Fidelity Viewpoints®

market sense

The latest headlines, the current market conditions, and what it all means for you.

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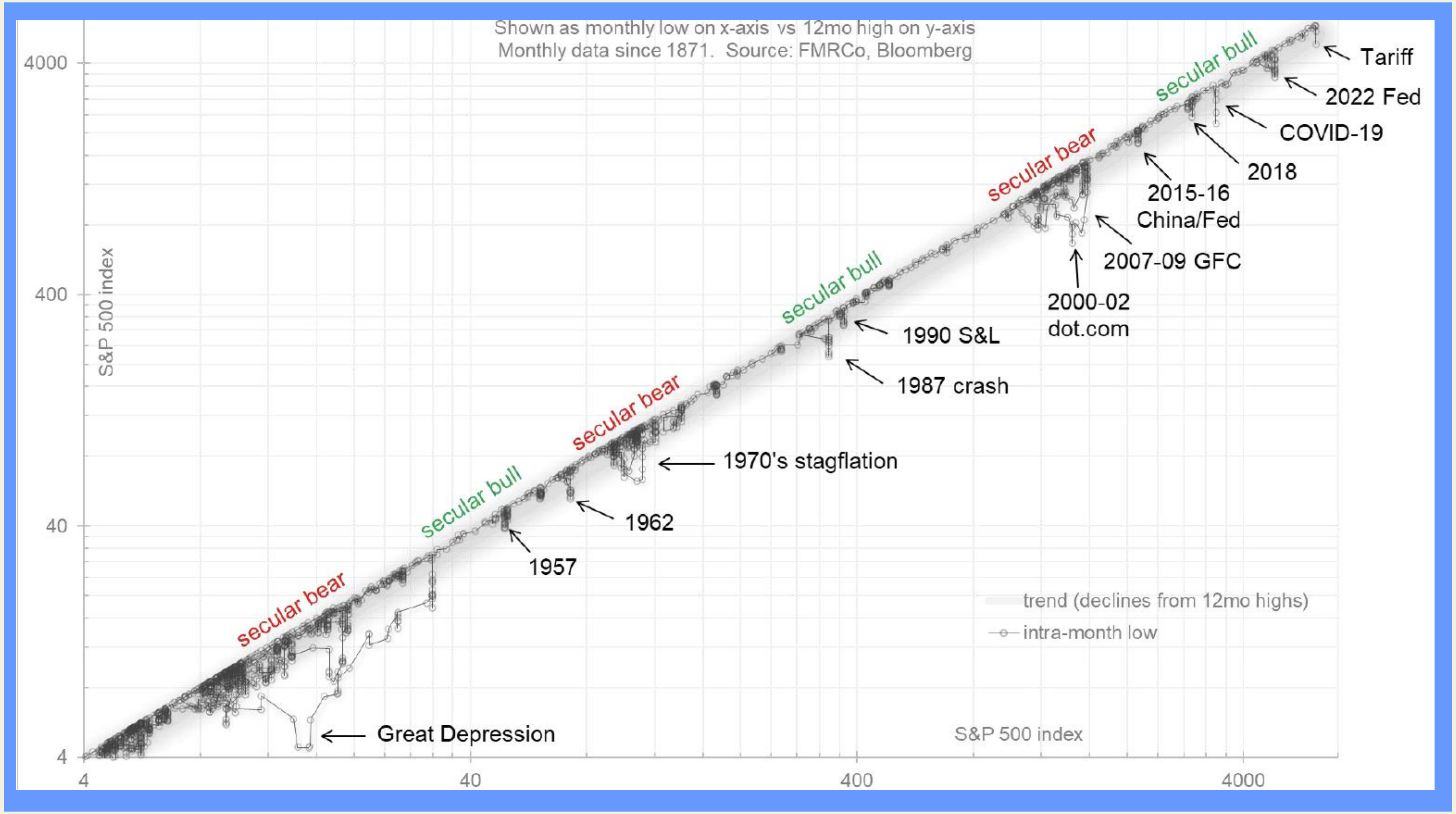
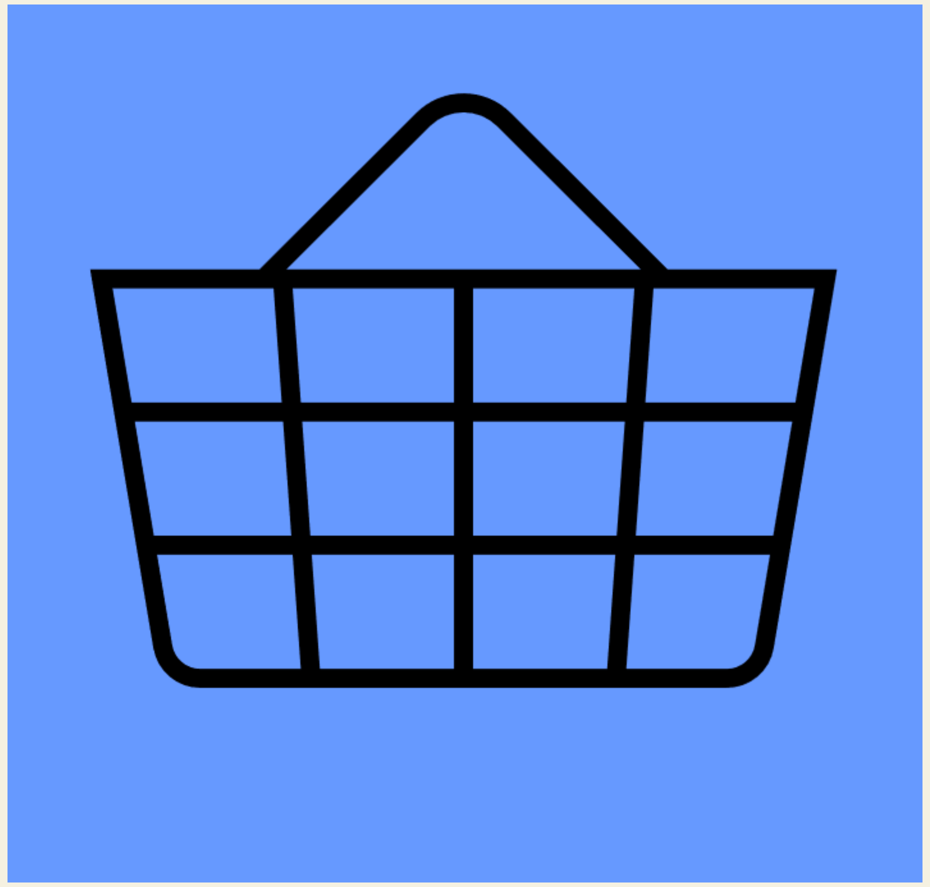
A History of Drawdowns



Source: Fidelity Management & Research Company , Bloomberg

Market Volatility ETF Opportunities



- Short term government bond ETFs
- Minimum volatility ETFs
- Volatility-linked ETFs
- Inverse ETFs

Bond ETFs

Pros

- Diversification
- Potential income
- Cost efficiency
- Liquidity
- Flexibility

Cons

- Interest rate risk
- Credit risk
- Expense ratios
- Lack of principal guarantee

Buffered ETFs

Pros

- Downside protection
- Defined upside
- Time defined outcomes
- Potentially more tax efficient

Cons

- Capped upside
- Time sensitive performance
- Complex structure
- Cost

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1. ETF.com, May 5, 2025: www.etf.com/sections/news/state-street-report-shows-big-slump-april-etf-inflows
2. Fidelity Viewpoints, April 10, 2025: www.fidelity.com/viewpoints/active-investor/minimum-volatility-ETFs
3. Reuters, March 14, 2025: www.reuters.com/markets/wealth/investors-advisors-flock-buffer-etfs-markets-sell-off-2025-03-14

Bloomberg U.S. Aggregate Index The Bloomberg U.S. Aggregate Index measures the performance of investment grade, U.S. dollar-denominated, fixed-rate taxable bond market, including Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS.

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. S&P and S&P 500 are registered service marks of Standard & Poor's Financial Services LLC. You cannot invest directly in an index.

Diversification and/or asset allocation do not ensure a profit or protect against loss.

Stock markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. Investing in stock involves risks, including the loss of principal.

Foreign markets can be more volatile than U.S. markets due to increased risks of adverse issuer, political, market, or economic developments, all of which are magnified in emerging markets. These risks are particularly significant for investments that focus on a single country or region.

Fixed income investments entail interest rate risk (as interest rates rise bond prices usually fall), the risk of issuer or counterparty default, issuer credit risk and inflation risk. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks all of which are magnified in emerging markets.

It is not possible to invest directly in an index.

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

Investing involves risk, including risk of loss.

Past performance is no guarantee of future results.

All indexes are unmanaged, and performance of the indexes includes reinvestment of dividends and interest income, unless otherwise noted.

Indexes are not illustrative of any particular investment, and it is not possible to invest directly in an index.

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Concentration risk — The degree of diversification varies significantly from one ETP to another. Certain ETPs target a small universe of securities, such as a specific region or market sector. These ETPs are generally subject to greater market volatility, as well as to the specific risks associated with that sector, region, or other focus.
Correlation risk — Asset classes that have been historically uncorrelated could become positively correlated. This could produce unexpected results for investors and might lead to a decrease in the overall level of diversification in an investor's portfolio.
Derivatives risk — Certain ETPs use derivatives to track an underlying index or other benchmark, such as a particular commodity or currency. The prices of derivatives' contracts are inherently volatile, and even small price movements might result in large losses to the ETP.
Foreign investment risk— Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. All these risks are magnified in emerging markets.
Liquidity risk — The liquidity of an ETP is not only a function of the trading of the ETP itself but is also directly linked to the liquidity of its underlying securities. Therefore, the degree of liquidity can vary significantly from one ETP to another. An investor's losses might be exacerbated if no liquid market exists for the ETP's shares at the time the investor wishes to sell them.
Market risk — ETPs are subject to market volatility and the risks of their underlying securities, which might include the risks associated with investing in smaller companies, foreign securities, commodities, and fixed income investments. Yield and investment return vary; therefore, an investor's shares, when redeemed or sold, might be worth more or less than their original cost. Diversification and asset allocation might not protect against market risk.
Secondary-market risk — Secondary-market trading in ETP shares might be halted by a stock exchange because of market conditions, extreme market volatility, or other reasons. Further, investors have no assurance that the ETP will continue to meet the requirements necessary to maintain the listing or trading of its shares or that these requirements will remain unchanged.
Spread risk — An ETP might sometimes trade at a premium or discount to its net asset value (NAV). The premium or discount to NAV can lead to differences between the bid and ask of the ETP, referred to as the spread. The ETP's premium or discount to NAV and its bid and ask spread might be the result of factors such as supply and demand in the market, the lack of liquidity for the ETP of some of its underlying securities, or the bid and ask spreads of the ETP's underlying securities. For exchange-traded notes, the discount or premium is relative to their indicative value.
Tracking error risk — The return of an index-based ETP is usually different from that of the index it tracks. The difference can be small or large and might result from the cost of managing and operating the ETP the timing of the ETP's trades, the ETP's holding a smaller basket of securities than the complete set of securities held by the index, or the ETP's holding securities in a different proportion from the index.

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