



**FSRFX**

**Attractive Rating**

**Fidelity Select Portfolios: Transportation Portfolio**

- [Predictive Ratings](#) are based on the aggregation of our models for the fund's holdings, all of the fund's expenses, & the fund's overall rank.
- Stock-picking ([Portfolio Management](#)) and fund expenses ([Total Annual Costs](#)) drive fund performance.

**Investment Recommendation**

- We recommend investors buy FSRFX and its ETF benchmark XLI.
- Despite mediocre past performance, we expect the fund to outperform the market on a total return basis.
- FSRFX's Portfolio Management rating justifies its Total Annual Costs.

**Fund Rankings**

- 67th percentile of the 7000+ equity funds we cover.
- 5 out of 16 Industrials funds.
- 11 of 20 ETFs in the same category rank better.
- See rankings for all US equity funds on our [fund screener](#).

**Portfolio Management Rating Details**

- FSRFX receives our Neutral Portfolio Management rating because its aggregate holdings are expected to perform in line with the aggregate holdings of XLI.
- XLI, FSRFX's benchmark, receives our Attractive rating.
- Our fund analytics are based on aggregating our models and ratings for each fund's holdings.
- Our [top-ranked](#) stock ratings leverage key data from the financial footnotes for unrivaled research quality.

**Portfolio Management Rating Breakdown**

**Quality of Earnings Components: Ratings & Values**

Attractive	Economic vs Reported EPS	Positive EE
Attractive	Return on Invested Capital (ROIC)	11%

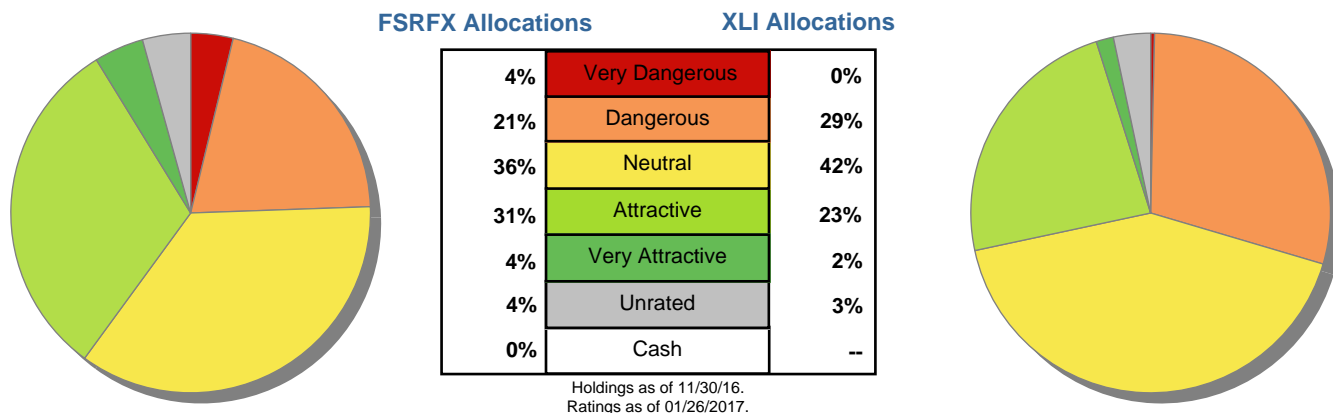
**Valuation Components: Ratings & Values**

Neutral	Free Cash Flow Yield	2%
Dangerous	Price to Economic Book Value Ratio	2.5
Neutral	Growth Appreciation Period	16 year(s)

**Fund Asset Allocation: Rating & Value**

Very Attractive	Cash Allocation	0% cash
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**Stock and Cash Rating Allocations vs Benchmark - State Street Select Sector SPDR Trust: Industrial Select Sector SPDR Fund (XLI)**



**Active Management Commentary**

- FSRFX allocates 24% of its value to Dangerous-or-worse-rated stocks while XLI allocates 30%.
- FSRFX allocates 36% of its value to Attractive-or-better-rated stocks while XLI allocates 25%.
- Investors should expect funds with higher Total Annual Costs to allocate more value to Attractive and Very Attractive Stocks and less to Dangerous and Very Dangerous stocks than alternative funds with lower costs.
- Active portfolio management of FSRFX adds value versus its ETF benchmark XLI.

**Return - Annual**

Year to Date	5.0%
1 Year	47.6%
3 Year	12.9%
5 Year	17.3%
Inception	12.9%

**Top 5 Holdings**

United Parcel Service Inc
Union Pacific Corp
FedEx Corp
American Airlines Group Inc
CSX Corp

**Key Mutual Fund Statistics**

UPS	Net Assets(mm)	\$621.00	Category	Industrials
UNP	NAV	\$94.59	Mgmt Co	Fidelity
FDX	Benchmark	XLI	Manager	Matthew Moulis
AAL	# of Holdings	46	Tenure	2012
CSX	Initial Min	\$2,500	Inception	09/29/1986

## Total Annual Costs Rating and Ranking

Rating	Total Annual Costs	Fund Universe % Rank	Category Rank
Neutral	1.07%	77%	5 of 16

This rating reflects all expenses, loads, fees, and transaction costs in a single value that is comparable across all funds.

## Reported Costs vs Benchmark: as of 04/29/2016

	FSRFX	Benchmark: XLI
Front-End Load	0.00%	--
Expense Ratio	0.81%	0.14%
Back-End Load	0.00%	--
Redemption Fee	0.00%	--

## Total Annual Costs Breakdown

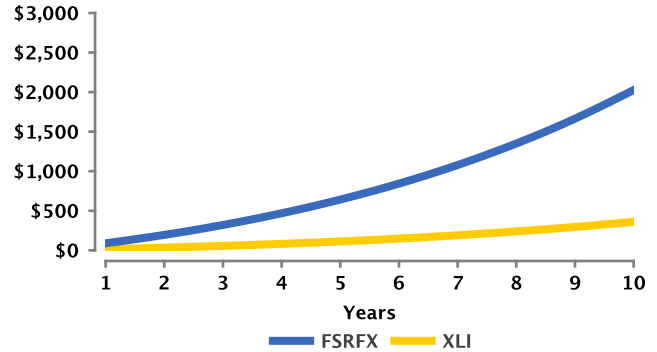
All Cost Types	Annualized Values	
	FSRFX	Benchmark: XLI
Front-End Load	0.00%	--
Expense Ratio	0.90%	0.15%
Back-End Load	0.00%	--
Redemption Fee	0.00%	--
Transaction Costs	0.17%	--
<b>Total Annual Costs</b>	<b>1.07%</b>	<b>0.15%</b>

- To justify its higher Total Annual Costs, FSRFX must outperform its ETF benchmark before all costs by 0.91% annually over 3 years or 0.91% annually over 10 years.
- This analysis assumes a 3-year holding period, the average for all funds.
- Transaction costs are estimated using the fund's annual portfolio turnover ratio of 80%.

Data from Lipper, a Thomson Reuters Company, and New Constructs, LLC.

## Accumulated Total Costs vs Benchmark

Accumulated Total Costs represent the dollar value of costs investors incur during a 10-yr holding period. Assumes a \$10,000 investment and a 10% annual return for the fund and its benchmark.



- 3-year Accumulated Total Costs are \$320.82 for FSRFX and \$55.82 for XLI. 10-year Accumulated Total Costs are \$2,025.98 for FSRFX and \$360.84 for XLI.

## Overview of Our Predictive Mutual Fund Rating System

New Constructs' [Predictive Fund Ratings](#) enable smarter investing by assessing the key drivers of future fund performance. We start by analyzing every fund holding based on New Constructs' stock ratings, which are regularly featured as among the [best by Barron's](#). Next, we measure and rank the all-in costs of investing in a fund. Finally, we rank the fund compared to all other funds to identify the best and worst funds in the market.

Intuitively, there are two drivers of future fund performance.

- 1) New stock-picking ([Portfolio Management Rating](#)) and
- 2) Fund expenses ([Total Annual Costs Rating](#)) drive investment performance

The figure below details the criteria that drive our Predictive Rating system for funds. The drivers of our predictive rating system are Portfolio Management and Total Annual Costs. The Portfolio Management Rating (details [here](#)) is the same as our Stock Rating (details [here](#)) except that we incorporate Asset Allocation (details [here](#)) in the Portfolio Management Rating. The Total Annual Costs Rating (details [here](#)) captures the all-in cost of being in a fund over a 3-year holding period, the average period for all mutual fund investors.

Predictive Rating	Portfolio Management Rating						Total Annual Costs Rating
	Quality of Earnings		Valuation			Asset Allocation	
	Economic vs Reported EPS	Return on Invested Capital (ROIC)	FCF Yield	Price-to-EBV Ratio	Growth Appreciation Period (yrs)	Cash %	
Very Dangerous	Misleading Trend	Bottom Quintile	< -5%	> 3.5 or -1 < 0	> 50	> 20%	> 4%
Dangerous	False Positive	4th Quintile	-5% < -1%	2.4 < 3.5 or < -1	20 < 50	8% < 20%	2% < 4%
Neutral	Neutral EE	3rd Quintile	-1% < 3%	1.6 < 2.4	10 < 20	2.5% < 8%	1% < 2%
Attractive	Positive EE	2nd Quintile	3% < 10%	1.1 < 1.6	3 < 10	1% < 2.5%	0.5% < 1%
Very Attractive	Rising EE	Top Quintile	> 10%	0 < 1.1	0 < 3	< 1%	< 0.5%

## New Constructs® - Profile

Incorporated in July 2002, [New Constructs](#) is an independent publisher of investment research that provides clients with consulting and research services. We specialize in quality-of-earnings, forensic accounting and discounted cash flow valuation analyses for all U.S. public companies.

### How New Constructs Creates Value for Clients

1. **Superior Recommendations** - Our stock-picks consistently outperform. See our track record in our [stock-picking accolades](#) and [Proof Is In Performance](#) reports.
2. **More Accurate Research** - Our [patented Research Platform](#) for [reversing accounting distortions](#) and [discounted cash flow analysis](#) leverages better data to deliver smarter research.
3. **Time Savings** - We check the fine print in thousands of corporate filings so you don't have to. As reported by [Barron's](#), our expertise in analyzing SEC filings delivers [Hidden Gems](#) and [Red Flags](#) that drive long-term stock-picking success.
4. **Transparency** - We are proud to share the results of our analysis of over 50,000 10-Ks. See the [Corporate Disclosure Transgressions](#) report we provided to the SEC. Our reports detail all data and assumptions. Company Models enable users to change them.
5. **Objectivity** - New Constructs is an independent research firm, not tied to Wall Street or investment banking services. See our [presentation to the Senate Banking Committee](#), the SEC and many others in DC.

### Our Philosophy About Research

Accounting data is not designed for equity investors, but for debt investors. [Accounting data must be translated into economic earnings](#) to understand the profitability and valuation relevant to equity investors. Respected investors (e.g. Adam Smith, Warren Buffett and Ben Graham) have repeatedly emphasized that accounting results should not be used to value stocks. [Economic earnings](#) are what matter because they are:

1. Based on the complete set of financial information available.
2. Standard for all companies.
3. A more accurate representation of the true underlying cash flows of the business.

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