Commentary | Second Quarter 2024

Quarterly Market Update

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Market Summary

Economy/Macro Backdrop

Asset Markets

Long-Term Themes

Market summary

Cyclical stabilization boosted stock prices and bond yields

The global economic and earnings growth backdrop exhibited signs of broadening stabilization in the first quarter. Although core U.S. inflation pressures remained elevated and investors dialed back their expectations for the magnitude of Federal Reserve rate cuts, investors remained largely optimistic that global monetary policymakers would soon shift to easing. Some evidence of mid-cycle dynamics rose during Q1, although upside surprises may be more difficult amid higher asset valuations.

	MACRO	ASSET MARKETS
Q1 2024	• Global economic expansion broadened with disinflation trends moderating.	• Stock prices and bond yields rose.
OUTLOOK	• The global business cycle remains in expansion, with increasing signs of improvement across geographies. • The solid consumer backdrop supports the U.S. late-cycle expansion phase, with evidence of mid-cycle dynamics rising. • Core U.S. inflation pressures appear persistent, implying the “last mile” of disinflation toward the Fed’s target may be difficult without greater economic slowing. • Near-term recession risks appear muted, but a full pivot to a disinflationary mid-cycle environment remains uncertain.	• Markets continue to enjoy favorable momentum and easier financial conditions. • The global monetary tightening cycle appears over, but the pace and magnitude of easing remains uncertain. • Upside surprises may be more difficult amid low market volatility and higher valuations. • Some equity sectors and categories, including non-U.S. stocks, have priced in less good news and appear relatively attractive. • Late-cycle positioning implies smaller cyclical tilts, but we’re monitoring the potential for an even more elongated cycle.

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

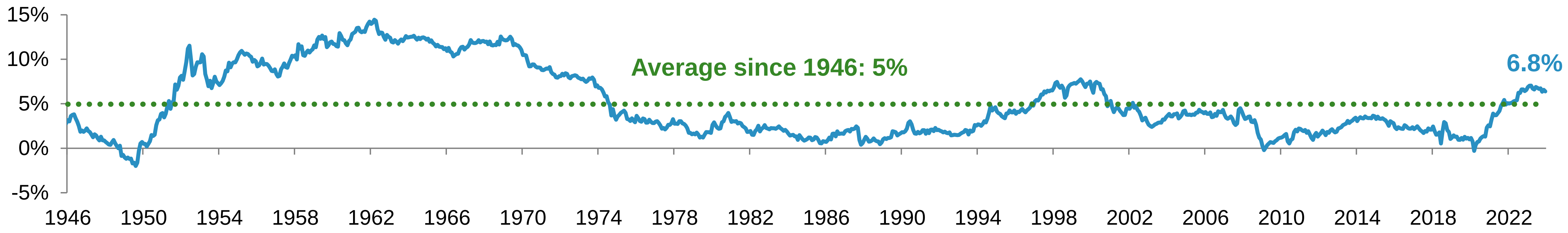
Stock rally continued in Q1, but rising yields weighed on bonds

Global equity prices, led once again by large-cap U.S. growth stocks, posted another quarter of solid gains and added to a stellar one-year performance rebound. The rise in Treasury yields weighed on bond prices, although riskier credit categories, such as emerging-market and U.S. high-yield corporate bonds, posted quarterly gains. A rally in gold prices helped push commodity returns into positive territory for the quarter. Commodities remained one of the few asset categories in negative territory on a one-year basis.

	Q1 2024	1 Year (%)		Q1 2024	1 Year (%)
U.S. Growth	11.2	38.0	Commodities	2.2	-0.6
U.S. Large Cap Stocks	10.6	29.9	Emerging-Market Bonds	2.0	11.3
U.S. Value	8.6	20.2	High Yield Bonds	1.5	11.0
Gold	8.1	13.2	Real Estate Stocks	-0.2	10.5
Non-U.S. Developed-Country Stocks	5.8	15.3	U.S. Corporate Bonds	-0.4	4.1
U.S. Small Cap Stocks	5.2	19.7	Investment-Grade Bonds	-0.8	1.7
Emerging-Market Stocks	2.4	8.2	Long Government & Credit Bonds	-2.4	-1.1

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

Annualized Return Difference

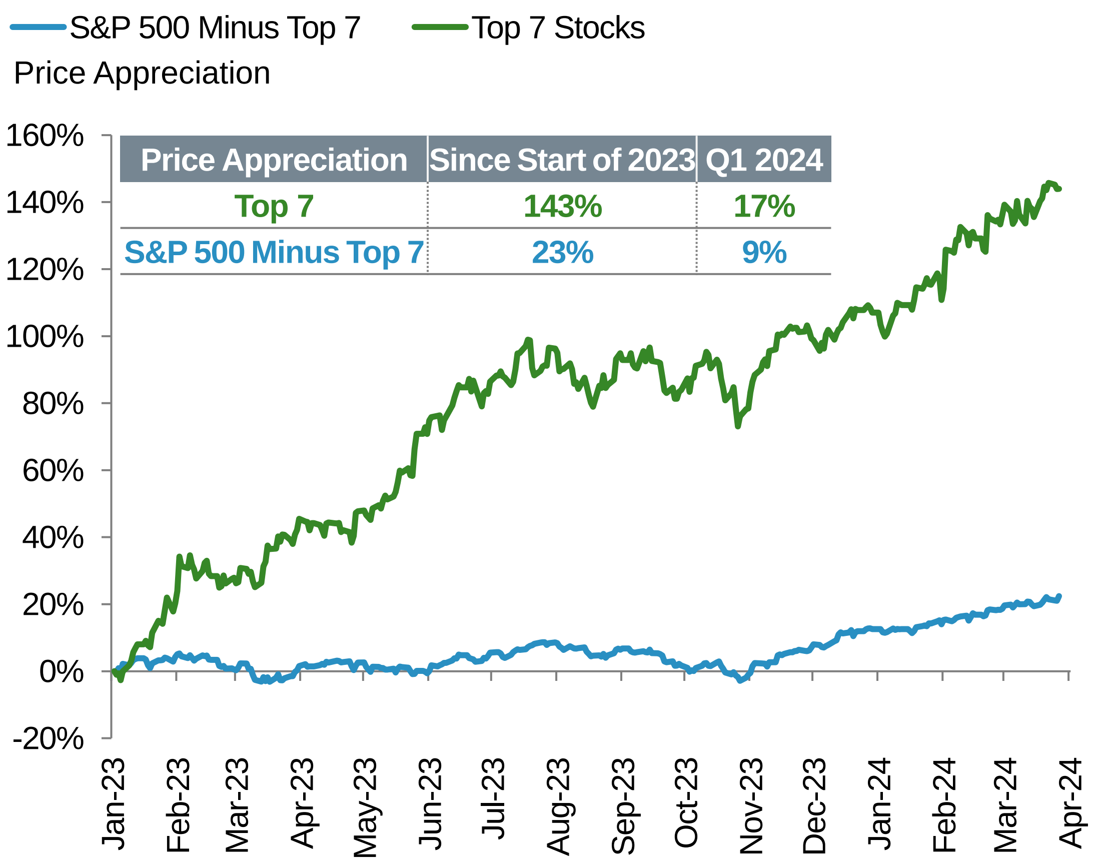


Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. IG: Investment grade. Assets represented by: U.S Growth Stocks—Russell 3000 Growth Index; Non-U.S. Developed-Country Stocks—MSCI 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., Fidelity Investments Asset Allocation Research Team (AART), as of 3/31/24.

Big gains by the largest stocks continued to lead the way

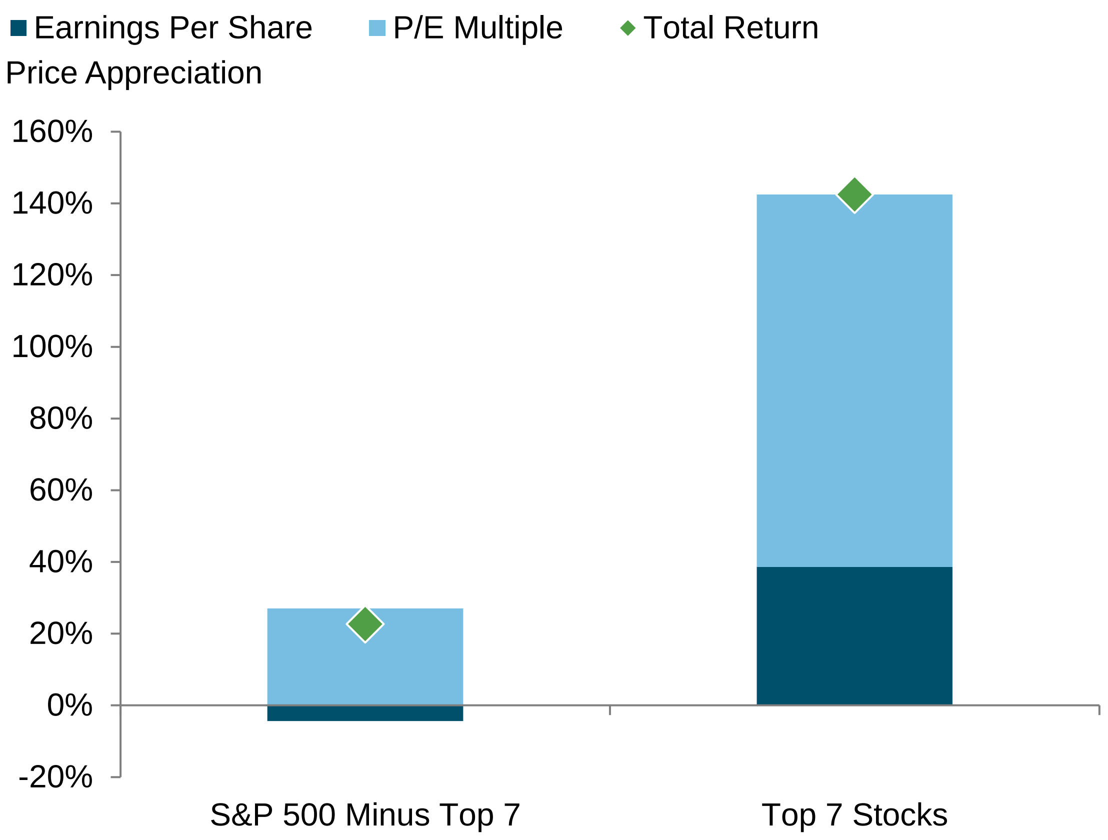
A continued rally in the stock prices of the largest U.S. companies by market capitalization—concentrated in the technology and communications sectors—once again drove the U.S. equity market's gain. After a steep downturn in 2022, the share prices of the largest seven companies have more than doubled since the beginning of 2023. The bulk of the large-stock gains, as well as the returns to the overall market, were propelled by an expansion in valuation multiples.

Top 7 Stock Performance vs Rest of S&P 500



Price Appreciation	Since Start of 2023	Q1 2024
Top 7	143%	17%
S&P 500 Minus Top 7	23%	9%

Composition of U.S. Equity Returns (Jan 2023 to Mar 2024)



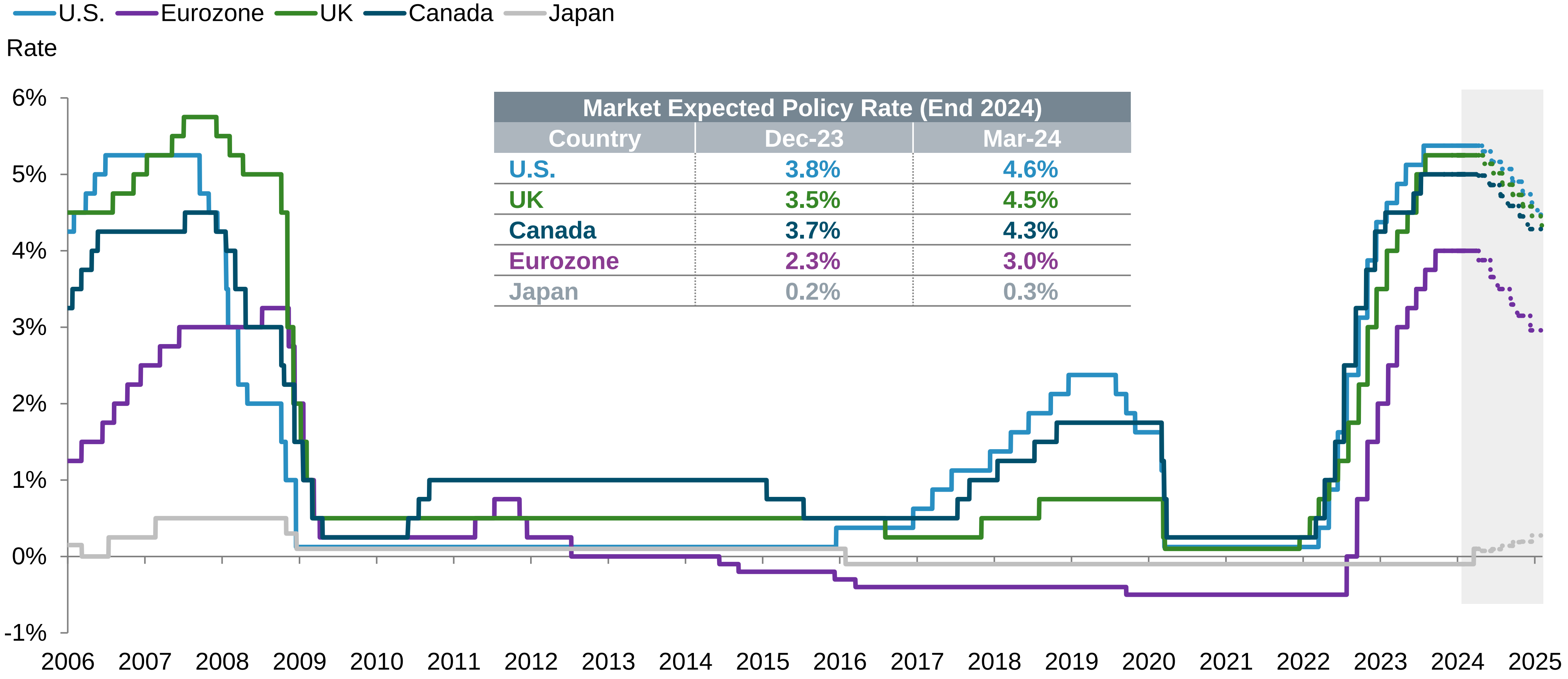
Largest seven U.S. stocks by market capitalization: Nvidia, Alphabet, Meta, Microsoft, Apple, Amazon, and Tesla. LEFT: YTD: Year to date. Source: Bloomberg Financial LP, Fidelity Investments, as of 3/31/24. RIGHT: Earnings: Trailing 12-month diluted earnings per share growth. P/E Multiple: Price-to-Earnings ratio for trailing 12-month diluted earnings. P/E Multiple and earnings use street estimates for Q1-2024. Calculation of P/E multiple is includes all factors impacting total return excluding earnings per share. Source: Bloomberg Financial LP, Fidelity Investments, as of 3/31/24.

Investors dialed back their 2024 global easing expectations

Market projections still signal a shift toward global monetary policy easing in 2024, but during Q1, investors dialed back the pace and magnitude of the expected rate cuts for most of the world's major central banks. Futures markets at the end of Q1 suggested policymakers would cut rates at least a couple times this year, but that level represents 50–100 basis points of less easing than anticipated for the U.S., Eurozone, Canada and the UK. Japan ended its negative rates era by hiking its policy rate during Q1.

SUMMARY

Global Short-Term Policy Rates



Market Expected Policy Rate (End 2024)		
Country	Dec-23	Mar-24
U.S.	3.8%	4.6%
UK	3.5%	4.5%
Canada	3.7%	4.3%
Eurozone	2.3%	3.0%
Japan	0.2%	0.3%

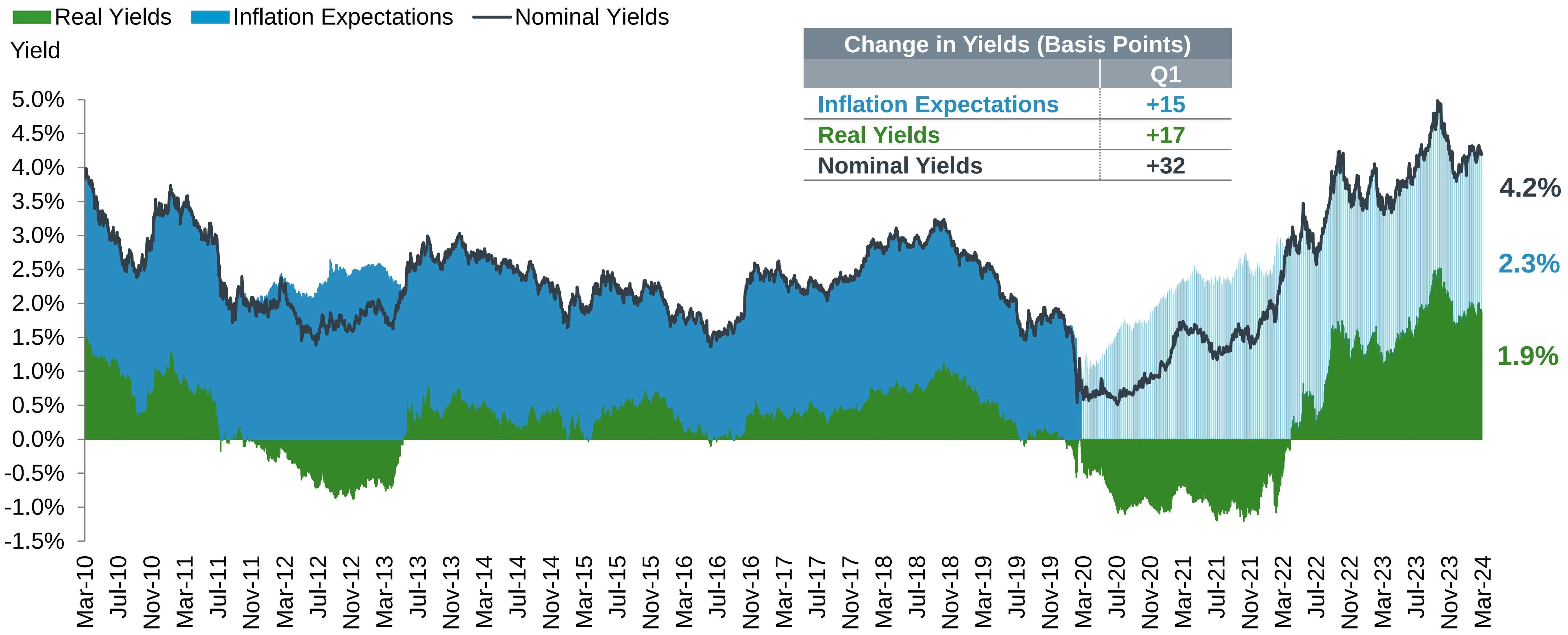
Dotted lines in the shaded area represent market rate expectations using overnight index swaps. Source: U.S. Federal Reserve Board, ECB, Bank of Japan, Bank of England, Bloomberg Finance L.P., Fidelity Investments (AART), as of 3/31/24.

Treasury yields ticked back up amid persistent inflation

Nominal 10-year Treasury bond yields turned higher during Q1, finishing at 4.2%. Higher nominal yields were the result of both rising inflation expectations and higher real yields—the inflation-adjusted cost of borrowing. While modest disinflation continued, investors appeared more concerned that inflation was stickier than expected and that the Fed may need to keep interest rates higher than anticipated.

10-Year U.S. Government Bond Yields

Change in Yields (Basis Points)	Q1
Inflation Expectations	+15
Real Yields	+17
Nominal Yields	+32



Nominal Yields are U.S. Generic Govt 10-Year yields, inflation expectations are the U.S. Breakeven 10-Year rates. TIPS: Treasury Inflation Protected Securities. Source: Bloomberg, Federal Reserve, Macrobond, Fidelity Investments (AART) as of 3/31/24.

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).

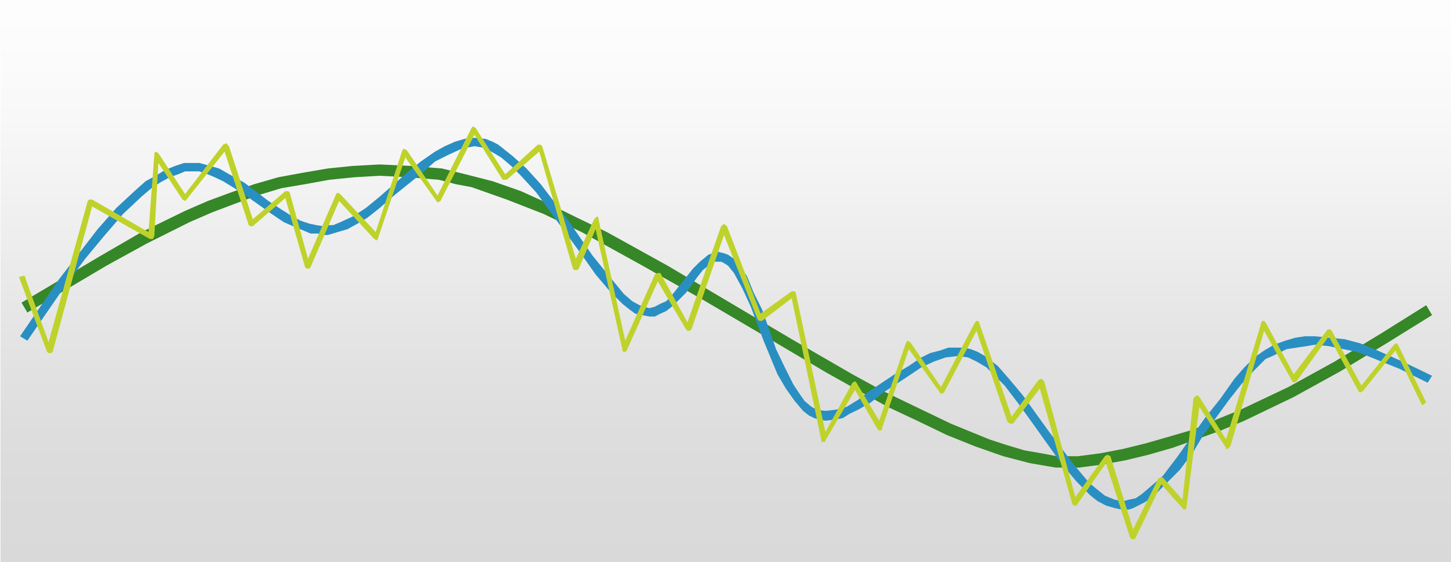
DYNAMIC ASSET ALLOCATION TIMELINE

HORIZONS

Secular
(10–30 years)

Business Cycle
(1–10 years)

Tactical
(1–12 months)



Portfolio Construction
Asset Class | Country/Region | Sectors | Correlations

For illustrative purposes only. Source: Fidelity Investments (AART), as of 3/31/24.

Global business cycle in prolonged expansion

Many major economies, including the U.S., remained in the late-cycle expansion phase and registered hints of stabilization and even reacceleration in some areas. Expectations of monetary easing have contributed to improving global financial conditions, and worldwide manufacturing activity has firmed. China remained an outlier, as it continued to ease policy in hopes of reaccelerating from its growth slump.

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

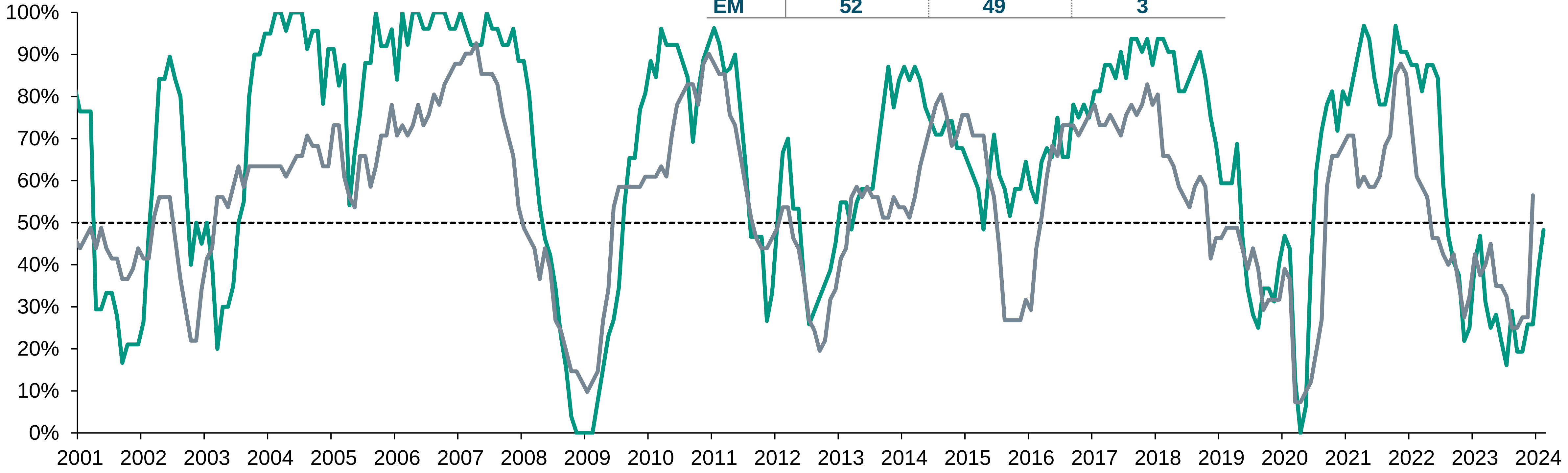
RECESSION
- Falling activity
- Credit dries up
- Profits decline
- Policy eases
- Inventories, sales fall

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 3/31/24.

Broadening global cyclical improvement

Global cyclical momentum gained steam in Q1 and appeared to broaden across a greater swath of regions and countries. Leading economic indicators improved across a majority of the world's largest economies and an increasing number of countries moved into expansionary manufacturing territory. Manufacturing bullwhips—leading indicators of industrial activity measured by new orders minus inventories—finished Q1 in positive territory in the U.S. and emerging markets.

Global Manufacturing and Economic Activity



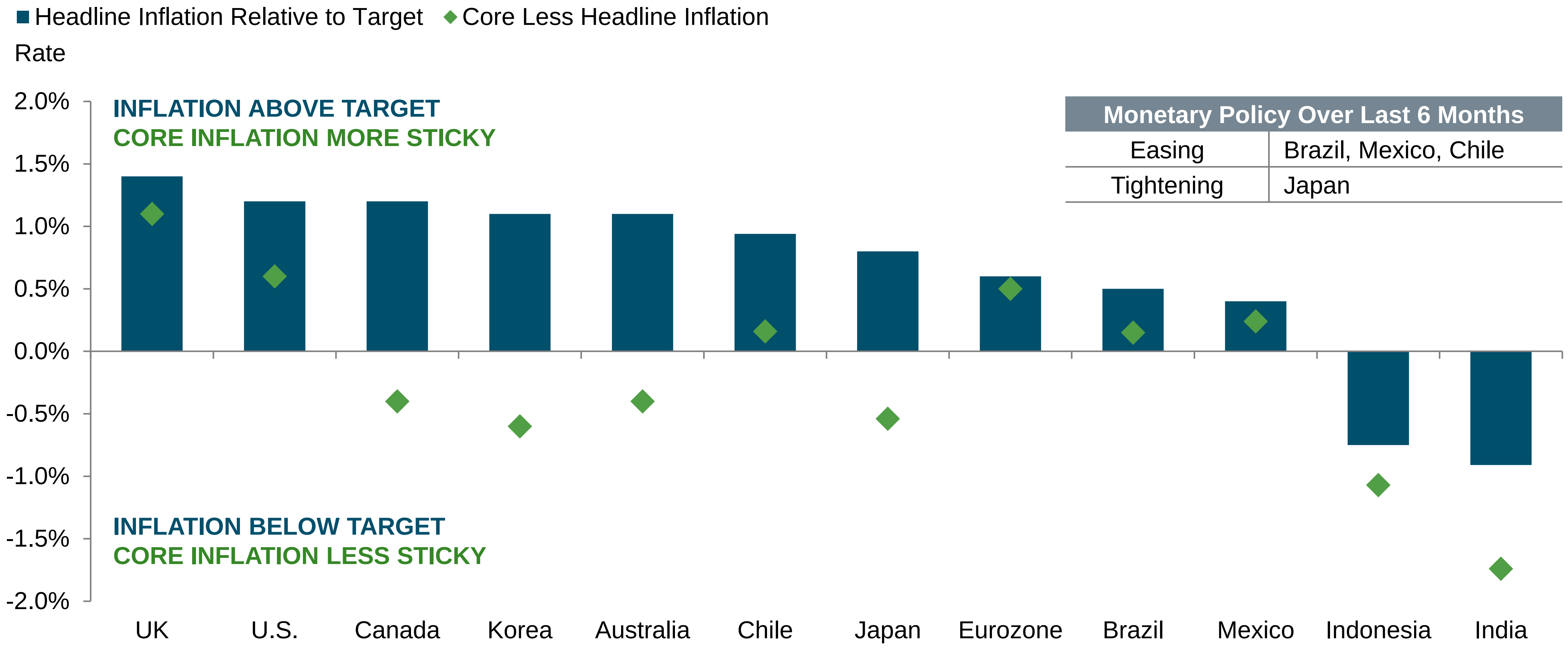
Country and Regional PMIs			
	New Orders	Inventory	Bullwhips
U.S.	55	52	3
DM	49	49	0
EM	52	49	3

PMI Manufacturing Index (Diffusion Index): Percent of the world's 32 largest economies with Manufacturing PMIs above 50. Leading Economic Indicator (Diffusion Index): Percent of the world's 37 largest economies with rising Leading Economic Indicators over the past six months. PMI: Purchasing managers' index. Readings above 50 indicate expansion. EM: Emerging markets. DM: Developed markets. Bullwhip: New Orders PMI less Inventories PMI (numbers may differ do to rounding). Source: Markit, Institute for Supply Management, S&P Global, Macrobond, Fidelity Investments (AART), as of 3/31/24.

Uneven global disinflation

Global disinflation trends continued, but progress remained uneven across different geographies. In several developed countries, including the UK, U.S., and Eurozone, persistent core inflation pressures contributed to overall inflation rates remaining above central-bank targets. In contrast, core inflation rates moderated in several emerging market (EM) countries. After leading the monetary cycle by hiking rates first, many EM central banks, particularly in large Latin American economies, have been the first to cut rates.

Global Monetary Policy and Inflation Rates



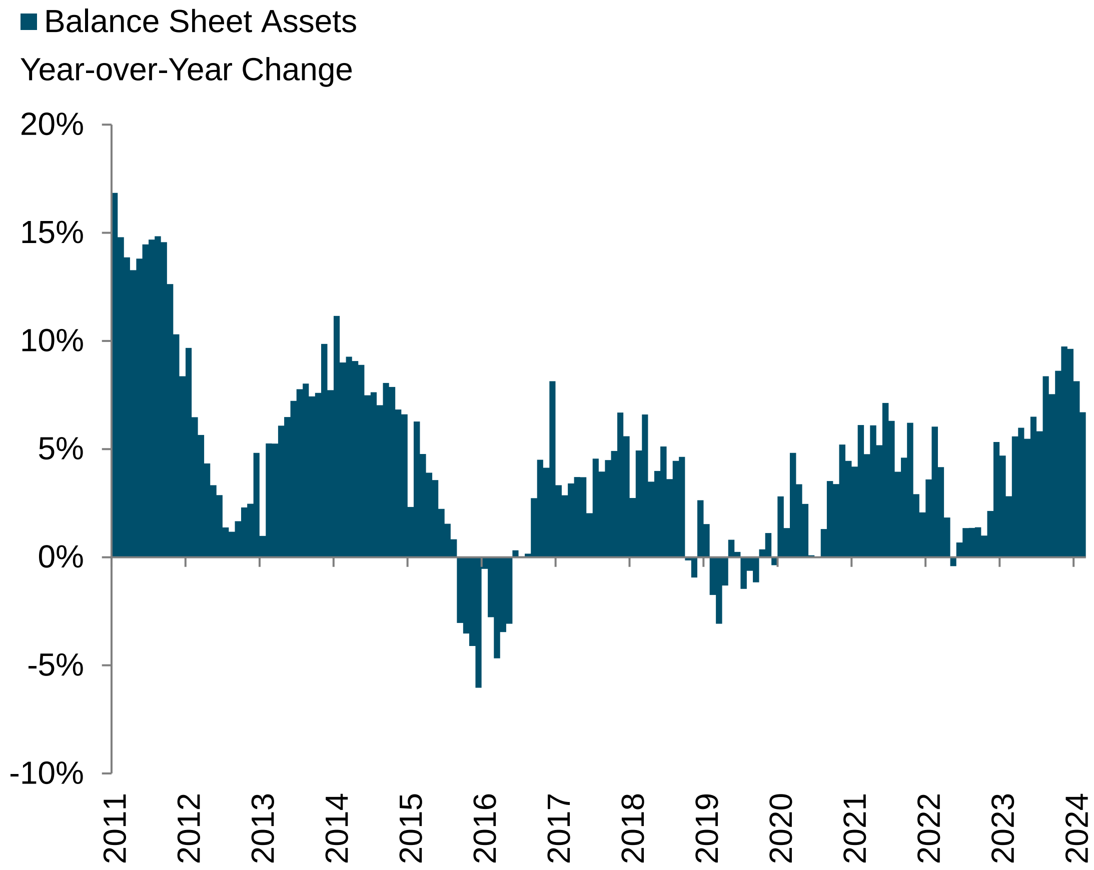
Monetary Policy Over Last 6 Months	
Easing	Brazil, Mexico, Chile
Tightening	Japan

Headline Inflation Relative to Target: YoY Headline CPI relative to upper bound target of each central bank (target rates differ between central banks). Core Less Headline: Difference between year over year core inflation (excludes energy and food) and year over year headline inflation. Source: Bloomberg Finance L.P., National statistical agencies, Fidelity Investments (AART), as of 3/31/24.

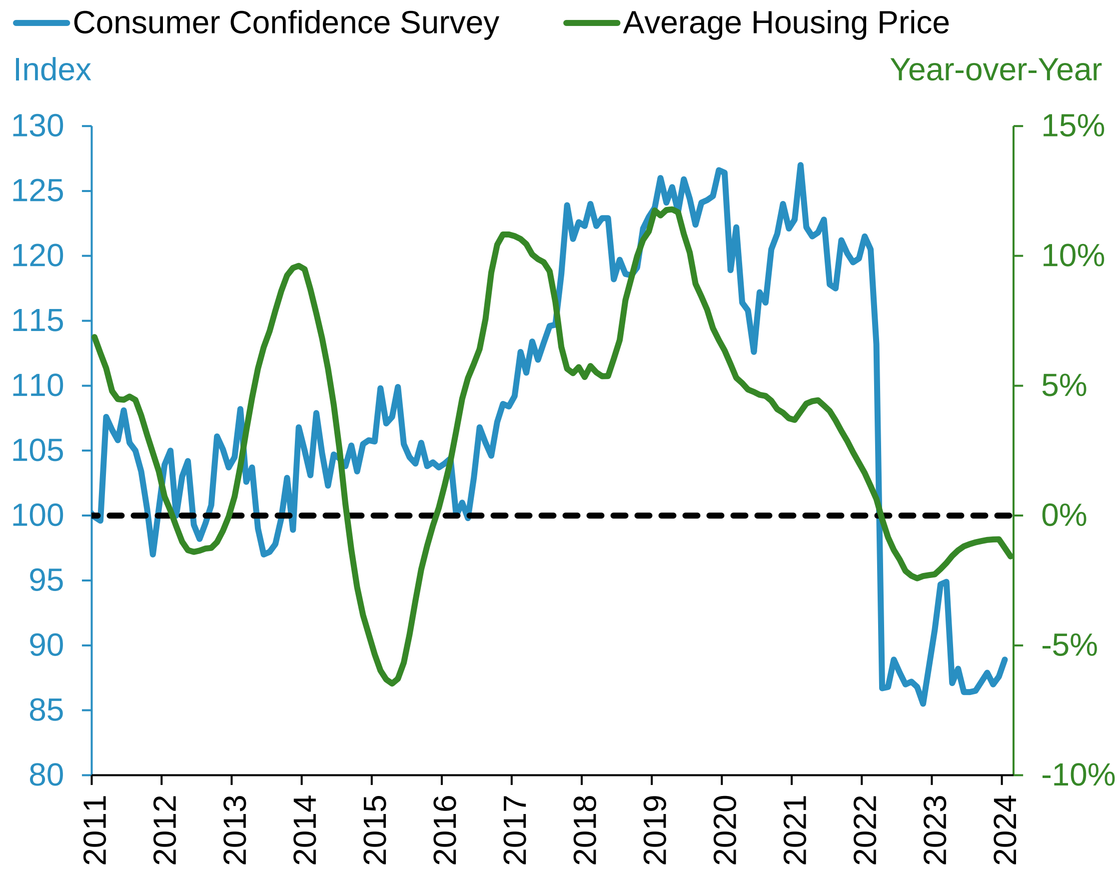
China's policy easing picked up but has yet to catalyze recovery

China's policymakers increased the pace of monetary, fiscal, and regulatory easing measures to support growth. These efforts, including the expansion of the central bank's balance sheet, contributed to cyclical stabilization, but it remains uncertain whether they will translate into a full-blown economic reacceleration. Structural imbalances within the Chinese economy, including excess capacity and a debt overhang in the real estate sector, continue to create headwinds for the housing market and consumer confidence.

China Central Bank



Sentiment and Housing Market

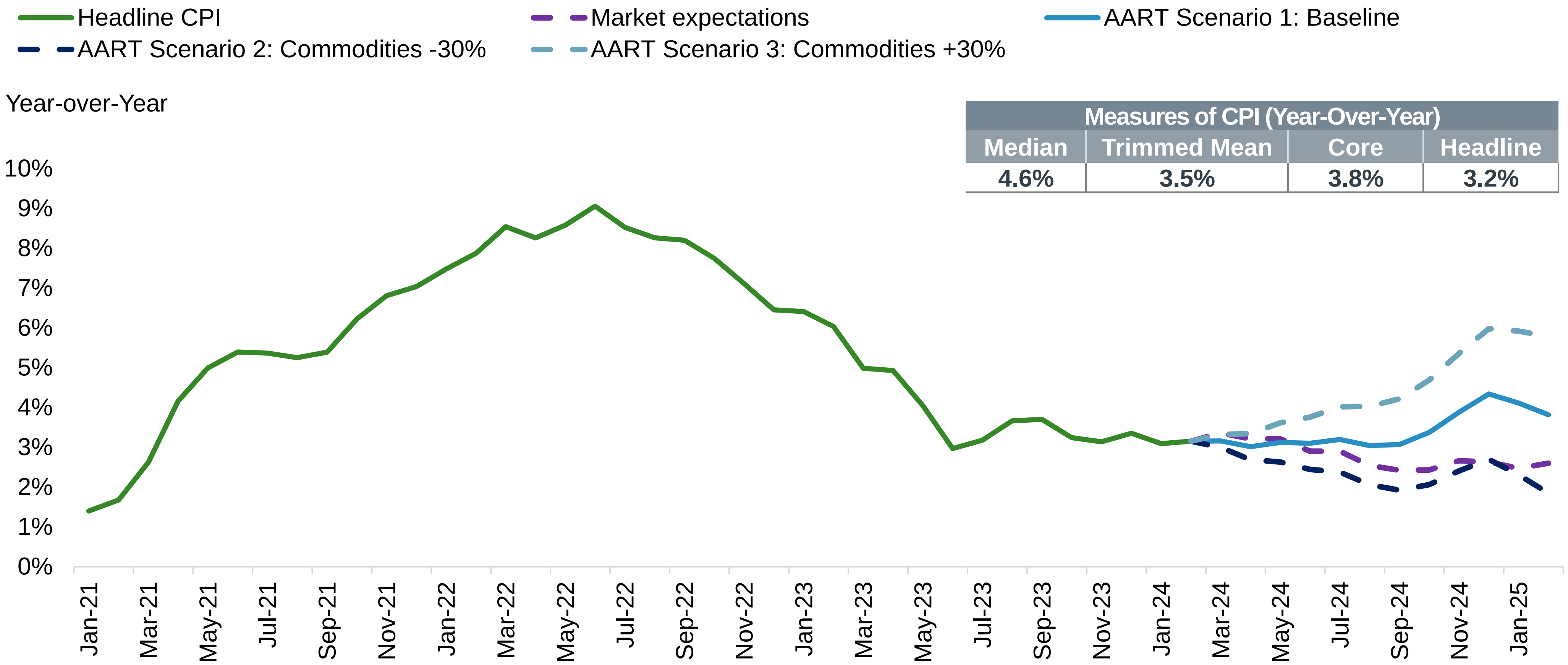


LEFT: Source: National Bureau of Statistics, People's Bank of China, Macrobond, Fidelity Investments (AART), as of 2/29/24. RIGHT: Average Housing Price: index of the average housing prices across 70 cities. Source: National Bureau of Statistics, People's Bank of China, China Economic Monitoring and Analysis Center (CEMAC), Macrobond Fidelity Investments (AART), as of 3/31/24.

After significant disinflation, reaching 2% may prove challenging

After a steady decline from 2022's highs, headline consumer price inflation remained around 3% on a year-over-year basis. Core inflation rates and more robust measures remained higher and stickier. Market expectations continued to point to greater disinflation ahead, but we believe returning to the stable, low core-inflation backdrop of the past 20 years will be challenging. The large drop in energy costs helped push inflation down over the past year, but a rebound in commodity prices poses an upside inflation risk.

Inflation Estimates under Different Commodity Price Scenarios



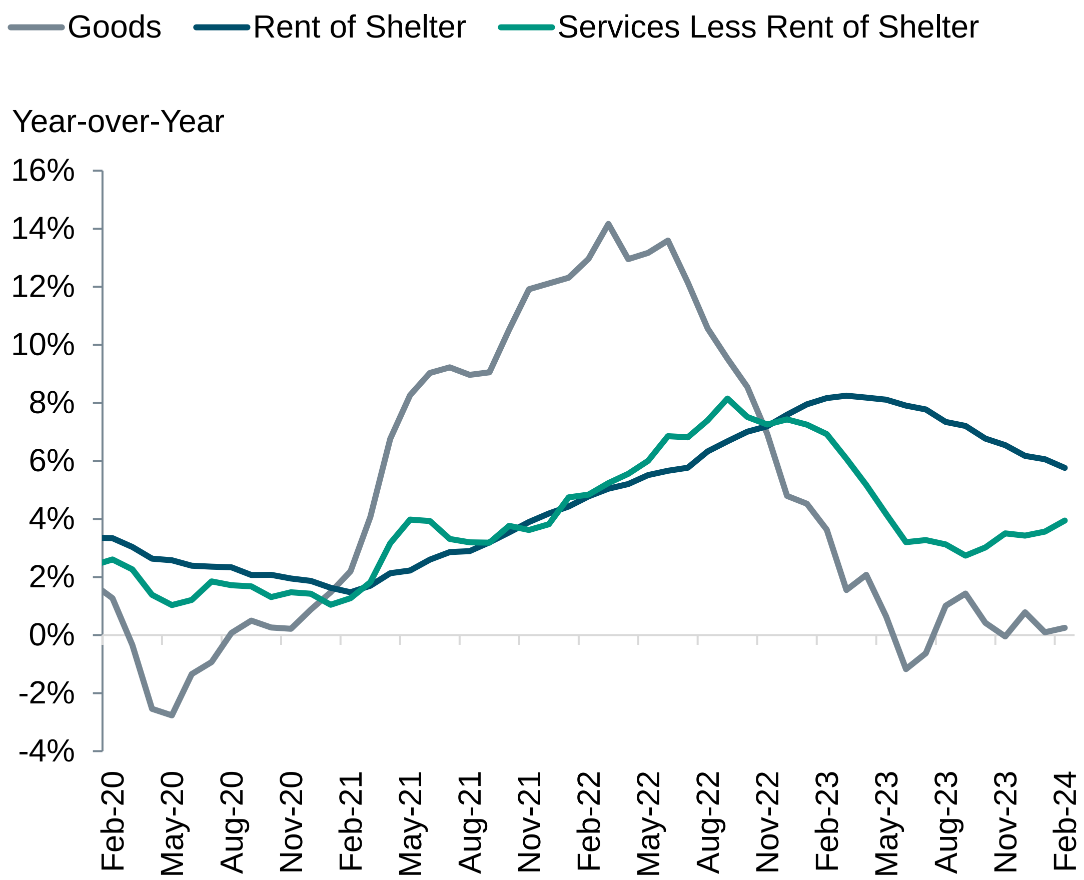
Measures of CPI (Year-Over-Year)			
Median	Trimmed Mean	Core	Headline
4.6%	3.5%	3.8%	3.2%

CPI: Consumer Price Index. Market expectations: inflation swaps. 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. Table values are as of 2/29/24. Trimmed mean excludes inflation rates that fall above the 98th percentile or below the 8th percentile of price changes. Median CPI excludes inflation rates outside of the 50th percentile of price changes. Source: Federal Reserve Bank of Cleveland, Macrobond, Bureau of Labor Statistics, Bloomberg, Haver Analytics, Fidelity Investments (AART), as of 2/29/24.

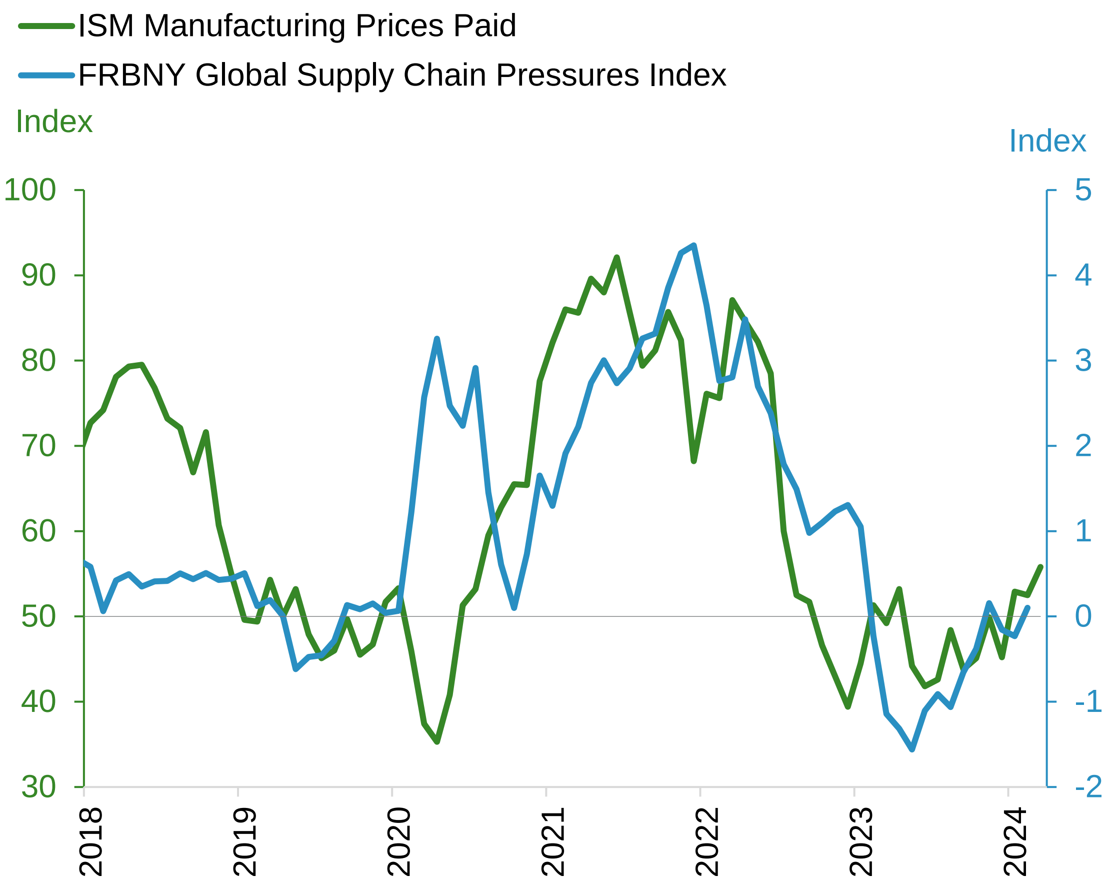
Persistent services inflation, with goods disinflation moderating

Housing services inflation continued to decelerate but remained high, while inflation in other services ticked back up. The persistence of services inflation, which remains buoyed by strong wage growth, is a concern because the rapid goods disinflation appears to be stalling. After contributing greatly to the decline in overall inflation over the past 18 months, additional disinflation in the goods sector may be difficult given the recent upward trend in manufacturing prices and supply chain pressures.

Components of Consumer Price Index



Manufacturing Inflation and Supply Chains

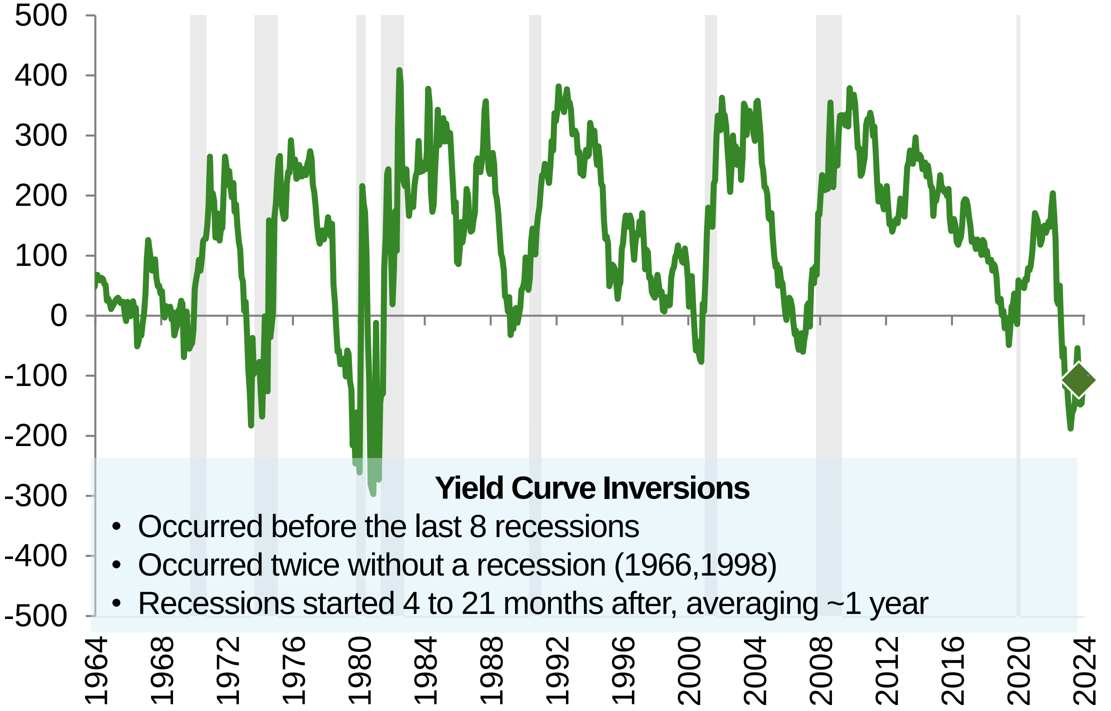


 CPI and PCE forecasts are AART estimates. Source: Federal Reserve, Federal Reserve Bank of New York, Macrobond, Fidelity Investments (AART), as of 2/29/24.

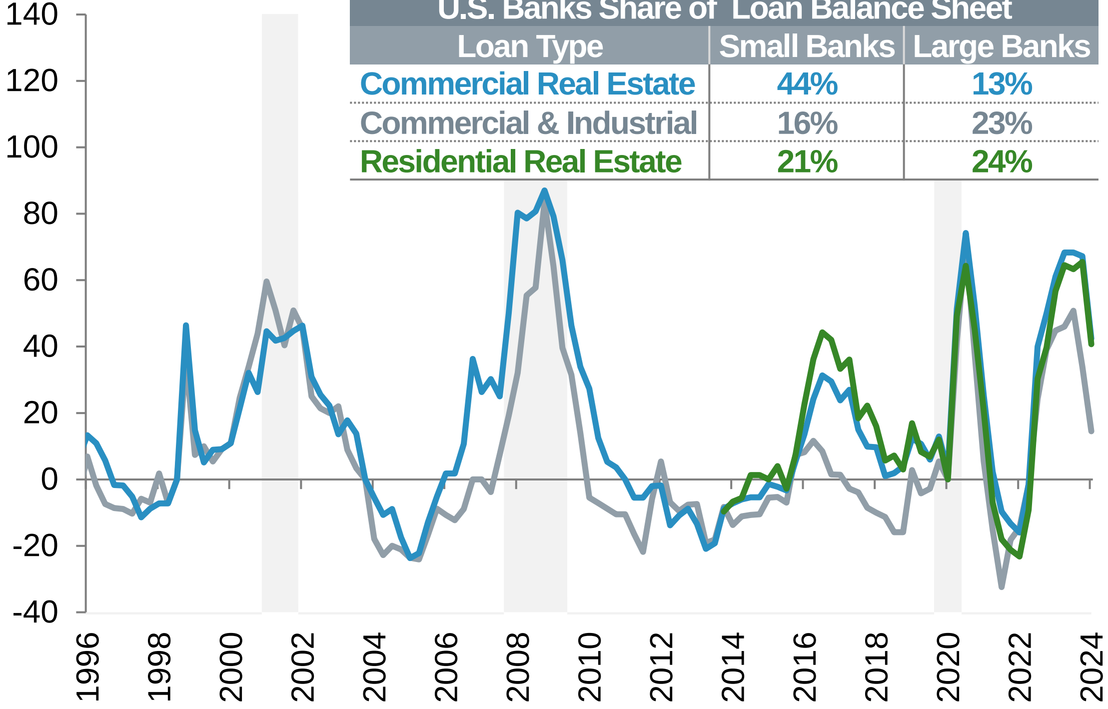
Late-cycle yield curve, though credit standards less tight

As is typical during a late cycle expansion, the yield curve is inverted and credit standards have tightened. Our preferred yield curve—the 10-year less 3-month Treasury yield—has historically been a reliable leading indicator of recessions and has remained inverted since the 4th quarter of 2022. Banks continued to tighten lending standards across multiple loan categories, but the share of banks tightening turned lower for the second consecutive quarter.

Treasury Yield Curve Spread



U.S. Banks Lending Standards by Loan Type



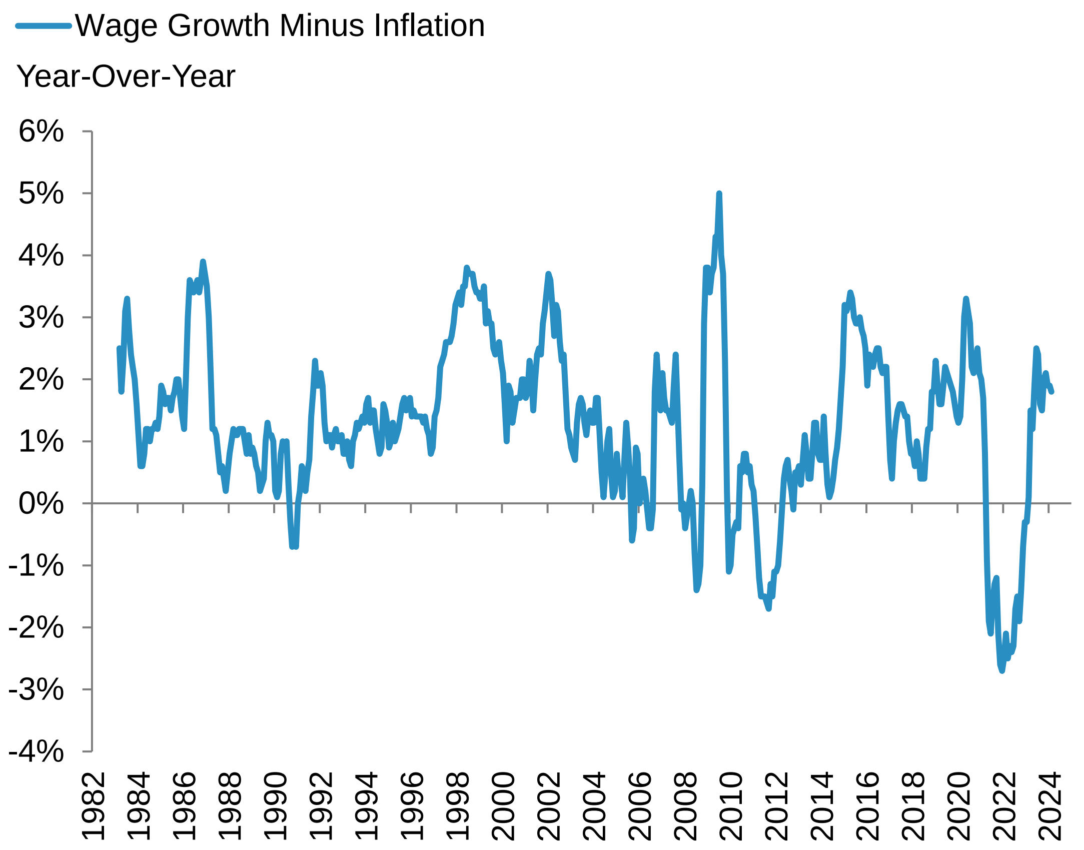
U.S. Banks Share of Loan Balance Sheet		
Loan Type	Small Banks	Large Banks
Commercial Real Estate	44%	13%
Commercial & Industrial	16%	23%
Residential Real Estate	21%	24%

Shaded areas denote U.S. recession. LEFT: Diamond depicts the last chart point (as of 3/31/24). Source: U.S. Federal Reserve Board, NBER, Haver Analytics, Fidelity Investments (AART), as of 3/31/24. RIGHT: Large Banks: Top 25 U.S. Domestically Chartered ranked by domestic assets. Source: Federal Reserve Board, NBER, Haver Analytics, Fidelity Investments (AART), as of 3/31/24.

Resilient economic expansion supported by consumer spending

Consumer spending was again supported by solid real wage growth, which continued amid a strong labor market backdrop and ebbing inflation. The long-term, fixed-rate structure of most mortgage borrowing has helped to insulate many households from higher interest rates. Overall, several facets of the economy are well positioned compared to recent history, with more manageable leverage and healthier balance sheets across the corporate, banking, and consumer sectors.

Real Wage Growth



Macro and Financial Differences vs. History

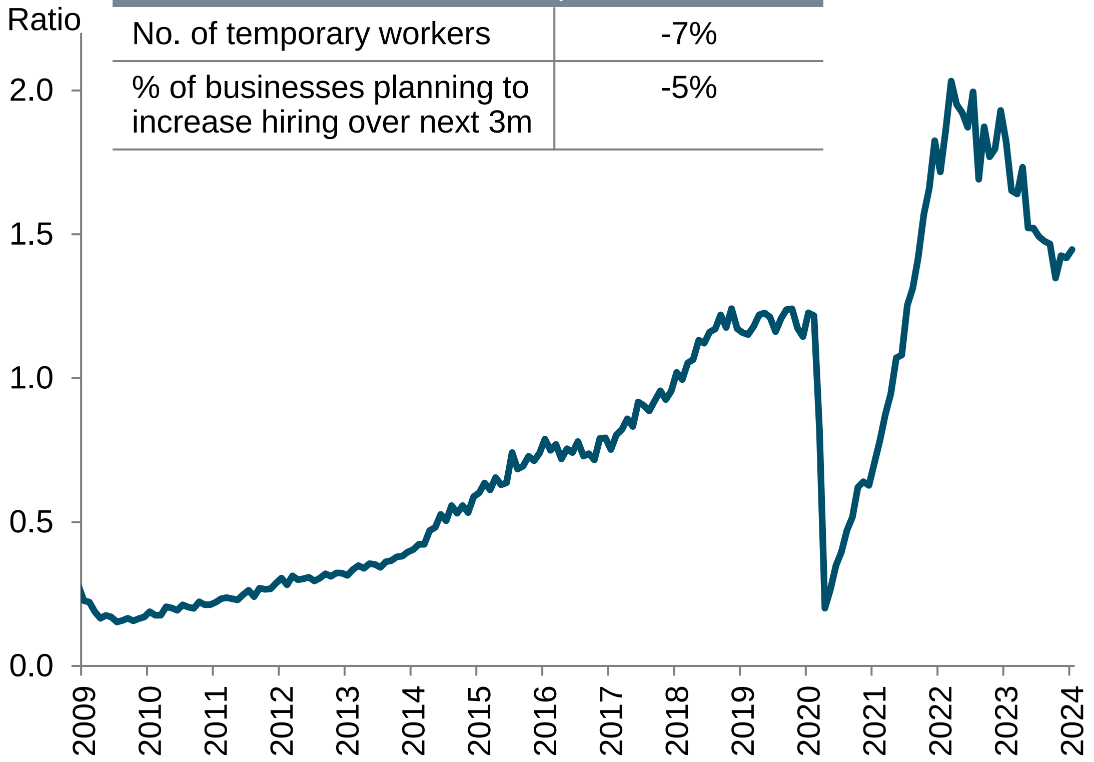
	Indicator	2000–2019 Average	2023
Lower housing supply	Months Supply	6 months	3 months
More manageable consumer leverage	Household credit/GDP	84%	74%
More manageable corporate debt	Interest Coverage	2.8x	11x
Better capitalized banking system	Tier One Capital Ratio	11%	14%
Stronger household balance sheets	Net Worth/ Disposable Income	6.2x	7.5x

LEFT: Real Wage Growth: Atlanta Fed Wage Growth Tracker (Unweighted 3-month moving average) minus year-over-year CPI. Source: Bureau of Labor Statistics, Macrobond, Fidelity Investments (AART) as of 2/29/24 RIGHT: Tier One Capital Ratio: equity capital to total risk-weighted assets; data pre-2019 is from Haver, data post-2019 is from Macrobond. Months Supply: Single family homes available for sale/sales of existing single-family homes. Source: Bank for International Settlements, National Association of Realtors, Federal Reserve Bank of New York, Macrobond, Fidelity Investments (AART), as of 3/31/24.

Benign labor-market softening; supply gains nearing limits?

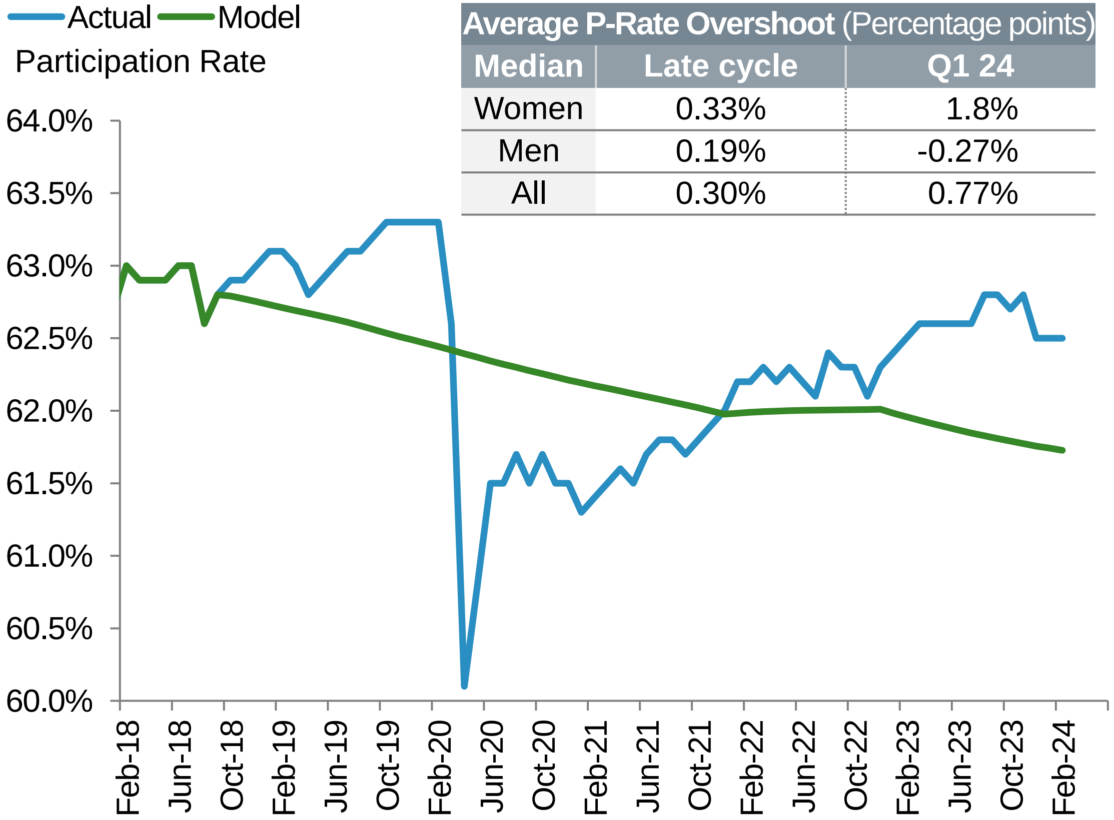
Labor markets continued to enjoy a relatively benign softening trend without a major rise in unemployment. Job openings continued to drop from their peak and labor-force participation rates remained high, providing a hint of disinflationary mid-cycle dynamics. However, labor force growth stagnated in Q1, suggesting that the rapid recovery in participation rates may be nearing its limits. Our demographically adjusted estimates indicate a labor supply recovery that has already overshot the typical late-cycle upswing.

Job Openings/Unemployed Workers



Measures of Labor Demand, Year-over-Year	
No. of temporary workers	-7%
% of businesses planning to increase hiring over next 3m	-5%

Participation Rate vs. AART Demographic Model



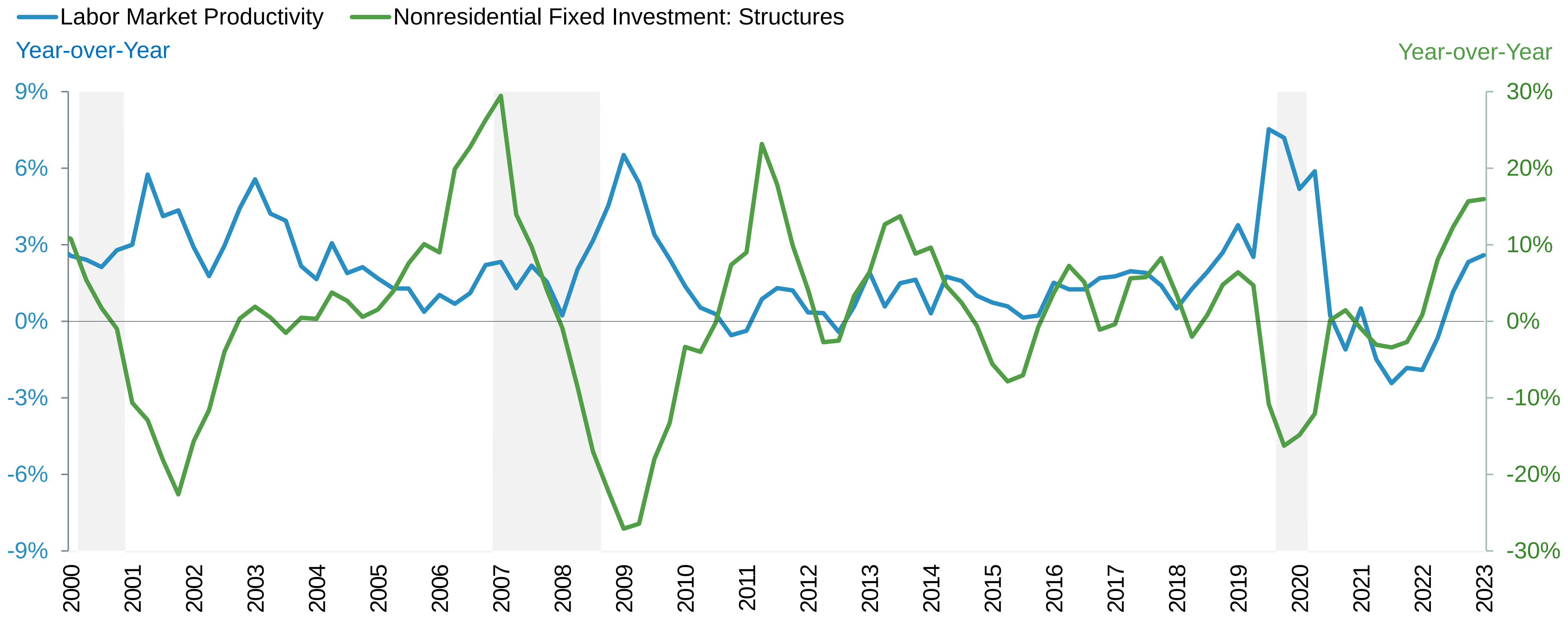
Average P-Rate Overshoot (Percentage points)		
Median	Late cycle	Q1 24
Women	0.33%	1.8%
Men	0.19%	-0.27%
All	0.30%	0.77%

LEFT: No. of temporary workers is the year-over-year percent change in temporary help hiring. Percent of business increasing hiring over the next 3 months is from NFIB Small Business Jobs Report, this year's number minus last year's. Data is as of 2/29/24. RIGHT: AART Demographic Model is a model-estimated participation rate based on the Civilian Labor Force and Civilian Noninstitutional Population by age group and gender as of 2/29/24. Current shows overshoot as of 2/29/24. Source: Bureau of Labor Statistics, NFIB, Macrobond, Fidelity Investments (AART) as of 3/31/24.

Solid capital spending and productivity growth

The growth in business investment and labor-market productivity remained in an upswing. Capital expenditures likely received a boost from AI projects as well as domestic manufacturing reshoring, with new factory construction boosting investment in structures. If sustained, growth in capex and productivity could provide a disinflationary path for increased wages and profits that may raise the odds of returning to mid cycle. However, new investments often take multiple years to sustainably raise productivity rates.

Productivity vs. Capital Expenditures

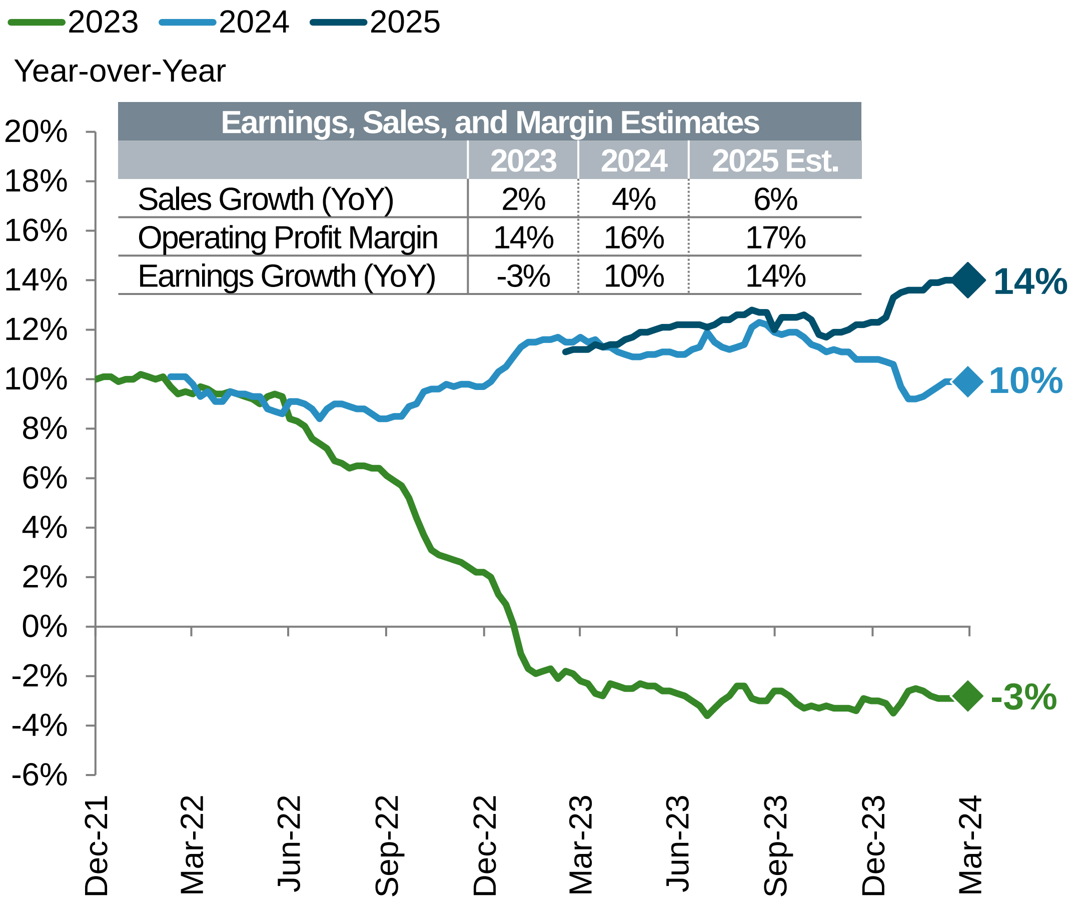


Nonresidential Fixed Investment is Real Private Nonresidential Fixed Investment for Structures: seasonally adjusted annual rate, chained to 2017 USD. Labor Market Productivity is the real output per hour of all persons in the nonfarm business sector: seasonally adjusted and indexed to 2017 = 100. Source: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis, Fidelity Investments (AART), as of 12/31/23.

Stabilizing margins provide market optimism for 2024 earnings

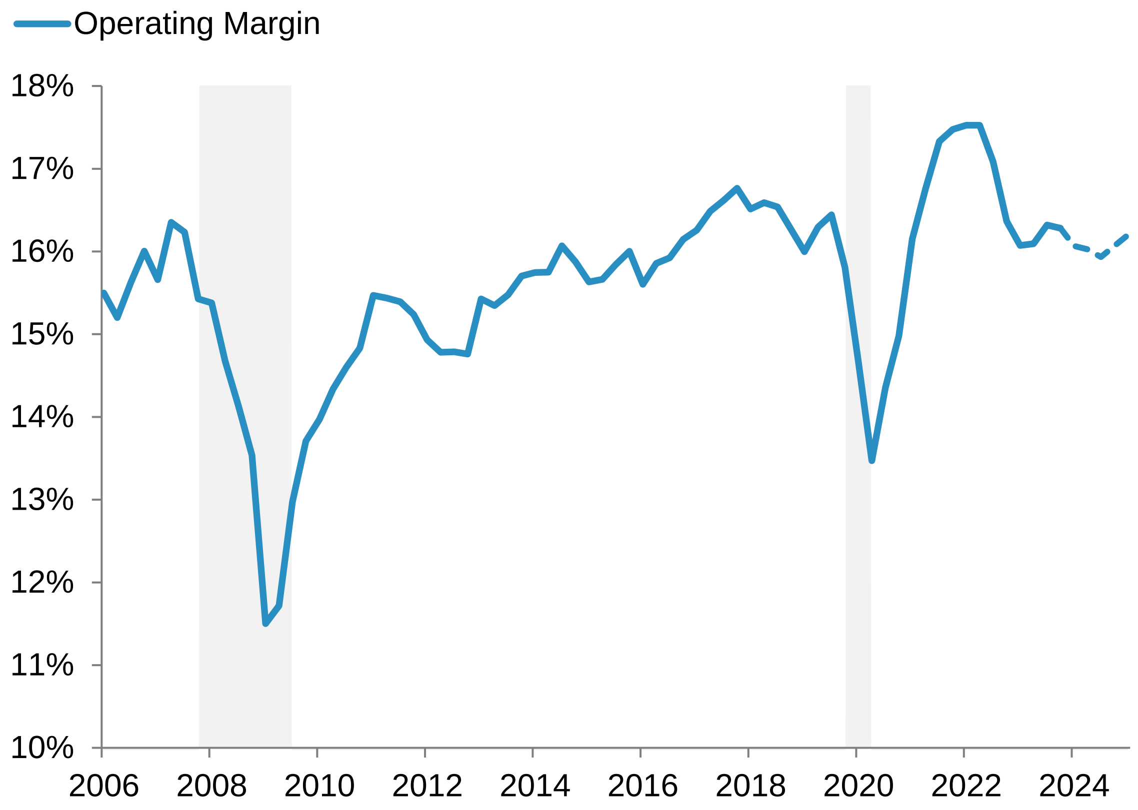
Corporate earnings contracted modestly in 2023, and investors expect a double-digit rebound for earnings growth in 2024 and beyond. After dropping from record-high levels, profit margins stabilized toward the end of 2023 and investors expect them to expand this year. With margins still at the upper end of their historical range and signs of diminishing pricing power, the ability of companies to maintain or expand margins will be key to the outlook.

S&P 500 Earnings Growth Expectations



Earnings, Sales, and Margin Estimates	2023	2024	2025 Est.
Sales Growth (YoY)	2%	4%	6%
Operating Profit Margin	14%	16%	17%
Earnings Growth (YoY)	-3%	10%	14%

S&P 500 Profit Margins



LEFT: Street estimates. Source: Bloomberg Financial LP, Fidelity Investments (AART), as of 3/31/24. RIGHT: Dotted portion of line indicates consensus expectations. Source: FactSet, Fidelity Investments (AART), as of 3/31/24.

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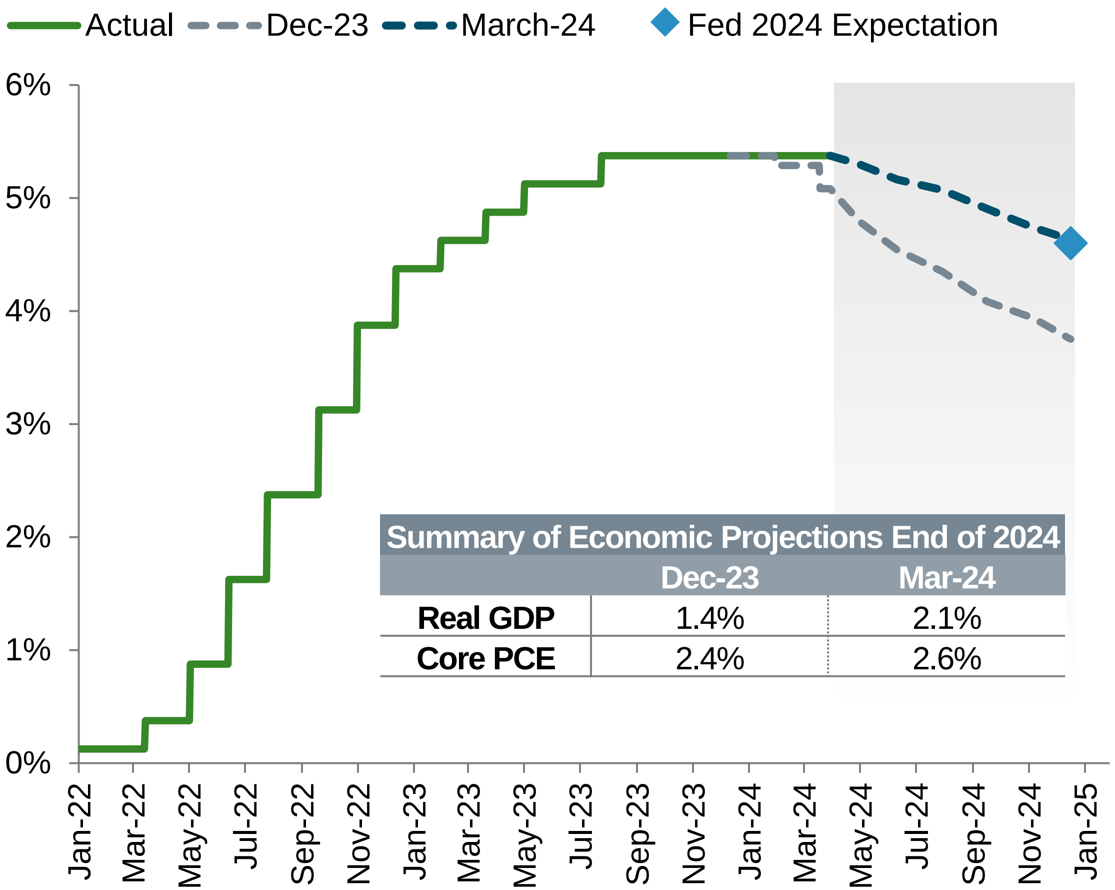
Fed still expected to ease but fewer cuts priced in

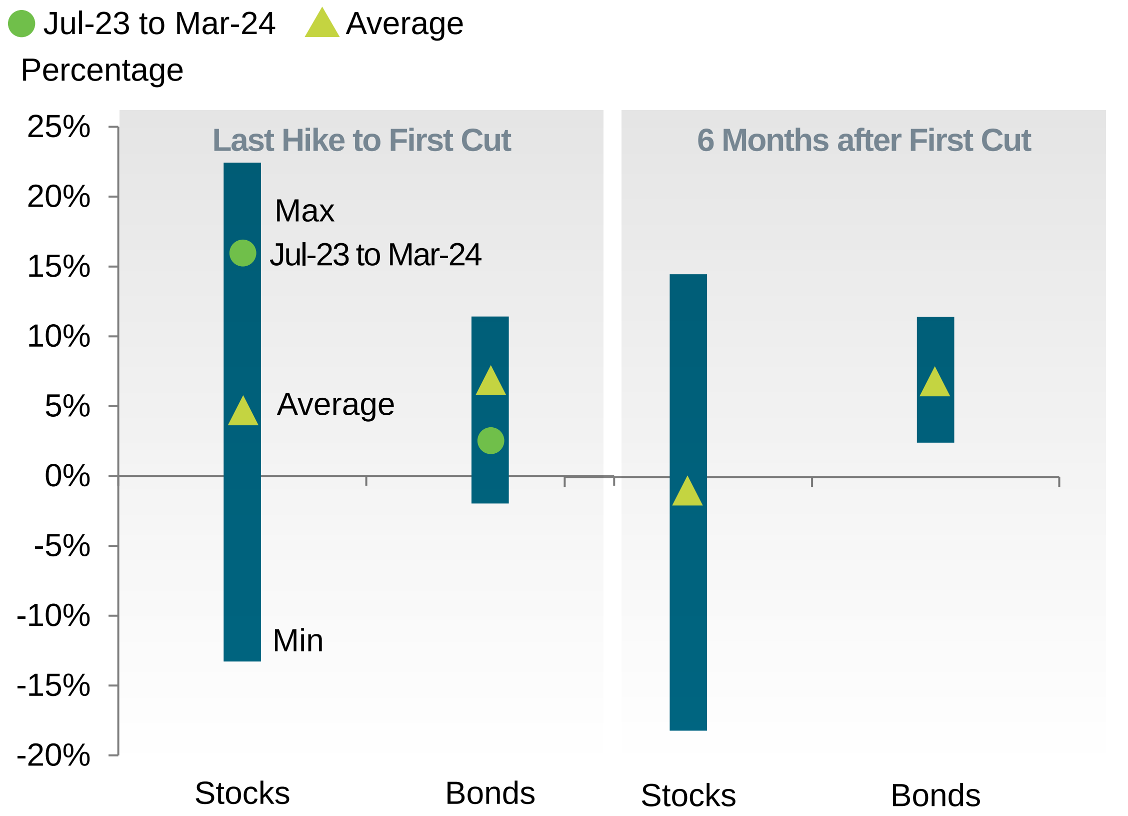
The Fed continued to signal it would begin easing this year while forecasting higher growth and inflation for 2024. The market's expectations for rate cuts dropped during Q1 to be in line with the Fed's outlook for three cuts (4.6%) by the end of this year. Historically, stocks and bonds rallied during the period between the last hike and the first cut. So far this time, stocks and bonds have posted positive returns since the last Fed hike, with stock performance at the upper-end of its historical range.

Fed Funds Rate Expectations



Summary of Economic Projections End of 2024	Dec-23	Mar-24
Real GDP	1.4%	2.1%
Core PCE	2.4%	2.6%

Asset Class Returns Around Fed's Last Hike & First Cut (1969–2024)

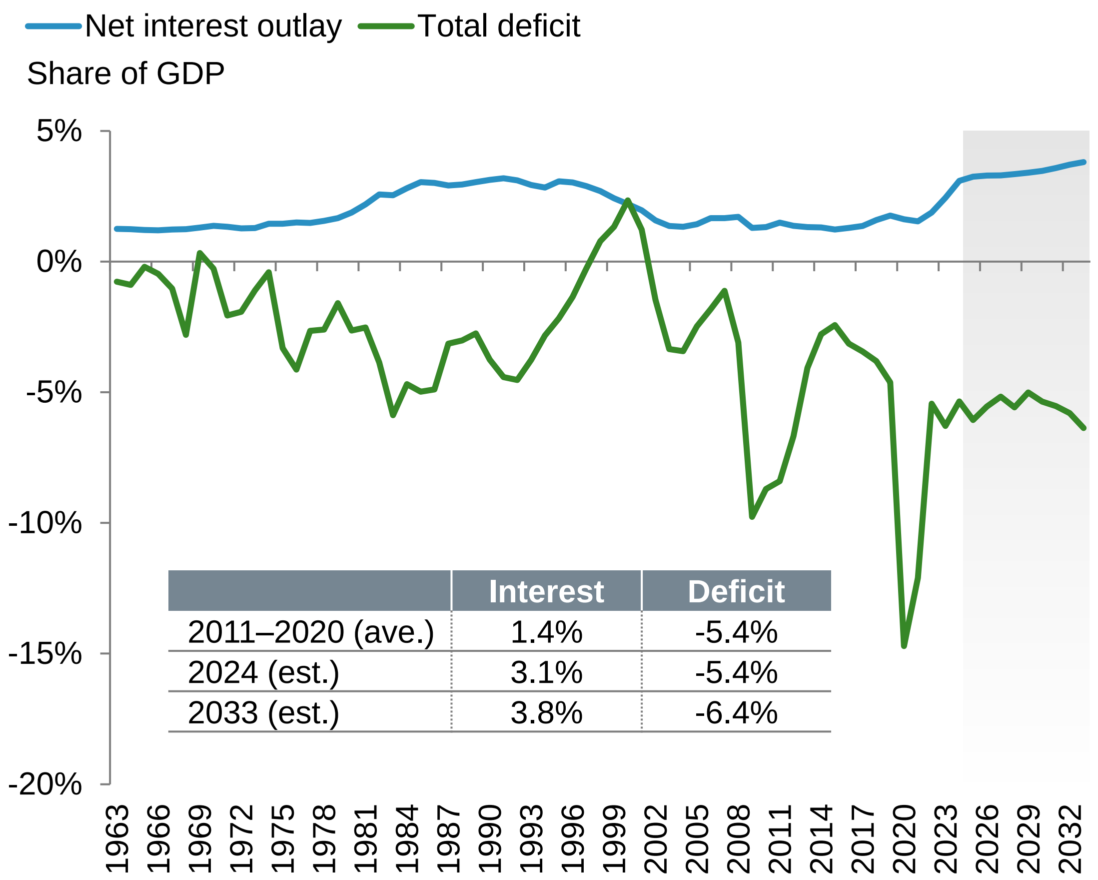


LEFT: Dotted lines represent Fed funds rate expectations using OIS swaps, Fed 2024 Expectation from the Fed's December Summary of Economic Projections. Source: Bloomberg Finance L.P., Federal Reserve Board, Fidelity Investments (AART), as of 3/31/24. RIGHT: Stocks: Dow Jones Total Stock Market, Federal Reserve Board, Bonds: Bloomberg U.S. Aggregate Bond, Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 3/31/24.

Fiscal policy: Stable projected deficits, long-term challenges

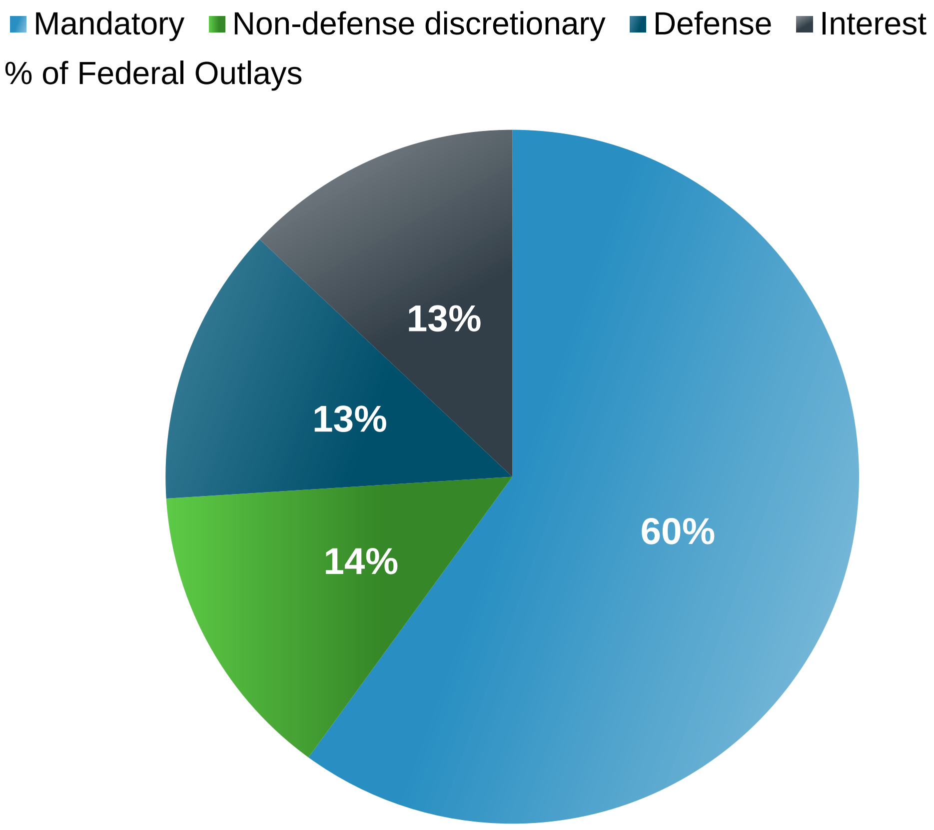
The November elections will determine who makes the decision on the roughly $3.5 trillion of 2017 personal income tax cuts that are scheduled to expire at the end of 2025. Based on Congressional Budget Office projections, the fiscal deficit is expected to remain relatively large over the next several years (5–6% of GDP), in part due to rising interest-rate payments on federal debt. Politically, spending cuts have become difficult as mandatory outlays on entitlement programs assume a larger share of fiscal expenses.

U.S. Government Interest Payments and Deficit



	Interest	Deficit
2011–2020 (ave.)	1.4%	-5.4%
2024 (est.)	3.1%	-5.4%
2033 (est.)	3.8%	-6.4%

Categories of Federal Spending, FY 2024



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 2/29/24.

Outlook: Market assessment

Fidelity's Active Asset Allocation Board, composed of portfolio managers across a variety of asset-allocation strategies, meets quarterly to discuss macro views and asset allocation positioning. Members held differing views on the path of growth and interest rates, but they generally held smaller active allocation positions compared with earlier in the cycle.

Macro Insights

Incrementally higher odds of a prolonged U.S. expansion

Higher productivity may provide a boost to medium-term growth

Sticky inflation and the Fed's response are largest risks to the outlook

Asset Allocation Implications

Smaller active allocation positions are warranted by the late-cycle phase and elevated valuations for riskier assets

Several members view fixed income assets as an attractive diversifier to downside risks

Security selection may present additional return opportunities

 For illustrative purposes only. Diversification does not ensure a profit or guarantee against a loss. Source: Fidelity Investments (AART), as of 3/31/24.

Asset markets

Broad-based global stock rally to start 2024

Almost all global stock categories registered a positive Q1, with most in double-digit return territory over the past 12 months. Growth stocks, the communications services sector, and the momentum factor once again powered U.S. equities to the top of the leader board. Non-U.S. stocks outside of Latin America rose, with Japan leading the way. Riskier credit categories, such as leveraged loans and high-yield bonds, posted Q1 gains, but more interest-rate sensitive fixed-income categories registered modest losses.

U.S. Equity Styles Total Return

	Q1 2024	1 Year (%)
Growth	11.2%	38.0%
Large Caps	10.6%	29.9%
Mid Caps	8.6%	22.3%
Value	8.6%	20.2%
Small Caps	5.2%	19.7%

U.S. Equity Sectors Total Return

	Q1 2024	1 Year (%)
Communication Services	15.8%	49.8%
Energy	13.7%	17.6%
Info Tech	12.7%	46.0%
Financials	12.4%	33.5%
Industrials	11.0%	26.6%
Materials	8.9%	17.6%
Health Care	8.9%	16.1%
Consumer Staples	7.5%	7.2%
Consumer Discretionary	5.0%	28.7%
Utilities	4.6%	0.4%
Real Estate	-0.5%	9.6%

Non-U.S/Global Assets Total Return

	Q1 2024	1 Year (%)
ACWI ex-USA	4.7%	13.3%
Japan	11.0%	25.8%
EAFE	5.8%	15.3%
Europe	5.2%	14.1%
Canada	4.0%	15.1%
EAFE Small Cap	2.4%	10.4%
EM Asia	3.4%	6.3%
Emerging Markets	2.4%	8.2%
EMEA	1.0%	10.5%
Latin America	-4.0%	22.6%
Gold	8.1%	13.2%
Commodities	2.2%	-0.6%

U.S. Equity Factors Total Return

	Q1 2024	1 Year (%)
Momentum	14.2%	36.4%
Quality	8.8%	25.9%
Yield	8.2%	23.7%
Value	8.1%	26.9%
Size	7.8%	22.5%
Low Volatility	6.7%	20.2%

Fixed Income Total Return

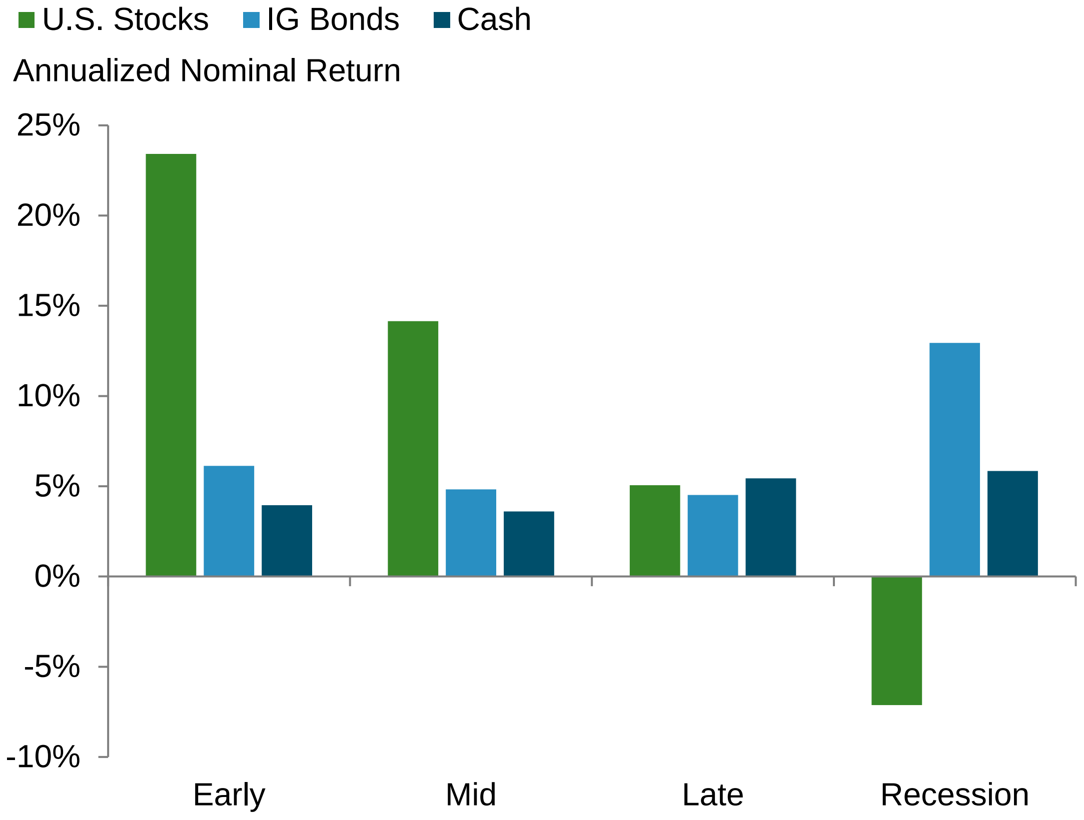
	Q1 2024	1 Year (%)
Leveraged Loan	2.5%	12.5%
EM Debt	2.0%	11.3%
High Yield	1.5%	11.0%
CMBS	0.8%	4.4%
ABS	0.7%	4.3%
Agency	0.1%	3.1%
TIPS	-0.1%	0.5%
Municipal	-0.4%	3.1%
Credit	-0.4%	4.1%
Aggregate	-0.8%	1.7%
Treasuries	-1.0%	0.1%
MBS	-1.0%	1.4%
Long Govt & Credit	-2.4%	-1.1%

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 3/31/24.

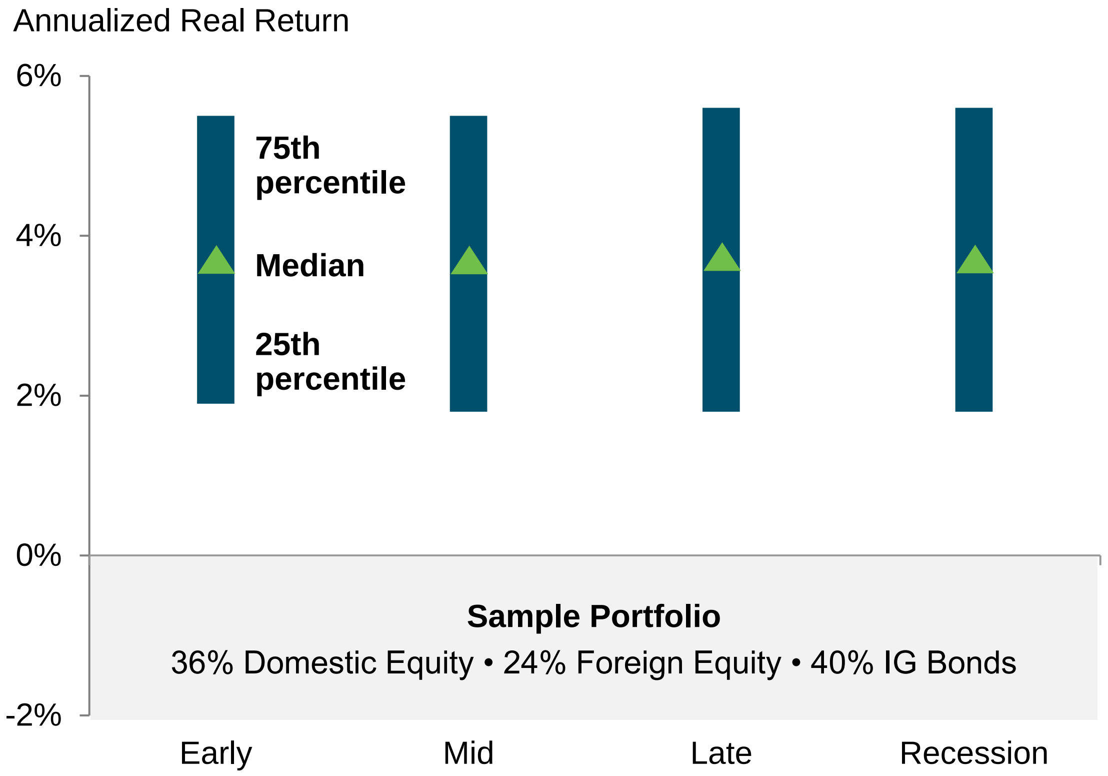
The business cycle is important, but dissipates in the long run

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

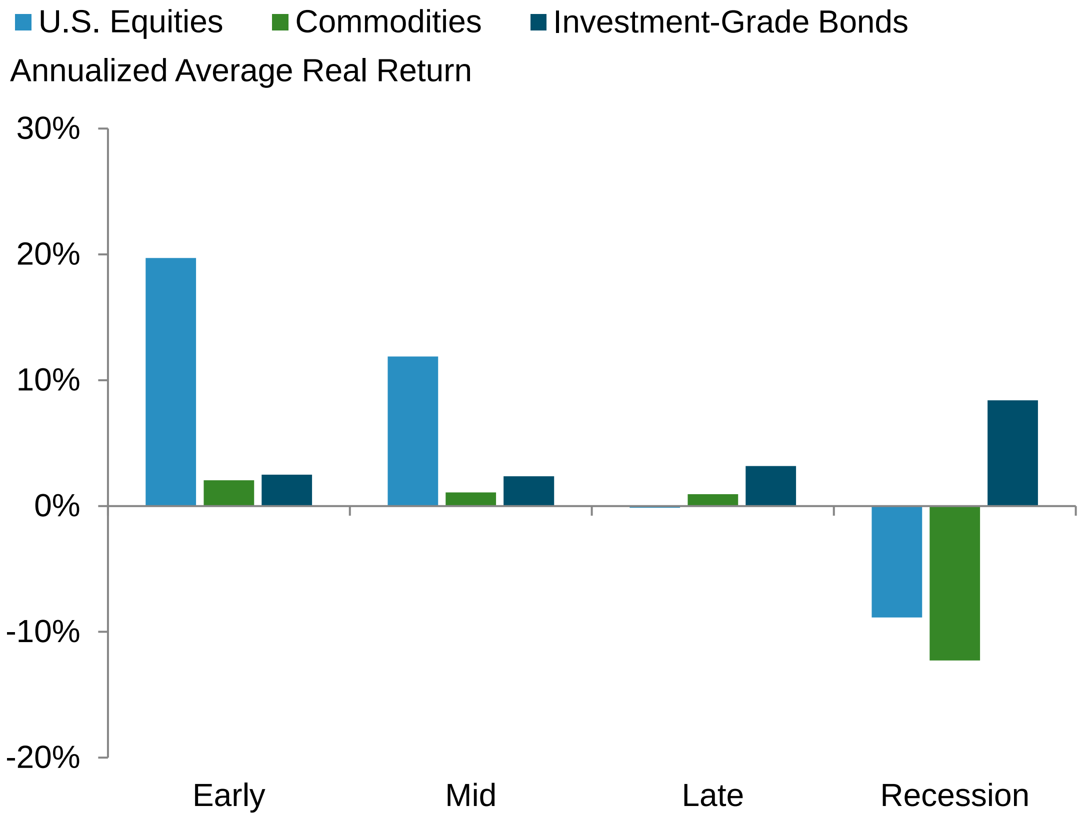


For illustrative purposes only. Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against a loss. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. Fidelity proprietary analysis 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 3/31/23.

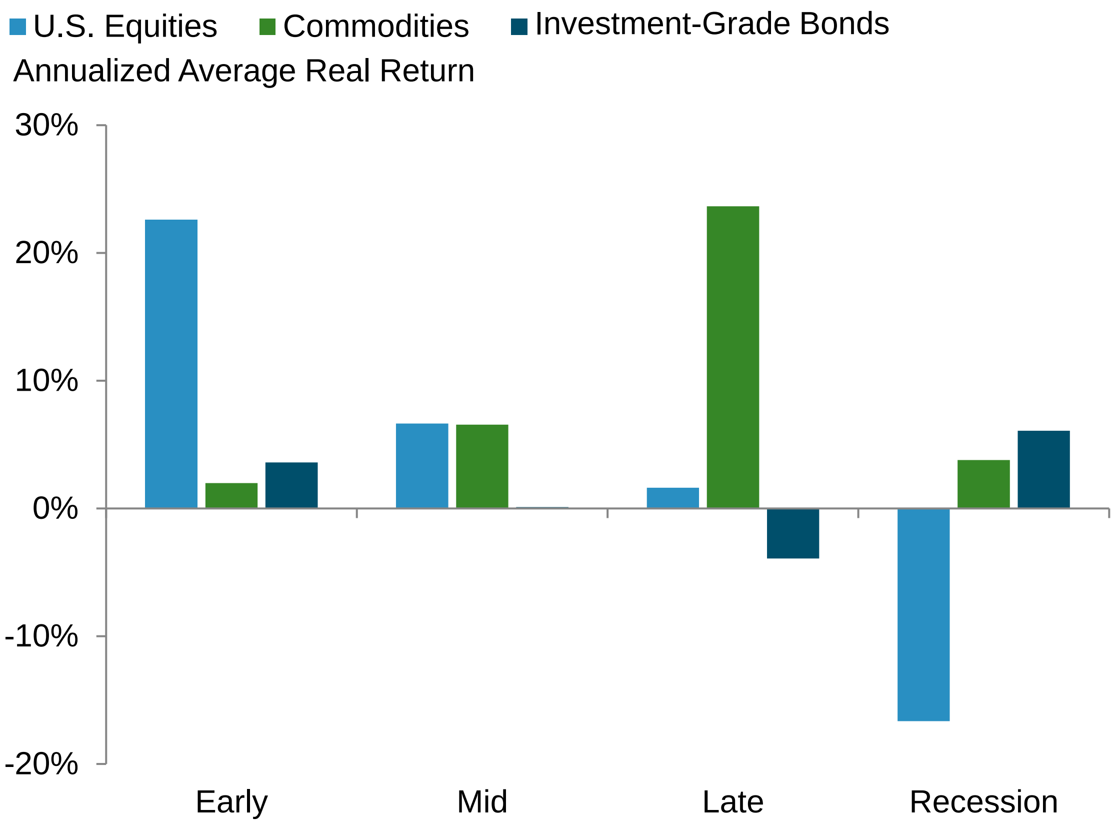
What high inflation implies for a maturing business cycle

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)



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



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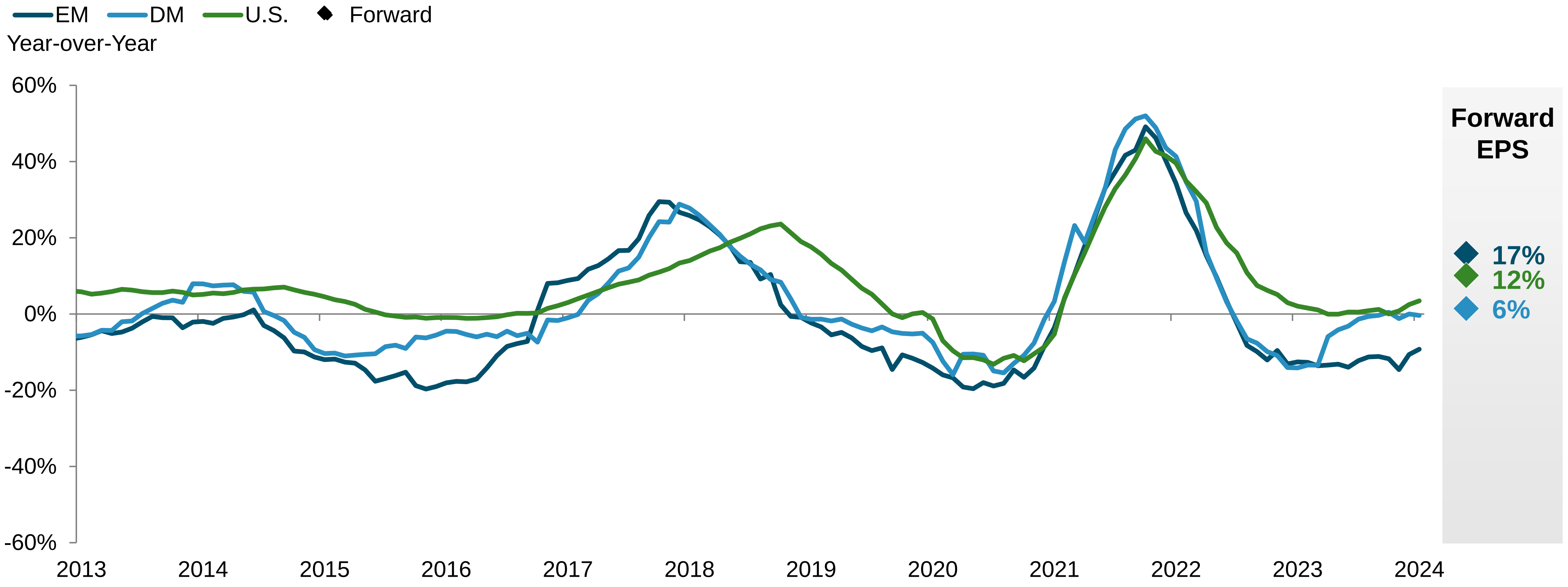
Global earnings stabilization

Global earnings growth appeared to show signs of stabilization in Q1. Earnings revisions generally steadied, with the U.S. and DM expected to report roughly flat Q1 earnings growth, while emerging markets remained in contraction territory. Investors continue to anticipate a broad-based rebound in earnings growth in 2024 across the world.

Global EPS Growth (Trailing 12 Months)

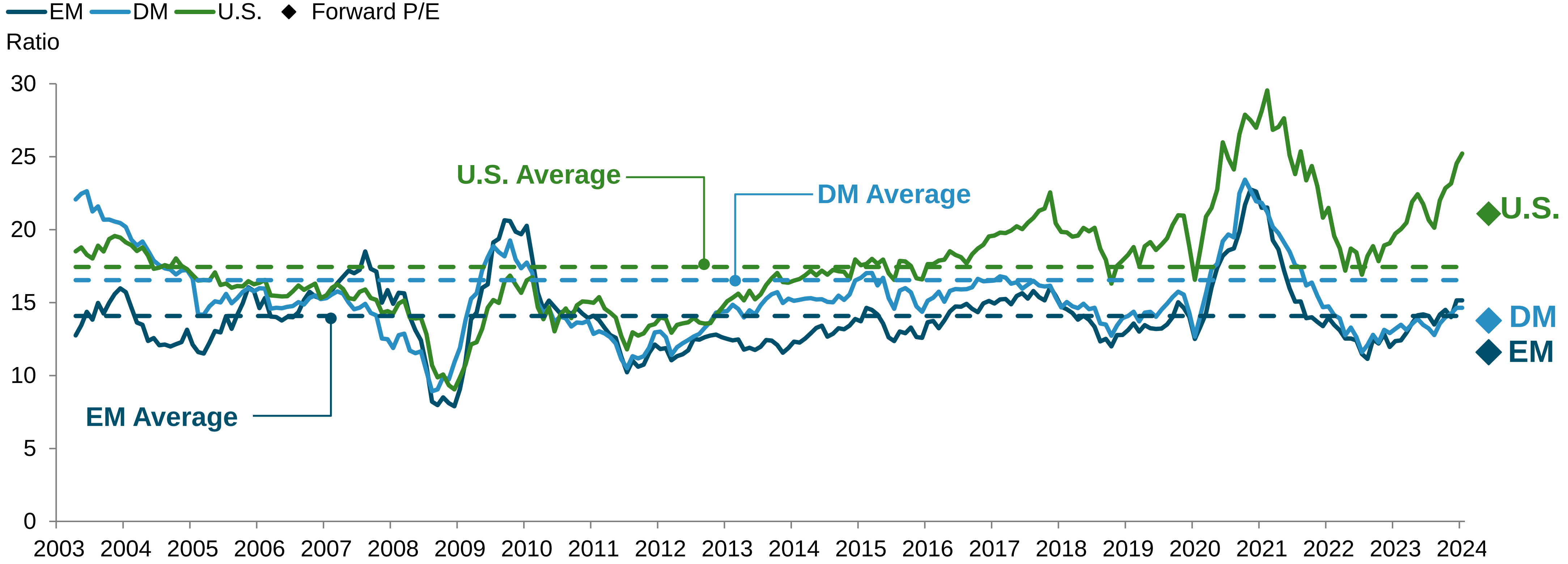


Past performance is no guarantee of future results. DM: Developed markets. EM: Emerging markets. EPS: Earnings per share. Forward EPS: Next 12 months' expectations. Indexes: DM—MSCI EAFE Index; EM—MSCI Emerging Markets Index; U.S.—S&P 500. Source: MSCI, Bloomberg Finance L.P., Fidelity Investments (AART), as of 3/31/24.

Equity valuations rose, non-U.S. still looks relatively attractive

Valuations became somewhat more expensive amid the Q1 stock rally, especially for the U.S. The trailing one-year price-to-earnings (PE) ratio for U.S. stocks remained well above its long-term average. Emerging markets trailing valuations are slightly above their long-term average, while DM finished below. The expected earnings recovery in the next 12 months implies the forward P/E ratios for all regions are substantially lower than their trailing valuations.

Global Stock Market P/E Ratios

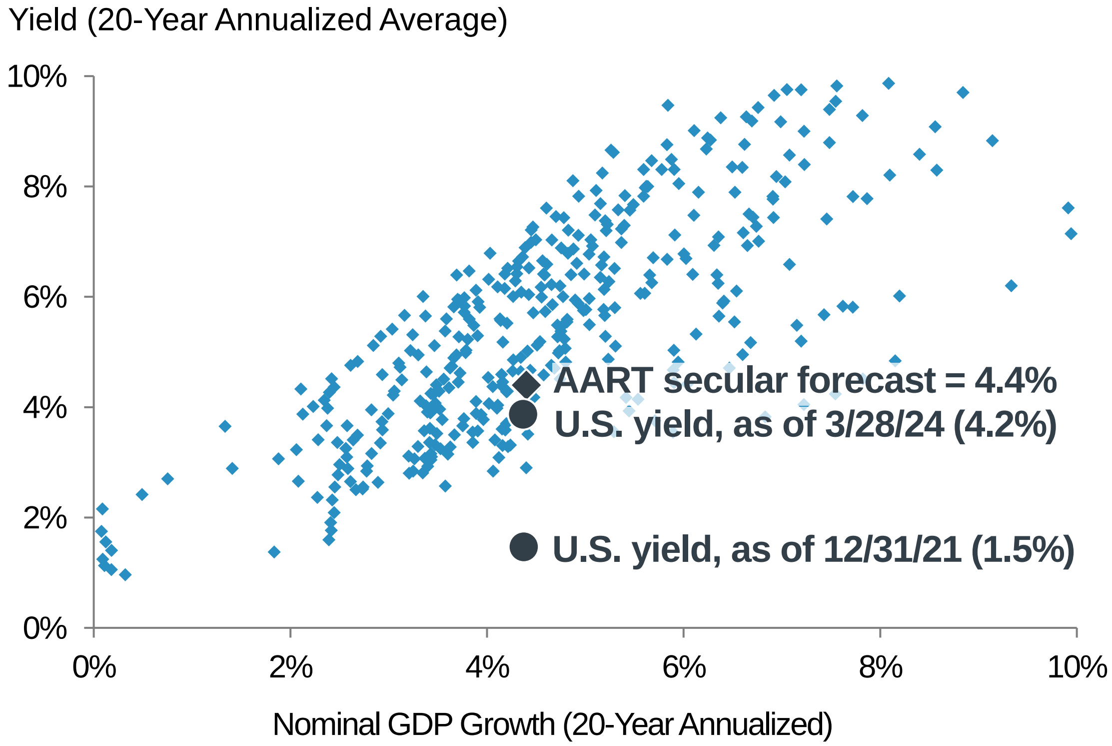


DM: Non-U.S. developed markets. EM: Emerging markets. Chart includes trailing 12-month P/Es. Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. Price-to-earnings (P/E) ratio (or 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 12/31/03 to 3/31/24. 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 3/31/24.

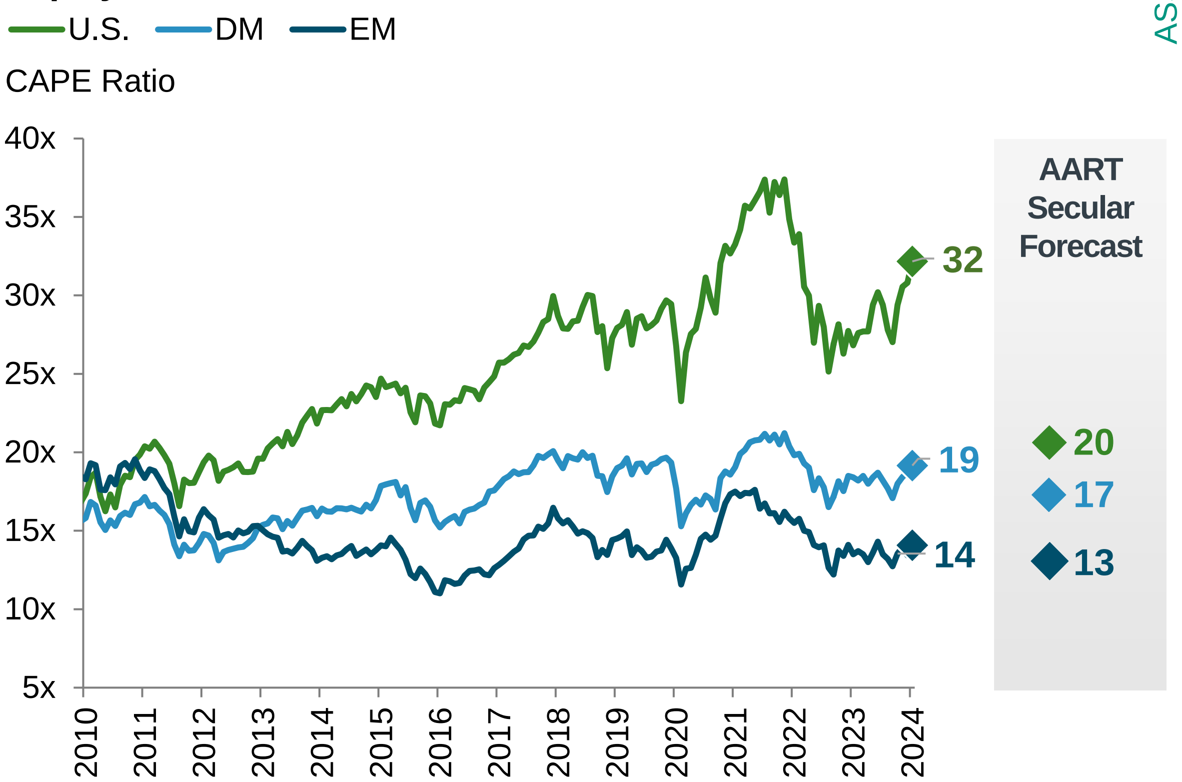
Relative valuations may provide opportunities ahead

Based on our long-term valuation metrics, some assets appear relatively attractive. Ten-year Treasury yields are now near our secular forecast of 4.4%, but bond valuations remain favorable compared to the past decade and relative to equities. Cyclically adjusted price-to-earning ratios for non-U.S. stock markets appear relatively attractive as well, particularly when compared to current U.S. valuations, which are well above our secular forecasts.

10-Year Sovereign Bond Yields vs. GDP



Equity Valuations

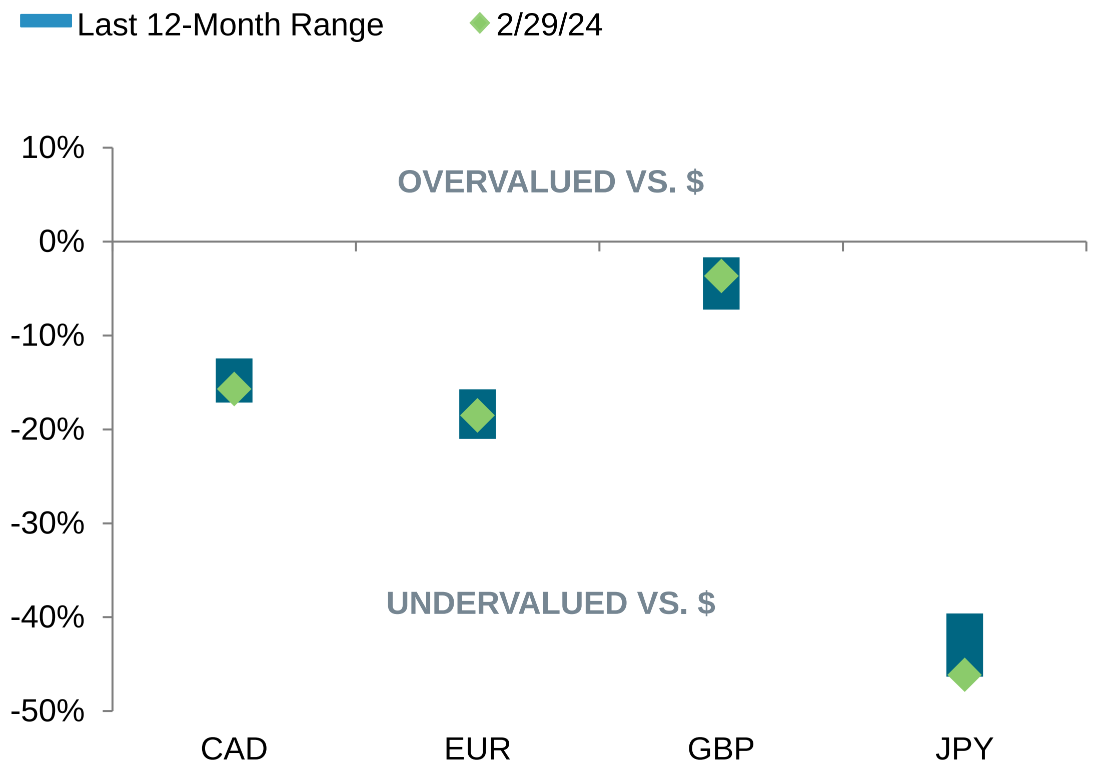


Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. LEFT: Highlighted dots are U.S. 10-year Treasury bond yields. AART secular forecast refers to an estimate for U.S. nominal GDP (4.4%). Source: Official Country Estimates, Haver Analytics, Fidelity Investments (AART), as of 3/31/24. RIGHT: CAPE: Cyclically adjusted price-earnings. 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 3/31/24.

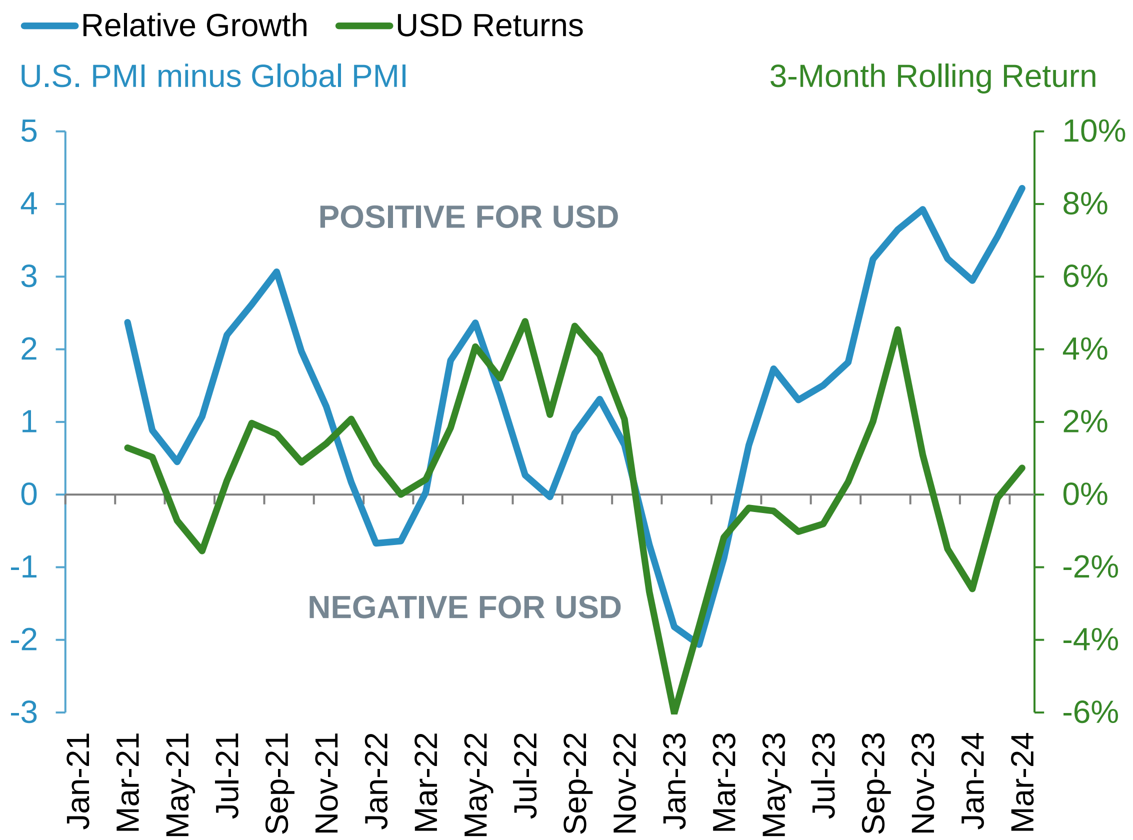
Dollar strength continues; non-U.S. currencies inexpensive

The dollar ended the quarter broadly up in value versus other major currencies, continuing a period of multiyear strength. Relatively strong U.S. economic growth underpinned the dollar, a position that it had enjoyed for most of 2023. Most major non-U.S. currencies, particularly the Japanese Yen, remained undervalued, suggesting they might provide portfolio diversification benefits to U.S. investors.

FX Valuation: Purchasing Power Parity (PPP)



Growth Influences on U.S. Dollar



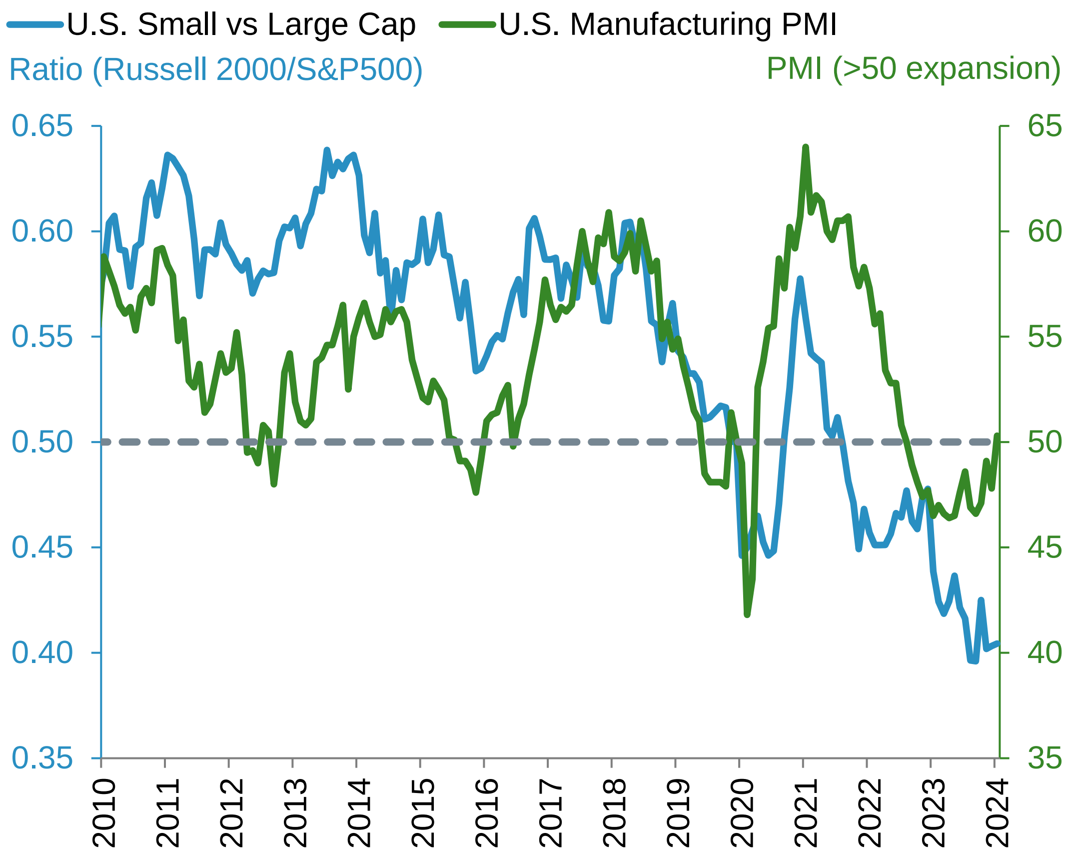
LEFT: FX: Foreign currency exchange rate, PMI: Purchasing Managers Index of manufacturing activity. Source: Bloomberg Finance L.P., Macrobond, and Fidelity Investments, as of 2/29/24. RIGHT: USD returns calculated as rolling quarter-over-quarter returns based on US Broad Trade Weighted Index. Global PMI measured by market cap weighting. Relative Growth measured as 3-month moving average. Sources: Bloomberg, Fidelity Investments, Macrobond, S&P Global, and Federal Reserve, as of 3/31/24.

Fidelity INVESTMENTS

Cyclical opportunities in small and quality factors

Small cap stocks have significantly trailed their larger cap counterparts this cycle. Historically, smaller companies start to outperform when manufacturing activity reaccelerates, which could be a potential indicator of equity market broadening. The quality factor—which emphasizes companies with better returns on equity, earnings stability, and capital structure—has been a leading performer during mature expansions and recessionary periods.

U.S. Equity Market Cap Performance vs. Manufacturing



U.S Quality Factor Returns vs. Market (1986–2020)

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: Source: Bloomberg Finance L.P., Fidelity Investments (AART), analysis as of 3/31/24. RIGHT: 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 3/31/24.

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

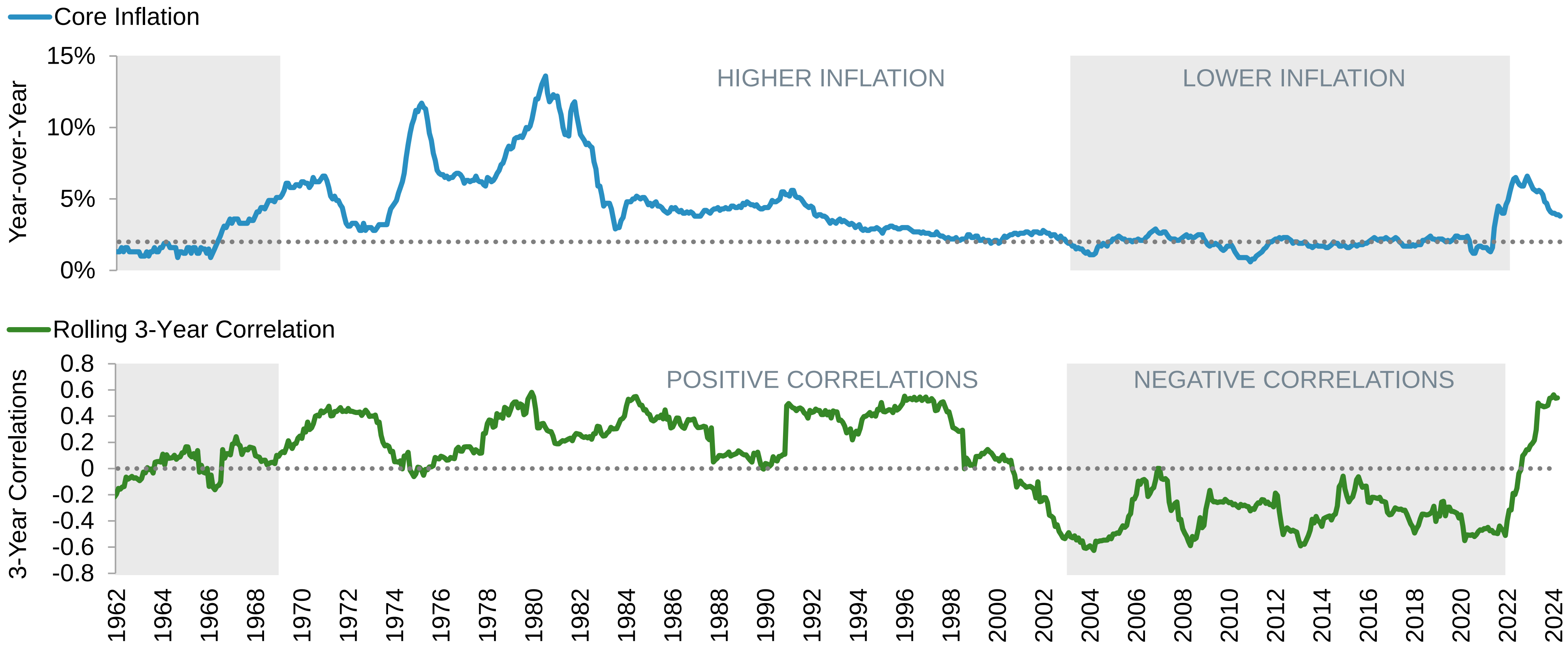
Sector	EARLY CYCLE—Rebounds	MID CYCLE—Peaks	LATE CYCLE—Moderates	RECESSION—Contracts
Financials	+			-
Real Estate	++	-	+	--
Consumer Discretionary	++		--	
Information Technology	+	+	-	--
Industrials	++			--
Materials	+	--		-
Consumer Staples	--	-	+	++
Health Care	--			++
Energy	--		++	--
Communication 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 3/31/24.

High inflation drives positive stock-bond correlations

Over the past 20 years, subdued and relatively stable 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.

Stock and Treasury Bond Correlations vs. Inflation

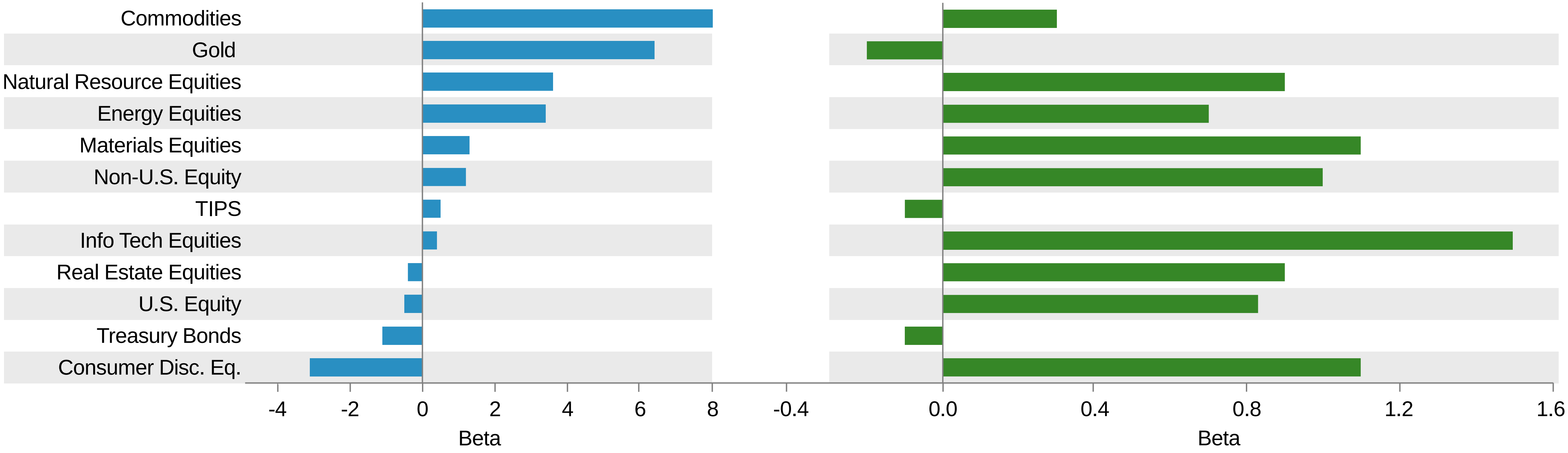


Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against a loss. Fidelity Investments proprietary analysis of historical asset class performance is not indicative of future performance. Stocks measured by the Dow Jones U.S. Total Stock Market Index (Total Return). U.S. Treasuries measured by the Bloomberg U.S. Intermediate Treasury Bond Index (Total Return). Source: Bureau of Labor Statistics, Macrobond, Bloomberg Finance L.P., Fidelity Investments (AART), as of 3/31/24.

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,* historically have provided better diversification than Treasuries.

Return Sensitivity to Inflation Surprises (1972–2022) **Return Sensitivity to Growth Surprises (1972–2022)**

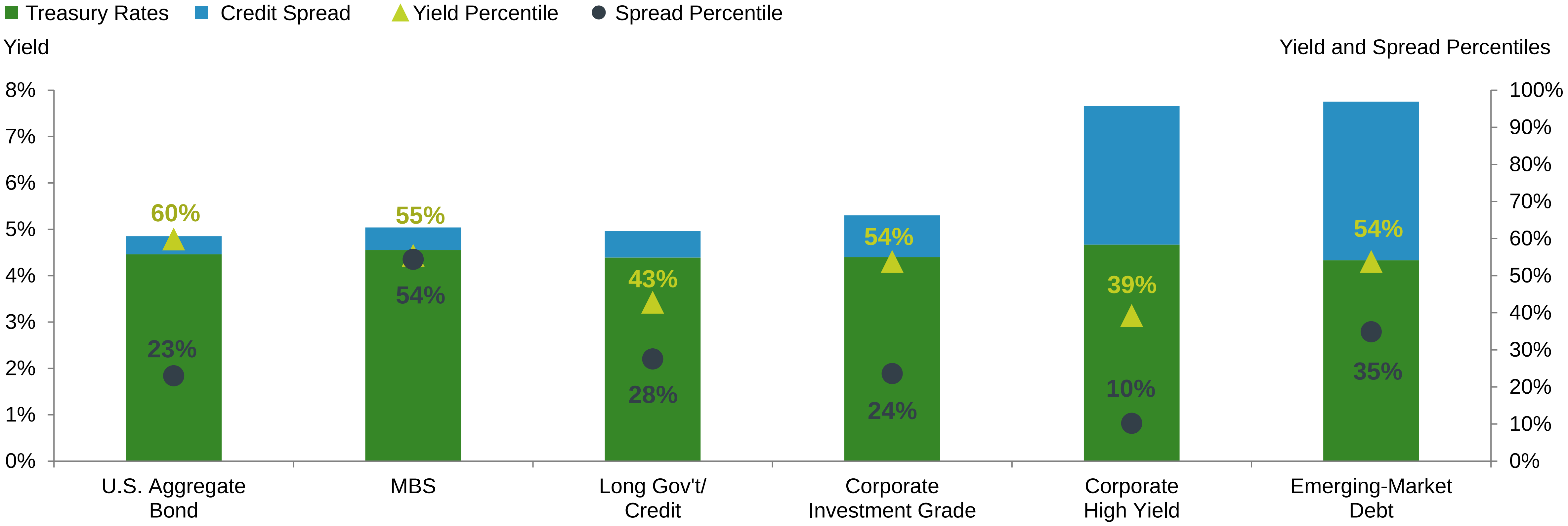


Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against loss. * TIPS are Treasury Inflation-Protected Securities. Inflation sensitivity measured relative to CPI, an index that tracks the percentage change in the price of a specified "basket" of 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 spreads tighter; yields attractive vs. prior decade

Treasury rates rose during Q1, leading most fixed income categories to end the quarter with yields around their long-term historical averages. Strong corporate and economic trends continued to boost the fundamental outlook for spread sectors, and credit spreads tightened further in most categories, ending the quarter around the lower end of their historical range. Overall, fixed income yields suggest valuations that are roughly in line with long-term averages and better than the past decade of low yields.

Fixed Income Yields and Spreads (1993–2024)



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 2024. Treasury rates different across asset classes due to different duration for each index. Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 3/31/24.

Long-term themes

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

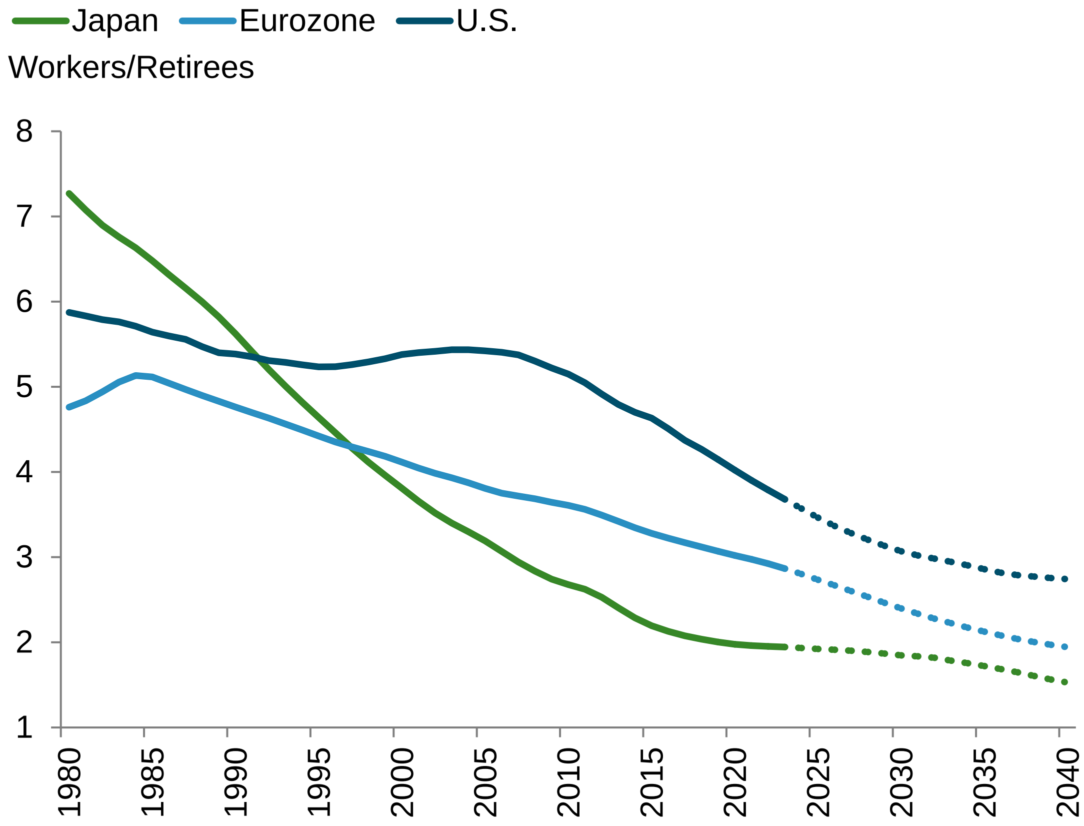
- Inflation and interest rates more volatile
- Policy and political risks higher
- Financial fragility
- Profit-margin pressures
- Higher asset price volatility
- Lower global asset correlations

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

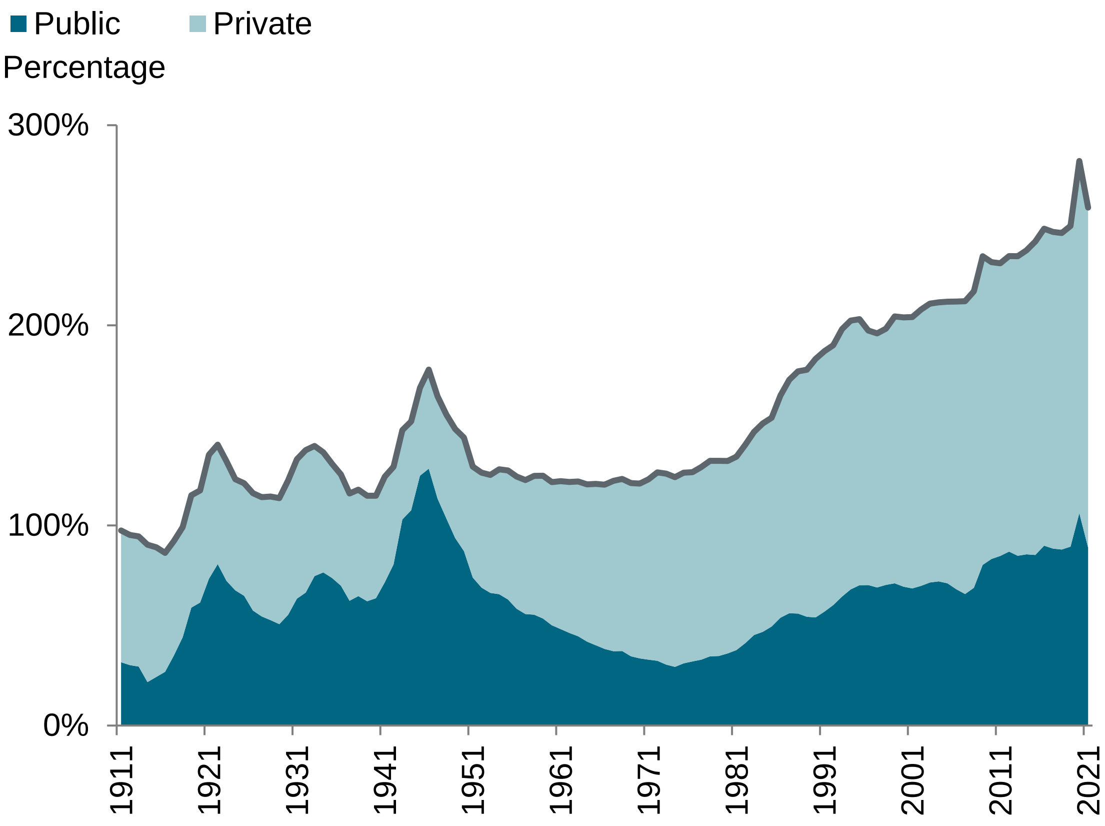
Unprecedented debt levels amid aging demographics

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

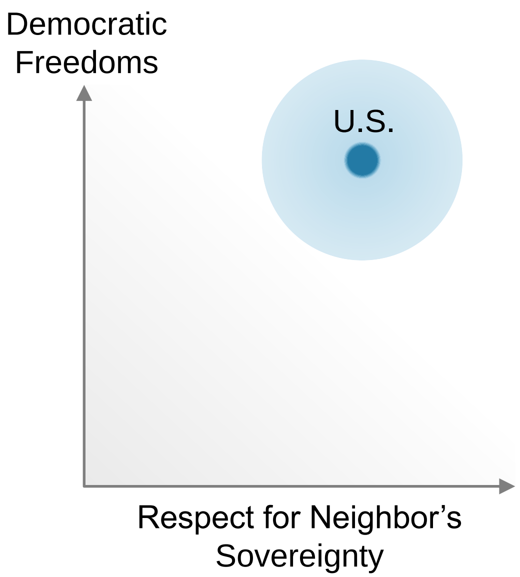


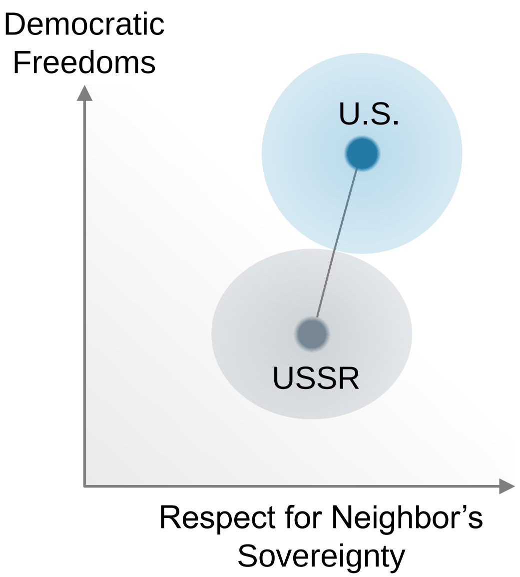
LEFT: The demographic support ratio is calculated as the number of workers (15–64 years old)/number of retirees (65 and older). Dotted line represents a projection. Source: United Nations, Haver Analytics, Fidelity Investments (AART), as of 7/31/22. RIGHT: Source: Bank of International Settlements, International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

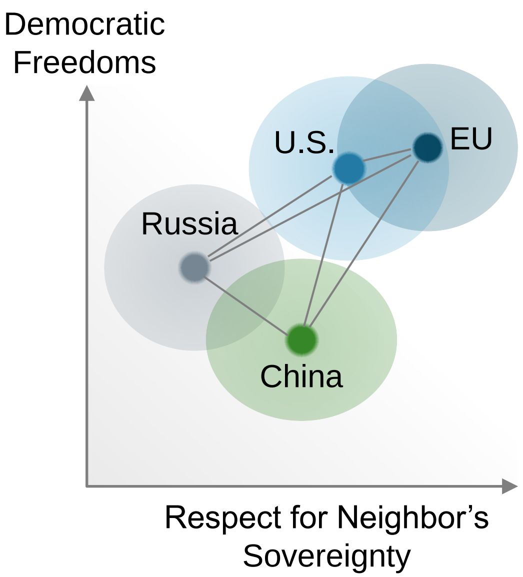
Geopolitical risk: More great powers, less stability

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**





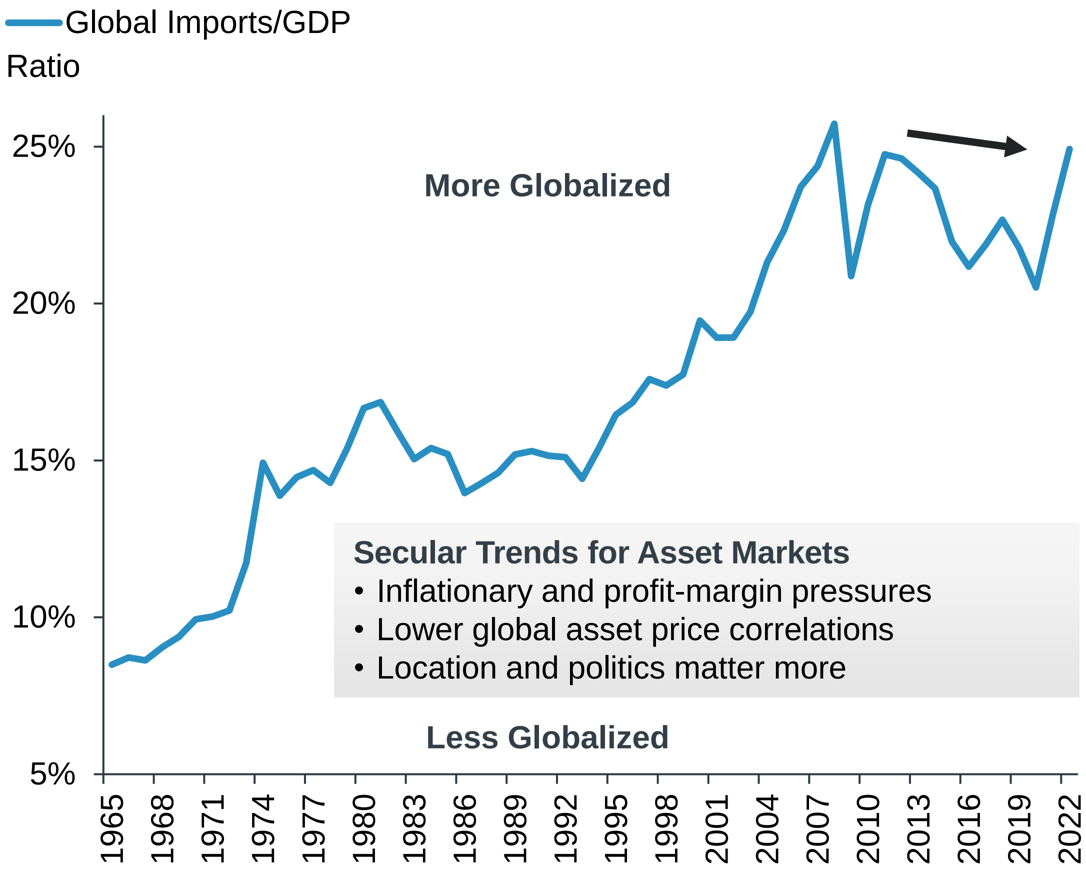


Source: Fidelity Investments (AART), as of 3/31/24.

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



U.S.–China Relationship

Diversification does not ensure a profit or guarantee against a loss. The arrow on the left chart notes the general downtrend in global imports as a percentage of gross domestic product since roughly the end of the 2007–2009 Global Financial Crisis. Source: World Bank, International Monetary Fund (IMF), Macrobond, Fidelity Investments (AART) as of 12/31/22.

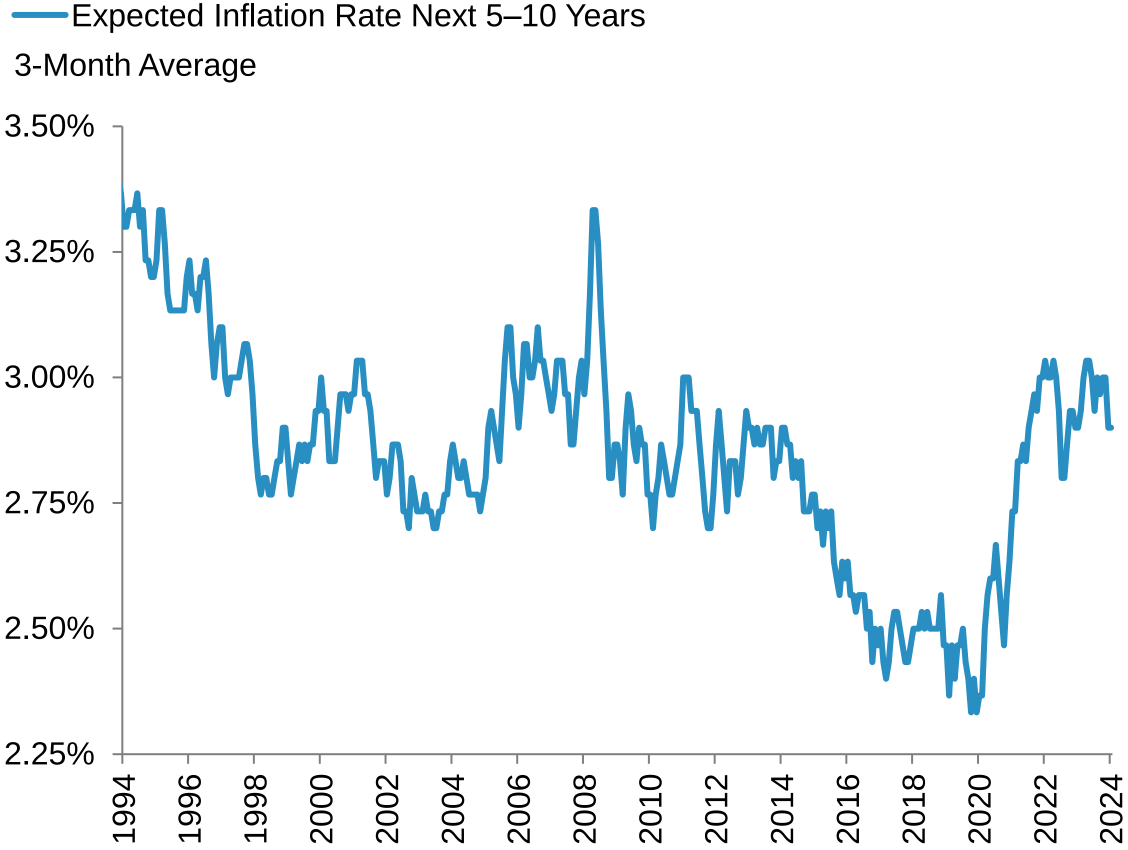
Secular inflation risks confront monetary policymakers

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 climate disruption. U.S. consumers' long-term inflation expectations remain at the high end of their range over the past two decades.

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	↑
	China structural overcapacity	↓
Aging Demographics	Older adults:	
	• Spend less (reducing demand)	↓
	• Work less (reducing supply)	↑
Technological Progress	Artificial intelligence, robots	↓
	Lower long-term productivity	↑
Climate Change	More-volatile weather, supply damage	↑
	Greater innovation/R&D in clean energy	↓

Consumer Long-Term Inflation Expectations



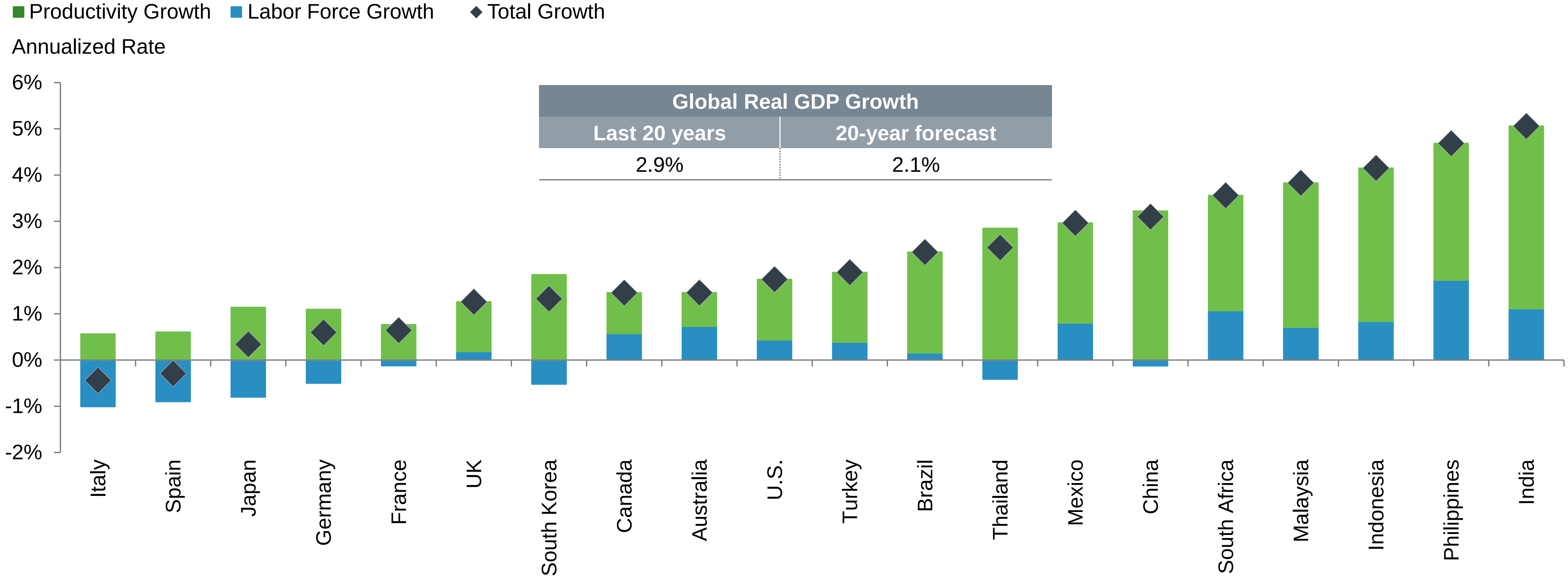
LEFT: Diversification does not ensure a profit or guarantee against a loss. Source: Fidelity Investments (AART), as of 12/31/22. RIGHT: University of Michigan Survey of Consumers. Source: University of Michigan, Haver Analytics, Fidelity Investments (AART), as of 3/31/24.

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.

LONG-TERM

Real GDP 20-Year Growth Forecasts



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

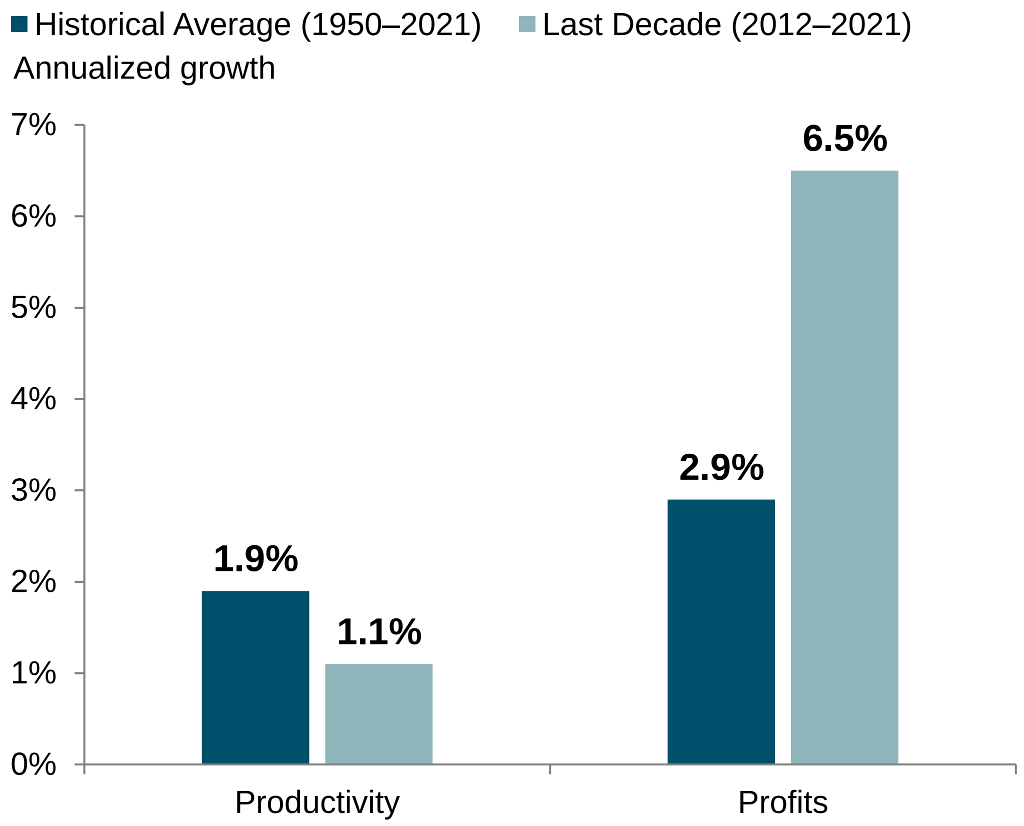
Past performance is no guarantee of future results. EM: Emerging markets. GDP: Gross domestic product.
Source: OECD and Fidelity Investments (AART), as of 5/31/23.

Fidelity INVESTMENTS®

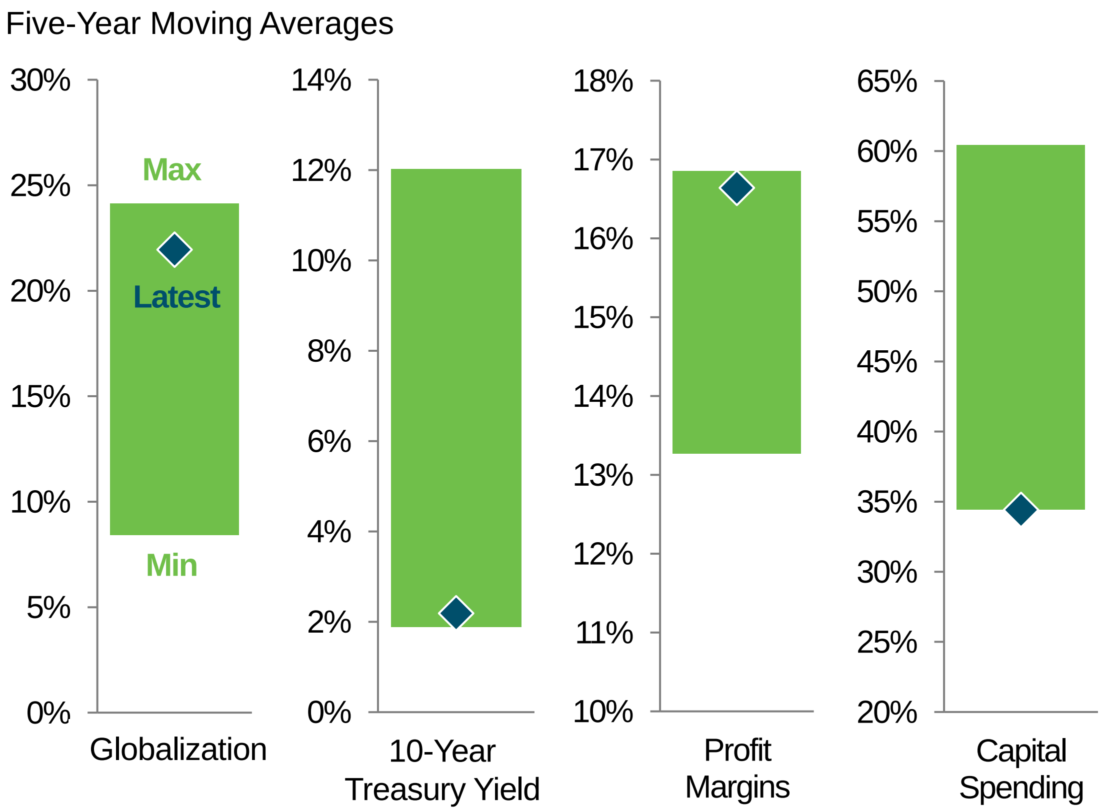
Change in corporate behavior on the horizon?

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

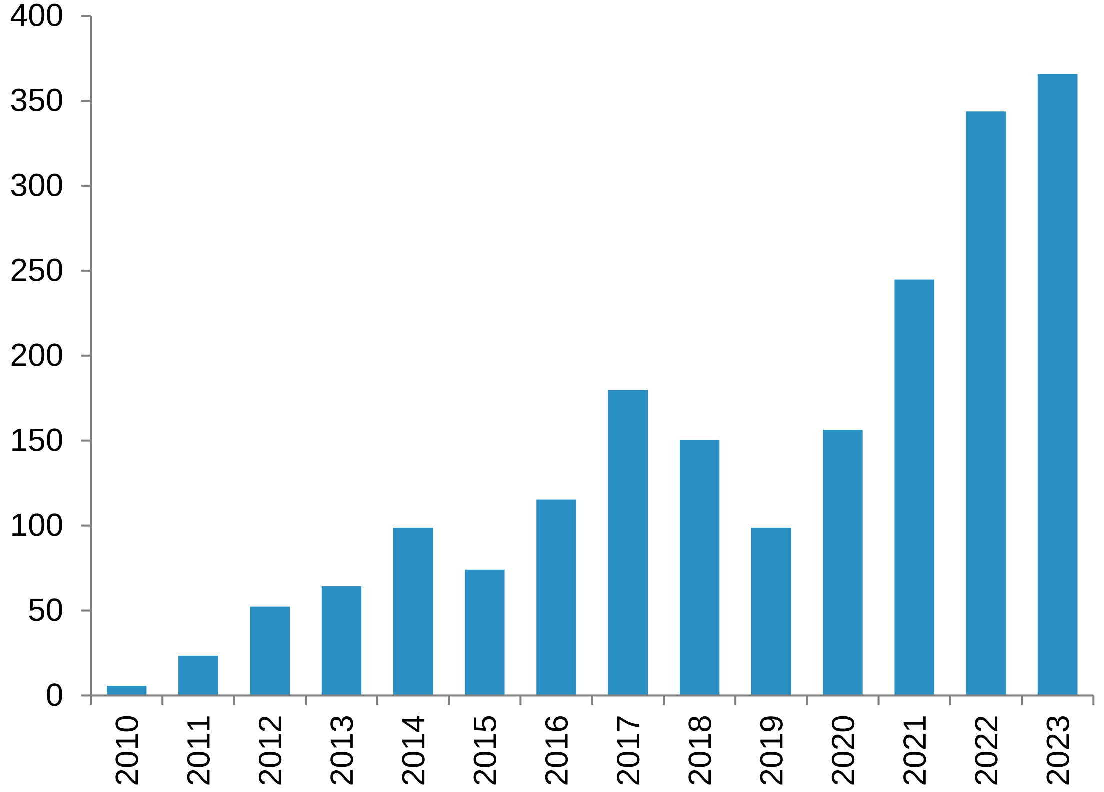
With long-term productivity rates slumping at multi-decade lows, a number of potential catalysts could boost productivity over the next decade. For instance, private and public investments to reshore manufacturing activities, mitigate the impact of climate change, and expand the use of AI have picked 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

Thousands



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. 2023 data are projections. Source: Reshoring Initiative, Fidelity Investments (AART), as of 6/30/23.

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	2023	YTD
32%	35%	35%	40%	5%	79%	28%	8%	20%	39%	28%	5%	21%	38%	0%	36%	38%	43%	16%	41%	11%
26%	21%	33%	16%	-20%	58%	27%	8%	19%	34%	14%	3%	18%	30%	-2%	31%	20%	29%	-8%	26%	11%
21%	14%	27%	12%	-26%	37%	19%	4%	18%	33%	13%	1%	18%	26%	-2%	26%	18%	27%	-11%	18%	9%
18%	12%	22%	11%	-34%	32%	18%	4%	18%	32%	12%	1%	12%	22%	-3%	26%	18%	26%	-13%	18%	6%
17%	7%	18%	7%	-36%	28%	17%	2%	16%	23%	11%	1%	12%	15%	-4%	26%	14%	25%	-14%	17%	6%
11%	5%	16%	6%	-36%	27%	16%	2%	16%	19%	6%	0%	11%	15%	-4%	22%	8%	17%	-16%	14%	5%
11%	5%	12%	5%	-37%	26%	15%	0%	16%	7%	5%	-4%	9%	13%	-9%	22%	8%	15%	-18%	13%	2%
9%	5%	11%	2%	-38%	20%	15%	-4%	15%	3%	3%	-4%	8%	9%	-11%	18%	6%	11%	-20%	12%	2%
8%	4%	9%	-1%	-38%	19%	12%	-12%	11%	-2%	-2%	-5%	7%	8%	-11%	14%	3%	5%	-20%	10%	1%
7%	3%	4%	-2%	-43%	18%	8%	-13%	4%	-2%	-4%	-15%	3%	4%	-11%	9%	-3%	-2%	-24%	6%	0%
4%	2%	2%	-16%	-53%	6%	7%	-18%	-1%	-10%	-17%	-25%	2%	1%	-14%	8%	-8%	-3%	-29%	-8%	-1%

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

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, Fidelity Investments (AART), as of 3/31/24.

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 3/31/24, 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.

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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 26 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.

Appendix: Important information

Market Indexes (continued)

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.

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-capital-ization 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.

Appendix: Important information

Market Indexes (continued)

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.

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.

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