

ETFs: Year in Review and a Look Ahead to 2023

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Agenda

1. 2022 Year in Review

- Montanna Saltsman, Investment Product Manager

2. A Look Ahead to 2023

- Michael McCrary, CMT, Regional Brokerage Consultant

2022 Year in Review

Montanna Saltsman
Investment Product Manager

2022 ETF Trend Summary

Despite 2022 being one of the worst years on record for stocks and bonds, ETFs saw \$596 billion in net flows, the 2nd best year on record

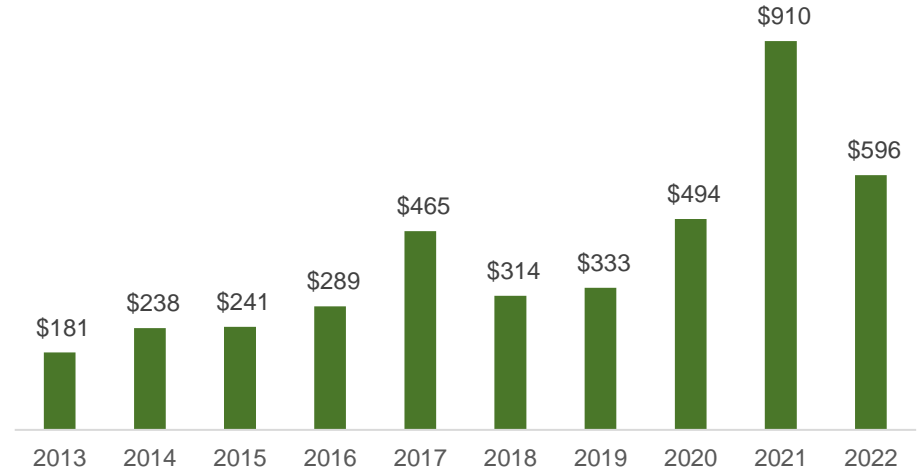
- Shift to actively managed ETFs
 - 65% of ETFs launched in 2022 were actively managed
 - Actively managed flows captured 15% of ETF net flows in 2022, compared to 10% in 2021
 - Actively managed ETFs represented 5% of ETF Assets under Management (AUM) at year-end
- Fixed Income ETFs
- Mutual Fund to ETF conversions
 - 13 separate issuers converted 17 active mutual funds to ETFs with combined assets of \$20 billion
- Innovative product launches
 - Single stock ETFs, buffer ETFs, levered/inverse ETFs

2022 ETF Industry Landscape

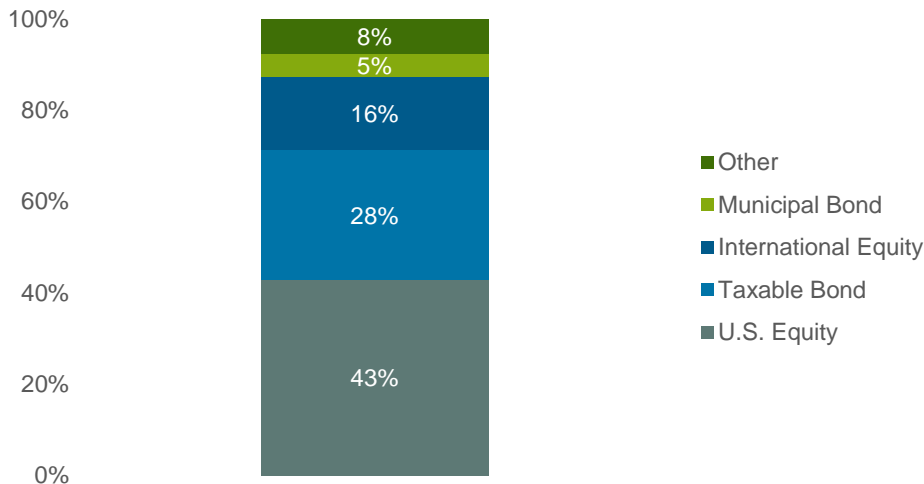
U.S. Listed ETFs

- 3,000+ ETFs across 176 issuers
- 429 ETFs launched
- 35 new issuers entered
- \$6.5 trillion in assets under management
- \$47 trillion in ETF traded value, up 30% from the 2021 record

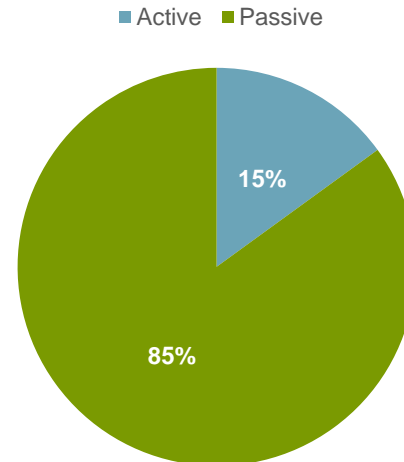
ETF Industry Flows (Bil)



Breakdown of ETF Flows by Category



Actively Managed vs Passively Managed ETF Flows

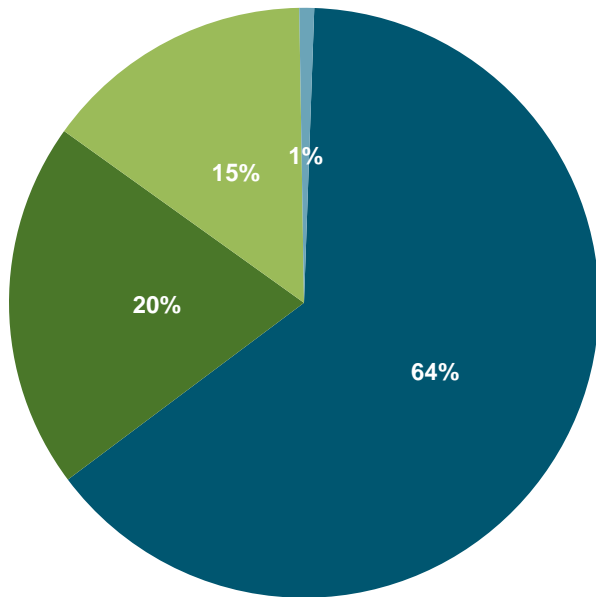


Fixed Income ETFs Continued Growth Trajectory

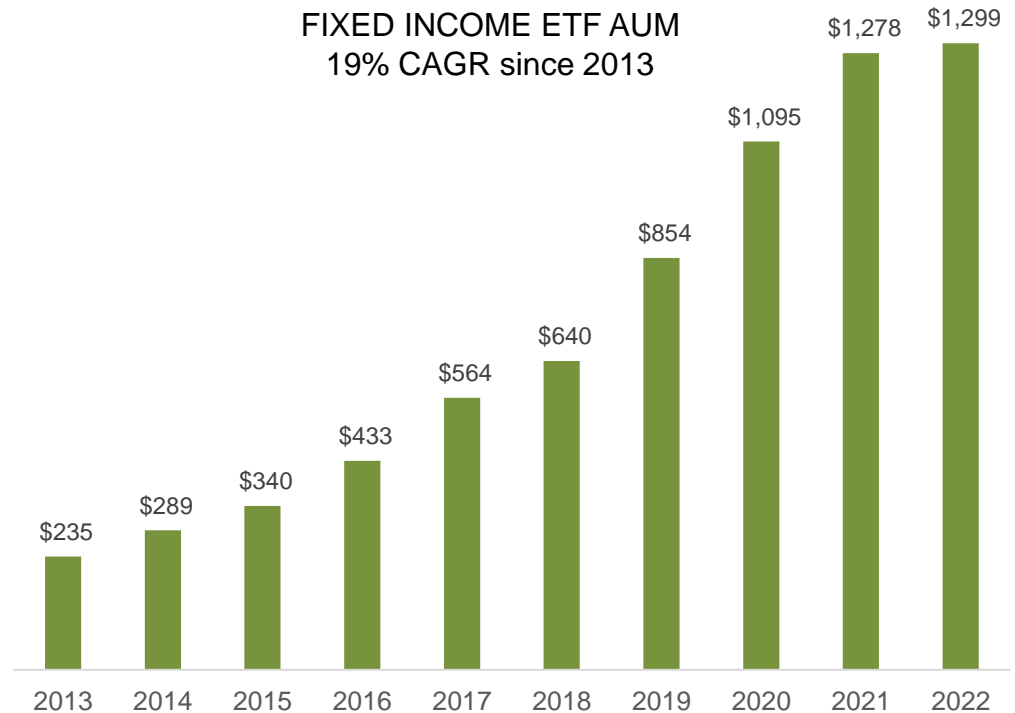
Fixed Income ETFs had their second-best year on record of net flows as the category continues to gain traction in the ETF space

2022 Fixed Income ETF Flows by Category

■ Government ■ Aggregate ■ Municipals ■ Other

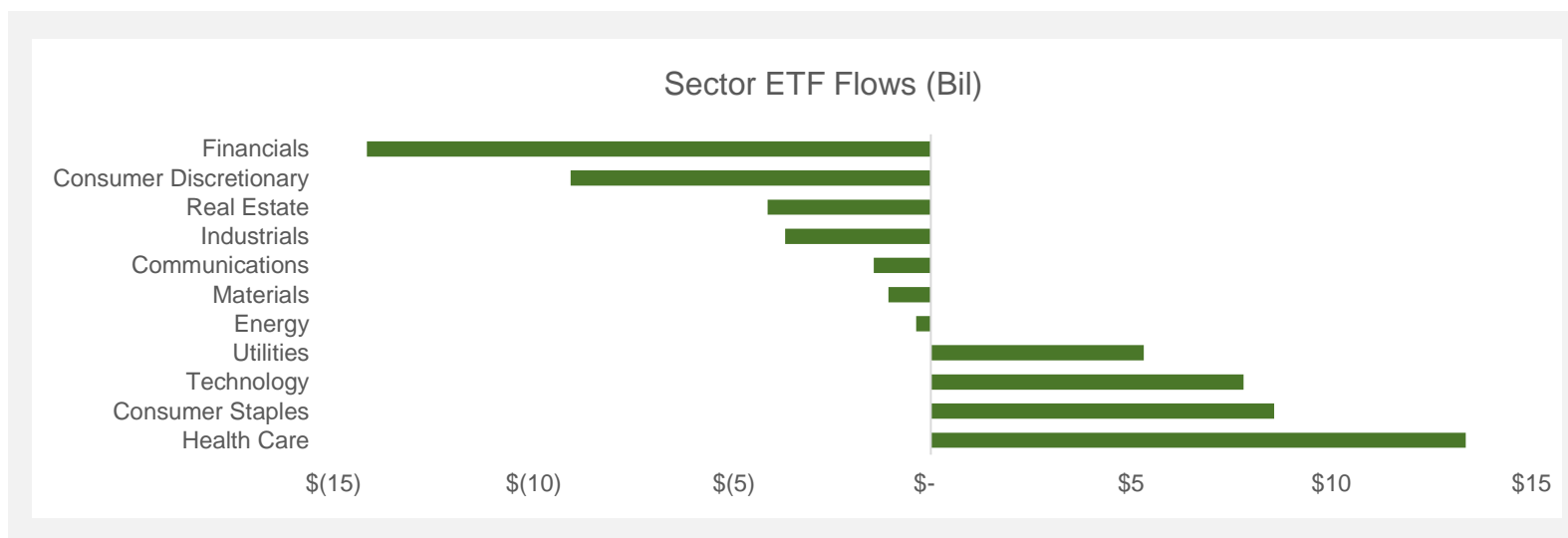
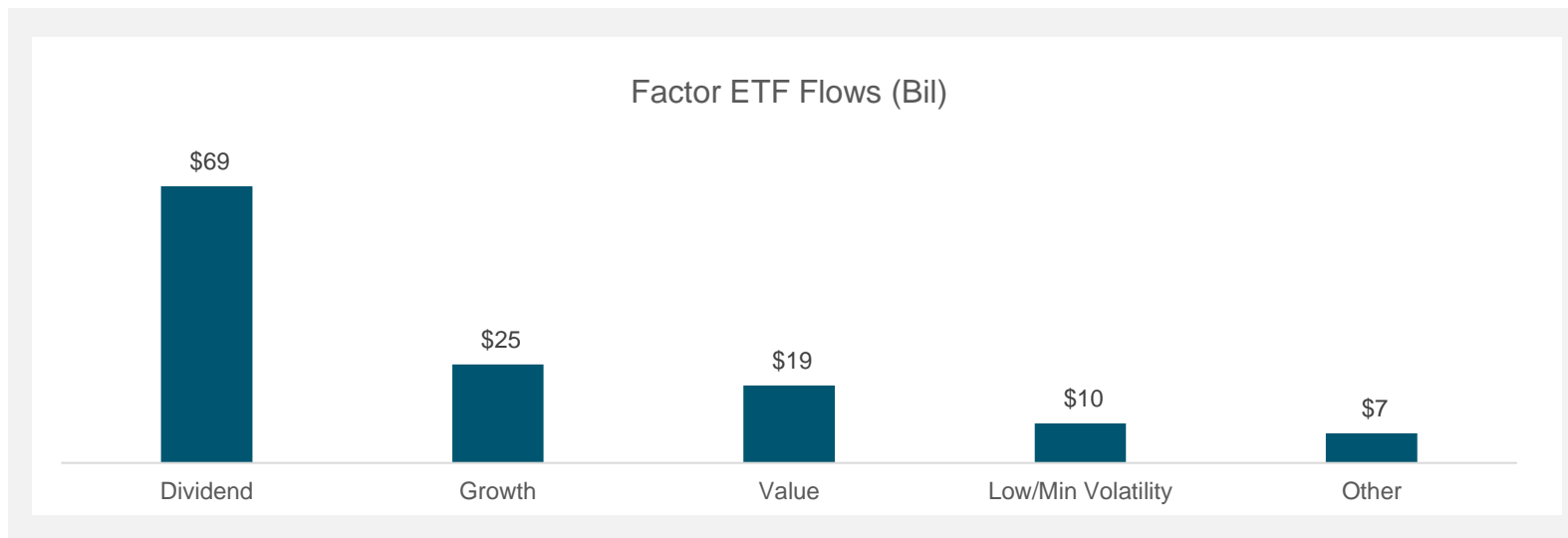


FIXED INCOME ETF AUM 19% CAGR since 2013



U.S. Equity ETF Industry

Defensive sectors saw the inflows in a year of heightened market volatility



Other consists of multi-factor, quality, and momentum factors.

7 Source: Bloomberg and Morningstar Direct.

Fidelity ETFs in 2022

Fidelity ETFs Currently in Market—52 ETFs

<p>Fidelity Active Equity ETFs¹ (9)</p>	<p>Fidelity Fixed Income ETFs (12)</p>	<p>Fidelity Equity Factor ETFs (13)</p>
<p>Actively-managed ETFs offering the potential for outperformance in large cap equity ETFs²</p>	<p>ETFs to help navigate the bond market</p>	<p>Precise exposure to factor-based strategies</p>

<p>Fidelity Thematic ETFs (6)</p>	<p>Fidelity Sector ETFs (11)</p>	<p>Fidelity Broad Equity ETF (1)</p>
<p>ETFs that align with your interests or objectives</p>	<p>Targeted sector exposure for your portfolios</p>	<p>Exposure to the NASDAQ Composite Index (ONEQ)</p>

¹ **Fidelity Active Equity ETFs are different from traditional ETFs.** Traditional ETFs tell the public what assets they hold each day. These ETFs will not. **This may create additional risks for your investment.** For example, you may have to pay more money to trade the shares of these ETFs. These ETFs will provide less information to traders, who tend to charge more for trades when they have less information; the price you pay to buy ETF shares on an exchange may not match the value of each ETF's portfolio. The same is true when you sell shares. These price differences may be greater for these ETFs compared to other ETFs because they provide less information to traders; these additional risks may be even greater in bad or uncertain market conditions; each ETF will publish on Fidelity.com and i.Fidelity.com a "Tracking Basket" designed to help trading in shares of the ETF. While the Tracking Basket includes some of the ETF's holdings, it is not the ETF's actual portfolio. The differences between these ETFs and other ETFs may also have some advantages. By keeping certain information about the ETFs secret, they may face less risk that other traders can predict or copy their investment strategy. This may improve the ETFs' performance. However, if the investment strategy can be predicted or copied, this may hurt the ETFs' performance. For additional information regarding the unique attributes and risks of these ETFs, see the Important Information section in the appendix.

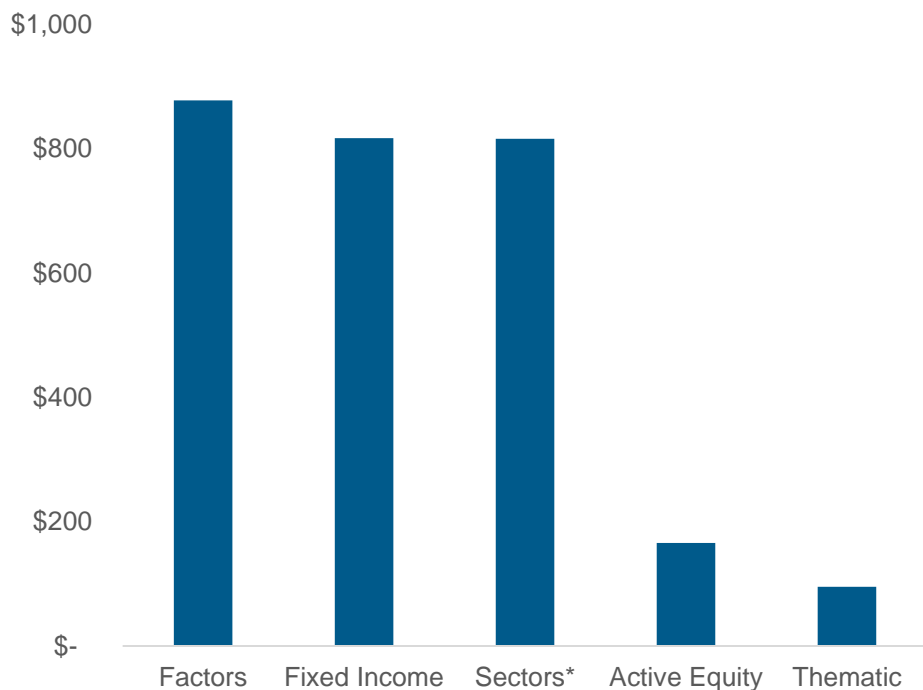
² While Active ETFs offer the potential to outperform an index, these products may more significantly trail an index as compared with passive ETFs.



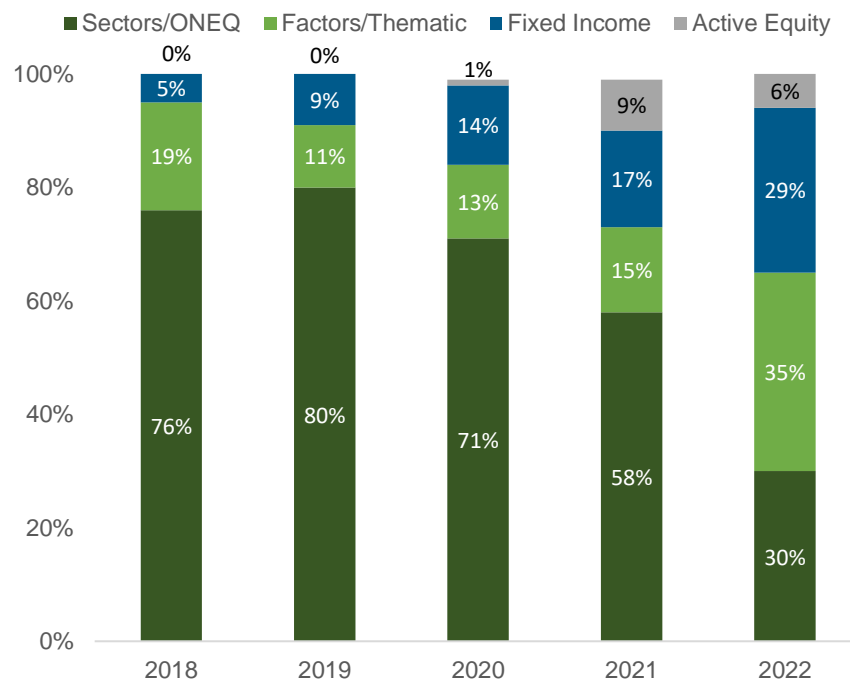
Fidelity ETF Flows Breakdown

Fidelity ETFs had \$2.8 billion of net flows in 2022

Fidelity ETF Flows by Category – 2022 (Mil)



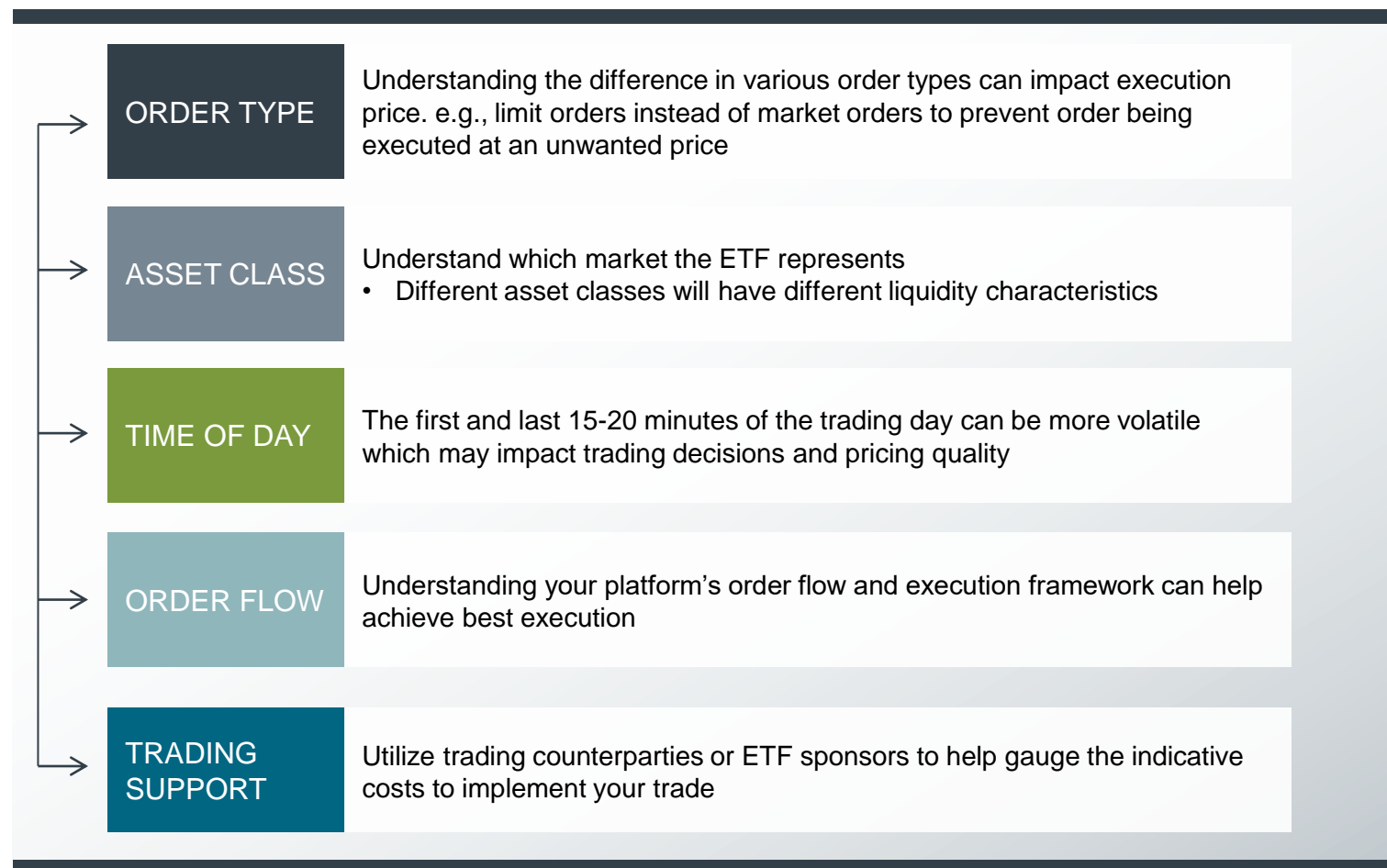
Fidelity ETF Flows per Year by Category



*Sector flows include Fidelity Nasdaq Composite (ONEQ).



Best Practices When Trading ETFs



A Look Ahead to 2023

Michael McCrary, CMT
Regional Brokerage Consultant

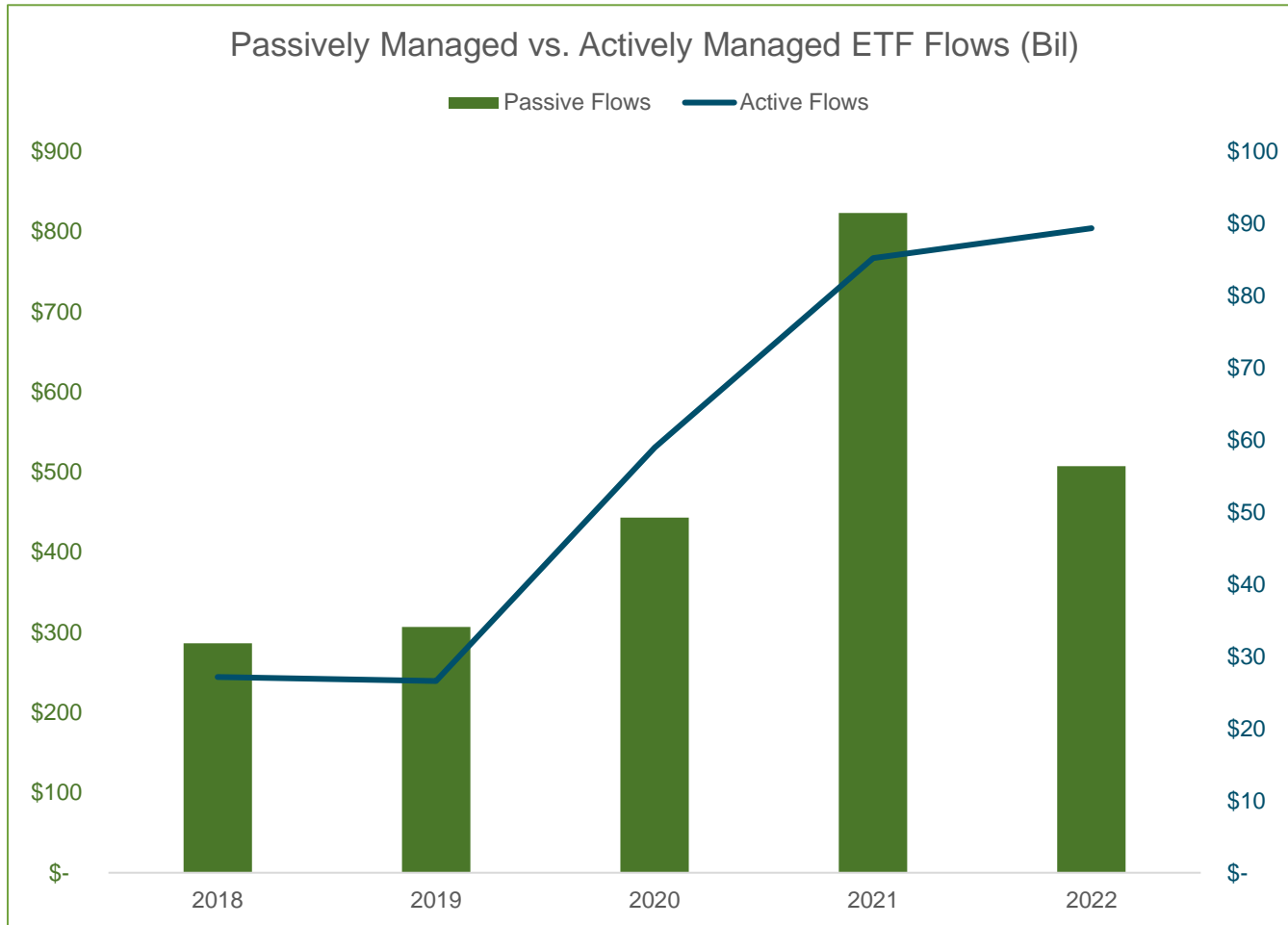
2023 Market Outlook

Even with an uncertain market environment, ETFs are posed to continue their growth trajectory as the industry enters its 30th year in 2023

- Continued shift to active management
 - 24% of ETF flows were from actively managed ETFs in January '23
 - Additional mutual fund to ETF conversions as several asset managers have announced their plans to convert funds in '23
- Sector & Factor Forecast
- Income opportunities in 2023
 - Fixed Income & Equity Income ETFs

Continued Shift to Active Management

Investors utilize active strategies to position in uncertain market environment



U.S. Sector Outlook: Favoring Health Care and Materials


A combination of good fundamentals and low valuations have made the health care sector appealing, while supportive valuations and economic indicators have boosted the outlook for materials. Defensive characteristics may drag on performance for communications services and utilities, while information technology may be fully valued.

Sector	Strategist View	Longer	Time Horizon View		Shorter	Comments
	■ Overweight ■ Neutral ■ Underweight	Fundamentals	Valuations	Relative Strength		
Communication Services	■	-	+	-	Defensive characteristics may hinder performance	
Consumer Discretionary	■	-	-	-	Increasingly constructive contrarian indicators, median valuation compelling	
Consumer Staples	■				Valuation has changed to a headwind	
Energy	■	+	+	+	Increasingly mixed signals from macro and fundamental	
Financials	■	-			Recovering fundamentals bolster the outlook	
Health Care	■			+	Good combination of fundamentals and valuation	
Industrials	■		-	+	Other predictive valuation indicators still compelling	
Information Technology	■	+			Strong fundamentals increasingly priced in	
Materials	New since Q4 ■	+			Valuation and economic indicators are supportive	
Real Estate	■		+	-	Elevated valuation likely to be a headwind	
Utilities	■		-		Defensive characteristics may hinder performance	

Past performance is no guarantee of future results. Strategist view, fundamentals, valuations, and relative strength are based on the top 3,000 U.S. stocks by market capitalization. Sectors defined by the GICS; see Index Definitions for details. Historical communication services data has been restated back to 1962 to account for changes to the GICS framework made on 9/24/18. **Strategist view** is as of the date indicated based on the information available at that time and may change based on market or other conditions. This is not necessarily the opinion of Fidelity Investments or its affiliates. Fidelity does not assume any duty to update any of the information. Overweight and underweight views represent opportunistic tilts in a hypothetical portfolio relative to broad market sector weights. Sector weights may vary depending on an individual's risk tolerance and goals. Time horizon view factors are based on historical analysis and are not a qualitative assessment by any individual investment professional. The top three sectors based on each time horizon view metric are shaded green; the bottom three are shaded red. See Glossary and Methodology for details. It is not possible to invest directly in an index. All indexes are unmanaged. Source: Haver Analytics, FactSet, Fidelity Investments, as of 11/30/2022.

Sector Benchmark Comparison

Fidelity's ETFs cover 99% of the investable U.S. Market

		SSgA SPDR	Vanguard	BlackRock iShares
Benchmark	MSCI USA Sectors IMI 25/50	S&P 500 Sectors Index	MSCI US Sectors IMI 25/50*	Russell 1000 ICB Capped Indexes**
Indexing Methodology	Rules Based	Committee Managed	Rules Based	Rules Based
Sector Classification	GICS	GICS	GICS	ICB
Expense Ratio	0.084%	0.10%	0.10%-0.12%	0.39%
Market Coverage	99%	80%	99%	93%
# Securities	~2,500	~500	~2,500	~1,000
Large Cap	73%	84%	73%	77%
Mid Cap	19%	16%	19%	20%
Small Cap	8%	0%	8%	3%

Characteristics as of 12/31/2022, Updated Annually Source: MSCI, S&P Dow Jones and Russell.

When comparing funds, please consider all important factors, including information pertaining to fund fees, fund features, and fund objectives. While funds may track an index, the indices and strategies employed in seeking to achieve an investment goal may be different. Each fund's investment objective and strategy and index tracked to achieve investment goals may differ.

Expense ratio information & Market Cap sourced from Morningstar Direct as of 12/31/2022.

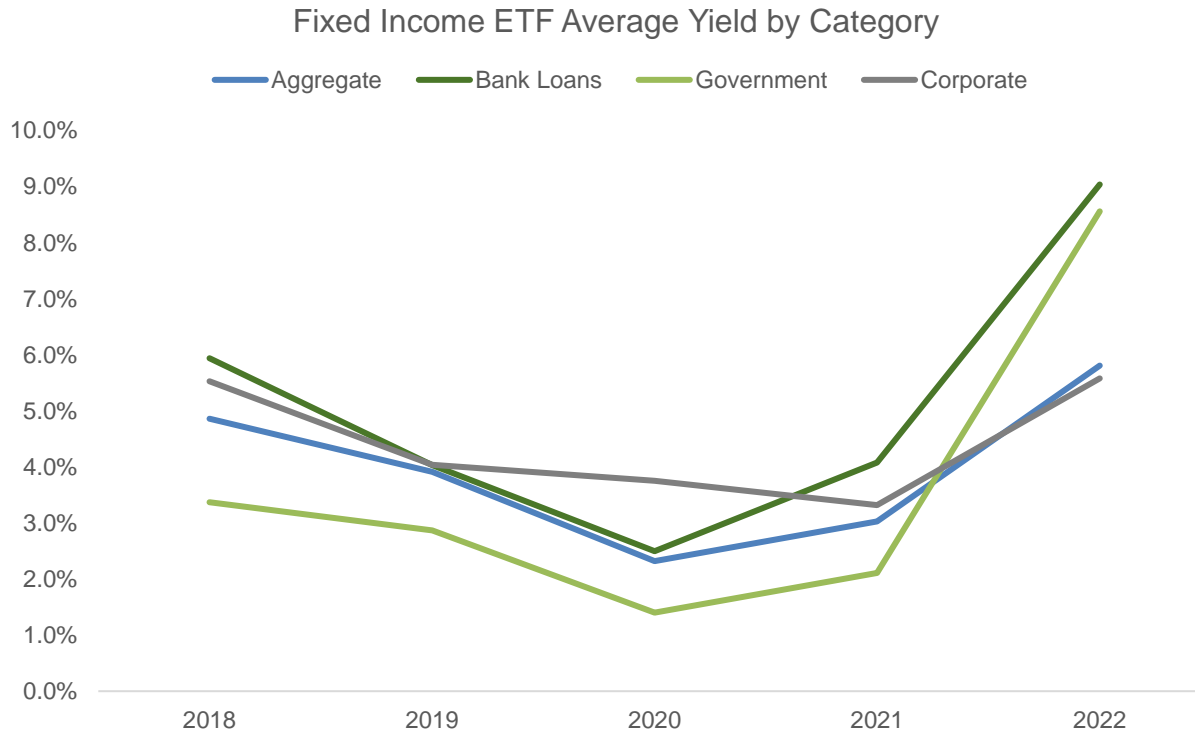
*Parent index of the MSCI US Sectors IMI 25/50 is the MSCI US IMI 2500 Index.

**iShares Sector ETF's began to track Russell 1000 ICB indices in September 2021. DJ US Financial Services and DJ US Real Estate are still used for the respective ETF's.

Bonds are Back?

Following a stormy 2022, the forecast looks bright for fixed income

Approximately \$200 billion flowed into fixed income ETFs in all of 2022
The category amassed **over \$25 billion of net flows in January alone**; offering investors attractive yields in an uncertain market environment



Appendix and Important Information

Important Information

Before investing in any mutual fund or exchange traded fund, you should consider its investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus, an offering circular, or, if available, a summary prospectus containing this information. Read it carefully.

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.

Exchange-traded products (ETPs) are subject to market volatility and the risks of their underlying securities, which may include the risks associated with investing in smaller companies, foreign securities, commodities, and fixed income investments. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets. ETPs that target a small universe of securities, such as a specific region or market sector, are generally subject to greater market volatility, as well as to the specific risks associated with that sector, region, or other focus. ETPs that use derivatives, leverage, or complex investment strategies are subject to additional risks. The return of an index ETP is usually different from that of the index it tracks because of fees, expenses, and tracking error. An ETP may trade at a premium or discount to its net asset value (NAV) (or indicative value in the case of exchange-traded notes). The degree of liquidity can vary significantly from one ETP to another and losses may be magnified if no liquid market exists for the ETP's shares when attempting to sell them. Each ETP has a unique risk profile, detailed in its prospectus, offering circular, or similar material, which should be considered carefully when making investment decisions.

Additional information for Active Equity ETFs: The objective of the actively managed ETF Tracking Basket is to construct a portfolio of stocks and representative index ETFs that tracks the daily performance of an actively managed ETF without exposing current holdings, trading activities, or internal equity research. The Tracking Basket is designed to conceal any nonpublic information about the underlying portfolio and only uses the Fund's latest publicly disclosed holdings, representative ETFs, and the publicly known daily performance in its construction. You can gain access to the Tracking Basket and the Tracking Basket Weight overlap on [Fidelity.com](https://www.fidelity.com) or [i.Fidelity.com](https://www.ifidelity.com).

Although the Tracking Basket is intended to provide investors with enough information to allow for an effective arbitrage mechanism that will keep the market price of the Fund at or close to the underlying NAV per share of the Fund, there is a risk (which may increase during periods of market disruption or volatility) that market prices will vary significantly from the underlying NAV of the Fund; ETFs trading on the basis of a published Tracking Basket may trade at a wider bid/ask spread than ETFs that publish their portfolios on a daily basis, especially during periods of market disruption or volatility, and, therefore, may cost investors more to trade, and although the Fund seeks to benefit from keeping its portfolio information secret, market participants may attempt to use the Tracking Basket to identify a Fund's trading strategy, which, if successful, could result in such market participants engaging in certain predatory trading practices that may have the potential to harm the Fund and its shareholders.

Because shares are traded in the secondary market, a broker may charge a commission to execute a transaction in shares, and an investor may incur the cost of the spread between the price at which a dealer will buy shares and the price at which a dealer will sell shares.

Important Information (continued)

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.

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. The securities of smaller, less well-known companies can be more volatile than those of larger companies. There is no guarantee that a factor-based investing strategy will enhance performance or reduce risk. Before investing, make sure you understand how the fund's factor investment strategy may differ from more traditional index products. Depending on market conditions, fund performance may underperform compared to products that seek to track a more traditional index. The return of an index ETF is usually different from that of the index it tracks because of fees, expenses, and tracking error. An ETF may trade at a premium or discount to its Net Asset Value (NAV).

The Fidelity ETF Screener and Mutual Fund Evaluator are research tools 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.

References to individual securities are for illustrative purposes only and should not be construed as investment advice.

Past performance is no guarantee of future results.

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