

NCCMT Government & Term Overview

NCLGIA Winter Conference

February 2017

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FIDELITY INSTITUTIONAL ASSET MANAGEMENTSM



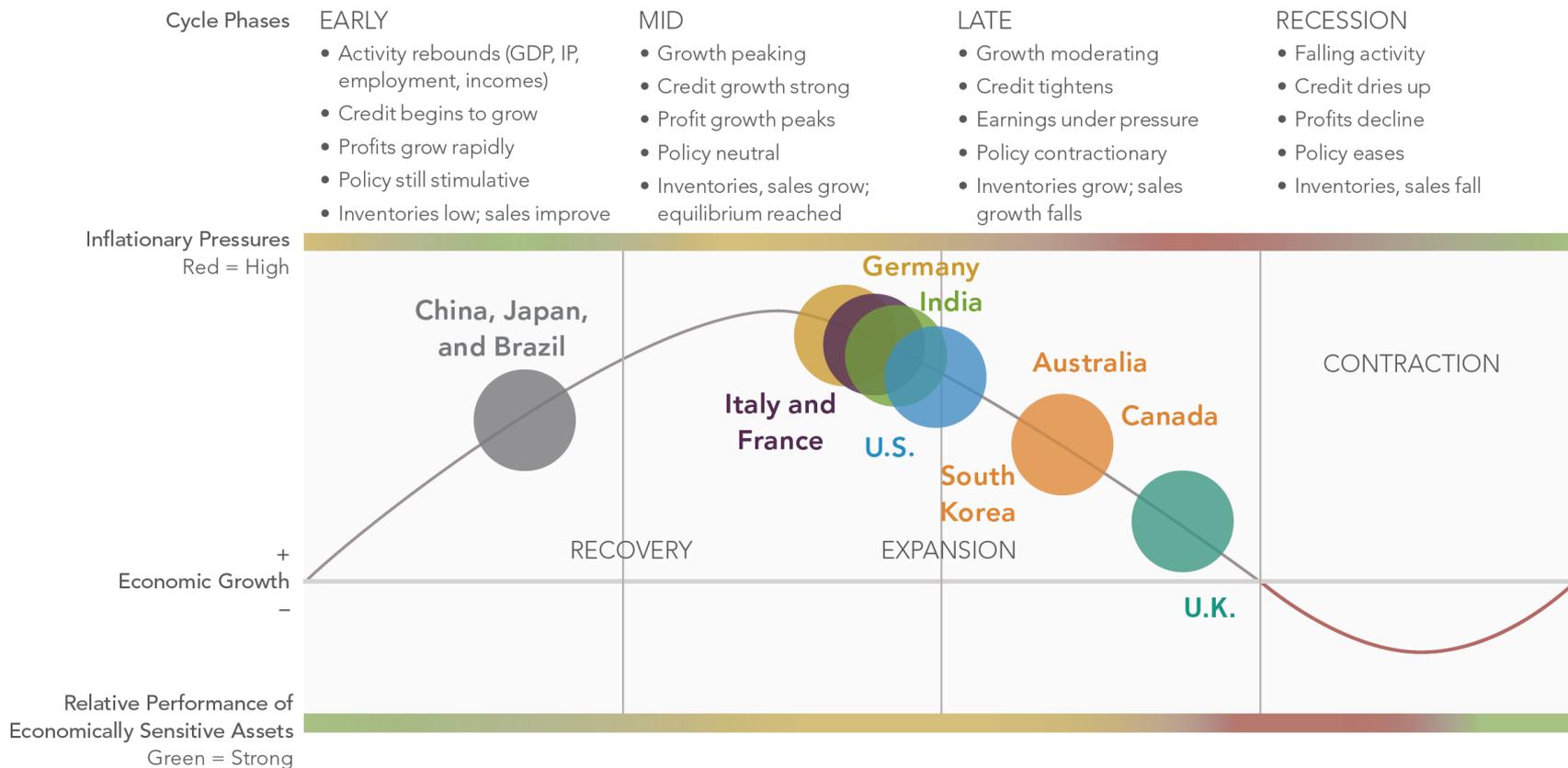
Agenda

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

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Global Macroeconomic Update

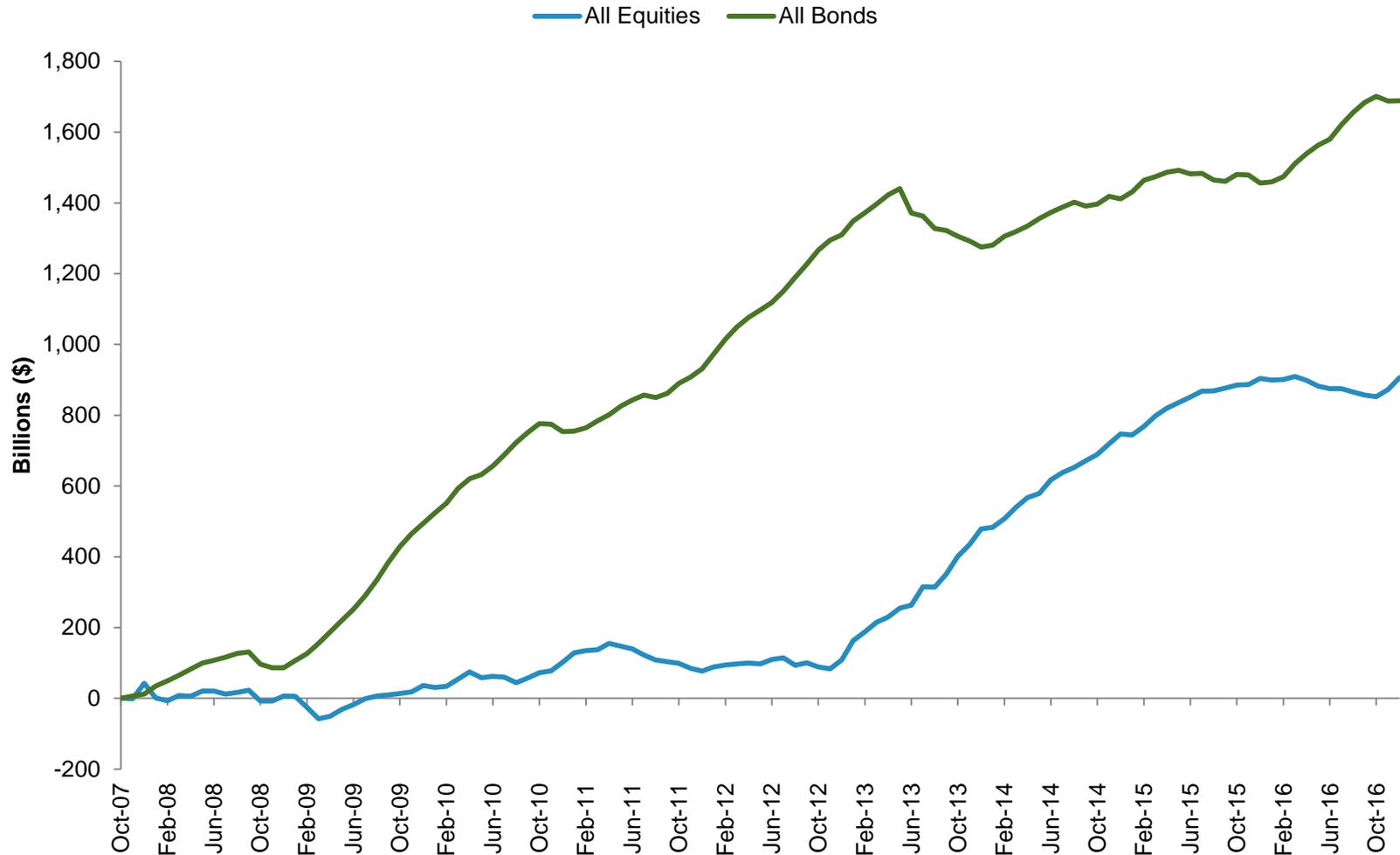
Global Expansion Persists; Policy Outcomes Key



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 12/31/16.

Cumulative Mutual Fund and ETF Flows Since October 2007

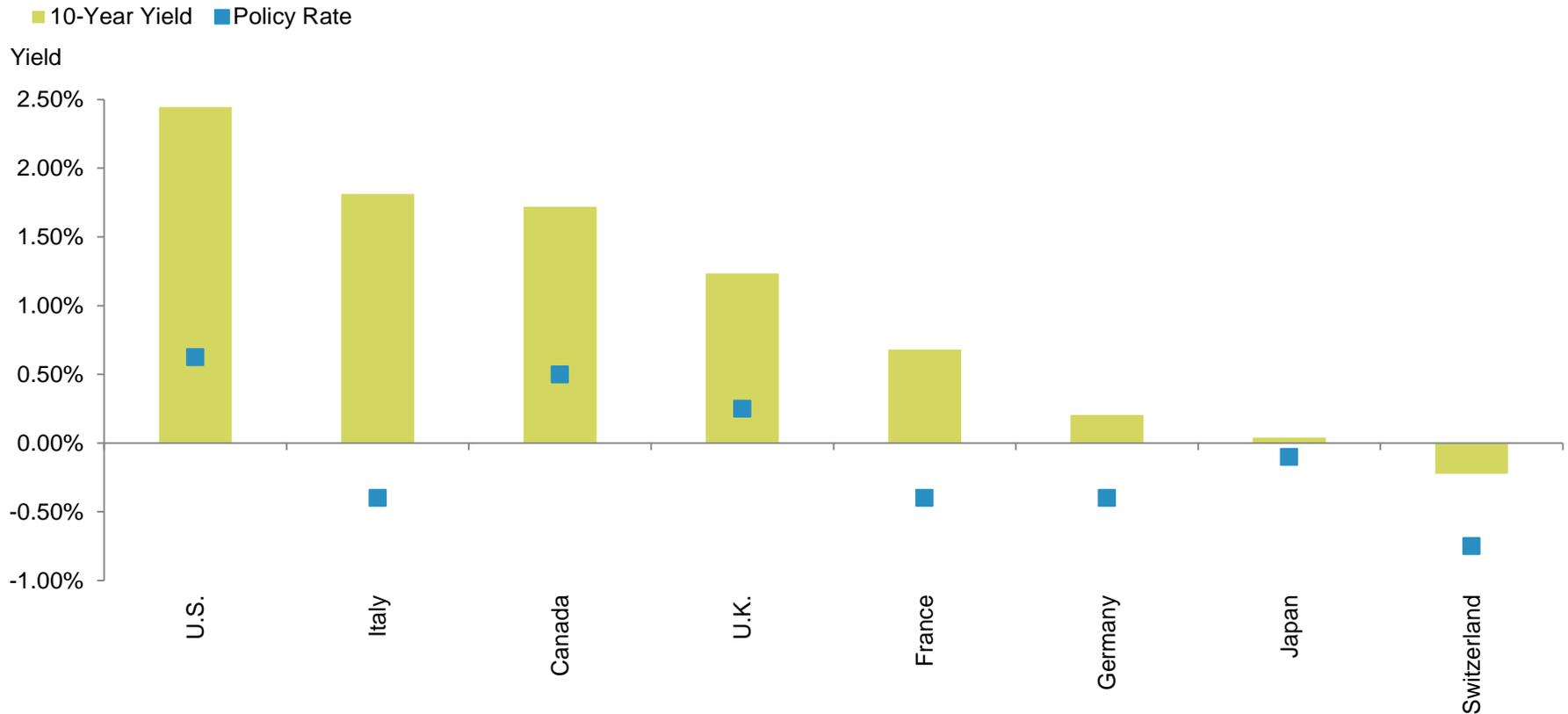
Bonds have outpaced equities



Note: Equities include US equity and international equity. Bonds include taxable and municipal bond.
Source: Morningstar Direct as of 12/31/2016.

Easy Monetary Policies Act as Anchor on Global Rates

Sovereign Bond Yields and Policy Rates



Sources: Bloomberg Finance LP, Fidelity Investments, as of 12/31/2016.

Many Reasons Yields So Low, Some May Not Last Forever

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

Source: Fidelity Investments (AART).

U.S. Economic Review

Perspectives on the U.S. Elections

Fiscal Policy

- Tax Reform
- Lower corporate tax rates
- Infrastructure and Defense spending
- Repatriation

Monetary Policy

- Rate hike in December 2016
- Board appointments (2 vacant)
- Review/audit the Fed
- Janet Yellen—2018 reappointment
- Independence

Regulatory Policy

- Repeal of Obamacare
- Restricted Immigration
- Potential to appoint 2–3 Supreme Court judges
- Pharmaceutical and energy company relief
- Dodd-Frank focus

Trade Policy

- China currency manipulator
- NAFTA / TPP reversal
- Tariffs

Geopolitical

- Russia—U.S. engagement
- Significant moves against ISIS
- NATO country defense spending increases
- Militarization in Japan (South east Asia)
- Iran nuclear deal withdrawal
- European elections
- China devaluation

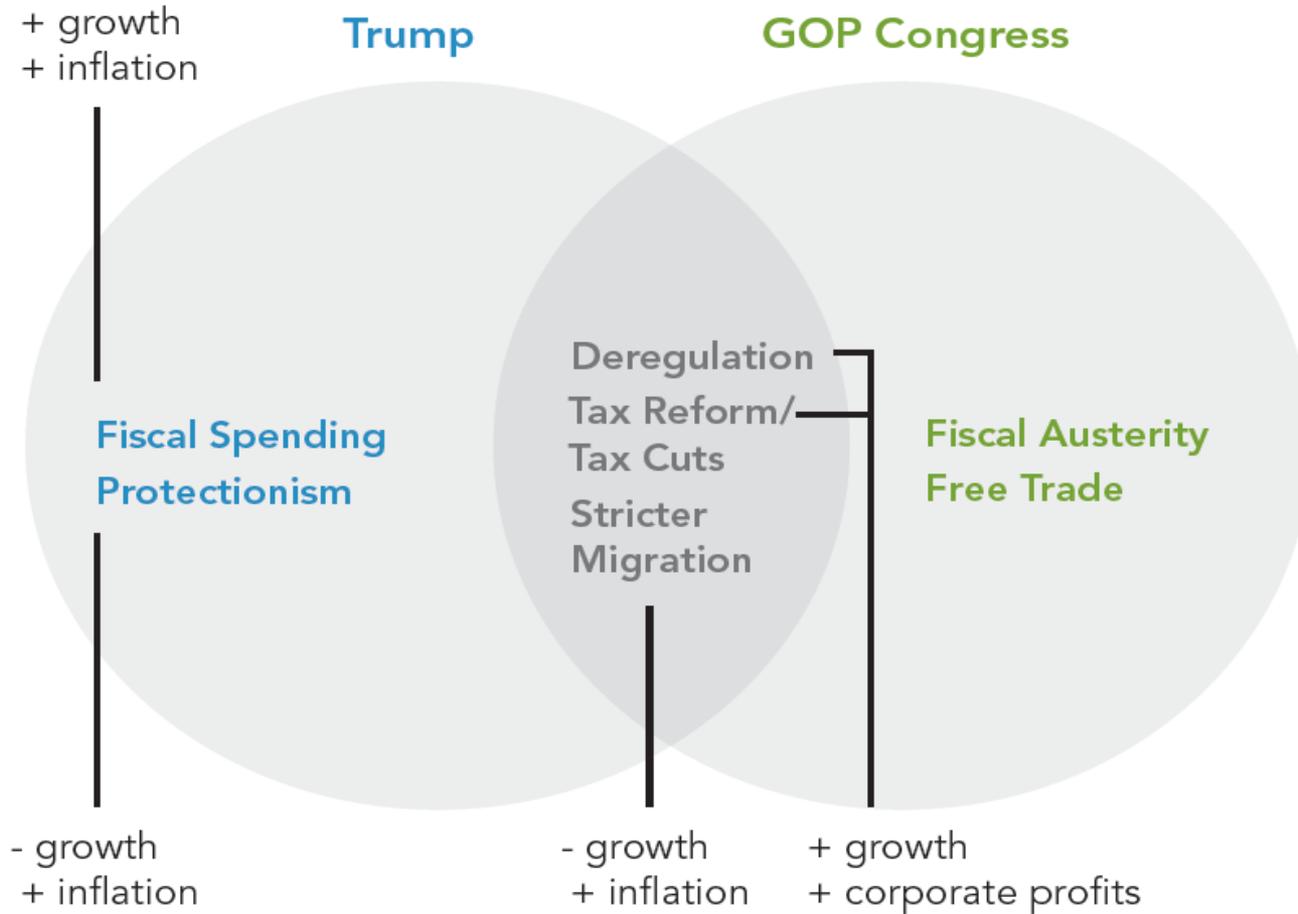
Potential Market Impacts

- Stronger USD / curve steepening
- Higher inflation
- MBS weakness
- Muni bonds weakness (if lower individual taxes passed)
- EMFX weakness
- Equity market volatility
- Gold higher
- Corporate Sectors
 - *Banks/Insurance*: Less aggressive regulatory scrutiny could be positive, though less favorable for bondholders.
 - *Pharmaceuticals*: Positive as drug pricing reform seems to be a lower priority.
 - *Energy*: More open to domestic drilling activity
 - *Technology*: Tax “holiday” on overseas profits which could reduce the amount of issuance and much of the repatriated cash will likely be paid out to shareholders

Source Fidelity Investments as of 12/31/2016

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

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GDP and 10-Year U.S. Treasury

Highly correlated



Source: Bloomberg as of 12/31/2016. GDP as of 09/30/2016.

GDP data represents annualized 20-quarter percent change.

Past performance is no guarantee of future results.

Outlook: Market Assessment

U.S. economy is between mid- and late cycle, and recession risks remain low

Political uncertainty in the global environment may incite volatility

Pace of Fed tightening will likely be gradual

Asset Allocation Considerations

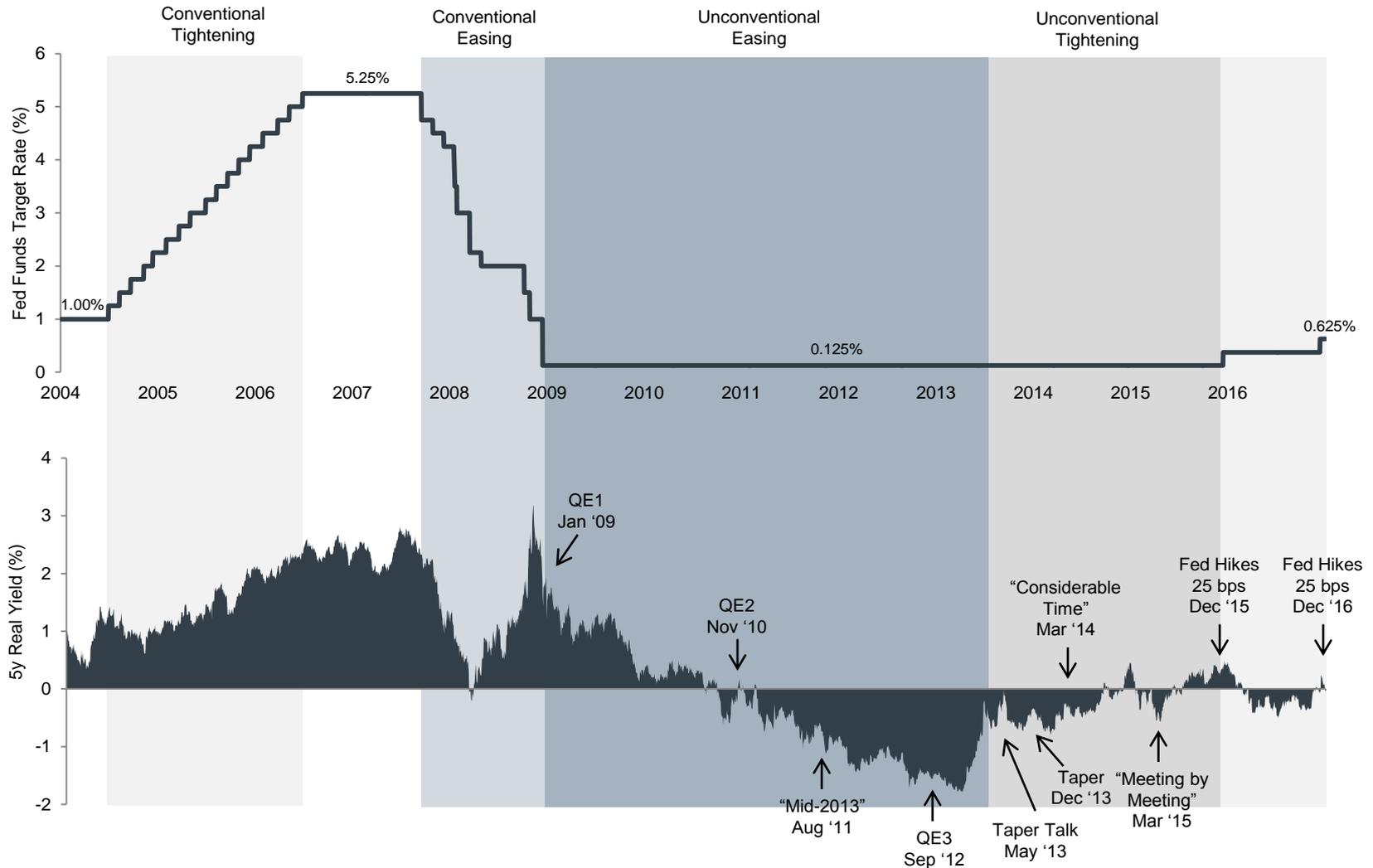
- Less reliable relative asset performance patterns generally merit smaller cyclical tilts
- Since the U.S. election, inflation and growth have begun to be priced into the markets, but uncertainty may incite volatility in the near-term

Potential Risks

- Political environment has created a wider distribution of potential economic outcomes
- China's economy continues to face large cyclical headwinds and is one of the largest risks to the global environment

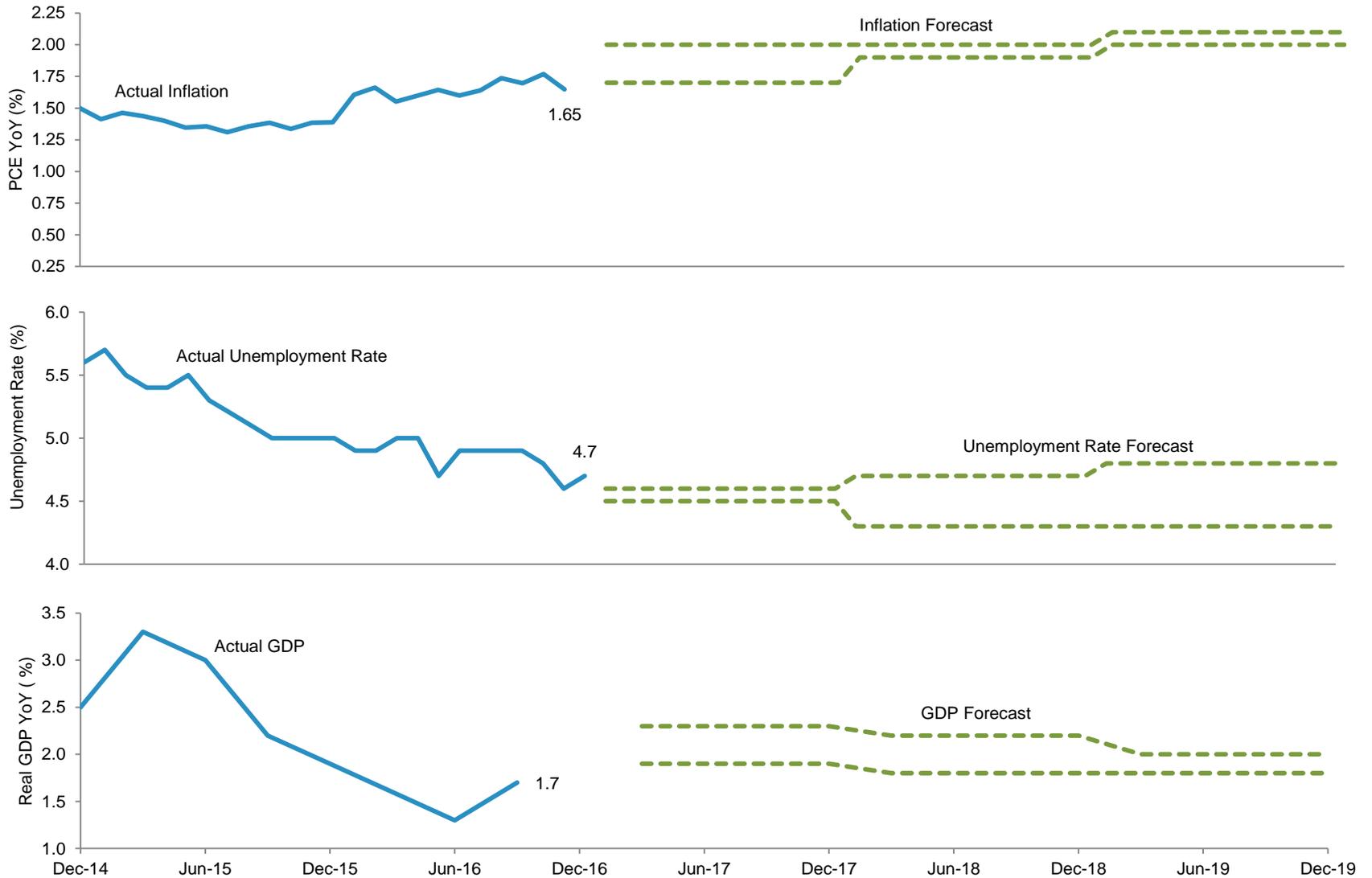
Federal Reserve Interest Rate Policy

Gradual Conventional Tightening After Years of Unconventional Tightening



Source: Federal Reserve, Bloomberg as of 12/31/2016

Federal Reserve's Economic Projections

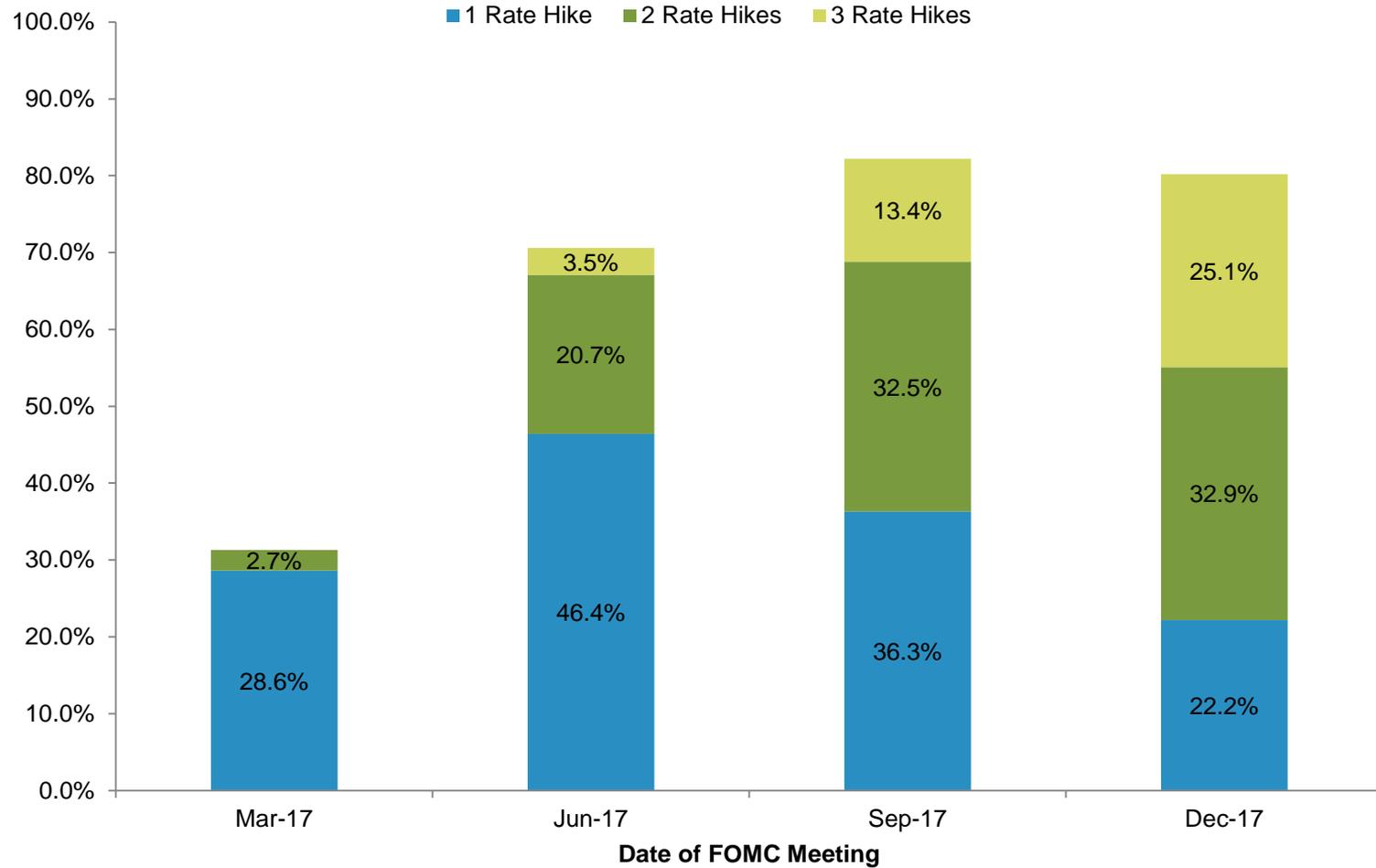


Source: Bloomberg and Federal Reserve

Actual Inflation as of 11/30/2016, Actual Unemployment Rate as of 12/31/2016, and Actual GDP as of 9/30/2016

FOMC Forecast based on the central tendency (excludes the three highest and three lowest projections for each variable in each year) as of 12/14/2016

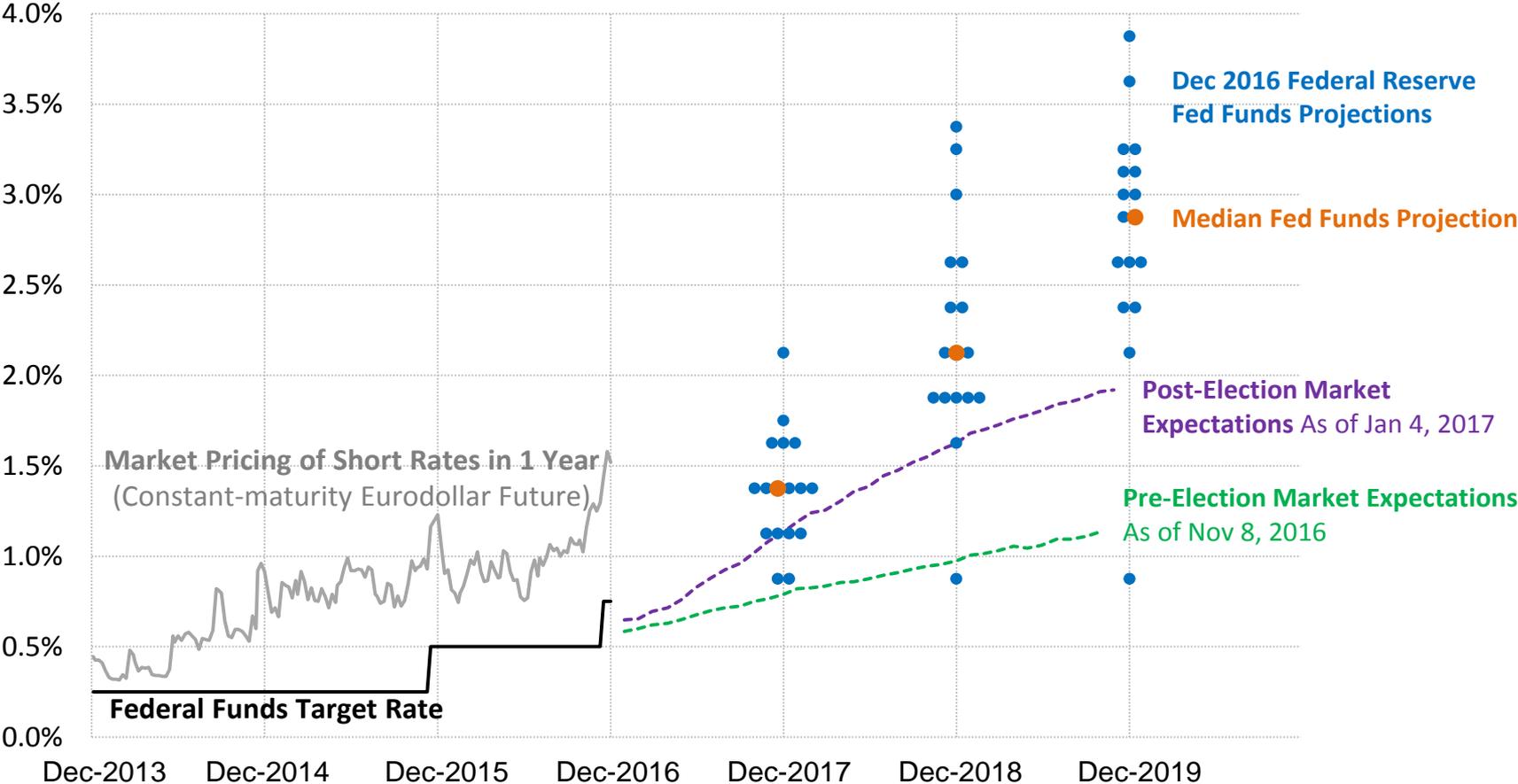
Fed Rate Hike Probabilities



Source: Bloomberg as of 12/31/2016

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

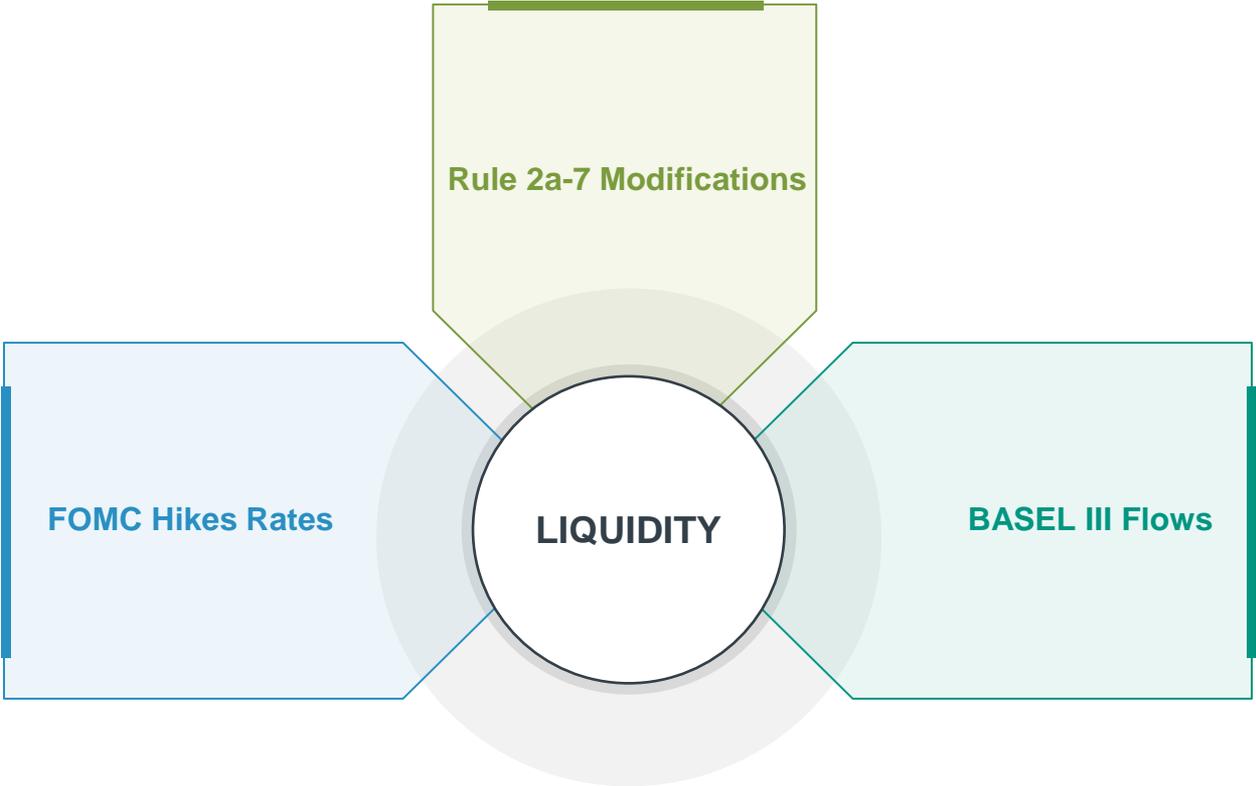


Source: Sources: Federal Reserve, US Treasury, Bloomberg and FMR Research as of 01/04/2017.

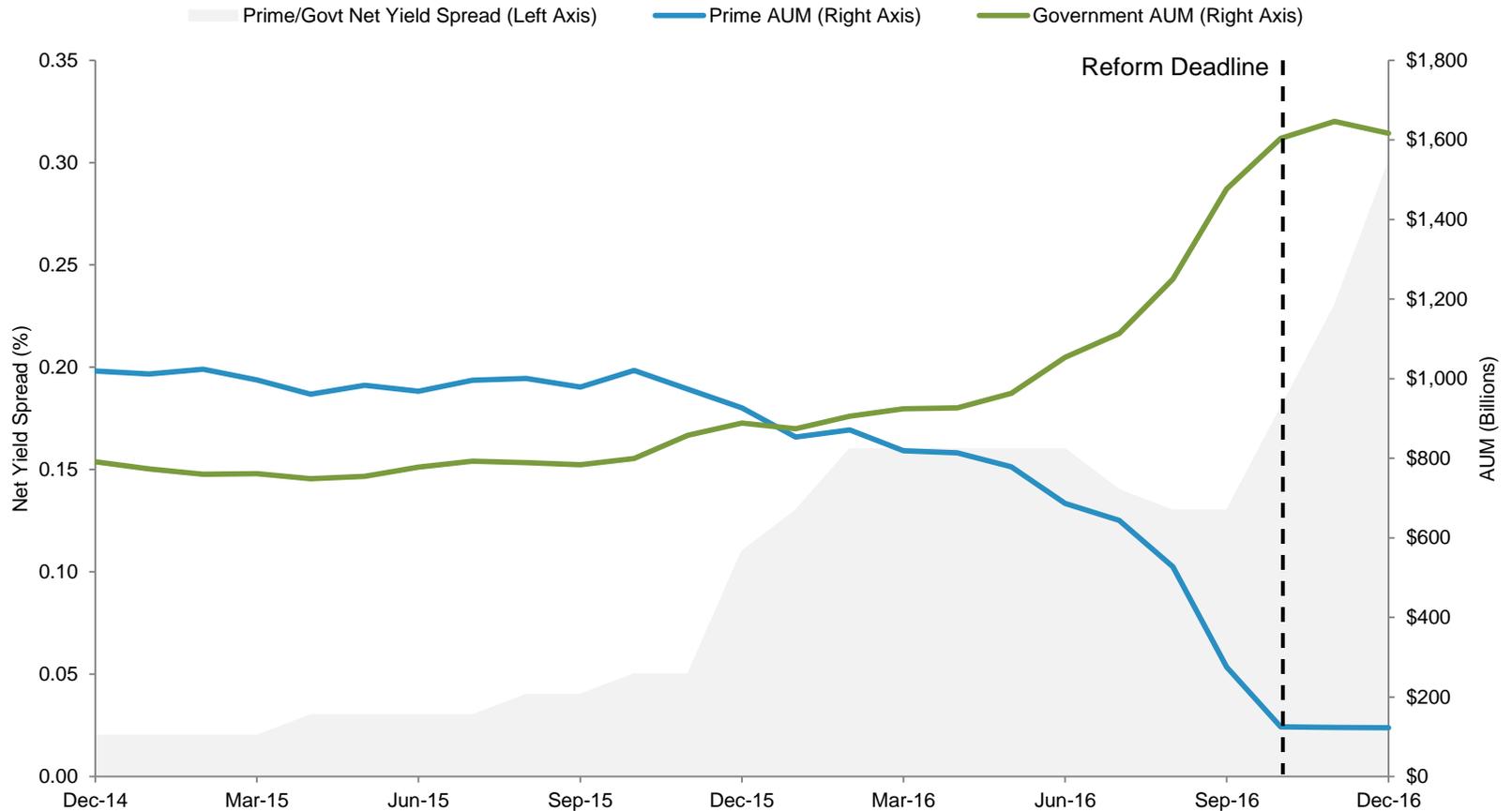


Regulatory Reform Recap for Money Market Funds

Regulations and Fed Impact Liquidity Management (MMF)



Institutional Prime & Government Money Market Yield Spreads

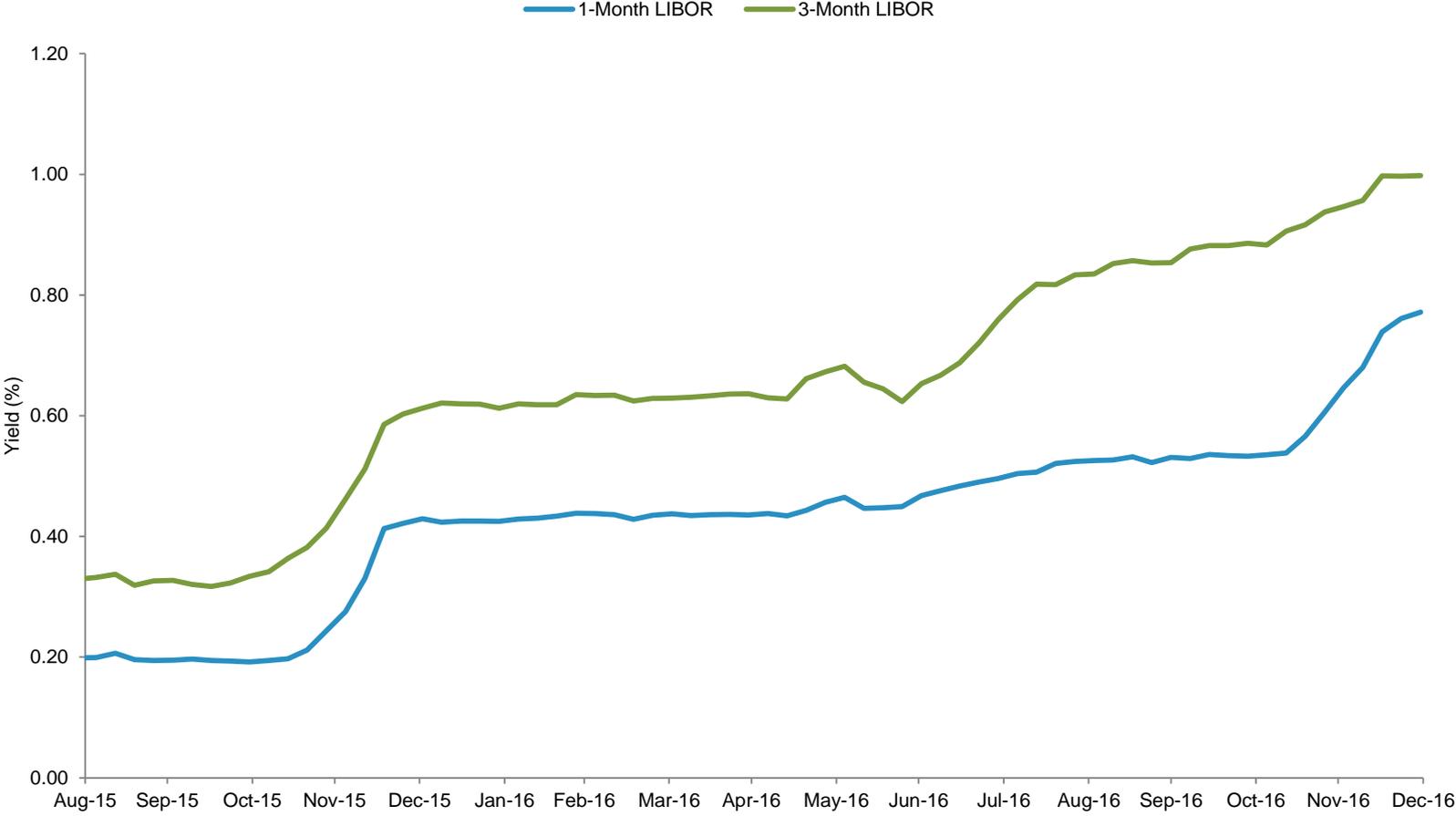


Source: iMoneyNet as of 12/31/2016

December 2016 AUM data is preliminary and may be subject to change

Notes: 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.

LIBOR Impacted by Regulatory Reform



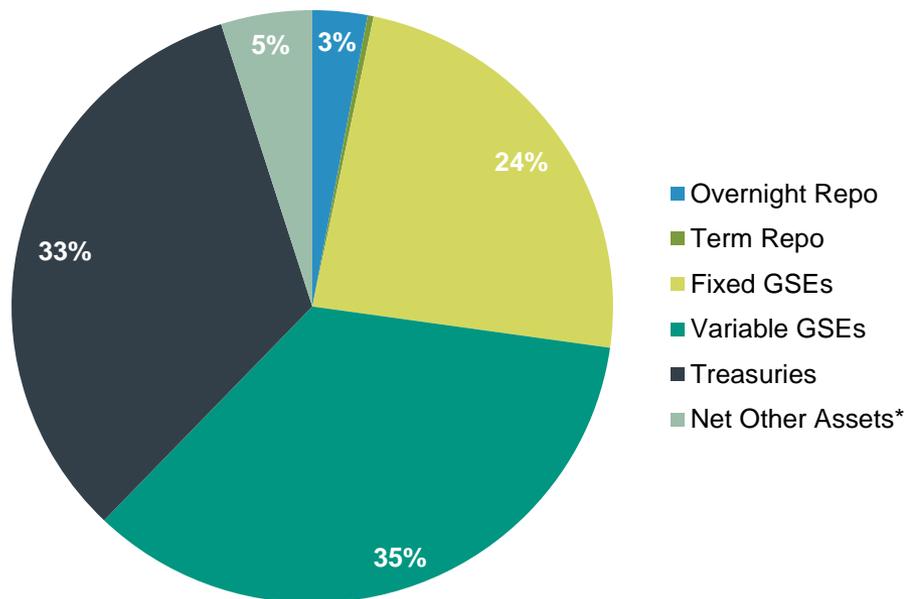
Source: Bloomberg as of 12/30/2016



Government Portfolio & Term Portfolio Overview

NCCMT Government Portfolio Positioning

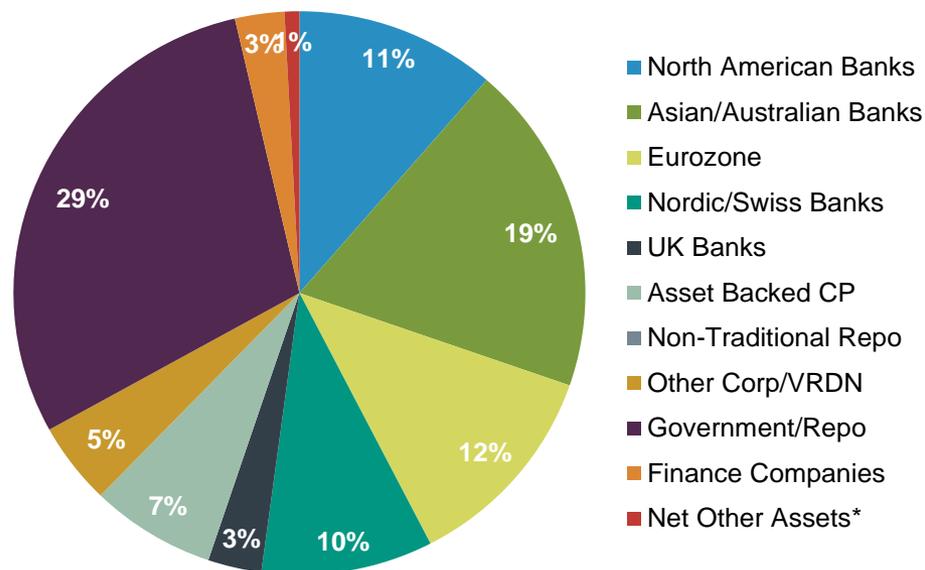
DECEMBER 31, 2016



Portfolio Characteristics

Weighted Average Maturity (WAM)	51 Days
Weighted Average Life (WAL)	93 Days

DECEMBER 31, 2015



Portfolio Characteristics

Weighted Average Maturity (WAM)	43 Days
Weighted Average Life (WAL)	76 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.

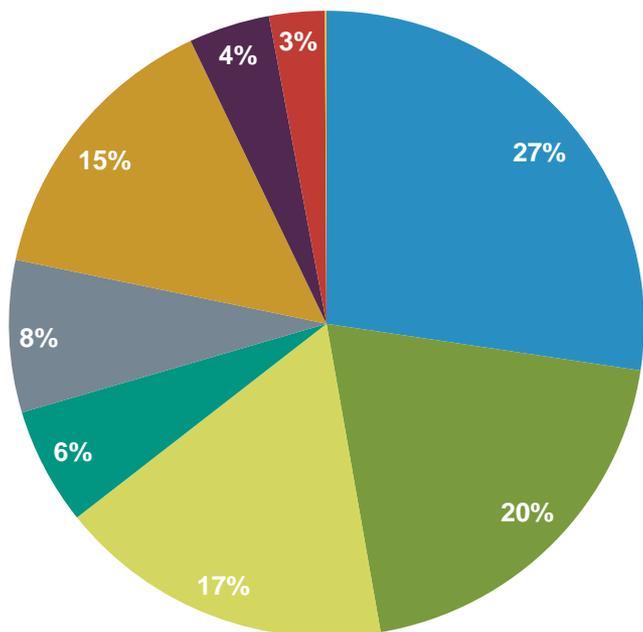
*Net Other Assets may include cash and receivables and payables related to open security or capital stock trades.

Source: Fidelity Investments as of 12/31/2016

^Please see the last pages for important information about NCCMT including risks.

NCCMT Term Portfolio Positioning

DECEMBER 31, 2016

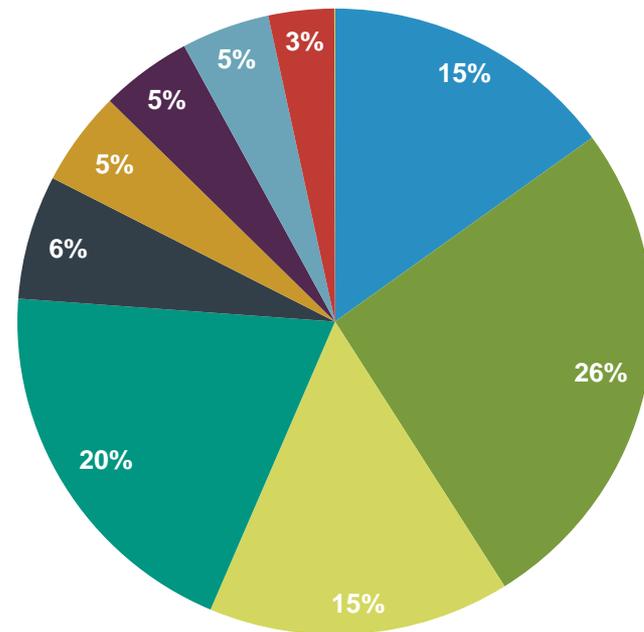


- North American Banks
- Asian/Australian Banks
- Eurozone Banks
- Nordic/Swiss Banks
- UK Banks
- Non-Traditional Repo
- Finance Companies
- Asset Backed
- Auto Finance
- Muni
- Other Corporate
- Government
- Net Other Assets*

Portfolio Characteristics

Option Adjusted Duration (OAD) 0.11 years

DECEMBER 31, 2015



Portfolio Characteristics

Option Adjusted Duration (OAD) 0.13 years

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; Sector Composition and Fund Characteristics as of 12/31/2016

First 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
 - Fiscal stimulus may be limited and unfold over years
 - A truly populist agenda may reduce trade and growth
 - A higher degree of 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 is more hawkish than expected given the modified forward guidance
 - Despite the hawkish signals, the market is pricing in two hikes in 2017 starting as early as June
 - Yellen sounds cautious on fiscal policy awaiting further details before the Fed adjust their plans materially
 - Higher US growth and inflation may provide the BOE, ECB and BOJ an opportunity to discontinue monetary accommodation

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Past performance is no guarantee of future results. Investment return will fluctuate, therefore you may have a gain or loss when you sell shares.

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.

NCCMT

You could lose money by investing in the 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. The North Carolina Capital Management Trust Government Portfolio 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. The North Carolina Capital Management Trust is a SEC registered money market mutual fund operating in accordance with Rule 2a-7 of the Investment Company Act of 1940. The North Carolina Capital Management Trust is managed by Fidelity Management & Research Company and distributed by Capital Management of the Carolina's LL

^Fidelity Government/Treasury Funds:

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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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