

New to ETFs?

5 must-ask questions to get started



Discover the basics of exchange-traded funds, how they may benefit your portfolio and where to learn more on Fidelity.com



AGENDA – We'll answer 5 questions

- **What is an index?**
- **What is an exchange-traded fund?**
- **Why use ETFs?**
- **How do ETFs compare to mutual funds?**
- **Where can I research and learn more on Fidelity.com?**



What is an index?

An index...

- **IS designed to measure a particular market or a portion of it**
- **IS NOT a direct investment vehicle and is unmanaged**

A few of the big U.S. indexes include:

- Dow Jones Industrial Average
- S&P 500®
- Nasdaq Composite
- Barclays U.S. Aggregate Bond

Keep in mind, there are thousands of indexes tracking nearly any market.

Most exchange-traded funds track an index.



An index fund...

- Allows investors to invest in securities representing market segments
- IS passively managed

Passive management

- A fund's portfolio attempts to replicate the performance of a market index
- Also known as “index investing”

Active management

- A strategy where the manager makes specific investments based on research and analysis with the goal of outperforming an index



Index ETFs

GF WILEY GLOBAL FINANCE

Beginner | Exchange-Traded Funds

96% who voted found this helpful

Most exchange-traded funds (ETFs) attempt to track the performance of an index. Accordingly, knowing how those indexes are constructed and maintained is an important part of choosing the right ETF investment.

Types of Indices

There are two basic types of indices: indices that track the overall market, such as the S&P 500 Index; and indices which track a much more targeted subset of the overall market, such as small cap growth stocks or large cap value stocks. There are also indices on bonds, commodities, and currencies.

An index-based ETF seeks to earn the return of the market or subset of the market that it aims to replicate, less the fees. It should be noted that index ETFs do not perfectly track the underlying index; there is usually some level of tracking error, which is the difference between the ETF market price and the net asset value of the fund.

Generally speaking, indices based on a subset of the market are compared to and compete with more broad-based indices. Thus, investors typically will compare, say a small cap index, with a broader index on the overall market.

Index Construction

Indices are designed to measure, as closely as possible, the value of a specific financial market or segment of that market. They are stable baskets of stocks, bonds, commodities, or other assets whose overall price level, risk, and return are used as standard measurements worldwide. Indices represent the universe of opportunities that all investors have to choose from in the weightings that actually are available in the marketplace. Every index should be readily replicated by an investor using the rules set forth by the index provider.

Images are for illustrative purposes only.



Where can I learn more?

Research > Learning Center > [Index ETFs](#)



What is an exchange-traded fund?

An exchange-traded fund (ETF) is...

- A basket of securities designed to offer exposure to a certain segment(s) of the market
- Can be either passively, enhanced or actively managed – most are passive
- An exchange-traded product

Have you heard of these passive ETFs?

- SPY – tracks S&P 500®
- IWM – tracks Russell 2000®
- QQQ – tracks Nasdaq-100
- AGG – tracks Barclays U.S. Aggregate Bond

The image shows two overlapping screenshots. The top one is a market tracking page titled "Track the Market" with a timestamp of 2:19 PM ET on 12/15/15. It features a table of market segments with their performance percentages:

Segment	Performance
Equity	+1.09%
Commodity	+0.16%
Real Estate	+0.94%
Fixed Income	+0.06%
Currency	-0.08%

The bottom screenshot is a video player from Fidelity's Learning Center. The video title is "What is an ETF?". The video content includes a speech bubble graphic with the text "EXCHANGE TRADED FUND" and the Fidelity logo.

Images are for illustrative purposes only.



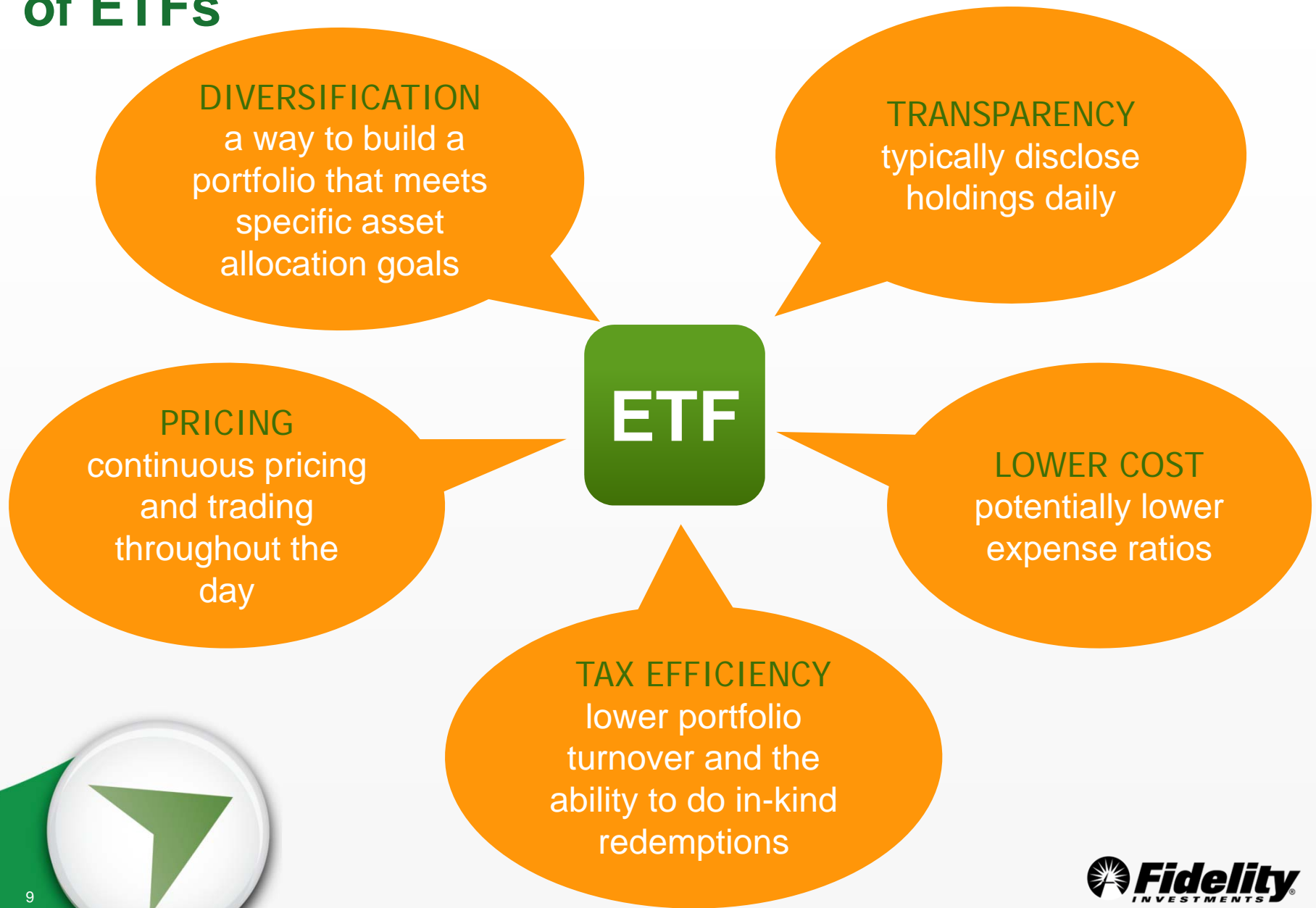
Where can I learn more?

Research > Learning Center > [What is an ETF?](#)



Why use ETFs?

Product features that are driving the popularity of ETFs



How do ETFs compare to mutual funds?

Things to know about COSTS

ETFs

- Expense ratios
- Commissions (may be waived)
- Bid-Ask spreads
- Premium/Discounts

Mutual Funds

- Expense ratios
- Load and no-load
- Bought/Sold at NAV (may have redemption fees)
- Bought/Sold at NAV (no load funds)

ETF/ETP* Screener

Criteria [Hide](#)

[Save to My Screens](#) | [Clear All](#)

ETP Type
ETFs 1632

Leveraged / Inverse
Not Leveraged or Inverse 1438

Net Expense Ratio ×

[Show Chart](#) | [Definition](#)

0.00% to 9.45%

<input type="checkbox"/>	Very High (1.33% and above)	30 out of 50
<input type="checkbox"/>	High (0.95% — 1.33%)	37 out of 97
<input type="checkbox"/>	Medium (0.63% — 0.95%)	309 out of 555
<input type="checkbox"/>	Low (0.31% — 0.63%)	653 out of 678
<input type="checkbox"/>	Very Low (0 — 0.31%)	406 out of 411

Market Median: 0.50%

Images are for illustrative purposes only.



Where can I learn more?

Research > ETFs > ETF / ETP Screener



Things to know about TRADING ATTRIBUTES

ETFs

- Intra-day trading on secondary market
- Allows Limit, Stop and Conditional Orders
- Allows Shorting and Margin

Mutual Funds

- Most transact once a day at close
- No Limit, Stop or Conditional Orders
- No Shorting (Margin 30 days)

Fidelity Log In

Understanding how mutual funds, ETFs, and stocks trade

BY FIDELITY LEARNING CENTER
Beginner | Trading | Exchange-Traded Funds

88% who voted found this helpful

Before you begin executing your sector investing strategy, it's important to understand the differences between how mutual funds, exchange-traded funds (ETFs), and stocks trade. The table below summarizes the topics reviewed in this article. Read on to learn more.

	Mutual Funds	ETFs	Stocks
Investment Minimum:	\$1,000 to \$10,000	1 share	1 share
Trades executed:	Once per day, after market close	Throughout the trading day and during extended hours trading	Throughout the trading day and during extended hours trading
Settlement period:	From 1 to 3 business days	3 business days (Trade date + 3)	3 business days (Trade date + 3)

Images are for illustrative purposes only.



Where can I learn more?

Research > Learning Center > [Understanding how mutual funds, ETFs, and stocks trade](#)



Things to know about ACCESS, TRANSPARENCY & TAXES

ETFs

- Many sub-sector and industry focused ETPs in addition to broader market ETPs
- Generally, daily transparency of all holdings
- Capital gains tend to be lower due to creation & redemption

Mutual Funds

- Most funds focus on broader markets; few sub-sector funds
- Holdings data usually at least 1 month old
- Less tax efficient structure, all shareholders bear tax burden



Where can I learn more?

Research > Learning Center > [What's in your ETF? Understanding ETF portfolio composition](#)

Portfolio Composition: IVV

ISHARES CORE S&P 500

207.00 ↑ 2.82 (1.38%) AS OF 2:45:40PM ET 12/15/2015

Trade ★ | Add to Watch List | Set Alert | Hypothetical Trade | Price History ▾

★ Buy Online Commission-Free. Restrictions apply.

ETP's Prospectus Stated Objectives

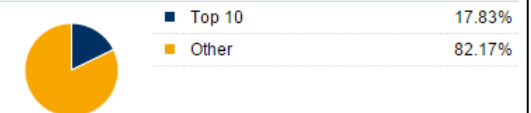
The investment seeks to track the investment results of the S&P 500® (the "underlying index"), which measures the performance of the large-capitalization sector of the U.S. equity market. The fund generally invests at least 90% of its assets in securities of the underlying index and in depositary receipts representing securities of the underlying index. It may invest the remainder of its assets in certain futures, options and swap contracts, cash and cash equivalents, as well as in securities not included in the underlying index, but which the advisor believes will help the fund track the underlying index.

ETP Portfolio Characteristics AS OF 12/14/2015

Independent third-party analytics of the daily basket holdings shown be characteristics of its underlying holdings. Their use of standardized call may not reflect ETF Managers' methodology to determine portfolio char the ETF Managers' investment approach and performance in their Pros

Basket Holdings

Total: 506 (Long: 505 | Short: 0)



Top 10

Symbol	Company Name	Percentage
AAPL	Apple Inc	3.59%
MSFT	Microsoft Corp	2.47%
XOM	Exxon Mobil Corp	1.77%
GE	General Electric Co	1.59%
JNJ	Johnson & Johnson	1.58%

Images are for illustrative purposes only.



Where can I research and learn more on [Fidelity.com](https://www.fidelity.com)?

Buy online commission-free - Fidelity

Fidelity Sector ETFs

- **CHOICE:**
11 passively managed sector ETFs and NASDAQ Composite Index
- **EXPERTISE:**
30+ years of managing sector assets for shareholders
- **VALUE:**
11 sector ETFs commission-free online with some of the lowest expense ratios in the industry¹

Low-cost sector ETFs from Fidelity

Fidelity's sector ETFs offer some of the lowest expense ratios in the industry¹—just 0.12%.² Plus, you can purchase each of these ETFs commission-free online.

- Fidelity MSCI Consumer Discretionary Index ETF ([FDIS](#))
- Fidelity MSCI Consumer Staples Index ETF ([FSTA](#))
- Fidelity MSCI Energy Index ETF ([FENY](#))
- Fidelity MSCI Financials Index ETF ([FNCL](#))
- Fidelity MSCI Health Care Index ETF ([FHLC](#))
- Fidelity MSCI Industrials Index ETF ([FIDU](#))
- Fidelity MSCI Information Technology Index ETF ([FTEC](#))
- Fidelity MSCI Materials Index ETF ([FMAT](#))
- Fidelity MSCI Telecommunication Services Index ETF ([FCOM](#))
- Fidelity MSCI Utilities Index ETF ([FUTY](#))
- Fidelity MSCI Real Estate ETF ([FREL](#))

Images are for illustrative purposes only.

Free commission offer applies to online purchases of Fidelity ETFs in a Fidelity brokerage account with a minimum opening balance of \$2,500. The sale of ETFs is subject to an activity assessment fee (of between \$0.01 to \$0.03 per \$1000 of principal). Fidelity ETFs are subject to a short-term trading fee by Fidelity, if held less than 30 days.

1. Strategic Insight Simfund/FI Desktop, data as of 7/31/2013. Based on a comparison of 298 total expense ratios for U.S. sector level ETFs that have similar holdings and investment objectives classified within Morningstar's Sector Stock asset class.

2. The percentage of fund assets used to pay for operating expenses and management fees, including 12b-1 fees, administrative fees, and all other asset-based costs incurred by the fund, except brokerage costs. Fund expenses are reflected in the fund's NAV. Sales charges are not included in the expense ratio.



Buy online commission-free - Fidelity

Fidelity Active Fixed Income ETFs

- **CHOICE:**
3 actively managed fixed income ETFs
- **EXPERTISE:**
Backed by Fidelity's fixed income expertise and one of the deepest research teams in the industry
- **VALUE:**
Buy commission-free online, competitively priced with total expense ratio of 0.45%¹

Fidelity's actively managed fixed income ETFs leverage our research-driven investment management to provide three new investment options for investors seeking income:

- Fidelity Total Bond ETF ([FBND](#))
- Fidelity Limited Term Bond ETF ([FLTB](#))
- Fidelity Corporate Bond ETF ([FCOR](#))

Images are for illustrative purposes only.

Free commission offer applies to online purchases of Fidelity ETFs in a Fidelity brokerage account with a minimum opening balance of \$2,500. The sale of ETFs is subject to an activity assessment fee (of between \$0.01 to \$0.03 per \$1000 of principal). Fidelity ETFs are subject to a short-term trading fee by Fidelity, if held less than 30 days.

1. Expense Ratio is the total annual fund operating expense ratio from the fund's most recent prospectus.

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.

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.



Buy online commission-free - iShares®

iShares® ETFs

- CHOICE:**
 70 iShares® ETFs include all 10 iShares® core ETFs with broad and diverse asset classes
- EXPERTISE:**
 Market leader in the management and development of ETFs*
- VALUE:**
 Buy online 70 commission-free iShares® ETFs

iShares ETFs by asset class category

	Domestic Equity	International Equity	Fixed Income	Commodity
	Growth	Blend	Value	
Large-Cap	S&P 500 Growth Index (<i>IVW</i>) Core U.S. Growth (<i>IUSG</i>)*	Core S&P Total U.S. Stock Market (<i>ITOT</i>)* Core S&P 500 (<i>IVV</i>)* S&P 100 Index (<i>OEF</i>)	S&P 500 Value Index (<i>IVE</i>) Core U.S. Value (<i>IUSV</i>)*	
Mid-Cap	S&P Mid-Cap 400 Growth Index (<i>IJK</i>)	Core S&P Mid-Cap ETF(<i>IJH</i>)*	S&P Mid-Cap 400 Value Index (<i>IJJ</i>)	
Small-Cap	S&P Small-Cap 600 Growth (<i>IJT</i>)	Core S&P Small-Cap (<i>IJR</i>)* Russell Micro-Cap Index (<i>IWC</i>)	S&P Small-Cap 600 Value Index (<i>IJS</i>)	

Images are for illustrative purposes only.

Free commission offer applies to online purchases of select iShares ETFs in a Fidelity account. Fidelity accounts may require minimum balances. The sale of ETFs is subject to an activity assessment fee (of between \$0.01 and \$0.03 per \$1,000 of principal) and, subject to a short-term trading fee by Fidelity if held less than 30 days.

Source: BlackRock ETP Global Landscape Report 1/31/2013. Based on number of ETFs, AUM, and market share.

For iShares ETFs, Fidelity receives compensation from the ETF sponsor and/or its affiliates in connection with an exclusive long-term marketing program that includes promotion of iShares ETFs and inclusion of iShares funds in certain FBS platforms and investment programs. Additional information about the sources, amounts, and terms of compensation can be found in the ETF's prospectus and related documents. Fidelity may add or waive commissions on ETFs without prior notice. BlackRock and iShares are registered trademarks of BlackRock Inc., and its affiliates.

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.



ETF Research

Portfolio Composition: FHLC
 FIDELITY MSCI HEALTH CARE INDEX

32.14 AS OF 9:56:15AM ET 01/11/2016

Trade ★ | Add to Watch List | Set Alert | Option Chain | Prospectus, Reports & Holdings

★ Buy Online Commission-Free. Restrictions apply.

ETP's Prospectus Stated Objectives

Seeks to provide investment returns that correspond, before fees and expenses, generally to the performance of the MSCI USA IMI Health Care Index. Investing at least 80% of assets in securities included in the fund's underlying index. The fund's underlying index is the MSCI USA IMI Health Care Index, which represents the performance of the health care sector in the U.S. equity market. Using a representative sampling indexing strategy to manage the fund. "Representative sampling" is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to the index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the index. The fund may or may not hold all of the securities in the MSCI USA IMI Health Care Index.

ETP Portfolio Characteristics AS OF 01/08/2016

Independent third-party analytics of the daily basket holdings shown below can help you compare characteristics of its underlying holdings. Their use of standardized calculations enable consistency may not reflect ETF Managers' methodology to determine portfolio characteristics in buying and selling the ETF Managers' investment approach and performance in their Prospectus, Reports & Holdings.

Basket Holdings

Total: 358 (Long: 357 | Short: 0)

Top 10	45.40%
Other	54.60%

Regional Exposure

Snapshot: FHLC
 FIDELITY MSCI HEALTH CARE INDEX

32.14 AS OF 9:56:15A

Trade ★ | Add to Watch List | Set Alert

★ Buy Online Commission-Free. Restrictions apply.

Bid/Size	32.10/5
Ask/Size	32.13/22
Open	
High	
Low	
Previous Close	AS OF 01/08/2016
Price Performance (Last Wk)	AS OF 01/08/2016
Volume	
Volume (90-Day Average)	
Indicative Intraday Value	AS OF 9:56:33AM ET 01/11/2016
NAV (Previous Day)	AS OF 01/08/2016
Bid/Ask Midpoint (Previous Day)	AS OF 01/08/2016
Bid/Ask Spread (1 Month Average)	AS OF 11/30/2015
Premium / Discount (Previous Day)	AS OF 01/08/2016
Premium / Discount (1 Month Rolling Average)	AS OF 01/08/2016
Net Flows (Prior Trading)	
Tracking Error	
Options	

ETP Type
ETF

Asset Class
Equity

Geography Objective
US

Capitalization / Style Objective
Broad/Multi Cap / Core or Blend

Sector Objective
Healthcare

Net Assets
AS OF 12/31/2015
\$748.6M

Net Expense Ratio
0.12%

Sponsor
Fidelity Management & Research

Inception Date
10/21/2013

Investment Philosophy
Passively Managed

Benchmark Index
MSCI USA IMI Health Care Index

Index Composition
Cap-Weighted

Legal Structure
Open-End Investment Company

Use the information available to learn more about an individual ETF or to compare an ETF to others.

Commonly used pages include:

Snapshot – one-page summary

Detailed Quote – interesting facts, such as: NAV, Bid/Ask, Short Interest, and Yield

Portfolio Composition – view the Top 10 Holdings

Compare – perform a side-by-side comparison of up to 5 different securities

Images are for illustrative purposes only.



ETF/ETP Screener: Two ways to get started

Build your own screen by identifying criteria that is important to you or select a theme that best describes the type of ETF you are looking for.

ETF/ETP* Screener My Screens

Criteria Hide

No criteria applied
Start a new screen by selecting criteria below.

ADD CRITERIA:

Search Criteria... OR [View All](#)

- + Basic ETF / ETP Facts (14 Criteria)
- + Objectives (12 Criteria)
- + Trading Characteristics (22 Criteria)

Start your ETF screen by applying filters to the left

OR

What type of ETF are you looking for?

- Fidelity Commission-Free
- iShares by BLACKROCK Commission-Free
- Sector
- Fixed Income

Choose a Sector Help Me Choose

- Fidelity Sector ETFs
12 ETFs
Commission-Free
- Consumer Discretionary
21 ETFs
- Consumer Staples
15 ETFs
- Financials
36 ETFs
- Healthcare
31 ETFs
- Industrials
27 ETFs
- Information Technology
42 ETFs
- Materials
30 ETFs
- Real Estate
138 ETFs
- Telecom
7 ETFs
- Utilities
13 ETFs
- Multi-Sector
58 ETFs

There when you need it - embedded education in the screener to help along the way.

Just a click away from results!

More themes coming soon!
Not sure where to begin?
[What is an ETF?](#)
[Top 5 mistakes people make when investing in ETFs](#)
[Learn more about ETFs >](#)

Images are for illustrative purposes only.



ETF/ETP Screener: Results

Criteria < Hide

Save to My Screens | Clear All

Theme: Sectors ×

This theme includes ETFs that may invest in stocks in the Health Care sector and/or an exposure of 80% or greater of its underlying securities within this sector. Results are sorted by Net Assets and exclude ETNs, Schedule K-1 Issuers, and leveraged or inverse products.

MATCHES: 31

ADD CRITERIA:

Search Criteria... OR [View All](#)

- [+ Basic ETF / ETP Facts \(14 Criteria\)](#)
- [+ Objectives \(12 Criteria\)](#)
- [+ Trading Characteristics \(22 Criteria\)](#)
- [+ Performance \(16 Criteria\)](#)
- [+ Volatility \(10 Criteria\)](#)
- [+ Fundamentals \(12 Criteria\)](#)
- [+ Tax Considerations \(6 Criteria\)](#)
- [+ Analyst Ratings \(5 Criteria\)](#)

Healthcare Theme

Search Criteria

Take action on selected... Go

Showing 1 - 31 of 31 Results
AS OF 09:30 AM ET 01/11/2016

+ Add My ETFs | Print Results | Download Results

Action	Symbol	ETP Name	Net Assets	Theme Criteria
<input type="checkbox"/>	XLV	HEALTH CARE SELECT SECTOR	\$13.8B	i
<input type="checkbox"/>	IBB	ISHARES NASDAQ BIOTECHNOLOGY	\$8.1B	i
<input type="checkbox"/>	VHT		\$5.8B	i
<input type="checkbox"/>	FXH	FIRST TRUST HEALTH CARE ALPHADEX FUND	\$3.5B	i
<input type="checkbox"/>	FBT	FIRST TRUST NYSE ARCA BIOTECHNOLOGY INDEX FUND	\$3.4B	i
<input type="checkbox"/>	XBI	SPDR S&P BIOTECH	\$2.3B	i
<input type="checkbox"/>	IYH	ISHARES US HEALTHCARE		
<input type="checkbox"/>	PJP	POWERSHARES DYNAMIC PHARMACEUTIC		
<input type="checkbox"/>	IXJ	ISHARES GLOBAL HEALTHCARE		
<input type="checkbox"/>	FHLA	ISHARES US PHARMACEUTICALS		
<input type="checkbox"/>	FHLV	ISHARES US MEDICAL DEVICES		
<input type="checkbox"/>	FHLC	FIDELITY MSCI HEALTH CARE INDE		

Images are for illustrative purposes only.

Read more about the theme to understand what is included as well as excluded.

Print, Download or Save your results

Look for the commission-free icon

Read the Theme Criteria to learn why a symbol is included in the results.

Why FHLC is included in these results:

- Sector Objective** Healthcare
- Healthcare Exposure** 99.67%
- Additional information:
- Industry Objective** Healthcare Multi-Industry

Use the Fidelity Learning Center at home to...



Get more information

Visit Fidelity.com - select **Research > Learning Center** and obtain even more information and insight on exchange-traded funds



Take a course

Complete a course online to learn more about the basic concepts of exchange-traded funds

Example: *Getting started with ETFs/ETPs*



Watch videos

Learn how to navigate and leverage Fidelity's research and trading tools.

Example: *Finding an ETF that's right for you with Fidelity's ETF/ETP Screener; Trading online with Fidelity*



Attend seminars/webinars

Register for the next seminar in the ETF series *Putting ETFs to work in your portfolio.*

View one of our monthly webinars from Fidelity.com.

Let's discuss how we can help you take the next step...



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One of our knowledgeable representatives is waiting to assist you



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For a consultation with one of our investment professionals



Important Information

Diversification does not ensure a profit or guarantee against loss.

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments.

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. Exchange-traded products (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). Each ETP has a unique risk profile, which is detailed in its prospectus, offering circular, or similar material, which should be considered carefully when making investment decisions.

The S&P 500 Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.

Because of their narrow focus, sector funds tend to be more volatile than funds that diversify across many sectors and companies. Nondiversified sector funds may have additional volatility because they can invest a significant portion of assets in securities of a small number of individual issuers.

Margin trading entails greater risk, including, but not limited to, risk of loss and incurrence of margin interest debt, and is not suitable for all investors. Please assess your financial circumstances and risk tolerance before trading on margin. Margin credit is extended by National Financial Services, Member NYSE, SIPC.

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, offering circular, or, if available, a summary prospectus containing this information. Read it carefully.

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