TRANSCRIPT

iShares: Putting cash to work

Sean Murphy: Thank you all, everyone, for joining us this morning. Thank you all for joining us on the East Coast this afternoon. My name is Sean Murphy. I am an iShares Product Consultant at BlackRock. For those who tuned in for the last session or in an audience here, I actually work with Brad Zucker, the previous presenter. For those in the audience, you might be wondering, so I'm going to get in front of it, "Does the fact that Sean and Brad work together mean you have to, clearly, shop at the same stores together?" And the answer's, no, we don't have a uniform. We just both have pretty good fashion taste.

I'm here today to talk about "Putting Cash to Work, with iShares ETFs." Now all the funds we're going to be talking about today, out of our 350-plus funds, are some of our lowest-risk funds. And I like to think of these as the natural progression for cash investors. From a savings account to a CD. From a CD to a money market. And maybe taking on a little bit more risk along that spectrum, some of these ETF solutions could be right for you.

We're going to start by taking a look at some of the challenges and the risks that all income investors face these days. And then we'll take a look at how ETFs can help address some of those challenges and risks. The key to finding

the right product for you, though, is understanding your needs, your risk tolerance, and the time horizon for your cash. So, we'll walk through some considerations, before you actually put some money to work. Lastly, we're going to talk about some of our specific funds in iShares that will help address some of those challenges and could be the right fund for you, based on some of those previous considerations.

So why are we talking about this? Well, for income investors, the financial landscape has been a bit challenging. There's not many compelling solutions out there. I work in New York City. I walk by about a dozen banks every day, on my walk to the office. And I'll see a lot of signs in the window, some balloons out front, advertising what they believe are really exciting rates on savings accounts and on CDs. But the financial term for this, the financial jargon is that they're yielding essentially bubkes. Right? In fact, the FDIC does a survey of the average savings account across the nation. And the average savings account right now is yielding a whopping 0.09 percent. What about CDs? Well, you lock your money up for a 12-month CD. It's better but not all that compelling either, about 50 basis points, 0.5 percent. Money markets, yielding quite a bit more, at about 1.4 percent. But the key number here, the key number to pay attention to is that last column, inflation. The expectation from investors for the inflation rate for the next five years is 1.6 percent. So, if

you're invested or if you're not invested in a cash solution, you might not be losing money, but your money is losing value.

Now, I know what some of you are thinking, "Listen to this guy up here talking about how 1.6 inflation is so terrifying. I remember when inflation was double-digits." Fair point. Compared to where inflation has been in the past, this is relatively low. Nineteen eighty, the inflation for that year was 12.8 percent, compared to last year, just a little north of 2 percent. But just because inflation is small doesn't mean you can sleep on it. The compounding effect of inflation, year-over-year, can meaningfully detract from your purchasing power. So, to illustrate this, the chart on the right shows what a basket of goods that cost $100 in 2009, based on the Consumer Price Index, what that basket of goods would cost at the end of 2019. And it's about $120. So again, small inflation but compounding year-over-year meaningfully detract from your ability to purchase.

Inflation's just one risk, though, for income investors. There's really two additional risks that we all need to be aware of. The first is interest rate risk. Now, I like to think of interest rate risk as sort of a buyer's remorse for savers. So, let's say Brad and myself, my coworker, were walking down Park Avenue and we see a bank that's advertising what we think are pretty good CD rates.

And we go in. And I sign up for a 6-month CD. Brad signs up for a 12-month, a one-year CD. We're walking out feeling pretty good. We've kept an eye on CD rates. We think we got a pretty good rate. A week later goes by. We walk by that same bank. And both rates, the 6- and 12-month CD rate, are higher than they were when we signed the paperwork. Suddenly, feeling a little bit bummed -- right? -- wishing we had waited that additional week. But who took on more interest rate risk, in that scenario? At least *I'll* get my money back in 6 months, and I can reinvest at those higher rates. But Brad's got to wait a full year before he can do that, walking by that bank, hiding his head, not wanting to look. We have a financial term for that. And that's called duration. Duration is a measurement of interest rate sensitivity. And typically, the duration of an investment is roughly the length of years until that investment matures.

The second risk is credit risk. Credit risk is the risk that a particular borrower is not going to be good for it. That money you lent them; they're not going to give it back. So, I like to think of this as having, let's say, two cousins, both who have a business. And both of them come to you in the same day to ask for a business loan. The first is cousin Alice. Now, cousin Alice has had her own business now for over a decade, has done quite well, earnings growth year-over-year. She's not too heavily indebted. The money she has borrowed in

the past, she's repaid. She doesn't make any extravagant, risky purchases for the business. The second cousin is cousin Charlie. Now, cousin Charley's in inventor, in that he says things like, "I'm going to make a microwave that's also a TV." But he doesn't actually do anything about that idea. Instead, he works part-time job to part-time job. So, both Alice and Charlie approach you to ask for money. Which one of those is the higher-credit-risk borrower? Charlie, cousin Charlie. Now, it's easy for us to know this, because they're our cousins. We know them pretty well. What about these corporations, that are looking to borrow money through the debt market, through bonds? We don't know the inner workings. We don't know their balance sheets. What are we to do to evaluate these potential borrowers?

Well, there's credit rating agencies. And what their job is to do is to look at the level of indebtedness, they will look at how much income a company is making, what they think they'll be making in the future, and what their history is of repaying debt. And they'll give these issuers a letter grade. So up here we have the scoring system foe one credit rating agency, S&P, Standard & Poor's. The best companies, the best issuers are triple-A-rated. The worse goes down to D. Now, those borrowers on the left-hand column, that have a rating of triple-A down to triple-B, are what are deemed investment-grade borrowers. And what that means is that the credit rating agency believes

there's a very low risk of default, that this company's going to be good for the debt that they borrow. Below triple-B is what's considered non-investment-grade. You'll often hear terms like *high yield*, like *junk*, like *speculative*. And these companies are more likely to default than an investment-grade company. Little disclosure here. I was hoping it was going to make it on the slide. But compliance didn't deem it necessary. Cousin Charlie, not a real cousin of mine. I have 19 first cousins -- I have a large family -- some of whom are watching right now. And I just want to be clear, in order to avoid any potential hostilities, come holidays. Cousin Charlie, not real. It's been recorded.

So, let's take a closer look at some of these risks and how they play out for income investors. The first is that interest rate risk. And to show these risks, interest rate and credit risk, we're going to take a closer look at what happened in 2018, which was an interesting year for investors, to say the least. Got off well. The first nine months of 2018, the US Federal Reserve raised interest rates three times. So that's like walking by that bank and seeing them raising the rates three times. Brad is just continuing to get upset with himself. Well, how does that play out to bond investors? So, the chart on the right illustrates what $100 would be worth over those nine months, in three different ETFs that we offer here at iShares. The first, the white line at the top,

shows a $100 investment in a Treasury ETF, so just buying Treasuries issued by the US government, but that mature between 1 and 3 years. And when those interest rates went up, how did that portfolio do? You essentially were flat. You made a little bit of money. But you didn't really lose anything. What if you took on a little bit more interest rate risk, investing in bonds with 3 to 7 years to maturity -- same issuer, US government? What happened to you then? Well, that $100 investment lost a little bit over a percent -- not huge. But when if you really went out? What if you took a whole lot of duration, investing in an ETF that buys bonds between 10 and 20 years to maturity? You were down about 4 percent. People think of Treasuries as really safe, as they should. They're essentially no credit risk. Right? Companies figuratively print money. The Treasury literally does it. Right? So, all these are invested in Treasuries and yet three dramatically different experiences over that nine-month time period.

Now let's look at credit risk. The first nine months of the year, relatively good for good stocks. But then investors became concerned about global growth, escalating trade tensions in the world. And the S&P 500, US large-cap stocks, down about 15, 14 percent, during those final three months of the year. When investors see an increase in risk in the market, they fly to quality. They try to find quality investments, the Alices of the world and not the Charlies -- not a real cousin. So, to illustrate this, we're going to show how US Treasury bond

ETF GOVT did during that time, that last three months of the year. It buys all Treasuries, not just 1-year, not just 20-year, but the whole curve -- is what we would refer to it as. And so, when equity markets sold off 15 percent during that three-month period, GOVT was up about 2.5, 3 percent. Now, what if you took on a little bit more credit risk, still all investment-grade bonds but by corporate issuers, not the US Treasury, again, the entire maturity spectrum? Well, that dotted line represents an investment in USIG, which is our broadest corporate-bond ETF. And during that time period, you were down -- I believe it was like 20 cents. So last three months of the year, you lost about 20 cents out of that $100, when your equities were down about 15 percent. That last line, that bottom, bold black line, that is those non-investment-grade bonds that I mentioned earlier. So, the ticker for that one is HYG -- and invest in high-yield bonds, non-investment-grade. And during that time period, in just three months, an investor that put $100 to work on October 1st, by the end of the year had lost about 4 percent. So why do I go through all this? All the funds we're going to be talking about today, as cash solutions, will have two things in common. One, they're going to be relatively low in duration. They're going to have low interest rate risk. And, two, they're going to be all-investment-grade portfolios, combination of all Treasuries and, additionally, all corporates.

So, we've talked a lot about risks, inflation, interest rate risk, credit risk. And we think ETFs can provide a compelling solution for investors that are looking to put their cash to work. But before we get into those, it's worth a little bit of a refresher on what exactly an ETF is. So, ETF stands for exchange-traded fund. And exchange-traded funds are a lot like mutual funds, in some ways. They provide instant diversification. You buy one fund, you get exposure to hundreds, in some cases potentially thousands of securities. You get access to a professional portfolio manager, who has tools at their disposal that you and I don't have.

But ETFs go a little bit further, from a diversification standpoint. They provide transparency. It's hard to know what risks you're taking with a fund, if you don't know what the fund is invested in. So, most of our funds -- of our 350-plus, there's only a handful that are not index funds. Most are index funds. They track an index. And those indexes have very clear-cut rules, if this bond is investment-grade and has between this maturity, it's in, if it's not investment-grade it's out, things like that. So, you know, based on those index rules, what risks you're taking on. In fact, you can see on ishares.com, right now, if you'd like -- plug in one of our tickers and you can get a list of the holdings of that fund as of this morning. As the name implies, exchange-traded funds, you can buy them on exchange, between the hours of 9:30 and 4:00 and, in most

cases, even beyond that, whereas, a mutual fund you can only buy once a day. ETFs provide this transparency, this ease of access, at a fraction of the cost of your typical mutual fund. So, the funds I'm going to be talking about today range in cost from 0.06 percent expense ratio to 0.25. That means, on the low end, for a $100 investment we're taking six cents per year. And lastly, they're tax efficient. So, for t-- I know I'm doing my taxes right now. Everyone working on their TurboTax? Already done? I still got a ways to go -- a little bit of a procrastinator. But for taxable investors, ETFs are more tax-efficient vehicles than mutual funds, because of the structure.

ETFs have been around since 1993. Bond ETFs, like the ones we'll be discussing, have been around since 2002. And yet for savers, for income investors, they really haven't been part of the conversation when we talk about savings, money market, CDs. Why is that? Well, really there's been two hurdles for ETF investors looking to put cash to work. The first is transactions costs, commissions, which up until recently were about $5, depending upon what kind of security we're looking to trade. So how does this impact a cash investor? Let's say an individual just got out of school, has a job, pays their rent, student loans, car payments, and the like, and they have $100 that they'd like to save. So, they go to the bank. And remember, banks yielding on savings account, bubkes. So, they decide that's not going to cut it for them.

So, they look at low-risk ETFs. And they find one that fits them. It's the right level of risk, right cost, from an expense ratio standpoint. And they decide they want to put that $100 to work in this low-risk security. Well, previously, you got charged $5, which means that only $95 was actually invested. Well, what does that mean for those who are putting money away a little bit each month? For that individual, over a 12-month period of putting $100 away -- for that individual to have $1,200 at the end of the year, the fund that they had to have chosen would needed to have returned 11 percent, which, for the funds we're going to be talking about today, is, frankly, not realistic. We're looking at cash-like solutions. Eleven percent, pretty darn high. But now, Fidelity offers access to all of our ETFs without commissions. Worth mentioning that Fidelity has been ahead of the curve, in that regard. Most of the ETFs we're going to be talking about, I believe all of them, really, have been commission-free at Fidelity for quite some time now.

The second hurdle, and I keep picturing Brad tripping over hurdles now -- the second hurdle was the price of the particular ETFs. So, let's say the same individual has $100, finds the right ETF, there's no transaction fees, but it's priced at $110 per share. They can't do anything. They have to wait. Meanwhile, inflation's just nibbling away, taking a little bit more, while they sit on the sidelines. But now Fidelity allows you to invest on your terms, with

dollar-based investing. So now you're no longer limited to the price of an ETF. You can use $100 to buy a $110 ETF -- with dollar-based investing, investing on your terms, rather on the terms of the securities.

So, we've talked a lot about risks, inflation, interest rate, credit. We've talked about ETFs. How do you all see, Fidelity account holders, how do you all see some of these risks in the ETFs that are out there? And Fidelity has great tools on their website, the ETF screener being one of them. So, Steve's going to spend a few minutes just showing how, using the ETF screener, you can see the risks that we just discussed.

Steven Travali: Thank you, Sean. So again, I'm going to go into News & Research. I'm going to go into ETFs. I'm going to build out a quick screener, that's going to highlight and show where we are. Let's see here. So, I'm going to jump into Fixed Income. I'm going to choose the iShares. And the first thing I'm going to try to pick out here... And again, I'm going to collapse this, so you guys can see all these different criterias. I don't enjoy like picking through all these, and this pluses and minuses. I like to cheat a little bit. So, I type in the search criteria, to sort of save time. But if anyone's interested in the breadcrumbs, specifically how to get to what I'm looking for, certainly come at me afterwards and I'll be happy to show you. So right now, I'm just typing in

duration. Because I want to see where I sit in terms of duration. And I really only want to see my short-term. So, I'm going to do "Low" and maybe "Very low." Now in addition to that, I'm going to add in my 30-day SEC yield -- right? -- which is simply my net income over my offering price. Right? And I'm not even going to filter anything out using this. I just want to see what it is. Because that's an important factor as I'm going to scroll through here. I'm also going to look at my distribution, trailing 12 months. That's TTM.

And then, lastly, I want to see... As I'm looking over here, I can sort by one of these columns. Right. Let's say I want to see the distribution yield. And I see some pretty attractive yields here. I'm looking at the fives. Now, I want to know how are they doing that. And now I want to see the investment grade within there. See, here. And credit... So, I want the credit quality as a factor, as well. So now it comes pretty obvious how we're getting over five percent, right? So, my top fliers here are high yield. Now I'm in investment-grade. And as I go down, I can sort of see... Self-explanatory. I'm going to start to get into lower yields but I'm going to get into higher credit quality. So where would I sit on the balance? I would have to sort of take a look at these and kind of make an educated guess where my comfortability was. Or maybe I would want to choose multiple ones, to end up somewhere in the hybrid, of somewhere in the middle. So, this is a great example of kind of how to dig

more under the hood using our tools, to see what's behind there. You know, very easily chase the yield. But... I mean, if you're comfortable in the high-yield environment, that's certainly a good place to be. But as we go down, we can see we're going to get into better credit quality, the less greedy we are with the yield. I'll turn it back over to Sean.

Sean Murphy: Great, Steve. Thanks. So, Fidelity's website has some great tools for you to see interest rate risk, see credit risk, see duration. But there's one key part of this puzzle that neither I nor Fidelity can give you and that's your time horizon. Time horizon is important, because, the longer your time horizon, potentially the more risk you can take. If you need that cash in a very short time period, a couple of months, then you need to keep your duration short and your credit quality high. And the reason, longer investment horizons mean you have more time to offset some of potential losses because of those risks you're taking on.

So, before you put your cash to work, it's important to think about what kind of liquidity needs you have in the near-term. Think about segmenting your cash in different buckets, based on when that particular cash is needed. And so, we'll go through a cash segmentation strategy to consider before you put an ETF into your portfolios. We'll also take a closer look at one of the more

innovative products we have, relatively new. Although now it's 10 years old, so not as new as I -- was when I first started. And those are our iBonds ETFs. They provide a unique way for investors to customize each individual risk. The credit risk in a particular portfolio not to your liking, you want to turn it up a little bit, you can do that with an iBond. And so, we'll talk a little bit about what those are, in a little.

So, here's sort of a roadmap for segmenting your cash. The cash that you need more immediate-term, in the next couple of months, let's say, those are going to be the lowest-risk ETF ideas we have. As you move across to the right-hand side of that screen and you have more time before you need that cash, then you can take on a little bit more risk. So, some of the funds further along are going to have more risk than those on the left. But the key is all of the funds that we're discussing today have two things in common, again, low interest rate risk, relatively short duration, and are all-investment-grade.

So, the first segment is your immediate cash needs, so relatively short time horizon. And so, for immediate-term needs, we have two funds that I wanted to highlight. Both of these are investing in US Treasuries. Which, again, Treasury has those great printers, so there's essentially no credit risk. A hundred percent of the portfolios -- they're both triple-A-rated. Duration is

really short, as well. The first fund, SHV, is our short Treasury bond EFT. And so that invests in Treasury bonds with less than one year to maturity. The second fund is TFLO. It's our Treasury floating-rate bond ETF, again, 100 percent triple-A-rated. What you'll notice here and how I like to contrast these two, we have a line under both for weighted average maturity. SHV, the average bond in the portfolio has a maturity of about 5 months. TFLOW is more like 13 months. So, based on our earlier discussion around interest rates, you would think TFLOW has more duration, more interest rate risk. Right? Well, exact opposite of true. It actually has less interest rate risk. And the reason? That floating-rate component. So, the US Treasury started issuing floating-rate bonds in 2014. And what that means is, when rates go up, the coupons on the underlying bonds go up along with it. So that buyer's remorse that Brad has when he walks by that bank, it's not present with these floating-rate treasury bonds.

The second bucket is not immediate- but a little bit shorter-term. I like to think of this cash segment as money you might need in a pinch but, knock on wood, that'll never happen -- so if you're thinking about, you know, setting aside an emergency fund, let's say, if I lose my job. And I want to put a couple of months' expenses in a particular investment. I don't want to take on too much risk. I want that money to be there if I really need it. But for all I know, that

might be years in the future. So, I can take a little bit more risk than I did with the previous scenario. ICSH is actively managed. So, it's not an index but there's a group of human beings essentially deciding what makes its way in and out of the portfolio. The team at ICSH does a lot of things particularly well. And what you see on this pie chart, that they do well, is diversify. They're not backing the truck up in one particular asset class or one particular segment of the income market to generate higher levels of yield. They're investing in many of the same securities that money-markets are, whether that's commercial paper -- even some CDs, but also investment-grade bonds. To be clear, this is not a money market fund. But it does some similar investments that you would see in your typical money market fund, taking on a little bit more credit risk, so getting a little bit higher yield, with an SEC yield of about two percent. These are SEC yields as of -- I believe was end of January.

The next segment, more medium-term, money you probably don't need for at least a year. And I like to think of this as more for those purchases that you're hoping to make in the next couple years, so whether that's a vacation or the like. You really want to take that vacation. You need that vacation. But you want to see if maybe you can get that pool room upgraded to a beachfront view. And so, you're taking on a little bit more risk than some of the most conservative strategies we've mentioned, primarily on credit risk. The first

fund is a higher-credit-risk cousin of TFLO. So TFLO, again, all Treasuries, no credit risk, floating-rate coupons -- means no interest rate risk. FLOT, rather than Treasuries, though, is invested in all investment-grade corporate bonds. So, you have similar low interest rate risk, but you are taking a little bit more credit risk to get those higher yields, a little bit north of two percent.

The next two funds are both actively managed as well, just like ICSH. And NEAR, the first one, N-E-A-R, our short-maturity bond ETF. ICSH was ultra-short. So NEAR's going to go a little bit further in interest rate risk and a little bit further in credit risk but generating higher levels of income in compensation for that. For those tax-aware investors, our next option is MEAR, M-E-A-R. So, this is a fund much like NEAR, except it's only investing in municipal bonds. And again, they're casting a wide net, not backing the truck up in one particular state, providing a broad exposure to many different states in the municipal market. Yield there might not at first seem as compelling. But keep in mind that, municipal bonds, the income they generate is typically not subject to federal taxes. And depending upon the state that you live in, if they... Let's say for New York or New Jersey residents. That component of the income in that fund will not be subject to state taxes either.

The last bucket is the riskier bucket of the funds we're going to discuss. And I like to think of this as your longer-term savings or as a cash solution for your investment portfolio. So if you're allocated in a 60 percent equity, 40 percent bond portfolio, you've got some cash that you're looking to keep as dry powder, if you will, on the side for potential investments that you think you might make in the future or as a way to manage your interest rate risk. The first is SHY. And so that invests in Treasury bonds between one and three years to maturity. That was that solid line on the interest rate chart that we looked at earlier. So, your weighted average maturity, a little bit higher than the funds we discussed earlier, just shy of two years, coinciding, you'll see, with your time horizon, which is sort of consistent across this cash segmentation area. The last fund under cash segmentation is our investment-grade short corporate bond fund, again, like SHY except we are taking on some credit risk. We're investing in all investment-grade issuers, corporate bonds, with comparable interest rate sensitivity. But because we're adding some more credit risk, we're getting a little bit higher in yield.

So, all of the funds we've discussed thus far have been based on a time horizon. Right? Interesting thing with time is it passes. That vacation that you're looking to buy a couple years from now, that wedding you're hoping to pay for in a couple of years, well, when you initially made that investment it

was four years out and -- guess what? -- now it's only a couple of months away. So, for many investors, they think about derisking as that particular liquidity need gets closer and closer.

We actually have ETFs now that kind of do that for you. And those are our term-maturity iBonds. They mature just like a bond. They have a set date where essentially the iBond will stop trading. But they trade like other ETFs, which trade like stocks. You can easily go onto your Fidelity app, your Fidelity website and see where you can buy one of these particular iBonds, at any point during the day. They also provide that diversification. These iBonds can hold potentially hundreds of securities, whether by different corporate issuers or different municipal issuers.

So how should you think about potentially using iBonds? Well, let's say you have a plan to purchase a vacation home in a couple of years, after you retire, in 2023, and you have that money set aside. Well, maybe consider buying a 2022 iBond. That way, right before that spring shopping season for many homeowners and home buyers, you'll have earned some interest along the way. Or if you're looking to help with tuition payments. Perhaps, a son or grandchild, they're intending to go to school in 2025, they'll be a freshman and you have some money you would like to set aside to help with those tuition

payments. You can buy what we would refer to as a ladder, an iBond for 2025, for 2026, -27, and -28, to coincide with those tuition payments.

So, here's a chart... Right now, we have two all-investment-grade iBonds series. We have a corporate series. That's the solid line at the top. And the dotted line is our municipal series. So, what we've plotted out here is the pickup in yield you will receive, the further out you go. So, we have 10 corporate iBonds right now and we currently have 9 municipal series, for those more tax-aware investors.

I mentioned how the iBond will basically derisk as that liquidity need gets closer and closer. So, what do I mean by that? Well, to help illustrate that, we have some information here about a recently matured iBond, ticker was IBMH -- it's no longer available -- was a muni iBond that matured last year. And so, when the fund was launched, back in 2014, it had duration or interest rate risk of just shy of five years. Now remember, time keeps on ticking. Right? So, as the portfolio gets closer and closer to that December 2019 maturity, looks what happens to the duration, the interest rate risk. It continues to get lower and lower. So, when that liquidity need is right around the corner, your interest rate sensitivity is essentially zero. What's going on within the portfolio during that final maturity year? Well, that's what's on the chart on the right.

iBonds typically mature in December of the calendar year. But the bonds within the portfolio can mature in any month, January, February, so on and so forth. And when those bonds mature, at some point we're beginning to transition that portfolio from 100 percent bonds to 100 percent cash. So again, lowering your interest rate risk along the way, as we get closer and closer to maturity, and becoming a more conservative cash portfolio, using money market exposures rather than 100 percent fixed-income portfolio.

So, to recap, today's income investors are facing more challenges than ever, whether it's inflation, interest rate risk, and credit risk. But we think iShares ETFs provide compelling solutions to face those challenges. They do so providing diversification, in a low-cost wrapper. And when you're an income investor, every basis point counts. And lastly, they do it in a tax-efficient vehicle. Before you put your cash to work, consider what risks you want to take on. Consider your time horizon, before you pick a particular ETF. Think about using a cash segmentation strategy to figure out where your liabilities are -- and finding the right fund to address those liabilities. Thank you all for your time today.

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In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. Unlike individual bonds, most bond funds do not have a maturity date, so holding them until maturity to avoid losses caused by price volatility is not possible. Any fixed income security sold or redeemed prior to maturity may be subject to loss.

High-yield/non-investment-grade bonds involve greater price volatility and risk of default than investment-grade bonds.

ETFs are subject to market fluctuation and the risks of their underlying investments. ETFs are subject to management fees and other expenses. Unlike mutual funds, ETF shares are bought and sold at market price, which may be higher or lower than their NAV, and are not individually redeemed from the fund.

The Fidelity ETF Screener is a research tool provided to help self-directed investors evaluate these types of securities. The criteria and inputs entered are at the sole discretion of the user, and all screens or strategies with preselected criteria (including expert ones) are solely for the convenience of the user. Expert Screeners are provided by independent companies not affiliated with Fidelity. Information supplied or obtained from these Screeners is for informational purposes only and should not be considered investment advice or guidance, an offer of or a solicitation of an offer to buy or sell securities, or a recommendation or endorsement by Fidelity of any security or investment strategy. Fidelity does not endorse or adopt any particular investment strategy or approach to screening or evaluating stocks, preferred securities, exchange-traded products, or closed-end funds. Fidelity makes no guarantees that information supplied is accurate, complete, or timely, and does not provide any warranties regarding results obtained from its use. Determine which securities are right for you based on your investment objectives, risk tolerance, financial situation, and other individual factors, and reevaluate them on a periodic basis.

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In general, fixed income ETPs carry risks similar to those of bonds, including interest rate risk (as interest rates rise, bond prices usually fall, and vice versa), issuer or counterparty default risk, issuer credit risk, inflation risk, and call risk. Unlike individual bonds, many fixed income ETPs do not have a maturity date, so holding a fixed income security until maturity to try to avoid losses associated with bond price volatility is not possible with these types of ETPs. Certain fixed income ETPs may invest in lower-quality debt securities, which involve greater risk of default or price changes due to potential changes in the credit quality of the issuer.

Lower yields - Treasury securities typically pay less interest than other securities in exchange for lower default or credit risk.

Interest rate risk - Treasuries are susceptible to fluctuations in interest rates, with the degree of volatility increasing with the amount of time until maturity. As rates rise, prices will typically decline.

Call risk - Some Treasury securities carry call provisions that allow the bonds to be retired prior to stated maturity. This typically occurs when rates fall.

Inflation risk - With relatively low yields, income produced by Treasuries may be lower than the rate of inflation. This does not apply to TIPS, which are inflation protected.

Credit or default risk - Investors need to be aware that all bonds have the risk of default. Investors should monitor current events, as well as the ratio of national debt to gross domestic product, Treasury yields, credit ratings, and the weaknesses of the dollar for signs that default risk may be rising.

The municipal market can be affected by adverse tax, legislative, or political changes, and by the financial condition of the issuers of municipal securities.

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