



# Fidelity International Value Focus Index

## Index Methodology Document

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# Section 1: Introduction

Fidelity Factor Indices are designed to provide investors exposure to targeted strategic factors

## Fidelity International Value Focus Index

The objective is to create a well-diversified portfolio that invests in companies based on attractive valuation metrics

### Index Methodology Summary

Parameter	Fidelity International Value Focus Index
Universe	Largest 1000 developed international stocks based on float-adjusted market cap, after the application of liquidity and investability constraints
Portfolio Construction	<ul style="list-style-type: none"><li>• Calculate composite score based on targeted factors</li><li>• Using an optimizer, maximize exposure to the composite Value factor score</li><li>• Long only with constraints on active security weights set at a max upper bound of +2%; minimum lower bound active security weight set at -2%</li></ul>
Rebalancing	Monthly with a 5% constraint per rebalance

## Section 2: Defining Investment Universe

### Defining Eligibility Criteria

Constructing the international universe begins with selecting the largest 1,000 developed international stocks based on market cap and certain liquidity and investability requirements. These 1,000 securities are the eligible investment universe for the Fidelity International Value Focus Index. These securities are used to determine the weights of the broader Developed International Equity market (Developed International Equity market).

**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: Constructing the Fidelity International Value Focus Index

### Calculating Composite Factor Score

To determine the level of exposure each stock has to the targeted value factor, a composite score is calculated.

### Characteristics of Fidelity International Value Focus Index

Target attractively valued companies based on:

Factor	Definition
Free Cash Flow Yield	Free cash flow per share divided by the share price
EBITDA to Enterprise Value	Earnings before interest, tax, depreciation, and amortization divided by enterprise value
Book Value to Price	Company's total book value over price
Earnings over next twelve months to Price	Based on consensus estimates of earnings

### Computing the Composite Factor Score

Composite scores are calculated for each security in the Investment Universe.

### Constructing the Index

Index construction is designed as an optimized process to create a portfolio, which maximizes the composite factor scores each month subject to the constraints listed below:

- a) Long only (no short positions)
- b) Active sector and region exposure constrained relative to the Investment Universe
- c) Constraints on active security bets set at max upper bound of +2%; minimum lower bound active security weight set at -2%
- d) Monthly turnover constraint of 5% per rebalance

## Section 4: Maintaining the Fidelity International Value Focus Index

### Frequency of Rebalance

The index is rebalanced monthly.

### 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
IWF Change	IWF increase/decrease has no impact on index shares as the 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 (mcap 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 company (at either the last traded price of a zero price).	Yes
Spin-off (Price Adjustment), add spinoff	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 multiply by the spinoff ratio, thus making it a mcap 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

# Section 5: Index Data Calculation and Distribution

## Data Calculation

Following data calculations will be generated (in USD)

- a. Price Return
  - i. Index Name = **Fidelity International Value Focus Index PR**
  - ii. Calculated Real Time = NYSE Trading hours (i.e. 9:30-4 EST)
  - iii. Ticker = FIDINVFP
  
- b. Total Return
  - i. Index Name = **Fidelity International Value Focus Index TR**
  - ii. Calculated as of EOD
  - iii. Ticker = FIDINVFT
  
- c. Net Total Return
  - i. Index Name = **Fidelity International Value Focus Index NR**
  - ii. Calculated as of EOD
  - iii. Ticker = FIDINVFN

## Index Holiday Schedule

Index schedule will follow the NYSE holiday schedule

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