



Fidelity AIM Dividend Index

Index Methodology Document

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Section 1: Introduction

Index Definition

Fidelity AIM Dividend Index (the “Index”) is a rules-based index that employs a dynamic asset allocation approach that blends the characteristics of high dividend stocks with U.S. Treasuries to reduce volatility and deliver a steadier ride over time.

Index Methodology Summary

Parameter	Fidelity AIM Dividend Index	
Investment Universe (“Components”)	Equity	<ul style="list-style-type: none"> Fidelity Dividend Index for Rising Rates LM NR Excess Return (ER)
	Fixed Income	<ul style="list-style-type: none"> Barclays US 2 Year Treasury Futures Index Barclays US 5 Year Treasury Futures Index Barclays US 10 Year Treasury Futures Index Barclays US 30 Year Treasury Futures Index
	Cash	<ul style="list-style-type: none"> Cash component
Portfolio Construction	<ol style="list-style-type: none"> Fidelity AIM Dividend Base Index (the “Base Index”) <ul style="list-style-type: none"> Calculate historical returns and volatility scores for the equity and fixed income components in the investment universe On a monthly basis, weight the investment universe components of the Index using an optimization algorithm to determine the Base Index Fidelity AIM Dividend Index – On a daily basis, assess volatility levels of the Index Components in the Base Index and adjust the exposure level to maintain the targeted volatility of the Index. 	
Maximum Exposure	Up to 150%	
Target Volatility	5%	
Rebalancing	<ul style="list-style-type: none"> Exposures to the investment universe components are set monthly Adjustments to exposure levels are further adjusted daily, as needed to control risk levels Rebalancing occurs 1 Index Trading Day after each Month End Determination Date and after each Risk Control Exposure Adjustment Day 	
Return Calculation	Fidelity AIM Dividend Index is calculated on an excess return basis (net of a notional financing cost) and reflects the daily deduction of a fee of 0.50% per annum.	

Section 2: Investment Universe

Equity Universe

Fidelity Dividend Index for Rising Rates LM NR Excess Return provides the equity exposure for the Index. It is designed to reflect the performance of stocks of large and mid-capitalization dividend-paying companies that are expected to continue to pay and grow their dividends and have a positive correlation of returns to increasing 10-year U.S. Treasury yields. The Fidelity Dividend Index for Rising Rates LM NR is rebalanced annually and can hold up to 10% of its weight in developed international stocks.

The Equity Index Component is derived from Fidelity Dividend Index for Rising Rates LM NR minus a financing cost (ICE LIBOR USD 1 Month Rate).

Fixed Income Universe

The fixed income component of the Index is comprised of 2-year, 5-year, 10-year, and 30-year U.S. Treasury futures indices and cash. The weights to each are adjusted based on the fixed income performance trends.

When the performance trend of the equally weighted Treasury basket is positive, then it is utilized as the fixed income component for the Index. However, when it is negative, the two worst performing Treasury futures indices are removed from the basket and replaced with cash.

Section 3: Index Construction

Determination of Monthly Target Weights & Daily Volatility Control

The Fidelity AIM Dividend Index aims to provide investors with exposure to a multi-asset income strategy, the Base Index which rebalances monthly.

The index creates a monthly rebalanced portfolio that combines the equity and fixed income components. This is called the Base Index. The asset allocation of the Base Index is determined in the following steps:

Fidelity AIM Dividend Base Index		
	Frequency	Description
Step 1	Monthly	<ul style="list-style-type: none"> Each month, the index runs an optimization process to determine the optimal weights to be allocated between the equity and fixed income components. The process considers all combinations of the equity and fixed income components, provided that the combined weight does not exceed 125%. The exponentially weighted moving average (EWMA return) for each of the four fixed income components is calculated. If the EWMA return is greater than or equal to zero, each of the four fixed income components are equally weighted. Otherwise, the two fixed income components with the lowest EWMA return are replaced with cash, constituting 50% of the total fixed income component, and the remaining two fixed income components are equally weighted, constituting 50% of the total fixed income component.
Step 2	Monthly	<ul style="list-style-type: none"> The volatility of each combination is calculated, based on how volatile the underlying components have been and how they have moved relative to each other. The process selects the equity and fixed income combination that has the highest return potential, given a 5% volatility target, by assuming that the risk-adjusted returns offered by equities and fixed income will be comparable to each other in the near future.
Fidelity AIM Dividend Index		
	Frequency	Description
Step 3	Daily	<ul style="list-style-type: none"> The final step in the process is applying volatility control to the Base Index. The Fidelity AIM Dividend Index exposure to the Base Index is adjusted on a daily basis using a volatility targeting methodology. The Fidelity AIM Dividend Index increases or decreases the exposure to the Base Index in order to try and maintain volatility at a constant 5% annualized level. If the recent volatility of the Base Index exceeds 5%, the index will allocate less than 100% exposure to the Base Index and leave the residual weight in cash. If the recent volatility of the Base Index is below 5%, the exposure allocated to the Base Index may increase but not exceed 150%.

Additional considerations

- The equity component level returns are computed net of the financing costs which are set at ICE LIBOR USD 1 Month rate
- For both monthly rebalance and daily rebalance, there is a 1-day lag from observation to rebalance.

Section 4: Index Calculations

Index History

Index history will be calculated for daily values and month end holdings going back to 30 January 1998. Base value will be 100.00 starting as of 30 January 1998.

To the extent any calculations for which there were less than the number of specified Index Days of data, such calculations were completed using the number of Index Days data available since 15 January 1997.

Data Calculation

Following data calculations will be generated

Fidelity AIM Dividend Index

- a. Return Type: Excess Return
- b. Calculated End-of-Day = NYSE Trading hours (4PM EST)
- c. Ticker = FIDAIMDN

Fidelity AIM Dividend Base Index

- a. Return Type: Excess Return
- b. Calculated End-of-Day = NYSE Trading hours (4PM EST)
- c. Ticker = FIDAIMDB

Index Calendars:

- **Index Days** will follow the New York Stock Exchange (NYSE) and the Chicago Board of Trade (CBOT) holiday schedules (index is only calculated on days when the NYSE and the CBOT both do not deem it a holiday)
- **Index Trading Days** will follow the NYSE, the CBOT, the London Stock Exchange, and the Frankfurt Stock Exchange holiday schedules (index is only traded and published when all four exchanges are open)

Section 5: Index Governance

Index Sponsor and Index Calculation Agent

The index sponsor is Fidelity Product Services LLC. Fidelity Product Services LLC has appointed S&P Dow Jones as Index Calculation Agent to calculate and publish the indexes in accordance with this methodology document. The index sponsor may appoint an alternative Index Calculation Agent at any time.

Index Committee

The index is maintained by the Fidelity Product Services LLC Index Committee. The Index Committee is responsible for reviewing the design and composition of the indexes. The Committee meets periodically to review market conditions and index performance, or on an as-needed basis to address major market developments. In addition, the Committee reserves the right to exercise its discretion in making decisions with respect to Index Policies or actions.

The Index Committee considers information about changes to its indexes and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

Index Policy

Announcements: Announcements regarding changes to any of the indexes will be made publicly available prior to the effective date of the change. Licensed users will be contacted, in writing, with respect to proposed changes in the index, unless such changes are due to a market disruption event or other similar event.

Market Disruption: In situations the calculation of the Index may not be possible due to certain circumstances, including market disruptions, systems failures, weather conditions, acts of terrorism or any other event that is beyond the reasonable control of the Index Sponsor and/or Index Calculation Agent.

If, on any Index Day, a market disruption occurs that the Index Sponsor determines, affects the Index, the Index Sponsor may:

1. defer, suspend or postpone the calculation and publication of the Index level and any other information relating to the Index until the next Index Day on which the Index Sponsor determines, in its sole discretion, that no such market disruption exists or is continuing; and/or
2. make such determinations and/or adjustments in relation to (a) the methodology used to calculate that Index as the Index Sponsor considers necessary in order to maintain the objectives of the index, or (b) the Index level of the Index as the Index Sponsor considers appropriate in order to preserve the underlying objectives of the Index.

If on an Index Day where the Index is due to rebalance, either because of a new month end allocation or a risk control adjustment, a market disruption occurs that the Index Sponsor determines in a commercially reasonable manner, affects the Index, the Index Sponsor may, in each case, in a commercially reasonable manner and consistent with the objectives of the Index:

3. postpone such rebalance until the next Index Day on which the Index Sponsor determines, in a commercially reasonable manner, no such market disruption exists or is continuing;
4. perform the Index rebalance in whole or in part on such day;
5. make such adjustments to the Index rebalance as it may in a commercially reasonable manner including, without limitation, performing such Index rebalance (i) by reference to such estimates of any affected variables and values as it may determine and/or (ii) on more than one day and/or
6. permanently cease to calculate and make available the Index level.

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