**TRANSCRIPT**

# iShares: DIY portfolio construction

**Michael Pollock:** Good day and welcome back, everyone. My name is Michael Pollock. I am the regional brokerage consultant for Fidelity Investments, based here in Palo Alto. Today I am excited to be joined by John Erdos from BlackRock.

So, what we're going to do today -- a little bit on the agenda -- we're going to start really by focusing on the two main areas that we talk to clients about exchange-traded funds with. So, one is going to be, you know... "I've got some cash. I want to redo my portfolio. How do I do that with exchange-traded funds?" So, we'll take a look at that. And then the second one would be, "You know what? I just need to make a tweak to my portfolio, make an adjustment, maybe dial down the risk, maybe add some more exposure to one sector. How can I use exchange-traded fund to do that with a maybe all-equity portfolio or an all-mutual fund portfolio?" We'll take a look at that one as well.

So, let's start off... I'm very excited to have John here. I work with John in the field, in the Bay Area, all the time. Before we jump in, maybe, John -- do you mind doing a quick introduction of yourself and your role with iShares, please?

**John Erdos:** Sounds great.  Thank you, Michael.  It's a pleasure to join you here today.  And I appreciate everyone taking the time.  You're to be commended for wanting to learn more about investing, portfolio construction, and ETFs.  My job is to help serve and support the partnership between Fidelity and BlackRock in the western US.  This typically occurs through continuing education, with the financial consultant community, client seminars, webinars, just like this, and ongoing engagement with best practices, market updates, and product considerations with Michael and his team.  It's a strong partnership between our firms.  And it continues to grow, in order to best serve the clients of Fidelity.  So, Michael, what do you say?  Let's dive into it.

**Pollock:** Let's do it.  So, for today's event, we're going to do about 40 minutes of the presentation.  The presentation, we're going to toggle between fidelity.com and ishares.com, two main websites.  Then we'll save room for about 10 minutes of questions at the end.  And, of course, that's not it.  You know, when this is done, we also have the Learning Center, which has great education and videos on exchange-traded funds.  And, of course, just like I'm the regional brokerage consultant in the Bay Area, we have a regional brokerage consultant across the country, in all major areas.  So, if you need support after this, please reach out to your financial consultant.  They all have access to our calendars.

In the current environment, we're doing screen-shares, we're doing Zoom meetings.  So however, you prefer to interact with us, we can do that.

So, for the first topic here, we're going to jump into, you know, the typical client that has -- you know, "I've got a lot of cash.  I'm looking to put together a portfolio.  How can I use the power, the diversification, the low expenses of exchange-traded funds to go ahead and build out that portfolio?  I don't even know where to start."  So that scenario, we have a great tool here within fidelity.com.  So, under Planning & Advice, we can go here to What We Offer.  This is going to bring up many different ways that Fidelity can help our clients, when it comes to setting up and creating portfolios.  And there's a lot in here.  But I'm going to just scroll down a little bit, to the part here where we can see, "See more tools & calculators."  And what this is going to bring us into is the Planning & Guidance Center, which is really designed to help clients build portfolios.  So, we can just hit the Launch button right here, in blue.

And what this is going to do is it's going to bring up all the portfolios that you have at Fidelity, as well as you can also go in here for this tool and you can input other portfolios.  So, let's say you've got some money at another firm and you want to also include that in your analysis.  So, you can do a lot on this page.  We're only going to just scratch the surface.  We could literally do a whole hour presentation just on this Planning & Guidance Center. What we want to focus here on is how we can use this tool. So, I'm going to click right here, Review Your Investment Strategy. And here it'll give you an idea of how your portfolio currently is invested and then, most importantly, and take you through some tools to figure out where you want to get to, how do you want your portfolio to be invested and then what's the best way to do that. And there's several ways that we can help with that, including using exchange-traded funds. So here you can just review the accounts that you're looking at within Fidelity. If you've added the outside accounts, you'll see them here as well. We'll click through there, because everything here looks good.

And it's going to calculate here. And then here you've got choices. Right? So how do you want to do this? Right? So, if you just want to say, "You know what? This is too much for me, Fidelity. You go run with it. You manage it," we can continue here. But for this exercise -- right? -- we're the do-it-yourselfers. We want to go in and do this our own. So, we're going to go here under "Manage my own investments." We'll hit Continue here.

And then from here we can look at how to basically set up a model portfolio. So down here, again, it lists the accounts we're going to be using. And then now we can go here and select the model portfolio. Now on this page here it's going to ask us some basic questions, just to get an idea of maybe where -- just a launching-off point. What is the purpose of this account? Is this for retirement? Is this for college educations for children? You can put in your basic information, income level, how much you've already saved for retirement, income brackets, etc. And then you can hit Next here, once you've filled that out.

So, we don't know a whole lot about you yet. But you can take this another step further, which I think is very important here. So for us and our age group and everything, a growth portfolio -- right -- so about 50 percent US stocks, 20 percent foreign stocks, and about 30 percent in bonds and cash, so your classic 70/30 portfolio. Now, what I would recommend... And we don't have time during this presentation but if you click right here, "Complete an Investment Profile Questionnaire..." This'll take you about 10 minutes to go through. But this is going to be extremely important. You know, in a long-term investment one of the biggest drivers of your success is going to be this portfolio allocation. Right? A lot of clients will spend a lot of time focusing in on "Oh, you know I'm looking at these two ETFs. One has an expense... The both track the S&P 500. One has an expense ratio of 0.03. The other's 0.04." At the end of the day, that piece isn't nearly as important as getting this part right.

So, one thing we've seen, especially with all the recent market volatility, we've had clients that are do-it-yourselfers, maybe even retired or right up against retirement and they've got their portfolios allocated in this higher-risk area. And we've been in a major, long-term bull market here. They've been compensated for taking on extra risk in the market. But now, all of a sudden, when volatility really hit, the markets are down 30-plus percent, you know, that volatility's just too much to stomach. So also, when you go through this, it'll also ask you about your risk levels. You know, what do you do when the market drops 20 percent or 30 percent? Do you hold, do you buy more, or do you sell? So, very important to be honest, when you're going through these, and to really think about "Hey, you know, if this portfolio dropped this amount, what would I do?" It's more important to hold through the volatility than to panic-sell, wait for the markets recover, and then get back in. So, if having a more conservative portfolio is going to allow you to do that, then that would be an important thing to set up. Where we've had a lot of clients that actually rode this out and now they're saying, "You know what? I want to reduce the risk of the portfolio." So, these are great ways to go ahead and do that.

You can click through these different areas, you know, from the lower-risk area... It'll show you what a conservative portfolio looks like, from an allocation standpoint. It'll give you a quick blurb on how that portfolio would work. But let's go here, you know -- and you've got growth with income -- but let's go to the growth portfolio. So now -- okay -- we've determined where we want to be. We can hit Next here. And we can go through this screen here. And... perfect.

So, let's go ahead. Sorry. So now, the important part here is how do you want to invest? Okay? So, you have several choices here, even as a do-it-yourselfer. Do you want to use active-managed mutual funds, where you've got an active manager going out trying to beat benchmarks? Or do you prefer index funds? Right? So, for the purposes of this exercise we're talking about exchange-traded funds. Most exchange-traded funds are index funds. Once you choose "Index funds," there's two ways to do it. You could index mutual funds, or we could take advantage of the benefits of an index ETF. So, let's go ahead and select that. And we'll go ahead and hit "See model."

So basically, for our growth portfolio, it's four ETFs in this scenario, so ITOT, which is the total US market, IXUS, which is going to be the international market, excluding US, so we're not doubling up on our US exposure, some AGG, which is going to be the core bond market for the US, kind of like the benchmark for the US market, and then a little bit in cash here. And that's going to give us our 100 percent investment. What do you think so far, John?

**Erdos:** I like it!

**Pollock:** Excellent. Now, let's say we've got a client and they'll say, "You know what? This might be a little too basic for me" -- right? -- "You know, I've been investing in ETFs for a long time. And I'd like maybe a little more control over what this allocation looks like" you know. Do you have any solutions for that, John?

**Erdos:** I do. And as Michael mentioned, the planning and guidance tool is a fantastic way for do-it-yourself investors to put a simple, broad allocation, using just a handful of ETFs. It's a great way for first-time asset allocators to gain exposure to the market, while limiting the number of holdings, as well as the maintenance required in the account. But for those who have some experience building a portfolio or for those who seek more targeted allocations with a few more positions, I'm thrilled to show you a tool built by iShares. It also takes an investor's risk tolerance and investment time horizon into consideration while building a hypothetical portfolio but can also include these target allocations such as mid-cap or small-cap stocks, REITs, emerging markets exposure, and different weightings and durations of the investment-grade and high-yield portions of the bond market.  This tool is called the core builder, because it presents a hypothetical allocation from among 25 funds that we call the iShares core.  These are high-quality, low-cost ETFs meant to build strong portfolio foundations with broad exposures across stocks and bonds.  These are some of the most low-cost, most liquid, and most tax-efficient ETFs under the iShares umbrella.

And then, for those of you who may not familiar with iShares or may have only heard of us through the previous presentations today, iShares is the world's largest ETF provider.  We manage over one and a half trillion dollars in the US. iShares is a part of BlackRock.  So it's over 360 ETFs in the US alone.  iShares are used by some of the largest institutions in the world, as well as investors opening their first brokerage account.

So, Michael, if you could do me a favor and head to ishares.com.  I'd like to show --

**Pollock:** Okay.

**Erdos:** -- the audience where they can find the core builder tool. So now that we're on the landing page, under the far-right tab, Resources. In the pull-down menu, if you look at the far left, we're going to click on "Choose a diversified portfolio." And for anyone who just wants to head directly to the tool, they can just type into their browser ishares.com/core. That's ishares.com-forward slash-c-o-r-e. This is great. So now that we're here, I want to highlight a few things. Number one, this tool is not giving investment advice. It's simply providing a hypothetical allocation for a certain category of investor. So, for many clients who choose to build an allocation on their own, starting from the ground up with a blank slate can be very daunting. We find that for many investors it's easier to be an editor than an author, with an allocation. And that's what the core builder can help you do.

So first the tool asks the investor a simple question, "What do you consider your investment style to be?" If you choose more conservative... You see here the default is actually Moderate, which is an investor who monitors market swings and has an intermediate time horizon. If you choose more conservative, to the left, that considers investors who are a little more concerned with market swing and have shorter time horizons. And then, conversely, on the right side, more aggressive would be investors who are less focused on market swings and have longer time horizons.

So, if we could, let's dig into the Moderate investment style allocation. On the left, in the circle, you can see the full allocation, seven total positions, totaling 100 percent. Just below the circle you have the individual positions, broken into buckets, of US stocks, international stocks, and US bonds. So, under each fund name you have the allocation percentage, as well as the expense ratio, pretty straightforward. If we scroll a little down, we can see -- the darkest-blue box, Michael -- you can see the total average expense ratio for the portfolio, in this case 0.06 percent annually or six basis points. So, to put this into real dollars, this translates to an average portfolio expense of just $6 a year for every $10,000 invested. Truly, one of the key benefits of ETFs are the low cost. We can see that here for sure. A diversified portfolio of US stocks, international stocks, and domestic bonds for 0.06 percent... For many people watching now, I'm sure you can remember a time when investments in these categories could cost upward of 10 or ever 20 times this amount. Truly, the success in growth of ETFs has been one of the big success stories in investing, for end clients. And we're excited as more and more investors discover and implement ETFs in their portfolios. So back to the page. In the box just to the right, you can see the portfolio composition is 55 percent stocks, 45 percent bonds, a 55/45 allocation.

So, if we toggle the green button just above one step to the right, to moderately aggressive, the portfolio holdings not only change but so does the portfolio composition, to 70/30. On the left, I can actually see an added position into US REITs. So, Michael, next to the change investing style button at the top, you can even change holdings, to just positioning across regions or outcomes. So right there. Yes. You can see all the fund. So, you could add something like a dividend and income-focused fund or even specific credit profiles on the bond market.

So, let me pause here. I want to acknowledge that this can feel overwhelming, for some investors who are new to this. There are a lot of choices here. When you choose allocations on your own and you're a do-it-yourselfer, you're also in charge of portfolio rebalancing, tax oversight. You're insuring you want to continue holding a position. Or you have to make a decision to switch out certain positions. Maybe you choose to overweight or underweight certain market caps or sectors. There's a lot that goes into this. So, if you feel this is maybe more than you want to manage on your own, again, you have the Planning & Guidance tool on fidelity.com. But, Michael, if you scroll down, you can actually see there's a single ticker shown. I believe it's AOM. We'll take a look. In this case, it's AOR. This is close to about a -- 80/20 allocation. It's a single-ticker ETF. And it rebalances automatically once a year. Fidelity also has an incredible array of managed solutions. So, if you want to build a combination of a do-it-yourself allocation alongside a professionally managed solution, you can do that as well. But for those who need a place to start, for those who enjoy the research and the building and the oversight, I really encourage you to utilize this tool at ishares.com/core. It's powerful and it can really help you think through what you want to do to express your own views inside the portfolio. And once you've done that, in the section right above, titled How to Purchase iShares Funds, there's a link that will take you directly back to fidelity.com.

Michael, we've talked a lot about how investors can start building portfolios. I know fidelity.com has a great way for clients to start analyzing portfolios, based on what they already own. Can you show us how to begin with some of that?

**Pollock:** Definitely. Thank you, John. So, yeah. So, let's switch back into fidelity.com. And we'll go to one of my favorite parts of the website. So, we're going to go back here, to Accounts & Trade, Portfolio. So, for many of you, when you first log in to fidelity.com, this is going to be your welcoming screen. And then we have a tab here, which is the Analysis tab. So, we're going to jump over into the Analysis tab. And this is where you can go and analyze your portfolio. So, you know what? I haven't thought about my allocation in a while. Maybe I need to go check and see what it is. And this is really the second area where we really work with a lot of clients, when it comes to exchange-traded funds. "You know what? I need to make an adjustment to my portfolio. How can I use ETFs to make that more efficient?"

So, I'm just going to add in another, hypothetical account here. So, the neat thing with this tool is you can evaluate all your Fidelity accounts, you can evaluate a portion of them. Maybe you're got five accounts, two are retirement accounts, one's a cash account, and a couple are brokerage accounts. If you just want to analyze your retirement accounts, you can just select the retirement accounts. And you can also, again, add outside accounts in here. So, I created a demo account. This is one of our demo accounts. There's not a lot of assets in here. So, I'm going to add another account here, for the purpose of this presentation, that looks like a similar allocation to a lot of accounts that we'll talk to clients with.

So, you'll see here in this account, we're 80 percent stock investment. So, it's an aggressive, growth portfolio. So, we got 75 percent in US equity, 5 percent foreign, 16 percent bonds, and 3 percent in cash or short-term, secure investment. So, you know, let's say you've got a portfolio that looks like this.

And again, maybe, you know, going through the volatility earlier this year was just too painful to stomach again, and you want to look at dialing the risk back in your portfolio. Right? We know we can go into the tools, the Planning & Guidance Center or iShares core, and we can dial the risk down. Obviously, increase the bond side of the portfolio. So, we can turn to ETFs to do that.

Now the neat thing here, if you're not sure... "Okay. I didn't even realize I had 16 percent bonds. Where is that coming from?" You can go to the tool down here, "Learn more about your asset allocation." And this is going to show you how we came up with this pie. And you can go to any of the different categories here. So, let's say we want to look at where the bond allocation's coming from. We can go to Bonds. We can sort it. And it'll show us all the different funds that we own or individual bonds that we own that are adding up to the bond allocation. Maybe we want to reduce the US stock exposure. Okay. Where should I start selling? So, you can go here to Domestic Stock. And this'll show you here where the bulk of your domestic stock exposure's coming from. Right. So, okay, we have S&P 500, now being... We could start trimming down. Or, you know, so, okay, we have some individual stocks in here as well. Maybe we want to trim those down, focus more on indexing versus individual names. Or maybe we want to do a combination of both. And there's no problem with that, as well.

So, a very powerful tool to go in and analyze the portfolio this is your 30,000-foot view of your portfolio.  This is something that all self-directed investors should look at on a periodic basis, at least once a quarter or based on market volatility.  You know, if all of a sudden, the market's going crazy, go back in here, check your allocations.  Make sure it's in line with what you want.

So, let's just go back to the summary view.  And let's look at some other ways that we can use this tool.  So, the next would be...  Okay, our biggest portion here is US stocks.  Let's go ahead and look at our US stock allocations.  We can go here to Stock Analysis.  We can go to stock Sector.  Now, what this is going to do is it's going to show, you know, out of all the US stocks we have, what industries we have exposure to.  And this looks, again, like a very typical portfolio of a client that I'll meet with, here in the Bay Area especially, you know, usually an overweight to technology.  You'll see here what we're looking at, in blue, is the client's portfolio.  And then the hash marks here, this is the Dow Jones Total U.S. Market Index, so not to be confused with the Dow Jones index, which is 30 stocks.  But this is the entire US markets, thousands of stocks, and not just large-cap but some mid-caps, small-cap.  And looking at the exposure broken down by indexes.  So, all indexes are market cap-weighted.  So, technology, obviously, huge growth in the last 10 years.  It's now become almost 25 percent -- or is exactly 25 percent of the index. Financials here, you'll see at 11 percent. So, what this'll show you is if you are overweight or underweight the index. So here, technology, you'll see we're -- actually have an 8 percent overweight versus the index. Healthcare here, we actually have a 5 percent underweight. So, this is great. It doesn't mean tha you have to straddle these, right? This is just telling you where the indexes are. If you wanted to just straddle this, that's easy. You can just use an ETF that tracks the US market, whether it's S&P 500 or total market. And that'll put you perfectly on these areas.

But let's say you want to have a little bit of a choice here. So, you know what? I do like the US market, but I want to overweight technology. Right then, you can do that and this will show you that you're doing it, here. If all of a sudden you have a huge overweight, it's good to see that here. Maybe you didn't mean to overweight by so much and you want to bring yourself more in line. Or maybe you were, you know, doing some research and you realize, you know, healthcare seems to have great relative strength right now to the broader market. I want to make sure I have healthcare exposure. You can pop in here. And you might see, "Oh, you know what? I'm actually underweight on healthcare right now. So how can I fix this?" I want to add healthcare exposure into the portfolio. And maybe, you know, you work in technology, so you're comfortable with technology, you know the different technology companies out there to invest in, but, you know, healthcare, you don't really know a whole lot with healthcare. So, you won't even know where to start, when it comes to picking healthcare stocks. So, this is another area where exchange-traded funds can come in really handy. We can just grab an exchange-traded healthcare fund. And that's going to push up our healthcare allocation, to bring it in line with the market. Or maybe we want to overweight healthcare by a few percentage points. We can do that through an exchange-traded fund.

So, let's look at some of the tools that we have on the website that will help us find, you know, for example, a healthcare ETF. And it would be the same thing if it was another sector or maybe, you know, another area, like bonds. But we can go here to News & Research. And under News & Research, we have a whole section here devoted to exchange-traded funds. And what this is going to bring up here is the exchange-traded fund center. And you'll see we have a screener, right here front and center. And from the screener, we can look at different ways. We can look at Fidelity ETFs, iShares ETFs, Market Cap. We can just go into sectors, Fixed Income, Socially Responsible.

So earlier we looked at the iShares breakdown.  Let's look at Fidelity.  If we click at Fidelity here, this'll be a handful of Fidelity ETFs.  And you'll see here we also have Fidelity sector ETFs, so an ETF for each sector of the US market. These are actually sub-advised on the back end by iShares.  So, we're taking advantage of their leadership and expertise in the ETF marketplace.  And then you'll see here we can look easily in here at all the different ETFs, for all the different sectors in the US market.  So, we can see right here the third one down is Fidelity -- Health Care Index ETF.

So if we wanted to add healthcare exposure to our portfolio, we can simply click on this ETF, get a better idea of, you know, what's inside of it, look at the top ten holdings, look at things here like the expense ratio, 0.084.  We can see there are some dividend payers in there, kicking 1.38 percent dividend yield currently.  There's almost two billion dollars inside this ETF, so it's a big, liquid ETF.  And then we can go through here and look at, you know, what is it holding.  And we can look at performance charts.  We can compare the performance.  So, let's say I want to -- "Well, how has healthcare held up against the S&P 500, for example?"  So we can see here, you know, over the last one year, healthcare has really outperformed the S&P 500, by a pretty good margin here, tracking almost perfectly and then, after all the volatility that we've had so far this year, has really rebounded a lot more than the broader market space.  So really neat tools here.  And you can look at the top holdings.  You can go ahead and look at every holding in here, 350 holdings total.  This is updated on a nightly basis.  You always have an idea exactly what is going to be inside of that ETF.  It's a very, very neat tool.

Now, let's go back to the screening page here, real fast.  And we'll go back to the landing page.  And then let's say, "You know what?  We need to add exchange-traded fund" or let's say, "We need to add some bond exposure." Right?  We're too aggressive.  We had too much volatility.  We want to add some bonds.  Right?  So again, we go here.  I'll show you how to do this from scratch... News & Research, exchange-traded funds.  And then that'll bring up the screening tool.  Let's look at iShares here, first ETF provider to ever come out with a fixed-income ETF, so really, again, a market leader there.  And then right here, iShares ETFs for Income.  We can click on this.  And it's going to run a quick search.  It's going to bring up the choices here on the income side. And there you'll see a couple ones that have been mentioned throughout the day -- right -- AGG, really the benchmark for the US bond market, LQD, high-quality corporate bond ETFs.  So really straightforward tool, very easy to go through, especially in conjunction with the analysis tool, to figure out "Where do I need to make adjustments in the portfolio?"  And then you can use ETFs as a very easy way to go in and get exposure to areas that you don't have exposure to. All right… perfect. So now, John, one thing. You know, ETFs have been around now since the early '90s. And we learned about factor ETFs, during the last presentation. It seems like ETFs are always evolving. Is there anything kind of new that you're looking at, from the ETF space, over at iShares?

**Erdos:** Most definitely, Michael. And it's an interesting conversation. I think, for a lot of do-it-yourself investors who start to build their own portfolios, they really do start expressing their own views and feelings and outlook based on sectors, as you mentioned. And so, if you can… You pointed us back to ishares.com, thank you. I want to preface what I'm going to highlight with the following. When we talk about sectors, there's no denying that in today's world technology plays a role across every sector. Technology is table stakes across all sectors. The modern world is changing at the speed of innovation. We feel this change in the inexorable pull of the future, through what we call megatrends. These are enduring shifts, powerful enough to influence the global economy and to affect corporate performance across industries. I think it's particularly helpful to do a deeper dive across the themes, as well as discussing the investment rationale. Evidence of megatrends is all around. It's embodied in the products, services, and movements, with profound transformative potential. The megatrends are expected to alter our personal and professional routines for decades to come.  Megatrend themes offer potential long-term opportunities.

So, if you look in the Investment Strategies tab and clicked on “Invest in” our “future with megatrends”...  Go under the “Go Further” heading, right there. And then, for anyone who wants to go directly, at home, you can use the ishares.com/megatrends.  That’s M-E-G-A-T-R-E-N-D-S.  But we’ve identified five cultural shifts driving how we work and live.  So, if it’s all right, we’ll scroll down, and I’ll walk through kind of the what and possibly the why.

So, number one, technological breakthrough.  This year, over half of the world’s population is expected to have access to the internet for the first time. If you consider the advent of electric vehicles, e-commerce, solar panels, robotics, blockchain, cloud computing, streaming, smart grids, and any other modern-day innovations, this backdrop has created fertile ground for disruptive innovation and thematic investing.  These are technologies that move extremely fast and companies who not only disrupt the status quo -- or evolve their existing business to adapt are going to be well positioned for these changes, in the future.

The second, demographics and social change.  This is a big one.  Over the next -- gosh, I'm looking at a date here -- over the next two years, the working age population in advanced economies is set to begin shrinking, for the first time in history.  So as economies age, you're going to see spending changes thar are really dramatic and different focuses in terms of government spending, healthcare spending.  Frankly, we expect firms that address age-related diseases to benefit, and along with innovative companies that provide technologies and new solutions to better care at lower costs.  As shifting power spends to older households in Western economies, companies seeking growth will need to cater to these unique demands.  So, if you look on the other hand, younger consumers are expected to grow up with distinctly different spending priorities vers' their parents and grandparents.  So, these'll be respected in what they eat, potentially healthier, potentially fresher; how they spend their time, streaming, gaming; how they save their own money; the sharing economy; low-cost travel; and how they invest.  Millennials are more likely to invest sustainably.  So, companies that are focusing on these changes are more likely to benefit, as we see investors start to evolve and spend likewise.

The third trend, rapid urbanization.  By next year, over 50 percent of Asia's citizens are expected to live in urban areas, for the first time.  As cities grow larger, it requires significant infrastructure, including communication networks, things like 5G, things like fiber, transit and transportation, metro transportation, bridges, things of that nature, social infrastructure -- we're talking hospitals -- we're talking schools -- and, obviously, housing. This was a key driver of commodity demand in fixed investments over the last 10 to 15 years, in China and other developing economies, as they industrialize rapidly, and millions of people migrate to cities. So, the story is likely to continue, as other emerging markets follow China's lead.

The fourth, and this is a big one, climate change and resource scarcity. Eighteen of the 19 warmest years on record have all occurred since 2001. As Sarah mentioned some of these facts, we're seeing an expanding population and the rising demand for food, energy, materials -- continued... they continue to strain finite resources on our planet. So, the need for solutions that improve energy efficiency, lower food waste, and provide alternatives to scarce resources has grown to be an even greater need. I will say the good news is that clean energy today is cheaper than it ever has been. Similar solutions are going to be needed in agriculture, as the need for nutrition rises with per capita GDP in large emerging economies. To produce more with less, productivity improvements need to be relentless. And we think there are companies who are going to step in and play the role in these changes that are necessary.

And lastly, the fifth megatrend we've identified is emerging global wealth. We think, over the next four years, India's expected to overtake China as the most populous nation in the world. Over the next decade, it's estimated that more than two billion people in China alone are expected to have disposable income for the first time. The emerging middle class is poised to drive demand for global brands across most consumer categories, all the way from toothpaste and diapers to luxury bags and apparel.

And so, there are 13 funds that fall under the megatrends banner. Some are just going to be country-specific funds, like broad exposure to China or actual China A-shares or local shares. You could have exposure to directly country-specific in India. But then there are also some ideas and themes, whether it be infrastructure in the US, global infrastructure, or emerging-market infrastructures. We talked about, in a previous session, self-driving electric vehicles and technology. If you ask yourself the question "Do I think there are going to be more electric cars on the road in 10 years than today? Do I think there are going to be more autonomous-driving cars on the road in the future than today?" I think that informs a lot of investors' decisions. We have another fund, such as Global Clean Energy. These are firms focused on clean energy not only just as a way to feel good and supplement the coal industry, gas industry but they're looking to revolutionize the way we consume energy in the US. Another fund, U.S. Tech Breakthroughs, mostly speaks for itself. Cybersecurity and technology. This is a huge consideration, as we have a lot of employees in the US working from home. We have another one, Robotics and Artificial Intelligence. How does the US workforce evolve and how does the international workforce evolve? Another one we talked about in a previous session, Genomics, Immunology and Healthcare.

And lastly, I want to talk about Exponential Technologies. This is a broad way to consider technology. So, this provides the broadest exposure to nine technology themes with the potential to bring significant benefits to the companies that produce and use them. We're talking about technologies all the way from big data and analytics to medicine and neuroscience, all the way to 3-D printing. The current pandemic has really accelerated some of these tech megatrends, driving growth in exponential technologies like 5G networks, cybersecurity, robotics. I saw a recent Gartner survey interviewing CFOs. And 74 percent of them said they will likely keep a portion of their employees in a permanent work-from-home environmen-- even after the virus subsides. Traditional sector ETFs might be too broad to capture some of these targeted innovation themes like cybersecurity and genomics. The S&P 500 tech sector, just for example, has, I believe, 21 percent exposure to old-line computer hardware, 9 percent exposure to credit cards. Sometimes these exposures aren't exactly what we're thinking of when we talk about large-scale innovation and wholesale transformation of industries.

So, megatrends can really allow investors to participate in the innovation that will continue to grow over the next years and decades. So, Michael, that's a lot of information. I hope it's been helpful. I hope it's been interesting to those watching. We do have some time left. Unless you want to highlight anything on the fidelity.com website, I'm more than happy to start addressing some questions that we have.

**Pollock:** Yeah. Yeah. Then-- just for a quick summary there, John, it sounds like megatrends can be very great way to supplement a existing portfolio or an existing allocation, as a way to go and get some really targeted exposure into some really exciting long-term investment opportunities.

**Erdos:** That's exactly right. I will say the way we see investors use these megatrends is building basically that core portfolio, whether it's through the Planning & Guidance tool, whether it's through the iShares core builder, where you basically make sure you check those boxes of the important exposures, whether it's large-scale domestic, US exposure -- maybe you have some international, emerging-market stocks -- adding that, whether it's the Barclays aggregate, maybe supplementing some income, whether it's high-yield, different portions of the investment-grade market... But around the side, using a satellite around that core strategy, is actually implementing some of these megatrends. Truly express personal views. You know, "I believe autonomous driving is the way of the future. How do I express that in my investments?" So, spot-on.

**Pollock:** Excellent. Thank you. Let's jump over here. I've got some questions coming in. We've got some time for them here. All right. Let's find a good one here for you, John. What is the difference between funds offered by different providers? For example, like you look at S&P 500. Right? There's probably, you know, 10, 20 different providers that provide an S&P 500 ETF. How would an investor go out there and determine which one or which fund company to go with?

**Erdos:** Yeah. This is a big question we get. Because now there's a ton of fund companies, I believe over 80 ETF providers in the US alone. And so, you have a lot who are trying to enter the market, to capture some of this growth. But you want to make sure that you're investing your assets in a place where you're pretty comfortable you're not going to see a fund shut down in the next year.  So, I would think that there are several key variables that I would encourage everyone to consider.  First, because the vast majority of ETFs track indexes or benchmarks, it's really important for investors to know what they own.  Doing your research on what your fund is actually trying to track is really important.  Because as we know, performance is based on what you own.  Not all large-cap funds are alike.  Just because the title says large-cap doesn't necessarily mean it's capturing the large-cap exposure that you see when you turn on CNBC.  And so, you don't want a large-cap fund that holds mid-caps or maybe starts to duplicate holdings.  Let's say you're buying a large-cap fund and mid-cap fund, tracking different indexes.  They might have significant overlap, basically repeating individual exposures in your portfolio, that you didn't intend.  Couple other variables.  Look, expense ratio is always important, with consideration of liquidity and tax efficiency.  So, a cheap fund that doesn't trade or a cheap fund that consistently issues a capital gain is not something that I want to own.  All this information, all these metrics can be found on fidelity.com.  But I really encourage investors to do some of the research, make sure they know what they own, using the gold standard of benchmarks.  I mean, at iShares we believe in the S&P 500 inside the core, and, say, S&P indexes inside our core funds.  We believe in MSCI international indexes, really the gold standard of international investing, not only for retail investors but institutional investors -- alone.  So just to recap, I'd say index is important, expense ratio's important, tax efficiency is important, and liquidity's important.  Because when you want to sell, you want to make sure there's going to be a buyer on the other side.

**Pollock:** Perfect.  Thank you, John.  Yeah.  And like John said, these are all things that we can find -- right -- from fidelity.com, when we pull up an ETF.  We could compare ETFs on all of these different metrics, from tax efficiency to liquidity to how tight the average bid-ask spread is over a 30-day period.  So that is very helpful.  And again, you don't know to do this, turn to Fidelity.  Give us a call.  Get in touch with your financial consultant.  We'll get these questions answered for you.  Pop over here for another one.  Let's see, here.  I'll give you one more, John, and then I'll take the rest here.  In the wake of COVID, are there any new themes that you see emerging, from ETF investors?

**Erdos:** Most definitely.  And it's a question we're hearing a lot these days.  And it's not one of these short-term type of investment considerations.  I think there's going to be long-term implications to what we're seeing today.  You know, I did mention XT, Exponential Technologies.  We're seeing some of these tech trends accelerating, from work-from-home demands, whether 5G, whether it's cloud, whether it's infrastructure.  Some of these themes are really coming to a head.  One that I really do want to highlight, COVID-19 has increased investor tension in next-generation healthcare treatments.  One of the funds I mentioned earlier, genomics and immunology and healthcare ET-- that's IDNA.  For immunology, progress is being made on employing the body's own defenses, with antibody treatments to battle incoming attacks, rather than previous approaches such a blood transfusion.  For disease treatment, genomic breakthroughs are allowing scientists to decode the disease and develop genomic-driven RNA vaccines, that are radically advanced vers' traditional vaccines.  And the thing I'll say...  And I know, historically, the way a lot of investors try to do this is pick single stocks, maybe try to find the winner, throw the dart at the board and see if they can hit the bullseye every single time.  Single stock picking is risky.  And nobody knows which company will find a cure.  Investors are going to gain exposure to the themes driving medical breakthroughs and avoid the risk of picking the one drug company whose vaccine trials fail.  You know, I think anybody who's looked at the last couple days in the market...  It's pretty topsy-turvy, in terms of the news coming in.  One day there's fantastic good news.  The next day, we're trying to poke holes in the story a little bit.  So, if I were to look at the top ten holdings in IDNA, for example, a lot of the holdings are companies that we're hearing a lot about in the news these days.  So, whether it's Exponential Technologies, that's capturing large-scale trends, or IDNA, which is genomics, immunology, new ways to think about healthcare, those are a couple of the funds that come to mind.

**Pollock:** Perfect. Great. Thank you, John. All right. Looks like we have time for one more here, which I'll take. "How do I know what sectors to focus on?" So, it's a great question, one that we talk about here at Fidelity all the time. So, I'm going to pop back into fidelity.com to address this one. So, off the top of my head, probably my favorite place to go to get sector research is going to be our Quarterly Sector Update. This is a report that's updated every quarter. We call it the QSU, for short, for Quarterly Sector Update. So, if you just go to fidelity.com, in the search field you can type in "QSU." Hit enter. And this is going to run a search for you. And you'll see here... This is going to bring up the results page here, with the Quarterly Sector Update. This one here, this is the brand new, for... Obviously, we're in Q2 of 2020 right now. If we select it, this is going to bring up the report. And you'll see here... This is really fantastic. So, this report is done every quarter by Denise Chisolm, who's really amazing. You know, a lot of internal folks at Fidelity, you know, we wait for this report, because we want to hear her insight, as well as clients. But you can go on here. There's a video here of Denise giving her summary of the report. You can go down here. You can actually download the full PDF of the report.

And then you can go through and also read the important parts of what was mentioned in the report. So, very interesting, very timely right now, again, with all the volatility, just to look at really what's going on. A couple sectors really showing strong relative strength to the overall market right now, technology and healthcare. So really worth looking through this. And she digs pretty deep into, here. Other areas, that you can also look at, you know, for more research on, you know, how to look at the overall market would be on our Viewpoints. And again, you could just search, in the search field here, for "Viewpoints." And this is going to bring up the link here to "Explore Fidelity Viewpoints." Now, a lot of clients have signed up to get these emailed. And we'll do a weekly email on these. Now obviously, with all the volatility, we've been updating these very frequently. My favorite place to go on here is actually, as probably for most folks that are a little bit more active or more do-it-yourselfers, the next on here, "Market insights." This one here is a great area to go through. Like I said, because of the volatility, we've been updating this even more frequently than normal. You go through and read what our thoughts are on the overall economy. This article here, this is from Jurrien Timmer. He's one of our main analysts that we have at Fidelity, fantastic. If you find an analyst that you like, like Jurrien, you can actually just search their name in the search -- for them, to bring up all their recent articles as well. So, he's really been going in every week and analyzing the markets and what's going on, talking about the recovery, what levels he expects the S&P 500 to be at during the recovery, what the recovery's going to look like. Is it going to be a V? Is it going to be a W? Is it going to be a swoosh? Also, obviously, "Treating COVID-19." This is by Eddie Yoon. Eddie is one of our portfolio managers, that runs our Fidelity healthcare portfolios, very, very well-known in the industry. And you can click right on here and read his thoughts on everything going on right now. And then down below here, the business cycle. So, this is really important. We look at the business cycle on a monthly basis, here at Fidelity. We update these reports. And, you know, it's a really good way to gauge the risk of the market, you know, when you should be maybe getting a little bit more conservative, you know, when you can maybe be getting a little bit more aggressive, based on where we are in the overall market cycle. So great spots here. And then right down here you'll see you can actually sign up for the Viewpoints. And then we'll email them to you on a weekly basis, so you can always be updated, without having to go back to this page. Or what I usually do is I'll just bookmark the market insight page. And I'll pop in here occasionally, just to see what's going on. So, with that, I wanted to --

**Erdos:** Michael --

**Pollock:** -- go ahead and wrap up.

**Erdos:** -- I was going to say, as we're close to time, let me wrap it up by asking you a question. What can clients do if they want to learn more of anything we didn't get to touch on or want to have a discussion about implementing their own portfolios?

**Pollock:** Great question, I'll take, yeah. So, these are topics that I talk about on a daily basis with Fidelity clients. So, you know, really, you know, reach out to your representative at Fidelity, your financial consultant. And they can get you in touch with your local brokerage consultant. And we can sit down, analyze your current portfolio, you know, talk about your risk levels, where you want to be, and how we can turn to different products to help get you in line with where your goals are. So again, something we do on a daily basis. Right now, we're really doing those mostly remotely, so either a screen-share or, if you prefer, a Zoom. We have access to Zoom now, where we can see each other, and go through these different tools. Thank you, John, very much, for taking the time to join us today. Thank you to all of our presenters from BlackRock for taking the time out to help us out today with this presentation. Go to fidelity.com or ishares.com, to get more information and to look at the screens that we covered today in the presentation.  So, thank you, very much, everybody, and have a great rest of the day and stay safe.

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