TRANSCRIPT

Using Fidelity.com like a portfolio manager

Presenters: Adam Powell and Steven Travali

Adam Powell: Thank you, Trey, for the nice introduction. I know Steve and I are both very glad to be here with everyone. As regional brokerage consultants as Trey pointed out, that's what Steve and I as roles are here at Fidelity.

We are here to partner with financial consultants in our local offices to help our self-directed clients feel more at home. I'm located in San Francisco, and Steve is down in LA. But we want to thank again, everyone, for joining us from all across the country.

And as we start to get into the slide show, I am going to take maybe the first 1/2 to 3/4. And then Steve will take over at that next mark. And we'll also be doing that a bit of a demo at the end.

So some of this, even though we may seem like we're moving a little quickly we'll make a lot more sense as we get going. So as we get into this using fidelity.com like a portfolio manager, just start by saying that this discussion is incredibly valuable, right? It's impossible to know where you're going in life without knowing where you've been or at least where you currently are. And this also applies to your portfolio. As we move on to the next slide.

The agenda for today, we'll analyze your current portfolio using the tools and resources that we have available. And we're going to go through today. Beginning your market and sector research. And then finally, measuring your risk and performance metrics.

And as we go into the actual analysis piece, so this is really where the rubber meets the road here, right? For some of us here, this might be a cathartic exercise. For others, this might be a nightmare.

But seriously, as I alluded to before, you really must take a look at how you're doing from time to time. Because you may have veered off course and not even realized it. Or you may be on the right track, but the environment has changed and you need to prepare to pivot.

So as we get started by assessing your current portfolio allocation, we're going to move into the analysis tool here@fidelity.com. And most of you probably recognize the All Accounts page specifically where you'll notice the green bar below the summary portion, and then some values, and depending on how you have your main page set up from a customization perspective.

But what does get missed is the section all the way over to the right where it says more. So depending on how large your screen is, it is possible that performance may be displayed. But very rarely is analysis displayed.

So for those of you that are familiar with it, great. But for those of you that are not familiar with it, just want to make sure it's clear this can be accessed again from the All Accounts page. And then select more if it doesn't appear automatically on that vertical menu line and then select analysis from there.

And for the tool itself, this is what will look like as you get into the tool. So it's going to be defaulted to the summary view page, which you can see from across the top of your screen on the graphic that's shown to the right here where it says summary views in black. And then you'll see next stock analysis fixed income analysis ratings.

It's also going to default to account view. So one of the nice features about this particular tool is you can do it by an account on account-by-account basis. So you're not subject to doing it as a full portfolio.

What we oftentimes run into with our self-directed investors specifically is that they run different strategies for different accounts, right? So if you want to take a look at your strategy for one particular account or your allocation for one particular account, you can absolutely do that. There's a dropdown to the right. We'll get to more in the demo section where you can select each of the accounts.

In this graphic, you can see 8 of 8 accounts selected. But again, you could make that 1 of 8, or 3 of 8. However, you want to do it.

And then there's also a goal view. So if you've been working with one of our financial consultants and/or if you've done it on your own, you can input or attach a goal to one or more accounts as well. And so if you prefer to do it in a goal view, that's also available.

And again, we'll get into that in the demo section. As we move into the actual analysis itself from a specific portion of your portfolio, in this case, we're starting with the stock analysis. So the stock analysis, it does two things really specifically here, right?

So the tool takes a look at how stocks in your account are spread across two key indicators. One is market capitalization. What would be more I think commonly known as small, large, or mid-sized, right?

And then valuation style. Growth, value, or blend. That helps determine the overall style of these holdings.

We then compare that style to a widely followed benchmark. In this case, the Dow Jones US total market index. That's not the Dow Jones Industrial average just to make sure that's clear.

So the Dow Jones US total market index is somewhere in the neighborhood of 4,000 or so stocks. Whereas the Dow Jones Industrial average is 30. So it's much more broad-based. We want to make sure that's clear.

And so while this style benchmark resembles a large blend, the one that you're looking at on your screen right now, your style of identifiable holdings may be different. And as far as the actual terms and some of the things that I just went over, you'll notice on the right-hand side of the boxes, the graphics there that show the market cap and the valuation, the blend styles, you'll see that to the right, there's some links that you can select. Why this matters, what can I do. You can expand that out as well.

So as we move forward into from style into sector as this is fairly straightforward. But this identifies your stock holdings to see how they're distributed across different sectors compared again to the same widely followed benchmark, the Dow Jones US total market index. And you'll notice that this is using the global industry classification standard categories 11 sectors.

So you see from IT, in this case, down to real estate. And then if there is some unknown in the portfolio, that'll display. And you can go into more detail on that.

Again, the same verbiage and the same graphic. Next to it, you'll see the paragraph that shows where you can read a little bit more about what this displays.

Let's go ahead and on to the next slide, where we get an idea from a fixed income perspective where you sit as well. Now the main differences here are going to be the style breakdown, right? So number one style in terms of fixed income is not the same as style in terms of stock.

So you'll see that it's credit quality and duration. You'll notice you'll see that in the graphic in front of you. And again, with the blurb on the right-hand side, you can get more details by selecting the selectable icons there in blue.

And also, to make sure it's clear benchmark used here is, the Barclays US Aggregate Bond Index. Again, a broad-based widely used index.

So as we skip forward to the bond sector portion, again, differing from the stock sector portion and giving us a breakdown. Using the same index, the Bloomberg Barclays US Aggregate Bond Index, but also including in this one the Bloomberg Barclays Municipal Bond Index.

And again, you're seeing some of the graphics there that give indication from government agency bonds to other taxable and so on from there. And if we move on to the next slide. As I mentioned, for those of you who may have either done this on your own or have been working with a financial consultant, one of our local offices, you may be familiar with his planning and Guidance Center.

And the idea behind the planning and Guidance Center usage is to help you use that goal view more efficiently. So you can go ahead and either enter the goal yourself directly through here. Or again, you can partner with one of our financial consultants to go through this together.

The idea then would be that you're using this to be more specific about what it is that you're trying to obtain from a goal perspective. And then you can use that analysis tool and provide you with a little bit more detail.

And as we scroll through the next slide, you'll notice when you go through the planning and Guidance Center tool, you're going to get to a point where you'll see asset mix. And this is what's being displayed in front of you right here. And this asset mix allows you to view things as they currently stand as you can tell from the pie chart to the left.

But then to the right, this is where you can specifically set a target asset mix for a specific goal. And so you can either do it directly choosing an actual allocation yourself. If you know that you want to be balanced as an example for this particular goal, or aggressive, or conservative, whatever it might be. You can set that directly.

If you're not quite sure, there is a link. It's difficult to see in this graphic. But there is a link within the above the pie chart on the right that says get a suggestion.

And that is a risk tolerance questionnaire. So that will help you determine a little bit better more specific to you what it is that you might be looking for.

So as we move from the analysis onto researching markets, right? So what our goal here is to help you learn how to begin your research through sectors and industries.

Also, researching fixed income markets from a very high-level. And then ultimately, choosing an investment type.

This really is where you're going to be spending quite a bit of your time. It's going to be the intensive part of the process. And so we expect this to feel a little overwhelming quite frankly. And that's OK.

But like anything, with time, you're going to become much more comfortable using these tools. And the idea is that ultimately in the end, we end up saving you quite a bit of time instead of haphazardly scrolling around trying to find something. So if we move on to the next portion of the slides, we're going to go right into our sectors and industries.

And this as you're looking at in your graphic here, allows you to conduct research at the sector industry level and compare one sector to another compared to the S&P 500 index and to see how underlying industries affect the overall sector performance. And what I mean by that specifically is that each sector, and we'll get into this in the demo, has an underlying industry or industries in most cases. And that's really what's driving the sector performance.

And so it's very important to be able to understand this as you dig into what it is that you're looking to invest in. And we will get into more of that in some upcoming slides. But as we move forward from giving you some insight into how sectors are performing over time, what we oftentimes overlook is the business cycle itself when we get into our research.

You may refer this or you may hear this being referred to as more of a top-down approach as opposed to a bottom-up approach. And so from a business cycle investing perspective, we do provide a number of resources available. And where you'll find this, we'll get into that in the demo a bit more.

But the idea here is that we're going to give you the opportunity to view our Fidelity Institutional research and where we think that we are from a business cycle perspective. And then that you can see on the right side of your screen, the graphic on the right side.

And on the left side, the graphic indicates historical performances of sectors during business cycle phases. So as an example, you can see if we think that we're in the late stages of an economic cycle and you believe our research and you want to look for some opportunities, you might go back to the historical performance of sectors during business cycle phases graphic and say, OK, well, if we're in a late stages of an economic cycle.

And I think that we might move into a recession, albeit maybe it's shallow, maybe it's long, either way, we think we're going that way. If that's your opinion, you then could say, OK, well, maybe I'll look at the consumer staples sector, or the health care sector, or the utility sector.

Historically speaking, those sectors have performed well during recessionary phases.[1] So you can see how that tool can be utilized to provide some value on that. As we move into the next section.

This is getting a bit more into the weeds on the sectors themselves. So once you've determined or you have a thesis on where we are from a business cycle perspective, and then what particular sector you'd like to focus on, you would then go into this portion of our website where you can see the communication services sector is highlighted in this case.

And you can see from the very bar at the top in the graphic to your right that it shows the change for the current day during this snapshot back in September. The current market cap, the market cap weighting as relative to the overall market itself. And then companies you may recognize.

So give you some idea of what you might recognize in this space. And a lot of people get this a little bit. They're a little bit surprised by some of the names you might see in the communication services sector.

Oftentimes people might associate some of those names with the technology sector. But in fact, they're not. And you could see straightforwardly, you could just select from the right find investment.

[1]Source for sector performance during business cycle: Fidelity Investments (AART).

So if you knew you were good, hey, I like this is exactly what I'm looking for and I'm looking for an ETF that can help me get exposure to this space, go ahead and click underneath the find investments, ETFs, and it'll take you to a predefined screen for communication services ETFs into our ETF Screener. So there's also stocks and mutual funds as you can see. But very useful, very time saving.

And then if you just look further down the graphic here, you'll notice the chart for the communication services index. That's the index there .gspl which you can chart in our charting tools, whether I'm fidelity.com or active Trader Pro.

You also notice any relevant news related to the communication services sector. And then below that, this is what I alluded to previously that the communication services sector, as you can see, has five industries within it.

And you can see that over time, one of the industries that's driving the performance at least overall, you can see is the interactive media services up 46.49% year to date as of September 20 in this graphic. So you can see whereas if you look at the diversified telecommunications services, it's down 15.62%, right?

So you can see that the industries, in fact, are incredibly important to understanding what's actually driving the performance from an overall sector perspective. And as we continue forward in our slide show presentation, we're going to shift gears a little bit to the fixed income bonds and CDs portion. And we're going to do this just at a very high level today.

There are other resources available with respect to this and there are also events and webinars that are available in our archived upcoming-- or excuse me, on-demand webinar links within Fidelity.com learn center. But overall, the idea simply is to make sure that you understand that the same applies to the fixed income portion of your portfolio.

If you're looking for research tools and even particular investments, whether that's individual bonds or bond funds, you can do that within this page. And you can see this graphic to the right, it's a little busy, right? But that's the matrix below where you'll see from the horizontal axis.

Across the top of that yield chart there, you'll see that's the duration. And the vertical on the left-hand side is the different types of investment vehicles themselves. But up just above that, you'll see that there are actual tabs that you can select.

So it's defaulted to yields, which is what's why the chart below is displayed. But let's just say as an example, you were looking not for individual bonds or individual securities, you were looking for an ETF. You could select the ETF tab. And it would then differentiate between different types of fixed income-only ETFs and then you could do searches through that.

So, again, a time-saving piece where you don't have to go through all the equity ETFs. Just a quick way to get to that point.

And as we move on maybe that's a good segue I think right into our choosing and investment type portion. So I alluded to it a couple of different times. And I, in fact, mentioned ETFs. I think in both cases.

But there are other choices, right? You don't have to be investing in ETFs. Of course, you can invest in a mutual fund. You can invest in individual securities, again, whether those are stocks or bonds, whatever you like to do.

And from a high level, if we select the next slide, move on to the next slide, we're going to be looking at this from a very high-level again. And I'm sure a lot of you are familiar with this. But I think it's important to continue to reiterate it from time to time, right?

So a stock. What is it? It's a security that represents units of ownership in a public corporation, public corporation, right?

What's a bond? A bond is an interest-bearing promise to pay a specified sum of money due on a specific date, right? And where it gets maybe a little bit more nuanced here is between the exchange-traded fund and the mutual fund, right?

So an exchange-traded fund represents an interest in a portfolio of securities that often seeks to track an underlying benchmark or index, right? And they are listed on an exchange as the name implies and can be traded intraday, right? And it may be different than its actual net asset value.

Whereas a mutual fund is an investment with a pool of shareholders' money and invests in towards the specific goal. So the group's money is invested by a professional investment manager. They are not traded on an exchange. They are priced once a day at market close.

And so that's the key here. You're always getting NAV with mutual funds because that's how they work.

I think at this point, I've done quite a bit of talking. And I think it's a good segue for my colleague Steve Travali to come in and detail our performance and risk tools. So Steve.

Steven Travali: Thank you. Thank you very much, Adam. So far, we've looked at building a portfolio, creating something, looking more in the front windshield of what I would say is you're driving the car.

But we're going to switch gears. We're going to now look at the rearview mirror a little bit. How do we hold ourselves accountable as a portfolio manager looking at things like performance?

But not just how my portfolio is done in the past, but how that performance is done from a risk perspective, right? Because the underlying goal here is to get paid for the appropriate amount of risk that we're taking in the portfolio. So let's dig into some performance section at fidelity.com where we can begin to measure success, not just from a performance perspective, but also factoring that risk as well, right?

So as we look at this to get into this area again right as Adam said, we're going to look at those three dots to the right labeled more. We're going to go into the menu section.

When we select that click, now we're going to look at the performance in order to get to the page we'll be discussing further. So looking at the top of this page, we can get an overview of balances over time, right? We can gauge the change in frames and the frequencies of the data to gauge investment success versus the value of the deposits made.

In other words, had we not invested or stayed in cash. What would our portfolio have looked like today versus what it was in the past, right? So that light blue line indicates the deposits and withdrawals over time. And the darker blue line indicates the change in value of the investments that we hold in the portfolio itself. And then you can change the frames and the frequencies to see how you've done versus if you had just stayed in pure cash.

Moving to the bottom of the page, we get to the risk metrics that we're really here to dig into. What is performance versus risk, right? In the chart here, you can see risk-return section located in this performance tab.

It's important to note that this section requires three years of data, first of all, to populate. And until that information is available, the section will not be able to display the information, right? It's taking a snapshot of your information every month.

And it does need 36 months of that data to be relevant for this information which is commonly overlooked by a lot of people that use the website. Nobody opens an account and then 36 months and one day later says, I bet there's something new on this site that I could take a look at today. Let me go explore, which is really where we started to create this deck for you guys today as well, to make sure that you're aware of some of these tools that are available.

Once you've got that three years of data, you're now going to see the scatter plot will appear showing the following chart. Positioning your account displayed as the green triangle, versus indices shown as the blue circles. By running your mouse over those circles, you'll see which index it represents.

And you'll be able to compare your portfolio to that index as well to see where it sits on a risk versus return perspective. The default selection of those indices is the S&P 500. But you can select this as a hyperlink as you see right there.

And you can look at other indices that may be more appropriate to measure yourself against, right? And we're going to get into the appropriateness as well here in just a second. But as we can look at the vast majority of indices, the idea is to select the benchmark that you feel is most appropriate to your investment selection as well, right? So we can see by referencing and seeing the breakdown of your own portfolio allocation that Adam went through already, we can start by trying to match that index blend.

And note that blended benchmarks are different for taxable bonds versus tax-free. Yield equivalent will be different in each, right? As we pick these different benchmarks, we'll want to take notice of the first metric we're going to talk about in terms of bringing up these Greeks that we refer to. In the next slide, which is R squared known as correlation, right?

We're going to talk about how your portfolio performs against this benchmark. And is it relevant, right? So R squared.

What is R squared fundamentally? It's a way to measure your portfolio's movement relative to the selected benchmark or index known as correlation, right? An R squared of 1 is a perfectly equal to the selected benchmark.

What it means is that if that benchmark goes up, your portfolio goes up. If that benchmark goes down, your portfolio is also going down in line with it. Not necessarily the same amount, but the movement is there, right?

The lower the value goes, the less correlated the portfolio is to the benchmark it's being measured against. A value less than say 0.5 would indicate that the portfolio responds with a benchmark less than 50% of the time. And therefore, may not be relevant as a comparison.

It's important to focus on R squared first before moving on to the other remaining risk performance metrics. As a low R squared means the other metrics are less relevant. So the first thing you're going to want to do is play with these different benchmarks associated and find the highest R squared you can that matches your portfolio. Now that may change over time. And you'll want to continue to look at this.

This is not a number or exercise that you would perform daily. But certainly, monthly maybe quarterly it's definitely important to take a look at this. As we hire ourselves as portfolio managers in managing our accounts through the website and tools, these are ways that we're going to hold ourselves accountable to that decision, right?

Because if we ever decide to seek out professional investment or something like that, these are ways that professional investors or portfolio managers are going to gauge their own success. So as a portfolio manager yourself in your portfolio, this is how we want you to measure yours as well.

So then looking at the metrics, say we've got a strong r-squared hence correlation to our portfolio. We're going to then look at the risk itself.

Beta. What is beta? Beta is going to be a way to measure your portfolio's overall risk relative to that selected benchmark again or index. So it's still comparing it to that benchmark or index.

A beta of 1 is equal to the selected benchmark. Meaning it basically is the same. It moves up in variation the same way.

Measured mostly using standard deviation, a value of 1 would indicate-- a value below 1 would indicate less volatility and be interpreted as having less risk. A value over 1 would indicate more volatility and hence be interpreted as having more risk than the selected benchmark.

So, again, just to reiterate that. If the benchmark goes up a certain amount, your portfolio goes up or down more than that amount. But in the same direction, it has more volatility.

Volatility is a measurement of risk, right? Having more risk isn't necessarily bad if we are experiencing excess returns that compensate us appropriately for that risk. Next we're going to measure just that.

We're going to look at what's called alpha. And we're going to measure those returns versus that risk. When we measure the return relative to the beta itself, we can get an idea of how much alpha we're producing in our account.

Alpha is a way to measure your portfolio's overall performance relative to the selected benchmark and/or index. But adjusted for risk seen in beta. And alpha of 1 is right in line with the benchmark risk return.

If an alpha is less than 1, then the performance is underperforming relative to the risk you're taking. And alpha over 1 indicates excess return over the market given the risk that you're taking. Again, this is grading you on a curve, right?

So if I'm holding a large cash position, this is giving me credit for that less risk and not expecting me to exceed that benchmark because I'm taking less risk, because there's stability in my portfolio. So really when you start to get into blended portfolios of stocks, money markets, mutual funds, bonds, ETFs, this is giving you a collectiveness to it to measure that risk versus performance.

So as you're graded on that curve, the less risk than the benchmark you take, the expectation you're not going to have to outperform it. With an alpha over 1, it's giving you that credit, right? Now alpha can also be negative, right?

So when you look at that negative alpha, that means that you're significantly underperforming. Alpha is the only benchmark performance metric here that can be negative. That means that you're significantly taking more risk than you need to. And more importantly, you're not getting appropriately paid for the amount of risk that you're taking.

So looking at seven key takeaways, right? We've looked at the analysis page, the asset allocation breakdown sectors and industry overview. The current sector market conditions that we've gone through, a business cycle approach to that, an asset allocation guidelines, the performance page for monitoring that risk, reward, alpha, beta, r-squared, things to keep yourself in line looking through the rearview mirror as you've created this portfolio itself.

Now we're going to move into some live demos and take a look at those in action. I'll go ahead and let Adam take over the screen here on the website that I think he's got keyed up. And we're going to go into these pages as well to give another reference to what we've gone over.

So again, first thing I know, we've spent a lot of time in this more section.

And on the dropdown, we've got performance and analysis. That's really where we spent all the time today. Obviously, it's a vast website.

So let's go jump back to where Adam was. And let's start to look at the analysis section, again, just in real time to give an overview of what that looks like.

Because you're going to want to start with what do I want my portfolio to look like over time. If you're just beginning on the website, you don't have an allocation set up yet. You don't have something built out.

This is really where you're going to want to start, right? You're going to want to see what benchmark do I want to create, what am I measuring myself against, but more importantly, what are my goals, things like that as we build this out stocks versus fixed income itself.

Adam Powell: Yeah, I think a couple of highlights do, Steve, on this that are important to point out is we can see-- it's an easy way for us to tell if you have a concentrated position in your account. We'll let you know right away for that. It's an easy way to come to find out how your allocation is overall again.

But I pointed out and wanted to show you in this demo was instead of doing it on an overall portfolio perspective, you can see what I did was select from the dropdown menu, select all accounts. Or if I do want to do it as an individual, right?

And now you can include outside accounts here as well. Make sure that's clear. The easy way to do that just right here. You see the link at the very top? Outside account. And it'll just ask you some information about it.

The more detailed you can be, the better because then the analysis tool can actually take it into account. What I mean by that is actual ticker symbols from these external places.

So one other quick highlight I want to make is I we went into some of the details on the stock analysis and the fixed income analysis and my portion of the presentation.

But what we didn't go through because it was truncated by the slide quite frankly and there's more information is we also have offer a ratings portion. And this ratings portion provides a very quick and simple way using, in this case, for mutual funds Morningstar ratings, right?

And as of, in this case, October 31, you'll see the dates there. You can do an overall or a 3, 5, or 10. And there's a graphic below that will give the details on the specific investments.

And then, again, if questions come up, what does this mean next steps, that type of stuff, you can utilize the tool to the right there. And there's a way to access the mutual fund evaluator tool if you so desire.

Next step, equity summary score. So specifically for individual securities. And this is a score we provide by one of the third party firms that we partner with. In this case, Thomson Reuters.

And again, if you want to get more into details on this, you can select this guide to the right of the graphic. And it will give you more details. But suffice to say the equity summary score is an accuracy-weighted measurement made up of ratings of independent research providers.

The number of research providers is going to depend on the specific stock. But it varies generally speaking from a low of somewhere around the five mark up to a dozen or more. So it is a pretty robust tool from an independent perspective.

And then finally, bond, credit quality, there are no bonds in this particular account. So there's nothing's going to show there. But one of

The tools that oftentimes does get overlooked from a bond perspective, from a fixed income perspective, within this fixed income analysis tool-- excuse me, this fixed income analysis section is the fixed income analysis tool. And this will pop open a separate window that will take you to a place that a lot of you may be more familiar with that gives a breakdown of maturities and what you can expect to receive from income over time.

And we're going to go into that. There's another section that we can look at from the performance page as well. And just finally and see if, Steve, if you want to add anything for this particular page.

But this also at the top here, you'll notice glossary of terms. So if you have any questions about some of the terms and verbiage used in this page, you can select glossary of terms. And it'll take you to the details. Anything you want to head on here, Steve?

Steven Travali: Yeah, if you had the stock analysis and you go to the sector breakdown real quick, I think it's important to remember, there's a matrix below every set of data. So if you ever have a question of, why am I so heavy in information technology or consumer staples, things like that, the data is all below, right?

If there's an ETF or mutual fund that has an allocation across several different sectors, it's going to give a percentage of that allocation to the appropriate dollar amount of that ETF or mutual fund. However, one limitation is that if it's an individual stock, it does put it into one sector. It is forced to make a decision as to which is the most appropriate sector.

And there's a lot of debate, right? You can bring up popular stock ABC that's high in tech. That may be bleeding into other areas.

You may be able to make an argument that it's consumer staples, or a little bit of energy stock, as well as what its core business is. But it is going to put a stock into one sector while it will break out ETFs and mutual funds appropriately across several sectors that it sees to give you that breakdown in allocation.

But the point here is if there's ever a question where the data is coming from, how did I get here, the information is all below. So the first step is if you are heavily allocated in one area versus another, you want to trim that area. You can see below where you need to go to do that or vise versa.

If there's an area that you're lacking, you're going to say, OK, well, I clearly have no allocation to this particular sector. Then we're going to go back to where Adam started in the beginning of like all right, let's take a look at sectors, and research, and how do I want to get that exposure.

Do I want to pick an individual stock? Do I want to buy a broad-based ETF? Or do I want to hire a fund manager like a mutual fund or something of that nature to get my allocation in line to that area specifically?

Adam Powell: Yeah, and that's a good point, Steve, to make is that this is just displaying the data. It's not making a recommendation, right? This is just simply displaying the data.

And it may be quite frankly OK for you to be overweight consumer staples. In this case, maybe not 96%. But in any case, it may be OK to be overweight.

And that might be your thesis, right? We talked about that a little bit before based on your top down view of a business cycle. And some of the ideas here, again, I'll select this graphic to the right.

And you'll notice when this opens it up, why this matters? It's such a great way to just quickly understand why that matters. And then again, if you want to go in to read more about the specific sectors. You can do it directly from this page.

Steven Travali: Right. So this is a common page that Adam and I both talk to with a lot of clients. And the first question we're going to ask is, tell me about your economic thesis as why your portfolio looks this way.

A common misconception is that people tend to just see whatever stocks the talking heads are talking about on TV. They tend to buy those positions. And it's that's where the cards fell.

And they're heavy in one sector versus another. They're not really aware of where they're sitting right now. So it's important to take notice of where you are in your allocation before you move forward and make decisions.

Adam Powell: Yeah, well said. And just to maybe segue to where we select. Let's say, we wanted to go directly. As Steve pointed out, we have a conversation about your thoughts on the market and why you're allocated the way that you are.

And you realize you didn't think that allocated to the IT sector, whatever it might be. And you're ready to say, OK, let me look at some other markets and sectors.

In order to get to that page, we hover from the green bar across the top of the page right in the middle news and research, markets and sectors. And as this page loads, what we're going to be getting initially is the sectors research page. That's what's going to display for us initially, our markets research page initially.

And then we'll go into the sectors secondarily. And the reason it starts with the markets. Number one, obviously, at a higher level than the sectors themselves.

But also, and this gets overlooked as much as any of our other tools I think is we provide to every client. Every client, whether you have a managed account with Fidelity or not. A quarterly market update from our experts and a quarterly sector update from our experts.

Those both include videos and articles related to those topics. So strongly encourage you to spend some time in there and get an understanding of what our research is telling us. And so this is a high-level market overview which is where you can find these quarterly market updates.

And you could subscribe right here to viewpoints. That will give you an alert or an email that tells you they're ready. And you can do that there.

But more specifically, if we shift gears and go to the sectors which we take our eyes back over to the left, you'll see sectors there. You're going to recognize the two graphics up at the top from the presentation.

And again, break down here on the 11 sectors of the global classification system. And then the business cycle update. The business cycle historical performance of the phases pardon me.

And to access the current phase, you would select this hyperlink here. And I'm going to do it because it should display for us. Let me know, Steve, if you can see that OK. Yes.

Steven Travali: Yup.

Adam Powell: Great. So this is the data from our Fidelity Institutional team. And in the graphic from the slide presentation, you couldn't see the names of the countries. But you can see here, if you just wanted to focus on the United States, you can select the United States and see where we've been over the course of the last year. Same spot. Maybe that's not surprising to anybody.

But maybe if we looked at, say China. Where have they gone? They've gone from recession to the early stages of an economic expansion according to our research, right?

And you can take a look at this business cycle update information in a more readable version, so to speak, through the PDF if you like and learn more about our asset allocation research team as well. Anything you want me to highlight on here, Steve?

Steven Travali: No. I think it probably makes sense to go to the performance section real quick. We can show them how to build out different indices on risk metrics. And then we can allow trade and maybe send us some questions.

I want to make sure we keep some open time for some of the popular questions that have come through as well.

Adam Powell: Sounds great. Let me shift gears then. Just before I do that, I did want to quick highlight as you saw from the slide again.

We highlighted the communications sector in that slide presentation. But again, here are all 11 sectors, you can go through any of them by selecting this dropdown here. And then you're going to be familiar with what we saw in the slide show presentation.

And then again, if you were looking for an investment, ETF, as again as an example, we just select ETFs. And once this page refreshes itself, you're going to notice on the left-hand side under the screening criteria that it will predefine the screening criteria for the specific sector.

We won't wait for it to load today. But this is where you'll do that and see that. So as Steve pointed out, let's shift back now because there were a few things on the performance page.

And what I'm going to do is just to get back to the main page. The easiest way for to do it I think is just accounts and trade portfolio. Takes you right back to the main all accounts page.

And once the page refreshes itself, you're going to be very familiar with the word more by the end of this presentation. And you'll see more here. And then we'll select performance.

Steven Travali: Perfect. So, yeah, as we go down this page, we can see again the difference between where we were in terms of deposits, withdrawals by the light blue line as this populates. And then we're going to see the dark blue line that's going to show the investments that we have over time, the performance of the account itself.

And then we can change frequencies. We can look at the data below, see again all the information where this data is coming from, the numbers behind the curtain here. And as we move down, we're going to see, again, the risk metrics and the scatter plot for personal returns associated.

So I always like to show details in this. We're going to see where we are. We can see again that we've got a risk-adjusted alpha, beta, and R squared associated.

And then when we click on the compare to S&P 500 link, that's where we're going to get the selections again of what we want to choose as a benchmark, right? So if we're in a tax-free account, we're using munis.

We want to skew this one way or another. We can pick different indices. And what we're going to do when you go through this exercise, we're going to do that today.

But you would want to select each one of these almost and see where your highest correlation or hence r-squared is again as your starting point. And then move to the left.

Once you've got a high correlation or relevance to what you're looking at, you're then going to look at, OK, what's my beta against that r-squared, am I higher or lower, and then most importantly, what's my alpha?

Am I getting paid appropriately for the amount of risk that I'm taking in my portfolio? Answer yes or no. And that's how you would evaluate whether or not you want to keep yourself employed as your own portfolio manager at the end of the day.

END OF AUDIO FILE

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The Business Cycle Framework depicts the general pattern of economic cycles throughout history, though each cycle is different; specific commentary on the current stage is provided in the main body of the text. In general, the typical business cycle demonstrates the following:

During the typical early-cycle phase, the economy bottoms out and picks up steam until it exits recession then begins the recovery as activity accelerates. Inflationary pressures are typically low, monetary policy is accommodative, and the yield curve is steep. Economically sensitive asset classes such as stocks tend to experience their best performance of the cycle.

During the typical mid-cycle phase, the economy exits recovery and enters into expansion, characterized by broader and more self-sustaining economic momentum but a more moderate pace of growth. Inflationary pressures typically begin to rise, monetary policy becomes tighter, and the yield curve experiences some flattening. Economically sensitive asset classes tend to continue benefiting from a growing economy, but their relative advantage narrows.

During the typical late-cycle phase, the economic expansion matures, inflationary pressures continue to rise, and the yield curve may eventually become flat or inverted. Eventually, the economy contracts and enters recession, with monetary policy shifting from tightening to easing. Less economically sensitive asset categories tend to hold up better, particularly right before and upon entering recession.

Please note that there is no uniformity of time among phases, nor is there always a chronological progression in this order. For example, business cycles have varied between one and 10 years in the U.S., and there have been examples when the economy has skipped a phase or retraced an earlier one.

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