

Factor Investing

JOHN GAGLIANO: Thanks to everyone on the line for joining, and good morning or good afternoon to you guys all, depending on where you are in the United States or the globe. My name's John Gagliano; I'm part of our sector and ETF investment strategy team based in Denver, Colorado. And just a quick little background on myself -- so I've been at Fidelity for roughly three years now, and prior to this was at JP Morgan Asset Management out in New York City for a little while, and was with BlackRock iShares before that for about four years. So still relatively new to Fidelity, but not new to the industry. And really what my role here is is to ensure that everyone has a deep understanding of our sector strategies as well as our ETF strategies, and as you can tell by the name of the presentation today, we're going to focus on the factor investing side, which also kind of parlays a little bit with the ETF products that we run here at Fidelity. So in terms of what I wanted to cover today, you can see on the table of contents here -- just kind of an introduction, and give you guys a little bit of some trivia that I always like to give the audience; it'll give you something to think about as we go through this presentation. But more importantly, want to talk

about -- what is factor investing? And just so everyone is clear on the line, when I say "factor investing," that is going to be synonymous with other terms you might have heard in the industry: smart beta investing, strategic beta -- all of these terms are going to be synonymous, so if you've heard all of that, that is going to be what we're effectively talking about today.

Then we're going to touch on how we can actually use factors in a portfolio. So how are these factor ETFs, exchange-traded funds, actually being used? Then finally, we're going to touch a little bit on the Fidelity factor products here. We've been in this space now for about three years, and we're going to touch on some of the competitive advantages that we feel that we have in the factor space. And finally, we're going to touch on some of the tools and resources that we have, and at that point I'll do a brief live demo. I can show you some of the areas on Fidelity.com where you can actually go and do your own due diligence to see if this is something that might be right for you.

So as I mentioned, I always like to start off when I'm giving this presentation live with a little bit of trivia.

And the first question that I ask is just this kind of blank slide, right? The 1980s, the number was 17%. What does that really mean? And if you can read the footnote at the bottom, you might have a little bit of a cheat sheet there, but if you can, a lot of the answers that I get are, oh, well, it was, you know, the interest rates at the time. And that's a pretty good guess, because as everyone is aware or a lot of people are aware probably on the line, the 1980s, the interest rates were very, very high, to the tune of 17 or 18%. So that's not a bad guess, but that's not what we're talking about here. What we're actually talking about is the annualized return of the S&P 500 for the decade. So 17% in the 1980s, for all intents and purposes, was a very, very good year, or good decade, for the equity market.

Now, if we flash forward to the next decade, the 1990s, really the golden decade of investing, it was even higher than that, at 18% in terms of the annualized return of the S&P 500. Now, what did we see when we went into the 2000s? Well, we obviously had the Y2K bubble and the dot-com bubble in -- at the beginning of the millennium, and then we also had the financial crisis in 2008 into 2009. So we kind of call this the lost decade of investing; the return

for the entire decade was, on an annualized basis, negative one percent. So really, really not a good year to be in the markets, as I think we all know who lived through that financial crisis and the dot-com bubble.

And then you flash forward a little bit further into the first half of the 2010s, and this is run through 2015, annualized return is 13%. And if you were to extrapolate that even a little bit further out, we would probably see that be even a little bit higher. Because the last couple of years, 2016, '17, '18, the markets have done extremely well. So that number would even be a little bit higher.

So, you know, why do I bring this up, and what does this really mean? Well, what this tells me is that the historical way of investing is not necessarily the way that we're going to think about investing going forward. So the traditional styles of investing may not work. And the reason for that is because the historical returns tell us that nothing is certain in the equity market.

So when I say "traditional style of investing," what do I really mean? Well, what I mean is market cap in style-based investing, OK? So for those of you who don't know

what I mean by that, market capitalization is defined as a company's stock price multiplied by the number of shares outstanding. So there's two ways to change that: either the stock price is going to move, or shares are going to be redeemed, or shares are going to be issued for the stock. So that's really how we've thought about investing for quite some time now within the equity states, and that particularly applies to what we call exchange-traded funds. For those of you who don't know what ETFs are, exchange-traded funds, really it's a basket of securities that trades openly on the exchange. So it's going to be similar to a mutual fund in that respect, so it's a bunch of either stocks, bonds, or combinations thereof. But it trades on the exchange similarly to a stock. So it's going to have some inherent benefits to that. Typically they're going to be a little bit cheaper than a mutual fund would be; they are transparent, so they actually disclose their holdings on a daily basis, whereas mutual funds are on a monthly basis. They actually are a little bit more tax-efficient in their nature; the reason for that is because they have a unique process associated with them called creation redemption, which allows new shares to be created or redeemed on an in-kind basis. So that underlying basket of securities that I just mentioned, we actually don't have to

sell out of those physically -- it's actually an in-kind transfer, and that transfer is a non-taxable event. So typically you don't see a ton of capital gains within the structure of this ETF.

And as I mentioned, they trade throughout the day, so they're typically super liquid. You can get in and out whenever you want. And they have a market price and a net asset value associated with them because of that. So those are just a couple of the key features of exchange-traded funds, for those of you who don't know what those are, because we're going to be talking about that a good amount today.

And so ETFs really got their start back in 1993 with SPY. So that was the first-ever ETF that was launched by State Street SPDRs, and it tracked the S&P 500. And the reason that I'm bringing all this up is because traditionally, what we've seen in the ETF space is they have employed market-cap-weighted strategies, OK? And what that really means is that the index that the ETFs have tracked have been market-cap-weighted. So the S&P 500 -- we'll just use that as an example -- it is the 500 largest stocks by market capitalization. So what that tells me is that, you

know, traditionally that's how we've thought about investing and that's how we've thought about the ETF space. But do we always want to just rank stocks by how large they are in terms of their market capitalization, especially with what I just mentioned with historical returns telling us that nothing is certain in the equity market? We might want to think about a different way of investing, and that's really what we're going to talk about today with factor investing.

So let's get into specifically what factor investing is. I think the term "factor investing" gets over-complicated, and again, just want to reiterate, if you've heard the term "smart beta" or "strategic beta," that's going to be the exact same thing here. But I think all of that gets very over-complicated. Really what it is is -- it's another way of thinking about equity investing. And instead of ranking the stocks by market capitalization, we're going to rank the stocks by something other than market capitalization. And the six buckets that we typically find, or -- these are also called the six factors that we typically see in the industry -- are going to be low volatility, quality, momentum, value, dividends, and size. So these are going to be the six that we typically see out there. So just to

use a couple of examples here -- if we were going to rank stocks by low-volatility characteristics, we might take a look at something like the beta of the stock to the market, right? The correlation that it has to the rest of the market. We might take a look at the volatility of price returns, OK? And we might say, hey, you know what, we want to take a look at stocks that have low volatility of price returns, or a low beta to the overall market. And those are going to exhibit low-volatility characteristics.

Dividend: that's one that I feel like a lot of people are pretty familiar with, but it's not just the dividend that we look at. Maybe we're going to be looking at something like the dividend growth rate, because we don't necessarily only want companies in there that have paid a dividend, but we want companies that are going to continue to grow their dividends going forward. Something else we might take a look at is the dividend payout ratio. That might not be a metric that you're overly familiar with, but effectively it measures -- how much of a company's earnings do they kick out in the form of dividend? Because you certainly don't want all of the earnings to be kicked out in the form of a dividend, or else the company doesn't have any money to

reinvest back in itself, and that's not really very good for sustainability purposes.

So I just use those two as examples, but those are going to be the six factors that we typically see out there in the marketplace. So what we're doing with factor investing is, we are creating an index and we are ranking the stocks within that index by something other than market cap, and it's going to fall into one of these six buckets. Now, when we see this actually in practice, when we see exchange-traded funds, ETFs, employing this strategy, we're going to see it done typically in one of two different ways, the first of which is going to be what we call single-factor ETFs. So that means that we are going to have an ETF that isolates one of these factors.

The other way to do it is called multi-factor investing. So instead of just having one factor in the product, they're actually going to weight several different factors. It could be two, it could be three, it could be all six of them, and you're going to have all of those factors in the products. And I'm going to talk more about that specifically when I talk about the Fidelity products later on, but I just wanted you guys to get a sense for how this

actually plays out when we see ETF products, and that there's two types. There's single-factor products and there's multi-factor products that are out there.

Now, one more thing that I'd like to point out on this slide before moving on is that these are still index-based products. So I mentioned that the first ETF that was ever launched was SPY in 1993, and that product tracks the S&P 500 index. Now, that is a passive product, and a lot of ETFs that are out there are passive. And what "passive" means is that they look to near the performance of the benchmark, which is the index that they track. That's what we mean when we say "passive." These are no different -- so these are still tracking an index. So they still are passive. It's just that the index that they are tracking is what we call a more enhanced index. It's an index that is not based on market capitalization, it's based off of one of these six factors or several or all of those six factors. So that's something that I think is really important to note, is that it's not like we have an active manager behind the scenes hand-selecting these stocks. They are actually rebalanced on a cadence. It could be quarterly, it could be semi-annually, it could be annually, and that's when new stocks are added or stocks are removed.

But still, they are passive. They are tracking an index. It isn't something that we have an active manager hand-selecting the stocks. So that's a common point that I think oftentimes gets confused when talking about these products.

So those six factors that I just mentioned were on the equity side. This talks a little bit about some of the macroeconomic factors that affect different asset classes. So this is going to span into bonds, so fixed income, as well as alternative asset classes, things like real estate. And the three that we see here are inflation, interest rates, and credit. So inflation being a general rise in the aggregate prices of goods, right, that's going to be measured by the consumer price index, CPI. Interest rates, we're all pretty familiar with interest rates; the Federal Reserve has most control over shorter-term interest rates, but we do see interest rates that are 10-year or 30-year interest rates. All of this is going to factor into those broad economic indicators, and something that's going to affect more the fixed income or alternative asset classes.

And finally, credit. Credit is going to be the default risk. So when a company is issuing a bond, right, there is

-- depending on the quality of the company and the quality of that bond, it's going to get a different rating. And I'm going to talk about this a little bit later, again, when I talk about our Fidelity products, but just know that there are different types of ratings that bonds can have depending upon how risky they are and what probability they have of actually defaulting, of not being able to pay back the debt that they're borrowing.

So just wanted to make this clear also: so these six right here are going to be equity factors, and then these three are going to be more macroeconomic factors, which affect some of the broader asset classes. But this is something that can be applied to any asset class that we're seeing in the industry.

So I wanted to touch a little bit on -- give you guys a brief history lesson on sort of where this all came from. So I don't know if there's anyone on the line who is, you know, a student of the financial markets at all or has been in financial services at all, but if you have, you might have heard of something called the capital asset pricing model, the CAPM formula. And what that really says is that there are two types of risk: there is diversifiable risk

and non-diversifiable risk. The diversifiable risk is the risk that you can diversify away and get rid of by having a well-diversified portfolio. The non-diversifiable risk is also called market risk. It's measured by the beta. And this was really the first factor that was ever introduced when this formula was created back in the 1970s.

If you flash forward about, you know, 20 more years or so, what we actually saw from two of the leading economists at the time, Eugene Fama and Kenneth French, was they actually introduced two new factors. They said, "OK, you know what, market risk, that's great, makes sense, but we think that there are some other factors that are going to influence what we call the risk-reward relationship of an asset. So how much return are you getting for the amount of risk that you're taking on?" And those two factors were called size and style. So that was really what came in the early 1990s by two of these leading economists. And they still are some of the leading economists at the time. I think they sit on the board of Chicago Booth; you guys might have heard of DFA funds -- they're also involved with DFA funds, and they actually won the Nobel Prize for Economics. So definitely two very intelligent individuals.

And you flash-forward a little bit more into the post-millennium, and we've said, "You know what, that's great -- size and style, they definitely affect that risk-reward relationship, but we have a whole bunch of other factors that we think affect the risk-reward relationship, right?" And that's what I just mentioned -- quality, value, momentum, dividend, size, all of that. So that's really where all this came from. So this is not necessarily a new concept, it's just something that is currently and more recently being packaged into products that can be digested and purchased by the consumer.

The reason why any of this matters and why we really care about this is because some of these factors, over a longer period of time, have proven to outperform the market. So you can see here on this slide, that black bar at the bottom, that's going to be the Russell 1000. It's effectively a measure of the equity-market returns over a 30-year timeframe here. So the Russell 1000 is basically comprised of large- and mid-cap stocks. Now, you can see that there have been several factors that have outperformed that Russell 1000 over that 30-year timeframe: momentum, quality, low volatility, value. Now, I don't want you to think that this is always going to be the case going

forward, because again, nothing is certain the equity markets, there's no guarantees -- we don't know how this is going to play out. And certainly that is not always going to be true at any point in time. But what we found historically is that when you bought and held some of these factors over time, they have had a tendency to outperform the market over a longer period of time. And I think one of the things I want to reiterate with that is that the way that we're seeing these products and these factors being used is as a part of a -- the core part of a portfolio. So these aren't necessarily trading vehicles; we're not necessarily seeing investors trading these on a frequent basis. Again, this is a different way of constructing the equity sleeve of a portfolio; similarly to how you would have bought large-, mid-, small-cap stocks or value-of-growth stocks before, this is kind of another way of thinking about that. And again, it's not necessarily right or wrong or better or worse; it's just a different way of thinking about it. But we have seen that over time there have been some benefits for some of the factors.

So how exactly are we seeing these strategies being used in a portfolio? Well, one of the ways is to enhance returns, right? We just talked a little bit about that -- if you're

buying health holdings, there is a chance you have of outperforming the broader equity market, right? So enhancing returns is going to be one way. Risk management -- you can combine some of these different factors to create a well-diversified portfolio, similarly to how you would with large-, mid-, and small-cap stocks, similarly to how you would even with sectors, if you guys are familiar with sector investing at all. Combining, you know, financials with utilities with materials with energy, and with all these different sectors, you can actually create a well-diversified portfolio that has a pretty low correlation, so basically meaning that you don't have all your eggs in one basket, right? And you can do the same thing with these factors. You can combine them to lower the risk of the portfolio.

And then finally, one of the most common ways that we're seeing this being used is targeted outcomes. So if you're an investor and you have a certain financial need that you need to fulfill -- so maybe you want to partake in the equity markets, but you want less risk, or maybe you want more income: you can potentially use a dividend strategy for that income, or a low-volatility strategy to partake in the equity markets and lower the volatility overall of your

portfolio. So if there is a particular need that you have, these factors can actually, in a lot of cases, be the solution to that need. So these are going to be really the three key ways that we see factors being utilized in a portfolio.

So I'm going to touch a little bit on our factor ETFs, and then I'm going to go into the live demo piece -- that way I can show you exactly where you can find some of these products on our site. So before we get into the actual products themselves, I always think that this is a pretty funny and interesting slide -- if you've been a Fidelity customer for a long time, you probably are familiar with Peter Lynch, manager of the Magellan fund. So this is him back in 1968, and you can see he's got a ton of papers all around him, and really, at this time, there wasn't as much computer hardware, so a lot of the managing that he was doing was done on a manual basis, and I'm sure he's thankful -- and every manager is thankful that that is not the case anymore. But really, factor investing has been in our blood here at Fidelity for quite some time now. And guys like Peter Lynch or Will Danoff, who runs the Contrafund -- these are things that -- these factors are things that these guys have thought about for a very, very,

very long time in the active re-managed space. So I mentioned that it's more recently been packaged into products, i.e. those ETFs, the exchange-traded funds, which I'm going to touch on the Fidelity ones that we have here. But the idea behind it, the idea behind looking at low-volatility characteristics, behind looking at dividends, behind looking at quality or momentum characteristics -- this is something that active managers here at Fidelity have been doing for a very, very long time. So while the actual products themselves might be pretty new and the concept "named factor investing" is new, it isn't really something that is new, because it's something that's been in our blood for a long time, and we've thought about this in a lot of our strategies. So one of the really great things with this is that you're actually able to get some of the pieces of the puzzle that some of these active managers have used in their thought process, and you're actually able to bring it into a single product, which is something that I think is pretty unique. So I just wanted -- I always like to just reiterate that, you know, while this is a newer concept from the perspective of actual products, it's not a new concept here at Fidelity -- it's something that we've done in our strategies for quite some time.

So let's talk a little bit about the different products that we have here. So we actually got into the factor ETF space back in September of 2016, and we started with -- I mentioned that there was two types of -- two different ways that we saw this play out. We saw the single-factor ETFs, and you can do multi-factor ETFs. So back when we first launched our suite of products in September of 2016, we actually chose to do single-factor-based ETFs. So we launched a suite of six different products in this space. The high-dividend, FDVV; the Fidelity dividend for rising rates, FDRR; the Fidelity low-volatility ETF, FDLO; Fidelity momentum ETF, FDMO; the Fidelity value factor ETF, FVAL; and then the Fidelity quality factor ETF, FQAL. Those were the six factors that we originally started with.

The dividend products at the top here, the high-dividend and the dividend for rising rates products, these were probably two of the more, I would say, unique products that we had here. So the dividend for rising rates employs a couple of those dividend strategies that I mentioned before, so looking for companies that have a high dividend in general, but also a high-dividend growth rate and then a low-dividend payout ratio. But it actually adds a fourth

screen into it, and it looks for companies that have done well when the ten-year has risen, which is pretty unique. So this product was actually the winner of a 2016 award for most innovative smart beta or factor product of the year from ETF.com. So it definitely got some recognition for the uniqueness of the product, because you don't really see a lot of that out there in terms of, you know, equities, stocks that have performed well during a period of rising rates. The high-dividend is going to be the exact same product except without that fourth screen. So it's just going to have the high dividend, the high-dividend growth rate and the low-dividend payout ratio. So those are two products I like to highlight, only because I think that there are a lot of clients out there that have income needs, and those are going to be the two factor products that we have that really address those income needs. And depending on your view on rates, I know with everything that's going on with the Federal Reserve, I think, you know, the general view is that they might remain neutral or, you know, they might be more doveish going forward in terms of pulling back on interest rates. But for a while there were -- when the Fed was hiking interest rates, you know, this product had performed pretty well during that period. And it's not to say that it wouldn't do well when

rates are falling; it's just that it tends to do a little bit better when they are rising, because it still does have those other dividend traits.

And then the other one, the low-volatility, that's always one I like to highlight, only because I think that going forward -- in any market period, you never know when volatility is going to hit, so I mentioned targeted outcomes. That's going to be something that would be a great product for investors who are looking to partake in the equity markets but maybe want a little more downside protection when things become a little bit volatile. So I would say that those are probably the three products that we tend to like to highlight, but depending on your view, if you want something that's a little bit more growth-oriented, that might be something like a momentum product, and then, as you saw in the chart before, value has been a factor that has worked for quite some time, especially when you buy and hold that factor. So I think that there's a place for each one of these; it really just depends on what it is that you're looking for, but that was really the suite that we started with.

More recently, we launched a couple products on the international side. So we did a complement to the high-dividend, and we did an international high-dividend, so that's going to be looking for companies outside the US but excluding emerging markets that are having those dividend criteria. And then the international value, we did the exact same thing on the value except we complemented it with an international strategy.

And then on the fixed income side, I'm going to touch on these in a slide or two in a little bit more detail. We did a low-duration-factor ETF and a high-yield-factor ETF. So those are going to be the two that we did on the fixed income side. I mentioned that we can do equity factors and we can also do fixed income factors, and those were the two that we did for fixed income.

From a price standpoint, these all look pretty competitive. All the single-factor products are going to be offered at 29 basis points. The high-yield is going to be one of the more expensive, at 45 basis points, only because high-yield tends to be -- it's a little bit more of an opaque market and it's a little bit less liquid and harder to trade, so it's a bit more expensive. But the low-duration is going

to be offered at 15 basis points. So -- and that's -- just so you guys know on the phone, that is the expense ratio, so that's going to be effectively what the management fee is for those products.

The products that -- there's a couple more that we launched that were -- they were within the last couple of weeks, so we didn't actually get them into this deck, unfortunately, but just so you're aware of them, we launched a small-and-mid-cap multi-factor ETF. So I mentioned that you can do single- and multi-factor; we did multi-factor with a small-and-mid-cap strategy, and we also did an international multi-factor product as well as an emerging markets multi-factor product. So those are going to be the three multi-factor products that we did. And again, those are more recent, those were in the last couple of weeks, but I just wanted to make sure everyone was aware of the full suite that we currently have.

So let's talk a little bit about the differentiated approach, because one of the common questions that we get is, OK, well, you know, that's great, and this space has obviously seen a lot of products launch in it -- what is Fidelity really doing that's different than some of the

competition that's out there? And one of the main things that we like to point to is our sector-neutrality. So I'm going to focus on this box right here, that sector box. For a lot of our strategies -- now, this isn't the case for every single one, but for a lot of our strategies, we try to keep the underlying sectors neutral. So -- and when I say "neutral," I mean neutral relative to where we're at in the market.

So basically, what we do is we're trying to keep sectors like consumer staples, consumer discretionary, energy, financials -- those 11 sectors, those are called sectors, those are going to be market-weight. And when I say "market-weight," I mean the weight of the Russell 1000. So basically, when we match our products up with the Russell 1000, we don't want to be overweight or underweight those sectors. We want to really be where the market is in terms of those sectors. And the reason that's important is because one of the things you can see with some of the factor products that are out there is when you look under the hood, they have sector biases. So for those of you who aren't as familiar with how some of these sectors play out, utilities companies, they tend to pay out pretty high dividends. And so if you're employing a dividend strategy,

a factor strategy that is based on dividends, there's a good chance you could have a lot in utilities. You might be very overweight utilities, but the problem with that is that utilities also tend to be -- tend to not do as well when interest rates rise. So you have a lot of interest rate sensitivity there. So that's something to just keep in mind. And it's not saying that anyone else is doing anything wrong, it's just, this is how we're thinking about factors, and we want to keep the factors pure. We want to make sure that when we're giving you a factor product, we're not really giving you a utilities-based product or a product that is overweight technology or financials or one of these other sectors, because in our opinion, then you're really just getting a sector-based product and not a factor product.

So that is one of the ways that we actually are differentiating ourselves. Now, I said that this is for most of our strategies. For a strategy like our high-dividend strategy, the FDVV, we are actually not doing that. We are taking from the lowest-yielding sectors and re-allocating to the highest-yielding sectors, to kind of boost up the yield, because it is a dividend-based product.

For the international and the emerging markets, the new multi-factor products, we are also not doing that as well. So we have an additional screen there, which is actually looking to take away from companies that have very high correlations to the United States, to large-cap stocks in the US, and we're re-allocating that to low-correlated stocks in the US, because we want to keep the diversification benefit there for international and emerging markets. We don't want clients to be buying that and then having a huge correlation to the US markets, because then you're effectively buying something that is almost a US product. We want to make sure that diversification benefit is there. So with the exception of those three products, though, we're going to keep the rest of the product sector neutral, and that's really what we think is one of our main competitive advantages.

So I mentioned I would talk a little bit on high-yield and on low-duration, the fixed income-based products. So these are pretty unique. What we're doing with the high-yield strategy is we're employing a value and quality bias, so we're looking for bonds that are going to offer high total returns, but for a pretty low level of risk. So we want to make sure that that risk-reward relationship is kept

intact. And one of the ways that we're doing that is by employing a liquidity screen and keeping triple-C-rated bonds and below out. And so for those of you who don't really know what that means, high-yield bonds tend to be a little bit riskier, which means that their ratings tend to be a little bit lower. And that also means that they have a higher probability of defaulting. For that reason, they tend to kick out a higher yield. But there's a certain point where it may not make sense to have it, because it just is too risky, and so what we're doing is we're trying to keep all that intact. So it's almost a little bit higher-quality high-yield bonds. You can kind of think about it like that.

So that's going to be for the high-yield product. For the low-duration product, we are having government securities in there as well as treasury notes, and what that is really doing is, there's a quarterly reset for those treasury notes, and what that is allowing us to do is keep the duration low. And again, if you don't know what duration is, it's really the main risk metric that we use within the bond or fixed income space. It effectively measures how sensitive a bond is to movement in interest rates. So if it has a higher duration and interest rates go up, that means

that the bond price -- everything else held equal -- is going to go down. So having a low duration typically means that the bond has less interest rate sensitivity, which for all intents and purposes means it's a little bit less risky. But on top of that, we're keeping some of those government securities in there in order to boost up the yield on that. So you're going to get something like, you know, 1.5 to 2% yield depending on when you look at it. So basically, it's going to be a shorter-duration strategy that has a little bit of a higher yield than maybe some of the other low-duration strategies that are out there.

So that's really kind of a synopsis on the suite that we have to offer from the Fidelity factor ETFs standpoint. What I'd like to do is take some time to show you on our website where you can find some of this information, and some of the great tools that we have on our ETF products. So I'm going to share my screen right now and give it a second just to let it load up, to make sure that everyone on the phone can see my screen. (pause)

OK. So I think everyone should be able to see my screen pretty well at this point. So this is a test account, just so everyone knows. I do not -- this is not my personal

account or anyone else's personal account, so I just want to make that clear. But this is obviously just the homepage here when you log into Fidelity.com, and one of the tabs that I really love to take a look at -- I'll start off with the Investment Products tab for ETFs. And this is really our exchange-traded funds overview tab. So in terms of what I just mentioned, one of the things I mentioned was using factors for targeted outcomes. And I think that this page right here does a really good job of some of the different outcomes that we commonly see. So a diversified core strategy, investing for income, downside protection, or enhanced growth. And so if you click on any one of these tabs, they're actually going to come down and you're going to be able to see the ticker and an explanation of the different types of products that we have that would fulfill any single one of these outcomes.

So I think that's a really good tab, just in terms of finding -- you know, finding an objective and finding a product that might fit that objective. Another way to do this is just to take a look at our entire suite, if you sort of know what it is you're looking for or if you just want to browse our entire suite; if you just come to this Fidelity ETFs tab, you can take a look at all of our factor

products here. If you really want to dive deep into how these work, a great document is this Overview of Factor Investing, the PDF. So this is going to be kind of a methodology document. And then -- or I should say, that's going to be just more how factor investing works. The rebound schedules and methodologies will get into specifically how each one of the products is going to work from a mechanics standpoint. So these are two good documents if you want to really take a deep dive into some of these products.

Obviously, if you don't want factor-based products, you can take a look at the sectors, the broad-market stock ETFs, or the bond ETFs as well right here. So we have a total of 28 commission-free ETFs that we offer online. We also obviously offer the iShares; we have 329 commission-free iShares ETFs that we also offer. And they employ a whole bunch of different strategies as well. So depending on what it is that you like or what it is that you're looking for, we have a whole bunch of different strategies that we offer commission-free.

The other tab that I really like to take a look at is -- under News and Research, is the ETFs tab under there. So

this is a really, really, really cool tab. I think there's a lot here. But there's a couple things you can do here, the first of which -- you're able to -- if you want to know -- I mentioned that ETFs are a basket of underlying securities, whether that's stocks, bonds, or a combination of those two. But if you have a certain ticker or stock that you want to know which ETFs actually own it, you can actually just enter the ticker in here and you can see which ETFs own it. So you can actually search for ETFs by stock. Another really cool thing to do is to take a look at how ETFs stack up against one another. So just taking a look at -- I mentioned the high-dividend strategy versus something like that Vanguard dividend-appreciation strategy. You can enter up to five ETFs here, but you can actually compare the ETFs, so you can actually see, you know, what type of asset class they are, their investment philosophy, their performance, the net assets that you see, 300 -- depending on how many assets there are, you know, all of that you can take a look at. The expense ratio, you can compare it. So there's a whole bunch of things that you can do there.

Finally, this tool is probably our most utilized tool in the ETF space, and this is just going to be the ETF

screeener tool. So if you don't want something that is factor-based or you don't even know what you want but you know some of the criteria that you want, you can actually enter that in here. So you can take a look at just some of the basic criteria. So if you want a certain expense ratio or you want a certain asset class, you can enter that there. If you want something that is in a particular geography or a particular country, you can enter that in the objectives. Performance stats, volatility -- if you only want to take on a certain amount of risk, there's different ways that you can play that here. So you can actually screen for ETFs by all these criteria here.

Then what you can -- if you want to just take a look at the entire suite from a screening standpoint, you can come and just click on the Fidelity ETFs, or you can click on iShares or any of these other groupings here. So we can just take a look at the smart beta ETFs. And this is going to show you all of the smart beta ETFs that we offer here at Fidelity. And when you click on one, it's going to show you all of the common metrics that you typically would want to see from a trading standpoint and when you're doing your due diligence. So it's going to have performance, it's going to have assets, when it was incepted, it's going to

have the bid and the ask -- so that's really going to be a good determination of the liquidity of the ETF, so the difference between these two is called the bid-ask spread, and typically the more narrow that is, the smaller that number is, that means it's more widely traded and it's more liquid. The other way you can measure liquidity certainly is to take a look at the trading volume, right? So how many shares it's traded today, how many shares it's traded on average over the course of the last 90 days; it's going to have the yield figures, which obviously would be important for something like the high-dividend ETF. And then what I think is really interesting is just comparing similar ETFs. So this is going to show FDVV, the high-dividend, versus some of the other ETFs within its category. So there's obviously a lot here, but I just wanted to at least show you that if you'd like to do your own due diligence, I think the investment products in ETFs tab and then news and research ETFs tab, those are really going to be your bread and butter for ETF research here at Fidelity.

END OF AUDIO FILE