was a Vice President focusing on fixed income product and business development.

Before he joined Fidelity in 1990, Mr. Pappas was with Bank of New England where he was Vice President, Senior Portfolio Manager working on the bank's investment portfolio.

Mr. Pappas received a BA, cum laude, from St. Lawrence University (May 1978) where he was a member of the Honor Society in Economics. He is a member of the Association for Investment Management and Research and the Boston Security Analysts Society.