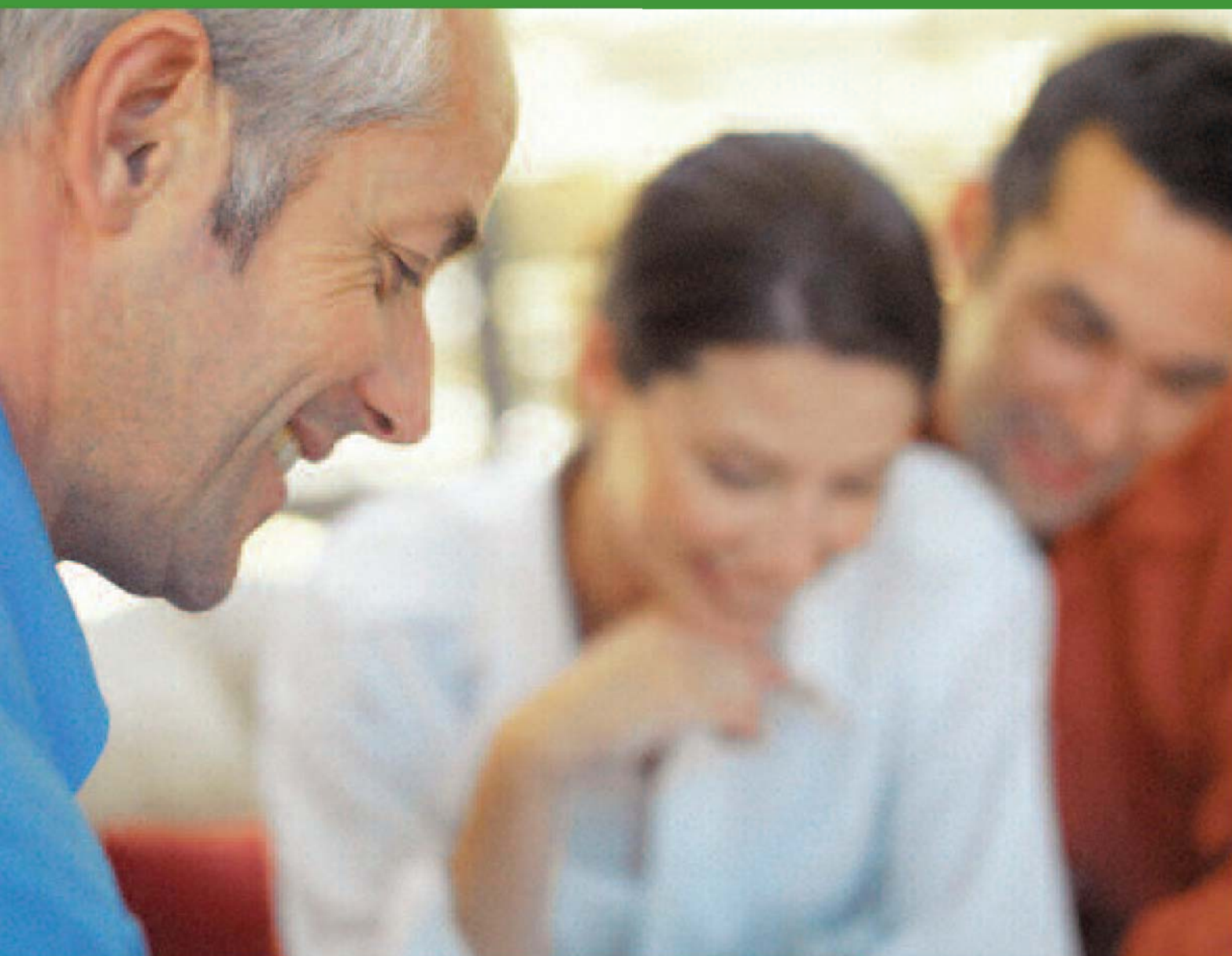


# Fidelity Capital Structure



Tax-deferred investing for non-registered accounts



# A great way to maximize growth and cash flow

## The benefits

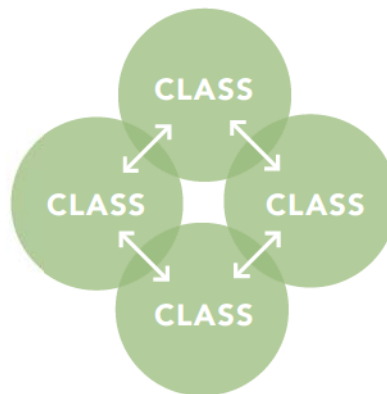
Using Fidelity Capital Structure enables you and your clients to

- make strategic shifts in asset allocation as your client approaches retirement
- make tactical shifts in asset allocation to pursue different opportunities
- rebalance the portfolio on a regular basis
- keep deferred tax in the account to compound growth, which could result in a higher account value
- potentially reduce a client's overall tax liability if other sources of income decrease, as in retirement

## The inside story

Unlike traditional mutual funds that have a trust structure, Fidelity Capital Structure holds classes of well-known Fidelity mutual funds within a legal corporation. By buying into this one corporate entity, investors can move their assets among the classes without triggering immediate capital gains tax. The differences are invisible to investors.

No immediate tax consequences from switching within Fidelity Capital Structure.



Assets withdrawn from Fidelity Capital Structure may trigger a taxable capital gain. For regular cash flow, the use of Fidelity T-SWP™ Class is recommended.

Investors in Fidelity Capital Structure may still pay tax on dividend distributions, and on capital gains distributions arising from portfolio trading activity.

# Fidelity Capital Structure

While registered plans are great for deferring income tax and sheltering growth, there is a limit to how much your clients can contribute. Many clients will also need non-registered accounts, especially when they receive larger lump sums, such as retirement allowances and inheritances. Without a tax structure for non-registered investments, distributions are taxed in full each year, and investment switches trigger capital gains tax.

## Get tax advantages outside a registered plan

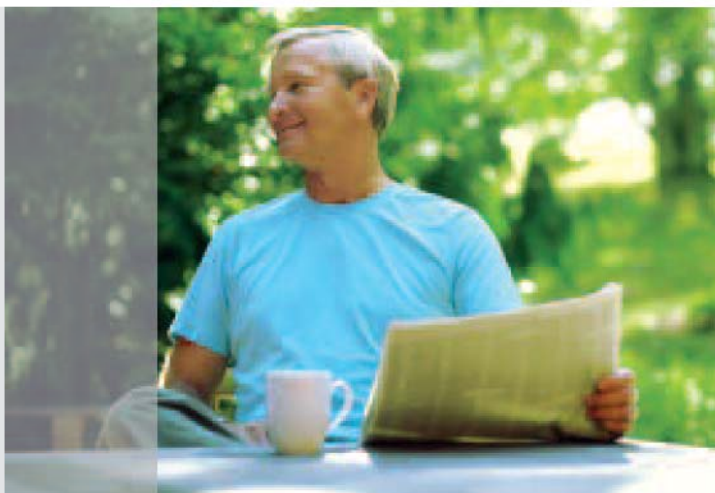
With Fidelity Capital Structure, you can switch and rebalance a client's investments without triggering immediate capital gains tax. As well, Fidelity Capital Structure can have lower taxable distributions than a traditional mutual fund.

Unlike RRSP withdrawals, which are taxed at your client's marginal rate, cash flow from Fidelity Capital Structure can be highly tax-efficient with Fidelity T-SWP™ Class. Fidelity T-SWP™ Class provides regular monthly payments that maximize return of capital, which is not taxable as income.

## Who needs Fidelity Capital Structure?

An investor who wants

- tax-deferred growth
- the ability to switch investments without triggering capital gains tax
- the potential for lower taxable distributions than a traditional mutual fund



## Options make cash flow flexible and convenient

### Keeping a lid on distributions

Fidelity Capital Structure seeks to reduce or eliminate distributions to shareholders that can be subject to tax. Minimizing the distribution is an accounting function that is handled entirely by Fidelity.

*The capital gains refund mechanism (CGRM)* – The CGRM is a provision of tax law that aims to avoid double taxation of capital gains – once at the fund level and again in the investor's hands. Using the CGRM, a mutual fund may retain some of its net realized capital gains rather than distributing them all to unitholders to be taxed.

*Offsetting capital gains with capital losses among classes* – When one class realizes a capital gain in a particular year, this gain can be offset by a capital loss realized by another class. The remaining net realized gains must be distributed to investors in the particular classes.

*Carrying losses forward* – When Fidelity Capital Structure realizes a loss in a given year, it will use this loss to offset gains in the following years.

*Offsetting interest with expenses* – Interest income does not flow through to investors. If earned in one class, it can be offset by expenses from other classes within the corporation.

### Tax-efficient cash flow with Fidelity T-SWP™ Class

When it's time to draw cash flow from Fidelity Capital Structure, all your clients need to do is switch to Fidelity T-SWP Class. Payments are tax-efficient because they maximize return of capital (ROC). ROC is not taxable as income, because the non-registered investment was originally purchased with after-tax dollars.

Fidelity T-SWP Class gives investors tax-deferred growth and tax-efficient cash flow for non-registered investments.

- Sustainable, tax-efficient monthly cash flow.
- Choose to receive 5% or 8% of annualized NAV (paid monthly).
- Turn cash flow on and off by switching between Fidelity T-SWP Class and Fidelity Capital Structure.
- Select from 20 Canadian dollar investment options, including Fidelity Managed Portfolios.
- Nine U.S. dollar investment options also pay cash flow in U.S. dollars.
- In average and above-average market conditions, your investment could still grow while you receive cash flow.



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*fidelity.ca*

Call

1 800 263-4077

1 On July 11, 2007, Fidelity Canadian Short Term Income Class was closed to new purchases and transfers from outside Fidelity Capital Structure Corporation, with the following exception. Regular pre-authorized chequing (PAC) purchases established before July 11, 2007, will be allowed to continue. Assets of the Class already held within the Large Account Policy (LAP) program will be "grandfathered." That is, the LAP will continue to be available on Fidelity Canadian Short Term Income Class assets that are currently under the program. No new LAP requests for the Class will be approved or allowed. Fidelity Canadian Short Term Income Class will remain available within Capital Structure for switching from other classes.

2 As of May 1, 2008, the family of sector funds known as Fidelity Focus Class changed its name to Fidelity Global Class. Class mandates did not change.

This document is for investment professional use only. 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 and trailing commissions and may experience a gain or loss.



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