Commentary | First Quarter 2024

Investment Research Update

From the desk of

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Fidelity INVESTMENTS

Performance Summary: Cyclical stocks made solid gains

Investors continued a rotation toward cyclical stocks in the fourth quarter of 2023, with 10 of the 11 sectors in the S&P 500 index posting a positive return. Real estate, information technology, and financials led the way. Energy, consumer staples, and health care lagged the S&P 500.

Sector	Performance as of 12/31/23				Weight in S&P 500®
	Latest Quarter	1-Year	3-Year Annualized	Dividend Yield	
Communication Services	11.0%	55.8%	4.4%	0.7%	8.6%
Consumer Discretionary	12.4%	42.4%	3.7%	0.8%	10.9%
Consumer Staples	5.5%	0.5%	5.8%	2.6%	6.2%
Energy	-6.9%	-1.3%	36.2%	3.7%	3.9%
Financials	14.0%	12.1%	10.7%	1.7%	13.0%
Health Care	6.4%	2.1%	8.1%	1.6%	12.6%
Industrials	13.1%	18.1%	10.6%	1.5%	8.8%
Information Technology	17.2%	57.8%	15.1%	0.7%	28.9%
Materials	9.7%	12.5%	7.9%	1.9%	2.4%
Real Estate	18.8%	12.3%	6.6%	3.4%	2.5%
Utilities	8.6%	-7.1%	3.6%	3.4%	2.3%
S&P 500®	11.7%	26.3%	10.0%	1.4%	

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 red. It is not possible to invest directly in an index. All indexes are unmanaged. Percentages may not total 100% due to rounding.

Source: Haver Analytics, Morningstar, FactSet, Fidelity Investments, as of 12/31/23.

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Scorecard: Cyclicals may still have an edge

Relative valuations provided a higher margin of safety for several cyclically oriented sectors, including materials, industrials, and financials. Also, lower rates and high valuation spreads suggested potentially attractive risk-reward for the real estate sector. Conversely, defensive characteristics could hold back communication services and utilities.

	Strategist View	Longer	Time Horizon View	Shorter	
Sector	Overweight / Neutral / Underweight	**Fundamentals**	**Valuations**	**Relative Strength**	**Comments**
Communication Services	Underweight	–	–	+	Defensive characteristics may hinder performance
Consumer Discretionary	Overweight		–	+	Increasingly constructive contrarian indicators, median valuation compelling
Consumer Staples	Underweight	+			Earnings growth likely to lag in a broader recovery
Energy	Underweight	+	+	–	Indicators suggest a negative risk-reward
Financials	Overweight	–	+	–	Relative valuation may limit further deterioration
Health Care	Overweight				Good combination of fundamentals and valuation
Industrials	Overweight	+			Other predictive valuation indicators still compelling
Information Technology	Overweight		–	+	Earnings increasingly likely to recover
Materials	Overweight			–	Valuation and economic indicators are supportive
Real Estate	Overweight New	–	+		Lower rates and high valuation spreads suggest attractive risk-reward.
Utilities	Underweight				Defensive characteristics may hinder performance

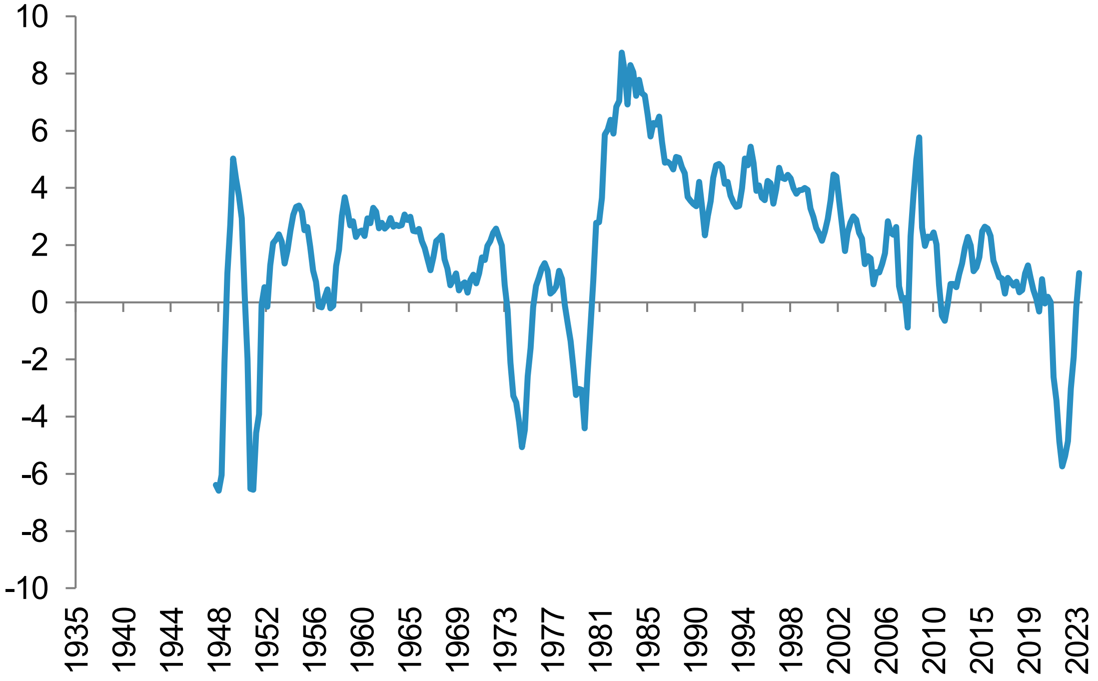
Past performance is no guarantee of future results. Strategist view, fundamentals, valuations, and relative strength are based on the top 3,000 U.S. stocks by market capitalization. Sectors defined by the GICS; see Index Definitions for details. Historical communication services data has been restated 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. "New" indicates a changed strategist view since 9/30/23. Source: Haver Analytics, FactSet, Fidelity Investments, as of 12/31/23.

How much will previous rate hikes weigh down the economy?

It's possible that the lagging impacts of recent policy interest-rate hikes, which boost borrowing costs, could tax economic growth this year. However, real (inflation-adjusted) interest rates rose only to about the middle of their historical range through the third quarter of 2023 (left). Also, higher rates tend to happen when the economy is healthy. Going back to 1935, real GDP growth has been stronger in 12-month periods after rates were higher, on average (right).

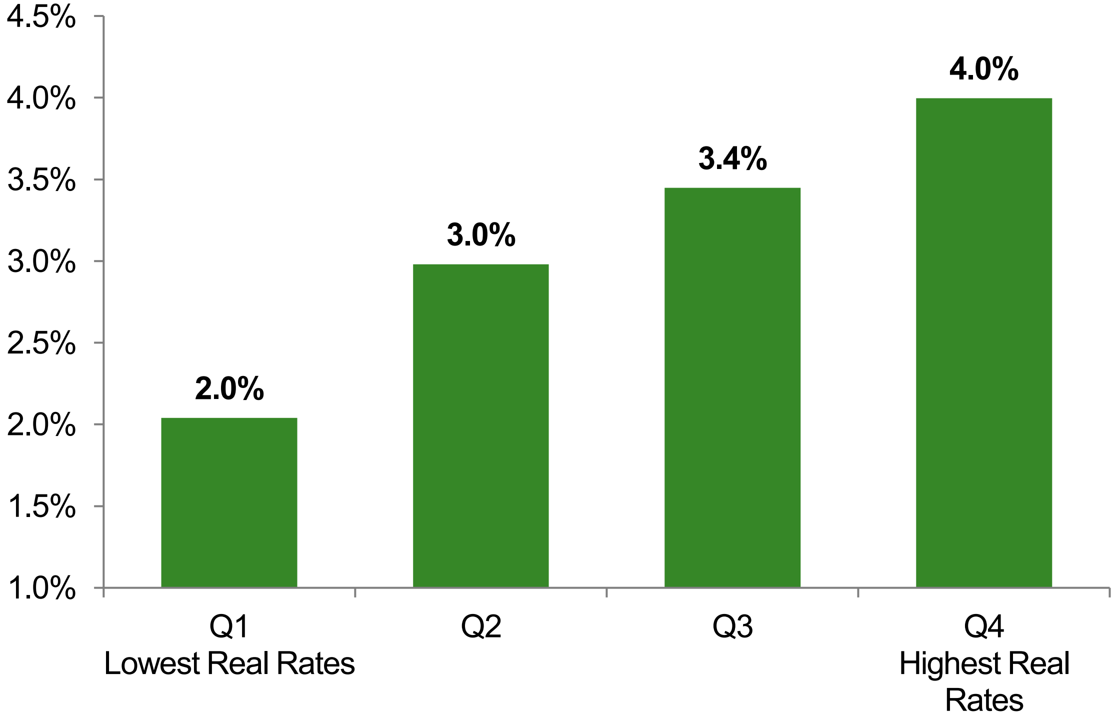
Real interest rates are in the middle of their historical range

Long-Term Treasury Composite Minus Trailing CPI, 1935–Present



Economic strength has followed higher rates

Average Real GDP Growth in Quartiles of Real Long Rates, 1935–Present.



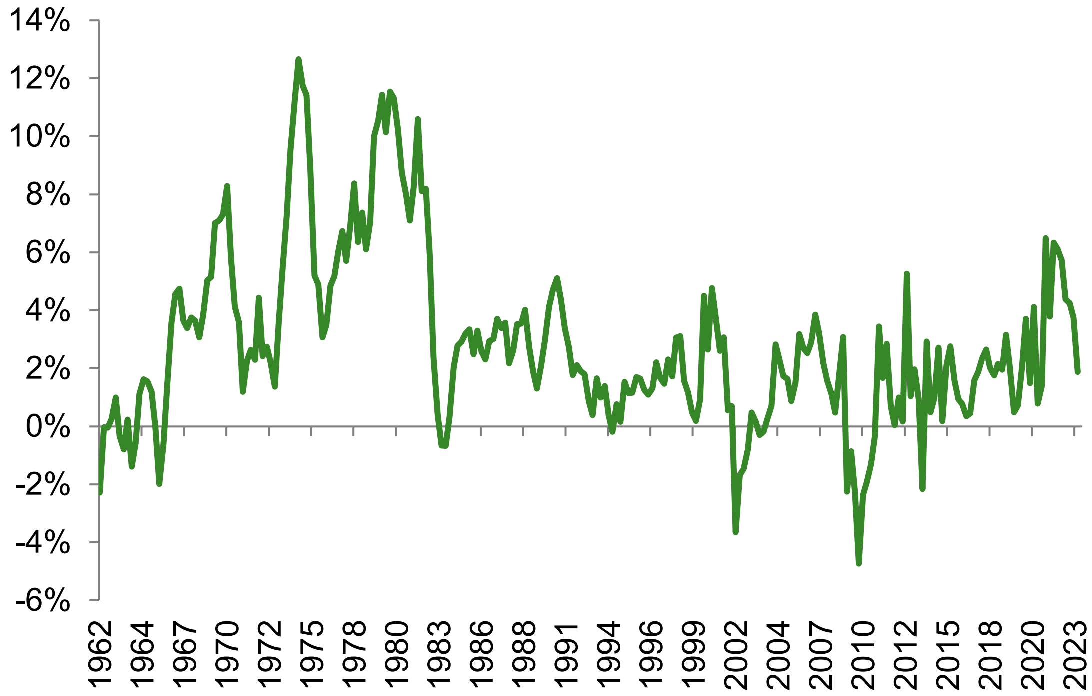
Past performance is no guarantee of future results. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 9/30/2023. **LEFT**: CPI: Consumer Price Index. Real interest rates calculated as the average yield in Fidelity's long-term Treasury composite index minus the 12-month change in the CPI. Data analyzed quarterly since December 1935. **RIGHT**: Real GDP growth calculated as nominal GDP growth minus the 12-month change in the CPI. Data analyzed quarterly since December 1935.

Falling unit labor costs have aided corporate profit margins

There's reason for optimism about corporate profit margins in 2024, partly due to the potential for increases in worker productivity. Unit labor costs—the price of the labor needed to produce one unit of output—slowed between June 2022 and September 2023 as productivity rose, reaching the bottom decile of its historical range since 1962 (left). When unit labor costs fell to comparable levels in the past, corporate operating margins grew an average of 6% over the next 12 months (right).

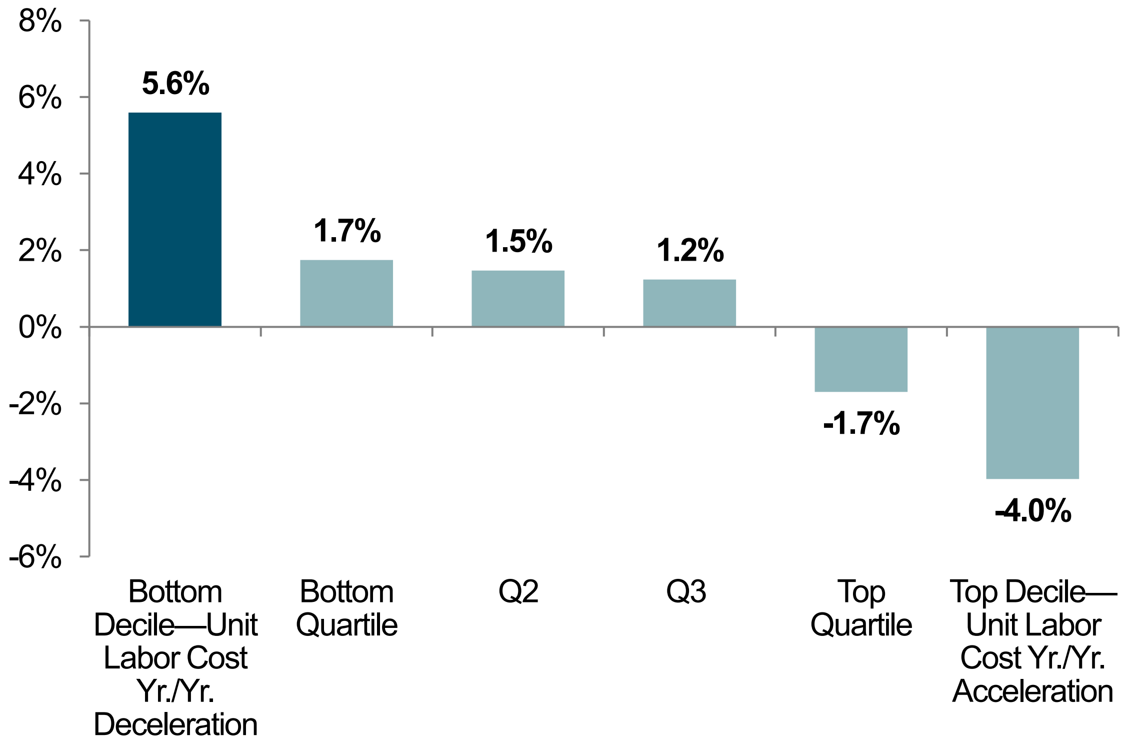
Unit labor cost growth slowed

Percent Year-to-Year Change in Nonfarm Business Sector Unit Labor Cost, 1962–Present



Decelerating unit labor costs benefited margins in the past

Average NTM Percent Change in Operating Margins in Quartiles & Deciles of LTM Acceleration of Unit Labor Costs, 1962–Present.



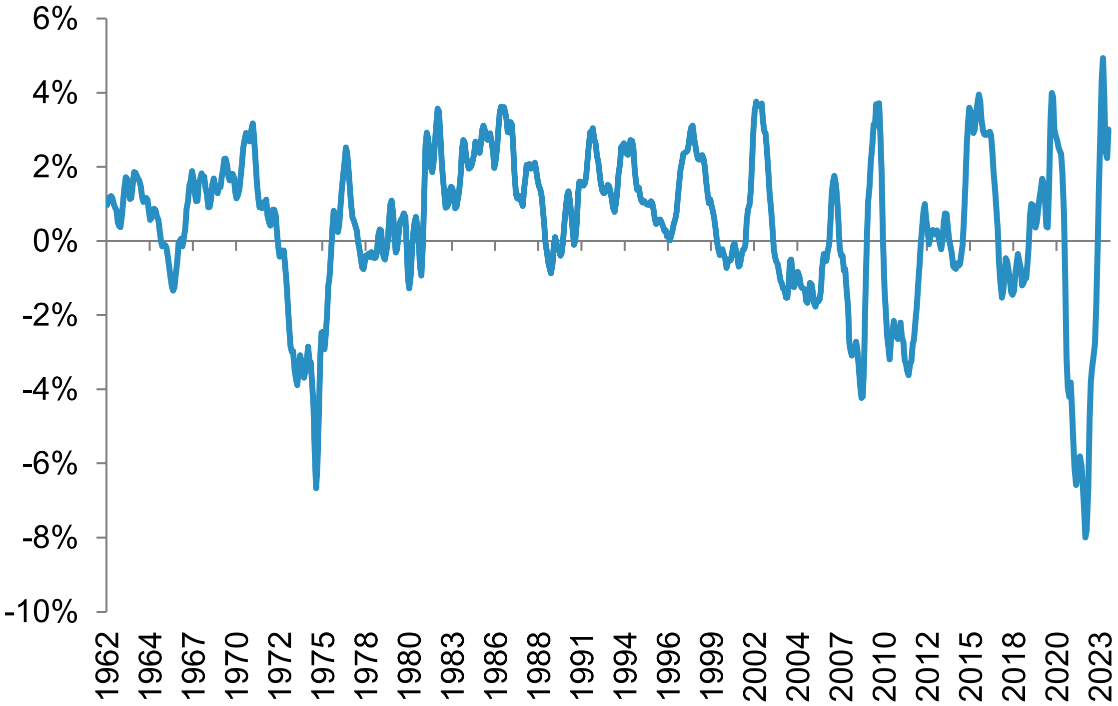
Past performance is no guarantee of future results. Data analyzed quarterly since January 1962. Analysis based on the S&P 500. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 9/30/23. **RIGHT**: NTM: Next 12 months. LTM: Last 12 months. Yr/Yr is year-over year.

Margins rose when producer costs rose less than consumer prices

Here's another potential boon for earnings and profit margins: Consumer inflation has fallen a lot in recent months—and inflation for producers has come down even more (left). The difference between the two—with consumer inflation higher than producer inflation—recently reached its top decile, historically. Going back to 1962, corporate profit margins increased an average of 2.2% in the 12 months after similar top-decile gaps between these metrics (right).

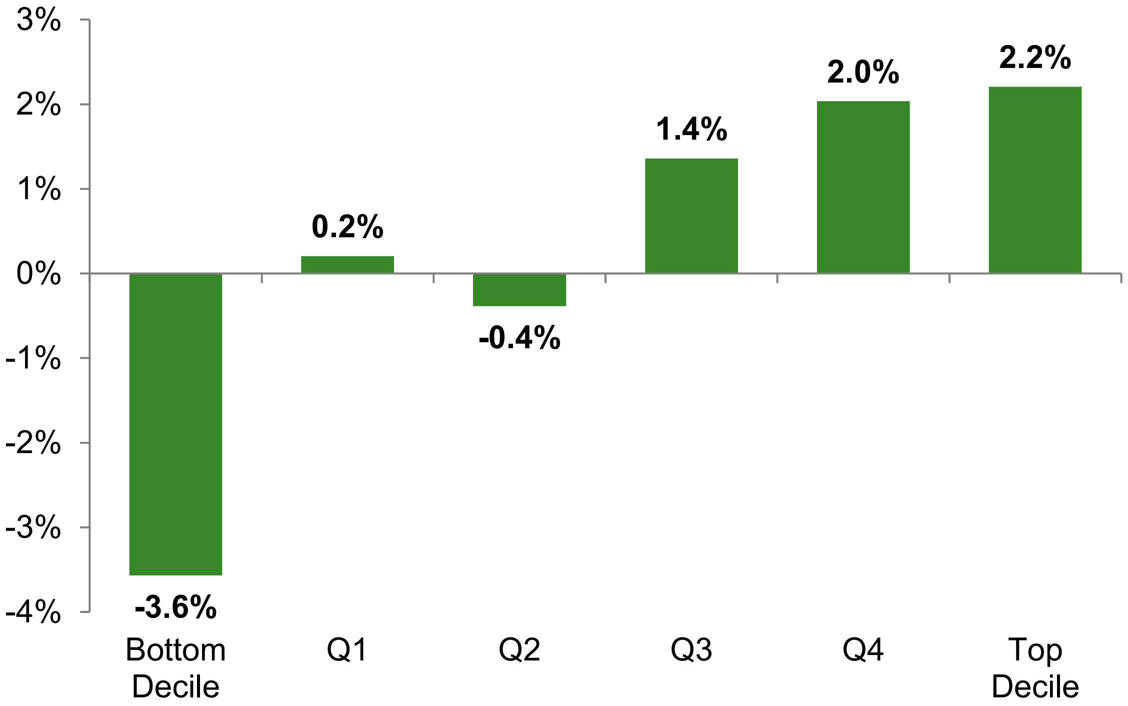
Inflation is higher for consumers than for producers

CPI All Items Year-Over-Year Minus PPI Finished Goods Year-Over-Year, 1962–Present



This has been good for margins in the past

NTM Change in Operating Margins By Cohort of Relative Consumer and Producer Inflation, 1962–Present



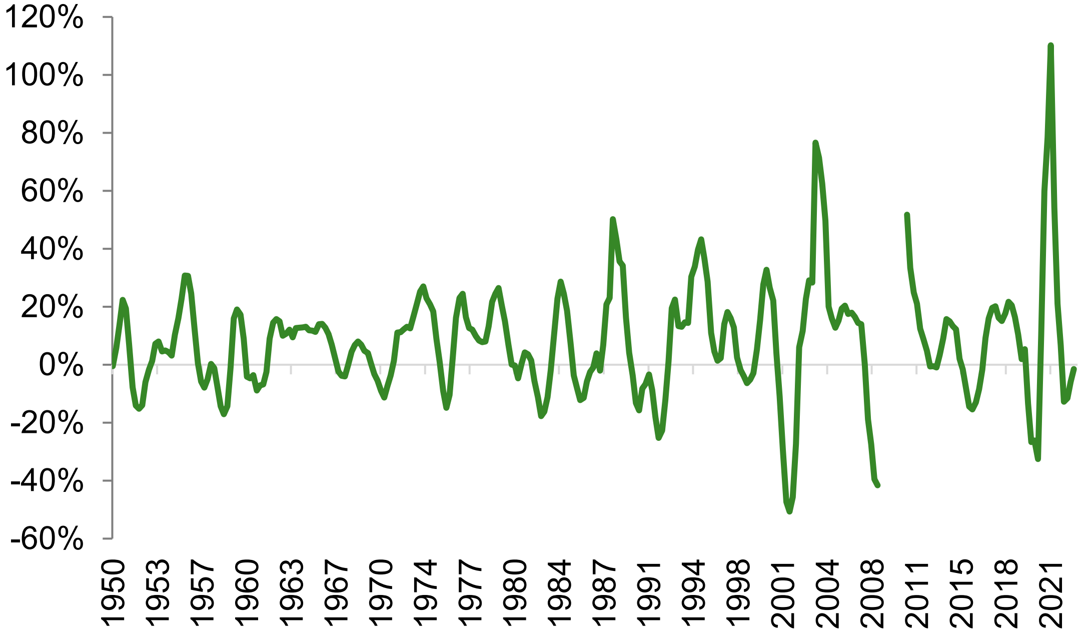
Past performance is no guarantee of future results. Analysis based on Fidelity top U.S. 3,000 stocks by market capitalization. Data analyzed monthly since January 1962. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 10/30/23. **LEFT**: CPI: Consumer Price Index. PPI: Producer Price Index. PPI measures the average change over time in selling prices received by domestic producers of goods and services. **RIGHT**: For the given time frame, Q1 marks the worst quartile of operating margin change and Q4 marks the best.

Earnings recoveries historically boosted stocks

The drop in earnings growth since 2021 was comparable to those seen in recessions and the height of the pandemic (left). Analysts expect earnings growth to recover in 2024,* and earnings comebacks historically have been very good for investors: Between 1950 and September 2023, stocks gained an average of 16.2% during 12-month periods when earnings recovered after declining over the previous 12 months (right).

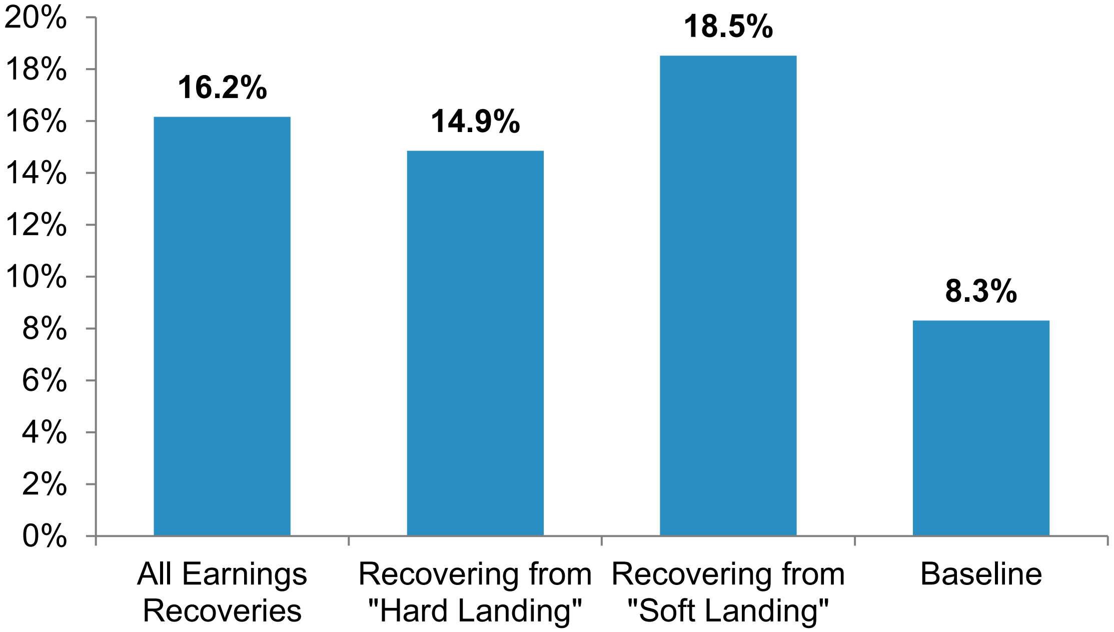
Earnings growth plummeted in recent years

Percent Year-to-Year Change in S&P 500 Composite Diluted Earnings, 1950–Present



Earnings recoveries have been good for stocks

Stock Returns During 12-Month Periods with Earnings Recoveries Versus Baseline, 1950–Present



Past performance is no guarantee of future results. Data analyzed quarterly since January 1950. Analysis based on the S&P 500. * Earnings recovery expectation based on consensus analyst estimates of companies in the S&P 500 index (all analyst estimates for each company are amalgamated to compose an S&P 500 earnings growth rate). Recessions determined by the National Bureau of Economic Research (NBER) Business Cycle Dating Committee. **LEFT:** The chart excludes extreme data inputs around the time of the 2007–2009 Global Financial Crisis that would have distorted the chart. **RIGHT:** Hard landing refers to a cyclical economic slowdown associated with a recession. Soft landing refers to a cyclical economic slowdown that avoids a recession. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 9/30/23.

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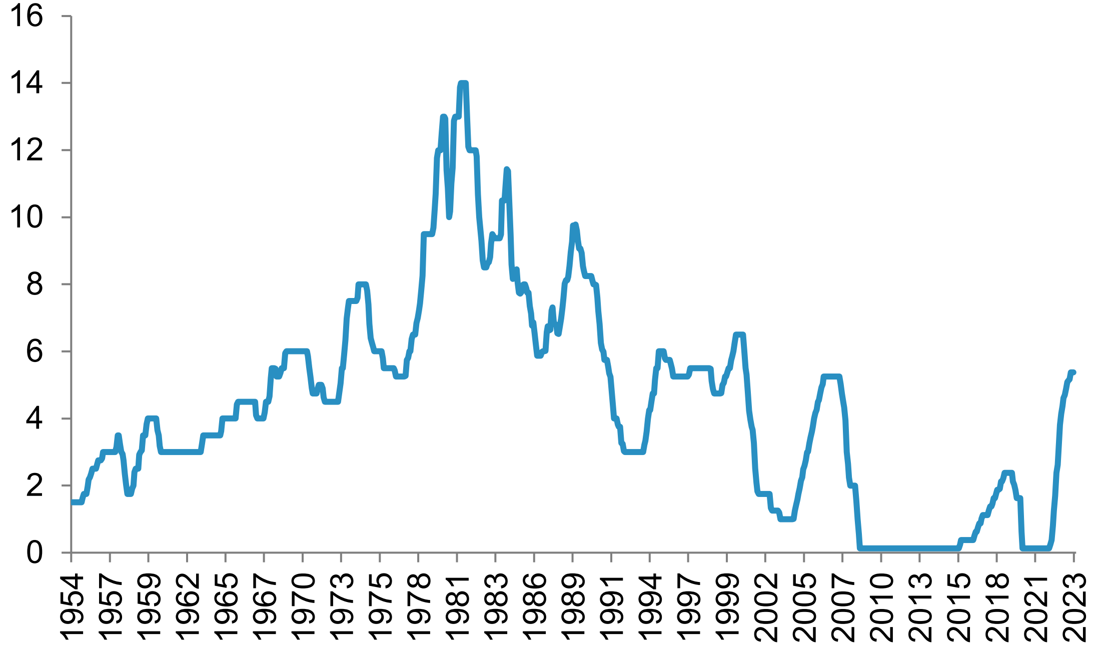
How have stocks fared near the start of rate cuts?

After hiking interest rates since early 2022 (left), the U.S. Federal Reserve in December said it expects to start policy rate cuts in 2024. In the absence of recession, stocks have gained an average of 9% during the 12 months leading up to the first rate cut of a cycle and more than 12% the following 12 months (right). In the same periods with recessions, stocks fell 5%, on average, during the 12 months before the cut, then gained almost 14% over the following year.

Is the Fed done hiking?

Federal Open Market Committee Federal Funds Target Rate, July 1954–Present



First rate cuts have been good for stocks

12-Month Stock Returns Before and After First Rate Cuts, With or Without Recessions, July 1954–Present

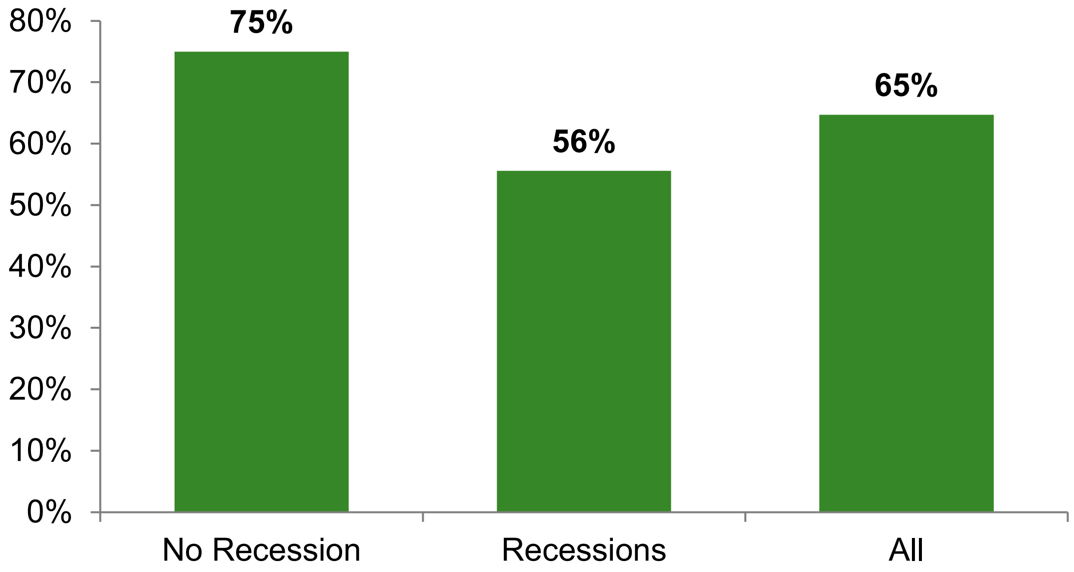
Past performance is no guarantee of future results. Data analyzed monthly since July 1954. Recessions determined by the National Bureau of Economic Research (NBER) Business Cycle Dating Committee. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 10/31/23. **RIGHT**: Analysis based on the S&P 500.

Falling rates and accelerating earnings has benefited cyclicals

The yield on the 10-year Treasury note fell from 4.99% on October 19, 2023, to 3.98% in early January 2024. It's typical for bond yields to decline before the first rate cut of a cycle, especially in the absence of a recession (left). This is notable because yield declines coupled with earnings recoveries have helped cyclical stocks in the past: Going back to 1962, when 10-year yields fell and earnings accelerated, cyclicals outperformed the market (right).

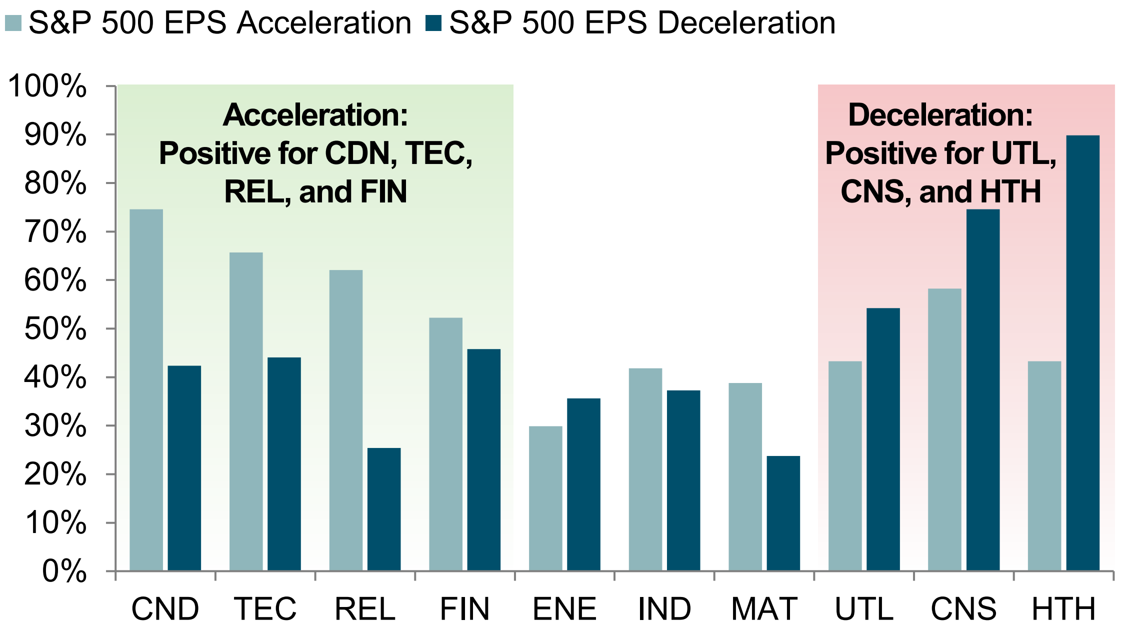
10-Year Treasury yields have fallen before first Fed cuts

Percent of Time 10-Year Yields Fell in Six Months Before Initial Rate Cuts, 1955–Present



Cyclicals outperformed when 10-year rates fell and earnings rose

Sector Relative Performance Odds, 10-Yr Rates Falling with Coincident Accelerating or Decelerating EPS Growth, Rolling 12M Periods, 1962–Present



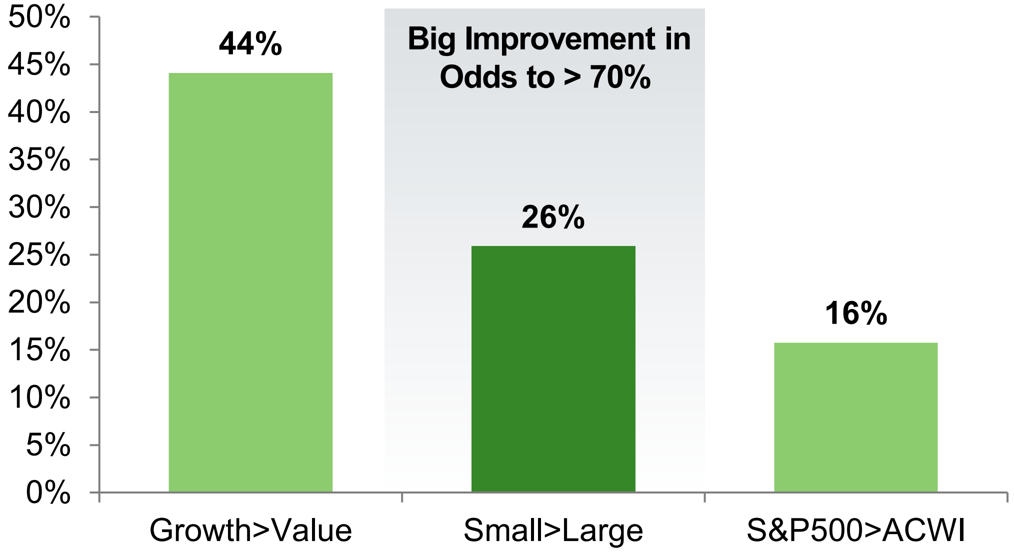
Past performance is no guarantee of future results. **LEFT**: Data analyzed monthly since July 1954. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 10/31/23. **RIGHT**: CND: Consumer discretionary. TEC: Technology. REL: Real estate. FIN: Financials. ENE: Energy. IND: Industrials. MAT: Materials. UTL: Utilities. CNS: Consumer staples. HTH: Health care. EPS: Earning per share. Cyclical sectors include communication services, consumer discretionary, energy, financials, industrials, materials, real estate, and technology.
Defensive sectors include consumer staples, health care, and utilities. Data analyzed quarterly since January 1970. Analysis based on the S&P 500.
Recessions determined by the National Bureau of Economic Research (NBER) Business Cycle Dating Committee. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 9/30/23.

Small caps have benefited in periods of falling rates and rising earnings

Early in 2024, the consensus calls for earnings to accelerate and policy interest rates to fall. In the past, this combination has tended to eventually lead to outperformance for small cap stocks. Going back to 1970, small caps outperformed large caps 76% of the time in the 12 months after earnings rose and rates fell (left). Also, the wide valuation spread within the small cap universe near the end of 2023 may be suggesting that the market has discounted a lot of bad news for smaller companies (right).

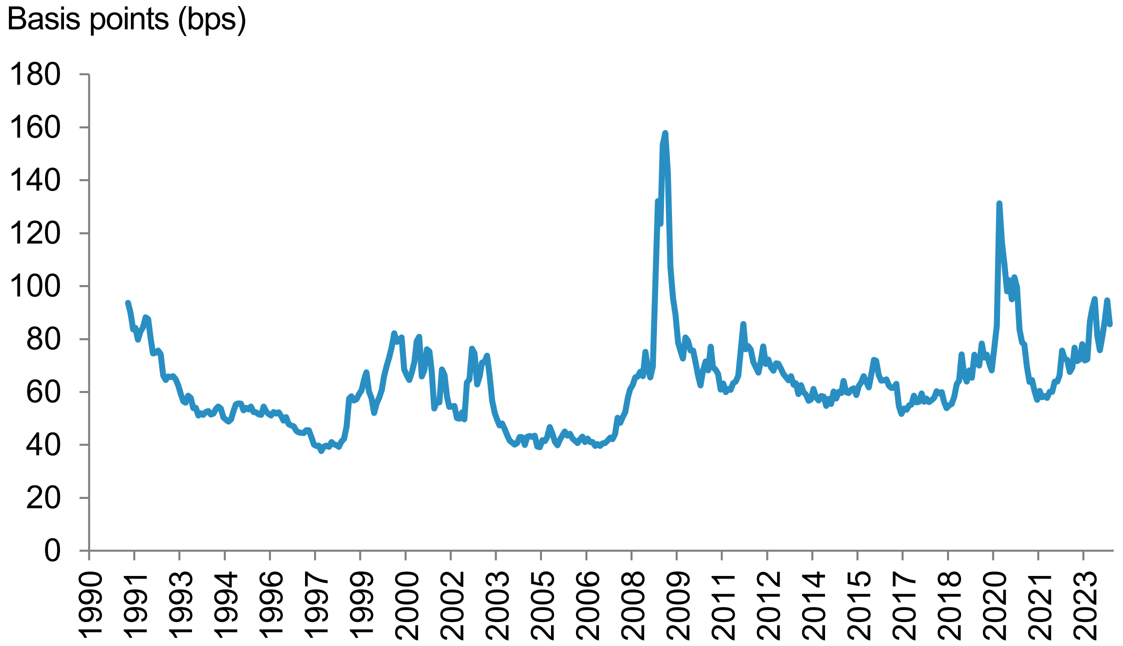
Faster earnings growth with lower rates has been meaningful for small caps

Increase in Odds of Small Caps Outperforming Large Caps 12 Months After Periods of Earnings Acceleration and Lower Rates vs. 12 Months After Periods of Earnings Deceleration and Higher Rates, 1970–Present



The market may be discounting fear in small caps

Spread between the Russell 2000's Highest and Lowest Book Yield Quartiles, April 1991–Present



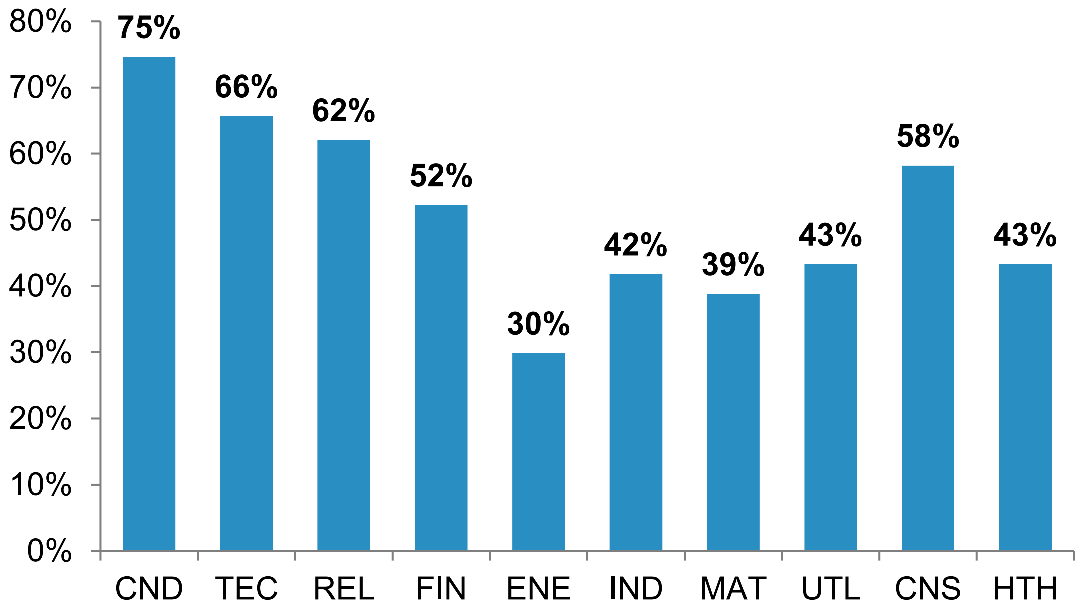
Past performance is no guarantee of future results. LEFT: Data analyzed quarterly since January 1970. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 9/30/23. **RIGHT**: Valuation spread: The difference between the average book yield of the Russell 2000's most-expensive and least-expensive quartiles. Data analyzed monthly since April 1991. Analysis based on Fidelity top U.S. 3,000 stocks by market capitalization. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 11/30/23.

Falling rates and rising earnings have helped other sectors too

Since 1970, the consumer discretionary, technology, and real estate sectors have had the best odds of outperforming the market for the 12-month periods in which interest rates fell and earnings accelerated (left). Over the same time frame, the real estate sector's odds of outperformance improved the most compared with 12-month periods of rising rates and falling earnings (right).

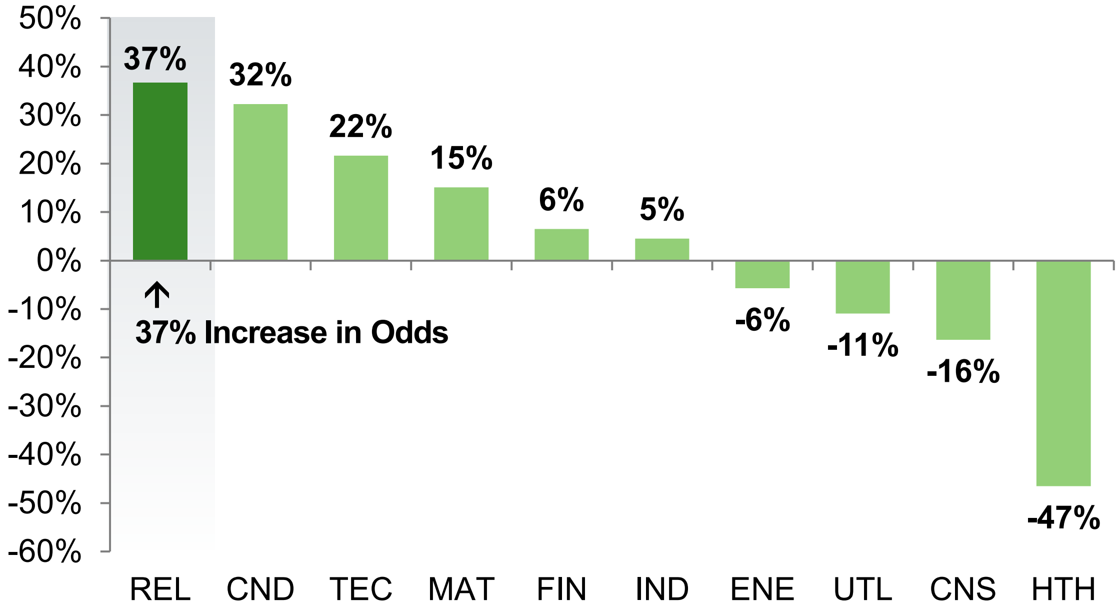
Cyclicals outperformed when rates fell, earnings rose

Sector Relative Performance Odds When 10-Year Rates Fell and S&P 500 Earning Growth Accelerated, Rolling 12-Month Periods, 1970–Present



Real estate's odds of outperformance improved most of any sector when moving to periods of lower rates and faster EPS

Odds of Outperformance by Sector in Periods of Lower Rates, Accelerating EPS, compared with Periods of Rising Rates and Slowing EPS, 1970–Present



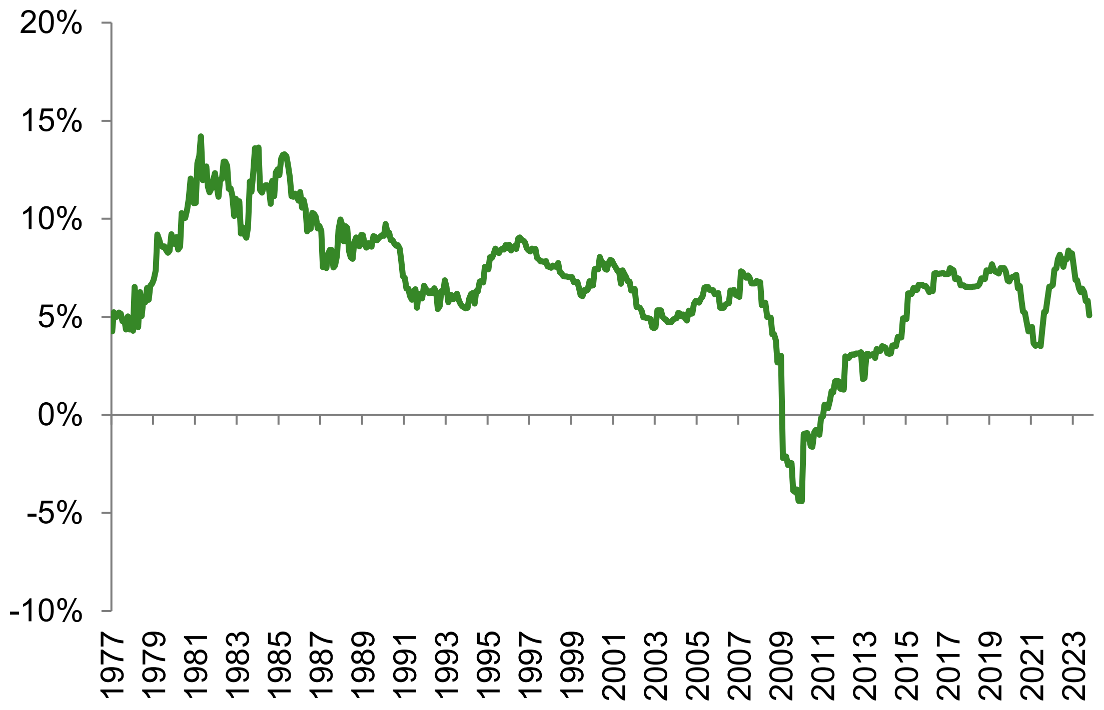
Past performance is no guarantee of future results. Cyclical sectors include communication services, consumer discretionary, energy, financials, industrials, materials, real estate, and technology. CND: Consumer discretionary. TEC: Technology. REL: Real estate. FIN: Financials. ENE: Energy. IND: Industrials. MAT: Materials. UTL: Utilities. CNS: Consumer staples. HTH: Health care. Data analyzed quarterly since January 1970. Analysis based on the S&P 500. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 9/30/23. RIGHT: EPS: Earnings per share.

Bad ROEs have been good for real estate outperformance

Real estate lagged the market in 2023 and the sector's return on equity (ROE) recently reached the bottom quartile of its historical range (left). Going back to 1977, this has been good news for the sector's future relative performance. After real estate's ROE hit bottom-quartile levels in the past, the sector outperformed the market by an average of 4.59% over the next 12 months (right)—possibly because the market had priced in a lot of bad news by then.

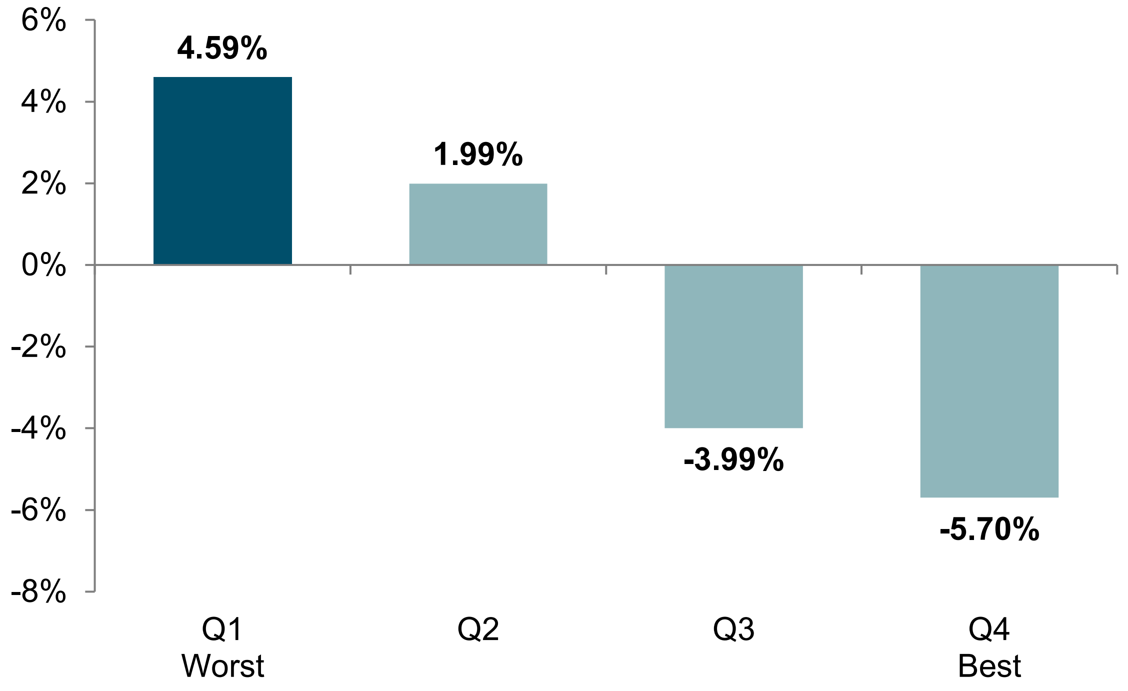
Real estate fundamentals have been weak

Real Estate Return on Equity, 1977–Present



Real estate has outperformed after bottom-quartile ROEs

Real Estate NTM Relative Performance from ROE Quartiles, 1977–Present



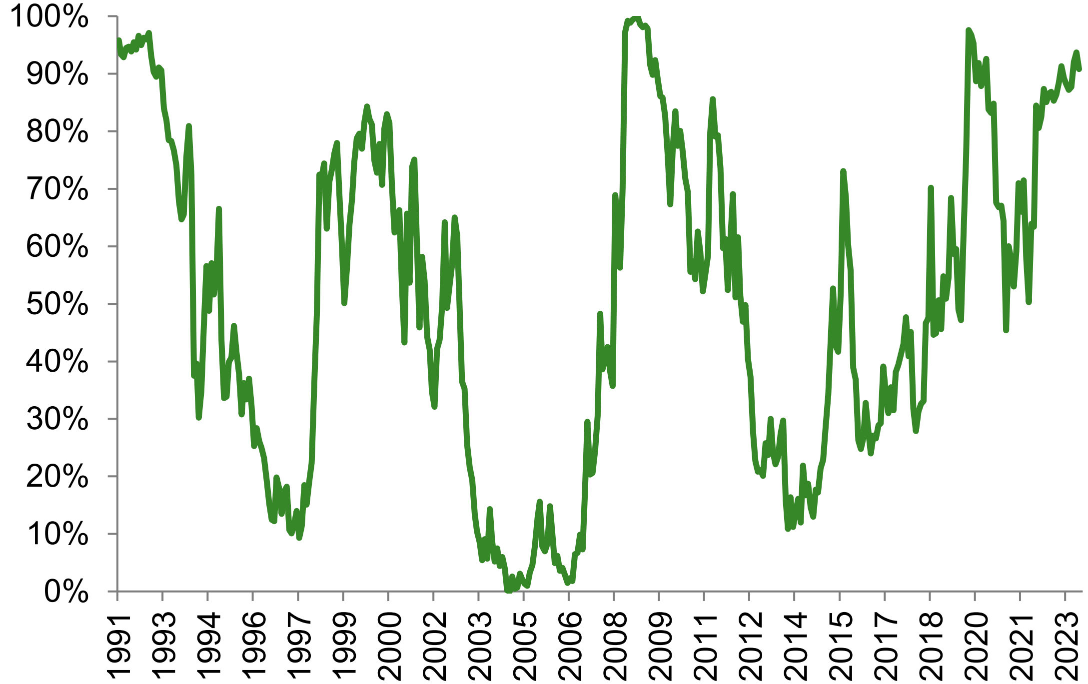
Past performance is no guarantee of future results. ROE: Return on equity. Data analyzed monthly since January 1977. Analysis based on Fidelity top U.S. 3,000 stocks by market capitalization. **RIGHT:** NTM = next 12 months. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 10/31/23.

High real estate valuation spreads have been bullish

A wide range of prices for stocks within a sector can sometimes be a bullish signal. As of the end of 2023, valuation spreads in the real estate sector stood within the top decile of their historical range based on price-to-book value (left). This may suggest investors have low expectations for the sector. Since 1991, real estate stocks beat the market over the next 12 months 83% of the time when the sector reached top-decile valuation spreads (right).

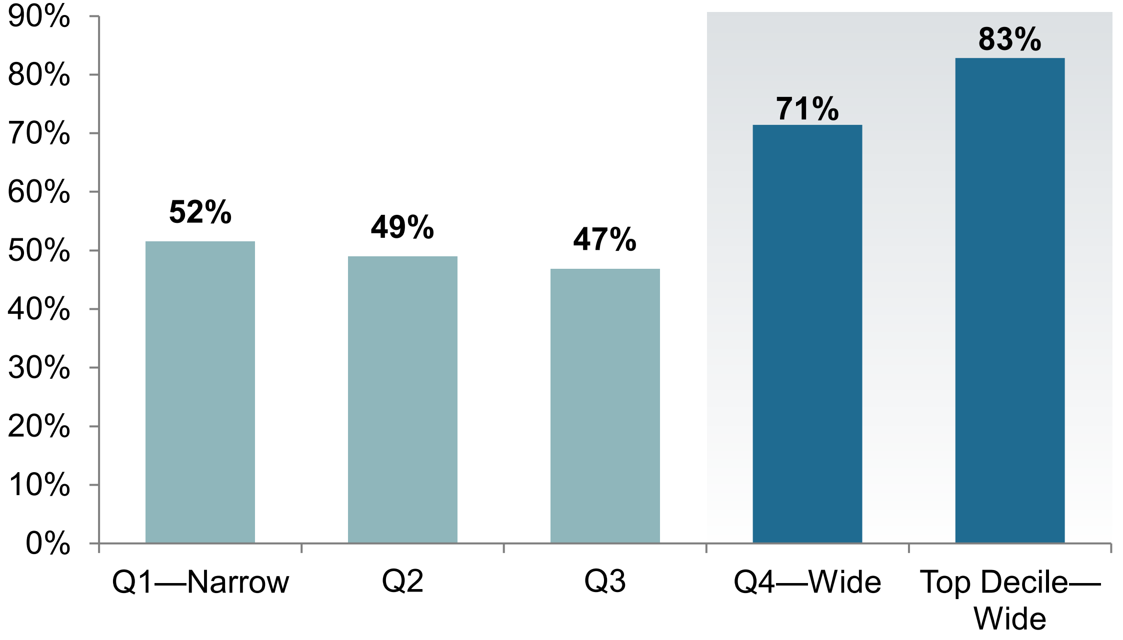
Real estate valuation spreads are historically high

Percentile Rank of Price-to-Book Spread Versus History, December 1991–Present



Larger valuation spreads have increased real estate's outperformance odds

Real Estate Relative Odds of NTM Outperformance in Quartiles and Top Decile of Book Valuation Spreads, December 1991–Present



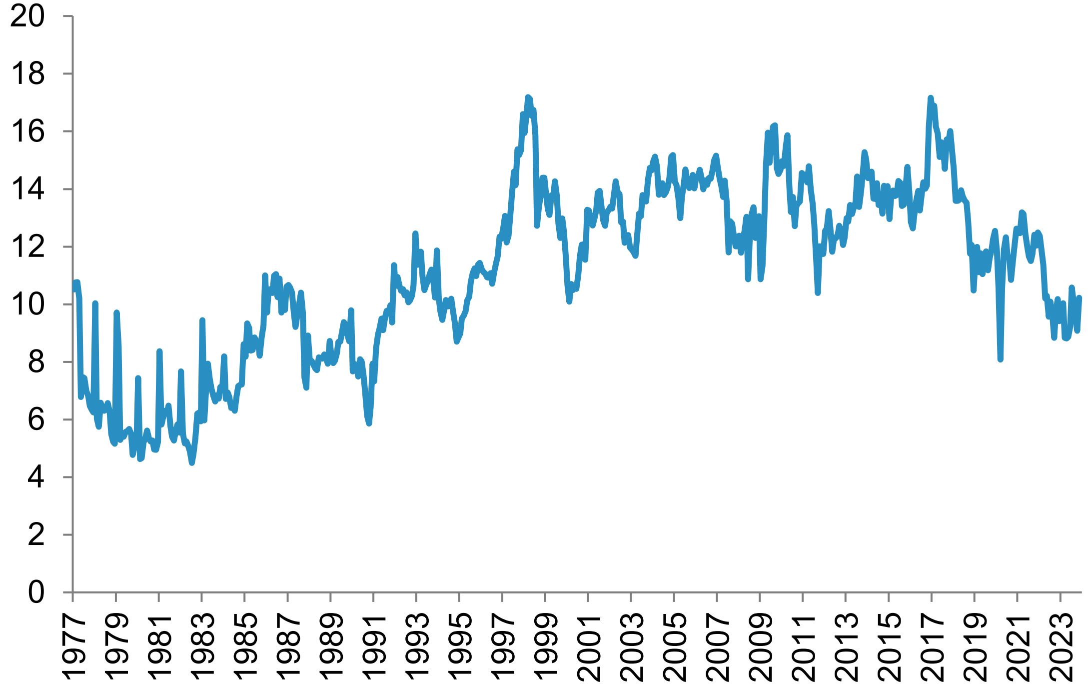
Past performance is no guarantee of future results. Data analyzed monthly since December 1991. Analysis based on Fidelity top U.S. 3,000 stocks by market capitalization. Valuation spread: The difference between the average price-to-book of the most-expensive and least-expensive quartiles. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 11/30/23. **RIGHT**: NTM: Next twelve months. Narrow = the quartile of narrowest book valuation spreads over the given period. Wide = the quartile and decile of widest book valuation spreads, respectively.

Financials trade at low valuations, historically a bullish sign

Valuations within the financials sector recently reached extremes as well, and the sector appears historically inexpensive. Going back to 1977, financial stocks are priced in the bottom quartile of their range based on a median forward price-to-earnings ratio (left). Historically, the cheaper the financial sector has been, the better its odds of outperformance over the next 12 months—especially when interest rates fell (right).

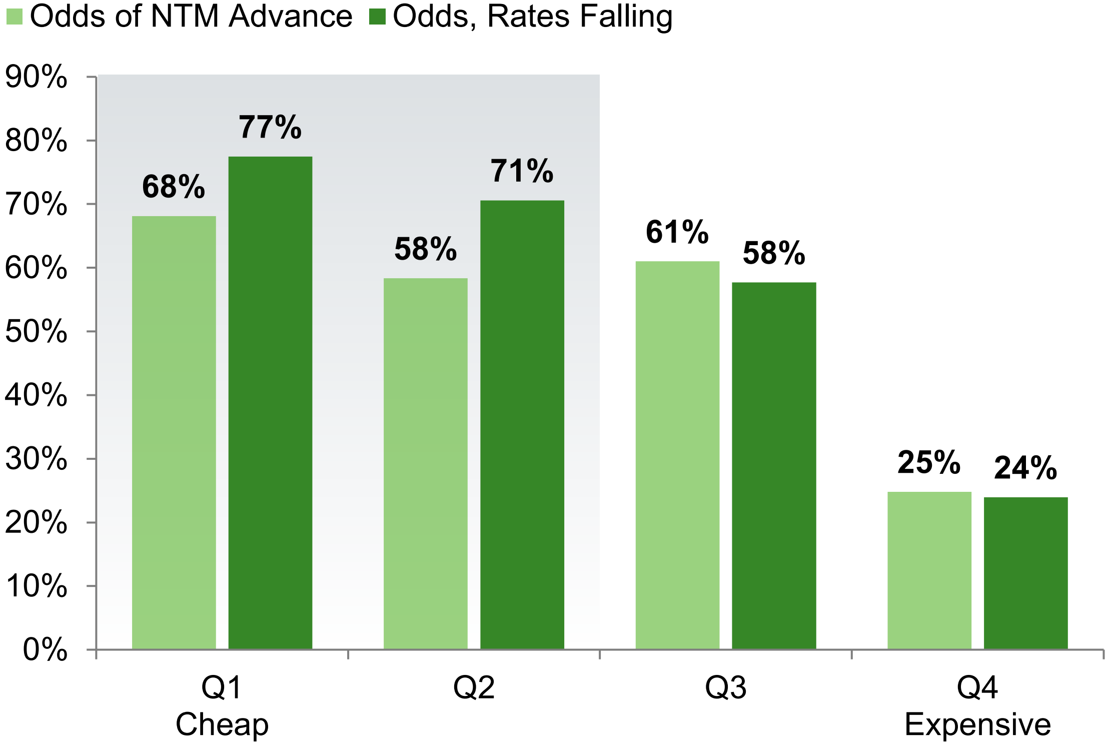
Financials are historically cheap

Median Forward P/E Ratio for Financials, 1977–Present



Financials have outperformed, on average, following low valuations

Odds of Financials Outperformance in Quartiles of Forward P/E, 1977–Present



Past performance is no guarantee of future results. 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. Data analyzed monthly since January 1977. Analysis based on Fidelity top U.S. 3,000 stocks by market capitalization. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 11/30/23. **RIGHT**: NTM: Next 12 months.

Glossary and methodology

Glossary

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 12/31/23, 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.

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 US 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.

Appendix

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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