Fidelity INVESTMENTS

Fidelity Investments Sector Portfolios

A suite of mutual funds and ETFs for investors looking for targeted exposure to sectors.

APPROPRIATE INVESTORS:

Sector investments may be appropriate for investors looking to pursue growth and manage risk, including those investors who:

Want to Know What They Own

While style groupings can change (e.g., a company can go from growth to value), a company's sector classification usually stays the same, making it easier to understand and analyze your portfolio.

Want to Diversify

Sectors don't always respond to the economy in the same way and can regularly move out of sync with each other, giving them a low correlation that can potentially add diversification to a portfolio. In addition, sectors may help diversify against single stock exposure risk.

Want to Easily Identify Risk Exposure

Because sector performance is typically tied to the economic environment, sectors often have clear patterns of volatility.

DESCRIPTION:

In 1981, Fidelity launched its first sector fund, showcasing the breadth and depth of our research and investment capabilities. Today, sector-based research remains the foundation of our asset management approach.

1. What are sectors?

The equity market is composed of stocks of thousands of companies. To analyze and better understand market dynamics, professional investors often group companies based on their type of business. These groupings of stocks with similar characteristics are typically called sectors, and there are generally 11 recognized sectors.

2. Generally intuitive

Most investors are more comfortable owning something that makes sense to them, and sector classification is far more intuitive and stable than growth versus value or small- versus large-capitalization groupings. A stock rarely moves from its sector classification, but stocks will move from growth to value, and from small to large capitalization, many times during their lifecycle.

3. Used to employ multiple strategies

Sectors can be used in many ways to help achieve the results you are looking for. They can be used to focus on opportunistic growth; as various investing solutions, including increasing income or hedging against inflation; or as a way to manage a tax-loss harvesting strategy.

Definitions of Sectors:

Communication Services
Companies that facilitate communication or provide access to entertainment content and other information through various types of media

Consumer Discretionary
Goods or services that people want, but don't necessarily need

Consumer Staples
Goods and services that people use on a daily basis

Energy
Energy resources such as oil, gas, and coal

Financials
Businesses such as banking and brokerage, mortgage finance, insurance, and real estate development

Health Care
Production and delivery of medicine and health care–related goods and services

Industrials
Manufacturing and distribution of capital goods in support of industries

Information Technology
Goods and services, including hardware, software, semiconductors, and consulting services

Materials
Manufacturing, extracting or processing of chemicals, plastics, forests, metals, and minerals

Real Estate
Companies that own, operate, or develop commercial real estate properties such as offices, malls, or warehouses

Utilities
Electric power, natural gas, water, and other utility services

How it works:

THE VARIOUS WAYS CLIENTS MAY USE SECTORS

By adding specific sectors to your existing portfolio, your financial consultant can offer an opportunity to enhance returns, manage risk, and protect against inflation. It's important to keep in mind that, because of their narrow focus, some sector funds can be more volatile than diversified equity funds.

BUSINESS CYCLE INVESTING[1]

One of the most common ways investors tend to analyze and assess sector opportunities is alongside the business or economic cycle. Over long periods of time, certain equity sectors have tended to assume repeatable patterns of performance leadership at different points in an economic cycle.

Sector	Early Rebounds	Mid Peaks	Late Moderates	Recession Contracts
Financials	+			–
Real Estate	++	–	+	– –
Consumer Discretionary	++		– –	
Information Technology	+	+	–	– –
Industrials	++			– –
Materials	+	– –		–
Consumer Staples	– –	–	+	++
Health Care	– –			++
Energy	– –		++	– –
Communication Services		+		–
Utilities	– –	–	+	++
	Economically sensitive sectors may tend to outperform, while more defensive sectors have tended to underperform.	Making marginal portfolio allocation changes to manage drawdown risk with sectors may enhance risk-adjusted returns during this cycle.	Defensive and inflation-resistant sectors tend to perform better, while more cyclical sectors underperform.	Since performance is generally negative in recessions, investors should focus on the most defensive, historically stable sectors.

Note: The typical business cycle shown above is a hypothetical illustration. There is not always a chronological progression in this order, and in past cycles the economy has skipped a phase or retraced an earlier one. Source for sector performance during business cycle: Fidelity Investments (AART). Unshaded (white) portions above suggest no clear pattern of over- or underperformance vs. broader market. Double +/– signs indicate that the sector is showing a consistent signal across all three metrics: full-phase average performance, median monthly difference, and cycle hit rate. A single +/– indicates a mixed or less consistent signal. The white line reflects the rise and fall of the business cycle. Returns data from 1962 to 2021. Annualized returns are represented by the performance of the largest 3,000 U.S. stocks measured by market capitalization, and sectors are defined by the Global Industry Classification Standard (GICS®). Past performance is no guarantee of future results. See last page for important information.

The typical business cycle depicts the general pattern of economic cycles throughout history, though each cycle is different. In general, the typical business cycle demonstrates the following:

- During the typical early-cycle phase, the economy bottoms and picks up steam until it exits recession and then begins the recovery as activity accelerates. Inflationary pressures are typically low, monetary policy is accommodative, and the yield curve is steep.
- During the typical mid-cycle phase, the economy exits recovery and enters into expansion, characterized by broader and more self-sustaining economic momentum but a more moderate pace of growth. Inflationary pressures typically begin to rise, monetary policy becomes tighter, and the yield curve experiences some flattening.
- During the typical late-cycle phase, the economic expansion matures, inflationary pressures continue to rise, and the yield curve may eventually become flat or inverted. Eventually, the economy contracts and enters recession, with monetary policy shifting from tightening to easing.

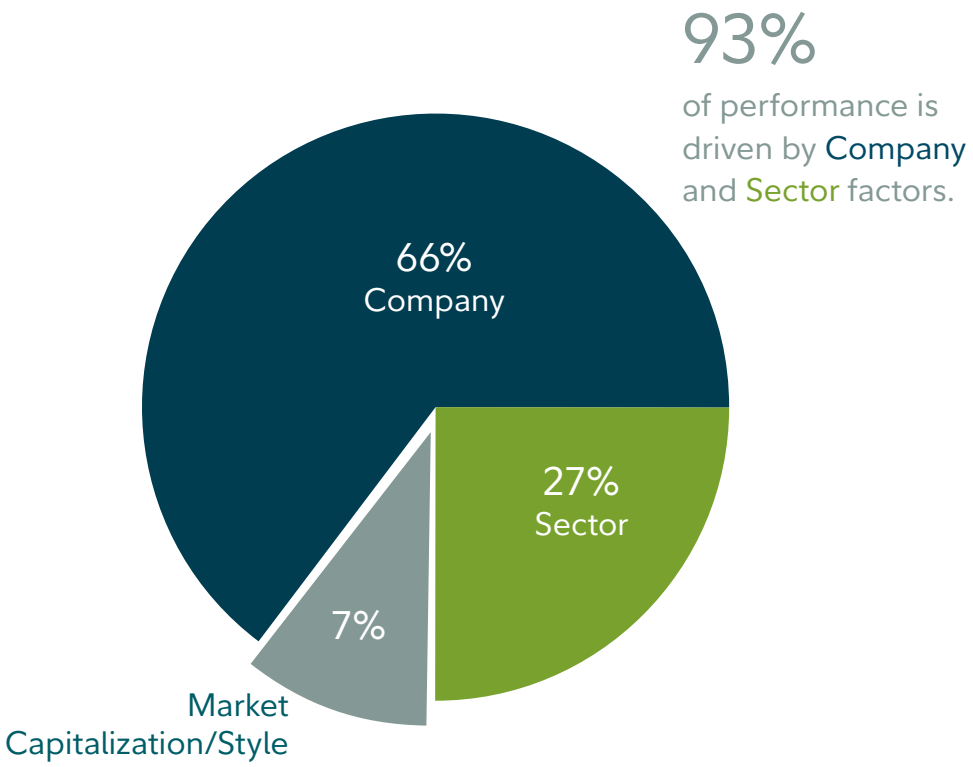
Please note that there is no uniformity of time among phases, nor is there always a chronological progression in this order. For example, business cycles have varied between one and 10 years in the U.S., and there have been examples when the economy has skipped a phase or retraced an earlier one.

Features and benefits:

SECTOR EXPOSURE HAS DRIVEN RETURNS*

Sector exposure has been a significant driver of returns. Investors often ignore key performance drivers when constructing portfolios. But as you can see from the chart below, sectors may matter more than market capitalization and style when designing your portfolio.

This example is based on a statistical analysis of all stocks in the Russell 3000 Index and defined by the Global Industry Classification System (GICS®), over nearly 30 years.



Why Fidelity

Fidelity invests heavily in our capabilities, and our sector funds are evidence of that investment.

Today Fidelity has:

- One of the largest U.S. sector offerings — nearly 50 funds and ETFs covering almost every sector and industry
- Expert insight and ideas, and over 40 years of sector fund investing experience
- Some of the lowest-priced sector ETFs available
- Powerful sector research, education, and tools

We offer clients the following resources:

- Investment Research Update — a research brief that highlights five different viewpoints from the Fidelity Research teams on the various sectors, available at Fidelity.com/IRU
- Online research — a multitude of educational programs and resources available at Fidelity.com/sectors

Communication Services
Fidelity Select Communication Services (FBMPX)
Fidelity Select Telecommunications (FSTCX)
Fidelity MSCI Communication Services Index ETF (FCOM)
Fidelity Select Wireless (FWRLX)

Consumer Discretionary
Fidelity Select Consumer Discretionary (FSCPX)
Fidelity MSCI Consumer Discretionary Index ETF (FDIS)
Fidelity Select Automotive (FSAVX)
Fidelity Select Leisure (FDLSX)
Fidelity Select Retailing (FSRPX)
Fidelity Select Construction and Housing (FSHOX)

Consumer Staples
Fidelity Select Consumer Staples (FDFAX)
Fidelity MSCI Consumer Staples Index ETF (FSTA)

Energy
Fidelity Select Energy (FSENX)
Fidelity MSCI Energy Index ETF (FENY)

Financials
Fidelity Select Financials (FIDSX)
Fidelity MSCI Financials Index ETF (FNCL)
Fidelity Select FinTech (FSVLX)
Fidelity Select Banking (FSRBX)
Fidelity Select Insurance (FSPCX)
Fidelity Select Brokerage & Inv Management (FSLBX)

Health Care
Fidelity Select Health Care (FSPHX)
Fidelity MSCI Health Care Index ETF (FHLC)
Fidelity Select Biotechnology (FBIOX)
Fidelity Select Health Care Services (FSHCX)
Fidelity Select Medical Technology and Devices (FSMEX)
Fidelity Select Pharmaceuticals (FPHAX)

Industrials
Fidelity Select Industrials (FCYIX)
Fidelity MSCI Industrials Index ETF (FIDU)
Fidelity Select Defense and Aerospace (FSDAX)
Fidelity Select Transportation (FSRFX)

Information Technology
Fidelity Select Technology (FSPTX)
Fidelity MSCI Information Technology Index ETF (FTEC)
Fidelity Select Tech Hardware (FDCPX)
Fidelity Select Semiconductors (FSELX)
Fidelity Select IT Services (FBSOX)
Fidelity Select Software and IT Services (FSCSX)

Materials
Fidelity Select Materials (FSDPX)
Fidelity MSCI Materials Index ETF (FMAT)
Fidelity Select Chemicals (FSCHX)
Fidelity Select Gold (FSAGX)

Real Estate
Fidelity Real Estate Investment (FRESX)
Fidelity MSCI Real Estate Index ETF (FREL)
Fidelity Real Estate Income (FRIFX)
Fidelity International Real Estate (FIREX)

Utilities
Fidelity Select Utilities (FSUTX)
Fidelity MSCI Utilities Index ETF (FUTY)
Fidelity Telecom and Utilities (FIUIX)

ETFs are listed in italics.

For more information, please contact your Fidelity investment professional.

Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

Prior to 6/1/2023, Fidelity Financials Portfolio was named Fidelity Financial Services Portfolio.

*Source: FactSet, Fidelity Investments, as of 12/31/2021. Based on a stepwise regression analysis of 52-week returns (annualized). Sector returns are a cap-weighted average returns of all GICS sectors. Results based on the average of all stocks in the Russell 3000 Index. Past performance is no guarantee of future results. It is not possible to invest directly in an index. All market indices are unmanaged. Index performance is not meant to represent that of any Fidelity mutual fund.

Diversification and asset allocation do not ensure a profit or guarantee against loss.

Because of their narrow focus, sector funds tend to be more volatile than funds that diversify across many sectors and companies. Nondiversified sector funds may have additional volatility because they can invest a significant portion of assets in securities of a small number of individual issuers. Because FMR concentrates the funds' investments in a particular industry, the funds' performance could depend heavily on the performance of that industry and could be more volatile than the performance of less concentrated funds and the market as a whole.

The funds are considered nondiversified and can invest a greater portion of assets in securities of individual issuers than a diversified fund; thus, changes in the market value of a single investment could cause greater fluctuations in share price than would occur in a more diversified fund.

Global Industry Classification Standard—GICS®—is a standardized classification system for equities developed jointly by Morgan Stanley Capital International (MSCI) and Standard & Poor's. The GICS hierarchy begins with 11 sectors and is followed by 24 industry groups, 68 industries, and 157 sub-industries. Each stock that is classified will have a coding at all four of these levels.

ETFs are subject to market fluctuation and the risks of their underlying investments. ETFs are subject to management fees and other expenses. Unlike mutual funds, ETF shares are bought and sold at market price, which may be higher or lower than their NAV, and are not individually redeemed from the fund.

Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk.

Standard & Poor's 500® Index (S&P 500® Index) is an unmanaged market capitalization–weighted index of 500 widely held U.S. stocks and includes reinvestment of dividends. It is not possible to invest in an index.

Before investing in any mutual fund or exchange-traded fund, you should consider its investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus, offering circular, or, if available, a summary prospectus containing this information. Read it carefully.

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