Fidelity® Equity-Income Fund

Key Takeaways

- For the fiscal year ending January 31, 2024, the fund gained 6.83%, outpacing the 5.71% gain of the benchmark, the Russell 3000® Value Index.
- Value shares gained the past 12 months amid a choppy backdrop, as investors alternated between optimism and pessimism about the trajectory of the U.S. Federal Reserve's interest rate-hiking program.
- For most of the 12-month period, as inflation trended lower and the market anticipated the end of the Fed's monetary tightening campaign, investors rotated into growth-oriented stocks, which tend to benefit from lower rates, at the expense of value-oriented equities.
- Portfolio Manager Ramona Persaud says security selection drove the fund's outperformance of the benchmark, with stock choices contributing in seven of the index's 11 sectors.
- Choices in health care contributed the most to relative performance by far, particularly a sizable overweight in Eli Lilly (+90%), the top individual contributor the past 12 months. Lilly benefited from soaring demand for its GLP-1 drugs to treat diabetes and obesity.
- A non-index stake in software & services giant Microsoft (+62%) also lifted relative performance, as the company was a key beneficiary of market exuberance around generative artificial intelligence.
- In contrast, it hurt to avoid Facebook and Instagram parent Meta Platforms (+94%) and multinational conglomerate Berkshire Hathaway (+23%) – two index components that do not pay a dividend and so were a poor fit for the fund's strategy.
- As of January 31, Ramona says market valuation continues to be difficult to assess. As a result, she aims to be opportunistic when individual stock valuations are compelling, especially in cyclical sectors like consumer discretionary and information technology.

MARKET RECAP

U.S. equities gained 20.82% for the 12 months ending January 31, 2024, according to the S&P 500® index, as a slowing in the pace of inflation and resilient late-cycle expansion of the U.S. economy provided a favorable backdrop for higher-risk assets for much of the period. The upturn was driven by a narrow set of firms in the information technology and communication services sectors, largely due to excitement for generative artificial intelligence. Monetary tightening by the U.S. Federal Reserve continued until late July, when the Fed said it was too soon to tell if its latest hike would conclude a series of increases aimed at cooling the economy and bringing down inflation. Since March 2022, the Fed has raised its benchmark interest rate 11 times before pausing and four times deciding to hold rates at a 22-year high while it observes inflation and the economy. After the Fed's November 1 meeting, when the central bank hinted it might be done raising rates, the S&P 500® reversed a three-month decline and gained 14.09% through year-end. The index added 1.68% in January, finishing the period just shy of a record close set on January 29. By sector for the full 12 months, tech (+53%) and communication services (+43%) led the way, followed by consumer discretionary (+20%). Industrials rose about 13% and the rate-sensitive financials sector gained 10%. In sharp contrast, utilities (-8%) and energy (-4%) lagged most, with the latter hampered by lower oil prices. Real estate (-2%) and materials (-1%) also lost ground.

Ramona Persaud
Portfolio Manager

Fund Facts

Trading Symbol:	FEQIX
Start Date:	May 16, 1966
Size (in millions):	$7,709.39

Investment Approach

- Fidelity® Equity-Income Fund is a diversified domestic equity strategy that seeks reasonable income. In pursuing this objective, the fund also will consider the potential for capital appreciation.
- The fund seeks a yield for its shareholders that exceeds the yield on the securities comprising the S&P 500® index.
- We believe in mean reversion, a value-driven philosophy and investment duration as a competitive advantage.
- In our bottom-up investment process, we focus on higher-quality firms, which helps minimize downside capture over time.

Q&A

An interview with Portfolio Manager Ramona Persaud

Q: Ramona, how did the fund perform for the fiscal year ending January 31, 2024?

The fund gained 6.83% the past 12 months, outpacing the 5.71% gain of the benchmark, the Russell 3000® Value Index. The fund trailed its Lipper peer group average by a narrow margin.

Given the choppy market backdrop during the fiscal-year period, I'm pleased the fund was able to pull ahead of the benchmark. As always, the portfolio was positioned with a value-oriented and defensive tilt. The fund's conservatism has historically led to outperformance during times of market volatility and moderate underperformance in "risk-on" market climates. Therefore, I evaluate the fund's performance over the course of a full market cycle.

Q: What market conditions shaped the fund's performance the past 12 months?

Both value stocks and the broad U.S. equity market gained this year, but performance was volatile. Inflation data had a meaningful impact on stock performance during the 12-month period, as investors alternated between optimism and pessimism about the trajectory of the U.S. Federal Reserve's interest rate-hiking program and tried to predict when the Fed might begin bringing rates back down. For most of the period, as inflation trended lower and the market anticipated the end of the Fed's monetary tightening campaign, investors rotated into growth-oriented stocks – which tend to benefit from lower rates – at the expense of value-oriented equities.

Thus, among the 11 market sectors in the Russell value benchmark, the growthier sectors like communication services (+29%) and information technology (+23%) led the way, helped greatly by the rapid emergence of generative artificial intelligence as a market-moving secular trend.

Similarly, some health care stocks were boosted by the meteoric rise of GLP-1 drugs to treat diabetes and obesity. In contrast, the shares of many other health companies – including makers of insulin pumps and sleep apnea devices – faltered because investors thought the new GLP-1 drugs would curb demand for their products. Elsewhere, sectors that are sensitive to high interest rates, including utilities, lagged, while energy stocks underperformed amid falling oil prices.

Security selection drove the portfolio's outperformance of the benchmark this past year, with stock choices adding value in seven of the 11 sectors. My picks in health care contributed the most, by far, to relative performance. These positives more than offset negative results for stock selection in communication services and, to a lesser extent, in information technology and financials.

Q: What stocks notably contributed to performance versus the benchmark?

A large overweight stake in pharmaceutical firm Eli Lilly was the top relative contributor the past 12 months. The stock advanced 90% on strong sales of Mounjaro®, the company's GLP-1 drug, which, like other GLP-1 drugs, was designed to treat type 2 diabetes but was subsequently found to be an effective weight-loss treatment. Lilly received an added lift from favorable trial results for Novo Nordisk's rival treatment Wegovy®, in which overweight patients had reduced risk of heart attack or stroke. The study served to further heat up the already-hot market for weight-loss drugs. I reduced the stake in Lilly as the valuation soared.

Also within the pharmaceuticals segment, it helped to avoid index component Pfizer (-35%), which I thought was too expensive, and whose shares were hurt this period by weaker demand for its COVID-related products.

A non-index stake in software & services giant Microsoft (+62%) was another good call. Microsoft's embrace of generative AI – including the billions of dollars it has invested in OpenAI, the firm behind the viral chatbot ChatGPT, and Microsoft's deployment of the technology across its product suite – helped the stock advance strongly. I slightly pared our position, but Microsoft was a top-20 fund holding as of January 31.

Lastly, an overweight in industrial conglomerate General Electric (+65%) also helped. The stock rose amid strong revenue growth at GE Aerospace, the firm's jet engine business. In April, GE completed the spinoff of its health care unit to focus on GE Aerospace and a portfolio of energy-related businesses called GE Vernova, which is scheduled to go public in 2024. GE was the fund's seventh-largest holding at period end.

Q: What detracted?

It hurt to avoid some large, tech-related stocks that benefited from the AI-driven rally. These included Facebook and Instagram parent Meta Platforms (+94%) – the fund's biggest relative detractor by far the past 12 months – as well as chipmaker Intel (+56%) and cloud services company Salesforce (+67%). Meta and Salesforce do not pay a dividend – a key component of the fund's investment strategy. Overall, I thought all three stocks were richly valued and didn't fit my typical investment criteria.

During the period, Meta's stock took off as investors cheered the company's cost-cutting initiatives and strides into generative AI technologies. Demand for AI-related equipment and support services (semiconductors and cloud) also lifted Intel and Salesforce.

Multinational conglomerate Berkshire Hathaway (+23%) was another index constituent I didn't own in the fund because it does not pay a dividend. This decision detracted from relative performance, especially when the stock hit a record high in January after the company acquired Pilot Flying J, a North American chain of truck-stop plazas, an acquisition that ended a legal dispute between the companies.

Q: Ramona, what's your outlook for value stocks as of January 31?

Valuation within the current market environment continues to be difficult to assess. That said, I aim to be opportunistic when I feel individual stock valuations are compelling, especially in cyclical sectors such as consumer discretionary and information technology. While stock selection is always paramount, I am specifically looking to increase the fund's stake in tech, given the probability of a Fed pivot from raising interest rates to lowering them. Information technology represented about 12% of the fund's assets as of the end of January, an overweight versus the benchmark.

More generally, I plan to focus on large price/value disconnects in quality companies, in order to achieve my three main investment goals: investment return, minimizing downside capture and yield.

Following the global financial crisis of 2007-08, we saw a long period of extremely low interest rates accompanied by high correlation and low dispersion in stock prices, which fueled consistent gains in growth strategies at the expense of traditional value strategies. This period of ultra-low interest rates finally ended in 2022 and 2023, as the U.S. Federal Reserve and other global central banks raised rates aggressively to combat high inflation. There is now a case for normalization – meaning interest rates within a more typical historical range, as opposed to the artificially low rates of the 2010s and early 2020s – which I believe could drive improved value efficacy.

With this in mind, I am keeping a close eye on structural factors, like demographics-driven low global growth, while maintaining flexibility when considering how to try to generate a strong long-term return through a value lens.

In past eras, when economic growth was less distorted by low interest rates, value efficacy was broader and more sustainable. I think we could be on the verge of returning to an environment like that – which, if it comes to pass, would be a positive one for value investing. ■

Ramona Persaud on her quality- and value-driven philosophy:

"Historically, an investment strategy in which price and value are disconnected at the starting point (that is, the identification of low price and high value) has been a durable source of outperformance.

"My approach to value is different from many of my peers, in that for that past decade I have increasingly employed a metrics-based approach that considers the 'efficacy' of factors through criteria such as valuation spreads. This evolution in my approach occurred during an era of structurally low interest rates, which drove factor efficacy for value stocks lower and that for growth stocks higher.

"During this challenging period for value stocks, I learned to be more flexible and to vary the fund's exposure based on my estimated efficacy. I do this with sensitivity to risk, as well, by keeping the fund's risk profile lower than that of its benchmark. My focus on risk limits volatility in the return profile and makes for a less-bumpy investor experience.

"Key to my goal of minimizing downside capture during market downturns is to hold high-quality companies in the fund. These are generally characterized by free-cash-flow generation that is more robust and stable than average, and therefore contributes to dividends and earnings that tend to be more reliable and predictable.

"These companies also tend to have strong returns on capital, which are often a function of the firms' durable competitive advantages. In a market downturn, such companies are generally viewed as attractive due to their greater perceived stability.

"Overall, I think the maintenance of a patient, long-term perspective within an investment landscape displaying an increasingly short-term focus is an enduring competitive advantage – and one that I think is borne out by the fund's outperformance of its Russell benchmark over the three-, five- and 10-year periods, through January 31."

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Eli Lilly & Co.	Health Care	1.49%	87
Microsoft Corp.	Information Technology	1.38%	62
Pfizer, Inc.	Health Care	-1.00%	50
General Electric Co.	Industrials	0.93%	41
JPMorgan Chase & Co.	Financials	1.42%	30

** 1 basis point = 0.01%.*

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Meta Platforms, Inc. Class A	Communication Services	-0.78%	-138
Berkshire Hathaway, Inc. Class B	Financials	-3.07%	-48
Intel Corp.	Information Technology	-0.73%	-28
Salesforce, Inc.	Information Technology	-0.45%	-25
Advanced Micro Devices, Inc.	Information Technology	-0.31%	-23

** 1 basis point = 0.01%.*

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Domestic Equities	87.57%	98.53%	-10.96%	2.77%
International Equities	12.07%	1.47%	10.60%	1.05%
Developed Markets	9.69%	1.36%	8.33%	0.87%
Emerging Markets	2.38%	0.10%	2.28%	0.17%
Tax-Advantaged Domiciles	0.00%	0.01%	-0.01%	0.01%
Bonds	0.00%	0.00%	0.00%	0.00%
Cash & Net Other Assets	0.36%	0.00%	0.36%	-3.82%

Net Other Assets can include fund receivables, fund payables, and offsets to other derivative positions, as well as certain assets that do not fall into any of the portfolio composition categories. Depending on the extent to which the fund invests in derivatives and the number of positions that are held for future settlement, Net Other Assets can be a negative number.

"Tax-Advantaged Domiciles" represent countries whose tax policies may be favorable for company incorporation.

MARKET-SEGMENT DIVERSIFICATION

Market Segment	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Financials	20.36%	22.53%	-2.17%	2.54%
Health Care	14.85%	14.51%	0.34%	-0.95%
Industrials	12.64%	13.73%	-1.09%	1.19%
Information Technology	11.64%	9.28%	2.36%	0.10%
Consumer Staples	9.31%	7.60%	1.71%	-0.70%
Energy	7.82%	7.84%	-0.02%	0.45%
Communication Services	5.92%	4.77%	1.15%	-0.10%
Materials	5.07%	4.67%	0.40%	0.31%
Utilities	5.04%	4.64%	0.40%	-0.11%
Consumer Discretionary	4.88%	5.32%	-0.44%	0.91%
Real Estate	2.11%	5.13%	-3.02%	0.13%
Other	0.00%	0.00%	0.00%	0.00%

10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
JPMorgan Chase & Co.	Financials	4.08%	3.69%
Exxon Mobil Corp.	Energy	2.97%	3.09%
Bank of America Corp.	Financials	2.65%	2.25%
Linde PLC	Materials	2.22%	2.13%
Wells Fargo & Co.	Financials	1.94%	1.54%
Danaher Corp.	Health Care	1.86%	1.97%
General Electric Co.	Industrials	1.79%	1.54%
Cisco Systems, Inc.	Information Technology	1.72%	1.77%
Chubb Ltd.	Financials	1.66%	1.38%
Procter & Gamble Co.	Consumer Staples	1.63%	1.62%
10 Largest Holdings as a % of Net Assets		**22.51%**	**21.86%**
Total Number of Holdings		**120**	**118**

The 10 largest holdings are as of the end of the reporting period, and may not be representative of the fund's current or future investments. Holdings do not include money market investments.

FISCAL PERFORMANCE SUMMARY: Periods ending January 31, 2024

	Cumulative		Annualized			
	6 Month	YTD	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Fidelity Equity-Income Fund Gross Expense Ratio: 0.57%[2]	3.66%	0.27%	6.83%	9.76%	10.74%	8.99%
Russell 3000 Value Index	2.34%	-0.18%	5.71%	8.93%	9.11%	8.65%
Lipper Equity Income Funds	3.12%	0.24%	7.00%	9.09%	9.54%	8.67%
Morningstar Fund Large Value	3.51%	0.38%	6.69%	10.05%	9.82%	8.84%

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 05/16/1966.
[2] This expense ratio is from the prospectus in effect as of the date shown above and generally is based on amounts incurred during that fiscal year, or estimated amounts for the current fiscal year in the case of a newly launched fund. It does not include any fee waivers or reimbursements, which would be reflected in the fund's net expense ratio.

Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. Performance shown is that of the fund's Retail Class shares (if multiclass). You may own another share class of the fund with a different expense structure and, thus, have different returns. To learn more or to obtain the most recent month-end or other share-class performance, visit fidelity.com/performance, institutional.fidelity.com, or 401k.com. Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. Cumulative total returns are reported as of the period indicated. **Please see the last page(s) of this Q&A document for most-recent calendar-quarter performance.**

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Information provided in, and presentation of, this document are for informational and educational purposes only and are not a recommendation to take any particular action, or any action at all, nor an offer or solicitation to buy or sell any securities or services presented. It is not investment advice. Fidelity does not provide legal or tax advice.

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FUND RISKS

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. Fixed income investments entail interest rate risk (as interest rates rise bond prices usually fall), the risk of issuer default, issuer credit risk and inflation risk. Lower-quality bonds can be more volatile and have greater risk of default than higher-quality bonds. Value stocks can perform differently from the market as a whole. They can remain undervalued by the market for long periods of time.

IMPORTANT FUND INFORMATION

Relative positioning data presented in this commentary is based on the fund's primary benchmark (index) unless a secondary benchmark is provided to assess performance.

INDICES

It is not possible to invest directly in an index. All indices represented are unmanaged. All indices include reinvestment of dividends and interest income unless otherwise noted.

Russell 3000 Value Index is a market-capitalization-weighted index designed to measure the performance of the broad value segment of the U.S. equity market. It includes those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth rates.

S&P 500 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.

LIPPER INFORMATION

Lipper Averages are averages of the performance of all mutual funds within their respective investment classification category. The number of funds in each category periodically changes. Lipper, a Refinitiv company, is a nationally recognized organization that ranks the performance of mutual funds.

MARKET-SEGMENT WEIGHTS

Market-segment weights illustrate examples of sectors or industries in which the fund may invest, and may not be representative of the fund's current or future investments. They should not be construed or used as a recommendation for any sector or industry.

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RELATIVE WEIGHTS

Relative weights represents the % of fund assets in a particular market segment, asset class or credit quality relative to the benchmark. A positive number represents an overweight, and a negative number is an underweight. The fund's benchmark is listed immediately under the fund name in the Performance Summary.

Manager Facts

Ramona Persaud is a portfolio manager in the Equity division at Fidelity Investments. Fidelity Investments is a leading provider of investment management, retirement planning, portfolio guidance, brokerage, benefits outsourcing, and other financial products and services to institutions, financial intermediaries, and individuals.

In this role, Ms. Persaud manages Fidelity Equity-Income Fund, Fidelity Equity-Income Fund – Class K6, Fidelity VIP-Equity-Income Portfolio, Fidelity Advisor World Funds Equity Income Fund, Fidelity Equity-Income Commingled Pool, and Fidelity and Fidelity Advisor Global Equity Income Fund. Additionally, she co-manages the sub-portfolio of Fidelity Advisor Multi-Asset Income Fund, and the equity sleeve of Fidelity and Fidelity Advisor Strategic Dividend and Income Fund.

For clients in Canada, Ms. Persaud manages Fidelity U.S. Dividend Fund1, Fidelity U.S. Dividend Private Pool1, Fidelity U. S. Dividend Registered Fund1 and she manages the sub-portfolio of Fidelity Global Dividend Fund1, Fidelity Global Monthly Income Fund1, Fidelity Tactical High Income Fund1 and Fidelity U.S. Monthly Income Fund1.

Prior to assuming her current responsibilities, Ms. Persaud held various other roles within Fidelity, including portfolio manager of Fidelity and Fidelity Advisor Dividend Growth Fund and assistant portfolio manager of Diversified International Fund, based in London. She was also a Select Banking portfolio manager and research analyst, and a Select Construction and Housing portfolio manager and research analyst.

Before joining Fidelity in 2003, Ms. Persaud worked as an analyst at both Morgan Stanley and Goldman Sachs. She has been in the financial industry since 1996.

Ms. Persaud earned her bachelor of science degree, summa cum laude, in environmental engineering from the Polytechnic Institute at New York University, and her master of business administration degree in finance from the Wharton School of the University of Pennsylvania.

1. These funds are available through Fidelity Investments Canada ULC

PERFORMANCE SUMMARY:
Quarter ending March 31, 2024

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Fidelity Equity-Income Fund Gross Expense Ratio: 0.54%[2]	19.95%	9.31%	11.65%	9.29%

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 05/16/1966.

[2] This expense ratio is from the prospectus in effect as of the date shown above and generally is based on amounts incurred during that fiscal year, or estimated amounts for the current fiscal year in the case of a newly launched fund. It does not include any fee waivers or reimbursements, which would be reflected in the fund's net expense ratio.

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Before investing in any mutual fund, please carefully consider the investment objectives, risks, charges, and expenses. For this and other information, call or write Fidelity for a free prospectus or, if available, a summary prospectus. Read it carefully before you invest.

Past performance is no guarantee of future results.

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Diversification does not ensure a profit or guarantee against a loss.

Information included on this page is as of the most recent calendar quarter.

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