

First Quarter 2016 Scorecard for Fidelity.com Stock Research Providers




Integrity Research Associates, a consulting firm which evaluates investment research providers, has analyzed the performance of stock recommendations made by eleven independent stock research firms available through Fidelity.com from April 1, 2013 through March 31, 2016, as tabulated by Investars, a performance measurement specialist. Note that the Thomson Reuters Company-in-Context reports include buy/hold/sell recommendations provided by Verus Analytics and are referred to as 'Thomson Reuters/Verus' in this analysis. Excluded from this scorecard are research firms available on Fidelity.com which do not offer buy and sell recommendations: Thomson Reuters I/B/E/S Earnings Estimates, The Hightower Report, Recognia, Trading Central, Starmine, Investars and Integrity Research. GMI Ratings was acquired by MSCI, an index, research and analytics provider, and GMI's Accounting and Governance Risk (AGR) ratings are now part of MSCI's Environmental, Social and Governance (ESG) unit. The following are highlights of the analysis.*

Q1 2016 Research Scorecard Highlights:

- What began as the worst start to a calendar year ever for the U.S. stock market managed to turn the corner in mid-February, paving the way for a quarterly gain of 1.78% for the S&P 500 when dividends are included. Stocks fell 10% in the first few weeks, before recovering in the latter part of the quarter. Partly the turnaround reflected softening Federal Reserve policies. After raising interest rates for the first time in nearly a decade in December with the vow to lift rates at least four times in 2016, the Fed reversed course a few weeks later.
- **Thomson Reuters/Verus won Fidelity's Research Award Score**, thanks to the strong performance of its recommendations, demonstrated sector expertise, and a low risk profile for its recommendations. **Ford Equity Research** narrowly missed the top spot and had to settle for second place in the awards. Ford had solid performance with a good risk/reward profile. **McLean Capital** was third because of a strong track record for its recommendations.
- In the rolling three years through Q1 2016, the Fidelity.com equity research providers with **top-performing buy recommendations** were **Thomson Reuters/Verus, McLean Capital** and **Zacks Investment Research**.
- **MSCI ESG** and **Thomson Reuters/Verus** had the **lowest volatility** associated with their buy recommendations while **Thomson Reuters/Verus** and **McLean Capital** had the **lowest maximum drawdowns** associated with their buy recommendations.
- When sell recommendations are included, the research providers with the best three year track records were **Zacks Investment Research, Ford Equity Research** and **McLean Capital**.
- **Thomson Reuters/Verus** was the **most consistent performers on an industry sector level**, placing among the top three firms in 7 out of 10 industry sectors.
- Firms with **longer average holding periods** for their buy recommendations were **Standard & Poor's Capital IQ** and **EVA Dimensions**. Those with the **shortest durations** were **Zacks Investment Research, Ned Davis Research** and **Thomson Reuters/Verus**.

Research Awards

The research providers with the highest **Research Award Scores** for the first quarter of 2016 were:

-  First Place (tie) — **Thomson Reuters/Verus** with a score of 80 of a possible 100 points
-  Second Place — **Ford Equity Research** with a score of 79 of a possible 100 points
-  Third Place — **McLean Capital** with a score of 77 of a possible 100 points

The **Research Award Score** combines various components of research performance into one metric and compares the performance of the independent firms available through Fidelity.com to the performance of all the research firms tracked by Investars.¹

Research Award Scores, First Quarter 2016

Research Provider	Award Score (100 pts)	Buys (36 pts)	Buys +Sells (32 pts)	Sectors (13 pts)	Holding (9 pts)	Volatility (10 pts)	Q4 Rank
Thomson Reuters/Verus	80	34.4	26.3	9.3	0.2	9.4	1
Ford Equity Research	79	33.5	27.8	9.3	0.7	8.1	3
McLean Capital	77	33.9	26.5	8.3	0.3	8.3	4
EVA Dimensions, LLC	73	32.7	22.7	9.5	1.3	6.5	6
Jefferson Research &	72	30.3	25.3	8.5	1.2	6.9	8
Zacks Investment	71	31.6	25.2	8.4	0.1	6.1	1
MSCI ESG AGR	69	27.7	23.3	7.8	1.0	9.4	5
Columbine Capital	66	30.3	20.4	6.7	0.8	8.0	6
ValuEngine	57	22.0	19.3	7.0	1.1	7.3	9
S&P Capital IQ	49	24.2	9.9	7.4	3.0	5.0	11
Ned Davis Research	48	17.7	13.6	7.5	0.1	8.8	10

Thomson Reuters/Verus regained sole possession of the top spot after a year and a half hiatus. It had the best buy performance among Fidelity.com providers over the last three years, the best sector level track record and an excellent risk/reward profile.

¹ To calculate the award scores, five main components are included: buy recommendations, buy recommendations combined with sell recommendations, industry sector performance, holding periods, and volatility of returns. First, the scores are ranked against the entire universe of research firms tracked by Investars, which tracks performance for about 100 research providers. Then the scores are weighted as detailed below:

- The performance of the buy recommendations, comprising 36% of the overall score, or a maximum of 36 points.
- The performance of buy and sell recommendations (overall performance), comprising 32% of the overall score, or a maximum of 32 points.
- The industry sector performance (consistency of performance across industry sectors), comprising 13% of the overall score, or a maximum value of 13 points.
- The average holding period of the buy recommendations (longer holding periods being more favorable), comprising 9% of the overall score, or a maximum value of 9 points.
- The volatility (standard deviation) of the buy recommendations' performance, comprising 10% of the overall score, or a maximum of 10 points.

Please note that none of the performance metrics included in this report includes transaction costs, which can significantly impact realized return.

Ford Equity Research missed first place by just one point thanks to solid performance numbers, longer average holding periods for its recommendations and an excellent risk/return profile.

McLean Capital was third thanks to having the second best buy performance over the last three years and the third best three year performance when sell recommendations are included.

Buy Recommendation Performance

The table below presents the performance of the buy recommendations of the Fidelity.com independent research firms over the past three years and over the past year, as well as two risk metrics. The performance measures the annual return that would be achieved if the buy recommendations of the research provider had been followed during the period, excluding transaction costs.

Q1 2016 Annualized BUY Performance vs. Risk of Stock Research Firms Available through Fidelity.com					
Research Firm	3-Yr				1-Yr Buy Performance
	Annualized Buy Performance	Q1 vs. Q4 Rank	Annualized Standard Deviation	Maximum Drawdown	
Thomson Reuters/Verus	17.1	1 ⇄ 1	12.7	-14.1	2.8
McLean Capital Management	15.9	2 ⇄ 3	13.5	-15.3	-0.3
Zacks Investment Research, Inc.	15.4	3 ⇄ 1	14.7	-23.5	-6.1
Ford Equity Research	15.2	4 ⇄ 4	13.5	-18.2	0.3
EVA Dimensions, LLC	13.8	5 ⇄ 7	14.2	-19.0	-0.2
Columbine Capital Services, Inc.	13.0	6 ⇄ 6	13.6	-19.9	-3.1
Jefferson Research & Management	12.3	7 ⇄ 9	14.1	-18.5	-2.3
MSCI ESG AGR	11.9	8 ⇄ 5	12.7	-18.5	-5.1
S&P Capital IQ	10.7	9 ⇄ 10	15.1	-23.9	-6.5
ValuEngine	10.5	10 ⇄ 8	13.9	-20.9	-6.7
Ned Davis Research	8.2	11 ⇄ 11	13.3	-20.4	-7.2
Fidelity Average	13.1	NA	13.8	-19.3	-3.1
Investars Universe Average	9.7	NA	15.5	-25.5	-7.4
S&P 500	11.8	NA	13.5	-18.0	1.8

Performance of the individual research firms is estimated by taking the buy recommendations and tracking them as if the investor had invested equal amounts of cash into each stock in the research firm's buy portfolio. Each stock is held in the portfolio as long as the buy recommendation is in place, and is removed once a recommendation changes to a sell or hold. Essentially the performance of each firm is an equal-weighted index return. By contrast, the S&P 500 is weighted by the market capitalization of its component stocks.

We place the greatest weight on 3-year performance, so the table is sorted according to the three year return column.

Thomson Reuters/Verus had the best three year buy performance, followed by **McLean Capital Management** and **Zacks Investment Research**.

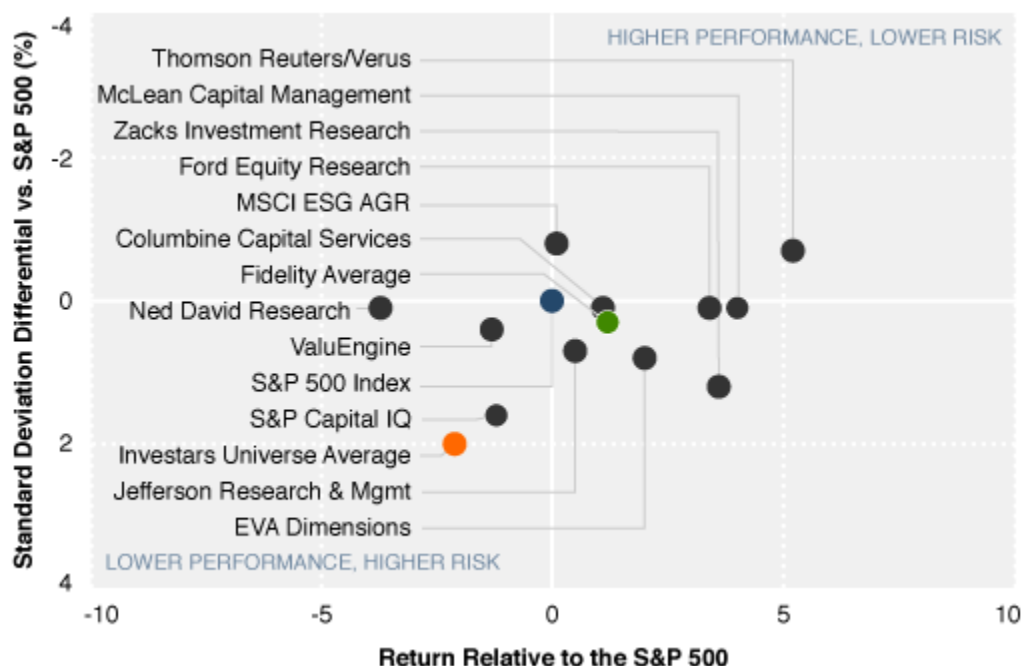
The 1-year performance needs to be viewed with more caution since the narrower time frame may encompass fewer ups and downs in the market and does not address consistency over time. However, those firms which are performing well over 1

year will benefit as this performance rolls farther into the 3-year horizon. In other words, the 1-year numbers give a preview of whether a top performer can sustain its performance, or whether a bottom performer is turning around. The strong 1-year performance of Thomson Reuters/Verus suggests that its 3-year performance numbers will continue to be strong.

Risk

An important risk metric is standard deviation, which captures the volatility of an investment's returns. Standard deviation is a measure of the variability of the returns generated by the buy recommendations. Using the S&P 500 index as an example, the standard deviation of returns for the last three years was 13.5%. This means that about two-thirds of the time returns were between the average return (which was 11.8% for the latest 3 years) plus or minus 13.5%. In other words, two-thirds of the time, performance was between -1.7% and 25.3%. As the standard deviation increases so does the potential range of returns, resulting in more variability.

Perhaps the best way to visualize the relationship between risk and return is on a chart. The chart below plots the excess returns of each firm's buy recommendations relative to the S&P 500 index compared to the incremental volatility of each firm's buy recommendations relative to the volatility of the S&P 500 index. Ideally, a research provider would generate greater return and less volatility than a buy and hold index strategy, though in practice one generally must accept more risk to gain more return in the marketplace.



As can be seen in the chart above, all of the research firms available on Fidelity.com except Ned Davis Research, ValuEngine and S&P Capital IQ had better performance than would have been generated by a simple "buy the S&P 500 index" investment. (Note, however, that transaction costs are not included in this analysis.) One might expect that these higher returns generally come with higher risk, which is generally the case with the research providers on Fidelity.com. However, the recommendations of two of the research firms, MSCI ESG and Thomson Reuters/Verus, had lower volatility compared to the S&P 500 index.

The firm with the most volatile recommendations--S&P Capital IQ--still had better risk profile than the average for the firms tracked by Investars (a standard deviation of 15.1 compared to 15.5 for the Investars Average). Firms in the lower right quadrant had returns above the S&P 500 Index, but did so with higher associated volatility.

There are two standout research firms from a risk return perspective: 1) **Thomson Reuters/Verus** had an average annualized performance of its buy recommendations that exceeded the S&P 500 by 5.3% while generating a lower standard deviation of returns; 2) **MSCI ESG** had an excess return of .1% over the S&P 500 index return on average, while exhibiting a lower standard deviation than the S&P 500.

Maximum drawdowns are another metric to assess the riskiness of the research recommendations. The maximum drawdown is a measure of the largest percentage loss the recommended stocks would have experienced during the 3 year time horizon. For example, using the S&P 500 index returns, an investor would have lost 18% percent of their portfolio value if he or she were unfortunate enough to buy the index at its highest point and then sell the index at its lowest level during the last three years. Maximum drawdowns are listed in the table on page 3 above.

Thomson Reuters/Verus had the lowest maximum drawdown (-14.1%), followed by **McLean Capital** (-15.3%). **S&P Capital IQ** had the highest maximum drawdown for the period (-23.9%).

Buy and Sell Recommendations

Investars calculates the performance for buys and sells by estimating a return based on each buy and sell recommendation during the period, ignoring returns associated with hold recommendations. In other words, a buy remains a buy until changed to a hold or a sell. Sell recommendations are treated like short sales until changed to a hold or a buy. Transaction costs are not included in the analysis.

Q1 2016 Annualized BUY + SELL Performance of Stock Research Firms Available through Fidelity.com					
				Q4 2015	Q1 2015
Research Firms	3 Year	2 Year	1 Year	Rank	Rank
Zacks Investment Research, Inc.	14.1	11.1	2.2	1	1
Ford Equity Research	13.9	16.2	20.4	3	3
McLean Capital Management	13.1	15.2	12.2	2	2
Thomson Reuters/Verus	12.9	12.3	18.5	3	4
Jefferson Research & Management	10.7	13.9	15.5	5	6
EVA Dimensions, LLC	8.8	9.6	11.5	9	8
MSCI ESG AGR	8.7	14.3	8.2	6	5
Columbine Capital Services, Inc.	7.6	6.8	8.7	7	7
ValuEngine	6.8	5.6	10.0	8	11
Ned Davis Research	3.5	0.3	0.9	10	9
S&P Capital IQ	0.2	-2.1	-7.1	11	10
Fidelity Average	9.1	9.4	9.2		
Investars Universe Average	4.2	4.4	4.2		

Note: Performance includes buy and sell recommendations of each research firm

Zacks Investment Research had the best combined buy and sell recommendations over a 3 year period, however its performance has been weakening recently. Ford Equity Research had the next best three year buy/sell performance, and its performance is strengthening. McLean Capital Management was third over the three year period.

Industry Sector Performance

Investars calculates the 1-year performance of recommendations on stocks within each of the ten industry sectors. The results need to be used with some caution because 1-year results can be more volatile than results over a longer period. Nevertheless, the result shows which research firms have expertise in a particular industry sector. The tables below list the top three research firms in each industry sector based on their one-year performance as calculated by Investars:

Energy	Rank	1 Yr Performance
Ford Equity Research	1	-21.6
MSCI ESG AGR	2	-26.3
Thomson Reuters/Verus	3	-27.2

Materials	Rank	1 Yr Performance
Thomson Reuters/Verus	1	7.3
Zacks Investment Research, Inc.	2	6.0
McLean Capital Management	3	2.1

Industrials	Rank	1 Yr Performance
Ned Davis Research	1	8.6
EVA Dimensions, LLC	2	-0.9
Ford Equity Research	3	-1.4

Consumer Discretionary	Rank	1 Yr Performance
McLean Capital Management	1	0.6
EVA Dimensions, LLC	2	-4.7
MSCI ESG AGR	3	-5.3

Consumer Staples	Rank	1 Yr Performance
Ford Equity Research	1	28.5
EVA Dimensions, LLC	2	14.5
ValuEngine	3	14.2

Health Care	Rank	1 Yr Performance
Ford Equity Research	1	0.9
Thomson Reuters/Verus	2	-1.1
McLean Capital Management	3	-2.4

Performance Data Provided By **Investars**

Financials	Rank	1 Yr Performance
Ned Davis Research	1	10.8
Thomson Reuters/Verus	2	10.6
Zacks Investment Research, Inc.	3	5.5

Information Technology	Rank	1 Yr Performance
Thomson Reuters/Verus	1	3.7
McLean Capital Management	2	3.0
EVA Dimensions, LLC	3	2.9

Telecommunications Services	Rank	1 Yr Performance
MSCI ESG AGR	1	28.1
Zacks Investment Research, Inc.	2	23.5
Thomson Reuters/Verus	3	19.9

Utilities	Rank	1 Yr Performance
Jefferson Research & Management	1	23.0
Thomson Reuters/Verus	2	16.8
MSCI ESG AGR	3	13.9

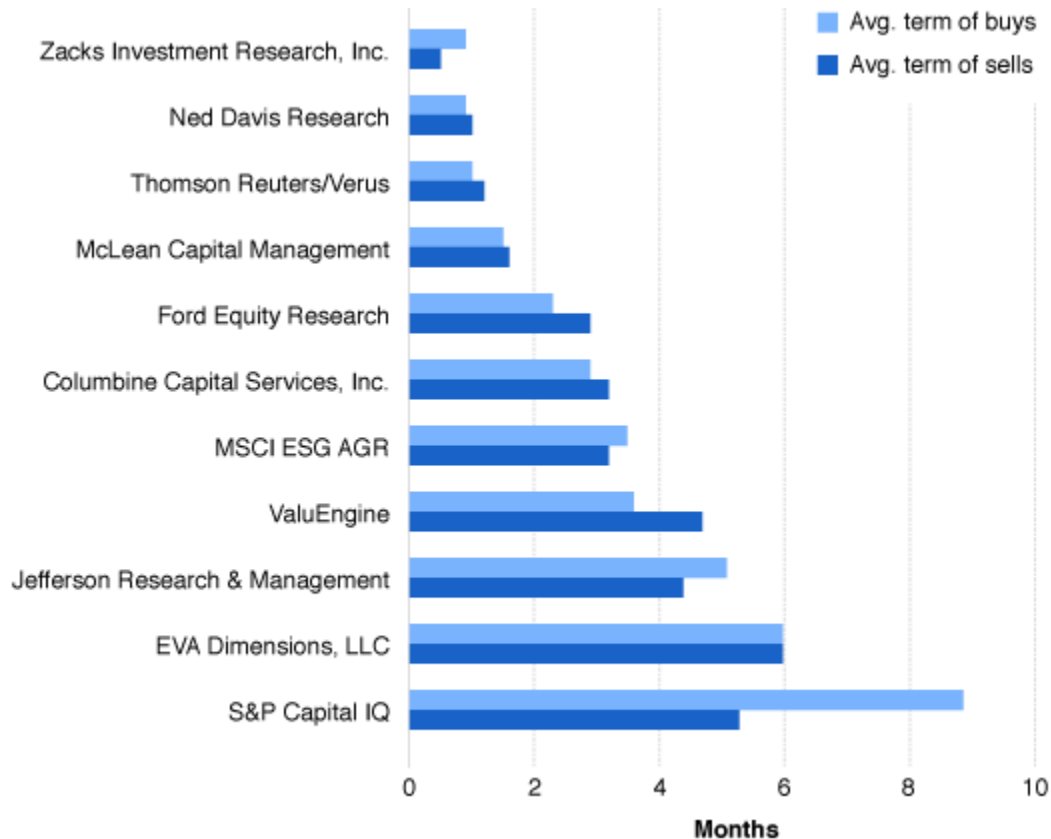
Industry Sector Performance (Summary)

We summarize the industry sector performance by tracking which research firms consistently rank among the top 3 firms in each industry sector. **Thomson Reuters/Verus demonstrated the best sector consistency**, placing among the top 3 firms in 7 out of 10 industry sectors.

Sector Leadership (Number of Instances Performance Ranked Among Top Three Providers in a Sector)				
Research Firm	First	Second	Third	Total
Thomson Reuters/Verus	2	3	2	7
EVA Dimensions, LLC		3	1	4
Ford Equity Research	3		1	4
McLean Capital Management	1	1	2	4
MSCI ESG AGR	1	1	2	4
Zacks Investment Research, Inc.		2	1	3
Ned Davis Research	2			2
Jefferson Research & Management	1			1
ValuEngine			1	1
Columbine Capital Services, Inc.				
S&P Capital IQ				

Holding Period

Holding period, the length of time that a recommendation is in place, is another factor in evaluating research firms. Many investors are not active traders, and it is easier for these investors to replicate the performance of research firms with recommendations that have longer average holding periods. The longer the holding period, the more likely the firm's performance will be captured by investors. Also, longer holding periods represent lower trading costs. On the other hand, model-driven recommendations are typically updated as soon as new information is available, making the recommendations as fresh as possible.



The chart above is sorted by the average length of holding periods for the buy recommendations of each research firm. **S&P Capital IQ had the longest average holding period** for buy recommendations, averaging nine months' duration for each buy recommendation. **EVA Dimensions** had the next longest holding period for its buy recommendations, averaging six months' duration for buy recommendations. **Zacks Investment Research, Ned Davis Research** and **Thomson Reuters/Verus** had holding periods at the shorter end of the spectrum, averaging 1 month for each recommendation.

Conclusions

First Place – Thomson Reuters/Verus took the gold, reflecting strong performance while limiting the volatility of its recommendations. Thomson Reuters/Verus showed the best performance for its buy recommendations over the three years ending March 2016. Thomson Reuters/Verus had the lowest volatility for its buy recommendations (tied with MSCI ESG) and the lowest maximum drawdown. Thomson Reuters also showed the best sector level performance, placing among the top three providers in seven of ten industrial sectors, and had the best performance in the Materials and Information Technology sectors.

Second Place – Ford Equity Research had the fourth best buy recommendation performance over the last three years and second best buy-sell performance over the three years, with even stronger performance over the shorter term. Additionally, Ford's recommendations have lower volatility, as measured by the standard deviation of returns, than the S&P 500. Ford's recommendations have a longer average duration than other top finishers, with its buy recommendations lasting nearly two and a half months on average. Ford had the best sector level performance for Energy, Consumer Staples and Healthcare.

Third Place—McLean Capital had the second best buy performance over the last three years and the third best three year performance when sell recommendations are included. McLean had the best sector performance for the Consumer Discretionary sector.

Finally, we suggest caution with any performance measurement analysis, including this analysis. Performance of buy/sell recommendations is only one aspect of the research offered on Fidelity.com. Although it is useful to understand a research firm's overall track record, a research firm's performance on any given stock can diverge significantly from the overall performance. There are additional factors beyond performance that any investor should consider in evaluating a research firm, such as the insights provided and the ease with which the research can be used. Performance of recommendations, while important, should not be the only factor an investor considers in evaluating research.

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