

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



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



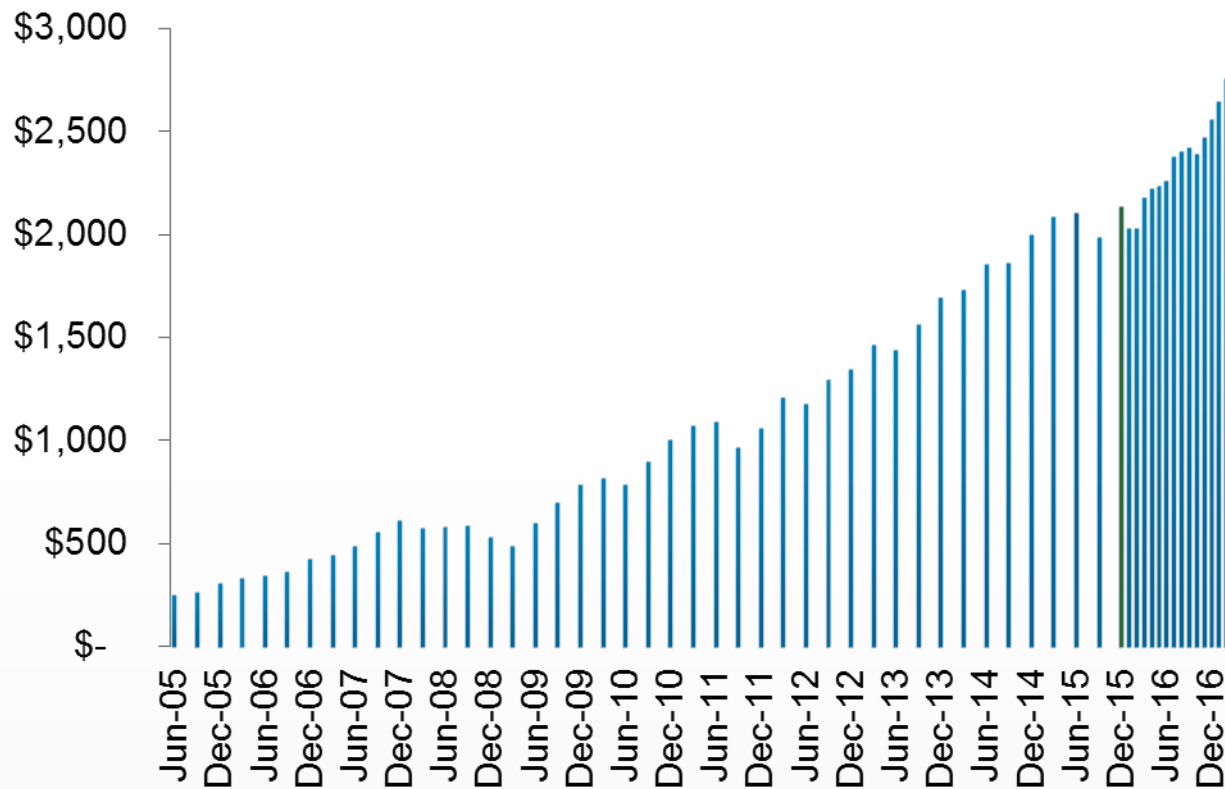
Where can I learn more?

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

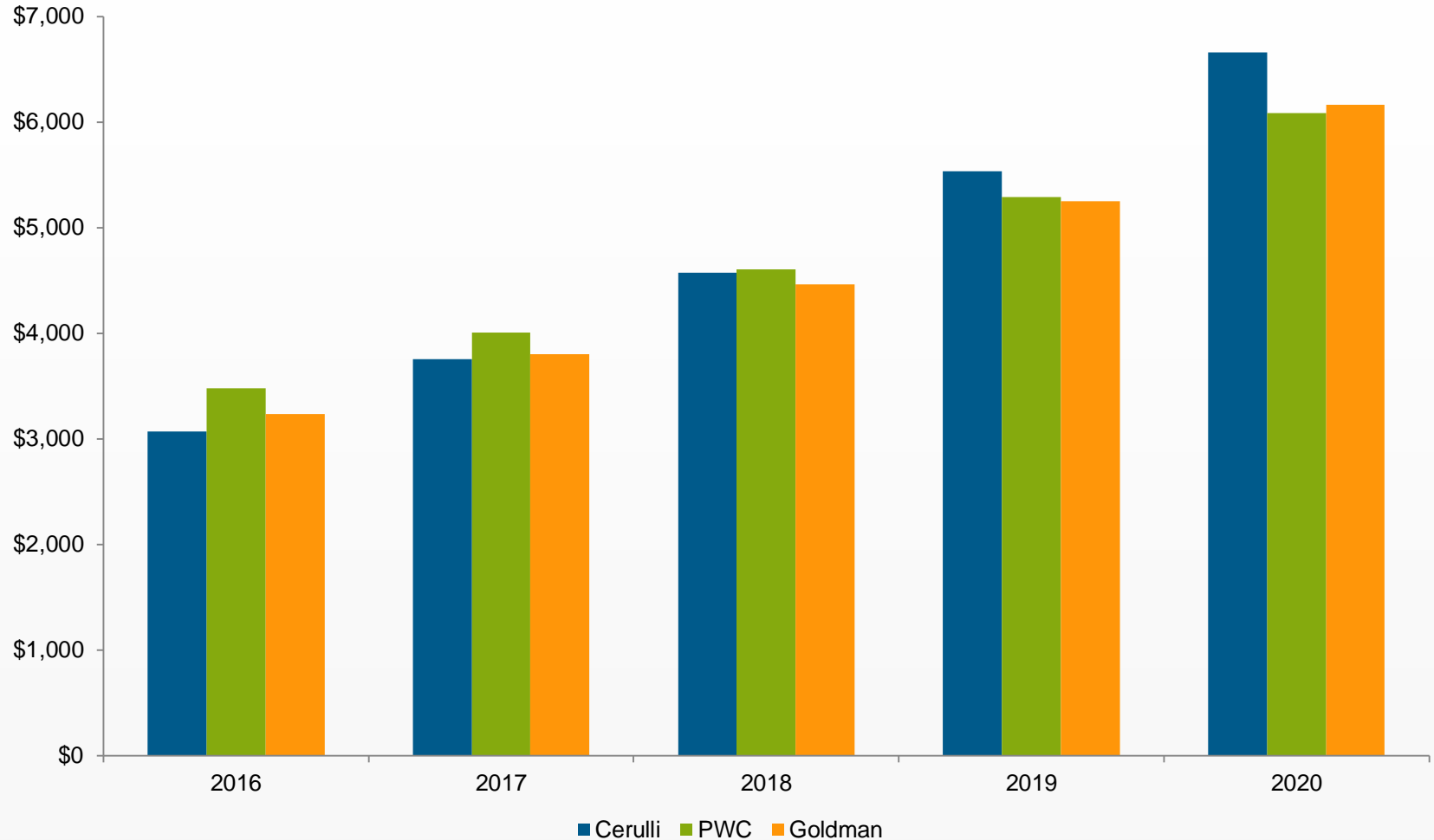
Compound Annual Growth Rate (CAGR) is the mean annual growth rate of an investment over a specified period of time longer than one year.

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



Projected Growth of ETFs by 2020

Global ETF* Asset Projections (billions)

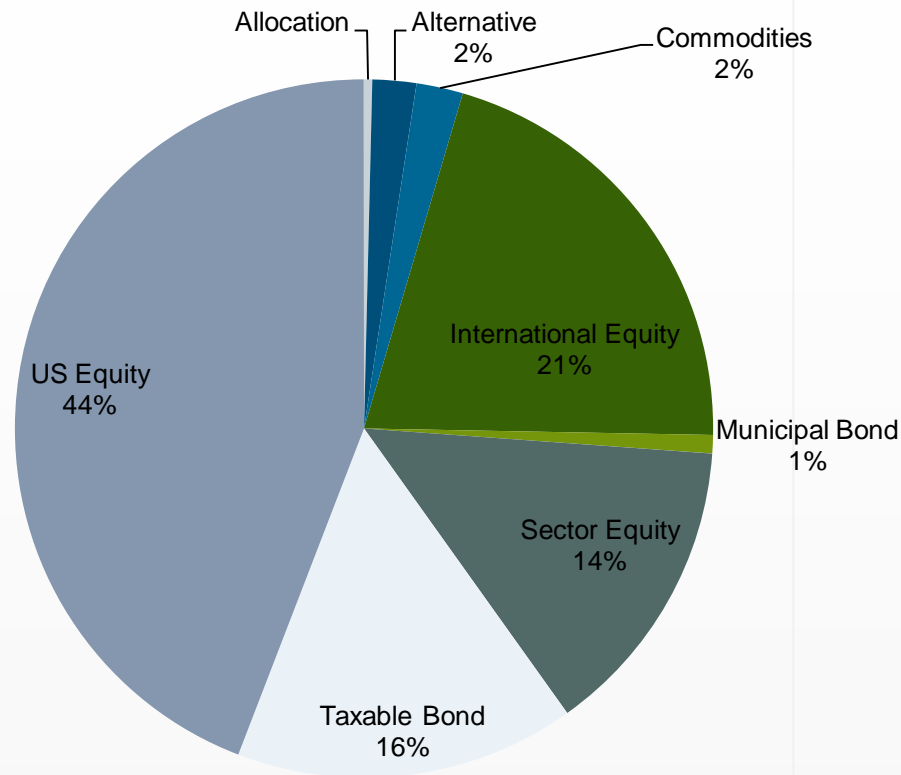


*The U.S. accounts for 73% of total ETF assets.

Sources: PWC, Goldman Sachs, Cerulli Report

The ETF Market

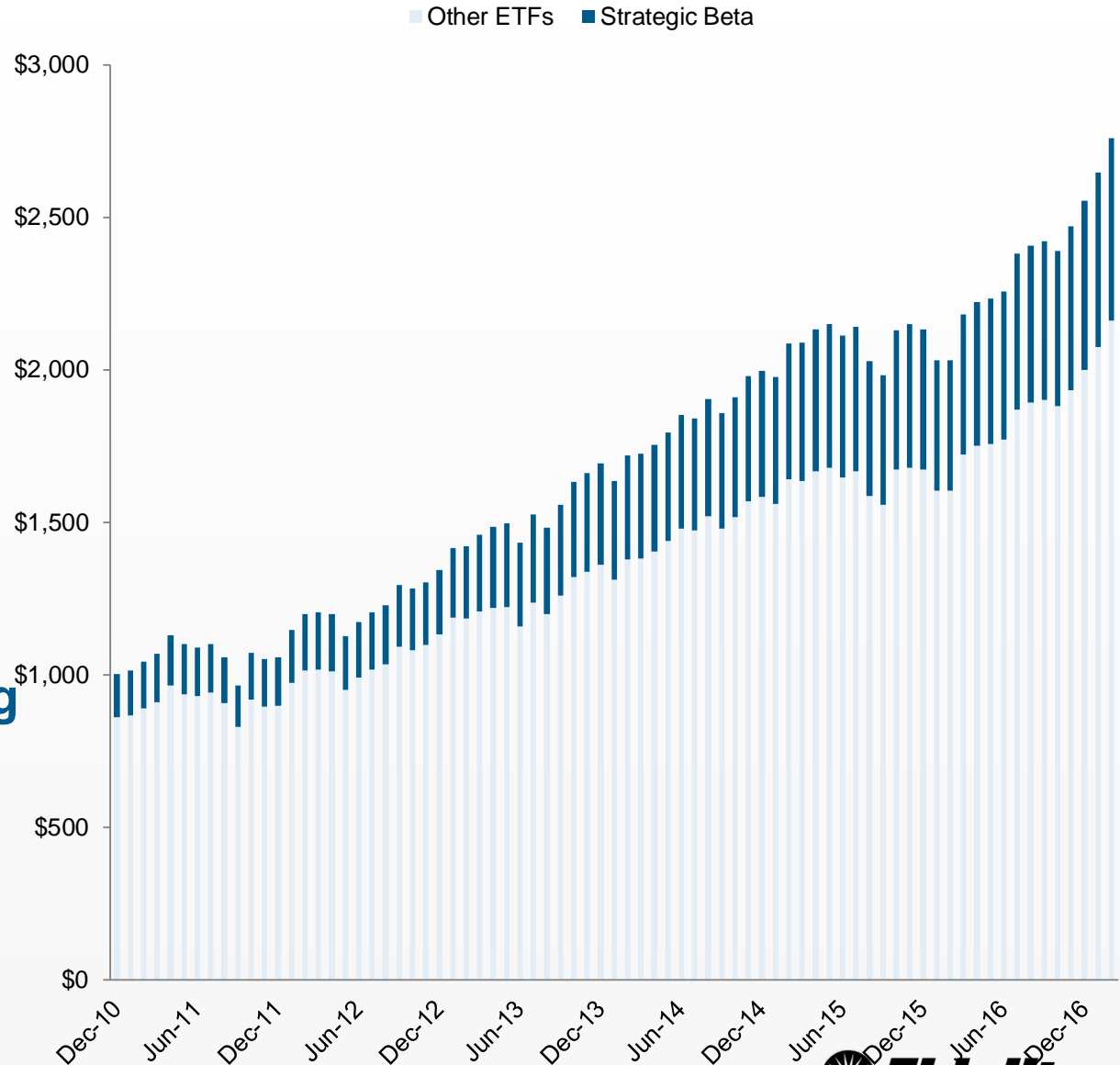
Growing Rapidly: Equities Still Dominate, but Fixed Income Growing



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

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

FHLIC FIDELITY MSCI HEALTH CARE INDEX			
Buy Online Commission-Free • Broad/Multi Cap / Core or Blend Equity ETF			
\$37.00	Day Range 36.83 - 37.02	Previous Close \$37.00	Bid x Size \$34.65 x 1
↑ 0.41 (1.12%) C	52-Week Range 31.24 - 37.02	Open \$36.64	Ask x Size \$39.52 x 1
AS OF 3:59:48PM ET 06/01/2017			
Price Details			
Last Trade	37.00	Premium/Discount (Prev. Day)	-0.12%
Trade Time	3:59:48PM ET	AS OF 06/01/2017	
Indicative Intraday Value	37.0394	Premium/Discount (1 Month Rolling Avg)	+0.01%
AS OF 4:29:51PM ET 06/01/2017		AS OF 06/01/2017	
NAV (Previous Day)	36.55502	Security Info	
AS OF 05/31/2017		Currency	USD
Bid/Ask Midpoint (Previous Day)	37.015	Options	Yes
AS OF 06/01/2017		Ex-Date	03/17/2017
Bid/Ask Spread (1 Month Avg)	+0.06%	Distribution Pay Date	03/23/2017
AS OF 04/28/2017		Return of Capital	3.68
Tracking Error	0.11		

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)

Fidelity Guided Portfolio SummarySM

View by: Account Goal **9 of 9 Accounts Selected** **\$679,248*** Which view should I select?

Summary Views: **Stock Analysis** | Fixed Income Analysis | Ratings

Asset Allocation

39% of your selected accounts are invested in stocks, which resembles a(n) **Balanced** portfolio.

Category	Current
Domestic Stock	34%
Foreign Stock	5%
Bonds	9%
Short Term	28%
Unknown	24%
Other	0%

[Learn more about your asset allocation](#)

Stock Analysis

Style | Sector

✓ The "style" of your stock holdings in these accounts looks like it's pretty similar to that of a benchmark that follows the U.S. stock market.

Market Cap vs Valuation

- Your selected accounts
- Dow Jones U.S. Total Market Index

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?

Summary | Portfolio Positions | Portfolio Research | Analysis | Statements

Fidelity Guided Portfolio SummarySM

View by: Account Goal **9 of 9 Accounts Selected** **\$679,248*** Which view should I select?

Summary Views: **Stock Analysis** | Fixed Income Analysis | Ratings | Portfolio Insights

Stock Analysis 39% (\$266,527)

Style | Sector

Your Stock Allocation

We looked at your identifiable stock holdings to see how their distribution across different sectors compares to a widely followed benchmark - the Dow Jones U.S. Total Market Index. It looks like your portfolio deviates from this benchmark across the following 3 sectors:

- Healthcare 11%
- Technology -7%
- Utilities 5%

[Why this matters](#)

[What can I do?](#)

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 SummarySM (Fidelity GPSSM) 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.

ETF/ETP* Screener My Screen

Criteria < Hide

No criteria applied
Start a new screen by selecting criteria below.

ADD CRITERIA:

Search Criteria... OR [View All](#)

- + Basic ETF / ETP Facts (14 Criteria)
- + Objectives (13 Criteria)
- + Exposure (2 Criteria)

Start your ETF screen by applying filters to the left

OR

What type of ETF are you looking for?

- Commission-Free Fidelity
- Commission-Free iShares
- Multi & Large Cap
- Sector
- Socially Responsible

More themes coming soon!

where to begin?

What is an ETF?
What risks are there with ETFs?

[Top 5 mistakes people make when investing in ETFs](#)

[Learn more about ETFs](#)

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

Just a click away from results!

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

Criteria < Hide Healthcare Theme

Basic Facts Income Characteristics Performance & Risk Technicals Analyst Opinions

Compare (2-5 matches) Go

AS OF 2:08 pm ET 03/14/16

Basic Facts & Performance Edit View Save View

Trade Selected Chart Selected Add Selected to Watch List	XLV	IBB	VHT	FXH	FHLC
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trade Add to Watch List	Trade Add to Watch List	Trade Add to Watch List	Trade Add to Watch List	Trade Add to Watch List	Trade ★ Buy Online Commission-Free. Restrictions apply.
HEALTH CARE SELECT SECTOR SPDR FUND	ISHARES NASDAQ BIOTECHNOLOGY ETF	VANGUARD HEALTHCARE ETF	FIRST TRUST HEALTH CARE ALPHADEX FUND	FIDELITY MSCI HEALTH CARE INDEX ETF	
Market Price	\$68.44 2:08 pm 03/14/2016	\$262.57 2:08 pm 03/14/2016	\$124.19 2:06 pm 03/14/2016	\$55.16 2:07 pm 03/14/2016	\$32.24 2:05 pm 03/14/2016
ETP Type	ETF	ETF	ETF	ETF	ETF
Legal Structure	Open-End Investment Company	Open-End Investment Company	Open-End Investment Company	Open-End Investment Company	Open-End Investment Company
Schedule K-1	No	No	No	No	No
Asset Class	Equity	Equity	Equity	Equity	Equity
Geography Objective	Domestic	Global	Domestic	Domestic	Domestic
Region Objective	--	--	--	--	--
Country Objective	--	--	--	--	--
Sector Objective	Healthcare	Healthcare	Healthcare	Healthcare	Healthcare
Price Performance (Today)	-0.23% 2:08 pm 03/14/2016	+0.24% 2:08 pm 03/14/2016	-0.20% 2:06 pm 03/14/2016	-0.26% 2:07 pm 03/14/2016	-0.04% 2:05 pm 03/14/2016
Volume	3.7M 2:08 pm 03/14/2016	584.9K 2:08 pm 03/14/2016	77.1K 2:06 pm 03/14/2016	149.7K 2:07 pm 03/14/2016	34.0K 2:05 pm 03/14/2016
Market Total Return (YTD)	-4.78% 03/11/2016	-22.58% 03/11/2016	-6.36% 03/11/2016	-8.52% 03/11/2016	-6.60% 03/11/2016
Market Total Return (1 Yr)	-2.03% 03/11/2016	-23.51% 03/11/2016	-4.65% 03/11/2016	-14.71% 03/11/2016	-4.91% 03/11/2016
Market Total Return (3 Yr)	+17.05% 03/11/2016	+18.93% 03/11/2016	+16.88% 03/11/2016	+14.27% 03/11/2016	--
Net Expense Ratio	0.14% 02/29/2016	0.48% 02/29/2016	0.09% 02/29/2016	0.62% 02/29/2016	0.12% 02/29/2016
Tracking Error	0.07	0.14	0.05	0.05	0.10
Efficiency	-0.01	1.67	-0.47	0.14	0.61
Concentration Risk	17.15	21.14	16.99	7.13	16.96

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.



ETF Research Center


Improve Your ETF Skills | ETF, Mutual Fund, or Stock? ▾



ETF VIDEO

ETFs and Mutual Funds: What to consider

1:07 Beginner Level



ETF INFOGRAPHIC

Exchange Traded Fund

Market Hours

Extended Hours

Stocks, ETFs, Mutual Funds: How do I decide which is right for me?


Intermediate Level

[Learn more in the ETF Learning 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


Search Tools



SEARCH BY STOCK

Looking for an ETF that includes specific stocks? Enter up to 5 stocks.


[View Matching ETFs](#)



COMPARE

See how ETFs stack up against each other. Enter up to 5 ETFs.

[Compare ETFs](#)



FIND SIMILAR

Search for similar ETFs by entering one you already have in mind.

[Find Similar ETFs](#)

Screenshots are for illustrative purposes only.

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.

Fidelity Brokerage Services LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917

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