Corporate class explained

Fidelity Tax-Smart Solutions®

During the years leading up to retirement, you'll want to make sure your savings have good growth potential. For those in their asset accumulation years, Fidelity Corporate Class offers tax-deferred growth through the potential for reduced taxable distributions, which means more money staying in your account to grow.

Many of Fidelity's most popular trusts are also offered as corporate class investments.

Corporate class funds may hold the same types of investments as the traditional trust versions. Class funds are held inside a mutual fund corporation, which provides additional tax benefits for investors. Although each corporate class fund within the corporation has its own investment objective and strategy, together they are treated as a single entity for tax purposes.

	TRUST/STOCKS/BONDS/ETFs	CORPORATE CLASS
Interest income distributions[1]	✓	Taxed as capital gain (possibly deferred)
Foreign income distributions[1]	✓	Taxed as capital gain (possibly deferred)
Canadian dividend distributions	✓	✓
Capital gain distributions[2]	✓	✓ Potentially less than trust
Return of capital distributions	✓	✓
Deductibility of fees	✓	✓

Mutual funds are generally offered in two distinct structures, trusts and classes of shares of a mutual fund corporation.

1 Unlike mutual fund trusts, mutual fund corporations cannot distribute interest and foreign income under applicable tax laws. While historically Fidelity Capital Structure Corp. has offset this type of income with expenses, in the future, if sufficient expenses are not available, this income will be taxed within the corporation.

2 Capital gains distributions from classes of Fidelity Capital Structure Corp. have historically been less than for their underlying trust funds. However, from time to time, distributions in the form of capital gains dividends will be paid and are taxable for investors.

Source: Fidelity Investments Canada ULC.

How does corporate class provide tax benefits?

A mutual fund corporation is a single legal entity. Instead of taxing each individual mutual fund within the corporation, the corporation as a whole is taxed.

The resulting tax benefits are often referred to as "tax-efficient" or "tax-smart." While they may not reduce the tax paid in every situation, they do allow investors to organize their investments to increase the potential for tax savings.

1. Tax-smart growth

Pooling income and expenses: In a mutual fund corporation, the income and expenses of all of the different mutual fund classes are pooled, rather than being managed and reported separately.

As a result, corporate class mutual funds can share income, gains, losses, expenses and loss carry-forwards to reduce taxable distributions generated by the corporation as a whole.

Distributions: When distributions are made, they tend to be more tax-efficient than distributions from traditional mutual funds. Corporate class funds can only distribute Canadian dividends and capital gains dividends, both of which are taxed more favourably than regular income.

Corporate class funds cannot distribute interest or foreign income. Such income is retained within the corporation, where it is subject to taxation unless it can be offset by expenses. Accordingly, an important factor in managing corporate class is seeking to ensure that such income does not exceed expenses.

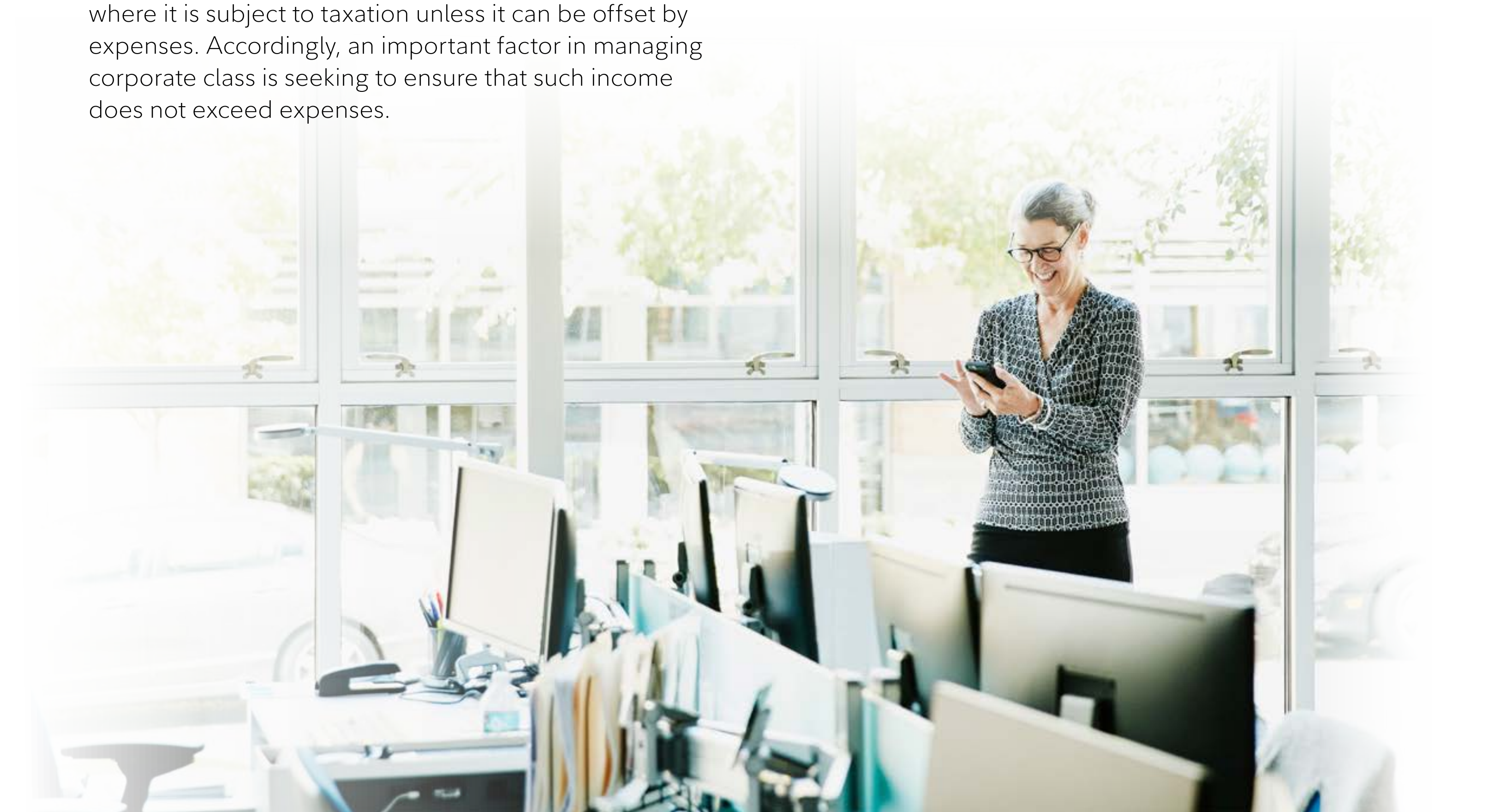
Benefit: Taxes are minimized or deferred, leaving more money in an investor's account to benefit from compound growth. From a tax point of view, this is clearly preferable to holding a conventional balanced mutual fund, which pays interest and foreign income that is taxable at an investor's marginal tax rate.

2. Tax-smart cash flow

Corporate class investments can be combined with Fidelity Tax-Smart CashFlow® (T-Class) for even greater tax efficiency. T-Class provides cash flow by returning an investor's original investment principal in a return of capital. This amount is not taxable, because the investor already paid tax on it before the investment was made.

A return of capital will reduce the adjusted cost base (ACB) of class fund shares held. Once all an investor's capital has been returned, the subsequent cash flows will be treated as capital gains and taxed at a favourable rate.

Benefit: Investors can receive tax-efficient cash flow without having to sell investments, meanwhile deferring capital gains.



Who should invest in corporate class funds?

Individual investors

Corporate class funds are an attractive option for investors with non-registered investments, including those who

- have used up their RRSP and TFSA contribution room
- seek a steady stream of cash flow in the future or in retirement (using T-Class)

Retirees

Corporate class combined with Fidelity Tax-Smart CashFlow provides retirees with tax-efficient cash flow.

It may be especially helpful in reducing or eliminating Old Age Security (OAS) clawback. Since T-Class payments – at least in the initial years – are return of capital, they are not considered income for tax purposes. (The corporate class funds may pay Canadian dividends and capital gains dividends from time to time.) By supplementing income with return of capital, pensioners can get added spending power while keeping taxable income down – thus maximizing OAS payments.

Owner-managed corporations

Corporate class may provide a more tax-efficient option for after-tax profits held in a corporation than other commonly used investment vehicles.

Corporate class can also help fund a corporation's capital dividend account (CDA), which may facilitate the payment of non-taxable dividends from the corporation to its shareholders.

Philanthropists

Donations to a charity are a great way to give back. The value of a donation (whether cash or "in-kind") is used to determine a tax credit, saving taxes for the donor.

Charitable giving with Fidelity Tax-Smart CashFlow allows you to receive tax-deferred cash flow payments from your investments and donate to a worthy cause in a tax-efficient way.

Trusts

Corporate class provides the same tax-efficient benefits for those who may want to create trust accounts for children or grandchildren.

Generally, parents or grandparents are taxed on interest and dividends received before the child turns 18. However, corporate class has the potential to reduce distributions, thereby minimizing the potential tax burden before the beneficiary turns 18.

Fidelity offers over 80 investment options in its corporate class structure to assist your advisor in constructing a portfolio for you according to your investment objectives, suitability and time horizon. And all our products are backed by our leading investment process, with solutions to suit almost every risk profile.

For more information, contact your financial advisor or visit fidelity.ca/**TaxSmart**

FIC-2445900 03/25 709406-v2025324