Putting ETFs to work in your portfolio

Discover how ETFs may fit into your investments, learn key considerations before trading ETFs, and see how to leverage Fidelity.com to help make investment decisions

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AGENDA

- Let’s review - what is an exchange-traded fund?
- How is the ETF market growing?
- 7 common ways to use ETFs
- Considerations before trading ETFs
- Using Fidelity.com to research and learn more

Let’s review…

What is an ETF?

- **An ETF is an evolution of the mutual fund which:**
  - Offers exposure to a certain segment(s) of the market (a basket of securities)
  - Can be either passively, enhanced or actively managed – most are passive
  - Trades/prices intra-day
  - Typically discloses holdings daily
  - Can be optioned, shorted, or margined
  - Potentially more tax efficient

Where can I learn more?

Research > Learning Center > [ETFs and Mutual Funds: What to consider]()

What is an ETP?
Common Exchange Traded Product Structures

- Traditional ETFs
- ETNs
- Grantor Trusts
- Partnerships

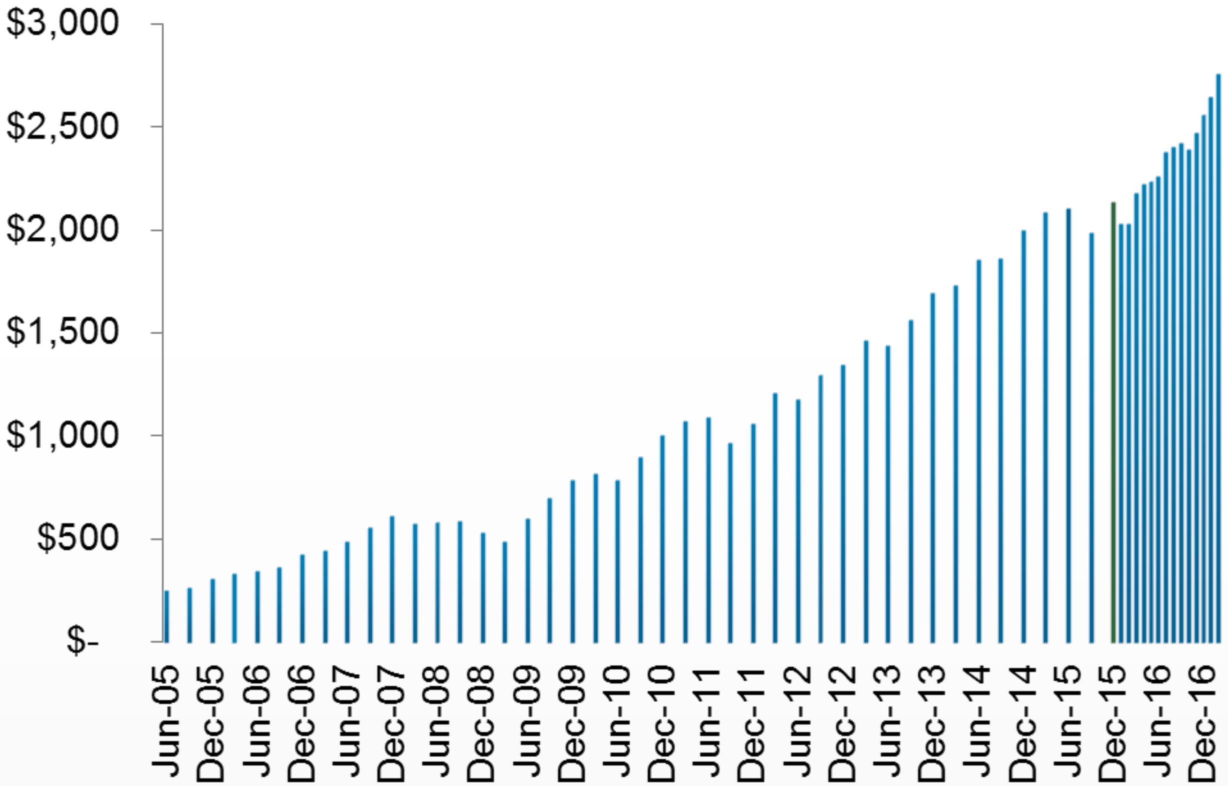
Where can I learn more?

Research > Learning Center > Innovative ETF structures

How is the ETF market growing?

The ETF Market

Growing Rapidly: 24% CAGR Over the Past 10 Years

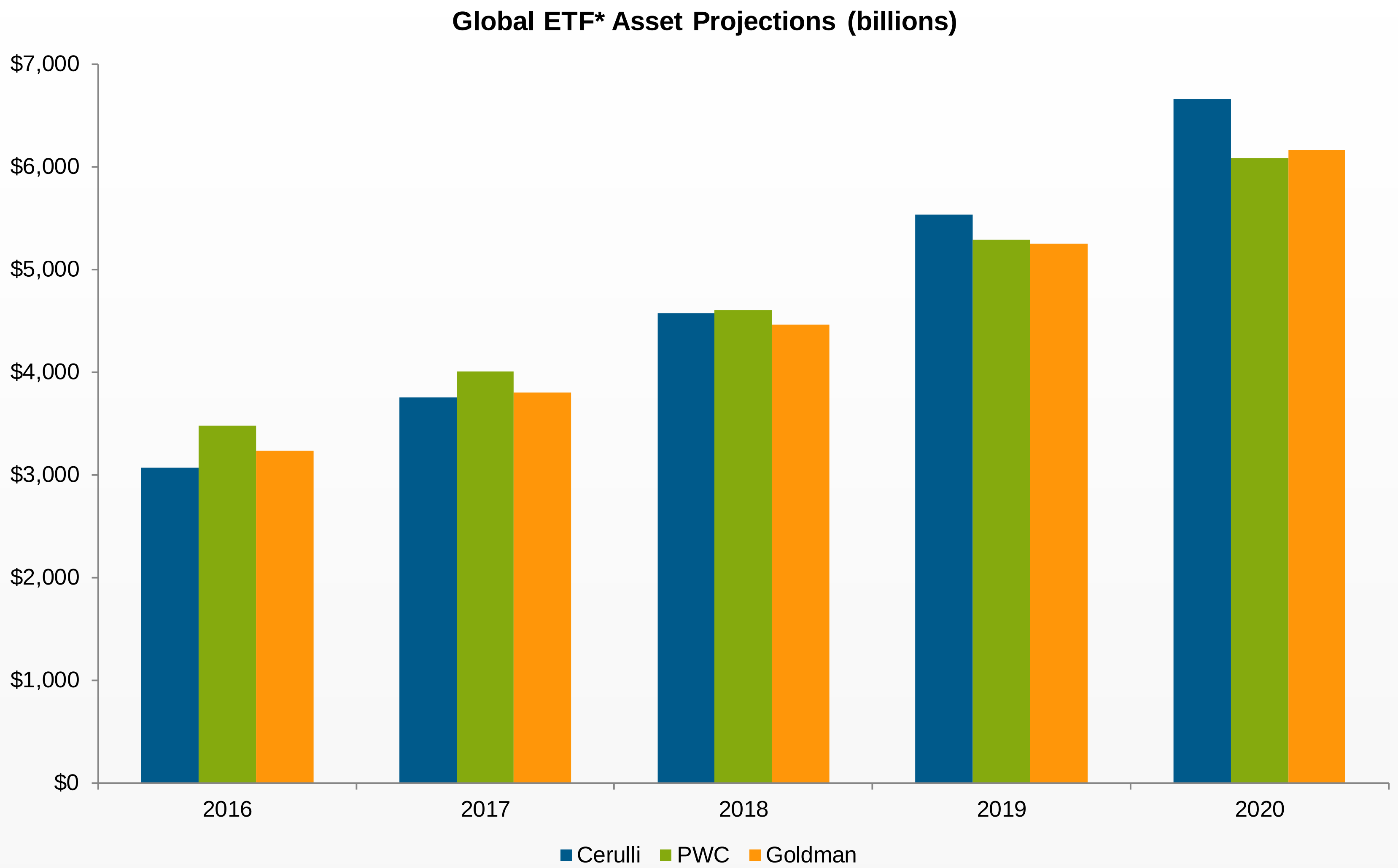


Now more than $2.7 trillion in AUM

Compound Annual Growth Rate (CAGR) is the mean annual growth rate of an investment over a specified period of time longer than one year.

Source: Morningstar as of 2/28/17 AUM ($B)

Projected Growth of ETFs by 2020

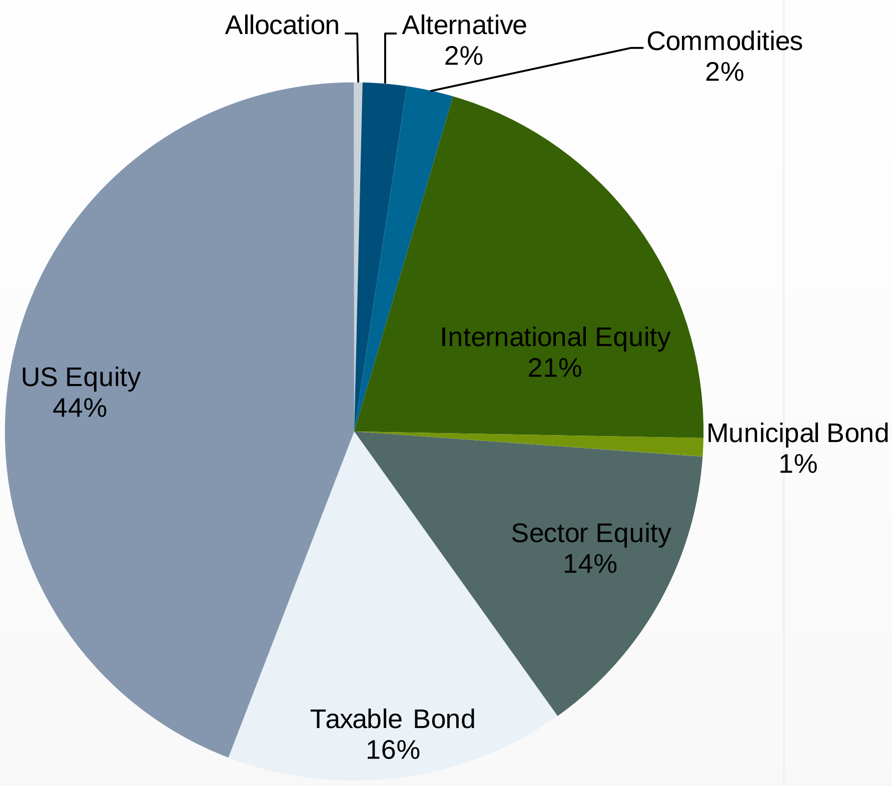


*The U.S. accounts for 73% of total ETF assets.

Sources: PWC, Goldman Sachs, Cerulli Report

The ETF Market

Growing Rapidly: Equities Still Dominate, but Fixed Income Growing

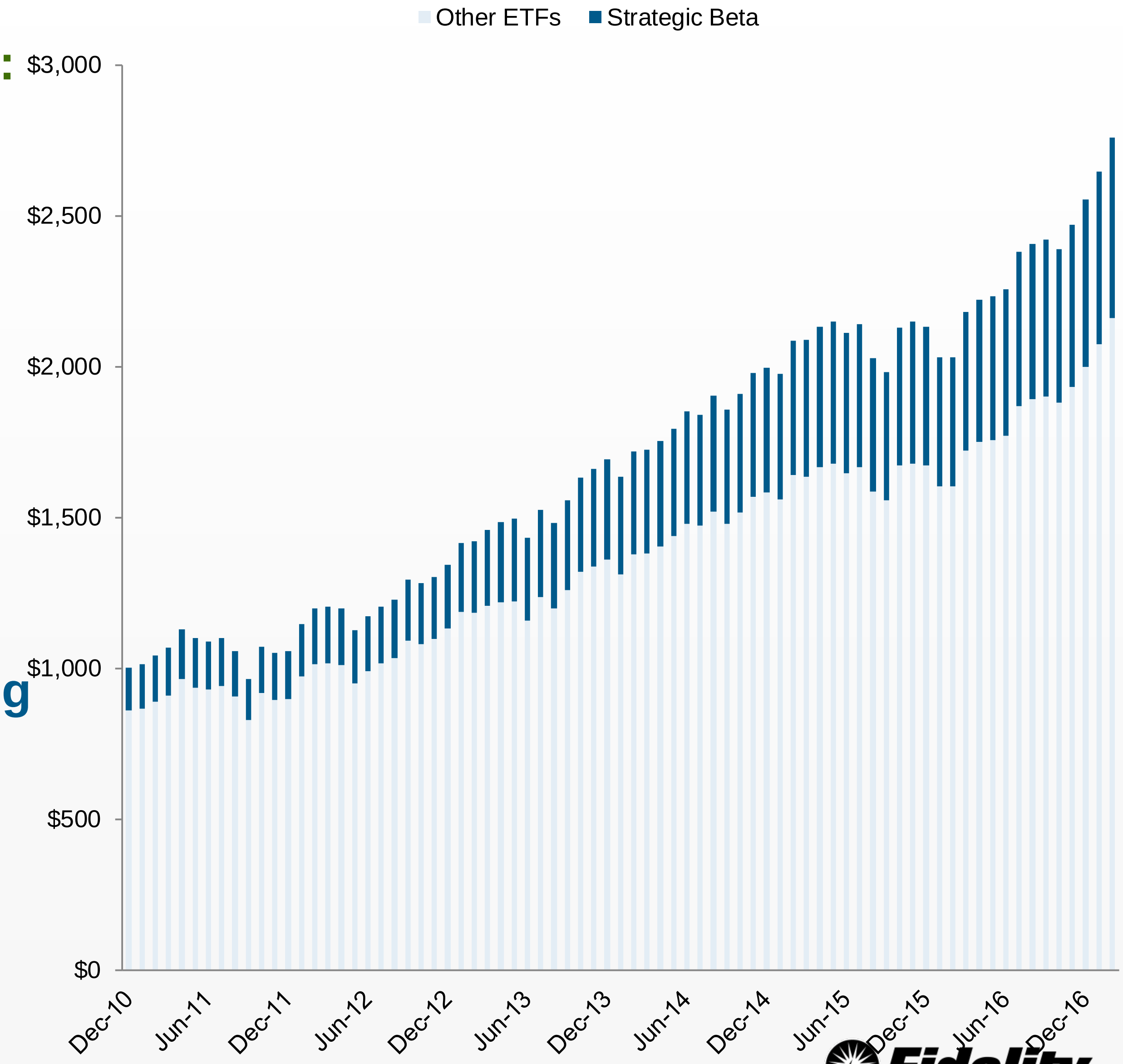


Source: Morningstar as of 12/31/15

Smart Beta: A Growing Segment of the Market

Called different things:

- Strategic Beta
- Advanced Beta
- Enhanced Indexes
- Factor Investing
- Scientific Beta
- Alternative Beta
- Active Beta
- Quasi Active
- Alternative Weighting



Source: Morningstar as of 2/28/17

The ETF Market

The "Big Three" Dominate

December 2015

League Table

AUM by Issuer

Division Name	
Issuer	June 2015 AUM ($B)
Blackrock (iShares)	829
Vanguard	483
SSgA (SPDR)	414
Total	**1,726**

- **Responsible for 81% of ETF AUM**
- **Sponsor 19 of the top 20 ETFs by AUM**
- **Provide predominantly low-cost, passive exposure to core assets classes**

Source: Morningstar as of 12/31/15

Fidelity INVESTMENTS

The ETF Market

Buy commission-free ETFs online from Fidelity and iShares®

- **Fidelity Bond ETFs**
  - Choose from 3 commission-free ETFs online that use Fidelity's investment research, with the potential to outperform the index.
- **Fidelity Factor ETFs**
  - Choose from 6 commission-free online, smart beta funds focused on targeted outcomes
- **Fidelity ONEQ**
  - Get exposure to the Nasdaq Composite Index, one of the broadest, most widely followed exchange indices (ONEQ).
- **Fidelity Sector ETFs**
  - Choose from 11 commission-free funds online, with some of the lowest expense ratios in the industry.[1]
- **iShares® ETFs**
  - Choose from 70 commission-free funds online from the world's leading ETF provider.[2]

Free commission offer applies to online purchases of Fidelity ETFs and select iShares ETFs in a Fidelity brokerage account. Fidelity accounts may require minimum balances. The sale of ETFs is subject to an activity assessment fee (from $0.01 to $0.03 per $1,000 of principal). iShares ETFs and Fidelity ETFs are subject to a short-term trading fee by Fidelity if held less than 30 days.

For iShares ETFs, Fidelity receives compensation from the ETF sponsor and/or its affiliates in connection with an exclusive long-term marketing program that includes promotion of iShares ETFs and inclusion of iShares funds in certain FBS platforms and investment programs. Additional information about the sources, amounts, and terms of compensation can be found in the ETF's prospectus and related documents. Fidelity may add or waive commissions on ETFs without prior notice. BlackRock and iShares are registered trademarks of BlackRock Inc., and its affiliates.

1. Strategic Insight Simfund/FI Desktop, data as of 7/31/2013. Based on a comparison of total expense ratios for U.S. sector level ETFs with similar holdings and investment objectives (using the MSCI and S&P Global Industry Classification System — GICS) within the universe of 298 ETFs Morningstar has classified as the Sector Stock asset class.

2. BlackRock ETP Global Landscape Report 1/31/2013. Based on number of ETFs, AUM, and market share.

7 common ways to use ETFs

7 common ways to use ETFs

1. Adjust your asset allocation
2. Fill a gap
3. Replace single stocks
4. Harvesting tax losses
5. Invest using a core-satellite approach
6. Gain targeted/tactical exposure
7. Get exposure to an investment factor

Considerations before trading ETFs

Understanding the full cost of ownership

Expense Ratio

+

Bid/Ask Spread

+

Commission/Trading Fee

+

Taxes

+

Tracking Error/Alpha

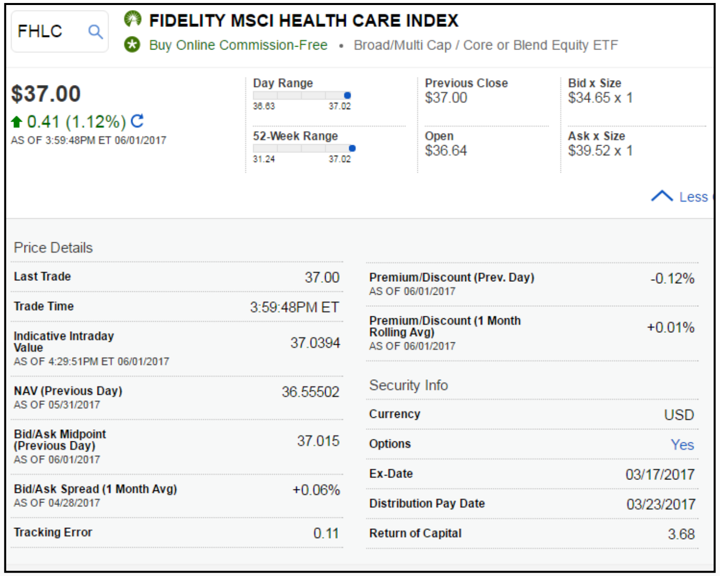


Image for illustrative purposes only.

Bid is the price at which one can sell.

Ask is the price at which one can buy.

Additional costs are incurred as the bid/ask spread widens.

Where can I learn more?

Research > Learning Center > Understanding an ETF's spreads and volume & Understanding track error and tracking difference for an ETF

4 tips for trading ETFs

1. Buy commission-free
2. Look at the spread
3. Consider using limit orders
4. Do your homework

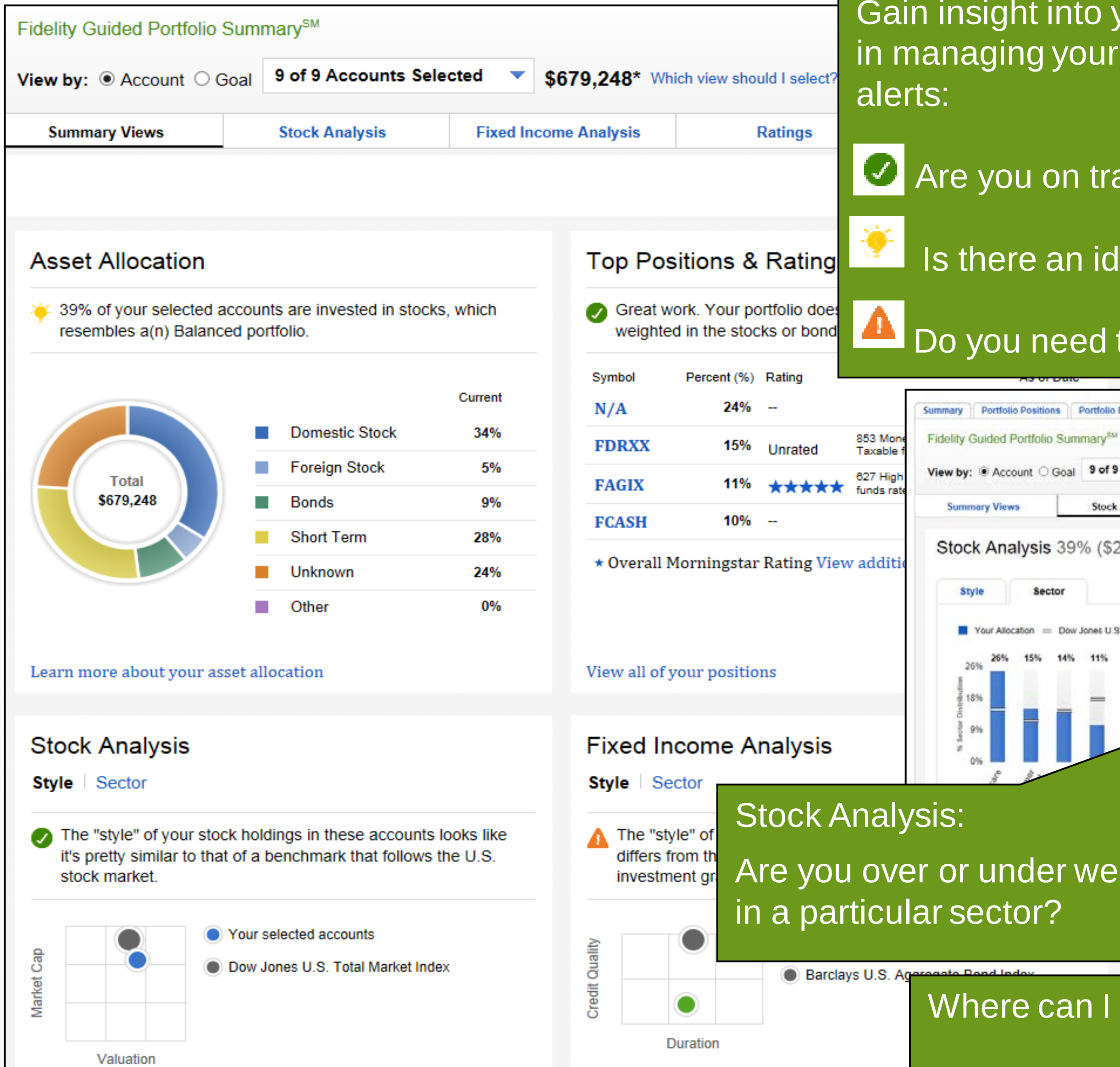
Where can I learn more?

Research > Learning Center > [How do you trade ETFs?]

Using Fidelity.com to research and learn more

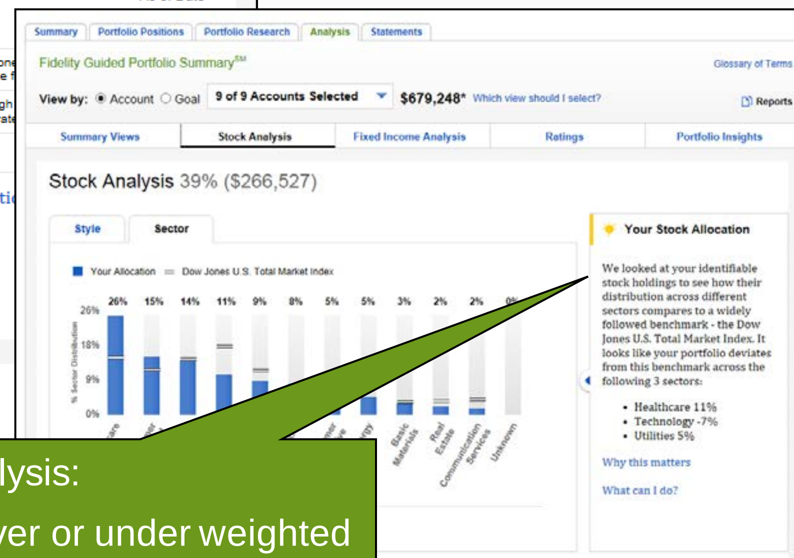
Online Demonstration

Fidelity Guided Portfolio Summary (GPS)



Gain insight into your portfolio and get more involved in managing your investments. Stay on track using alerts:

- Are you on track?
- Is there an idea you need to investigate further?
- Do you need to pay closer attention to an area?



Stock Analysis:

Are you over or under weighted in a particular sector?

Screenshot is for illustrative purposes only.

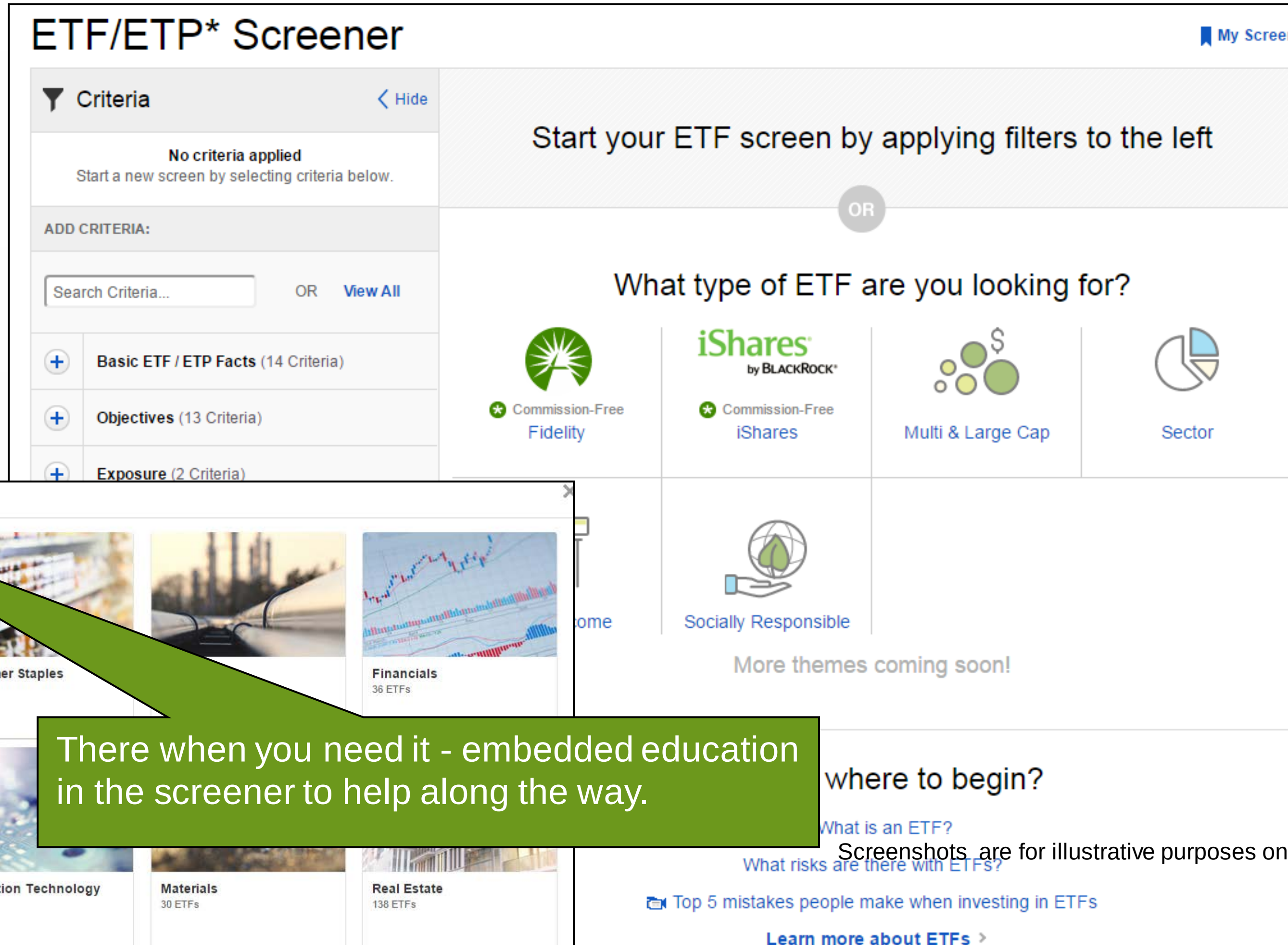
Where can I learn more?

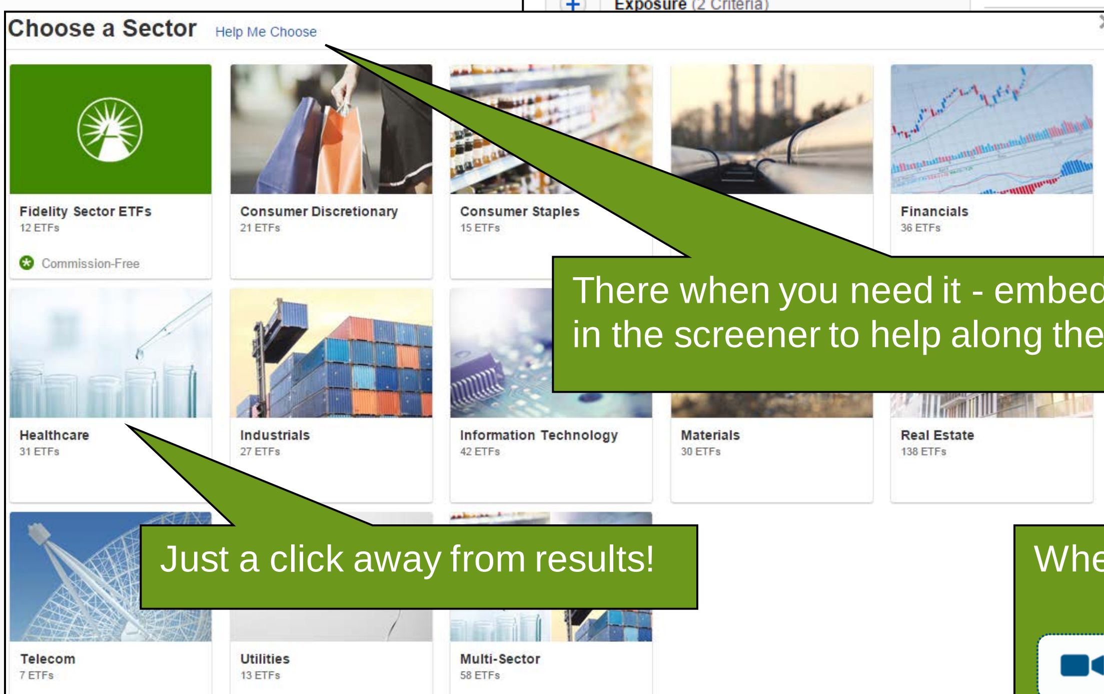
Research > Learning Center > Navigating Fidelity Guided Portfolio Summary

Fidelity Guided Portfolio Summary℠ (Fidelity GPS℠) is an enhanced analytical capability provided for educational purposes only.

ETF/ETP Screener: Two ways to get started

Build your own screen by identifying criteria that is important to you or select a theme that best describes the type of ETF you are looking for.





There when you need it - embedded education in the screener to help along the way.

Just a click away from results!

Screenshots are for illustrative purposes only.

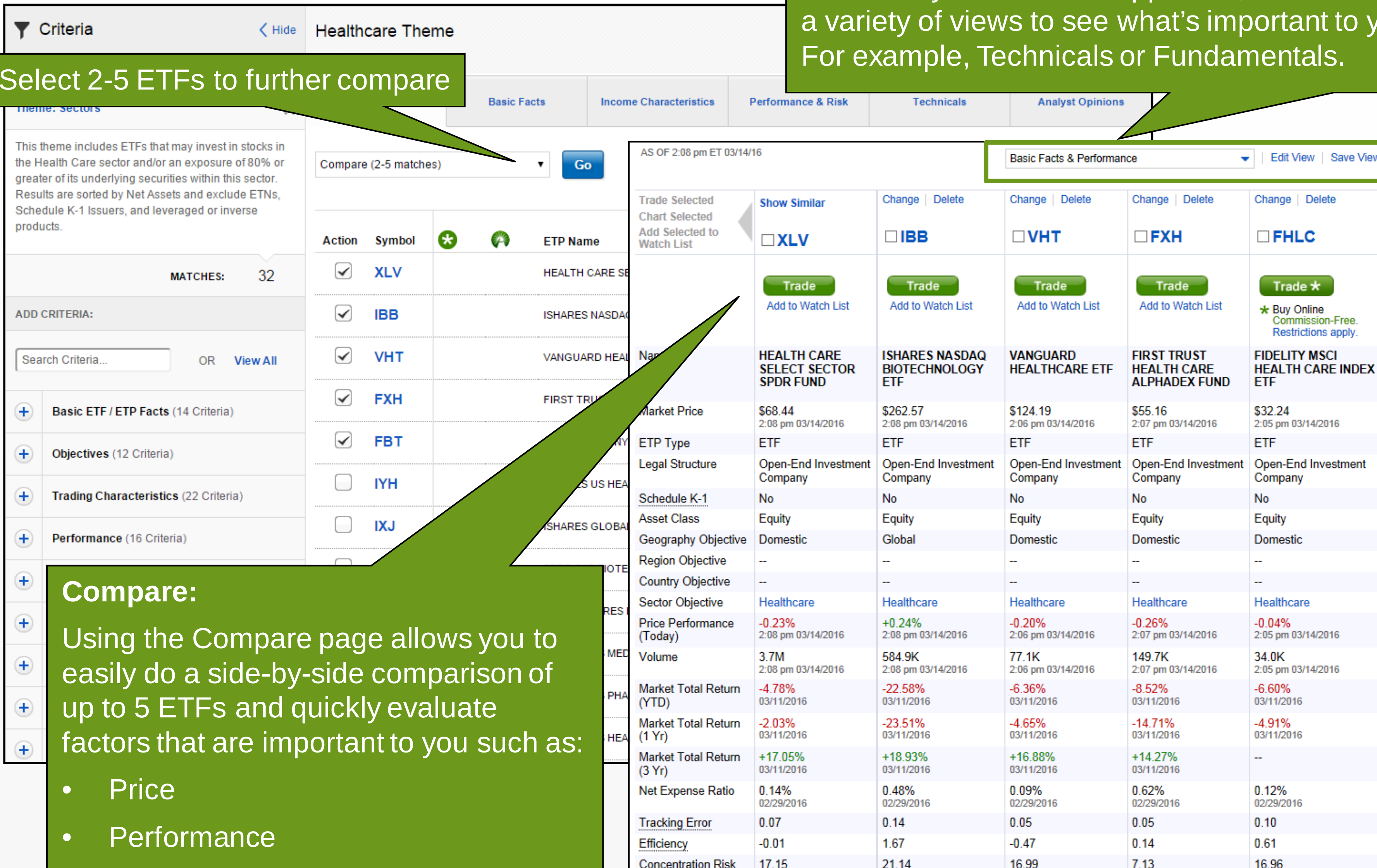
Where can I learn more?

Research > Learning Center > Finding an ETF that's right for you with Fidelity's ETF/ETP Screener

Reviewing screener results & using compare

Based on your research approach, choose from a variety of views to see what's important to you. For example, Technicals or Fundamentals.

Select 2-5 ETFs to further compare



Compare:

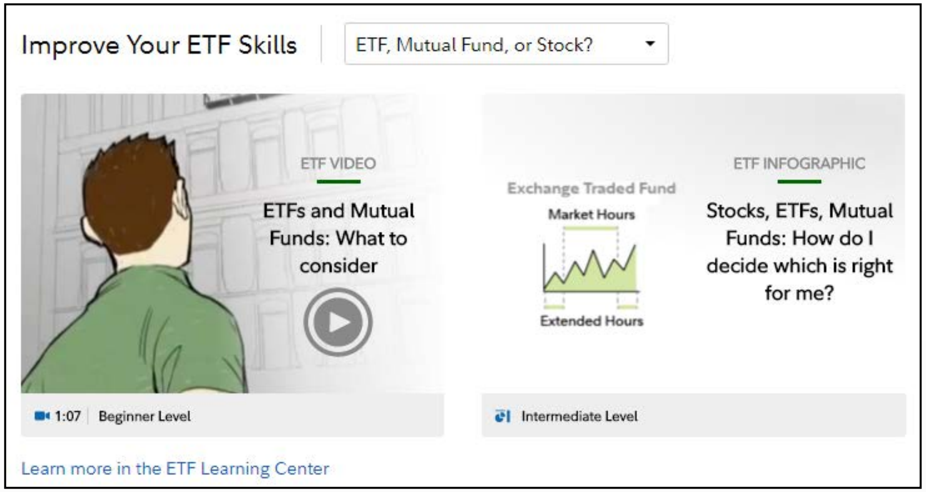
Using the Compare page allows you to easily do a side-by-side comparison of up to 5 ETFs and quickly evaluate factors that are important to you such as:

- Price
- Performance
- Expenses

Screenshots are for illustrative purposes only.

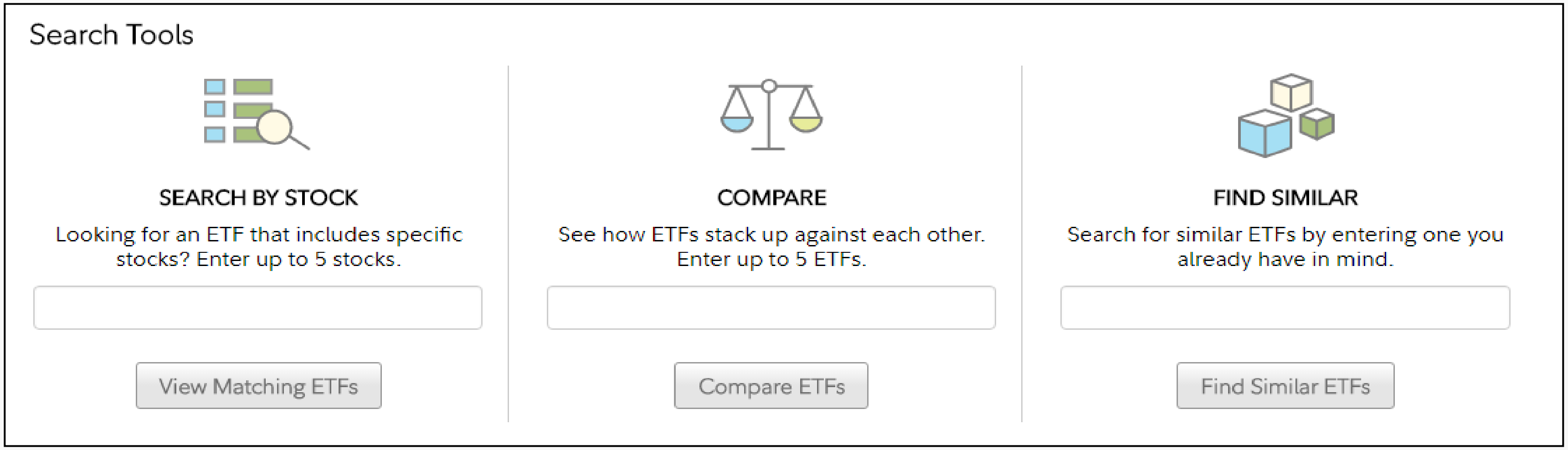
Fidelity INVESTMENTS

ETF Research Center



Easily analyze and choose the ETFs that are right for you.

- Start by improving your ETF skills with our education
- Easily access the ETF Screener
- See ETF Market Movers
- 3 quick ways to search for ETFs



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Use the Fidelity Learning Center at home to…

Get more information

Visit Fidelity.com - select **Research > Learning Center** and obtain even more information and insight on exchange-traded funds

Take a course

Complete a course online to learn more about the different types of exchange-traded products

Example: *Types of ETFs/ETPs*

Watch videos

Learn how to navigate and leverage Fidelity's research and trading tools.

Example: *Navigating Fidelity's Guided Portfolio Summary ; Researching sectors & industries on Fidelity.com*

Attend seminars/webinars

View one of our monthly webinars from Fidelity.com.

Let's discuss how we can help you take the next step…

Speak to a representative

Call 800-544-5115

One of our knowledgeable representatives is waiting to assist you

Visit a Fidelity Investor Center

For a consultation with one of our investment professionals

Important Information

ETFs are subject to market fluctuation and the risks of their underlying investments. ETFs are subject to management fees and other expenses. Unlike mutual funds, ETF shares are bought and sold at market price, which may be higher or lower than their NAV, and are not individually redeemed from the fund.

Diversification does not ensure a profit or guarantee against loss.

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments.

Exchange-traded products (ETPs) are subject to market volatility and the risks of their underlying securities, which may include the risks associated with investing in smaller companies, foreign securities, commodities, and fixed income investments. Foreign securities are subject to interest rate, currency-exchange rate, economic, and political risks, all of which are magnified in emerging markets. Exchange-traded products (ETPs) that target a small universe of securities, such as a specific region or market sector, are generally subject to greater market volatility, as well as to the specific risks associated with that sector, region, or other focus. ETPs that use derivatives, leverage, or complex investment strategies are subject to additional risks. The return of an index ETP is usually different from that of the index it tracks because of fees, expenses, and tracking error. An ETP may trade at a premium or discount to its net asset value (NAV) (or indicative value in the case of exchange-traded notes). Each ETP has a unique risk profile, which is detailed in its prospectus, offering circular, or similar material, which should be considered carefully when making investment decisions.

Beta is a measure of risk. It represents how a security has responded in the past to movements of the securities market. Smart beta represents an alternative investment methodology to typical cap-weighted benchmark investing, and there is no guarantee that a smart beta or factor-based investing strategy will enhance performance or reduce risk.

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. The securities of smaller, less well-known companies can be more volatile than those of larger companies. There is no guarantee that a factor-based investing strategy will enhance performance or reduce risk. Before investing, make sure you understand how the fund's factor investment strategy may differ from more traditional index products. Depending on market conditions, fund performance may underperform compared to products that seek to track a more traditional index. The return of an index ETF is usually different from that of the index it tracks because of fees, expenses and tracking error. An ETF may trade at a premium or discount to its Net Asset Value (NAV).

Important Information

The S&P 500 Index is a market capitalization–weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.

Because of their narrow focus, sector funds tend to be more volatile than funds that diversify across many sectors and companies. Nondiversified sector funds may have additional volatility because they can invest a significant portion of assets in securities of a small number of individual issuers.

Margin trading entails greater risk, including, but not limited to, risk of loss and incurrence of margin interest debt, and is not suitable for all investors. Please assess your financial circumstances and risk tolerance before trading on margin. Margin credit is extended by National Financial Services, Member NYSE, SIPC.

Before investing in any mutual fund or exchange-traded fund, you should consider its investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus, offering circular, or, if available, a summary prospectus containing this information. Read it carefully.

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