Commentary | Third Quarter 2023

Quarterly Market Update

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Market Summary

Stocks Moved Higher amid Disinflationary Expansion

Continued global economic expansion, amid falling commodity prices and generally disinflationary trends, provided a favorable environment for the prices of riskier assets during Q2. However, major central banks hinted at more monetary tightening as core inflation pressures persisted. The late-cycle outlook appears mixed, with a supportive U.S. consumer backdrop tempered by rising rates and slowing liquidity growth.

	MACRO	ASSET MARKETS
Q2 2023	• Global disinflation amid continued economic expansion.	• Riskier asset prices and bond yields rose.
OUTLOOK	• The global business cycle is less synchronized and faces multiple crosswinds. • The U.S. is in the late-cycle expansion phase, supported by a solid consumer backdrop. • China's reopening momentum is faltering, raising the odds of increased policy stimulus. • The rate of inflation is decelerating, but greater economic slowing may be necessary to bring core inflation down sustainably. • The Fed and other central banks are likely nearing the end of their hiking cycles, but global monetary tightening is dampening liquidity and adding to growth risks.	• Markets may be overly sanguine about the lagged impact of monetary tightening. • Slower liquidity growth and greater monetary policy uncertainty raise the odds that market volatility will return. • The valuations of fixed income and non-U.S. equities appear to price in more of this uncertainty. • Late-cycle positioning implies smaller cyclical tilts and a readiness for opportunities; high levels of long-term portfolio diversification remain warranted.

 Diversification does not ensure a profit or guarantee against a loss.

U.S. Large Cap Growth Stocks Soared during Q2

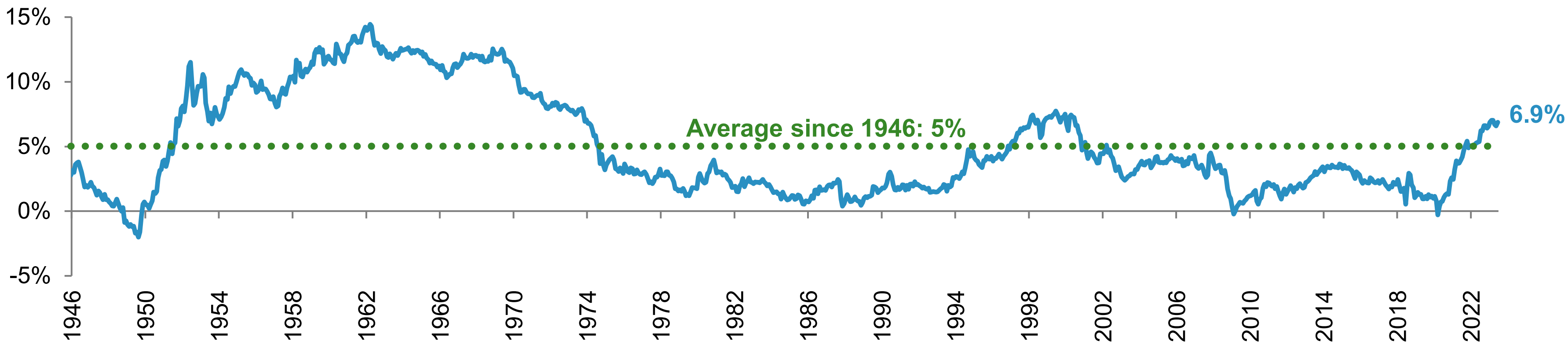
U.S. large cap growth stocks spearheaded the rally in riskier asset prices, with non-U.S. equities registering more modest gains. Credit-sensitive fixed income categories, such as emerging-market debt and corporate high-yield bonds, posted positive returns, but rising interest rates dragged most bond categories lower. After the broad-based downturn in 2022, most asset categories have rebounded through the first half of 2023.

SUMMARY

	Q2 2023	YTD (%)		Q2 2023	YTD (%)
U.S. Growth	12.5%	28.1%	High-Yield Bonds	1.6%	5.4%
U.S. Large Cap Stocks	8.7%	16.9%	Emerging-Market Stocks	0.9%	4.9%
U.S. Small Cap Stocks	5.2%	8.1%	U.S. Corporate Bonds	-0.3%	3.1%
U.S. Value	4.0%	5.0%	Investment-Grade Bonds	-0.8%	2.1%
Non-U.S. Developed-Country Stocks	3.0%	11.7%	Long Government & Credit Bonds	-1.3%	4.4%
Real Estate Stocks	2.6%	5.4%	Gold	-2.5%	5.2%
Emerging-Market Bonds	2.2%	4.1%	Commodities	-2.6%	-7.8%

20-Year U.S. Stock Returns Minus IG Bond Returns since 1946

Annualized Return Difference



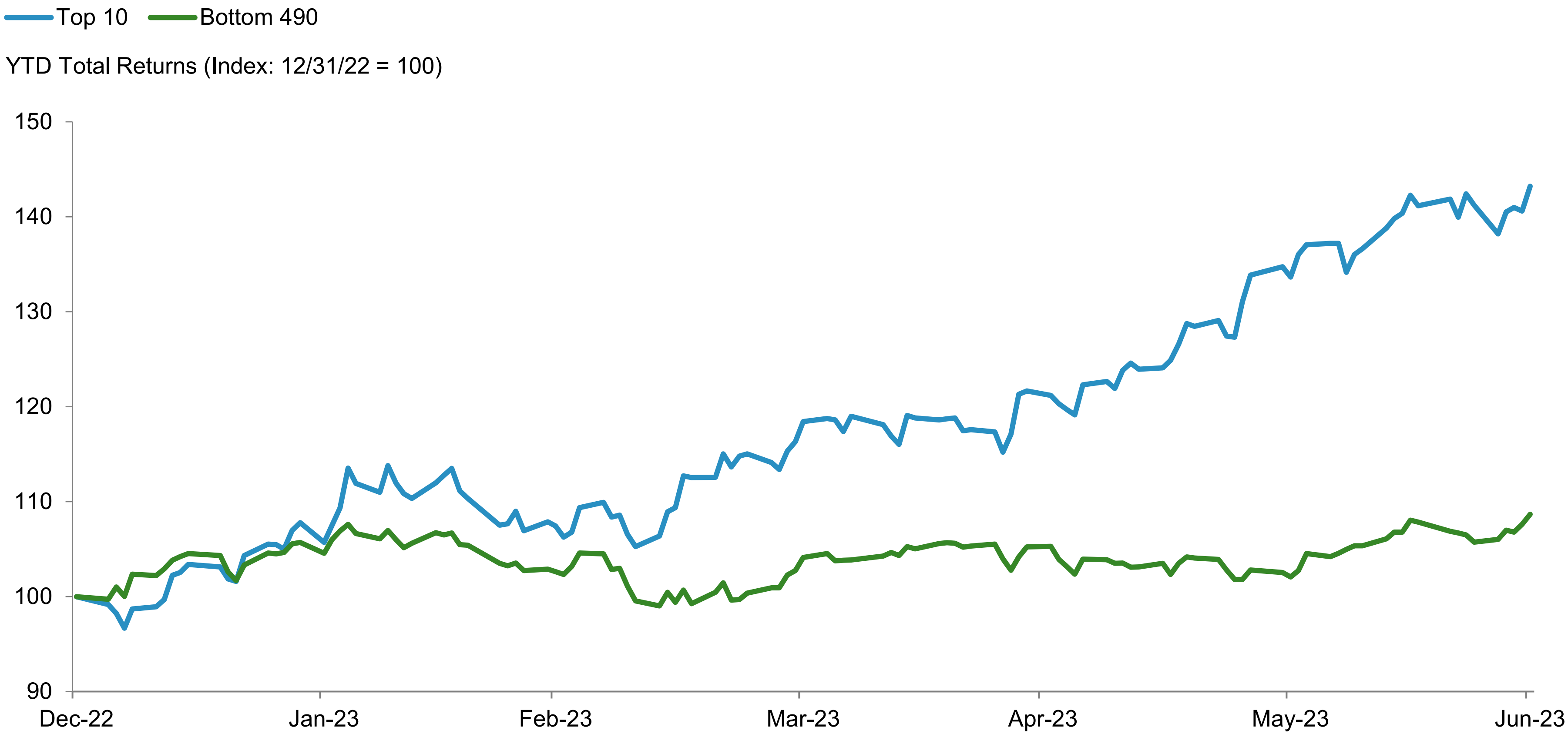
Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. IG: Investment grade. Assets represented by: U.S Growth Stocks—Russell 3000 Growth Index; Non-U.S. Developed-Country Stocks—MSCI EAFE Index; Gold—Gold Bullion, LBMA PM Fix; U.S. Large Cap Stocks—S&P 500®; Long Government & Credit Bonds—Bloomberg Long Government & Credit Index; Emerging-Market Stocks—MSCI EM Index; High-Yield Bonds—ICE BofA High Yield Bond Index; U.S. Corporate Bonds—Bloomberg U.S. Credit Index; Investment-Grade Bonds—Bloomberg U.S. Aggregate Bond Index; U.S. Small Cap Stocks—Russell 2000® Index; Real Estate Stocks—FTSE NAREIT Equity Index; Emerging-Market Bonds—JP Morgan EMBI Global Diversified Composite Index; U.S Value Stocks—Russell 3000® Value Index; Commodities—Bloomberg Commodity Index.

Source: Bloomberg Finance L.P., Haver Analytics, Fidelity Investments Asset Allocation Research Team (AART), as of 6/30/23.

Narrow Leadership in the Equity-Market Rally

Despite sharp gains for U.S. large cap stocks, the 2023 market rebound remained relatively narrow. The top 10 largest U.S. stocks, concentrated in the technology and communications sectors, received a boost from exuberance about the prospects for artificial intelligence and rose more than 40% in the first half of the year. This far outpaced the rest of the market, where the rebound was less pronounced.

S&P 500 Stock Performance



 Measures the performance of the largest 10 stocks and the other 490 based on market capitalization. Source: FactSet, Fidelity Investments, as of 6/30/23.

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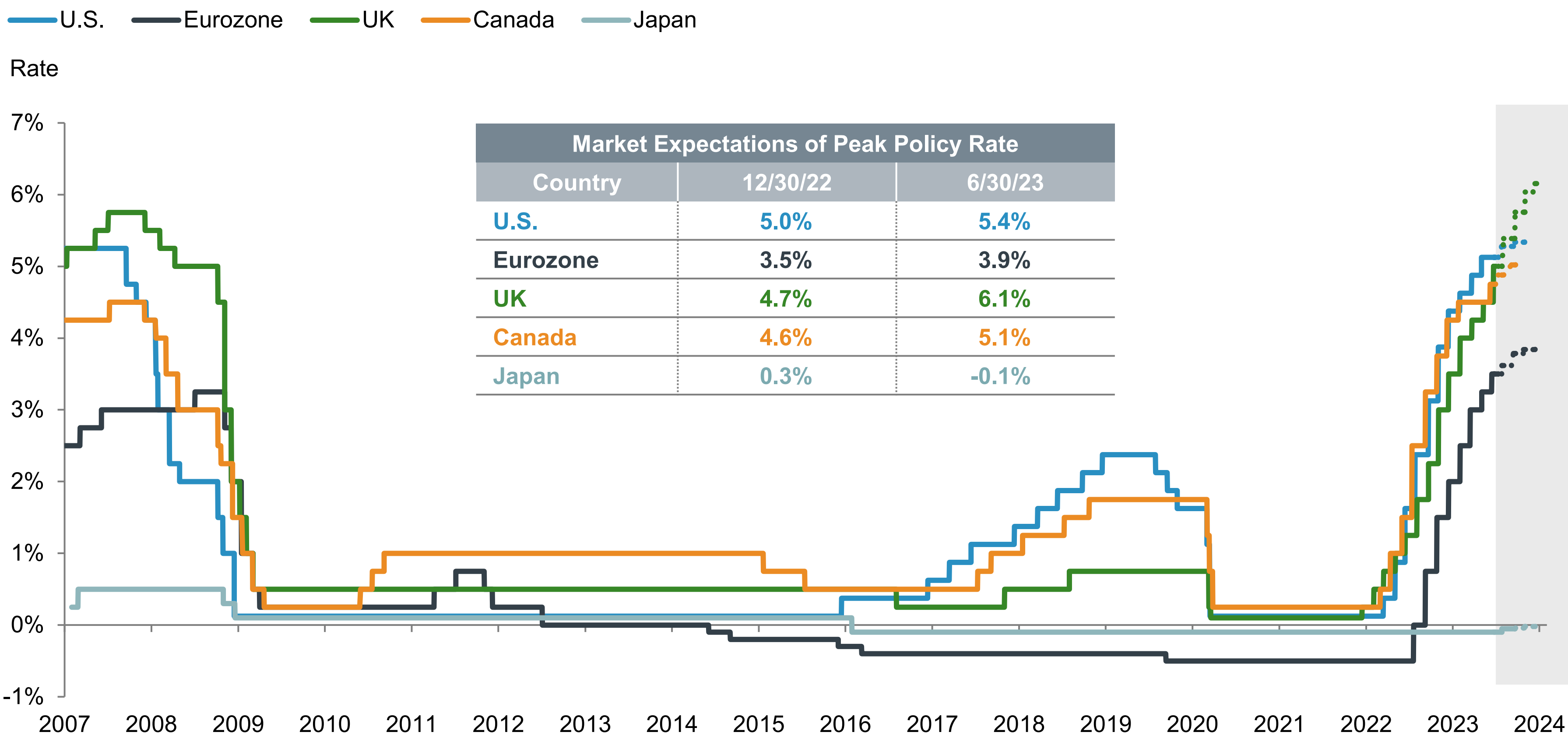
Dramatic Global Hiking Cycle May Be Nearing a Peak

Aggressive monetary tightening by the world's major central banks continued during Q2, bringing global short-term interest rates to their highest levels in more than a decade. Most investors expect the pace of rate hikes to slow and eventually stop during 2023, but the impact of the abrupt departure from the ultra-low rates era may weigh on financial conditions in the quarters to come.

Global Short-Term Policy Rates



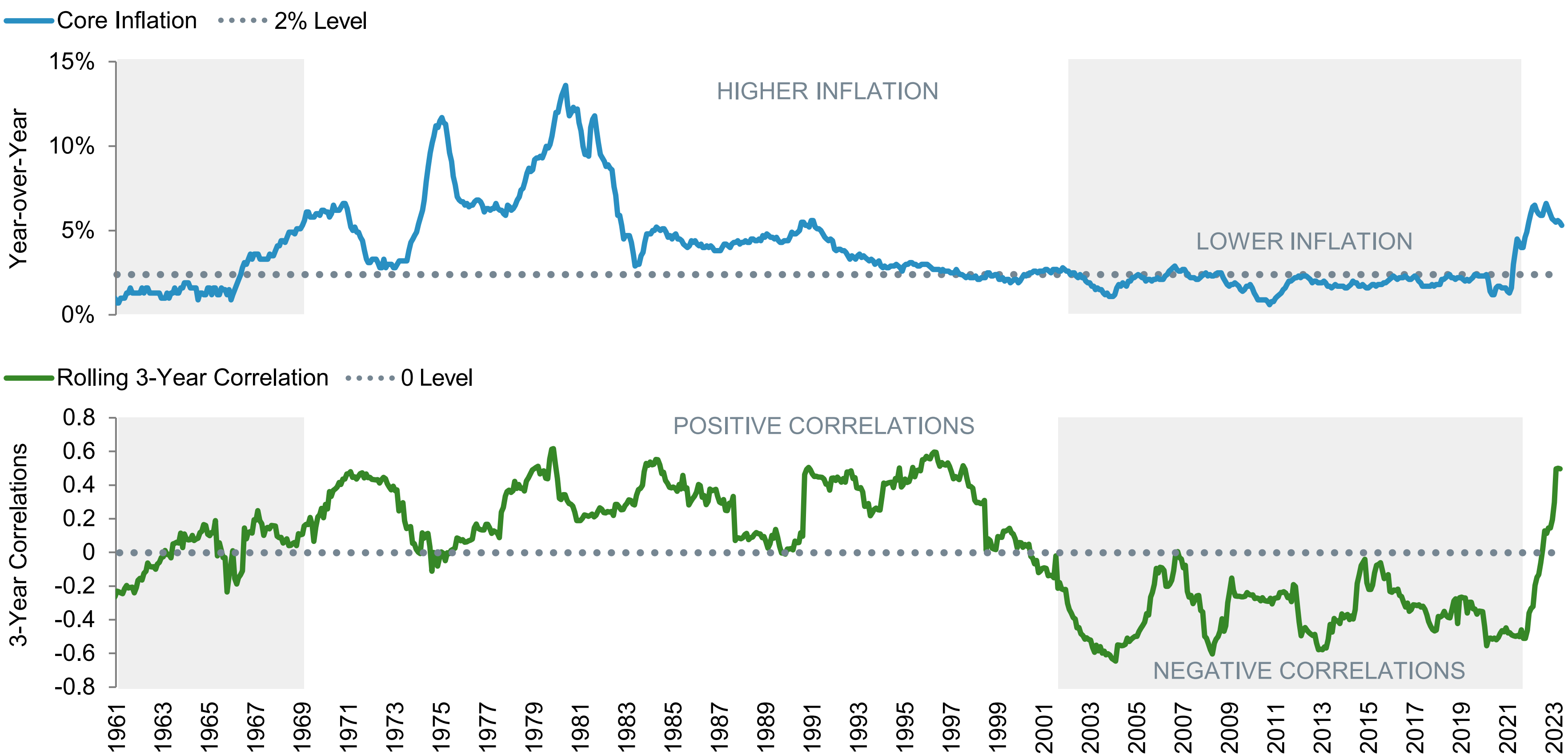
Market Expectations of Peak Policy Rate		
Country	**12/30/22**	**6/30/23**
U.S.	**5.0%**	**5.4%**
Eurozone	**3.5%**	**3.9%**
UK	**4.7%**	**6.1%**
Canada	**4.6%**	**5.1%**
Japan	**0.3%**	**-0.1%**

Dotted lines in the shaded area represent market rate expectations using OIS swaps. They end at the peak expected policy rate by the market.
Source: U.S. Federal Reserve Board, ECB, Bank of Japan, Bank of England, Haver Analytics, Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/23.

High Inflation Drives Positive Stock-Bond Correlations

Over the past 20 years, subdued U.S. core inflation averaged about 2% and facilitated an environment of negative correlations between U.S. stocks and Treasury bonds, leading to strong portfolio diversification. Since 2021, the backdrop has been more akin to prior periods of high inflation and positive stock-bond correlations, where the performance of stocks and bonds moved in the same direction.

Stock and Treasury Bond Correlations vs. Inflation

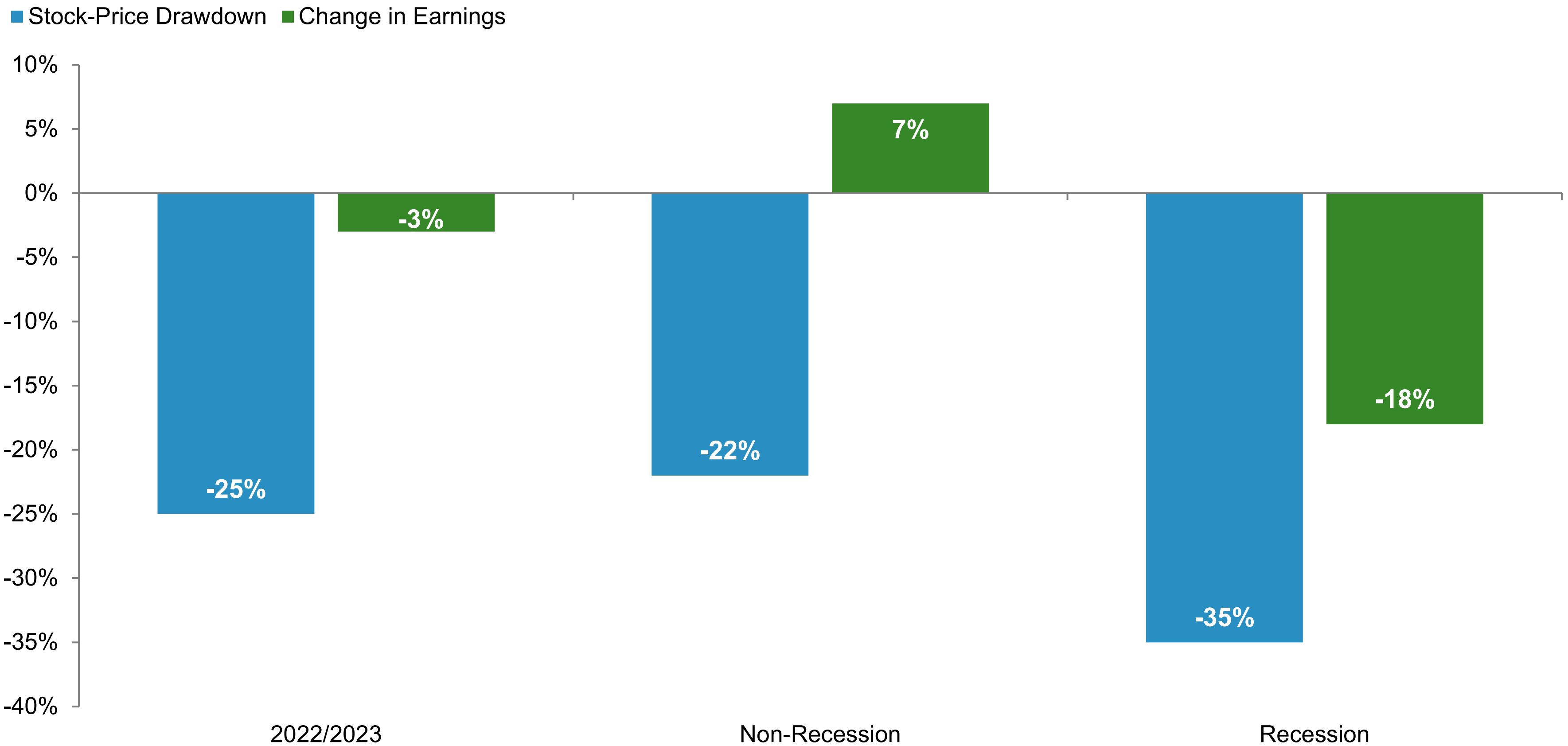


Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against a loss. Fidelity Investments proprietary analysis of historical asset class performance is not indicative of future performance. Stocks measured by the Dow Jones U.S. Total Stock Market Index (Total Return). U.S. Treasuries measured by the Bloomberg U.S. Intermediate Treasury Bond Index (Total Return). Source: Bureau of Labor Statistics, Haver Analytics, Bloomberg Finance L.P., Fidelity Investments (AART), as of 5/31/23.

How Much Bad News Has the U.S. Bear Market Priced In?

Historically, most bear markets for stocks (declines of 20% or more) coincide with recessionary contractions in the economy and corporate profits. Sometimes bear markets occur without a recession, typically with positive earnings growth and lesser stock-price declines. Since early 2022, drawdowns in stock prices and earnings forecasts have been in the range between historical recession and non-recession bear markets.

Median Stock-Price Drawdowns and Earnings Changes during Bear Markets (1872–2023)



Price changes include intraday trading for the S&P 500 index. 2022/2023 change in earnings is the consensus forecast for 2023. Source: NBER, FactSet, Bloomberg Finance LP, Haver Analytics, as of 6/30/23.

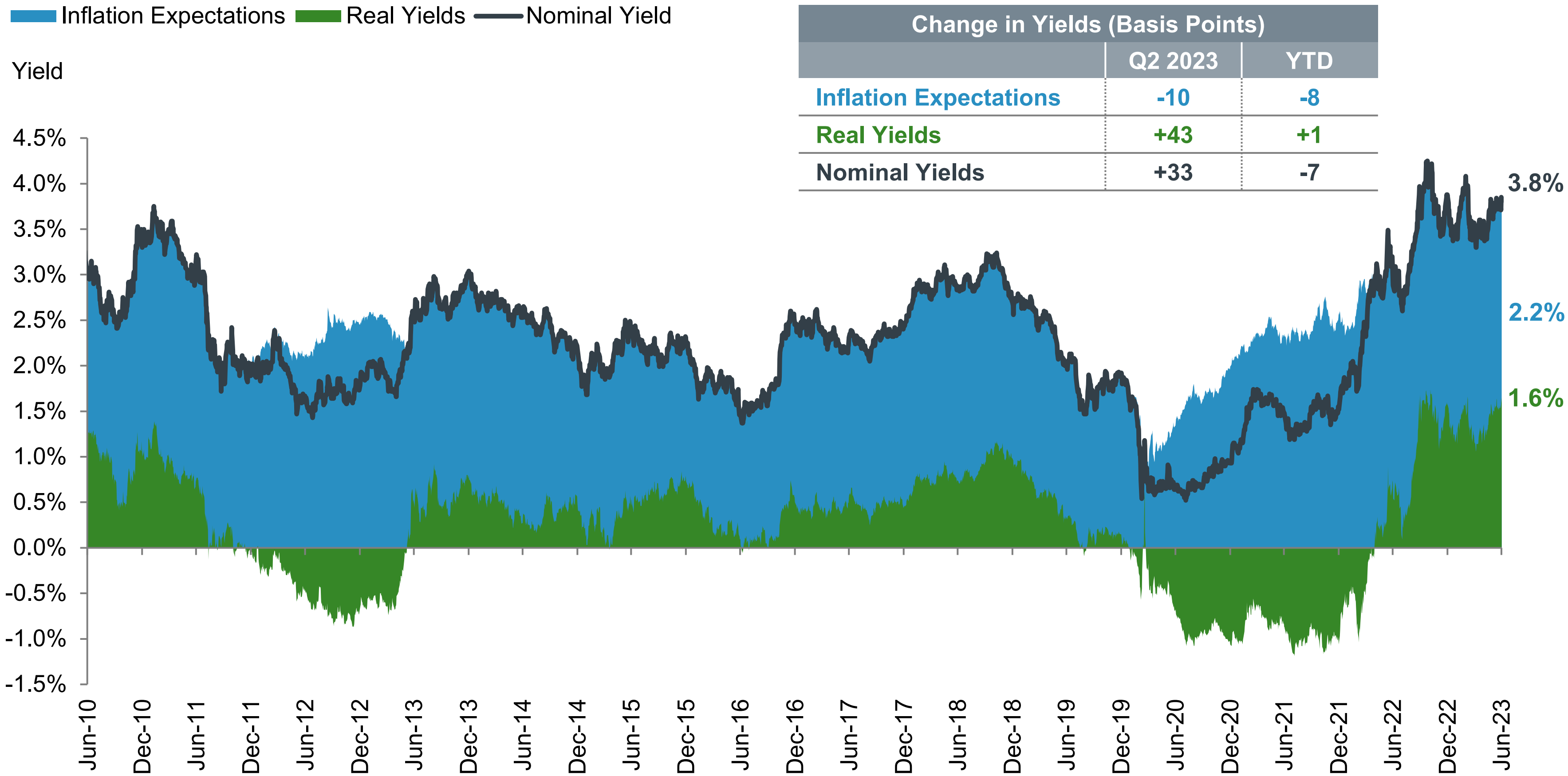
Real Rates Stubbornly Pushed Treasury Yields Back Up

Nominal 10-year Treasury bond yields reversed course and turned upward during Q2, driven by a substantial rise in real yields—the inflation-adjusted cost of borrowing. Both nominal and real yields remained at the upper end of their ranges over the past decade, supported by the Fed's monetary tightening. Inflation expectations finished little changed by the end of Q2 and have remained relatively steady over the past few quarters.

SUMMARY

10-Year U.S. Government Bond Yields

Change in Yields (Basis Points)	Q2 2023	YTD
Inflation Expectations	-10	-8
Real Yields	+43	+1
Nominal Yields	+33	-7

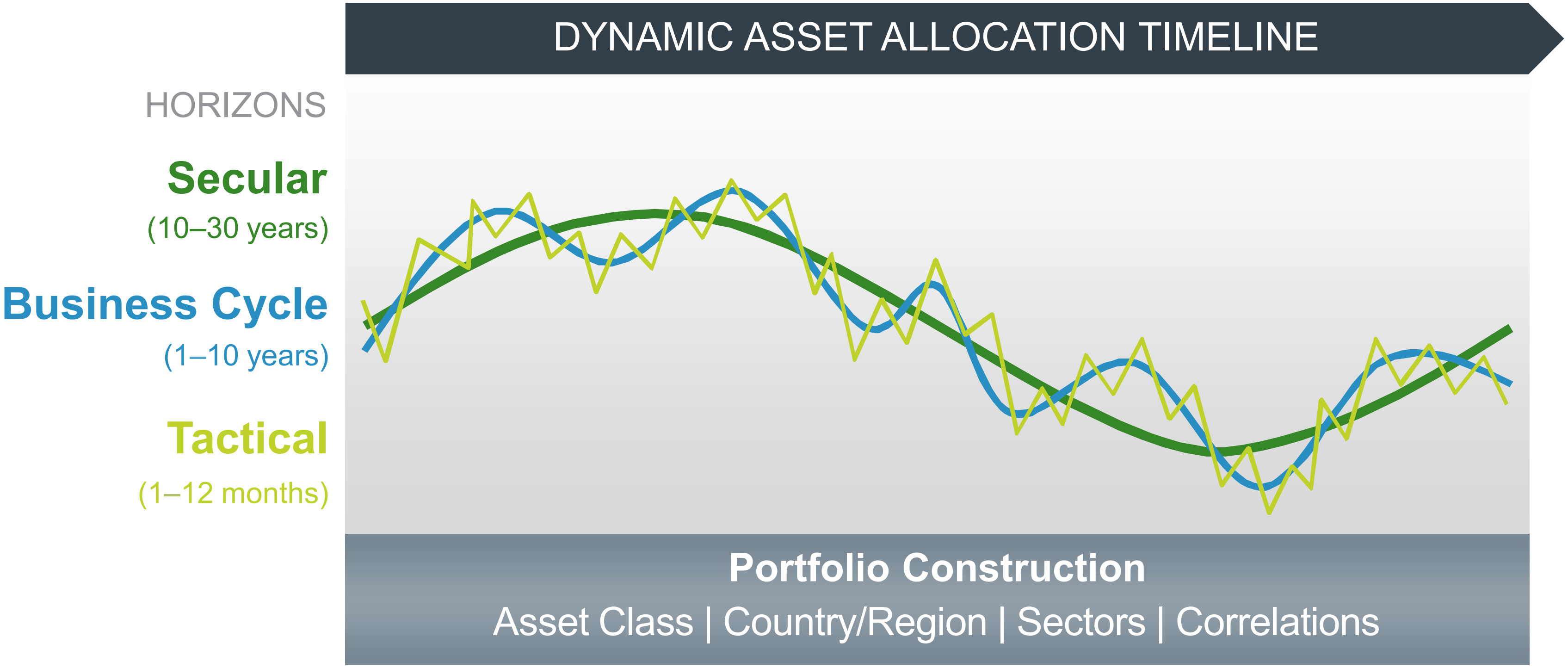


 Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/23.

Economy/Macro Backdrop

Multi-Time-Horizon Asset Allocation Framework

Fidelity's Asset Allocation Research Team (AART) believes that asset-price fluctuations are driven by a confluence of factors that evolve over different time horizons. As a result, we employ a framework that analyzes trends among three temporal segments: tactical (short term), business cycle (medium term), and secular (long term).



 For illustrative purposes only. Source: Fidelity Investments (AART), as of 6/30/23.

Global Business Cycle in a Less Synchronized Expansion

Many economies face headwinds related to persistent inflationary pressures and tightening monetary conditions. However, the global cycle is not overly synchronized. China's economy continues to benefit from its post-COVID reopening, while Europe has stabilized amid falling energy prices. We believe the U.S. is in the late-cycle expansion phase, with solid near-term momentum but a high probability of greater slowing ahead.

Business Cycle Framework

Cycle Phases

EARLY
- Activity rebounds (GDP, IP, employment)
- Credit begins to grow
- Profits grow rapidly
- Policy still stimulative
- Inventories low; sales improve

MID
- Growth peaking
- Credit growth strong
- Profit growth peaks
- Policy neutral
- Inventories, sales grow; equilibrium reached

LATE
- Growth moderating
- Credit tightens
- Earnings under pressure
- Policy contractionary
- Inventories grow, sales growth falls

RECESSION
- Falling activity
- Credit dries up
- Profits decline
- Policy eases
- Inventories, sales fall

A growth recession is a significant decline in activity relative to a country's long-term economic potential. Note: The diagram above is a hypothetical illustration of the business cycle, the pattern of cyclical fluctuations in an economy over a few years that can influence asset returns over an intermediate-term horizon. There is not always a chronological, linear progression among the phases of the business cycle, and there have been cycles when the economy has skipped a phase or retraced an earlier one. Source: Fidelity Investments (AART), as of 6/30/23.

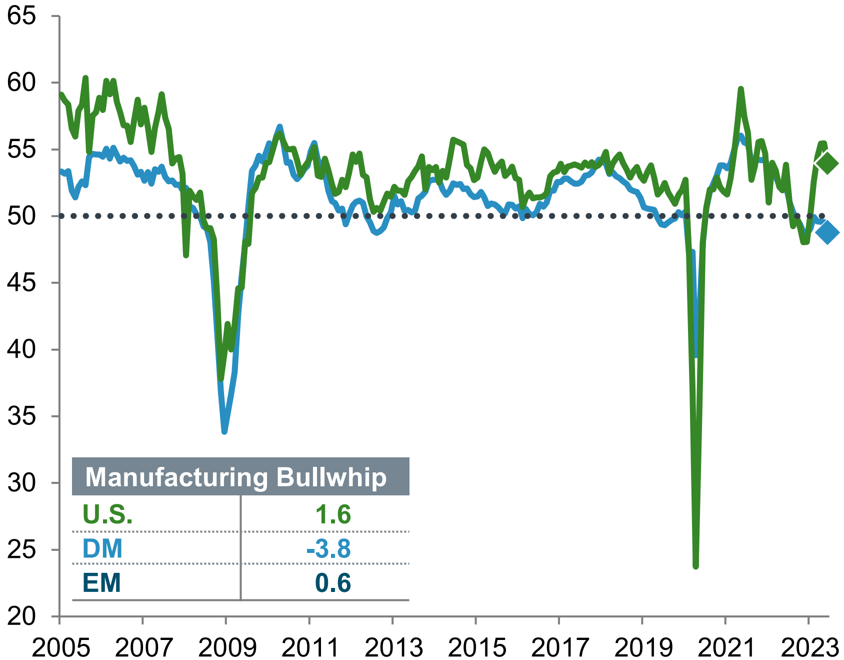
Expansionary Global Service Activity Despite Tightening

Global services activity accelerated in Q2 even as manufacturing measures stagnated. Central banks tightened policies over the past year at varying speeds and magnitudes. With inflation decelerating in recent months, many emerging markets (EM) appear near the end of their hiking cycles, while several developed market (DM) countries appear inclined to tighten policy further to address persistent inflation in core services activity.

Global Manufacturing and Services Activity

Manufacturing Services

PMI (>50 = Expansion)

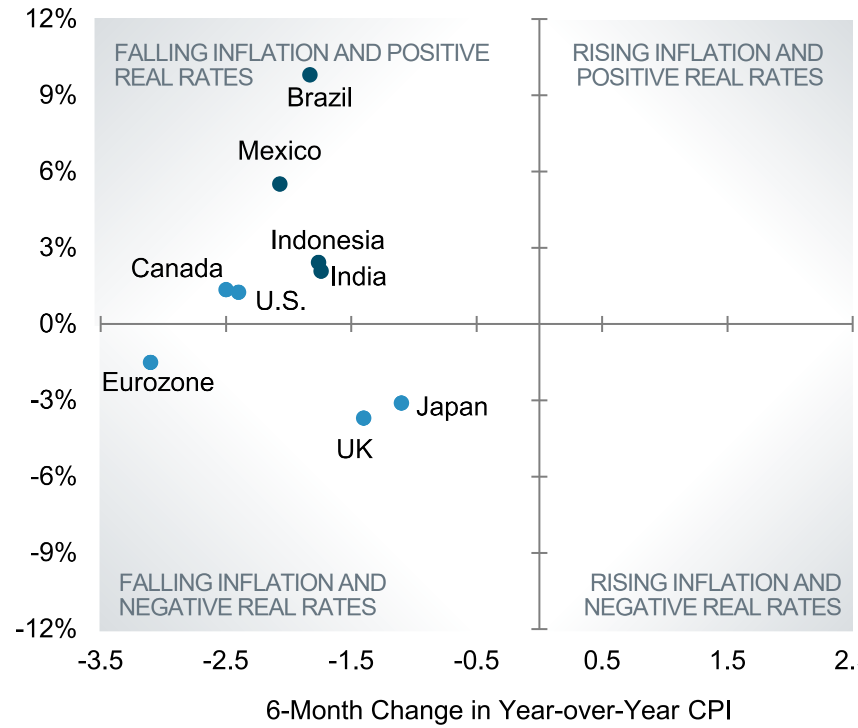


Manufacturing Bullwhip	
U.S.	1.6
DM	-3.8
EM	0.6

Global Monetary Policy and Inflation Trends

DM EM

Real Policy Rates

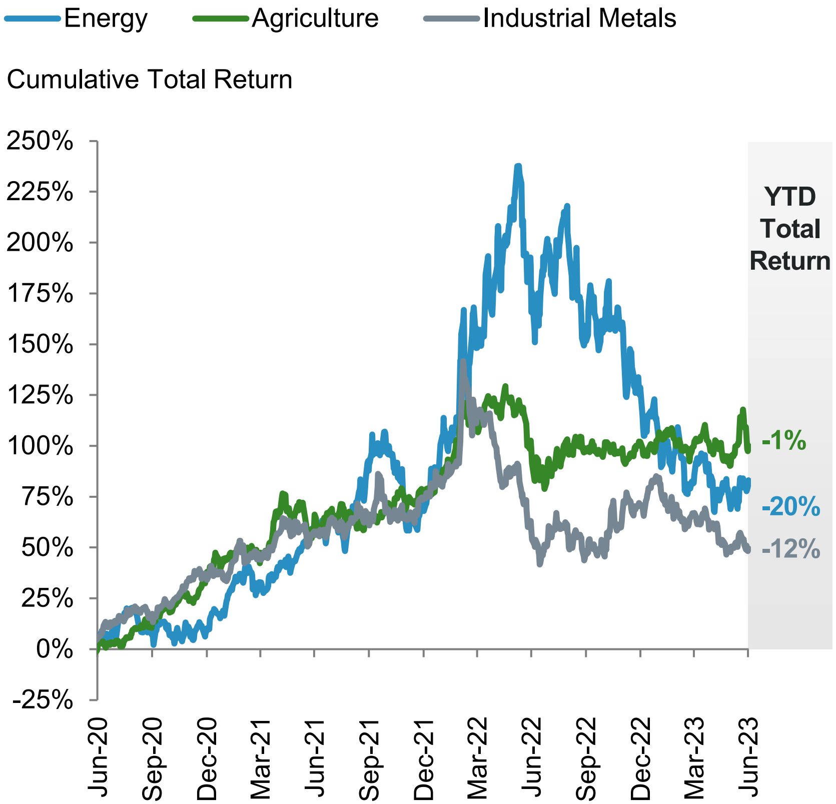


LEFT: PMI: Purchasing Managers' Index. Readings above 50 indicate expansion. EM: Emerging markets. DM: Developed markets. Diamonds depicts the last chart points (as of 6/30/23). **TABLE**: Bullwhip: New Orders PMI less Inventories PMI (numbers may differ due to rounding). Source: Haver Analytics, Markit IPM, ISM (Institute for Supply Management), S&P Global, Bloomberg Finance L.P., National statistical agencies, Fidelity Investments (AART), as of 6/30/23 **RIGHT**: CPI: Consumer Price Index. Real policy rates is the policy rate of each central bank minus YoY CPI. 6-Month difference in YoY CPI. Source: Bloomberg Finance L.P., National statistical agencies, Fidelity Investments (AART), as of 6/30/23.

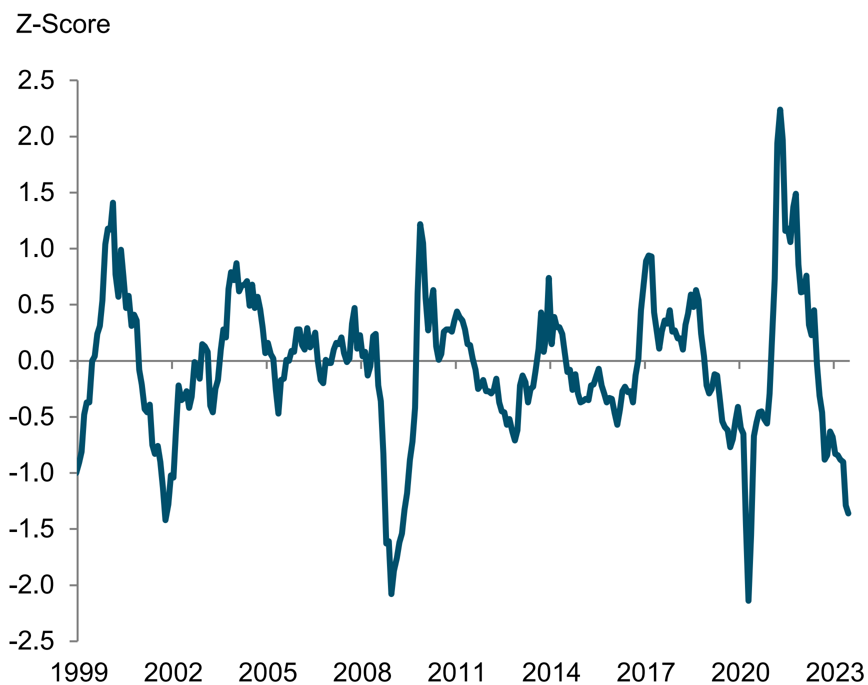
Weakness in Commodity Prices and Global Trade

Commodity prices and global trade activity deteriorated in Q2. Prices of both energy and industrial metals dropped by double-digits on a YTD basis and have seen large contractions relative to the highs reached in 2022. China's subdued recovery and the hangover from the post-reopening global manufacturing boom have weighed on worldwide trade activity.

Commodity Price Index Returns



AART Global Trade Indicator

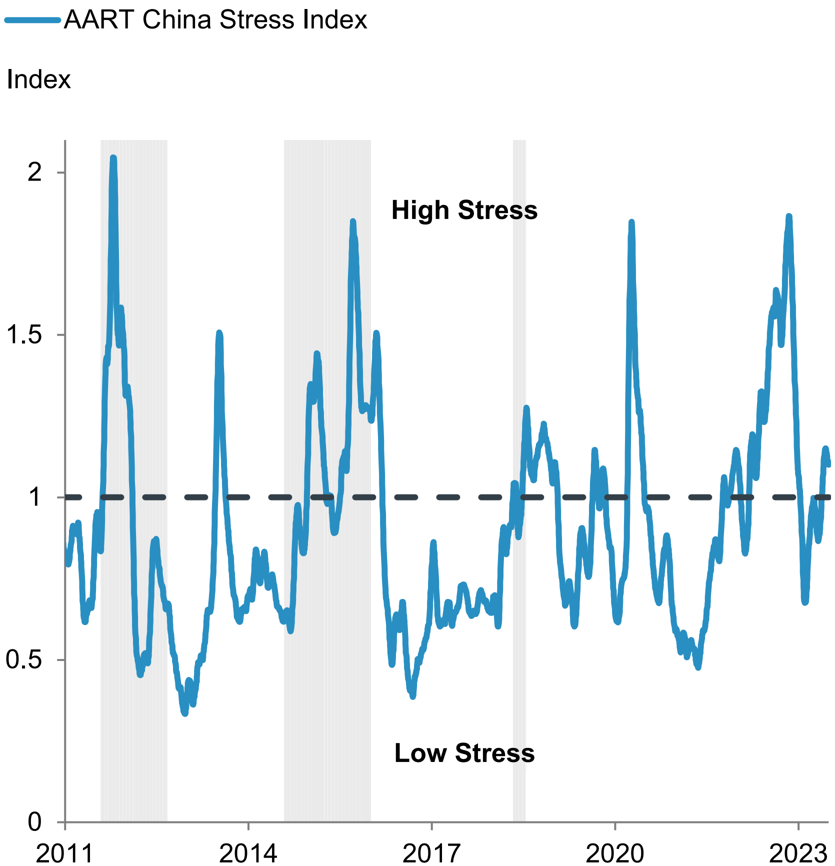


LEFT: Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. Returns represented by Bloomberg Commodity Total Return Sub-indexes (Bloomberg Industrial Metals Subindex Total Return Index, Bloomberg Agriculture Subindex Total Return Index, and Bloomberg Energy Subindex Total Return Index). Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/23. **RIGHT**: The AART Global Trade Indicator is a proprietary measure of global trade activity such as measures of freight activity, FX, and commodities. Z-scores measure the number of standard deviations above or below the mean of the sample. Source: Haver Analytics, Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/23.

China: Structural Headwinds Constrain Recovery, Policy

China's economic reopening momentum remains positive on a year-over-year basis, but the recovery lost steam during Q2. We expect policymakers to bolster monetary, fiscal, and regulatory support in the months to come. However, structural imbalances—such as excess capacity and leverage, including in the large property sector—pose significant constraints on the potency of stimulus and the upside for China's growth trajectory.

China: Financial Stress



China: Economic and Policy Trends

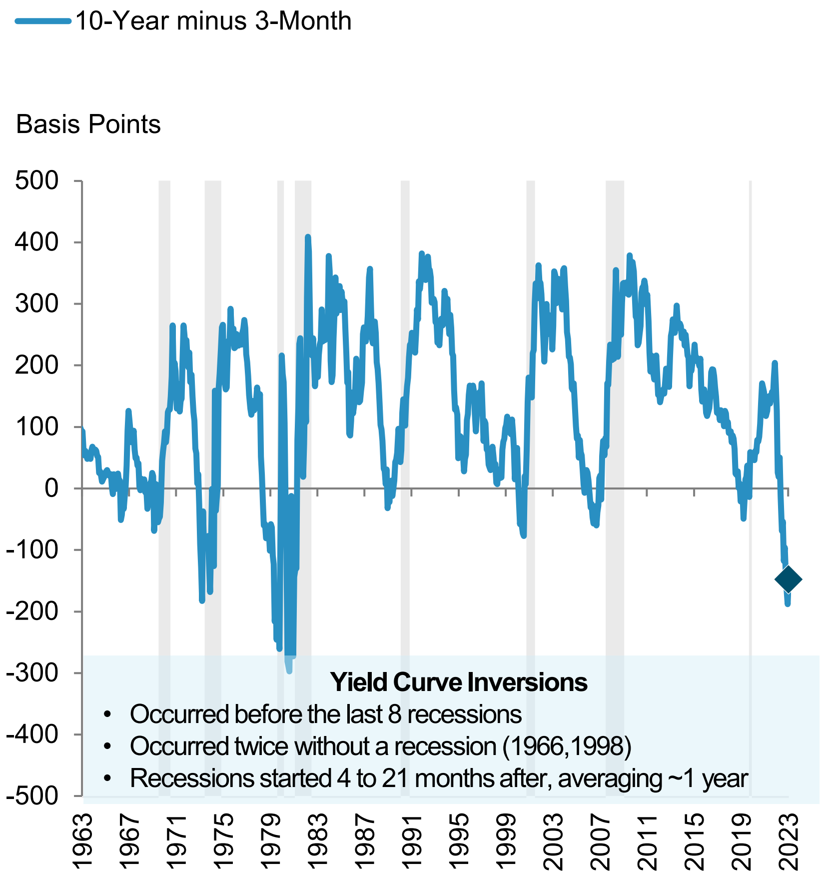
Positive	Negative
Year-over-year reopening momentum	Structural imbalances (excess capacity, high debt)
Policy easing in manufacturing and consumption sectors (tax cuts, EV subsidies)	Property overhang (asset value deterioration)
Monetary policy easing	Weak post-COVID consumer recovery
Fiscal policy support and infrastructure investments	Geopolitical risk
Property sector easing (fewer home buying restrictions, relaxation of three red lines)	Regulatory risk (focus on "common prosperity")

Gray bars represent growth recessions as defined by AART. The AART China Stress Index is a proprietary measure of Chinese financial markets. The chart presents the series as a 20-day moving average. Source: China National Bureau of Statistics, People's Bank of China, Fidelity Investments (AART), as of 6/30/23.

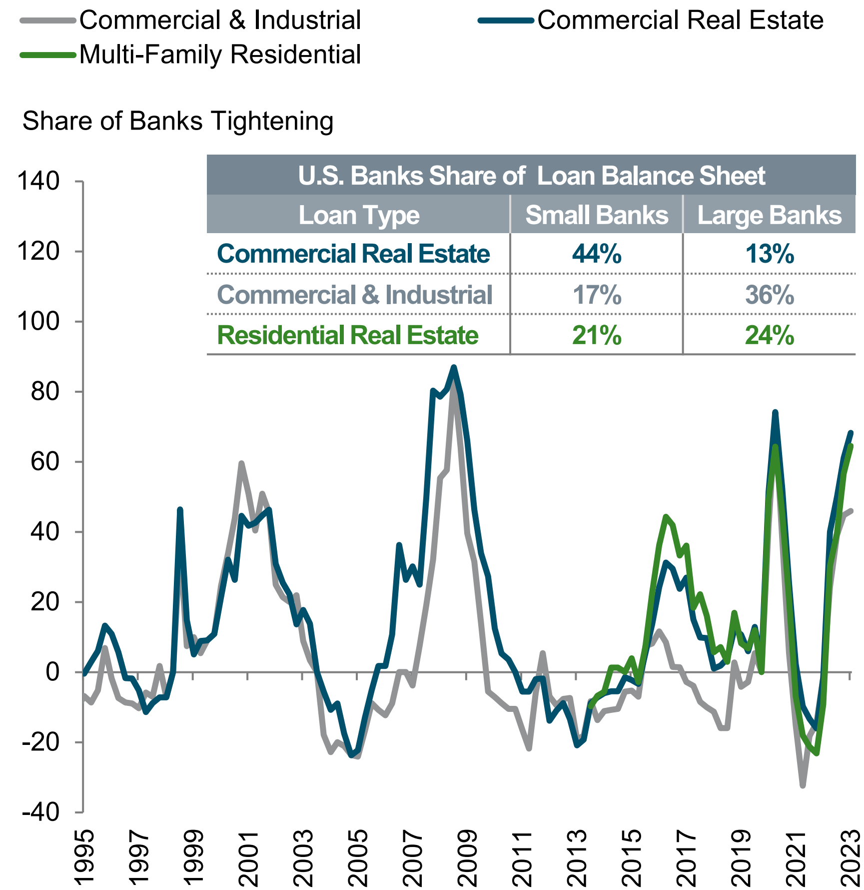
Deeply Inverted Curve, Tighter Credit Typical of Late Cycle

As is typical during late cycle, the yield curve is inverted and credit standards have tightened. Our preferred yield curve—the 10-year less 3-month Treasury yield—has been a reliable leading indicator of recessions, but the timing tends to be variable. Although banking system stress and recessionary fears became less of a concern to markets during Q2, banks further tightened lending standards across multiple loan categories.

Treasury Yield-Curve Spread



U.S. Banks Lending Standards by Loan Type



U.S. Banks Share of Loan Balance Sheet		
Loan Type	Small Banks	Large Banks
Commercial Real Estate	44%	13%
Commercial & Industrial	17%	36%
Residential Real Estate	21%	24%

LEFT: Shaded areas denote U.S. recession. Diamond depicts the last chart point (as of 6/30/23). Source: U.S. Federal Reserve Board, NBER, Haver Analytics, Fidelity Investments (AART), as of 6/30/23. **RIGHT:** Large Banks: Top 25 U.S. Domestically Chartered ranked by domestic assets. Source: Federal Reserve Board, Haver Analytics, Fidelity Investments (AART), as of 6/30/23.

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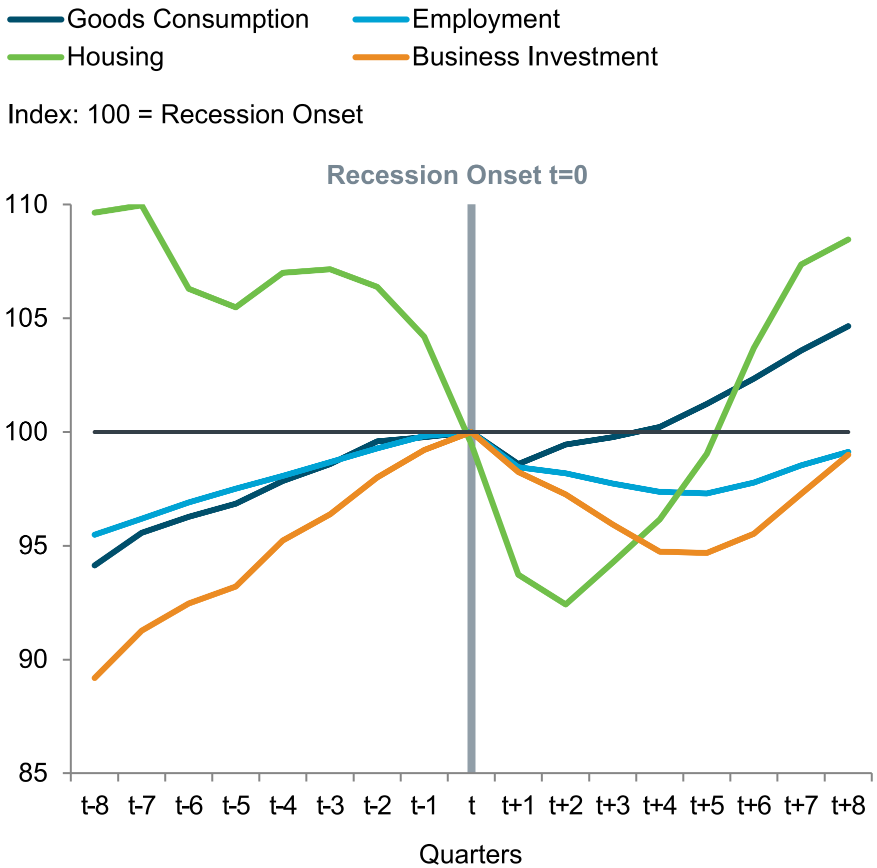
Structural Strengths Prolonging Late-Cycle Expansion

Historically, housing activity is a leading indicator of economic weakness, beginning to contract well before a recession begins. Housing activity is down sharply over the past year, but overall, the household and corporate sectors are relatively healthy and have so far shown limited vulnerability to interest rate increases. Supporting factors include tight housing supply, low consumer debt, and well-capitalized large banks.

Activity around Recessions (1947–2022)



Macro & Financial Differences vs. Recent History

	Indicator	2000–2019 Average	2023
Lower housing supply	Months Supply	6 months	3 months
More manageable consumer leverage	Household Credit/GDP	85%	74%
More manageable corporate debt	Interest Coverage	2.9x	7.2x
Better capitalized banking system	Tier One Capital Ratio	11%	14%

LEFT: Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 6/30/23. **RIGHT:** Tier One Capital Ratio: equity capital to total risk-weighted assets. Months Supply: Single family homes available for sale/sales of existing single-family homes. Source: Bureau of Economic Analysis, Bank for International Settlements, Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/23.

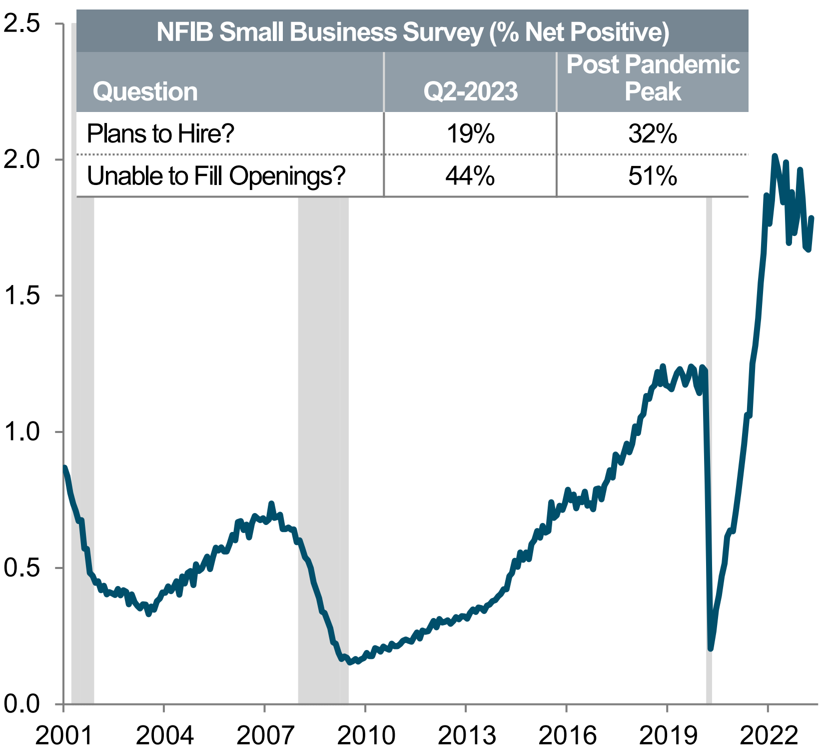
Modest Cooling in Extremely Tight Labor Markets

Businesses pared back on their job openings and hiring plans, but unemployment stayed near multi-decade lows and labor markets remained very tight. The overall participation rate of adults in the labor force, including prime-age workers (25 to 54 years), has surpassed pre-pandemic levels. However, the over-55 participation rate remains depressed, and aging demographics will likely constrain labor supply for years to come.

Job Openings

Job Openings/Unemployed Workers

Ratio

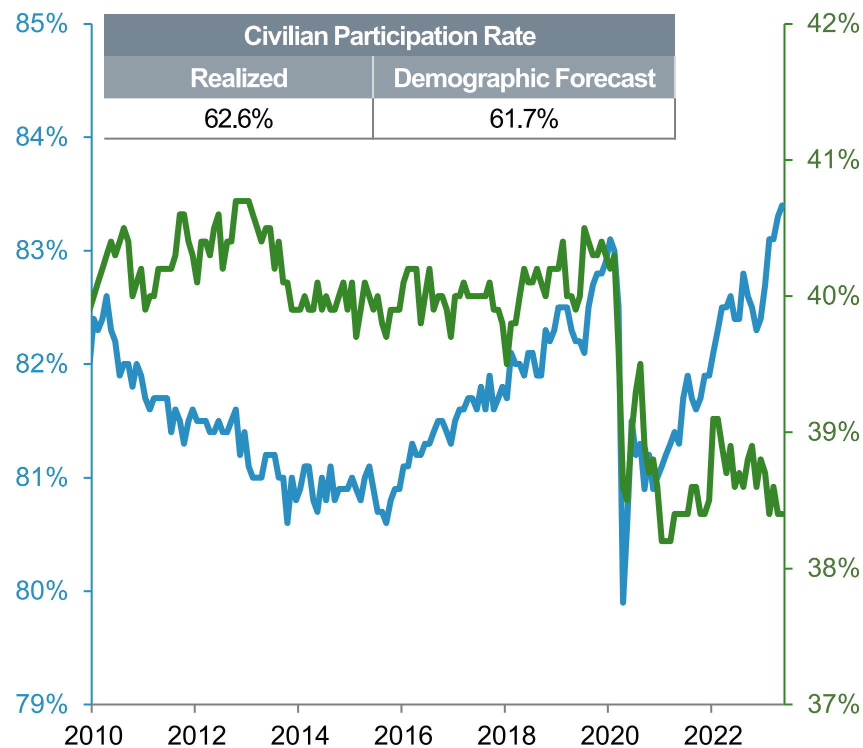


NFIB Small Business Survey (% Net Positive)		
Question	Q2-2023	Post Pandemic Peak
Plans to Hire?	19%	32%
Unable to Fill Openings?	44%	51%

Labor Force Participation Rate by Age

25 to 54 Years — 55 Years & Over

Labor Force/Adult Population — Labor Force/Adult Population



Civilian Participation Rate	
Realized	Demographic Forecast
62.6%	61.7%

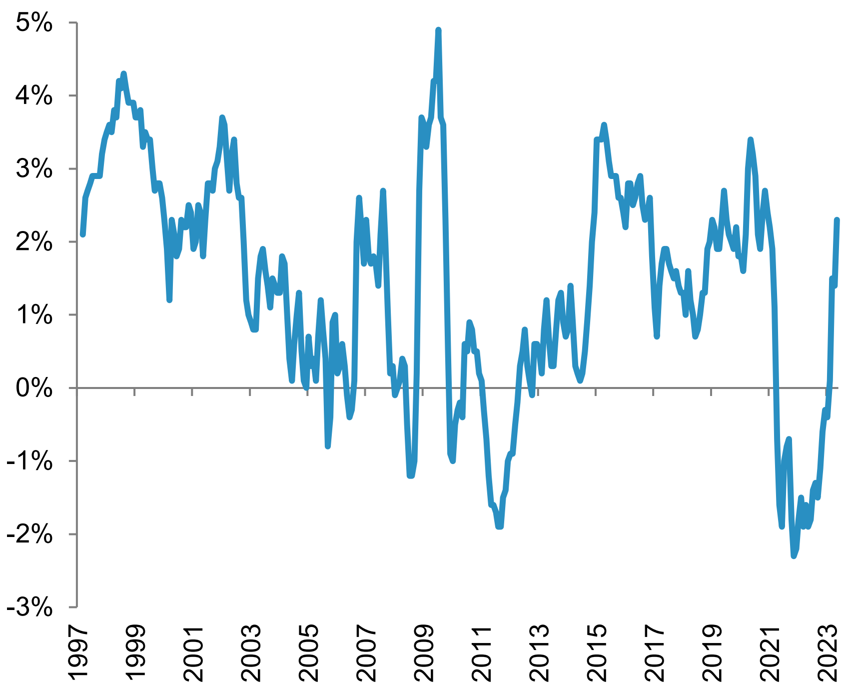
LEFT: Seasonally adjusted data. Source: Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 6/30/23. **RIGHT**: Demographic projection: Fidelity calculation. Source: Census Bureau, Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 6/30/23.

U.S. Expansion Supported by Healthy Consumer

Year-over-year nominal wage growth surpassed inflation, marking a positive reversal in real wage growth that is now boosting inflation-adjusted household incomes. Despite higher interest rates, consumer financial obligations remain low relative to history, in part due to mortgage debt-service costs held down by low fixed rates. Consumer balance-sheet strengths include record-high net worth and post-pandemic excess savings.

Real Wage Growth

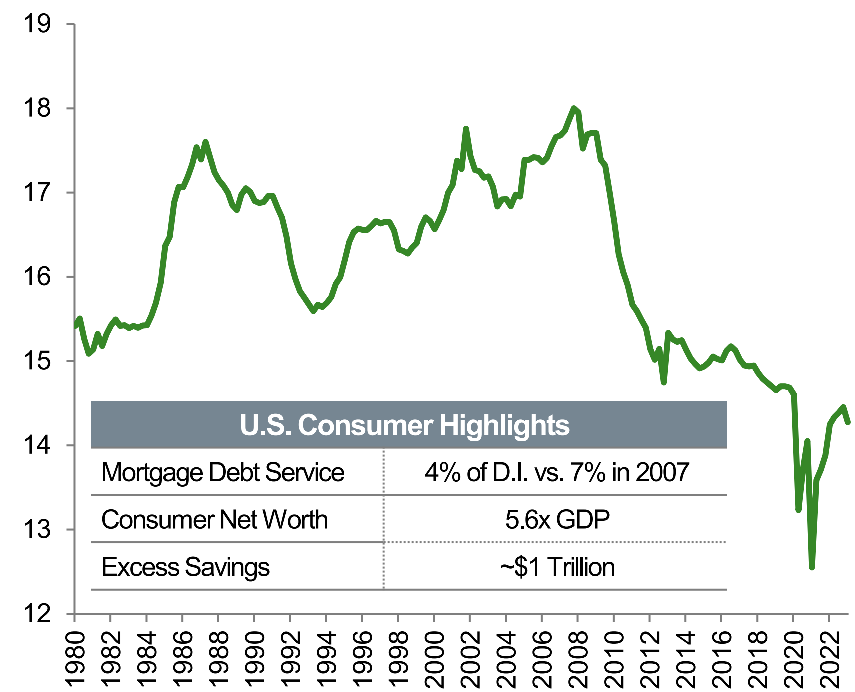
Year-over-Year



Household Financial Burden

Financial Obligations Ratio

Percent of Disposable Income (DI)



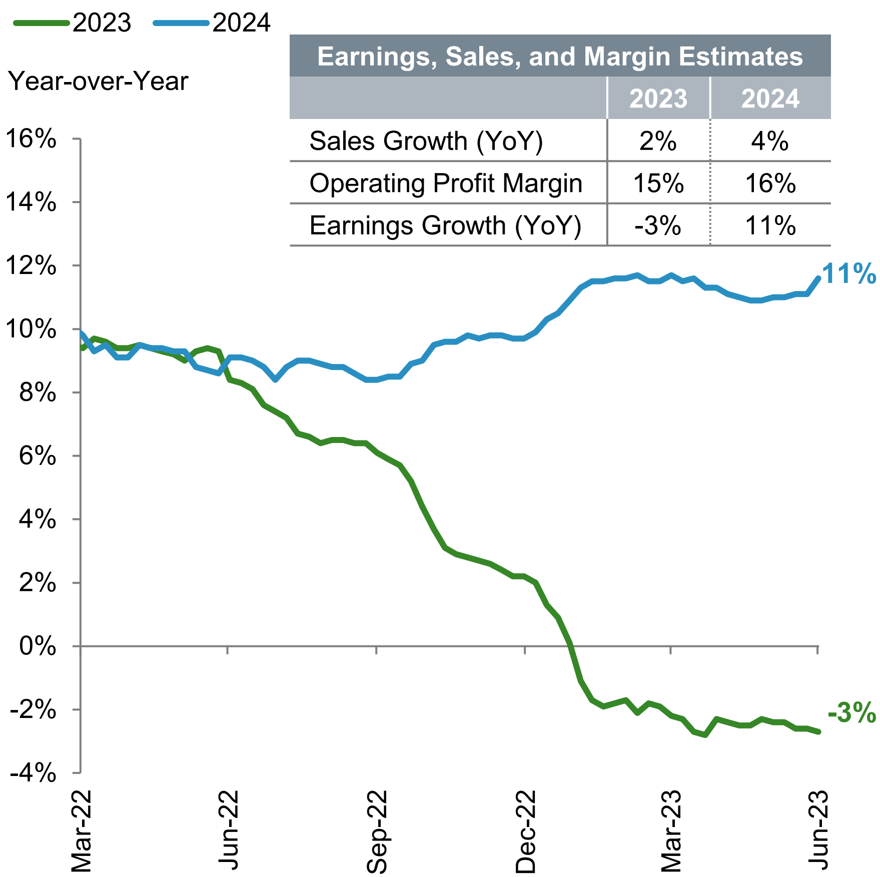
U.S. Consumer Highlights	
Mortgage Debt Service	4% of D.I. vs. 7% in 2007
Consumer Net Worth	5.6x GDP
Excess Savings	~$1 Trillion

LEFT: Real Wage Growth: Atlanta Fed Wage Growth Tracker minus year-over-year CPI. Source: Federal Reserve Bank of Atlanta, Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 6/30/23. **RIGHT:** Source: Federal Reserve, Fidelity Investments (AART), as of 6/30/23. **TABLE:** Excess savings are relative to 2019; D.I.: Disposable income. Source: Bureau of Economic Analysis, Federal Reserve, Haver Analytics, Fidelity Investments (AART), as of 6/30/23.

Market Expects Earnings Rebound in 2024

During a typical late cycle, top-line sales tend to hold up, but rising input costs reduce profit margins and pressure earnings growth. Despite rising costs, companies have generally been able to pass along higher prices to maintain high profit margins. Earnings growth is currently contracting at low-single digit rates, but the consensus outlook has stabilized and investors expect a double-digit profit-growth rebound in 2024.

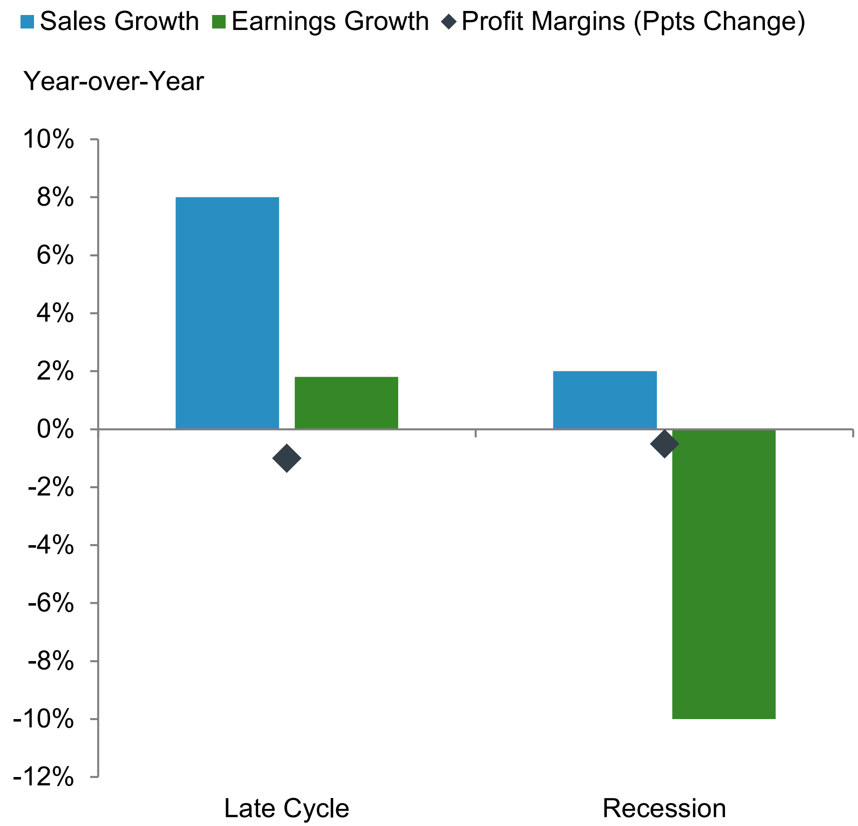
S&P 500 Earnings Growth Expectations



Earnings, Sales, and Margin Estimates

	2023	2024
Sales Growth (YoY)	2%	4%
Operating Profit Margin	15%	16%
Earnings Growth (YoY)	-3%	11%

Business Cycle Averages (1950–2020)

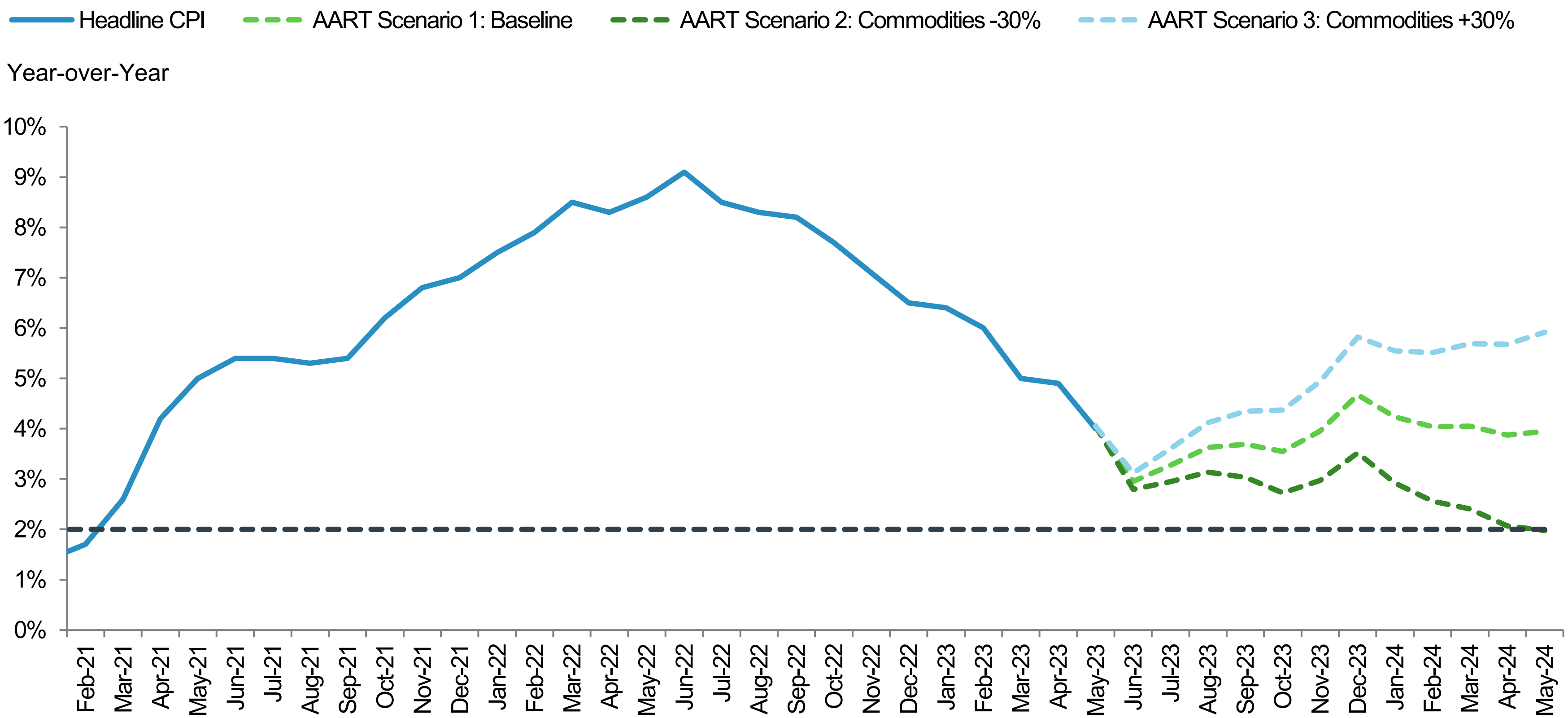


LEFT: Street estimates. Source: Bloomberg Financial LP, Fidelity Investments (AART), as of 6/30/23. **RIGHT:** Ppts: percentage points. Source: Bureau of Economic Analysis, Fidelity Investments (AART), as of 6/30/23.

Inflation to Moderate but May Be Tough to Reach 2%

U.S. consumer inflation rates continued to decelerate after reaching a multi-decade peak above 9% last year. We believe this moderating trend may be coming to an end and that it will be difficult to return to the stable, low core-inflation environment of the past two decades. A big drop in energy prices helped reduce year-over-year total inflation, and additional energy weakness would help boost the chances of continued disinflation.

Inflation Estimates under Different Commodity Price Scenarios

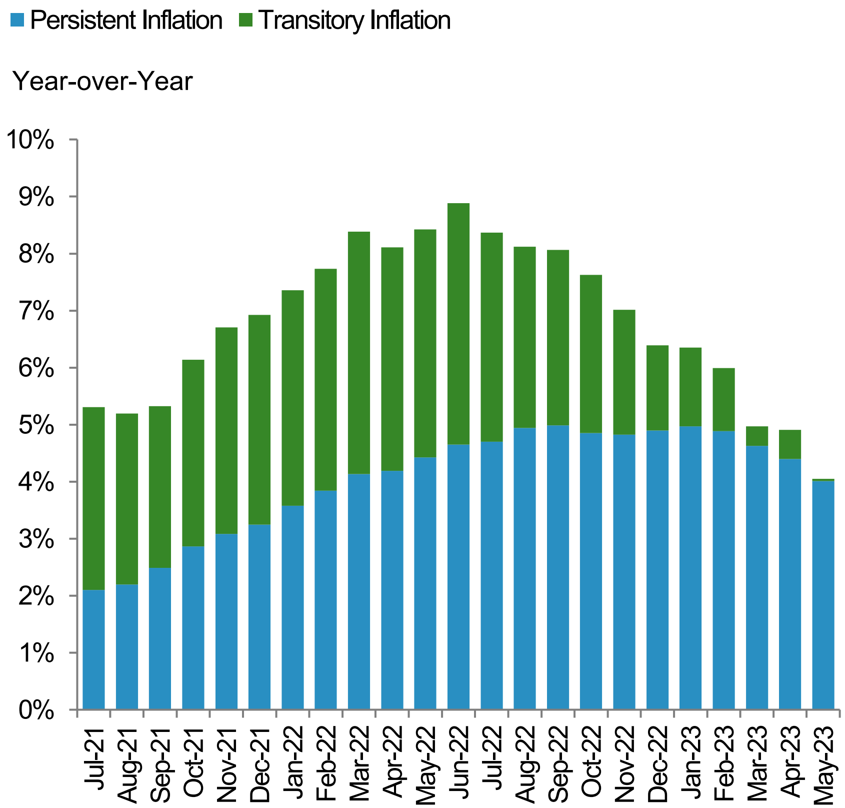


CPI: Consumer Price Index. Commodity prices are represented by the Bloomberg Commodity Index (BCOM), and their hypothetical changes over the next year are assumed to occur equally throughout the year. Source: Bureau of Labor Statistics, Bloomberg, Haver Analytics, Fidelity Investments (AART), as of 6/30/23.

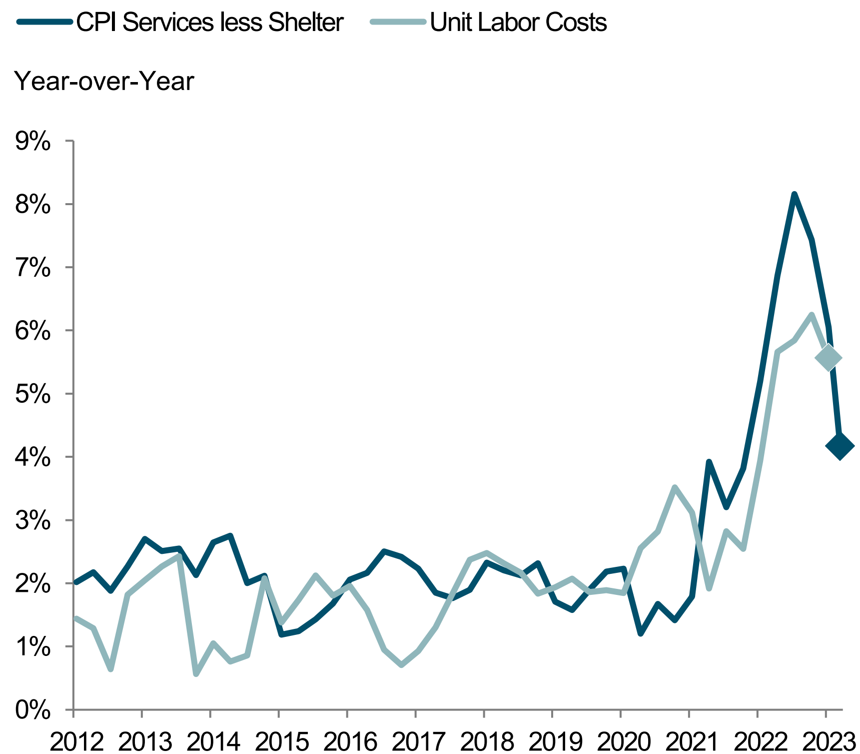
Persistent Factors Continue to Drive Inflation Pressures

Many inflation pressures that tend to be more transitory, such as supply-chain disruptions, continued to fade in recent months. However, categories where price increases tend to be more persistent and more reliant on demand-side factors now account for almost all of U.S. inflation. If tight labor markets continue to boost unit labor costs, inflation in services sectors may linger for longer than investors suspect.

Persistent vs. Transitory Inflation



Services Inflation vs. Labor Costs

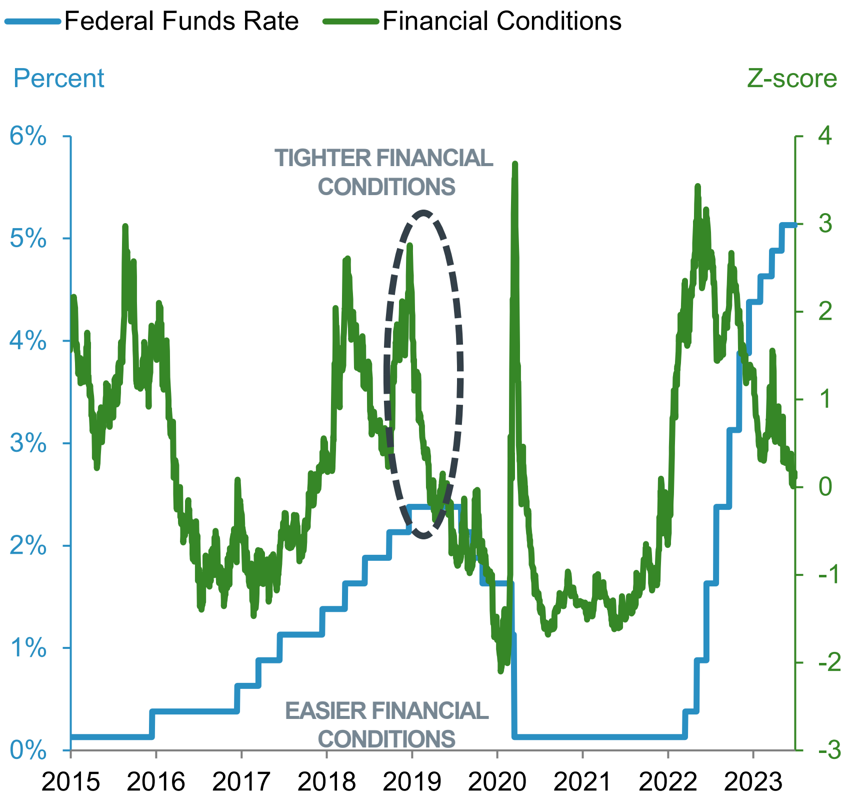


CPI: Consumer Price Index. **LEFT**: Indicates the contribution to Year-over-Year CPI over the past 12 months. Persistent Categories include areas where, historically, inflation has taken longer to dissipate, such as Housing and Food & Beverages. Source: Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 5/31/23. **RIGHT**: Unit Labor Costs measured as 4-quarter moving average. Diamonds depict the last chart points (as of 6/30/23). Source: Bureau of Labor Statistics, Haver Analytics, Bloomberg, Fidelity Investments (AART), as of 5/31/23.

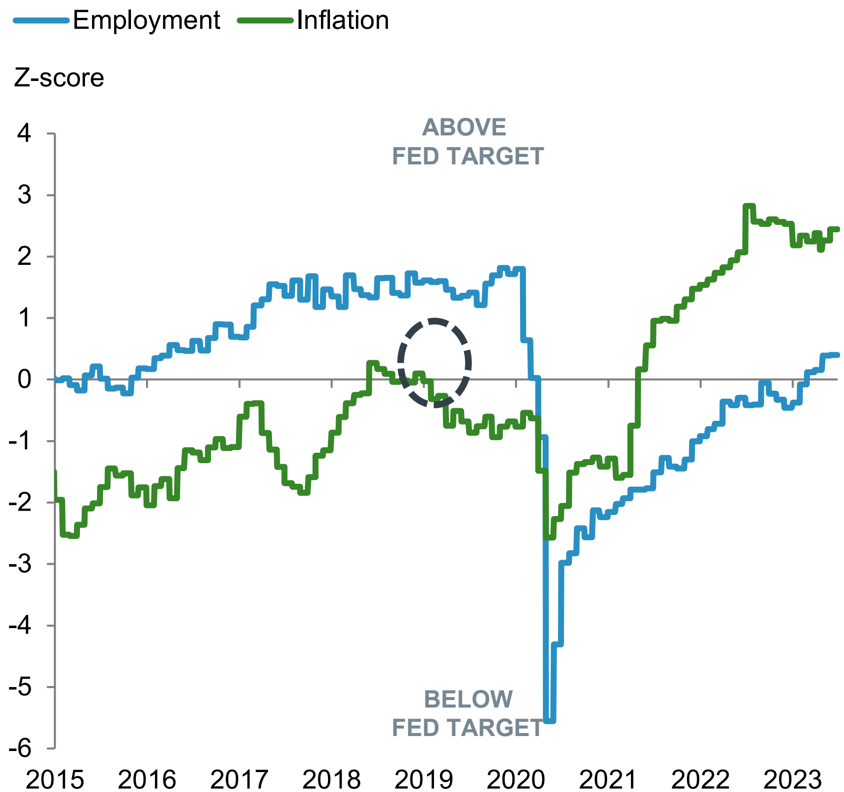
The Fed Pause May Not Signal an Imminent Response

In the prior rate-hiking cycle that concluded in 2018, a sharp tightening in financial conditions motivated the Fed to abruptly stop raising rates and cut rates in 2019. This time, financial conditions tightened during 2022 but have mostly eased this year. The Fed is likely on course to end its rate-hiking cycle in the second half of 2023, but a sharp pivot to easing may prove difficult amid tight labor markets and above-target inflation.

Fed Funds Rate vs. Financial Conditions



Dual Mandate: Employment and Inflation

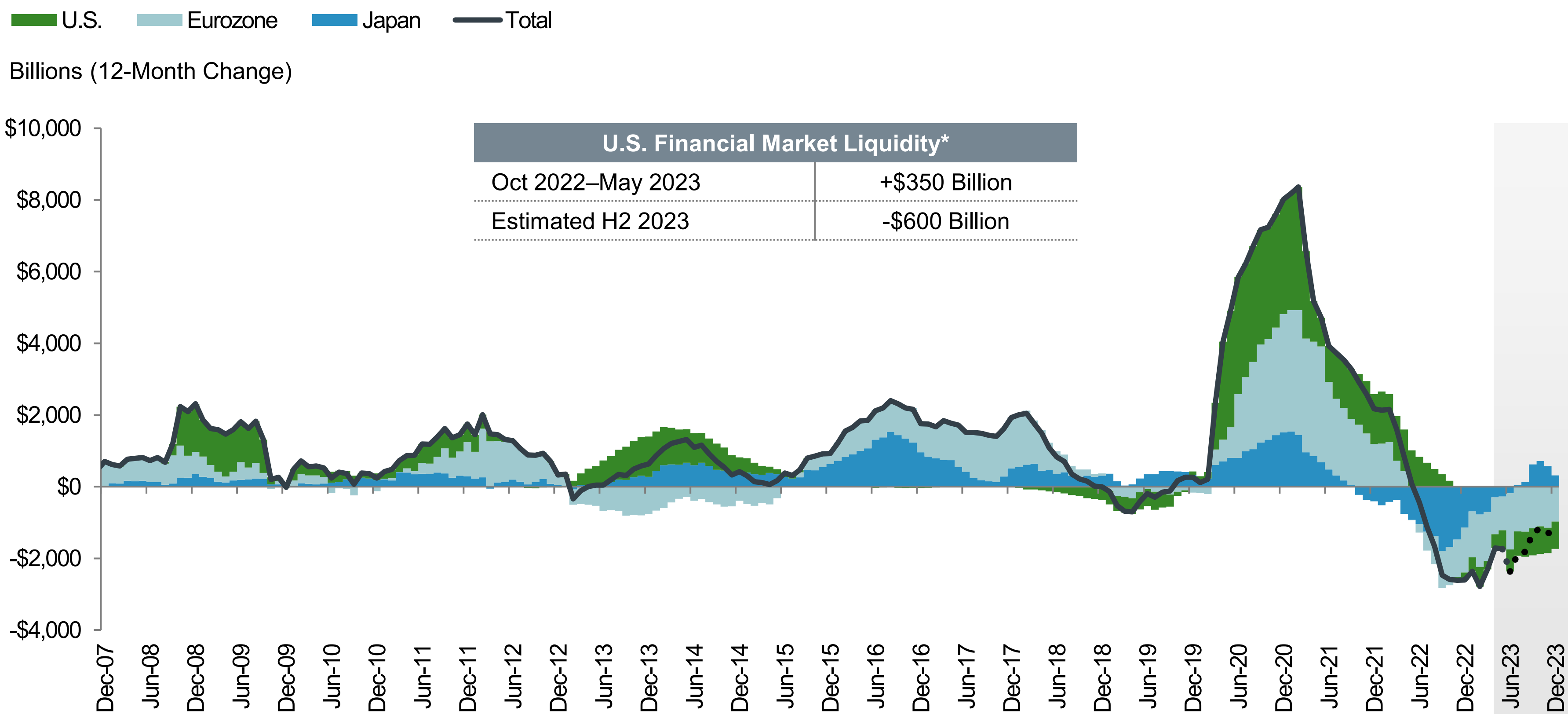


LEFT: Financial Conditions: Indicator part of AART's CRIC framework created using a number of financial conditions indexes and real rates viewed through a Federal Reserve lens. Source: Bloomberg Finance L.P., Federal Reserve Board, Fidelity Investments (AART), as of 6/30/23.
RIGHT: Employment/Inflation: Indicators part of AART's CRIC framework created based on an analysis of the Federal Reserve's stated employment and inflation target using a number of different employment and inflation metrics viewed through a Federal Reserve lens. Z-scores measure the number of standard deviations above or below the mean of the sample. Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/23.

Central Bank Tightening Likely to Pressure Market Liquidity

Major central banks continued to remove accommodation by shrinking their balance sheets during Q2, including through quantitative tightening. This typically reduces financial-market liquidity, but actions from the U.S. Treasury and FDIC more than offset the liquidity drain in recent months. With these one-off factors exhausted, the liquidity backdrop appears more challenged and may contribute to rising market volatility.

Central Bank Balance Sheets



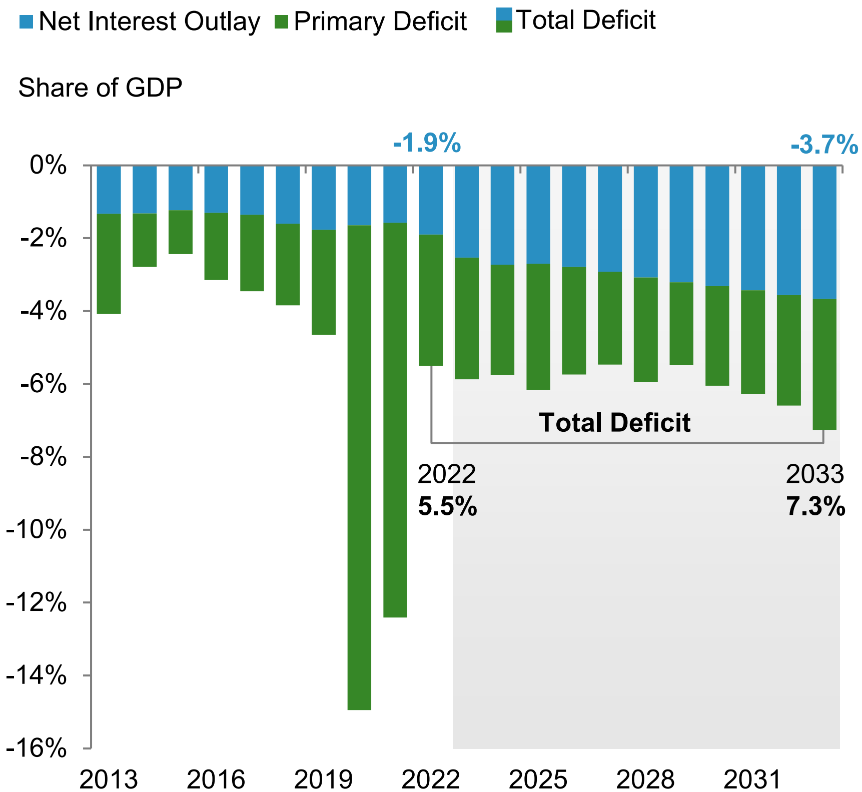
U.S. Financial Market Liquidity*	
Oct 2022–May 2023	+$350 Billion
Estimated H2 2023	-$600 Billion

*U.S. Financial Market Liquidity is Federal Reserve Balance Sheet Assets less Reverse Repo Program (RRP) and Treasury General Account (TGA). Estimates for H2 assume Fed maintains pace of Quantitative Tightening (QT), Treasury rebuilding TGA to $600B, and no change to RRP assets. Dashed line and shaded area represent estimates based on the U.S. Federal Reserve conducting $80 billion of QT per month, the European Central Bank conducting 20 billion euro of QT per month and redeeming Targeted Long-Term Refinancing Operations throughout 2023 based on expected loan maturities, and the Bank of Japan purchasing assets at an average of the prior six months. Source: Federal Reserve, Bank of Japan, European Central Bank, Haver Analytics, Fidelity Investments (AART), as of 5/31/23. Source: U.S. Federal Reserve Board, Fidelity Investments (AART), as of 6/30/23.

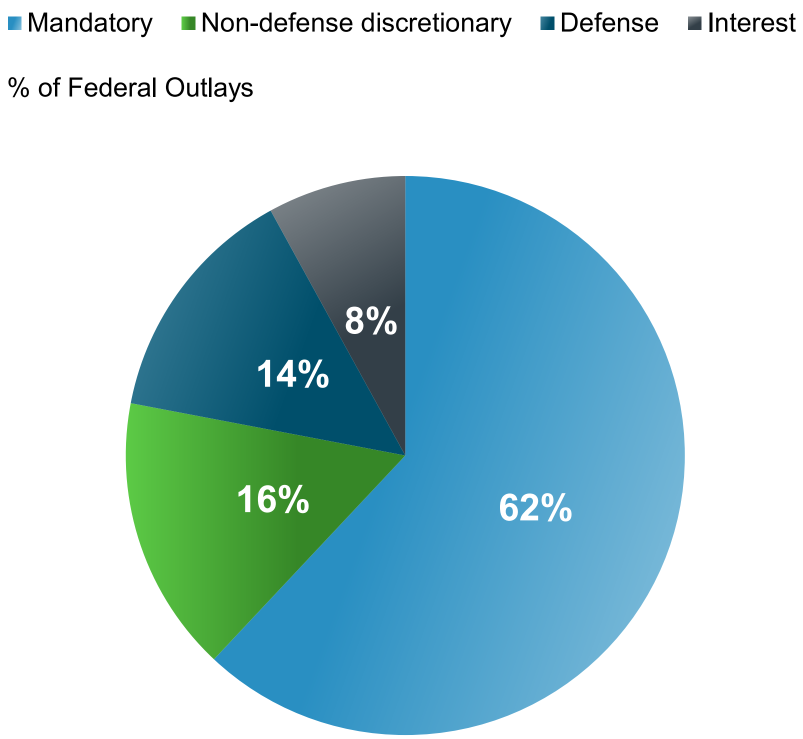
Fiscal Policy Cyclically Neutral but Long-Term Challenged

Based on government projections, the deficit outlook for 2023 and 2024 is relatively neutral from a growth standpoint. However, the medium-term fiscal picture is increasingly challenging, as interest payments are forecast to rise and cause current deficits to climb even further over the next decade. Politically, spending cuts have become difficult as mandatory outlays on entitlement programs assume a larger share of the total.

U.S. Fiscal Deficit



Categories of Federal Spending, FY 2023



LEFT: Shaded area represents deficit baseline from the CBO. Primary deficit is the total deficit minus the net interest outlay. Source: Congressional Budget Office, Macrobond, Fidelity Investments (AART), as of 5/12/23. **RIGHT:** FY is fiscal year. Source: Congressional Budget Office, Fidelity Investments (AART), as of 5/31/23.

Outlook: Market Assessment

Fidelity's Business Cycle Board, composed of portfolio managers across a variety of asset-allocation strategies, believes the above-target inflation and tightening monetary policy backdrop are contributing to uncertainty regarding the economic and capital markets outlook. Members held differing views on some issues but generally held smaller active allocation positions compared with earlier in the cycle.

Business Cycle

U.S. in late-cycle expansion phase

Non-U.S. cycles are becoming de-synchronized, with some countries experiencing better cyclical trends

Risks

Inflation may remain above the Fed's target over the medium term

Corporate earnings remain challenged by slowing growth, above-target high inflation, and monetary tightening

Asset Allocation Implications

The late-cycle phase warrants smaller active allocation positions

Fixed income assets offer attractive yields relative to recent years

Desynchronized global cycles across major economies provide diversification opportunities

 For illustrative purposes only. Diversification does not ensure a profit or guarantee against a loss. Source: Fidelity Investments (AART), as of 6/30/23.

Asset Markets

Technology Sector Led Equity Rally in Q2

Equity markets continued to rally during Q2, led by large U.S. technology companies as the perceived beneficiaries of an anticipated boom in artificial intelligence. Globally, developed-market equites outperformed emerging markets, and commodity prices dropped. Riskier fixed income sectors, such as leveraged loans, added to year-to-date gains, but more interest rate sensitive ones, such as government bonds, posted losses.

U.S. Equity Styles Total Return

	Q2 2023	YTD (%)
Growth	12.5%	28.1%
Large Caps	8.7%	16.9%
Small Caps	5.2%	8.1%
Mid Caps	4.8%	9.0%
Value	4.0%	5.0%

U.S. Equity Sectors Total Return

	Q2 2023	YTD (%)
Info Tech	17.2%	42.8%
Consumer Discretionary	14.6%	33.0%
Communication Services	13.1%	36.2%
Industrials	6.5%	10.2%
Financials	5.3%	-0.5%
Materials	3.3%	7.7%
Health Care	3.0%	-1.5%
Real Estate	1.8%	3.7%
Consumer Staples	0.5%	1.3%
Energy	-0.9%	-5.6%
Utilities	-2.5%	-5.7%

International Equities and Global Assets Total Return

	Q2 2023	YTD (%)
ACWI ex-USA	2.4%	9.5%
Japan	6.4%	13.0%
Canada	3.7%	8.2%
EAFE	3.0%	11.7%
Europe	2.7%	13.6%
EAFE Small Cap	0.6%	5.5%
Latin America	14.0%	18.5%
EMEA	2.7%	1.6%
Emerging Markets	0.9%	4.9%
EM Asia	-0.8%	4.0%
Gold	-2.5%	5.2%
Commodities	-2.6%	-7.8%

U.S. Equity Factors Total Return

	Q2 2023	YTD (%)
Momentum	8.5%	13.5%
Value	7.8%	13.2%
Quality	6.9%	15.0%
Low Volatility	5.9%	9.6%
Yield	5.4%	9.1%
Size	4.0%	7.7%

Fixed Income Total Return

	Q2 2023	YTD (%)
Leveraged Loan	3.1%	6.5%
EM Debt	2.2%	4.1%
High Yield	1.6%	5.4%
Municipal	-0.1%	2.7%
ABS	-0.1%	1.7%
Credit	-0.3%	3.1%
Agency	-0.4%	1.6%
CMBS	-0.6%	1.2%
MBS	-0.6%	1.9%
Aggregate	-0.8%	2.1%
Long Govt & Credit	-1.3%	4.4%
Treasuries	-1.4%	1.6%
TIPS	-1.4%	1.9%

EAFE: Europe, Australasia, and the Far East. EM: Emerging markets. EMEA: Europe, the Middle East, and Africa. For indexes and other important information used to represent above asset categories, see Appendix. Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. Sector returns represented by S&P 500 sectors. Sector investing involves risk. Because of its narrow focus, sector investing may be more volatile than investing in more diversified baskets of securities. Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/23.

2022 Was an Unusually Bad Year for Bonds as Diversifiers

In 2022, broad measures of the two largest U.S. asset categories—large cap stocks and investment-grade bonds—both posted double-digit losses for the first time in modern history (since 1926). Historically, the bond market often registered a gain during the calendar years that equity prices declined, making 2022 the most challenging year in history for portfolio diversification.

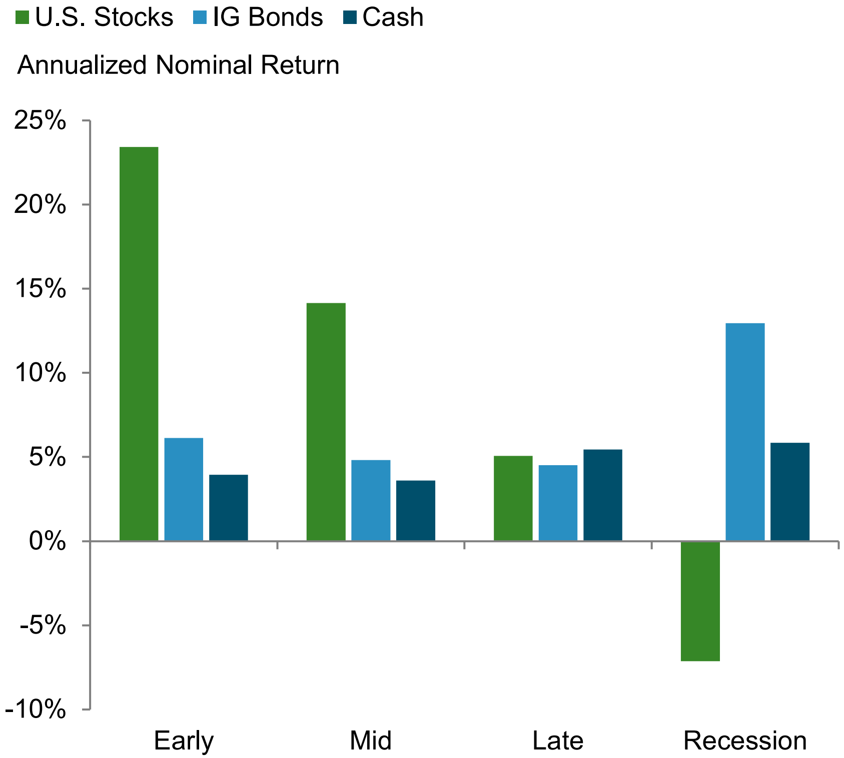
Equity and Bond Returns in Years When Equities Fell (1926–2022)

Stocks: S&P 500 index. Bonds: Bloomberg U.S. Aggregate Bond Index. Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against a loss. Fidelity Investments proprietary analysis of historical asset class performance is not indicative of future performance. Source: Fidelity Investments (AART), Haver Analytics, as of 12/31/22.

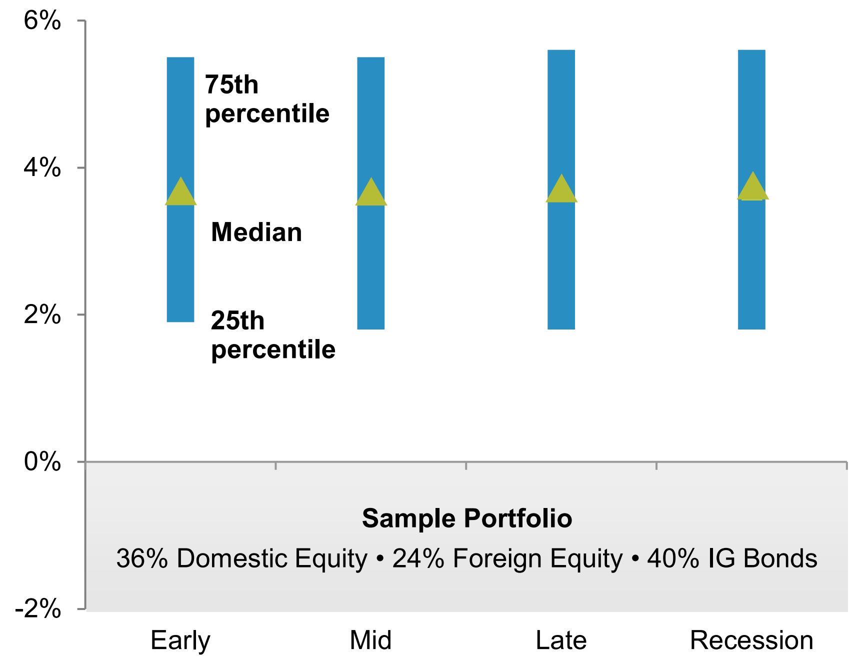
Business Cycle Important but Dissipates in the Long Run

The business cycle can be a critical determinant of asset performance over the intermediate term. Stocks have consistently outperformed earlier in the cycle, whereas bonds tend to outperform during recessions. While we believe a business cycle approach to actively managed asset allocation can add value, portfolio returns are expected to even out over the long term (20 years), regardless of the starting point of the cycle phase.

Asset Class Performance by Cycle Phase (1950–2020)



20-Year Portfolio Return Distribution by Cycle Phase Starting Point



For illustrative purposes only. Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against a loss. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. Fidelity proprietary analysis based on Monte Carlo simulations using historical index returns. Domestic Equity—Dow Jones U.S. Total Stock Market Index; Foreign Equity—MSCI ACWI ex USA Index; Investment-Grade (IG) Bonds—Bloomberg U.S. Aggregate Bond Index. Source: Fidelity Investments, Morningstar, Bloomberg Finance L.P., as of 6/30/23.

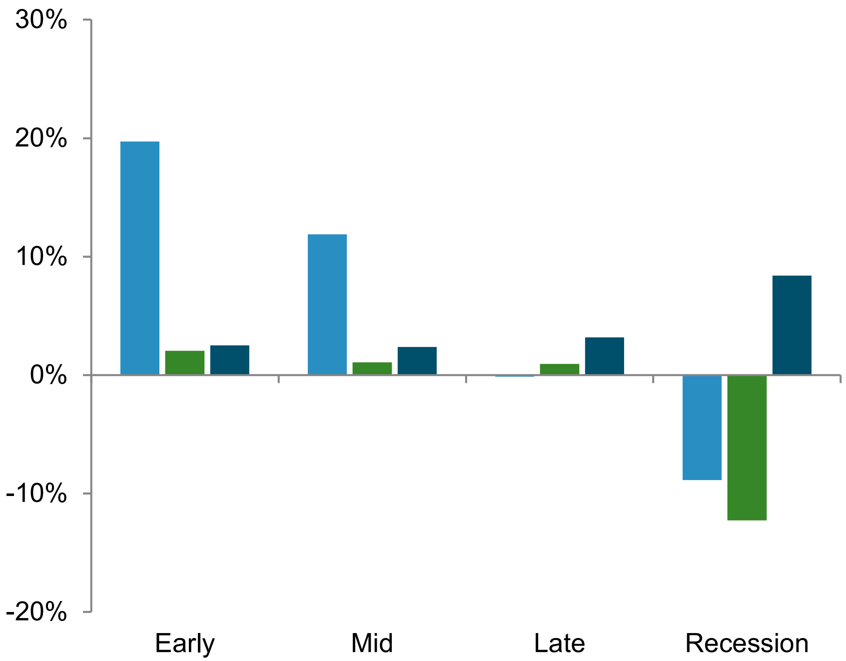
What High Inflation Implies for a Maturing Business Cycle

Unlike recent business cycles, high inflation has taken root. Historically, during high-inflation regimes, commodities tended to perform better than bonds during late-cycle expansion. However, fixed income tended to outperform once recession risk became dominant. Tilting a portfolio toward more-defensive exposures during recessions may provide diversification benefits regardless of the inflation regime.

Real Returns in Low-Inflation Regimes (1950–2020)

U.S. Equities Commodities Investment-Grade Bonds

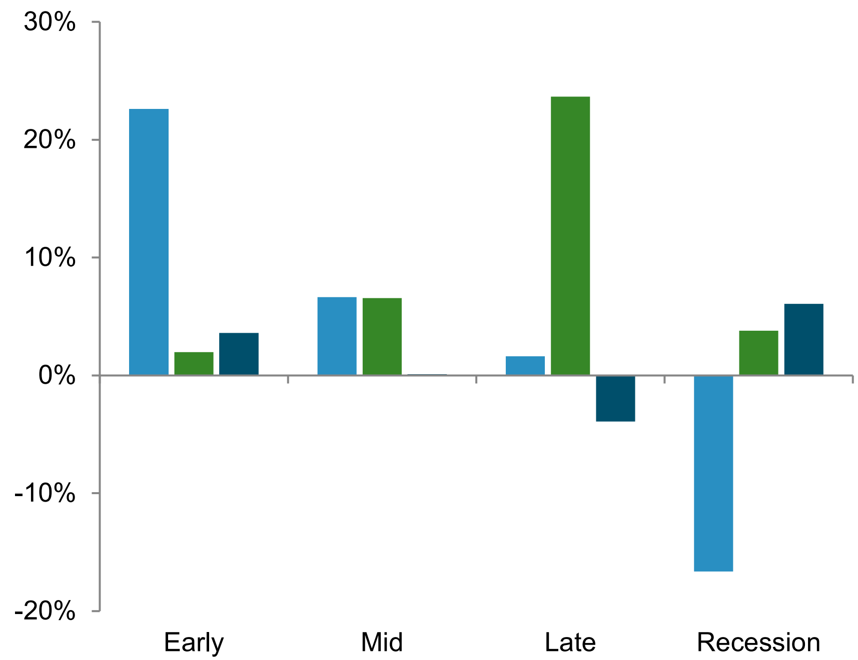
Annualized Average Real Return



Real Returns in High-Inflation Regimes (1950–2020)

U.S. Equities Commodities Investment-Grade Bonds

Annualized Average Real Return

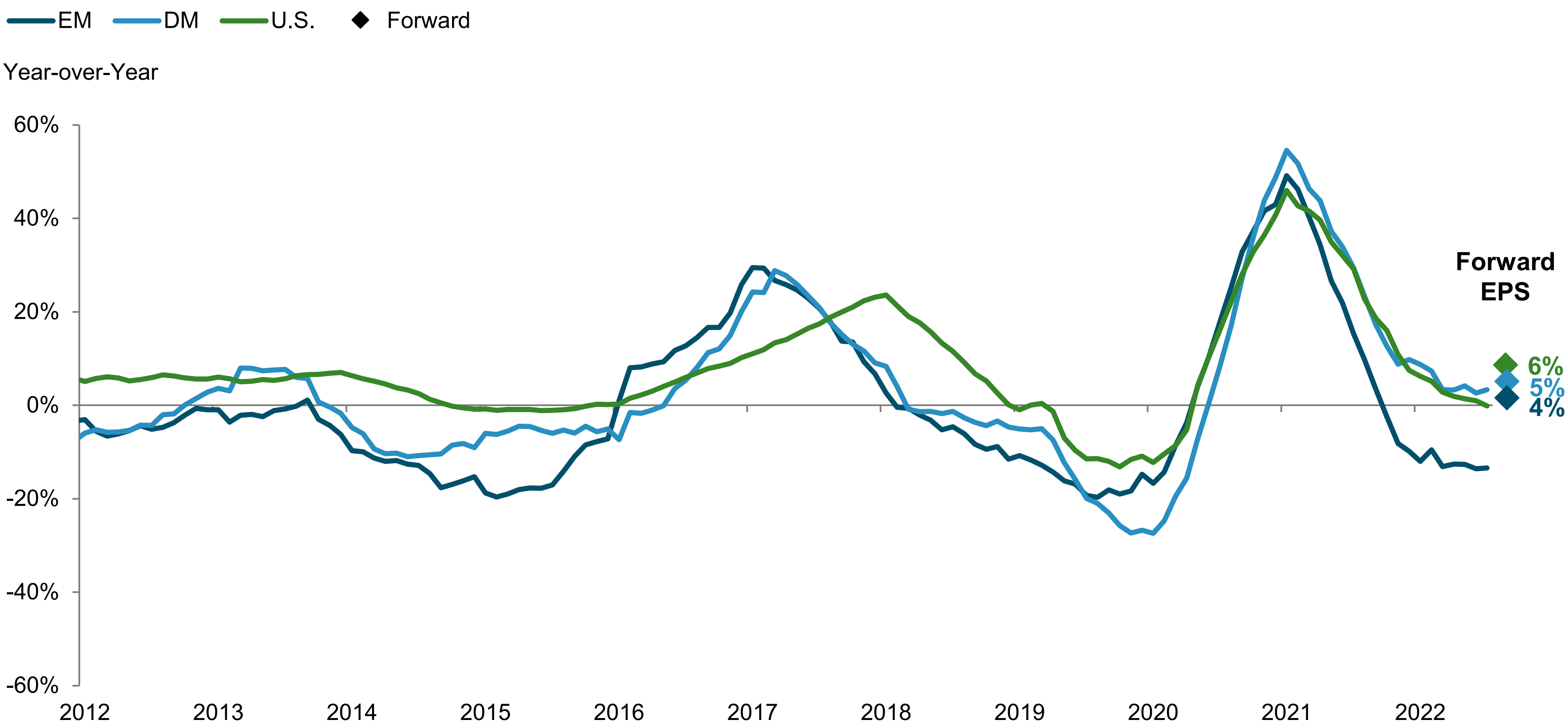


For illustrative purposes only. Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against a loss. It is not possible to invest directly in an index. See Appendix for important index information. Fidelity proprietary analysis using historical index returns. Domestic Equity—Dow Jones U.S. Total Stock Market Index; Commodities—Bloomberg Commodity Total Return Index; Investment-Grade (IG) Bonds—Bloomberg U.S. Aggregate Bond Index. Source: Fidelity Investments (AART), as of 6/30/22. Regimes: A period is categorized as a high-inflation regime if the secular component is greater than the long-term average inflation, or a low-inflation regime otherwise.

Global Earnings Deceleration Showed Signs of Bottoming

Global earnings growth, which has been decelerating since 2021, showed signs of stabilizing during Q2. Emerging markets remained laggards, with a double-digit earnings contraction on a year-over-year basis. Global earnings growth expectations for the next 12 months remain similar across the world in the low single digits.

Global EPS Growth (Trailing 12 Months)

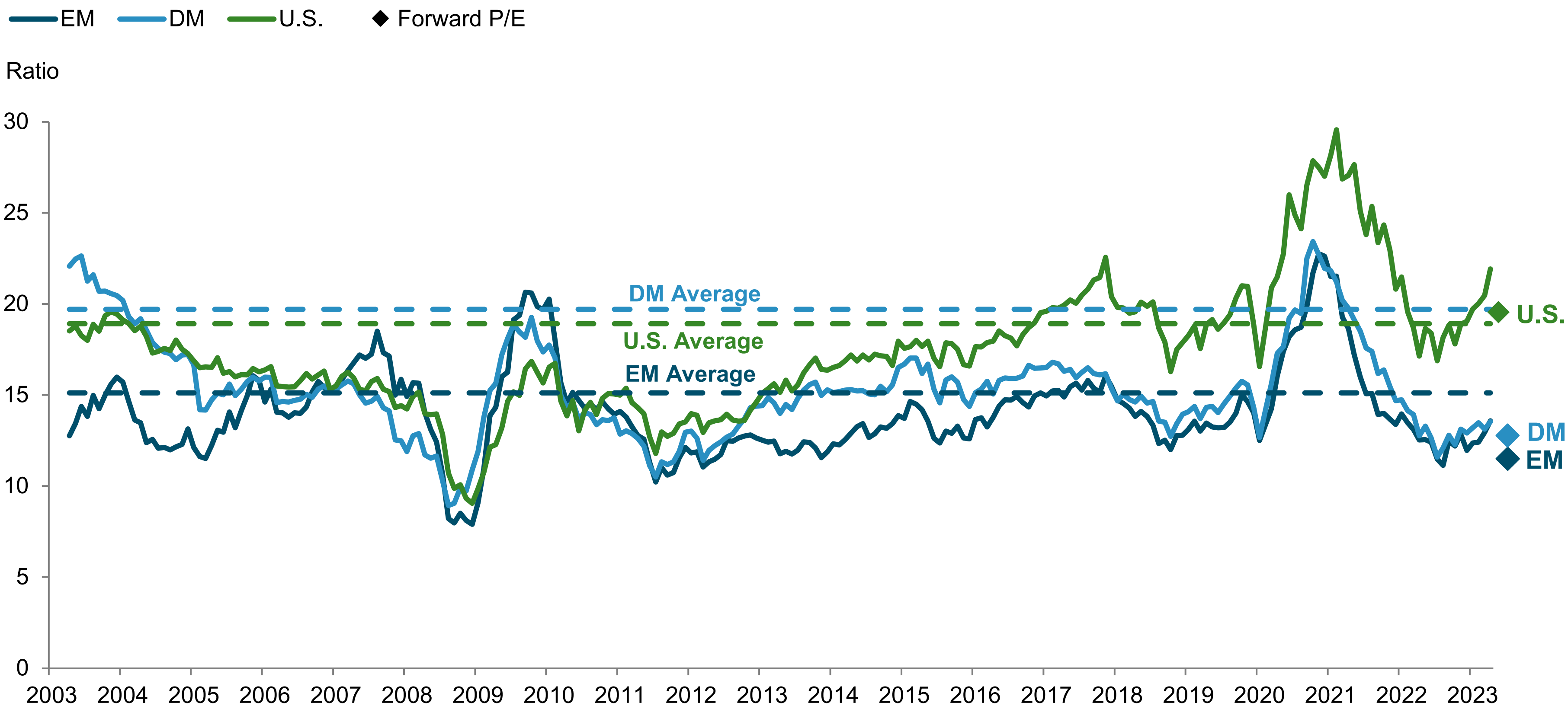


Past performance is no guarantee of future results. DM: Developed markets. EM: Emerging markets. EPS: Earnings per share. Forward EPS: Next 12 months' expectations. Indexes: DM—MSCI EAFE Index; EM—MSCI Emerging Markets Index; U.S.—S&P 500. Source: MSCI, Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/23.

U.S. Equity Valuation Gap Rose Further

Valuations moved higher for all major regions as stock prices rallied during Q2. The trailing, one-year price-to-earnings (PE) ratios for non-U.S. stocks (developed markets and emerging markets) remained below their long-term averages, while the U.S. climbed to well above its longer-term average.

Global Stock Market P/E Ratios

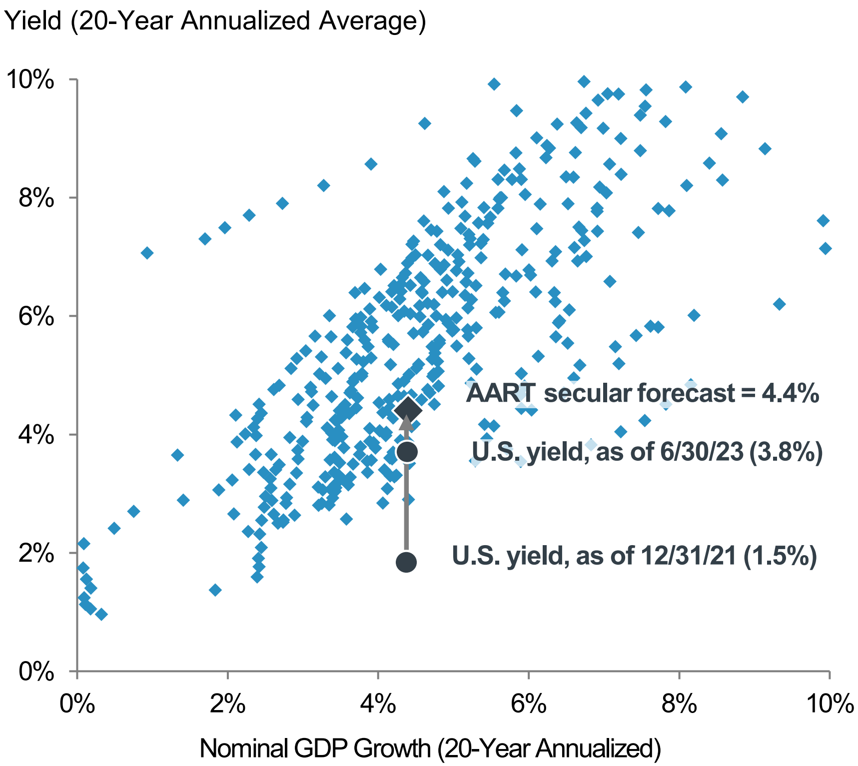


DM: Non-U.S. developed markets. EM: Emerging markets. Chart includes trailing 12-month P/Es. Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. Price-to-earnings (P/E) ratio (or multiple): Stock price divided by earnings per share, which indicates how much investors are paying for a company's earnings power. Long-term average P/E includes data from 9/30/95 to 6/30/23. Indexes: DM—MSCI EAFE Index; EM—MSCI Emerging Markets Index; U.S.—S&P 500. Source: Factset, Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/23.

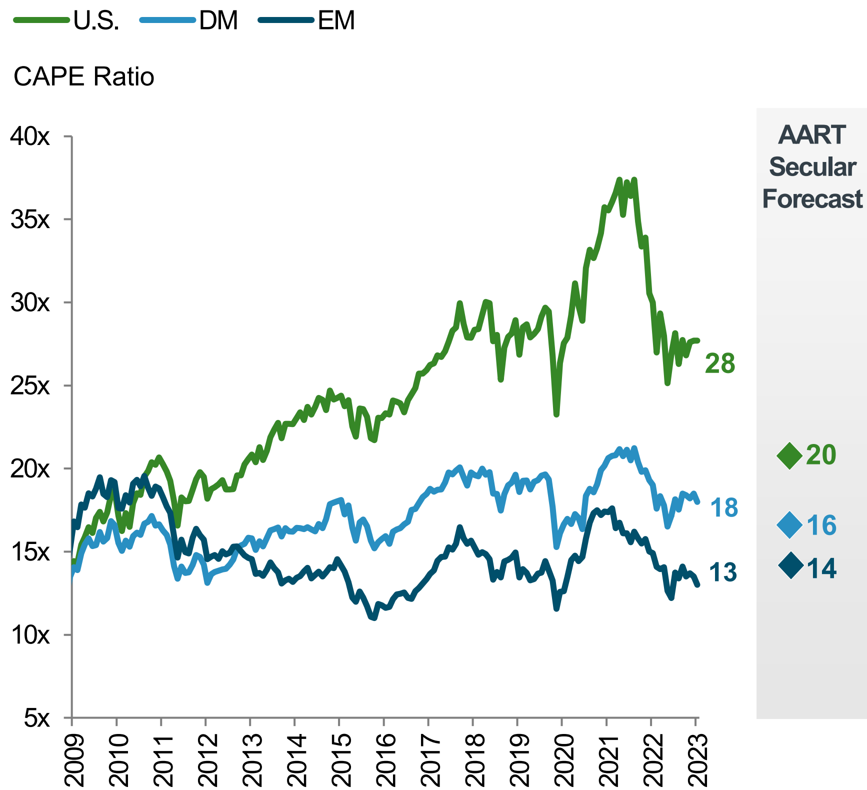
Relative Valuations May Provide Opportunities Ahead

Rising bond yields and equity volatility in 2022 provided a more attractive entry point for long-term stock and bond investors. Ten-year Treasury yields are much closer to our secular forecast of 4.4%, a huge improvement from the extreme valuations of the past decade. Based on our long-term expectations, cyclically adjusted price-to-earning ratios for non-U.S. markets provide more attractive opportunities.

10-Year Sovereign Bond Yields vs. GDP



Equity Valuations

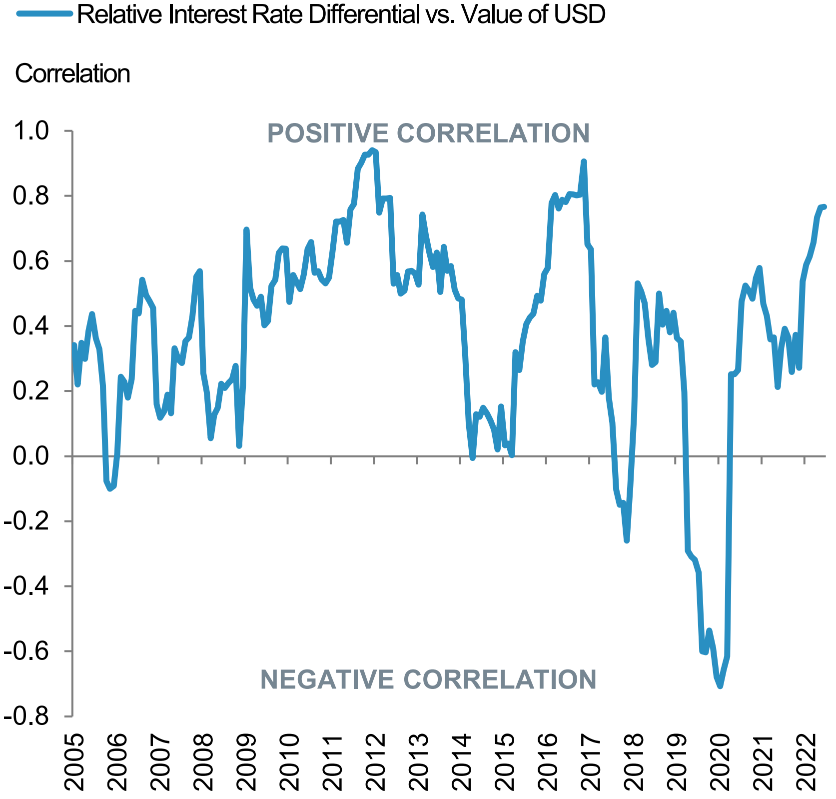


Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. **LEFT:** Highlighted dots are U.S. 10-year Treasury bond yields. AART secular forecast refers to an estimate for U.S. nominal GDP (4.4%). Source: Official Country Estimates, Haver Analytics, Fidelity Investments (AART), as of 6/30/23. **RIGHT:** DM: Developed markets. EM: Emerging markets. Price-to-earnings (P/E) ratio (or multiple): Stock price divided by earnings per share, which indicates how much investors are paying for a company's earnings power. Cyclically adjusted earnings are 10-year averages adjusted for inflation. Source: FactSet, countries' statistical organizations, MSCI, Fidelity Investments (AART), as of 5/31/23.

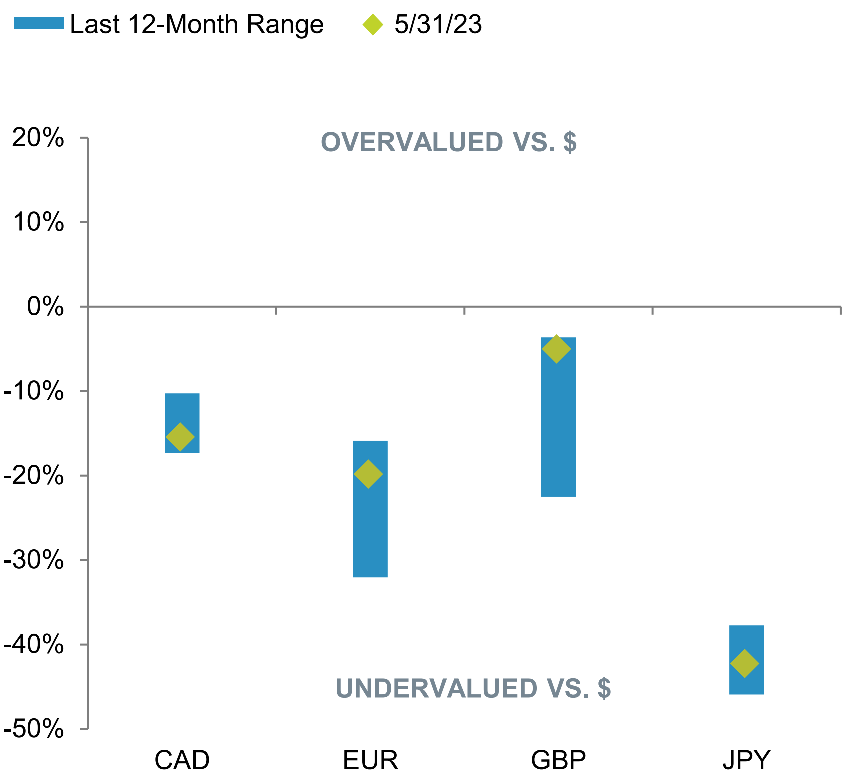
Non-U.S. Currencies Appear Relatively Attractive

The dollar appreciated modestly during Q2. Interest rate differentials have been the key driver of currency performance this year, and the dollar benefited as the Fed kept hiking rates. However, that trend is easing as other central banks continue to tighten their monetary policies. On a long-term basis, non-U.S. currencies appear undervalued relative to the dollar.

Interest Rate Impact on USD Outperformance



FX Valuation: Purchasing Power Parity (PPP)

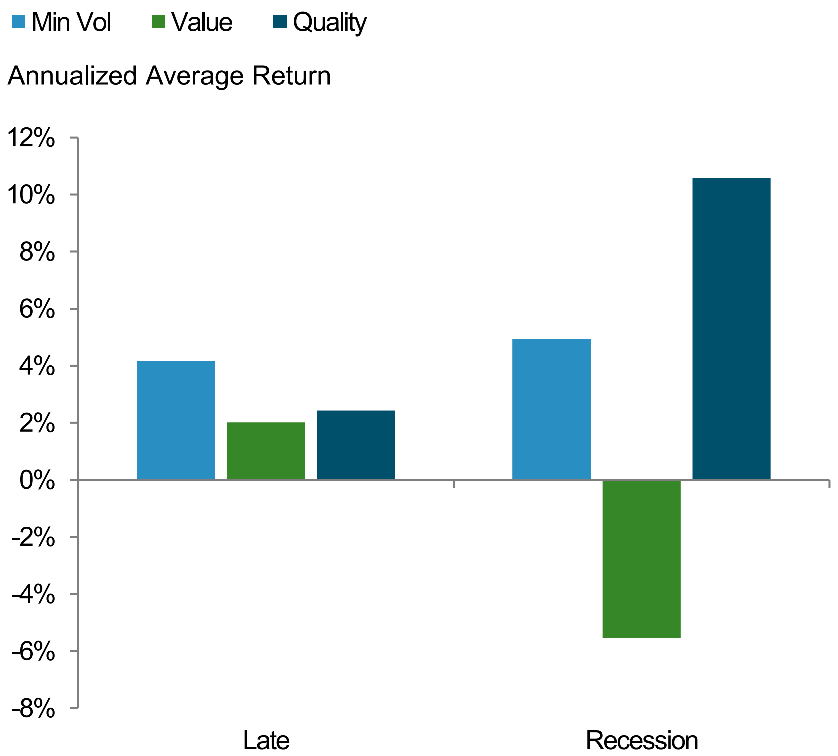


FX: Foreign currency exchange rate. **LEFT**: Interest rate differential measures the difference between U.S. and market-cap-weighted DM rates. Correlation measured as 1-year rolling average. Sources: Bloomberg, Fidelity Investments, and MSCI, as of 5/31/23. **RIGHT**: Source: Bloomberg Finance L.P., Haver Analytics, and Fidelity Investments, as of 5/31/23.

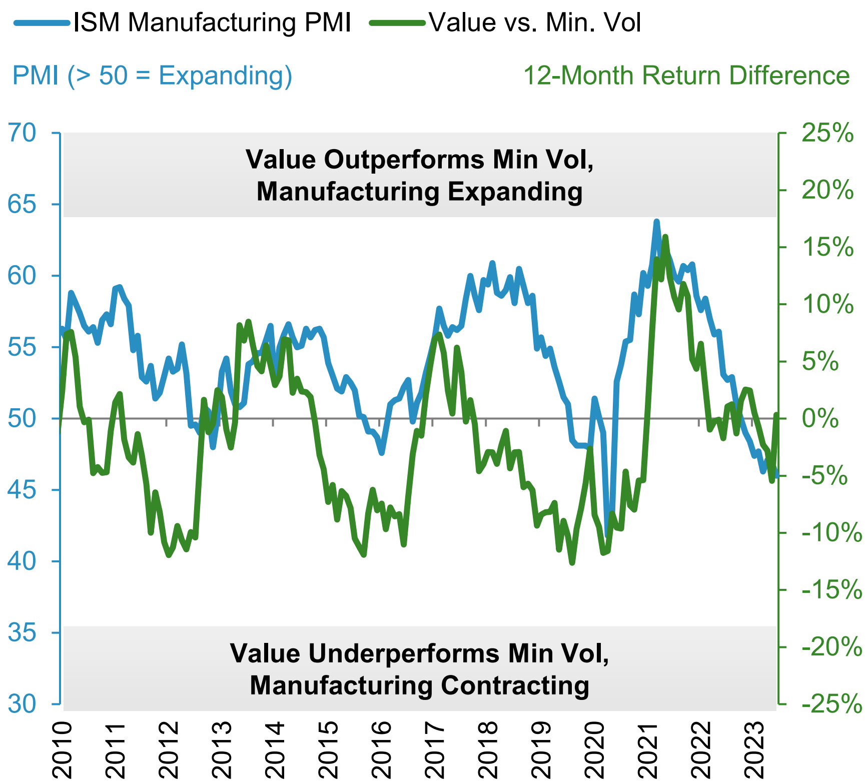
Decelerating Growth May Support Min Vol Factor

Historically more-defensive factors like min vol tends to outperform as manufacturing activity moderates, overall growth decelerates, and late-cycle dynamics take hold. The defensive min vol factor, in addition to quality, also tends to outperform the market during recessions.

Factor Returns vs. Market through Cycle (1995–2022)



Relative Performance vs. Manufacturing Cycles



For illustrative purposes only. Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against a loss. It is not possible to invest directly in an index. See Appendix for important index information. **LEFT**: Market—MSCI USA Index; Min Vol—MSCI USA Minimum Volatility Index, Value–MSCI USA Value Index. Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 12/31/22. **RIGHT**: Min Vol—MSCI USA Minimum Volatility Index, Value–MSCI USA Value Index. Source: ISM (Institute for Supply Management), Bloomberg Finance L.P., Haver Analytics, Fidelity Investments (AART), as of 6/30/23.

Business Cycle Approach to Equity Sectors

A disciplined business cycle approach to sector allocation seeks to generate active returns by favoring industries that may benefit from cyclical trends. Economically sensitive sectors historically have performed better in the early- and mid-cycle phases of an economic expansion. Meanwhile, companies in defensive sectors with relatively more stable earnings growth have tended to outperform in weaker environments.

Business Cycle Approach to Sectors

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

Past performance is no guarantee of future results. Sectors as defined by GICS. White line is a theoretical representation of the business cycle as it moves through early, mid, late, and recession phases. Green- and red-shaded portions above represent over- or underperformance, respectively, relative to the broader market; unshaded (white) portions suggest no clear pattern of over- or underperformance. Double +/– signs indicate that the sector is showing a consistent signal across all three metrics: full-phase average performance, median monthly difference, and cycle hit rate. A single +/– indicates a mixed or less consistent signal. Return data from 1962 to 2021. Source: Fidelity Investments (AART), as of 6/30/23.

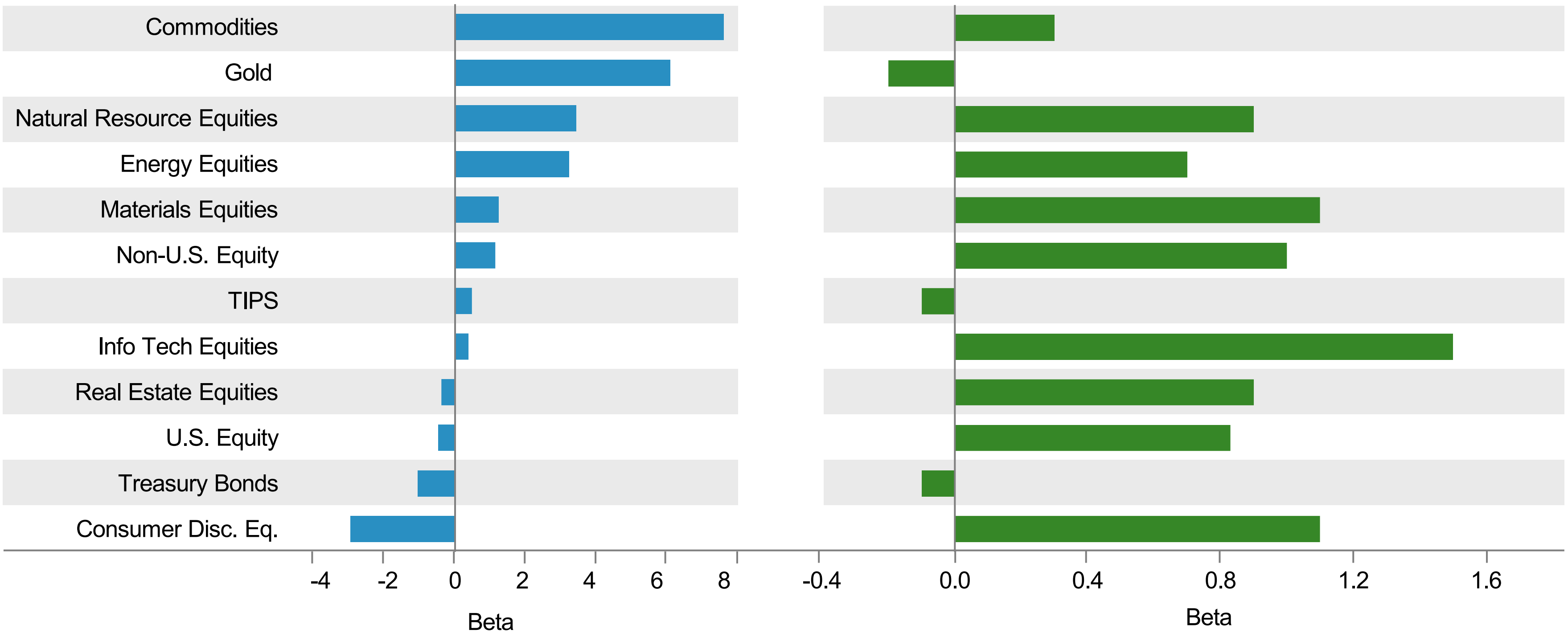
Fidelity INVESTMENTS

Inflation-Sensitive Assets Can Help Provide Diversification

The potential for a sustained period of higher inflation presents risks for a multi-asset portfolio. Inflation-resistant assets, including commodities and commodity-producer equities, can help hedge against surprise increases in inflation while providing potential for capital appreciation in a high nominal-growth environment. Inflation-hedging fixed income assets, such as TIPS*, have provided better diversification than Treasuries.

Return Sensitivity to Inflation Surprises (1972–2022)

Return Sensitivity to Growth Surprises (1972–2022)

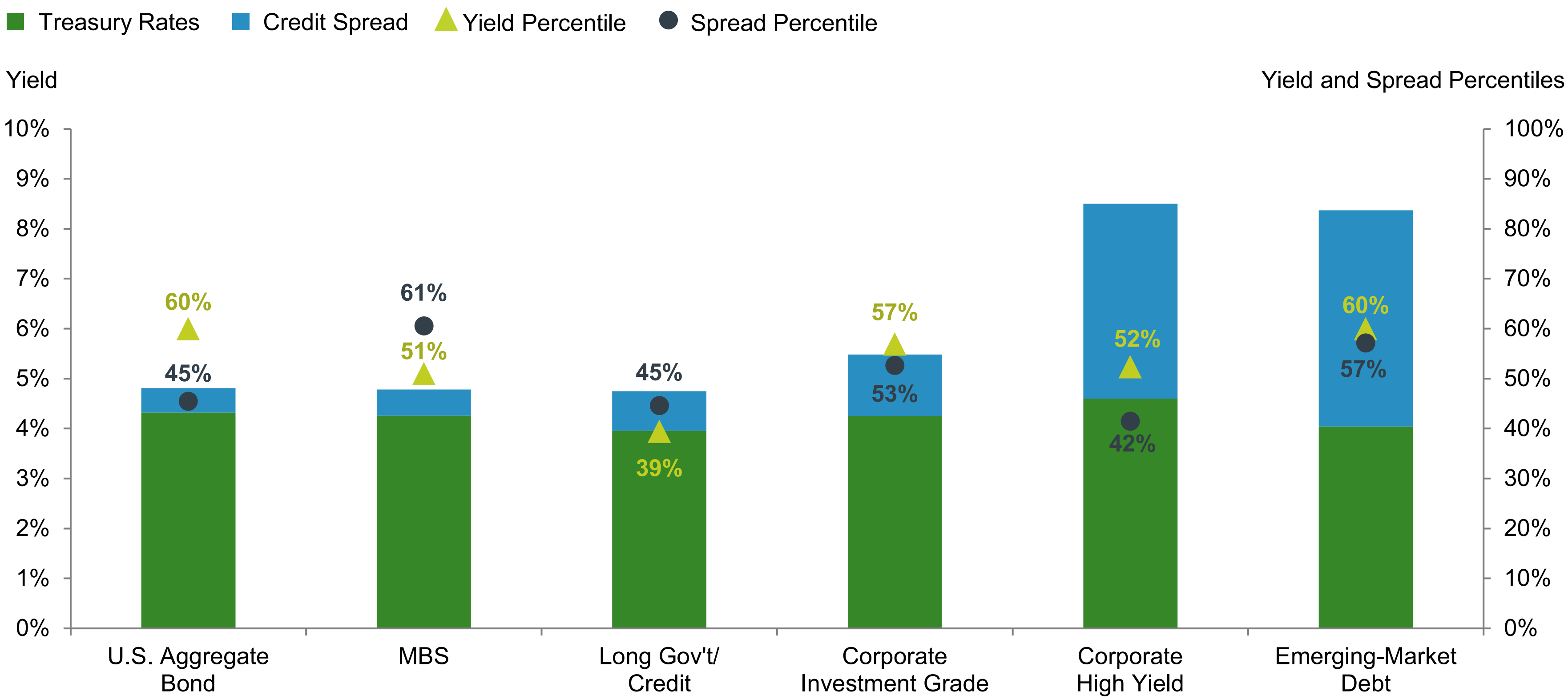


Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against loss. *TIPS are Treasury Inflation-Protected Securities. Inflation sensitivity measured relative to CPI, an index that tracks the percentage change in the price of a specified "basket" of consumer goods and services. Growth sensitivity measured relative to the Purchasing Manager's Index (PMI) that shows the prevailing trends in the manufacturing and service sectors. Beta is a measure of a variable's sensitivity (response) relative to changes (volatility) in a reference (benchmark), which has a beta of 1. Indexes: U.S. Equity—Dow Jones U.S. Total Stock Market Index℠; Non-U.S. Equity (EM+DM)—MSCI ACWI ex USA Index; Commodities—Bloomberg Commodity Index Total Return℠. Commodity sectors represent categories within the Bloomberg Commodity Index Total Return℠. Equity sectors represent categories within MSCI as defined by the Global Industry Classification Standard (GICS®). See Appendix for index definitions and other important information. Source: Bureau of Labor Statistics, Fidelity Investments; data 1/1/72 through 2/28/22.

Fixed Income Yields and Spreads Near Historical Averages

As banking-sector turmoil abated during Q2, Treasury yields rose and credit spreads fell across most fixed income categories. Most major bond sectors' yields and spreads finished roughly near their averages over the past two decades. After many years of very low bond yields and tight credit spreads, fixed income assets may offer relatively better income opportunities with more attractive valuations.

Fixed Income Yields and Spreads (1993–2023)



U.S. Aggregate Bond—Bloomberg U.S. Aggregate Bond Index; MBS—Bloomberg MBS Index; Long Gov't/Credit Bonds—Bloomberg Long Government & Credit Index; Corporate Investment Grade—Bloomberg U.S. Corporate Bond Index; High-Yield Bonds—ICE BofA High Yield Bond Index; Emerging-Market Bonds—JP Morgan EMBI Global Diversified Composite Index. Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. Percentile ranks of yields and spreads based on historical period from 1993 to 2023. Treasury rates different across asset classes due to different duration for each index.
Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/23.

Long-Term Themes

LONG-TERM

Secular Trends Present New Challenges for Asset Markets

We believe shifting long-term trends in economic and policy conditions imply a secular regime change for financial markets. Record-high debt and widespread aging demographics create challenges for fiscal and monetary policy, while more unstable geopolitics and peaking global integration represent a different direction from recent decades. Inflation, policy, and profit risks warrant higher levels of strategic diversification.

Broad Secular Trends	Secular Factors	Impact
Unprecedented Debt Levels	Monetary policy	More uncertain with bigger swings between financial repression and fighting inflation
Widespread Aging Demographics	Fiscal policy	Higher structural deficits
Peak Globalization	Labor force	Supply constrained
Geopolitical Instability	Supply-chain self sufficiency, reliability	Less goods and labor disinflation
	National security-oriented policies	Business backdrop less market-driven

RESULTS

- Inflation and interest rates more volatile
- Policy and political risks higher
- Financial fragility
- Profit-margin pressures
- Higher asset price volatility
- Lower global asset correlations

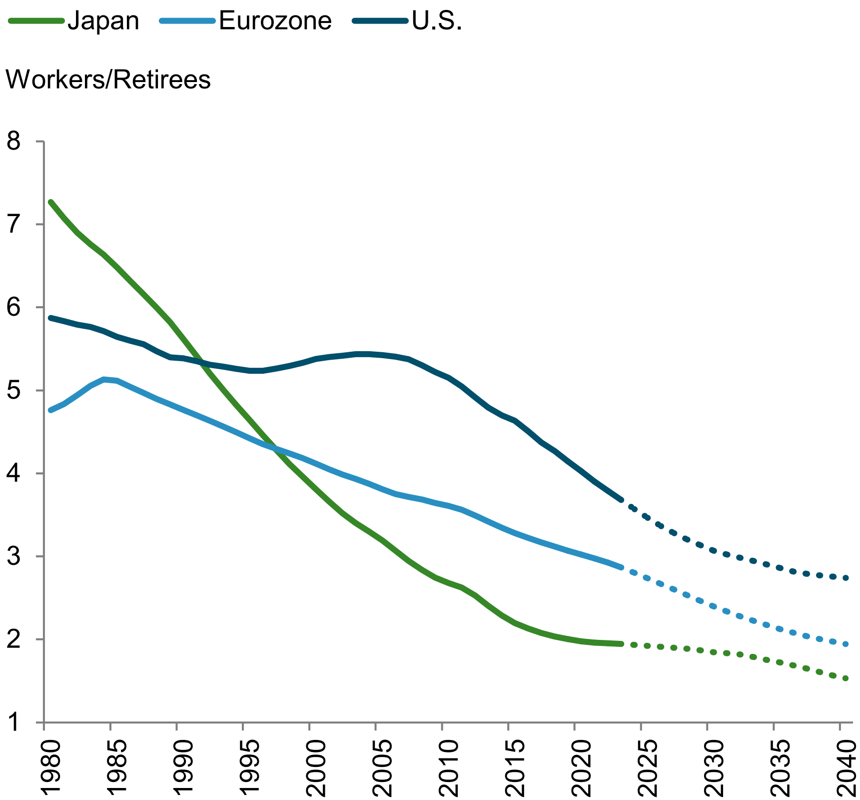
Shows Need for **Strategic Diversification:** More nuanced diversification and less reliance on simple extrapolation of past trends

 Diversification does not ensure a profit or guarantee against a loss. Source: Fidelity Investments (AART), as of 6/30/23.

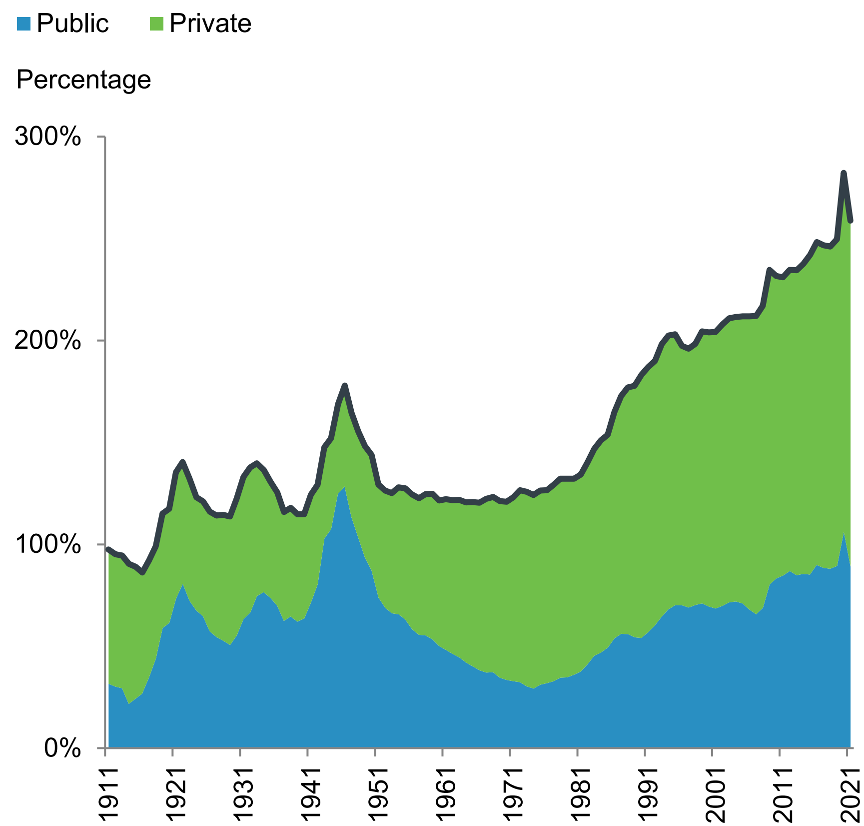
Unprecedented Debt Levels amid Aging Demographics

Most major economies face deteriorating demographic trends. With fewer new workers to support a growing number of retirees, greater fiscal pressures are ahead due to rising spending on pensions and health care. The dramatic worldwide rise in public and private debt in recent decades has been sustained by extraordinary monetary accommodation, leaving the outlook more uncertain amid higher interest and inflation rates.

Demographic Support Ratio



Global Debt as a Share of GDP



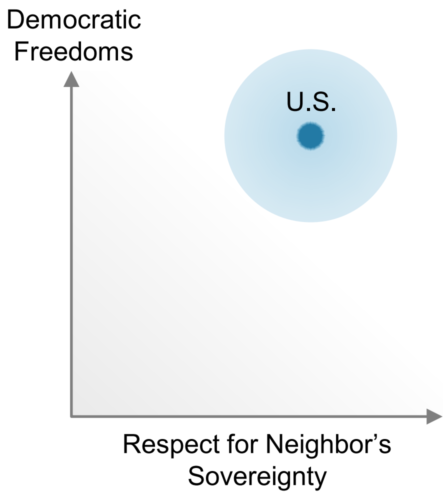
LEFT: The demographic support ratio is calculated as the number of workers (15–64 years old)/number of retirees (65 and older). Dotted line represents a projection. Source: United Nations, Haver Analytics, Fidelity Investments (AART), as of 7/31/22.

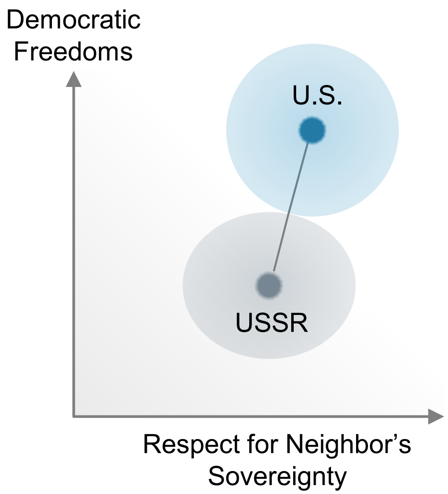
RIGHT: Source: Bank of International Settlements, International Monetary Fund, Maddison Project, Fidelity Investments (AART), and the Jordà-Schularick-Taylor Macrohistory Database, compiled by Oscar Jordà, Moritz Schularick, and Alan M. Taylor, as of 12/31/21.

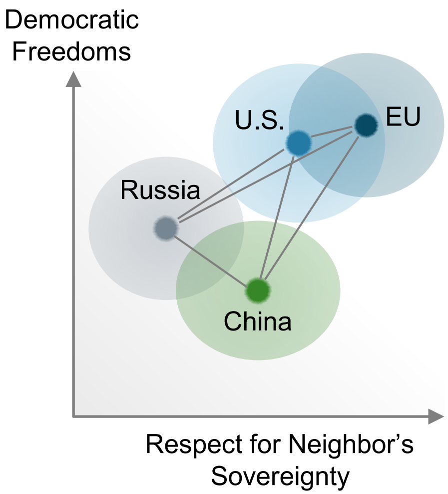
Geopolitical Risk: More Great Powers, Less Stability

The Ukraine war is a stark reminder that we've shifted to a secular environment of higher geopolitical risk. The distribution of power among the world's great powers determines the structure of the world order, and in recent decades, we enjoyed a stable, unipolar backdrop under U.S. global dominance. Today, power has become more evenly distributed among a number of countries, leaving the backdrop inherently more unstable.

UNIPOLAR	BIPOLAR	MULTIPOLAR
Very Stable	**Pretty Stable**	**Unstable**
1990s–Early 21st Century	**1960s–1980s**	**Today**





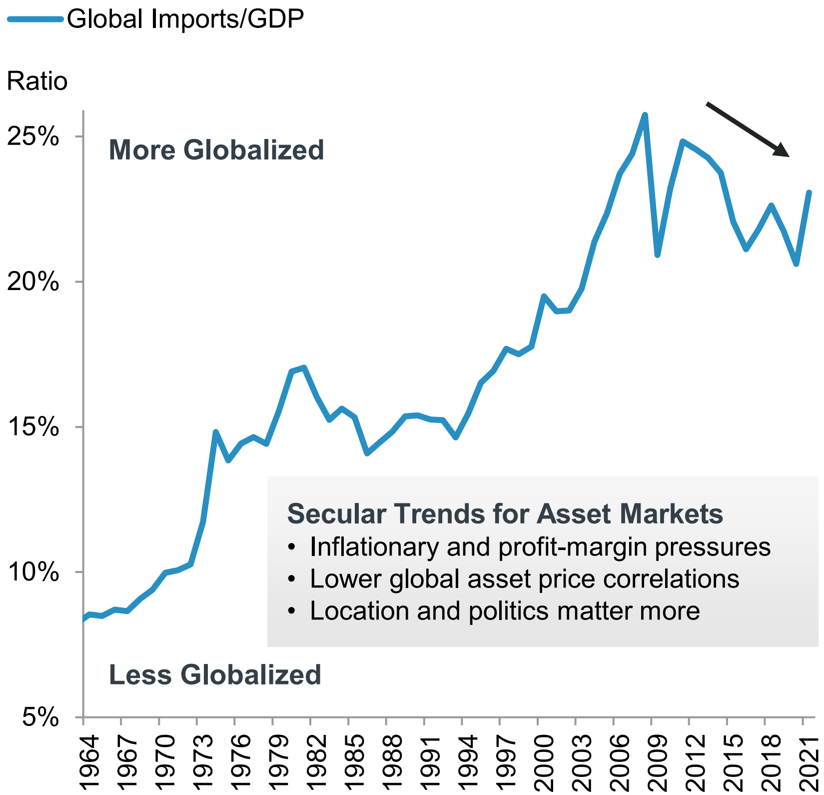


 Source: Fidelity Investments (AART), as of 6/30/23.

U.S.-China Friction at Heart of Managed Globalization Trend

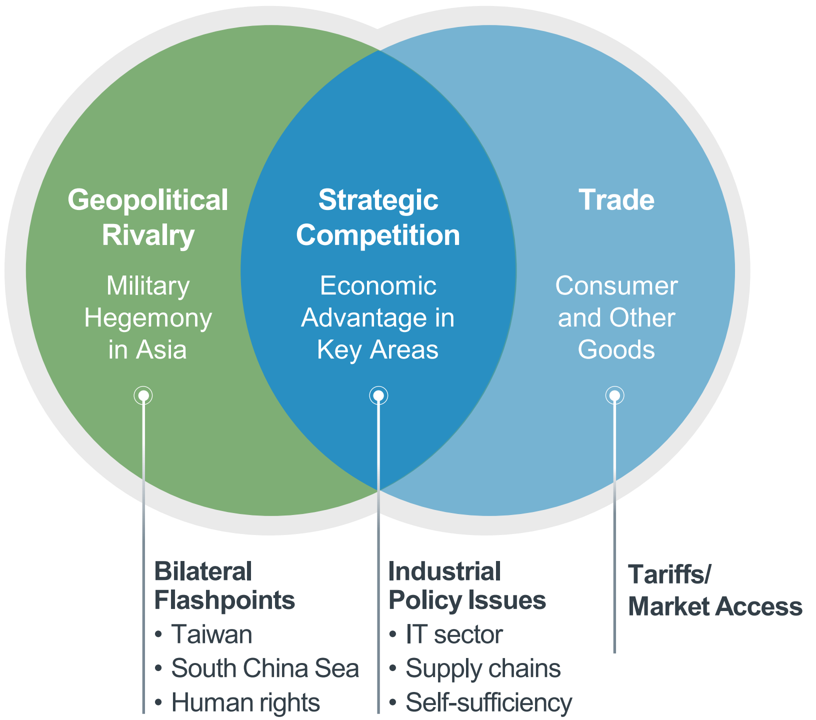
After decades of rapid global integration, economic openness has stalled in recent years. The deepening U.S.–China rivalry creates friction at the center of the globalized trading system, and it implies continued political risk for commercial activities, such as the bipolarization of the tech industry. The more domestic politics and location matter, the greater the potential benefits and active opportunities from global asset diversification.

Trade Globalization



Secular Trends for Asset Markets
- Inflationary and profit-margin pressures
- Lower global asset price correlations
- Location and politics matter more

U.S.–China Relationship



 Diversification does not ensure a profit or guarantee against a loss. Source: International Monetary Fund (IMF), World Bank, Haver Analytics, Fidelity Investments (AART), as of 12/31/22.

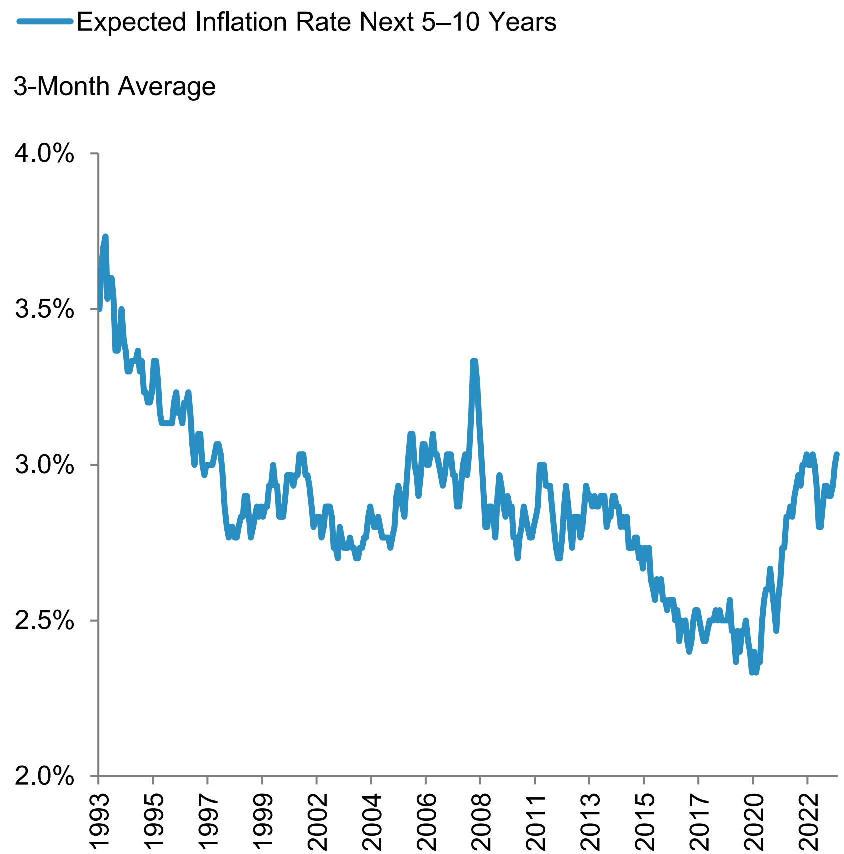
Secular Inflation Risks Confront Monetary Policymakers

Several long-term trends have become more inflationary in recent years, raising the odds that we've entered a medium-term, high-inflation regime. These factors include supply-side pressures from deglobalization and aging demographics, accommodative fiscal policies, and decelerating long-term productivity rates. Despite the recent drop in near-term inflation rates, U.S. consumers' long-term inflation expectations are at decade highs.

Possible Secular Impact on Inflation

Secular Factors	Long-Term Trends	Risks to Inflation
Policy	Fed tolerates higher inflation	⬆
	More-accommodative fiscal policy	⬆
Peak Globalization	• More-expensive goods & labor	⬆
	• Geopolitical friction	⬆
Aging Demographics	Older adults:	
	• Spend less (reducing demand)	⬇
	• Work less (reducing supply)	⬆
Technological Progress	Artificial intelligence, robots	⬇
	Declining long-term productivity	⬆
Climate Change	More-volatile weather, supply damage	⬆
	Greater innovation/R&D in clean energy	⬇

Consumer Long-Term Inflation Expectations

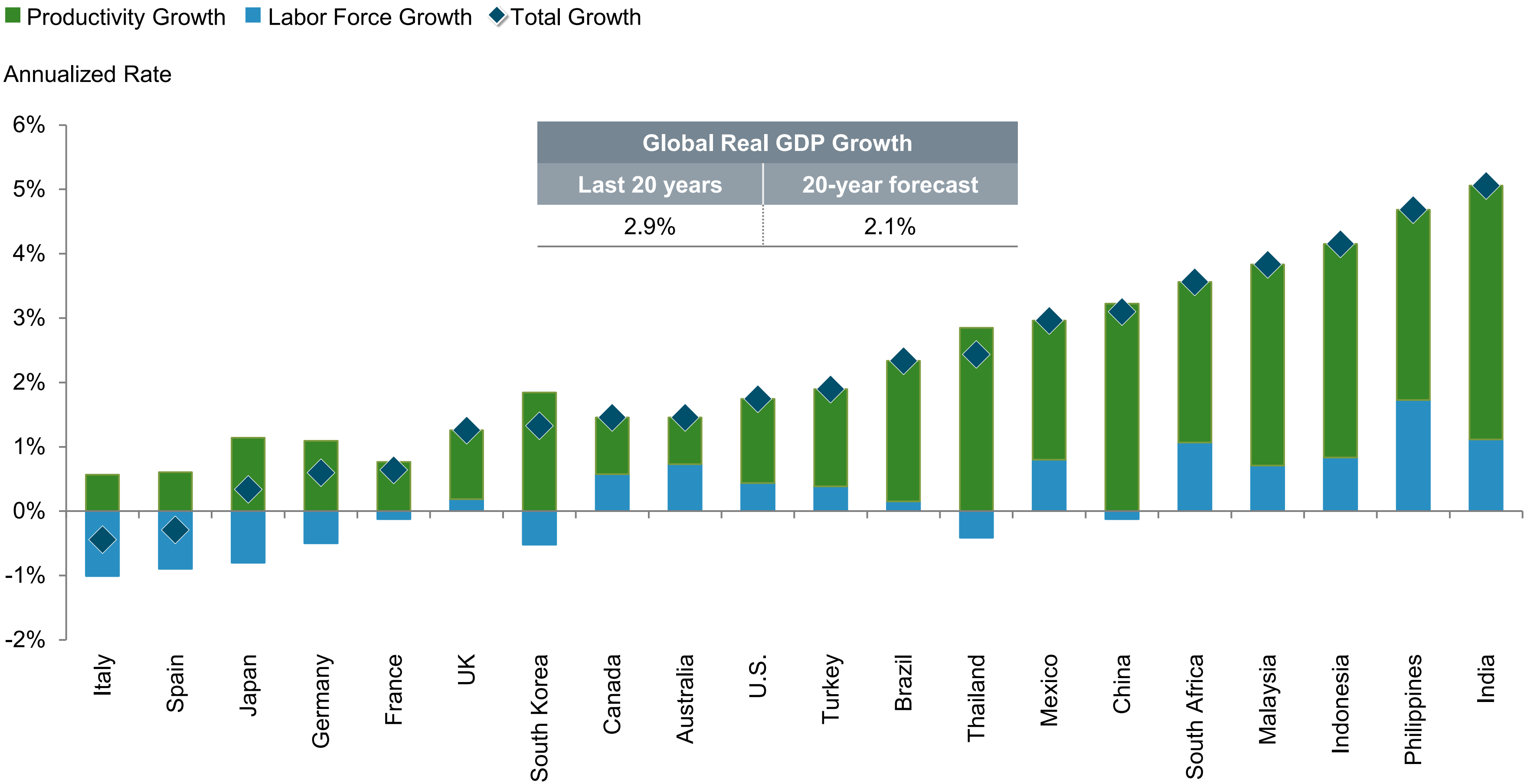


LEFT: Diversification does not ensure a profit or guarantee against a loss. Source: Fidelity Investments (AART), as of 12/31/22. **RIGHT**: University of Michigan Survey of Consumers. Source: University of Michigan, Haver Analytics, Fidelity Investments (AART), as of 6/30/23.

Secular Forecast: Slower Global Growth, EM to Lead

Slowing labor-force growth and aging demographics are expected to tamp down global economic growth over the next two decades (relative to the past 20 years). We expect GDP growth in emerging markets to outpace that of developed markets over the long term, providing a relatively favorable secular backdrop for emerging-market equity returns.

Real GDP 20-Year Growth Forecasts



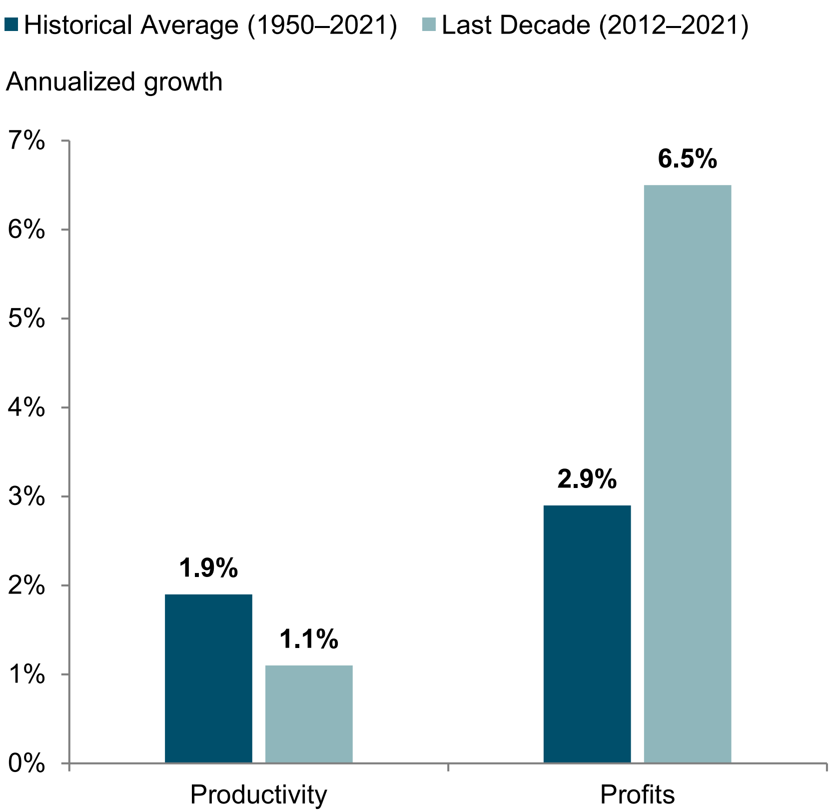
Global Real GDP Growth	
Last 20 years	20-year forecast
2.9%	2.1%

Past performance is no guarantee of future results. EM: Emerging markets. GDP: Gross domestic product.
Source: OECD and Fidelity Investments (AART), as of 5/31/23.

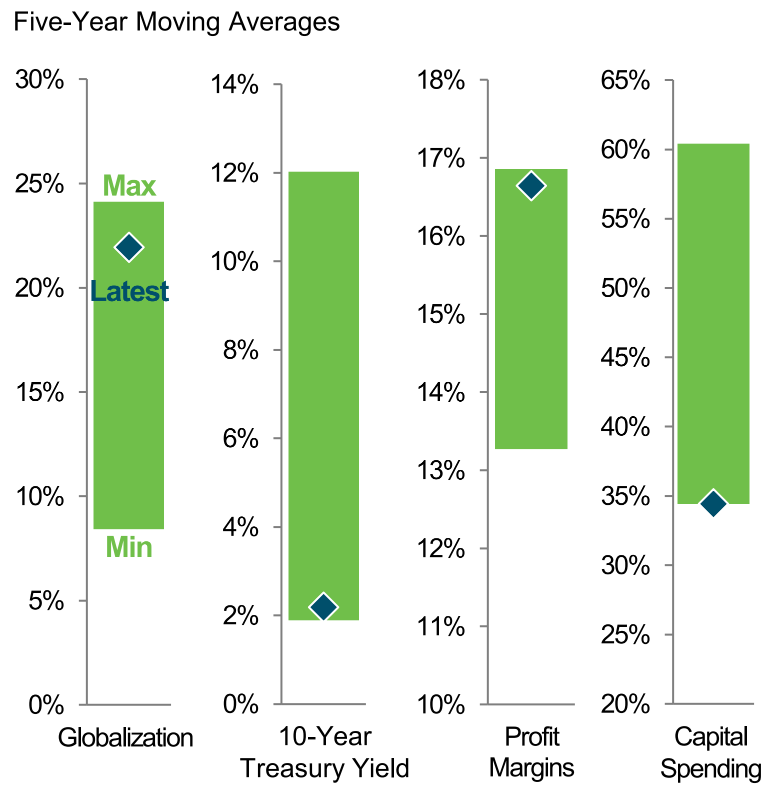
Change in Corporate Behavior on the Horizon?

Over the past two decades, corporations were able to generate record-high profit growth despite productivity growth sinking to post-war lows. Businesses reduced costs by globalizing supply chains and taking advantage of record-low interest rates. With rates now higher and globalization past its peak, corporations may raise their capital expenditures from record-low levels, which could boost the productivity outlook.

Real Productivity Growth vs. Real Profit Growth



Range of Corporate Indicators, 1962–2022



LEFT: Productivity is real GDP per hour. Profits are real S&P 500 earnings per share. Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Standard and Poor's, Haver Analytics, Fidelity Investments (AART), as of 12/31/21. **RIGHT:** Globalization measured as global imports/GDP. Profit margins measured as EBITDA/Sales. Capital spending is relative to EBITDA and excludes financials and real estate. Exhibit compiled using annual data. Source: IMF, World Bank, Federal Reserve Board, Fidelity Investments (AART), as of 12/31/22.

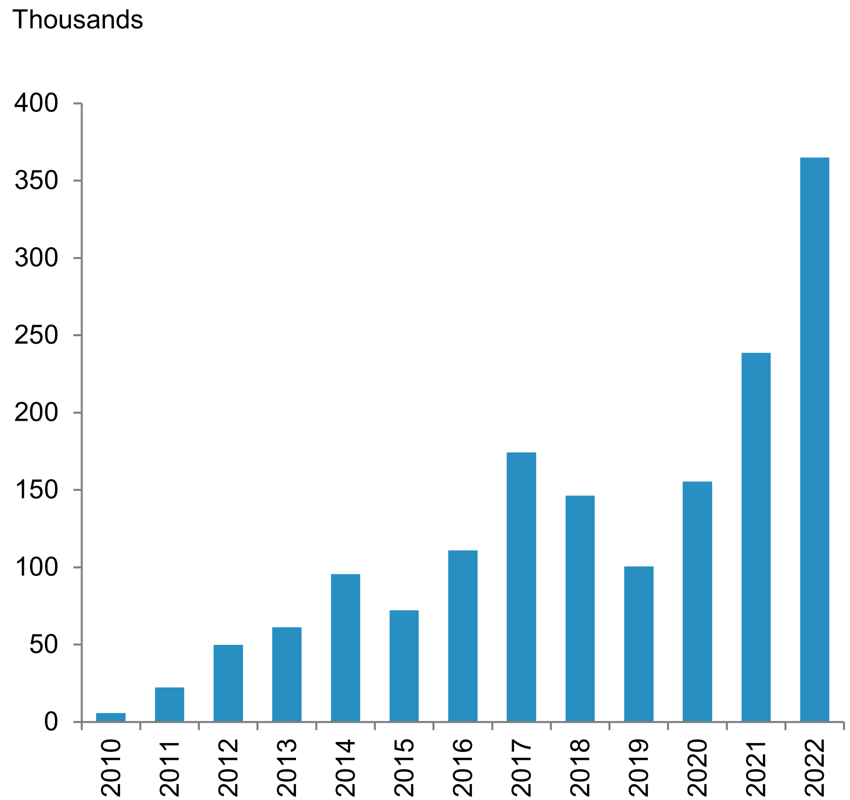
Strategic Opportunities amid Productivity Upside Scenarios

With long-term productivity rates slumping at multi-decade lows, a number of potential catalysts could boost productivity over the next decade. For instance, private and public investments to reshore manufacturing activities, mitigate the impact of climate change, and expand the use of AI have picked up steam. Secular changes may provide greater global active opportunities across regions, countries, industries, and companies.

Examples of Strategic Opportunities

Global opportunities	Capex, innovation, and shifting market leadership opportunities
Lower asset correlations increase the benefits of geographic diversification	**Environmental** Climate mitigation and adaptation, decarbonization
Greater active opportunities across regions, countries, industries, and companies	**Reshoring and near-shoring** Regionalization, supply-chain resilience
	National security Energy, critical resources, defense, cyber
Non-aligned countries as key beneficiaries	**Artificial intelligence** Sector-specific automation, wider adoption

U.S. Jobs Created from Reshoring and FDI



FDI is Foreign Direct Investment. Diversification and asset allocation do not ensure a profit or guarantee against loss. LEFT: Source: Fidelity Investments (AART) as of 6/30/23. RIGHT: Based on reshoring announcements by U.S. headquartered companies and FDI by foreign companies that are shifting production or sourcing from offshore to the U.S. Source: Reshoring Initiative, Fidelity Investments (AART), as of 12/31/22.

Performance Rotations Underscore Need for Diversification

The performance of different assets has fluctuated widely from year to year, and the magnitude of returns can vary significantly among asset classes in any given year—even among asset classes that are moving in the same direction. A portfolio allocation with a variety of global assets illustrates the potential benefits of diversification.

Periodic Table of Returns

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD
32%	35%	35%	40%	5%	79%	28%	8%	20%	39%	28%	5%	21%	38%	0%	36%	38%	43%	16%	28%
26%	21%	33%	16%	-20%	58%	27%	8%	19%	34%	14%	3%	18%	30%	-2%	31%	20%	29%	-8%	17%
21%	14%	27%	12%	-26%	37%	19%	4%	18%	33%	13%	1%	18%	26%	-2%	26%	18%	27%	-11%	12%
18%	12%	22%	11%	-34%	32%	18%	4%	18%	32%	12%	1%	12%	22%	-3%	26%	18%	26%	-13%	11%
17%	7%	18%	7%	-36%	28%	17%	2%	16%	23%	11%	1%	12%	15%	-4%	26%	14%	25%	-14%	8%
11%	5%	16%	6%	-36%	27%	16%	2%	16%	19%	6%	0%	11%	15%	-4%	22%	8%	17%	-16%	5%
11%	5%	12%	5%	-37%	26%	15%	0%	16%	7%	5%	-4%	9%	13%	-9%	22%	8%	15%	-18%	5%
9%	5%	11%	2%	-38%	20%	15%	-4%	15%	3%	3%	-4%	8%	9%	-11%	18%	6%	11%	-20%	5%
8%	4%	9%	-1%	-38%	19%	12%	-12%	11%	-2%	-2%	-5%	7%	8%	-11%	14%	3%	5%	-20%	5%
7%	3%	4%	-2%	-43%	18%	8%	-13%	4%	-2%	-4%	-15%	3%	4%	-11%	9%	-3%	-2%	-24%	2%
4%	2%	2%	-16%	-53%	6%	7%	-18%	-1%	-10%	-17%	-25%	2%	1%	-14%	8%	-8%	-3%	-29%	-8%

Legend
Growth Stocks
Large Cap Stocks
Foreign-Developed Country Stocks
60% Large Cap 40% IG Bonds
Small Cap Stocks
High-Yield Bonds
REITs
Value Stocks
Emerging-Market Stocks
Investment-Grade Bonds
Commodities

Past performance is no guarantee of future results. Diversification/asset allocation does not ensure a profit or guarantee against a loss. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. Asset classes represented by: Commodities—Bloomberg Commodity Index; Emerging-Market Stocks—MSCI Emerging Markets Index; Non-U.S. Developed-Country Stocks—MSCI EAFE Index; Growth Stocks—Russell 3000 Growth Index; High-Yield Bonds—ICE BofA U.S. High Yield Index; Investment-Grade Bonds—Bloomberg U.S. Aggregate Bond Index; Large Cap Stocks—S&P 500 index; Real Estate/REITs—FTSE NAREIT All Equity Total Return Index; Small Cap Stocks—Russell 2000 Index; Value Stocks—Russell 3000 Value Index. Source: Morningstar, Standard & Poor's, Haver Analytics, Fidelity Investments (AART), as of 6/30/23.

Appendix: Important Information

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.

Before making any investment decisions, you should consult with your own professional advisers and take into account all of the particular facts and circumstances of your individual situation. Fidelity and its representatives may have a conflict of interest in the products or services mentioned in these materials because they have a financial interest in them, and receive compensation, directly or indirectly, in connection with the management, distribution, and/or servicing of these products or services, including Fidelity funds, certain third-party funds and products, and certain investment services.

Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk. Nothing in this content should be considered legal or tax advice, and you are encouraged to consult your own lawyer, accountant, or other advisor before making any financial decision. These materials are provided for informational purposes only and should not be used or construed as a recommendation of any security, sector, or investment strategy.

Past performance and dividend rates are historical and do not guarantee future results.

Investing involves risk, including risk of loss.

Diversification does not ensure a profit or guarantee against a loss.

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.

Indexes are unmanaged. It is not possible to invest directly in an index.

Although bonds generally present less short-term risk and volatility than stocks, bonds do contain interest rate risk (as interest rates rise, bond prices usually fall, and vice versa) and the risk of default, or the risk that an issuer will be unable to make income or principal payments.

Additionally, bonds and short-term investments entail greater inflation risk—or the risk that the return of an investment will not keep up with increases in the prices of goods and services—than stocks. Increases in real interest rates can cause the price of inflation-protected debt securities to decrease.

Stock markets, especially non-U.S. markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets. The securities of smaller, less well-known companies can be more volatile than those of larger companies.

There is no guarantee that a factor-based investing strategy will enhance performance or reduce risk. Before investing, make sure you understand how a factor investment strategy may differ from a more traditional index-based or actively managed approach. Depending on market conditions, factor-based investments may underperform compared to investments that seek to track a market-capitalization-weighted index or investments that employ full active management.

Growth stocks can perform differently from the market as a whole and from other types of stocks and can be more volatile than other types of stocks. Value stocks can perform differently from other types of stocks and can continue to be undervalued by the market for long periods of time.

Lower-quality debt securities generally offer higher yields but also involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Any fixed income security sold or redeemed prior to maturity may be subject to loss.

Floating rate loans generally are subject to restrictions on resale, and sometimes trade infrequently in the secondary market; as a result, they may be more difficult to value, buy, or sell. A floating rate loan may not be fully collateralized and therefore may decline significantly in value.

The municipal market can be affected by adverse tax, legislative, or political changes, and by the financial condition of the issuers of municipal securities. Interest income generated by municipal bonds is generally expected to be exempt from federal income taxes and, if the bonds are held by an investor resident in the state of issuance, from state and local income taxes. Such interest income may be subject to federal and/or state alternative minimum taxes. Investing in municipal bonds for the purpose of generating tax-exempt income may not be appropriate for investors in all tax brackets. Generally, tax-exempt municipal securities are not appropriate holdings for tax-advantaged accounts, such as IRAs and 401(k)s.

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

The gold industry can be significantly affected by international monetary and political developments, such as currency devaluations or revaluations, central bank movements, economic and social conditions within a country, trade imbalances, or trade or currency restrictions between countries.

Changes in real estate values or economic downturns can have a significant negative effect on issuers in the real estate industry.

Leverage can magnify the impact that adverse issuer, political, regulatory, market, or economic developments have on a company. In the event of bankruptcy, a company's creditors take precedence over the company's stockholders.

Appendix: Important Information

Market Indexes

Index returns on slide 30 represented by: Growth—Russell 3000® Growth Index; Small Cap—Russell 2000® Index; Large Cap—S&P 500®; Mid Cap—Russell Midcap® Index; Value—Russell 3000® Value Index; ACWI ex USA—MSCI ACWI (All Country World Index) ex USA Index; Japan—MSCI Japan Index; EAFE Small Cap—MSCI EAFE Small Cap Index; EAFE—MSCI EAFE (Europe, Australasia, Far East) Index; Europe—MSCI Europe Index; Canada—MSCI Canada Index; EM Asia—MSCI Emerging Markets Asia Index; Emerging Markets (EM)—MSCI EM Index; EMEA (Europe, Middle East, and Africa)—MSCI EM EMEA Index; Latin America—MSCI EM Latin America Index; Gold—Gold Bullion Price, LBMA PM Fix; Commodities—Bloomberg Commodity Index; High Yield—ICE BofA U.S. High Yield Index; Leveraged Loan—S&P/LSTA Leveraged Loan Index; TIPS (Treasury Inflation-Protected Securities)—Bloomberg U.S. TIPS Index; EM Debt (Emerging-Market Debt)—JP Morgan EMBI Global Diversified Composite Index; CMBS (Commercial Mortgage-Backed Securities)—Bloomberg Investment-Grade CMBS Index; Credit—Bloomberg U.S. Credit Bond Index; Municipal—Bloomberg Municipal Bond Index; Long Government & Credit (Investment-Grade)—Bloomberg Long Government & Credit Index; ABS (Asset-Backed Securities)—Bloomberg ABS Index; Aggregate—Bloomberg U.S. Aggregate Bond Index; Agency—Bloomberg U.S. Agency Index; Treasuries—Bloomberg U.S. Treasury Index; MBS (Mortgage-Backed Securities)—Bloomberg MBS Index; Momentum—Fidelity U.S. Momentum Factor Index TR; Low Volatility—Fidelity U.S. Low Volatility Factor Index; Quality—Fidelity U.S. Quality Factor Index; Value—Fidelity U.S. Value Factor Index; Size—Fidelity Small-Mid Factor Index; Yield—Fidelity High Dividend Index.

Bloomberg U.S. Aggregate Bond is a broad-based, market value-weighted benchmark that measures the performance of the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. **Bloomberg U.S. Credit Bond Index** is a market value-weighted index of investment-grade corporate fixed-rate debt issues with maturities of one year or more.

Bloomberg U.S. Treasury Index is a market value-weighted index of public obligations of the U.S. Treasury with maturities of one year or more. **Bloomberg U.S. Treasury Inflation-Protected Securities (TIPS) Index (Series-L)** is a market value-weighted index that measures the performance of inflation-protected securities issued by the US Treasury. **Bloomberg Long U.S. Government Credit Index** includes all publicly issued U.S. government and corporate securities that have $250 million or more of outstanding face value. **Bloomberg U.S. Agency Bond Index** is a market value-weighted index of U.S. Agency government and investment-grade corporate fixed-rate debt issues. **Bloomberg Municipal Bond Index** is a market value-weighted index of investment-grade municipal bonds with maturities of one year or more.

Bloomberg U.S. MBS Index is a market value-weighted index of fixed-rate securities that represent interests in pools of mortgage loans, including balloon mortgages, with original terms of 15 and 30 years that are issued by the Government National Mortgage Association (GNMA), the Federal National Mortgage Association (FNMA), and the Federal Home Loan Mortgage Corp. (FHLMC).

Bloomberg CMBS Index is designed to mirror commercial mortgage-backed securities of investment-grade quality (Baa3/BBB-/BBB- or above) using Moody's, S&P, and Fitch, respectively, with maturities of at least one year. **Bloomberg ABS Index** is a market value-weighted index that covers fixed-rate asset-backed securities with average lives greater than or equal to one year and that are part of a public deal; the index covers the following collateral types: credit cards, autos, home equity loans, stranded-cost utility (rate-reduction bonds), and manufactured housing.

ICE BofA U.S. High Yield Index is a market capitalization-weighted index of U.S. dollar-denominated, below-investment-grade corporate debt publicly issued in the U.S. market.

JPM® EMBI Global Diversified Composite Index comprises of USD denominated Brady bonds, Eurobonds and Traded loans issued by sovereign and quasi sovereign entities. The Diversified version limits the weights of the index countries by only including a specified portion of those countries' eligible current face amounts of debt outstanding. This provides a more even distribution of weights within the countries in the index.

Standard & Poor's/Loan Syndications and Trading Association (S&P/LSTA) Leveraged Performing Loan Index is a market value-weighted index designed to represent the performance of U.S. dollar-denominated institutional leveraged performing loan portfolios (excluding loans in payment default) using current market weightings, spreads, and interest payments.

Bloomberg Commodity Index measures the performance of the commodities market. It consists of exchange traded futures contracts on physical commodities that are weighted to account for the economic significance and market liquidity of each commodity.

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. **Russell 3000 Growth Index** is a market capitalization-weighted index designed to measure the performance of the broad growth segment of the U.S. equity market. It includes those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth rates. **Russell 3000 Value Index** is a market capitalization-weighted index designed to measure the performance of the small to mid cap value segment of the U.S. equity market. It includes those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth rates. **Russell Midcap® Index** is a market capitalization-weighted index designed to measure the performance of the mid cap segment of the U.S. equity market. It contains approximately 800 of the smallest securities in the Russell 1000 Index.

Russell 1000® Index is a market capitalization-weighted index designed to measure the performance of the large cap segment of the U.S. equity market. **Russell 1000 Growth Index** is a market capitalization-weighted index designed to measure the performance of the large cap growth segment of the U.S. equity market. It includes those Russell 1000 Index companies with higher price-to-book ratios and higher forecasted growth rates. **Russell 1000 Value Index** is a market capitalization-weighted index designed to measure the performance of the large cap value segment of the U.S. equity market. It includes those Russell 1000 Index companies with lower price-to-book ratios and lower expected growth rates.

Russell 2000® Index is a market capitalization-weighted index designed to measure the performance of the small cap segment of the U.S. equity market. It includes approximately 2,000 of the smallest securities in the Russell 3000 Index.

Appendix: Important Information

Market Indexes (continued)

S&P 500® 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 The McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates.

Sectors and **Industries** are defined by Global Industry Classification Standards (GICS®), except where noted otherwise. **S&P 500 sectors**: Consumer Discretionary—companies that tend to be the most sensitive to economic cycles. Consumer Staples—companies whose businesses are 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, and other energy-related services and equipment; 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, insurance and investments, and mortgage real estate investment trusts (REITs). Health Care—companies in two main industry groups: health care equipment suppliers, manufacturers, and providers of health care services; and companies involved in research, development, production, and marketing of pharmaceuticals and biotechnology products. Industrials—companies that manufacture and distribute capital goods, provide commercial services and supplies, or provide transportation services. Information Technology—companies in technology software and services and technology hardware and equipment. Materials—companies that engage in a wide range of commodity-related manufacturing. Real Estate—companies in real estate development, operations, and related services, as well as equity REITs. Communication Services—companies that facilitate communication and offer related content through various media. Utilities—companies considered electric, gas, or water utilities, or that operate as independent producers and/or distributors of power.

Dow Jones U.S. Total Stock Market Index℠ is a full market capitalization-weighted index of all equity securities of U.S.-headquartered companies with readily available price data.

MSCI All Country World Index (ACWI) is a market capitalization-weighted index designed to measure investable equity market performance for global investors of developed and emerging markets. **MSCI ACWI (All Country World Index) ex USA Index** is a market capitalization-weighted index designed to measure investable equity market performance for global investors of large and mid cap stocks in developed and emerging markets, excluding the United States.

MSCI Europe, Australasia, Far East Index (EAFE) is a market capitalization-weighted index designed to measure the investable equity market performance for global investors in developed markets, excluding the U.S. and Canada. **MSCI EAFE Small Cap Index** is a market capitalization-weighted index designed to measure the investable equity market performance of small cap stocks for global investors in developed markets, excluding the U.S. and Canada. **MSCI Europe Index** is a market capitalization-weighted index that is designed to measure the investable equity market performance for global investors of the developed markets in Europe. **MSCI Canada Index** is a market capitalization-weighted index designed to measure equity market performance in Canada. **MSCI Japan Index** is a market capitalization-weighted index designed to measure equity market performance in Japan.

MSCI Emerging Markets (EM) Index is a market capitalization-weighted index designed to measure the investable equity market performance for global investors in emerging markets. **MSCI EM Asia Index** is a market capitalization-weighted index designed to measure equity market performance of EM countries of Asia. **MSCI EM Europe, Middle East, and Africa (EMEA) Index** is a market capitalization-weighted index designed to measure the investable equity market performance for global investors in the EM countries of Europe, the Middle East, and Africa. **MSCI EM Latin America Index** is a market capitalization-weighted index designed to measure the investable equity market performance for global investors in Latin America.

FTSE® National Association of Real Estate Investment Trusts (NAREIT®) All REITs Index is a market capitalization-weighted index that is designed to measure the performance of all tax-qualified REITs listed on the NYSE, the American Stock Exchange, or the NASDAQ National Market List. **FTSE® NAREIT® Equity REIT** Index is an unmanaged market value-weighted index based on the last closing price of the month for tax-qualified REITs listed on the New York Stock Exchange (NYSE). **FTSE NAREIT All Equity Total Return Index** is a market capitalization-weighted index that is designed to measure the performance of tax-qualified real estate investment trusts (REITs) listed on the New York Stock Exchange, the NYSE MKT LLC, or the NASDAQ National Market List.

Fidelity U.S. Low Volatility Factor Index is designed to reflect the performance of stocks of large and mid-capitalization U.S. companies with lower volatility than the broader market. **Fidelity U.S. Value Factor Index** is designed to reflect the performance of stocks of large and mid-capitalization U.S. companies that have attractive valuations. **Fidelity U.S. Quality Factor Index** is designed to reflect the performance of stocks of large and mid-capitalization U.S. companies with a higher quality profile than the broader market. **Fidelity Small-Mid Factor Index** is designed to reflect the performance of stocks of small and mid-capitalization U.S. companies with attractive valuations, high quality profiles, positive momentum signals, and lower volatility than the broader market. **Fidelity U.S. Momentum Factor Index** is designed to reflect the performance of stocks of large and mid-capitalization U.S. companies that exhibit positive momentum signals. **Fidelity High Dividend Index** is designed to reflect the performance of stocks of large and mid-capitalization dividend-paying companies that are expected to continue to pay and grow their dividends.

The London Bullion Market Association (LBMA) publishes the international benchmark price of gold in USD, twice daily. The LBMA gold price auction takes place by ICE Benchmark Administration (IBA) at 10:30 a.m. and 3:00 p.m.

Consumer Price Index (CPI) is an inflationary indicator published monthly by the U.S. Bureau of Labor Statistics that measures the change in the cost of a fixed basket of products and services, including housing, electricity, food, and transportation.

Personal consumption expenditure (PCE) indexes, published by the U.S. Bureau of Economic Analysis, are a primary measure of actual and imputed household expenditures on goods (durable and non-durable) and services. Core PCE, the Federal Reserve's preferred measure of consumer price inflation, excludes volatile food and energy prices. Definitions, data, and related resources regarding CPI and PCE variants are available at https://www.atlantafed.org/research/inflationproject/underlying-inflation-dashboard.

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Appendix: Important Information

Market Indexes (continued)

Bloomberg Commodity Total Return Sub-indexes are composed of futures contracts and reflect the returns on fully collateralized commodity investments in metals, agriculture, energy, and precious metals. The sub-indexes are the Bloomberg Industrial Metals Subindex Total Return Index, Bloomberg Agriculture Subindex Total Return Index, Bloomberg Energy Subindex Total Return Index, and the Bloomberg Precious Metals Subindex Total Return Index.

The Chartered Financial Analyst® (CFA®) designation is offered by CFA Institute. To obtain the CFA charter, candidates must pass three exams demonstrating their competence, integrity, and extensive knowledge in accounting, ethical and professional standards, economics, portfolio management, and security analysis, and must also have at least 4,000 hours of qualifying work experience completed in a minimum of 36 months, among other requirements. CFA® is a trademark owned by CFA Institute.

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