

Second Quarter 2016 Scorecard for Fidelity.com Stock Research Providers

Integrity Research Associates, a consulting firm which evaluates investment research providers, has analyzed the performance of stock recommendations made by eleven independent stock research firms available through Fidelity.com from July 1, 2013 through June 30, 2016, as tabulated by Investars, a performance measurement specialist.




Note that the Thomson Reuters Company-in-Context reports include buy/hold/sell recommendations provided by Verus Analytics and are referred to as 'Thomson Reuters/Verus' in this analysis. Excluded from this scorecard are research firms available on Fidelity.com which do not offer buy and sell recommendations: Thomson Reuters I/B/E/S Earnings Estimates, The Hightower Report, Recognia, Trading Central, Starmine, Investars and Integrity Research. GMI Ratings was acquired by MSCI, an index, research and analytics provider, and GMI's Accounting and Governance Risk (AGR) ratings are now part of MSCI's Environmental, Social and Governance (ESG) unit. The following are highlights of the analysis.*

Q2 2016 Research Scorecard Highlights:

- The S&P 500 shook off Brexit worries to register a gain in the second quarter, rebounding from negative territory immediately after Britain's vote to leave the European Union. The S&P 500 ended up 2.4% for the quarter when dividends are included. The surprise outcome of Britain's referendum sparked a stock market sell-off that resulted in the worst two-day paper loss for global stock markets stocks ever. However, investors' fear level came down quickly as financial markets around the globe stabilized in weeks after the vote. After the first quarter traumas, with the worst start to a calendar year ever, the U.S. stock market has proven remarkably resilient so far this year.
- **Ford Equity Research won Fidelity's Research Award Score**, thanks to the strong performance of its recommendations, and demonstrated sector expertise. **Thomson Reuters/Verus** placed second with solid performance and an excellent risk/reward profile. **Zacks Investment** was third.
- In the rolling three years through Q2 2016, the Fidelity.com equity research providers with **top-performing buy recommendations** were **Thomson Reuters/Verus, Zacks Investment Research** and **Ford Equity Research**.
- When sell recommendations are included, the research providers with the best three year track records were **Zacks Investment Research, Ford Equity Research** and **Thomson Reuters/Verus**.
- **MSCI ESG** and **Thomson Reuters/Verus** had the **lowest volatility** associated with their buy recommendations while **Thomson Reuters/Verus** and **McLean Capital** had the **lowest maximum drawdowns** associated with their buy recommendations.
- **Ford Equity Research** was the most consistent performers on an industry sector level, placing among the top three firms in 5 out of 10 industry sectors.
- Firms with **longer average holding periods** for their buy recommendations were **Standard & Poor's Capital IQ** and **EVA Dimensions**. Those with the **shortest durations** were **Zacks Investment Research, Ned Davis Research** and **Thomson Reuters/Verus**.

Research Awards

The research providers with the highest **Research Award Scores** for the second quarter of 2016 were:

-  First Place (tie) — **Ford Equity Research** with a score of 80 of a possible 100 points
-  Second Place — **Thomson Reuters/Verus** with a score of 78 of a possible 100 points
-  Third Place — **Zacks Investment** with a score of 74 of a possible 100 points

The **Research Award Score** combines various components of research performance into one metric and compares the performance of the independent firms available through Fidelity.com to the performance of all the research firms tracked by Investars.¹

Research Award Scores, Second Quarter 2016

Research Provider	Award Score (100 pts)	Buys (36 pts)	Buys +Sells (32 pts)	Sectors (13 pts)	Holding (9 pts)	Volatility (10 pts)	Q1 Rank
Ford Equity Research	80	34.4	27.5	9.3	0.7	8.4	2
Thomson Reuters/Verus	78	34.7	24.4	8.9	0.2	9.4	1
Zacks Investment	74	33.2	26.0	8.7	0.1	6.2	6
MSCI ESG AGR	72	29.2	22.9	9.3	1.2	9.1	7
EVA Dimensions, LLC	71	32.3	21.7	9.4	1.4	6.3	4
McLean Capital	71	33.3	20.7	8.0	0.4	8.6	3
Jefferson Research &	68	28.6	22.8	8.5	1.4	6.9	5
Columbine Capital	66	30.2	19.5	7.3	0.9	8.3	8
ValuEngine	57	22.9	18.2	7.4	1.2	7.8	9
S&P Capital IQ	46	22.0	8.6	7.0	3.4	5.0	10
Ned Davis Research	35	11.1	9.9	6.3	0.2	7.7	11

¹ To calculate the award scores, five main components are included: buy recommendations, buy recommendations combined with sell recommendations, industry sector performance, holding periods, and volatility of returns. First, the scores are ranked against the entire universe of research firms tracked by Investars, which tracks performance for about 100 research providers. Then the scores are weighted as detailed below:

1. The performance of the buy recommendations, comprising 36% of the overall score, or a maximum of 36 points.
2. The performance of buy and sell recommendations (overall performance), comprising 32% of the overall score, or a maximum of 32 points.
3. The industry sector performance (consistency of performance across industry sectors), comprising 13% of the overall score, or a maximum value of 13 points.
4. The average holding period of the buy recommendations (longer holding periods being more favorable), comprising 9% of the overall score, or a maximum value of 9 points.
5. The volatility (standard deviation) of the buy recommendations' performance, comprising 10% of the overall score, or a maximum of 10 points.

Please note that none of the performance metrics included in this report includes transaction costs, which can significantly impact realized return.

After missing the top spot by just one point last quarter, Ford Equity Research took sole possession of the top honors thanks to solid performance numbers, the best sector level track record, slightly longer average holding periods for its recommendations and a decent risk/return profile.

Thomson Reuters/Verus placed second thanks to having the best buy performance among Fidelity.com providers over the last three years, and an excellent risk/reward profile.

Zacks Investment came in third this quarter as its performance improved after a brief stumble last quarter.

Buy Recommendation Performance

The table below presents the performance of the buy recommendations of the Fidelity.com independent research firms over the past three years and over the past year, as well as two risk metrics. The performance measures the annual return that would be achieved if the buy recommendations of the research provider had been followed during the period, excluding transaction costs.

Q2 2016 Annualized BUY Performance vs. Risk of Stock Research Firms Available through Fidelity.com					
Research Firm	3-Yr				1-Yr Buy Performance
	Annualized Buy Performance	Q2 vs. Q1 Rank	Annualized Standard Deviation	Maximum Drawdown	
Thomson Reuters/Verus	14.9	1 ⇄ 1	12.7	-14.1	5.0
Zacks Investment Research, Inc.	14.8	2 ⇄ 3	14.6	-23.5	-2.6
Ford Equity Research	14.5	3 ⇄ 4	13.4	-18.2	3.4
McLean Capital Management	13.0	4 ⇄ 2	13.4	-15.3	0.8
EVA Dimensions, LLC	12.6	5 ⇄ 5	14.3	-19.0	2.3
Columbine Capital Services, Inc.	11.8	6 ⇄ 6	13.5	-19.9	-0.7
Jefferson Research & Management	10.8	7 ⇄ 7	14.1	-18.5	0.1
MSCI ESG AGR	10.7	8 ⇄ 8	12.8	-18.5	0.8
ValuEngine	9.5	9 ⇄ 10	13.6	-20.9	-2.4
S&P Capital IQ	9.1	10 ⇄ 9	15.0	-23.9	-4.8
Ned Davis Research	5.4	11 ⇄ 11	13.7	-20.4	-7.8
Fidelity Average	11.5	NA	13.7	-19.3	-0.5
Investars Universe Average	7.4	NA	18.1	-31.3	-6.2
S&P 500	11.4	NA	13.3	-18.0	3.3

Performance of the individual research firms is estimated by taking the buy recommendations and tracking them as if the investor had invested equal amounts of cash into each stock in the research firm's buy portfolio. Each stock is held in the portfolio as long as the buy recommendation is in place, and is removed once a recommendation changes to a sell or hold. Essentially the performance of each firm is an equal-weighted index return. By contrast, the S&P 500 is weighted by the market capitalization of its component stocks.

We place the greatest weight on 3-year performance, so the table is sorted according to the three year return column.

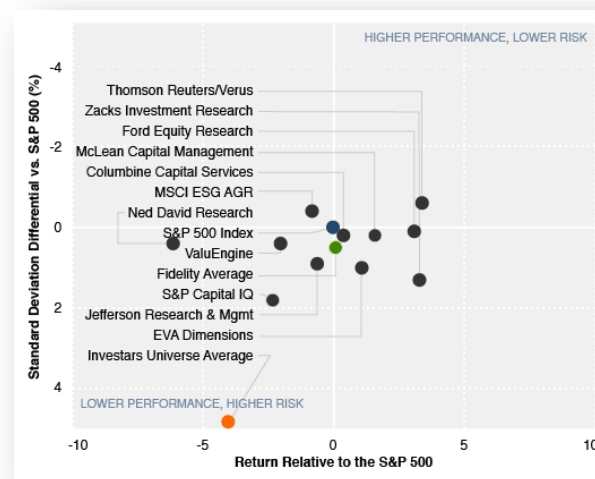
Thomson Reuters/Verus had the best three year buy performance, followed by **Zacks Investment Research** and **Ford Equity Research**.

The 1-year performance needs to be viewed with more caution since the narrower time frame may encompass fewer ups and downs in the market and does not address consistency over time. However, those firms which are performing well over 1 year will benefit as this performance rolls farther into the 3-year horizon. In other words, the 1-year numbers give a preview of whether a top performer can sustain its performance, or whether a bottom performer is turning around. The strong 1-year performances of Thomson Reuters/Verus and Ford Equity Research suggest that their 3-year performance numbers will continue to be strong.

Risk

An important risk metric is standard deviation, which captures the volatility of an investment's returns. Standard deviation is a measure of the variability of the returns generated by the buy recommendations. Using the S&P 500 index as an example, the standard deviation of returns for the last three years was 13.3%. This means that about two-thirds of the time returns were between the average return (which was 11.4% for the latest 3 years) plus or minus 13.3%. In other words, two-thirds of the time, performance was between -1.9% and 24.7%. As the standard deviation increases so does the potential range of returns, resulting in more variability.

Perhaps the best way to visualize the relationship between risk and return is on a chart. The chart below plots the excess returns of each firm's buy recommendations relative to the S&P 500 index compared to the incremental volatility of each firm's buy recommendations relative to the volatility of the S&P 500 index. Ideally, a research provider would generate greater return and less volatility than a buy and hold index strategy, though in practice one generally must accept more risk to gain more return in the marketplace.



As can be seen in the chart above, some of the research firms available on Fidelity.com had better performance than would have been generated by a simple "buy the S&P 500 index" investment, namely Thomson Reuters/Verus, Ford, Zacks, McLean, EVA and Columbine. (Note, however, that transaction costs are not included in this analysis.) One might expect that these higher returns generally come with higher risk, which is generally the case with the research providers on Fidelity.com. However, the recommendations of two of the research firms, MSCI ESG and Thomson Reuters/Verus, had lower volatility compared to the S&P 500 index.

The firm with the most volatile recommendations--S&P Capital IQ--still had better risk profile than the average for the firms tracked by Investars (a standard deviation of 15 compared to 18.1 for the Investars Average). Firms in the lower right quadrant had returns above the S&P 500 Index, but did so with higher associated volatility.

There is one standout research firm from a risk return perspective: Thomson Reuters/Verus had an average annualized performance of its buy recommendations that exceeded the S&P 500 by 3.5% while generating a lower standard deviation of returns. MSCI ESG had a lower standard deviation than the S&P 500 but underperformed the benchmark this quarter.

Maximum drawdowns are another metric to assess the riskiness of the research recommendations. The maximum drawdown is a measure of the largest percentage loss the recommended stocks would have experienced during the 3 year time horizon. For example, using the S&P 500 index returns, an investor would have lost 18% percent of their portfolio value if he or she were unfortunate enough to buy the index at its highest point and then sell the index at its lowest level during the last three years. Maximum drawdowns are listed in the table on page 3 above.

Thomson Reuters/Verus had the lowest maximum drawdown (-14.1%), followed by **McLean Capital (-15.3%). S&P Capital IQ** had the highest maximum drawdown for the period (-23.9%).

Buy and Sell Recommendations

Investars calculates the performance for buys and sells by estimating a return based on each buy and sell recommendation during the period, ignoring returns associated with hold recommendations. In other words, a buy remains a buy until changed to a hold or a sell. Sell recommendations are treated like short sales until changed to a hold or a buy. Transaction costs are not included in the analysis.

Q2 2016 Annualized BUY + SELL Performance of Stock Research Firms Available through Fidelity.com

				Q1 2016	Q2 2015
Research Firms	3 Year	2 Year	1 Year	Rank	Rank
Zacks Investment Research, Inc.	13.9	12.4	4.0	1	1
Ford Equity Research	13.8	15.1	19.7	2	3
Thomson Reuters/Verus	11.0	11.7	16.3	4	5
Jefferson Research & Management	9.0	11.0	12.6	5	6
EVA Dimensions, LLC	8.2	8.5	10.1	6	8
MSCI ESG AGR	8.1	13.9	10.6	7	4
McLean Capital Management	7.2	11.3	2.5	3	2
Columbine Capital Services, Inc.	6.4	6.4	6.4	8	7
ValuEngine	4.3	3.6	12.5	9	10
S&P Capital IQ	-1.5	-4.6	-13.0	11	9
Ned Davis Research	-1.6	-1.6	-4.1	10	11
Fidelity Average	7.2	8.0	7.1		
Investars Universe Average	4.0	2.7	3.3		

Note: Performance includes buy and sell recommendations of each research firm

Zacks Investment Research had the best combined buy and sell recommendations over a 3 year period. Ford Equity Research had the next best three year buy/sell performance, and its performance is strengthening. Thomson Reuters/Verus was third over the three year period.

Industry Sector Performance

Investars calculates the 1-year performance of recommendations on stocks within each of the ten industry sectors. The results need to be used with some caution because 1-year results can be more volatile than results over a longer period. Nevertheless, the result shows which research firms have expertise in a particular industry sector. The tables below list the top three research firms in each industry sector based on their one-year performance as calculated by Investars:

Energy	Rank	1 Yr Performance
Ford Equity Research	1	-9.3
MSCI ESG AGR	2	-13.9
Zacks Investment Research, Inc.	3	-15.1

Materials	Rank	1 Yr Performance
Zacks Investment Research, Inc.	1	35.5
Thomson Reuters/Verus	2	31.4
Ned Davis Research	3	14.7

Industrials	Rank	1 Yr Performance
Ned Davis Research	1	12.7
Ford Equity Research	2	5.1
EVA Dimensions, LLC	3	0.5

Consumer Discretionary	Rank	1 Yr Performance
McLean Capital Management	1	-4.6
Ford Equity Research	2	-6.0
EVA Dimensions, LLC	3	-6.5

Consumer Staples	Rank	1 Yr Performance
Ford Equity Research	1	31.8
ValuEngine	2	22.9
McLean Capital Management	3	21.0

Health Care	Rank	1 Yr Performance
Ford Equity Research	1	4.1
McLean Capital Management	2	0.6
Jefferson Research & Management	3	-1.6

Financials	Rank	1 Yr Performance
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Performance Data Provided By **Investars**

Thomson Reuters/Verus	1	12.3
MSCI ESG AGR	2	8.5
Ned Davis Research	3	7.5

Information Technology	Rank	1 Yr Performance
EVA Dimensions, LLC	1	3.8
Thomson Reuters/Verus	2	2.8
Jefferson Research & Management	3	1.7

Telecommunications Services	Rank	1 Yr Performance
MSCI ESG AGR	1	52.5
Zacks Investment Research, Inc.	2	32.9
McLean Capital Management	3	29.5

Utilities	Rank	1 Yr Performance
Jefferson Research & Management	1	46.1
MSCI ESG AGR	2	34.0
Thomson Reuters/Verus	3	32.3

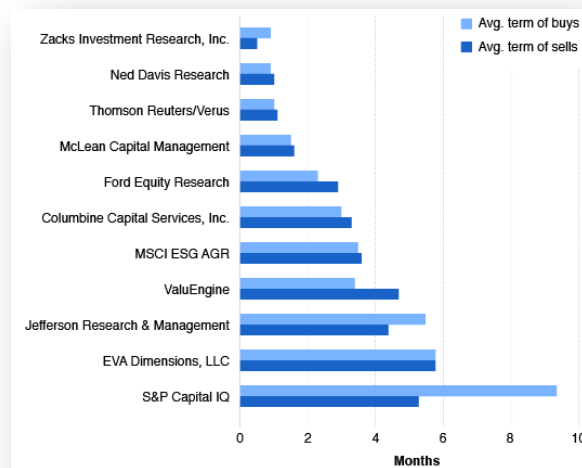
Industry Sector Performance (Summary)

We summarize the industry sector performance by tracking which research firms consistently rank among the top 3 firms in each industry sector. **Ford Equity Research demonstrated the best sector consistency**, placing among the top 3 firms in 5 out of 10 industry sectors.

Sector Leadership (Number of Instances Performance Ranked Among Top Three Providers in a Sector)				
Research Firm	First	Second	Third	Total
Ford Equity Research	3	2		5
McLean Capital Management	1	1	2	4
MSCI ESG AGR	1	3		4
Thomson Reuters/Verus	1	2	1	4
EVA Dimensions, LLC	1		2	3
Jefferson Research & Management	1		2	3
Ned Davis Research	1		2	3
Zacks Investment Research, Inc.	1	1	1	3
ValuEngine		1		1
Columbine Capital Services, Inc.				
S&P Capital IQ				

Holding Period

Holding period, the length of time that a recommendation is in place, is another factor in evaluating research firms. Many investors are not active traders, and it is easier for these investors to replicate the performance of research firms with recommendations that have longer average holding periods. The longer the holding period, the more likely the firm's performance will be captured by investors. Also, longer holding periods represent lower trading costs. On the other hand, model-driven recommendations are typically updated as soon as new information is available, making the recommendations as fresh as possible.



The chart above is sorted by the average length of holding periods for the buy recommendations of each research firm. **S&P Capital IQ had the longest average holding period** for buy recommendations, averaging nine months' duration for each buy recommendation. **EVA Dimensions** had the next longest holding period for its buy recommendations, averaging nearly six months' duration for buy recommendations. **Zacks Investment Research, Ned Davis Research** and **Thomson Reuters/Verus** had holding periods at the shorter end of the spectrum, averaging about 1 month for each recommendation.

Conclusions

First Place – Ford Equity Research had the third best buy recommendation performance over the last three years and second best buy-sell performance over the three years, with even stronger performance over the shorter term. Ford had the best sector level performance, placing among the top three providers in five of ten industry sectors. Additionally, Ford's recommendations have nearly the same volatility, as measured by the standard deviation of returns, as the S&P 500. Ford's recommendations have a longer average duration than other top finishers, with its buy recommendations lasting over two months on average. Ford had the best sector level performance for Energy and Consumer Staples.

Second Place – Thomson Reuters/Verus took the silver, reflecting strong performance while limiting the volatility of its recommendations. Thomson Reuters/Verus showed the best performance for its buy recommendations over the three years ending June 2016. Thomson Reuters/Verus had the lowest volatility for its buy recommendations and the lowest maximum drawdown. Thomson Reuters had the best performance in the Financials sector.

Third Place—Zacks Investment had the best buy-sell performance over the last three years and the second best three year buy performance. McLean had the best sector performance for the Materials sector.

Finally, we suggest caution with any performance measurement analysis, including this analysis. Performance of buy/sell recommendations is only one aspect of the research offered on Fidelity.com. Although it is useful to understand a research firm's overall track record, a research firm's performance on any given stock can diverge significantly from the overall performance. There are additional factors beyond performance that any investor should consider in evaluating a research firm, such as the insights provided and the ease with which the research can be used. Performance of recommendations, while important, should not be the only factor an investor considers in evaluating research.

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