TRANSCRIPT

Using ETFs to build a portfolio

Presenters: Andrew Brauer and Mike Keating

Mike Keating: Yeah, Andrew, first off, great to see you, and wanted to start off by saying thank you to everyone who has joined this webinar, thank you for taking the time, looking forward to the next hour, and hopefully everyone, kind of the goal to this is for everyone to obviously learn. So my role, I've been with iShares now, it's going on 14 years, with iShares. My role here at iShares is specifically client education. So it's joining webinars with people like Andrew, supporting the Fidelity relationship, educating on all the different tools and all the different benefits to ETFs. So again, really excited to be here, and looking forward to the next hour.

Andrew Brauer: Great, thanks Mike. So before we start today, I want to set the frame of today's conversation. So growth, ETFs have experienced exponential growth for the last handful of years. On the last presentation, I talked about hundreds of billions of dollars have flowed into ETFs. And that's because there's demand for these solutions. These products, can help accomplish very narrow goals or very broad-based market exposures. Now with iShares on the call with us today, they're the largest provider out there, and they have a suite

of options that fits almost any investor. I believe it's over 370 total ETFs. And again, as one of the client themes that I normally here is, Andrew, how do I find the right ETF for me? So we're going to talk about two website resources, and use that to facilitate a discussion today on how you can find an ETF that fits into your investment strategy and your family situation.

So to begin, all of our research content housed on Fidelity.com is under the News & Research tab. You select the product type of interest, so go down to ETFs. And you'll notice that on our ETF screener, we will highlight various different themes, market capitalization, fixed income, socially responsible, new active equity ETFs. But I'm going to call out specifically iShares, and again, they have a ton of options that clients can use based on different market themes and objectives, and if you open up this link, you can click any of these boxes, and they will dive you into the list of products that they have that could potentially fit your situation. Core ETFs, ETFs for income if you're in retirement, I don't have any international exposure, what does that look like, factors, sectors, core ETFs, ETFs for income if you're in retirement. I don't have any international exposure, what does that look like, factors, sectors and sustainable ETFs.

Now, education is a pillar of what Fidelity believes in. If you have any questions about what do some of these things mean, I want to highlight out one specific very valuable resource to help me choose drop-down. If you open this, we'll talk to you about sectors and industries, fixed income ETFs. What is factor-based investing? Why to choose Fidelity?

Next, the primary part of our discussion, we are going to be focused on giving you and providing specific ETF symbols today that hit some of the broader-based themes that we hear from clients. So if you want to follow along on your own computer, if you come to investment products, come down to ETFs, we have an entire webpage focused on exchange-traded ETFs, products. I'm going to call out specifically the iShares landing page. If you scroll down, you'll notice that helping find a right ETF for you, again Fidelity offers over 350 ETFs, again all commission-free here at Fidelity. So the question I'm going to ask you Mike first, can you describe and give some context of what's this page, what does it mean for a client?

Mike Keating: Yeah, Andrew, so I love this page, and for anyone that isn't currently familiar with the Fidelity website, I would urge you to kind of play around here, because this is a, like Andrew said, it's called the iShares landing page. This is a page that's offered, like Andrew said, we are the world's largest ETF

provider,[1] and this is a really good kind of guiding path to showing investors where we're seeing the growth in the ETF market. Now, I always talk kind of high level. Year to date, we've already seen over a trillion flow into the ETF market globally. So this is again another kind of record-setting year for money flowing into ETFs, but these six boxes here are themes where we're seeing the majority of the flows going into. And like Andrew said, it's maximize growth where you have kind of S&P 500 ETF, the S&P Total Market Index, these are large flagship kind of market-cap-weighted indexes. But then we also kind of dig down or dig deeper into what are investors interested in? And as we all know, there's a lot of people that are retiring, a lot of people looking for income, so there are some really good themes here as well, some good ETFs that we're going to show you, and across the board, putting cash to work, mega-trends we're going to talk a little bit about. So I think this again, these six boxes are for investors that are looking for kind of these large themes that we're seeing in terms of flows coming into the ETF market.

Andrew Brauer: Yeah, thanks Mike. So for the audience, what I'm hearing is you have a lot of options, there's a lot of ETF solutions that are out there. We're flagging these as potential considerations that clients are asking about, and we're trying to simplify your research processes to give you a starting point based off these major client themes.

So Mike, what I'd love to do is dive a little deeper into some of the specific ETFs, and some of the spaces, and I want to start with maximize growth. So I think back to what was happening in my household, and March of 2020 with COVID, and the immense amount of concern globally that's happening, and since then, staying invested, my accounts have grown fairly rapidly. And I see this as maximize growth, and there's a handful of different ETFs on here. Can you talk a little bit about, what is ITOT, what is IVV, what is IXUS? What are they here for for clients? How do clients use them, and what are they designed to really accomplish?

Mike Keating: Yeah Andrew, great question. So let me first start, very high-level, and I'd love to kind of take a step back here and just define really what an ETF is, and I'm sure there's a lot of people on this webinar now that are familiar with ETFs, but there's also more beginners, and I always start out these conversations by defining really what an ETF is, and really the true growth of what we've seen over the last 20 years. So an ETF, it stands for Exchange Traded Fund. So basically, what an ETF is, it's a basket of either stocks or bonds that are packaged together and simply offered on the stock exchange, similar to an individual stock. So you kind of get the best of both worlds, you get mutual fund-like diversification, but you also get stock-like abilities where

you can either trade it throughout the day, a lot of ETFs have options markets on it, but you can also simply just hold it for the long-term. So there's many different ways that people use ETFs, and the other thing I say is, I mentioned before that ETFs have generated over a trillion in new money has come in year-to-date this year. The overall ETF market is just right around $10 trillion in assets under management,[2] and we expect that to continue to grow dramatically going forward. So, you know, it's important to always kind of set -- level the playing field, talk about what an ETF is, but also, I always say that ETFs give individual investors the same tools as large institutional investors for the same cost. So these are, again, ways that investors can implement these tools into their investment strategy.

So Andrew, getting into the first box here, maximize growth, you know, these two ETFs, IVV, and ITOT, these are US-based stock ETFs. The first one is IVV. This is an ETF, exchange-traded fund, that we're basically investing in an index that tracks the S&P 500. Everyone knows the S&P 500; it's one of the largest, most well-known indexes, and again, this is an ETF that is run by iShares, but it gives investors ways that they can simply plug into the S&P 500 index and track that index. The other thing to mention here, the cost. So kind of another, one of the pillars to an exchange-traded fund, they tend to be low-cost. So think about this, IVV, the expense ratio is 0.03%, so very low-cost way

to gain access to the S&P 500 index. IVV also to mention, it is the largest low-cost S&P 500 ETF in the industry,[3] just so everyone knows that. So I think it's also important to mention that you could trade this throughout the day if you wanted to, but there's many investors that also simply just hold it for long-term investing.

Secondly, is ITOT. Now, I really like this ETF because it's kind of that one-stop shop I say, and it's a way to gain access to the S&P US total market index. So what that is, it's given you access in one trade to large-cap, mid-cap, and small-cap companies, all packaged into one ETF, delivered to you for 0.03% as well. So a very low-cost way to gain access to US stocks, but not only US stocks, it's given you access across all the different market caps. So this is another ETF that's offered through iShares, and again, where we're seeing a lot of the flows coming into it, these are large, flagship ETFs that many investors are using as tools simply to build out a core portfolio.

Andrew Brauer: Yeah thanks, Mike. So what I'm hearing is, low-cost, very simple to use. You could get, pick a handful of ETFs and get total market asset allocation exposure.

Mike Keating: Yeah, and Andrew, the other thing to mention, so think about, again, ITOT. ITOT is investing in over 3500 individual stocks. So I mentioned before in terms of a diversified portfolio, you know, again, a very large index, but it's, you know, investors that want to gain that diversification, I think you have it truly with this ETF.

Andrew Brauer: Yeah so Mike, that leaves questions percolating. A lot of clients that I work with, they want to be using ETFs, but they also don't want to be set-it-and-forget-it. Can you talk a little bit about how you could maybe potentially put together different ETFs to control that asset allocation exposure instead of just buying ITOT?

Mike Keating: Yeah, Andrew, and this is another answer that I have many people ask, well how do people use ETFs, or you know, all that money that's flowing into ETFs, what are they buying? And I always say that, it's a very large spectrum in terms of the underlying clients or investors that are using ETFs. Everyone uses ETFs differently. This is another step in terms of using a fund like ITOT can give you exposure, and again, one fund to all different market caps. But then, like you said, Andrew, there are investors out there that want to be a little more hands-on. And these are investors that say, you know what, maybe I don't want to be in this index, and be exposed to, you know, 20%

midcaps, or 10% small caps. But as an investor, I like to do my research. I have thoughts on these different market caps, and I as an investor want to be able to kind of control that myself. Well, the great thing about that is, ETFs allow you to do that. They allow you to gain that pinpoint exposure. So there's other ETFs out there where you can gain that mid-cap and small-cap exposure, but you're simply kind of breaking up the index, like an ITOT, but you're using several ETFs, and one example of that is say, using IVV as your S&P 500 kind of large-cap exposure, but then there's two other ETFs where you can build out mid-cap and small-cap, so another mid-cap iShare ETF is, the ticker is IJH. This is simply the S&P mid-cap 400, and you can invest in that, and you can basically, you know, have that mid-cap exposure, but also fitting it is IJR, which is our small-cap ETF. Both of these ETFs are very low-cost, 0.06 for the mid-cap, and I'm sorry, 0.05 for the midcap, 0.06 for the small-cap. But what this allows investors to do is this: it allows you to be more hands-on, it allows you to express your views, and allows you to dial up or dial down the underlying market cap exposures. So another example is that, say you want to just have 50% in IVV, 30% in mid-cap, and the rest in small-cap, and then every quarter if you wanted to, or every, you know, twice a year, you could rebalance that yourself.

Andrew Brauer: Yeah, thanks, Mike. So I'll kind of summarize what I use ETFs, and I talk to clients about. You can -- like we've said in previous sessions, you can go out there and buy the individual stock, but you can increase the probability of success in a lot of cases by using low-cost, full diversified exposure like this, and you can be extremely hands-off, but you also have the flexibility to really invest where you think your money should go.

So, moving on the next box, this is probably one of my favorite sections of this part of the website. And, I'm passionate about the income space. Specifically, I used to work the fixed income desk here at Fidelity, and a common client question I get is, I need income, rates are low, but I don't want to take on a ton of risk. I need to diversify my income streams, that way I'm not taking on too much risk, but still trying to generate that income return. Mike, can you talk a little bit about, I see a couple different ETFs here, can you just kind of give us your perspective on, you know, what are these, how they should be used, how many ETFs, how many of these should I actually end up buying?

Mike Keating: Yeah, so again, I always go back to kind of that first answer, Andrew, where it depends on the investor, and I would say, you can make it very easy for yourself, but you can also be more hands-on. Some different ways of doing that, as you can see right here in this box is, doing that through, you

know, you mentioned bonds, Andrew. There are ETFs out there that are focused on either very broad, fixed income market, where you can pretty much buy just different sectors of the fixed income market, all different bonds packaged into one ETF. The ticker on that is AGG. But the other ones you can also do is actually buy also dividend-paying ETFs as well. And as you can see here on this box here, you know you have one that's highlighted is DGRO. We call that "D-Grow," and one interesting thing around this is that, I always, whenever I'm in-person, face-to-face with investors, I always ask everyone, who in here is buying individual dividend-paying stocks? And a lot of people say, yes I am, and but basically, what this ETF specifically gives you is more diversification. So it gives you basically a basket of dividend-paying stocks that are specifically focused on what we call dividend-growers. So these are companies that consistently grow their dividend over time. So you kind of get a different makeup of the underlying index, because again, it's focused on stocks, but it's also focused on stocks that pay dividends, but it's also focused on stocks that pay dividends, but they consistently grow their dividend. So you're going to have a different kind of company makeup than you would have in another ETF like an HDV which is basically another dividend-paying ETF that focuses on, you know, kind of just looking at companies that pay high dividends. So, little different makeup here Andrew, but I would say that if you're an investor, and you're looking for income, we understand, rates are

low. People are kind of, people are struggling to find, you know, income. And I always rewind and I think about, what the market looked like pre-financial crisis, you know, before 2007-2008, and it was fairly easy to find income. I mean, you could be invested in a money-market back then and get, you know, 3-4%. But now what we're seeing within the markets, it's obviously this low-rate environment, and is that going to potentially change? Who knows, but right now, investors are struggling to gain that income in a risk-focused way. So I think these are really good ways to diversify, Andrew, and you mentioned, can you do it all-in-one? So again, this is more for investors that want to be more hands-on, you can break it up, and buy a diversified basket of income ETFs, where maybe you want to focus on fixed income, but you also want to have some dividend-paying equity ETFs in there. So the beauty of the ETF market is that it's evolved. It's evolved over time to now offer kind of these more focused, sector-like ETFs where they're specifically focused on delivering goals to investors like income, and we'll go over some other ones as well. So I think this is a good page to bring up what you're showing here around the underlying holdings of DGRO.

Andrew Brauer: Yeah, so I want to expand upon that point, Mike, and the longer you've been investing in the market, everybody's got an investment that doesn't go well, I know I have, and there's been a handful of companies that

clients have bought them for the dividend, and that company stock price continually declines. And if you're one of those investors, a benefit of an ETF like DGRO is you're getting exposure to almost 400 stocks that have a track record of growing that dividend, and to Mike's point, you can increase the probability, you can get that diversification, and you can still invest in that theme, but you can potentially do it for lower cost, reduce the risk of one stock really wrecking a portfolio, but still invest in that income-generated focused way.

Mike Keating: And Andrew, sorry, no, one thing to mention on this, because I'm thinking about what many people may think when you're bringing up, yes it's 400 stocks, who's choosing the stocks, right? And where are they coming from? Well, the other thing to mention is, all ETFs have portfolio managers. The portfolio managers of an ETF are mainly, their goal is to track a specific index. So like this ETF, GGRO, we here at iShares are tracking an index, and what we say is this is kind of a rules-based index, and like you said, Andrew, that's consistently looking at these stocks and making sure that they are consistently growing their dividends for this particular fund. A fund like DGRO reconstitutes once a year, so we will maintain those strengths throughout the year, and every year they're kind of reevaluating through those specific rules.

So it is a rules-based index. You don't have a PM that's specifically going in and out, and choosing what stocks to buy.

Andrew Brauer: Yeah, so for clients, what that means, that rules-based index, is if BlackRock, the portfolio manager, designated quality metrics on this and stocks stop meeting those metrics, it'll automatically get pulled out of that, so you have a very good chance, again, once a year it rebalances, to make sure that you're maintaining that quality dividend.

Mike, I got one follow-up question before we move on to next section. We showed HDV in the previous, and highlighting this one, 392 positions, HDV was a lot more narrow with about, I think it was 79 or 80. Can you just talk real quickly about should I buy both, how are they different, just so the audience has got a clear picture of a few other options?

Mike Keating: Yeah, Andrew, so I always say that it's kind of a different flavor. So yes, it's investing in dividend-paying stocks, but it's investing in different stocks. So, these aren't necessarily, like I said before, the DGRO, where that index specifically screens for companies that are consistently growing their dividend. HDV, for instance, is a more narrow index. So usually, most of the time we would say that there's 75 companies that could, you know, give or

take at certain times. But this is an ETF that selects companies that have paid out high dividend yields, right? So it's looking at companies that have higher dividends in the marketplace, but it also screens for stocks that based on their economic moat, which is a measure of a firm's ability to maintain its competitive advantage over other firms. So these are more, so basically, what you'll get, like the makeup of HDV, you'll get more established, high dividend-paying companies, like the value companies and things like that, whereas in DGRO, you're going to get more growth kind of value companies; you're going to get a mix of both. So to answer your question about, which one should you buy, again it depends, it depends on the investor, it depends on your views. If you don't have those views, maybe you just want to split it up, or maybe you just want to buy one. It all depends on the investor, but the great thing about ETFs is it does give you that choice and ability to do so.

Andrew Brauer: Yeah, thanks Mike. so moving on, navigating risk on this webpage. I think about some client comments I've heard, or if you watch some of the talking heads, the theme is, you know, inflation concerns, the market's run really far really fast. And we have a lot of clients that are deep into retirement, and they can't risk having a major hiccup like COVID the deeper they get into retirement. Can you talk specifically maybe about USMV and how that differs from an IVV, as an example?

Mike Keating: Yeah, so that's a great question. And when USMV was launched several years ago now, it was launched specifically to minimize volatility versus a broad index like the S&P 500. So, the way I explain this to investors is, it tends to, or it does, it takes an index, a broad US stock index, and it simply overweights to the less volatile companies within that index. Now that's one screen that it employs, but it also looks at correlations, and it looks at sector weightings as well, so it diversifies across all sectors, but it's a portfolio that if you compare it to a broad index like the S&P 500, the goal of this index is simply to be less volatile, less risky. So basically, kind of the talk around it is, if you're an investor that is a little bit worried about the markets that feel that markets are going to be volatile over time, and you want to sell out, or you just want to maintain that, but you want to get out of some of these market-cap-weighted indexes, USMV allows you to maintain that stock exposure, but it delivers that in a more risk-fashioned way. So Andrew, if you ever pull it up, I mean I don't know if you want to hear, but you'll see that again, the different weightings of these companies is a little bit different than the S&P 500, and again, what it does is the rules of the index is overweighting the less volatile companies.

Andrew Brauer: Yeah, thanks Mike. And you know, if we just pull this up, compared it to IVV, Microsoft is definitely in the top five holdings of IVV, but Eli Lilly, Accenture, Waste Management, Kroger, the idea what I'm taking, and the way I guess I'd articulate to our clients in the audience is, that we're trying to find stocks that don't have those violent up-and-down gyrations, and it's more to give you that smoother ride in volatile markets.

Mike Keating: Sorry Andrew. I just want to mention, that smoother ride over the long term. So you're going to have times where, you know, it's going to be similar, but what we say is we want to deliver that risk management over the longer term.

Andrew Brauer: And I will call out one thing specifically. If you were extremely concerned about volatility in your overall account balances, that is the purpose of bonds. I know there's a lot of commentary on the news about you should know fixed income, you know, rates are going to rise. But if you look over the long term, fixed income has added a lot of value in portfolios, in volatile markets, and it's why Fidelity, even in our managed accounts, we focus in on still having exposure to the fixed income space.

So moving down, Mike, to harness megatrends, we just saw an amazing presentation from Gargi and Jeff on our last session. For those that are new to the audience, can you just talk a little bit high-level about these megatrends in some of the symbols and how they can be taken advantage of by your clients?

Mike Keating: Yeah, you know what, I love this. A lot of people say, what is a megatrend, right? So the way we define it here BlackRock, we would say that they're powerful, transformative forces that can change the trajectory of basically the global economy by shifting priorities of societies, driving innovation, redefining business models. So these are ETFs that are basically investing in really five key themes, and I'll kind of go through those. One is technological breakthroughs. These are like robotics, cybersecurity, cloud, 5G. Another one is demographics and social change, like genomics. You know, another one has to do with rapid urbanization, which is based on like, infrastructure, climate change, and gaining access to global clean energy and electronic vehicles. And the last one would be emerging global wealth. So these are all kind of the, what we call the five themes that are shaping the global economy, and we feel that this is a long-term shift, and we wanted to launch these ETFs to give investors exposure to those types of companies. You know, so I think a couple that I would mention here, is iDrive, and it's, the ticker is IDRV, and it's specifically focused on, right, these self-driving cars.

You know, I'm sure everyone thinks right away of Tesla, but it's not just investing in the car manufacturers, it's giving you exposure to the complete value chain. So it's also giving you exposure to companies like some of these battery manufacturers. Everything that goes in to kind of building these cars, you as investors are gaining access to. So that's a really cool one, and as you're bringing it up now. But again, I mean I think this is one that's giving you that diversified exposure. This is more pinpoint exposure to, again, self-driving cars, and we have ETFs that kind of focus on every one of these themes. The other one I always mention is, the ticker is XT, and XT is an ETF that we develop that basically comprises all five of these megatrend themes. So the ones I mentioned before, like robotics, genomics, infrastructure, climate change, clean energy, all of these are comprised within this one ETF, XT. So it's giving you exposure to kind of all these trends that we're seeing reshape the global economy.

Andrew Brauer: Yeah, thanks Mike. And I want to call out XT again, I think it's an interesting ETF. We get a lot of client questions about disruption. Two things I'll highlight, one with XT, the 216 positions, what I find is interesting, and it's the same thing I'm going to point out with IDRV is look at the weighting to these companies. The largest one is over 1%. The way this is constructed might not match up to some of the other ETFs that are out there, and of the

primary risks I highlight with clients when they find a narrow versus a broad-based, like ITOT ETF, is the larger that weighting is, the more that that one stock could drive overall performance. And so when we back that out going to IDRV, you know, the elephant in the room, Tesla, hitting over a thousand dollars, I think, a few days ago, the run of this security is something I've never see before. I think Mike will probably attest something very similar. But when you look at the structure of IDRV, it's got exposure to Tesla, but it's only 5.3% of the overall portfolio, and the focus of this is, giving you exposure to maybe some parts of the supply chain that you haven't thought of. That way, if batteries is the next hotspot, or technology, or semiconductors in this space, you have all of that to drive the future of that space, and you're going to have exposure to that any way you count it. So again, this is not to steer you away from individual equity exposure, but you can add diversification and simplicity into your portfolio by buying a broad-based ETF, and I'll argue for the costs that iShares puts out, it's relatively valuable.

Mike Keating: Yeah, Andrew, that's a great point you make. And I think the other thing to mention on this is, you had mentioned before just around iShares as a firm, we are the largest ETF provider in the world, and we truly pride ourselves in delivering quality products. And you mentioned expense ratios or costs. This is a very low-cost way to gain exposure, so if you look at any of the

competitor products to XT, the expense ratio on this is 47 basis point, which is 0.47%. This is very competitive, in terms of a cost comparison. So if you look at other ETFs out there that are trying to do the same thing, one, we have a very low-cost way to gain access to this, but also two, like you said before, we're not exposing investors to any, or I should say, overweighting to any specific companies. It's a diversified mix across several different stocks within this key underlying theme.

Andrew Brauer: Great, I love it, Mike. So let's move on. This is one I actually want to spend a little bit of time on, along with ESG theme. Putting cash to work, so get some context, when I work with clients, the theme of the stock markets run too far too fast, the Federal Reserve might raise interest rates really, really soon, I could potentially lose money in fixed income which we can have another discussion, I don't agree with that. There's a lot of clients that I've talked to that don't know who do believe. And what ends up happening, the outcome is they sit in cash for an extended period of time, and in my 13-plus years in the industry, cash is always a drag on the overall portfolio, at least since 2008. So, thinking about clients that maybe don't want to step their toe into the stock market, or they don't want to go into, you know, really long-duration fixed income, Mike, can you talk a little bit about short-duration bond ETFs? And I want to spend some time specifically on ICSH. Can you walk us

through, what is this product, how can it potentially be used, and what does BlackRock design these things to accomplish?

Mike Keating: Yeah, Andrew, you said a lot there, so I'm going to try to kind of piggyback on a lot of things you said, because I think you're a hundred percent right. And like I said before, prior to the financial crisis, you know, I remember, and the other thing to mention, I worked at Fidelity for a long time prior to coming to BlackRock, which you know, Andrew. But I remember being there pre-financial crisis, and people would be like, I have to move out of this money market; it's only giving me three-and-a-half, four percent, whatever it was. And you think back then, you were like wow, I mean you know, they are kind of low, back then. But now you think about it today, and they're under, what, 50 basis points, under 25 basis points. So here's the thing, we want to deliver a product to do a couple of different things. And like you said, spot on, and I think you could attest more with what you see from clients, but there's large amounts of money sitting in cash. And we here at BlackRock always say that, you're not getting into anything on that cash, and you know, there are ways as an investor if you're willing to take a step out on the risk spectrum, where you can get a little bit more for your money, and that's what we wanted to deliver to investors. Now the thing to mention here is, you know, we always compare these to money markets. These are not money market investors. They do

have fluctuations. There is risk you're taking, so be aware of that. Make sure you do your research on all these. But, this is where we've seen investors using ETFs to take, again, get a little bit more for their money while they kind of sit on the sidelines. So, you have several options, but each one is kind of again, a different flavor. They own different investments, or different underlying components. You know, so again, doing the research, knowing what you own, I think that's important. But again, putting cash to work, the reason you see this on this iShares landing page is because this is where a lot of people struggle, and they truly say, right, again, where we are currently with rate, the rate environment and how low rates are, and is that going to continue, a lot of clients are asking questions, how do I get a little bit more for, you know, within my money market investment, and again, doing the research and taking some of these ETFs into consideration may get you a little bit more for your cash investments.

Andrew Brauer: Yeah thanks Mike, I appreciate the commentary. Let's dive in a little bit deeper into this, because I know clients that I work with, they stay in money markets, again disclosure, this is not a money market fund, there is additional risk. But also commonly, clients will go do like CD solutions, as an example, or they'll look at other fixed income products, because money markets pay almost nothing, the CDs pay not a lot, but better. Mike, can you expand upon

some of the differences in ICSH as an option versus if a client wanted to compare to an option like a CD?

Mike Keating: So there, Andrew, I would say, it's simply diversification. So it's investing in a basket of you know, what we always say with ICSH, we call it "ICash," but ICSH is, it's an actively-managed ultra-short-duration ETF that's managed by the BlackRock short duration fixed income team. Now, what we do is we maintain investment-grade products within the underlying portfolio, so it's invested across the board in CDs, money market-type investments, floating rate debt securities, things like that, investment-grade bonds. But we're looking to do is maintain a, what we call duration, a very low duration, and what we mean by that is, we want to have less sensitivity to a rising rate environment. So again, you know, talking about what it's underlying invested in, and your question Andrew, versus CDs, I'm not going to say CDs are a bad investment at all, but what this is going to give you, it's just going to give you a more diversified basket across several different short-term fixed-income-like securities.

Andrew Brauer: Yeah, thanks Mike. So I'll highlight two things to kind of put a bow on some of the Mike's commentary. One, talking about the duration, how much can this thing move if interest rates do go up with Fed action? 0.44 will

be deemed as very short, very low. So, this thing can move up, you know, with rates that the Fed takes action, it could affect it, but it's, the point is, it's not affecting it a ton. Second, we have a lot of clients here that invest in CDs, and we have a lot of clients that I talk to every day that continually roll those over. The difference that I want to highlight though is the liquidity aspect. If you go into a CD, whether it's through a broker-dealer CD at Fidelity Investments, or doing it through your local credit union or bank, if you want to get out of the CD, there is generally some sort of cost to do that. Whereas if we compare it to something like ICSH, we can get you out immediately with a market order, or you can set a limit. Mike, I don't know if you want to expand upon anything along that lines as well.

Mike Keating: No, and I think that's one of the pillars that we discussed earlier in the beginning, was that again, ETFs, exchange-traded funds, you're not locked up. I mean, you can buy it, you can sell it whenever you want to, so I think that's definitely one of the key benefits, Andrew. Great point.

Andrew Brauer: So, moving on to our final section, and then we're going to dive into the Q&A, I see some great questions from the audience, I'm very interested in this topic, because I'm seeing this come up in the news more and more and more, being better global citizens I think is the term I've heard. And a lot of

clients have questions about sustainable investing and being better citizens, and things along those nature. Mike, can you just kind of do an overview of, why did iShares create this product? Who's buying them, and why?

Mike Keating: All right, so why did we develop a product like this? Well we wanted to deliver something where we're seeing client interest, right? And to put that in perspective, I would say this: whether you agree with it or not, the data shows that there are flows or money or interests that are moving to what we call ESG, and these are sustainable-type investments, and again, to put it in perspective, what we saw inflows in 2020, came up to roughly $87 billion in assets, or in money came into sustainable-type products. Year-to-date this year, the inflows that we're seeing, we're on track to significantly eclipse the 2020 record, in terms of money, again, flowing into ESG-type funds. The money that we saw in 2020 eclipsed the 2019 net flow number of roughly a little over $20 billion, and in 2018, it was roughly $5 billion. So year-over-year, you're seeing, you know, higher and higher asset flows into these types of strategies. The other thing to mention here, Andrew, there was a poll and roughly 70% of institutional investors have now implemented ESG strategies within their portfolios. So when you ask like why do we have over 25 ESG ETFs on the market, well it's simply because of this, and it's simply what we believe is a tectonic shift in terms of where investors are looking to invest their money,

not only now, but over the long term. And as everyone knows, companies moving to more net-zero, things like that, this is an area of interest, it's an area of growth, and it's an area of where we're seeing many new ETFs being launched.

Andrew Brauer: Yeah, great, thanks Mike. And to your point, a common question when this comes up from clients is, thinking back to when this space was relatively new, you know, around the 2008 timeframe, a lot of clients ask, if I don't invest in companies that are ESG, am I giving up any sort of return, or am I missing out by not investing in some of the stocks of old, or the market spaces of old?

Mike Keating: Yeah, Andrew, I would say to that question, if you look at some of these strategies on the ESG side, in terms of performance, and if you compare it to the performance of say, the large index S&P 500, they've kept up well in terms of performance. I mean if you think about how one of our ETFs is ESGU, that is one of our ESG products that is focusing on US stocks that are giving you exposure to large and mid-cap US stocks with a favorable environmental, social, and governance practices. So, you know again, when we get that question all the time, are these strategies, you know, just a kind of a fad, and we would say that, you know, many of these companies that are delivering

more of these ESG-type practices are set up very well for long-term growth as well. That's what we believe in. I mean, there's no guarantee of futures returns obviously, but those are past returns of what we've seen, and ESGU, our ESG ETF has performed right in line a little bit better than the S&P since inception.

Andrew Brauer: Yeah Mike, thanks for talking through all that, and I will say I might have been guilty 13, 14 years ago of maybe thinking ESG is a fad, but to your point, almost $100 billion flown into this, more and more companies and CEOs, their compensation's focused on delivering that outcome. You know, I can't predict the future and I will never try, but I am no longer in the camp that this is potentially a fad. (laughs)

So let's wrap it up. So again, if you missed how we got to this webpage, I'm going to just do a quick summary for everybody in the audience. First, if you want to see the entire suite through BlackRock, come to News & Research, select your product type, i.e. ETFs, and you'll notice that we have predefined screens for you on the main page. If you were interested in potentially doing deeper research into BlackRock as a company, you can select iShares, and we are trying to break down and make it as easy as possible for you to find your flavor of investing. Income, factor, sustainable ETFs. If you have any questions

or concerns, great commentary under "Help Me Choose," or if you attend a future webinar or one of our learning centers, we have a lot of content to help you beef up your education if you're brand new to this space.

Next, if you want to find the specific tickers, investment products, down to ETFs. Select the iShares, and you'll get a list of these ETFs. And from there, you can actually click on the symbol, and it'll bring you right into Fidelity's ETF research experience.

So the bottom line for today, a couple of takeaways. ETFs, they can be hands-off, or they can be hands-on. They're flexible, they're extremely low-cost and they can be used in a lot of different situations. So the bottom line for everybody in the audience, our clients here at Fidelity, there's an ETF for everybody. Fidelity is committed to helping you find and invest the way that you feel is appropriate for you and your family. Please reach out to us if you have any questions, and my invite to everyone in the audience is, spend some time on the ETF research screener. Spend some time on this investment products page. There is a lot of great content to help you figure out what ETF you should consider for purchase.

[1] Source: BlackRock as of 09/30/2021. Based on market share, number of ETFs and $3.04 trillion in assets under managements as of 9/30/2021.

[2] Source: BlackRock as of 10/28/2021. Global ETP AUM was $9.74T as of 10/27/2021.

[3] Source: Morningstar, as of 9/30/2021. iShares Core S&P 500 ETF (IVV) is one of three S&P 500 index ETFs with an expense ratio of 0.03%. IVV is the largest of these three ETFs based on AUM.

END OF AUDIO FILE

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