



Fidelity U.S. 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 U.S. 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 U.S. Value Focus Index
Universe	Largest 1,000 U.S. stocks based on float-adjusted market cap, after the application of liquidity and investability constraints
Portfolio Construction	<ul style="list-style-type: none">• Calculate composite score based on targeted factors• Using an optimizer, maximize exposure to the composite value factor score subject to certain security, sector and turnover constraints.• Constraints on active security weights set at max upper bound of +3% and a minimum lower bound active security weight set at -3%
Rebalancing	Monthly with a 5% constraint per rebalance

Section 2: Defining Investment Universe

Defining Eligibility Criteria

All U.S. listed stocks are screened for security type eligibility, liquidity and investability requirements.

Selection of the Investment Universe:

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 by full market capitalization comprise the investment universe, and their free float-adjusted constituent and sector weights are used to define the broad U.S. equity market (Investment Universe).

Section 3: Constructing the Fidelity U.S. Value Focus Index

Calculating Composite Factor Score

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

Characteristics of Fidelity U.S. 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 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 exposure constrained relative to the Investment Universe
- c) Constraints on active security bets set at max upper bound of +3%; minimum lower bound active security weight set at -3%
- d) Monthly turnover constraint of 5% per rebalance

Section 4: Maintaining the Fidelity U.S. 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 spinoff 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

- a. Price Return
 - i. Index Name = **Fidelity U.S. Value Focus Index PR**
 - ii. Calculated Real Time = NYSE Trading hours (i.e. 9:30-4 EST)
 - iii. Ticker = FIDUSVFP

- b. Total Return
 - i. Index Name = **Fidelity U.S. Value Focus Index TR**
 - ii. Calculated as of EOD
 - iii. Ticker = FIDUSVFT

Index Holiday Schedule

Index schedule will follow the NYSE holiday schedule

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