NCCMT Government & Term Overview NCLGIA Summer Conference

July 2017

FIDELITY INSTITUTIONAL ASSET MANAGEMENT℠

Agenda

1. Regulatory Reform Recap
2. Global Macroeconomic Update
3. U.S. Economic Review
4. Federal Reserve Interest Rate Policy
5. Government & Term Portfolio Overview
6. Question & Answer

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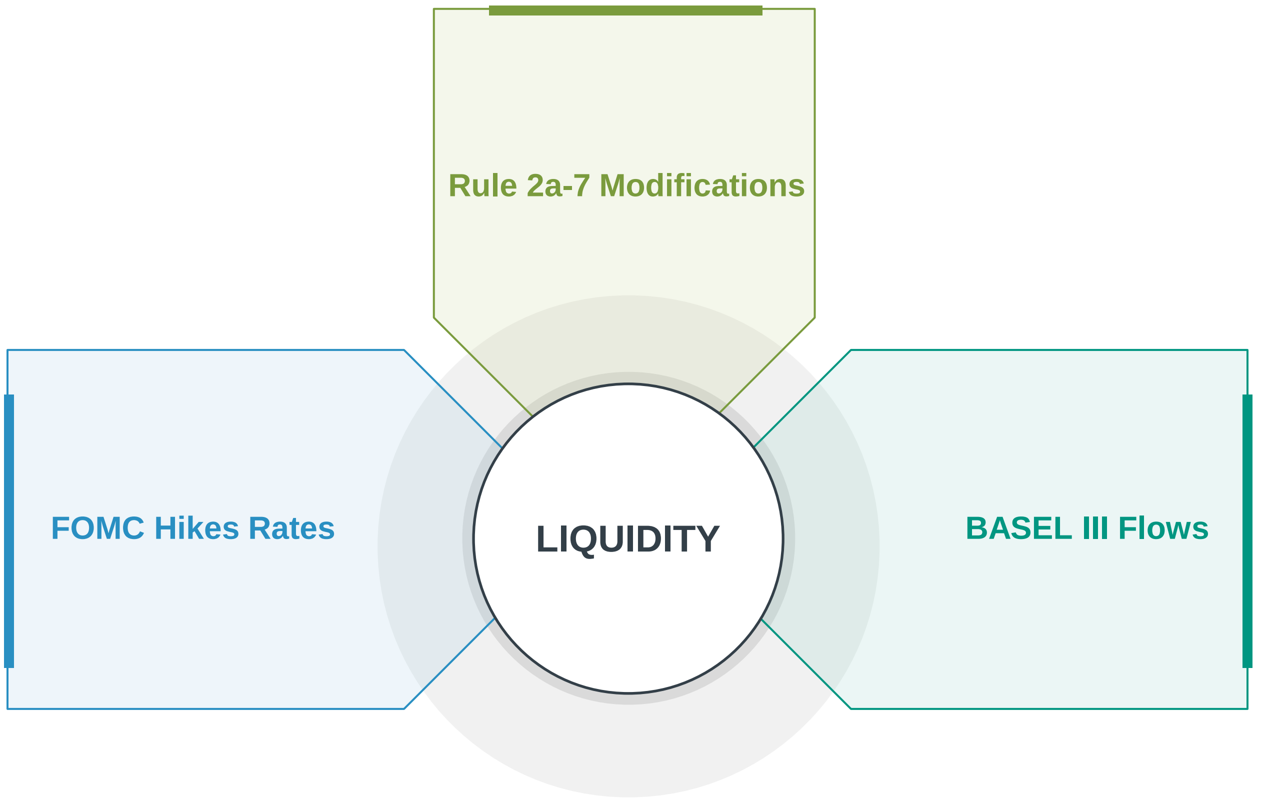
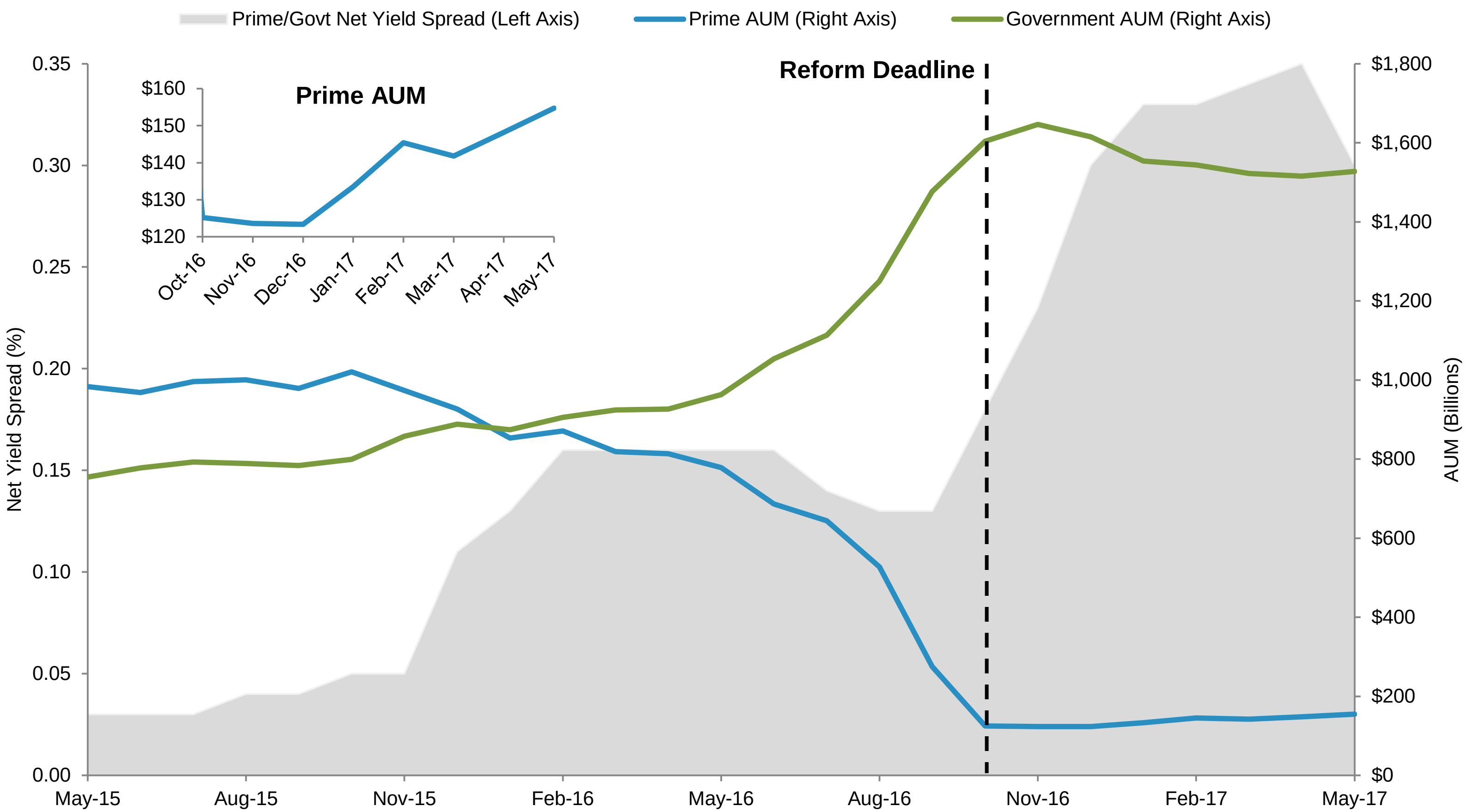
Regulatory Reform Recap

Regulations and Fed Impact Liquidity Management



Institutional Prime & Government Yield Spreads

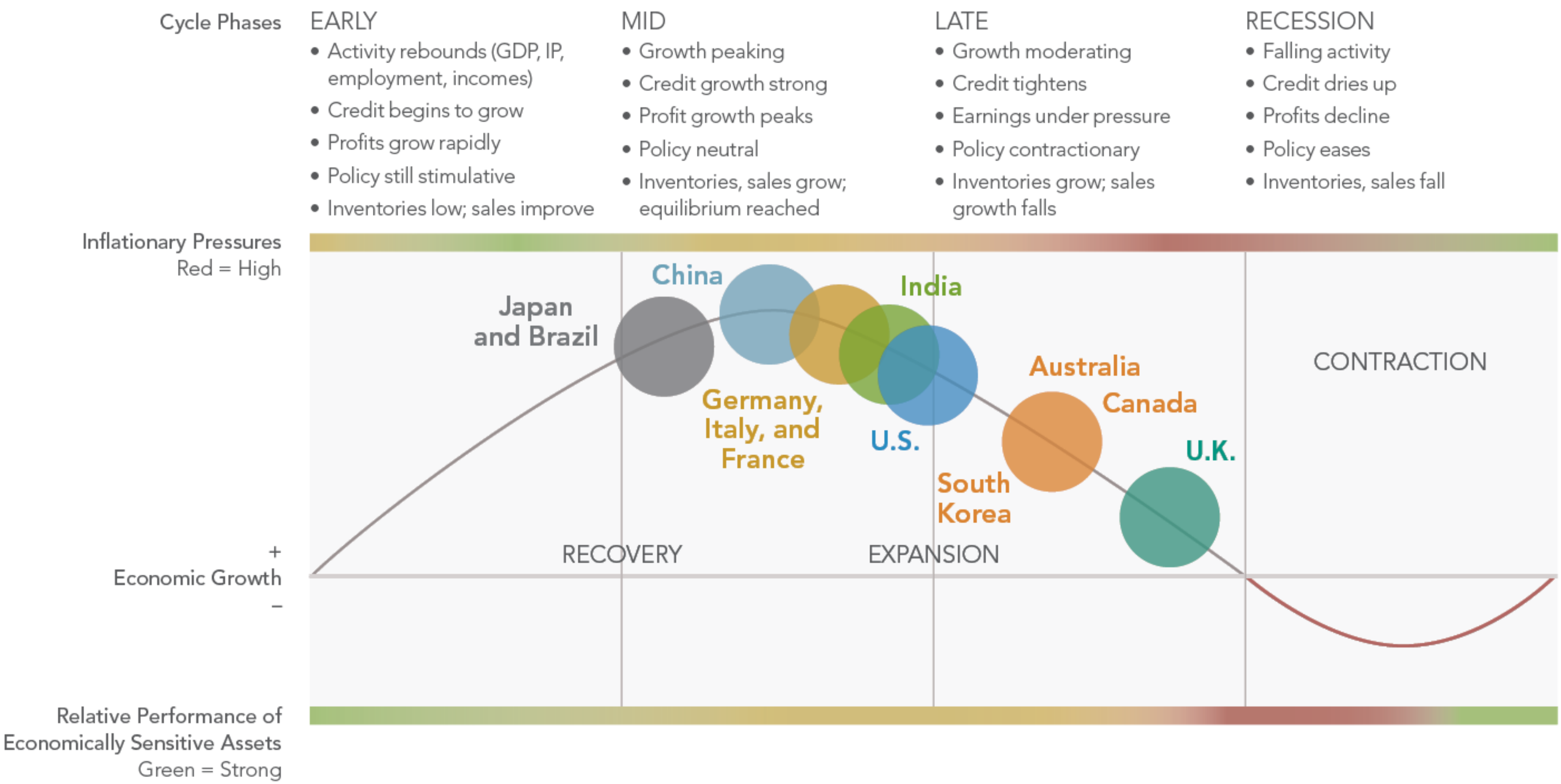


Source: iMoneyNet as of 5/31/2017

Notes: May Assets Under Management is preliminary and may be subject to change. MMF yields shown are average month end net 7-day annualized yields reported by iMoneyNet for institutional prime and institutional government money market funds. In the chart, spread refers to the difference between prime and government money market yields. Past performance is no guarantee of future results.

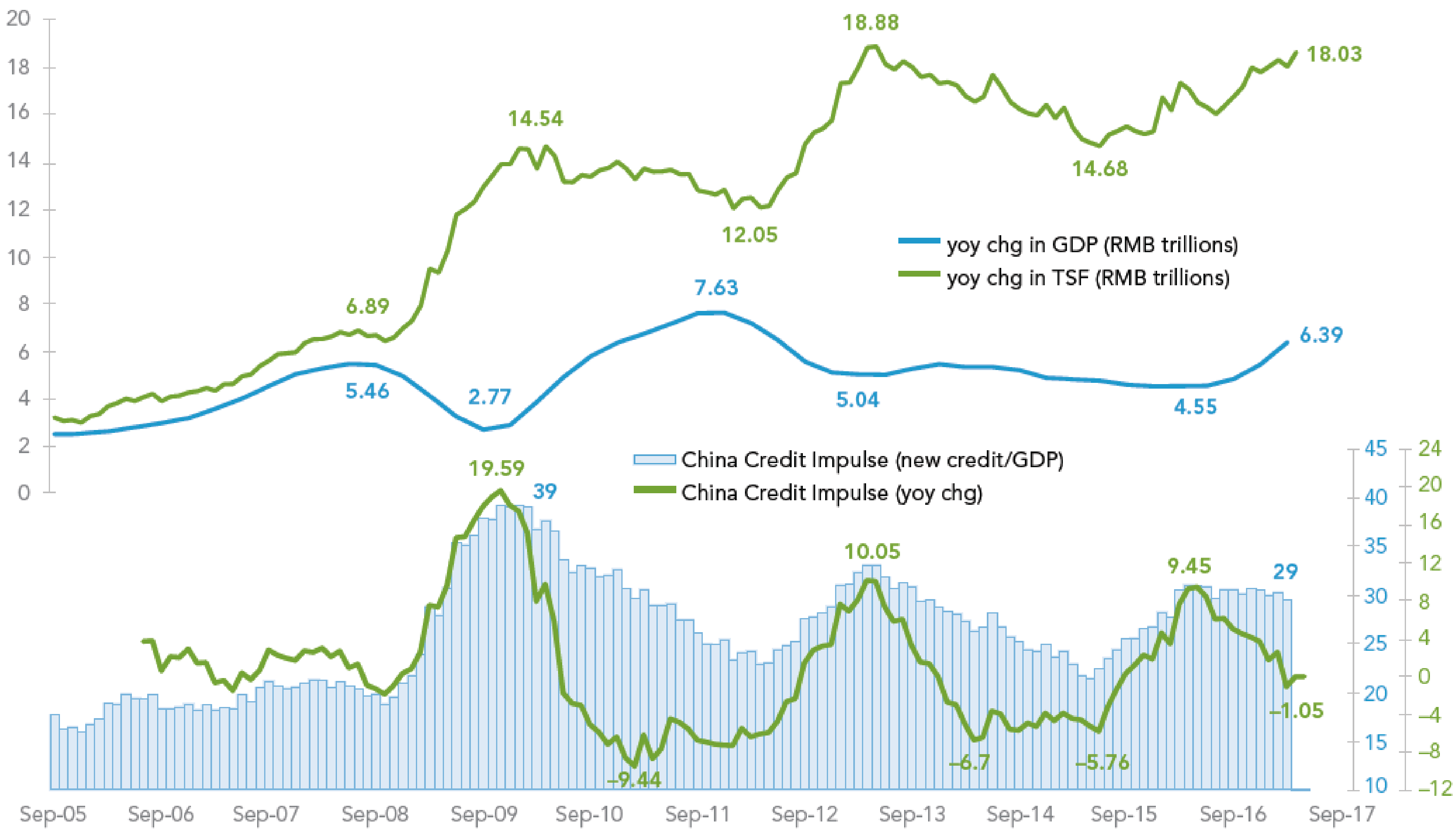
Global Macroeconomic Update

Business Cycle Framework



Note: The diagram above is a hypothetical illustration of the business cycle. There is not always a chronological, linear progression among the phases of the business cycle, and there have been cycles when the economy has skipped a phase or retraced an earlier one. *A growth recession is a significant decline in activity relative to a country's long-term economic potential. We have adopted the "growth cycle" definition for most developing economies, such as China, because they tend to exhibit strong trend performance driven by rapid factor accumulation and increases in productivity, and the deviation from the trend tends to matter the most for asset returns. We use the classic definition of recession, involving an outright contraction in economic activity, for developed economies. Source: Fidelity Investments (AART), as of 6/26/17.

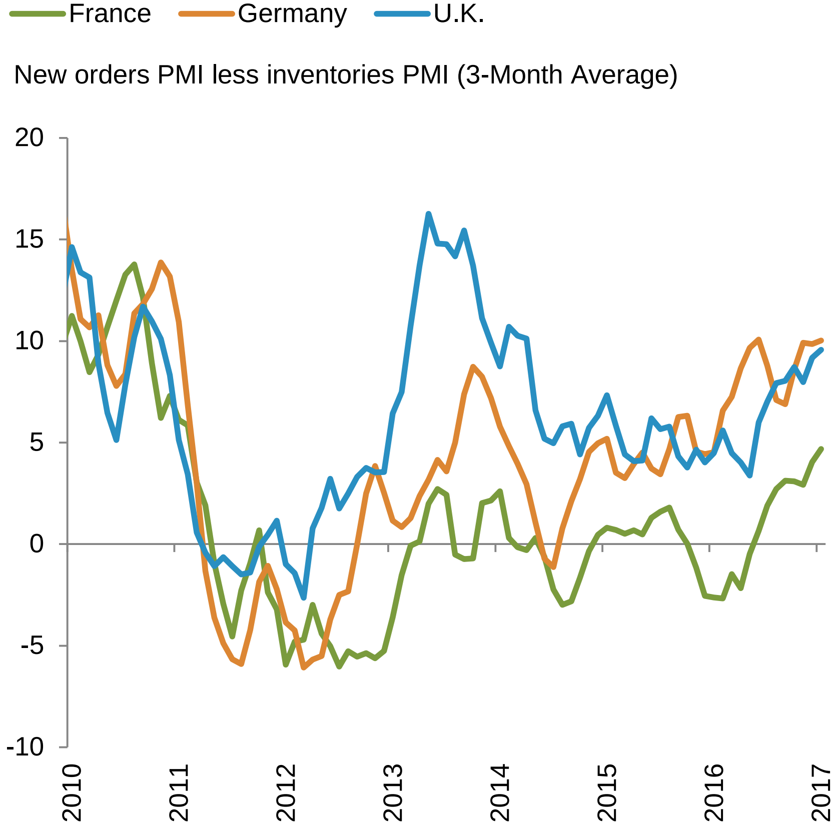
China's Credit Impulse



Sources: Bloomberg as of 5/17/2017.

Europe Expansion Intact, though Political Risks Abound

Manufacturing Bullwhip



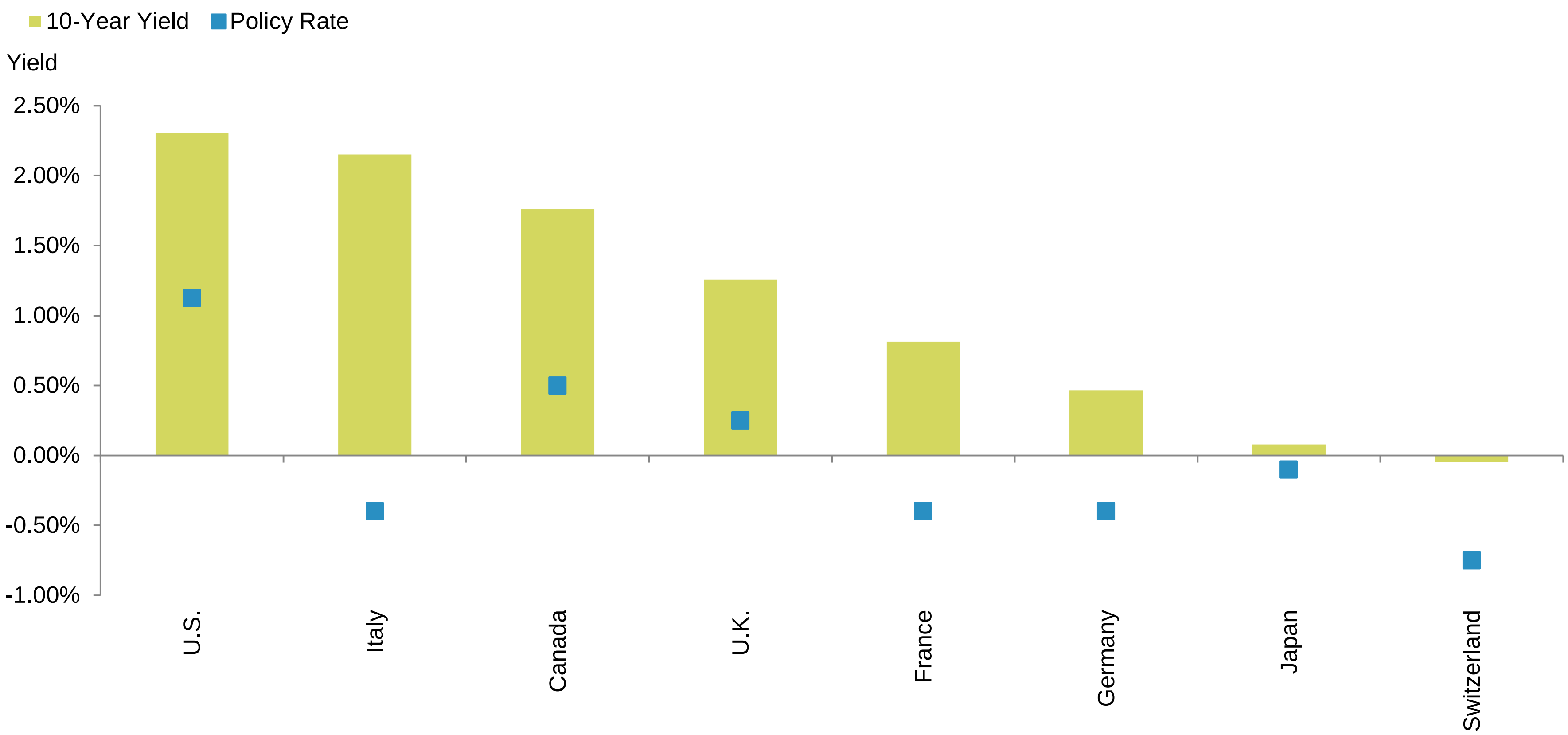
2017 European Political Events

Event	Date	Result
Netherlands National Elections	March	Anti-Euro party defeated
Brexit Notification	March	
France Presidential Election	April/May	Anti-Euro party defeated
Germany National Elections	October	
Possible Italian Parliamentary Elections	?	

LEFT: Source: Markit, Haver Analytics, Fidelity Investments (AART), as of 5/31/17. **RIGHT:** Fidelity Investments (AART), as of 3/31/17

Easy Monetary Policies Act as Anchor on Global Rates

Sovereign Bond Yields and Policy Rates



Sources: Bloomberg Finance LP, Fidelity Investments, as of 6/30/2017.

 For institutional use only.

Many Reasons Yields So Low, Some May Not Last Forever

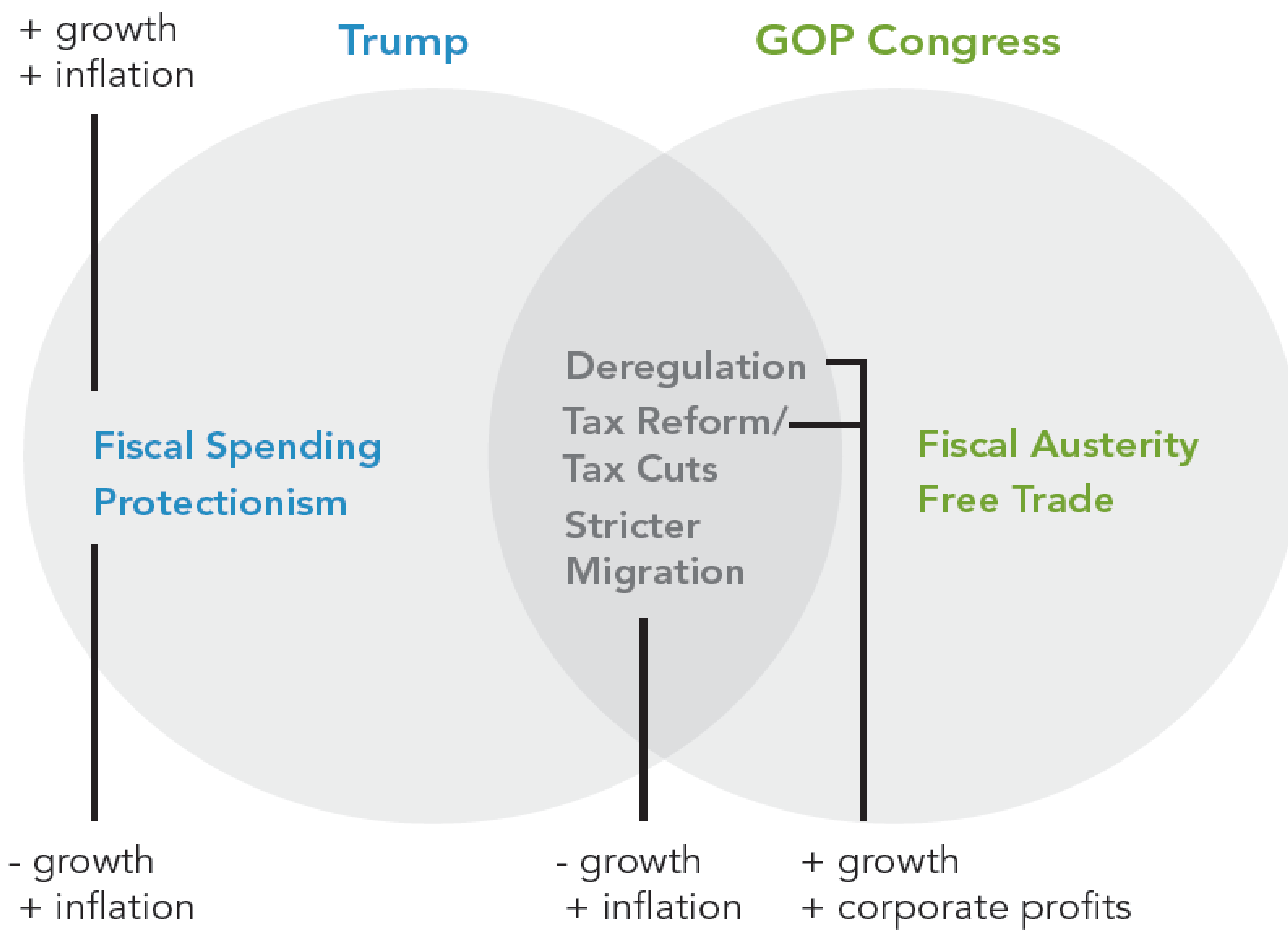
	Why rates are low	What might push them up
	Fundamentals	
Cyclical and secular	Slow growth	Better than expected growth
	Low inflation	Higher than expected inflation
	Monetary easing	Less easy monetary policies
	Technicals	
Reduced supply	Quantitative easing	Less QE than expected
	Fiscal tightening	Fiscal easing
Increased demand	Regulatory backdrop	(Very low probability of change)
	Demographics	(Very low probability of change)

Source: Fidelity Investments (AART).

U.S. Economic Review

The Impact of Potential Public Policies in 2017

Various policies are likely to have different implications for U.S. growth and inflation



Source: Fidelity Investments as of 12/12/2016

Updating the Trump Policy Continuum

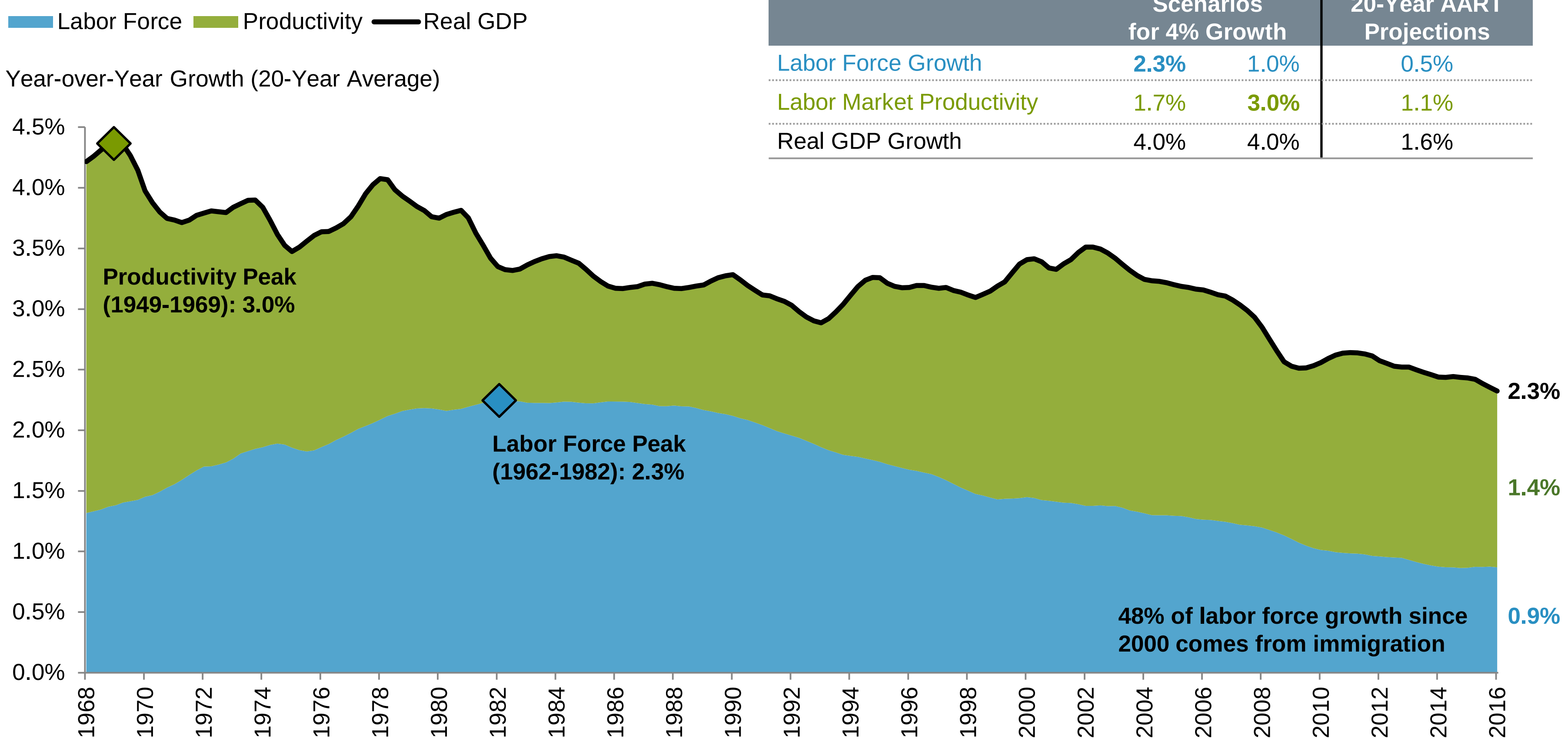
Blue Dot = Current Market Expectation; **Gray Dot=Market Expectation as of Dec**

	Establishment	**Compromise**	**Populist**
Taxes	Corporate & Individual Tax Cuts	Tax Reform	Progressive Tax Cuts
Spending	Defense Spending, Fiscal Restraint	Pub/Pvt Infra, Balanced Spending Plans	Pub Infra Program, Protect Entitlements
Trade/ Immigration	Free Trade, Immigration Reform	Targeted Trade Renegotiations	Trade Wars, Deportations, Building Wall
Monetary Policy	Hawkish Fed Appointments	Balanced Fed Appointments	Dovish Fed Appointments
Regulation	Deregulation & Limited Government	Deregulation + Bully Pulpit (Twitter)	Outright State Intervention
Implications	Small Growth Pickup Stable Inflation Rates Higher Led by the 5yr Neutral for TIPS Strong Dollar Global Risks Rise via FX	Moderate Growth Pickup Moderately Higher Inflation Rates Higher Across the Curve Modestly Positive for TIPS Sweet Spot for Risk Assets	Large Growth Pickup Significantly Higher Inflation Rates Higher Led by the 30yr Very Positive for TIPS Weak Dollar Global Risks Rise via Trade

Much Higher 4% GDP Growth Not Likely over the Long Run

Real GDP Components

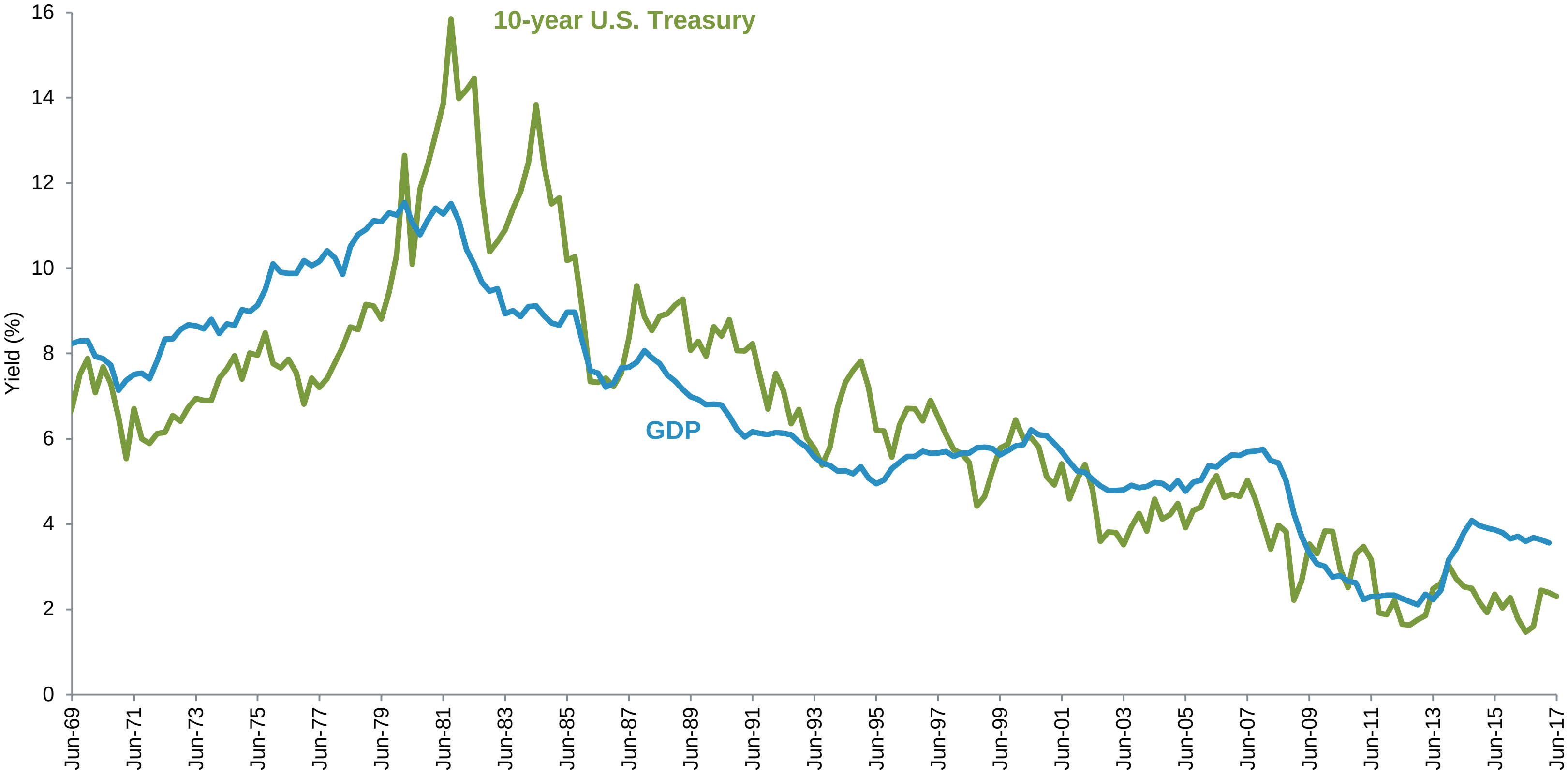
	Scenarios for 4% Growth		20-Year AART Projections
Labor Force Growth	**2.3%**	1.0%	0.5%
Labor Market Productivity	1.7%	**3.0%**	1.1%
Real GDP Growth	4.0%	4.0%	1.6%



Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 12/31/16.

GDP and 10-Year U.S. Treasury

Highly correlated



Source: Bloomberg as of 6/30/2017. GDP as of 3/31/2017.

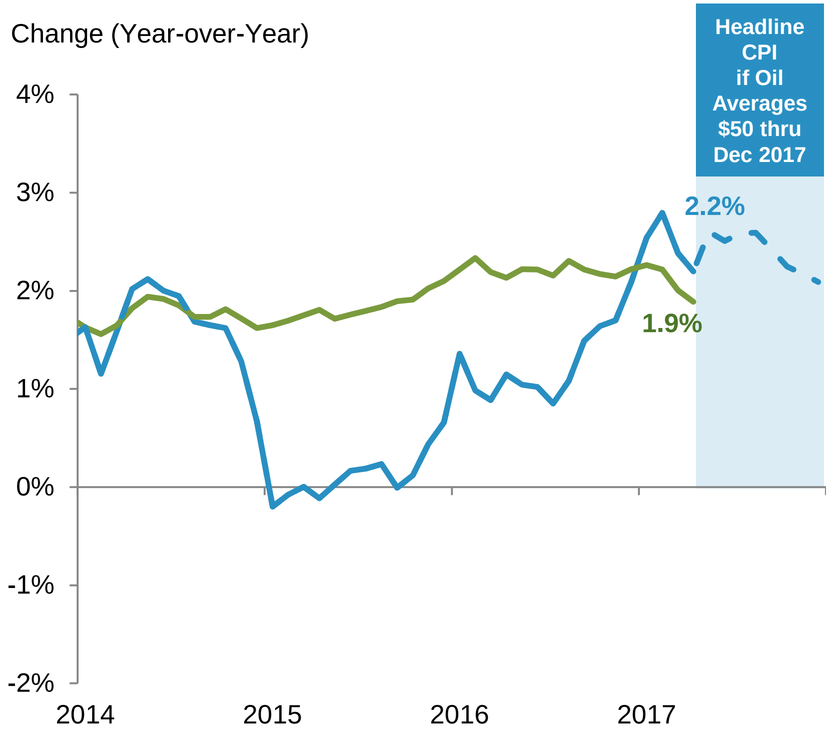
GDP data represents annualized 20-quarter percent change.

Past performance is no guarantee of future results.

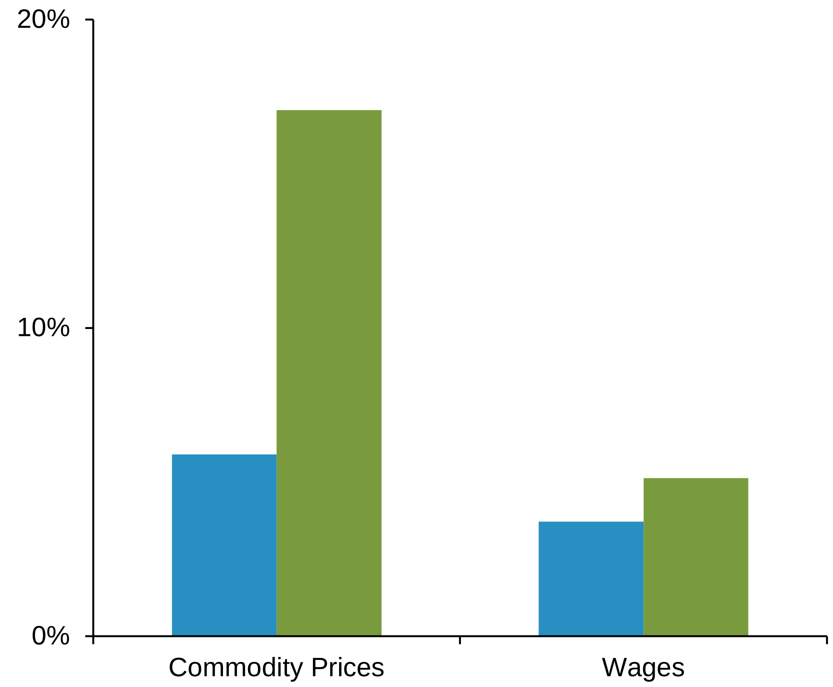
Fidelity INVESTMENTS

Inflation Impulse Is Typically a Key to Late-Cycle Transition

U.S. Inflation: The Base Effect



Mid- vs. Late-Cycle Inflation, 1966–2010



LEFT: Scenario assumes core CPI and food cost growth rates remain constant and vary only by the cost of oil each month. Sources: Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 3/31/17. **RIGHT:** Fidelity Investments proprietary analysis of historical commodity performance, using data from BP Statistical Review of World Energy, U.S. Department of Agriculture, U.S. Geological Survey, and U.S. Foreign Agricultural Service. Wages = average hourly earnings. Sources: Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 1/31/17.

Two Broad Scenarios for Growth, Both toward Late Cycle

Upside Potential

Animal spirits

- Deregulation
- Corporate tax reform/cuts
- Bank lending
- Business investment

Higher rates break ZIRP malaise

Infrastructure spending

Constraints on Upside

Stronger $

- Tightens global liquidity
- Hurts foreign growth, earnings

Less capacity later in cycle

- Labor markets tight/inflationary
- Lower multiplier effect for fiscal

Higher rates increase debt service

Protectionism/trade tensions

Overheating boom

Material acceleration in GDP

Better for stocks, worse for bonds

Which factors dominate will determine flavor of expansion

Muddle through

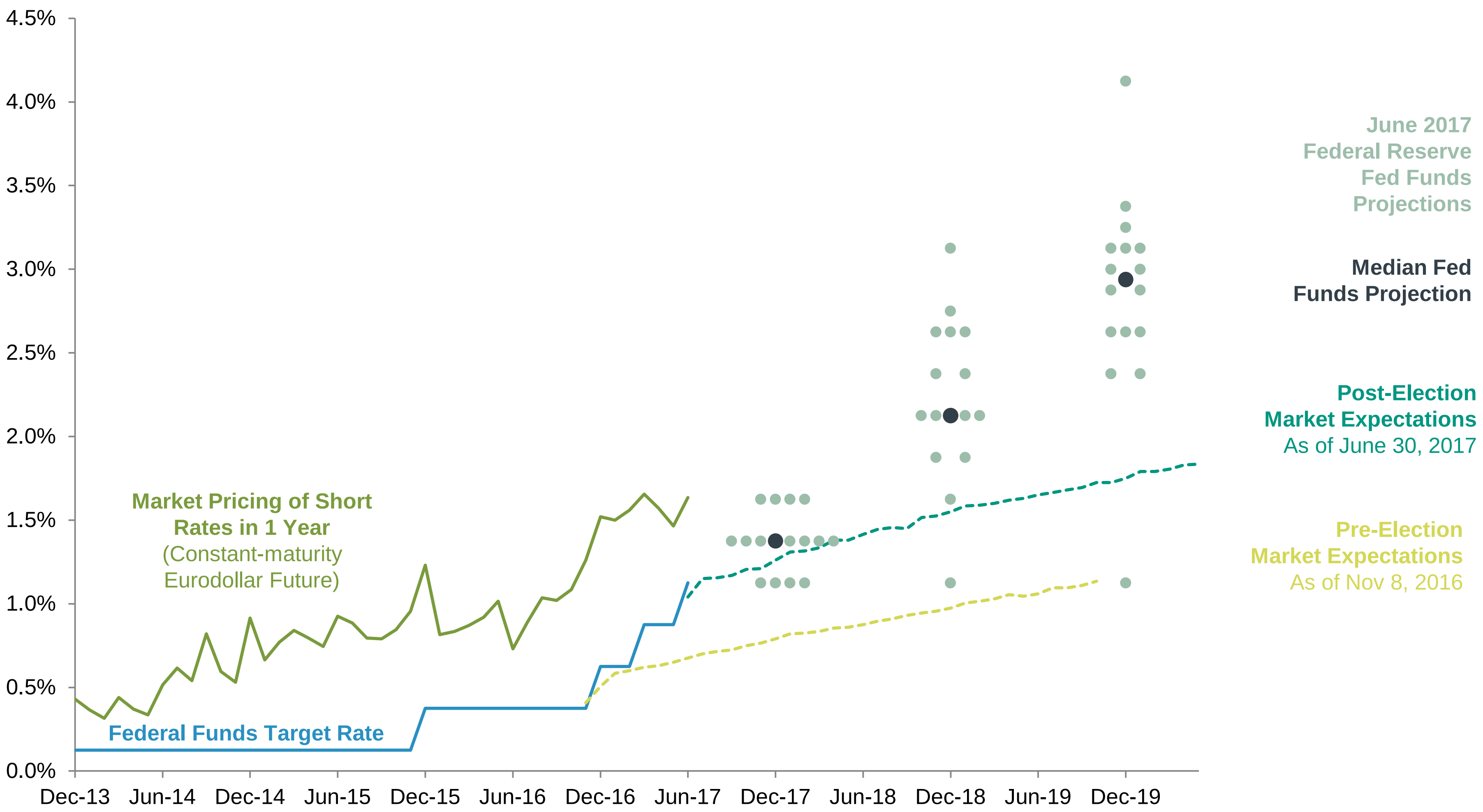
Similar GDP growth as 2016

Less magnitude of relative performance

Source: Fidelity Investments (AART).

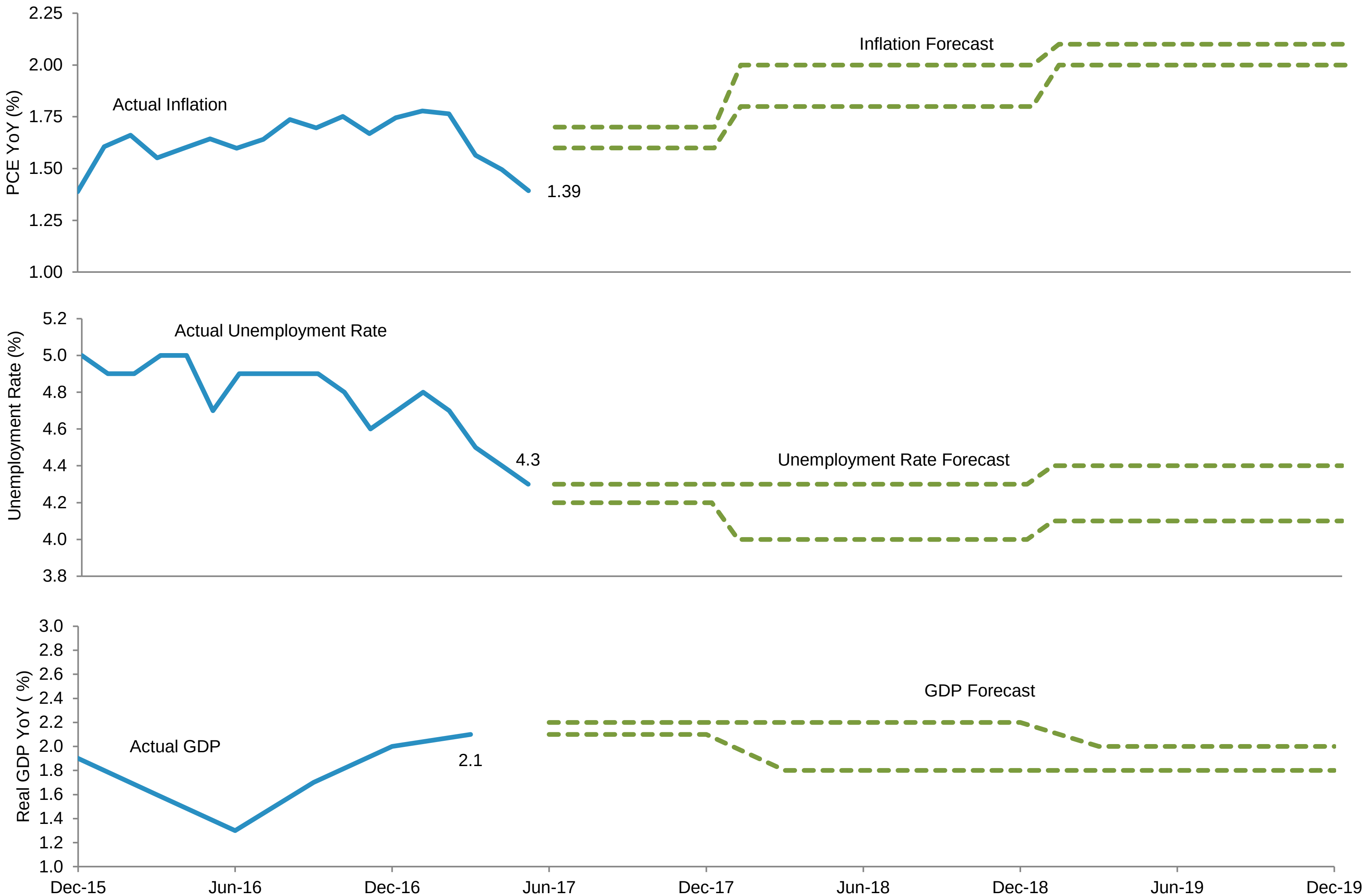
Federal Reserve Interest Rate Policy

Markets are Expecting a Faster Pace of Fed Hikes Post-Election



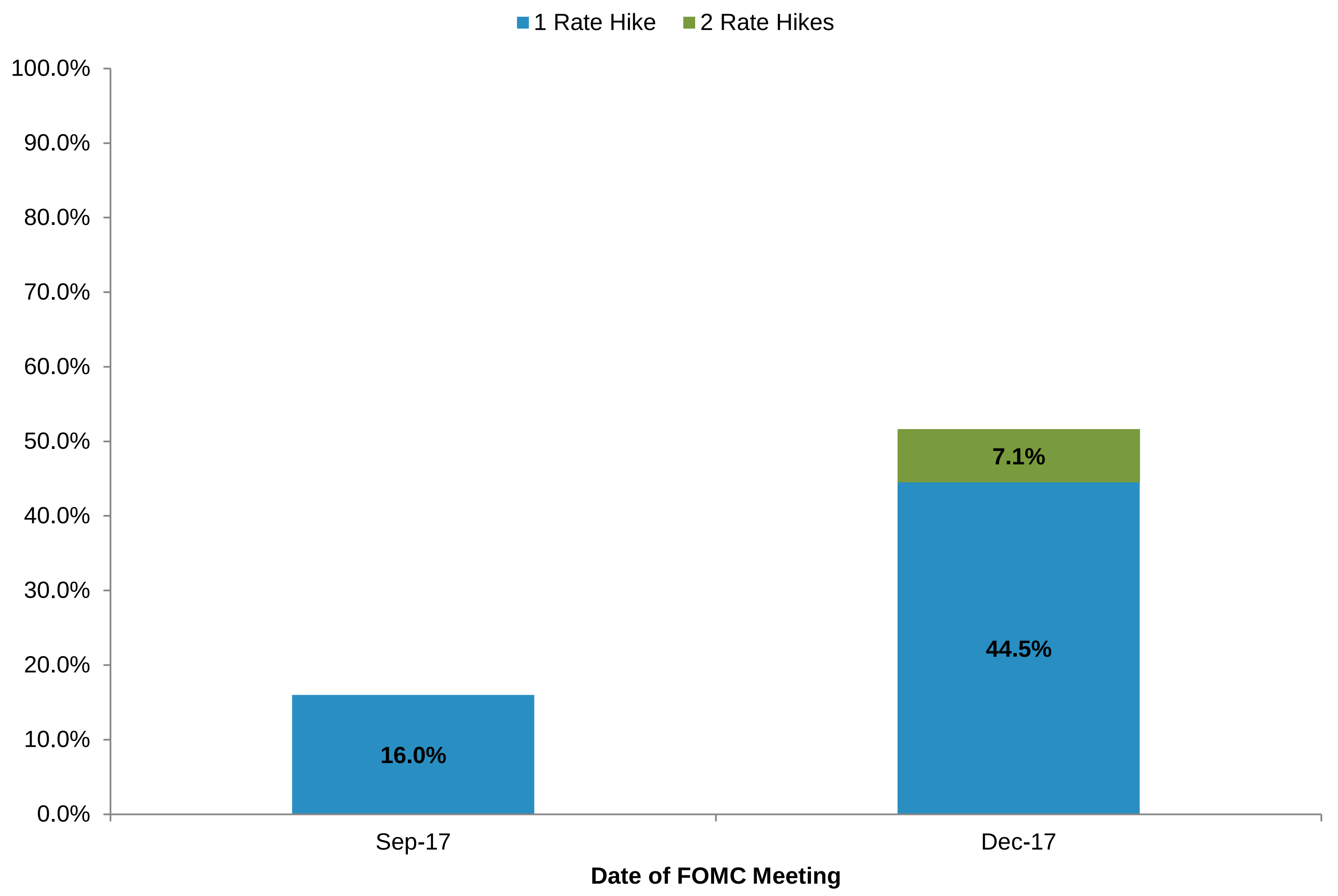
Source: Federal Reserve, and Bloomberg as of 6/30/2017.

Federal Reserve's Economic Projections



Source: Bloomberg and Federal Reserve
Actual Inflation as of 5/31/2017, Actual Unemployment Rate as of 5/31/2017, and Actual GDP as of 3/31/2017
FOMC Forecast based on the central tendency (excludes the three highest and three lowest projections for each variable in each year) as of 6/14/2017

Fed Rate Hike Probabilities

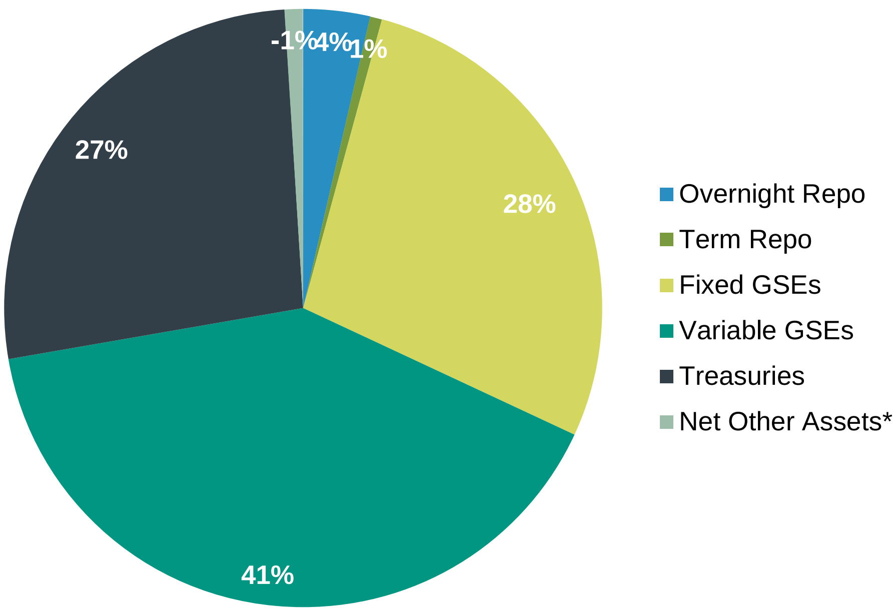


Source: Bloomberg as of 6/30/2017

Government & Term Portfolio Overview

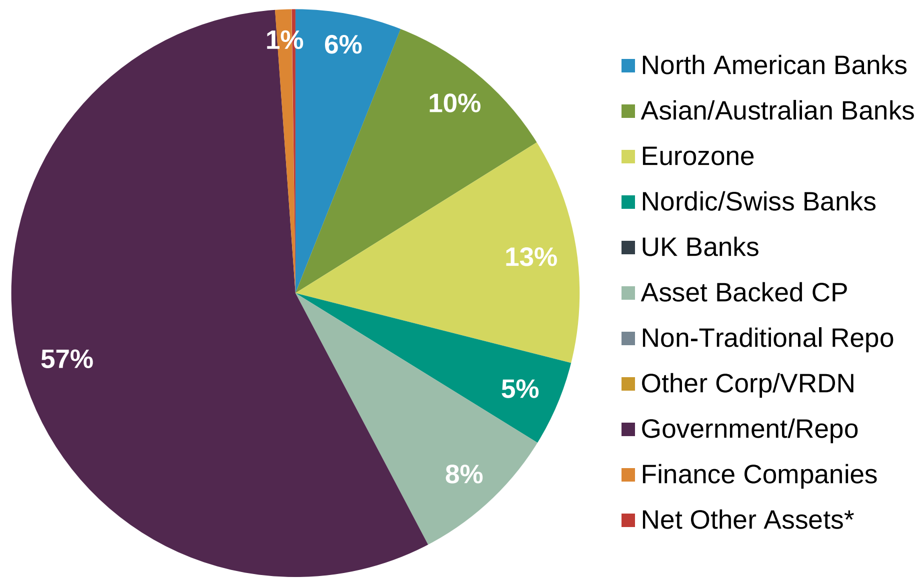
NCCMT Government Portfolio Positioning

JUNE 30, 2017



Portfolio Characteristics	
Weighted Average Maturity (WAM)	38 Days
Weighted Average Life (WAL)	106 Days

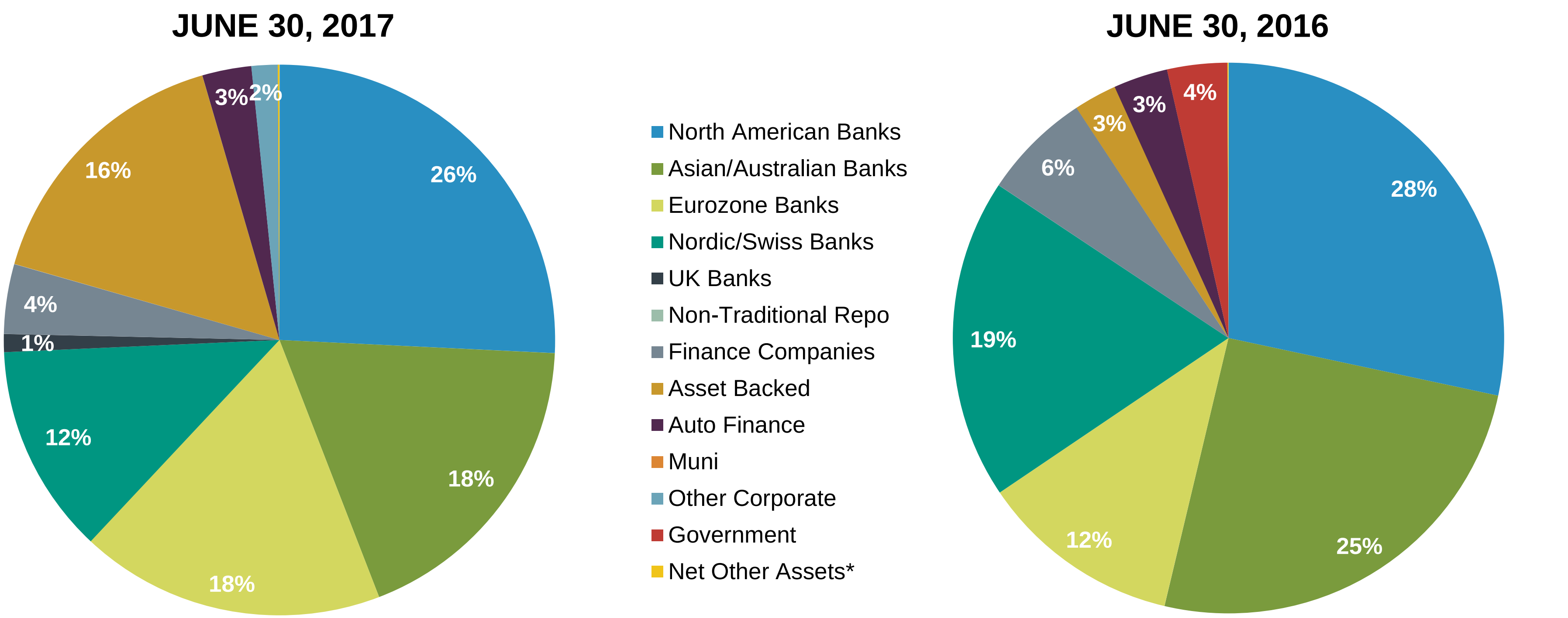
JUNE 30, 2016



Portfolio Characteristics	
Weighted Average Maturity (WAM)	36 Days
Weighted Average Life (WAL)	105 Days

Portfolio diversification is presented to illustrate examples of the securities that each fund has bought and may not be representative of a fund's current or future investments. Each fund's investments may change at any time. Percentages may not add up to 100 due to rounding.
*Net Other Assets may include cash and receivables and payables related to open security or capital stock trades.
Source: Fidelity Investments as of 6/30/2017

NCCMT Term Portfolio Positioning



Portfolio Characteristics	
Option Adjusted Duration (OAD)	0.09 years

Portfolio Characteristics	
Option Adjusted Duration (OAD)	0.14 years

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*Net Other Assets may include cash and receivables and payables related to open security or capital stock trades

Source: Fidelity Investments; Sector Composition and Fund Characteristics as of 6/30/2017

Third Quarter Investment Strategy and Outlook

Investment Strategy

- Seeking to preserve principal, maintain liquidity and achieve superior risk-adjusted performance
  - Emphasize fundamental and macro research in formulating portfolio structures
  - Manage weighted average maturities (WAM) and weighted average life (WAL) constraints to enhance NAV stability, liquidity and performance
  - Position portfolios based on our assessment of relative value across the money market yield curve within the context of our approved credits

Outlook

- Less regulation, lower taxes, and more assertive foreign policy are policy shifts that boost growth
  - With potential exceptions, Trump policies should be supportive of business profits and growth
  - Strengthening economic activity may be associated with higher rates of inflation in the second half of the year
  - Fiscal stimulus may be limited and unfold over years
  - Uncertainty around policy has increased the variability of potential outcomes

- The Fed is still on a path of gradual tightening, given their optimistic outlook
  - FOMC's forward guidance is still on a gradual path even as growth and inflation trend below targets
  - The market is pricing in less than a 60% probability of third hike by year end
  - The Fed announced it plans to reduce its security holdings in a gradual and predictable manner
    - Run-off caps start at $6 billion - growing to $30 billion/month for Treasury securities
    - Run-off caps start at $4 billion – growing to $20 billion for agency securities
  - Higher predicted growth and inflation enable the BOE, ECB and BOC opportunities to reduce monetary accommodation

Important Information

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Diversification does not ensure a profit or guarantee against a loss.

In general the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation, credit and default risks for both issuers and counterparties. Unlike individual bonds, most bond funds do not have a maturity date, so avoiding losses caused by price volatility by holding them until maturity is not possible. Foreign securities can be more volatile than U.S. markets due to increased risks of adverse issuer, political, regulatory, market or economic developments. Changes in government regulation, interest rates and economic downturns can have a significant effect on issuers in the financial services sector, including the price of their securities or their ability to meet their payment obligations. Prepayment of principal prior to a security's maturity can cause greater price volatility if interest rates change. The fund can invest in securities that may have a leveraging effect (such as derivatives and forward-settling securities) that may increase market exposure, magnify investment risks, and cause losses to be realized more quickly. Conservative Ultrashort Bond Funds are not money market funds and will have a fluctuating NAV.

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You could lose money by investing in a money market fund. Although the fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Fidelity Investments and its affiliates, the fund’s sponsor, have no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time. Fidelity’s government and U.S. Treasury money market funds will not impose a fee upon the sale of your shares, nor temporarily suspend your ability to sell shares if the fund's weekly liquid assets fall below 30% of its total assets because of market conditions or other factors.

Fidelity Institutional Prime

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Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. Interest rate increases can cause the price of a money market security to decrease. A decline in the credit quality of an issuer or a provider of credit support or a maturity-shortening structure for a security can cause the price of a money market security to decrease.

Before investing, consider the funds' and/or accounts' investment objectives, risks, charges, and expenses. Contact Fidelity or visit institutional.fidelity.com for a prospectus or, if available, a summary prospectus containing this information, if applicable. Read it carefully.

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