



A Discussion on Low Yields on Treasury Money Market Funds
December 2008

- Q. Short-term Treasury yields are very low right now. How are Fidelity's money market funds that invest in these securities being affected?**
- A. Due to a number of market influences, including the strong appetite on the part of investors for the relative safety that short-term Treasury debt instruments offer, yields on these securities are near historical lows. As a result, yields on Fidelity's taxable money market funds that invest in short-term Treasury securities are currently at very low levels.
- Q. Does Fidelity have a policy in place should net yields on money market funds — gross yields minus fund expenses — fall below zero?**
- A. At Fidelity, we are closely monitoring the yields on our money market funds that invest in Treasury securities. If they approach zero, we consider waiving certain fund fees and/or reimbursing certain expenses to prevent that from happening. Any such waiver or reimbursement would be voluntary and could be discontinued at any time. There is no guarantee that a fund will be able to avoid a negative yield.
- Q. Do very low or negative net yields mean these funds have "broken the buck?"**
- A. No. It's important not to confuse a fund's "yield" with its net asset value (NAV). NAV is the total value of all the securities in the portfolio divided by the number of shares outstanding. Money market funds are designed to maintain a stable \$1 NAV. The fund's yield, however, is the current income produced by the securities in the portfolio.

With respect to the funds' NAVs, we can state unequivocally that Fidelity's money market funds and accounts continue to provide security and safety for our customers' cash investments. Our funds continue to

invest in money market securities of high quality, and our customers continue to have full access to their investments any time they wish. Most importantly, we have been proactive in keeping our money market funds safe and in protecting the \$1.00 NAV, which has always been our #1 objective in managing these funds.

Q. What specific steps would Fidelity take if this were to occur? At what threshold would you act?

A. The specific steps that we might take in a given situation may differ depending on the characteristics of that particular situation. We may waive certain fees, reimburse certain expenses, or some combination of the two, before allowing a fund's net yield to fall below zero.

If we take this type of action, we would notify prospective shareholders of the applicable fund by providing a sticker supplementing the fund's prospectus stating that Fidelity or the fund's distributor may voluntarily reimburse certain expenses and/or waive certain fees. The disclosure also would state that this arrangement may be discontinued at any time. There is no guarantee that a fund will be able to avoid a negative yield.

Q. Which of your funds have net yields that are closest to zero?

A. First, it's important to remember that Fidelity's money market funds generally have low relative expenses and competitive yields.

That said, some of our money market funds sold through financial intermediaries tend to have higher expense levels than other funds. Therefore, we are most likely to act on these funds first as yields fall.

Q. Have you waived or reimbursed expenses on any of Fidelity's money market funds yet in order to avoid a negative yield?

A. Yes. We recently reimbursed a relatively small amount of fund expenses on certain share classes of money market funds that are available exclusively through financial intermediaries in order to maintain positive net yields on those share classes.

Q. Which funds were affected?

- A. As of December 11, 2008, the following funds have been affected: -- Cash Management Fund: Treasury Fund (All Advisor classes); Institutional Treasury Portfolio – Advisor Class E, Class B and Class C; Fidelity Advisor World Dollar Money Class L; Fidelity Institutional Money Market (FIMM): Treasury – Class II, III, IV; FIMM Treasury Only – Class IV.

With regard to Cash Management Fund: Treasury Fund – Advisor Class B and Class C, these share classes were affected mainly due to the fact they have higher expense ratios than other share classes of the fund due to their 12b-1 fees. (More specifically, these shares are designed to be offered together with Class B and Class C shares of Advisor equity and bond funds, and can only be purchased in connection with investments in those shares. Therefore, they have the higher 12b-1 fees, in line with the expense structure of the Class B and Class C Advisor equity and bond funds.)

(NOTE: This list may change at any time, depending on movements in Treasury MM fund yields.)

Q Are there any other funds with net yields close to zero?

- A. In today's interest rate environment, many money market funds have low yields, including municipal money market funds.

As of December 11, 2008, the following municipal money market funds have been affected: CA Tax Free Money Market: Service Class; CA Municipal Money Market Fund; CT Municipal Money Market Fund; MA Municipal Money Market Fund; MI Municipal Money Market Fund; CA AMT Tax Free Money Market: Service Class; Tax-Exempt Fund-Daily Money Class – Advisor Class A; Tax-Exempt Fund – Capital Reserves.

Q How low did net yields get on these share classes? How much in expenses was reimbursed?

- A. Reimbursements varied by share class. Suffice it to say that we reimbursed a relatively small amount of expenses in order to maintain positive net yields on those share classes.

Q How long would you waive certain expenses on funds with net yields that otherwise have fallen below zero?

A. Any decision to waive fees or reimburse expenses is made on a fund-by-fund and day-to-day basis. We monitor yields very closely and any actions taken are temporary – most likely until yields move higher.

Q. What's going to happen to interest rates and short-term Treasury yields? Are they going lower?

A. At Fidelity, we don't predict the direction of interest rates. Our money market funds are managed using a highly disciplined process centered on extensive security research and analysis.

Q. Do you expect this situation will affect the cash flows into your money market funds?

A. We don't predict cash flow activity. Short-term rates have been quite low for a while now and we've seen continued interest in money market funds.

It's important to remember that – while these funds certainly have very low yields at the moment – some of the fundamental reasons why investors choose money market funds are still in place. First, our customers think about money market funds as an important component of their asset allocation process. In that regard, money market funds provide diversification from equity and bond funds. Beyond diversification, the benefits of having transaction capability in the money market funds, having the liquidity and the stability of principal – these are the benefits that will remain even as yields get down to very low levels.

Q. Do you anticipate having to reimburse expenses on any other money market funds soon?

A. We wouldn't speculate on that. It's difficult, if not impossible, to predict what will happen to interest rates and money market yields. We will take whatever steps we determine are appropriate on a case-by-case basis.

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Past performance is not a guarantee of future results. Current and future portfolio holdings are subject to risk.

An investment in a money market fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the fund.

Before investing, consider the funds' investment objectives, risks, charges and expenses. Contact Fidelity for a prospectus containing this information. Read it carefully.

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