LEADERSHIP SERIES SECOND QUARTER 2018

Quarterly Sector Update

PRIMARY CONTRIBUTORS

Fidelity Management & Research Company, Equity Division

Fidelity INVESTMENTS

Scorecard: Technology and Discretionary on Top

U.S. tax cuts and fiscal stimulus helped firm inflation and growth expectations early in Q1, pushing the stock market higher. Then accumulating uncertainties and risks drove volatility up and prices down, with 9 of the 11 equity sectors closing Q1 in negative territory. Technology and consumer discretionary had positive quarters and remained scorecard leaders despite elevated valuations. Utilities had three negative indicators at the end of Q1.

Sector	Time Horizon View (*Longer*): Business Cycle	Fundamentals	Relative Valuations	(*Shorter*) Relative Strength	Weight in S&P 500® Index	Performance as of 3/31/18: Latest Quarter	Year to Date	Dividend Yield
Consumer Discretionary		+	–	+	12.7%	3.1%	3.1%	1.3%
Consumer Staples					7.7%	-7.1%	-7.1%	2.8%
Energy			+		5.7%	-5.9%	-5.9%	2.9%
Financials		–		+	14.7%	-1.0%	-1.0%	1.6%
Health Care					13.7%	-1.2%	-1.2%	1.6%
Industrials	+		–		10.2%	-1.6%	-1.6%	1.9%
Information Technology	+	+	–	+	24.9%	3.5%	3.5%	1.2%
Materials	–	+			2.8%	-5.5%	-5.5%	2.0%
Real Estate		–	+	–	2.9%	-5.0%	-5.0%	3.4%
Telecom			+	–	1.9%	-7.5%	-7.5%	5.5%
Utilities	–	–		–	2.9%	-3.3%	-3.3%	3.6%
					S&P 500® Returns	-0.8%	-0.8%	1.8%

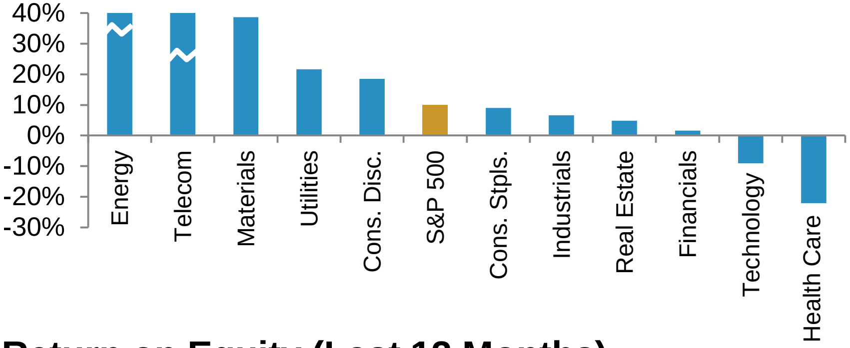
Past performance is no guarantee of future results. Sectors as defined by the Global Industry Classification Standard (GICS®); see additional information in the appendix. Factors are based on historical analysis and are not a qualitative assessment by any individual investment professional. Green portions suggest outperformance; red portions suggest underperformance; unshaded portions indicate no clear pattern vs. the broader market as represented by the S&P 500. Quarterly and year-to-date returns reflect performance of S&P 500 Sector Indexes. It is not possible to invest directly in an index. All indexes are unmanaged. Percentages may not sum to 100% due to rounding. Source: FactSet, Fidelity Investments, as of March 31, 2018.

Fundamentals: Tech, Discretionary, Materials Looked Strong

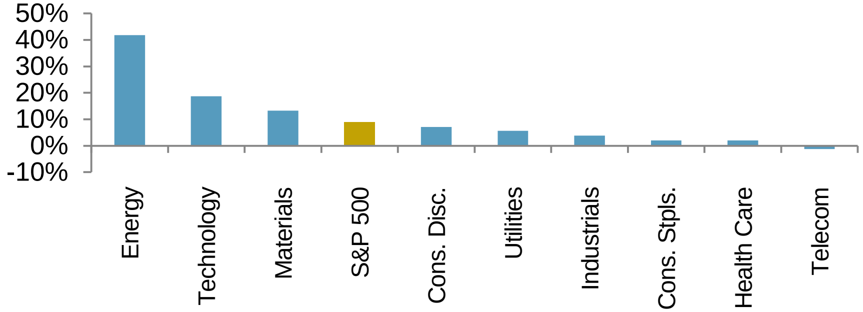
The fundamentals of year-to-date return leaders technology and consumer discretionary continued to impress during Q1, but materials showed the most strength, boosted by solid EPS and EBITDA growth and free-cash-flow margin. On the other hand, real estate and financials fundamentals weakened relative to the other sectors.

SECTOR UPDATE

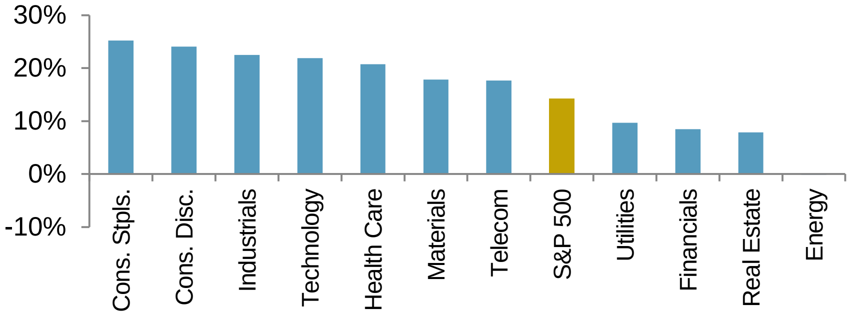
EPS Growth (Last 12 Months)



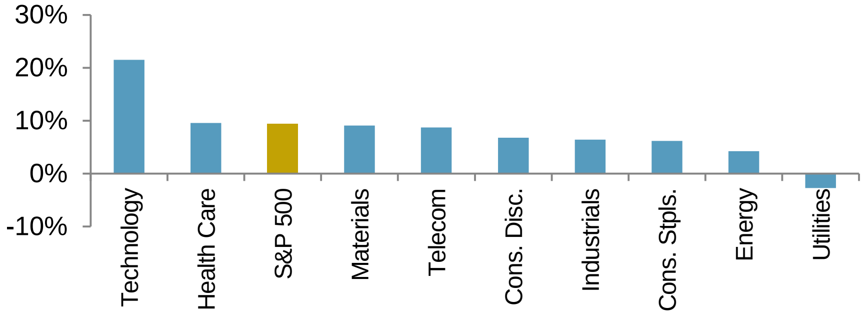
EBITDA Growth (Last 12 Months)



Return on Equity (Last 12 Months)



Free-Cash-Flow Margin (Last 12 Months)



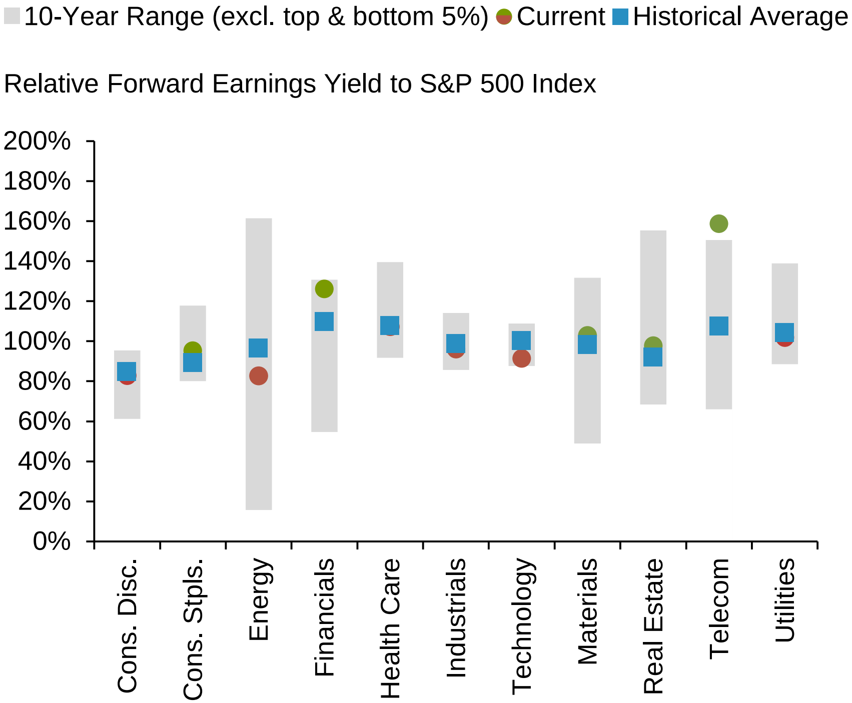
Fundamentals: Strong and improving fundamentals historically have been an intermediate-term indicator of sector performance. Fundamental analysis gives a view of how each sector is doing in terms of growth and profitability.

Past performance is no guarantee of future results. EPS = earnings per share. EBITDA = earnings before interest, taxes, depreciation, and amortization. The Financials and Real Estate sectors are not represented in the EBITDA Growth or Free-Cash-Flow Margin charts. Note that the Energy and Telecom sectors' EPS growth (last 12 months) were 3,244.7% and 119.1%, respectively. See the Glossary and Methodology slide for further explanation. Source: FactSet, Fidelity Investments, as of March 31, 2018.

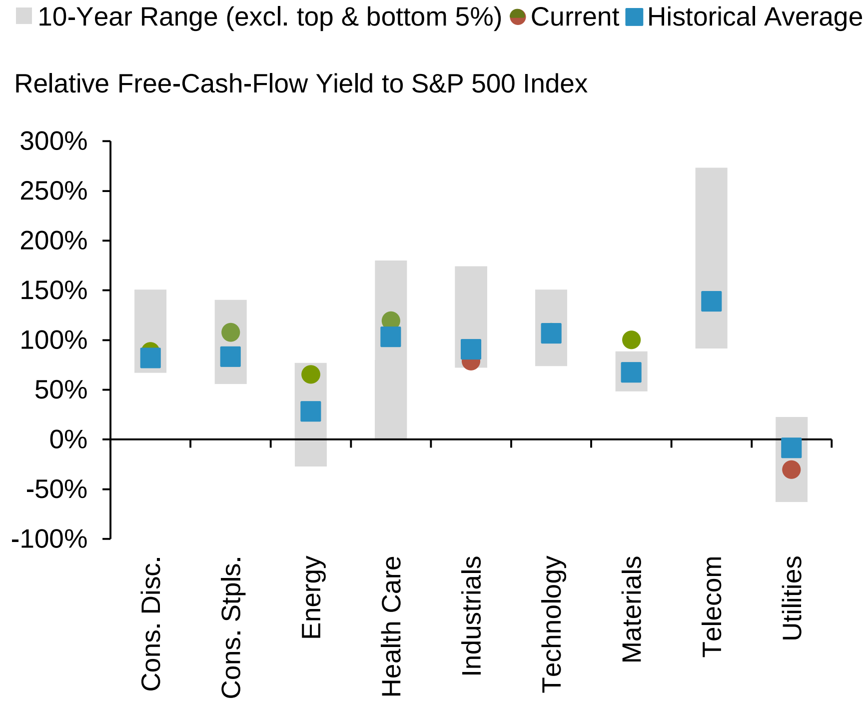
Relative Valuations: Telecom and Real Estate Look Attractive

Based on our framework, the telecom and real estate sectors are currently trading at the lowest relative valuations, based largely on their compelling earnings and dividend yields. The valuations of the technology, industrials, and consumer discretionary sectors are somewhat elevated relative to their historical averages due to strong recent performance.

Earnings Yield



Free-Cash-Flow Yield



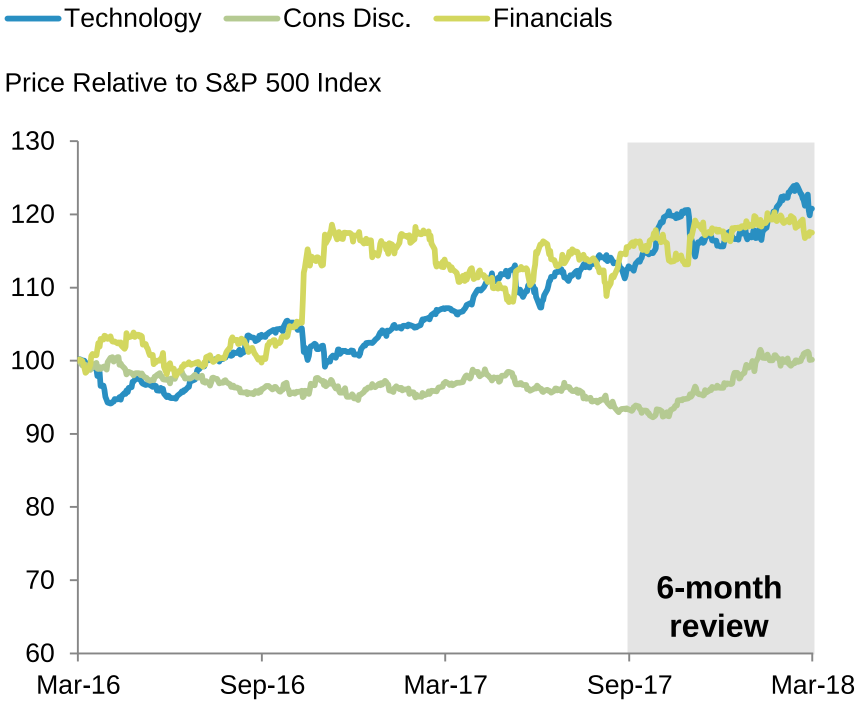
Relative Valuations: On their own, valuations are not necessarily the best indicator of sector performance, but when combined with other factors, valuations can be a useful tool in determining the risk-and-reward profile.

Past performance is no guarantee of future results. Forward earnings yield reflects analysts' published earnings-per-share estimates for the next 12 months, divided by market price per share; it is the inverse of the price-to-earnings (P/E) ratio. 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. The Financials and Real Estate sectors are not represented in the Free-Cash-Flow Yield chart. Please see the Glossary and Methodology slide for further explanation. Source: FactSet, Fidelity Investments, as of March 31, 2018.

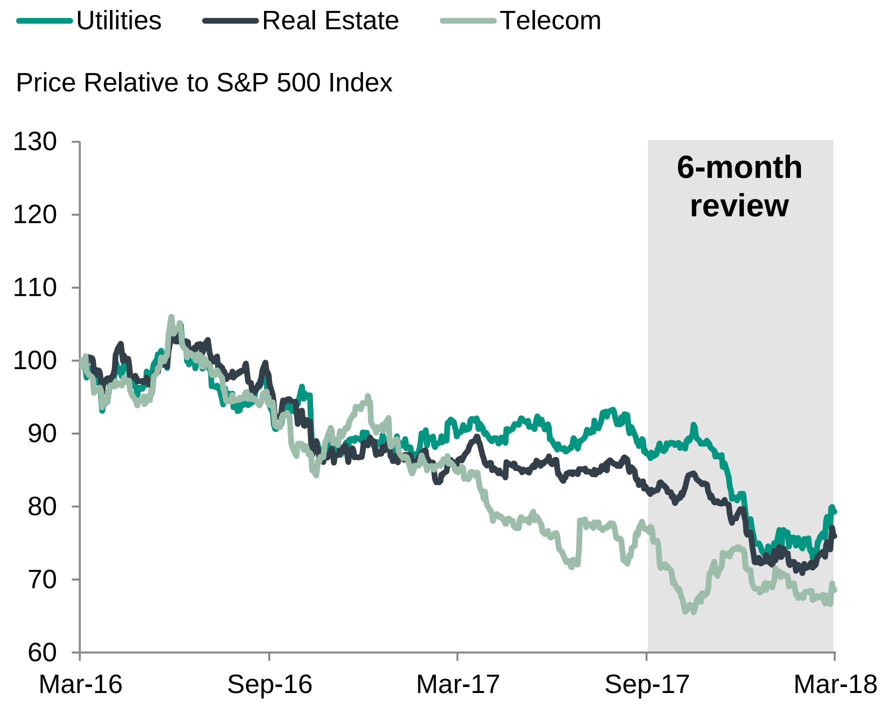
Relative Strength: Technology, Discretionary, Financials Led

The technology, consumer discretionary, and financials sectors continued their steady leadership in Q1, while consumer discretionary joined the top three sectors after inflecting higher and resuming its long-term uptrend. Defensive sectors—utilities, real estate, and telecom, in particular—continued to lag the market, with no sign of a change in trend.

Sectors Exhibiting Relative Strength



Sectors Exhibiting Relative Weakness



Relative Strength: This indicator 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.

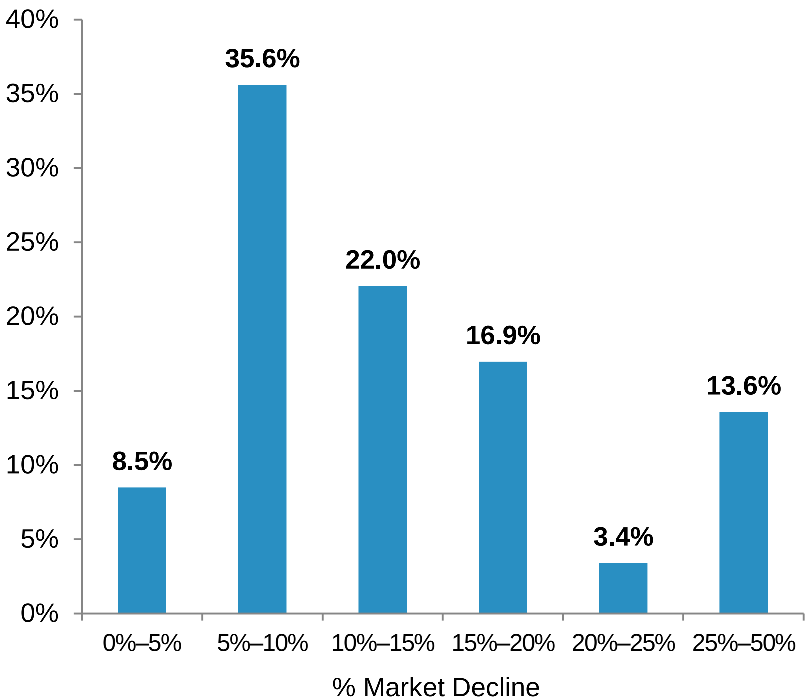
Past performance is no guarantee of future results. Charts represent performance of specified S&P 500 Sector Indexes relative to the broader S&P 500, indexed to 100. It is not possible to invest directly in an index. All indexes are unmanaged. Source: FactSet, Fidelity Investments, as of March 31, 2018.

Corrections Are Common and Have Been Buying Opportunities

The S&P 500 dropped 10% in just nine trading days in February, following 18 months without a true correction (only 8.5% of calendar years since 1962 have had less than a 5% market correction). But corrections have occurred quite frequently throughout history and have often created buying opportunities. In fact, 10+% corrections have happened in nearly 60% of the years since 1962, yet stock returns were positive in 75% of those years.

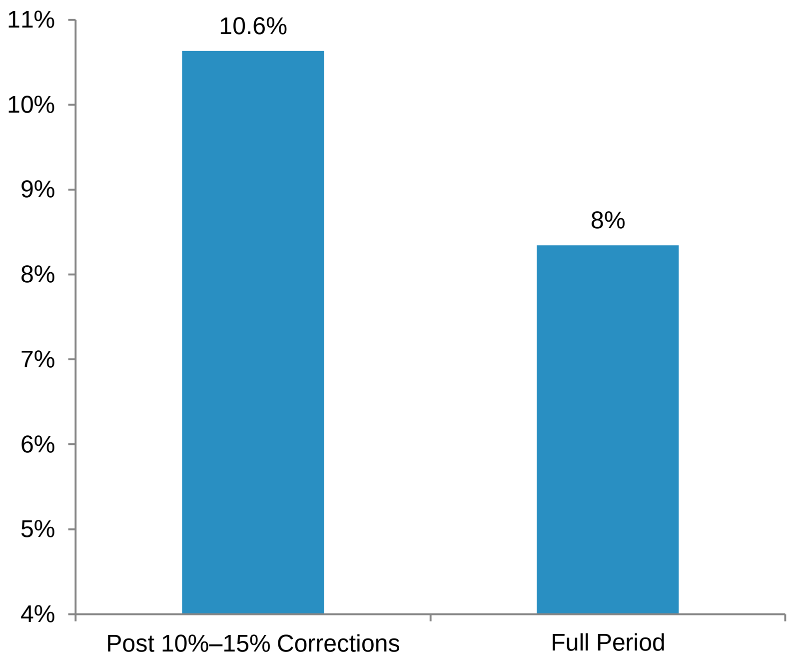
Stock Market Corrections Have Been the Norm, Not the Exception

Histogram of S&P 500 Corrections Since 1962



Stocks Have Often Rallied with Above-Average Returns Following a Correction

S&P 500 Returns Since 1962 (Avg. 1-Yr Fwd., Rolling)



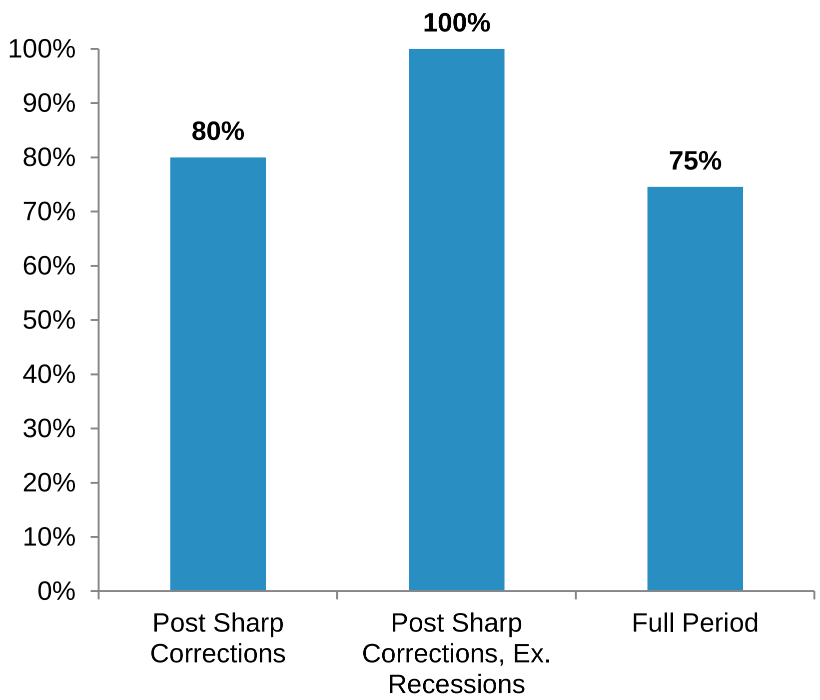
Past performance is no guarantee of future results. The stock market has corrected by more than 10% in 60% of the years since 1962; nevertheless, the market generated positive returns in 75% of those years. **Left chart:** Measures the percentage of years during the period analyzed in which there was a market correction within each range. Source: Haver Analytics, Fidelity Investments, as of Mar. 31, 2018. **Right chart:** Full period: average of all rolling 12-month returns since 1962. Source: Haver Analytics, Fidelity Investments, as of Mar. 31, 2018.

Was This Sharp Correction Different than Past Pullbacks?

Many investors were concerned about February's unusually quick pullback, and wondered whether it was a bearish signal for stocks. However, although sharp corrections are somewhat rare (they have only occurred in nine years since 1962), they have happened more often during bull markets than during bear markets, and thus have often presented buying opportunities historically.

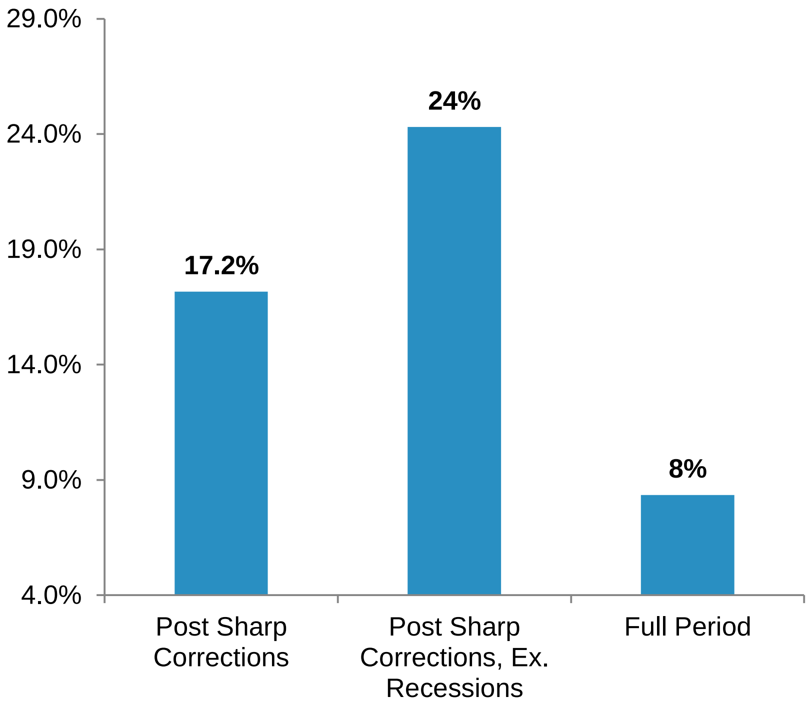
The Stock Market Has Been More Likely to Advance Following a Sharp 10% Correction

Odds of Stock Market Advance Since 1962 (NTM, Rolling)



And Average Gains Following Sharp Pullbacks Have Been Strong

S&P 500 Returns Since 1962 (Avg. 1-Yr Fwd., Rolling)



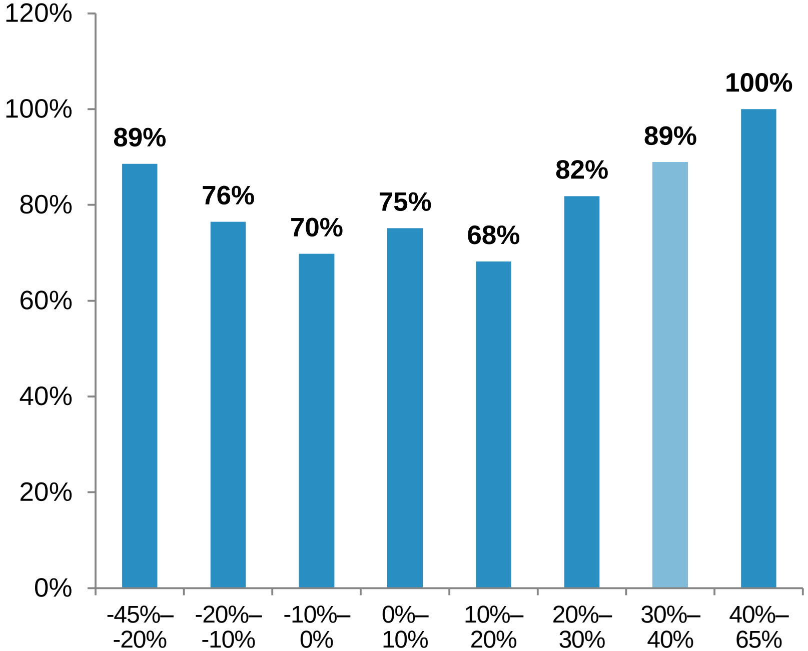
Past performance is no guarantee of future results. There were three recessions during the timeframe studied. In one instance, the market advanced in the 12 months following the correction; in two instances, the market declined over the next 12 months following the correction. Sharp corrections defined as 9% to 11% declines in the S&P 500 within nine trading days. Full period: average of all rolling 12-month periods since 1962. **Left chart:** NTM: next 12 months. Source: Haver Analytics, Fidelity Investments, as of Mar. 31, 2018. **Right chart:** Source: Haver Analytics, Fidelity Investments, as of Mar. 31, 2018.

Rising Rates Are Often a Sign of Growth, Not a Deterrent to It

Some have said that higher interest rates and rising inflation expectations contributed to the February pullback. The yield on the 10-year Treasury rose by 35% in six months (albeit from a very low base). But contrary to the conventional wisdom, higher rates have often been constructive for stocks—a reflection of growth rather than a hindrance to it.

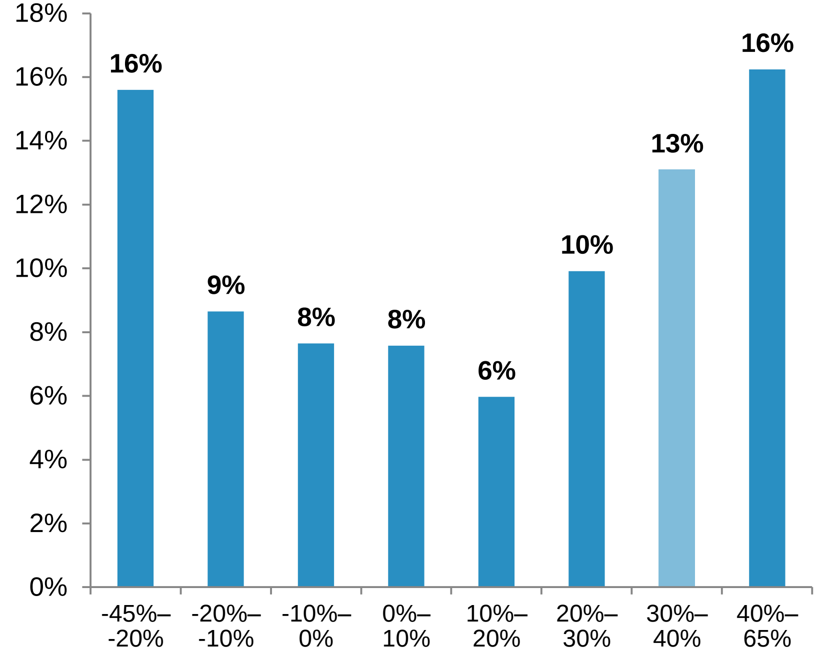
Stocks Were More Likely to Advance in the Year Following a High Percentage Rate Increase

Odds of Stock Market Advance by Rate Scenario (NTM, Rolling)



And Sharply Rising Rates Have Often Been Followed by Strong Stock Returns

S&P 500 Returns Since 1962 by Rate Scenario (Avg. 1-Yr Fwd., Rolling)



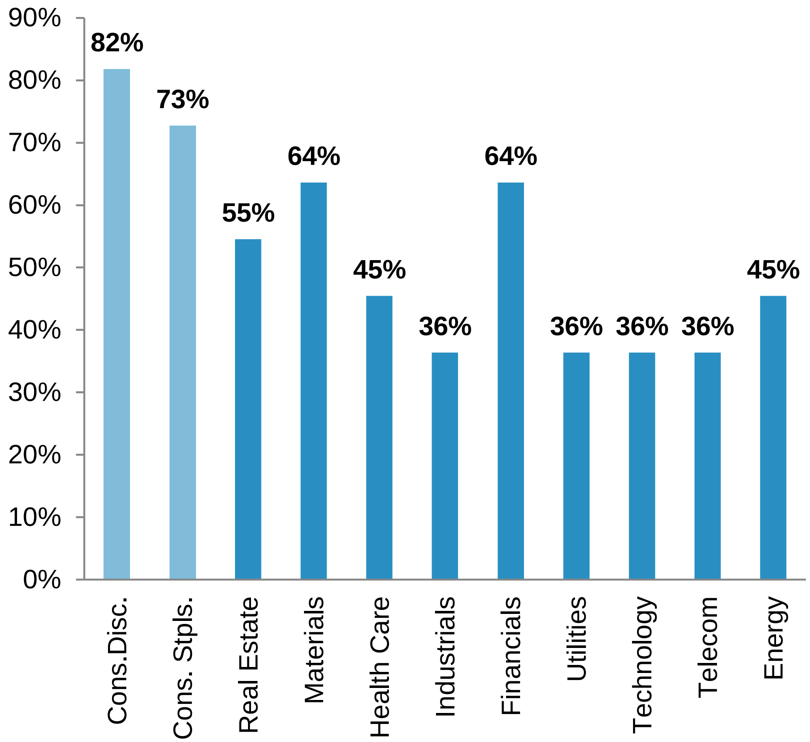
Past performance is no guarantee of future results. There have been nine instances of 30% to 40% spikes in the 10-year Treasury yield over six-month periods since 1962. High percentage rate increases often occur when yields are at low levels. **Left chart:** NTM: next 12 months. Source: Haver Analytics, Fidelity Investments, as of Mar. 31, 2018. **Right chart:** Source: Haver Analytics, Fidelity Investments, as of Mar. 31, 2018.

Lower Personal Income Taxes May Boost Consumer Sectors

Personal tax reform has generally not been a broad-market-moving event historically, but it has benefited the consumer sectors—consumer discretionary, in particular. Following reductions in personal tax rates, consumer discretionary has outpaced the market the vast majority of the time and its relative returns have been strong.

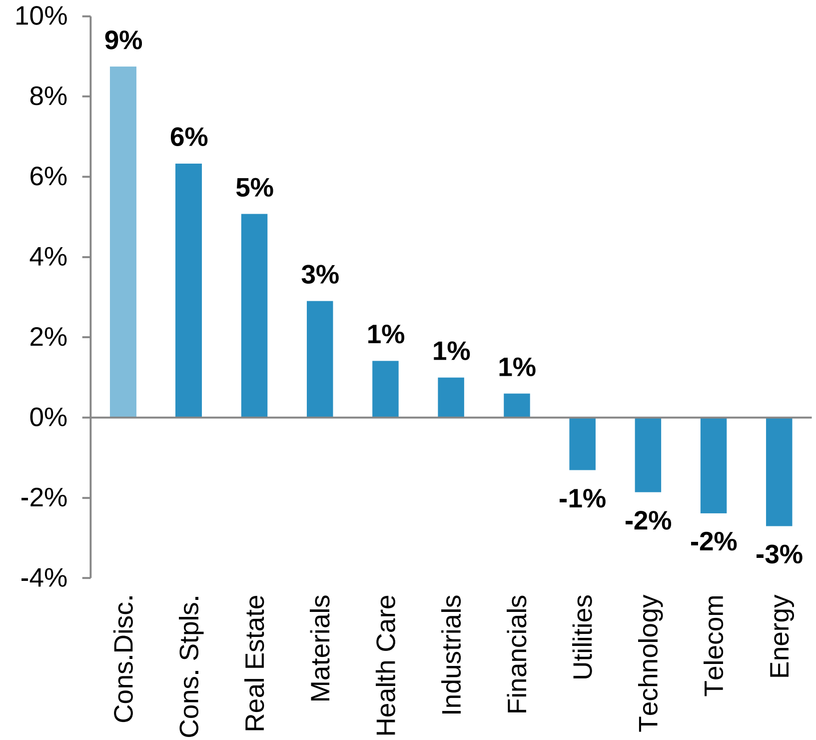
Consumer Sectors Have Outperformed When Tax Rates Were Lowered

Odds of Outperformance Following Personal Tax Reform (NTM, Rolling)



Discretionary Has Significantly Outperformed amid Personal Tax Reform

Relative Performance Following Personal Tax Reform (Avg.)

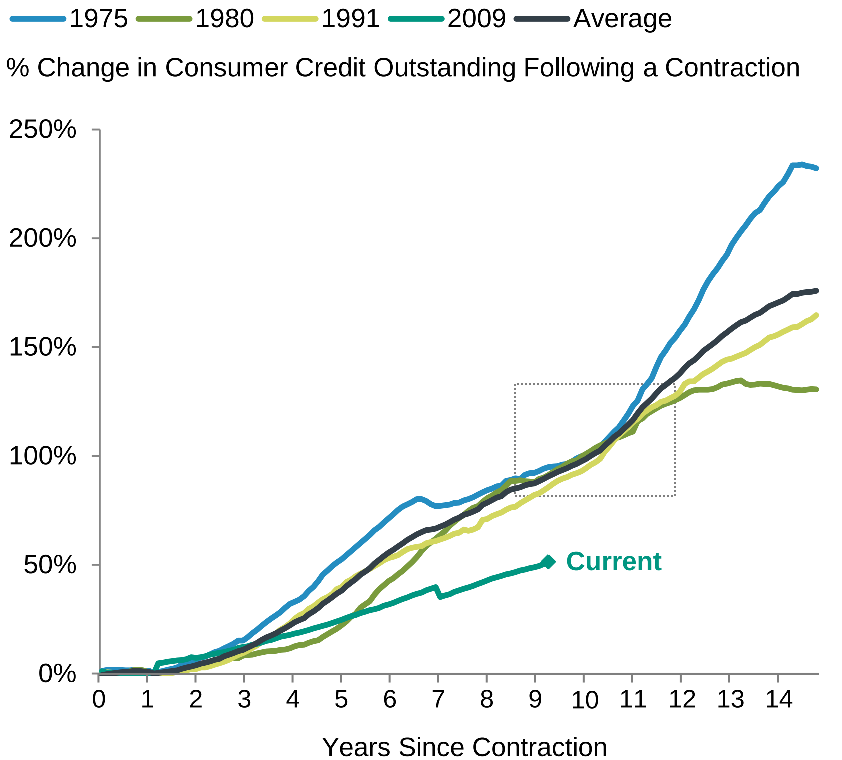


Past performance is no guarantee of future results. Analysis of returns when personal marginal tax rates were lowered, since 1962. Tax rates were lowered in 10 of the years studied. **Left chart:** NTM: next 12 months. Source: Haver Analytics, Fidelity Investments, as of Mar. 31, 2018.
Right chart: Performance relative to the S&P 500. Source: Haver Analytics, Fidelity Investments, as of Mar. 31, 2018

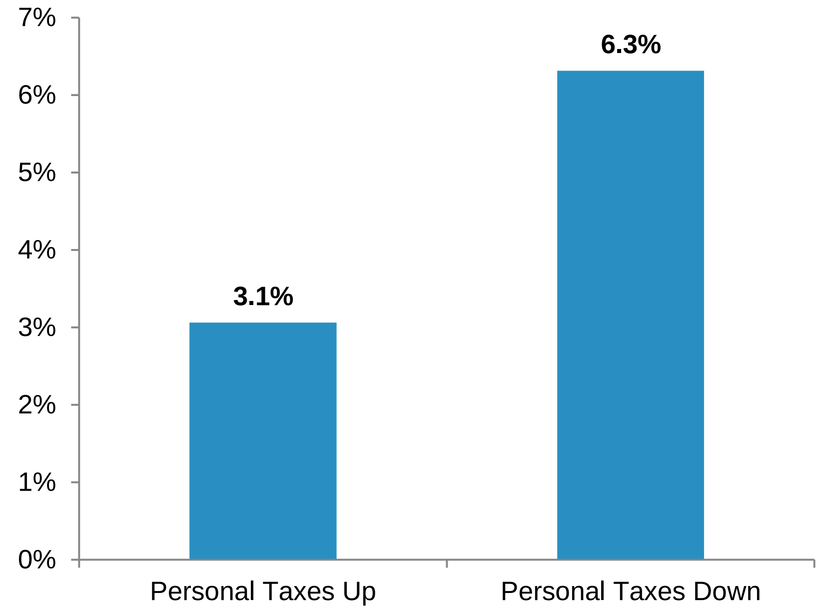
Credit Growth Appears Poised to Accelerate

As the U.S. consumer has delevered since 2009, credit growth has been lackluster relative to prior credit recoveries, and has likely been a drag on the relative earnings growth of consumer discretionary stocks. Even if credit growth remains low compared to prior recoveries, if historical trends persist, we may be nearing a second credit acceleration, which have tended to occur approximately 10 years into credit recoveries.

Based on Historical Trends, a Pick Up in Credit Growth May Be on the Horizon



Lower Personal Tax Rates Have Tended to Boost Credit Growth



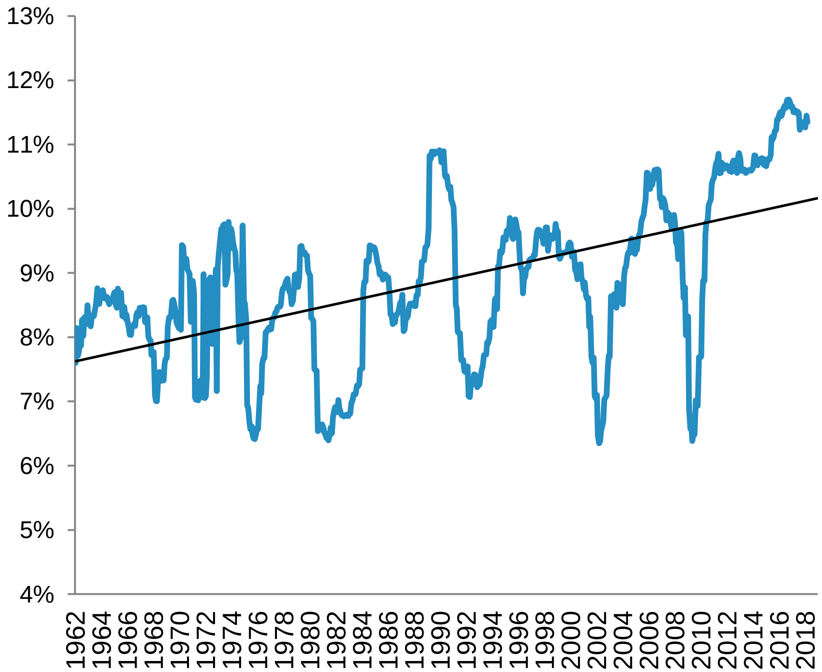
Left chart: Consumer credit shown includes all revolving and non-revolving credit that is not backed by real estate. Nominal consumer credit outstanding, indexed to zero at every contraction. The years 1975, 1980, 1991, and 2009 denote credit contractions, and the trend lines illustrate credit growth trends during the 12 years of recovery following these contractions. Average: an average of the credit growth in the 12 years following each prior contraction in credit. Gray box highlights second accelerations in credit growth during prior recoveries. Source: Haver Analytics, Fidelity Investments, as of Mar. 31, 2018. **Right chart:** Period studied: 1962 to present. Personal marginal tax rates were lowered in 10 of the years studied. Source: Haver Analytics, Fidelity Investments, as of Mar. 31, 2018.

Rates No Longer a Headwind for Consumer Discretionary

The consumer discretionary sector has changed its stripes over the years and is now largely composed of mature companies with strong free-cash-flow yield and higher margins. This transformation might explain why the performance of consumer discretionary stocks when interest rates are rising has improved over time.

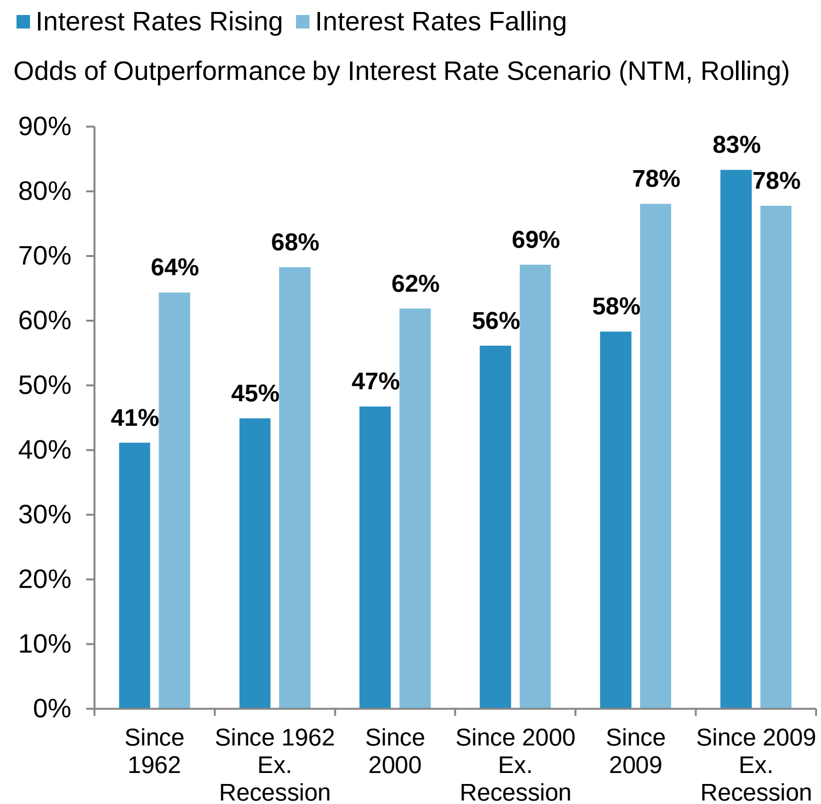
As the Sector Has Changed Its Stripes, Its Margins Have Been on a Secular Uptrend

EBIT Margin (%) Since 1967



Consumer Discretionary Performance amid Rising Rates Has Improved

Odds of Outperformance by Interest Rate Scenario (NTM, Rolling)



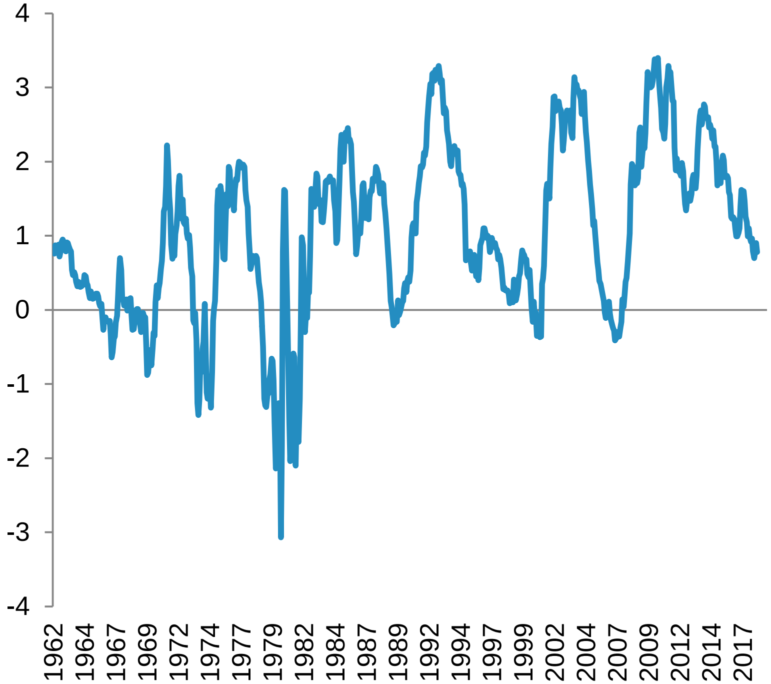
Past performance is no guarantee of future results. Left chart: EBIT: earnings before interest and taxes. Source: Haver Analytics, Fidelity Investments, as of Mar. 31, 2018. **Right chart:** NTM: next 12 months. Coincident monthly data. Ex. recession: excluding the years prior to recession. Source: Haver Analytics, Fidelity Investments, as of Mar. 31, 2018.

Flattening Yield Curve Not Constructive for Consumer Staples

In part, the bond yield curve—the difference between short-term and long-term interest rates—is an indicator of future economic growth expectations. When short-term yields rise faster than long-term yields, the yield curve is said to be "flattening." Many investors take this as a signal of weakening growth expectations, which tend to favor defensive sectors. But consumer staples has generally not outperformed the market amid a flattening yield curve.

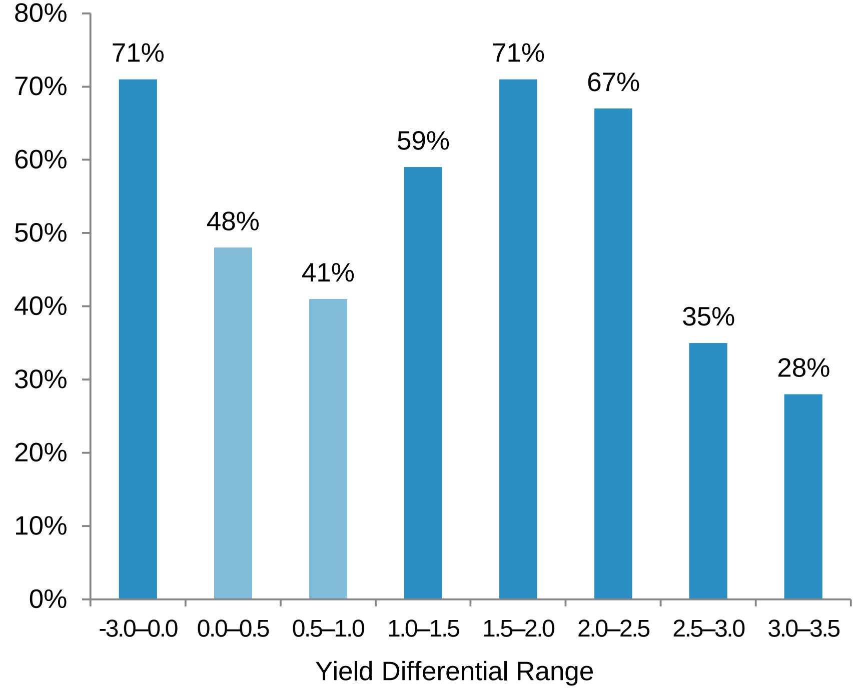
The Difference Between Short- Term and Long-Term Yields Has Narrowed Recently

Yield Differential (10-Yr. minus 1-Yr. Treasury)



Consumer Staples Has Often Underperformed amid a Flattening Yield Curve

Odds of Outperformance by Yield Scenario (NTM, Rolling)



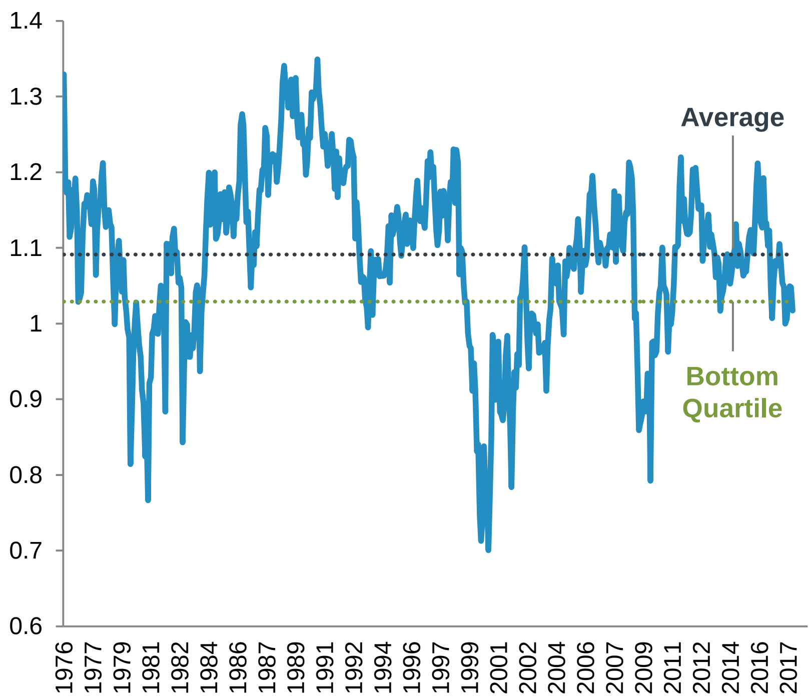
Past performance is no guarantee of future results. Staples have outperformed more consistently following an inversion of the yield curve (short-term yields exceed long-term yields). **Left chart:** Yield differential in percentage points. Source: Haver Analytics, Fidelity Investments, as of Mar. 31, 2018. **Right chart:** NTM: next 12 months. Period studied: 1962 to present. Source: Haver Analytics, Fidelity Investments, as of Mar. 31, 2018.

Do Low Valuations Suggest a Good Entry Point for Staples?

Consumers staples stocks appear inexpensive based on their forward price-to-earnings (P/E) ratios. However, the sector's likelihood of outperformance only increased by five percentage points when its valuations were in the bottom quartile. In other words, valuation alone has not been a significant driver of consumer staples performance.

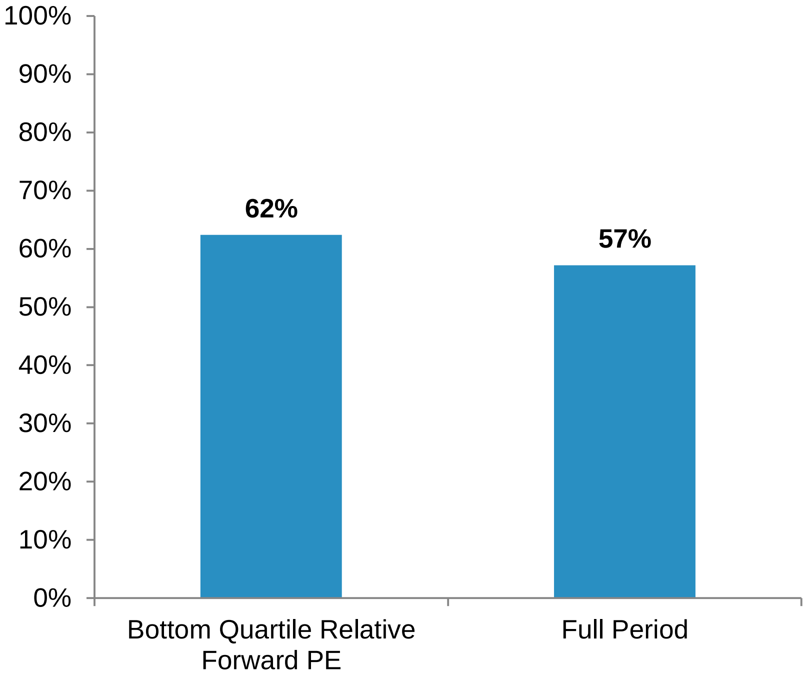
Consumer Staples Stocks' Forward P/E Valuations Are Low Relative to History

Relative Forward Price-to-Earnings Ratio



But Cheap Valuations Alone Haven't Led Consumer Staples to Outperform

Odds of Outperformance (NTM, Rolling)



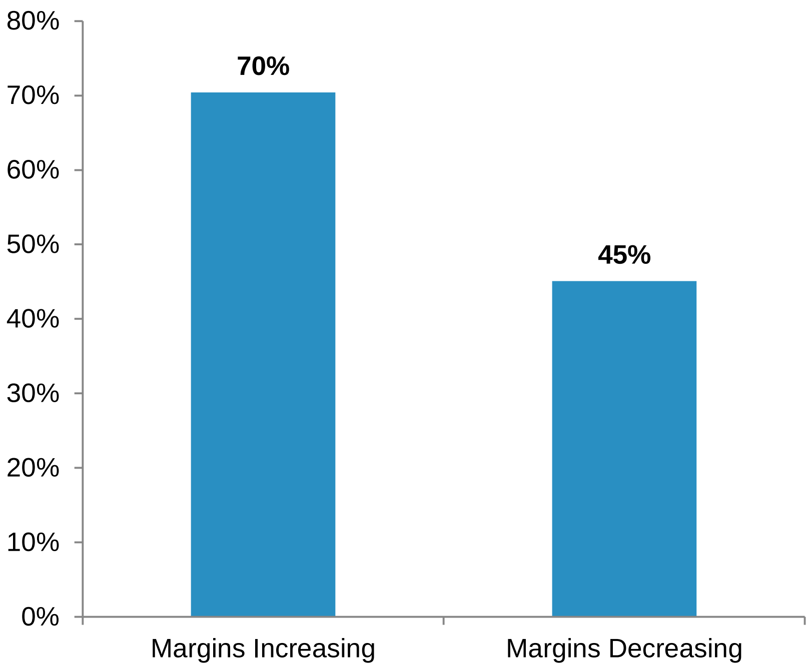
Past performance is no guarantee of future results. Valuation measure: cap-weighted forward P/E ratio relative to the sector's historical valuations. **Left chart:** Source: Haver Analytics, Fidelity Investments, as of Mar. 31, 2018. **Right chart:** NTM: next 12 months. Valuation as measured by relative forward P/E ratio, since 1976. Full period: average of all rolling 12-month periods since 1976. Source: Haver Analytics, Fidelity Investments, as of Mar. 31, 2018.

Margins Are a More Important Driver for Consumer Staples

Historically, whether profit margins were rising or falling has been a significant indicator of consumer staples performance, often meaning the difference between the sector out- or underperforming. Increased pricing pressure as a result of heightened competition has hurt staples margins, creating challenges for the sector.

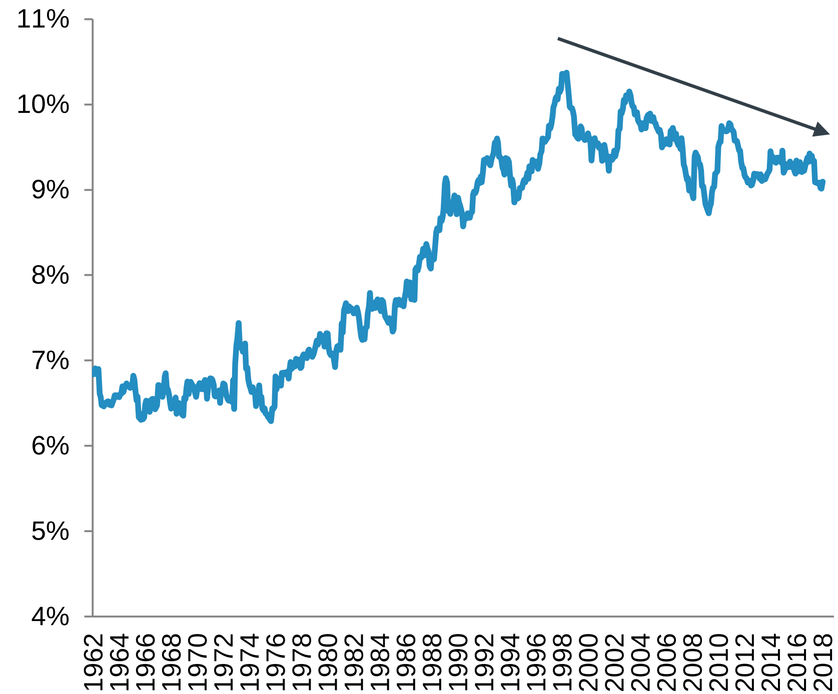
Consumer Staples Stocks Have Often Outperformed When Their Margins Were Rising

Odds of Outperformance (NTM, Rolling)



But the Sector's Margins Have Been on a Declining Trend Since 2000

EBIT/Sales Ratio



Past performance is no guarantee of future results. EBIT: earnings before interest and taxes. EBIT-to-sales ratio is a measure of corporate profit margins. **Left chart:** Period studied: 1962 to present. Source: Haver Analytics, Fidelity Investments, as of Mar. 31, 2018. **Right chart:** Source: Haver Analytics, Fidelity Investments, as of Mar. 31, 2018.

Fidelity INVESTMENTS

Glossary and Methodology

Glossary

Bear Market: At least a 20% correction in the stock market.

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.

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 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 equity 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

Business Cycle: The business cycle as used herein reflects fluctuation of activity in the U.S. economy and is based on Fidelity's analysis of historical trends.

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 model 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 for 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: 35%; P/B: 20%; P/S: 20%; FCF yield: 20%; and dividend yield: 5%. However, the Financials and Real Estate sectors are weighted as follows: P/E: 59%; P/B: 33%; and dividend yield: 8%.

Primary Contributors

Fidelity Management & Research Company, Equity Division: The Equity Division within Fidelity Asset Management consists of 11 portfolio groups, as well as Select and Advisor Focus sector portfolios. Each group is responsible for portfolio management supported by in-depth fundamental research.

Appendix

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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 authors and not necessarily those of Fidelity Investments or its affiliates. Fidelity does not assume any duty to update any of the information.

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.

Business Cycle Definition: 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:

Early cycle: The economy bottoms and picks up steam until it exits recession, then begins the recovery as activity accelerates. Inflationary pressures are typically low, monetary policy is accommodative, and the yield curve is steep.

Mid cycle: 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.

Late cycle: 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 the chronological progression always in this order. For example, business cycles have varied between 1 and 10 years in the U.S., and there have been examples when the economy has skipped a phase or retraced an earlier one.

Market Indexes: The Bloomberg Barclays U.S. Corporate High Yield Bond Index is a market value-weighted index that covers the universe of dollar-denominated, fixed-rate, non-investment-grade debt.

The FTSE NAREIT All Equity REITs Index is a market capitalization-weighted index that is designed to measure the performance of 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 with more than 50 percent of total assets in qualifying real estate assets secured by real property. Mortgage REITs are excluded.

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 MSCI World ex. U.S. Index is a market capitalization-weighted index designed to measure the investable equity market performance for global investors of large cap stocks in developed markets, excluding the United States.

Appendix

The S&P 500 sector indices 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.

Sectors are defined as follows: **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. **Telecommunication Services:** companies that provide communications services primarily through fixed-line, cellular, wireless, high-bandwidth, and/or fiber-optic cable networks. **Utilities:** companies considered to be electric, gas, or water utilities, or companies that operate as independent producers and/or distributors of power.