

TRANSCRIPT

Research best practices: A focus on sectors

Presenters: Konstantin Vrandopulo & Trey Jarrell

Konstantin Vrandopulo: Well, hello. Welcome back, everybody. Welcome to those of you who are joining this session first and did not attend our previous session with Sam Stovall, but for those of who came back, we really appreciate your time. I found the prior session to be very exciting, very insightful. We're going to continue to build on what Sam was talking about throughout. We're here today to share with you the Fidelity tools and resources for investment idea generation. So very excited for it. I'm of course Konstantin Vrandopulo with Fidelity Trading Strategy Desk, and alongside me, my very esteemed colleague Trey Jarrell. We're both going to be with you for this hour and the hour following. As I mentioned before, our team specifically provides coaching education, coaching sessions covering equity trading, options trading, technical analysis, as well as daily morning market briefings and after-market briefings for those of you who are interested in what is driving market conditions on a daily basis. You can find us by going to [Fidelity.com/coaching](https://www.fidelity.com/coaching).

I want at this point to introduce my colleague, Trey Jarrell. We've been working together for many years. We were working out of the same office, so

we're not just colleagues, but we're friends in real life. Trey, welcome in, sir.

What do you have in mind right now?

Trey Jarrell: Yeah, thank you, Konstantin, and thanks, everyone for joining us.

What an honor it is to follow Sam Stovall and that great update here. So as Konstantin mentioned, we really wanted to begin to build on some of those themes that Sam talked about here in the last session. So hopefully you left that with maybe a few ideas of some potential areas that you'd like to start thinking about investing, whether it's overweighting or underweighting certain sectors. In this section we're going to really show you how you can continue that research, but more importantly, how you can find some of these investments, whether it's individual stocks or ETS here that may fit into a particular sector.

So, without further ado, let's go ahead and jump right into it. I do want to take a quick mention here, though, as well before we get into the research part of it. You know, Konstantin mentioned heading to [Fidelity.com/coaching](https://www.fidelity.com/coaching), this is where you can find our strategy desk classes. You can find all these in the learning center under our strategy desk coaching sessions, but if you find yourself in here as you're someone who really likes to follow sector research, this is absolutely a major theme in a lot of our daily briefings. We have

morning market briefings every trading day at 9:15, and afternoon market briefings at 4:00 where we discuss some of the important events happening here in markets. But in these sessions quite heavily we'll focus on some of the themes that Sam mentioned, talk about some of the different sectors, focus on some of that performance, and also on some of the technical aspects here as well. But ton of great information out there. Take advantage of these classes here, great opportunity here for you to continue that learning and stay on top of the things that are happening here.

Let's go ahead and jump into -- really what we want to start with the first part of our session here today, and I'm going to take everyone to a page that you should be familiar with on Fidelity.com. We're going to start right with our portfolio page here. Accounts and Trade and Portfolio. And I want to take a moment to bring us into an analysis section, and why we want to start here before we get into the depth of research, I think when we're thinking about, you know, what is a sector strategy? What does this actually make up in terms of our portfolio? You know, typically most sector strategies, you're approaching this with the idea of a diversified portfolio, which you have investments in likely every sector, and we're going about it in a way of overweighting and underweighting. So, whether you're following maybe the performance that, you know, Sam showed us here, looking at -- or some of

those leading sectors, you may add additional weight into those. Or maybe you like that seasonality approach of, you know, leaning towards some of those defensive names in May and beginning to overweight those. Where we really need to be starting is, you know, getting an idea of the makeup of your existing portfolio. I can't tell you how many clients I've had the pleasure to speak with regarding their strategy, and to have this idea of maybe I should be overweighting a sector, not realizing that maybe because of the growth and some of the, you know, big moves in some of those securities, you may already have an overweighting or underweighting that's put you out a weight of the overall market.

So definitely want to take a start by looking at that analysis and finding out how we can see where we are. And a great section to do that here, right on your main portfolio page, is going to be under our analysis tab. Once we go into analysis, we're going to get a great breakdown here of your overall portfolio makeup, so things like how much is invested in stocks, how much in domestic versus foreign, how much in fixed income or bonds versus short-term here. And please try not to take any examples from our test account, as you can see, this is not a typically weighted of our normal weighted type of investment for nearly any investor. Just a small account with a couple of small positions, just to illustrate a few of these points in terms of your overall asset

allocation, you know, where you're going to be sitting here with this is going to depend a lot on where you are in your investment horizon, whether you're looking for growth at a young age, whether you're in retirement, so there are going to be certainly some differences here from investor to investor.

But once we're in here, we want to focus on this sector setup here for a moment. We're going to go up on the top here under the "stock analysis" menu, and we're going to go down to "stock sector," right, and what this is going to do, is now give us that breakdown of where our weightings are right now. Now before we get into the weightings themselves, I'll also point out, there is a dropdown menu up here that will allow you to choose which accounts you'd like to look at. So, we only have one account here, in terms of our test account, but I know many of you, you may have multiple different accounts here through IRAs, non-retirement accounts. Your sector strategy may be something you're using your overall portfolio on, or maybe something you've got a dedicated amount set aside to, or dedicated account, so use this accordingly. You can come in here and check and uncheck accounts that you'd like to be included or not included.

Once you have this selected, we're going to go down here and take a look at this table format that's on here. And you will see hopefully some familiar names in here: our typical sectors, financials, services, materials, all of them

here across the board. And this particular bar graph is going to show us where our weighting is currently, compared to the total market.

So, let's take a look at this very first sector here, which is our financials. In here you see that our current asset allocation is 47 percent. This horizontal bar is going to show where the total stock market is right now. So, we at this point have a 47 percent allocation versus the index, which is 12 percent. So clearly this would be a very overweight here, right? If you were looking at your portfolio right now and following along, and, you know, maybe you didn't realize you had some overweights here, you know, this may be, you know, something to begin to think about, right? Am I intentionally weighting in here? Is it time to underweight this particular sector, right? But this is where you can start to really begin to make those adjustments here along the way. If we take a look at an underweight, you'll notice -- graph, just a little bit different, we'll see our weighting here in information technology, for example, at five percent, versus the index at 26 percent, difference of negative 21 percent. So certainly, a huge underweight.

Now, a question that always comes up, maybe what is the right overweight and underweight? Typically, 20 percent would be very aggressive. We're going to show some tools here from analysts, opinions here on potential

overweights and underweights, but usually these are maybe closer to around a percent or so. So, you're looking to typically be, you know, well in line here in adding those weights, you know, depending on how aggressive or how conservative you'd like to be towards a particular strategy. With this breakdown, too, we can actually take this a step further. As we scroll down, this will actually begin to break down all of the individual positions you have, and actually give you those weightings here. Now if you're looking at an individual stock, or an individual stock is typically going to be all in one particular sector, so these first two names up here, you'll see that dollar value all in financials. But what's really great about this tool is if you have investments in any mutual funds, in any ETFs, you'll actually get that total breakdown and see where that allocation is in terms of a sector, right? So, in here we have a mutual fund, and we can see how much of that mutual fund is weighted into particular sectors. So, we really can begin to see that overall impact of every individual investment that's within the portfolio.

Now you can absolutely look at these both by dollars or percent values, so keep in mind if you're trying to keep this in a percentage weight, you can switch that over and give you a nice, easy view of that here as well. We do have some additional sorts on here, can group this by account here if you do have multiple different accounts, or are looking to manage those separately,

that can be done as well. These columns are all sortable here, too, so if you did want to see maybe where that heaviest weight is, if you've got, you know, 50 different positions on here, you can quickly sort on this area here as well. So definitely a great starting place here for you. You want to start with knowing exactly where your sector allocation is and begin to move from there. One last quick thing I'll mention on this tool, then we're going to get into the sector research, not only does this allow you to look at sectors, but also style here as well. Sam talked a little bit about some of the different market capitalizations here, thinking about value versus growth, I know we had a ton of great questions on that here in the first session. This tool will also give you that breakdown of your portfolio: where are you leaning towards here in terms of cap weighting, where are you leaning towards in terms of valuation? This table format will show you just that. The blue dot in the middle will actually show you where you sit here overall. So for example this test account is large blend type of portfolio mix, and we can actually compare this over here to the U.S. total stock market index here right now and begin to make some comparisons: you know, where are we against the total market, is that intended, right, are we trying to take advantage of more towards the value or growth type of perspective? But have an idea of where your portfolio stands, and this is really that first starting point before we can begin to build into the research.

So, let's go ahead and get -- take a look at the sector research here as our next step. I'm going to have everyone follow along on the website here. We're going to go up to the "News and Research" menu here for a moment. Under News and Research, we're going to head down to our markets and sectors page, and this is really where we're going to dive into some of that additional research here as well. But Konstantin, I'm going to kick it back to you to take us through this one, sir.

Konstantin Vrandopulo: Thank you, Trey. You know, a lot of, a lot of questions in the prior class of kind of ask, or prior webinar there, were asking, well, how do I really know, how do I differentiate value versus growth, right? Those tools will help you with that. So, get familiar with them, click around. That is most definitely the best way to, you know, to get on the first-name basis with what you actually currently own. We are on the stock market and sector performance page here at the top. I wanted to start here because it gives you, you know, an insight in terms of how market indices across the world are doing, where we are. We give you, of course, information about the U.S. futures markets: not only equity, but fixed income, energy, metals, agriculture, so forth and so on. And the reason why I'm pointing the futures out to you, because obviously that's not a part of the conversation today (laughs) as it pertains to sector investing. However, if you are on one of these tabs, down

below you're going to be getting the appropriate resources associated with the particular market that you're trying to research. So those research reports, of course, are coming from companies like Argus Equity Research, Zacks Investment Research. If you dig in into, you know, energy or metals or agriculture, you're going to get, you know, some of the other reports as well, like Hightower report for example. So, if you're looking for daily market commentary, you know, kind of a macro-based approach and view, take a look at what Fidelity provides. This is invaluable information in my opinion, and you can definitely start learning more day in and day out as you are reading up to get yourself prepared for the trading day or the trading week.

On the righthand side, as you can see, we have a heat map of today's performance of the 11 sectors that make up the S&P 500. So you could see the last percentage change, obviously there are going to be some underperformers versus outperformers on the day-over-day basis, and what I want to emphasize as well is that not only that we produce the performance heat maps for individual sectors, which there are 11 of, we also provide individual performance for industries that make up those sectors, right? So, in other words, you can get this data by expanding these little plus signs to take a look underneath the hood of the market.

Now, the next page that I'm going to take you to is going to transition us into multiple tabs across that we will be travelling across, okay? So, research sectors and industries is where we're going first. You can see that it looks very similar to the previous heat map, or the snapshot page, and it provides you not only that day's performance, but also the market capitalization size of that individual sector as a makeup of the S&P 500, as well as one year percent change. You could look at it by sector or the industry style, and what I love about this is you can look at them from the chart performance standpoint of view as well. The chart is customizable for different timeframes that you want to observe, so this is a very interesting way, of course, to compare, you know, one underlying to another, and whatever adjustments you're making, you can always go back to resetting the chart to its default view. So, a very good way to compare things to each other, right, on the relative basis. Perfect.

Now the next page is going to be that performance tab and is going to be providing us what the underlying sector's actually doing on the basis of different timeframes. So, it's provided to us in a table format instead of in a chart format. Some of you are going to be -- this particular table format might be appealing to some of you. Chart provides us the relative context, but the table format gives us the customizability factor. So if I am looking at the 11 sectors that make up the S&P 500, and I'm wondering which sector was the

best performer over the past three months, all I got to do is click the three month tab, and it's going to sort them in the appropriate way, right? The highest performers on the top, the lowest performers on the bottom, and if I click on it again, it does it upside down or vice versa, right? Great tool, again, to look at multiple timeframes and compare the individual sectors to them -- to their peers through the prism of different timeframes.

The next tab I'm going to take you to would be this waiting recommendations tab. And here is where Sam Stovall's firm actually starts to provide some information to us. So, we know that we've been talking about maybe overweighting or underweighting certain sectors, sector rotation type of strategies. We want to understand what is the current makeup of the S&P 500.

It is a market capitalization-weighted index. So is information technology, right, the same size, or the same weight, as the energy sector? Absolutely not. In fact, it's probably close to 10 times the size, right? So, we're interested in what are the current market weights, and at any point when we're thinking over-allocating or under-allocating, what are the recommendations from analyst firms like CFRA or Argus Investment Research. Now you would notice that at the top, there are different colors here, and basically the orange ones are where they disagree. And that's a good thing, right? Disagreement means

we get different ideas if one -- if both firms agree on it, they're going to have a green color filling. Now, the majority of it is either underweight, or there is some sort of disagreement. So there lies, you know, the additional need, right, into, you know, or maybe for us to take a look underneath the hood and figure out what those differences are, and what are the disagreements. If you hover over the individual recommendations for the sectors, you will get all of the details, the methodology behind that recommendation for both CFRA, as well as of course Argus Investment Research would prepopulate into a PDF format-style type of a page to the left. Perfect.

So we understand what the analysts are recommending you listen to, Sam Stovall, maybe you've, you know, attended the Fidelity sector research presentation that was hosted here a couple of weeks ago, right, and we had our sector strategists presenting on our thoughts of what Fidelity believes of where we're going, going forward, and what potentially could outperform. Now you're starting to think, well, you know what, I want to find some individual investments. All right. I understand what my portfolio looks like, I understand what analysts are recommending, I've heard both sides of the story, now I'm ready to put some effort into searching individual securities, exchange trade funds, exchange traded products, how do I go about doing that? Fidelity has fantastic tools that have amazing screening capabilities, so

from here on out, let's go ahead and dive in into the ETF, ETP screener, Trey, and build one out to show the customers the functionality that's hidden within it.

Trey Jarrell: Yeah, absolutely, Konstantin, and I think it's, you know, worth a quick mention here while we're on here. You know, many different ways that we can invest here into a sector strategy, right? Our three most common is just taking, of course, when we're thinking about our sector strategy, right, do we want to do this with stocks, do we want to do this with ETFs, or potentially even with mutual funds, right? Because all of these can help us overweight or underweight into a particular sector. Now one thing we have to keep in mind with stocks, right, you're not only getting exposure to a sector, you may be focused on a very specific industry, and different industries can certainly behave differently within a -- in a sector, right? So, we do have to keep that in mind. And when we're thinking about individual stocks, of course, their own fundamental or technical data is going to have an impact as well. So even in a sector that's doing well, well, there are going to be some stocks that aren't performing as well within that sector, there are going to be some that are overperforming in there as well.

If you're looking at it simply from trying to add that exposure to an overall sector, typically you might be looking more towards that ETF or mutual fund methodology, or you're not invested in one particular name, you may be invested in a large basket of stocks, you know, that help represent that overall sector performance. So, these are probably the more typical way to think about this broad-based kind of sector strategies that we've discussed here, so why don't we start with that.

And we're going to start with the ETF screener here and jump into that. Really powerful tool, I'll show everyone a couple of different ways to get into this tool, and a few of maybe the few really basic things that we can add to narrow down our list of results, you know, and find a couple of potential, you know, investment choices. So, you know, going across the top here, you know, as Konstantin took us through, once we get into this "Find Investments," grid part, once we click this EFTs/ETPs, we're actually going to get that sector breakdown here as well, right, these are all of the various sectors. We can actually look specifically for Fidelity ETFs, right, but if we look at any particular sector, this one incorporate other providers here of ETFs here for us, the number that's listed under here is going to let us know how many ETFs fall under this particular sector.

So, as we go through this, we'll go through a couple of different examples of sectors. Why don't we start out with the financials here as well? One of the ones Sam mentioned here as one of the recent overperformers, once we click on financials, right, this is going to bring us directly into the ETF screen. Now keep in mind, you can always get back this ETF screener if you're coming to it from scratch just by going to the news and research and ETFs. This exact same link to go through sectors is right on that page, so quick shortcut for you to get back into this page.

But once we're here, you see we've already got a fairly narrowed down list of securities, right? We're looking at 31 particular ETFs. We don't have to add a lot of criteria to get this down to a manageable list to help us out with making a decision, right? This is going to be a little bit different from stocks, where we may have hundreds of names in a sector, you have to get a lot more detail in to narrow that list. With ETFs, we typically can keep this fairly simple.

So, a couple of different things we can think about when narrowing our list of results, and how we actually do that, we can manage this on the left-hand side here. Now there are three different ways to add criteria to our screener. We can do a search, right, if we're looking for something in particular, we can actually type that out. We can go through these submenus down here at the bottom, looking for things like overall fund objectives, what are their

exposures, we could sort by performance or analyst ratings, so a lot of great information on here. If you're unfamiliar with these headings, really great way to start using this is by clicking this "view all." It is a wealth of information (laughs) that's going to populate here in front of you, but this is going to follow all those same categories and let you see every single characteristic, right, that you can actually begin to screen for. You know, once you're on this view all, you can come through and select any criteria that's important to you, simply apply that criteria, and build your screen.

So, I haven't added any criteria yet. I want to show, I think, one of the simplest ways to think about narrowing down our list here. And I'm actually going to do this through the way of an analyst rating. So, at the bottom left here, we have our analyst rating, and we have two particular analyst firms here. We're going to take a look at FactSet here for just a moment. Once I select FactSet, on the left-hand side we're going to see some letter grade rankings here, A through F, right, with A being our highest, F being our lowest, and to really narrow down our list, let's just select A here for a moment. You'll notice this takes us down from 31, to now we're at a much more narrow universe of only 11 ETFs. I'll talk a little bit more about this rating here in a moment, but very important to understand that analyst ratings on ETFs, this is very different than a stock. An A rating here doesn't mean that FactSet is recommending this, it's not

saying they're very bullish, what they're actually looking at are just some of those important metrics here for defining an ETF. Their three criteria are looking for efficiency, tradability, and fit. So, efficiency, what they're looking for is most ETFs, their job is to track an index, right, well, how well is it actually doing, right? How are their expenses compared to their peers? They'll look at tradability: how liquid is this, right? Is it fairly simple to get in and out of this security, do the bid and ask spreads stay tight, that's going to be an important aspect. And part three is fit. It's just going to look at how well these ETFs actually compare against maybe a relevant broad market portfolio, right? So, helping to analyze some of those risks.

So very different than an analyst coming out saying buy or sell, they're not making that recommendation that it's a good sector. All they're doing is helping us compare ETFs and say, in this universe of ETFs, these are going to be ones that are doing a good job at tracking their index, have low fees, right, but I think can be very useful here at narrowing down our results. So that's the only criteria we've added here.

One other thing we're going to take a look at, this is going to populate here and be very common for you if you're looking at sectors, you know, we're going to notice quite a few names over here that are specifically towards the

financial sector. But if we just start to take a look at a few of these funds, you know, we're going to see that some industries are actually populating in here as well. So, for example there's an insurance and a bank. These absolutely all fall under the financial sector. So we have to ask if our goal is to have that broad-based sector exposure, you know, do we want something that's very focused on a specific industry, right, we may not, and if so, you know, we can then eliminate these to really begin to narrow down that list. So I'm only going to look right now for just choosing those overall broad-based, and again, just looking by name, we have an iShares Financial Services, a Vanguard Financial, an XLF here, the Select Spider here that Sam talked a little bit about here earlier, and finally we have our Fidelity Financials Index.

So, we've checked four different selections on here. We're going to go down to this dropdown menu at the top and notice there are a few different selections in here. We can actually take this into a more detailed comparison: we could chart these, add it to a watch list. I like this button here a lot. This is the "show only selected." Once we click that and click "go," that's going to eliminate any of the ETFs that we didn't check, right? So very quickly, we've taken 31 sector ETFs, we've broken it down to four. From here, there's a couple of other pieces of information that can help us out with making that final decision, which may be the right one, and we can do that right on the

screeners, right? We're going to have a couple of other selections going across the top here, and, you know, some of these many depend on where you put importance here as well. Basic facts I think is always going to be an important place to go, right? We're going to see information about the sponsor, but a couple of things that I want to point out that'll be very important here, first is going to be investment philosophy, right? The majority of ETFs are passively managed, meaning their whole job is just to track a particular index. However, you may run into some funds on here that are actively managed. Certainly a growing segment here of the ETF space for a factor of smart beta type of ETF that may be tracking a particular index, but they may have made a couple of modifications here as well to try and, you know, potentially, you know, reach outperformance or minimize volatility. So, pay attention to that investment philosophy; it's going to be an important part here as well.

If their job is to track an index, well, next we want to make sure we know which index it's actually tracking, right? You'll notice four different funds, all with the very similar name, all financials, but we actually have three different indexes on here. Now your XLF, your Select Spiders, these are going to be following the S&P 500 sector breakdown, right? So, you're looking at a smaller number of individual holdings, for example, mostly focused on those larger-cap names. When you head over to the Vanguard or a Fidelity Fund, this is looking at an

MSCI index, which is a little bit broader based. So, as you're choosing an investment in one of these, keep in mind you might have some more exposure to mid- and small-capped, and certainly much more holdings as well. Which one you might be targeting, I'm just going to go back to the first thing we showed, most likely your portfolio analysis. You were maybe very underweight and smaller midcap. You may have decided to look at a fund that gives you that exposure, maybe if you were overweight, maybe you're not looking to add that exposure, but that can absolutely help in your decision-making, um, process here as well.

Also, would add on here, you can find volume, right, how actively are these trading, Select Spiders here. Typically, the most are around 23.8 million shares. The others a little bit lower. Net assets, right, which are the largest funds. And then what are you paying for this particular fund, right? With ETFs there is a management fee. And we can see that right here, right? Your IYG up to .42, Vanguard, Fidelity, and Select Spiders, right, all very similar with the Fidelity Fund being the lowest here at .08 percent.

So, a ton of information on here. We could go through all of these particular tabs, we could look at technicals, we could compare performance here as well, or look at those analyst rankings. A lot of different ways you can go about it.

Keep in mind, performance, right, they are tracking different indexes, so performance should be varying here as well.

Last thing I want to mention on the ETFs here, though, before we jump over and take maybe a quick look at a stock screen, is from here, if you feel like you've narrowed it down to one or two, we can jump in and do a little bit more individual research on a particular ETF, and we can do that simply by clicking on the symbols. Let's take a look at this Fidelity Fund here for a moment.

We're going to click on FNCL, and we're going to populate into our individual ETF research page here. Now this page, again, ton of information that allow us to do a much more in-depth look at this fund versus what we found on the screen. You'll notice here, basic quotation information at the top. You get a nice overall profile of the ETF here on the left-hand side.

On the righthand side is where we're going to find those analyst ratings here, so I mentioned some of those metrics that FactSet looks for, for example. If you forget what those were, like to read a little bit more detail, right, you can simply click under "details," this will look at those particular measurements here, but also give you that total rating here of each of those individual components: efficiency, tradability, and fit. We'll have our advanced chart on here, a good preview of part three here of our session. We'll spend that whole hour essentially on charts, so we'll save some of that here for later. We can do

a quick comparison down here between similar ETFs, see a few of those names from our screen, but also a couple of other names here as well to do a comparison, and I think really, you know, last two sections on here that are going to be very important here when we're doing those comparisons, is starting to take a look at our top holdings and portfolio composition. This will help us understand, you know, which stocks are in here, but also how much weight they have here as well. You may run into many ETFs, certain sectors where, you know, one or two stocks are making up the majority of that. This is going to give you that overall breakdown and also let you know how many holdings are in the ETF, in this case, a little over 391, different stocks composing of this, again, this is a more broader-based index here as well. Down at the bottom we do get that portfolio composition, we can view this by region and country, so mostly exposure to North America here.

We can see that market cap exposure, so I mentioned that's one of the biggest differences here between the Fidelity ETF and the Select Spiders, there's more holdings that it have is going to lead you to some of this mid-, small-, and even microcap exposure, really that majority being in large-cap, again, think about how this fits into your individual portfolio as it stands. And finally, already know what sector we're in here with our sector exposure, but if you'd like to

see that industry breakdown here, what's the total makeup of this, we can get all that information from here.

You'll notice on most of these windows you do have a "more" tab, so if you'd like to get into all 391 holdings, or even that more detailed breakdown here of your portfolio composition, we can always jump into that more and find some additional details on that.

But that'll take us through the ETF research here. Hopefully you have some good highlights. Why don't we go ahead and switch over to thinking about it from the stock perspective? To do that we're going to head back to the "News and Research" menu up at the top, and we're going to go down about halfway through the list here to our stocks, and Konstantin, I'll kick it back to take us through the stock screener.

Konstantin Vrandopulo: Yeah, Trey, perfect. So, you know, we've talked to you about the top-down approach, the macro approach, understanding macroeconomic conditions, how could be potentially affecting individual sectors. Now we're getting a lot more zoomed in, right? If I don't want to diversify, you know, in a particular sector through utility of an ETF, maybe I

want to concentrate in a particular stock, right, that makes up a certain percentage of that sector, or is in that industry.

So, Trey, the interesting part, of course, is always, well, you know, how do I figure out, who do I listen to? There are a lot of different opinions (laughs) out there on Wall Street. Some not always in agreement with each other, right?

So, what we provide on this particular page here, and again, this is top rated by sector, is individual symbols in the second column that have the highest equity summary score that's provided to us by the StarMine from Refinitiv.

And so, what the StarMine ESS score does, it actually weights the recommendations of individual analysts, they're providing their thoughts to Fidelity, and it weighs them based on their historical accuracy -- historical accuracy of their recommendations. And again, not on that individual stock, but how accurate they have been with their calls in that individual sector before. So, it gives you, you know, a value to maybe hang your hat on.

Obviously the higher the value, you know, the greater the score, the more bullish it is from the perspective of all analysts based on their weighted accuracy. The lower the score is, right, the more bearish it is. And it ranks from zero to 10.

So, what I'm going to do is I'm going to kind of go with that same theme, Trey, I'm going to jump in again, we've been talking about financials here for a moment. Financials have 56 stocks within them. So, we're going to zoom in further, we're going to use that microscope now. So if I don't like the ATH being the only name which has the highest rating -- rated underlying with 9.9 right now, but I'm actually curious about what other stocks are rated bullish currently, based on the ESS score, let me click on that button, click on the 56 stocks. And what it does is it takes you into the stock screener with predetermined criteria utilized on the left-hand side. As you can see, it starts with 6,380 securities, and it starts going down by adding additional criteria to eliminate the noise, right? So by just looking at very bullish securities from 9.1 to 10, we have 342 stocks left, where by selecting obviously financials as being the sector and, you know, cutting off the market cap at one billion dollars, which probably in the current environment is at that microcap level, we've basically ended up with 56 stocks. 56 stocks in this particular sector, out of the 122 with very bullish ranking, okay, that's great. Well, we can compare and contrast them one to the next, right? And the way we're going to do that is we're going to start looking through these tabs on the right.

This screener should look very familiar to you because we just went through the exchange-traded funds screener, and let's be fair, Trey. What if I wanted

to add some additional criteria that are of interest to me personally? Can I tweak some of this stuff? Absolutely. Hey, I'm only interested in market capitalization of midcap, large-cap, and mega-caps, all right? Can I narrow down this screen to even a lower number? Absolutely you could. Now I have 22 securities left. If I wanted to add some additional criteria that is available down here, right, I could add it and continue to narrow down my list. That's the purpose of the tool. Playing around with it of course is something that you're going to have to do on your own time. The available criteria is pretty vast, and as Trey pointed out astutely in (laughs) the earlier, in the earlier minutes, you can just type in whatever criteria that you're interested in selecting, okay? Maybe you are looking for dividend yield. So, I'm just going to type in "dividend" and select the dividend yield criteria, and maybe select medium-high and very high from the list to narrow down my list to nine stocks. Now maybe I'll click on something like valuation, growth, and ownerships tab to utilize the S&P GMI rankings of those valuations. Remember, the way these are ranked is the higher number, the better from valuation standpoint of view, meaning, right, zero being the lowest, 100 being the best. So, if something has a valuation metric based on the S&P GMI value of 97, it has the most value in their opinion, right? Versus, for example, off of this list, the lowest value in their opinion would be a 61 value.

Again, for quality, right, for quality of company, for stability of potential forward growth, financial health, so forth and so on. So in other words, by adding additional criteria, by starting with something and then adding on layers of those things that are important to you, right, you are eliminating the noise and you're getting closer and closer to maybe a few candidates that you would eventually end up with and you will feel comfortable with buying.

Now we've done all of the fundamental and macro research. The next session, of course, Trey is going to be taking us into the technical analysis piece, which effectively is the analysis of price and the substantiating volume behind that price action. Sam very, very profoundly (laughs) pointed out that history doesn't repeat itself, but it generally tends to rhyme, you know, it's that old adage, or that old saying, so the idea here is, well, I found a few underlyings I'm comfortable with their fundamentals, I am comfortable with what I'm looking at from the macro standpoint of view, now I'm going to decide at what points or levels I'm actually going to be putting my money to risk.

Trey, in terms of, you know, the customizability here of the screeners, they're, they're vast. We've shown you that. I would advise, anytime that you are starting somewhere, and you are starting to add on layers, right, or you're using a prebuilt screen and you're changing the criteria, make sure not to forget to save the screener to your screens, and name it whatever you want.

That way you don't have to recreate it, obviously, every single time that you are going to be coming to this page. You can just click on "My Saved Screens" and pull it right up. If you're doing your analysis on a daily basis, on the weekly basis, on the monthly basis, you don't have to recreate the wheel, okay?

Trey, in addition, going back to "News and Research" and "Stocks," and we'll jump into taking a few questions here in a moment. I just wanted to point out again, I am a big proponent of not starting, you know, with nothing. Start with some sort of a skeleton, right, a prebuilt system that Fidelity has -- is providing through the prism of financial analysts who are using Fidelity tools. So preset expert strategies, for example, is a great place to start. We talked about, in the earlier session, about maybe interest of, you know, value stocks, right, and value stocks that have, you know, maybe large-cap value stocks with attractive growth. And again, I am just randomly picking one out of, you know, the 10 that are available here. Should I start at zero and not have any criteria, or can I use Zacks Investment Research methodology, their summary, the things that they're watching out for? How do I, how do I determine that something has value? Well, maybe I would be looking for price-to-sales ratio to be pretty low. Or price-to-earnings growth, right, to be relatively low to its peers. So again, start with some sort of a fundamental base or a skeleton, and then tweak the

tool to match, to match your criteria and, you know, you'll be -- arrive eventually at a few names out of the investable universe that could be very overwhelming at times, okay?

Now Trey, I think at this point I think it would be a good time for us to take a few questions from the audience. I assume that there are plenty.

Trey Jarrell: There certainly (laughs) are, Konstantin. Thanks, everyone, for sending those in. A lot of great ones here. Let me go ahead and take one here. Seem to be a common --

[break in audio]

-- maybe start on this stock research page here, but I got great one here. How do we see how accurate today's CFRA or Argus recommendations actually are? So, we've got a really great breakdown of the various analysts that you can find here while you're utilizing our research here on Fidelity.com. So again, this page is back on our "News and Research" and "Stocks," where Konstantin just started to get us on the screener, "News and Research" and "Stocks," and what I want to focus your attention to here is on the left-hand side, right, so we have three sections on here for research firms, research firm scorecards, and reports search.

So, this is your hub for all of that information in terms of analyst research. To answer the first question here, how do we decide -- or how do we find how accurate that analyst is, we can use these research firm scorecards. Couple of different breakdowns in here. Konstantin gave us this great overview of the equity summary score, right, this is made up of those analysts, analysts that have done well in their sector get additional weighting. So, if you're using that equity summary score, you know, keep in mind you already have a little bit of that built in if you're using that for individual stocks for example. But you will see down here, right, we do have a firm sector performance, as well as firm performance analysis. These are really detailed breakdowns, they're quarter by quarter of how those different analysts are doing. The question mentioned CFRA and Argus. This will include those, but certainly many of the other analyst firms that you can find their research there on Fidelity. So, you can go into these individual PDFs. You can see a quick sector scorecard down here under firm sector performance. This will give us a great breakdown, you'll see the various analyst firms here, we'll see that actual performance here on the varying sectors.

So hopefully that helps. Maybe to answer kind of a second part of the question that was on here as well -- oops, didn't mean to take us off of that

page here. You know, we had a question about some of the other reports that these companies have available, whether Argus, CFRA here as well. You'll find that section down here for reports search. Under reports search we can actually search by individual stocks, we can sort by particular category, or if we do want to look for a particular firm, we'll have this dropdown list here, we can see all of those reports.

So many of these firms that are out here provide different reports, so CFRA, we talked about the individual sector performance on that waiting page, there's a weekly report on here, Sector Watch from Mr. Stovall himself that you can access from here. Argus Research here that we mentioned has sector reports. They also do individual stock ratings, and actually do options recommendations here as well, a great Market Watch report here on a daily basis, so really a ton of great information you can get through from these reports. And I'd say with analyst firms, you know, when you're trying to decide, maybe whose, you know, opinion maybe to take, where you want to value your information, read a little bit about the firm, right? A lot of these companies come at it from a different approach. Some may focus more on a fundamental, some may focus on more of a longer term versus a shorter term, so they all have a little bit of a different spin on it. Try and find one that really relates back to your individual trading style here as well.

So, let's take a look, couple more. I don't know, Konstantin, another one stick out to you, sir?

Konstantin Vrandopulo: Yeah, Trey, definitely. There were quite a few questions, actually, about the tracking error. So, I'm going to go ahead and address that one. That one is fairly simple to understand, ladies and gentlemen. I'm going to steal your screen here, click on "sectors," and let's look at, let's say Fidelity sector ETFs, right? So, the question was about tracking error, that is one of the performance and obviously risks or characteristics. And all it is, ladies and gentlemen, is there are going to be, you know, as Trey pointed out earlier, majority of exchange-traded products are going to be passively managed. That means that they're trying to track a specific index. And so, what you're going to recognize is that the deviation between the sector, or the industry that the ETF or exchange-traded fund is trying to track, versus the performance of the ETF itself, right?

So, Trey, you know, a lot of times, you know, tracking error could be misunderstood by just assuming that the ETF by itself, right, is doing a terrible job mimicking whatever the index is trying to do. But the reality is, ladies and gentlemen, is that all of the exchange-traded products are going to have an

expense ratio associated with them. So, the expense ratio that you're paying to the fund manager, in and of itself, is going to be adding to the tracking error. Let's say that one individual fund, right, one exchange-traded fund, is doing a perfect job mimicking the performance of the index, or the sector that they're trying to match. If their expense ratio is one percent per annum, your tracking error is going to be equal to that one percent per annum, okay? Anything in excess of that is going to be, right, again, how well or poorly the fund is doing by doing its job effectively, right? So, the lower the tracking error, you know, the better, the lower the expense ratio of the fund, the lower the tracking error most likely is going to be. But this is something that you would have to compare and contrast across many different families of funds, right? So, don't hesitate to utilize the tools in accordance to make sure that you are focusing on what's important to you. So, I feel like the astute (laughs) viewers today probably saw differences that were quite drastic, maybe, between different fund families.

Trey Jarrell: Konstantin, that takes us to time here. I'll just add one comment here that maybe answer a few questions. You know, when it comes to sector research, there are many different ways to go about it, whether it's business cycle, which is going to be a longer approach -- longer-term approach. You know, and Sam went through, we talked about seasonality here as one

approach, or looking at some of the strong performers, you know, in different areas here as well. So, there are lots of different ways you could actually go about a sector strategy here as well. So an important takeaway, you know, think about your style, how often you'd like to invest for a business cycle, kind of that tried and true, old method here, we've got a ton of great research, ton of our sector reports on that. But it's typically much more of a longer-term, you know, type of perspective. You can stay in phases of a cycle for years on end. So, think about how you'd like to invest from a timeframe and let that guide here as well.

Konstantin Vrandopulo: Absolutely, Trey. Well, we'll wrap this up. We hope that we induced your interest into the research capabilities of Fidelity.com. Thank you so much. Take care, everybody.

END OF AUDIO FILE

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