FIXED INCOME WEBINAR

BROKERED CDS, AND CD LADDERS

Richard Carter, VP, Fixed Income Products
Dan Fiandaca, VP, Fidelity Capital Markets
Agenda

Current Interest Rate Context

Brokered CDs

Using Model CD Ladders - Demo

Summary and Next Steps
Current Interest Rate Context
After a steady rise, the Treasury yield curve inverted in the summer of 2019, then moved sharply lower in March 2020.

Despite the downward shift in yields, US Treasuries continue to remain attractive relative to other sovereign debt.

Foreign Sovereign Yields March 31, 2020

Brokered CDs have consistently provided yield pickup compared to Treasuries in different rate environments.

 Brokered CD and US Treasury Comparison

End of December 2018
Flat US Treasury Curve

End of June 2019
Inverted US Treasury Curve

End of March 2020
Relatively Steep US Treasury Curve

Past performance is no guarantee of future results.

CD rates used are the best rates available for call protected CDs available on Fidelity.com on 1/03/19, 6/28/19, and 4/02/20.
What are brokered CDs and who issues them?

- An FDIC-insured deposit
- Eligible for same FDIC insurance coverage as a bank CD
- Like a security, held in a brokerage account and can be traded
- New issues are issued at $1,000 minimums and increments
- No charge if purchased as a new issue and held until maturity
- Fidelity aggregates brokered CDs that compete for deposits
Current dynamics of brokered CD market

- Issuers are competing for deposits as money center, credit card banks, large / midsize regional banks and local community banks continue to find value in sourcing liquidity from the brokered CD market.
  - Brokered CDs continue to be a useful tool to help support bank balance sheets and asset-liability management, even during periods of uncertainty.
  - Issuers continue to find value in the cost of brokered CDs versus funding alternatives.
  - Competition for organic bank deposits has persisted

- Increased bank participation in brokered CD product – 22% increase in number of unique issuers on the Fidelity platform in 2019 (717 issuers) compared to 2015 (590 issuers)

- Added steepness in the intermediate CD yield curve has brought investor focus to tenors 2yrs and in. However, CD yields have continued to hold at historic spreads above US Treasuries further out the curve as well.
Access an active Secondary CD Market on Fidelity.com

For the purposes of FDIC insurance coverage limits, all depository assets of the account holder at the institution issuing the CD will generally be counted toward the aggregate limit (usually $250,000) for each applicable category of account. FDIC insurance does not cover market losses. All the new-issue brokered CDs Fidelity offers are FDIC insured. In some cases, CDs may be purchased on the secondary market at a price that reflects a premium to their principal value. This premium is ineligible for FDIC insurance. For details on FDIC insurance limits, visit FDIC.gov.
Using CDs strategically in a portfolio

- Acknowledging the value of cash:
  - Cash represents flexibility. It is liquid and a diversifier in the face of volatility in risk assets

- But cash also comes with a cost:
  - Negative “real returns” due to the low yields currently available

- Short-term CDs can offer higher yields by sacrificing liquidity:
  - Longer maturities generally offer higher rates
  - Use CD maturities to match the timing of your intermediate goals

Diversification does not ensure a profit or guarantee against loss.
Using Model CD Ladders - Demo
Introducing Fidelity’s Model CD Ladders

Available on Fidelity.com: Research > Fixed Income, Bonds & CDs

CD Ladders
Model CD Ladders provide an easy way to invest in multiple Certificates of Deposit (CDs) at a time, blending longer-term CDs with shorter-term CDs. By selecting one of the three models shown below, you can easily filter our new issue CD inventory using a set of objective screening criteria to model your own CD Ladder.

Screenshots are for illustrative purposes
Introducing Fidelity’s Model CD Ladders

- Fidelity presents three Model CD Ladders: 1-Year, 2-Year, and 5-Year
- The rates shown are drawn from Fidelity’s new issue CD offerings
- Model CD Ladders are a “Buy & Hold” concept, not a trading strategy

Screenshots are for illustrative purposes
Start by deciding which CD Ladder you’d like to build

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Learn more about how Model CD Ladders work and the screening methodology deployed.

1-Year Ladder (4 CDs)
- 0.90 1.00 1.00 1.15
- Ladder APY: 1.01

2-Year Ladder (4 CDs)
- 1.00 1.15 -- 1.15
- Ladder APY: 1.10

5-Year Ladder (5 CDs)
- 1.15 1.15 1.35 1.25 1.60
- Ladder APY: 1.30

Build 1-Year Ladder
Build 2-Year Ladder
Build 5-Year Ladder

Screenshots are for illustrative purposes
An Easy 3-Step Process

1) Choose the Account and Amount

First, choose an account
Your CD Ladder purchase will be made within the account you select.

- Brokerage (...
- Brokerage (...
- Brokerage (...
- Brokerage (...

How much would you like to invest?
Tell us the total amount you would like to invest in your ladder.

Account
INDIVIDUAL (...
Choose another account

Amount $100,000

$4,000 minimum with $4,000 increments (i.e. $8,000, $12,000, $16,000). Learn more

Cancel
Continue

Screenshots are for illustrative purposes
Step 2: Either let maturing principal be returned …

- As CDs mature they pay the principal back into the core cash account
- Move mouse over each option to see relevant illustration
Step 2: … or elect Auto Roll to automatically reinvest

- As CDs mature the principal is used to buy a new CD at the end of the ladder
- Enroll in the Auto Roll Service and set up Auto Roll Alerts
Step 3: Preview Results *(Note: Auto Roll Indicator)*

- Results select the highest-yielding CDs*
- Review results in table or cash flow view
- Edit quantities or change a CD issuer for alternatives
- Help available from Fixed Income Specialists: 800-544-5372

* Subject to availability and according to the screening methodology logic outlined in the Understanding Model CD Ladders education page.

Screenshots are for illustrative purposes
Fine-tuning your CD Ladder

- To choose a different CD, click “View Other Available Bonds”
- Then select the CD you wish to purchase and click “Replace”
Dashboard: Manage your Auto Roll setting

- Find your CD Ladder from the Purchased Ladders dashboard
- Toggle check-box to indicate Auto Roll feature On or Off

Screenshots are for illustrative purposes
Auto Roll Alerts

- A helpful set of alerts to remind you of Auto Roll is active
- Provides option to cancel at any time before order is placed
Summary and Next Steps
Summary – It’s time to look at CD Ladders

1. Brokered CDs that Fidelity offers are FDIC-insured and provide the potential to invest across multiple different issuers.

2. Investors should always balance the pros / cons of liquid instruments such as cash compared to less-liquid options, such as our laddered CD strategies to weigh the trade-offs.

3. Fidelity’s Model CD Ladders are a simple and easy way to help you build a ladder strategy with varying maturity dates.

4. The Auto Roll feature allows you to choose to have the principal from maturing rungs automatically reinvested in another CD whose term to maturity is equal to the length of the ladder.
Next Steps – Supporting your knowledge and actions

Online
Visit: Fidelity.com > Investment Products > Fixed Income, Bonds & CDs
  ▶ CD Ladders Education Page
Visit: Fidelity.com > Research > Fixed Income, Bonds & CDs
  ▶ Carousel P.1 – CD Ladders Video

Contact Us
Visit: Fidelity.com > Research > Fixed Income, Bonds & CDs
  ▶ “Service & Solutions” tab
  ▶ Live help on finding bonds and navigating the fixed income pages
  ▶ Complimentary Fixed Income Analysis on bond holdings held here or outside
  ▶ Call: 1-800-544-5372

Screenshots are for illustrative purposes
Thank You!

Important information

Minimum markup or markdown of $19.95 applies if traded with a Fidelity representative. For U.S. Treasury purchases traded with a Fidelity representative, a flat charge of $19.95 per trade applies. A $250 maximum applies to all trades, reduced to a $50 maximum for bonds maturing in one year or less. Rates are for U.S. dollar-denominated bonds; additional fees and minimums apply for non-dollar bond trades. Other conditions may apply; see Fidelity.com/commissions for details. Please note that markups and markdowns may affect the total cost of the transaction and the total, or “effective,” yield of your investment. The offering broker, which may be our affiliate, National Financial Services LLC, may separately mark up or mark down the price of the security and may realize a trading profit or loss on the transaction.

Any screenshots, charts, or company trading symbols mentioned, are provided for illustrative purposes only and should not be considered an offer to sell, a solicitation of an offer to buy, or a recommendation for the security.

Views expressed are as of the date indicated, based on the information available at that time, and may change based on market or other conditions. Unless otherwise noted, the opinions provided are those of the speakers and not necessarily those of Fidelity Investments or its affiliates. Fidelity does not assume any duty to update any of the information.

Past performance is no guarantee of future results.

Displayed rates of return, including annual percentage yield (APY), represent stated APY for either individual certificates of deposit (CDs) or multiple CDs within model CD ladders, and were identified from Fidelity inventory as of the time stated. For current inventory, including available CDs, please view the CDs & Ladders tab.

Brokered CDs sold or redeemed prior to maturity may be subject to loss. Your ability to sell a CD on the secondary market is subject to market conditions. The secondary market for CDs may be limited. If your CD has a step rate, the interest rate of your CD may be higher or lower than prevailing market rates. The initial rate on a step rate CD is not the yield to maturity. If your CD has a call provision, which many step rate CDs do, please be aware the decision to call the CD is at the issuer’s sole discretion. Also, if the issuer calls the CD, you may be confronted with a less favorable interest rate at which to reinvest your funds. Fidelity makes no judgment as to the credit worthiness of the issuing institution.
For the purposes of FDIC insurance coverage limits, all depository assets of the account holder at the institution that issued the CD will generally be counted toward the aggregate limit (usually $250,000) for each applicable category of account. FDIC insurance does not cover market losses. In some cases, CDs may be purchased on the secondary market at a price that reflects a premium to their principal value. This premium is ineligible for FDIC insurance. For details on FDIC insurance limits, see www.fdic.gov

A CD ladder, depending on the types and amount of securities within it, may not ensure adequate diversification of your investment portfolio. While diversification does not ensure a profit or guarantee against loss, a lack of diversification may result in heightened volatility of your portfolio value. You must perform your own evaluation as to whether a CD ladder and the securities held within it are consistent with your investment objectives, risk tolerance, and financial circumstances. To learn more about diversification and its effects on your portfolio, contact a representative.

CD Model Ladders are provided for educational purposes and are not intended to serve as the primary basis for your investment, financial or tax planning decisions. The results of the tool are based on your inputs and criteria and the tool’s stated methodology.
APPENDIX
What is Fidelity’s new issue CD offering?

1. At any point in time, Fidelity typically offers over 100 new issue CDs from 20-50 different banks.

2. In 2019 Fidelity offered new issue CDs from over 700 different issuers.

3. All Fidelity’s new issue CD offerings are:
   - Priced at par
   - Minimum $1000 investment
   - FDIC insured
   - No charge to invest*

4. Open for orders 24/7

For the purposes of FDIC insurance coverage limits, all depository assets of the account holder at the institution issuing the CD will generally be counted toward the aggregate limit (usually $250,000) for each applicable category of account. FDIC insurance does not cover market losses. All the new-issue brokered CDs Fidelity offers are FDIC insured. In some cases, CDs may be purchased on the secondary market at a price that reflects a premium to their principal value. This premium is ineligible for FDIC insurance. For details on FDIC insurance limits, visit [FDIC.gov](http://FDIC.gov).

* Fidelity makes new-issue CDs available without a separate transaction fee. Fidelity Brokerage Services LLC and National Financial Services LLC receive compensation for participating in the offering as a selling group member or underwriter.