Fidelity Freedom Target-Date Fund Series Report

Executive Summary

**Key Features**
- **Asset-Weighted Expense Ratio**: 0.61%
- **Active/Passive Exposure**: 99% Active
- **Open/Closed Architecture**: 98% Closed
- **Total Net Assets ($M)**: 167,163

**Key Features**
- Likely to outperform over the long term on a risk-adjusted basis.
- Fidelity's diversified asset mix has shielded it from steady outflows from its active U.S. equity funds, with its taxable bond, international equity, and low-priced index offerings attracting assets.

**Morningstar Analyst Rating**

<table>
<thead>
<tr>
<th>Rating</th>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silver</td>
<td>Positive</td>
<td>Management has strengthened the approach behind this series with sound research and oversight, inspiring confidence that the series will see proactive improvements going forward rather than the reactionary changes of the past. The series earns a Positive Process rating.</td>
</tr>
<tr>
<td>Neutral</td>
<td>Price</td>
<td>The funds in the Fidelity Freedom series don’t have a clear fee advantage, but their generally competitive pricing supports a Neutral Price rating.</td>
</tr>
<tr>
<td>Neutral</td>
<td>Performance</td>
<td>Performance for the Fidelity Freedom series has improved since undergoing material changes, but its middling rank over the long run supports a Neutral Performance rating.</td>
</tr>
<tr>
<td>Silver</td>
<td>People</td>
<td>This series’ management team appears to have stabilized, and Fidelity’s top managers can be found among its underlying funds. Both these aspects drive the series’ Positive People rating.</td>
</tr>
<tr>
<td>Neutral</td>
<td>Parent</td>
<td>Fidelity isn’t without challenges but remains well positioned enough to compete in a changing industry. The firm’s diversified asset mix has shielded it from steady outflows from its active U.S. equity funds, with its taxable bond, international equity, and low-priced index offerings attracting assets.</td>
</tr>
</tbody>
</table>

**Morningstar Analyst Rating**

**Morningstar Opinion**

The future for the Fidelity Freedom Funds looks promising as this target-date series has both proactive oversight and an exceptional lineup of underlying stock and bond funds. The series retains its Morningstar Analyst Rating of Silver.

The series’ management appears to have stabilized, and the target-date managers benefit from renewed firm commitment and an abundance of resources. Fidelity hired Brett Sumson as a comanager in January 2014. Sumson joined Andrew Dierdorf, who became comanager on this series in June 2011, and the duo just reached the five-year mark. They receive extensive support from the firm’s growing asset-allocation team.

The target-date managers have made prudent, research-backed moves in setting the series’ target mix of assets, deciding when to deviate from those targets, and selecting the underlying strategies. In 2018, they proactively added strategic exposure to Treasury Inflation-Protected Securities and long-term U.S. Treasuries to address both the risk of inflation and deflation. This move lowered equity exposure by up to 4 percentage points for investors in retirement. In August 2014, the managers began tactically shifting the portfolios based on their one- to five-year views. Thus far, the managers have augmented returns through those shifts while staying within tight tracking error bands.

A look through to the underlying holdings reveals an impressive bunch of skilled active managers in both stocks and bonds. Investors early in their careers have sizable exposure to Fidelity’s top-tier equity managers. For instance, strategies run by Steve Wymer, Joel Tillinghast, and Will Danoff accounted for nearly one fourth of Freedom 2050’s assets as of November 2018, and these managers run retail versions of their strategies that receive Morningstar Analyst Ratings of Silver. Meanwhile, investors who have arrived at their target retirement date also can be confident in Fidelity’s highly regarded bond-investing capabilities.

Although not all the series’ underlying holdings are standout strategies, the lineup remains strong.
Morningstar Target-Date Fund Series Report Disclosure

The Morningstar Target-Date Fund Series Report ("Report") is for informational purposes, intended for financial professionals and/or qualified investors ("Users") and should not be the sole piece of information used by such Users or their clients in making an investment decision.

The analysis within this Report is prepared by the person(s) noted in their capacity as an analyst for Morningstar Research Services LLC, a subsidiary of Morningstar, Inc. The opinions expressed within the Report are given in good faith, are as of the date of the Report and are subject to change without notice. Neither the analyst nor Morningstar Research Services commits themselves in advance to whether and in which intervals updates to the Report are expected to be made. The written analysis and Morningstar Analyst Rating within this Report are statements of opinion; they are not statements of fact.

Morningstar Research Services believes its analysts make a reasonable effort to carefully research information contained in their analyses. The information on which the analysis is based has been obtained from sources that are believed to be reliable such as, for example, the fund’s prospectus and shareholder reports (or their equivalents), target-date series company website, interviews with target-date series company personnel, and relevant and appropriate press sources as well as data, statistics and information within Morningstar’s own database. Morningstar does not perform an audit or seek independent verification of any of the data, statistics, and information it receives.

Unless otherwise provided in a separate agreement, Users accessing this Report may only use it in the county in which the Morningstar distributor is based. Unless stated otherwise, the original distributor of the Report is Morningstar Inc., a U.S.A. domiciled financial institution.

This Report is for informational purposes only and has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. This publication is intended to provide information to assist institutional investors in making their own investment decisions, not to provide investment advice to any specific investor. Therefore, investments discussed and recommendations made herein may not be suitable for all investors; Users and User clients must exercise their own independent judgment as to the suitability of such investments and recommendations in the light of their own investment objectives, experience, taxation status and financial position.

The information, data, analyses and opinions presented herein are not warranted to be accurate, correct, complete or timely. Unless otherwise provided in a separate agreement, Morningstar makes no representation that the Report contents meet all of the presentation and/or disclosure standards applicable in the jurisdiction the recipient is located.

Except as otherwise required by law or provided for in a separate agreement, the analyst, Morningstar and its officers, directors and employees will not be responsible or liable for any trading decisions, damages or other losses resulting from, or related to, the information, data, analyses or opinions within the Report. Morningstar encourages Users and User clients to read all relevant issue documents (e.g., prospectus) pertaining to the security concerned, including without limitation, information relevant to its investment objectives, risks, and costs before making an investment decision and when deemed necessary, to seek the advice of a legal, tax, and/or accounting professional.

The information, data, analyses and opinions presented within the Report are statements of opinions; they are not statements of fact.

The date shown next to the Morningstar Analyst Rating is the date on which the Morningstar Manager Rating was calculated. The Morningstar Analyst Rating™ for Target-Date Fund Series is a forward-looking analysis of a target-date fund series. The Analyst Rating does not express a view on a given asset class or peer group; rather, it seeks to evaluate each target-date fund series within the context of its objective, an appropriate benchmark, and peer group.

In certain jurisdictions, the Report contents, except for the Morningstar Analyst Rating and key analysis/opinions, may be shared with the target-date series company prior to publication. In the unlikely event that Morningstar Research Services would change its analysis/opinions and/or the Morningstar Analyst Rating based on feedback as result of such review, the Report would disclose such a fact.

Conflicts of Interest:
• Analysts may own (actual or beneficial) interests in the financial products that are the subject of the Report. No material interests are held by Morningstar, the analyst or the analyst’s immediate family in the financial products that are the subject of the Report.*
• Analysts’ compensation is derived from Morningstar’s overall earnings and consists of salary, bonus and in some cases restricted stock. Analysts receive no compensation or material benefits from product issuers or third parties in connection with the Report.*
• Morningstar Research Services does not receive commissions for providing research and does not charge financial product issuers to be rated.
• Analysts may not pursue business and employment opportunities outside Morningstar Research Services within the investment industry (including but not limited to, working as a financial planner, an investment advisor or investment advisor representative, a broker-dealer or broker-dealer agent, a financial writer, reporter, or analyst).
• Morningstar may provide the product issuer or its related entities with services or products for a fee and on an arms’ length basis including software products and licenses, research and consulting services, data services, licenses to republish our ratings and research in their promotional material, event sponsorship and website advertising.
• Morningstar affiliates (i.e., its investment management group) may have arrangements with a fund company’s affiliate to provide investment consulting advice, some of which an analyst may issue an investment research reports on one or more of the fund company’s target-date funds. However, analysts do not have authority over Morningstar’s investment management group’s business arrangements nor allow employees from the investment management group to participate or influence the analysis or opinion prepared by them.
• Morningstar, Inc. is a publicly traded company (Ticker Symbol: MORN) and thus a fund which is the subject of this Report may own more than 5% of Morningstar, Inc.’s total outstanding shares. Please access Morningstar, Inc.’s proxy statement, “Security Ownership of Certain Beneficial Owners and Management” section http://investorrelations.morningstar.com/sec.cfm?doctype=Proxy&year=&&s=12 A target-date series' holding of Morningstar stock has no bearing on and is not a requirement for target-date funds Morningstar determines to cover.

Analyts do not have any other material conflicts of interest at the time of publication. Users wishing to obtain further information should contact their local Morningstar office or refer to https://corporate.morningstar.com/us/asp?subject=ux!xmlfile=540xml

The Morningstar Analyst Rating™ for Target-Date Fund Series

The Morningstar Analyst Rating™ for Target-Date Fund Series is a forward-looking analysis of a target-date fund series. The Analyst Rating does not express a view on a given asset class or peer group; rather, it seeks to evaluate each target-date fund series within the context of its objective, an appropriate benchmark, and peer group.

The date shown next to the Morningstar Analyst Rating is the date on which the Morningstar Manager Analyst Rating was calculated 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 follows:

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 issues 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.
The Morningstar Star Rating is a proprietary data point that is quantitatively driven. Target-date fund series are rated for up to three time periods—three-, five-, and ten-years—and are rated from one to five stars based on how well the target-date fund series performed (after adjustment for fees and expenses) in comparison to similar target-date fund series. Within each Morningstar Category, the top 10% of target-date fund series receive 5 stars and the bottom 10% receive 1 star. Target-date fund series are rated for up to three time periods—three-, five-, and ten-years—and these ratings are combined to produce an overall star rating, which is noted within the Report. Target-date fund series with less than three years of history are not rated. Star Ratings are based entirely on a mathematical evaluation of past performance. Star Ratings are in no way to be considered a buy or sell signal nor should be viewed as a statement of fact.

Equity-Related Data Points
The Report lists the top ten holdings in the target-date fund series as of the dated 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 effects, cost advantage, and diligent management. 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.

Companies with a narrow moat are those where 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.

For more information about methodology in analysing stocks, please go to http://global.morningstar.com/equitydisclosures.

For Recipients in Australia: This Report has been issued and distributed in Australia by Morningstar Australasia Pty Ltd (ABN: 95 090 865 444; AFSL: 249892). Morningstar Australasia Pty Ltd is the provider of the general advice (the “Service”) and takes responsibility for the production of this Report. The Service is provided through the research of investment products. To the extent the Report contains general advice it has been prepared without reference to an investor’s objectives, financial situation or needs. Investors should consider the advice in light of these matters and, if applicable, the relevant Product Disclosure Statement before making any decision to invest. Refer to our Financial Services Guide (FSG) for more information at www.morningstar.com.au/fg/pdf.

For Recipients in Hong Kong: The Report is distributed by Morningstar Investment Management Asia Limited, which is regulated by the Hong Kong Securities and Futures Commission to provide services to professional investors only. Neither Morningstar Investment Management Asia Limited, nor its representatives, are acting or will be deemed to be acting as an investment advisor to any recipients of this information unless expressly agreed to by Morningstar Investment Management Asia Limited. For enquiries regarding this research, please contact a Morningstar Investment Management Asia Limited Licensed Representative at http://global.morningstar.com/equitydisclosures.

For Recipients in India: This Investment Research is issued by Morningstar Investment Adviser India Private Limited. Morningstar Investment Adviser India Private Limited is registered with the Securities and Exchange Board of India (Registration number INAA000013577) and provides investment advice and research. Morningstar Investment Adviser India Private Limited has not been the subject of any disciplinary action by SEBI or any other regulatory body. Morningstar Investment Adviser India Private Limited is a wholly owned subsidiary of Morningstar Investment Management LLC. In India, Morningstar Investment Adviser India Private Limited has one associate, Morningstar India Private Limited, which provides data related services, financial data analysis and software development. The Analyst has not served as an officer, director or employee of the target-date fund series company with whom in the last 12 months, nor has it or its associates engaged in market making activity for the target-date fund series company.

*The Conflicts of Interest disclosure above also applies to relatives and associates of Manager Research Analysts in India

#The Conflicts of Interest disclosure above also applies to associates of Manager Research Analysts in India. The terms and conditions on which Morningstar Investment Adviser India Private Limited offers Investment Research to clients, varies from client to client, and are detailed in the respective client agreement.

For recipients in Japan: The Report is distributed by Ibbotson Associates Japan, Inc., which is regulated by Financial Services Agency. Neither Ibbotson Associates Japan, Inc., nor its representatives, are acting or will be deemed to be acting as an investment advisor to any recipients of this information.

For recipients in Singapore: For Institutional Investor audiences only. Recipients of this Report should contact their financial advisor in Singapore in relation to this Report. Morningstar, Inc., and its affiliates, relies on certain exemptions (Financial Advisers Regulations, Section 32B and 32C) to provide its investment research to recipients in Singapore.