Fidelity Viewpoints®: Market Sense

Week 104, June 28, 2022

TRANSCRIPT

SPEAKERS:

Jim Armstrong   Naveen Malwal   Randelle Lenoir

Jim Armstrong: Hello and thanks for joining us for Market Sense. I'm Jim Armstrong with Fidelity.

Feeling a little bit like a broken record these days I guess when I say that it's been a bit of a tumultuous time in the markets recently, and more volatility is expected, unfortunately. Interest rate hikes, inflation, the war in the Ukraine, supply chain woes, all of these things we've been talking about for a while all continue to weigh on the markets and on us as investors.

So, as we get ready to enter the second half of the calendar year, we're going to be talking today about how Fidelity professionals are navigating all of this turmoil, where they might see potential opportunities, and maybe even talk about some things that we might consider doing now, steps we can take today to try to protect our financial plans and reach our long-term goals.

To have that conversation, Naveen Malwal and Randelle Lenoir are here to help guide our talking. Naveen is an international portfolio manager with Fidelity Strategic Advisors. He's going to be talking about the views of the investment teams that manage client accounts as well as walk us through what they're thinking about what's on their minds as they're helping clients through these uncertain times.

Randelle, by the way, for those who don't know her, leads a Fidelity branch outside of Chicago, so she's going to be digging into what she and her team are hearing as customers' top concerns when it comes to inflation and market volatility and all those things that are giving us pause as we get ready for a mid-year checkup.

Naveen, Randelle, thanks for making time to be with us today.

Randelle Lenoir: Glad to be here, Jim.

Naveen Malwal: Thanks, Jim. Good to be here.

JIM: And Naveen, first time for Market Sense. Thanks for being here. We really appreciate it. Jurien's got the day off and we are thrilled to have you here on Tuesday, the 28th of June.

You know, let's start with this. Markets and investors are really, I think, still kind of digesting the Federal Reserve's rate hike from a couple of weeks ago. The Fed Chair, Jay Powell, told Congress recently that, you know, from his perspective, the Central Bank is going to keep raising rates until it sees compelling evidence that inflation is slowing down. We can all applaud the goal but feel uncomfortable on the path to achieving it. So, just catch us up with what you're seeing these days.

NAVEEN: Yeah, Jim, and you hit on a lot of things already, right. Take the combination of events so far, whether it's Russia/Ukraine or China, inflation, the Fed, it all starts to feel pretty heavy.

For most of us, looking at our accounts, we're seeing most of our funds down or our holdings down, whether it's stocks or bonds. One of the more challenging years I can recall in my career for investors so far.

What's happening right now for markets, I think we entered a bear market for the S&P 500 about a week ago when stocks were off 20% from the recent highs, and really the market has come back a little bit from that but it's kind of stuck trying to figure out where things go next.

And the debate right now is, with inflation being high, it kind of tapered off in April, it spiked up in May, now you have the Fed responding to that. Where do we go from here? So, the Fed is talking about their goal is to help the economy come off this overheated, rapid boil and bring it back down to a simmer, which would be a great outcome for all of us, right? So, inflation goes away. Maybe some signs of economic growth slow but the economy continues to grow at a nice, moderate, comfortable pace. That's the ideal outcome and there's a chance that could happen.

Now, the other side of the equation, some folks are worried thinking hey, wait a minute, sometimes or maybe more often than not when the Fed raises the rates, it can be to a recession. So, that's the other risk and that's why I think we're looking at stocks being down. Still, another down day today. Close to 20% year-to-date and bonds being down 10% too. So, a tough situation so far.

JIM: Now, you mentioned recession and I just want to pressure test that a little bit, push back on it maybe. I think sometimes when we hear recession talked about in the news, for example, it's often through the lens of, what can we do to stop a recession? How come Congress isn't doing more? Why isn't the president doing X or Y or Z to stop a recession? But my understanding is that they're sort of an unpleasant but a natural part of the business cycle, right? There has to be a next recession. It's not as if one can be avoided. Maybe the better question, if I'm—if I'm understanding it right is how severe might the recession be or how long might it last? Is that fair?

NAVEEN: I think it is, Jim. I think about a long car ride, right. We just want to go from point A to point B. Maybe point B for us is to get to retirement or a savings goal. But like most car trips, you need pit stops along the way. You need to refuel, get some food. Sometimes the pit stops aren't always that great, the facilities aren't that wonderful, the food selection is not good. That's what a recession can feel like. It's kind of a grind. But I agree with you, it is a natural and healthy part of economic growth.

At some point, there seems to be a need in the economy for resetting of, whether it's certain companies that have gotten ahead of themselves or certain parts of the economy. So, I think it's less a question of if and more a question of when.

I think when—whenever a client or an investor asks me, recession, I think it's more about, is it coming soon? And here, it's open for debate. I personally don't feel a recession is just around the corner, like a week or two away. But, hey, is it a few months? Is it a few quarters? Is it a few years? That's a more open conversation. And I think right now a lot of investors are feeling very uncomfortable because of inflation in particular.

A few things definitely hurt investors directly in terms of how they feel. So, stock market sell-off, those are painful. Rising unemployment, that is painful. And inflation, that is painful.

And inflation, we haven't really had to worry about inflation like this in close to forty years. That's what's really hitting people these days. I mean, you're showing the visual right now with the unemployment rate, right?

So, unemployment is still sitting at very low levels, so that's the interesting dynamic happening right now. A lot of talk about a recession, but when I look closely at those discussions, they're about a recession coming at some point in the future. And the reason they're talking about it that way, be it these prognosticators or market experts, is because right now if you look at things like unemployment, it doesn't feel like a recession.

You can see on the chart, normally unemployment is much higher. Right now, we're less than 4% unemployment in the US. When the economy is expanding, it averages around 5% or 6%. So, we're actually better than average right now. In a recession, unemployment on average gets to around 8%. So, we are nowhere close to that right now.

Other things I point to, corporate profits are still rising. In the first quarter, 80% of S&P 500 companies beat their earnings estimates and earnings grew by about 10% and they're expecting to grow the rest of the year as well. In a recession, you would see negative earnings. You would see companies missing on forecast, companies warning on the future, and we haven't seen that yet.

I could point to other parts of the market too. Consumer spending. Hey, it's still pretty strong but it is starting to slow down a little bit because of inflation. And again, people project ahead and think, well, oh my God, that might lead to recession at some point, which I wouldn't dispute. I think where I come in and think about things is it doesn't feel like it's here today. And that's where our approach might be different than those who are very worried about inflation or inflation and recession, I should say. We still think, for most investors, it may be premature to worry too much about recessions just because there's been a sell-off in the market.

In fact, aftermarket sell-off, by 20%, normally they start to recover. We saw a bit of a bounce back already but typically it's not surprising to see markets go up 5%, 10% once it enters a bear market. And then where it's going to go from here, it's going to come down to what happens with earnings, the economy, and things of that nature.

JIM: Quick, quick follow-up with you before I bring Randelle into it. Just, Naveen, just if you could talk a little bit about the historical perspective, right, because I think when times get rough, it is—it can be helpful to look at the bigger picture, the 50,000 foot view, as they say.

NAVEEN: I think it's phenomenally helpful. It's one of the things I lean on for confidence at times like this for my own investing, or if I'm trying to help out my mom and dad or my grandma with their accounts, right. It's thinking about the big picture here.

And as you and I discussed, Jim, recessions, they're part of the process. They're not pleasant but you know, we had one in 2020, we had one in 2008 and 2001 and 1990. They come up once in a while. And there's other market corrections as well.

So, 2018, we had a market sell-off. Worries about global trade were hitting the market. 2011, we had a 20% drop in the market. The US lost its AAA rating that year.

So, there's headlines out there and every time it feels different. Every time it is different and it's stressful for investors. But what I point to on this chart we're sharing is look what happens after that.

You know, actually, in hindsight, if you were able to jump into a time machine and go back to any of those crisis points, you would actually be tempted to buy more stocks. If you knew what was coming next, right, you'd be tempted in hindsight to actually buy more stocks. For most investors, I think it's hard enough to hang on for dear life, let alone buying more stocks, but it is counter intuitive as an investor, but, you know, I think for most folks, even just sticking it out would be a huge win.

I think the classic mistake I see is people seeing a drop of 10%, 15%, 20% and just going to the sidelines because what's really hard is getting back in. The headlines normally stay pretty hard after the sell-off for quite some time and markets normally come up.

Think back to March 2020. The market reality starts and yet the headlines are telling you about a pandemic that was going to last for four or five years because vaccines take a long time to develop. Unemployment might stay really long—high for a very long time. So, it's very tough to do, but a chart like this can show you that the long-term, staying invested can be very invaluable.

JIM: Of the three of us here today, Randelle, you certainly can speak the most to what Naveen was just describing in terms of what customers are thinking, the anxiety, the stress they're bringing to appointments with you and folks on your team.

So, talk a little bit, if you could, I mean, reflect on what Naveen was just saying, but talk a little bit about how the inevitability of a recession may be true but that doesn't mean you can't plan for it and respond to it to ride through it as best you possibly can.

RANDELLE: Right. And I love what Naveen said about looking back. You know, hindsight being 50/50, wishing that you had the discipline and the right perspective and scope to make decisions. And I hope that some of the information that we're sharing today will empower people to do the right thing and to avoid mistakes.

So, like we were talking about before, the news cycle really puts people in their emotions, especially hearing things like recession, unemployment, inflation, you know, all of these big, scary words that can kind of lead us to think about our investments conceptually in a negative light.

But when we narrow the scope and we think about it in the context of your individual goals and what you're working on, that's often more helpful, because sometimes, that picture looks a little bit different. Sometimes a lot different. It just depends on the client, right?

So, it's important in that context to make sure on a regular basis that you're reviewing your accounts routinely. And we encourage you to check in on your accounts on a routine basis. This is not just looking at your balances. This is like looking at what you're trying to accomplish.

And we're halfway through the year this year, especially a pretty unique year when it comes to investing. This is a great time to do that kind of check-in.

How do you keep things in the appropriate scope? So, we have five key questions to ask yourself each year when you're sitting down to approach doing a review on your account.

So, are you investing properly for your goals? Are you saving tax efficiently? Are your loved ones affected? Are your affairs in order? And how does your plan affect your family? And I think you'll realize that these aren't talking about inflation or recession. These are talking about how this relates to your own personal financial goals.

JIM: I love this and I mentioned it last week, on last week's Market Sense, that it just so happens, my annual review falls in June. So, I just had it last Friday, had the hour long conversation. It was great and we touched on all five of those questions.

So, I really would like it if you could—to walk us through what someone who maybe hasn't had that meeting or is about to have that meeting, what should we be thinking about with those specific questions?

RANDELLE: Yeah, it's a good idea, Jim, like you said, to review your priorities and your strategies and how you are approaching them on a routine basis. So, I would like to encourage a deeper dive, again, than just pulling up an app on your phone and looking at your balances in that sense.

So, if you're looking at investment accounts like your 401(k), your retirement account, your brokerage account, you could look at how your money is invested in those and whether that approach still meets your needs.

You can look at the breakdown of your portfolio. How much do you have in equity and stock exposure? How much in fixed income and bonds exposure? And is that still appropriate for where you're at right now, like a little bit of what Naveen was talking about earlier. Some questions that you might ask yourself here, will I need this money sooner than I planned? Will I need it later than I planned? We've had all sorts of different financial outcomes in this environment that we're at right now.

Also, going through this experience may have changed the way that you look at risk. Is your risk assessment, where your risk is at, still appropriate?

And if you're struggling with how to make these adjustments, you can come to a financial adviser and they can help you kind of put these details together and rearrange the way that you're approaching things.

JIM: Yeah, never be—never be too proud to ask for help, I suppose.

Same thing is true with the next question. Am I saving tax efficiently? That can be a tricky one to answer alone.

RANDELLE: Oh, yes, tax is the big scary word, right, so it can be a little bit intimidating. But I promise you, it's not—it's not as scary as you think. It just requires a little strategy.

So, you can explore many different ways that you may or may not be, you know, deferring, reducing, or efficiently managing your tax situation.

So, one thing that you can look at is, where are your assets? What types of assets are in what types of accounts, right? So, are they in your tax-advantaged accounts versus your taxable accounts?

One guideline that we use to consider this is if you have investments that pay off income on a routine basis, so, a couple of examples. Real estate investment trust, bond funds, right? They create taxable events constantly. Maybe those are better suited for a tax-deferred type of account so that, you know, you don't have to, you know, encounter those tax events when those incomes come off.

And you put your more tax efficient vehicles in your taxable account. Example of a tax efficient vehicle is something like a stock or an ETF that typically don't create tax events until you decide to close or sell the position. Those are probably better suited for taxable accounts, so that's one rule of thumb.

Then of course, you want to make sure that you're taking full advantage of all the tax-deferred account types and opportunities that you have. For example, if you work for an employer that provides a 401(k), making sure that you're taking as much advantage as you can about their matching program. Are you able to max that out? If you have a Roth IRA or a traditional IRA, are you able to max those out? There are a lot of different things here, so you want to make sure that you're taking advantage of all of those tax-advantaged accounts.

Then lastly, there's this concept called tax loss harvesting that you—it's when you sell positions in your account at a loss, and those losses can be retained to offset gains when the market inevitably goes through its cycle like Naveen was mentioning and it's stronger. And rebalancing isn't just something that happens when the market is in this point that it is right now. It's something that you should consider on a routine basis. So, having those losses to balance the gains is often allowing you to make decisions based on your own personal needs and goals and not, oh, I'm scared of that tax bill, right? So, that's a little bit about taxes.

JIM: Makes a ton of sense. Thank you for that. And just a quick note for the audience, as a reminder, Fidelity doesn't give tax advice so you'll definitely want to check with your own tax professional if you've got questions about your specific situation as it pertains to taxes.

You gave us five questions, Randelle. Those are the first two; three left to go.

RANDELLE: Yes, so let's move on to, are my loved ones protected? Right? We encourage clients to look at your family's total insurance needs at least once a year to make sure you have the right types of insurance for your family's needs at different stages. You want to make sure that the insurance beneficiaries are updated, right? I can't tell you how many times, unfortunately, that we encounter people who have passed away who have not updated their beneficiaries. Make sure that you're doing that, right? Make sure that you're doing that.

You want to think about your estate plan. This is probably a good time to think about key individuals that are on your estate planning, making sure they know where your statements are, they know who to contact, right. Make sure that they're updated. Think about your will, your healthcare proxy, power of attorney. And a lot of this stuff can be uncomfortable but I promise you, you don't want somebody else to make these decisions for and you want to make things as easy as possible for your family you're your loved ones, whoever you're passing your wealth onto. So, this is a very important part of a routine check-in on your investments, this estate planning.

And then the last question, how does this affect my family? This all leads back to creating a financial legacy. A lot of us are either trying to create a financial legacy for our family or maintain or grow a financial legacy for our family.

So, here's some questions to think about when it comes to the generational wealth building. Are we trying to take care of somebody's education? Are we trying to care for some elders in our family? What are the tax consequences of inheritances? You want to make sure that you're checking in on those on a routine basis.

And one more thing, one more thing. Regarding estate planning and trust documents and things like that, laws change all the time, so make sure you're reviewing those on a routine basis.

One huge fallacy is that once you set those up, you never have to adjust them ever again, so just make sure that they are up to date regarding what you need and regarding the legal environment that you're in.

JIM: Fantastic, fantastic reminders, spoken from someone who sat across the desk countless times, right, from people who failed to make those proactive choices and then it's challenging for your loved ones after the fact. So, thanks for reminding us about that.

Hey, Naveen, with a couple minutes left, you know, everything Randelle was just talking about, the subtext of it all I guess is staying invested when times are tough, and I know you mentioned that at the outset of the show. Can you talk a little bit about mechanically how someone might actually go ahead and do that?

NAVEEN: Yeah, I think what helps a lot actually goes back a lot to what Randelle just covered. I think having a big picture plan around all of this makes it feel less intimidating. Knowing after talking to an adviser that corrections happened, that your plan that you've established is still likely to get you to your goal, that can help people from overreacting to near-term volatility or even something sustained like a recession.

And what we have found is clients who are in a managed account program who have done a thorough plan as well, they are much less likely to overreact to short-term market movements. I think there's actual evidence that this can help someone feel more comfortable with things.

I think what also helps just from a portfolio construction perspective is having a different mix of investments. I think some folks just, they pick funds or names that they recognize or they feel like they've done really well the last three, five years. And that's one way of building a strategy. What we try is to do is get a little bit of everything for investors under one portfolio.

So, it's a mix of stocks both US and international, it's a mix of bonds, mix of short-term investments, and it all comes together in different groups depending on what the plan is.

After talking to someone like Randelle, you get a better sense of, hey, wait a minute, I don't need to take this much risk. I can actually have less exposure stocks. When there is a pullback of 20%, maybe I'm only down five because I'm not taking that kind of risk in my account. Or for others, it might be, hey, you know what? I'm young. I've got a long runway ahead of me. So, let me dial this up a bit more. I know market volatility happens and it's scary, but over the long run, taking on risks can pay off.

So, those are some of the basic building blocks but I think for me, it keeps coming back to, this can feel much more sensible and manageable with a plan in place.

JIM: Any specifics for how you might manage an account through an inflationary period or through a time of slower economic growth?

NAVEEN: Yeah, let's finish off with this one. So, thinking about how my team is managing client accounts who are part of the managed account program at Fidelity. Well, there's a few things we're doing.

One, it is maintaining their exposure to their plan. So, if you have a mix of stocks and bonds and it's supposed to be 60% stocks and 40% everything else, we're doing that for you. We're not, right now, retreating. As I pointed out earlier, yes, some things are starting to feel uncomfortable out there, but it doesn't feel like a recession.

So, for us, it's not a time to pull back.

And a couple things we're doing on a maintenance basis like Randelle touched on. We're definitely rebalancing, right. After a sell-off, it's not uncommon to see someone's stock percentage in their portfolio actually drop. If they don't bring that back up, when the market eventually recovers, they might miss out on some of that recovery. So, very—I'm with Randelle. It's very important to rebalance, especially during a downturn. It can help out a lot.

And just like Randelle touched on, for our taxable investors, we are doing tax loss harvesting in their accounts to help them protect some of their after tax returns by saving some of those tax losses to offset future gains.

And then to get just a little more granular within stocks, for instance. Whether you're part of a diversified portfolio or a separately managed account here, as part of my team that we're managing, we're focusing on different parts of the market that can help.

So, for inflation specifically, looking to get exposure to areas like real estate investments, REITs, or thinking about commodity funds, those historically have done well.

Thinking about the bond universe, there's a type of bond called TIPS, Treasury Inflation-Protected Security, that was literally designed to help protect from inflation. So, those are some big picture building blocks we're using.

And then within stocks, I point to certain areas that tend to do better when we have a combination of inflation, maybe slower economic growth. So, value stocks can do well when inflation is higher and when we see interest rates ticking up. In a slowing environment, so the growth is still positive, it's slowing down, focusing on some blue chip quality names. Think of companies with tremendous earnings that are very stable no matter what happens to the economy. It could be from technology to consumer to different sectors. It's not a sector story. It's more about the type of company you're running and how good your product is and your service is.

Now, to add to that, thinking about these types of the market called low volatility. So, stocks that traditionally are very stable in terms of earnings, they don't have a lot of debt, and they tend not to move up and down as much in the market. So, in a rising market, they usually get left behind, but in a time like this where the market feels like, hey, it might go up, might go down, feels like every other day is a little bit different, I think those kinds of stocks can help bring some peace of mind to investors.

And lastly, in the bond space, I would say diversification can really help. People ask me all the time, Naveen, should I be buying bonds right now because they're down so much this year? I go back with, it depends on the kind of bond. I think in this environment, things like high yield bonds, the higher yield, higher coupon, they can help in an inflationary environment.

Thinking about bonds that are investment grade but with higher credit—with higher yields right now, that could include asset backed bonds that are backed by high quality mortgages or high quality consumer debt. That can be very attractive in this moment.

And finally, non US bonds, looking for opportunities outside the US where other markets might have more attractive yields, those can help—all those things can help round out a good mix of bonds that can help do pretty well for an investor even when rates might be creeping high here in the US.

JIM: Excellent. Excellent insights. Thank you. Thank you both, actually, for taking time. No shortage of options but really important reminder to make your choices based on your specific needs, your timeline, your horizon, your comfort with risk, et cetera. So, thank you for walking us through all of that.

A quick note again for our audience. If you're not already watching on a mobile device, you might want to grab your phone right now. To learn more about what's happening in today's volatile market or to just pick up other additional webcasts on a variety of topics, you can scan the QR code on your screen right now which gives you access to on demand, free education available education any time.

Again, just take out your phone, use the camera app on your phone, and tap on that code, and that will take you right to our webcast hub, where again, you'll find a full library of videos that you can watch at your leisure.

If you prefer to just type in the web address, you can do that. It's Fidelity.com/webcasts.

One other reminder. Market Sense is a podcast as well as a webcast, so you can listen on your commute or walk, at the gym, or really anywhere, in the car. Just look for Market Sense wherever you get your podcasts and you'll be able to follow us, add us to your personal library, and never miss a moment of the conversation.

Again, Naveen, Randelle, a huge thanks for making time to be with us this week. A note to our viewers and listeners, we will be off next week. It's the 4th of July holiday but we hope to see you back here on July 12th. Have a great holiday and we'll see you then.

Data Source: Fidelity Investments and Morningstar Inc. Hypothetical value of assets held in untaxed portfolios invested in US stocks, foreign stocks, bonds, or short-term investments. Historical returns and volatility of the stock, bond, and short-term asset classes are based on the historical performance data of various unmanaged indexes from 1926 through the latest year-end data available from Morningstar. Domestic stocks represented by IA SBBI US Large Stock TR USD Ext Jan 1926–Jan 1987, then by Dow Jones US Total Market data starting Feb 1987 to Present. Foreign stocks represented by IA SBBI US Large Stock TR USD Ext Jan 1926–Dec 1969, MSCI EAFE Jan 1970–Nov 2000, then MSCI ACWI Ex USA GR USD Dec 2000 to Present. Bonds represented by US Intermediate-Term Government Bond Index Jan 1926–Dec 1975, then Barclays Aggregate Bond Jan 1976–Present. Short-term/cash represented by 30-day US Treasury bills beginning in Jan 1926 to Present. Past performance is no guarantee of future results. The purpose of the target asset mixes is to show how target asset mixes may be created with different risk and return characteristics to help meet an investor's goals. You should choose your own investments based on your particular objectives and situation. Be sure to review your decisions periodically to make sure they are still consistent with your goals.

Information presented herein is for discussion and illustrative purposes only and is not a recommendation or an offer or solicitation to buy or sell any securities. Views expressed are as of the date indicated, 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 speakers and not necessarily those of Fidelity Investments or its affiliates. Fidelity does not assume any duty to update any of the information.

To the extent any investment information in this material is deemed to be a recommendation, it is not meant to be impartial investment advice or advice in a fiduciary capacity and is not intended to be used as a primary basis for you or your clients' investment decisions. Fidelity and its representatives may have a conflict of interest in the products or services mentioned in this material because they have a financial interest in them and receive compensation, directly or indirectly, in connection with the management, distribution, or servicing of these products or services, including Fidelity funds, certain third-party funds and products, and certain investment services.

Investing involves risk, including risk of loss.

Past performance is no guarantee of future results.

All indexes are unmanaged, and performance of the indexes includes reinvestment of dividends and interest income, unless otherwise noted. Indexes are not illustrative of any particular investment, and it is not possible to invest directly in an 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 and S&P 500 are registered service marks of Standard & Poor's Financial Services LLC. You cannot invest directly in an index.

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

Stock markets are volatile and can fluctuate significantly in response to company, industry, political, regulatory, market, or economic developments. Investing in stock involves risks, including the loss of principal.

Foreign markets can be more volatile than U.S. markets due to increased risks of adverse issuer, political, market, or economic developments, all of which are magnified in emerging markets. These risks are particularly significant for investments that focus on a single country or region.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities). Fixed-income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. Lower-quality fixed-income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Foreign investments involve greater risks than U.S. investments, and can decline significantly in response to adverse issuer, political, regulatory, market, and economic risks. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.

Changes in real estate values or economic conditions can have a positive or negative effect on issuers in the real estate industry, which may affect these types of funds.

Because of their narrow focus, sector investments tend to be more volatile than investments that diversify across many sectors and companies.

The commodities industry can be significantly affected by commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions.

Dollar-cost averaging does not assure a profit or protect against loss in declining markets. For the strategy to be effective, you must continue to purchase shares in both market ups and downs.

Treasury securities typically pay less interest than other securities in exchange for lower default or credit risk. Treasuries are susceptible to fluctuations in interest rates, with the degree of volatility increasing with the amount of time until maturity. As rates rise, prices will typically decline. Some Treasury securities carry call provisions that allow the bonds to be retired prior to stated maturity. This typically occurs when rates fall. With relatively low yields, income produced by Treasuries may be lower than the rate of inflation. This does not apply to TIPS, which are inflation protected.

Fidelity Wealth Services provides non-discretionary financial planning and discretionary investment management through one or more Portfolio Advisory Services accounts for a fee.

Advisory services offered by Fidelity Personal and Workplace Advisors LLC (FPWA), a registered investment adviser. Fidelity managed accounts refer to the discretionary portfolio management services provided by Strategic Advisers LLC (Strategic Advisers), a registered investment adviser. **These services are provided for a fee.** Brokerage services provided by Fidelity Brokerage Services LLC (FBS), and custodial and related services provided by National Financial Services LLC (NFS), each a member NYSE and SIPC. FPWA, FBS, and NFS are Fidelity Investments companies.

The CFP® certification is offered by the Certified Financial Planner Board of Standards Inc. ("CFP Board"). To obtain the CFP® certification, candidates must pass the comprehensive CFP® Certification examination, pass the CFP® Board's fitness standards for candidates and registrants, agree to abide by the CFP Board's Code of Ethics and Professional Responsibility, and have at least three years of qualifying work experience, among other requirements. The CFP Board owns the certification mark CFP® in the United States.

Fidelity does not provide legal or tax advice. The information herein is general and educational in nature and should not be considered legal or tax advice. Tax laws and regulations are complex and subject to change, which can materially impact investment results. Fidelity cannot guarantee that the information herein is accurate, complete, or timely. Fidelity makes no warranties with regard to such information or results obtained by its use and disclaims any liability arising out of your use of, or any tax position taken in reliance on, such information. Consult an attorney or tax professional regarding your specific situation.

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, an offering circular, or, if available, a summary prospectus containing this information. Read it carefully.

Personal and workplace investment products are provided by Fidelity Brokerage Services LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917

923295.154.1