Fidelity Investments

Fidelity's corporate class structure

WINTER 2025

Fidelity's corporate structure continues to offer tax advantages to taxable investors, including tax-deferred growth through the potential for lower taxable distributions than from conventionally structured trust funds.

We remain focused on operating our structure for the benefit of investors in accordance with Canadian securities regulations and tax laws.

Distributions

Corporate class structures can be expected to pay distributions of Canadian dividends and capital gains dividends from time to time. Canadian dividends will generally be paid in May of each year. Capital gains dividends are typically paid within two months of the structure's year-end; Fidelity's corporate class funds pay capital gains dividends, if any, in January.

Fidelity's corporate class funds paid capital gains dividends in January 2022 and January 2023, but did not pay any capital gains dividends in January 2024 or January 2025. It may be required to pay capital gains dividends in January 2026; it is too early to say, but such dividends could be significant; investors should have an expectation that corporate class funds will pay capital gains dividends.

It is important to understand that capital gains dividends represent a timing difference: an investor receiving a capital gains dividend in a non-registered account will have to include the taxable portion of the capital gains dividend in the investor's taxable income, but will result in a lower capital gain (or a higher capital loss) when the investment is ultimately sold. Refer to the appendix for an example.

Income taxes

Fidelity continues to actively monitor the structure with the goal of protecting its long-term health. The corporate class structure remains a viable option for many non-registered assets, and there are no additional changes planned at this time.

With respect to income taxes, Fidelity's corporate class structure has never had to pay income taxes, nor is it currently expected to for the year ended November 30, 2025. This is based on preliminary information and is subject to change, and future years might have an income tax expense. Paying income taxes reduces performance returns for class funds.

It's important to note that not all corporate class structures are alike, and advisors should assess what's happening "under the hood" when considering the appropriate structures to use for their clients. Some competitors' structures have had to pay significant amounts of income tax within their structures, impacting investor returns. We encourage advisors to research the different structures, including their financial statements, to better understand what is being offered.

Investment options

Fidelity's corporate class structure continues to offer a wide array of investment options. These include Canadian, U.S. and international equity funds, as well as a number of balanced and asset allocation funds, some as conservative as 60% fixed income (based on neutral mix).

Corporate class explained update

Registered accounts

Certain class funds are closed to new purchases and switches for registered plans, except for existing systematic transactions. Certain other class funds are not recommended for registered plan investors. Such investors should consider the trust fund equivalent for these class funds, instead where one exists. Registered plan investors should also be aware that certain class funds may, from time to time, bear income tax expenses, which will reduce returns. Please read the fund facts and simplified prospectus for further details.

Appendix – The timing implications of a capital gains dividend

Consider an investor who purchased $70,000 of a class fund now worth $100,000. The holding increases further over the next two years and is then sold for $120,000.

If there is no capital gains dividend paid, the investor pays tax on $25,000 ($120,000 - $70,000 = $50,000, times 50%).

If the investor receives a $5,000 capital gains dividend, the investor pays tax on $2,500 in the year of receipt. The dividend is reinvested, causing the investor's adjusted cost base to increase to $75,000. When the investment is sold, the investor pays tax on $22,500 ($120,000 - $75,000 = $45,000, times 50%). In total, the investor has paid tax on $25,000, the same amount as if no capital gains dividend was paid.

Thus, the total taxable income is the same; only the timing changes.

For more information, contact your Fidelity representative or visit **fidelity.ca**

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