

Second Quarter 2015 | QUARTERLY SECTOR UPDATE



What Is Fidelity's Quarterly Sector Update?

The Quarterly Sector Update, including the Sector Scorecard, represents input from three discrete Fidelity investment teams—each with its own unique insights about sector investing—to present a comprehensive view of the performance potential of the 10 major equity market sectors.

The Sector Scorecard's proprietary methodology measures the relative attractiveness of each sector against five key factors:
business cycle, fundamentals, relative valuations, momentum, and relative strength.

The investment teams whose members contribute to the Quarterly Sector Update include:











**Asset Allocation
Research Team**

**Fidelity Management &
Research Company
Equity Division**

Fidelity SelectCo

Scorecard: Positive Signals for Technology, Health Care

Information Technology reflects positive signals on most metrics but appears neutral on six-month relative strength. Health Care demonstrates generally positive signs, although the sector—the strongest performer year to date—appears expensive on relative valuation metrics. Consumer Discretionary also performed well this year, and shows positive short-term signals.

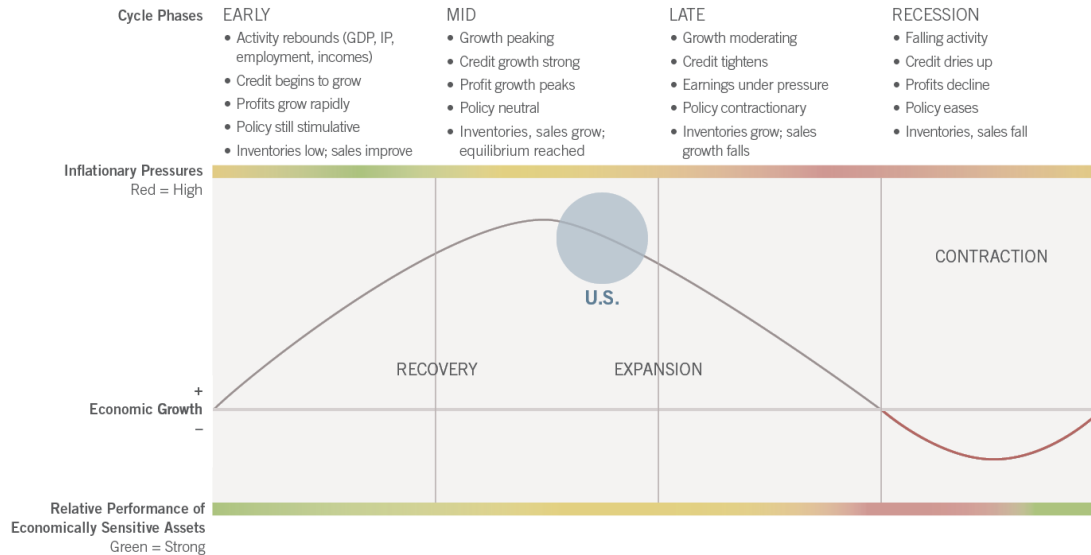
Sector	Time Horizon View					Weight in S&P 500® Index	Performance as of 3/31/2015		
	Business Cycle	Fundamentals	Relative Valuations	Momentum	Relative Strength		Latest Quarter	Year to Date	Dividend Yield
 Consumer Discretionary			—	+	+	13%	4.8%	4.8%	1.4%
 Consumer Staples			—		+	10%	1.0%	1.0%	2.6%
 Energy		—		—	—	8%	–2.9%	–2.9%	3.0%
 Financials		—	+			16%	–2.1%	–2.1%	1.8%
 Health Care		+	—	+	+	15%	6.5%	6.5%	1.5%
 Industrials	+	+				10%	–0.9%	–0.9%	2.1%
 Information Technology	+	+	+	+		20%	0.6%	0.6%	1.5%
 Materials	—			—	—	3%	1.0%	1.0%	2.2%
 Telecom			+	—	—	2%	1.5%	1.5%	5.0%
 Utilities	—	—				3%	–5.2%	–5.2%	3.6%

Past performance is no guarantee of future results. Sectors are defined by the Global Industry Classification Standard (GICS®); see additional information in the Appendix. Factors are based on historical analysis and are not a qualitative assessment by any individual investment professional. Green portions suggest outperformance, red suggests underperformance, and unshaded portions indicate no clear pattern vs. the broader market, as represented by the S&P 500 Index. Quarter-end and year-to-date performance reflects performance of the S&P 500 Sector Indices. It is not possible to invest directly in an index. All indexes are unmanaged. Percentages may not sum to 100% due to rounding. Source: Fidelity Investments, FactSet, as of 3/31/2015.

Business Cycle: U.S. Economy Remains Solidly Mid Cycle

The U.S. economy remains in a mid-cycle expansion, which historically has supported the performance of the Information Technology and Industrials sectors. However, the relative benefits of the current recent weak-oil/strong-dollar environment have been accruing more to domestic-centric early-cycle sectors, such as Consumer Discretionary.

Snapshot of U.S. Business Cycle



Historical Performance Patterns

Sector	Early	Mid	Late	Recession
Financials	+			-
Consumer Discretionary	++		--	
Technology	+	+	--	--
Industrials	++	+		--
Materials		--	++	-
Consumer Staples	-		+	++
Health Care	-		++	++
Energy	--		++	
Telecom	--			++
Utilities	--	-	+	++

Business Cycle:

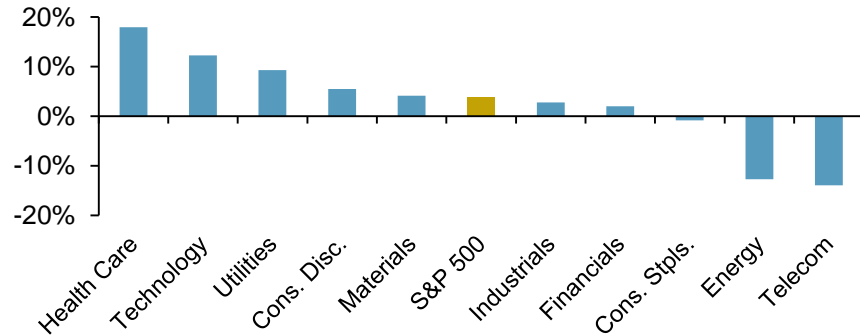
Understanding where we are in the business cycle may help determine which sectors may outperform or underperform.

Past performance is no guarantee of future results. **LEFT:** Indicates the current business cycle of the U.S. economy based on Fidelity's analysis of historical trends. This is a hypothetical illustration of a typical business cycle. There is not always a chronological progression in this order, and there have been cycles when the economy has skipped a phase or retraced an earlier one. See the latest *Business Cycle Update* for a complete discussion. Source: Fidelity Investments (AART), as of 3/31/2015. **RIGHT:** Unshaded portions indicate no clear pattern of out- or underperformance vs. the broader market, as represented by the top 3,000 U.S. stocks by market capitalization. Double +/- signs indicate that the sector has shown a consistent signal across all three metrics: full-phase average performance, median monthly difference, and cycle hit rate (see Glossary and Methodology slide for definitions). A single +/- sign indicates a less consistent signal. Source: *The Business Cycle Approach to Equity Sector Investing*, Fidelity Investments (AART), Sep. 2014.

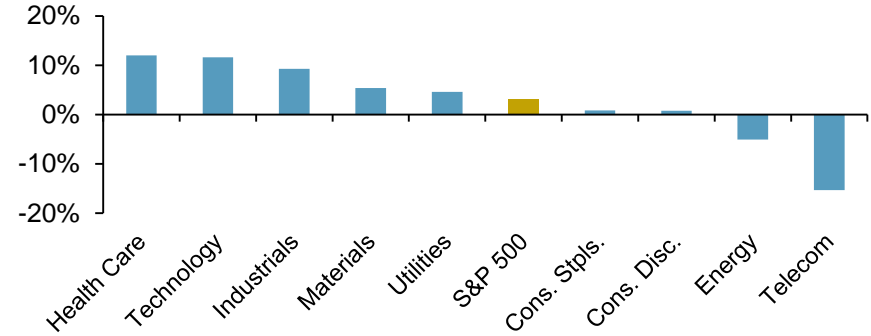
Fundamentals: Technology and Health Care Look Strong

Information Technology and Health Care have been the strongest sectors from a fundamental standpoint, particularly in terms of earnings growth and free-cash-flow margin over the past year. The weakest sectors on this trailing data include Energy and Telecom, as well as Utilities on several measures.

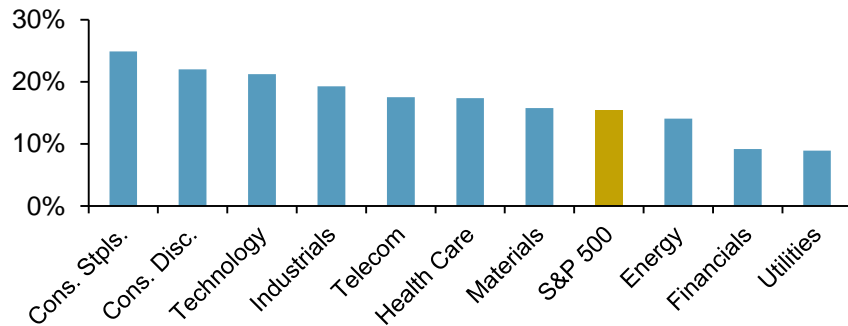
EPS Growth (Last 12 Months)



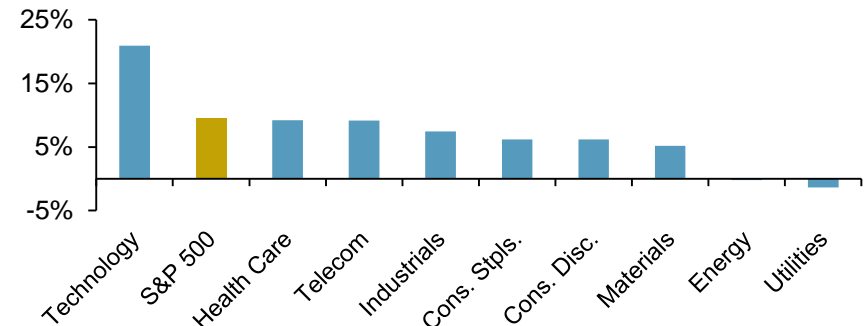
EBITDA Growth (Last 12 Months)



Return on Equity (Last 12 Months)



Free-Cash-Flow Margin (Last 12 Months)



Fundamentals:

Strong and improving fundamentals historically have been an intermediate-term indicator of sector performance. Fundamental analysis gives a view into how each sector is doing in terms of growth and profitability.



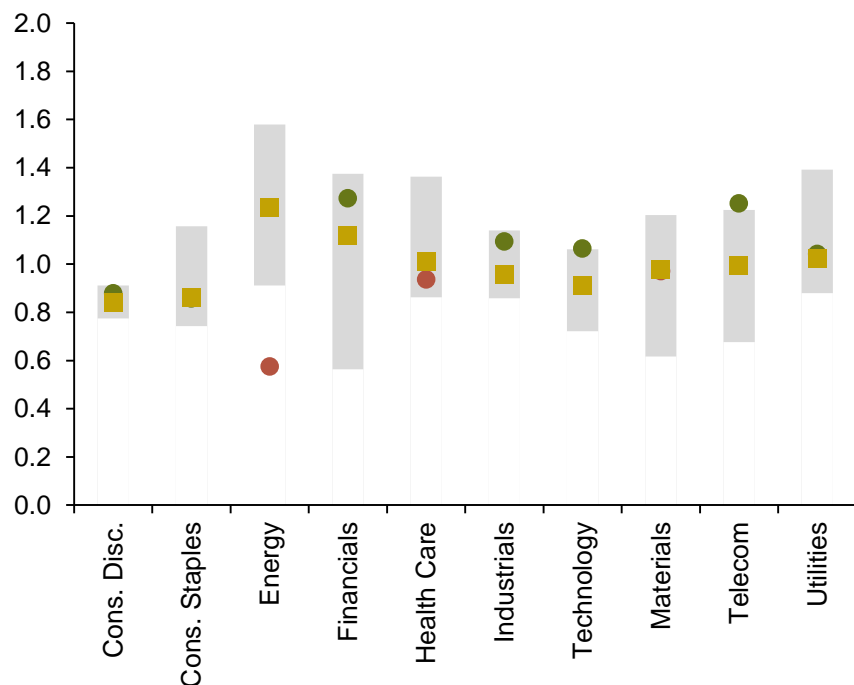
EPS = earnings per share, the portion of a company's profit allocated to each outstanding share of common stock. EBITDA = earnings before interest, taxes, depreciation, and amortization. The Financials sector is not represented in the EBITDA Growth or Free-Cash-Flow Margin charts. Please see Glossary and Methodology slide for further explanation. Source: FactSet, as of 3/31/2015.

Relative Valuations: Financials, Technology Appear Inexpensive

Financials, Information Technology, and Telecom all appear relatively cheap based on valuation metrics. The Energy sector, where earnings have been negatively affected by low oil prices, no longer appears cheap based on forward earnings expectations or free cash flow. Valuations are somewhat stretched for Health Care, a top performer for the past few years.

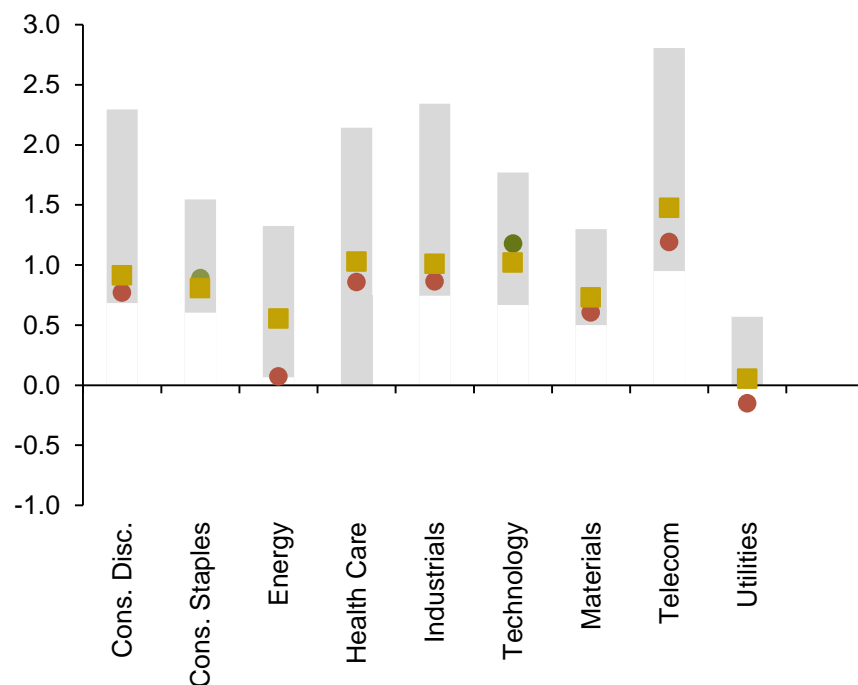
Earnings Yield

■ 10-Yr. Range (excl. top & bottom 5%) ● Current ■ Historical Average
Relative Forward Earnings Yield to S&P 500 Index (%)



Free-Cash-Flow Yield

■ 10-Yr. Range (excl. top & bottom 5%) ● Current ■ Historical Average
Relative Free-Cash-Flow Yield to S&P 500 Index (%)



Relative Valuations:

On their own, valuations are not necessarily the best indicator of sector performance, but when combined with other factors, valuations can be a useful tool in determining the risk-and-reward profile.

Momentum: Health Care, Technology Remain in the Lead

Health Care remained strong, while Consumer Discretionary replaced Utilities in the momentum leadership. Utilities' former relative strength reversed sharply during its Q1 retreat. Energy, pressured by low oil prices, remained the biggest laggard. Materials, a sector that is often affected by commodity prices, also was relatively weak.

Momentum Leaders

Health Care Technology Consumer Discretionary

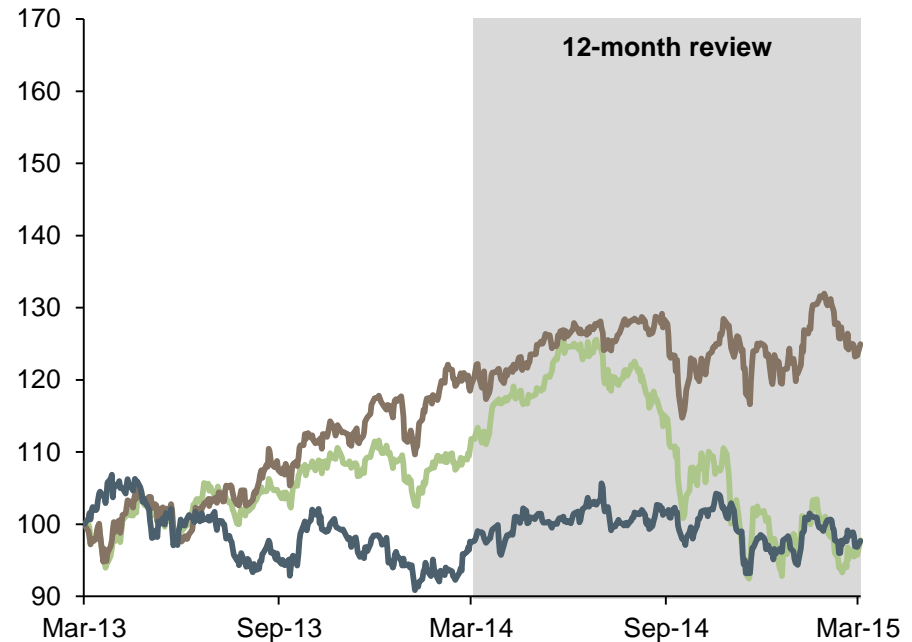
Price Indexed to 100



Momentum Laggards

Energy Materials Telecom

Price Indexed to 100



Momentum:

Momentum compares the rate of acceleration in the price of securities within a sector, over time. It can be used to analyze relative sector performance as well as to evaluate performance for a sector separately from the broader market.



Past performance is no guarantee of future results. Charts show performance of S&P 500 Sector Indices, indexed to 100, from 3/31/2013 to 3/31/2015. It is not possible to invest directly in an index. All indexes are unmanaged. Source: FactSet, as of 3/31/2015.

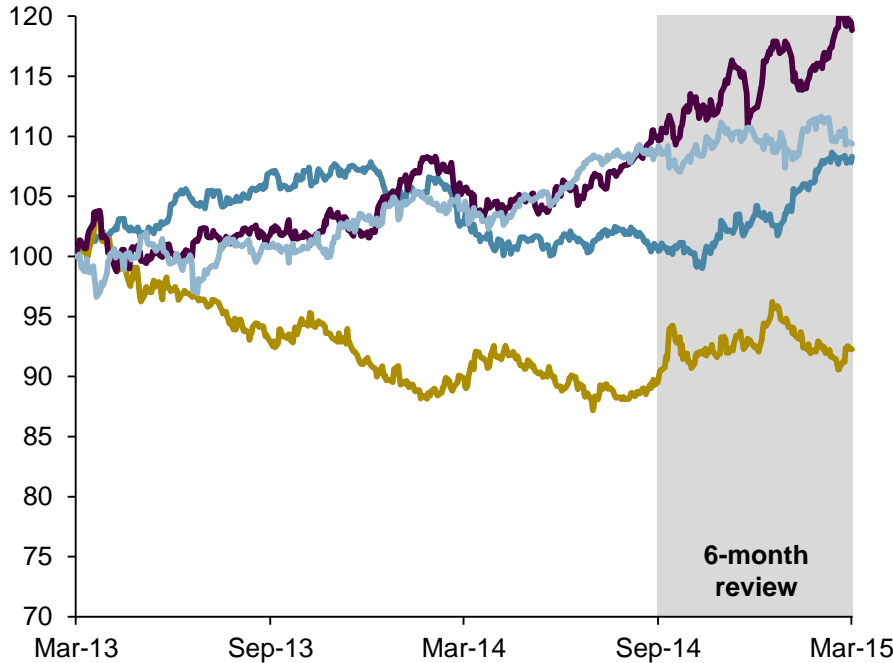
Relative Strength: Consumer Discretionary Gains Ground

Consumer Discretionary has moved into the top spot in terms of relative strength, with Health Care, Technology, and Consumer Staples remaining within the leadership group. Energy was once again the weakest sector, affected by a bleak earnings outlook amid continued low global oil prices.

Sectors Exhibiting Relative Strength

— Cons. Discretionary — Cons. Staples
 — Health Care — Technology

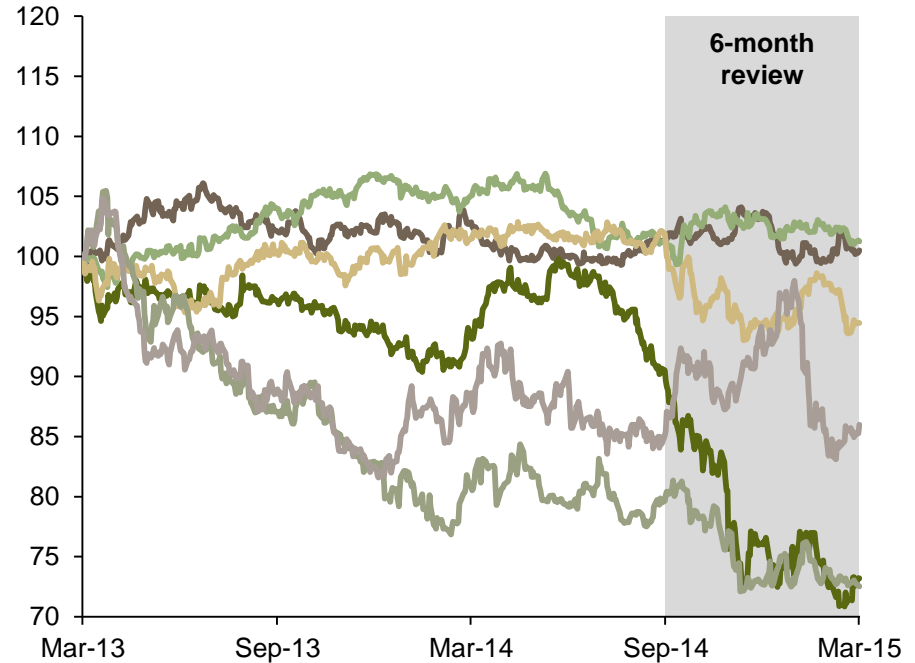
Price Relative to S&P 500 Index



Sectors Exhibiting Relative Weakness

— Energy — Financials — Industrials
 — Materials — Telecom — Utilities

Price Relative to S&P 500 Index



Relative Strength:

This indicator compares the performance of each sector with the performance of the broad market based on changes in the ratio of the securities' respective prices over time.

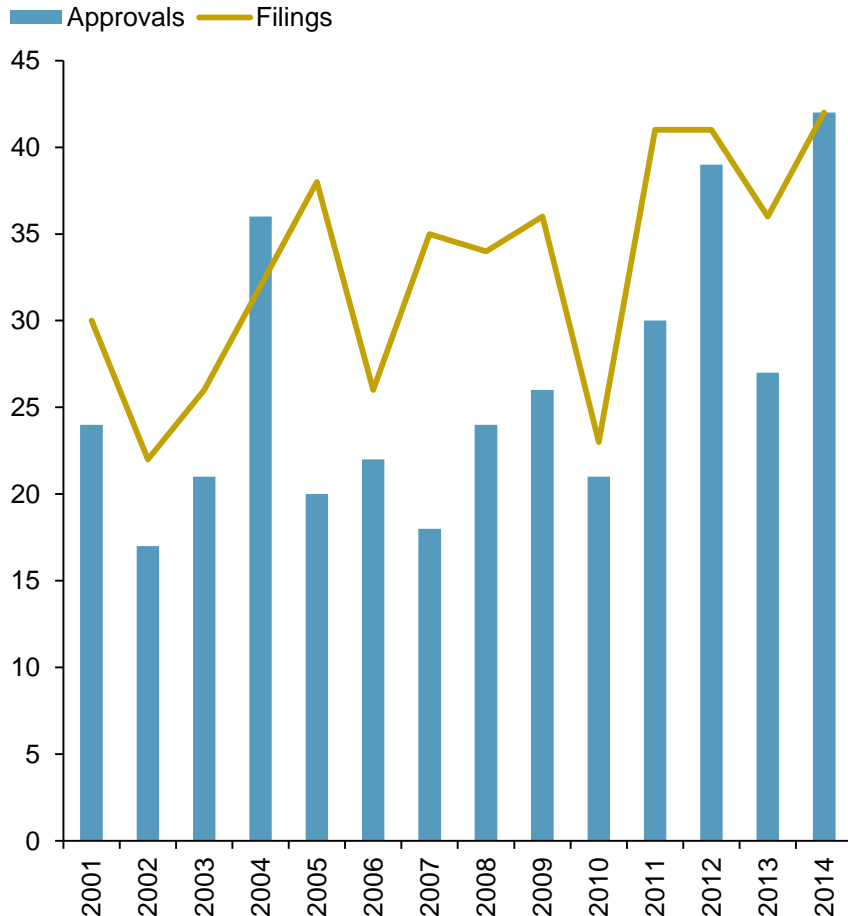


Past performance is no guarantee of future results. Charts represent performance of specified S&P 500 Sector Indices relative to the broader S&P 500 Index. It is not possible to invest directly in an index. All indexes are unmanaged. Source: FactSet, as of 3/31/2015.

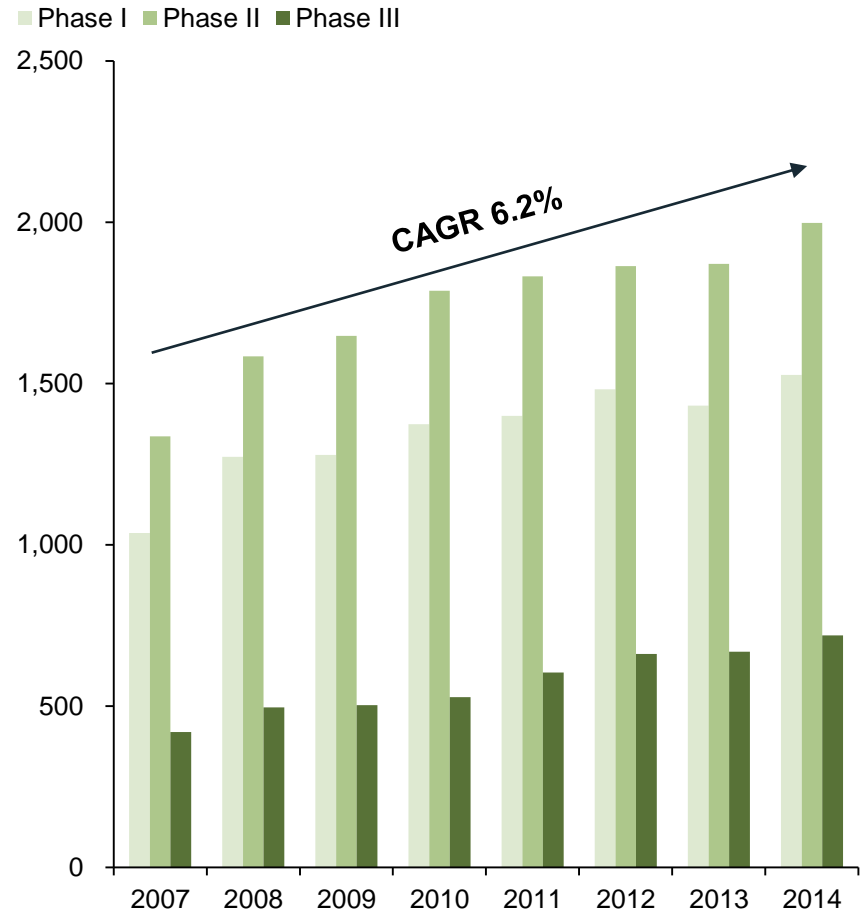
Innovation Continues to Support Health Care Earnings

Health Care sector earnings, up 18% over the past year, have benefited from many factors, including an aging global population and an expanding middle class in developing countries. Robust innovation, particularly in biotechnology, also has been a factor. The FDA has expedited approval for certain drugs, while the global pipeline of active projects has grown.

FDA Approvals of New Molecular Entities



Worldwide Active R&D Projects



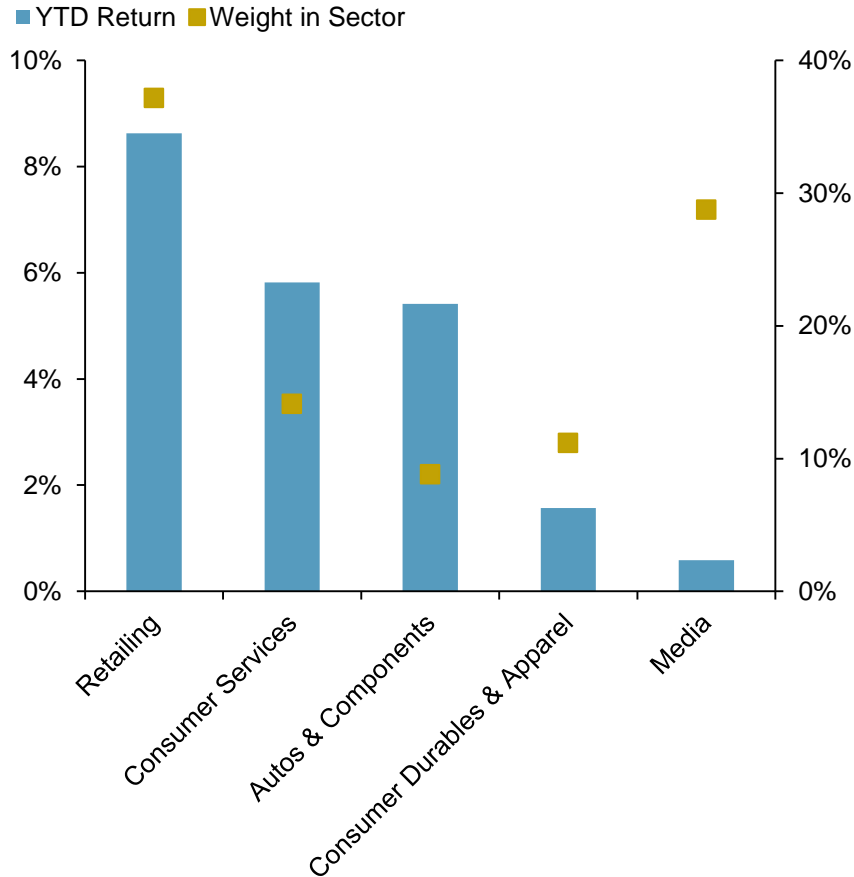
LEFT: Source: U.S. Food and Drug Administration (FDA), as of 12/31/2014.

RIGHT: R&D = research and development. CAGR = compound annual growth rate. Source: Pharmaprojects, Citeline, Inc. as of 12/31/2014

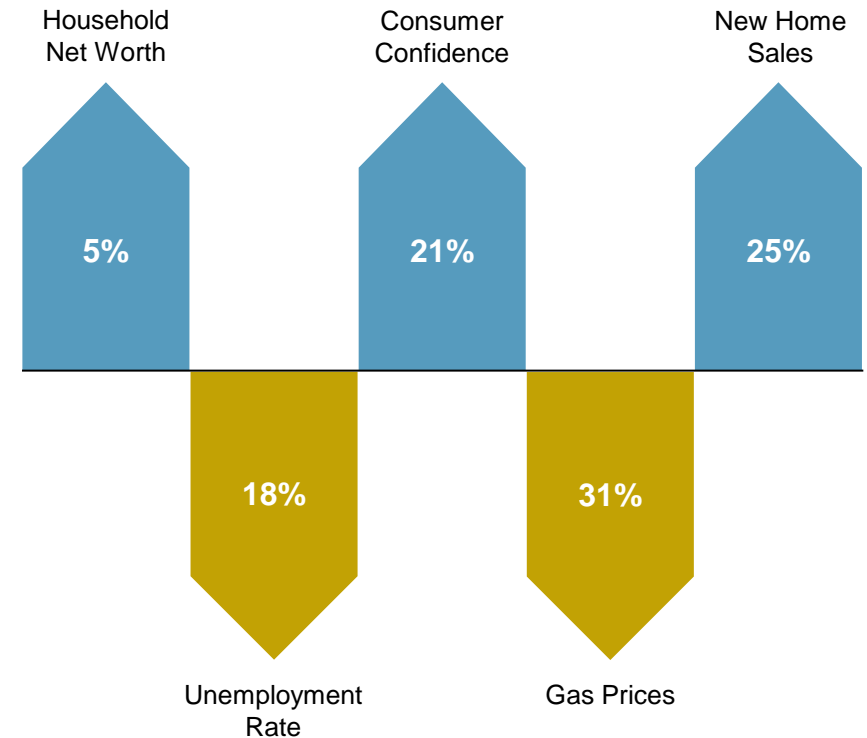
A Positive Backdrop for Consumer Discretionary

Consumer Discretionary was the second-best-performing sector in Q1, lifted by strength in the retailing industry, among other groups. U.S. consumers have benefited from an improving job market and falling gas prices. A strong dollar typically boosts U.S. consumers' purchasing power by making imported goods relatively cheaper.

Consumer Discretionary Industry Groups



Economic Indicators for U.S. Consumers (Year-Over-Year Change)

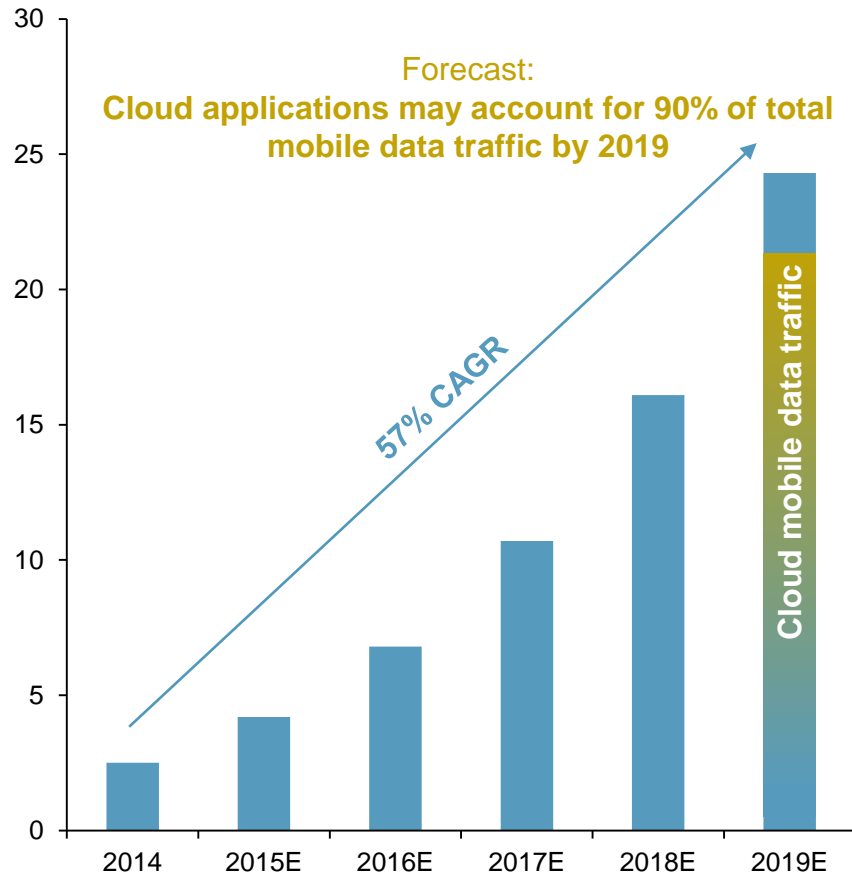


Mobile, Cloud-Based Trends Transform Technology Sector

The shift to mobile and cloud-based applications has underpinned growth in the Information Technology sector. Global mobile data traffic is forecast to grow at a 57% annual rate through 2019, driven by expanding digital advertising led by strong mobile ad growth.

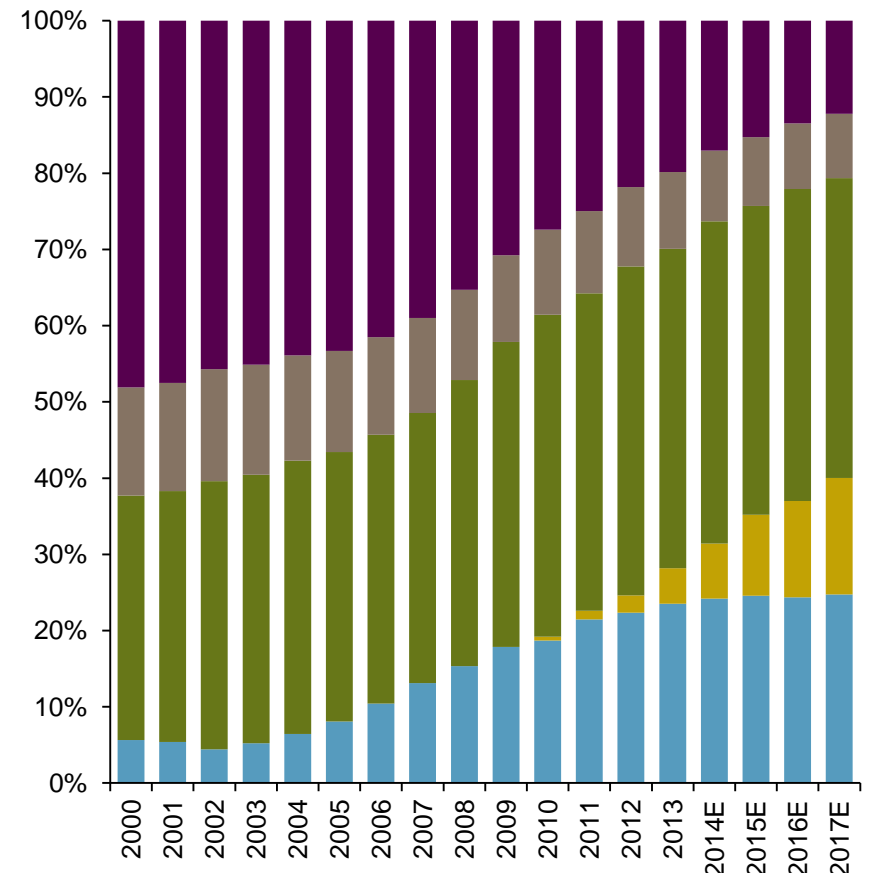
Global Mobile Data Traffic

Exabytes per Month



Mobile Advertising Market Share

Desktop Mobile TV Radio Print

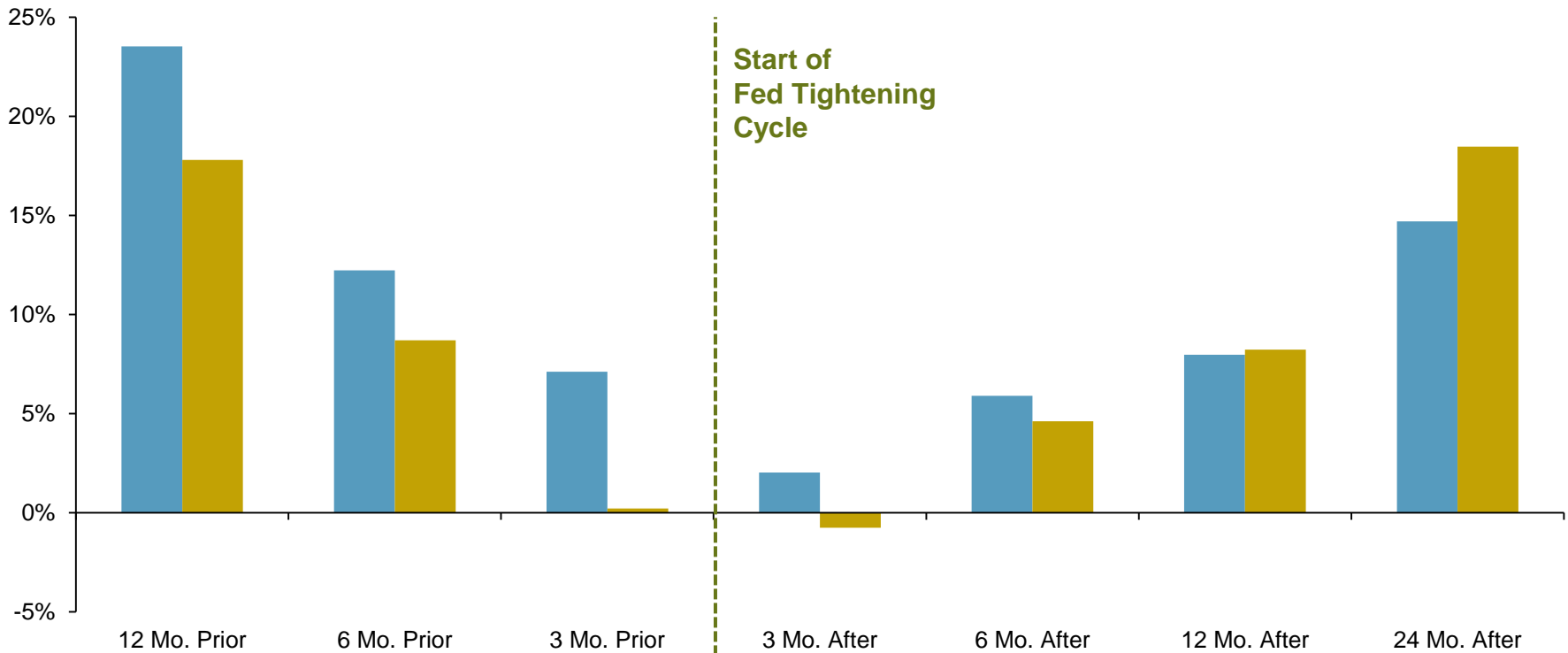


Fed Tightening Cycles Can Affect Sector Leadership

The Federal Reserve has begun to move toward a rate-tightening posture, an environment that has implications for certain sectors, including Utilities and Telecom. Historically high-dividend-yielding sectors and industries typically underperform around the start of Fed tightening cycles, but begin to outperform as the economy moves closer to the late cycle.

Historically High-Dividend-Yielding Sectors and Industries: Performance around Fed Tightening Cycles, 1962–2010

■ Overall Market ■ Dividend Yielders



Past performance is no guarantee of future results. High-dividend-yielders include the Utilities and Telecommunication Services sectors and the following industries: Real Estate Investment Trusts, Food & Staples Retailing, Household & Personal Products, and Commercial & Professional Services. Sectors and industry groups are weighted according to their market capitalization in the S&P 500 Index, and returns are expressed as non-annualized geometric averages. Source: Standard & Poor's, Fidelity Investments (AART), as of 2/28/2015.

Glossary and Methodology

Glossary

Cycle Hit Rate

Calculates the frequency of a sector's outperforming the broader equity market over each business cycle phase since 1962.

Dividend Yield

Annual dividends per share divided by share price.

Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA)

A non-GAAP measure typically used to compare profitability between companies and industries, because it eliminates the effects of financing and accounting decisions.

Earnings per Share Growth

Measures the growth in reported earnings per share over the specified past time period.

Earnings Yield

Earnings per share divided by share price. It is the inverse of the price-to-earnings (P/E) ratio.

Free Cash Flow

The amount of cash a company has remaining after expenses, debt service, capital expenditures, and dividends. High free cash flow typically suggests stronger company value.

Free-Cash-Flow Yield

Free cash flow (FCF) per share divided by share price. A high FCF yield often represents a good investment opportunity, because investors would be paying a reasonable price for healthy cash earnings.

Full-Phase Average Performance

Calculates the (geometric) average performance of a sector in a particular phase of the business cycle and subtracts the performance of the broader equity market.

Median Monthly Difference

Calculates the difference in the monthly performance of a sector compared with the broader equity market, and then takes the midpoint of those observations.

Price-to-Book (P/B) Ratio

The ratio of a company's share price to reported accumulated profits and capital.

Price-to-Earnings (P/E) Ratio

The ratio of a company's current share price to its reported earnings. A forward P/E ratio typically will use an average of analysts' published estimates for earnings for the next 12 months.

Price-to-Sales (P/S) Ratio

The ratio of a company's current share price to reported sales.

Relative Strength

The comparison of a security's performance relative to a benchmark, typically a market index.

Return on Equity

The amount, expressed as a percentage, earned on a company's common stock investment for a given period.

Methodology

Business Cycle

The business cycle as used herein reflects fluctuation of activity in the U.S. economy and is based on Fidelity's analysis of historical trends.

Fundamentals

Sector rankings are based on equally weighting the following four fundamental factors: EBITDA growth, earnings growth, return on equity, and free-cash-flow margin. However, we have evaluated the Financials sector only on earnings growth and return on equity because of differences in its business model and accounting standards.

Momentum

Compares the price change of a sector versus itself over a 12-month period, with a one-month reversal on the latest month; identifying persistence in returns can be a useful indicator of sector performance during a six- to 12-month period.

Relative Strength

Compares the strength of a sector versus the S&P 500 Index over a six-month period, with a one-month reversal on the latest month; identifying relative strength patterns can be a useful indicator for short-term sector performance.

Relative Valuations

Valuation metrics for each sector are relative to the S&P 500 Index. Ratios compute the current relative valuation divided by the 10-year historical average relative valuation, eliminating the top 5% and bottom 5% values to reduce the effect of potential outliers. Sectors are then ranked by their weighted average ratios, which are weighted as follows: P/E: 35%; P/B: 20%; P/S: 20%; free-cash-flow yield: 20%; dividend yield: 5%. However, the Financials sector is weighted as follows: P/E: 59%; P/B: 33%; dividend yield: 8%.

Primary Contributors

Asset Allocation Research Team (AART)

AART is part of the Global Asset Allocation division of Fidelity's Asset Management organization. AART conducts economic, fundamental, and quantitative research to develop asset allocation recommendations for Fidelity's portfolio managers and investment teams.

Fidelity Management & Research Company Equity Division

The Equity Division within Fidelity Asset Management consists of 11 portfolio groups, as well as Select and Advisor Focus sector portfolios. Each group is responsible for portfolio management supported by in-depth fundamental research.

Fidelity SelectCo

SelectCo is a division within Fidelity's Asset Management organization that is focused exclusively on expanding the company's 30-year heritage of sector investing to help meet the evolving needs of investors and advisers for innovative sector-specific tools, resources, and products.

Appendix

Views expressed are as of the date indicated, based on the information available at that time, and may change based on market or other conditions. Unless otherwise noted, the opinions provided are those of the authors and not necessarily those of Fidelity Investments or its affiliates. Fidelity does not assume any duty to update any of the information.

References to specific investment themes are for illustrative purposes only and should not be construed as recommendations or investment advice. Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk.

This piece may contain assumptions that are "forward-looking statements," which are based on certain assumptions of future events. Actual events are difficult to predict and may differ from those assumed. There can be no assurance that forward-looking statements will materialize or that actual returns or results will not be materially different from those described here.

Past performance is no guarantee of future results.

Investing involves risk, including risk of loss.

All indexes are unmanaged. You cannot invest directly in an index.

Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments.

Because of its narrow focus, sector investing tends to be more volatile than investments that diversify across many sectors and companies. Sector investing is also subject to the additional risks associated with its particular industry.

Market Indexes

The S&P 500 Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance. S&P 500 is a registered service mark of Standard & Poor's Financial Services LLC. Sectors and industries are defined by the Global Industry Classification Standard (GICS).

The S&P 500 Sector Indices include the standard GICS sectors that make up the S&P 500 Index. The market capitalization of all S&P 500 Sector Indices together composes the market capitalization of the parent S&P 500 Index; each member of the S&P 500 Index is assigned to one (and only one) sector.

Sectors are defined as follows: **Consumer Discretionary:** companies that provide goods and services that people want but don't necessarily need, such as televisions, cars, and sporting goods; these businesses tend to be the most sensitive to economic cycles. **Consumer Staples:** companies that provide goods and services that people use on a daily basis, like food, household products, and personal-care products; these

businesses tend to be less sensitive to economic cycles. **Energy:** companies whose businesses are dominated by either of the following activities: the construction or provision of oil rigs, drilling equipment, or other energy-related services and equipment, including seismic data collection; or the exploration, production, marketing, refining, and/or transportation of oil and gas products, coal, and consumable fuels. **Financials:** companies involved in activities such as banking, consumer finance, investment banking and brokerage, asset management, insurance and investments, and real estate, including REITs. **Health Care:** companies in two main industry groups: health care equipment suppliers and manufacturers, and providers of health care services; and companies involved in the research, development, production, and marketing of pharmaceuticals and biotechnology products. **Industrials:** companies whose businesses manufacture and distribute capital goods, provide commercial services and supplies, or provide transportation services. **Information Technology:** companies in technology software and services and technology hardware and equipment. **Materials:** companies that are engaged in a wide range of commodity-related manufacturing. **Telecommunication Services:** companies that provide communications services primarily through fixed-line, cellular, wireless, high bandwidth, and/or fiber-optic cable networks. **Utilities:** companies considered to be electric, gas, or water utilities, or companies that operate as independent producers and/or distributors of power.

The Russell 1000® Index is a stock market index that represents the highest-ranking 1,000 stocks in the Russell 3000® Index, which represents about 90% of the total market capitalization of that index.

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