

Fidelity Freedom Target-Date Fund Series Report

Morningstar Analyst Rating



Key Features

Asset-Weighted Expense Ratio	0.61%
Active/Passive Exposure	91% Active
Open/Closed Architecture	95% Closed
Total Net Assets (\$M)	186,855

Executive Summary

Rating:

Process

Positive

Fidelity is now a few years removed from this series' multiyear reinvention, which included adding a tactical asset-allocation component in August 2014, lifting the funds' strategic allocation to equities in late 2013, and injecting its most accomplished equity managers—including Joel Tillinghast and Will Danoff—into the mix in December 2012.

Price

Neutral

The Fidelity Freedom Funds remain competitively priced, particularly when considering their investment in active strategies. They don't, however, have a significant cost advantage over peers.

Performance

Neutral

The series' strategic increase to equities in late 2013 has sparked a turnaround in results, aided in part by the upward-trending stock market following the change. The funds ranked in the top decile of their respective categories, on average, for the three-year period through December 2017. That has helped the funds' five-year results, though the 10-year trailing returns are more in line with those of peers.

People

Positive

Brett Sumsion joined Andrew Dierdorf on this series' manager roster in January 2014. The Freedom Funds leverage the firm's strong fixed-income team and include its most recognized equity managers, including Tillinghast and Danoff.

Parent

Positive

As one of the mutual fund industry's giants, Fidelity has pockets of strength and weakness. It has shown the willingness to evolve, though, and improvements include hiring and retaining more-experienced equity analysts and growing the asset-allocation group, which houses this series' investment efforts.

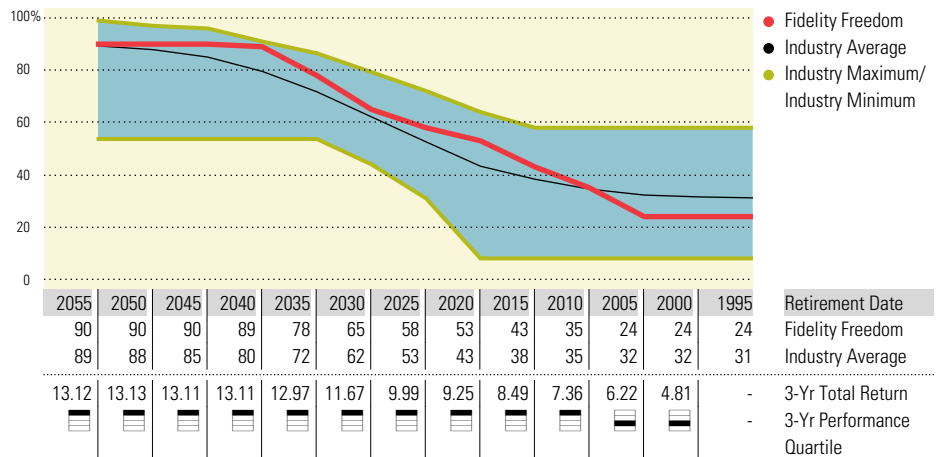
Morningstar Analyst Rating

Morningstar evaluates mutual funds based on five key pillars, which its analysts believe lead to funds that are more likely to outperform over the long term on a risk-adjusted basis.

Analyst Rating Spectrum



Strategic Glide Path Total Equity Exposure



Available Funds

Retirement Income Fund	2020 Fund	2040 Fund	2060 Fund
2005 Fund	2025 Fund	2045 Fund	
2010 Fund	2030 Fund	2050 Fund	
2015 Fund	2035 Fund	2055 Fund	

Morningstar Opinion

Jeff Holt

02-02-2018

Fidelity Freedom Funds benefit from solid underlying stock and bond strategies, as well as a renewed firm commitment and an abundance of research resources. These attributes should give investors confidence that this target-date series will be on the forefront of its peers going forward. The series retains its Morningstar Analyst Rating of Silver.

This target-date series benefits from skilled active managers across key asset classes. Younger investors have sizable exposure to Fidelity's top-tier equity managers. For instance, strategies run by Steve Wymer, Joel Tillinghast, and Will Danoff accounted for about one fifth of Freedom 2050's assets as of November 2017, and these skippers manage retail versions of their strategies that receive Morningstar Analyst Ratings of Silver. Investors who have arrived at their target retirement date also have reason to be confident given the firm's highly regarded bond-investing capabilities. For instance, as of November 2017, Freedom 2015 held a 27% stake in an investment-grade bond strategy run by the same team that manages Silver-rated Fidelity Investment Grade Bond. Although not all the series' underlying holdings have proved to be standout strategies, investors still stand to benefit from the generally strong lineup.

Meanwhile, the series has gone through a number of changes since its 1996 launch. Before late 2012, the series' managers had bypassed some of the firm's

top equity managers, eschewing their more-flexible approaches for funds with more-targeted asset-class exposure. That year, the series' managers inserted funds run by some of Fidelity's most accomplished investors, like Danoff and Tillinghast. In late 2013, management ramped up exposure to equities across the board. The majority of funds in the series now have equity exposures that match or exceed those of their typical peers--by more than 10 percentage points in the case of the 2020 and 2030 funds. As part of the change, management also reversed course by cutting the series' commodities exposure significantly. The elevated equity exposure can be expected to result in a more turbulent ride to retirement.

Still, this series' future looks promising. Fidelity has added significant resources to the target-date team in recent years, including the hire of Brett Sumsion as a comanager in January 2014. Sumsion joined Andrew Dierdorf--a comanager on this series since June 2011--and brought more than a decade of asset-allocation experience. Not long after Sumsion's arrival, the managers began implementing tactical asset allocation in August 2014, deviating from the series' long-term strategic glide path according to their one- to five-year views on valuations, market sentiment, and macro trends, among other inputs. While the managers still need to prove their skill in this area, a rather tight tracking-error constraint helps mitigate concerns that this new feature could derail the strategy.

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The date shown next to the Morningstar Analyst Rating is the date on which the Morningstar Manager Research Analyst assigned or reaffirmed the current rating for the target-date fund series based on the analyst's latest review and research report for the target-date fund series.

The Five (5) Pillars

Morningstar has identified five key areas that we believe are crucial to predicting the future success of funds: People, Parent, Process, Performance, and Price. Each pillar is evaluated when assessing a fund as well as the interaction between the pillars, which we believe is crucial to understanding a fund's overall merit.

People

The overall quality of a target-date fund series' investment team is a significant key to its ability to deliver superior performance relative to its benchmark and/or peers. Evaluating a target-date fund series' investment team requires that analysts assess several relevant items including how key decisions are made.

Parent

We believe the parent organization is of utmost importance in evaluating a target-date fund series. The target-date fund series' management set the tone for key elements of our evaluation, including capacity management, risk management, recruitment and retention of talent, and incentive pay. Beyond these operational areas, we prefer firms that have a culture of stewardship and put investors first to those that are too heavily weighted to salesmanship.

Process

We look for target-date fund series with a performance objective and investment process (for both security selection and portfolio construction) that is sensible, clearly defined, and repeatable. In addition, the portfolio should be constructed in a manner that is consistent with the investment process and performance objective.

Performance

We do not believe past performance is necessarily predictive of future results, and this factor accordingly receives a relatively small weighting in our evaluation process. In particular, we strive not to anchor on short-term performance. However, we do believe that the evaluation of long-term return and risk patterns is vital to determining if a target-date fund series is delivering to our expectations.

Price

To reflect actual investor experience, price is evaluated within the context of the relevant market or cross-border region—for example, the United States, Australia, Canada, or Europe. In recognition of differences in scale and distribution costs in various markets, the level at which a target-date fund series is penalized for high fees or rewarded for low fees can vary with region. In Europe, for example, target-date fund series are penalized if they land in the most expensive quintile of their Morningstar category and are rewarded if they land in the cheapest quintile. The assessment is made using prospectus expense ratios, but in the case of target-date fund series with performance fees, expenses are evaluated excluding any performance fees and then the structure of the performance fee is evaluated separately.

Morningstar Analyst Ratings

Morningstar Analyst Ratings are assigned on a five-tier scale running from Gold to Negative. The top three ratings, Gold, Silver, and Bronze, all indicate that our analysts think highly of a target-date fund series; the difference between them corresponds to differences in the level of analyst conviction in a target-date fund series' ability to outperform its benchmark and peers through time, within the context of the level of risk taken.

Gold

Represents target-date fund series that our analyst has the highest-conviction in for that given investment mandate. By giving a target-date fund series a Gold rating, we are expressing an expectation that it will outperform its relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years). To earn a Gold rating, a target-date fund series must distinguish itself across the five pillars that are the basis for our analysis.

Silver

Represents target-date fund series our analyst has high-conviction in, but not in all of the five pillars. With those fundamental strengths, we expect these target-date fund series will outperform their relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years).

Bronze

Represents target-date fund series that have advantages that clearly outweigh any disadvantages across the pillars, giving analyst the conviction to award them a positive rating. We expect these target-date fund series to beat their relevant performance benchmark and/or peer group within the context of the level of risk taken over the long term (defined as a full market cycle or at least five years).

Neutral

Represents target-date fund series in which our analysts don't have a strong positive or negative conviction. In our judgment, these target-date fund series are not likely to deliver standout returns, but they aren't likely to seriously underperform their relevant performance benchmark and/or peer group either.

Negative

Represents target-date fund series that possess at least one flaw that our analysts believe is likely to significantly hamper future performance, such as high fees or an unstable management team. Because of these faults, we believe these target-date fund series are inferior to most competitors and will likely underperform their relevant performance benchmark and/or peer group, within the context of the level of risk taken, over a full market cycle.

Morningstar Research Services may also use two other designations in place of a rating:

Under Review

This designation means that a change that occurred with the target-date fund series or at the target-date fund series company requires further review to determine the impact on the rating.

Not Ratable

This designation is used only where we are providing a Report on a new strategy or on a strategy where there are no relevant comparators, but where investors require information as to suitability.

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Equity-Related Data Points

The Report lists the top ten holdings in the target-date fund series as of the date noted. For each underlying holding, a series of data points is provided including, where applicable, that security's Economic Moat rating as of the date noted.

Economic Moat

The concept of an economic moat plays a vital role in our equity analyst's qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of its fair value estimate. An economic moat is a structural feature that allows a firm to sustain excess profits over a long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a *narrow moat* are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. *Wide-moat* companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, *no-moat* companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

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