

# Fidelity® Real Estate Income Fund

## Investment Approach

- Fidelity® Real Estate Income Fund seeks above-average income and capital growth by investing in a mix of commercial real estate security types, including common stock, preferred stock, corporate bonds and commercial mortgage-backed securities (CMBS).
- Leveraging our significant experience in commercial real estate investing, we own a diversified mix of security types in an effort to generate higher yield and less volatility than can be achieved by holding real estate investment trust (REIT) common stocks alone. Bonds and preferred stocks help to generate attractive yield and dampen volatility, as they are higher in a company's capital structure and tend to move out of sync with common stocks.
- We seek to limit the fund's overall sensitivity to interest rates by investing in high-dividend-paying common stocks, taking intelligent credit risk backed by bottom-up research, and avoiding long-dated bonds that trade at tight credit spreads.

## PERFORMANCE SUMMARY

	Cumulative		Annualized			
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year/LOF <sup>1</sup>
Fidelity Real Estate Income Fund Gross Expense Ratio: 0.66% <sup>2</sup>	1.00%	7.17%	7.17%	8.14%	5.14%	5.82%
ICE BofA US High Yield Constrained Index	1.35%	8.50%	8.50%	10.03%	4.50%	6.44%
FID Real Estate Income Composite Index	-0.52%	5.81%	5.81%	7.56%	2.11%	4.01%
Morningstar Fund Miscellaneous Allocation	--	--	--	--	--	--
% Rank in Morningstar Category (1% = Best)	--	--	--	--	--	--
# of Funds in Morningstar Category	--	--	--	--	--	0

<sup>1</sup> Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 02/04/2003.

<sup>2</sup> This expense ratio is from the most recent prospectus and generally is based on amounts incurred during the most recent 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](http://fidelity.com/performance), [institutional.fidelity.com](http://institutional.fidelity.com), or [401k.com](http://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.

For definitions and other important information, please see the Definitions and Important Information section of this Fund Review.

## FUND INFORMATION

### Manager(s):

Bill Maclay

### Trading Symbol:

FRIFX

### Start Date:

February 04, 2003

### Size (in millions):

\$5,692.79

### Morningstar Category:

Fund Miscellaneous Allocation

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. 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. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. Lower-quality bonds can be more volatile and have greater risk of default than higher-quality bonds.

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.



Not FDIC Insured • May Lose Value • No Bank Guarantee

## Market Review

In the fourth quarter, real estate securities returned -0.52%, as measured by the Fidelity Real Estate Income Composite Index<sup>SM</sup>, representing a mix of real estate equity and fixed-income securities.

Industrial real estate investment trusts were notably strong the past three months. Fundamentals in the industry turned positive as prior concerns about new supply subsided and new leasing began to accelerate. Meanwhile, uncertainty persisted related to data center REITs. On the positive side, demand from hyperscalers – massive cloud-service providers – remained enormous. While developers race to build new properties as quickly as possible, demand still exceeds supply, with bottlenecks such as power availability constraining construction. However, investors have longer-term concern about supply, and particularly whether artificial-intelligence utilization will meet lofty expectations.

Elsewhere, the senior housing industry continued to benefit from the strong demographic tailwind of an aging population. In contrast, office REITs lagged despite pockets of strength, such as in Manhattan, as leasing activity in most of the country remained slow. In addition, self-storage REITs were weak amid a lackluster housing market and fewer people moving.

The U.S. Federal Reserve, after resuming the monetary easing program it had paused from January until September, followed through with additional policy rate reductions in October and December. The three rate cuts, each of 0.25 percentage points (25 basis points), brought the federal funds rate down to a target range of 3.5% to 3.75%, from a peak range of 5.25% to 5.5%, which the central bank maintained from July 2023 to September 2024. For the three months, short-term bond yields fell in step with the benchmark interest rate, but long-term yields rose marginally, a function of the Fed's policy signals and heavy issuance of long-term Treasurys to fund U.S. government spending during the period.

Against this backdrop, U.S. REITs returned -2.70% the past three months, as measured by the FTSE NAREIT All REITs Index. This notably lagged the 2.66% gain of the broad U.S. stock market, according to the S&P 500<sup>®</sup> index, which extended a historically fast rebound that began in early April, but at a slower pace. The advance has been supported by strong corporate fundamentals, a resilient economy and an ongoing boom in spending on artificial intelligence, as well the Fed's interest-rate reductions.

Real estate corporate bonds gained 1.16% in Q4, as measured by the ICE BofA<sup>®</sup> U.S. Real Estate Index – a market-capitalization-weighted measure of investment-grade corporate debt in the domestic real estate sector. Commercial mortgage-backed securities also rose, as the Bloomberg U.S. CMBS ex-AAA ex-Agency Guaranteed Index advanced 1.66%. By comparison, the Bloomberg U.S. Aggregate Bond Index gained 1.10%.

Meanwhile, real estate preferred stocks (-2.77%) were the weakest segment in the Composite index, based on the MSCI REIT Preferred Index. The category modestly trailed real estate equities, as long-term interest rates rose the past three months. ■

## Performance Review

For the fourth quarter, the fund's Retail Class shares gained 1.00%, outpacing the -0.52% return of the Fidelity Real Estate Income Composite Index<sup>SM</sup>. Importantly, given our focus, longer-term performance favors the fund over the Composite index.

In Q4, the biggest contributor to the fund's performance versus the Composite index came from the preferred stock subportfolio. Security selection here notably helped, given that the fund's preferred holdings outpaced the MSCI preferred index by 3.38 percentage points. The fund particularly benefited from holdings that have a higher coupon and lower interest-rate sensitivity than the index. A large underweight in the category also boosted the fund's relative result, as preferreds trailed the Composite index.

Another relative contributor the past three months came from the fund's common stock investments. Security selection here helped most. The fund's holdings outperformed the FTSE NAREIT All REITs Index by 3.29 percentage points. Security selection, overweights in industrial and manufactured housing REITs, and an underweight in office REITs contributed.

Also helping was the fund's exposure to CMBS. In this category, an overweight contributed in Q4, as the CMBS index topped the Composite index.

In addition, the fund's cash allocation, which historically has been between 5% and 10% of net assets to allow us to take advantage of attractive buying opportunities when they appear, slightly contributed to relative performance. Cash represented about 5% of the fund as of year-end, down from roughly 7% on September 30, as we were able to reinvest some of these proceeds in the fund in Q4.

In a strong period of relative performance, little meaningfully detracted from the fund's result. Although security selection in the fund's real estate bond subportfolio helped, an underweight in this outperforming category modestly hampered our result. ■

## Outlook and Positioning

We seek to achieve what we consider a reasonable absolute total return by investing in real estate stocks and bonds, aiming for a higher yield and less volatility than what is typically available by investing in REIT common stocks alone. The lower volatility occurs mostly because bonds and preferred stocks are senior in priority to common stocks, so their prices move less when growth disappoints. As always, the past three months we selected investments primarily based on bottom-up (security-by-security) fundamental research. We rely on our years of experience in commercial real estate investing and the expertise of our research team.

Shifts to the fund's asset allocation generally are modest, as we try to avoid big, rapid changes. Instead, we favor an incremental approach because we believe we are better at identifying longer-term trends in the market. When we see unique opportunities, however, we may choose to shift the fund's asset mix more quickly.

In Q4, the fund's allocation to investment-grade real estate corporate bonds remained consistent at about 29% of assets. We continued to see good opportunity here. In our opinion, these securities continued to offer some of the highest yields in a decade or more, due to a combination of historically high interest rates leading to attractive yields and solid balance sheets on the part of issuers. In addition, we continued to like what we saw as bonds' superior risk/reward trade-off relative to equities, particularly since bonds are given priority in repayment if the issuer gets into financial trouble. Also, we valued real estate bonds' defensiveness relative to other asset types, a valuable trait in a challenging economy.

In addition to investment-grade holdings, we maintained an 8% allocation to high-yield issues, relying on our team's extensive credit-research resources.

## LARGEST HOLDINGS BY ISSUER

Issuer	
AMERICAN TOWER CORP	
CROWN CASTLE INC	
EQUINIX INC	
PROLOGIS INC	
GLP CAP LP / GLP FING II INC	
<b>Five Largest Issuers as a % of Net Assets</b>	<b>13.37%</b>
<b>Total Number of Holdings</b>	<b>569</b>

The five largest issuers 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.

Meanwhile, the fund was overweight real estate common stocks, an allocation that grew from 21% to 24% of assets. Investments here remain tilted toward high-quality real estate companies with what we consider a predictable cash flow in the coming years. The fund's allocation to real estate preferred stocks remained roughly steady the past three months, at about 13% of assets.

We continued to see value in certain single-borrower CMBS. Most of this exposure consists of floating-rate securities. A substantial portion of the fund's exposure is in CMBS rated below investment grade. These securities have substantial credit spreads, resulting in attractive yields. Considering that these securities lack interest-rate risk due to their floating-rate nature, we believe the segment is providing a particularly compelling return opportunity. When we invest in CMBS, we favor issuers with underlying property types that offer rising operating income, modest leverage and strong sponsors, and that provide comparable yields to high-yield real estate corporate bonds. The portfolio's allocation to CMBS as of year-end was about 21%, down from about 22% three months ago.

As the new year begins, given the generally solid fundamental backdrop for commercial real estate, we are optimistic about the coming year for the category. The past three months, investors continued to endure bouts of market volatility. We think the fund's income-oriented real estate securities are well-suited to this situation, based on our objective of providing lower volatility and a higher yield than a portfolio of common stocks alone.

In summary, we like how the portfolio is positioned at the end of 2025, given its diversified mix of real estate stocks, bonds, preferred stocks and CMBS. ■

## 10 LARGEST HOLDINGS

Holding	Instrument Type
Equinix Inc	Common Stock
Prologis Inc	Common Stock
American Tower Corp	Common Stock
Welltower Inc	Common Stock
Equity LifeStyle Properties Inc	Common Stock
Invitation Homes Inc	Common Stock
UDR Inc	Common Stock
VICI Properties Inc	Common Stock
Ventas Inc	Common Stock
Sun Communities Inc	Common Stock
<b>10 Largest Holdings as a % of Net Assets</b>	<b>12.59%</b>
<b>Total Number of Holdings</b>	<b>569</b>

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.

## EQUITY MARKET-SEGMENT DIVERSIFICATION

Market Segment	Portfolio Weight*
Home Financing	14.28%
Real-Estate Related	13.42%
Industrial	10.88%
Specialty	9.28%
Health Care	7.68%
Diversified	7.66%
Manufactured Homes	7.24%
Apartments	7.08%
Shopping Centers	4.69%
Commercial Financing	3.84%
Self Storage	3.79%
Other	3.47%
Lodging/Resorts	3.27%
Free Standing	1.53%
Regional Malls	0.71%
Mixed, Industrial/Office	0.56%
Office	0.51%

\* % of equity assets

## ASSET ALLOCATION

Asset Class	Portfolio Weight
Domestic Equities	36.37%
International Equities	0.26%
Developed Markets	0.26%
Emerging Markets	0.00%
Tax-Advantaged Domiciles	0.00%
Bonds	58.18%
Cash & Net Other Assets	5.19%

*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.*

## CHARACTERISTICS

	Portfolio
Duration	3.04 years
30-Day SEC Yield	4.99%
30-Day SEC Restated Yield	--
Net Asset Value	\$12.20

## FIXED-INCOME MARKET-SEGMENT DIVERSIFICATION

Market Segment	Portfolio Weight*
U.S. Treasury	0.00%
U.S. Agency	0.00%
Mortgage Pass-Through	0.00%
Asset-Backed Securities	2.76%
CMBS	23.01%
CMOs	0.00%
Investment-Grade Credit	43.44%
Municipal Bonds	0.00%
High-Yield Credit	30.46%
Non-U.S. Developed	0.33%
Emerging Markets	0.00%
Other Debt Assets	0.00%

\* % of debt assets

## CREDIT-QUALITY DIVERSIFICATION

Credit Quality	Portfolio Weight
U.S. Government	0.00%
AAA	1.13%
AA	2.33%
A	8.35%
BBB	38.07%
BB	20.06%
B	6.55%
CCC & Below	3.76%
Short-Term Rated	0.00%
Not Rated/Not Available	19.75%
Cash & Net Other Assets	0.00%

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*Credit ratings for a rated issuer or security are categorized using Moody's Investors Service (Moody's). If Moody's does not publish a rating for a security or issuer, then the Standard & Poor's Ratings Services (S&P) rating is used. When S&P and Moody's provide different ratings for the same issuer or security, the Moody's rating is used. Securities that are not rated by these NRSROs are categorized as Not Rated. All U.S. government securities are included in the U.S. Government category. The table information is based on the combined debt investments of the fund and its pro-rata share of any debt investments in other Fidelity funds.*

## Definitions and Important Information

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### CHARACTERISTICS

**Duration** is a measure of a security's price sensitivity to changes in interest rates. Duration differs from maturity in that it considers a security's interest payments in addition to the amount of time until the security reaches maturity, and also takes into account certain maturity shortening features (e.g., demand features, interest rate resets, and call options) when applicable. Securities with longer durations generally tend to be more sensitive to interest rate changes than securities with shorter durations. A fund with a longer average duration generally can be expected to be more sensitive to interest rate changes than a fund with a shorter average duration.

**30-day SEC Yield** is a standard yield calculation developed by the Securities and Exchange Commission for bond funds. The yield is calculated by dividing the net investment income per share earned during the 30-day period by the maximum offering price per share on the last day of the period. The yield figure reflects the dividends and interest earned during the 30-day period, after the deduction of the fund's expenses. It is sometimes referred to as "SEC 30-Day Yield" or "standardized yield".

**30-Day SEC Restated Yield** is the fund's 30-day yield without applicable waivers or reimbursements, stated as of month-end.

**Net Asset Value** is the dollar value of one share of a fund; determined by taking the total assets of a fund, subtracting the total liabilities, and dividing by the total number of shares outstanding.

### 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.

**FID Real Estate Income Composite Index** is a customized blend of

the following unmanaged indices: Bloomberg U.S. CMBS ex-AAA ex-Agency Guaranteed Index, Bloomberg US CMBS ex AAA Index, FTSE NAREIT - All REITs, ICE BofA US Real Estate Index, MSCI REIT Preferred Index. The composition differed in periods prior to June 03, 2024.

**ICE BofA U.S. High Yield Constrained Index** is a modified market capitalization weighted index of US dollar denominated below investment grade corporate debt publicly issued in the US domestic market. Qualifying securities must have a below investment grade rating (based on an average of Moody's, S&P and Fitch). The country of risk of qualifying issuers must be an FX-G10 member, a Western European nation, or a territory of the US or a Western European nation. The FX-G10 includes all Euro members, the US, Japan, the UK, Canada, Australia, New Zealand, Switzerland, Norway and Sweden. In addition, qualifying securities must have at least one year remaining to final maturity, a fixed coupon schedule and at least \$100 million in outstanding face value. Defaulted securities are excluded. The index contains all securities of The ICE BofA US High Yield Index but caps issuer exposure at 2%.

**Bloomberg U.S. Aggregate Bond Index** is a broad-based, market-value-weighted benchmark that measures the performance of the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. Sectors in the index include Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS.

**FTSE NAREIT All REITs Index** is a market capitalization-weighted index that is designed to measure the performance of all tax-qualified Real Estate Investment Trusts (REITs) that are listed on the New York Stock Exchange, the NYSE MKT LLC, or the NASDAQ National Market List.

**MSCI REIT Preferred Index** is a preferred stock market capitalization-weighted index of certain exchanged-traded perpetual preferred securities issued by US Equity and US Hybrid REITS.

**ICE BofA US Real Estate Index** is a market capitalization-weighted index of US dollar denominated investment grade corporate debt publicly issued in the US domestic market by Real Estate issuers. It is a subset of the ICE BofA US Corporate Index. Qualifying securities must have an investment grade rating (based on an average of Moody's, S&P and Fitch) and an investment grade rated country of risk. In addition, qualifying securities must have at least one year remaining to final maturity.

**Bloomberg US CMBS ex AAA Index** is a subset of the larger Bloomberg US CMBS Index that includes commercial mortgage backed securities (CMBS) with ratings of AA through BBB-, inclusive. The quality rating for each security is determined by taking the middle of three ratings if a bond is rated by all three agencies (Moody's, Fitch, and S&P) and the lower of the two ratings if a bond is rated by just two agencies.

### 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.

### RANKING INFORMATION

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% Rank in Morningstar Category is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1%. % Rank in Morningstar Category is based on total returns which include reinvested dividends and capital gains, if any, and exclude sales charges.



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**Past performance is no guarantee of future results.**

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