Fidelity Canada U.S. Momentum Index

Fidelity Canada International Momentum Index

Fidelity Canada Canadian Momentum Index

Index Methodology Document

January 2021

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Section 1: Introduction

Index Definitions and Rationale

1. **Fidelity Canada U.S. Momentum Index** is designed to reflect the performance of stocks of large and mid-capitalization U.S. companies that exhibit positive momentum signals
    - **Rationale:** Stocks with above average returns and positive investor sentiment have tended to outperform over the medium term

2. **Fidelity Canada International Momentum Index** is designed to reflect the performance of stocks of large and mid-capitalization developed international companies, excluding Canadian and U.S.-based companies, that exhibit positive momentum signals
    - **Rationale:** Stocks with above average returns and positive investor sentiment have tended to outperform over the medium term

3. **Fidelity Canada Canadian Momentum Index** is designed to reflect the performance of stocks of large and mid-capitalization Canadian companies that exhibit positive momentum signals
    - **Rationale:** Stocks with above average returns and positive investor sentiment have tended to outperform over the medium term

Index Methodology Summary

Parameter	Fidelity Canada Momentum Indices	
Investment Universe*	Largest 1,000 U.S. stocks based on float-adjusted market cap	Fidelity Canada U.S. Momentum Index
	Largest 1,000 developed international stocks, excluding Canadian and U.S-based stocks, based on float-adjusted market cap	Fidelity Canada International Momentum Index
	Largest 300 Canadian stocks based on float-adjusted market cap	Fidelity Canada Canadian Momentum Index
Sector Weights	40% reallocation to highest momentum sectors	
Portfolio Construction	1. Calculate composite score based on targeted factors 2. Adjust using modified cap scoring approach 3. Select highest-ranked stocks within each sector by score Assign equal active weights (i.e., all stocks overweighted by the same amount)	
Rebalancing	Quarterly; a turnover constraint is applied at each rebalance	

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

Section 2: Investment Universe

U.S. Investment Universe

Constructing the Fidelity Canada U.S. Momentum Index begins with selecting the largest 1,000 U.S. stocks based on market cap and certain liquidity and investability requirements. These largest 1,000 securities are the eligible investment universe for Fidelity Canada U.S. Momentum Index 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. Include only stocks with prices, market caps, and trading volumes greater than zero
2. Exclude any stock without pricing six months prior: filters out spinoffs and IPOs

Liquidity / Investability Screens:

1. Exclude all stocks in the bottom quintile of securities based on days to trade $10 million
2. Exclude all stocks with less than 15% free float market cap

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 Canada International Momentum Index begins with selecting the largest 1,000 developed international stocks based on market cap and certain liquidity and investability requirements. These largest 1,000 securities are the eligible investment universe for Fidelity Canada International Momentum Index and 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 Canada, 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. Include only stocks with prices, market caps, and trading volumes greater than zero
2. Exclude any stock without pricing six months prior: filters out spinoffs and IPOs

Liquidity / Investability Screens:

1. Exclude all stocks in the bottom quintile of securities based on days to trade $10 million
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.

Canadian Investment Universe

Constructing the Fidelity Canada Canadian Momentum Index begins with selecting the largest 300 Canadian stocks based on market cap and certain liquidity and investability requirements. These largest 300 securities are the eligible investment universe for Fidelity Canada Canadian Momentum Index and are utilized to determine the weights of the broader Canadian equity market (Canadian Equity market).

Securities Excluded:

1. Remove any stocks whose Country is not defined by S&P as Canada

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

Liquidity / Investability Screens:

1. Exclude all stocks in the bottom quintile of securities based on days to trade $10 million
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 300 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 300 stocks comprise the eligible starting universe. Weights for constituents and sectors in the Canadian Equity market are also determined using combined free-float market cap.

Section 3: Index Construction

Fidelity Canada U.S. Momentum Index

To determine the level of exposure each stock has to the targeted momentum factor, a composite score is calculated. The composite score is a weighted-average z-score based on four measures of momentum. Composite scores are calculated separately within each sector. Stocks are identified for inclusion in the index based on their composite factor score.

Characteristics of Fidelity Canada U.S. Momentum Index

Fidelity Canada U.S. Momentum Index capitalizes on the continuation of market trends based on:

Factor	Weight	Definition
12-month Return Minus 1-month Return	**35%**	Cumulative twelve month total return minus last month's total return
Volatility-adjusted 12-month Return Minus 1-month Return	**35%**	Cumulative twelve month total return divided by monthly volatility minus last total month's return
12-month Earnings Surprise	**15%**	Comparison of EPS estimate from twelve months ago to actual EPS
12-month Average Short Interest	**15%**	Monthly average number of shares shorted / monthly average of shares traded may indicate the stock is overbought and momentum has run its course (favor stocks with lower short interest)

Calculating Composite Factor Score

The 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.

The process targets the selection of 100 stocks, but the final constituent count of the index may be more or less than 100.

Computing Size-Adjusted Composite Scores

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.

Security Selection

Within each sector order securities based on the size adjusted composite score. Select top securities in new investment universe depending on the number of stocks within the sector.

Weighting Methodology

Assign an equal, active weight to the securities selected within each sector (i.e., each security has the same overweight relative to its weight in the U.S. investment universe). This weighted sub-set of securities from the new investment universe is the index portfolio. Intra-rebalance the weights float with the market (i.e. no capping).

At each rebalance, determine the current weight of all holdings in the portfolio. Rank all stocks in the universe by the most current composite score from most attractive to least attractive. Start removing the lowest ranked stocks that are in the current portfolio until the weight removed reaches a turnover threshold of 15%. For each name removed, replace it with the highest-ranking stock by current composite score that is not already owned.

In order to emphasize higher momentum stocks, the sectors are weighted relative to the broader U.S. Equity market depending on the momentum characteristics of the sector. Sectors with higher momentum characteristics are overweighted, while those with lower momentum characteristics are underweighted.

Begin with the sector neutral portfolio, as noted above. Compute the sector-level weighted average volatility adjusted 12-month momentum score for each portfolio sector. Sort all sectors by their momentum scores and divide them into the top half and bottom half groups (if there is an uneven number of sectors, the extra one is included in the bottom half).

Add up to 40% weight to the top half sectors by taking weight from the bottom half sectors (if there is an uneven number of sectors, the extra one is included in the bottom half). For sectors in the bottom half, begin by subtracting an equal amount of weight from each sector. This bottom half sector underweight (BHSU) is 40% divided by number of sectors in bottom half. If BHSU is more than the market weight of any bottom half sector, its weight is reduced to zero. Thus, weight will either be sector weight less BHSU or zero.

For sectors in the top half, add an equal amount of weight to each sector. Within each sector in the top half, the additional weight should be added equally to each stock within that sector. As an example, if 800bps is to be added to a sector that has ten stocks, then each stock will have its portfolio weight increase by 80bps.

Fidelity Canada International Momentum Index

To determine the level of exposure each stock has to the targeted momentum factor, a composite score is calculated. The composite score is a weighted-average z-score based on four measures of momentum. Composite scores are calculated separately within each sector. Stocks are identified for inclusion in the index based on their composite factor score.

Characteristics of Fidelity Canada International Momentum Index

Fidelity Canada International Momentum Index capitalizes on the continuation of market trends based on:

Factor	Weight	Definition
12-month Return Minus 1-month Return	**35%**	Cumulative twelve month total return minus last month's total return
Volatility-adjusted 12-month Return Minus 1-month Return	**35%**	Cumulative twelve month total return divided by monthly volatility minus last total month's return
12-month Earnings Surprise	**15%**	Comparison of EPS estimate from twelve months ago to actual EPS
12-month Average Short Interest	**15%**	Monthly average number of shares shorted / monthly average of shares traded may indicate the stock is overbought and momentum has run its course (favor stocks with lower short interest)

Calculating Composite Factor Score

The 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.

The process targets the selection of 100 stocks, but the final constituent count of the index may be more or less than 100.

Computing Size-Adjusted Composite Scores

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.

Security Selection

Within each sector and super region intersection group, securities are then selected based on the attractiveness of their size-adjusted composite score. The number of stocks selected is determined by the aggregate weight of each sector and super region intersection group in the Developed International investment universe as follows:

- Create groups by intersecting super region and sector.

- If the number of stocks assigned to a sector and super region group (super region mapping schedule detailed below) is less than 10, those stocks are reassigned to a new super region called “other.” This ensures that all groups have an adequate number of stocks for selection.
- Create final groups using super region and sector intersection where “other” is included as a super region.
- The number of stocks selected within each group is equal to its weight in the investment universe, with a minimum value of 1.

Region and sector groups are created using the following codes:

Region "P_EXCOUNTRY(REG)"	Super Region Name
North America	Americas
South America	Americas
Asia	Greater Asia
Pacific	Greater Asia
East Europe	Greater Europe
West Europe	Greater Europe
Africa	Greater Europe
Mid East	Greater Europe
Other	Other

Weighting Methodology

Within each sector and super region intersection group, each stock is weighted based on its market cap weight in the broader Developed International Equity market plus an overweight adjustment. The overweight adjustment applied is equal for all constituents within that intersection group. The purpose of this “equal active” weighting approach is to reduce the potential for concentration in certain stocks based solely on market cap. If necessary, rescale the final portfolio to 100%.

At each rebalance, determine the current weight of all holdings in the portfolio. Rank all stocks in the universe by the most current composite score from most attractive to least attractive. Start removing the lowest ranked stocks that are in the current portfolio until the weight removed reaches a turnover threshold of 15%. For each name removed, replace it with the highest-ranking stock by current composite score that is not already owned.

In order to emphasize higher momentum stocks, the sectors are weighted relative to the broader Developed International Equity market depending on the momentum characteristics of the sector. Sectors with higher momentum characteristics are overweighted, while those with lower momentum characteristics are underweighted.

Begin with the sector neutral portfolio, as noted above. Compute the sector-level weighted average volatility adjusted 12-month momentum score for each portfolio sector. Sort all sectors by their momentum scores and divide them into the top half and bottom half groups (if there is an uneven number of sectors, the extra one is included in the bottom half).

Add up to 40% weight to the top half sectors by taking weight from the bottom half sectors (if there is an uneven number of sectors, the extra one is included in the bottom half). For sectors in the bottom half, begin by subtracting an equal amount of weight from each sector. This bottom half sector underweight (BHSU) is 40% divided by

number of sectors in bottom half. If BHSU is more than the market weight of any bottom half sector, its weight is reduced to zero. Thus, weight will either be sector weight less BHSU or zero.

For sectors in the top half, add an equal amount of weight to each sector. Within each sector in the top half, the additional weight should be added equally to each stock within that sector. As an example, if 800bps is to be added to a sector that has ten stocks, then each stock will have its portfolio weight increase by 80bps.

Fidelity Canada Canadian Momentum Index

To determine the level of exposure each stock has to the targeted momentum factor, a composite score is calculated. The composite score is a weighted-average z-score based on four measures of momentum. Composite scores are calculated separately within each sector. Stocks are identified for inclusion in the index based on their composite factor score.

Characteristics of Fidelity Canada Canadian Momentum Index

Fidelity Canada Canadian Momentum Index capitalizes on the continuation of market trends based on:

Factor	Weight	Definition
12-month Return Minus 1-month Return	**35%**	Cumulative twelve month total return minus last month's total return
Volatility-adjusted 12-month Return Minus 1-month Return	**35%**	Cumulative twelve month total return divided by monthly volatility minus last total month's return
12-month Earnings Surprise	**15%**	Comparison of EPS estimate from twelve months ago to actual EPS
12-month Average Short Interest	**15%**	Monthly average number of shares shorted / monthly average of shares traded may indicate the stock is overbought and momentum has run its course (favor stocks with lower short interest)

Calculating Composite Factor Score

The 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.

The process targets the selection of 60 stocks, but the final constituent count of the index may be more or less than 60.

Computing Size-Adjusted Composite Scores

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.

Security Selection

Within each sector order securities based on the size adjusted composite score. Select top securities in new investment universe depending on the number of stocks within the sector. The number of stocks selected in each sector is determined by the aggregate weight of each sector. Within each sector, each stock is weighted based on its market cap weight in the broader investment universe plus an overweight adjustment. The overweight adjustment applied is equal for all constituents within that sector.

Weighting Methodology

Assign an equal, active weight to the securities selected within each sector (i.e., each security has the same overweight relative to its weight in the Canadian investment universe). This weighted sub-set of securities from the new investment universe is the index portfolio. Intra-rebalance the weights float with the market (i.e. no capping).

At each rebalance, determine the current weight of all holdings in the portfolio. Rank all stocks in the universe by the most current composite score from most attractive to least attractive. Start removing the lowest ranked stocks that are in the current portfolio until the weight removed reaches a turnover threshold of 15%. For each name removed, replace it with the highest-ranking stock by current composite score that is not already owned.

In order to emphasize higher momentum stocks, the sectors are weighted relative to the broader Canadian Equity market depending on the momentum characteristics of the sector. Sectors with higher momentum characteristics are overweighted, while those with lower momentum characteristics are underweighted.

Begin with the sector neutral portfolio, as noted above. Compute the sector-level weighted average volatility adjusted 12-month momentum score for each portfolio sector. Sort all sectors by their momentum scores and divide them into the top half and bottom half groups (if there is an uneven number of sectors, the extra one is included in the bottom half).

Add up to 40% weight to the top half sectors by taking weight from the bottom half sectors (if there is an uneven number of sectors, the extra one is included in the bottom half). For sectors in the bottom half, begin by subtracting an equal amount of weight from each sector. This bottom half sector underweight (BHSU) is 40% divided by number of sectors in bottom half. If BHSU is more than the market weight of any bottom half sector, its weight is reduced to zero. Thus, weight will either be sector weight less BHSU or zero.

Section 4: Index Maintenance

Frequency of Rebalance

The Fidelity Canada U.S. Momentum Index, the Fidelity Canada International Momentum Index, and the Fidelity Canada Canadian Momentum Index are rebalanced quarterly on the 3rd Friday of February, May, August, and November.

Proformas will be generated starting 8 days prior to the rebalance date, based on data from 10 U.S. business days prior to the scheduled rebalance.

REBALANCE SCHEDULE DETAILS	
Fundamental Data Captured	10 U.S. business days prior to the rebalance date
Pro Forma Begins	8 days prior to the rebalance date
Rebalance Effective Date	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 spunoff 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
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

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:

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

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

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

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

Therefore,

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

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. The 4 PM New York EST WM fix rate will be used for foreign exchange valuation. For historical values, the 4 PM London WM fix rate will be used for foreign exchange valuation prior to 09/13/2018. The base currency of the index is the Canadian Dollar.

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 Investments 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 TSX holiday schedule

U.S. Business Days: Each day on which the New York Stock Exchange (NYSE) is open for general business.

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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