TRANSCRIPT

ETF Education, Insights, and the Women's Leadership ETF

Presenters: Montanna Saltsman, Jess Bialas, and Nicole Connolly

Montanna Saltsman: Thanks to everyone for joining today. Just a quick intro, I am an investment product manager here at Fidelity with a focus specifically on ETFs. So before Jess and Nicole dive a little deeper into the Fidelity Women's Leadership ETF, I thought I would just cover a few topics related to more of the ETF vehicle in general.

So ETFs are becoming a more and more popular choice for investors. And the reason for their rise in popularity has to do with a few key strengths that ETFs have, one of those being diversification. So ETFs can help investors meet asset allocation goals. So for example, purchasing an ETF that tracks a financial services index, an investor can help spread risk beyond just one individual financial services company.

In addition, transparency. So generally, ETFs reveal their holdings on a nightly cycle. And this added transparency just provides you more of an insight into what you own. And additionally, lower costs. So ETFs do tend to be a lower cost vehicle when compared to mutual funds or other products, and tax efficiency. So due to the creation and redemption mechanism that the ETF structure utilizes, ETFs do tend to be more of a tax efficient vehicle.

And then last here is the intraday pricing and trading. So investors have instant access to the market, just like they would with a stock with an ETF. So they can enter or exit quickly and when desired. And then, next, I will just cover a few differences between ETFs and mutual funds. So although they do have plenty of similarities, they also do have different characteristics that investors should consider. So just to highlight a few.

So first, costs. So both ETFs and mutual funds do have expense ratios, which is the cost to hold or own the fund. You may be charged a commission to trade an ETF. However, on fidelity.com, all ETFs do trade commission-free. With mutual funds, there are no-load and load mutual funds. So load mutual funds will carry that transaction cost.

And then additionally, another cost that does come with the ETFs are the spreads. So just like a stock, there's a spread between what the broker-- that the broker gets to place the trade. So by looking at some of the most popular ETFs, they trade really a penny or two wide. So it shouldn't be a huge concern there.

So moving on to trading attributes, so when it comes to trading, again, ETFs do trade like a stock. So you can trade them intraday on the secondary market. You can utilize a limit order, a stop order, a conditional order, and you also are able to short ETFs and trade them on the margin. And in contrast to ETFs, you cannot set a stop limit or conditional order on a mutual fund. You also are not able to short a mutual fund.

And although you are able to enter an order to buy or sell a mutual fund throughout the day, your trade is executed at that end of day price. So as a result, you don't have as much of a transparency into the price at the time you place your trade, as it's just priced once that day. And then just the last section here, ETFs also have a different level of transparency, like I mentioned before.

So ETFs reveal their holdings on a nightly cycle. And with mutual funds, it's typically at least a month or a quarter old, those holdings.

So, in terms of taxes, mutual funds may need to sell securities to meet redemptions, which can result in taxable capital gains distributions for other shareholders, which can lead mutual funds to being seen as a less tax efficient vehicle. ETFs typically have a lower capital gains due to the creation of redemption, which utilizes authorized participants to act as a clearinghouse to really facilitate those shareholder redemption requests. So they don't have to necessarily sell those underlying assets to meet the redemptions. So that allows those capital gains to be avoided, relating to those sales.

So for the next slide, I'll just cover a few best practices when trading ETFs. So really, these are just a few tips to follow in order to provide for the best possible execution. So again, just to highlight a few, with the order type, you may want to consider using a limit order, instead of a market order, just to provide you with more control over the execution price and to prevent your order from being executed at an unwanted or an unwanted price.

And then, as far as asset class, so since ETF liquidity comes from an underlying asset, different asset classes will have different liquidity characteristics. So it's just something to keep in mind when you're executing your ETF trade. And then last, but potentially the most important, is the time of day. So spreads in ETFs do tend to be a little bit wider around the market open and the market close. So you may want to avoid buying or selling around, really, the first 15 minutes immediately following the open, or the last 15 minutes leading up to the market close.

And then if we go to the next slide, just thought I would give a brief overview of Fidelity's ETF offerings. So Fidelity's currently offering consists of 58 ETFs, covering equity and fixed income asset classes, with both active and passive strategies to help investors meet their investment goals. So just to highlight a few, our thematic suite of ETFs allows you to invest directly in long-term trends and themes that may align with your specific interests.

And then for fixed income, we offer 12 strategies, which reach across the duration and credit spectrum. The majority of the suite is actively managed by a team of seasoned bond professionals. And we also do offer three sustainable fixed income ETFs, providing investors with more choice while staying within the fixed income ecosystem.

And then the last suite that I'll cover is our offering of 15 active equity ETFs. And one of those is the Fidelity Women's Leadership[1], which Nicole and Jess will be providing more info on shortly. These ETFs leverage our active managers' experience and expertise to really just make those investment decisions regarding the fund.

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

And for more information on our ETFs or to research those, on the top of fidelity.com, you can select Products and then ETFs. And from there, you can view not only Fidelity ETFs, but all of the ETFs that are offered by Fidelity, which is around 3,000, on the Fidelity platform. So now I will go ahead and hand it over to Jess and Nicole to take us a little bit deeper into the Women's Leadership Fund.

Jess Bialas: Thanks, Montanna. And I'll also say thank you, all, for spending some time with us today. So again, I'm Jess Bialas. I'm an ESG strategist and institutional portfolio manager here at Fidelity. We'll spend the next 20, 25 minutes or so, talking about the Fidelity Women's Leadership ETF. So this is, as Montanna just mentioned, an actively managed, US equity, non-transparent ETF. And it's investing in companies that prioritize and advance women's leadership and development.

So this ETF was launched in June of 2021, so we just hit two years. And it's tracking the Fidelity Women's Leadership Fund, which was launched in May of 2019. So I'm very excited to be here with Nicole Connolly, who has been the portfolio manager for the Women's Leadership ETF, as well as fund, since both of their inceptions. And so just to get us right into it, Nicole, could you take a couple minutes to talk about your background and what made you want to run the Women's Leadership strategy?

Nicole Connolly: Sure. Thanks, Jess, and thanks to everyone for joining. So I've been a researcher of companies for the past 25 years, my whole career really.

And I've looked at companies across different sectors, different regions. I've looked at the equity of companies versus the debt that they've issued. And I've also been a director of research, where I managed groups of analysts that were looking at different companies and different sectors.

And then I had four kids in three years. And I came back from that last maternity leave after having twins and really felt a desire to have more of an impact with my career, with my investing, and do work that would not only honor the lives of my kids, but of, really, all future generations.

And the idea of investing with the lens of how a company is treating all of its employees, how a company is working with its underrepresented populations, particularly women, and helping them thrive in an organization and how a company is trying to get more women into leadership roles was something that really resonated with me from an investing perspective. Also, launching a fund that got women more excited about investing, with the idea of lifting women up across the world, was another thing that I was really passionate about, helping women move from being savers to investors.

And so like Jess said, we launched the women's ETF about two years ago. We launched the Women's Leadership Mutual Fund four years ago. And I also have helped Fidelity launch its just sustainable investing efforts overall. And I also manage a broader sustainability equity fund with my colleague, Mike Robertson. So that's a little bit about how I got here, Jess.

Jess Bialas: Yeah, that's great. So you've had a few years to reflect on this, probably a lot more than that. So when you're thinking about from your perspective and you're reflecting on the state of women in the workplace today, if we start on our first slide here, what are you thinking of?

Nicole Connolly: Yeah, so I play this game with my kids called Rose, Bud, Thorn-- maybe you're all familiar with it-- where the rose is something that you're grateful for, the bud is something that you're excited about, and the thorn is something that's bothering you. And I thought this would be an appropriate lens with which we could take stock of where we are with women in the workplace.

And so the rose or things that I'm like thankful for are the fact that women earn more than half of the bachelor, master's, and doctorate degrees, which represents an incredible talent pool for companies to choose from. After many concerns about the impact of the pandemic on women and the women in the workforce-- we saw women leave in droves during the pandemic-- we are now seeing more and more women reenter the workforce. And when we look at that female labor participation rate for prime working age women, that is actually at all-time highs. So, great to see so many women in the workforce.

And then, lastly, we have really seen, in the US, an increase in board representation and female board representation. When I started and even before I started this fund, you would often see boards that didn't even have any women on them at all. And then the next step was like, OK, there's one woman on this board, but now, more often than not, you see two or three women on boards. And of course, that's not enough, but it is a more powerful position from with which women can really be agents of change on that board. So, encouraged by that progress.

But despite these positives and despite the fact that women make up about 50% of the US workforce, we still have significant barriers to female advancement. And you can see that in the statistics here, women only hold about 6% of all CEO roles for the top 3,000 companies in the US. Women hold less than 20% of the executive roles for those same 3,000 companies*. And so we're still just not seeing enough women in leadership roles.

Well, why is that? We lift some of those reasons here. We think that the US is one of the few countries that doesn't offer paid parental leave. We think that's a big barrier for female advancement. Many companies don't look at how women are getting paid versus men. That's the pay gap. And so we think that retaining women, a valuable driver of retaining women is making sure that you're paying them fairly and equitably. And many companies still just aren't advancing women at the same rate as men.

Another thorn is the fact that as we think about emerging technologies, like generative AI, less than 30% of technical engineering roles are held by women. And so that has potential implications for bias in these technologies. So we also need to see just more female leaders in the tech industry, in these engineering roles. And so we have a lot of work to do, but to us, these thorns represent areas of opportunity.

And if we can solve these thorns, there's a tremendous payoff. And that's the bud. The bud is when we do our research and when we look at companies of the last 10 years that have above average diversity in the management ranks and have at least two diversity policies in place, these companies have

*Source: Bloomberg, Catalyst, National Women's Law Center, US Department of Labor, Fidelity Investments outperformed broader market indices by at least 1% a year over that 10-year period.

So we really believe in this idea that by really focusing on diversity and inclusion, you can have a more powerful, successful, resilient organization over the long-term. And so this fund seeks out companies that also see those thorns as opportunities and our leaders within their respective sectors for female representation, for diversity initiatives.

And we also engage with companies who maybe aren't leaders today, but we see a commitment, we see goals, and through our engagements with those companies, we believe they'll be the future diversity leaders of tomorrow. So that's kind of an evaluation of where we've been and where we are today.

Jess Bialas: Yeah, so absolutely an opportunity, right, to really look for companies from this gender diverse lens. So let's get into how we connect that reflection into how we manage the ETF. So could you take us through the next couple of slides and talk through investment philosophy and the investment process that underpins the ETF?

Nicole Connolly: Yeah, so kind of the quick elevator pitch for the fund here is that we look for companies that have above average diversity profiles with strong underlying business fundamentals. And what this looks like in practice is a fund where about 46% of the fund is led by women versus 6% for the S&P.

We're also a fund that focuses on quality. And so with this fund, you'll see companies that have above average return on capital. They have lower earnings volatility. We also look for companies that offer above average earnings growth at a reasonable valuation. And so it's really a combination of that above average diversity profile, as measured by our proprietary diversity framework, which we'll get into, and those strong underlying business fundamentals.

And so if we go to the next slide, how do we do all that? And this is a little bit more about the process. So we start with the top 3,000 companies in the US, and we apply some exclusions. We do not own guns. We do not own alcohol, tobacco, coal. And so we start with those exclusions, and we kind of strip those companies out of the universe. And then, from a fundamental perspective, we really are-- I kind of describe myself as a "quality at a reasonable price" investor.

And I work closely with our quantitative research team, and I'm a real believer, based on their work, that quality companies defined by companies that have kind of limited earnings volatility from year to year, so their profits aren't swinging wildly from year to year; companies that have above average return on capital, meaning that for every dollar of capital they put in the business, they generate a high return on that capital; companies that have strong management teams, that these quality companies tend to outperform over long periods of time and are more resilient in different market environments.

These are companies like NASDAQ led by Adena Friedman, companies like the oldest elevator company in the world, Otis Elevators, led by Judy Marks, American Water Works, led by Susan Hardwick, which is a play on the aging water infrastructure in the US. These are all companies that I would kind of call quality companies that we are invested in.

We also look for companies with above average earnings growth. So a lot of the themes that we're going to talk about that we're playing in the fund, they are these sustainable themes, like reshoring, which is kind of bringing operations that are in places outside the US back to the US, which I think can be a benefit for job growth in the US. That's a theme we're playing.

We'll talk about the EV, the electric vehicle rollout. We'll talk about women's health. These are themes that I think have a long runway for growth. And then the companies exposed to those themes should have above average earnings growth. And we look for these companies at a reasonable valuation.

Then after we've done all this work on the fundamentals side, we're doing a deep dive into the diversity profile, which we'll talk about on the next slide. And sometimes you're doing the diversity work first, and you're seeing what you like there, and then you move over to the fundamentals side of things. And sometimes you see an analyst will pitch a company in the morning meeting. And so you'll do the diversity work. And so it's not always linear, how this process works.

We also have an amazing sustainable research team that has done a lot of work on the sustainable themes and risks with companies. So I leverage that team's work. We have a sustainable ratings platform, where we have our own proprietary sustainable ratings on every company in the market. And so this informs the process. Our fundamental analysts have also put sustainable ratings on companies. And so, everybody at the shop is very well versed in sustainability risks and opportunities.

And then this all kind of spits out a portfolio of about 100 names. It's primarily US focused, so about 90% US focused. And we are very sector aware, so we don't take major sector bets. We want the returns to come from our stock picking results. And the fund is also a five globe rated fund from Morningstar, and the globe system for Morningstar is a sustainability rating system. And so five is the highest you can get for a sustainability profile that Morningstar looks at.

Jess Bialas: Yeah, so I'm going to go back for a second to one of the points you made around our ESG team and our sustainable team, because the question did come in-- and I think maybe this is a good point to hit it, although this is a massive question, Nicole, so this is a challenge to answer this succinctly, but the question is, what is ESG, and why should investors be focused on it? So maybe the quick elevator pitch there, which is challenging, for sure.

Nicole Connolly: So ESG stands for Environmental and Social Governance factors. And the way we think about ESG, we really think about it more from a sustainable investing perspective, where sustainable investing is widening the lens of traditional investing by thinking about factors that maybe we haven't thought about before, thinking about how companies are managing their climate risk, how companies are managing their cybersecurity risk, and also looking at factors that maybe we should have been looking at for years, but because we didn't always have the data, things like diversity and inclusion, we couldn't really do a deep dive on a company's diversity inclusion profile.

So if you think about traditional investment factors, like barriers to entry, pricing power, a company's relationship with its customers, its suppliers, those are factors that we've analyzed for years. And they have an impact on a company's long-term cash flows, its valuation. We think these sustainable factors, again, things like product safety, data privacy, cybersecurity, climate risk, these also represent resource allocation decisions, business strategy decisions, that also impact cash flows and valuation longer term.

So we think of things like not so separate as ESG and sustainability over here and fundamental factors over here. It's really a mosaic of factors that are going to tell you about the long-term potential and resilience for companies that you're investing in.

Jess Bialas: Perfect. Yeah. Yeah, great question, and thanks for taking that diversion with us, Nicole. So coming back to the Women's ETF, I think one of the most interesting parts of the strategy is around how you build the universe and how you think about whether a company does pass from your women's thesis. So let's take some time to go deeper into that women's thesis and how you build your universe. Talk us through the proprietary diversity mapping that we use, et cetera.

Nicole Connolly: Yeah, so I kind of always joke, when I first started researching the idea of this fund-- it was like six years, five years ago now-- I was doing it like on during nap time for the kids because I still had my full-time director of research role. And the first thing I did was I looked at, who are the influential female leaders in the Russell 3000? And which boards were well above kind of board diversity averages at that point, and who were the influential women on the boards?

And this was important work, and it's work that passive gender lens investing women's leadership funds, that they're also doing. But I thought, when I first started doing the work, what was even more interesting was going through companies' corporate sustainability reports, going on to their diversity inclusion parts of their websites, and seeing the initiatives and the philosophies that were helping to lift women up in the organization, things like flexible work environment. And this was kind of before the pandemic had hit. And wow, did that become really important.

Things like the gender pay gap, things like, does the company offer paid parental leave, does the company have leadership development programs for women, and really digging into kind of the initiatives and the policies that could tell us a lot about a culture of a company. And so, we started scoring this third pillar of the policies.

And maybe just to throw out a couple examples there, Adobe is a holding in the fund, and they offer 16 weeks of paid leave for both mothers and fathers. We think it's really important that this paid leave is for fathers as well. It really kind of levels the playing field and makes sure that there's no penalty for anybody to take this paid leave. And also, just the bonding that comes from a father bonding with a new child from a societal perspective is obviously really important.

Mastercard really putting a priority on having a diverse candidate of slates for all roles that they have available to make sure that all candidates are being vetted, we think, is a really powerful driver of, again, getting more women into leadership positions. Citigroup was one of the first, I think the first company that announced its unadjusted gender pay gap a number of years ago. And that number tells you, just looking at women versus men, what's the gap in the total compensation. And it kind of takes out the job level. So it's a very raw look at the pay gap.

And so that was a difficult decision for them to make. It was 29% at the time. But what we thought was important was the transparency they were showing in disclosing that number, and the goals and the initiatives they were putting in place to try to advance more women into leadership roles to really reduce that gap. And now that gap stands at 22%, and they continue to have goals around female representation.

So, a long way of saying that we think these three pillars are all very important. But we think the special sauce is really, if we go to the next slide, this holistic look at how a company performs on diversity. So we've now looked at 1,000 companies across 25 different criteria. You can see these criteria here.

And I would say sustainable investing as an asset class, it's under some scrutiny right now because a lot of funds were launched with the sustainable in their name or in their prospectus. And some of those funds might not have had a lot going on under the hood when it came to sustainability and the concept kind of known as "greenwashing."

And so we are really proud of the rigor and the number of ways we're trying to assess a company's diversity profile to really make sure that there is a commitment and to make sure the work is aligned with the mission of the fund. And so we continue to evolve this framework and are pretty proud of what we have accomplished here.

Jess Bialas: Yeah, it's been a big—

Nicole Connolly: Oh, yes, you want me to show how it looks when you all roll it up?

Jess Bialas: Yeah, so it's important to note, too, and especially for our audience that the strategy is diversified across sectors. So, Nicole, you're looking for best in class versus peers. So I think that the next slide gives us a really indication of how you're doing that. So if we can flip-- yep, flip to the next.

Nicole Connolly: Yeah, it's a great point. I mean, one of the reasons we did this holistic look across all factors was because we did want to know who are the leaders in each sector, so we can have exposure to those sectors in the fund. And so what we're showing here is, in the blue bars, the average diversity score for each of the S&P sectors. And the green diamonds is the score for the fund for that same sector.

And so, since we've launched the mutual fund four years ago and the ETF two years ago, we've always had a fund that was above the blue bars since we've launched. And again, that lets us have the diversification. It lets us know how a company is doing intrasector, but also against the entire market. And this is a really important part of the fund process.

And I should also say, as an active fund, this is very data focused. It's kind of the science of the fund, but there's also the element of the art, where we have, as Fidelity, the ability to meet-- we meet with 14,000 companies a year. These management teams are coming in to see us. And so we can make sure that what we see on paper is actually really what's going on behind the scenes, and we can really get a sense for, is there a commitment for diversity at the highest most level of the companies?

Jess Bialas: Yeah, absolutely. You started to hit on this a little bit earlier, but let's get a little bit into portfolio positioning. So what are some of the themes you've been playing?

Nicole Connolly: Yeah, so as we talked about at the top, I really am looking for themes that I think can help these companies deliver above average earnings growth over the next 5 to 10 years.

Reshoring is this theme where, because of three reasons, we're seeing more companies in the US bring back operations, whether it be from China or other places, back to the US because of geopolitical conflicts, because of the fact the wage gap between the US and China has really narrowed, and because of the fact that during the pandemic, the supply chains were dramatically impacted. And so that was hard for companies to get goods. And that really impacted their financial performance. So we have seen an increase of about 150% in corporate announcements bringing operations back to the US.

The other big driver here is that the Inflation Reduction Act has a number of incentives for companies to produce here in the US. From kind of a sustainability or ESG perspective, I think this theme is interesting because I think it can bring more jobs back to the US. It could potentially revitalize communities that were left behind in the era of globalization.

Also, if you think about the human right impact of the supply chain, if your supply chain is far flung, it's harder to have control over what's happening in those factories, both from the way that employees are treated and also the way that you're powering these factories in terms of renewable resources. So I think having supply chains closer to home, there's a lot of sustainability benefits.

And so, there's a number of companies who are playing on this theme. Nvent, Eaton, Regal Rexnord, Ametek, Summit Materials, those are all companies that are in the ETF. Nvent is a talented female CFO and CEO duo. The company was spun out of Pentair. They've really done a nice job accelerating organic growth, getting pricing for their products, and are, well, a nice small cap that's positioned to benefit from reshoring.

We're also really focused on this massive kind of share shift from fossil fuel power generation to renewables that we expect to happen over the next 30 years. And so between the ETF and the mutual fund and even in our sustainable fund, playing solar, offshore wind, as we kind of see this move happen. And I think today, renewables, as a percentage of total power generation globally, are about 25%, and projections show that this should go to 75% over the next 30 years. So a long runway for growth there.

And also to note, when we think about our energy exposure, I think we really need the traditional oil and gas companies to be part of the solution. And so I won't blanket not own traditional oil and gas. I will look for oil and gas companies who are taking their cash flows from that existing mature business and redeploying them into clean energy initiatives.

So Oxy, which is led by Vicki Hollub, is one of the leaders in a technology called carbon capture, where they're literally taking CO2 out of the air and storing it underground. And so looking for opportunities where you have these more mature businesses generating a lot of cash flow and redeploying it into these technologies of the kind of green future.

EV beneficiaries, we're not really playing many of the EV automakers themselves. We do own GM, which is led by Mary Barra, who's done a phenomenal job transitioning that company to be more focused on EVs. But we're also focused on who are the companies providing solutions and services and chips to the EVs. The content that the chip makers can get from serving the EVs is like three to five times higher than what they were getting with traditional internal combustion engine vehicles. And so, I've owned Nvidia, NXP. So I've really started adding semis late last year to the fund.

And then lastly, I think women's health is this, I think, dramatically underserved-- I think women are just kind of underserved from a health perspective. And a lot of their needs just aren't being addressed. And so we're looking for health care companies that are meeting the needs of women with ovarian cancer. Recently purchased a company working on a drug for postpartum depression.

And also, Best Buy is kind of an interesting story. Corie Barry is the female leader there. And she actually was dealing with her own aging mother, who didn't want to leave her house, the house that Corie grew up in. And so Corie, in trying to find a way to keep her mom in the house and not have to move to an assisted living facility, was using Best Buy's products to help keep her mom in the house. And so, as a result of that, Corie and Best Buy have launched this health initiative that I think is this underappreciated aspect of the Best Buy story. So those are some big themes that we're playing. Again, long runway for growth in all of these dynamics here.

Jess Bialas: Yeah, it's so great, too, to see the number of women who are really leading these companies that are so well poised for bringing us into the future. So thanks for all that commentary, Nicole, and the companies. You said 14,000 meetings a year. Yeah, that's quite a bit. And so, the next slide is really getting at engagement and how you're thinking about engagement as a key part to the management of your strategy. So let's spend a few minutes on this.

Nicole Connolly: Yeah, so we actually, we brought on a wonderful woman, Ariel Babcock, who's heading up our stewardship efforts. And we've been working closely to really figure out exactly where we're going to engage with these companies on sustainability topics. And we've done a lot of work on pay gap. We worked with a large cap consumer discretionary company a couple years ago.

And at the time, they were looking at base and bonus in terms of the pay gap for women versus men, but we really felt like an equity is an important part of the compensation package for an employee. And we know that women are awarded less equity options than men. And so, we really worked with this company to include equity in their pay gap assessment. And they did make that change after we gave them that feedback.

We worked with another company who really had goals around gender diversity, but they didn't offer paid parental leave. And we felt like, how are you going to get to these goals if you don't offer paid parental leave? It's a kind of a real barrier to bring women into the organization and to keep women in the organization. And a couple of weeks later, they reached out to us and said, we heard your feedback, and we're going to retroactively, for all of 2023, give both new moms and new dads access to paid parental leave.

And so those are just a couple of the topics we're engaging on, as you can see from this entire slide. We engage heavily on climate, on looking for scope 1 and scope 2 emissions. We engaged with another company on the amount of plastic packaging they had in their operations. So we're really doing a lot in this area. And we're going to be sharing more publicly so everybody can see these case studies of the work we've done here. And so, more to come on that.

Jess Bialas: Yeah. Thanks, Nicole. And I'll finish this up on the last slide here. So this will end our prepared comments. So please, reminder, we'll have time for audience questions for both Montanna and Nicole, so please put them in the chat, and we'll get to as many as we can. But I'll end us here on this slide. So Nicole talked us through how we look for best in class companies versus peers and those companies that are promoting and advancing women, but we also look at this strategy in aggregate.

So we also like to look at it versus the S&P 500. And what we look to understand is, OK, so if the S&P 500 looked like the Women's Leadership ETF, what would that mean? And what it would look like is 195 more women CEOs, 64 more women in CFO seats, and 101 more boards with 30% or more representation from women.

And then when it comes to the policies and the initiatives that Nicole really took some time to take us through-- they are so important-- the companies and our strategy as well, looking versus the S&P, look strong. And so we see stronger parental leave, so looking at the number of weeks. So it's not just having it or not having it. It's, what's the goodness of that parental leave? So our strategy has over two weeks more on average for both maternity and paternity than what we see in the S&P 500.

We see 30% more companies in our strategy with publicly stated diversity goals, so really putting a stake in the ground out in the public sphere. And then we've got that pay gap. We spend time on that as well, as Nicole has talked about. So 20% of our companies more so than the S&P 500 are disclosing their pay gap and really showing that transparency. So certainly, when I think about my bud, or what I'm excited about, I'm really excited because I expect to see these metrics improve over time, both with the strategy, but also likely with the broader market.

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Other fees and expenses applicable to continued investment are described in the fund's current prospectus.

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

These ETFs are different from traditional ETFs. Traditional ETFs tell the public what assets they hold each day. These ETFs will not. This may create additional risks for your investment. For example: You may have to pay more money to trade the ETF's shares. These ETFs will provide less information to traders, who tend to charge more for trades when they have less information. The price you pay to buy ETF shares on an exchange may not match the value of the ETF's portfolio. The same is true when you sell shares. These price differences may be greater for these ETFs compared to other ETFs because they provide less information to traders. These additional risks may be even greater in bad or uncertain market conditions. The ETFs will publish on its website each day a "Tracking Basket" designed to help trading in shares of the ETFs. While the Tracking Basket includes some of the ETF's holdings, it is not the ETF's actual portfolio. The differences between these ETFs and other ETFs may also have advantages. By keeping certain information about the ETFs secret, these ETFs may face less risk that other traders can predict or copy its investment strategy. This may improve the ETF's performance. If other traders are able to copy or predict the ETF's investment strategy, however, this may hurt the ETF's performance. The objective of the actively managed ETF Tracking Basket is to construct a portfolio of stocks and representative index ETFs that tracks the daily performance of an actively managed ETF without exposing current holdings, trading activities, or internal equity research. The Tracking Basket is designed to conceal any nonpublic information about the underlying portfolio and only uses the Fund's latest publicly disclosed holdings, representative ETFs, and the publicly known daily performance in its construction. You can gain access to the Tracking Basket and the Tracking Basket Weight overlap on Fidelity.com or i.Fidelity.com.

ADDITIONAL IMPORTANT INFORMATION ABOUT ACTIVE EQUITY ETFS:

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

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

Because shares are traded in the secondary market, a broker may charge a commission to execute a transaction in shares, and an investor

may incur the cost of the spread between the price at which a dealer will buy shares and the price at which a dealer will sell shares.

Fidelity Women's Leadership Fund/ETF, Fidelity Sustainable U.S. Equity Fund: Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets.

Fidelity Women's Leadership Fund/ETF, Fidelity Sustainable U.S. Equity Fund: Application of FMR's ESG ratings process and/or its sustainable investing exclusion criteria may affect the fund's exposure to certain issuers, sectors, regions, and countries and may affect the fund's performance depending on whether certain investments are in or out of favor. This process may result in the fund forgoing opportunities to buy certain securities when it might otherwise be advantageous to do so or selling securities for ESG reasons when it might be otherwise disadvantageous for it to do so.

In addition to the risks above, the below are additional risks for each fund as stated:

Fidelity Women's Leadership ETF:

Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Application of FMR's ESG ratings process and/or its sustainable investing exclusion criteria may affect the fund's exposure to certain issuers, sectors, regions, and countries and may affect the fund's performance depending on whether certain investments are in or out of favor. This process may result in the fund forgoing opportunities to buy certain securities when it might otherwise be advantageous to do so, or selling securities for ESG reasons when it might be otherwise disadvantageous for it to do so. Foreign markets can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market, or economic developments and can perform differently from the U.S. market. The value of securities of small to medium size, less well-known issuers can perform differently from the market as a whole and other types of stocks and can be more volatile than that of larger issuers. The Adviser's applications of the fund's strategy criteria may not achieve its intended results and the fund could underperform the market as a whole. Non-diversified funds that focus on a relatively small number of stocks tend to be more volatile than diversified funds and the market as a whole.

Fidelity Women's Leadership Fund:

Different parts of the market, including different market sectors, and different types of securities can react differently to these developments. Foreign markets can be more volatile than the U.S. market due to increased risks of adverse issuer, political, regulatory, market, or economic developments and can perform differently from the U.S. market. The value of securities of small to medium size, less well-known issuers can perform differently from the market as a whole and other types of stocks and can be more volatile than that of larger issuers. The Adviser's applications of the fund's strategy criteria may not achieve its intended results and the fund could underperform the market as a whole. Non-diversified funds that focus on a relatively small number of stocks tend to be more volatile than diversified funds and the market as a whole.

Fidelity Sustainable U.S. Equity Fund:

The fund's adherence to its ESG ratings process may affect the fund's exposure to certain companies, sectors, regions, and countries and may affect the fund's performance depending on whether such investments are in or out of favor. This process may result in the fund forgoing opportunities to buy certain securities when it might otherwise be advantageous to do so or selling securities for ESG reasons when it might be otherwise disadvantageous for it to do so. The value of securities of small to medium size, less well-known issuers can perform differently from the market as a whole and other types of stocks and can be more volatile than that of larger issuers.

Fidelity does not review the Morningstar data. For mutual fund performance information, you should check the fund's current prospectus for the most up-to-date information concerning applicable loads, fees, and expenses.

Information provided in, and presentation of, this document are for informational and educational purposes only and are not a recommendation to take any particular action, or any action at all, nor an offer or solicitation to buy or sell any securities or services presented. It is not investment advice. Fidelity does not provide legal or tax advice.

Before making any investment decisions, you should consult with your own professional advisers and take into account all of the particular facts and circumstances of your individual situation. Fidelity and its representatives may have a conflict of interest in the products or services mentioned in these materials because they have a financial interest in them, and receive compensation, directly or indirectly, in connection with the management, distribution, and/or servicing of these products or services, including Fidelity funds, certain third-party funds and products, and certain investment services.

Diversification does not ensure a profit or guarantee against a loss.

The Morningstar Sustainability Rating is a measure of how well the portfolio holdings are managing their ESG Risk relative to the portfolio's Global Category peer group. The Morningstar Historical Sustainability Score is a weighted average of the trailing 12 months of Morningstar Portfolio Sustainability Scores. Historical portfolio scores are not equal weighted; rather, more-recent portfolios are weighted more heavily than older portfolios. Based on their Morningstar Historical Sustainability Score, funds are assigned absolute category and percent ranks within their Morningstar Global Categories. A fund's Morningstar Sustainability Rating (Globe Rating) is its normally distributed ordinal score and descriptive rank relative to the fund's global category. Higher ratings are better and indicate that a fund has, on average, more of its assets invested in companies that have lower ESG risk as characterized by Sustainalytics. 5 globes = highest rating.

The sustainable investing exclusion criteria avoids investments in issuers that are directly engaged in, and/or derive significant revenue from, certain industries. At present, these include civilian semi-automatic firearms; tobacco production, or bonds issued against the proceeds of tobacco settlements; for-profit prisons; controversial weapons (e.g., cluster munitions manufacturers and land mines, biological/chemical weapons, blinding lasers, and incendiary weapons); and coal production and/or mining.

Investing based on environmental, social and corporate governance (ESG) factors may cause a strategy to forgo certain investment opportunities available to strategies that do not use such criteria. Because of the subjective nature of sustainable investing, there can be no guarantee that ESG criteria used by Fidelity will reflect the beliefs or values of any particular client.

Average Women's Score - The scoring system provides a method to measure and rank companies based on their commitments to diversity and inclusion by assessing the company's leadership, board and diversity initiatives. The score has roughly 25 metrics that we look for, examples include unconscious bias training, gender diverse slates, parental leave, flexible work and gender pay gap reports. Metrics vary in weight based on their perceived importance and each company ultimately has a score out of 100 that we then compare to those of peers within cap and sector in order to evaluate their potential inclusion in the fund.

Past performance is no guarantee of future results. The stocks mentioned are for illustrative purposes only and not necessarily current holdings invested in by FMR LLC. References to specific company stocks should not be construed as recommendations or investment advice. The statements and opinions are subject to change at any time, based on market and other conditions.

Before investing, consider the fund's or exchange-traded products' investment objectives, risks, charges, and expenses. Contact your investment professional or visit fidelity.com, or institutional.fidelity.com for a prospectus, or a summary prospectus if available, containing this information. Read it carefully.

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Top 10 Holdings – Fidelity Women's Leadership ETF

As of June 30, 2023

As of 6/30/23	Sector
Microsoft Corp.	Information Technology
Apple, Inc.	Information Technology
Accenture PLC Class A	Information Technology
NVIDIA Corp.	Information Technology
Vertex Pharmaceuticals	Health Care
Hologic Inc	Health Care
Progressive Corp. Ohio	Financials
Salesforce Inc.	Information Technology
MasterCard Inc. Class A	Financials
Hartford Financial Services Group	Financials

Top 10 Holdings as % of Net Assets: 22.0%

Total Number of Holdings: 98

Foreign Holdings: 1.2%

As of 6/30/22	Sector
Elevance Health Inc.	Health Care
Microsoft Corp.	Information Technology
Progressive Corp. Ohio	Financials
Cigna Corp.	Health Care
Apple, Inc.	Information Technology
CDW Corporation	Information Technology
Hologic Inc.	Health Care
Accenture PLC Class A	Information Technology
Vertex Pharmaceuticals	Health Care
AMETEK, Inc.	Industrials

Top 10 Holdings as % of Net Assets: 23.4%

Total Number of Holdings: 97

Foreign Holdings: 2.0%

The top 10 holdings are presented to illustrate examples of the holdings in which the fund may invest, and may not be representative of the fund's current or future investments. Holdings do not include money market investments or futures contracts.

Source: Fidelity Investments.

Top 10 Holdings – Fidelity Women's Leadership Fund
As of June 30, 2023

As of 6/30/23	Sector
Microsoft Corp.	Information Technology
Apple, Inc.	Information Technology
Accenture PLC Class A	Information Technology
NVIDIA Corp.	Information Technology
Progressive Corp.	Financials
Salesforce, Inc.	Information Technology
Hologic, Inc.	Health Care
Vertex Pharmaceuticals, Inc.	Health Care
MasterCard, Inc.	Financials
Adobe, Inc.	Information Technology

Top 10 Holdings as % of Net Assets: 21.1%

Total Number of Holdings: 113

Foreign Holdings: 7.4%

As of 6/30/22	Sector
Elevance Health Inc.	Health Care
Microsoft Corp.	Information Technology
Progressive Corp.	Financials
Apple, Inc.	Information Technology
Cigna Corp.	Health Care
CDW Corp.	Information Technology
Accenture PLC Class A	Information Technology
Hologic, Inc.	Health Care
AMETEK, Inc.	Industrials
Hartford Financial Services Group, Inc.	Financials

Top 10 Holdings as % of Net Assets: 21.9%

Total Number of Holdings: 117

Foreign Holdings: 10.7%

The top 10 holdings are presented to illustrate examples of the holdings in which the fund may invest, and may not be representative of the fund's current or future investments. Holdings do not include money market investments or futures contracts.

Source: Fidelity Investments.

Top 10 Holdings – Fidelity Sustainable U.S. Equity Fund

As of June 30, 2023

As of 6/30/23	Sector
Microsoft Corp	Information Technology
NVIDIA Corp	Information Technology
Apple Inc	Information Technology
Salesforce Inc	Information Technology
Travelers Companies Inc	Financials
Procter & Gamble Co	Consumer Staples
Merck & Co Inc New	Health Care
KBR Inc	Industrials
Danaher Corp	Health Care
Cigna Group	Health Care

Top 10 Holdings as % of Net Assets: 29.7%

Total Number of Holdings: 75

Foreign Holdings: 6.1%

As of 6/30/22	Sector
Microsoft Corp	Information Technology
Danaher Corp	Health Care
Prologis Inc REIT	Real Estate
Merck & Co Inc New	Health Care
Cigna Group	Health Care
Travelers Companies Inc	Financials
Cheniere Energy Inc	Energy
Salesforce Inc	Information Technology
Apple Inc	Information Technology
Procter & Gamble Co	Consumer Staples

Top 10 Holdings as % of Net Assets: 27.6%

Total Number of Holdings: 78

Foreign Holdings: 7.5%

The top 10 holdings are presented to illustrate examples of the holdings in which the fund may invest, and may not be representative of the fund's current or future investments. Holdings do not include money market investments or futures contracts.

Source: Fidelity Investments.