Exchange Traded Funds

Fundamentals for Investors

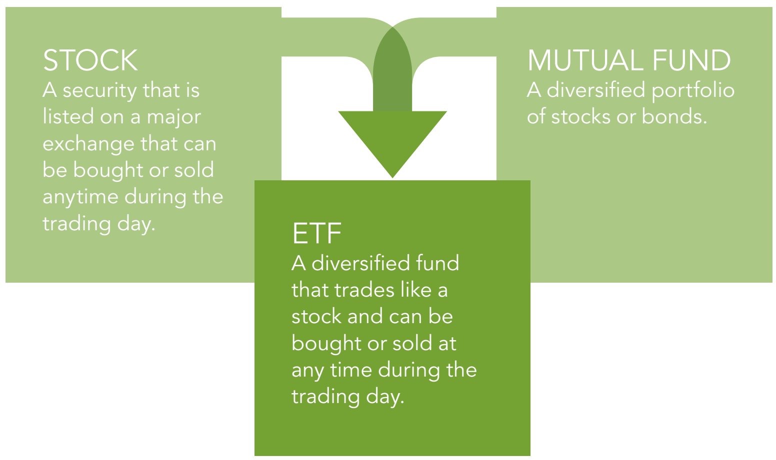
FIDELITY INSTITUTIONAL ASSET MANAGEMENT®

As investors have increasingly looked for lower-cost investments, exchange traded funds (ETFs) have grown rapidly in popularity and market share. Offering exposure to some of the most widely tracked indices, as well as a full range of asset classes, sectors, market capitalizations, and factor-based investing, these low-cost, tax-efficient vehicles can help you meet your investment goals.

What Is an Exchange Traded Fund?

An exchange traded fund or "ETF" is a basket of securities that you can buy or sell on an exchange.

ETFS SHARE CHARACTERISTICS OF BOTH STOCKS AND MUTUAL FUNDS



When they were introduced, ETFs were typically designed to track a particular index. Today ETFs are offered as active, passive, and smart beta strategies across a full spectrum of asset classes.

Actively Managed ETFs

Are built with the intent to outperform the market or an index. Fund managers use their own judgment, experience, and quantitative analysis to make investment decisions. Active managers usually use fundamental, quantitative, or technical research when deciding to buy or sell a security.

Smart Beta ETFs

Utilize alternative index construction based on the systematic analysis, selection, weighting, and rebalancing of securities. These funds are structured to target investment factors or market inefficiencies with a rule-based approach that focuses on enhanced returns, targeted outcomes, and risk management. In essence, smart beta strategies are active in design, but passive in implementation.

Passively Managed ETFs

Are designed to track a specific index, which can range from the broad, like the Barclays U.S. Aggregate Bond Index, to the narrow, like the MSCI® U.S. IMI Energy 25/50 Index. Passive mutual funds and ETFs usually employ a "buy and hold" strategy.

ETFs are subject to market fluctuation, the risks of their underlying investments, 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.

Why Should You Consider Investing in ETFs?

An ETF is a basket of securities that you can buy or sell on an exchange, and is used to gain exposure to virtually any market or industry sector in the world.

ETFs typically offer:

Diversification

ETFs, like mutual funds, are composed of a portfolio of stocks or bonds. Adding a diversified investment such as an ETF to your portfolio, versus investing in an individual stock or a bond, may help you to reach long-range financial goals while minimizing risk.

Lower cost

ETF costs are generally low. In particular, ETFs that track indices often have little turnover, so management and transaction fees tend to be among the lowest in the industry. These lower costs allow you to keep more of what you earn, which can help your investment grow over time.

Tax efficiency

Because of low portfolio turnover and the way in which ETFs are structured, they generally declare less in taxable capital gains than mutual funds. Since ETF investors buy and sell shares with other investors on an exchange, they often only realize capital gains when they sell their shares. Paying less in taxes allows you to keep more of your investment.

Transparency

The listing of stocks or bonds an ETF holds is posted daily, rather than monthly or quarterly like mutual funds. This added transparency allows you more insight into what you own, which can be important information to have when making financial decisions.

Trading flexibility

ETFs trade like stocks and employ a wide range of trading techniques that may allow you to execute investment strategies in response to market movements. These include selling an ETF "short" or purchasing an ETF with limit, market, or stop orders. Talk to your financial advisor about employing these methods in your portfolio to determine whether these different kinds of trading options fit with your investment strategy.

Diversification does not ensure a profit or guarantee against a loss.

Purchasing ETF Shares

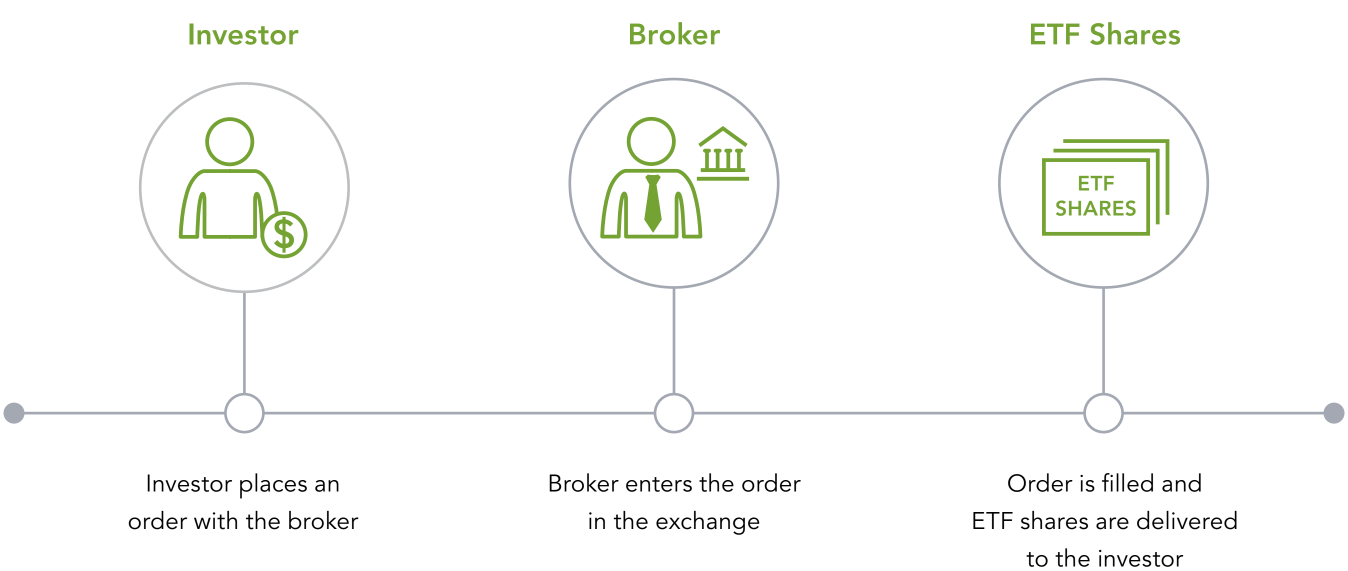
You can purchase an ETF through a brokerage house on a per-share basis. Similar to stocks, ETFs are bought and sold during the day when the major exchanges are open and are priced continuously during normal exchange hours.

- An ETF has a ticker symbol and its intraday price can be easily obtained throughout the trading day.
- ETFs have no investment minimums.*
- An ETF's number of outstanding shares can change daily because of the continuous creation of new shares and the redemption of existing shares.

Commissions:

Most ETFs charge a commission when they are bought or sold. If you make frequent trades, you may want to consider lower-cost alternatives, such as commission-free ETF trading programs or investing in a no-load mutual fund to avoid high brokerage commissions that could erode your investment.

Here's how they work:



* Account level minimums may apply.

Tap into a Growing Market with Fidelity ETFs

As one of the world's largest providers of financial services,[1] Fidelity offers a full lineup of sector ETFs, factor-based equity ETFs, and actively managed fixed income ETFs. Whether you are seeking to add core or targeted exposure, or to rebalance your portfolio to a strategic asset allocation, Fidelity ETFs can be a nimble and cost-effective vehicle with which to meet these investment goals.

Using Fidelity ETFs to achieve targeted goals

- Add diversification to your portfolio with a single trade
- Take advantage of the trading flexibility, liquidity, and lower costs of ETFs for portfolio repositioning in response to market developments
- Consider investing your assets in conventional investments using bond ETFs
- Add targeted exposure to a specific industry or factor
- Refine your portfolio by adjusting the allocation in accordance with changes in your risk tolerance and goals
- Seek tax efficiency

Your financial advisor can help you identify the best investments for your portfolio, based on your risk tolerance and investment goals.

Ask your advisor about investing in Fidelity ETFs today.

	Symbol	Expense Ratio (%)
ACTIVE FIXED INCOME		
Fidelity Corporate Bond ETF	FCOR	0.36%
Fidelity Limited Term Bond ETF	FLTB	0.36%
Fidelity Total Bond ETF	FBND	0.36%
FACTOR FIXED INCOME		
Fidelity High Yield Factor ETF	FDHY	0.45%
Fidelity Low Duration Bond Factor ETF	FLDR	0.15%
FACTOR EQUITY		
Domestic Equity		
Fidelity Dividend ETF for Rising Rates	FDRR	0.29%
Fidelity High Dividend ETF	FDVV	0.29%
Fidelity Low Volatility Factor ETF	FDLO	0.29%
Fidelity Momentum Factor ETF	FDMO	0.29%
Fidelity Quality Factor ETF	FQAL	0.29%
Fidelity Small-Mid Factor ETF	FSMD	0.29%
Fidelity Value Factor ETF	FVAL	0.29%
International Equity		
Fidelity International High Dividend ETF	FIDI	0.39%
Fidelity International Value Factor ETF	FIVA	0.39%
Fidelity Targeted Emerging Markets Factor ETF	FDEM	0.45%
Fidelity Targeted International Factor ETF	FDEV	0.39%

	Symbol	Expense Ratio (%)
PASSIVE EQUITY SECTORS		
Fidelity MSCI® Communication Services Index ETF*	FCOM	0.084%
Fidelity MSCI® Consumer Discretionary Index ETF	FDIS	0.084%
Fidelity MSCI® Consumer Staples Index ETF	FSTA	0.084%
Fidelity MSCI® Energy Index ETF	FENY	0.084%
Fidelity MSCI® Financials Index ETF	FNCL	0.084%
Fidelity MSCI® Health Care Index ETF	FHLC	0.084%
Fidelity MSCI® Industrials Index ETF	FIDU	0.084%
Fidelity MSCI® Information Technology Index ETF	FTEC	0.084%
Fidelity MSCI® Materials Index ETF	FMAT	0.084%
Fidelity MSCI® Real Estate Index ETF	FREL	0.084%
Fidelity MSCI® Utilities Index ETF	FUTY	0.084%
PASSIVE BROAD-BASED EQUITY		
Fidelity NASDAQ Composite Index® Tracking Stock	ONEQ	0.21%

Expense ratios are as of 2/28/19.

* Previously named MSCI Telecommunication Services Index ETF.

References to specific ETFs should not be construed as a recommendation or investment advice.

FIDELITY INSTITUTIONAL ASSET MANAGEMENT®

ORIGINAL INSIGHT / TAILORED ACCESS / DIVERSE INVESTMENT CAPABILITIES

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Investing involves risk, including risk of loss. Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk.

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 holding them until maturity to avoid losses caused by price volatility is not possible.

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Because of their narrow focus, sector funds tend to be more volatile than funds that diversify across many sectors and companies. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks all of which are magnified in emerging markets. Sector funds may have additional volatility because they can invest a significant portion of assets in securities of a small number of individual issuers. Each sector fund is also subject to the additional risks associated with its particular industry. For details about a particular ETF's risks, please see its prospectus. 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, a fund may underperform, potentially for extended periods of time, 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).

There can be no assurance that an active trade market will be maintained, and trading may be halted due to market conditions.

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.

1. Based on assets under administration of $6.8 trillion, including assets under management of $2.4 trillion, as of December 31, 2017.

Not NCUA or NCUSIF insured. May lose value. No credit union guarantee.

DEFINITIONS AND IMPORTANT INFORMATION

Barclays U.S. Aggregate Bond Index is a market value-weighted index of investment-grade fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of one year or more. A **limit order** instructs a brokerage to buy or sell securities for your account at or below a price that you set, but never above it. You may place limit orders either for the day on which they are entered (a day order), or for a period that ends when it is executed or when you cancel (an open order or good until canceled (GTC) order). A **market order** instructs a brokerage to buy or sell securities for your account at the next available price. It remains in effect only for the day, and usually results in the prompt purchase or sale of all the shares of stock, options contracts, or bonds in question, as long as the security is actively traded and market conditions permit. **MSCI U.S. IMI Energy 25/50 Index** is a modified market capitalization-weighted index of stocks designed to measure the performance of energy companies in the MSCI U.S. Investable Market 2500 Index. The MSCI U.S. Investable Market 2500 Index is the aggregation of the MSCI U.S. Large Cap 300, Mid Cap 450, and Small Cap 1750 Indices. **Short selling** is an advanced trading technique that allows you to integrate a number of different strategies into your overall investment approach so that you may potentially profit from downward moves in a particular stock. Investors with a margin agreement in place in their account may enter short sale and buy-to-cover orders for any U.S. stock on a brokerage firm's trading platform. All short sale orders are subject to the availability of the stock being sold, which must be confirmed by the brokerage firm's stock loan department prior to the order being entered. **Stop orders** are generally used to protect a profit or to prevent further loss if the price of a security moves against you. They can also be used to establish a position in a security if it reaches a certain price threshold or to close a short position. The specialists on the various exchanges and market makers have the right to refuse stop orders under certain market conditions. Not all securities or trading sessions (pre- and post-market) are eligible for stop orders. • It is not possible to invest directly in an index. All market indices are unmanaged. •

Before investing in any mutual fund or exchange traded product, consider its investment objectives, risks, charges, and expenses. Contact your investment professional or visit institutional.fidelity.com for a prospectus, or a summary prospectus if available, containing this information. Read it carefully.

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