



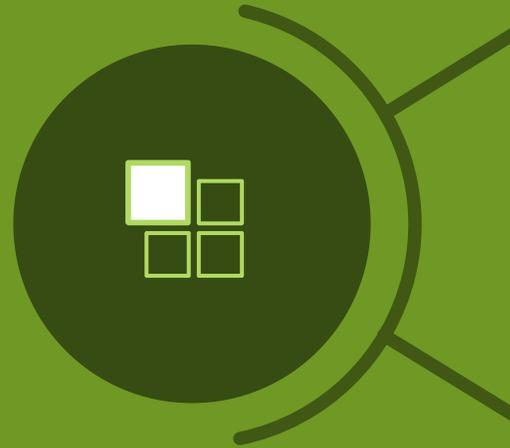
# New to ETFs? Five Must-ask Questions to Get Started



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The better you understand ETFs—  
what they are and how they  
function—the more confident you can  
be as you use them to strengthen  
your investment portfolio.

# What is an Index?



Represents a market segment

Not a direct investment vehicle

# What is an Index?



An index is a measure of a **specific financial market or segment** of that market.

**A few of the big U.S. indexes include:**

—  
Dow Jones Industrial Average

—  
S&P 500®

—  
Nasdaq Composite

—  
Barclays U.S. Aggregate Bond

# What Are ETFs, and Why Use Them?

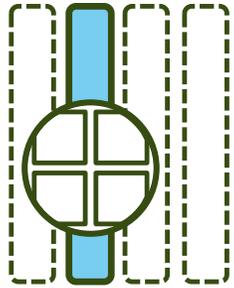
What is an exchange-  
traded fund?



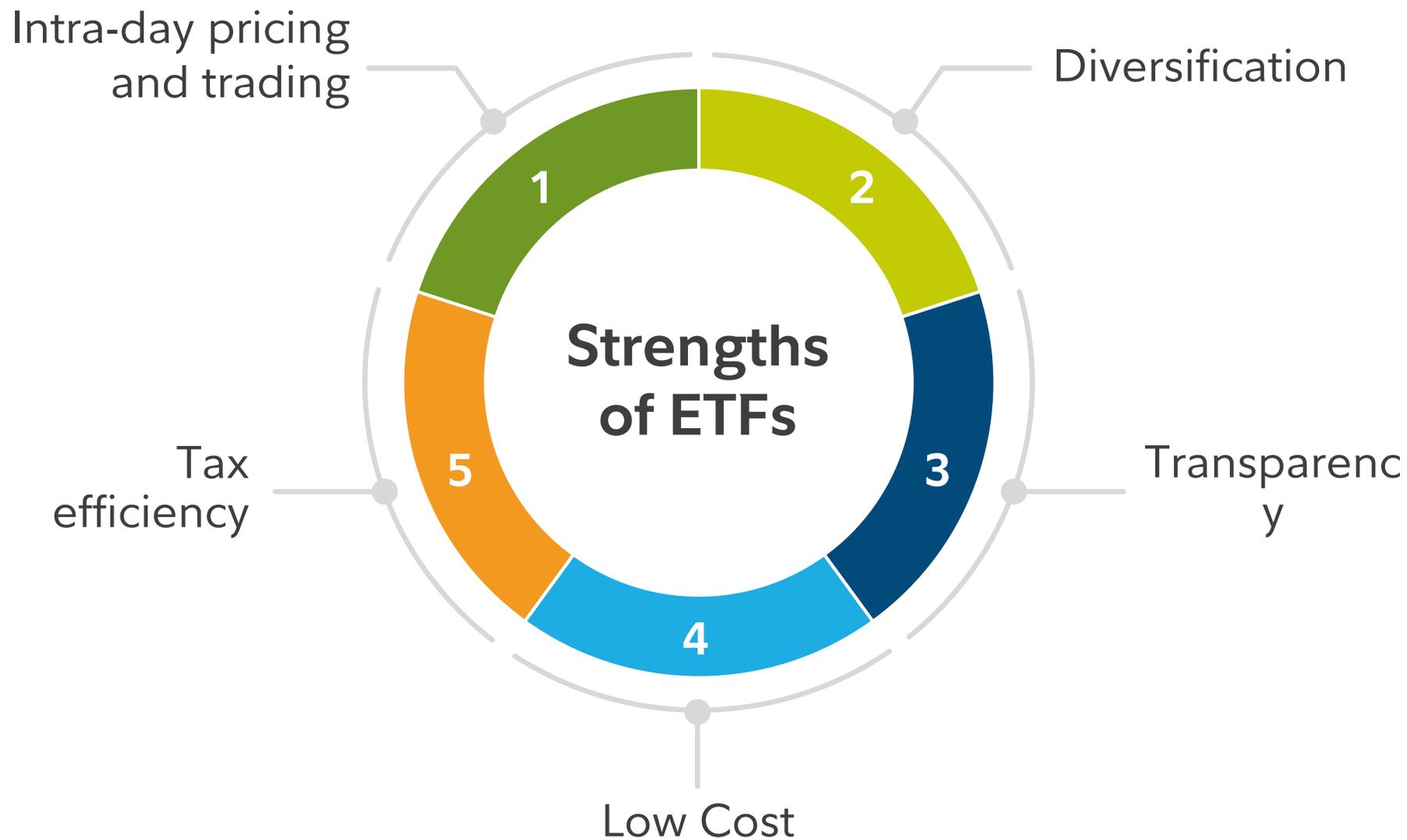
Passive  
management

Why use ETFs?

# What is an Exchange-Traded Fund?



An ETF is a **basket of securities** designed to offer exposure to certain segment(s) of the market.



# How Do ETFs Compare to Mutual Funds?



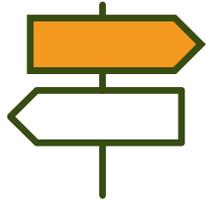
# ETFs Vs. Mutual Funds



## Associated Costs

ETFs	Mutual Funds
Expense ratios	Expense ratios
Commissions (may be waived)	Load and no-load
Premium/discounts	Bought/Sold at NAV (may have redemption fees)

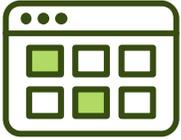
# ETFs Vs. Mutual Funds



## Trading Attributes

ETFs	Mutual Funds
<b>Intra-day</b> trading on secondary market	Most transact <b>once a day</b> at close
<b>Allow</b> limit, stop and conditional orders	<b>No</b> limit, stop or conditional orders
<b>Allow</b> shorting and margin	<b>No</b> shorting (margin 30 days)

# ETFs Vs. Mutual Funds



Access,  
Transparency,  
& Taxes

ETFs	Mutual Funds
Many sub-sector and industry focused ETFs in addition to broader market ETFs	Most funds focus on broader markets; few sub-sector funds
Generally, daily transparency of all holdings	Holdings data usually at least 1 month old
Capital gains tend to be lower due to creation and redemption	Less tax efficient structure, all shareholders bear tax burden

Where Can You  
Research and  
Learn More on  
[Fidelity.com/ETFs](https://www.fidelity.com/ETFs)?

ETF Research Center



ETF/ETP Screener

Buy commission-free online



## In Review

# Next Steps



**Review  
materials in  
your kit**

**Read Fidelity Viewpoints Articles**

🔗 [fidelity.com/viewpoints](https://www.fidelity.com/viewpoints)

- *Inside ETFs*

**Attend Additional Seminars**

- Putting ETFs to Work In Your Portfolio
- Fidelity's Research and Trading Tools
- Understanding Sector Investing

# Disclosures



**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.**

Diversification does not ensure a profit or guarantee against loss.

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. 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 investing strategy may differ from that of a more traditional index product. Depending on market conditions, funds may underperform compared with products that seek to track a more traditional index. The return of an index exchange-traded fund (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).

The 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.

Because of their narrow focus, sector funds tend to be more volatile than funds that diversify across many sectors and companies. Non-diversified sector funds may have additional volatility because they can invest a significant portion of assets in securities of a small number of individual issuers.

Margin trading entails greater risk, including, but not limited to, risk of loss and incurrence of margin interest debt, and is not suitable for all investors. Please assess your financial circumstances and risk tolerance before trading on margin. Margin credit is extended by National Financial Services, Member NYSE, SIPC.

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**Before investing in any mutual fund or exchange-traded fund, you should consider its investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus, offering circular, or, if available, a summary prospectus containing this information. Read it carefully**

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