Commentary | Third Quarter 2023

Investment Research Update

From the desk of

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Director of Quantitative Market Strategy

Performance Summary: Technology Takes the Lead

Investors weighed a shifting outlook during the second quarter, as inflation fell but stayed high, the U.S. Federal Reserve raised interest rates more slowly, and a bank crisis unfolded. The information technology, communication services, and consumer discretionary sectors led the stock market during the quarter as investors turned their focus to cyclical stocks. Utilities, energy, and consumer staples were the bottom performers for the quarter.

Sector	Performance as of 06/30/23				Weight in S&P 500®
	Latest Quarter	1-Year	3-Year Annualized	Dividend Yield	
Communication Services	13.1%	17.3%	7.3%	0.8%	8.4%
Consumer Discretionary	14.6%	24.7%	9.0%	0.9%	10.7%
Consumer Staples	0.5%	6.6%	11.9%	2.5%	6.7%
Energy	-0.9%	18.8%	35.4%	3.8%	4.1%
Financials	5.3%	9.5%	15.6%	1.8%	12.4%
Health Care	3.0%	5.4%	11.7%	1.6%	13.4%
Industrials	6.5%	25.2%	18.0%	1.6%	8.5%
Information Technology	17.2%	40.3%	20.0%	0.8%	28.3%
Materials	3.3%	15.1%	16.0%	2.0%	2.5%
Real Estate	1.4%	-4.4%	6.1%	3.4%	2.5%
Utilities	-2.5%	-3.7%	8.4%	3.2%	2.6%
S&P 500®	8.7%	19.6%	14.6%	1.5%	

Past performance is no guarantee of future results. Sectors defined by the Global Industry Classification Standard (GICS®); see Index Definitions for details. Performance metrics reflect S&P 500 sector indexes. Changes were made to the GICS framework on 9/24/18; historical S&P 500 communication services sector data prior to 9/24/18 reflect the legacy telecommunication services sector. The top three performing sectors over each period are shaded green; the bottom three are shaded red. It is not possible to invest directly in an index. All indexes are unmanaged. Percentages may not total 100% due to rounding.

Source: Haver Analytics, Morningstar, FactSet, Fidelity Investments, as of 06/30/2023.

Scorecard: Several Cyclical Sectors Look More Attractive

The signals appear mixed overall. That said, there may be a higher margin of safety in several cyclically oriented sectors, mainly due to relative valuations. With core inflation continuing decline at the end of the quarter, and rates appearing nearer to the end of the tightening cycle, sectors including consumer discretionary, and industrials may offer opportunities.

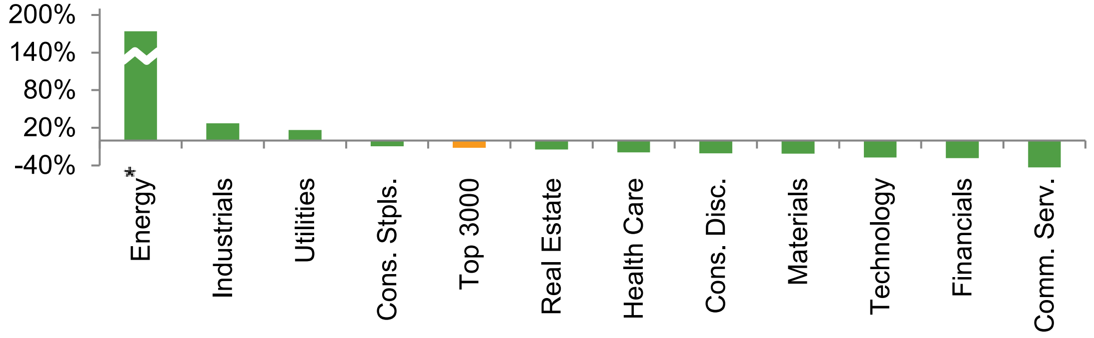
Sector	Strategist View (■ Overweight ■ Neutral ■ Underweight)	Time Horizon View: Longer — Fundamentals	Valuations	Shorter — Relative Strength	Comments
Communication Services	Underweight	–	–	+	Defensive characteristics may hinder performance
Consumer Discretionary	Overweight		–	+	Increasingly constructive contrarian indicators, median valuation compelling
Consumer Staples	Underweight	+			Earnings growth likely to lag in a broader recovery
Energy	Underweight	+	+	–	Increasingly mixed signals from macro and fundamental
Financials	Overweight	–	+	–	Relative valuation may limit further deterioration
Health Care	Overweight				Good combination of fundamentals and valuation
Industrials	Overweight	+			Other predictive valuation indicators still compelling
Information Technology	Overweight		–	+	Earnings increasingly likely to recover
Materials	Overweight			–	Valuation and economic indicators are supportive
Real Estate	Underweight	–	+		Elevated valuation likely to be a headwind
Utilities	Underweight				Defensive characteristics may hinder performance

Past performance is no guarantee of future results. Strategist view, fundamentals, valuations, and relative strength are based on the top 3,000 U.S. stocks by market capitalization. Sectors defined by the GICS; see Index Definitions for details. Historical communication services data has been restated back to 1962 to account for changes to the GICS framework made on 9/24/18. **Strategist view** is as of the date indicated based on the information available at that time and may change based on market or other conditions. This is not necessarily the opinion of Fidelity Investments or its affiliates. Fidelity does not assume any duty to update any of the information. Overweight and underweight views represent opportunistic tilts in a hypothetical portfolio relative to broad market sector weights. Sector weights may vary depending on an individual's risk tolerance and goals. Time horizon view factors are based on historical analysis and are not a qualitative assessment by any individual investment professional. The top three sectors based on each time horizon view metric are shaded green; the bottom three are shaded red. See Glossary and Methodology for details. It is not possible to invest directly in an index. All indexes are unmanaged. Source: Haver Analytics, FactSet, Fidelity Investments, as of 6/30/2023.

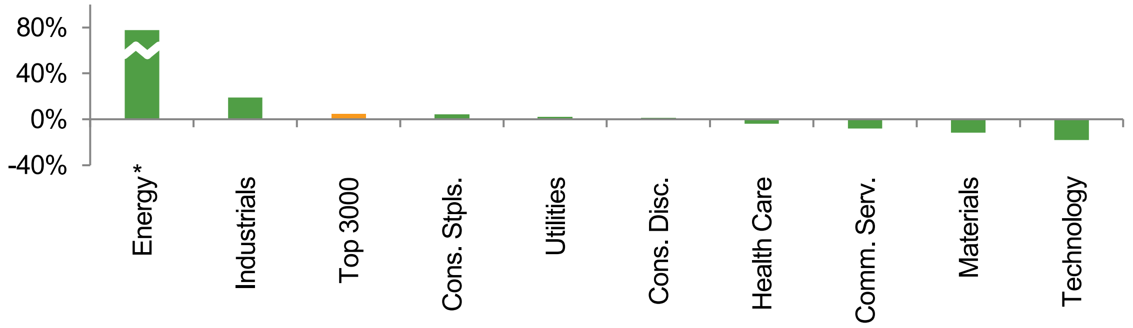
Fundamentals: Energy, Industrials, and Consumer Staples Led

Energy led the fundamentals rankings, coming in first in earnings per share (EPS) growth, EBITDA (earnings before interest, taxes, depreciation, and amortization) growth, and return on equity (ROE). The industrials and consumer staples also scored well. Financials was the worst performing sector, ranking 10th in EPS growth and eighth in ROE. Real estate and communications services also posted relatively poor fundamentals.

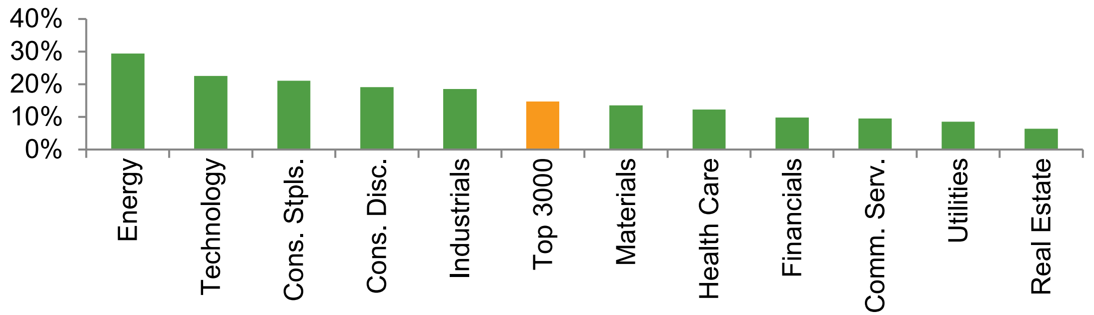
EPS Growth (Last 12 Months)



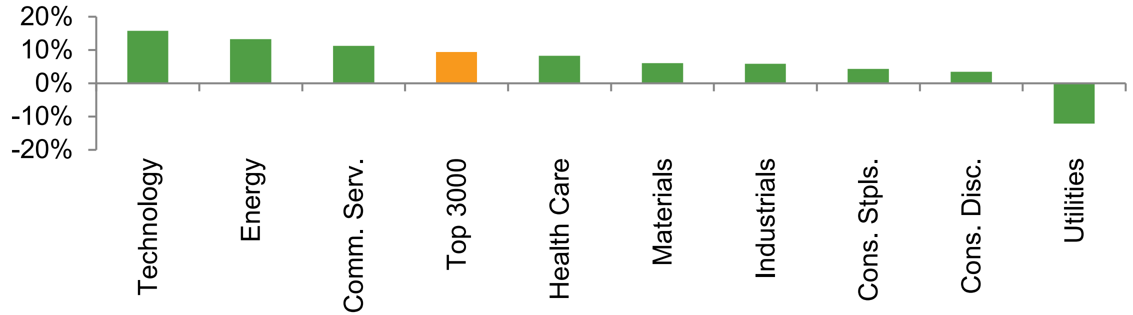
EBITDA Growth (Last 12 Months)



Return on Equity (Last 12 Months)



Free-Cash-Flow Margin (Last 12 Months)



Fundamentals: Strong and improving fundamentals historically have been an intermediate-term indicator of sector performance. Our analysis gives a view of how each sector has done in terms of growth and profitability.

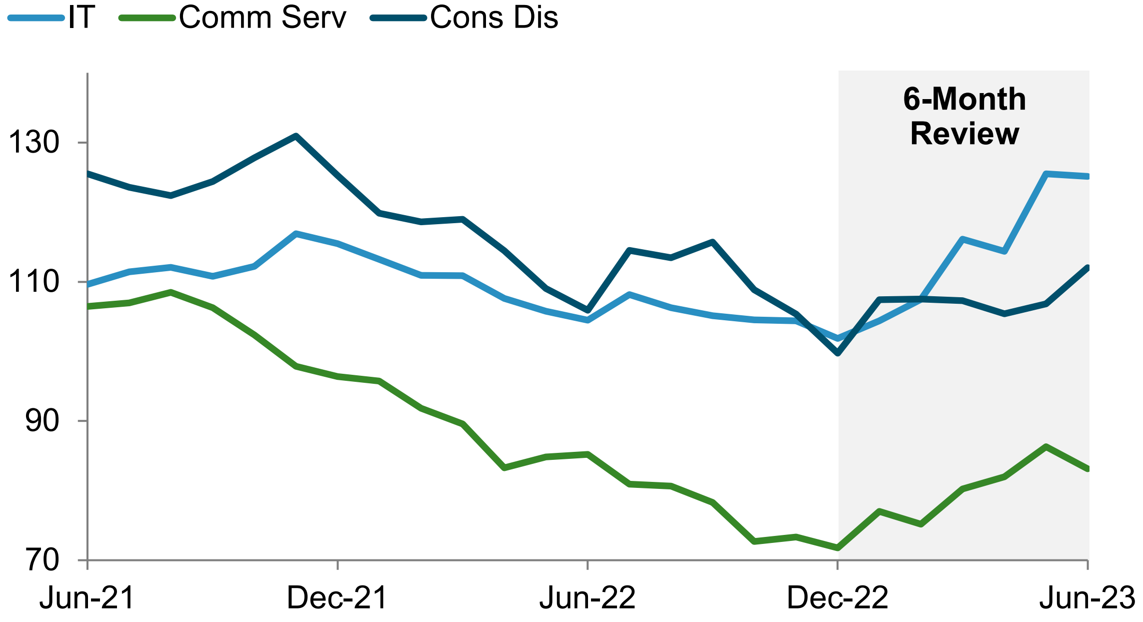
Past performance is no guarantee of future results. EPS = earnings per share. EBITDA = earnings before interest, taxes, depreciation, and amortization. * EPS growth value over the last 12 months for energy was 2,789%; EBITDA Growth for energy over the same period was 167%. The financials and real estate sectors are not represented in the EBITDA growth or free-cash-flow margin charts because of differences in their business models and accounting standards. See Glossary and Methodology for further explanation Sectors based on the top 3,000 U.S. stocks by market capitalization and defined by GICS. Communication services data restated back to 1962.
Source: Haver Analytics, Fidelity Investments, as of 6/30/23.

Relative Strength in Technology, Communications and Consumer

The technology, communication services and consumer discretionary sectors exhibited the greatest strength based on our relative price momentum score the past six months. Financials, materials and energy exhibited weakness based on relative price momentum.

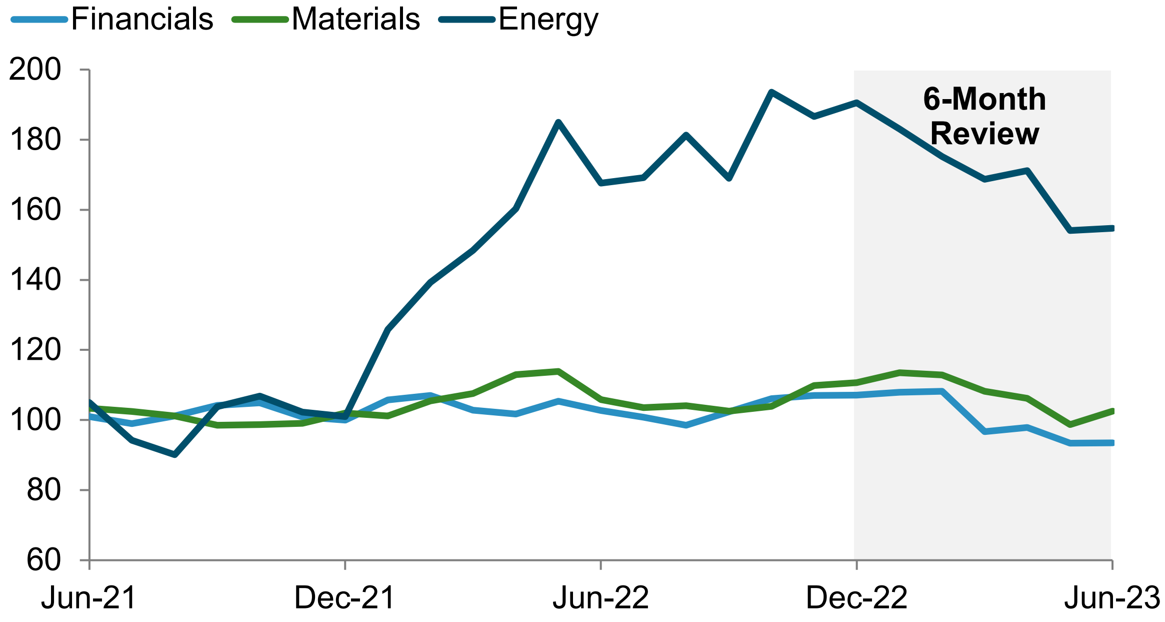
Sectors Exhibiting Relative Strength

Price Relative to the Russell 3000 Index



Sectors Exhibiting Relative Weakness

Price Relative to the Russell 3000 Index



Relative Strength: Stocks and sectors that have outperformed the broader market have tended to continue to do so.

Past performance is no guarantee of future results. Relative strength compares the performance of each sector with the performance of the broad market, based on changes in the ratio of the securities' respective prices over time. See Glossary and Methodology for further explanation. Charts represent performance of sectors based on the top 3,000 stocks by market capitalization relative to the Russell 3000 Index. It is not possible to invest directly in an index. All indexes are unmanaged. Source: FactSet, Fidelity Investments, as of 11/30/22.

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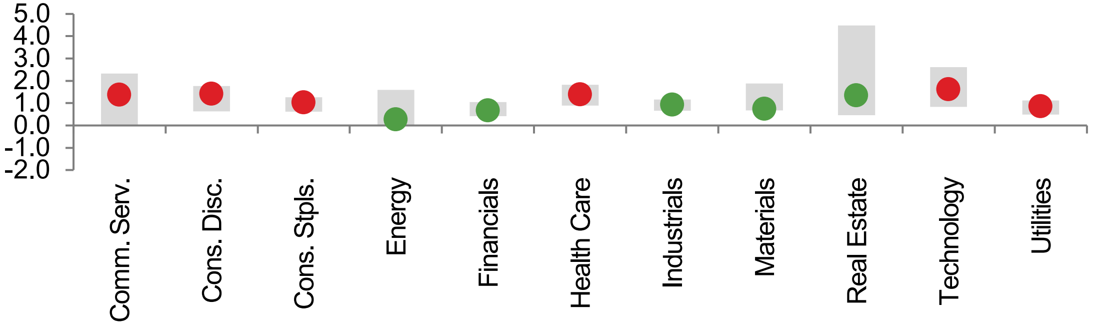
Valuations: Energy, Real Estate, and Financials Looked Cheap

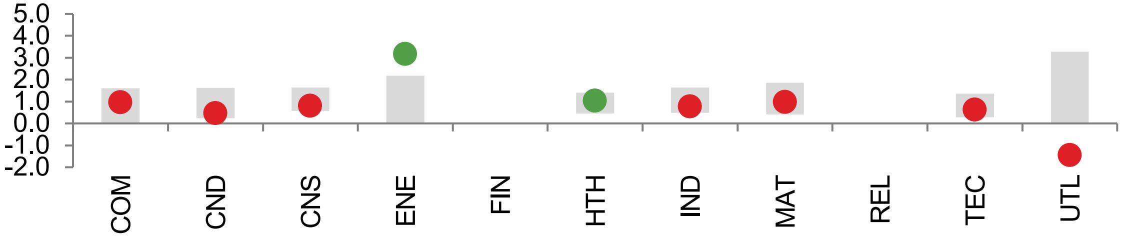
Energy had the cheapest quarter-end valuations, ranking least expensive in price-to-earnings and free-cash-flow yield. Real estate and financials also looked relatively inexpensive for the quarter. Consumer discretionary, technology, and communication services had the highest aggregate valuations.

Historical Range   Current: Green/Red = Cheap/Expensive Relative to Historical Average

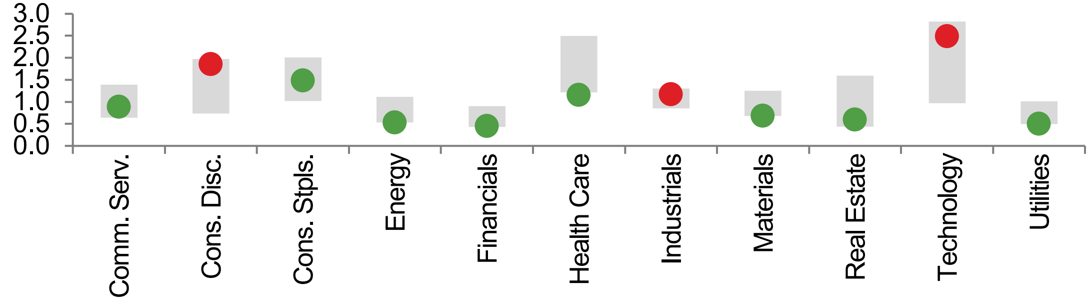
Price-to-Earnings Ratio; Forward Price/Earnings Ratio Relative to Top 3,000 Stocks



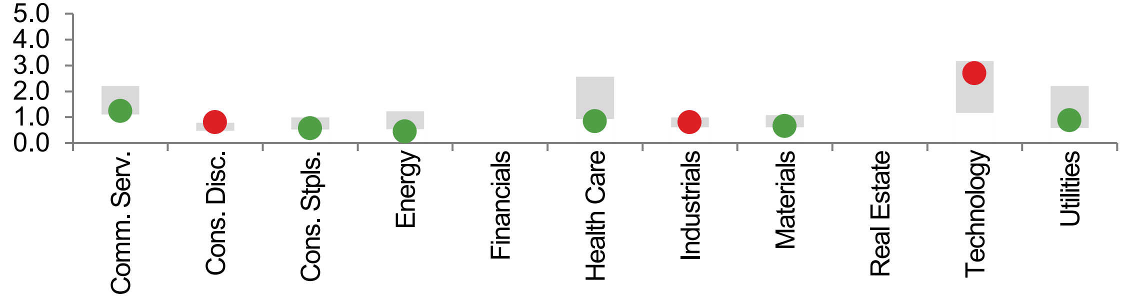
Free-Cash-Flow Yield; Free-Cash-Flow Yield Relative to Top 3,000 Stocks



Price-to-Book Ratio; Forward Price/Book Ratio Relative to Top 3,000 Stocks



Price-to-Sales Ratio; Forward Price/Sales Ratio Relative to Top 3,000 Stocks



Valuations: On their own, valuations are only a moderately effective indicator of future sector performance, but when combined with other factors, they can be a useful tool in determining the risk-and-reward profile.

Past performance is no guarantee of future results. Free-cash-flow yield reflects free cash flow divided by market price per share; it is the inverse of the price-to-free-cash-flow ratio. Historical range excludes the top and bottom 5%. Green or red circles indicate if current levels are below or above the historical average, which excludes the top and bottom 5%. The financials and real estate sectors are not represented in the free-cash-flow yield or price-to-sales charts because of differences in their business models and accounting standards. See the Glossary and Methodology for further explanation. Historical range since January 1962. Sectors based on the top 3,000 U.S. stocks by market capitalization and defined by GICS. Communication services data restated back to 1962. Source: Haver Analytics, Fidelity Investments, as of 6/30/23.

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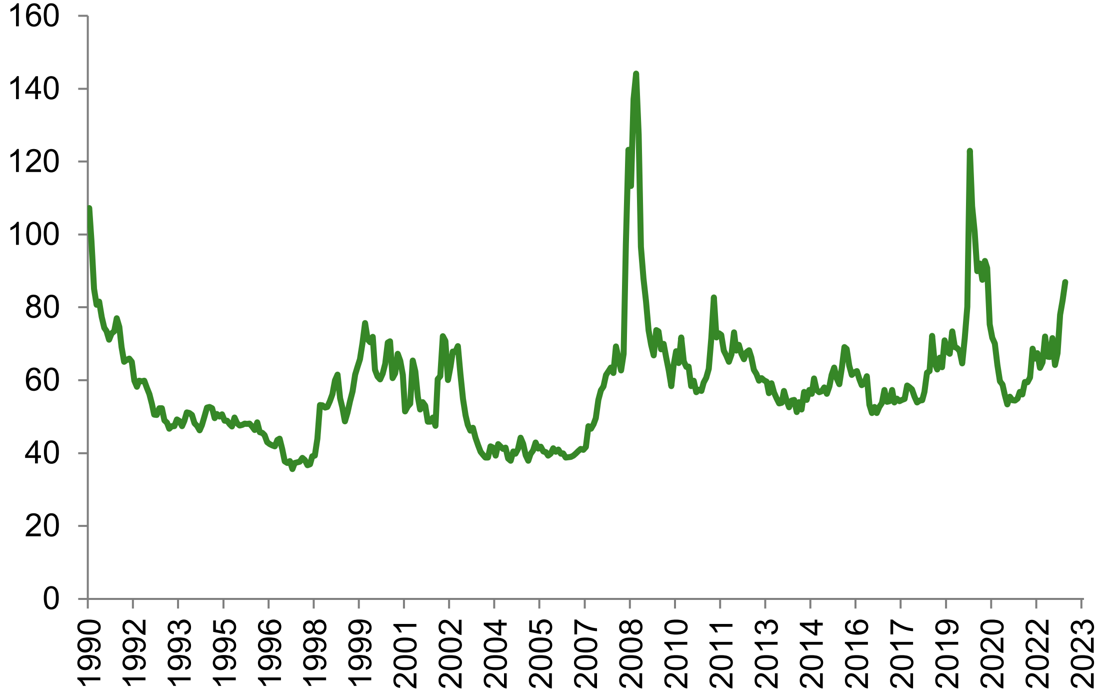
High Valuation Spreads Consistently Signaled Strong Returns

At the end of May, valuation spreads—the gap in valuation between the cheapest and most expensive groups of stocks in the Russell 3000 Index based on quartiles of book yield—were in the top 5% of the market's historical range going back to late 1990 (left). Stocks in this broad-based index historically posted strong average gains after valuation spreads reached this extreme (right).

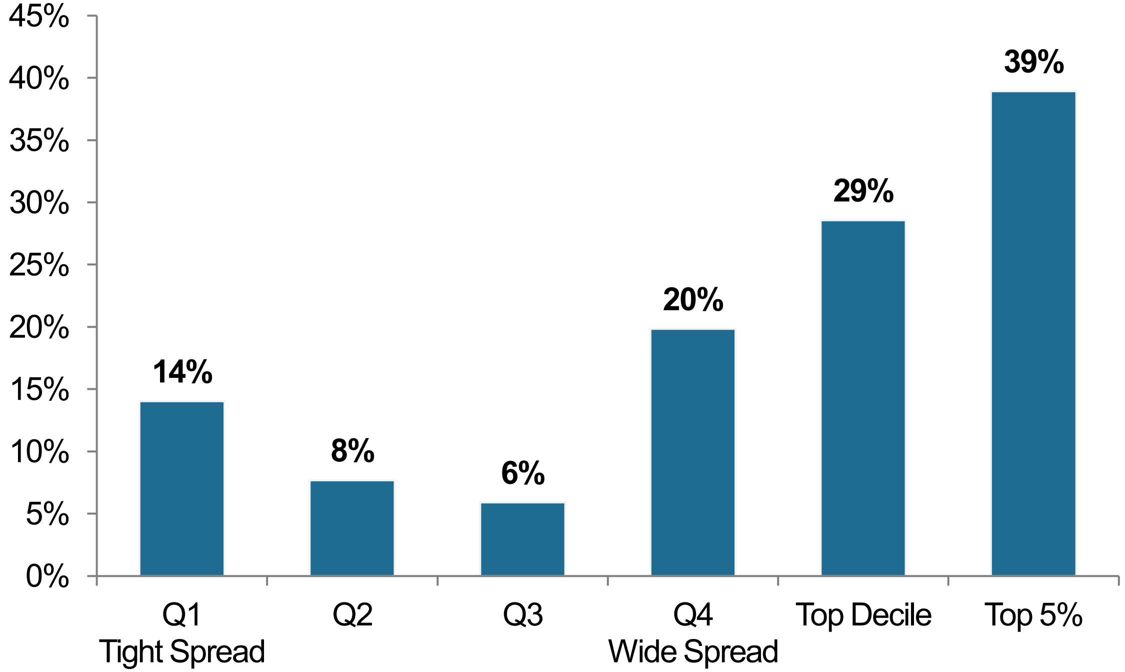
High Valuation Spreads Suggested Investor Fear

Russell 3000 Book Yield Spread, December 1990–May 2023



Consistently Strong Returns Followed High Valuation Spreads

NTM Russell 3000 Returns in Cohorts of Russell 3000 Valuation Spreads, December 1990–May 2023



Past performance is no guarantee of future results. Data analyzed monthly since December 1990. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 5/31/23. **LEFT:** Book yield: The ratio of book value per share to price per share. Book yield spread: The difference between the median book yields of the Russell 3000's most-expensive and least-expensive quartiles. **RIGHT:** NTM: Next twelve months.

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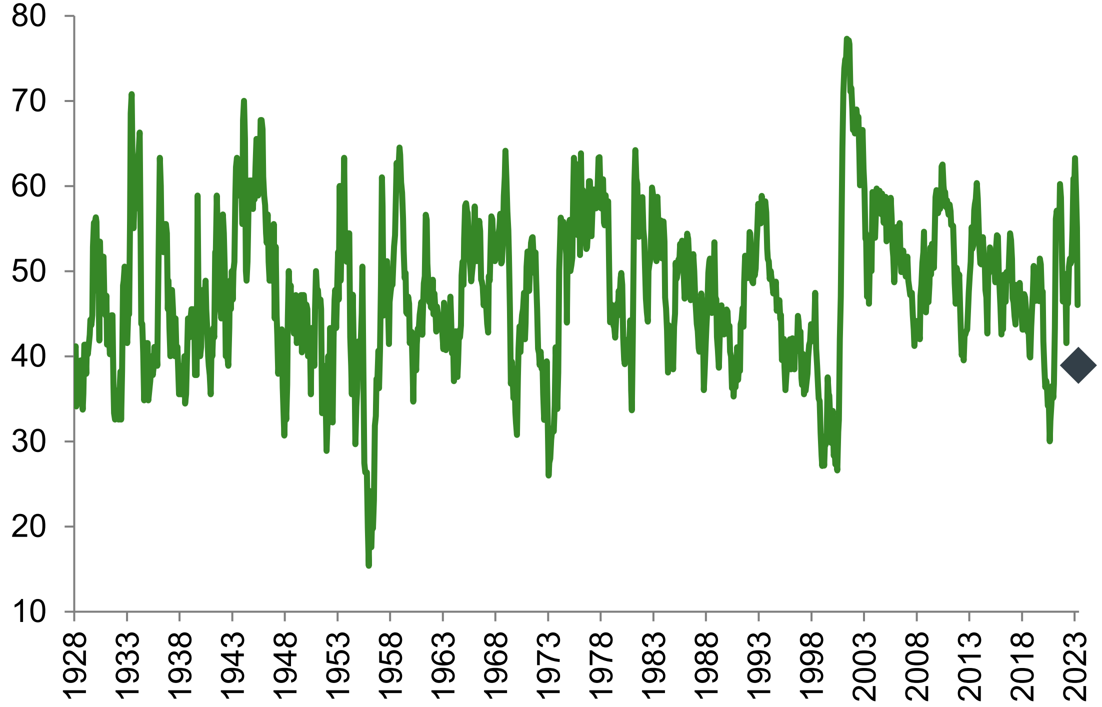
A Narrow Market Preceded Stock Gains in the Past

Fewer than 40% of the stocks in the S&P 500 outperformed the index for the trailing 12 months through May. This marked the narrowest rolling 12-month market breadth since 2020 and among the narrower breadth readings going back to the late 1920s. Narrow breadth often is viewed as a negative sign for the stock market's health, although this view has not been supported by history: Since 1928, the narrower the market breadth, the higher the index returns tended to be over the next 12 months—even when the S&P 500 already had advanced (right).

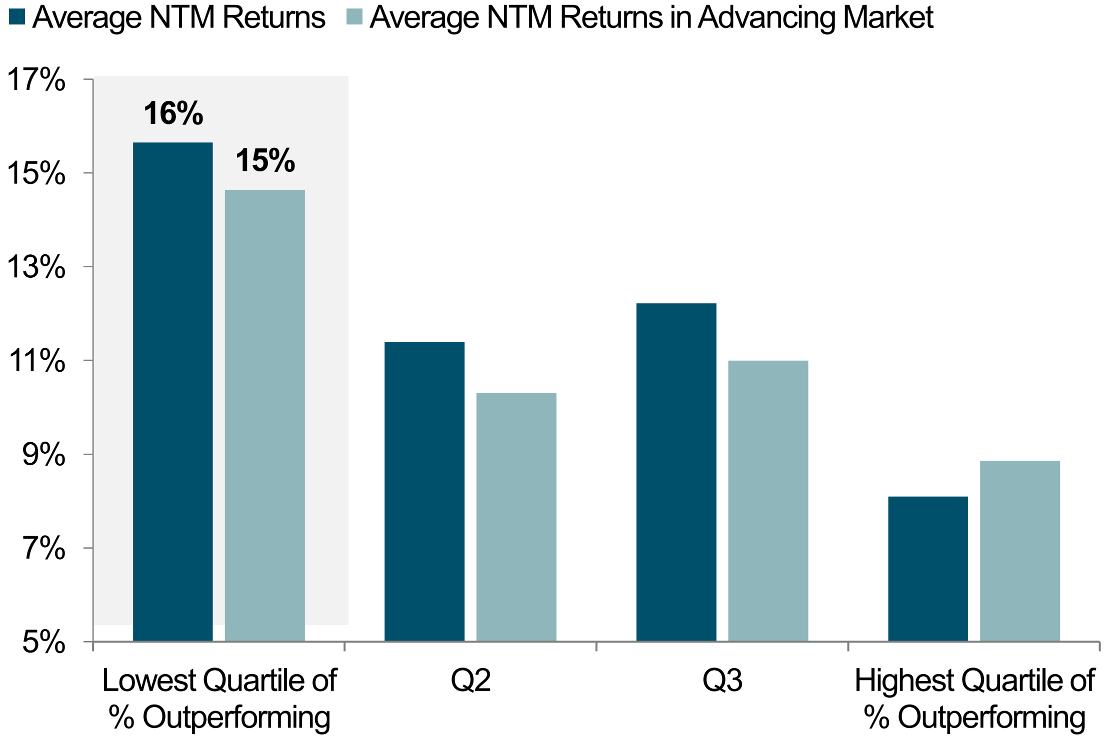
Few Stocks Have Powered the Market's Returns

Market Breadth: Percent of S&P 500 Companies Outperforming the Index, LTM, January 1928–May 2023



Stocks Have Gained after Poor Market Breadth Readings

Rolling NTM S&P 500 Returns, 1928–May 2023



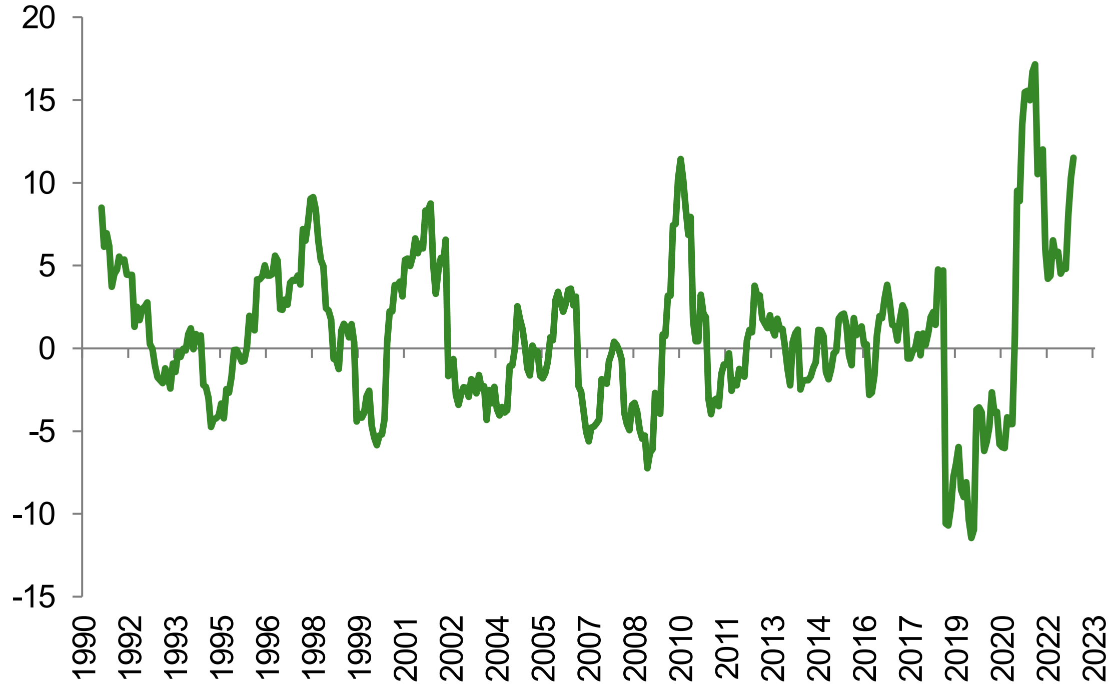
Past performance is no guarantee of future results. Data analyzed monthly since 1928. Analysis based on the S&P 500. Market breadth measured by the percentage of stocks outperforming the index. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 5/31/23. **LEFT:** LTM: Last 12 months. **RIGHT:** NTM: Next 12 months.

Mid Cap Earnings Were Up and Valuations Were Down

Earnings for mid cap stocks in the S&P 400 index increased quicker than those for stocks in the large cap S&P 500 index since mid-2021 (left). Stronger relative earnings growth helped make mid caps historically cheap relative to large caps (right). Stocks in the consumer discretionary, technology, and industrials sectors were the least-expensive mid caps based on relative price-to-book ratios.

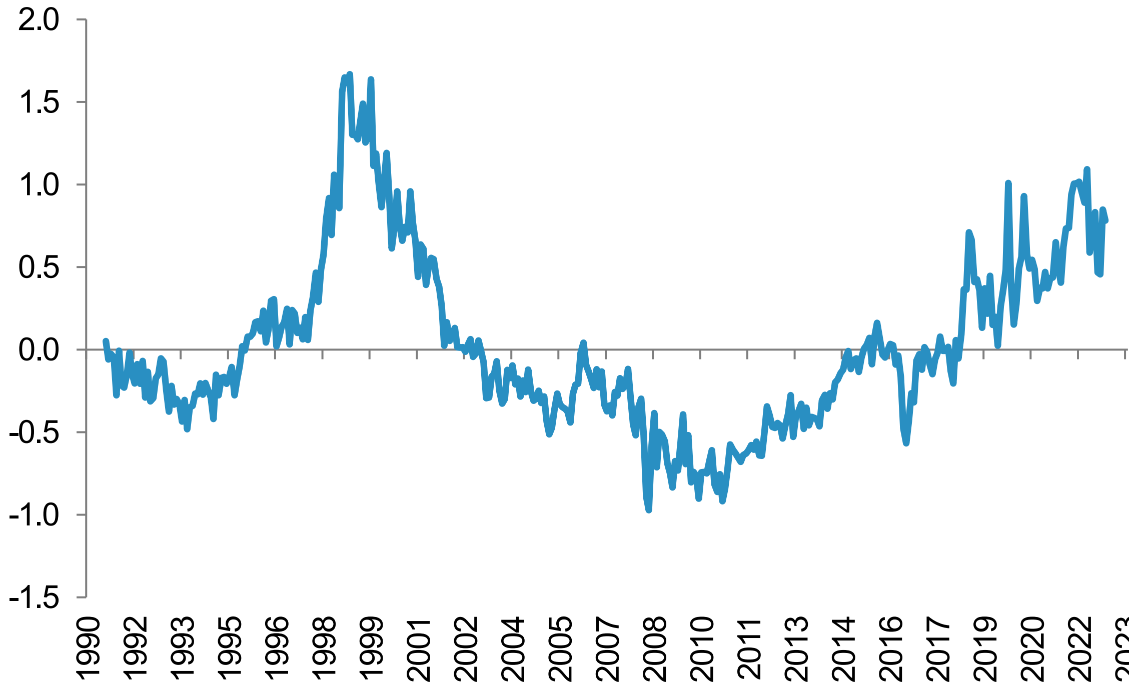
Mid Cap Earnings Grew Much Faster than Large Cap Earnings

Median EPS Growth in the S&P MidCap 400 vs. the S&P 500, December 1990–May 2023



Mid Caps Looked Cheaper Than Large Caps

Median Forward EPS Yield in the S&P MidCap 400 vs. the S&P 500 (Higher Is Cheaper), December 1990–May 2023



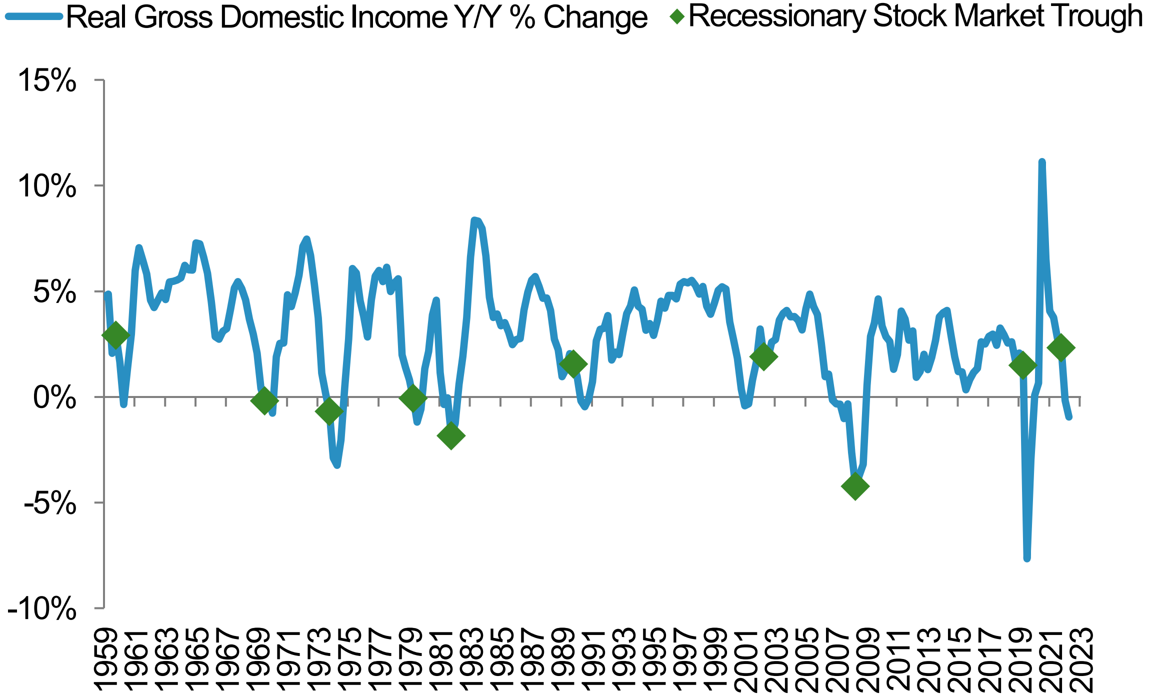
Past performance is no guarantee of future results. EPS: Earnings per share. Analysis based on the S&P 400 and S&P 500. Data analyzed monthly since December 1990. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 5/31/23. **RIGHT**: Earnings yield is the inverse of the price-earnings ratio.

Real GDI and Inflation Fell—Historically a Good Sign for Stocks

Real gross domestic income (GDI), which measures inflation-adjusted total U.S income in all economic sectors, contracted over the four quarters through March 2023. For much of this time, inflation decelerated from its mid-2022 peak. Since 1959, stocks often started recovering roughly around the time real GDI turned negative (left) and, in many cases, around peaks in the annual inflation rate, measured by the Consumer Price Index (right). The pattern fits the current stock market rally, which started in October.

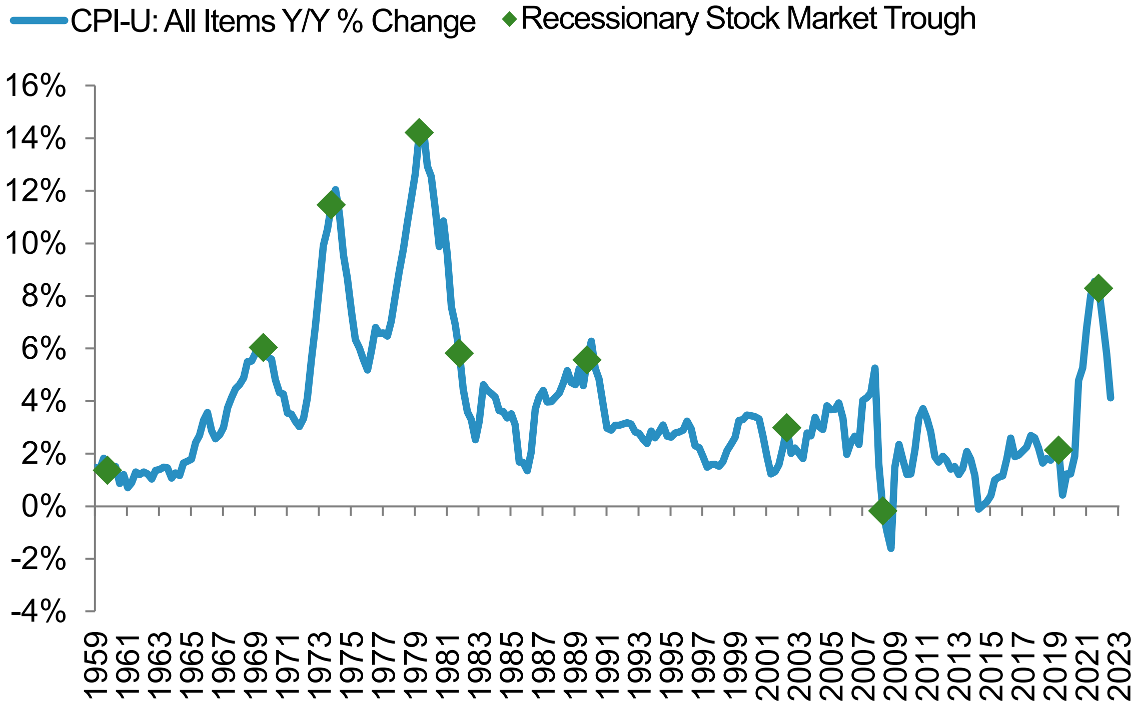
Stocks Often Bottomed Before Real GDI Downturns

Year-Over-Year Change in Real Gross Domestic Income and Stock Market Troughs, 1959–March 2023



Market Recoveries Frequently Started Near Peaks in Inflation

Year-Over-Year Consumer Price Index and Stock Market Troughs, 1959–March 2023



Past performance is no guarantee of future results. Data analyzed quarterly since Q4 1959. Analysis based on the S&P 500. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 5/31/23. **LEFT**: Real gross domestic income is an inflation-adjusted measure of total income earned and costs incurred in the production of gross domestic product (GDP) in all economic sectors. **RIGHT:** CPI is the consumer price index, which seeks to measure the rate of change for price inflation among urban consumers.

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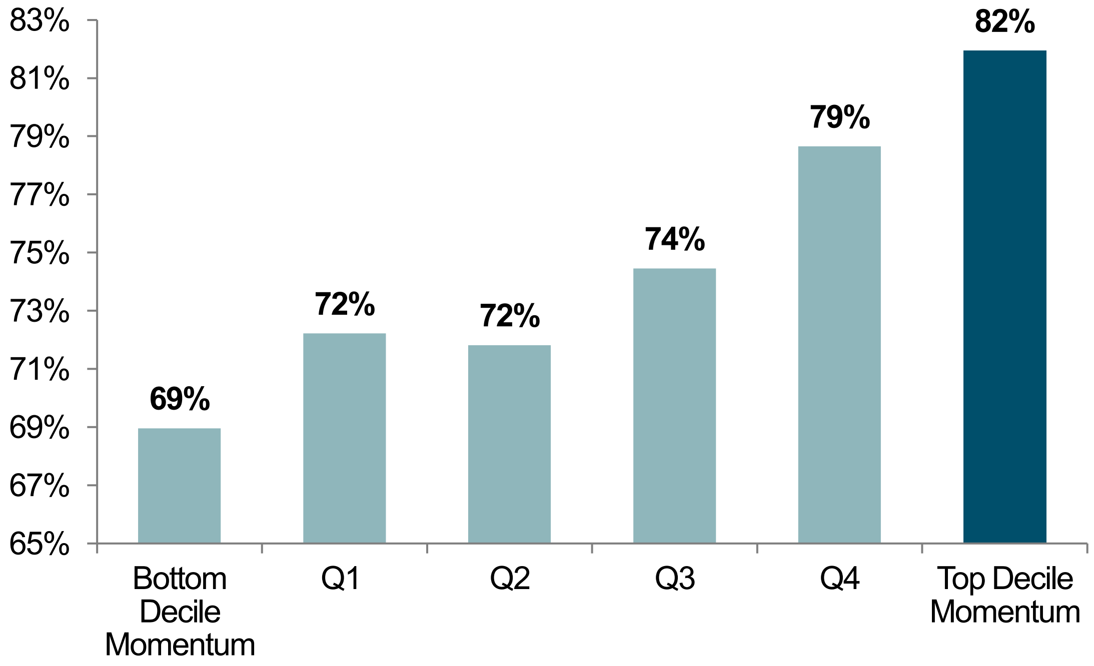
Technology Stocks Surged, Historically a Bullish Sign for the Market

U.S. technology stocks* gained 13% in April, easily reaching the top decile of one-month tech sector returns since 1962. Over this historical span, top-decile monthly tech sector returns have tended to coincide with strong forward 12-month returns for the overall market (left). Also in this time frame, cyclicals were more likely than defensive sectors to outperform the top 3,000 stocks (right).

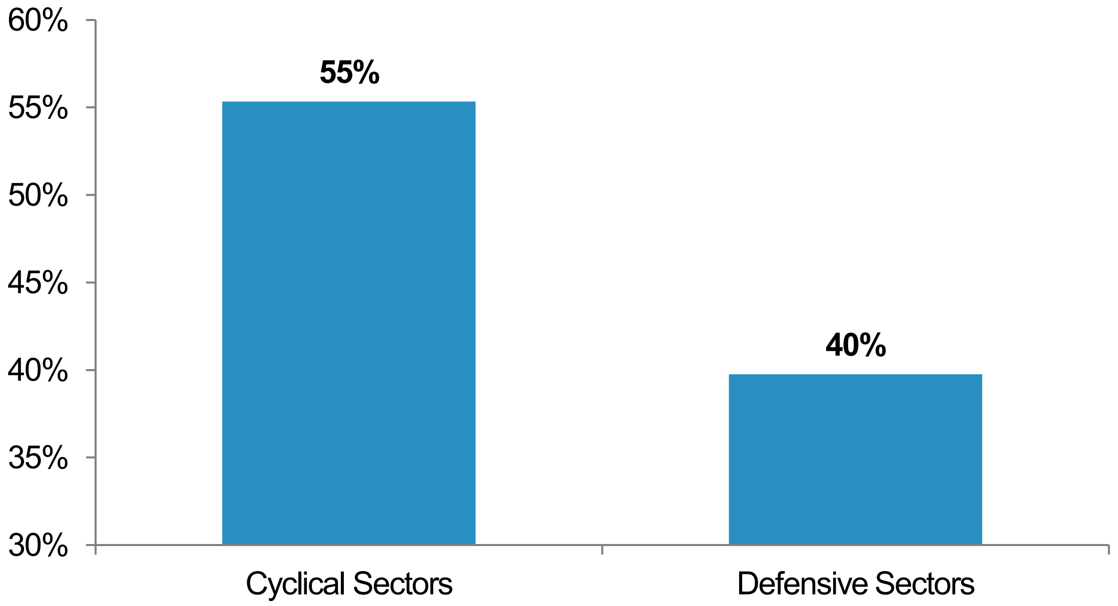
Strong Months for Technology, Up Years for the Market

Rolling Odds of NTM Market Advance in Quartiles and Deciles of Prior One-Month Technology Sector Price Percent Change, 1962–Present



Cyclicals Tended to Lead after One-Month Tech Surges

Rolling NTM Odds of Average Defensive and Cyclical Sector Outperformance After Top-Decile One-Month Tech Returns, 1962–April 2023



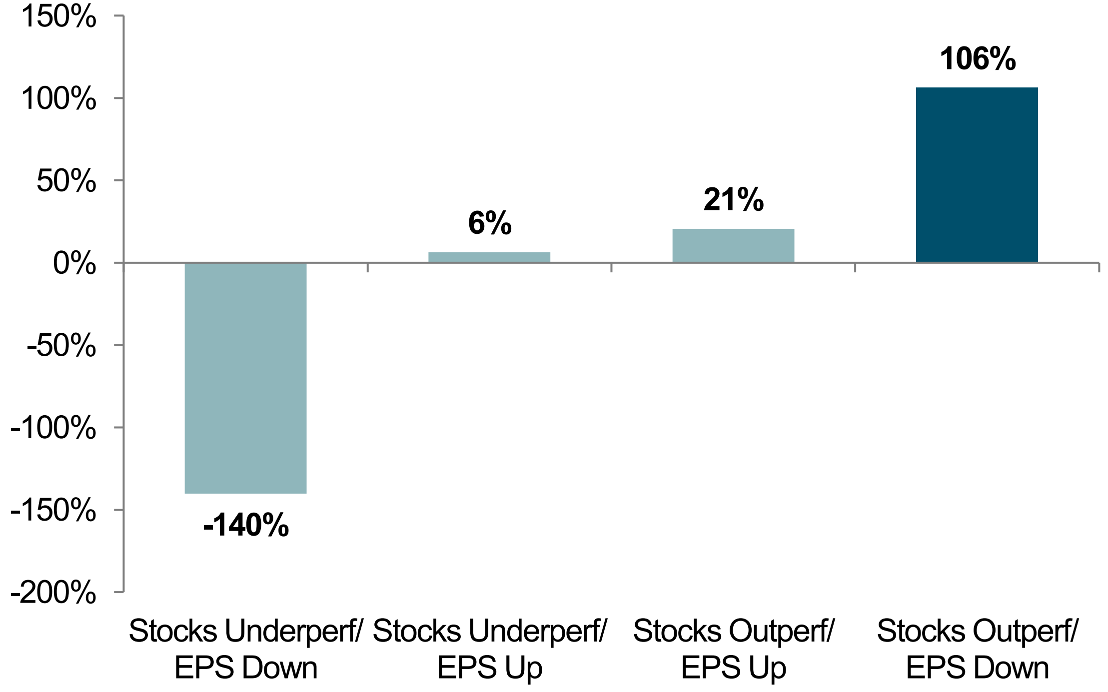
Past performance is no guarantee of future results. NTM: Next twelve months. *Analysis based on U.S. technology stocks within a Fidelity list of the top 3,000 stocks by market capitalization. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 4/30/23. Data analyzed monthly since 1962. Deciles include 58 observations. Quartiles include 180 observations. **RIGHT:** Cyclical sectors include communication services, consumer discretionary, energy, financials, industrials, materials, real estate, and technology. Defensive sectors include consumer staples, health care, and utilities.

Tech Stocks Outperformed amid Poor Earnings. What's Next?

Tech earnings contracted for the 12 months through May, yet the sector outperformed the broad market over this span. Historically, the market has been good at sniffing out tech-sector rebounds: After 12-month periods when tech had negative earnings and outperformed, the sector's average profits more than doubled over the next 12 months (left), and tech stocks outperformed by an average of 7% (right).

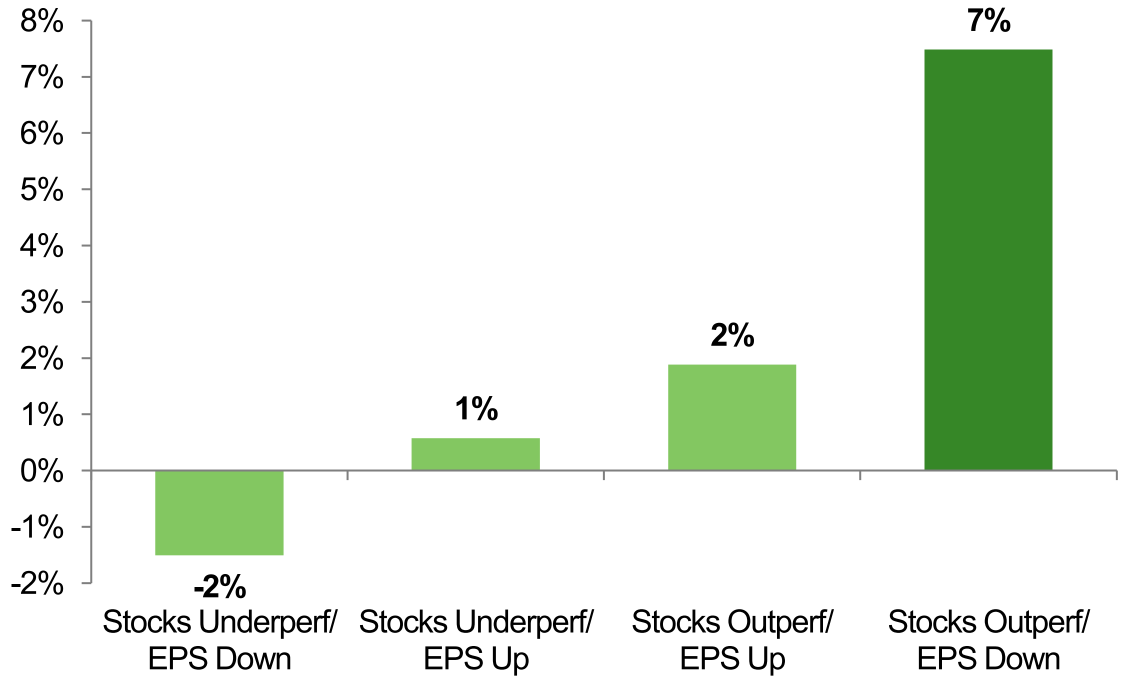
Tech Outperformance Came before Earnings Recoveries

Rolling Average NTM EPS Growth in Combinations of Relative Performance and EPS Growth, 1962–May 2023



After Beating the Market with Weak Earnings, Tech Outperformed

Rolling Average NTM Tech Sector Relative Performance in Combinations of Relative Performance and EPS, 1962–May 2023



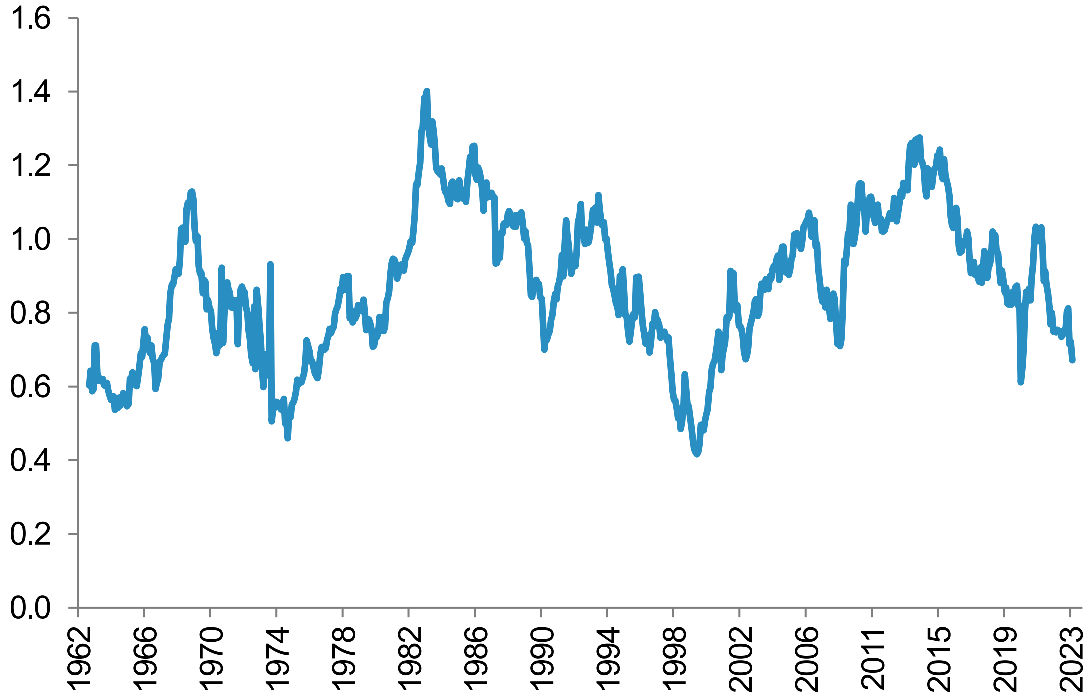
Past performance is no guarantee of future results. NTM: Next twelve months. EPS: Earnings per share. Analysis based on a Fidelity list of the top 3,000 stocks by market capitalization. Number of observations (left to right): 94, 214, 291, 85. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 4/30/23. Data analyzed monthly since 1962.

Low Discretionary Valuations Signaled Outperformance Before

As of May, the consumer discretionary sector's valuation based on price-to-book ratio relative to the rest of the market reached about 0.7, bringing the sector's relative valuation to its lowest quartile going back to (left). Previously, when the sector reached a bottom-quartile relative price-to-book ratio, discretionary stocks outperformed the market by 4% over the next 12 months (right).

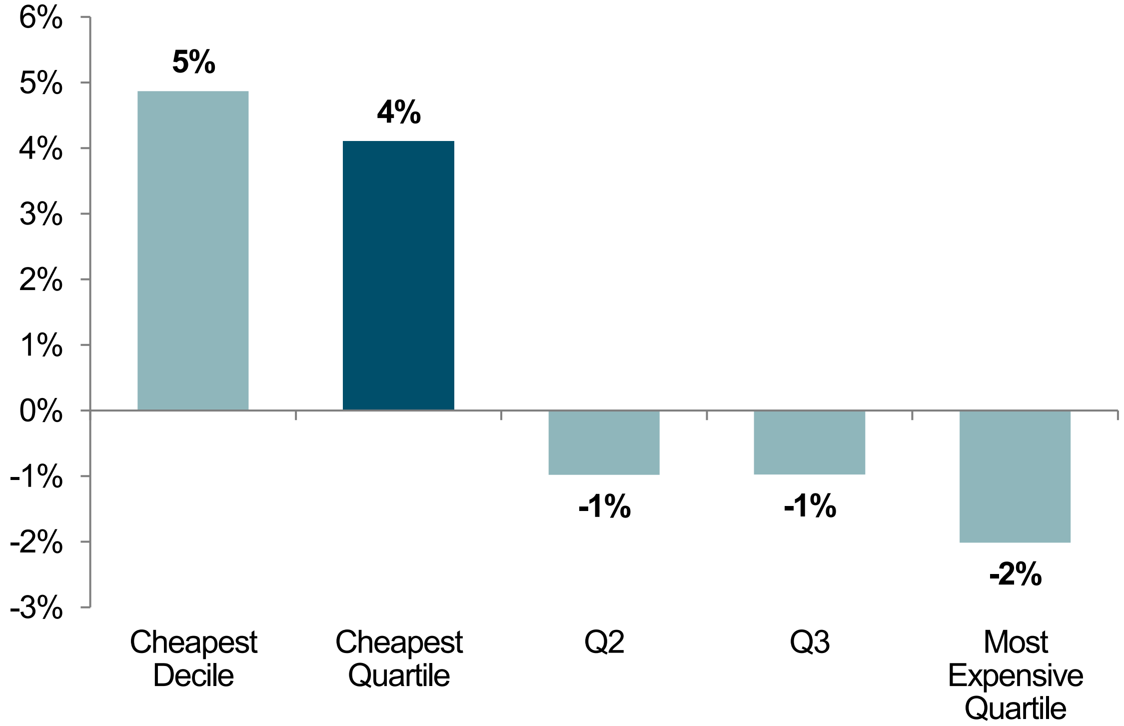
Consumer Discretionary Valuations Fell Near Pandemic Lows

Equal Weighted Consumer Discretionary Relative Price-to-Book, 1962–May 2023



Discretionary Outperformed After Bottom-Quartile Relative Valuations

Rolling NTM Relative Performance of Equal Weighted Consumer Discretionary in Quartiles of Relative Price/Book Valuation, 1962–Present



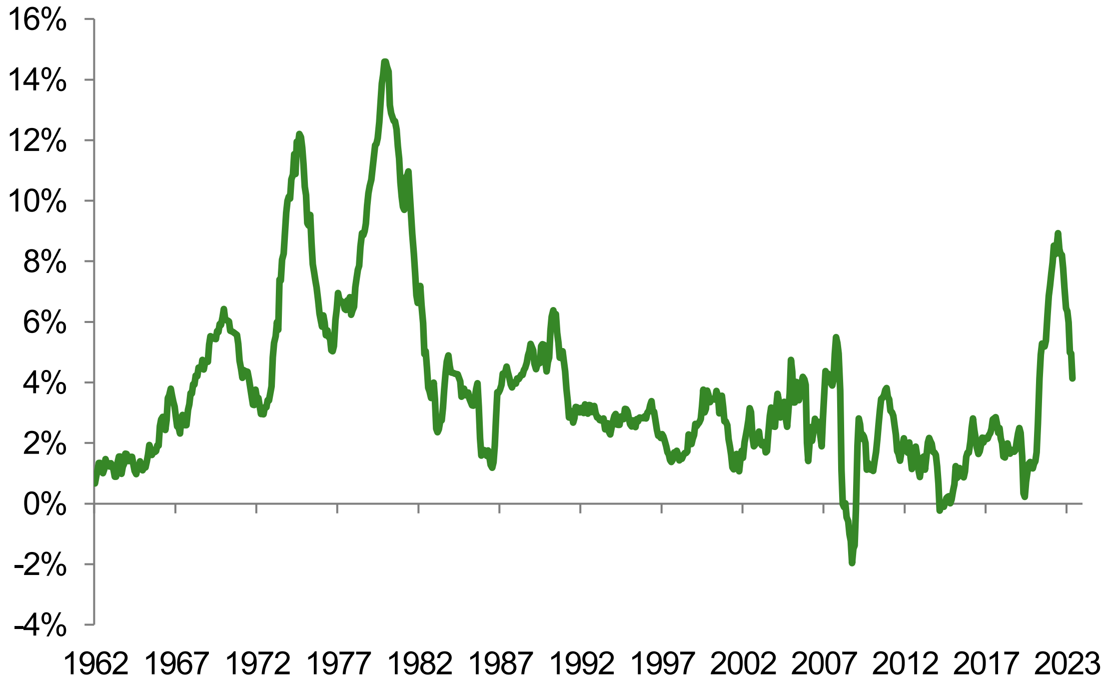
Past performance is no guarantee of future results. P/Book: Price-to-book. Equal-weighted indexes weight all stocks equally rather than by market capitalization so the largest consumer discretionary stocks do not have undue influence on results. Analysis based on a Fidelity list of the top 3,000 stocks by market capitalization. Data analyzed monthly since 1962. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 5/31/23.

Consumers' Real Income Increased

Inflation has fallen steadily since the middle of 2022 (left), helping real income growth accelerate and boosting consumers' ability to spend. Since 1962, falling inflation has been good for consumer discretionary stocks, on average (right).

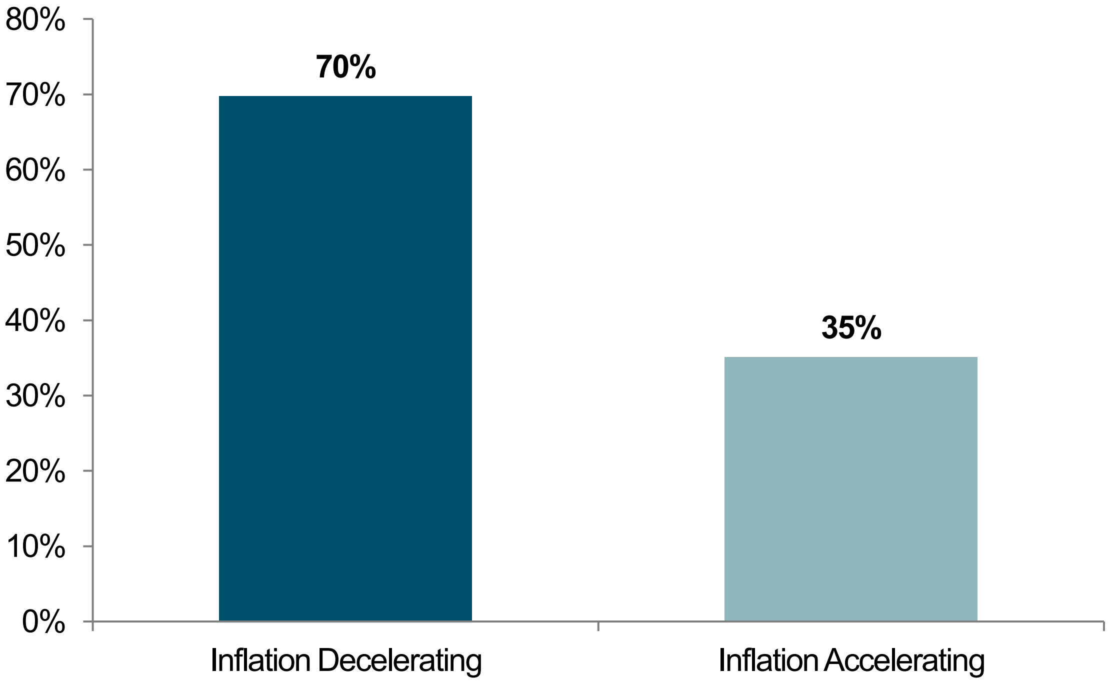
Inflation Decelerated Fast

CPI-U Percent Year-to-Year Change, January 1962–May 2023



Discretionary Historically Outperformed amid Falling Inflation

Average 12-Month Odds of Outperformance, January 1962–May 2023



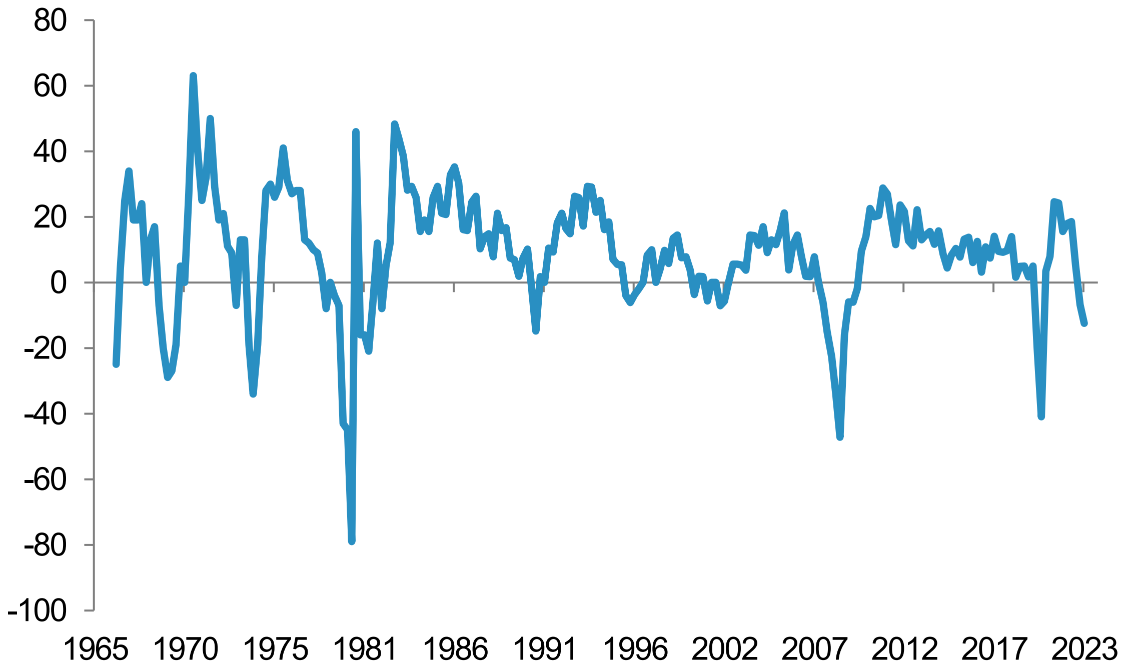
Past performance is no guarantee of future results. Data analyzed monthly since 1962. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 5/31/23.
LEFT: CPI-U: Consumer Price Index for All Urban Consumers. **RIGHT:** Analysis based on consumer discretionary stocks in a Fidelity list of the top 3,000 stocks by market capitalization. Inflation decelerated in 324 12-month periods observed and accelerated in 376 12-month periods observed.

Discretionary Outperformed After Tight Lending Before

Following the collapse of several regional banks in March, banks tightened lending standards to the bottom decile of their historical range going back to 1966 (left). It may seem counterintuitive, but in the past, after the willingness of banks to lend reached the bottom historical decile, consumer discretionary was the most likely sector to beat the market over the next 12 months, with consistent outperformance across sub-sectors (right).

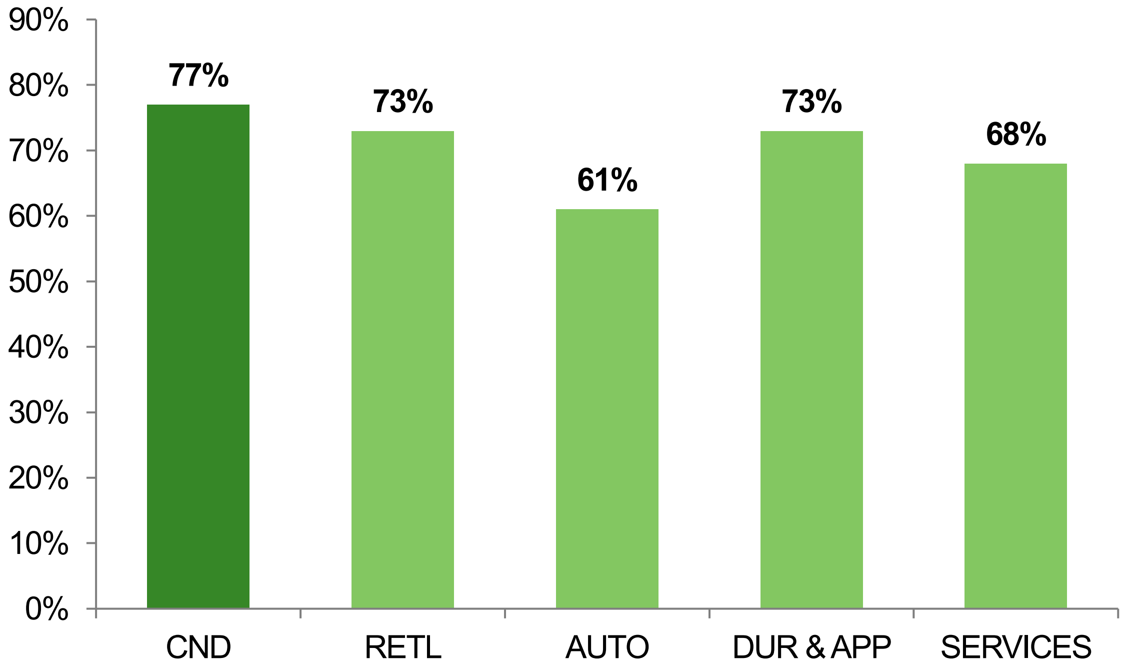
Banks Tightened Consumer Lending Standards

FRB Senior Officers Survey Banks Willingness to Lend to Consumers, June 1966–May 2023



The Surprise Winner after Tight Lending: Consumer Discretionary

Rolling NTM Odd of Outperformance after Bottom Decile Willingness to Lend, June 1966–May 2023



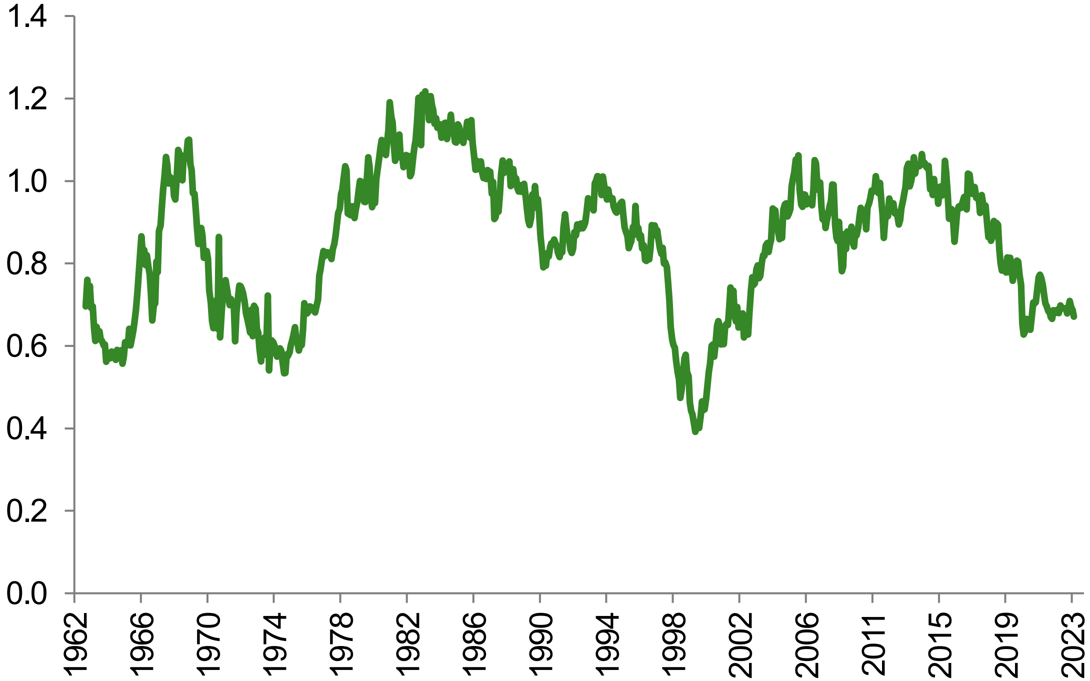
Past performance is no guarantee of future results. Data analyzed quarterly since June 1966. Analysis based on Fidelity top 3,000 stocks by market capitalization. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 4/30/23. **LEFT:** FRB Senior Officers Survey: Federal Reserve Board Senior Loan Officer Opinion Survey. **RIGHT:** NTM: Next twelve months. There were 58 instances of 12-month returns after bottom-decile willingness to lend during this period. CND: Consumer discretionary. RETL: Retail. AUTO: Automotive. DUR & APP: Durables and apparel. SERVICES: Consumer services.

Industrials Got Cheap

Industrials looked inexpensive as of May, with valuations falling to their bottom historical quartile going back to early 1962, based on price-to-book ratio relative to the market (left). Historically, when the sector reached bottom-quartile relative price-to-book, it outperformed the market 71% of the time over the next 12 months (right).

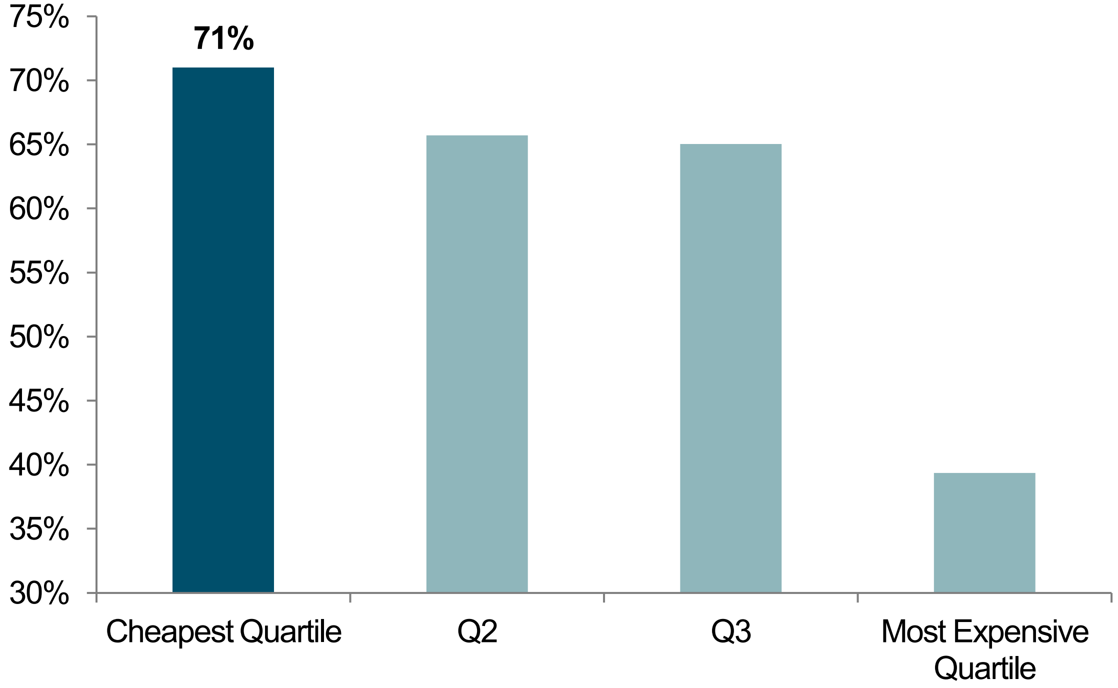
Industrials' Valuations Fell

Equal-Weighted Industrials' Relative Price-to-Book, January 1962–May 2023



Industrials Outperformed after Being Inexpensive

Equal Weighted Industrials' Odds of Outperformance, Rolling NTM, after Relative Price-to-Book Valuation Cohorts, January 1962–May 2023



Past performance is no guarantee of future results. Analysis based on a Fidelity list of the top 3,000 stocks by market capitalization. Data analyzed monthly since 1962. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 5/31/23. **LEFT:** Equal-weighted indexes weight all stocks equally rather than by market capitalization so the largest stocks do not have undue influence on results. Analysis based on a Fidelity list of the top 3,000 stocks by market capitalization. **RIGHT:** NTM: Next twelve months.

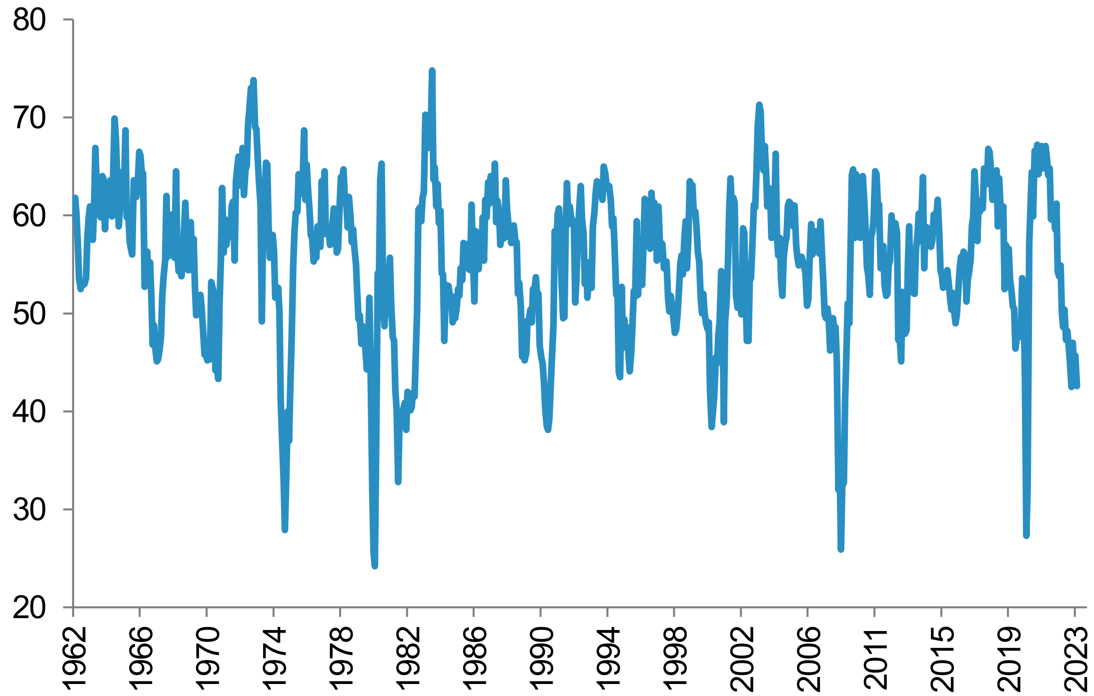
Fidelity INVESTMENTS

Weak Manufacturing Didn't Doom Industrials in the Past

Manufacturing has been weak, according to the Institute for Supply Management (ISM) Manufacturing New Orders Index (left), which recently fell to the lowest 5% of its historical range since 1962. This may not be the headwind some investors fear. When the ISM manufacturing index reached this historical nadir in the past, industrials had 71% odds of outperforming the market over the next 12 months (right).

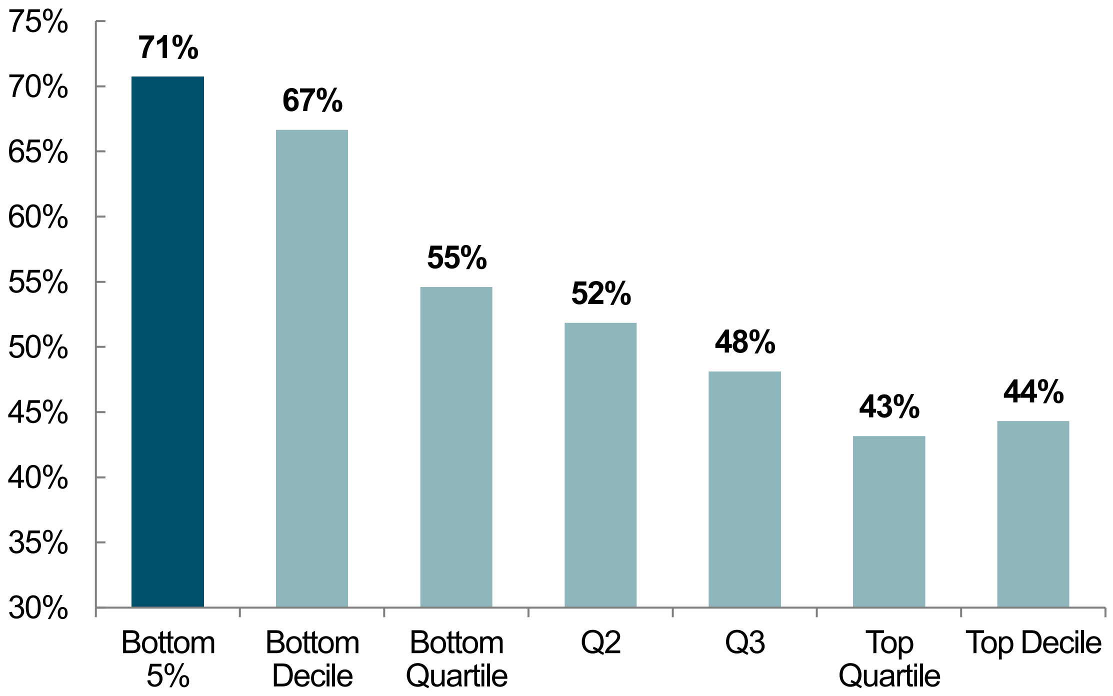
Manufacturing Slumped

ISM Manufacturing New Orders Index, January 1962–May 2023



Industrials Outperformed after Manufacturing Downturns

NTM Odds of Outperformance in Quartiles and Deciles of ISM New Orders, January 1962–May 2023



Past performance is no guarantee of future results. Analysis based on Fidelity top 3,000 stocks by market capitalization. Data analyzed monthly since January 1962. Sources: Haver Analytics, FactSet, Fidelity Investments, as of 5/31/23. **LEFT:** ISM: Institute for Supply Management. A reading below 50 in the ISM manufacturing index indicates contraction. **RIGHT:** NTM: Next twelve months. Number of observations: top 5%, 24; each decile, 58; each quartile, 180.

Glossary and Methodology

Glossary

Cycle Hit Rate: Calculates the frequency of a sector outperforming the broader equity market over each business cycle phase since 1962.

Dividend Yield: Annual dividends per share divided by share price.

Earnings before Interest, Taxes, Depreciation, and Amortization (EBITDA): A non-GAAP measure often used to compare profitability between companies and industries, because it eliminates the effects of financing and accounting decisions.

Earnings-per-Share Growth: Measures the growth in reported earnings per share over the specified past time period.

Earnings Yield: Earnings per share divided by share price. It is the inverse of the price-to-earnings (P/E) ratio.

Enterprise Value: A measure of a company's total value that includes its market capitalization as well as short- and long-term debt and cash on its balance sheet.

Free Cash Flow (FCF): The amount of cash a company has remaining after expenses, debt service, capital expenditures, and dividends. High free cash flow typically suggests stronger company value.

Free-Cash-Flow Margin: The amount of free cash flow as a percentage of revenue. High FCF margin often denotes strong profitability.

Free-Cash-Flow Yield: Free cash flow per share divided by share price. A high FCF yield often represents a good investment opportunity, because investors would be paying a reasonable price for healthy cash earnings.

Full-Phase Average Performance: Calculates the (geometric) average performance of a sector in a particular phase of the business cycle and subtracts the performance of the broader equity market.

Median Monthly Difference: Calculates the difference in the monthly performance of a sector compared with the broader market, and then takes the midpoint of those observations.

Price-to-Book (P/B) Ratio: The ratio of a company's share price to reported accumulated profits and capital.

Price-to-Earnings (P/E) Ratio: The ratio of a company's current share price to its reported earnings. A forward P/E ratio typically uses an average of analysts' published earnings estimates for the next 12 months.

Price-to-Sales (P/S) Ratio: The ratio of a company's current share price to reported sales.

Relative Strength: The comparison of a security's performance relative to a benchmark, typically a market index.

Return on Equity (ROE): The amount, expressed as a percentage, earned on a company's common stock investment for a given period.

Risk Decomposition: A mathematical analysis that estimates the relative contribution of various sources of volatility.

Methodology

Strategist View: Our sector strategist, Denise Chisholm, tracks key indicators that have influenced the historical likelihood of outperformance of each sector. This historical probability analysis informs the Strategist Views.

Fundamentals: Sector rankings are based on equally weighting the following four fundamental factors: EBITDA growth, earnings growth, ROE, and FCF margin. However, we evaluate the financials and real estate sectors only on earnings growth and ROE because of differences in their business models and accounting standards.

Relative Strength: Compares the strength of a sector versus the S&P 500 index over a six-month period, with a one-month reversal on the latest month; identifying relative strength patterns can be a useful indicator of short-term sector performance.

Relative Valuations: Valuation metrics for each sector are relative to the S&P 500. Ratios compute the current relative valuation divided by the 10-year historical average relative valuation, eliminating the top 5% and bottom 5% values to reduce the effect of potential outliers. Sectors are then ranked by their weighted average ratios, weighted as follows: P/E: 37%; P/B: 21%; P/S: 21%; and FCF yield: 21%. However, the financials and real estate sectors are weighted as follows: P/E: 65% and P/B: 35%.

Appendix

Information presented herein is for discussion and illustrative purposes only and is not a recommendation or an offer or a solicitation to buy or sell any securities. Views expressed are as 6/30/23, based on the information available at that time, and may change based on market and other conditions. Unless otherwise noted, the opinions provided are those of the authors and not necessarily those of Fidelity Investments or its affiliates. Fidelity does not assume any duty to update any of the information.

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.

References to specific investment themes are for illustrative purposes only and should not be construed as recommendations or investment advice. Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk.

This piece may contain assumptions that are "forward-looking statements," which are based on certain assumptions of future events. Actual events are difficult to predict and may differ from those assumed. There can be no assurance that forward-looking statements will materialize or that actual returns or results will not be materially different from those described here.

Past performance is no guarantee of future results.

Investing involves risk, including risk of loss.

All indexes are unmanaged. You cannot invest directly in an index. Index or benchmark performance presented in this document does not reflect the deduction of advisory fees, transaction charges, and other expenses, which would reduce performance.

Stock markets are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments.

Because of its narrow focus, sector investing tends to be more volatile than investments that diversify across many sectors and companies. Sector investing is also subject to the additional risks associated with its particular industry. The Energy sector is defined as companies whose businesses are dominated by either of the following activities: the construction or provision of oil rigs, drilling equipment, or other energy-related services and equipment, including seismic data collection; or the exploration, production, marketing, refining, and/or transportation of oil and gas products, coal, and consumable fuels. Financials: companies involved in activities such as banking, consumer finance, investment banking and brokerage, asset management, and insurance and investments.

The energy industries can be significantly affected by fluctuations in energy prices and supply and demand of energy fuels, energy conservation, the success of exploration projects, and tax and other government regulations.

The technology industries can be significantly affected by obsolescence of existing technology, short product cycles, falling prices and profits, competition from new market entrants, and general economic condition.

Index Definitions: The Russell 3000® Index is a market capitalization-weighted index designed to measure the performance of the 3,000 largest companies in the U.S. equity market.

The S&P 500® index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance. S&P 500 is a registered service mark of Standard & Poor's Financial Services LLC. Sectors and industries are defined by the Global Industry Classification Standard (GICS).

The S&P 500 sector indexes include the standard GICS sectors that make up the S&P 500 index. The market capitalization of all S&P 500 sector indexes together comprises the market capitalization of the parent S&P 500 index; each member of the S&P 500 index is assigned to one (and only one) sector.

The S&P CoreLogic Case-Shiller U.S. National Home Price Index is a composite of single-family home price indexes for the nine U.S. Census divisions and is calculated monthly. It is included in the S&P CoreLogic Case-Shiller Home Price Index Series, which seeks to measure changes in the total value of all existing single-family housing stock.

Appendix

Sectors are defined as follows: **Communication Services:** companies that facilitate communication or provide access to entertainment content and other information through various types of media. **Consumer Discretionary:** companies that provide goods and services that people want but don't necessarily need, such as televisions, cars, and sporting goods; these businesses tend to be the most sensitive to economic cycles. **Consumer Staples:** companies that provide goods and services that people use on a daily basis, like food, household products, and personal-care products; these businesses tend to be less sensitive to economic cycles. **Energy:** companies whose businesses are dominated by either of the following activities: the construction or provision of oil rigs, drilling equipment, or other energy-related services and equipment, including seismic data collection; or the exploration, production, marketing, refining, and/or transportation of oil and gas products, coal, and consumable fuels. **Financials:** companies involved in activities such as banking, consumer finance, investment banking and brokerage, asset management, and insurance and investments. **Health Care:** companies in two main industry groups: health care equipment suppliers and manufacturers, and providers of health care services; and companies involved in the research, development, production, and marketing of pharmaceuticals and biotechnology products. **Industrials:** companies whose businesses manufacture and distribute capital goods, provide commercial services and supplies, or provide transportation services. **Materials**: companies that are engaged in a wide range of commodity-related manufacturing. **Real Estate:** companies in two main industry groups—real estate investment trusts (REITs), and real estate management and development companies. **Technology:** companies in technology software and services and technology hardware and equipment. **Utilities:** companies considered to be electric, gas, or water utilities, or companies that operate as independent producers and/or distributors of power.