April 28, 2020

FIXED INCOME WEBINAR

BROKERED CDS, AND CD LADDERS

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

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

Agenda

Current Interest Rate Context

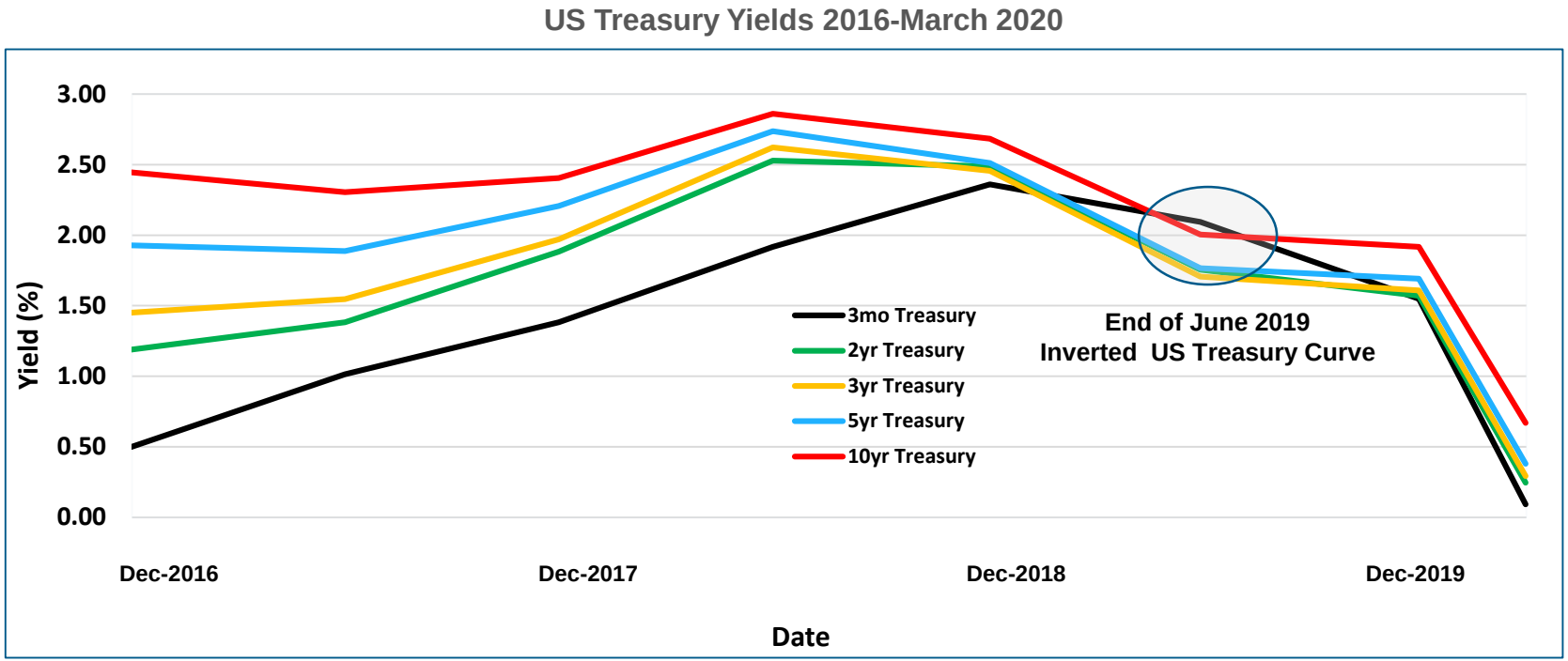
Brokered CDs

Using Model CD Ladders - Demo

Summary and Next Steps

Current Interest Rate Context

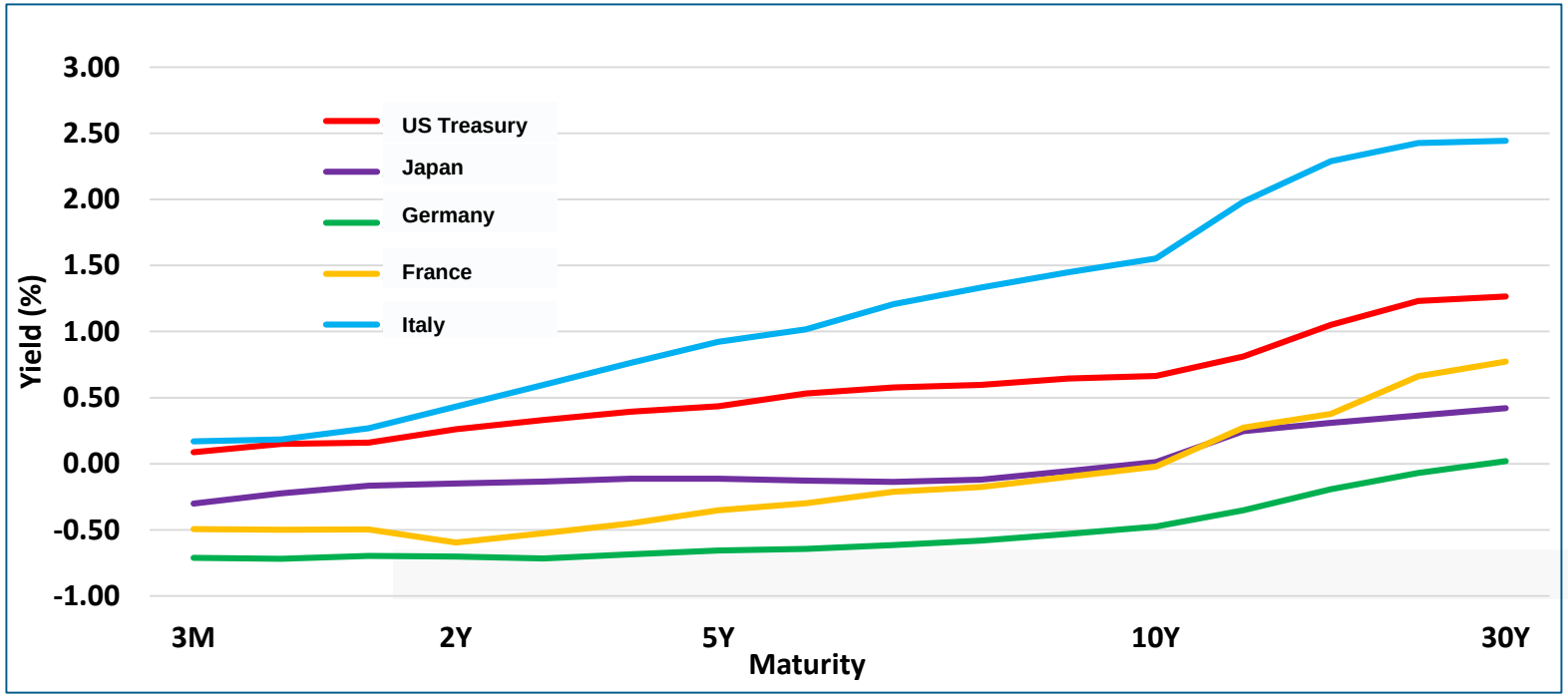
After a steady rise, the Treasury yield curve inverted in the summer of 2019, then moved sharply lower in March 2020



Past performance is no guarantee of future results.
Source: Bloomberg Finance L.P., as of 3/31/2020.

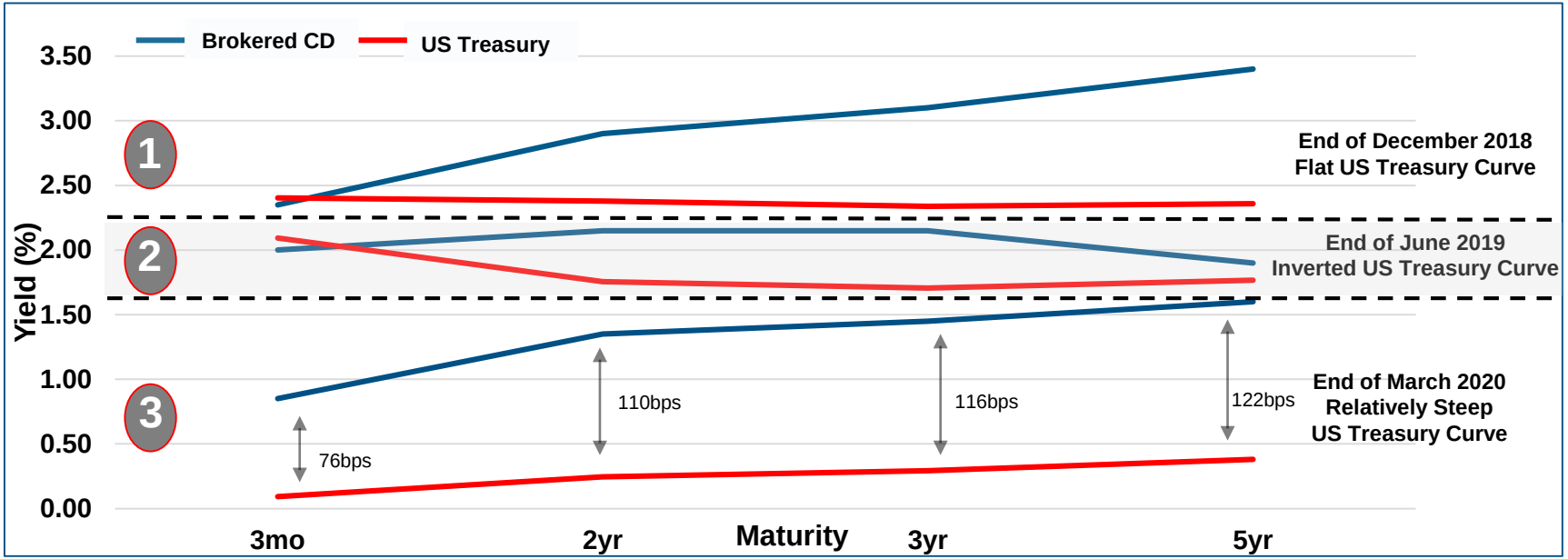
Despite the downward shift in yields, US Treasuries continue to remain attractive relative to other sovereign debt

Foreign Sovereign Yields March 31, 2020



Past performance is no guarantee of future results.
Source: Bloomberg Finance L.P., as of 3/31/2020.

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



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

Past performance is no guarantee of future results.
Source: Fidelity and Bloomberg Finance L.P., as of 3/31/2020.

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

All New Issue CDs: 100

Attributes Legend ▾

Select Action	Description	Coupon	Coupon Frequency	Maturity Date ▲	Price
Buy	BANK OF CHINA	0.450	AT MATURITY	05/22/2020	100.000
Buy	FRANKLIN SYNERGY	0.800	MONTHLY	06/16/2020	100.000
Buy	MBANK	0.750	MONTHLY	06/22/2020	100.000
Buy	SOUTHEAST BANK	0.800	AT MATURITY	06/24/2020	100.000
Buy	FIRST FINANCIAL BANK	0.800	AT MATURITY	07/17/2020	100.000

Screenshots are for illustrative purposes

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.

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Access an active Secondary CD Market on Fidelity.com

CDs Secondary Offerings Search Results

Help/Glossary

View other important information and risks of investing in fixed income securities.

Table View

Price/Yield Calculator | Taxable Equivalent Yield Calculator

All brokered CDs listed below are FDIC-insured as indicated by the Attribute: FDIC. The FDIC insurance covers up to $250,000 per institution per category of account, or up to $250,000 in qualifying retirement accounts. Note that FDIC insurance only covers the principal amount of the CD and any accrued interest. In some instances, CD's may be purchased on the secondary market at a price which reflects a premium to their principal value. This premium is ineligible for FDIC insurance.

YOUR KEY SEARCH CRITERIA Edit | Save

Search Name	CD All to All All to All
Maturity Date	04/2020 to 04/2023
Moody's Rating	All to All
S&P Rating	All to All
Call Protection	Yes

Attributes Legend

IFCD: Inflation Linked CD	**CP:** Call Protection	**SFP:** Sinking Fund Protection	**CDIP:** CD Inflation Protected
FDIC: FDIC Insured	**IE:** Issuer Event	**HY:** High Yield	**ER:** Extraordinary Redemption
SO: Survivor's Option	**D:** Depth of Book Available		

otal Bonds Found: 2264

As of 04/16/2020

Download Data to Spreadsheet

Select Action OK

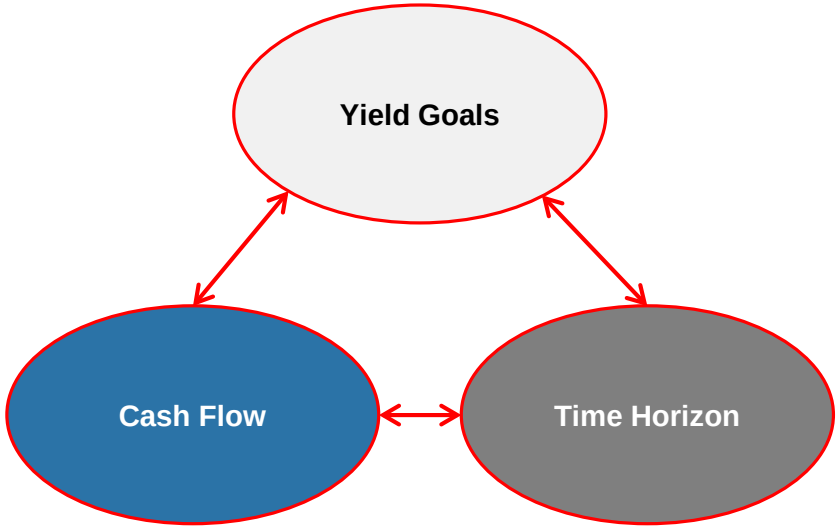
Trade	Description	Coupon	Coupon Frequency	Maturity Date	Next Call Date	Bid Yield	Bid Price Qty(min)	Ask Price Qty(min)	Ask Yield to Worst	Ask Yield to Maturity	Depth of Book	3rd Party Price	Attributes and Issuer Events
Buy Sell	AMERANT BK NATL ASSNCD 2.35000% 04/27/2020	2.350	AT MATURITY	04/27/2020	--	--	No Bid --(--)	100.025 100(100)	1.023	1.023	--	100.049	CP SFP FDIC SO
Buy Sell	BMW BK NORTH AMER SALT LAKE CD 0.90000% 04/27/2020	0.900	AT MATURITY	04/27/2020	--	7.684	99.870 100(5)	100.003 499(1)	0.743	0.743	--	100.002	CP SFP FDIC SO
Buy Sell	TEXAS CAP BK N A DALLAS TEX CD 1.65000% 04/27/2020	1.650	AT MATURITY	04/27/2020	--	--	No Bid --(--)	100.020 50(1)	0.603	0.603	--	100.027	CP SFP FDIC SO
Buy	PNC BK NATL ASSN WILMINGTON DE CD 1.50000% 04/28/2020	1.500	AT MATURITY	04/28/2020	--	14.101	99.724 15(15)	100.024 15(1)	0.404	0.404	--	100.023	CP SFP

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.

Screenshots are for illustrative purposes

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

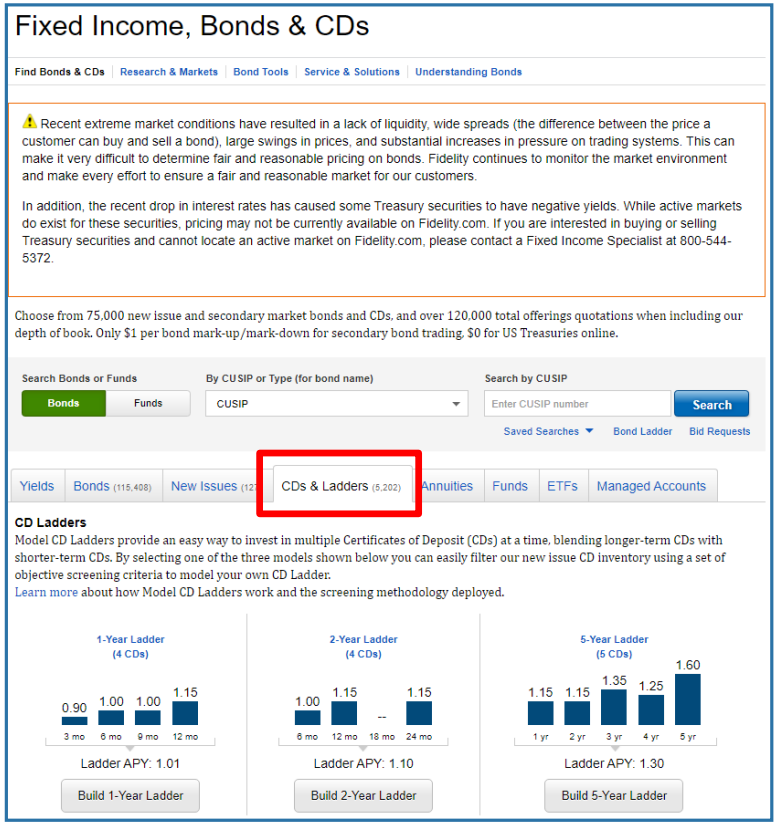


Diversification does not ensure a profit or guarantee against loss.

Using Model CD Ladders - Demo

Introducing Fidelity's Model CD Ladders

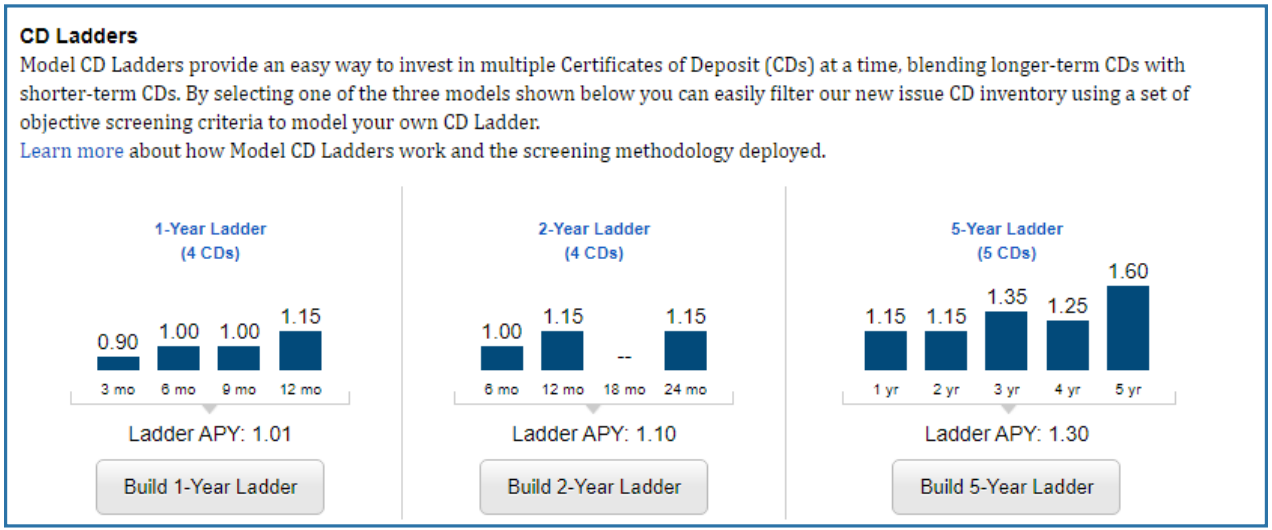
- Available on Fidelity.com: **Research > Fixed Income, Bonds & CDs**



Screenshots are for illustrative purposes

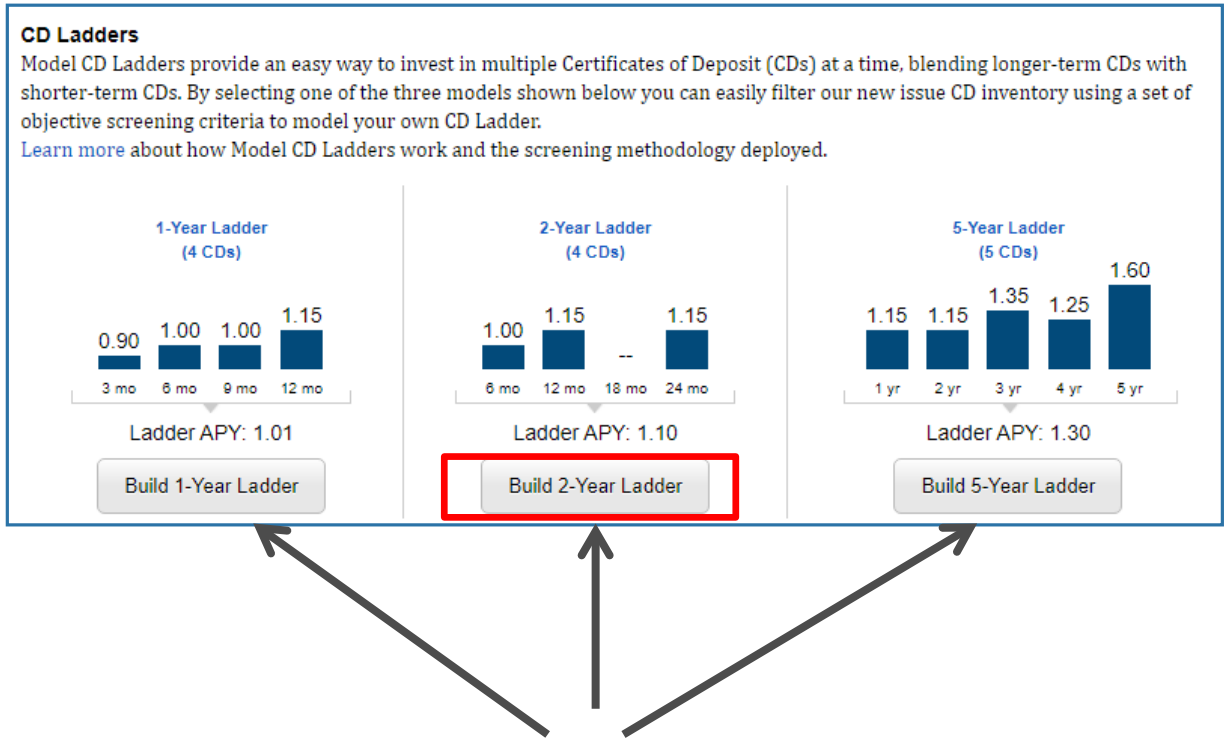
Introducing Fidelity's Model CD Ladders

- 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

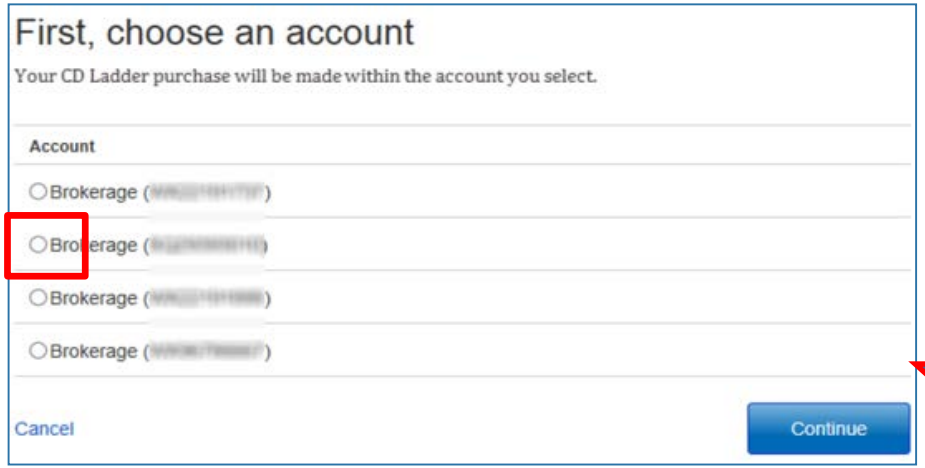
Start by deciding which CD Ladder you'd like to build

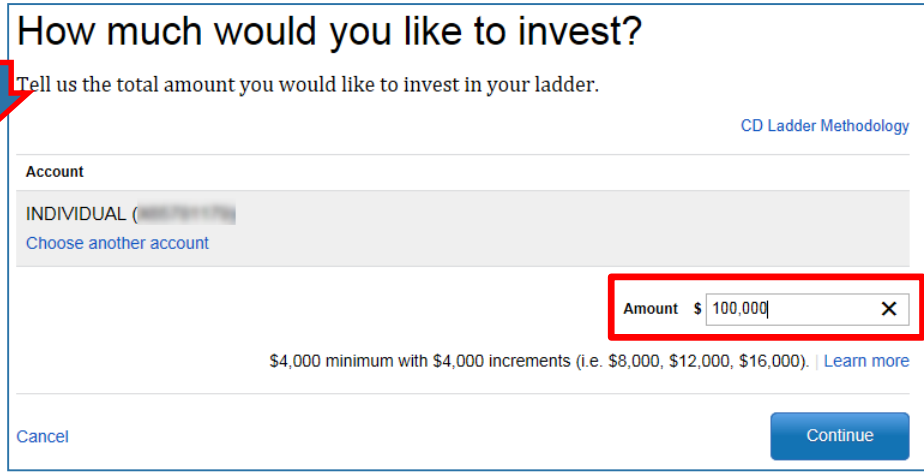


Screenshots are for illustrative purposes

An Easy 3-Step Process

- 1) Choose the Account and Amount

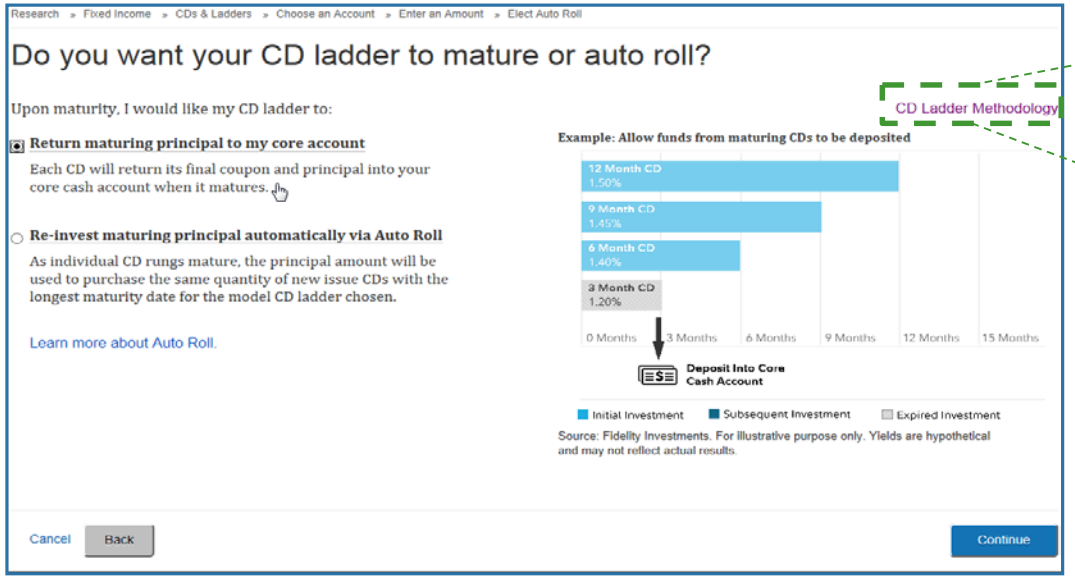


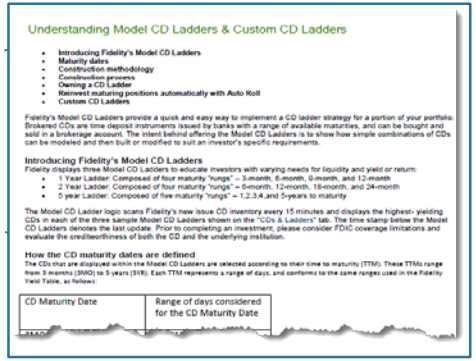


Screenshots are for illustrative purposes

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

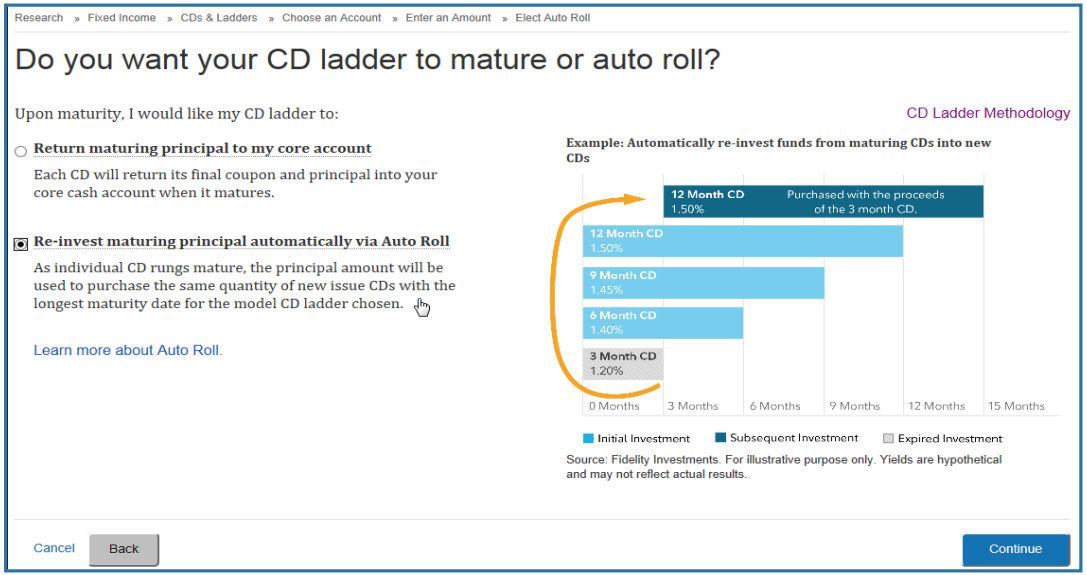


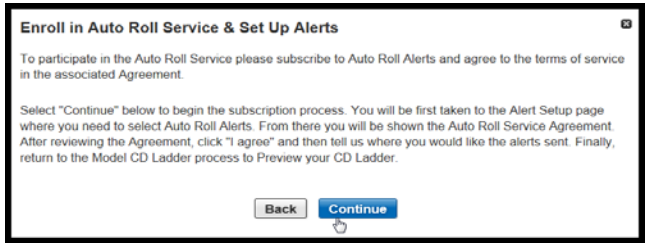


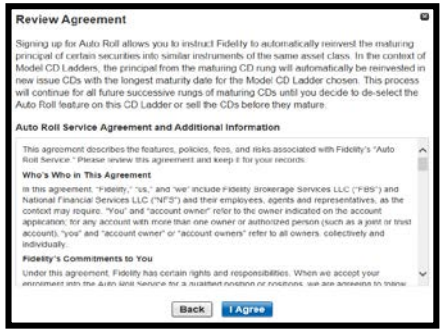
Screenshots are for illustrative purposes

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





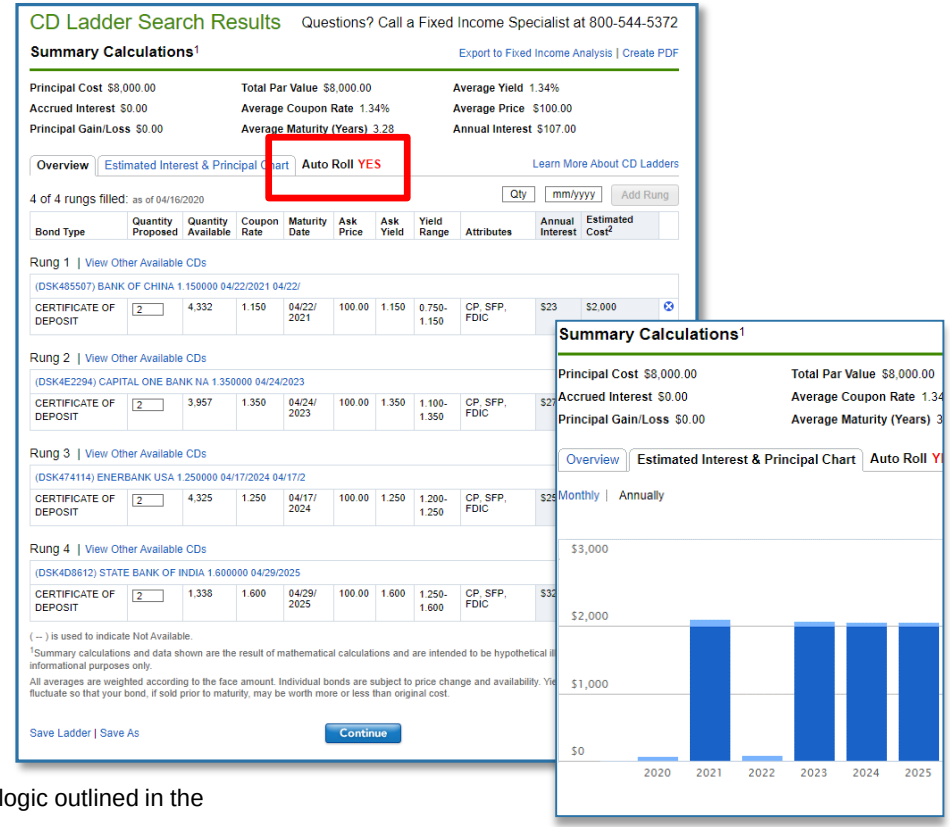


Screenshots are for illustrative purposes

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

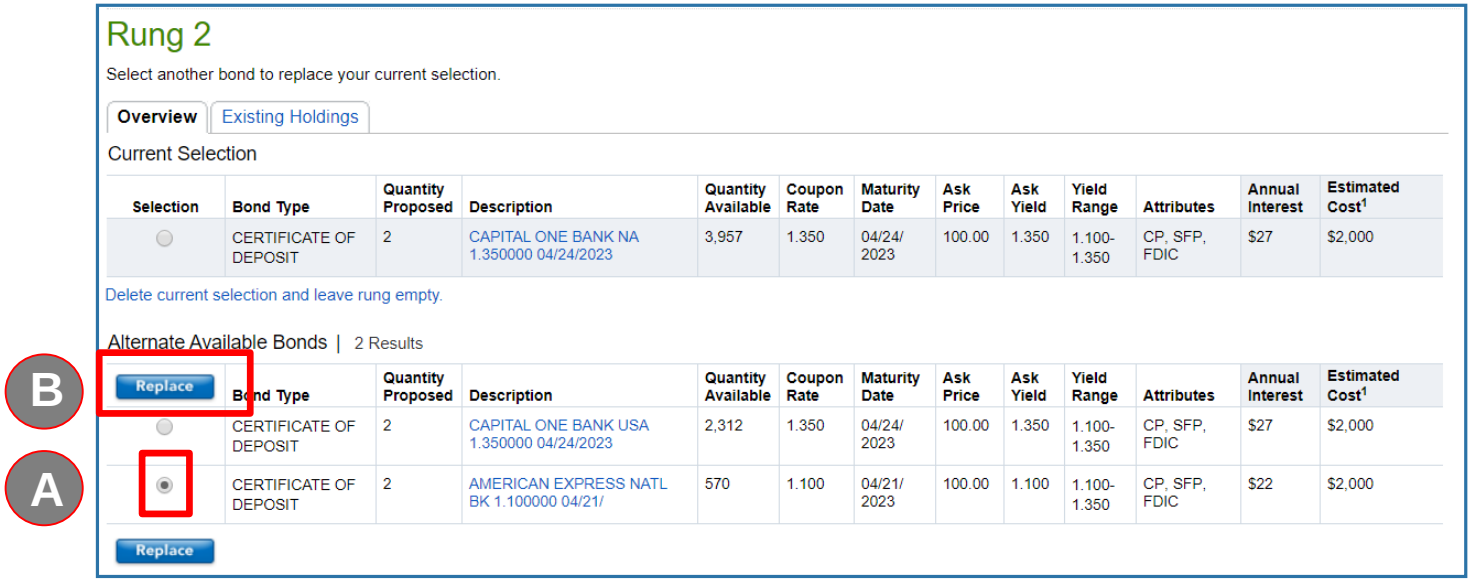


* Subject to availability and according to the screening methodology logic outlined in the Understanding Model CD Ladders education page.

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”



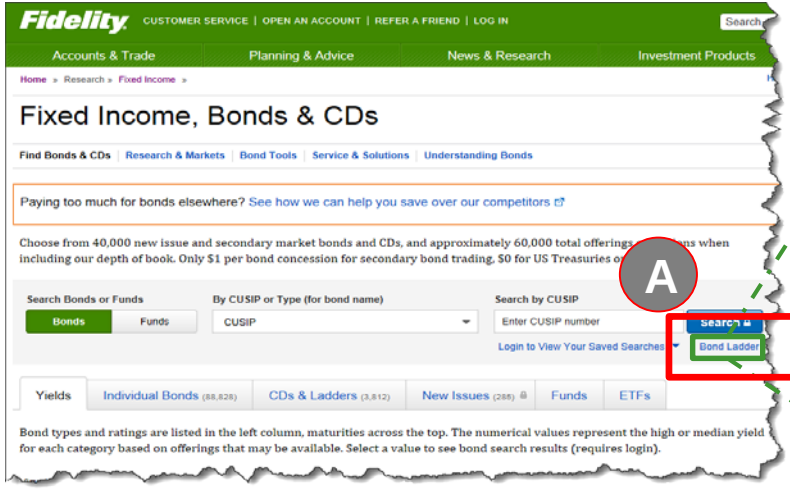
Selection	Bond Type	Quantity Proposed	Description	Quantity Available	Coupon Rate	Maturity Date	Ask Price	Ask Yield	Yield Range	Attributes	Annual Interest	Estimated Cost[1]
	CERTIFICATE OF DEPOSIT	2	CAPITAL ONE BANK NA 1.350000 04/24/2023	3,957	1.350	04/24/ 2023	100.00	1.350	1.100-1.350	CP, SFP, FDIC	$27	$2,000

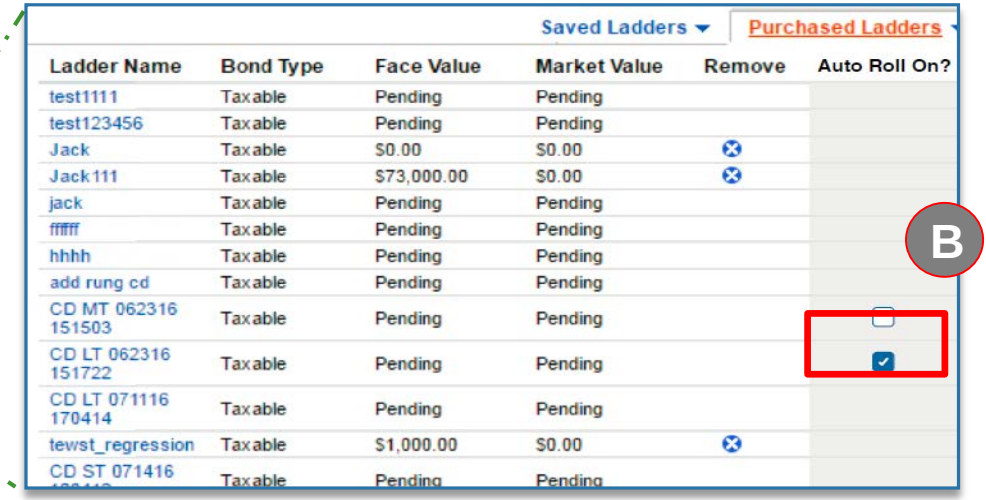
Replace	Bond Type	Quantity Proposed	Description	Quantity Available	Coupon Rate	Maturity Date	Ask Price	Ask Yield	Yield Range	Attributes	Annual Interest	Estimated Cost[1]
	CERTIFICATE OF DEPOSIT	2	CAPITAL ONE BANK USA 1.350000 04/24/2023	2,312	1.350	04/24/ 2023	100.00	1.350	1.100-1.350	CP, SFP, FDIC	$27	$2,000
	CERTIFICATE OF DEPOSIT	2	AMERICAN EXPRESS NATL BK 1.100000 04/21/	570	1.100	04/21/ 2023	100.00	1.100	1.100-1.350	CP, SFP, FDIC	$22	$2,000

Screenshots are for illustrative purposes

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





Ladder Name	Bond Type	Face Value	Market Value	Remove	Auto Roll On?
test1111	Taxable	Pending	Pending		
test123456	Taxable	Pending	Pending		
Jack	Taxable	$0.00	$0.00	⊗	
Jack111	Taxable	$73,000.00	$0.00	⊗	
jack	Taxable	Pending	Pending		
ffffff	Taxable	Pending	Pending		
hhhh	Taxable	Pending	Pending		
add rung cd	Taxable	Pending	Pending		
CD MT 062316 151503	Taxable	Pending	Pending		☐
CD LT 062316 151722	Taxable	Pending	Pending		☑
CD LT 071116 170414	Taxable	Pending	Pending		
tewst_regression	Taxable	$1,000.00	$0.00	⊗	
CD ST 071416	Taxable	Pending	Pending		

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

Auto Roll - Maturing Security Alert

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Quick Links: Alerts Center • Alerts Delivery Preferences • Temporarily Stop Alerts • Contact Us • Legal Information

Wed Sep 06, 2017 02:02 PM EDT

You are enrolled in Fidelity's Auto Roll Service for the Qualified Position (CUSIP: 9127955S6). This position will be maturing soon, and pursuant to your authorized instructions, we have identified, for your review, the Reinvestment Position (CUSIP: 9127955W7). We will follow your authorized instructions and automatically reinvest proceeds of the principal upon maturity pursuant to the defined process and limitations described in the Auto Roll Service Agreement. Automatic reinvestments completed through the Auto Roll Service are subject to the same commission schedule for online purchases completed outside the Auto Roll Service.

If you wish to cancel your ongoing participation in this security that has the Auto Roll feature, click here.

Screenshots are for illustrative purposes

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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.

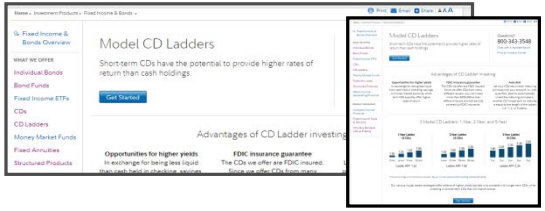
4. The Auto Roll feature allows you to choose to have the principal from maturing rungs automatically reinvested in another CD whose term to maturity is equal to the length of the ladder.

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.

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Thank You!

Important information continued

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.

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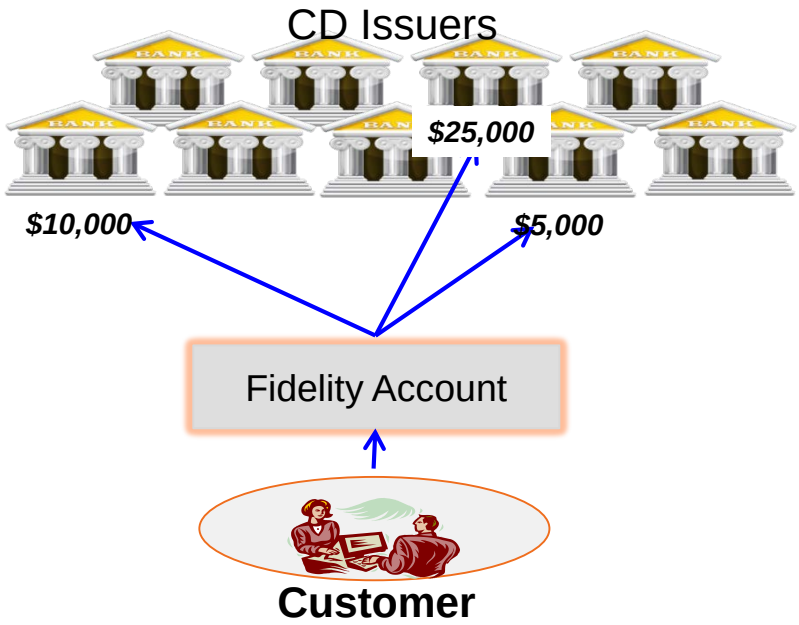
APPENDIX

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

Brokered CDs at Fidelity



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* 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.