Commentary | First Quarter 2025

Quarterly Sector and Investment Research Update

From the desk of

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Director of Quantitative Market Strategy

Performance Summary: Consumer discretionary led in Q4

The consumer discretionary, communication services, and financials sectors led the S&P 500® index in the fourth quarter of 2024. The materials, health care, and real estate sectors lagged the market over the same time frame. Over the past three years, energy had the strongest returns relative to the S&P 500, while real estate lagged the index the most.

Sector	Performance as of 12/31/24				Weight in S&P 500®
	Latest Quarter	1-Year	3-Year Annualized	Dividend Yield	
Communication Services	8.9%	40.2%	9.5%	0.7%	9.4%
Consumer Discretionary	14.3%	30.1%	5.3%	0.6%	11.3%
Consumer Staples	-3.3%	14.9%	4.7%	2.5%	5.5%
Energy	-2.4%	5.7%	20.0%	3.4%	3.2%
Financials	7.1%	30.6%	9.4%	1.4%	13.6%
Health Care	-10.3%	2.6%	0.9%	1.7%	10.1%
Industrials	-2.3%	17.5%	9.5%	1.3%	8.2%
Information Technology	4.8%	36.6%	15.7%	0.6%	32.5%
Materials	-12.4%	0.0%	-0.4%	2.0%	1.9%
Real Estate	-8.5%	5.0%	-4.5%	3.6%	2.1%
Utilities	-5.5%	23.4%	5.2%	3.0%	2.3%
S&P 500®	2.4%	25.0%	8.9%	1.2%	

Past performance is no guarantee of future results. Sectors defined by the Global Industry Classification Standard (GICS®); see Index Definitions for details. Performance metrics reflect S&P 500 sector indexes. Changes were made to the GICS framework on 9/24/18; historical S&P 500 communication services sector data prior to 9/24/18 reflect the legacy telecommunication services sector. The top three performing sectors over each period are shaded green; the bottom three are shaded blue. It is not possible to invest directly in an index. All indexes are unmanaged. Percentages may not total 100% due to rounding.
Source: Morningstar, FactSet as of 12/31/24.

Scorecard: Financials and discretionary stocks appeared attractive

Potential for an earnings recovery and the long-term fundamental picture favored information technology. Consumer discretionary continues to appear attractive based on compelling valuations and constructive contrarian indicators. Relative valuations favored financials. Energy appeared favorable based on valuations, although several indicators suggested a negative risk-reward outlook. Low rates and high valuation spreads suggest attractive risk-reward for real estate.

Sector	Strategist View (Overweight / Neutral / Underweight)	Time Horizon View (Longer → Shorter): Fundamentals	Valuations	Relative Strength	Comments
Communication Services	Underweight	+			Defensive characteristics may hinder performance.
Consumer Discretionary	Overweight	+	–	+	Predictive valuation measures showing positive risk-reward.
Consumer Staples	Underweight				Earnings growth may lag in a broader recovery.
Energy	Underweight		+	–	Indicators suggest a negative risk-reward.
Financials	Overweight		+	+	Relative valuation may limit further deterioration.
Health Care	Underweight	–		–	Problematic fundamental trends offset low valuations.
Industrials	Overweight				Other predictive valuation indicators still compelling.
Information Technology	Overweight	+	–	–	Solid fundamentals offsetting valuation concerns.
Materials	Underweight	–	+		Higher capital expenditures may weigh on the sector.
Real Estate	Overweight	–	–		Lower rates and high valuation spreads suggest attractive risk-reward.
Utilities	Underweight			+	Defensive characteristics may hinder performance.

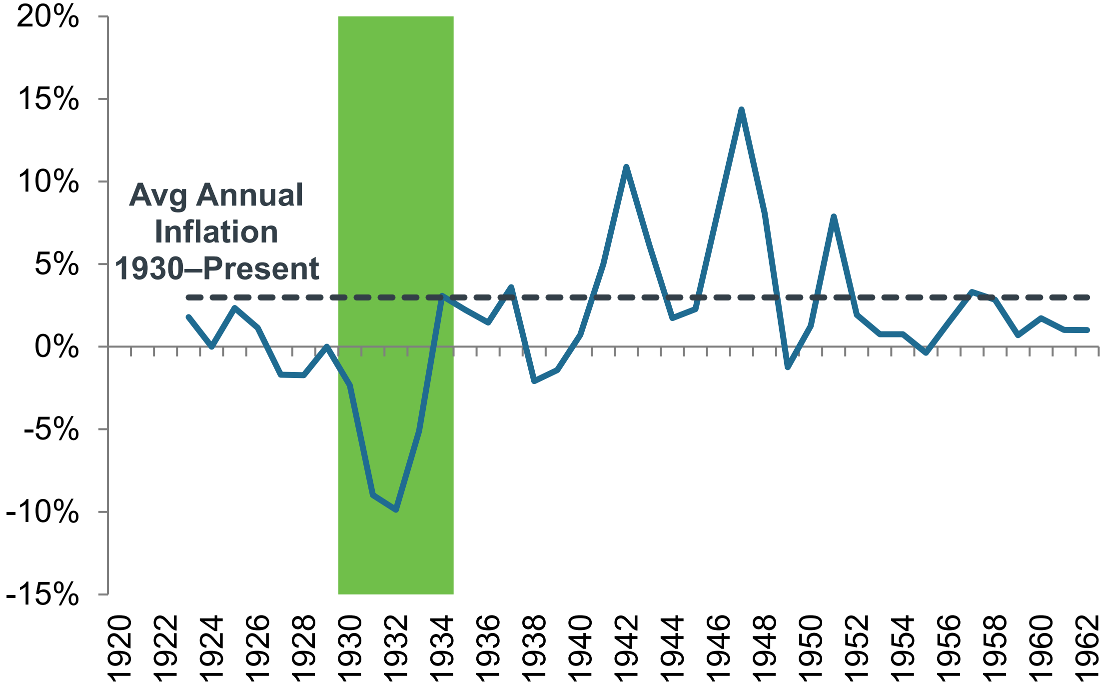
Past performance is no guarantee of future results. Strategist view, fundamentals, valuations, and relative strength are based on the top 3,000 U.S. stocks by market capitalization. Sectors defined by the GICS; see Index Definitions for details. Historical communication services data has been restated back to 1962 to account for changes to the GICS framework made on 9/24/18. **Strategist view** is as of the date indicated based on the information available at that time and may change based on market or other conditions. This is not necessarily the opinion of Fidelity Investments or its affiliates. Fidelity does not assume any duty to update any of the information. Overweight and underweight views represent opportunistic tilts in a hypothetical portfolio relative to broad market sector weights. Sector weights may vary depending on an individual's risk tolerance and goals. Time horizon view factors are based on historical analysis and are not a qualitative assessment by any individual investment professional. The top three sectors based on each time horizon view metric are shaded green; the bottom three are shaded red. See Glossary and Methodology for details. It is not possible to invest directly in an index. All indexes are unmanaged. Source: Haver Analytics, FactSet, Fidelity Investments, as of 12/31/24.

Tariffs do not necessarily lead to higher inflation

Many investors are concerned that the new Trump administration's potential imposition of tariffs could lead to higher inflation. They may want to be careful about investing based on that assumption. Consider the two major tariff episodes in U.S. history: The Smoot-Hawley Tariff Act of 1930 was followed by a period of deflation (left); and inflation declined after President Trump imposed tariffs in 2018 (right).

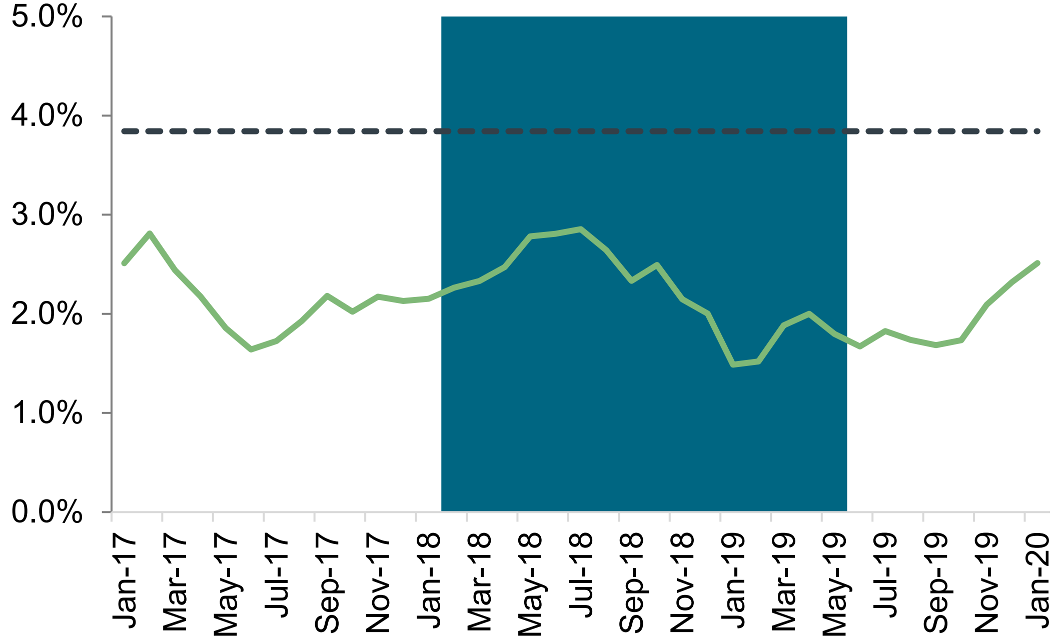
Deflation after the Smoot-Hawley Tariff Act

Average Annual CPI (1923–1962) with Period of Smoot-Hawley Tariffs Highlighted



Inflation fell after the 2018 tariffs

Average Annual CPI (January 2017–January 2020) with Period of 2018 Tariffs Highlighted



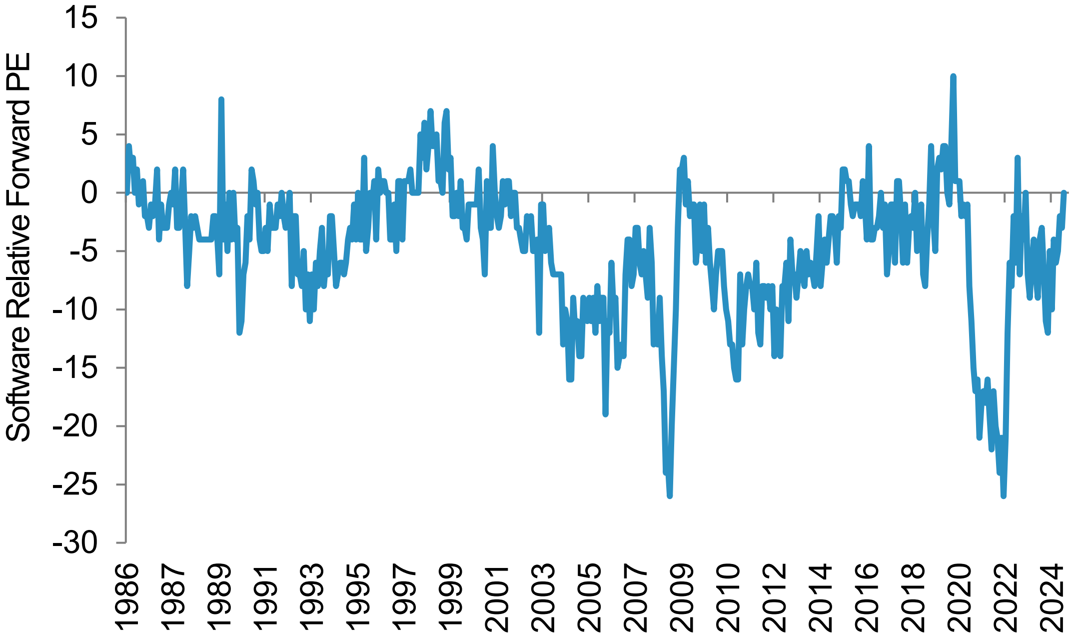
Past performance is no guarantee of future results. Smoot-Hawley Tariff Act: U.S. legislation passed on June 17, 1930, that raised tariffs on agricultural imports. CPI is the Consumer Price Index, which seeks to measure the rate of change for price inflation among urban consumers. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 11/30/24. **LEFT**: Data analyzed annually from 1923 through 1962. **RIGHT**: Data analyzed monthly from 2017 through January 2020.

Real wages may rise: Historically a positive sign for stocks

The NFIB Real Wage Proxy has risen sharply since March 2024 (left). Increases in this index, which measures small businesses' plans to increase pay relative to their plans to boost prices, imply a boost to consumers' purchasing power. Historically, they corresponded with strong stock market returns over the next 12 months (right).

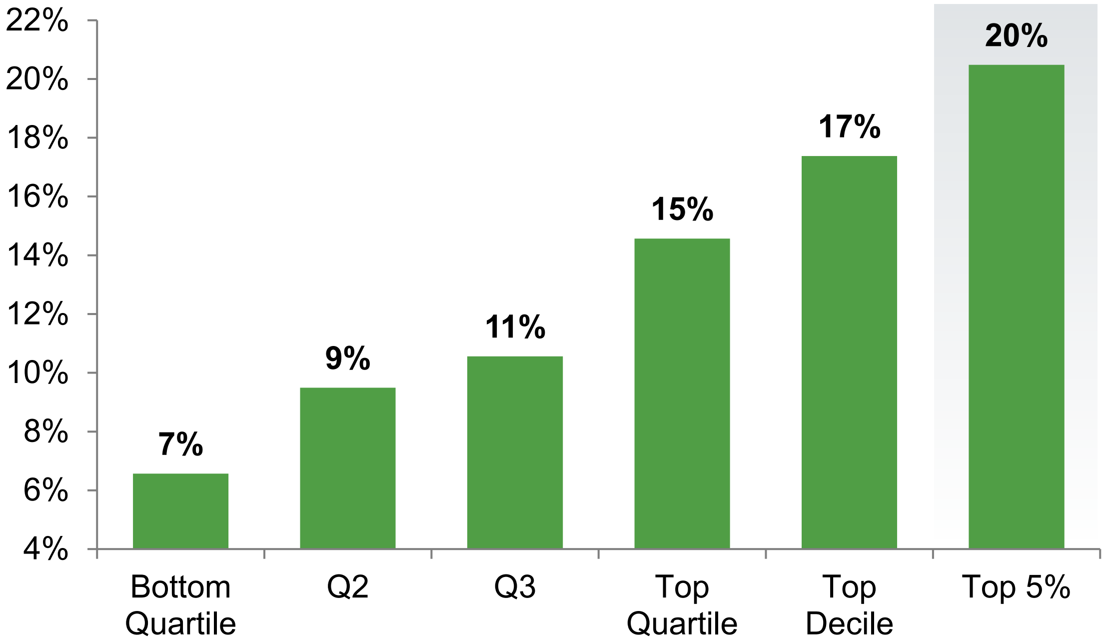
In a big shift, small businesses plan to boost wages and prices equally

NFIB Real Wage Proxy (Net Plans to Raise Compensation Minus Plans to Raise Prices)



The S&P 500 has surged after jumps in the NFIB Real Wage Proxy

NTM S&P 500 Return in Tranches of Prior Six-Month Change in NFIB Real Wage Proxy



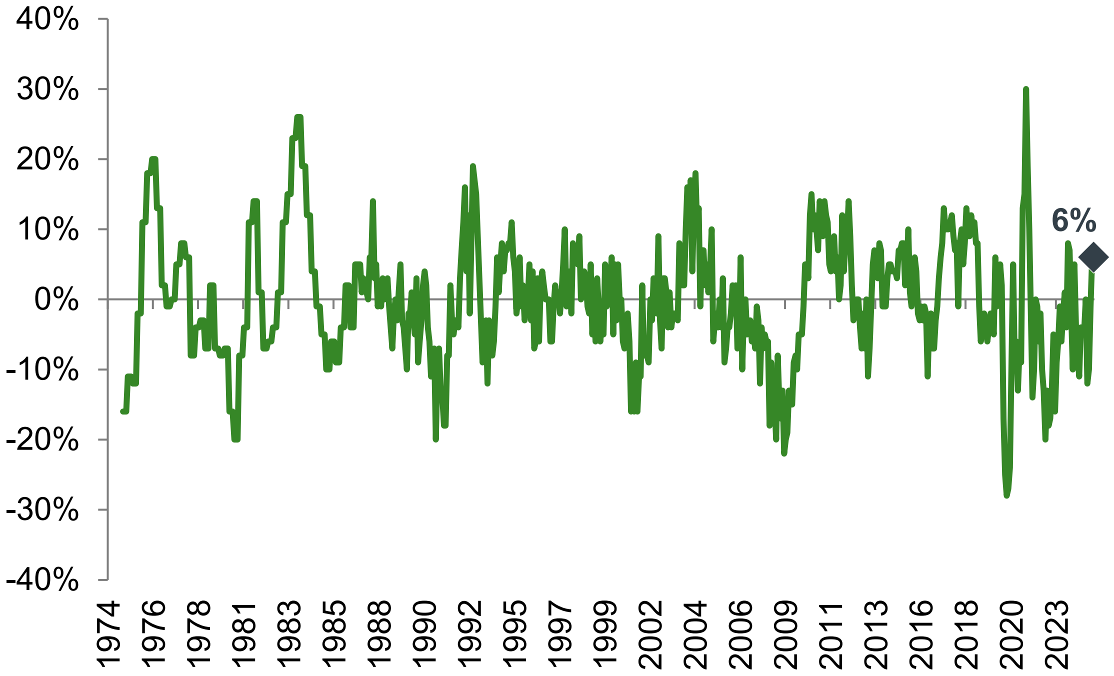
Past performance is no guarantee of future results. NFIB: National Federation of Independent Business. NFIB Survey refers to the NFIB Small Business Optimism Index. NFIB Real Wage Proxy: Calculated as respondents' net plans to raise compensation minus plans to raise prices over the next 12 months. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 11/30/24. Data analyzed monthly from January 1986 through November 2024. RIGHT: NTM: Next 12 months.

Small business earnings may bode well for public company profits

The percent of small businesses reporting higher year-on-year earnings inflected upward in the last quarter of 2024, reaching the top quartile of its range since 1974 (left). Strong small business earnings growth historically has been associated with good overall corporate earnings over the next six months (right).

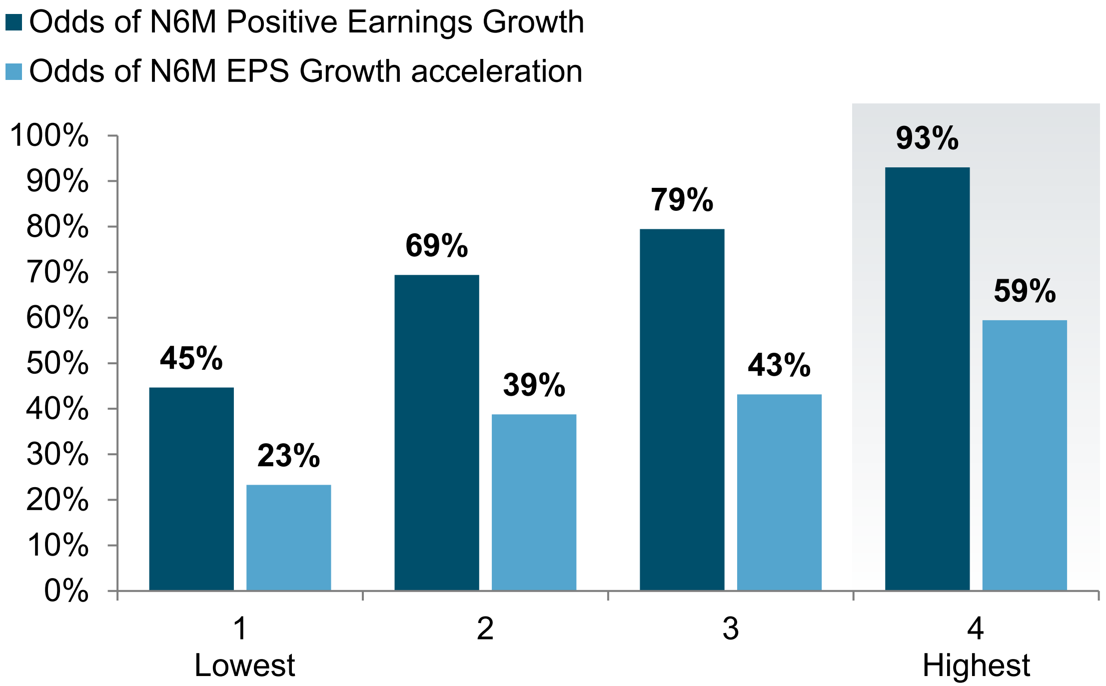
More small businesses reported higher earnings

Year-to-Year % Change in NFIB Survey Respondents Reporting Higher Year-over-Year Earnings



Corporate profits rise following small business earnings growth

Odds of Next-Six-Month Corporate Earnings Growth in NFIB Quartiles, 1974–Present



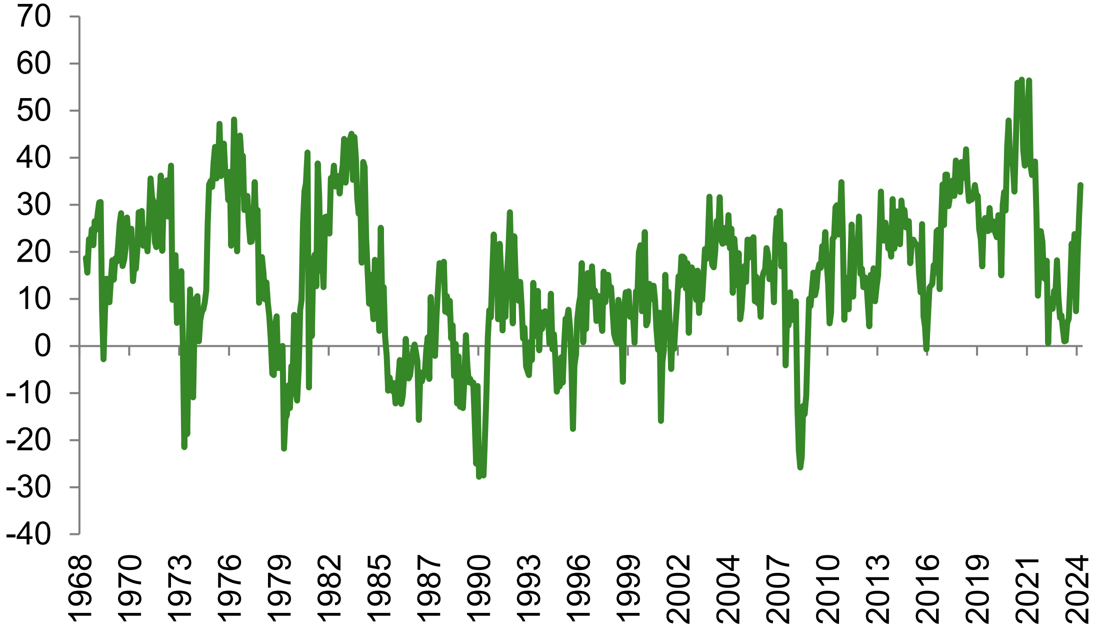
Past performance is no guarantee of future results. NFIB: National Federation of Independent Business. NFIB Survey refers to the NFIB Small Business Optimism Index. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 11/30/24. Data analyzed monthly from January 1974 to November 2024. **RIGHT**: Corporate earnings growth measured by earnings of the 3,000 largest U.S. stocks by market capitalization.

Job growth bounced in 2024

After nearly contracting last year, the Philadelphia Federal Reserve's Future Employment Diffusion Index rebounded to top quartile levels (left). Recent interest rate reductions may boost job growth because there's been an increase in hiring expectations that historically has been a good forward-looking indicator. Rate cuts have historically corresponded with higher odds of index improvement (right).

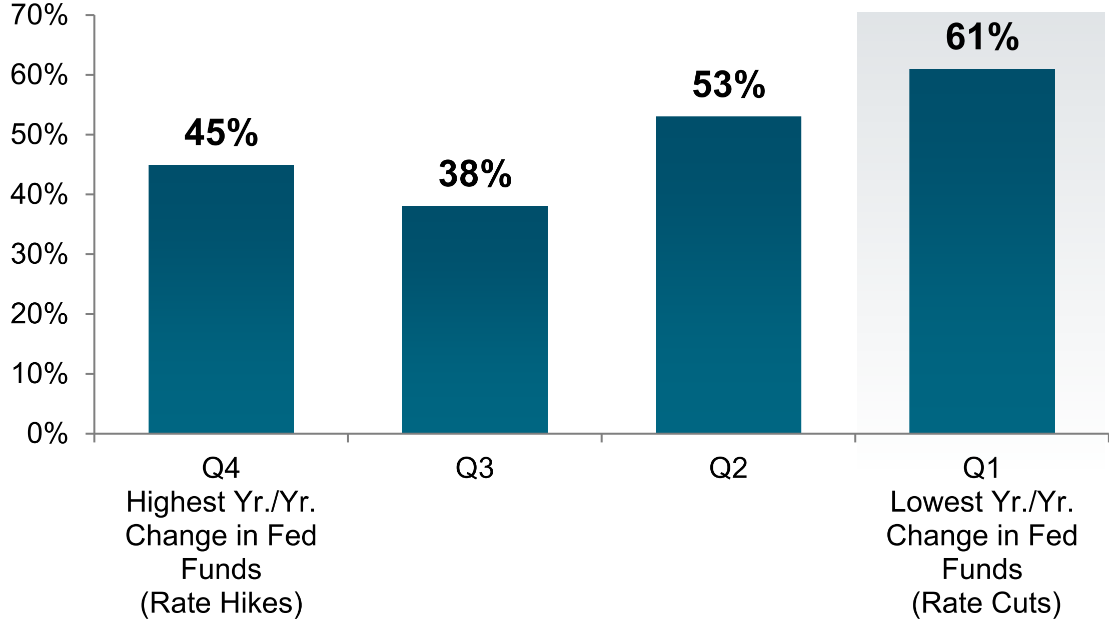
Job growth rebounded from near contraction levels

Philadelphia Fed Manufacturing Business Outlook: Future Employment Diffusion Index



Interest rate cuts have correlated with job growth

NTM Odds of Improvement in the Future Employment Diffusion Index in Quartiles of Year-Over-Year Change in the Federal Funds Rate, 1968–Present



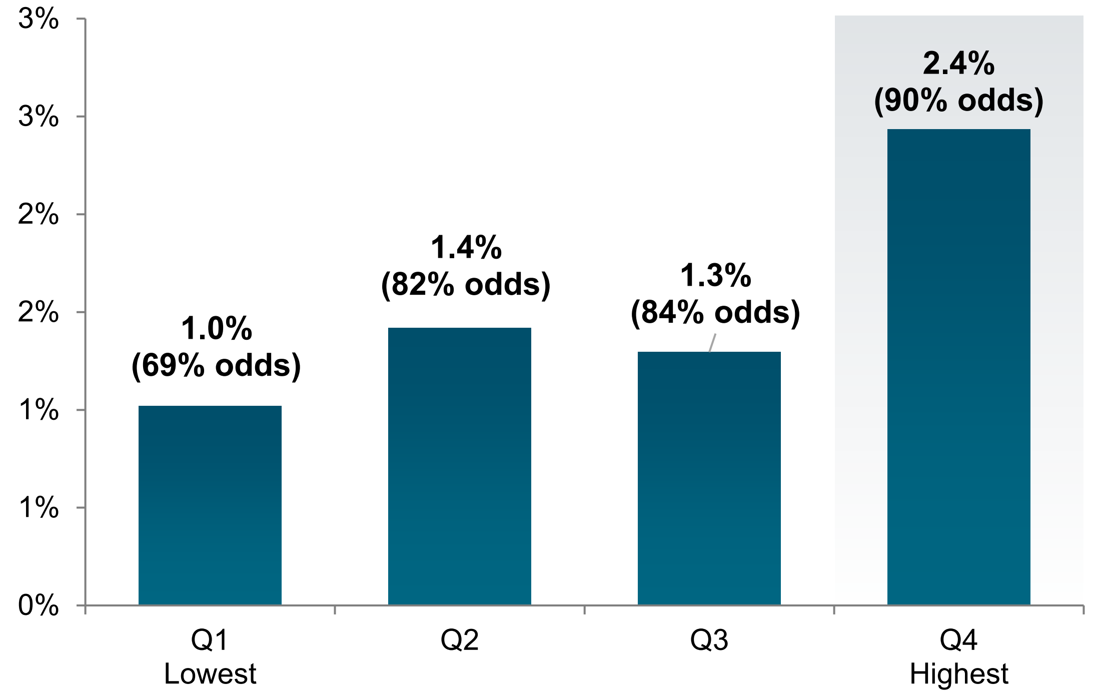
Past performance is no guarantee of future results. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 11/30/24. **LEFT**: Data analyzed monthly from January 1968 to November 2024. **RIGHT**: NTM: Next 12 months. Data analyzed monthly from January 1968 to September 2024. Federal Reserve Bank of Philadelphia's future employment forecasts the change in employment over the next six months for reporting manufacturing firms. The diffusion index is calculated by taking the percent reporting increases and subtracting the percentage reporting decreases.

Jumps in jobs have had legs and corresponded with earnings growth

Historically, strong rebounds in job growth were linked with rising payrolls over the next year (left). They also have boosted the likelihood of corporate earnings growth over the following 12 months (right). What is the connection? Jumps in job growth have tended to reflect a strengthening economy, which provides a healthy foundation for payrolls and earnings.

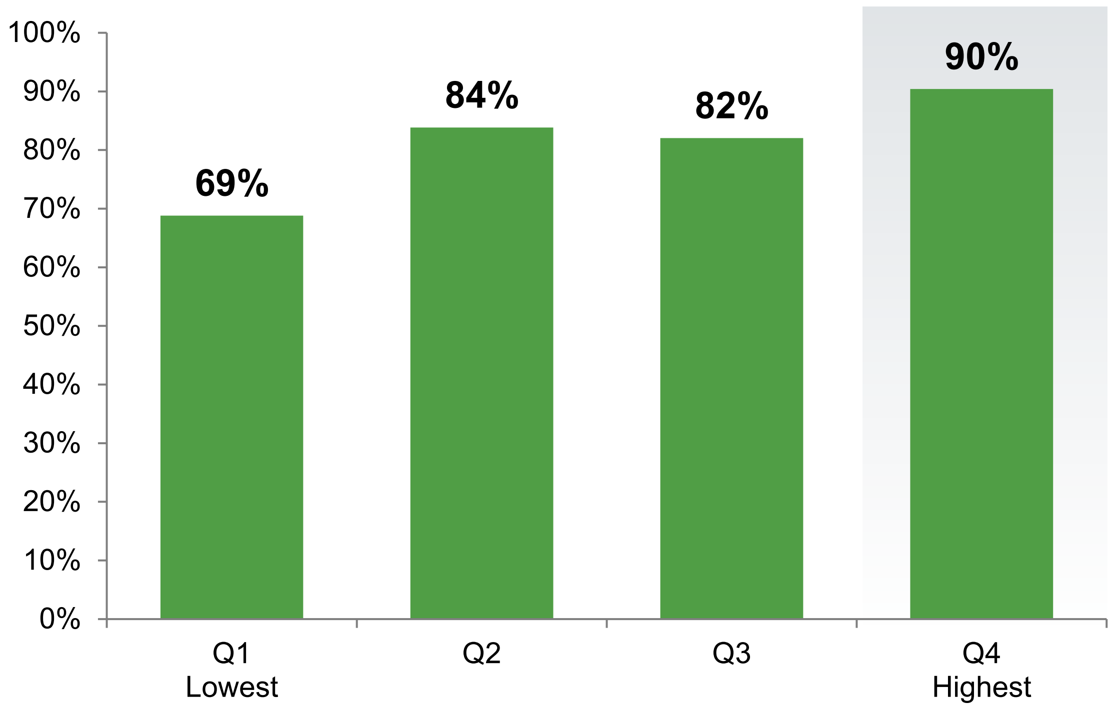
Payroll growth may rise

NTM Average Change in Payrolls in Quartiles of Philadelphia Fed Future Employment Diffusion Index, 1968–Present



Earnings could grow, too

Odds of Positive NTM Earnings Growth in Quartiles of Philadelphia Fed Future Employment Diffusion Index, 1968–Present



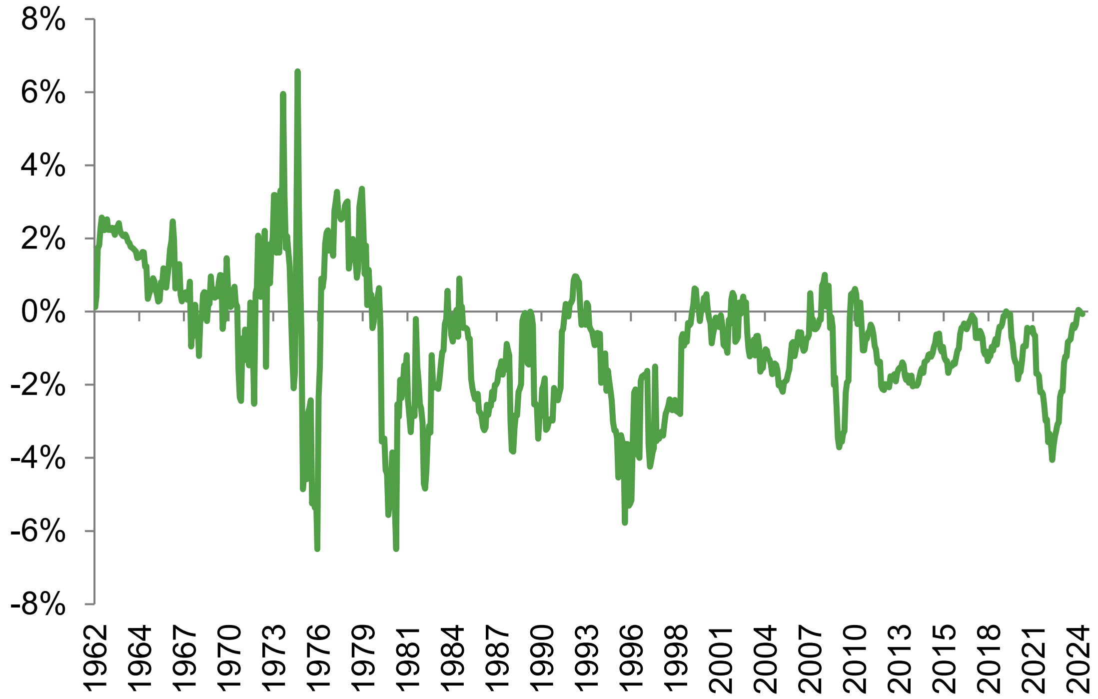
Past performance is no guarantee of future results. NTM: Next 12 months. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 11/30/24. Data analyzed daily from January 1968 to November 2024. **RIGHT**: Corporate earnings growth measured by earnings of the 3,000 largest U.S. stocks by market capitalization. Federal Reserve Bank of Philadelphia's future employment forecasts the change in employment over the next six months for reporting manufacturing firms. The diffusion index is calculated by taking the percent reporting increases and subtracting the percentage reporting decreases.

Consumer discretionary stocks have valuation support

The rise in the NFIB Real Wage Proxy could benefit consumer discretionary stocks. In addition, the sector's free cash flow yield recently reached the highest quartile of its historical range (left)—and with free cash flow yield, higher means cheaper. From comparable levels in the past, consumer discretionary had 86% odds of outperforming the index and average outperformance of 8.1% (right).

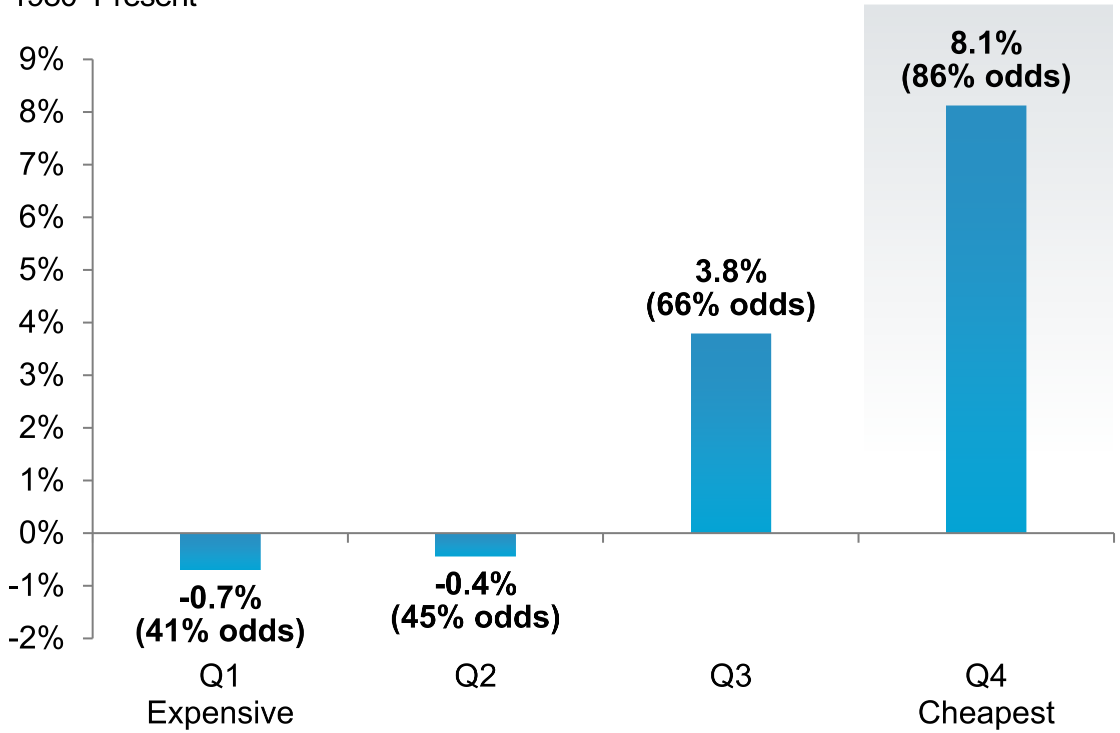
Consumer discretionary stocks have valuation support

Consumer Discretionary Relative Free Cash Flow Yield (Higher = Cheaper)



Top-quartile relative free cash flow has signaled outperformance

NTM Average Relative Performance in Quartiles of Relative Free Cash Flow Yield, 1980–Present



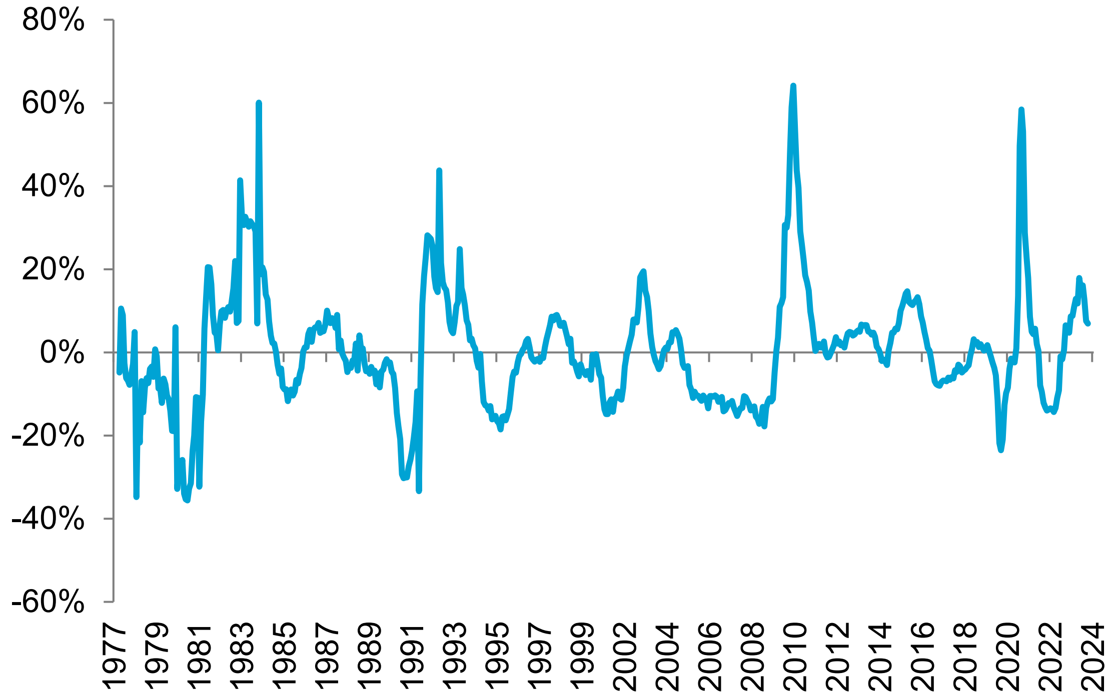
Past performance is no guarantee of future results. Haver Analytics, FactSet, Fidelity Investments, as of 11/30/24. Data analyzed monthly from January 1962 to August 2024. RIGHT: NTM: Next 12 months. NFIB Real Wage Proxy: Calculated as respondents' net plans to raise compensation minus plans to raise prices over the next 12 months. Analysis based on Fidelity top 3,000 largest U.S. stocks by market capitalization.

Cheap valuations: A powerful tailwind for consumer discretionary

Consumer discretionary is not just inexpensive—it also has generated stronger earnings growth than the broad market since July 2023 (left). But after the sector's valuations were in the cheapest quartile, historically, it outperformed over the next 12 months, on average, whether earnings growth was beating or trailing the market (right)—showing the importance of valuation to the sector's performance.

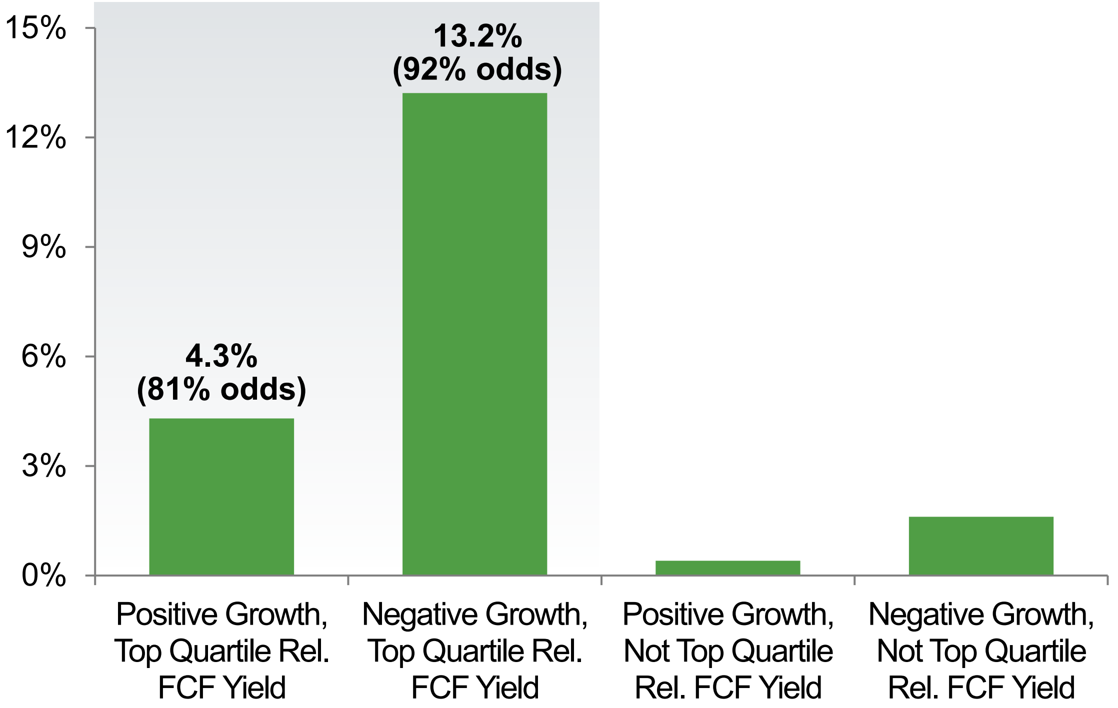
Consumer discretionary earnings growth has outperformed the market

Consumer Discretionary Relative Earnings Per Share Growth



Cheap valuations signaled outperformance regardless of relative earnings

NTM Average Relative Performance in Combinations of Relative Valuation and Earnings Per Share Growth, 1980–Present



Past performance is no guarantee of future results. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 11/30/24. Analysis based on Fidelity top U.S. 3,000 stocks by market capitalization. **LEFT**: Data analyzed monthly from February 1977 to September 2024. **RIGHT**: NTM: Next 12 months. FCF: Free cash flow.

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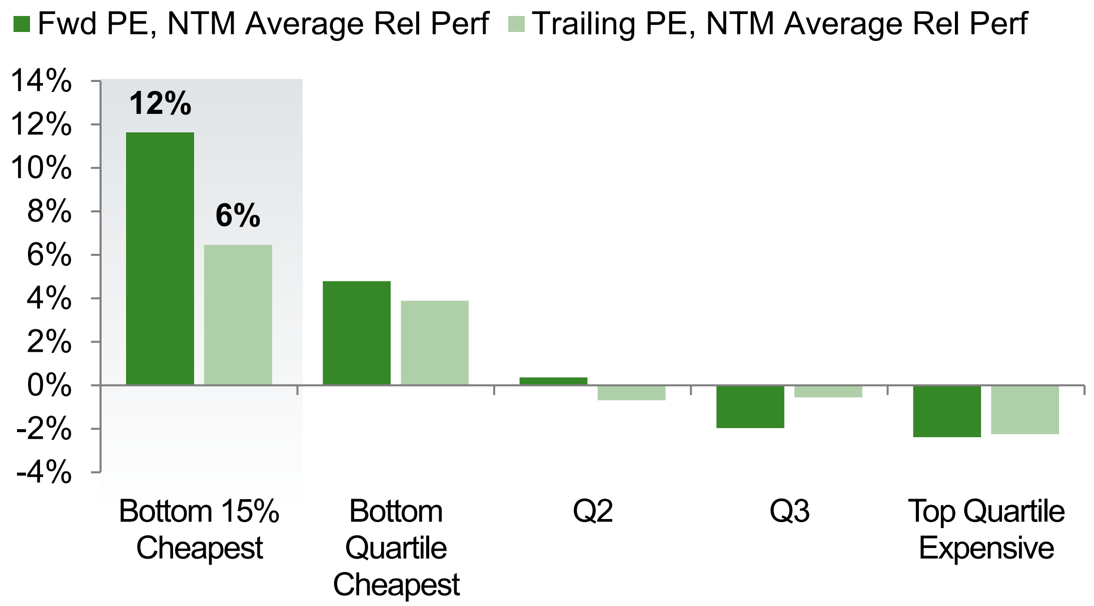
Financials’ outperformance might continue

Financials outperformed the market by nearly 10% over the three months through October. But they remain inexpensive, with both forward and trailing price-to-earnings (PE) ratios in the bottom 15% of their historical range—and the sector has outperformed from these levels in the past, on average (left). Relative earnings growth has turned up from bottom-quartile levels (right), historically another tailwind.

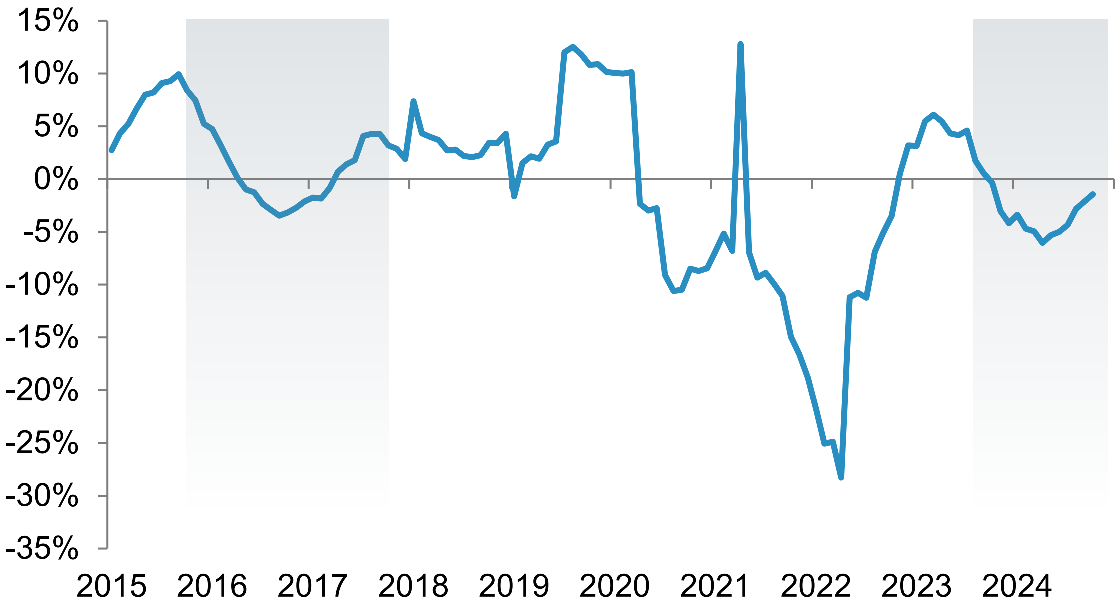
After low valuations, financials have beaten the market

NTM Relative Performance in Quartiles of Forward and Trailing PE, 1962–Present and 1977–Present, Respectively



Financials’ relative earnings growth has turned upward

Financials Relative Earnings Per Share Growth



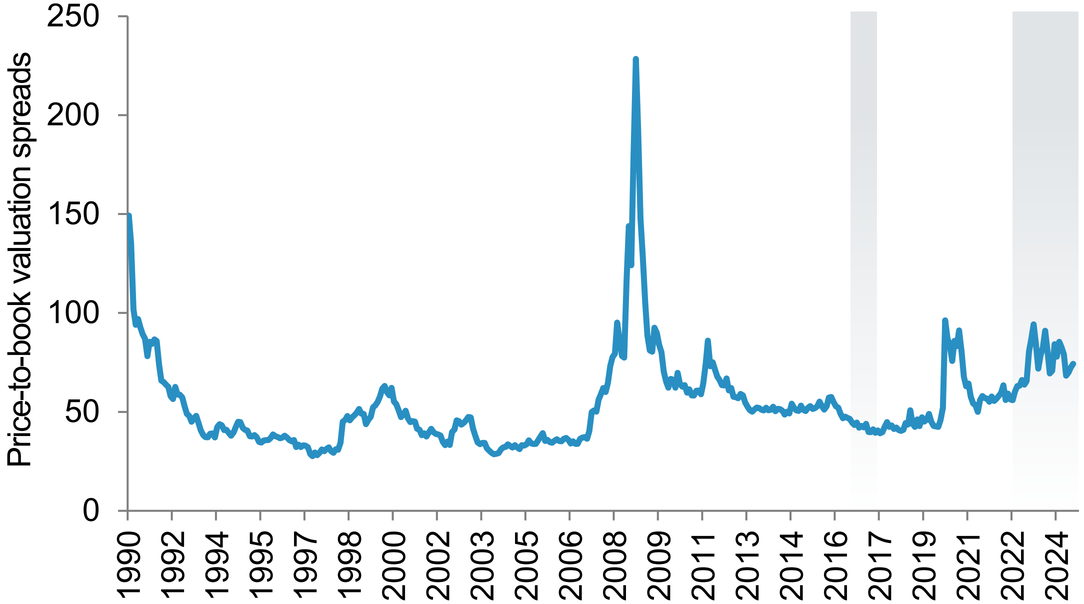
Past performance is no guarantee of future results. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 11/30/24. Analysis based on Fidelity top U.S. 3,000 stocks by market capitalization. **LEFT**: NTM: Next 12 months. Fwd P/E: Forward price-to-earnings ratio. A forward P/E ratio typically uses an average of analysts’ published earnings estimates for the next 12 months. Trailing P/E: Trailing price to earnings, calculated by dividing the current market value, or share price, by the earnings per share over the previous 12 months. Data analyzed monthly from January 1962 to October 2024 for Forward Trailing PE and monthly from January 1977 to October 2024 for Trailing PE. **RIGHT**: Data analyzed monthly from January 2015 to October 2024.

Financials’ performance may be durable this time

Investors considering financials may be concerned about a repeat of 2016, when the sector underperformed despite low valuations and improving earnings. This time it looks different. The sector’s valuation spreads are near recessionary levels (left), suggesting the market is priced for bad news. Interest rates and credit spreads have declined—a good combination for the sector, historically (right).

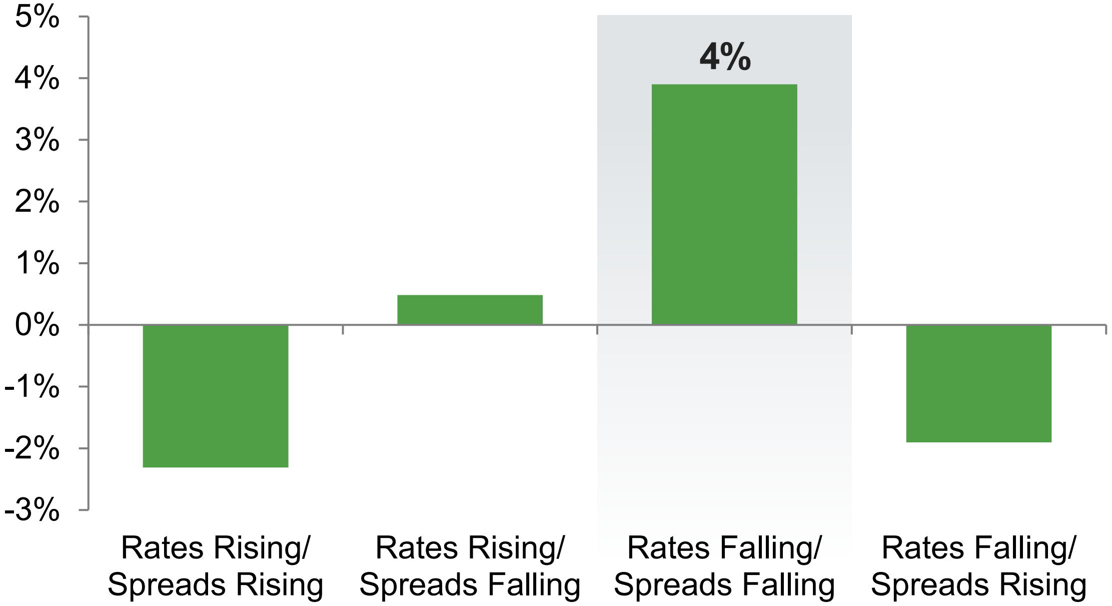
Valuation spreads are wide

Financials Price-to-Book Valuation Spreads



Financials have benefited from falling rates and credit spreads

NTM Average Relative Performance when Credit Spreads (HYOAS) or Rates (1-Yr Yield) Are Rising or Falling, 1980–Present



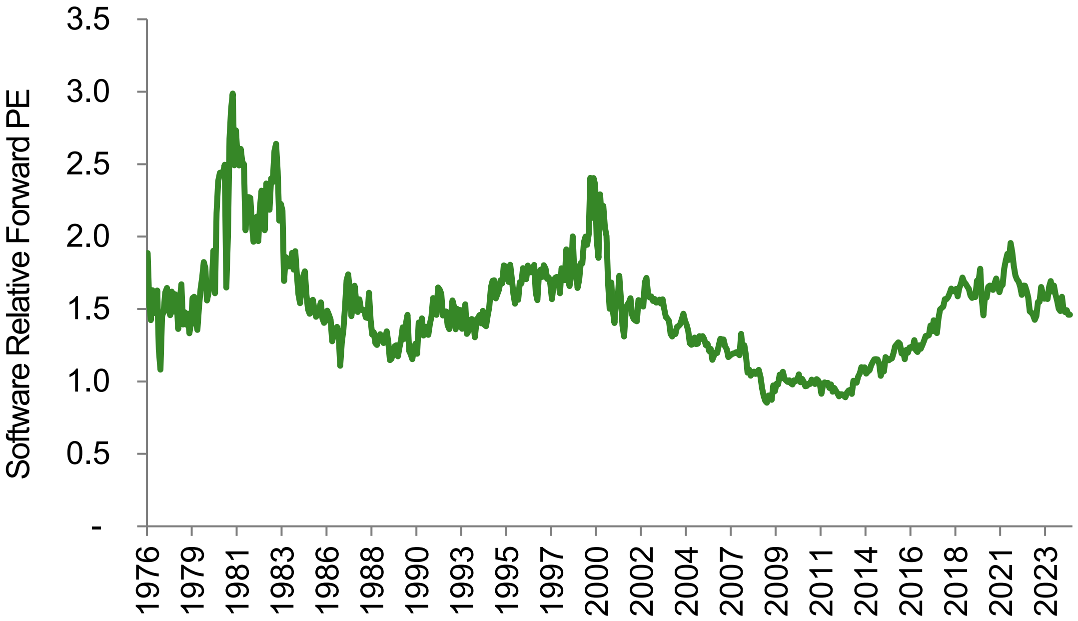
Past performance is no guarantee of future results. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 11/30/24. LEFT: Valuation spread: The difference between the average price-to-book ratio of the most-expensive and least-expensive quartiles. Analysis based on Russell 3000. Data analyzed monthly from December 1990 to October 2024. RIGHT: NTM: Next 12 months. HYOAS: ICE BofA US High Yield Index Option-Adjusted Spread. Data analyzed monthly from January 1980 to October 2024.

In tech, software looks appealing

Software stocks lagged over the last six months of 2024, even as software companies continued to generate strong earnings. The combination pushed the sector's relative forward PE into the bottom half of its historical range (left). From these levels in the past, software has had 70% odds of outperforming the broad market over the next 12 months (right).

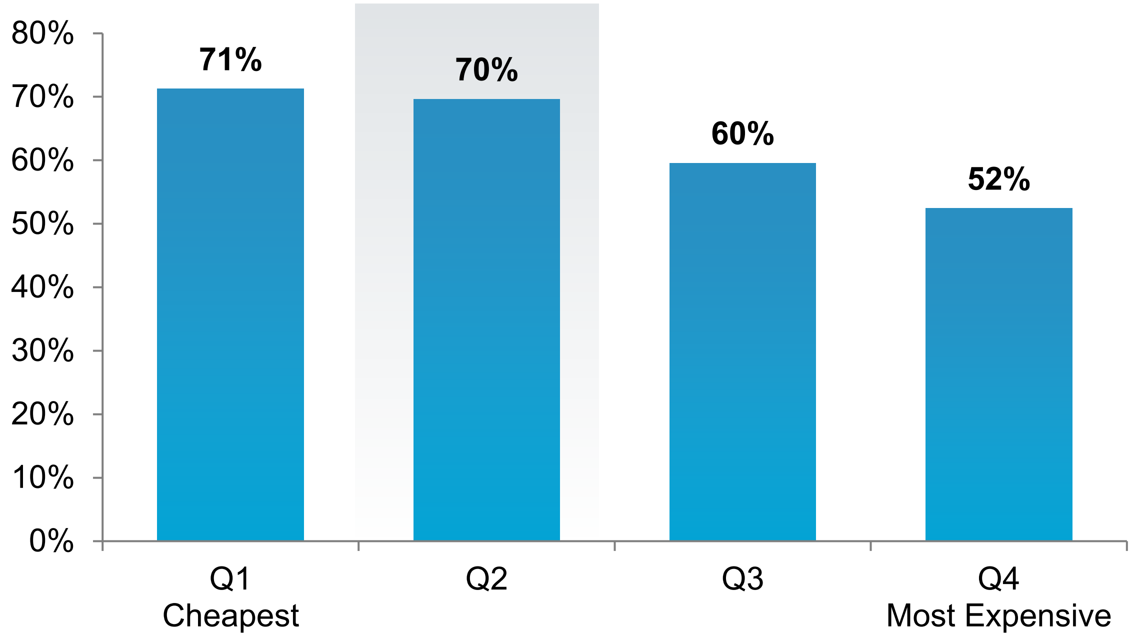
Software has gotten cheap

Software's forward price-to-earnings (P/E) ratio relative to Fidelity top U.S. 3,000 stocks forward P/E



Software has outperformed from similarly low valuations

NTM Odds of Outperformance in Quartiles of Relative Forward P/E, 1976–Present



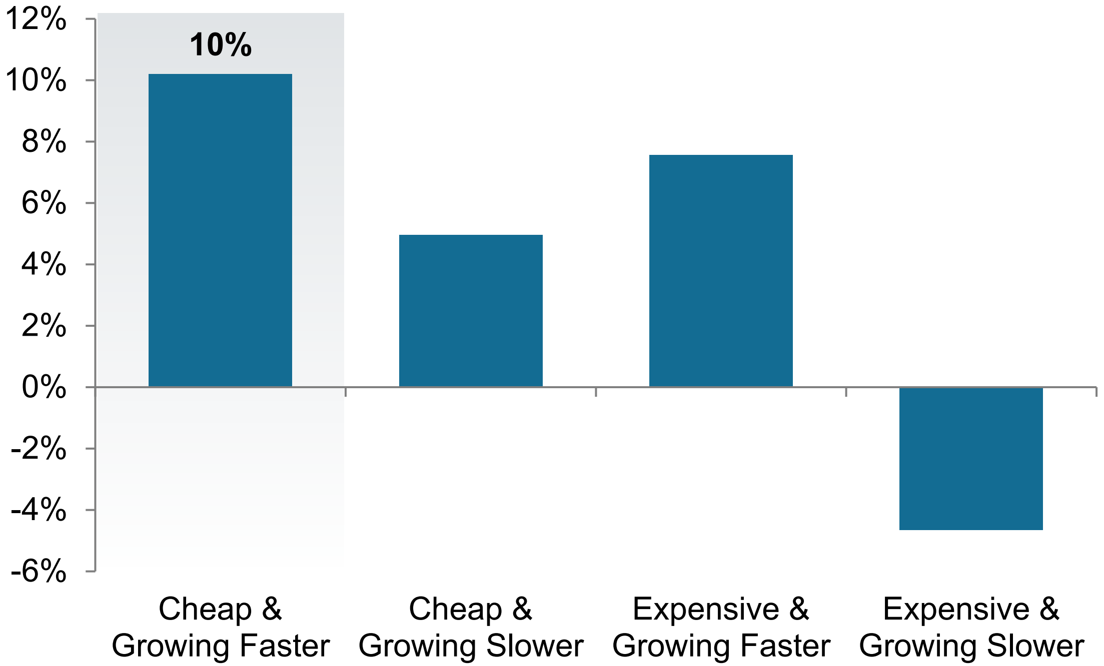
Past performance is no guarantee of future results. Forward P/E: Forward price-to-earnings ratio. A forward P/E ratio typically uses an average of analysts' published earnings estimates for the next 12 months. Analysis based on Fidelity top U.S. 3,000 stocks by market capitalization. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 11/30/24. Data analyzed monthly from February 1976 to November 2024. RIGHT: NTM: Next 12 months.

Strong earnings and low valuations may put wind at software's back

Software grew earnings faster than the S&P 500 over the 12 months through November. The combination of market-beating earnings and bottom-half valuations was a sweet spot for the subsector—in terms of both absolute returns (left) and risk-adjusted returns (right).

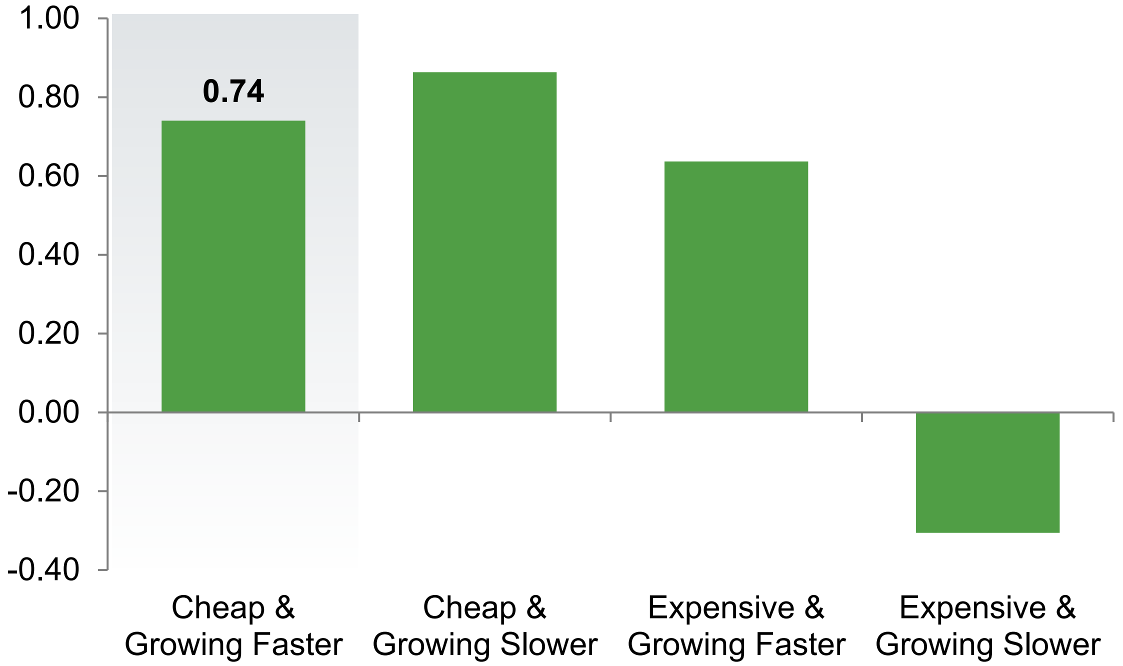
Software has thrived after strong relative earnings growth and low valuations

NTM Relative Performance Given Bottom or Top Half Valuation and Positive or Negative Relative EPS Growth, 1977–Present



Risk-adjusted returns have been strong, too

NTM Return Divided by Standard Deviation in Bottom or Top Half Valuation and Positive or Negative Relative EPS Growth, 1977–Present



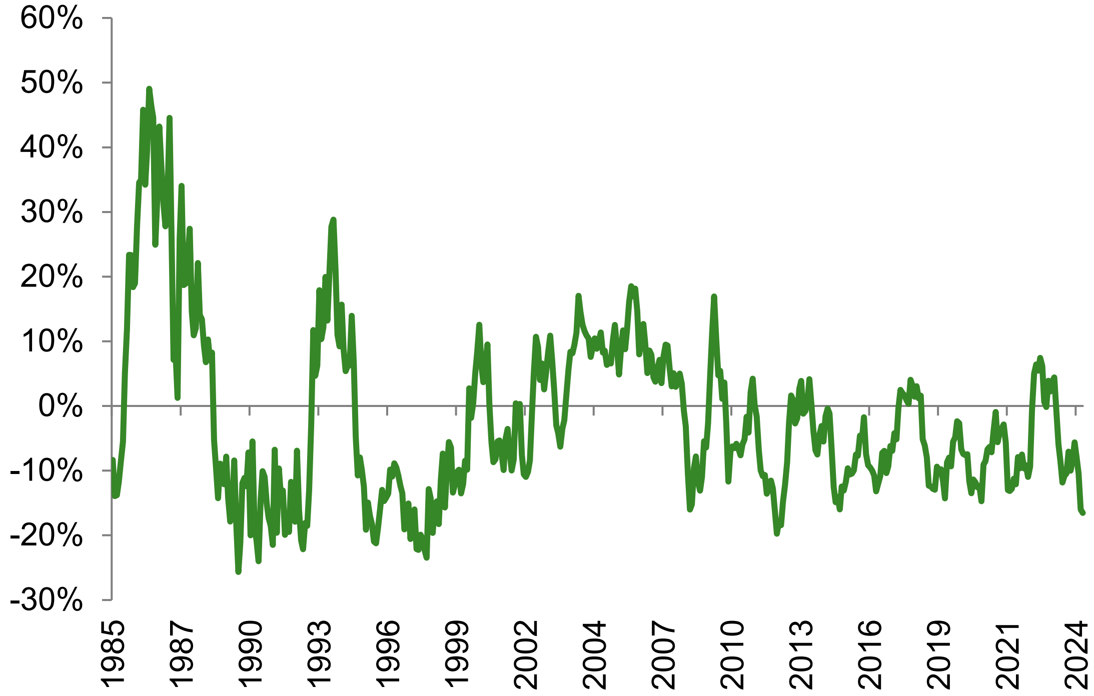
Past performance is no guarantee of future results. NTM: Next 12 months. EPS: Earnings per share. Analysis based on Fidelity top U.S. 3,000 stocks by market capitalization. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 11/30/24. Data analyzed monthly from February 1977 to November 2024. RIGHT: Risk-adjusted returns calculated by dividing return by standard deviation of return.

International stocks could continue to lag

The MSCI EAFE Index of developed international stocks trailed the S&P 500 by 16% during the 12 months through November 2024 (left). Are international stocks poised for a bounce relative to the U.S.? History suggests they may not be. After past 12-month periods when the EAFE had bottom-decile performance relative to the S&P 500, the S&P 500 outperformed by an average of 7.4% over the next 12 months (right).

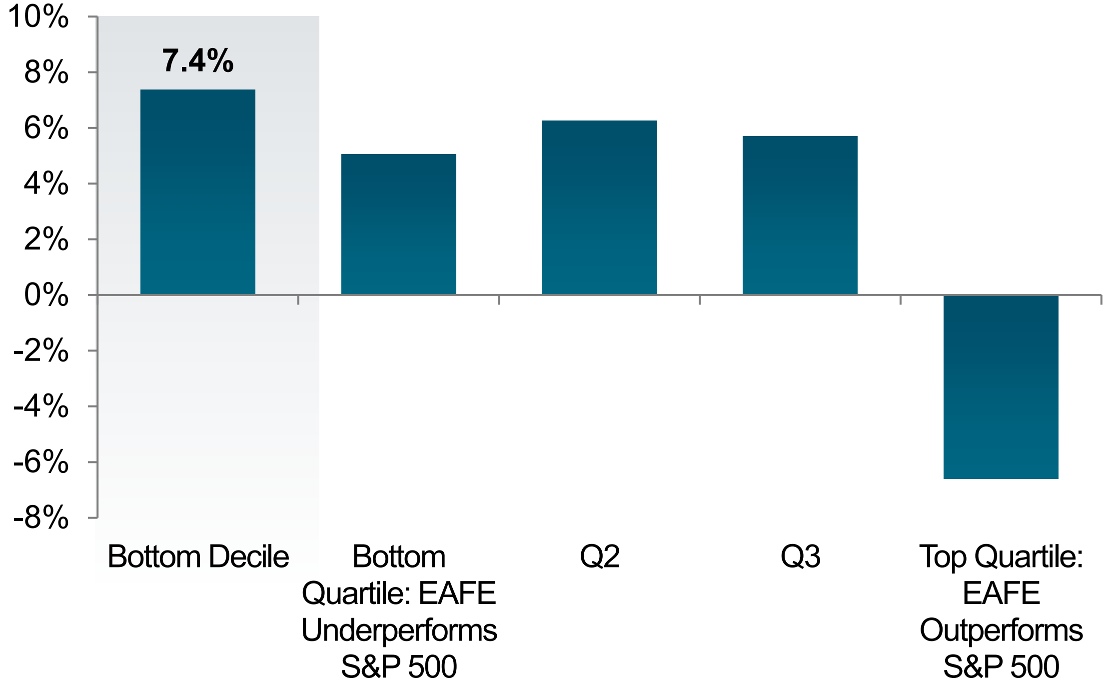
Domestic stocks outperformed international stocks last year

Year-Over-Year % Change of the MSCI EAFE Index vs. S&P 500 Index



U.S. outperformance historically has been durable

NTM Average Relative Performance of S&P 500 vs. MSCI EAFE index in Cohorts of LTM MSCI EAFE vs. S&P 500 Relative Performance, 1985–Present



Past performance is no guarantee of future results. Analysis based on the S&P 500 and the MSCI EAFE. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 11/30/24. Data analyzed monthly from January 1985 to December 2024. RIGHT: NTM: Next 12 months. LTM: Last 12 months.

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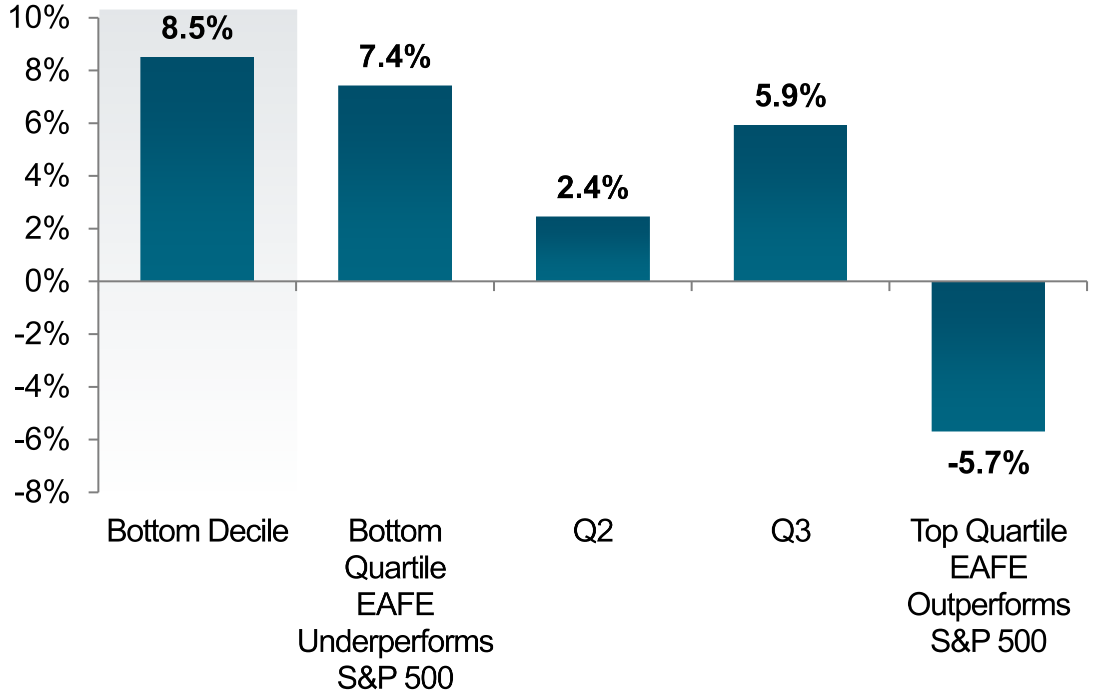
U.S. stocks have outperformed through corrections

Are U.S. stocks due for a correction? If so, do international stocks offer a haven? Historically, that has not been the case. Previously, when the EAFE had bottom-decile 12-month returns relative to the S&P 500 and the U.S. market corrected, the S&P 500 still outperformed international stocks, on average (left). Low valuations did not help the EAFE much in those scenarios (right).

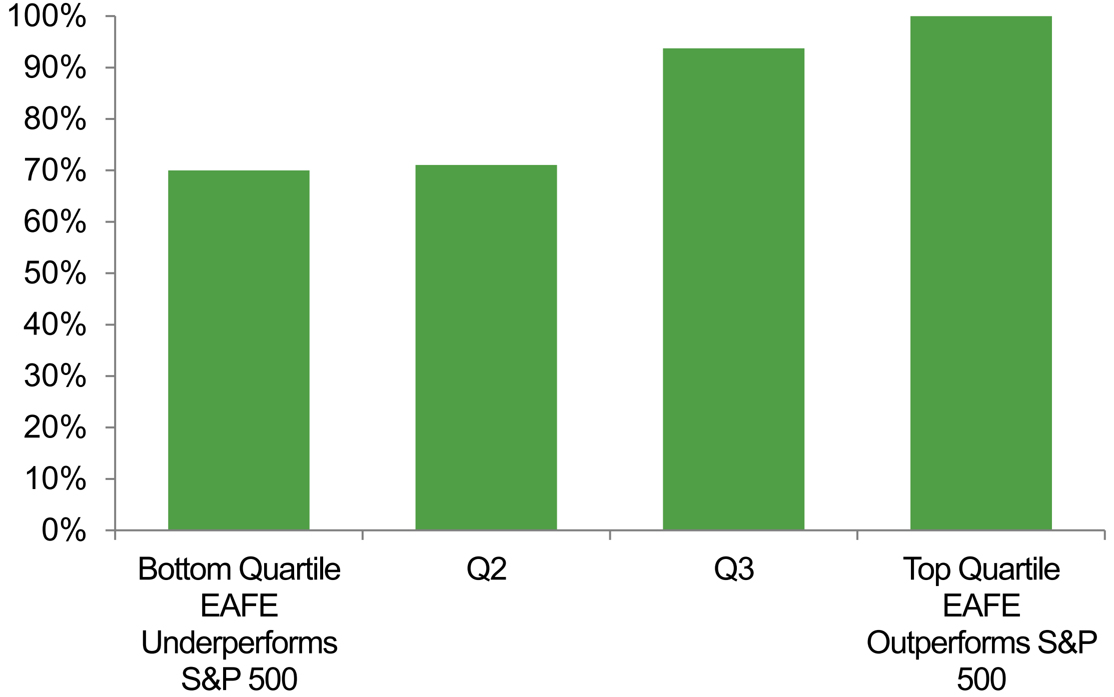
A U.S. correction may not help international stocks outperform

NTM Average Relative Performance of S&P 500 vs. MSCI EAFE in Quartiles of Prior Performance When the S&P 500 Corrects in the Next Six Months, 1985–Present



Even with low valuations, the EAFE has trailed after U.S. dominance

Odds of S&P 500 Outperforming the MSCI EAFE Index in Quartiles of Prior Performance When the MSCI EAFE Is in the Bottom Quartile Valuation on Relative P/Book



Past performance is no guarantee of future results. Analysis based on the S&P 500. Data analyzed monthly from January 1985 to December 2024. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 11/30/24. **RIGHT**: Relative P/Book: Relative price to book. A correction refers to a decline of 10% or more in the price of a security, asset, or a financial market in six months.

Glossary and methodology

Glossary

Book Yield: Calculates the yield to maturity, or the coupon return plus amortization, of a fixed-income investment.

Cycle Hit Rate: Calculates the frequency of a sector 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 often 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.

Enterprise Value: A measure of a company's total value that includes its market capitalization as well as short- and long-term debt and cash on its balance sheet.

Free Cash Flow (FCF): 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 Margin: The amount of free cash flow as a percentage of revenue. High FCF margin often denotes strong profitability.

Free-Cash-Flow Yield: Free cash flow 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 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 uses an average of analysts' published earnings estimates 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 (ROE): The amount, expressed as a percentage, earned on a company's common stock investment for a given period.

Risk Decomposition: A mathematical analysis that estimates the relative contribution of various sources of volatility.

Methodology

Strategist View: Our sector strategist, Denise Chisholm, tracks key indicators that have influenced the historical likelihood of outperformance of each sector. This historical probability analysis informs the Strategist Views.

Fundamentals: Sector rankings are based on equally weighting the following four fundamental factors: EBITDA growth, earnings growth, ROE, and FCF margin. However, we evaluate the financials and real estate sectors only on earnings growth and ROE because of differences in their business models and accounting standards.

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 of short-term sector performance.

Relative Valuations: Valuation metrics for each sector are relative to the S&P 500. 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, weighted as follows: P/E: 37%; P/B: 21%; P/S: 21%; and FCF yield: 21%. However, the financials and real estate sectors are weighted as follows: P/E: 65% and P/B: 35%.

Appendix

Information presented herein is for discussion and illustrative purposes only and is not a recommendation or an offer or a solicitation to buy or sell any securities. Views expressed are as of 12/31/24, based on the information available at that time, and may change based on market and 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.

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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. Index or benchmark performance presented in this document does not reflect the deduction of advisory fees, transaction charges, and other expenses, which would reduce performance.

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. The energy sector is defined as 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, and insurance and investments.

The energy industries can be significantly affected by fluctuations in energy prices and supply and demand of energy fuels, energy conservation, the success of exploration projects, and tax and other government regulations.

The technology industries can be significantly affected by obsolescence of existing technology, short product cycles, falling prices and profits, competition from new market entrants, and general economic condition.

The health care industries are subject to government regulation and reimbursement rates, as well as government approval of products and services, which could have a significant effect on price and availability, and can be significantly affected by rapid obsolescence and patent expirations.

Industrial industries can be significantly affected by general economic trends, changes in consumer sentiment and spending, commodity prices, legislation, government regulation and spending, import controls, worldwide competition, and liability for environmental damage, depletion of resources, and mandated expenditures for safety and pollution control.

The materials industries can be significantly affected by the level and volatility of commodity prices, the exchange value of the dollar, import and export controls, worldwide competition, liability for environmental damage, depletion of resources, and mandated expenditures for safety and pollution control.

Changes in real estate values or economic downturns can have a significant negative effect on issuers in the real estate industry. The value of securities of issuers in the real estate industry can be affected by changes in real estate values and rental income, property taxes, interest rates, tax and regulatory requirements, and the management skill and creditworthiness of the issuer.

The utilities industries can be significantly affected by government regulation, financing difficulties, supply and demand of services or fuel, and natural resource conservation.

Fidelity INVESTMENTS

Appendix

Index Definitions: The Russell 3000® Index is a market capitalization-weighted index designed to measure the performance of the 3,000 largest companies in the U.S. equity market.

The Russell 2000® Index is a market capitalization-weighted index designed to measure the performance of the small cap segment of the U.S. equity market. It includes approximately 2,000 of the smallest securities in the Russell 3000 Index.

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 indexes include the standard GICS sectors that make up the S&P 500 index. The market capitalization of all S&P 500 sector indexes together comprises 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.

S&P 400 Index is a market capitalization-weighted index of 400 mid cap stocks of U.S. companies chosen for market size, liquidity, and industry group representation.

Sectors are defined as follows: **Communication Services:** companies that facilitate communication or provide access to entertainment content and other information through various types of media. **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, and insurance and investments. **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. **Materials**: companies that are engaged in a wide range of commodity-related manufacturing. **Real Estate:** companies in two main industry groups—real estate investment trusts (REITs), and real estate management and development companies. **Technology:** companies in technology software and services and technology hardware and equipment. **Utilities:** companies considered to be electric, gas, or water utilities, or companies that operate as independent producers and/or distributors of power.

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