



Fidelity Multifactor Yield Index 5% ER

Index Methodology Document

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Section 1: Introduction

Key Index Information

Parameter	Fidelity Multifactor Yield Index 5% ER	
Summary of Index Methodology	<p>The Fidelity Multifactor Yield Index 5% ER (the “Index”) is a rules-based strategy that attempts to adaptively allocate exposure between (i) an equity portfolio (the “Equity Component”), (ii) a notional portfolio invested in U.S. 10 year Treasury Note futures (the “Fixed Income Component”) and (iii) an allocation to cash that earns zero return. The Index incorporates a volatility-targeting mechanism which seeks to achieve an annualized volatility of 5%.</p> <p>The Equity Component tracks the excess return performance of the Fidelity U.S. Equity Income Factor Index, which is comprised of six underlying equity factor indices as described in section 2.</p> <p>The Fixed Income Component tracks the excess return performance of a notional portfolio of U.S. 10 year Treasury Note futures, where the level of exposure is adjusted, as frequently as daily, based upon the price trend over a 3-month (63-day) lookback period.</p>	
Index Constituents	Equity Index	Fidelity Equity Income Factor Index TR (Ticker: FIDUSIFT)
	Treasury Index	10Y US Treasury Future Market Tracker Index (Ticker: CITPBF1U)
Maximum Exposure	Up to 150%	
Target Volatility	5%	
Rebalancing	Daily	
Index Fee	0.50%	
Index Launch Date	December 11, 2019	
Index Start Date ¹	June 22, 1998	
Base Index Start Date ¹	December 5, 1997	
Equity Component Start Date ¹	December 29, 1995	

Fixed Income Component Start Date ¹	May 13, 1996
Index Ticker	FIDMFYDN

¹ The Index was launched by the Index Administrator on the Index Launch Date. The Index has been calculated by the Index Calculation Agent for the period from the Index Start Date. The past performance of the Index prior to the Index Launch Date has been derived from a back-testing simulation by applying the Index methodology to published historical levels of the Index constituents. Back-tested performance is provided for illustrative purposes only and should not be regarded as an indication of future performance. The back-testing simulation assumed that there were no market disruption events and no extraordinary events affecting Index constituents. A simulation based on different assumptions may produce different results.

Section 2: Investment Universe

The Index provides exposure to the following constituents:

Asset Class	Index Constituent	Bloomberg Ticker	Constituent Start Date	Constituent Inception Date
Equity	Fidelity U.S. Equity Income Factor Index TR	FIDUSIFT	12/29/1995	09/06/2019
Fixed Income	10Y US Treasury Future Market Tracker Index	CITPBF1U	12/29/1995	11/05/2019

Description of the Equity Component

The Fidelity U.S. Equity Income Factor Index TR (the “Equity Index”) provides the equity exposure for the Index. It combines six single factor indices to reflect the performance of stocks of large, mid and small capitalization companies that are expected to provide higher income and risk-adjusted returns than the broader equity market. The Fidelity U.S. Equity Income Factor Index TR is rebalanced annually and can hold developed international stocks. The Equity Component is derived from the Fidelity U.S. Equity Income Factor Index TR minus a financing cost (“Fed Funds Rate”, Bloomberg Ticker: “FEDLO1”).

Below is a table of underlying factor indices and weights that comprise the Equity Index:

Index Name	Weight
Fidelity High Dividend Index	45%
Fidelity U.S. Momentum Factor Index	15%
Fidelity U.S. Value Factor Index	10%
Fidelity U.S. Quality Factor Index	10%
Fidelity U.S. Low Volatility Factor Index	10%
Fidelity Small-Mid Factor Index	10%

Description of the Fixed Income Component

The Fixed Income Component of the Index is comprised of the 10Y US Treasury Future Market Tracker Index. The weight of the Fixed Income Component depends on performance trends. When the performance trend of the 10-year U.S. Treasury futures index is positive, then the Fixed Income Component holds 100% exposure to the 10-Year U.S. Treasury futures index. However, when the performance trend is negative, the exposure of the Fixed Income Component to the 10-Year Treasury futures index is reduced to 50%.

Section 3: Index Construction and Calculations

Determination of Target Weights and Volatility Control

Fidelity Multifactor Yield Base Index		
	Frequency	Description
Step 1	Daily	<ul style="list-style-type: none"> For the Base Index, the daily weight of each component is determined using a risk parity scheme. The risk parity approach allocates to each component based on a targeted risk level. This process seeks to maximize income and total return while targeting a volatility of 5%. The process considers all combinations of the equity and fixed income components, using the average of the short term and long term realized exponentially-weighted volatility of each component, subject to a two Index Business Day lag. The level of exposure of the Fixed Income Component to the 10Y US Treasury Future Market Tracker Index is dynamic and may vary, as frequently as daily, based upon a signal derived from the prevailing trends. The signal monitors, daily, whether the 10Y US Treasury Future Market Tracker Index has declined in each of the prior 3 months. When the performance trend of the 10Y US Treasury Future Market Tracker Index is positive, 100% of the Fixed Income Component is allocated to it and when the performance trend of the 10Y US Treasury Future market Tracker Index is negative, 50% of the Fixed Income Component is allocated to the it, with the remaining 50% allocated to cash that earns zero return.
Fidelity Multifactor Yield Index 5% ER		
	Frequency	Description
Step 2	Daily	<ul style="list-style-type: none"> The second step in the process is applying volatility control to the Base Index. The Fidelity Multifactor Yield Index 5% ER exposure to the Base Index is adjusted daily using a volatility targeting methodology. The Fidelity Multifactor Yield Index 5% ER increases or decreases the exposure to the Base Index in order to try and maintain volatility at a constant 5% annualized level. If the recent volatility of the Base Index exceeds 5%, the index will allocate less than 100% exposure to the Base Index and leave the residual weight in cash. If the recent volatility of the Base Index is below 5%, the exposure allocated to the Base Index may increase but not exceed 150%.

Additional considerations

- The equity component level returns are computed net of the financing costs, which are set at the Fed Funds Rate and the Fidelity Multifactor Yield Index 5% ER reflects the daily deduction of a fee of 0.50% per annum.

Index Calendars:

- **Index Business Days:** Each day on which each of the New York Stock Exchange (NYSE), the London Stock Exchange (LSE), the Frankfurt Stock Exchange (FSE) are open for general business and it is not designated as a holiday in accordance with the SIFMA holiday calendar. Index is only traded and published when all three exchanges are open, and it is not a designated holiday as determined by SIFMA.

Section 4: 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. Licensed users will be contacted, in writing, with respect to proposed changes in the index, unless such changes are due to a market disruption event or other similar event.

Market Disruption: In situations the calculation of the Index may not be possible due to 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.

If, on any Index Business Day, a market disruption occurs that the Index Sponsor determines, affects the Index, the Index Sponsor may:

1. defer, suspend or postpone the calculation and publication of the Index level and any other information relating to the Index until the next Index Business Day on which the Index Sponsor determines, in its sole discretion, that no such market disruption exists or is continuing; and/or
2. make such determinations and/or adjustments in relation to (a) the methodology used to calculate that Index as the Index Sponsor considers necessary in order to maintain the objectives of the index, or (b) the Index level of the Index as the Index Sponsor considers appropriate in order to preserve the underlying objectives of the Index.

If on an Index Business Day where the Index is due to rebalance, a market disruption occurs that the Index Sponsor determines in a commercially reasonable manner, affects the Index, the Index Sponsor may, in each case, in a commercially reasonable manner and consistent with the objectives of the Index:

3. postpone such rebalance until the next Index Business Day on which the Index Sponsor determines, in a commercially reasonable manner, no such market disruption exists or is continuing;
4. perform the Index rebalance in whole or in part on such day;
5. make such adjustments to the Index rebalance as it may in a commercially reasonable manner including, without limitation, performing such Index rebalance (i) by reference to such estimates of any affected variables and values as it may determine and/or (ii) on more than one day and/or
6. permanently cease to calculate and make available the Index level.

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