

Fixed Income ETFs

Why Are Fixed Income ETFs Growing?

Lee Sterne, CFA

Vice President, ETF
Strategy

Angus Stewart, CFP®

Director, Investment
Product

Michael Hodapp

Fixed Income
Regional Brokerage
Consultant



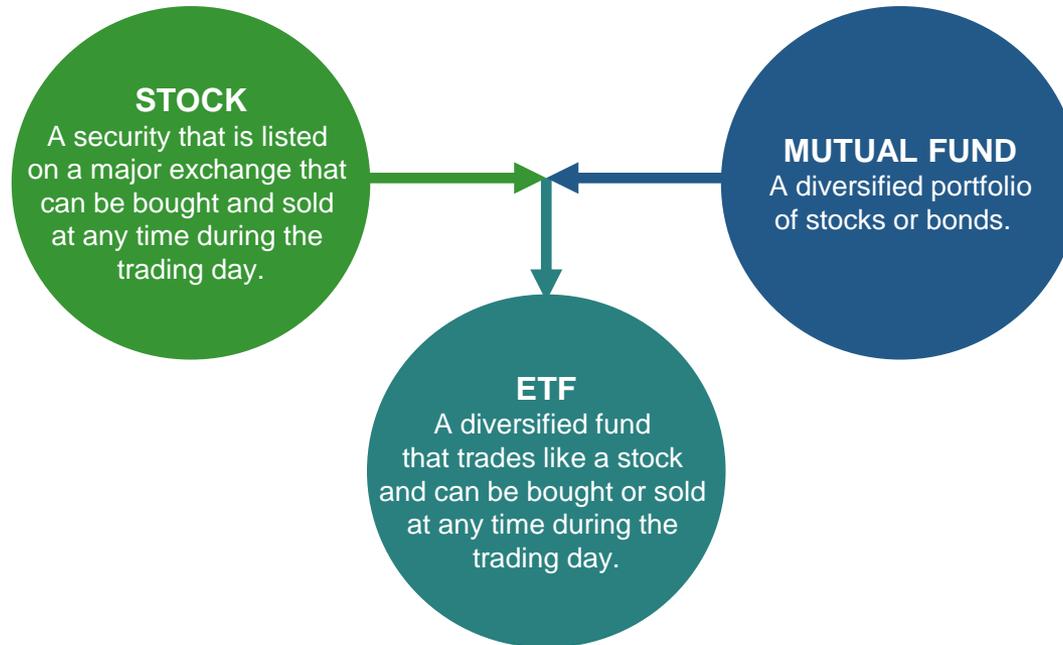


Fixed Income ETF Overview

What Is an Exchange Traded Fund (ETF)?

An “ETF”: A portfolio of securities that trades on an exchange

ETFs SHARE CHARACTERISTICS OF BOTH STOCKS AND MUTUAL FUNDS



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.

ETF Features Are Driving Popularity with Investors

ETFs offer:

DIVERSIFICATION

A way to build a portfolio that meets specific asset allocation goals

PRICING

Continuous pricing and trading throughout the day

TAX EFFICIENCY

Lower portfolio turnover and, for certain ETFs, the ability to do in-kind redemptions

LOWER COST

Potentially lower expense ratios

TRANSPARENCY

Typically disclose holdings daily

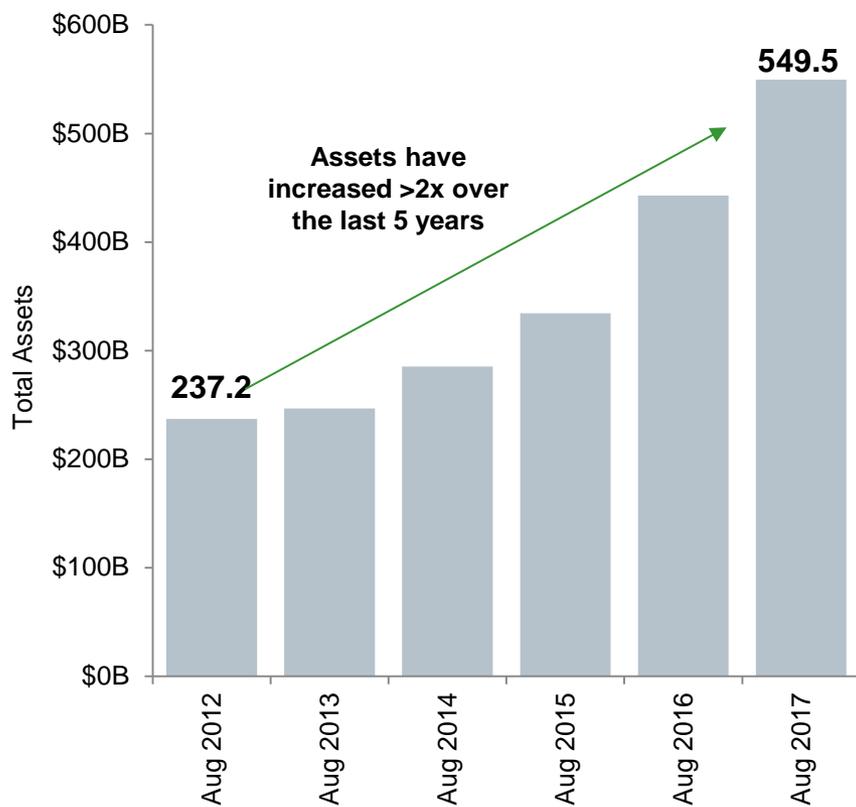


Fixed Income ETF Market

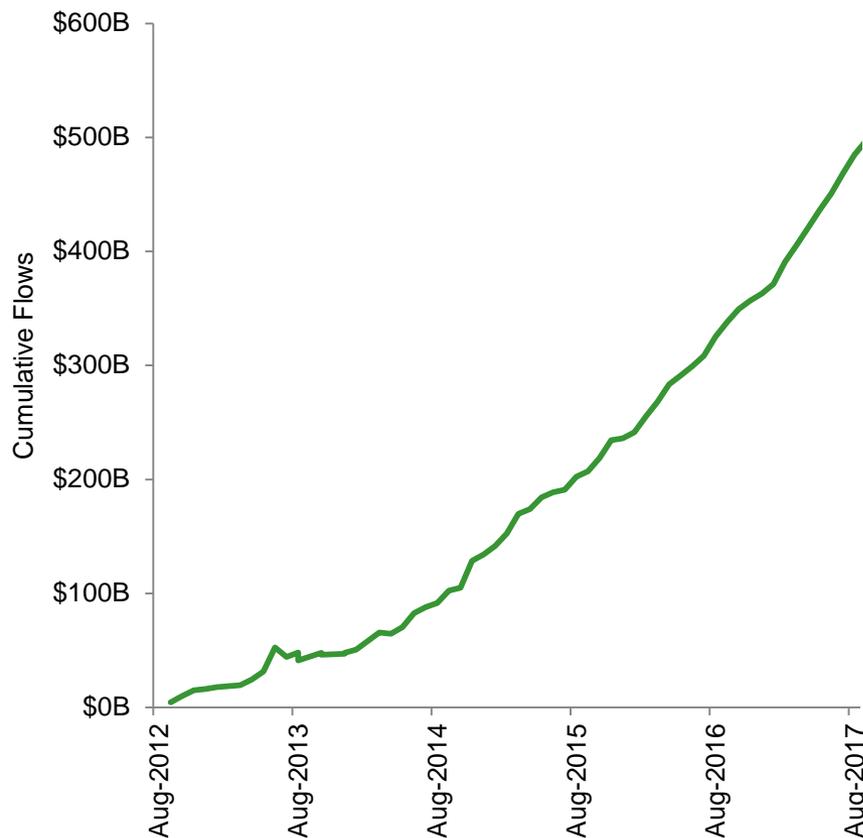
Fixed Income ETFs—A Growing Market

Fixed income ETF assets have more than doubled over the last 5 years, on the back of strong inflows

FIXED INCOME ETF ASSET TREND



FIXED INCOME ETF CUMULATIVE FLOWS



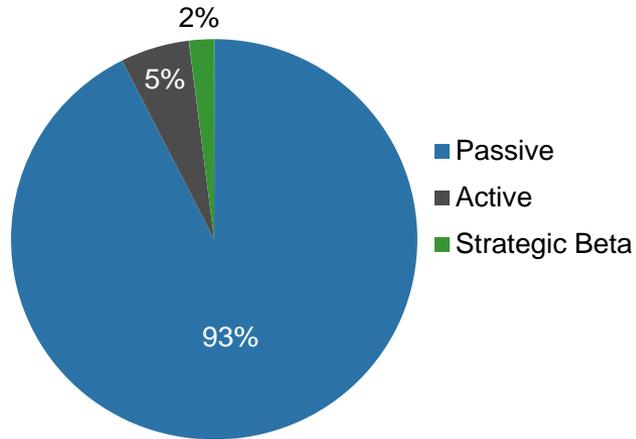
Includes all ETFs in Morningstar's U.S. Municipal and Taxable bond categories.

6 Source: Morningstar Direct as of 8/31/17.

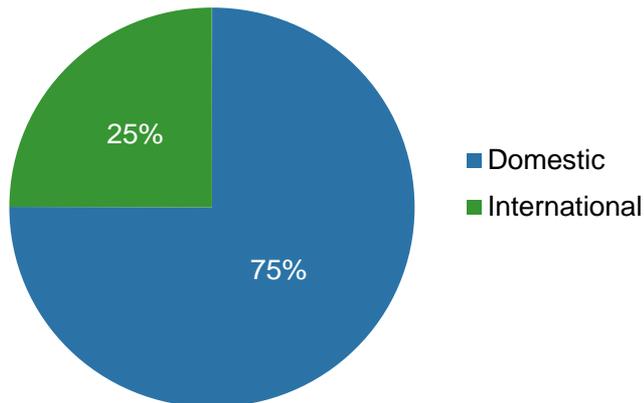
Broad Range of Fixed Income ETFs for Investors

Fixed income ETFs span several categories and investing approaches

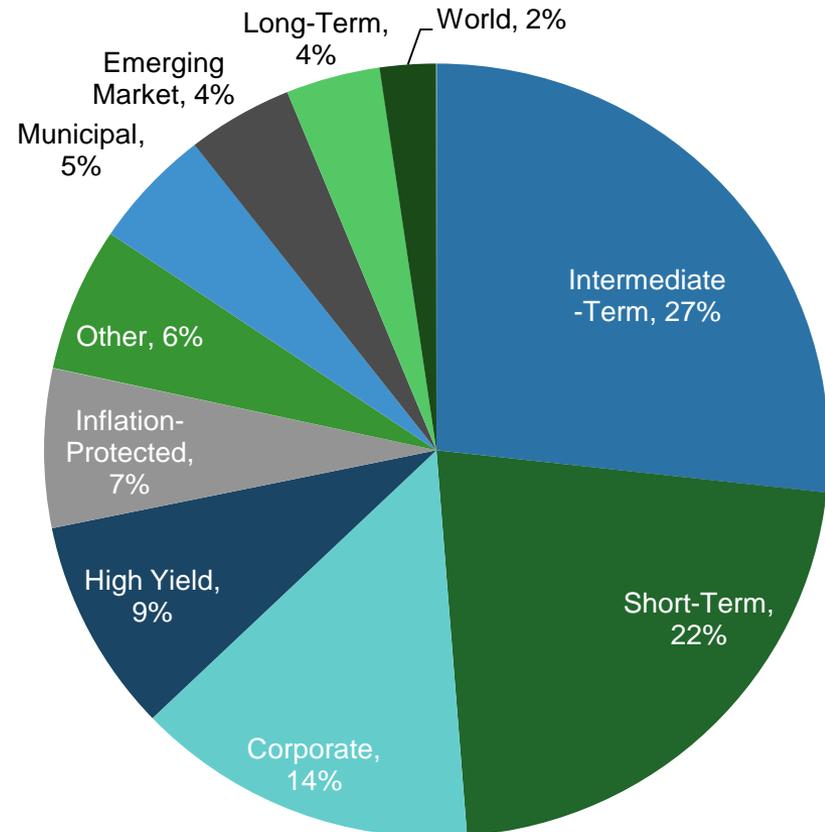
CHOICE OF INVESTMENT MANAGEMENT STRATEGY



FULL ACCESS TO THE GLOBAL BOND MARKET



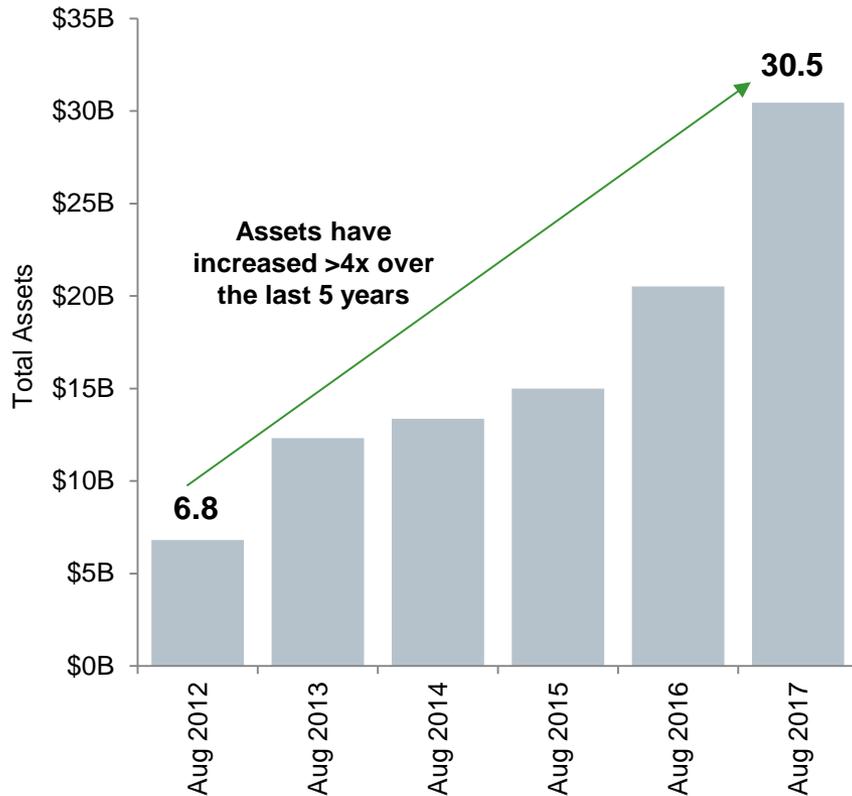
ABILITY TO TARGET EXPOSURE TO INVESTMENT GOALS



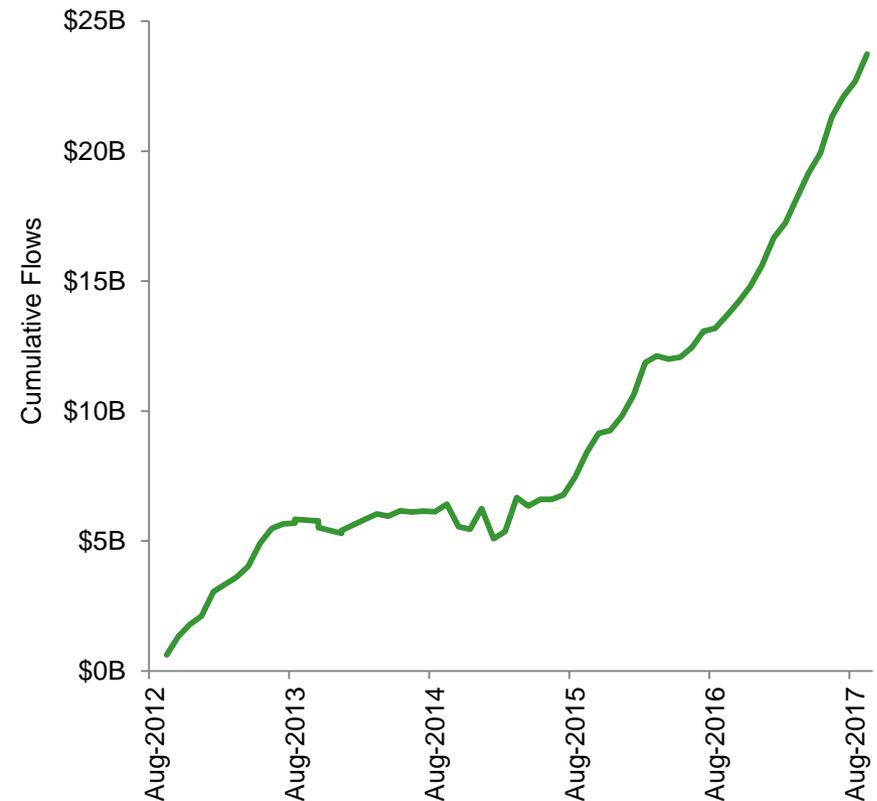
Growing Demand for Actively Managed Fixed Income ETFs

Fixed income active ETF assets have grown much faster than overall fixed income ETFs

ACTIVE FIXED INCOME ETF ASSET TREND



ACTIVE FIXED INCOME ETF CUMULATIVE FLOWS



Includes all ETFs in Morningstar's U.S. Municipal and Taxable bond categories.

8 Source: Morningstar Direct as of 8/31/17.



Seeking Income with Bond ETFs

Potential Role of Fixed Income in an Investor's Portfolio



Potential income generation



Potential principal protection and liquidity



Diversification of stock market risk



Immunization of specific future liabilities



Potential broad bond market total return (a blend of the previous factors)

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

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. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets.

Potential Role of Fixed Income in an Investor's Portfolio

Seeking income with bond ETFs:

**CASE 1:
Short-Duration
Bond ETFs**

**CASE 2:
Corporate
Bond ETFs**

**CASE 3:
Diversified Core
Bond ETFs**

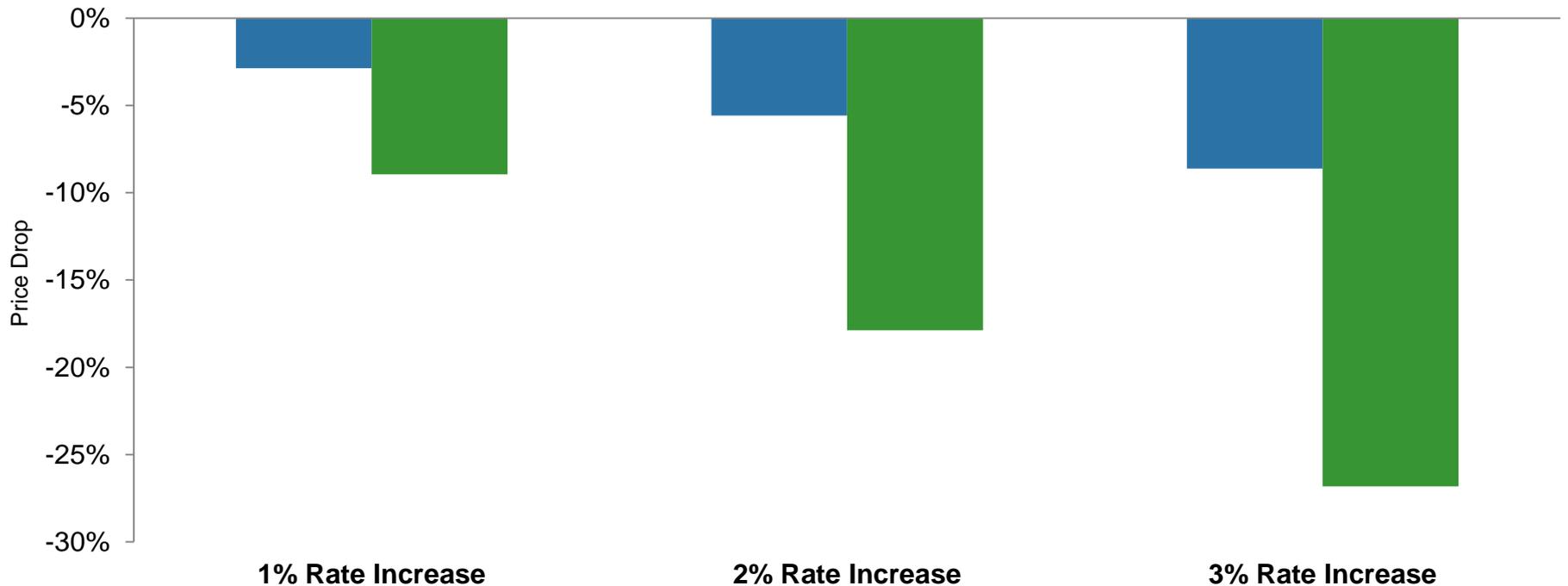
Seeking Income with Bond ETFs

Case 1: Exploring Short-Duration Bond ETFs

SHORT-DURATION BONDS GENERALLY HOLD VALUE BETTER AS INTEREST RATES RISE

Price declines in response to interest rate changes[^]

■ 3-Year Treasury Bond ■ 10-Year Treasury Bond



Past performance is no guarantee of future results.

Source: Fidelity Investments.

[^] This hypothetical example assumes a simultaneous level shift in interest rates across the bond yield curve. It is an approximation that ignores the impact of convexity, speed of rate changes, and other market/technical factors. Modified adjusted duration data sourced from Bloomberg on 9/11/17: 3-Year and 10-Year

12 Treasury Bond duration is 2.87 years and 8.94 years, respectively. Duration measures the percentage change in price with respect to a change in yield.

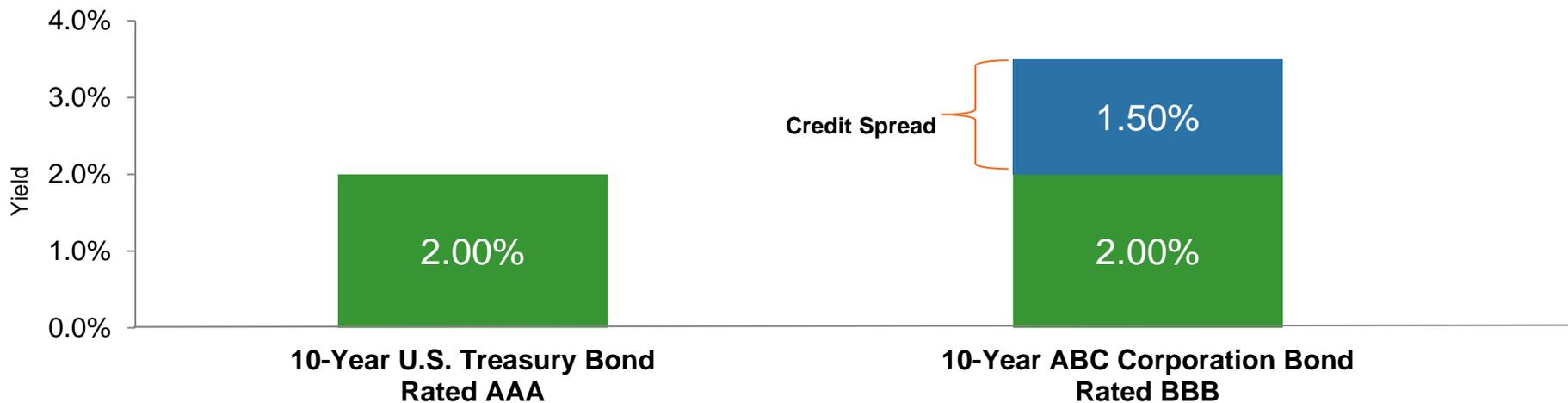


Seeking Income with Bond ETFs

Case 2: Exploring Corporate Bond ETFs

CORPORATE BONDS USUALLY PAY A HIGHER YIELD TO COMPENSATE FOR INCREASED RISK

Hypothetical example for illustrative purposes only



S&P RATING*	RATING STATUS	CREDIT RISK
AAA	Investment Grade	Low
AA		
A		
BBB		
BB	Below Investment Grade	High
B		
Below B		

For top chart: Yields and spreads are hypothetical and are subject to change. The illustration was based on yield-to-worst from 9/29/17 from Barclays Live, using Bloomberg Barclays (BBgBarc) U.S. 10–20 Year U.S. Treasury Index at 2.14% and BBgBarc U.S. Corporate Index Baa rated at 3.53. Yields were rounded up to simplify for the illustration. See Glossary slide for yield definition.

Standard & Poor's Ratings Services (S&P) is a nationally recognized credit rating agency that analyzes the creditworthiness of a company or security and indicates that credit quality by means of a grade or credit rating.

Seeking Income with Bond ETFs

Case 3: Exploring Diversified Core Bond ETFs

A DIVERSIFIED CORE BOND PORTFOLIO MAY PROVIDE A BETTER RISK/RETURN PROFILE

Hypothetical example for illustrative purposes only

TYPES OF BONDS	YIELD (Yield-to-Worst)	RISK (5-year standard deviation)	CORRELATION TO EQUITIES (5-year)
U.S. Government Bonds	1.87%	2.98	-0.22
U.S. Investment-Grade Corporate Bonds	3.12%	4.02	0.14
U.S. High-Yield Corporate Bonds	5.41%	5.25	0.66
Emerging-Market Bonds	4.61%	5.29	0.43
Diversified Core Bond Portfolio	2.83%	2.76	0.08

Source: Barclays Live and Morningstar, as of 7/31/17.

Yield shown is Yield-to-Worst; **Risk** is 5-year standard deviation; and **Correlation to Equities** is 5-year correlation to the S&P 500 Index. See Glossary slide for the definitions of each term.

Diversified Core Bond Portfolio is represented by the Bloomberg Barclays U.S. Universal Index. The Bloomberg Barclays U.S. Universal Index represents the union of the U.S. Aggregate Index, the U.S. High-Yield Corporate Index, the 144A Index, the Eurodollar Index, the Emerging Markets Index, and the non-ERISA portion of the CMBS Index. The types of bonds shown are represented by the Bloomberg Barclays U.S. Government Bond Index, Bloomberg Barclays U.S. Corporate Investment Grade Index, Bloomberg Barclays U.S. High Yield Corporate Index, and Bloomberg Barclays Emerging Markets USD Aggregate Index.

14 **Past performance is no guarantee of future results.** It is not possible to invest directly in an index. All market indices are unmanaged.





Fidelity Fixed Income ETFs

Strategies Covering the Duration Spectrum

Buy commission-free online

DURATION SPECTRUM

	Fidelity Limited Term Bond ETF	Fidelity Total Bond ETF	Fidelity Corporate Bond ETF
Ticker	FLTB	FBND	FCOR
Expense Ratio¹	0.45%	0.45%	0.45%
30-Day SEC Yield²	1.59%	2.07%	2.64%
Summary	A credit-oriented ETF serving clients with shorter investment horizons	A core fixed income ETF for clients seeking income and a measure of protection from stock market volatility	A credit-oriented ETF serving clients with longer investment horizons

Free commission offer applies to online purchases of Fidelity ETFs in a Fidelity brokerage account with a minimum opening balance of \$2,500. The sale of ETFs is subject to an activity assessment fee (of between \$0.01 to \$0.03 per \$1000 of principal). Fidelity ETFs are subject to a short-term trading fee by Fidelity, if held less than 30 days.

1. Expense Ratio is the fund's total annual fund operating expenses as available in each fund's prospectus and represents the expenses that you pay each year as a percentage of the value of your investment. Any applicable brokerage charges are not included in the expense ratio. 2. 30-Day SEC Yield as of 9/30/17. 30-Day SEC Yield is based on yield to maturity of a fund's investments and not on the dividends paid by the fund, which may differ.

Duration is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. It is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.

16 Please see next slide for standard performance.



Fidelity Fixed Income ETFs

Performance as of 9/30/17

Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than what was quoted. To learn more or to obtain the most recent month-end or other share-class performance, visit fidelity.com.

	AVERAGE ANNUAL TOTAL RETURN (%)			Expense Ratio
	1-Year	5-Year	Since Inception*	
Fidelity Corporate Bond ETF—NAV Return	2.17	NA	3.66	0.45
Fidelity Corporate Bond ETF—Market Return	1.75	NA	3.42	—
Bloomberg Barclays U.S. Credit Bond Index	1.96	3.23	3.62	—
Fidelity Limited Term Bond ETF—NAV Return	1.01	NA	1.90	0.45
Fidelity Limited Term Bond ETF—Market Return	0.86	NA	1.78	—
Bloomberg Barclays U.S. 1–5 Year Government/Credit Bond Index	0.51	1.20	1.45	—
Fidelity Total Bond ETF—NAV Return	1.42	NA	3.09	0.45
Fidelity Total Bond ETF—Market Return	1.06	NA	2.91	—
Bloomberg Barclays U.S. Aggregate Bond Index	0.07	2.06	2.55	—

* Fund inception date is 10/06/2014.

Note that market returns are calculated using the first day the fund was listed on an exchange, with that value backdated to the fund's inception date for life of fund returns.

Source: Fidelity Investments.

Total returns are historical and include changes in share price and reinvestment of dividends and capital gains, if any.

It is not possible to invest directly in an index. All market indices are unmanaged. See Glossary for index definitions.

Net Asset Value (NAV) Return represents the closing price of underlying securities at which the fund can create and redeem shares directly with the security.

Market Return represents the price at which an investor can buy and sell a security in the secondary market. Since ETFs are bought and sold at prices set by the market—which can result in a premium or discount to NAV—the returns calculated using market price (market return) can differ from those calculated using NAV (NAV return).

Expense Ratio is the fund's total annual fund operating expenses as available in each fund's prospectus and represents the expenses that you pay each year as a percentage of the value of your investment. Any applicable brokerage charges are not included in the expense ratio.





Next Steps to Consider

Resources on www.fidelity.com

Web Tools

Get access to our fixed income ETFs online with the research tools, ETF screener, and Learning Center content to help select the right ETF for your portfolio.

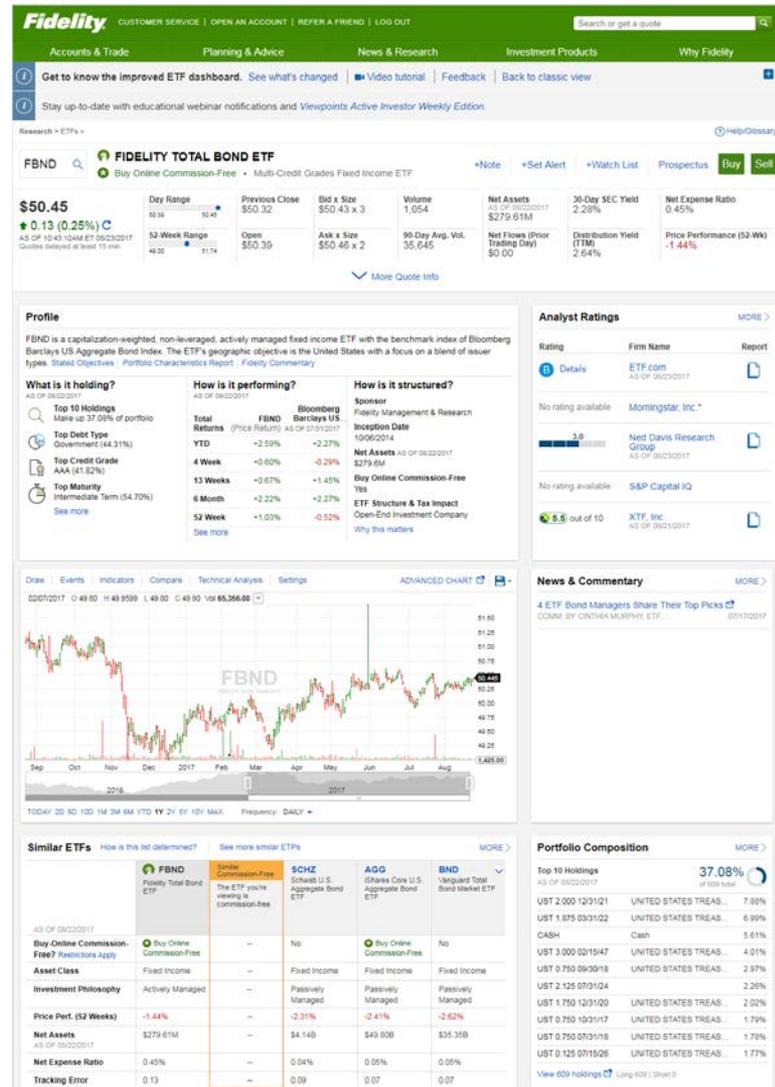
www.fidelity.com/activebondetfs

www.fidelity.com/ETFresearch

www.fidelity.com/ETFScreeener

www.fidelity.com/Learning-Center

www.fidelity.com/Viewpoints



Key Takeaways

ETFs Are Growing

There is growing investor demand for ETFs.

ETFs Offer Unique Advantages

ETFs offer investors trading flexibility, transparency, and liquidity.

ETFs for Investors Seeking Income

Some fixed income ETFs offer characteristics which may help increase the income derived from your portfolio.

A Winning Combination

Fidelity offers investors world-class investment management capabilities in their fixed income ETFs as well as the tools and resources to help you find what need.



Appendix

GLOSSARY

Term	Definition
30-Day SEC Yield	30-Day SEC Yield is based on yield to maturity of a fund's investments and not on the dividends paid by the fund, which may differ.
AAA	The highest possible rating assigned to the bonds of an issuer by credit rating agencies. An issuer that is rated AAA has an exceptional degree of creditworthiness and can easily meet its financial commitments. Ratings agencies such as Standard & Poor's and Fitch Ratings use the AAA nomenclature to indicate the highest credit quality, while Moody's uses Aaa.
BBB	An obligor has ADEQUATE capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.
Bloomberg Barclays Emerging Markets USD Aggregate Index	Tracks total returns for external-currency-denominated debt instruments of the emerging markets: Brady bonds, loans, Eurobonds, and U.S. dollar-denominated local market instruments. Countries covered are Argentina, Brazil, Bulgaria, Ecuador, Mexico, Morocco, Nigeria, Panama, Peru, the Philippines, Poland, Russia, and Venezuela.
Bloomberg Barclays U.S. 1–5 Year Government/Credit Bond Index	Bloomberg Barclays U.S. 1–5 Year Government/Credit Bond Index is a market value-weighted index of fixed-rate investment-grade debt securities with maturities from one to five years from the U.S. Treasury, U.S. government-related, and U.S. corporate indexes.
Bloomberg Barclays U.S. Aggregate Bond Index	Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based, market value-weighted benchmark that measures the performance of the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. Sectors in the index include Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS.
Bloomberg Barclays U.S. Corporate High Yield Bond Index	Bloomberg Barclays U.S. Corporate High Yield Bond Index is a market value-weighted index that covers the universe of dollar-denominated, fixed-rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets are excluded.
Bloomberg Barclays U.S. Corporate Investment Grade Index	Bloomberg Barclays U.S. Corporate Investment Grade Index is the corporate component of Bloomberg Barclays U.S. Credit Bond Index which is a market value-weighted index of investment-grade corporate fixed-rate debt issues with maturities of one year or more.
Bloomberg Barclays U.S. Credit Bond Index	Bloomberg Barclays U.S. Credit Bond Index is a market value-weighted index of investment-grade corporate fixed-rate debt issues with maturities of one year or more.
Bloomberg Barclays U.S. Government Bond Index	Bloomberg Barclays U.S. Government Bond Index is a market value-weighted index of U.S. government fixed-rate debt issues with maturities of one year or more.
Bloomberg Barclays U.S. Universal Index	Bloomberg Barclays U.S. Universal Bond Index represents the union of the Bloomberg Barclays U.S. Aggregate Bond Index, the Bloomberg Barclays U.S. Corporate High Yield Bond Index, the Bloomberg Barclays 144A Bond Index, the Bloomberg Barclays Eurodollar Bond Index, the Bloomberg Barclays Emerging Markets Aggregate USD Bond Index, and the non-ERISA portion of the Bloomberg Barclays U.S. CMBS Index. Municipal debt, private placements, and non-dollar-denominated issues are excluded from the index. The only constituent of the index that includes floating rate debt is the Bloomberg Barclays Emerging Markets Aggregate USD Bond Index.
Correlation	Correlation is a statistical measure of how two streams of returns move in relation to one another. A correlation of 1.0 implies that as one portfolio moves in price, the other will move in lockstep in the same direction. Stocks are represented by the S&P 500® Index. Negative 1.0 implies a perfectly inverse relationship—the portfolios move in exact opposite directions. The nearer the measure is to 0.0, the less strong the relationship is between the behavior of the two return streams.

GLOSSARY

Term	Definition
Duration	Durations is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. It is expressed as a number of years. Rising interest rates mean falling bond prices, while declining interest rates mean rising bond prices.
Gross Expense Ratio	The total annual class operating expense ratio from the most recent prospectus, generally based on amounts incurred during the most recent fiscal year.
S&P 500 Index	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.
Standard Deviation	<ol style="list-style-type: none">1. A measure of the dispersion of a set of data from its mean. The more spread apart the data, the higher the deviation. Standard deviation is calculated as the square root of variance.2. In finance, standard deviation is applied to the annual rate of return of an investment to measure the investment's volatility. Standard deviation is also known as historical volatility and is used by investors as a gauge for the amount of expected volatility.
Yield-to-Worst (YTW)	The lowest potential yield that can be received on a bond without the issuer actually defaulting; calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if any in-whole mandatory redemptive provisions are exercised by the issuer; partial redemptive provisions (such as sinking funds) are not included in yield to worst calculations; the yield to worst metric is used to evaluate the worst-case scenario for yield to help investors manage risks and ensure that specific income requirements will still be met even in the worst scenarios.

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, exchange traded fund (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. The fund generally expects to effect its creations and redemptions for cash rather than in-kind securities, and may recognize more capital gains and be less tax-efficient than if it were to redeem in-kind. As a result, investments may be less tax-efficient than those in ETFs that effect redemptions only in-kind. There can be no assurance that an active trade market will be maintained, and trading may be halted due to market conditions.

Concentration risk — The degree of diversification varies significantly from one ETP to another. Certain ETPs target a small universe of securities, such as a specific region or market sector. These ETPs are generally subject to greater market volatility, as well as to the specific risks associated with that sector, region, or other focus.

Correlation risk—Asset classes that have been historically uncorrelated could become positively correlated. This could produce unexpected results for investors and might lead to a decrease in the overall level of diversification in an investor's portfolio.

Derivatives risk—Certain ETPs use derivatives to track an underlying index or other benchmark, such as a particular commodity or currency. The prices of derivatives' contracts are inherently volatile, and even small price movements might result in large losses to the ETP.

Foreign investment risk—Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. All these risks are magnified in emerging markets.

Liquidity risk—The liquidity of an ETP is not only a function of the trading of the ETP itself, but is also directly linked to the liquidity of its underlying securities. Therefore, the degree of liquidity can vary significantly from one ETP to another. An investor's losses might be exacerbated if no liquid market exists for the ETP's shares at the time the investor wishes to sell them.

Market risk—ETPs are subject to market volatility and the risks of their underlying securities, which might include the risks associated with investing in smaller companies, foreign securities, commodities, and fixed income investments. Yield and investment return vary; therefore, an investor's shares, when redeemed or sold, might be worth more or less than their original cost. Diversification and asset allocation might not protect against market risk.

Pricing risk—There will generally be a difference between the price at which investors are willing to buy (the bid price) and sell (the ask price) an ETP's shares. This difference is commonly referred to as the bid-ask spread. Additionally, an ETP might trade at a market price that is higher (a premium) or lower (a discount) in relation to its net asset value (NAV). The ETP's premium or discount and its bid-ask spread may be the result of factors such as supply and demand in the market, the lack of liquidity for the ETP of some of its underlying securities, the bid and ask spreads of the ETP's underlying securities, and other factors. For exchange-traded notes, the discount or premium is relative to their indicative value. Bid-ask spreads can reduce an investor's returns over time. Additionally, there can be no guarantee that any premium (or discount) relative to NAV will persist.

Secondary-market risk—Secondary-market trading in ETP shares might be halted by a stock exchange because of market conditions, extreme market volatility, or other reasons. Further, investors have no assurance that the ETP will continue to meet the requirements necessary to maintain the listing or trading of its shares, or that these requirements will remain unchanged.

Tracking error risk—The return of an index-based ETP is usually different from that of the index it tracks. The difference can be small or large and might result from the cost of managing and operating the ETP, the timing of the ETP's trades, the ETP's holding a smaller basket of securities than the complete set of securities held by the index, or the ETP's holding securities in a different proportion from the index.

IMPORTANT INFORMATION

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 risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. Unlike individual bonds, most bond funds do not have a maturity date, so avoiding losses caused by price volatility by holding them until maturity is not possible. Lower-quality bonds can be more volatile and have greater risk of default than higher-quality bonds. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets. Leverage can increase market exposure and magnify investment risk.

The index performance includes the reinvestment of dividends and interest income. It is not possible to invest directly in an index. All market indices are unmanaged. Index performance is not meant to represent that of any Fidelity mutual fund. Securities indices are not subject to fees and expenses typically associated with managed accounts or investment funds.

© 2017 Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its affiliates; (2) may not be copied or distributed; (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Morningstar is a registered trademark of Morningstar, Inc., and is not affiliated with Fidelity Investments.

Past performance is no guarantee of future results.

Third-party trademarks and service marks are the property of their respective owners. All other trademarks and service marks are the property of FMR LLC or an affiliated company.

Before investing in any mutual fund or exchange traded product, please carefully consider the investment objectives, risks, charges, and expenses. For this and other information, contact Fidelity for a free prospectus or, if available, a summary prospectus. Read it carefully before you invest.

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

819511.1.0