

FIDELITY SUSTAINABLE MONEYBUILDER INCOME FUND: STOCK SELECTION PROCESS

Important Information:

The value of investments can go down as well as up so you may get back less than you invest.

The Investment Manager's focus on securities of companies which maintain strong environmental, social and governance ("ESG") credentials may result in a return that could, at times, compare less favourably to similar products without such focus. No representation nor warranty is made with respect to the fairness, accuracy or completeness of such credentials. The status of a security's ESG credentials can change over time.

Our aims

The Fidelity Sustainable MoneyBuilder Income Fund (the "Fund") aims to deliver an income with the potential to increase the value of your investment. The Fund is part of the Fidelity Sustainable Family of Funds and adheres to the Fidelity Sustainable Family framework under which at least 70% of the Fund's net assets will be invested in issuers deemed to maintain sustainable characteristics. The Fund may also invest in issuers that demonstrate improving sustainable characteristics. The Fund will adhere to the Fidelity Sustainable Family exclusion policy. The Fund will be at least 70% exposed to sterling-denominated (or hedged back to sterling) investment grade debt instruments (with a bias towards corporate bonds but may also include securitised bonds).

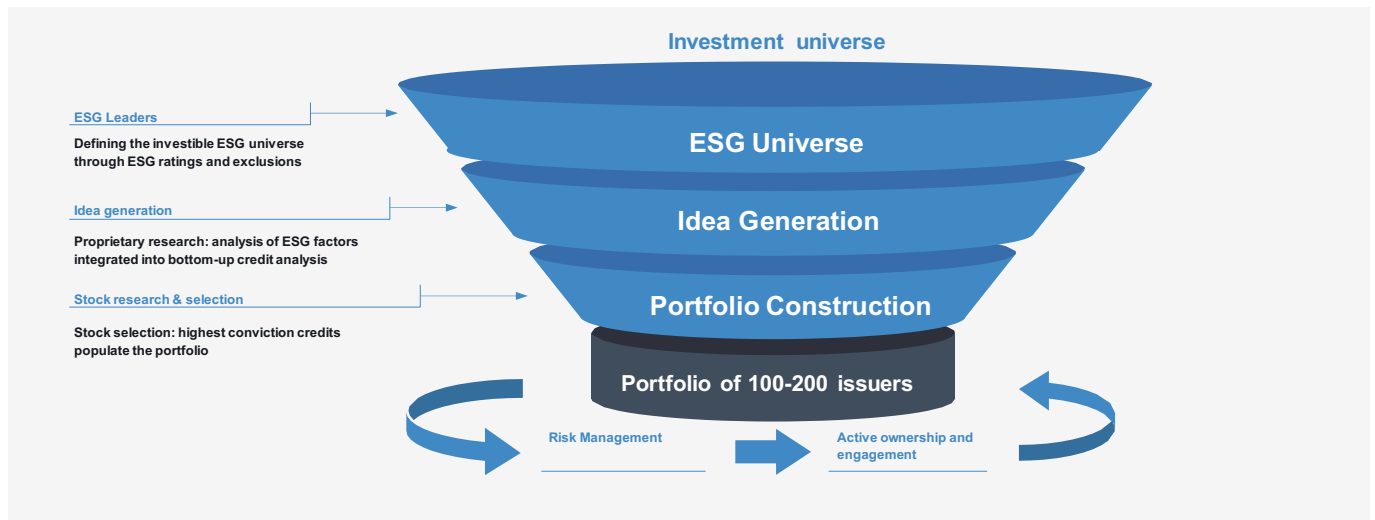
Investments with sustainable characteristics are those which we believe have effective governance and management of environmental and social issues and deliver long-term sustainable outcomes through positive societal impact. Such investments are identified through Fidelity's Sustainable Investing process which is built on three related elements; integrated ESG analysis, engagement and collaboration.

Sustainable characteristics such as environmental, social, and governance considerations are analysed by Fidelity and assessed based on issues which will include, but are not limited to, climate change mitigation and adaptation, water and waste management and biodiversity, product safety, supply chain, health and safety and human rights.

The Portfolio Management Team will continue to adopt a bottom-up stock selection investment approach, making use of Fidelity's extensive global research expertise to identify opportunities that we believe are mispriced or unrecognised by the market.

A summary of our investment approach is set out below.

Fidelity Sustainable MoneyBuilder Income Fund: Framework



Source: Fidelity International, 2022, used for illustrative purposes only.

Stock selection process

1. Investment Universe: Defining the ESG Universe

The index is a 100% sterling denominated investment grade credit universe (please note, the Fund can invest outside of this universe). The ESG universe (a sub-set of the sterling credit universe) comprises of investments which are deemed to maintain sustainable characteristics. Approximately 85% of the sterling credit universe meet Fidelity's sustainable characteristics criteria as outlined below for initial inclusion, and are then eligible for further due diligence and analysis of their sustainability credentials.

2. Idea Generation

Our investment process is built on the strength of our research platform. We blend fundamental credit and ESG, quantitative and trading inputs to build a holistic view of any prospective holding. We have a collaborative team environment in which everyone is encouraged to express views and challenge ideas. The inputs into our idea generation process combine to give ideas a Relative Value (RV) which then feeds into the portfolio construction process.

3. Portfolio Construction

There are 3 elements to portfolio construction:

- i) **Position sizing:** The highest conviction relative value (RV) rated ideas are used to build portfolios. We size positions with reference to their credit rating band, ESG profile, issuance size, maturity, currency and their RV rating assigned by our credit analysts. Higher conviction credits from better rated ESG and higher quality issues are held in larger size than lower quality and poorer rated ESG credits where we have less conviction. Positions in different bonds issued by the same entity are aggregated together, to give a genuine view of risk to one company.
- ii) **Execution:** Transactions are directed by the portfolio manager through a global trading platform and implemented by a group of specialist traders in conjunction with the Portfolio Services Group (PSG). There is continuous dialogue between the portfolio manager, the traders and PSG as execution is often contingent on market levels. This structure has been established to enable traders to build strong external counterparty relationships, which is crucial for assessing market liquidity and ensuring best execution. PSG further supports the risk management and implementation process by actively monitoring fund investment guidelines and other requirements, such as pre-trade compliance reviews. In addition, the team has different reporting lines, which contributes to the reduction in the overall operational and execution risk by providing an additional and independent layer of control. Overseeing every transaction is Compliance.

iii) **Risk budgeting:** Our Portfolio Construction & Risk (PCR) team collaborated with portfolio managers to develop a suite of proprietary tests to ensure portfolios have appropriate levels of risk. Our starting point is the expected alpha the client wishes to achieve, and the opportunity set within the guidelines. The model then generates an expected tracking error range by asset class, which is monitored over time. Continual monitoring and formal reviews at weekly franchise meetings ensure that sufficient (and efficiently diverse) levels of risk are taken to achieve the return target, and vice versa that risk levels have not exceeded the expected range on a persistent basis.

4. Risk Management

Portfolio managers are responsible for building portfolios that are consistent with the risk expectations and investment guidelines of our clients. The balance of risks and positions within a portfolio are analysed daily through the Fund Manager Workbench system. This proprietary tool enables the sources of risk within a strategy to be rigorously analysed and trades to be sized. Our preferred measure of risk for credit portfolios is Duration Times Spread (DTS), but the system also monitors ex-ante tracking error, spread duration and the (real and nominal) interest rate duration of a portfolio, down to the bond and issuer level. It allows a portfolio to be analysed by principal term structure components, as well as by credit rating, industrial sector, derivative and currency exposures. This system also monitors the ESG ratings and direction assigned to credits internally and by third parties. Investment risk management is an integral part of the investment culture and process. Our risk processes follow three lines of monitoring in order to comply with client objectives: first line (Risk Ownership), second line (Risk Oversight) and third line (Independent Assurance).

5. Engagement & Active Ownership

We undertake active ownership framework and engagement with all companies held within the fund is conducted to influence change and agree on milestones and timelines.

Our proprietary sustainability ratings

Fidelity Sustainability Ratings is a proprietary rating system developed by Fidelity's research analysts to assess individual issuers*. Those ratings score issuers on an A-E scale on sector-specific factors and a trajectory forecast based on an assessment of expected change of an issuer's sustainability characteristics over time. Such ratings are based on fundamental bottom-up research and materiality assessment using criteria specific to the industry of each issuer relevant to material ESG issues (the 'Fidelity Sustainability Rating'). Fidelity's Sustainability Ratings system will rate various types of fixed income securities including securitised assets. For securitised assets, as well as assessing the issuer, Fidelity may assess the sustainable characteristics of entities (such as the originator) to help finalise our sustainability view and ESG rating. Please see footnote for more information on Fidelity's Sustainability Rating process for securitised assets**.

While Fidelity has its own proprietary ESG ratings, we also look at MSCI ESG Ratings to assess the sustainability credentials of issuers in order to get an external and holistic view. We also understand that these ratings are widely available to end investors thus offering a credible third-party overview of our holdings.

Fidelity's sustainable characteristics criteria

Sustainable characteristics are defined as issuers rated by MSCI, or in the absence of a rating from MSCI, by the Fidelity Sustainability Rating, as follows:

- Developed market issuers with an ESG rating from MSCI of AAA - BBB
- Non-developed market issuers with an ESG rating from MSCI of AAA - BB
- Issuers with no ESG rating assigned by MSCI will be assessed by Fidelity Sustainability Ratings and are required to have an ESG rating of A - C
- Global market classifications are as set out in MSCI's annual market classification review

*The Fidelity Sustainability Ratings were launched in June 2019. As at 30 September 2022, they cover a universe of c. 4,200 issuers in equity and fixed income. Fidelity has a five scale rating of A (best) to E (worst).

**Fidelity Sustainability Rating process for securitised assets follows 9 steps: 1. Identify: Identification of the entity driving the economic performance of the securitised assets and the specific sub sector this entity falls into; 2. Prepare: ESG questions are preloaded into our systems; 3. Governance analysis: Analysis of the documentation for the transaction; 4. Asset analysis: Analysis of sustainability data; 5. Other related and influencing party analysis; 6. Follow-up to gain more information if needed; 7. Complete rating: Using all the above inputs, the Fidelity analyst will complete an ESG report and allocate a Fidelity Sustainability Rating to the securitised assets; 8. Publish; 9. Monitor.

Exclusion Framework

The fund will focus on investments with sustainable characteristics. As a result, it will adhere to a principles-based framework which sets out the basis upon which certain issuers may be excluded from the investment universe. The framework incorporates both norms-based screening and negative screening of certain sectors, companies or practices based on specific ESG criteria.

- **Fidelity firm-wide exclusion** issuers with involvement in the following categories of controversial weapons the use of which is prohibited by international treaties or conventions:
 - Cluster munitions
 - Landmines
 - Biological weapons
 - Chemical weapons
 - Blinding laser weapons
 - Incendiary weapons
 - Non-detectable fragments
 - Nuclear weapons for non-signatories of the Treaty on the Non-Proliferation of Nuclear Weapons, specifically:
 - Manufacturers of nuclear warheads and/or whole nuclear missiles
 - Manufacturers of components developed and/or significantly modified for exclusive use in nuclear weapons
 - Derives more than 5% revenue from nuclear weapons
 - Includes issuers that produce exclusive delivery platforms/components only
- **Fidelity Sustainable Family exclusions:** In addition to the above exclusions, Fidelity's Sustainable Family of Funds also excludes other issuers involved in controversial weapons (broader list of nuclear weapons manufacturers and depleted uranium), military weapons, semi-automatic weapons, tobacco, thermal coal*, arctic mining, oil sands and companies violating international norms including those set out by the Ten Principles of the United Nations Global Compact, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles for Business and Human Rights, Responsible Business Conduct and International Labour Organization (ILO) Conventions.

The below activities are excluded, at the indicated **revenue threshold**.

Category	Description
Controversial weapons	Any controversial weapons - sub-categories include biological, chemical, incendiary weapons, depleted uranium, non-detectable fragment, blinding lasers, cluster munitions, landmines and nuclear weapons.
Conventional weapons	All issuers that derive more than 5% revenue from the production or manufacturing of conventional weapons (excluding semi-automatic weapons).
Semi-automatic weapons	All issuers that derive more than 0% revenue from the production of semi-automatic weapons and Retailers with more than 5% of their revenues from semi-automatic firearms sales.
Tobacco	All producers/manufacturers of tobacco and issuers that derive more than 5% of their revenues from tobacco retail, distribution, supply or licensing.
Thermal coal	All issuers that derive more than 5% revenue from the mining of thermal coal and its sales to third parties or thermal coal-based power generation. Some exceptions for companies transitioning, as determined by Fidelity.*
Arctic Oil & Gas	All issuers that derive more than 5% revenue from Arctic Oil & Gas activities.
Oil Sands	All issuers that derive more than 5% revenue from oil sands activities.

Fund-specific exclusions

Category	Description
Gambling	All issuers that derive more than 5% revenue from gambling activities.
Adult entertainment	All issuers that derive more than 5% revenue from adult entertainment activities.

Reporting

Reporting on whether the Fund is meeting its ESG commitments will be found in the annual and semi annual reports. The MSCI ESG breakdown of the Fund will be available via the Fund factsheet.

* Exceptions to these exclusions can apply to issuers that, in our assessment, have a credible strategy aligned with the Paris Agreement. Where the issuer's revenue share from renewable energy exceeds revenue share from thermal coal activities. Where the issuer has made an effective commitment to a Paris Agreement aligned objective based on approved Science Based Targets or alignment with a Transition Pathway Initiative scenario or a reasonably equivalent public commitment.

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The Key Investor Information Document (KIID) is available in English and can be obtained from our website at www.fidelityinternational.com. The Prospectus may also be obtained from Fidelity.

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