



September 25, 2020

Q&A RE: BENCHMARK CHANGES
FIDELITY SECTOR ETFs

Q1: I understand Fidelity is changing the benchmarks of several Fidelity sector ETFs. What can you tell me?

A: That’s correct. Fidelity is changing the benchmarks for ten passive sector ETFs from their current MSCI sector indices to capped versions of the same indices on December 1, 2020.

The new benchmarks will better align with each fund’s diversification policy.

The changes and benchmark definitions are below:

| | Primary Benchmark (Current) | Primary Benchmark (New) | Supplemental Benchmark (no change) |
|---|---|---|---|
| Fidelity MSCI Consumer Discretionary Index ETF | MSCI USA IMI Consumer Discretionary Index | MSCI USA IMI Consumer Discretionary 25/50 Index | S&P 500 |
| Fidelity MSCI Consumer Staples Index ETF | MSCI USA IMI Consumer Staples Index | MSCI USA IMI Consumer Staples 25/50 Index | S&P 500 |
| Fidelity MSCI Energy Index ETF | MSCI USA IMI Energy Index | MSCI USA IMI Energy 25/50 Index | S&P 500 |
| Fidelity MSCI Financials Index ETF | MSCI USA IMI Financials Index | MSCI USA IMI Financials 25/50 Index | S&P 500 |
| Fidelity MSCI Health Care Index ETF | MSCI USA IMI Health Care Index | MSCI USA IMI Health Care 25/50 Index | S&P 500 |
| Fidelity MSCI Industrials Index ETF* | MSCI USA IMI Industrials Index | MSCI USA IMI Industrials 25/25 Index | S&P 500 |
| Fidelity MSCI Information Technology Index ETF | MSCI USA IMI Information Technology Index | MSCI USA IMI Information Technology 25/50 Index | S&P 500 |
| Fidelity MSCI Materials Index ETF | MSCI USA IMI Materials Index | MSCI USA IMI Materials 25/50 Index | S&P 500 |

| | | | |
|--|--------------------------------|--------------------------------------|---------|
| Fidelity MSCI Utilities Index ETF | MSCI USA IMI Utilities Index | MSCI USA IMI Utilities 25/50 Index | S&P 500 |
| Fidelity MSCI Real Estate ETF* | MSCI USA IMI Real Estate Index | MSCI USA IMI Real Estate 25/25 Index | S&P 500 |

*Diversified

MSCI USA IMI Consumer Discretionary 25/50 Index represents the performance of the consumer discretionary sector in the U.S. equity market.

MSCI USA IMI Consumer Staples 25/50 Index represents the performance of the consumer staples sector in the U.S. equity market.

MSCI USA IMI Energy 25/50 Index represents the performance of the energy sector in the U.S. equity market.

MSCI USA IMI Financials 25/50 Index represents the performance of the financial sector in the U.S. equity market.

MSCI USA IMI Health Care 25/50 Index represents the performance of the health care sector in the U.S. equity market.

MSCI USA IMI Industrials 25/25 Index represents the performance of the industrial sector in the U.S. equity market.

MSCI USA IMI Information Technology 25/50 Index represents the performance of the information technology sector in the U.S. equity market.

MSCI USA IMI Materials 25/50 Index represents the performance of the materials sector in the U.S. equity market.

MSCI USA IMI Utilities 25/50 Index represents the performance of the utilities sector in the U.S. equity market.

MSCI USA IMI Real Estate 25/25 Index represents the performance of the real estate sector in the U.S. equity market.

Q2: How do the different versions of the MSCI benchmark differ?

A: The indices include the same constituents; the only difference is the capping methodology. The 25/50 and 25/25 refer to the concentration capping that MSCI applies to the indexes at each quarterly rebalance.

Eight funds are non-diversified, meaning that the aggregate of all security positions representing more than 5% of the fund's assets may not exceed 50%. These funds will use the applicable 25/50 index capping.

Two funds by contrast are diversified, meaning the aggregate of security positions greater than 5% may not exceed 25%. These funds will use the applicable 25/25 index capping.

Q3: Why are you making these changes?

A: The new capped index methodology will better align with each fund’s diversification policy.

In recent years, higher valuations for several large cap companies have caused more indexes to become concentrated. Capping the indices will prevent them from becoming overly concentrated due to market movements, making it easier to manage the funds against the indices given the funds’ diversification requirements. This should also reduce the need for trading outside of standard index rebalancing events.

Q4: How do the current benchmarks compare to the new benchmarks?

| | <u>Current Benchmark</u> MSCI USA IMI Consumer Discretionary Index | | <u>New Benchmark</u> MSCI USA IMI Consumer Discretionary 25/50 Index | |
|--|---|------|---|------|
| Top 10 Holdings/ Constituents (%) | Amazon.com, Inc. | 34.9 | Amazon.com, Inc. | 24.2 |
| | Home Depot, Inc. | 7.6 | Home Depot, Inc. | 7.8 |
| | TESLA, Inc, | 5.5 | TESLA, Inc, | 5.6 |
| | McDonalds Corp. | 3.8 | McDonalds Corp. | 4.0 |
| | Nike, Inc. CL B | 3.1 | Nike, Inc. CL B | 3.3 |
| | Lowes Cos, Inc. | 3.0 | Lowes Cos, Inc. | 3.1 |
| | Starbucks Corp. | 2.3 | Starbucks Corp. | 2.5 |
| | The Booking Holdings, Inc. | 1.8 | The Booking Holdings, Inc. | 1.9 |
| | Target corp. | 1.7 | Target corp. | 1.7 |
| | TJX Companies, Inc. New | 1.6 | TJX Companies, Inc. New | 1.7 |
| Top 10 as % of Total | 65.3% | | 55.8% | |
| % in >5% Issuers | 48.0% | | 37.6% | |
| # Holdings/ Constituents | 255 | | 255 | |
| Industry Weights (GICS,%) | Internet & Direct Marketing Retail | 40.9 | Internet & Direct Marketing Retail | 40.9 |
| | Specialty Retail | 19.7 | Specialty Retail | 19.7 |
| | Hotels, Restaurants and Leisure | 13.0 | Hotels, Restaurants and Leisure | 13.0 |
| | Automobiles | 7.3 | Automobiles | 7.3 |
| | Textiles, Apparel and Luxury Goods | 5.9 | Textiles, Apparel and Luxury Goods | 5.9 |
| | Household Durables | 4.1 | Household Durables | 4.1 |
| | Multiline Retail | 3.9 | Multiline Retail | 3.9 |
| | Auto Components | 1.9 | Auto Components | 1.9 |
| | Diversified Consumer Services | 1.4 | Diversified Consumer Services | 1.4 |
| | Leisure Products | 1.0 | Leisure Products | 1.0 |
| | Distributors | 0.9 | Distributors | 0.9 |

| | Current Benchmark MSCI USA IMI Consumer Staples Index | | New Benchmark MSCI USA IMI Consumer Staples 25/50 Index | |
|--|--|------|--|------|
| Top 10 Holdings/ Constituents (%) | Proctor & Gamble Co. | 15.7 | Proctor & Gamble Co. | 15.6 |
| | Coca Cola Co. | 9.3 | Coca Cola Co. | 9.1 |
| | Pepsico, Inc. | 9.3 | Pepsico, Inc. | 9.1 |
| | Walmart, Inc. | 8.9 | Walmart, Inc. | 8.6 |
| | Costco Wholesale Corp. | 7.0 | Costco Wholesale Corp. | 4.5 |
| | Philip Morris Int'l, Inc. | 5.8 | Philip Morris Int'l, Inc. | 4.4 |
| | Mondelez International, Inc. | 3.9 | Mondelez International, Inc. | 4.0 |
| | Altria Group, Inc. | 3.7 | Altria Group, Inc. | 3.5 |
| | Colgate-Palmolive Co. | 3.0 | Colgate-Palmolive Co. | 3.2 |
| | Kimberly Clark Corp. | 2.5 | Kimberly Clark Corp. | 2.7 |
| Top 10 as % of Total | 69.1% | | 64.7% | |
| % in >5% Issuers | 56.0% | | 42.4% | |
| # Holdings/ Constituents | 92 | | 92 | |
| Industry Weights (GICS,%) | Household Products | 24.3 | Household Products | 25.1 |
| | Beverages | 23.9 | Beverages | 23.6 |
| | Food and Staples Retailing | 21.5 | Food and Staples Retailing | 19.9 |
| | Food Products | 17.8 | Food Products | 19.8 |
| | Tobacco | 9.6 | Tobacco | 8.2 |
| | Personal Products | 2.9 | Personal Products | 3.5 |

| | Current Benchmark MSCI USA IMI Energy Index | | New Benchmark MSCI USA IMI Energy 25/50 Index | |
|--|--|------|--|------|
| Top 10 Holdings/ Constituents (%) | Exxon Mobil Corp. | 23.2 | Exxon Mobil Corp. | 21.9 |
| | Chevron Corp. | 20.5 | Chevron Corp. | 20.5 |
| | Conocophillips | 5.3 | Conocophillips | 4.2 |
| | Kinder Morgan, Inc. | 3.7 | Kinder Morgan, Inc. | 3.8 |
| | EOG Resources, Inc. | 3.5 | Phillips 66 | 3.6 |
| | Phillips 66 | 3.5 | EOG Resources, Inc. | 3.6 |
| | Schlumberger Ltd. | 3.3 | Schlumberger Ltd. | 3.3 |
| | Marathon Petroleum Corp. | 3.2 | Marathon Petroleum Corp. | 3.3 |
| | Williams Companies, Inc. | 3.0 | Williams Companies, Inc. | 3.0 |
| | Valero Energy Corp. | 3.0 | Valero Energy Corp. | 3.0 |
| Top 10 as % of Total | 72.2% | | 70.2% | |
| % in >5% Issuers | 49.0% | | 42.7% | |
| # Holdings/ Constituents | 89 | | 89 | |
| Industry Weights (GICS,%) | Oil, Gas and Consumable Fuels | 90.9 | Oil, Gas and Consumable Fuels | 90.3 |
| | Energy Equipment and Services | 9.1 | Energy Equipment and Services | 9.7 |

| | <u>Current Benchmark</u> MSCI USA IMI Real Estate Index | <u>New Benchmark</u> MSCI USA IMI Real Estate 25/25 Index |
|--|---|--|
| Top 10 Holdings/ Constituents (%) | American Tower Corp. 10.2 Prologic, Inc. REIT 6.9 Crown Castle Int'l. Corp. 6.1 Equinix, Inc. 5.9 Digital Realty Trust, Inc. 3.7 SBA Communications Corp. 3.1 Public Storage 2.8 Welltower, Inc. 1.9 Alexandria Real ES EQ, Inc. REIT 1.9 Avalonbay Cmnty, Inc. REIT 1.9 | American Tower Corp. 9.9 Prologic, Inc. REIT 6.5 Crown Castle Int'l. Corp. 5.8 Equinix, Inc. 4.8 Digital Realty Trust, Inc. 3.7 SBA Communications Corp. 3.1 Public Storage 2.8 Welltower, Inc. 2.0 Alexandria Real ES EQ, Inc. REIT 1.9 Avalonbay Cmnty, Inc. REIT 1.9 |
| Top 10 as % of Total | 44.4% | 42.4% |
| % in >5% Issuers | 29.1% | 22.2% |
| # Holdings/ Constituents | 168 | 168 |
| Industry Weights (GICS,%) | Equity Real Estate Investment Trusts (REITs) 97.0 Real Estate Management & Development 3.0 | Equity Real Estate Investment Trusts (REITs) 96.7 Real Estate Management & Development 3.3 |

Source: FMR, FactSet; as of July 31, 2020

For the remaining funds and benchmarks affected by the change, the new capped indices are virtually identical to the existing, uncapped indices.

Q5: Will the MSCI benchmark change the investment strategies and investment focus of these funds?

A: No, the new benchmarks are capped versions of the same MSCI sector indices that will better align with each fund's diversification policy. Fidelity believes the new benchmark appropriately represents each funds' investment universe and will continue to provide shareholders with meaningful performance comparisons. The investment objective and name test policy of each fund will be amended to reflect the new index.

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Before investing, consider the funds' investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus or, if available, a summary prospectus containing this information. Read it carefully.

Past performance is no guarantee of future results.

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. 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). The degree of liquidity can vary significantly from one ETP to another and losses may be magnified if no liquid market exists for the ETP's shares when attempting to sell them. Each ETP has a unique risk profile, detailed in its prospectus, offering circular, or similar material, which should be considered carefully when making investment decisions.

Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors and companies.

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