



NEWS RELEASE

Fidelity® Expands Direct Indexing Product Lineup With Rollout of Fidelity Institutional Custom SMAs

10/24/2022

Growing Custom SMA lineup builds on Fidelity's commitment to delivering better outcomes and providing the best end-to-end experience to meet client needs for today and in the future

BOSTON--(BUSINESS WIRE)-- Fidelity Investments® today announced the expansion of its direct indexing capabilities with the launch of the Fidelity Institutional Custom Separately Managed Account (SMA) offering for select wealth management firms and institutions.

With Fidelity Institutional Custom SMAs, Fidelity can build and manage equity portfolios customized to investors' needs and preferences. The lineup currently includes 10 tax managed equity strategies across domestic, international, global and sustainable equity exposures. As the Custom SMA offering continues to expand, it will target a range of different market exposures and can be tailored by applying tax management, excluding certain securities, sectors or industries, and applying a sustainable overlay for security selection to incorporate personal values.

The Custom SMA lineup is rolling out to select Fidelity Institutional clearing and custody clients in the coming months, with anticipated broad availability to RIA, Broker Dealer and Family Office clients in 2023.

"Financial advisors are increasingly looking to help improve client outcomes and deliver personalized investment solutions, and we see custom SMAs as an opportunity to address these needs with scalable yet highly customizable solutions," said Gary Gallagher, head of Fidelity Institutional Wealth Management & Advisory Solutions. "What sets our offering apart from others is our ability to leverage the expertise, technology, and resources of both our quantitative and active fundamental investment teams to develop a wide range of strategies. We also are focused on streamlining the digital experience with enhanced brokerage integration to help improve the friction many advisors face when managing direct indexing in their businesses today."

Fidelity is focused on delivering a simple, intuitive digital experience that gives advisors the ability to better serve their clients. The interface will provide capabilities for advisors to customize, implement, and monitor their clients' Custom SMAs, including the ability to analyze scenarios dynamically.

"Investors' needs and preferences are evolving while at the same time data is proliferating, and the technology required to harness it and deliver products that meet our clients' expectations is growing at a rapid pace," said Neil Constable, head of Fidelity's Quantitative Research and Investments (QRI) division. "Fidelity sees quantitative and systematic investing, which uses technology, data science, and empirical research, as a game changer in the asset management space to help improve investor outcomes, achieve personalization at scale, and create solutions that are cost-effective for investors."

Fidelity continues to invest heavily in quantitative resources to help harness the power of modern data and technology and combine it with the firm's long standing fundamental investment philosophy anchored on research. Led by Neil Constable, Fidelity's QRI team is an integrated division of nearly 300 quants, data-scientists and technologists within Asset Management.

Fidelity's Tools and Solutions for Advisors to Help Meet Evolving Client Needs

Advisors are seeking solutions that can help them go beyond managing money so they can spend more meaningful time helping clients build holistic financial plans. The Institutional Custom SMAs are an extension of Fidelity's broader **portfolio construction capabilities for advisors**, including **Fidelity Model Portfolios**, **Fidelity Advisor SMAs**, **Fidelity Portfolio Quick Check®**, and a range of thought leadership.

Direct indexing is in the news and top of mind for many advisors. Many see direct indexing as an investment strategy that, by directly owning all or a subset of the individual securities of an index, allows investors to tailor their accounts to their tax situation and individual preferences at the security level. Fidelity delivers direct indexing capabilities to advisors through Fidelity Institutional Custom SMAs, but the offering will go beyond index-oriented strategies with plans for active and blended strategies as well. Fidelity recently released a new paper, titled "**The Unique Value of Custom SMAs in Wealth Management: Direct Indexing and Beyond**," which aims to help advisors understand the opportunity that the rise of direct indexing and custom SMAs presents for their practices.

In March 2022, Fidelity completed an acquisition with Geode Capital Management which included a \$3 billion customized SMA business for family offices, now known as Fidelity Institutional Custom SMAs. Geode specializes primarily in index investment management and currently serves as the subadvisor to \$790 billion in Fidelity equity index fund assets. This acquisition, as well as Fidelity's QRI team, enabled Fidelity to offer highly customized, tax managed portfolios through SMAs for Fidelity Institutional clients.

Direct Indexing at Fidelity

Fidelity is committed to providing innovative solutions for investors, whether they work directly with Fidelity or through a financial advisor. This year, Fidelity introduced **Fidelity Solo FidFoliosSM**, an enhanced, fully digital brokerage experience that leverages fractional shares trading to bring a new direct indexing capability to do-it-yourself retail investors, and **Fidelity Managed FidFoliosSM**, a fully digital, professionally managed direct indexing option available to retail investors with tax-smart investing techniquesii, with a low minimum of \$5,000iii. Fidelity has a long history of direct indexing, with more than \$33 billion in managed direct indexed assets on its platformiv. Together, these offerings continue Fidelity's tradition of delivering innovative, personalized, and low-cost investing. Learn more about the offering **here**.

About Fidelity Investments

Fidelity's mission is to inspire better futures and deliver better outcomes for the customers and businesses we serve. With assets under administration of \$10.3 trillion, including discretionary assets of \$3.8 trillion as of August 31, 2022, we focus on meeting the unique needs of a diverse set of customers. Privately held for over 75 years, Fidelity employs more than 60,000 associates who are focused on the long-term success of our customers. For more information about Fidelity Investments, visit <https://www.fidelity.com/about-fidelity/our-company>.

Please read this information carefully.

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Risks

Past performance is no guarantee of future results. An investment may be risky and may not be suitable for a client's goals, objectives, and risk tolerance. An investment's value may be volatile, and any investment involves the risk that you may lose money.

The value of a strategy's investments will vary in response to many factors, including adverse issuer, political, regulatory, market, or economic developments. The value of an individual security or a particular type of security can be more volatile than and perform differently from the market as a whole. Nearly all accounts are subject to volatility in non-U.S. markets, either through direct exposure or indirect effects on U.S. markets from events abroad, including fluctuations in foreign currency exchange rates and, in the case of less developed markets, currency illiquidity. Events such as natural disasters, pandemics, epidemics, and social unrest in one country, region, or financial market may adversely impact issuers in a different country, region or financial market. Performance could be negatively impacted if the value of a portfolio holding were harmed by such political or economic conditions or events. Moreover, such negative political and economic conditions and events could disrupt the processes necessary for investment operations.

Accounts that are tax-managed ("Taxable Accounts") invest generally in equity securities and are managed using investing techniques that seek to enhance after-tax returns, including, without limitation, harvesting tax losses and analyzing tax lots.

Fidelity Managed FidFoliosSM provides discretionary investment management for a fee. Advisory services offered by Fidelity Personal and Workplace Advisors LLC (FPWA), a registered investment adviser. Brokerage services provided by Fidelity Brokerage Services LLC (FBS), and custodial and related services provided by National Financial Services LLC (NFS), each a member NYSE and SIPC. FPWA, FBS, and NFS are Fidelity Investments companies.

Fidelity Brokerage Services LLC ("FBS"), an affiliate of FIWA, is a registered broker-dealer. FBS distributes FIWA's Accounts as a paid solicitor.

Fidelity Institutional Wealth Adviser LLC® ("FIWA") is a registered investment adviser and an indirect, wholly owned subsidiary of FMR LLC. FIWA provides customized separately managed account portfolios that consider tax effects for taxable clients. FIWA has retained the services of its affiliate, Fidelity Management & Research Company LLC ("FMR"), to manage these accounts, subject to FIWA's supervision and oversight.

Fidelity Institutional® (FI) provides investment products through Fidelity Distributors Company LLC; clearing, custody, or other brokerage services through National Financial Services LLC or Fidelity Brokerage Services LLC, Members NYSE, SIPC; and institutional advisory services through Fidelity Institutional Wealth Adviser LLC.

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Fidelity Brokerage Services LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917

National Financial Services LLC, Member NYSE, SIPC, 245 Summer Street, Boston, MA 02110

Fidelity Distributors Company LLC, 500 Salem Street, Smithfield, RI 02917

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i As of September 30, 2022

ii Tax-smart investing techniques, including tax-loss harvesting, are applied in managing certain taxable accounts on a limited basis, at the discretion of the portfolio manager, Strategic Advisers LLC (Strategic Advisers), primarily with respect to determining when assets in a client's account should be bought or sold. Assets contributed may be sold for a taxable gain or loss at any time. There are no guarantees as to the effectiveness of the tax-smart investing techniques applied in serving to reduce or minimize a client's overall tax liabilities, or as to the tax results that may be generated by a given transaction.

iii There is no minimum required to open an account; however, in order for us to invest your money according to the investment strategy you've chosen, your account balance must be at least \$5,000. Until you reach that balance, any securities used to fund your account will be unmanaged, and any cash deposited into your account will be invested in your core money market fund. Your account may be closed if that balance is not reached.

iv As of June 30, 2022

Media Relations

(617) 563-5800

fidelitymediarelations@fmr.com

Caroline St. Angelo

(401) 292-3235

caroline.st.angelo@fmr.com

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