



Fidelity Dividend Index for Rising Rates LM

Index Methodology Document

January 2021

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Section 1: Introduction

Fidelity Factor Indexes are designed to provide investors exposure to strategic factors.

Index Definitions and Rationale

1. **Fidelity Dividend Index for Rising Rates LM** – Prioritizes income producing securities to deliver higher relative dividend yield; positive correlation to increasing treasury yields and sector neutrality helps protect investors' returns in rising rate environments, when high-yielding stocks tend to underperform

Index Methodology Summary

Parameter	Fidelity Dividend Index for Rising Rates LM
Investment Universe*	Top 1000 U.S. Stocks based on market cap Up to 10% Allocation to Top 1000 Developed International Stocks based on market cap
Sector Weights	Sector neutral
Portfolio Construction	<ul style="list-style-type: none">• Calculate composite score based on targeted factors• Adjust using modified cap scoring approach• Select top 125 securities• Assign equal active weights (i.e., all stocks overweight by the same amount)
Rebalancing	Annual, with quarterly review for stocks that have eliminated dividends

* Based on full list of U.S. stocks that meet liquidity and investability constraints; process detailed in Section 2.

Section 2: Investment Universe

U.S. Investment Universe

Constructing the Fidelity Dividend Index for Rising Rates LM begins with selecting the top 1,000 U.S. stocks based on market cap and certain liquidity and investability requirements. These largest 1,000 securities are 90% or more of the eligible investment universe for the Fidelity Dividend Index for Rising Rates LM and are utilized to determine the weights of the broader U.S. equity market (U.S. Equity market).

Securities Excluded:

1. Remove any stocks whose Country is not defined by S&P as the United States
2. Remove any stocks whose security type is not set to common stock. Also remove any stocks that are not the parent entity where there is a parent entity listed in the country/region of domicile. Should there be no parent entity, but multiple child entities listed in the country/region of domicile, the child entity with the highest ADV will be included.
3. Remove any remaining securities that are:
 - a. Limited Partnerships
 - b. BDCs
 - c. ADRs
 - d. Closed End Funds
 - e. UITs
 - f. Mutual Funds

Data Availability Screens:

1. Exclude any stock without pricing six months prior: filters out spinoffs and IPOs)
2. Include only stocks with prices, market caps, and trading volumes greater than zero

Liquidity / Investability Screens:

1. Exclude all stocks with less than \$50 million 90-day average daily volume
2. Exclude all stocks with less than 15% free float market cap

Sanctions

1. Fidelity Product Services LLC will exclude, as necessary, any security currently under sanction/with broad based government-imposed trading restrictions. These securities will be evaluated on a case-by-case basis by the Index Committee.

Top 1000 Selection: Sort the remaining stocks by free-float market cap. The market cap of all share classes is combined into a single value for the stock. The largest 1000 stocks comprise the eligible starting universe. Weights for constituents and sectors in the U.S. Equity market are also determined using combined free-float market cap.

Developed International Investment Universe

Constructing the Fidelity Dividend Index for Rising Rates LM also includes selecting the top 1,000 Developed International stocks based on market cap and certain liquidity and investability requirements. Up to 10% of the index can be allocated to these largest 1,000 Developed International securities. These are utilized to determine the weights of the broader Developed International equity market (Developed International Equity market).

Securities Excluded:

1. Remove any stocks whose Country is not defined by S&P as Developed International; also remove stocks domiciled in South Korea and the United States
2. Remove any stocks whose security type is not set to common stock. Also remove any stocks that are not the parent entity where there is a parent entity listed in the country/region of domicile. Should there be no parent entity, but multiple child entities listed in the country/region of domicile, the child entity with the highest ADV will be included.
3. Remove any remaining securities that are:
 - a. Limited Partnerships
 - b. BDCs
 - c. ADRs
 - d. Closed End Funds
 - e. UITs
 - f. Mutual Funds

Data Availability Screens:

1. Exclude any stock without pricing six months prior: filters out spinoffs and IPOs)
2. Include only stocks with prices, market caps, and trading volumes greater than zero

Liquidity / Investability Screens:

1. Exclude all stocks with less than \$50 million 90-day average daily volume
2. Exclude all stocks with less than 15% free float market cap

Sanctions

1. Fidelity Product Services LLC will exclude, as necessary, any security currently under sanction/with broad based government-imposed trading restrictions. These securities will be evaluated on a case-by-case basis by the Index Committee.

Top 1000 Selection: Sort the remaining stocks by free-float market cap. The market cap of all share classes is combined into a single value for the stock. The largest 1000 stocks comprise the eligible starting universe. Weights for constituents and sectors in the Developed International Equity market are also determined using combined free-float market cap.

Section 3: Index Construction

Fidelity Dividend Index for Rising Rates LM

To determine the attractiveness of each stocks dividend exposure, a composite score is calculated. The composite score is a weighted-average z-score based on four dividend measures. Stocks are identified for inclusion in the index based on their composite factor score.

Characteristics of Fidelity Dividend Index for Rising Rates LM

Dividend Index for Rising Rates LM targets higher yielding companies with positive correlation to treasury yields that can provide protection in a rising rate environment based on:

Factor	Weight	Definition
Dividend Yield*	63%	Trailing dividend over last twelve months over price per share
Payout Ratio	13.5%	Trailing dividends over last twelve months over earnings per share
Dividend Growth	13.5%	Trailing dividends over last twelve months over dividends from one year ago
Correlation to 10-year Treasury Yields	10%	Correlation of weekly changes in the 10-year treasury yield with weekly stock return

* For International stocks dividend yield is calculated net of withholding taxes for U.S. RICs.

Developed International Allocation

Begin with the Developed International investment universe. If a security does not have a dividend yield, it should be eliminated from inclusion.

Securities should then be screened to avoid those with the highest payout ratios. This screen entails ranking all remaining stocks based on the Payout Ratio factor and eliminating the 5% of stocks with the highest values.

From this narrowed list, a composite score is calculated. The composite score is a weighted-average factor score for each security. Composite scores are calculated separately within each sector. Stocks are identified for inclusion in the index based on their composite factor score. The top securities within the Developed International universe are selected so they represent at most 10% of the final portfolio.

The top securities within the Developed International investment universe with the highest composite factor score will be added to the securities within the U.S. investment universe for potential inclusion in the final portfolio.

Combined Factor Score

Begin with the U.S. investment universe. If a security does not have a current or indicated dividend yield it should be eliminated from inclusion. Securities should then be screened to avoid the 5% with the highest payout ratios. This narrowed list is combined with the top stocks from the Developed International investment universe.

This combined list of securities is used to compute the weighted-average composite score. Composite scores are calculated separately within each sector.

Constructing the Index

Index construction is an iterative process of combining the composite factor score, size adjustment, security selection and security weighting.

Composite scores are size-adjusted so as to remove size bias in the index by blending the composite score with a size factor until no size bias remains. This iterative process begins with 100% weight allocated to the composite score and entails moving incremental weight to the size factor until the portfolio's overall exposure to size is at a minimum. Within each sector, securities are then selected based on the attractiveness of their size-adjusted composite.

Within each sector, each stock is weighted based on its market cap weight in the broader equity market plus an overweight adjustment. The overweight adjustment applied is equal for all constituents within that sector. The purpose of this "equal active" weighting approach is to reduce the potential for concentration in certain stocks based solely on market cap.

Analyze total weight allocated to securities from Developed International universe to ensure weight does not exceed 10%. If total allocation is above 10%, scale down weight proportionately from all Developed International stocks to ensure combined allocation is below that threshold.

Section 4: Index Maintenance

Frequency of Rebalance

The Fidelity Dividend Index for Rising Rates LM is rebalanced annually over a four-day period beginning on the 3rd Friday of February, where 25% of the portfolio is rebalanced on each day for four days, ending on the following Wednesday.

Four separate proformas will be generated starting 8 days prior to the initial rebalance date, based on data from 10 business days prior to the scheduled rebalance.

REBALANCE SCHEDULE DETAILS	
Fundamental Data Captured	10 days prior to the first of four rebalance dates
Pro Forma Begins	8 days prior to the rebalance date
Rebalance Effective Date	Four consecutive days, starting with the third Friday of the rebalance month effective at next day market open

Ongoing Maintenance

The index is also reviewed on an ongoing basis to account for corporate events such as mergers, takeovers, delistings, group changes, suspensions, spin-offs/demergers or bankruptcies. Changes to index composition and related weight adjustments are made as soon as they are effective. Corporate actions will be treated as follows:

STOCK EVENT TYPE	SPDJI CORPORATE ACTION TREATMENT	DIVISOR CHANGE
Stock Forward/Reverse Split	Market cap neutral event. Shares change offset by price adjustment in the morning.	No
Investible Weight Factor (IWF) Change	IWF increase/decrease has no impact on index shares as the Additional Weight Factor (AWF) will adjust to offset the IWF change.	No
Share Issuance	Shares outstanding increase/decrease has no impact on index shares as the AWF will adjust to offset the shares outstanding change.	No
Standard rights treatment (market cap neutral) - default	If the rights are in the money, the spot price of the underlying security will be adjusted after market close of the day prior to the exDate and the index shares of the underlying security will adjust to offset the price adjustment thus making the event a market cap neutral event.	No
Special cash dividend (standard treatment)	The spot price of the underlying security will be adjusted after market close of the day prior to the exDate.	Yes
Delisting (due to bankruptcy or cancellation of listing)	The delisted security will be deleted from the index (at either the last traded price or a zero price).	Yes
Spin-off (Price Adjustment)	In the event that SPDJI applies the event as a non-ZPSO event, the spun-off company is added to the index with respect to spinoff ratio. The spot price of the underlying security is adjusted after market close of the day prior to the exDate by the closing spot price of the spinoff company multiplied by the spinoff ratio, thus making it a market cap neutral event. The divisor will not be adjusted.	No
M&A (Cash acquisition)	The acquired company is deleted from the index.	Yes
M&A (Stock acquisition, cash and/or stock acquisition)	The acquired company is deleted from the index. The index shares of the acquirer will not be adjusted.	Yes
Cessation of Dividend	In the event a company ceases paying dividends it will be removed from the index at the next available of the following dates: third Friday in February, May, August and November.	Yes

Sanctions	S&P DJI reviews sanctions on a case-by-case basis. The sanctioned company will be removed as necessary from the index with approval from the Fidelity Product Services LLC Index Committee	Yes
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Section 5: Index Calculations

The index is calculated by means of the divisor methodology. The index value is simply the index market value divided by the index divisor:

$$\text{Index Value} = \frac{\text{Index Market Value}}{\text{Index Divisor}}$$

$$\text{Index Market Value} = \sum_{i=1}^N (\text{Index Shares})_i * (\text{Price})_i$$

In order to maintain basket series continuity, it is also necessary to adjust the divisor at the rebalancing.

$$(\text{Index Value})_{\text{before rebalancing}} = (\text{Index Value})_{\text{after rebalancing}}$$

Therefore,

$$(\text{Divisor})_{\text{after rebalancing}} = \frac{(\text{Index Market Value})_{\text{after rebalancing}}}{(\text{Index Value})_{\text{before rebalancing}}}$$

Index History

Index history will be calculated for daily values and month end holdings going back to 12/31/1995. Base value will be 100.00 starting as of 12/31/1995.

Data Calculation

Following data calculations will be generated

Fidelity Dividend Index for Rising Rates LM

- a. Price Return
 - i. Index Name = **Fidelity Dividend Index for Rising Rates LM PR**
- b. Total Return
 - i. Index Name = **Fidelity Dividend Index for Rising Rates LM TR**
- c. Net Return*
 - i. Index Name = **Fidelity Dividend Index for Rising Rates LM NR**

*For Net Total Return calculations, use the Fidelity withholding tax table.

Section 6: Index Governance

Index Sponsor and Index Calculation Agent

The index sponsor is Fidelity Product Services LLC (FPS). FPS has appointed S&P Dow Jones as Index Calculation Agent to calculate and publish the indexes in accordance with this methodology document. The index sponsor may appoint an alternative Index Calculation Agent at any time.

Index Committee

The index is maintained by Fidelity Product Services LLC Index Committee. The Index Committee is responsible for reviewing the design and composition of the indexes. The Committee meets periodically to review market conditions and index performance, or on an as-needed basis to address major market developments. In addition, the Committee reserves the right to exercise its discretion in making decisions with respect to Index Policies or actions.

Fidelity Product Services LLC considers information about changes to its indexes and related matters to be potentially market moving and material. Therefore, all Index Committee discussions are confidential.

Index Policy

Announcements: Announcements regarding changes to any of the indexes will be made publicly available prior to the effective date of the change. All announcements will be published on <https://research2.fidelity.com/pi/FidelityIndex/RebalanceSchedules>

Index Holiday Schedule: Index schedule will follow the NYSE holiday schedule

Market Disruption: In situations where calculation of an index may not be possible under certain circumstances, including market disruptions, systems failures, weather conditions, acts of terrorism or any other event that is beyond the reasonable control of the Index Sponsor and/or Index Calculation Agent, the Index Calculation Agent will calculate the closing price of the indexes based on:

- (1) The closing prices published by the exchange, or
- (2) If no closing price is available, the last regular trade reported for each security before the exchange closed

If an exchange fails to open due to unforeseen circumstances, the Index Calculation Agent will treat the closures as a standard market holiday. The index will use the prior day's closing prices and shift any corporate actions to the following business day. If all exchanges fail to open or in other extreme circumstances, the Index Calculation Agent may determine not to publish the indexes for that day.

Disclaimers

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