

Commentary | Fourth Quarter 2024

Quarterly Market Update

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- Market summary
- Economy/macro backdrop
- Asset markets
- Long-term themes

Market summary

Falling inflation and interest rates overshadowed market volatility

The shift toward global monetary easing gained steam as the U.S. Federal Reserve cut its policy rate and bond yields dropped. Falling oil prices and headline inflation rates bolstered the disinflationary trends, although persistent core inflation in the U.S. remained above the Fed's target. The global expansion remained intact and U.S. near-term recession risks remained muted. Future upside equity market surprises may be more difficult amid higher asset valuations.

MACRO

ASSET MARKETS

Q3 2024

- The global disinflationary economic expansion continued, as monetary easing picked up steam.

- Bond yields and the dollar dropped, supporting a broad-based rally across most asset categories.

OUTLOOK

- The global business cycle remains in expansion, with a broad shift toward monetary easing and a stable earnings outlook.
- U.S. labor markets softened, and the U.S. expansion demonstrates evidence of both mid- and late-cycle dynamics.
- Persistent core inflation in the U.S. implies the market expectations for rate cuts may be difficult to achieve without greater cyclical 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.
- Upside surprises may be more difficult amid higher valuations for riskier assets.
- The base case of a prolonged cycle implies a near-term preference for more economically sensitive assets, but the stubborn inflation outlook and late-cycle flavor implies some restraint on active risk.

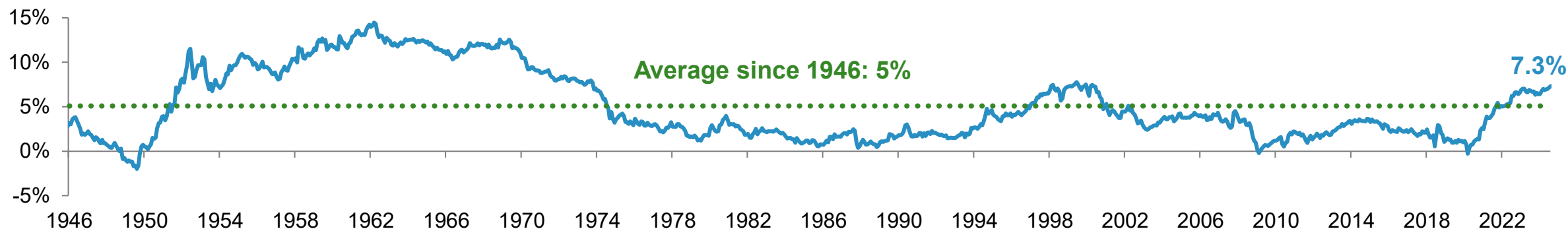
Broad market rally supported by falling bond yields

Almost all asset categories rallied sharply during Q3, with leadership seized by previously lagging stock categories such as real estate, value, small cap and emerging markets. Investment-grade fixed income assets moved into positive territory for the calendar year on the back of strong gains supported by the decline in interest rates. Gold prices rose amid the decline in real rates and added to their strong year-to-date gains, but commodities overall finished roughly flat.

	Q3 2024	YTD		Q3 2024	YTD
Real Estate Stocks	16.1%	15.9%	Emerging-Market Bonds	6.2%	8.6%
Gold	13.2%	27.7%	U.S. Large Cap Stocks	5.9%	22.1%
U.S. Value	9.5%	16.2%	U.S. Corporate Bonds	5.7%	5.2%
U.S. Small Cap Stocks	9.3%	11.2%	High-Yield Bonds	5.3%	8.0%
Emerging-Market Stocks	8.7%	16.9%	Investment-Grade Bonds	5.2%	4.4%
Long Government & Credit Bonds	8.0%	3.5%	U.S. Growth	3.4%	24.0%
Non-U.S. Developed-Country Stocks	7.3%	13.0%	Commodities	0.7%	5.9%

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

Annualized Return Difference



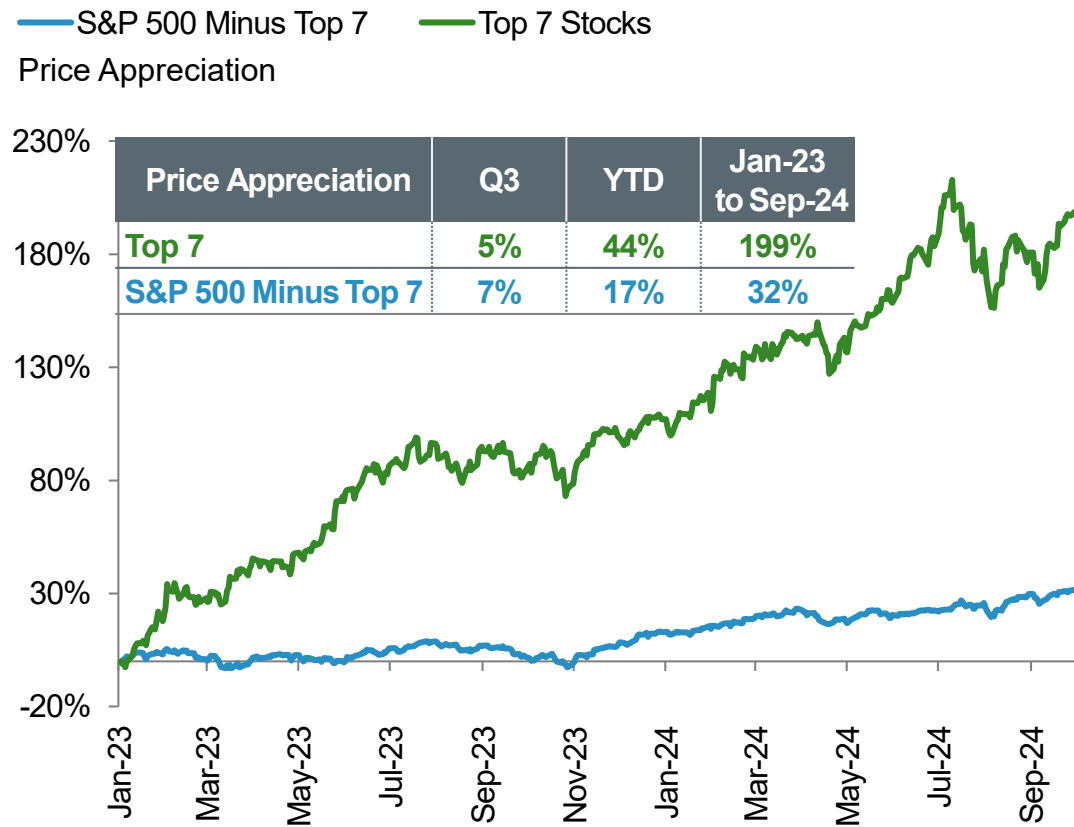
Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. IG: Investment grade. Assets represented by: U.S. Growth Stocks—Russell 3000 Growth Index; Non-U.S. Developed-Country Stocks—MSCI 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 9/30/24.



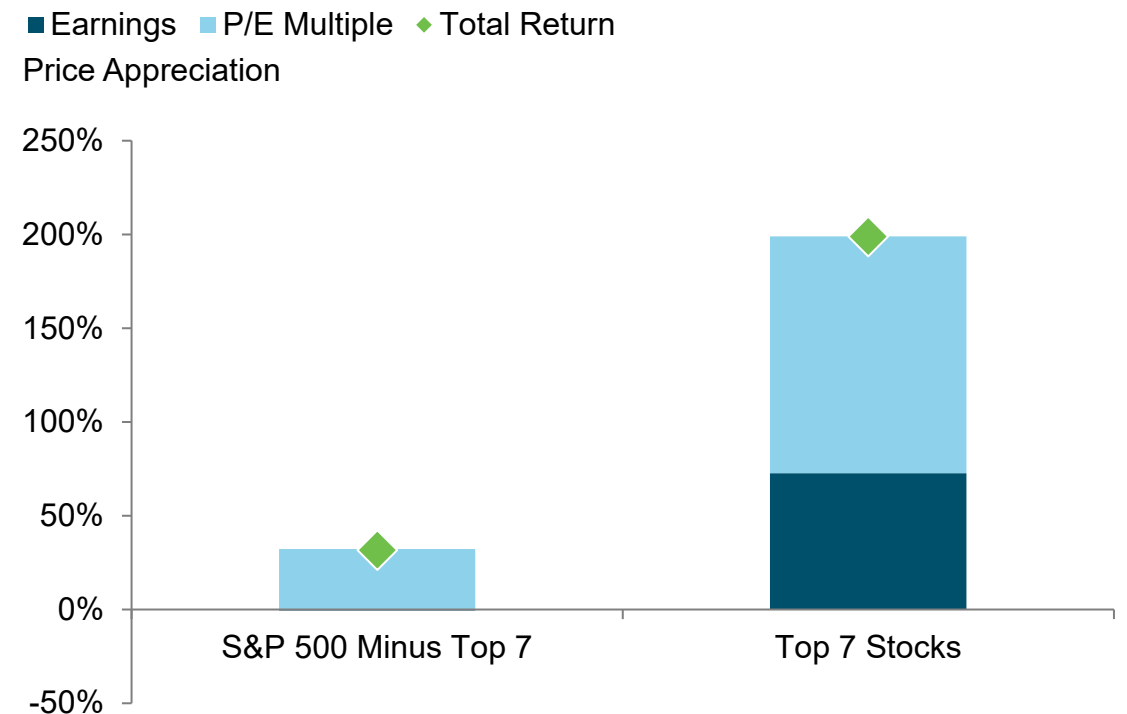
The largest stocks took a leadership pause during Q3

Stock prices of the largest U.S. companies by market capitalization—concentrated in the technology and communications sectors—rose during Q3 but were overshadowed by the gains of smaller stocks. Share prices of the largest seven companies have nearly tripled since the beginning of 2023, powered by both strong earnings growth and valuation multiple expansion. With valuations near historically high levels, earnings growth may be the key determinant for whether smaller companies can sustainably seize the leadership position.

Top 7 Stock Performance vs. Rest of S&P 500



Composition of U.S. Equity Returns (Jan 2023 to Sep 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 9/30/24. **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 includes all factors impacting total return excluding earnings per share. Source: Bloomberg Financial LP, Fidelity Investments, as of 9/30/24.

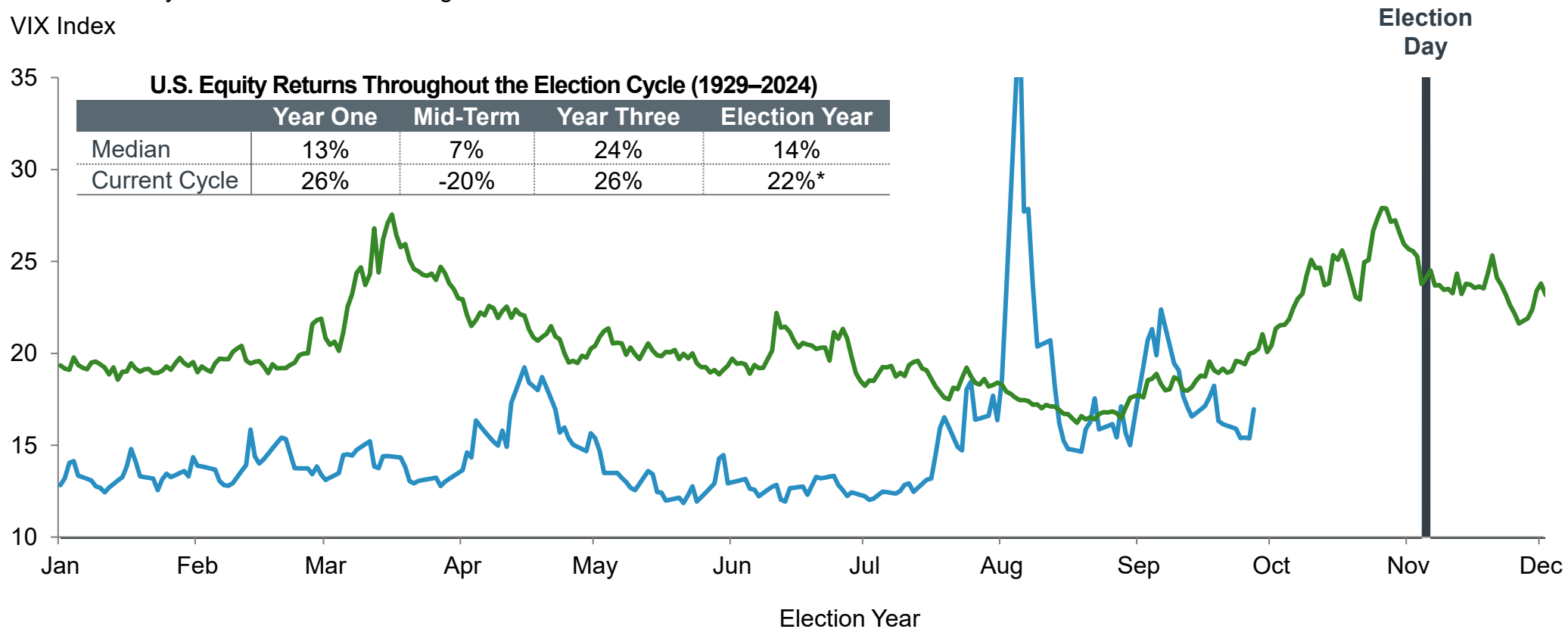
Markets entered a historically volatile election season

Historically, the uncertainty around presidential election outcomes has translated into an upward move in stock market volatility. Typically, volatility rises before and dissipates after the election, and the calendar-year returns for election years have tended to post above-average returns. After a sudden and significant spike in volatility at the beginning of August, the implied volatility in the market dropped rapidly and ended Q3 below the average of historical election cycles.

S&P 500 Stock Volatility in Calendar Years with Presidential Elections (1990-2024)

— Current Cycle — Historical Average

VIX Index



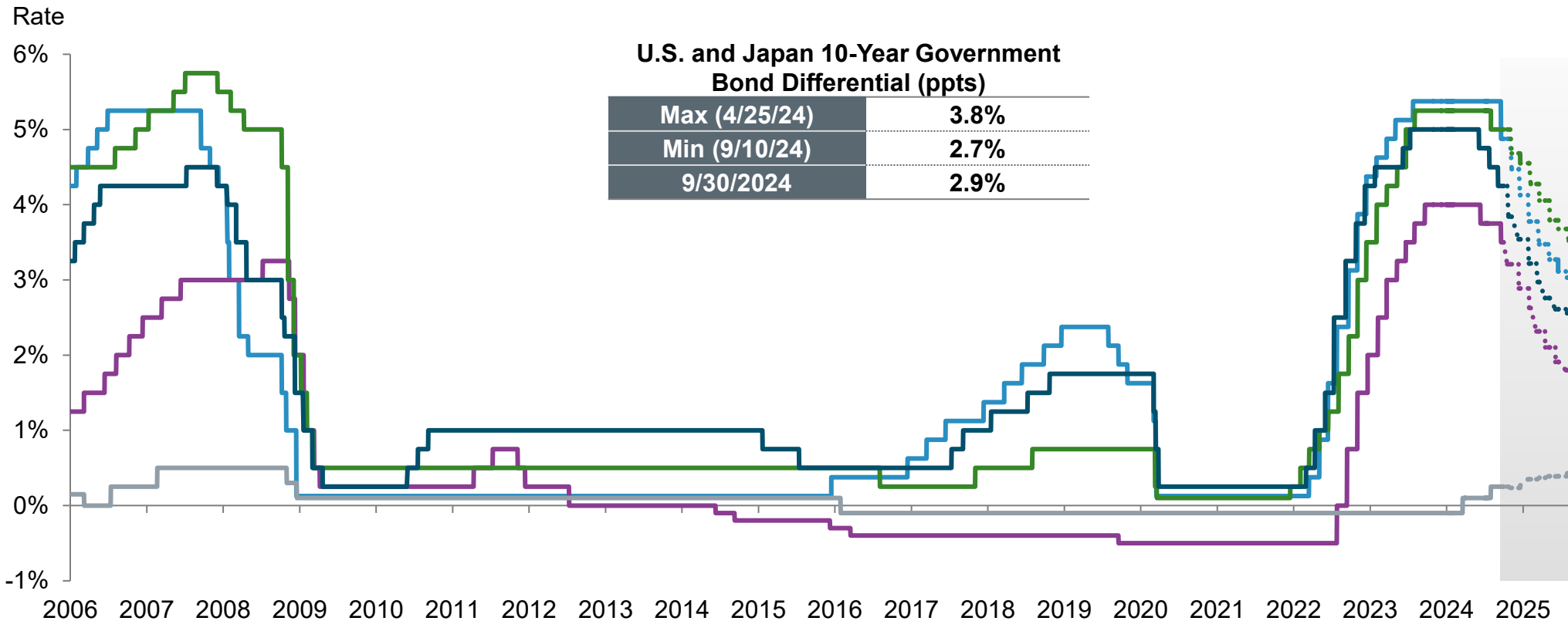
Historical average is an average of volatility in the last twenty-three election years. Source: Chicago Board Options Exchange, Macrobond, Fidelity Investments (AART) as of 9/30/24. Table: *Current cycle election year returns are year-to-date. All returns are annual. Table denotes the calendar-year total returns for the S&P 500 during the first, second, third, and fourth years of an election cycle. Source: Macrobond, Fidelity Investments (AART) as of 9/30/24.

Global monetary easing picked up steam

The Fed and the Bank of England cut their policy rates during Q3 for the first time this cycle. The Bank of Canada and the European Central Bank dropped their rates further, supporting the trend of global monetary easing. As of the end of Q3, futures markets reflected expectations for a large sustained drop in policy rates over the next year. Japan remained the outlier by hiking rates, and the narrowing gap with U.S. yields likely contributed to a volatility-inducing unwinding of carry trades during Q3.

Global Short-Term Policy Rates

— U.S. — Eurozone — UK — Canada — Japan



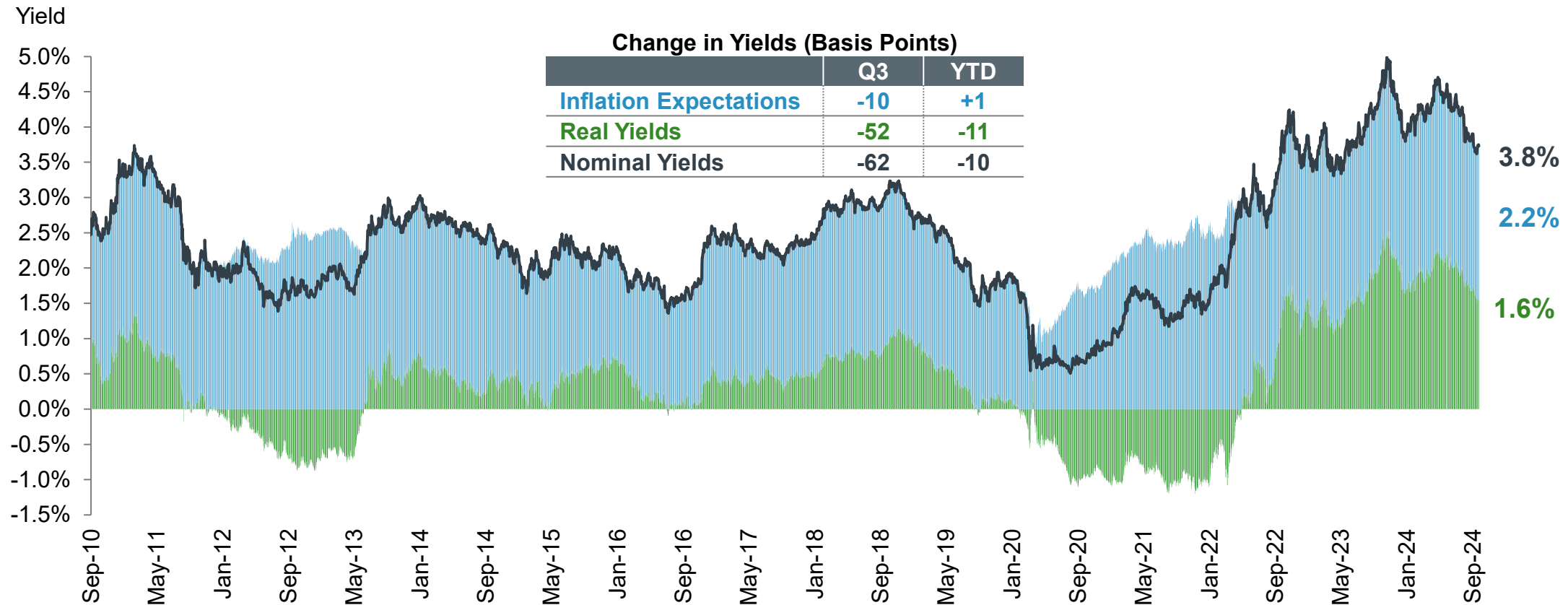
Ppts: percentage points. Dotted lines in the shaded area represent market rate expectations using overnight index swaps. **TABLE:** Max and min bond differentials measured year-to-date. Source: U.S. Federal Reserve Board, ECB, Bank of Japan, Bank of England, Bloomberg Finance L.P., Fidelity Investments (AART), as of 9/30/24.

Treasury yields moved sharply lower

Nominal 10-year U.S. Treasury bond yields dropped more than 60 basis points during Q3, finishing at 3.8%. A fall in real yields—the inflation-adjusted cost of borrowing—drove most of the nominal-rate decline, as investors priced in greater expectations of Fed easing. Inflation expectations remained in their average range over the past decade, while real yields remained toward the higher end of their range.

10-Year U.S. Government Bond Yields

Real Yields Inflation Expectations Nominal Yields

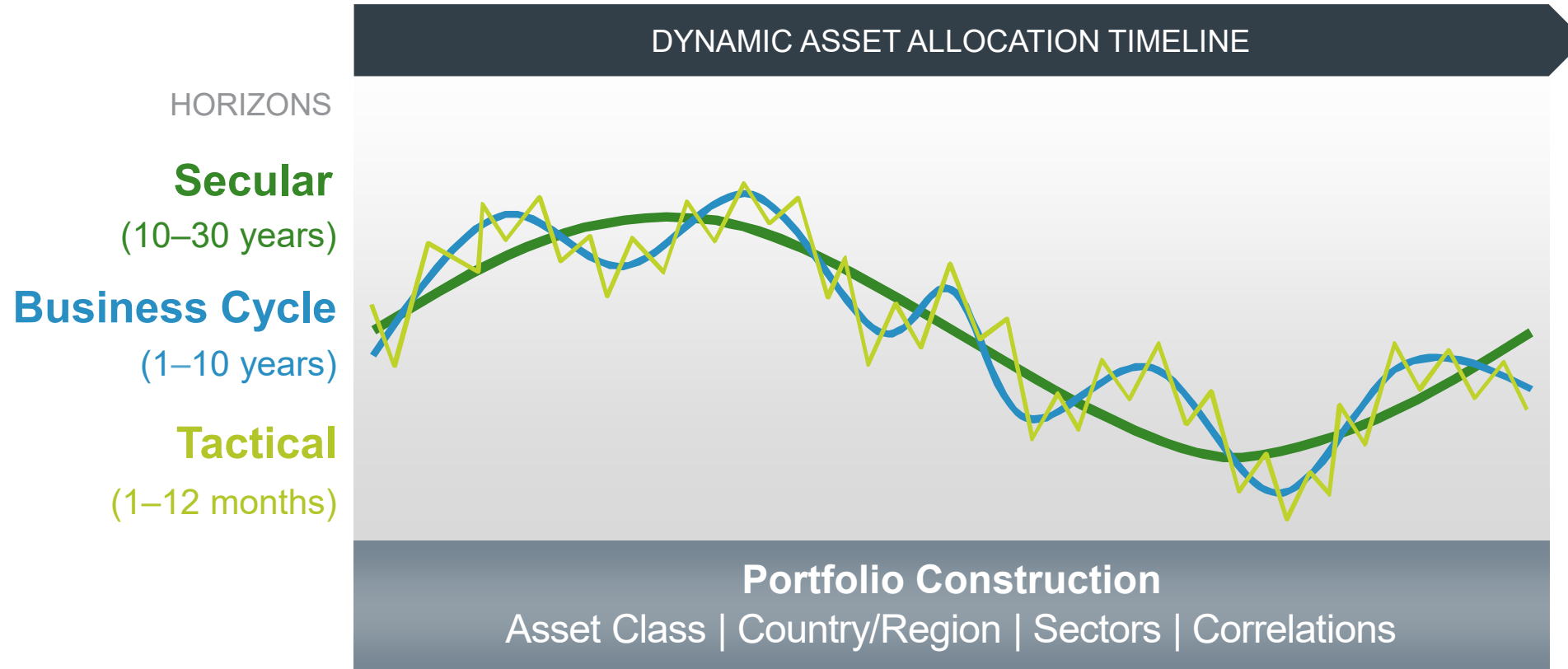


Nominal Yields are U.S. Generic Govt 10-Year yields, inflation expectations are the U.S. Breakeven 10-Year rates. TIPS: Treasury Inflation Protected Securities. Source: Bloomberg, Federal Reserve, Macrobond, Fidelity Investments (AART) as of 9/30/24.

Economy/macro backdrop

Multi-time-horizon asset allocation framework

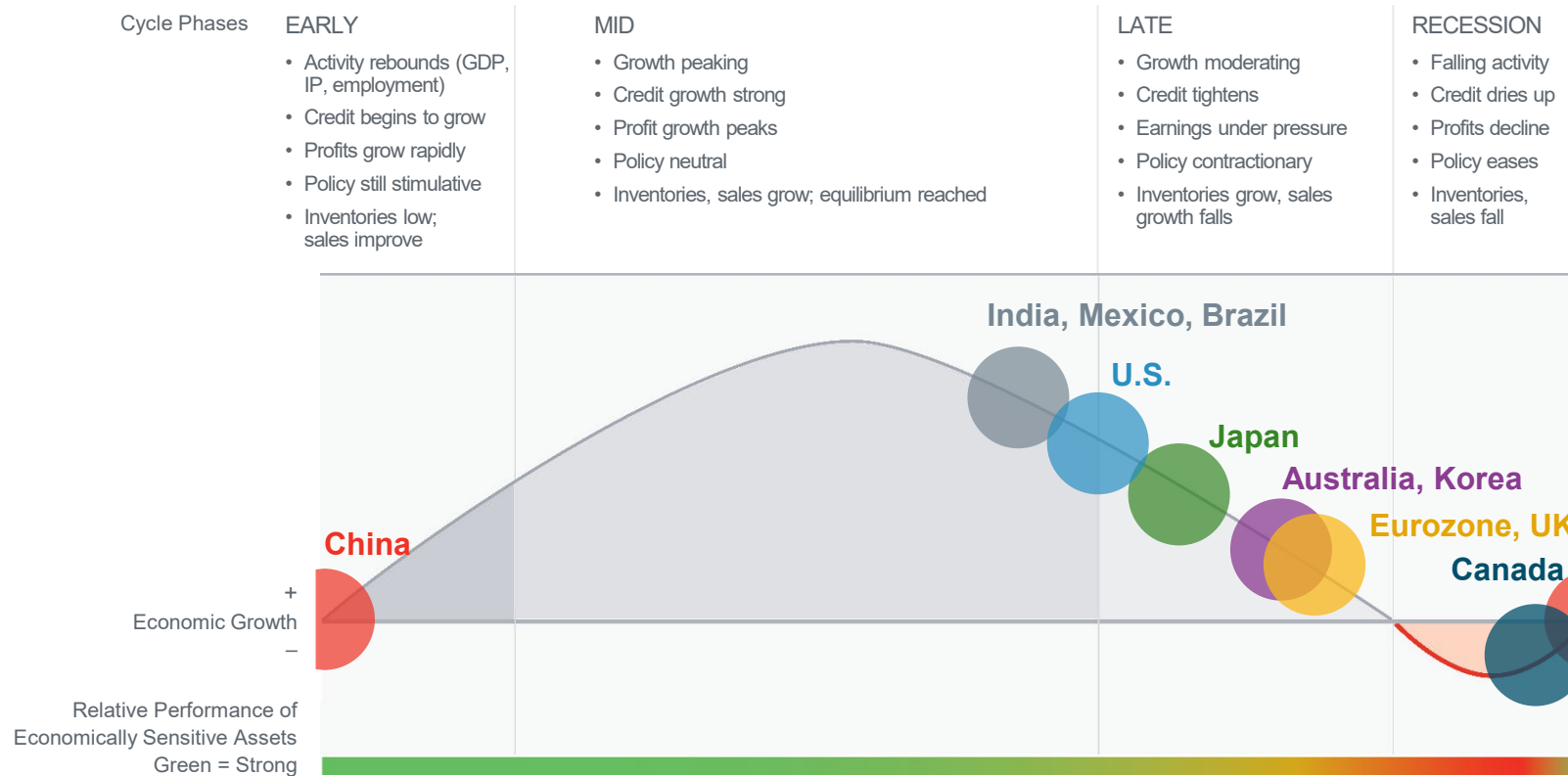
Fidelity's Asset Allocation Research Team (AART) believes that asset-price fluctuations are driven by a confluence of factors that evolve over different time horizons. As a result, we employ a framework that analyzes trends among three temporal segments: tactical (short term), business cycle (medium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



Global business cycle in prolonged expansion

Major economies demonstrated persistent expansion amid improved global financial conditions and stable employment dynamics, despite some softening in manufacturing. The U.S. and several large developing economies—India, Mexico, and Brazil— showed signs of mid-cycle dynamics, while the U.S. still also displayed significant late-cycle characteristics. Canada experienced increasing recession risks relative to other developed markets. China continued to struggle to emerge from its growth slump.

Business Cycle Framework



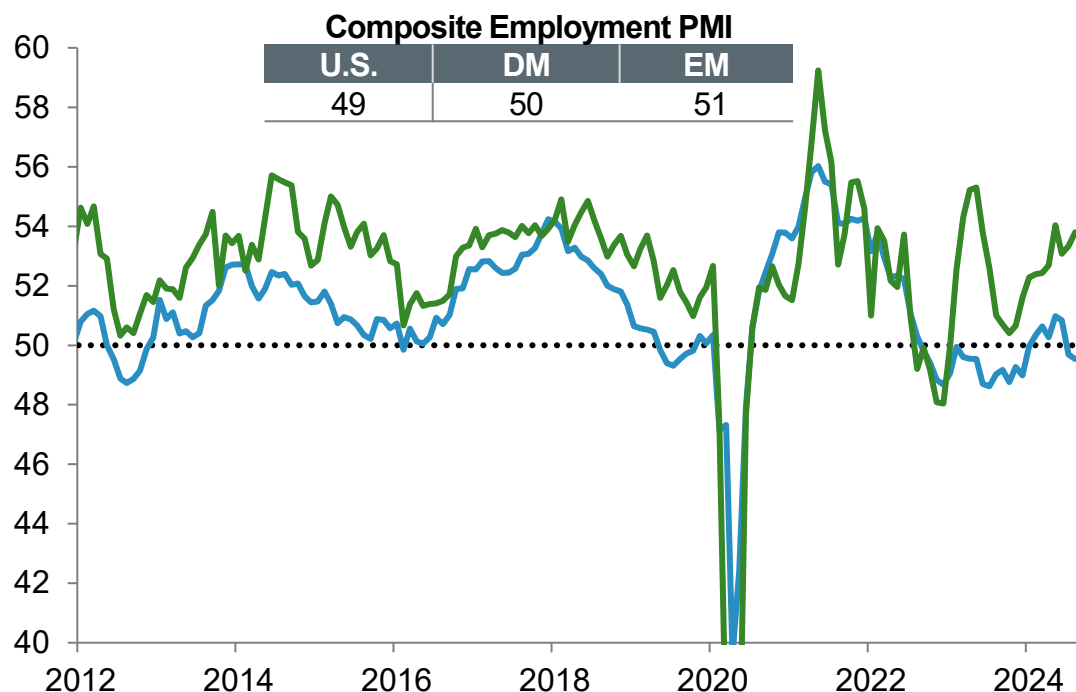
A growth recession is a significant decline in activity relative to a country's long-term economic potential. Note: The diagram above is a hypothetical illustration of the business cycle, the pattern of cyclical fluctuations in an economy over a few years that can influence asset returns over an intermediate-term 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 9/30/24.

Positive and stable global activity but China remains mixed

Global manufacturing activity decelerated in Q3 but was offset by positive momentum in global services activity and generally stable employment across both developed and emerging markets. China announced a flurry of new policies toward the end of Q3 that boosted stock prices, partly due to measures to provide liquidity to the equity markets. However, it remains uncertain whether new policy measures will spark an economic reacceleration amid China's structural imbalances and gloomy consumer sentiment.

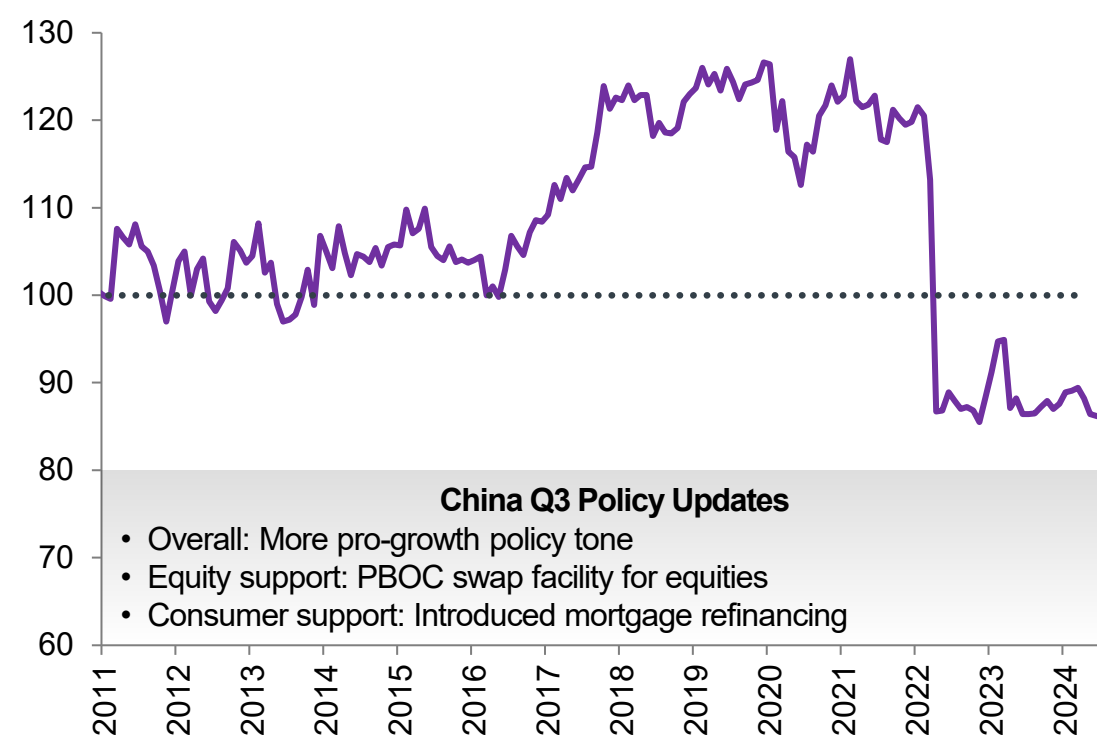
Global Manufacturing and Services Activity

— Manufacturing — Services
 PMI (>50 = Expansion)



China: Consumer Sentiment and Policy Updates

— Consumer Confidence Survey
 Index



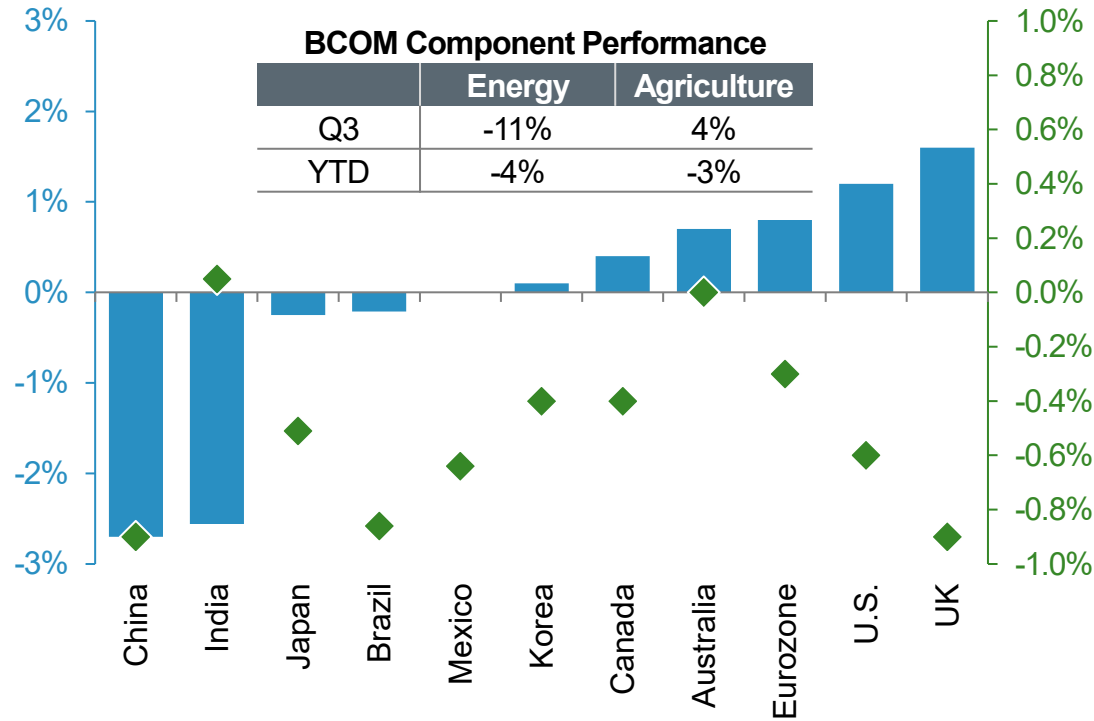
LEFT: PMI: Purchasing managers' index. Readings above 50 indicate expansion. EM: Emerging markets. DM: Developed markets. **TABLE:** Employment PMI: Composite of both manufacturing and services employment. Source: Markit, Institute for Supply Management, S&P Global, Macrobond, Fidelity Investments (AART), as of 9/30/24. **RIGHT:** PBOC is People's Bank of China (the country's central bank). Source: China Economic Monitoring and Analysis Center (CEMAC), National Bureau of Statistics, People's Bank of China, Macrobond, Fidelity Investments (AART), as of 9/30/24

Global disinflation and positive earnings momentum

Global disinflation trends continued, as core inflation fell across most major developed and emerging economies. The combination of lower core inflation, falling energy and food costs, and recent cuts in policy rates across most major central banks, all support household real incomes and consumer spending. Corporate earnings growth has reaccelerated across all regions, and for the first time in more than a year, earnings-per-share growth in non-U.S. markets is even with or surpassing the pace in the U.S.

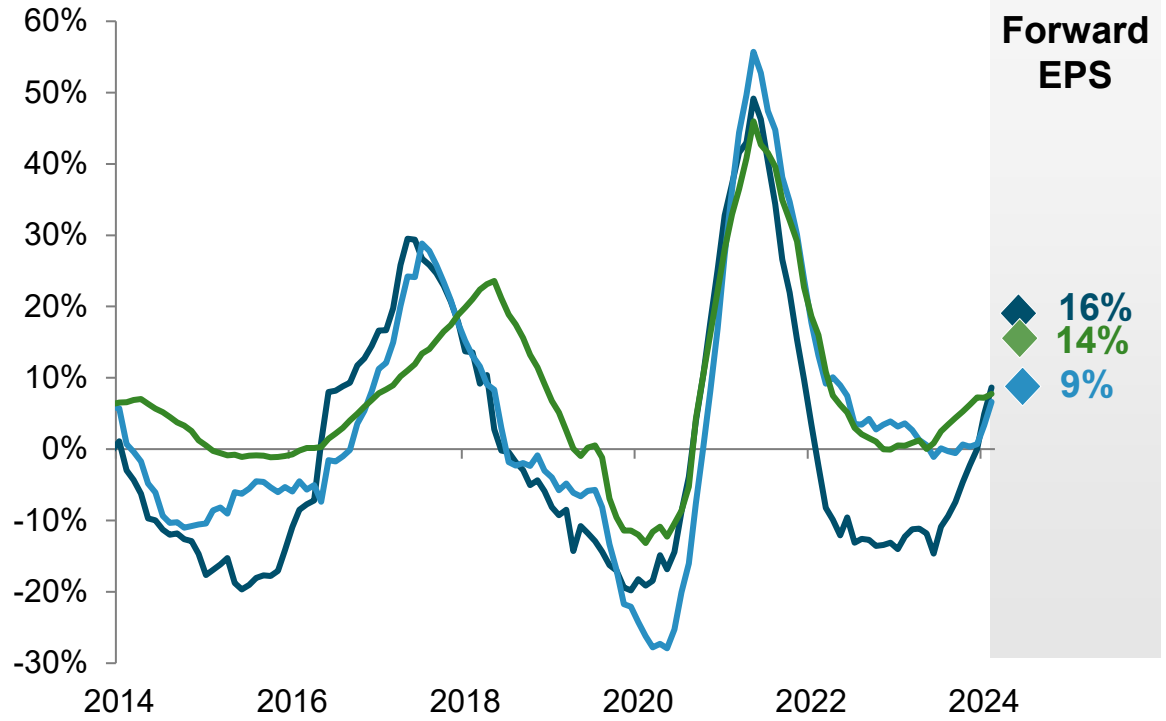
Core Inflation

■ Level Relative to Target ◆ 6m Change
Percentage points



Global EPS Growth (Trailing 12 Months)

— EM — DM — U.S. ◆ Forward
Percentage points



LEFT: 6m is six months. Core Relative to Target. YoY core CPI relative to upper bound target of each central bank (target rates differ between central banks). Difference in Core: Difference between core inflation (excludes energy and food) now vs. 6m ago. **TABLE:** Returns represented by Bloomberg Commodity Total Return Sub-indexes (Bloomberg Agriculture Subindex Total Return Index and Bloomberg Energy Subindex Total Return Index). Source: Bloomberg Finance L.P., National statistical agencies, Fidelity Investments (AART), as of 8/31/24. **RIGHT:** DM: Developed markets. EM: Emerging markets. EPS: Earnings per share. 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 9/30/24.

After significant disinflation, reaching 2% may prove challenging

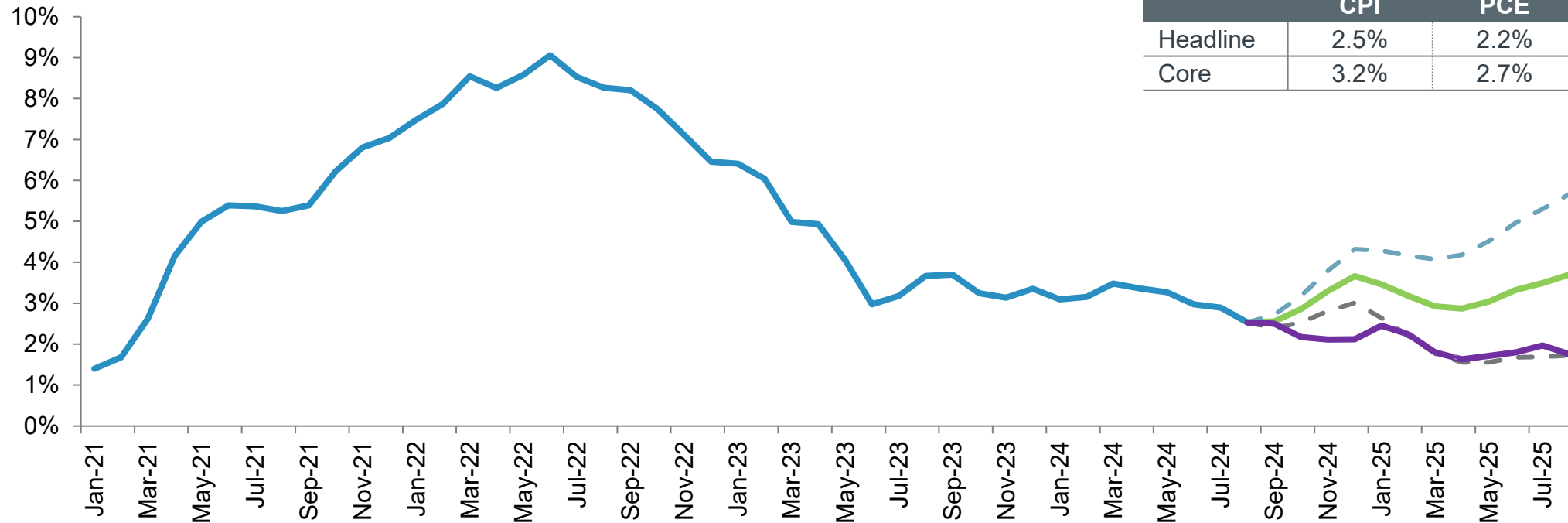
Both headline and core CPI have declined significantly from 2022's highs, but core CPI remained above 3% during Q3. The Fed's preferred inflation metric, PCE, registered lower price gains compared with other measures of inflation, but our forecasts (for both CPI and PCE) continue to indicate a flattish trend for inflation over the next year rather than the disinflationary path signaled by market expectations. We believe returning to the stable, low core-inflation backdrop of the past 20 years will be challenging.

Inflation Estimates under Different Commodity Price Scenarios

— Headline CPI
- - AART Scenario 3: Commodities +30%
— AART Scenario 1: Baseline
— Market Expectations

- - AART Scenario 2: Commodities -30%

Year-over-Year



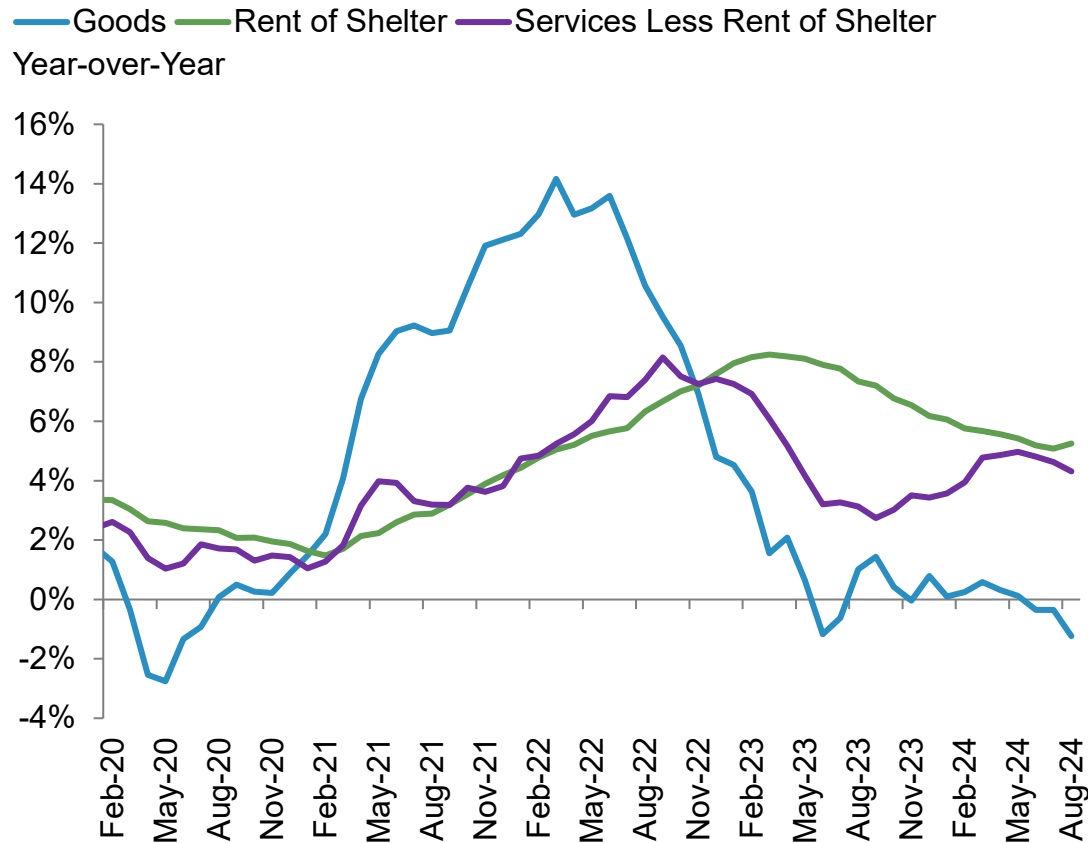
The December 2024 increase in the AART Scenario 1 Baseline forecast is due to seasonal factors. CPI: Consumer Price Index. PCE: Personal Consumption Expenditures. Market expectations: inflation swaps. Commodity prices are represented by the Bloomberg Commodity Index (BCOM), and their hypothetical changes over the next year are assumed to occur equally throughout the year. Source: Federal Reserve Bank of Cleveland, Macrobond, Bureau of Labor Statistics, Bloomberg, Haver Analytics, Fidelity Investments (AART), as of 9/30/24.



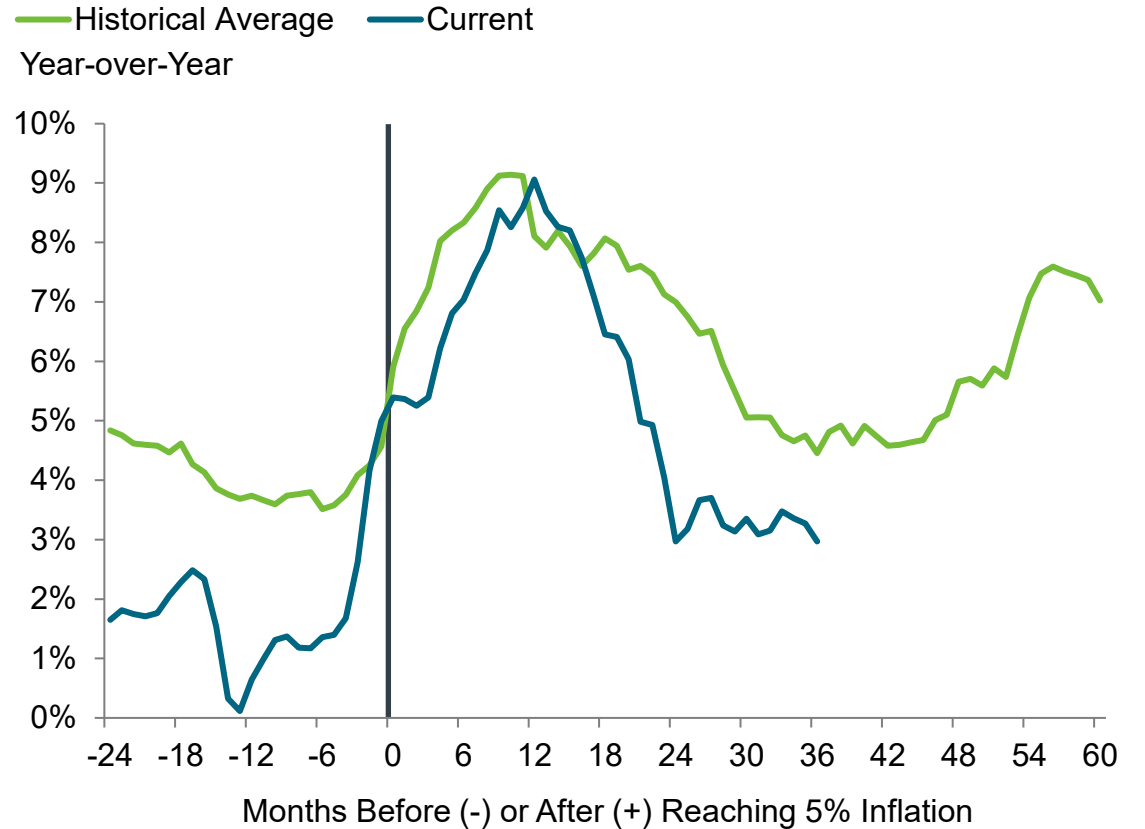
Second waves of inflation are historically common

A significant decline in goods inflation, helped by fewer supply-chain disruptions, drove the bulk of recent disinflationary trends. Services and shelter inflation, however, remain elevated, possibly due to supply-related constraints in labor and housing. Historically, there have been several episodes in the postwar era in which inflation exceeded 5%, decelerated, and then exhibited a second wave over the next two years. Absent a more significant economic slowdown, persistent core inflationary pressures still pose a risk to the outlook.

Components of Consumer Price Index



Inflation After Reaching Five Percent (1944–2024)

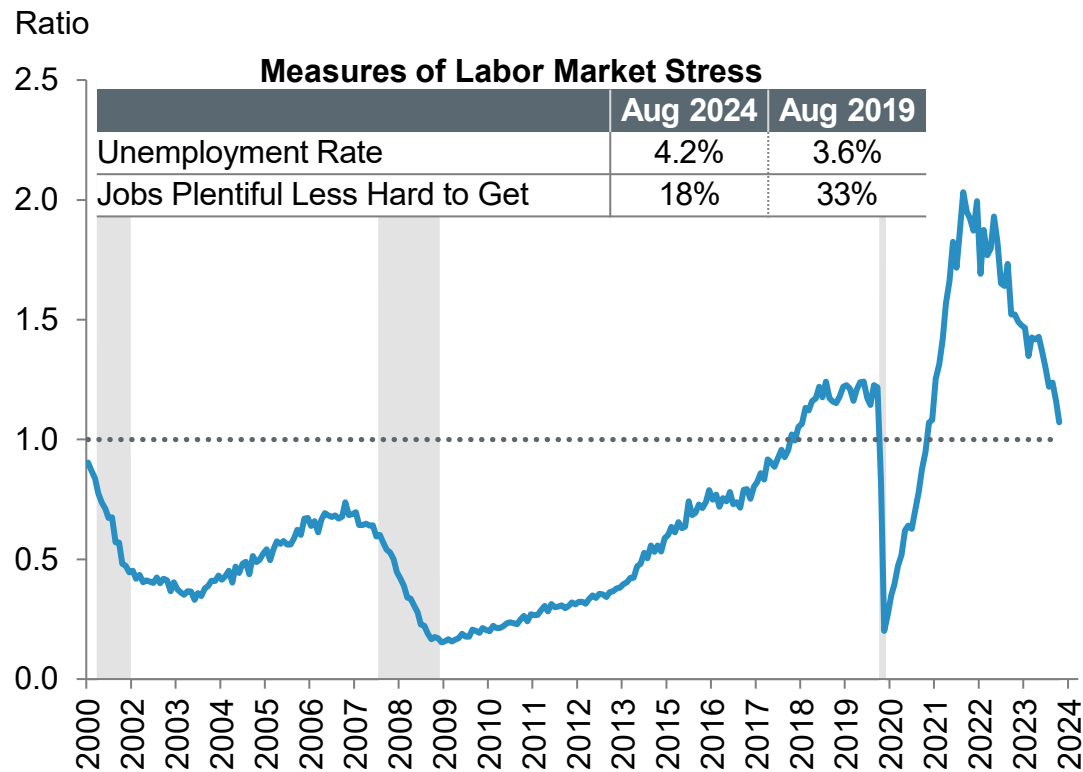


LEFT: Source: Bureau of Labor Statistics, Federal Reserve, Federal Reserve Bank of New York, Macrobond, Fidelity Investments (AART), as of 9/30/24. **RIGHT:** Current represents Headline CPI starting in June 2021. Historical average is an average of the six periods after 1944 where inflation exceeded five percent. Source: Bureau of Labor Statistics, Macrobond, Fidelity Investments (AART) as of 9/30/24.

Hirings slow but firings low; consumers still in solid shape

The labor market has exhibited signs of cooling this year with rising unemployment, fewer job postings, and weakening consumer sentiment about job conditions. The ratio of job openings per unemployed worker has fallen significantly but remained at a historically high level above one, suggesting labor markets have normalized, but not shifted into recessionary territory. Despite pockets of weakness in lower-income segments, the U.S. consumer remains supported by positive real wage gains and strong balance sheets.

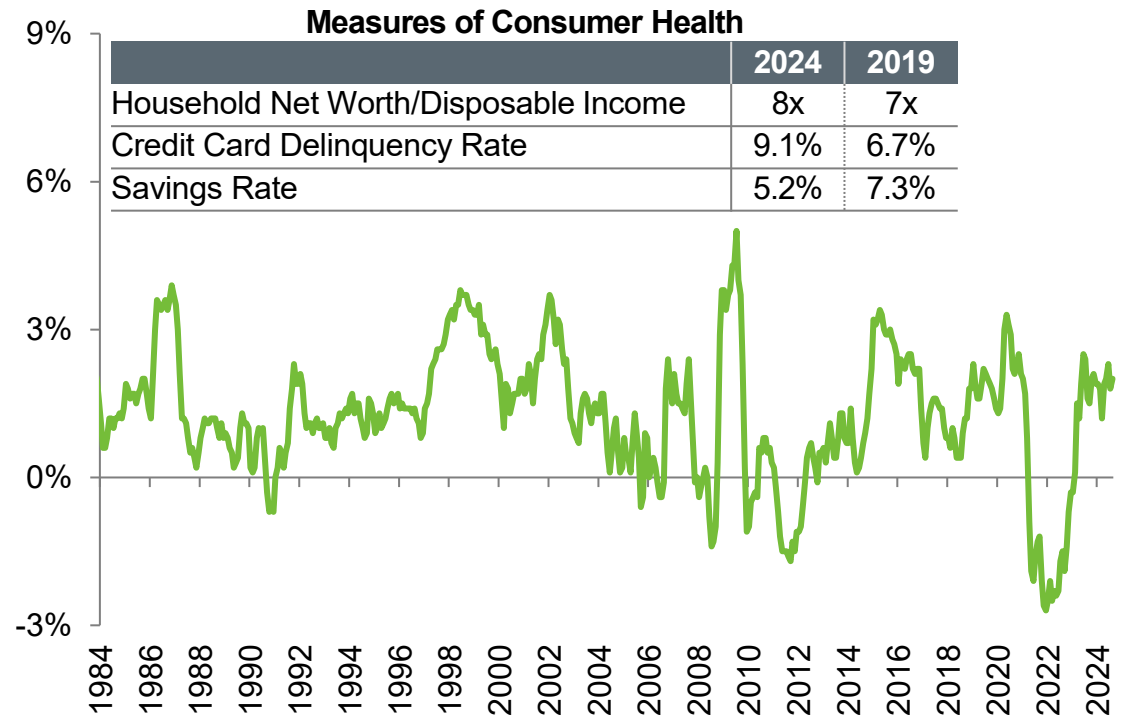
Job Openings Per Unemployed Worker



Real Wage Growth

— Wage Growth Minus Inflation

Year-over-Year



LEFT: Table: Percent of survey respondents reporting jobs as plentiful less percent reporting jobs as hard to get. Source: Conference Board, Bureau of Labor Statistics, Macrobond, Fidelity Investments (AART) as of 9/30/24. **RIGHT:** Consumer delinquencies are shown as a percentage of total loans. Real Wage Growth: Atlanta Fed Wage Growth Tracker (Unweighted 3-month moving average) minus year-over-year CPI. Source: Bureau of Labor Statistics, Conference Board, Macrobond, Fidelity Investments (AART) as of 9/30/24.

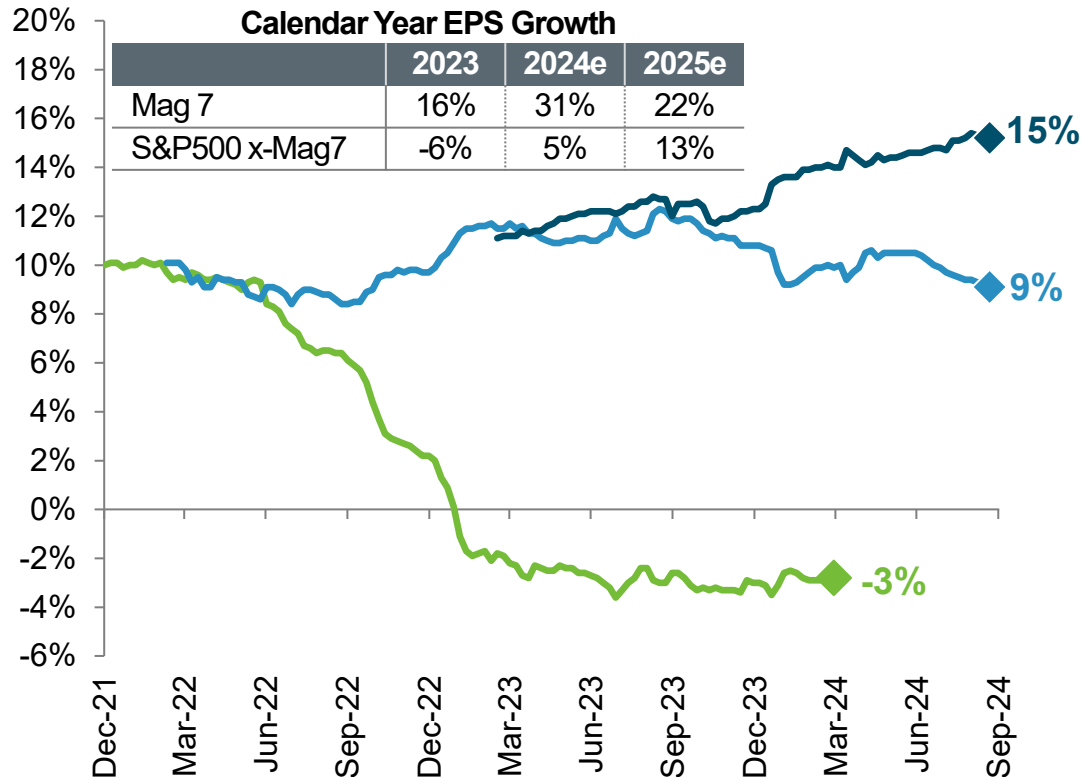
Improving margins provide market optimism for earnings growth

During Q3, corporate earnings growth for 2024 was revised lower to a still-healthy 9% growth rate, and 2025 expectations rose above 15%. Profit margins have ticked up this year and stabilized well above pre-pandemic levels, and they are expected to inflect higher across all sizes of companies in 2025. The largest seven companies have been the biggest contributors to earnings growth in recent years, and the market expects these companies to maintain elevated margins and strong relative earnings power in 2025.

S&P 500 Earnings Growth Expectations

— 2023 — 2024 — 2025

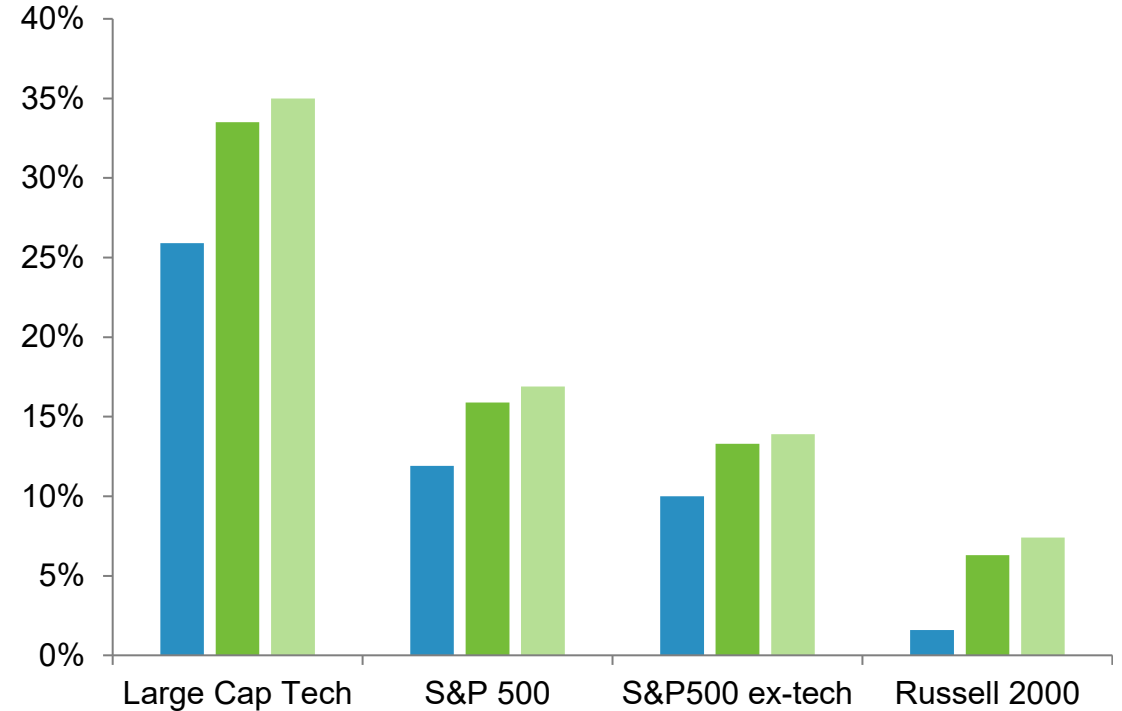
Year-over-Year



Profit Margins

■ 2019 ■ 2024 ■ 2025 est.

Operating Profits / Revenue



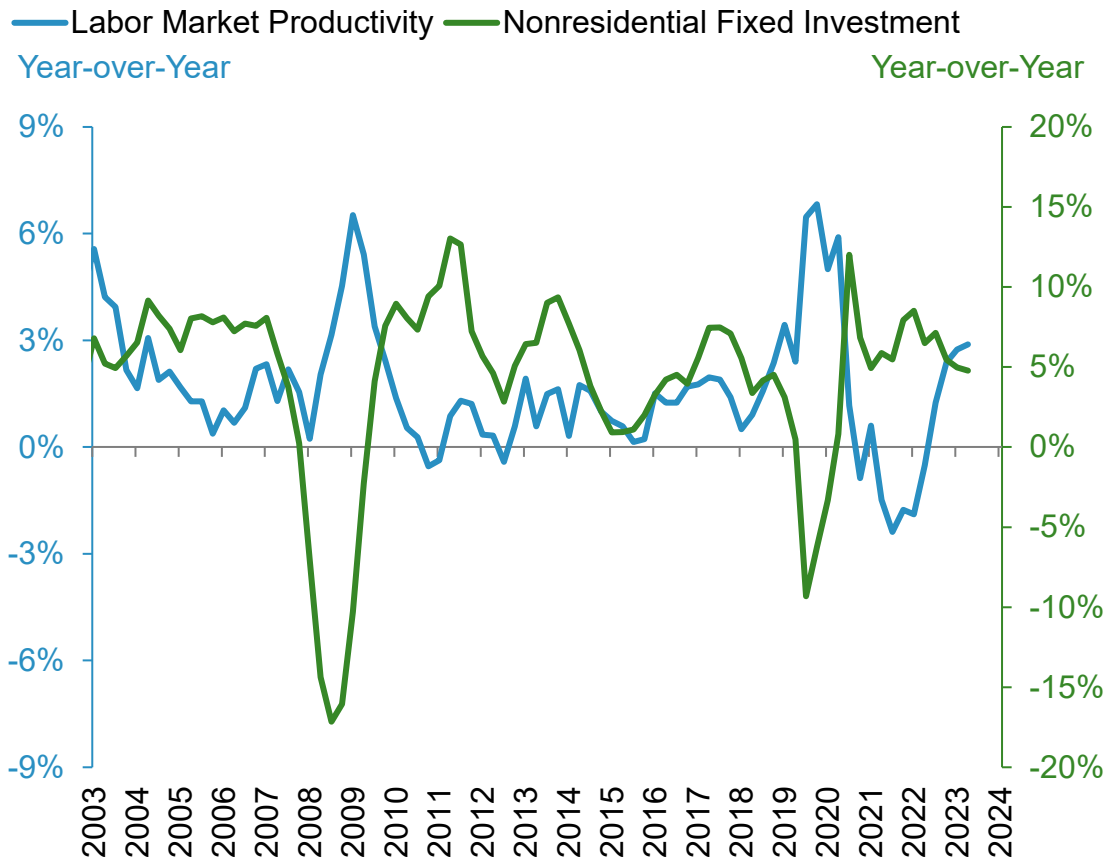
LEFT: *Mag7 includes Apple, Amazon, Google, Meta, Nvidia, Microsoft, Tesla. Earnings are Street estimates. Source: Bloomberg Financial LP, Fidelity Investments (AART), as of 9/30/24. RIGHT: Source: Bloomberg, Fidelity Investments (AART), as of 9/30/24.



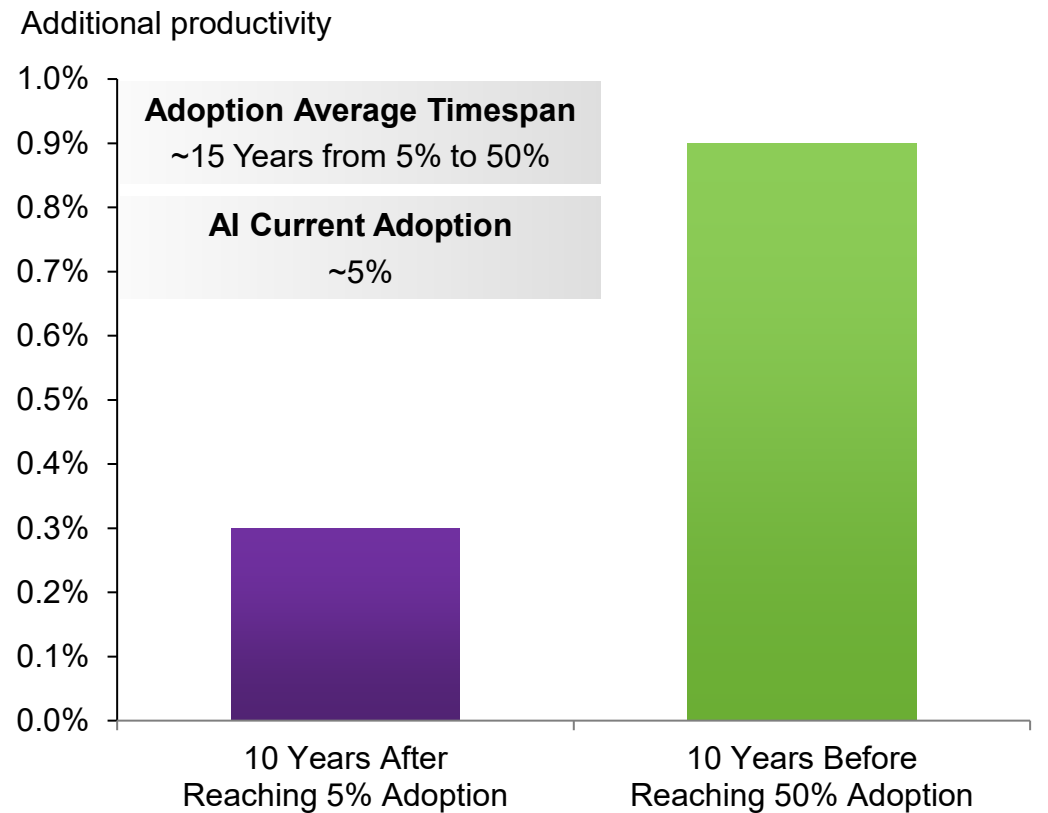
AI capex boosting investment spending; productivity to follow?

Labor market productivity remained in a cyclical upswing, and if continued may raise the odds of a move to a more disinflationary mid-cycle type environment. Capital expenditures (capex) continued at a healthy pace, and AI projects have undoubtedly boosted business investment in recent quarters. We believe that over time AI may prove to be a transformational technology that boosts economy-wide productivity, but past technologies, such as electricity, often took more than a decade to significantly raise productivity rates.

Productivity vs. Capital Expenditures



Estimates of Additional Productivity from AI Based on Aggregating Experiences of Past Technologies

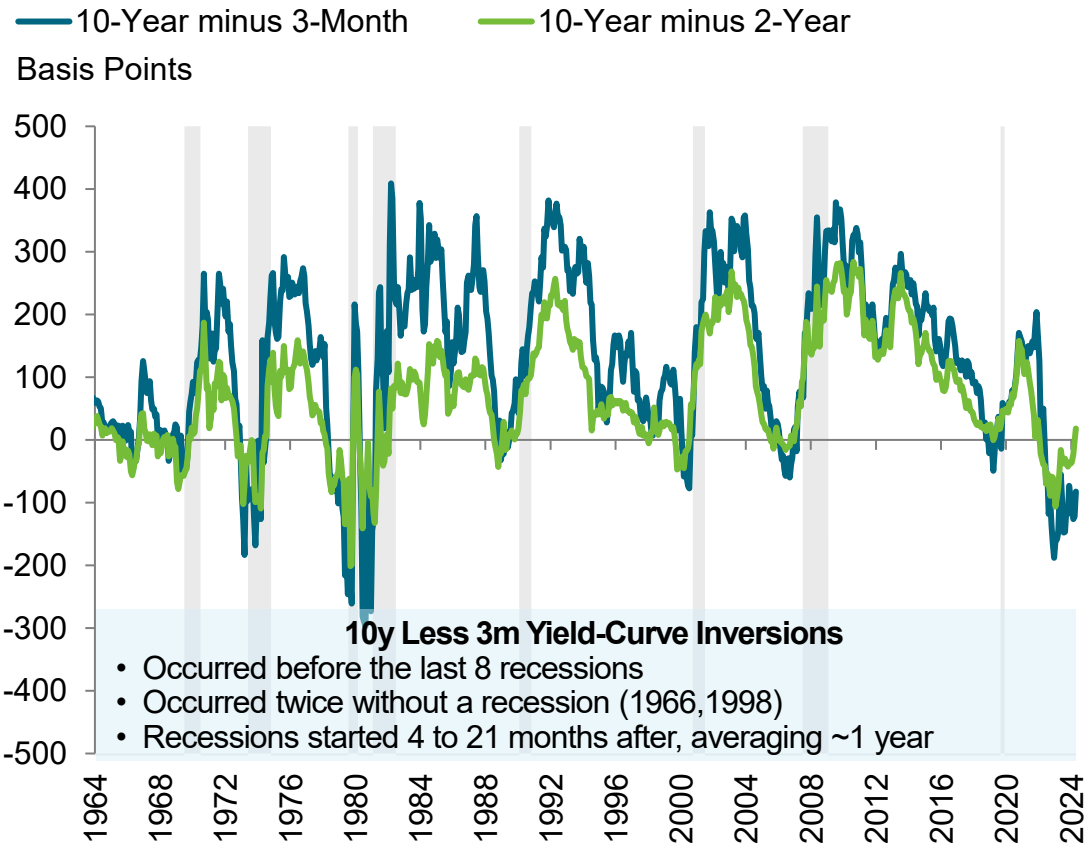


LEFT: Nonresidential Fixed Investment: seasonally adjusted annual rate, chained to 2017 USD. Labor Market Productivity is the real output per hour of all persons in the nonfarm business sector: seasonally adjusted and indexed to 2017 = 100. Source: U.S. Bureau of Labor Statistics, U.S. Bureau of Economic Analysis, Fidelity Investments (AART), as of 9/30/24. **RIGHT:** Additional productivity is calculated relative to productivity in the 10 years before reaching 5% adoption rates. Source: Census Bureau biweekly Business Trends and Outlook Survey, Bureau of Economic Analysis, Haver Analytics, Fidelity Investments (AART), as of 9/30/24.

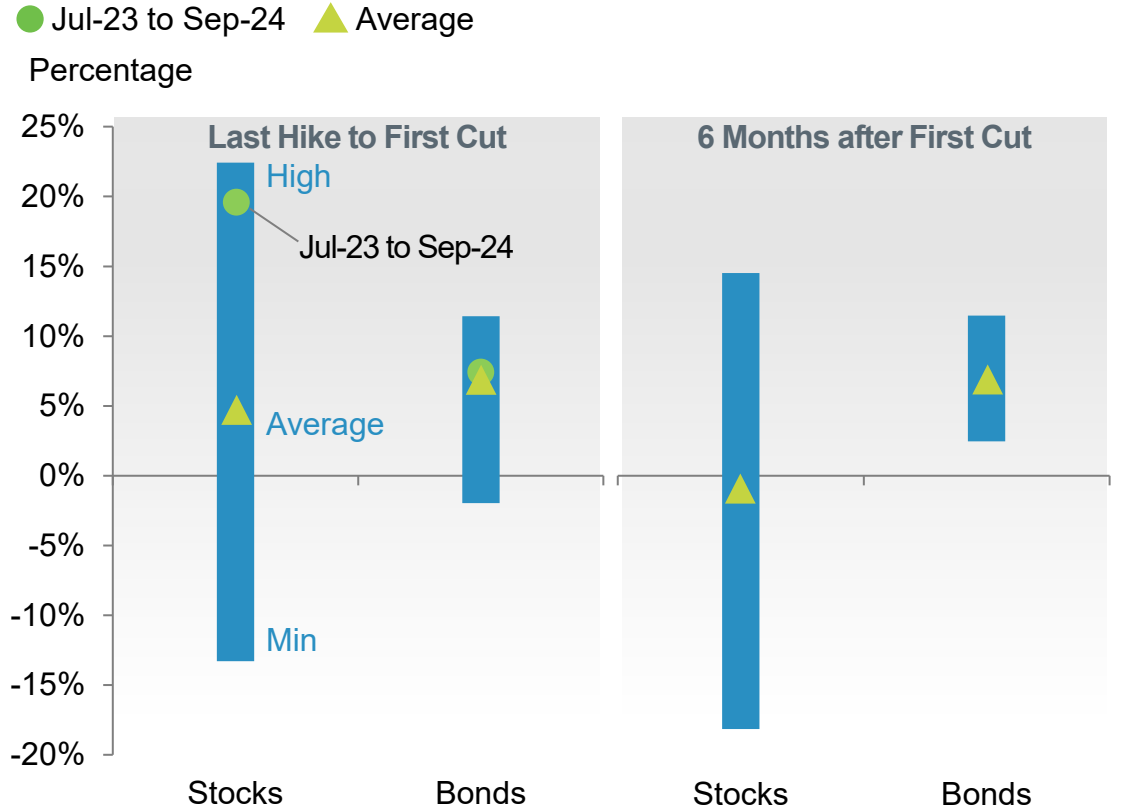
Yield curve steepened; asset returns depend on what's next

The 10-year less 3-month Treasury yield remained inverted and has historically been a reliable leading indicator of recessions. The yield curve steepened during Q3—a typical pattern when the Fed starts to cut rates—and the 10-year less 2-year yield un-inverted. Historically, stocks and bonds rally after the Fed's last hike and before the first cut, which occurred this cycle from July 2023 through Q3. Historical returns for equities after the first Fed cut are more mixed, partly depending on whether an economic recession occurs.

Treasury Yield Curves



Asset Class Returns around Fed's Last Hike and First Cut (1969–2024)






Shaded areas denote U.S. recession. **LEFT:** Source: U.S. Federal Reserve Board, NBER, Bloomberg Financial LP, Fidelity Investments (AART), as of 9/30/24.

RIGHT: Stocks: Dow Jones Total Stock Market, Federal Reserve Board, Bonds: Bloomberg U.S. Aggregate Bond, Source: Bloomberg Finance L.P., Fidelity

Elections: Different policy options on the docket for 2025

November election outcomes will shape the economic policy debate in 2025, and their overall impact is highly uncertain and dependent on details and implementation next year. Examples of proposals from the Republican party include investor-friendly corporate tax cuts and less regulation of some industries, but also higher tariffs and tighter immigration restrictions that have the potential to be inflationary. Democratic party proposals include a greater emphasis on raising taxes to fund public spending.

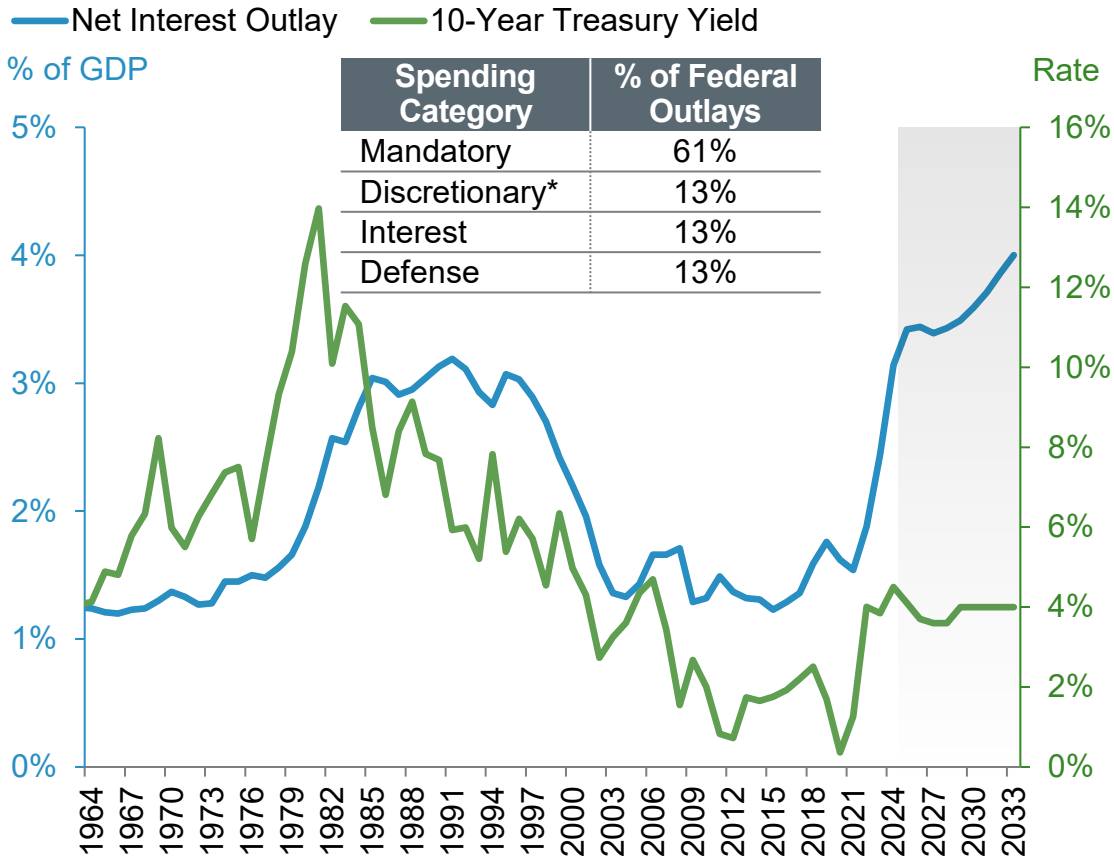
Sample of Presidential-Candidate Economic Policy Proposals

Economic policy	Some change	Big change	Impact
 Trade	60% tariff hikes on China	10% tariff hikes on all countries	Higher inflation Slower growth
 Immigration	Reduce inflows	Mass deportation (11 million unauthorized)	Higher inflation Slower growth
 Fiscal/ Regulatory	Lower corporate taxes Less regulation		Supportive of corporate earnings/stocks
	Higher corporate taxes Higher taxes on capital gains More regulation		Headwind for corporate earnings/stocks

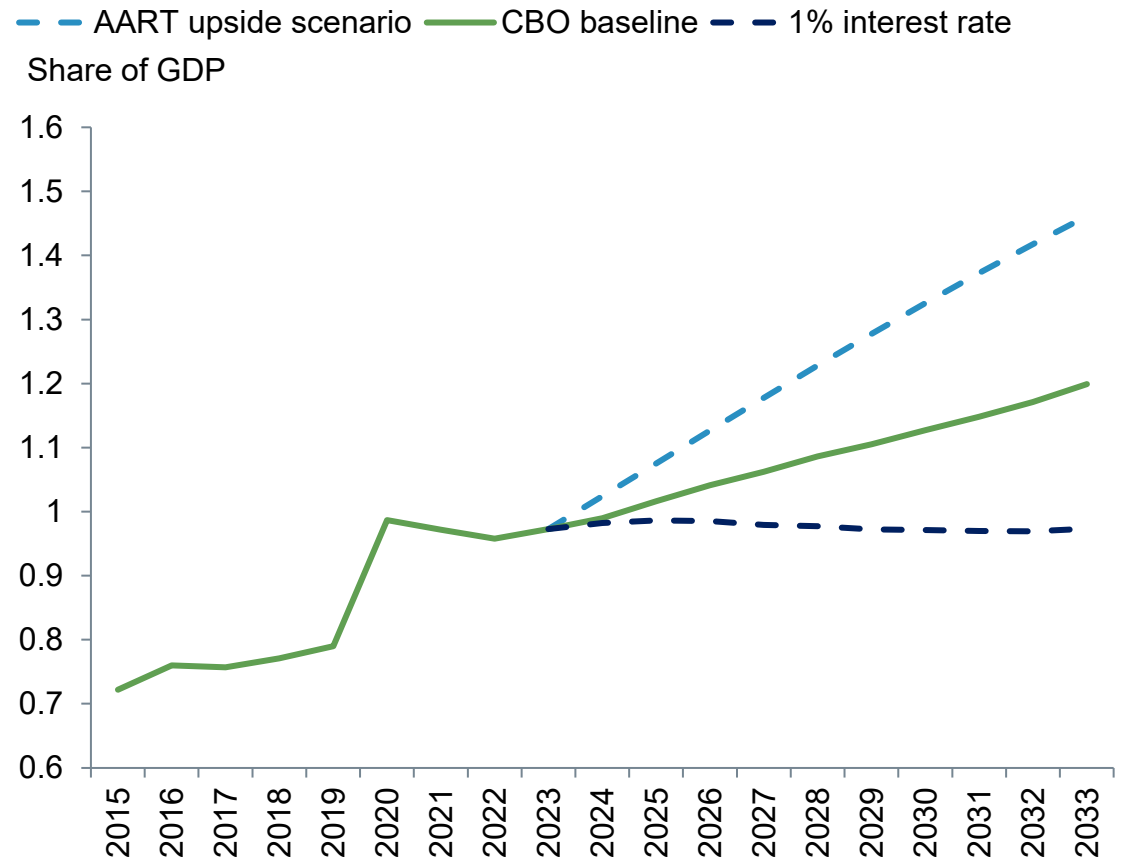
Challenging backdrop hangs over 2025 fiscal debate

Interest payments are set to grab an even larger share of budgets in the coming years, keeping deficits large and pushing U.S. debt levels to all-time highs. The November elections will determine who decides how to deal with the more than \$4 trillion of 2017 personal income tax cuts that expire at the end of 2025. With neither political party indicating an intention to address the projected rise in government debt, investors and particularly bond markets may watch the fiscal situation closely in 2025.

U.S. Government Interest Outlay vs. Borrowing Rates



U.S. Government Debt



* Non-defense discretionary spending. Shaded areas represent CBO baseline estimates. **LEFT:** Source: Congressional Budget Office, Bloomberg Financial L.P. Fidelity Investments (AART), as of 9/30/24. **RIGHT:** AART scenario is the upside potential if U.S. follows historical fiscal patterns of advanced economies with aging demographics. 1% scenario is the CBO baseline but if debt funding rate averaged 1%. Source: Congressional Budget Office, Macrobond, Fidelity Investments (AART), as of 9/30/24.



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 were generally constructive on the macroeconomic outlook and highlighted several investment opportunities. They generally held smaller active allocation positions compared with earlier in the cycle.

Macro Insights

U.S. and global economy remain in expansion

Higher productivity may provide a boost to medium-term growth

Sticky inflation, the Fed's response, and the U.S. election are largest risks to the outlook

Asset Allocation Implications

Portfolio managers are generally overweight risk assets

Members discussed the potential for broadening trade, notably in non-US equities

High valuations in U.S. equities and credit warrant smaller active positions

Asset markets

Widespread Q3 gains powered most assets to solid YTD results

Interest-rate-sensitive assets such as utilities stocks, real-estate equities, and long-duration bonds led widespread Q3 gains across almost all asset categories and sectors. During Q3, the year-to-date laggards such as value, small caps, and non-U.S. equities outperformed the large technology and communications growth stocks that remained ahead on a year-to-date basis. All fixed income sectors moved into positive year-to-date territory amid the decline in interest rates, with credit categories still ahead on a YTD basis.

U.S. Equity Styles Total Return

	Q3 2024	YTD
Value	9.5%	16.2%
Small Caps	9.3%	11.2%
Mid Caps	9.2%	14.6%
Large Caps	5.9%	22.1%
Growth	3.4%	24.0%

U.S. Equity Sectors Total Return

	Q3 2024	YTD
Utilities	19.4%	30.6%
Real Estate	17.2%	14.3%
Industrials	11.6%	20.2%
Financials	10.7%	21.9%
Materials	9.7%	14.1%
Consumer Staples	9.0%	18.7%
Consumer Discretionary	7.8%	13.9%
Health Care	6.1%	14.4%
Communication Services	1.7%	28.8%
Info Tech	1.6%	30.3%
Energy	-2.3%	8.4%

Non-U.S./Global Assets Total Return

	Q3 2024	YTD
ACWI ex-USA	8.1%	14.2%
Canada	12.0%	14.0%
EAFE Small Cap	10.5%	11.1%
Europe	7.3%	13.0%
EAFE	6.6%	12.8%
Japan	5.7%	12.4%
EM Asia	9.5%	21.6%
Emerging Markets	8.7%	16.9%
EMEA	7.1%	10.0%
Latin America	3.7%	-12.5%
Gold	13.2%	27.7%
Commodities	0.7%	5.9%

U.S. Equity Factors Total Return

	Q3 2024	YTD
Size	10.2%	15.7%
Yield	9.0%	22.6%
Low Volatility	7.9%	17.3%
Quality	6.4%	21.0%
Value	5.9%	16.1%
Momentum	4.0%	25.7%

Fixed Income Total Return

	Q3 2024	YTD
Long Govt & Credit	8.0%	3.5%
EM Debt	6.2%	8.6%
Credit	5.7%	5.2%
MBS	5.5%	4.5%
High Yield	5.3%	8.0%
Aggregate	5.2%	4.4%
Treasuries	4.7%	3.8%
CMBS	4.7%	6.3%
TIPS	4.1%	4.9%
Agency	3.4%	4.3%
ABS	3.4%	5.1%
Municipal	2.7%	2.3%
Leveraged Loan	2.0%	6.5%

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 9/30/24.



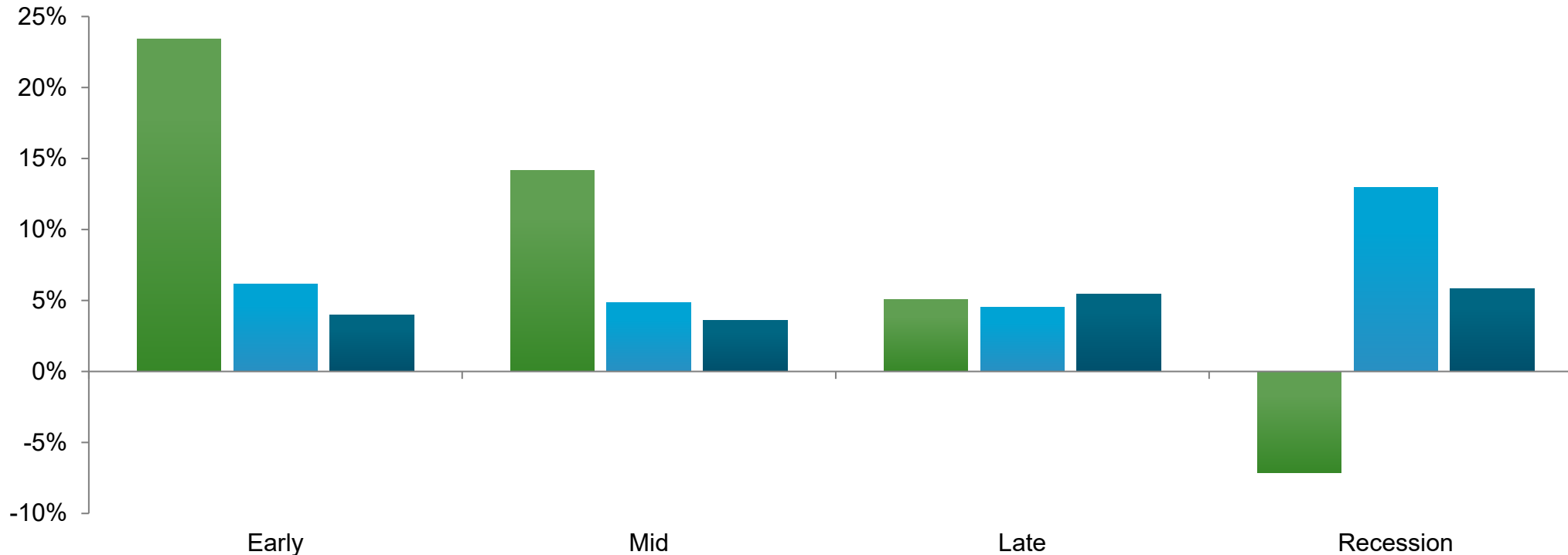
Business cycle road map a starting point for near-term allocation

The business cycle can be a critical determinant of asset performance over the short-to-intermediate term. Stocks have consistently outperformed earlier in the cycle, whereas bonds have outperformed during recessions. We believe a business cycle approach to actively managed asset allocation has the potential to help smooth portfolio performance amid cyclical fluctuations, but portfolio returns over the long term have tended to be driven by secular factors.

Asset Class Performance by Cycle Phase (1950–2020)

■ U.S. Stocks ■ IG Bonds ■ Cash

Annualized Nominal 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. All indexes are unmanaged. See Appendix for important index information. 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 9/30/24.

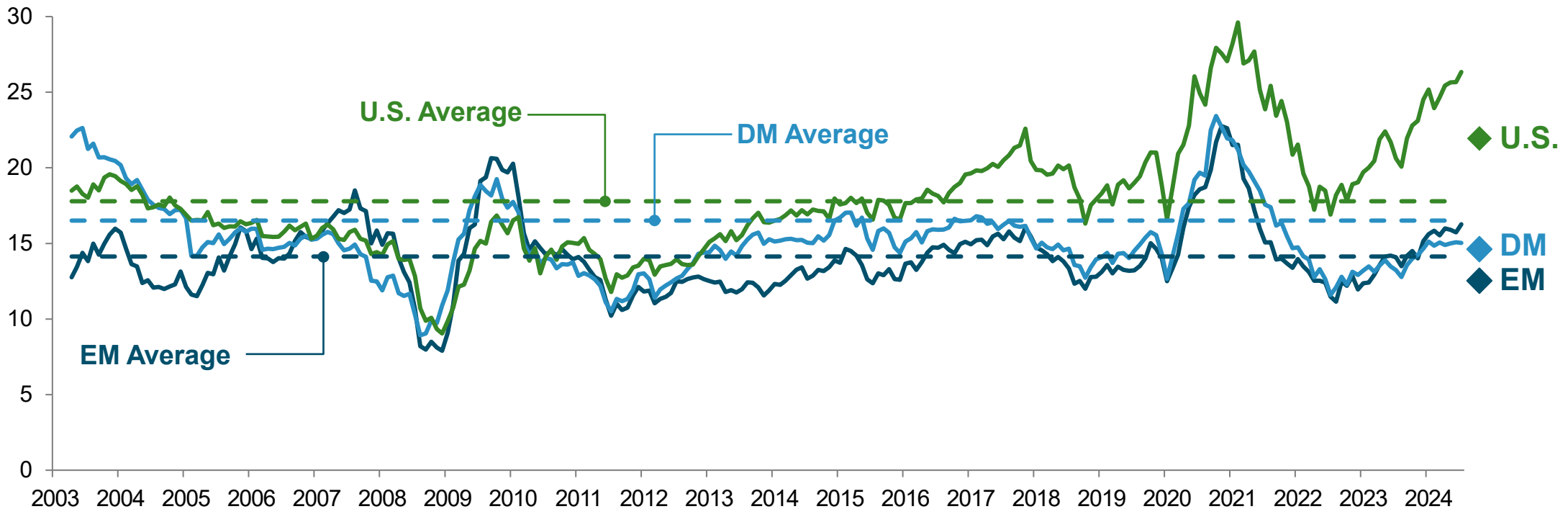


Equity valuations rose, non-U.S. still looks relatively attractive

Valuations became somewhat more expensive in Q3, 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 continued to accelerate above their long-term average, while DM was the only region to finish below. The expected earnings recovery in the next 12 months implies the forward P/E ratios for DM and EM are substantially lower than those in the U.S.

Global Stock Market P/E Ratios

— EM — DM — U.S. ◆ Forward P/E
Ratio

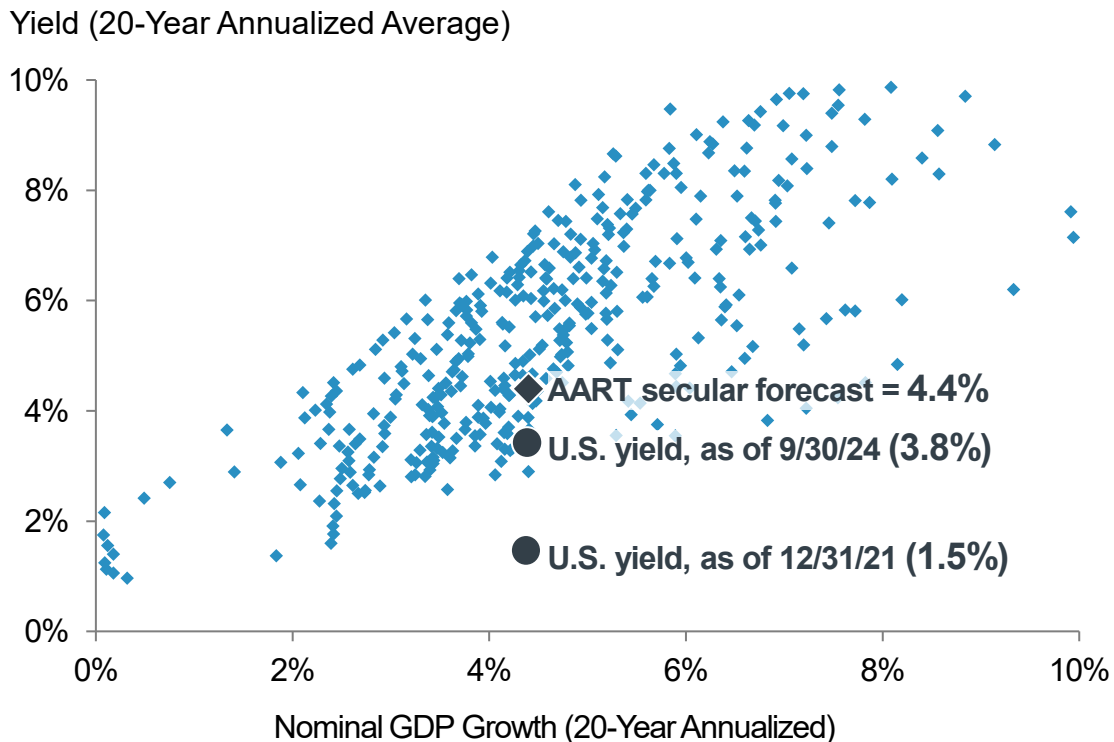


DM: Non-U.S. developed markets. EM: Emerging markets. Chart includes trailing 12-month P/Es. **Past performance is no guarantee of future results.** It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. Price-to-earnings (P/E) ratio (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 12/31/04 to 9/30/24. 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 9/30/24.

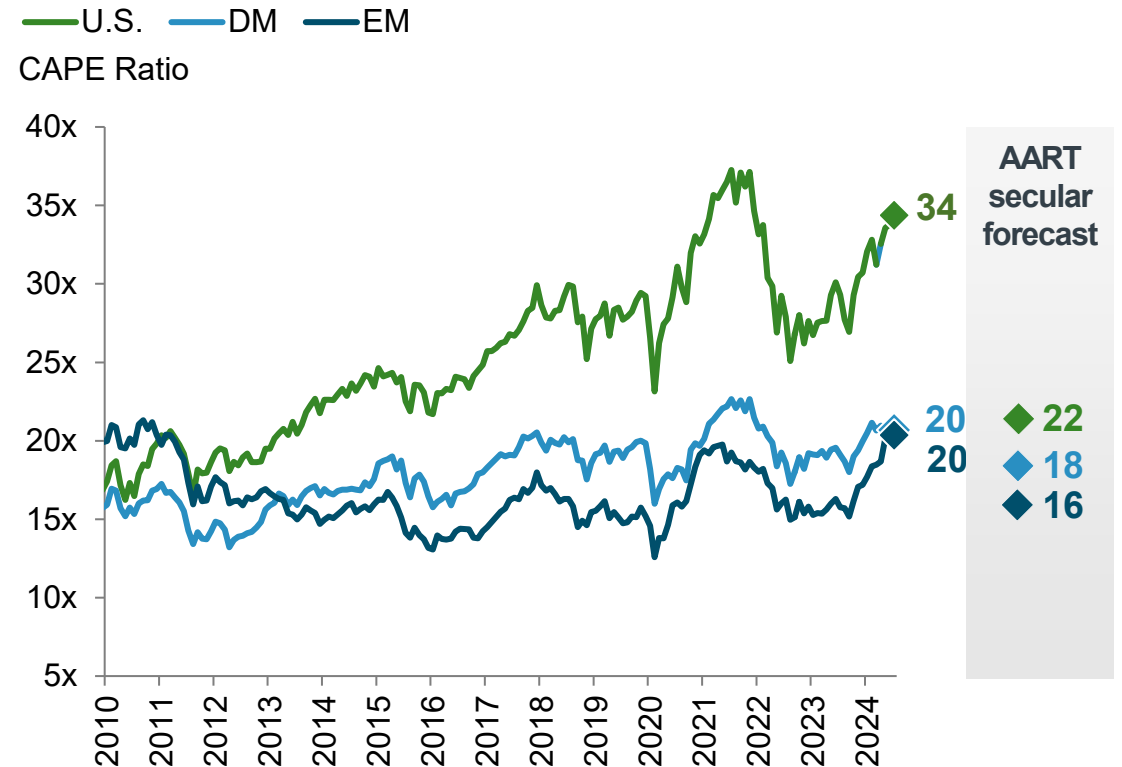
Relative valuations may provide opportunities ahead

Based on our long-term valuation metrics, some assets appear relatively attractive. Ten-year Treasury yields fell but remain near our secular forecast of 4.4%, and bond valuations remain favorable compared with 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 with current U.S. valuations, which are well above our secular forecasts.

10-Year Sovereign Bond Yields vs. GDP



Equity Valuations



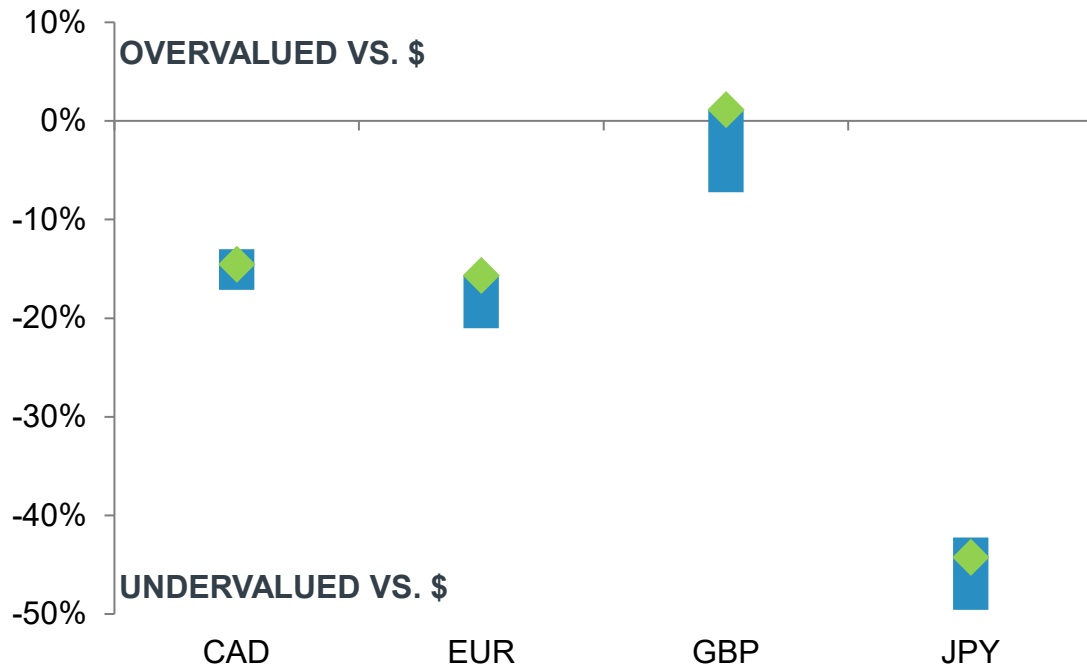
Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. **LEFT:** Highlighted dots are U.S. 10-year Treasury bond yields. AART secular forecast refers to an estimate for U.S. nominal GDP (4.4%). Source: Official Country Estimates, Haver Analytics, Fidelity Investments (AART), as of 9/30/24. **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 8/31/24.

Dollar dropped; non-U.S. currencies still undervalued

The dollar weakened during Q3, driven partly by a moderate softening in business cycle conditions relative to major developed markets. In addition to improving growth conditions, many major non-U.S. currencies benefited from narrowing interest-rate differentials and appreciated toward their fair values. Most currencies, particularly the Japanese yen, remain undervalued, and may provide diversification benefits to U.S. investors.

FX Valuation: Purchasing Power Parity (PPP)

■ Last 12-Month Range ◆ 8/31/24

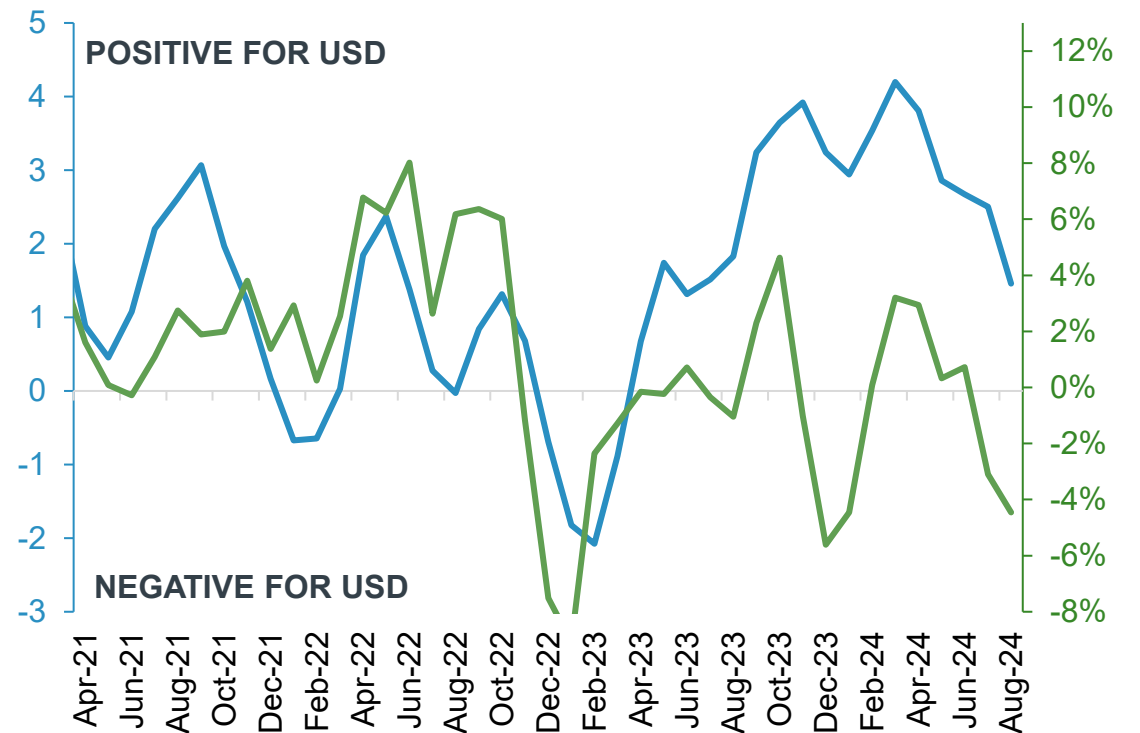


Growth Influences on U.S. Dollar

— Relative Growth — USD Returns

U.S. PMI minus Global PMI

Quarterly Return

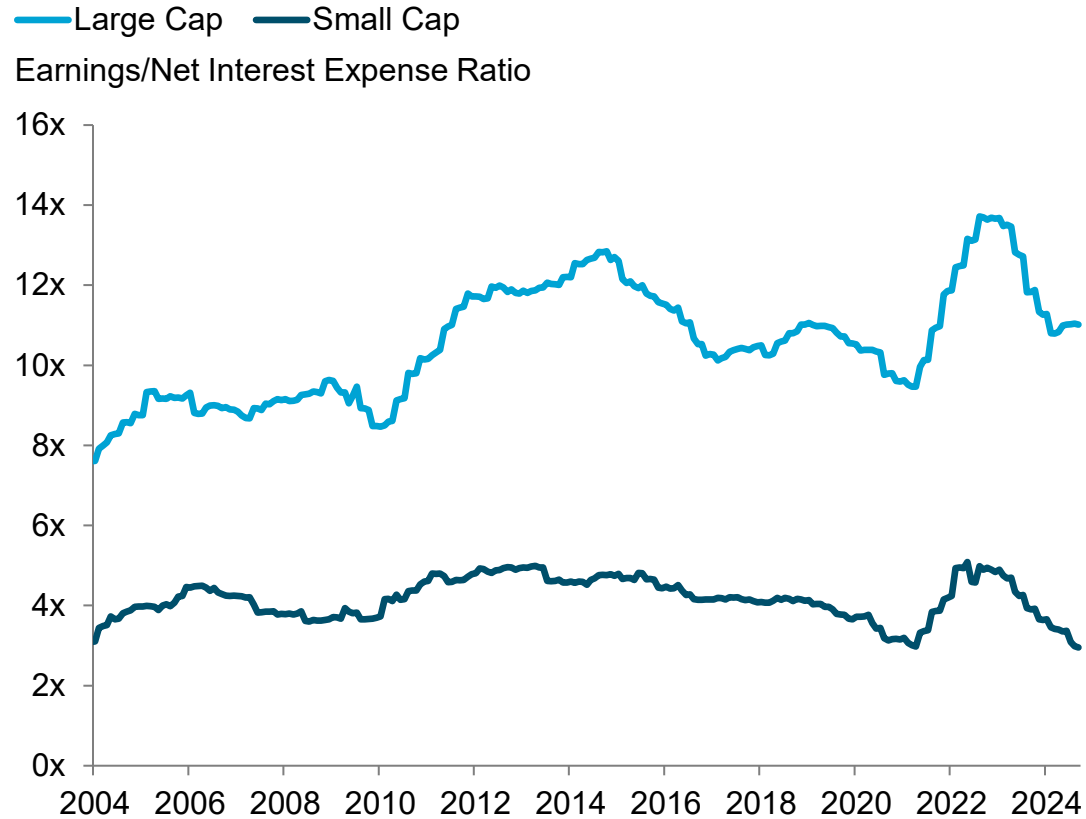


LEFT: FX: Foreign currency exchange rate. Source: Bloomberg Finance L.P., Macrobond, and Fidelity Investments, as of 8/31/24. **RIGHT:** PMI: Purchasing Managers Index of manufacturing activity. USD returns calculated as rolling quarter-over-quarter returns based on MSCI Cap Weighted USD Index. Global 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 9/30/24.

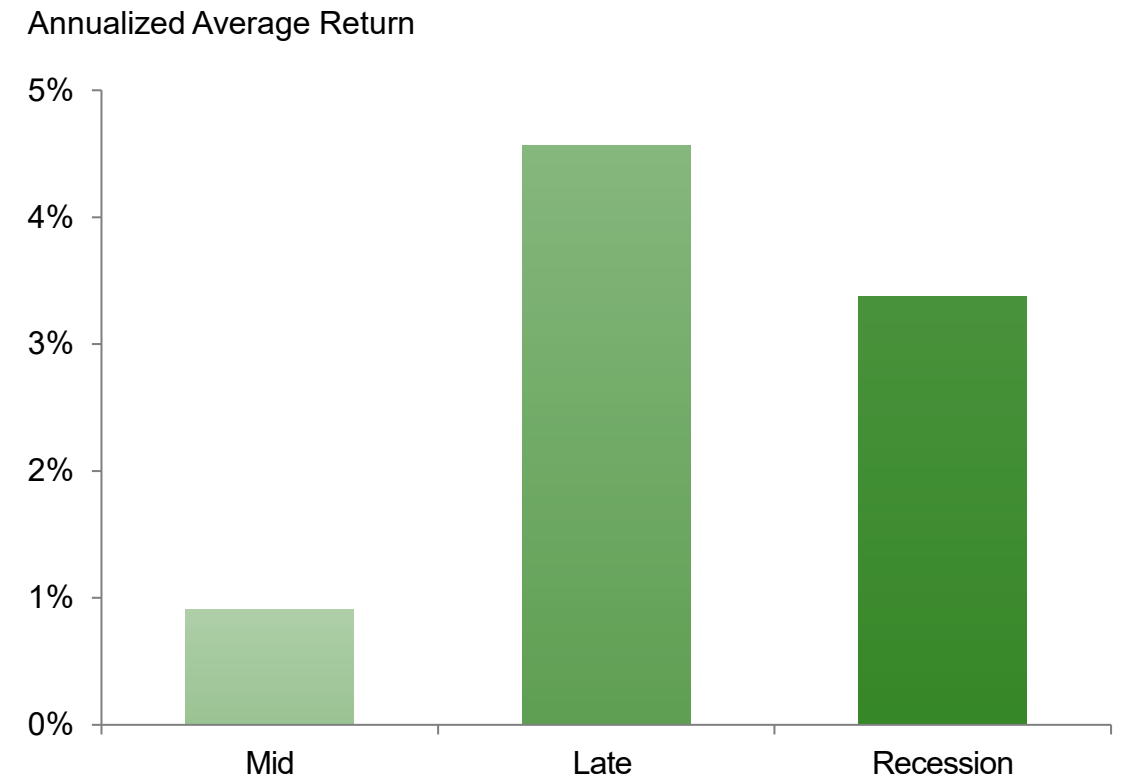
Cyclical and medium-term backdrop supports quality factor

Over the medium term, a higher cost of capital backdrop favors companies with higher quality earnings and balance sheets and larger companies that are less vulnerable to high interest expenses. Recent rate cuts, however, could provide a boost to smaller companies that are more rate sensitive. The quality factor—which emphasizes companies with better returns on equity, earnings stability, and capital structure—has historically been a leading performer during mature expansions and recessionary periods.

Large and Small Cap Interest Coverage



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



LEFT: Large cap measured by S&P 500 and small cap measured by Russell 2000. Source: Factset, Macrobond, Fidelity Investments (AART) as of 9/30/24. **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 9/30/24.

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.

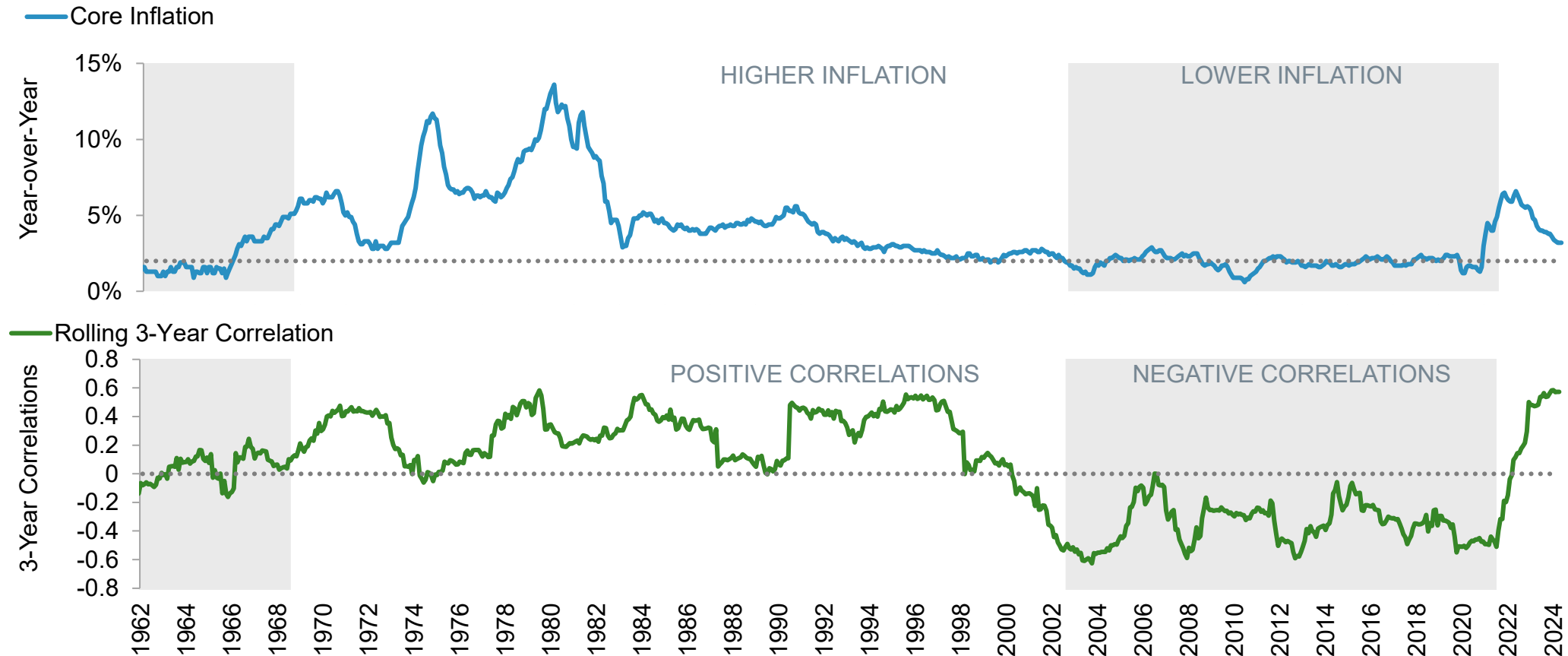
Past performance is no guarantee of future results. Sectors as defined by GICS. White line is a theoretical representation of the business cycle as it moves through early, mid, late, and recession phases. Green- and red-shaded portions above represent over- or underperformance, respectively, relative 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 9/30/24.



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 9/30/24.

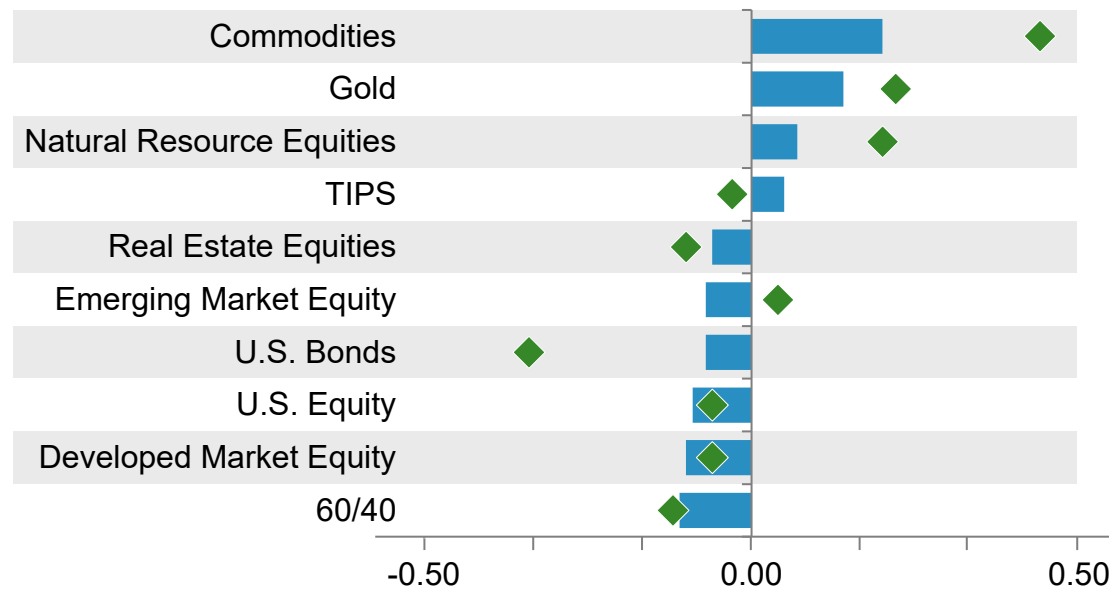


Inflation-sensitive assets can help provide diversification

The potential for a sustained period of elevated inflation risks presents challenges for a traditional, 60/40 multi-asset portfolio. Inflation-resistant assets, including commodities and commodity-producer equities, can help hedge against high and rising inflation while also providing potential for capital appreciation in a strong growth environment. Inflation-hedging fixed income assets, such as TIPS, historically have provided better inflation diversification than investment-grade nominal bonds.

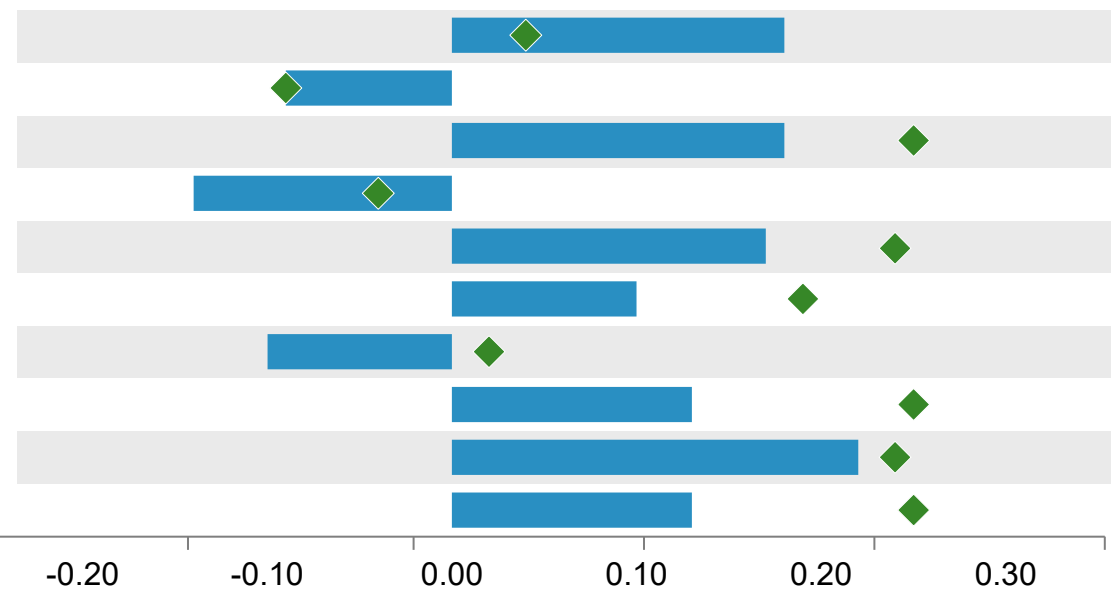
Return Correlation to U.S. Inflation (1970–2024)

■ Level of Inflation ◆ Change in Inflation



Return Correlation to U.S. Growth (1970–2024)

■ Level of Growth ◆ Change in Growth



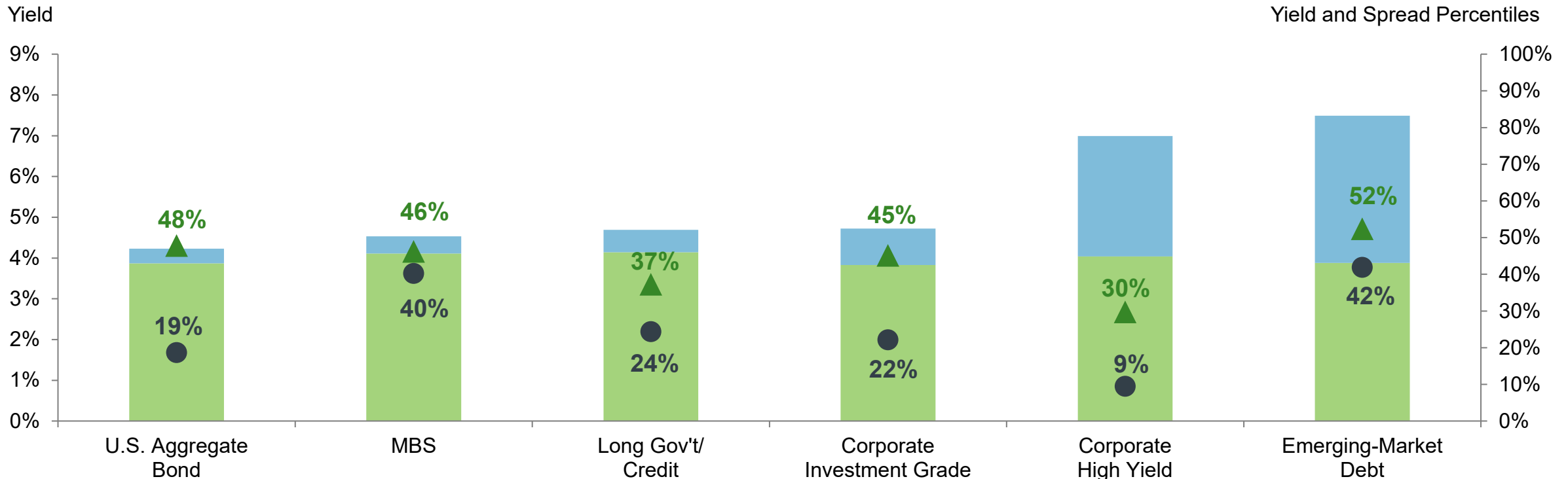
Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against loss. Indexes: U.S. Equity—S&P 500 Total Return; Developed Market Equity—MSCI EAFE Total Return; Emerging Market Equity—MSCI EM Total Return; Natural Resource Equities—S&P North America Natural Resource Sector Total Return; Real Estate Equities—Dow Jones US Select REITs; U.S. Bonds—Bloomberg US Aggregate Total Return; TIPS (Treasury Inflation Protected Notes)—Bloomberg US Treasury Inflation Notes Total Return; Commodities—Bloomberg Commodity Index Total Return; Gold—Bloomberg Gold Subindex Total Return. See Appendix for index definitions and other important information. 60/40 is a portfolio allocated 60% to the MSCI ACWI Total Return Index and 40% to the Bloomberg US Aggregate Total Return Index. The frequency of all data is quarterly. Level of inflation is measured as the trailing annual percentage change in the Consumer Price Index. Change in inflation is the quarterly change in the level. Level of growth is measured as the annual percentage change in real Gross Domestic Product, led by 1 quarter. Change in growth is the quarterly change in the level. Source: Bureau of Labor Statistics, Bureau of Economic Analysis, Fidelity Investments; data 1/1/70 through 3/31/24.

Lower rates and tighter spreads supported fixed income in Q3

Fixed income categories benefited from the decline in bond yields. Despite the fall in Treasury rates, most fixed income categories ended the quarter with yields near their long-term historical averages. Credit spreads tightened, ending the quarter toward the lower end of most bond categories' historical range. Overall, fixed income yields suggest valuations that are roughly in line with long-term averages and better than the past decade.

Fixed Income Yields and Spreads (1993–2024)

■ Treasury Rates ■ Credit Spread ▲ Yield Percentile ● Spread Percentile







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 9/30/24.



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



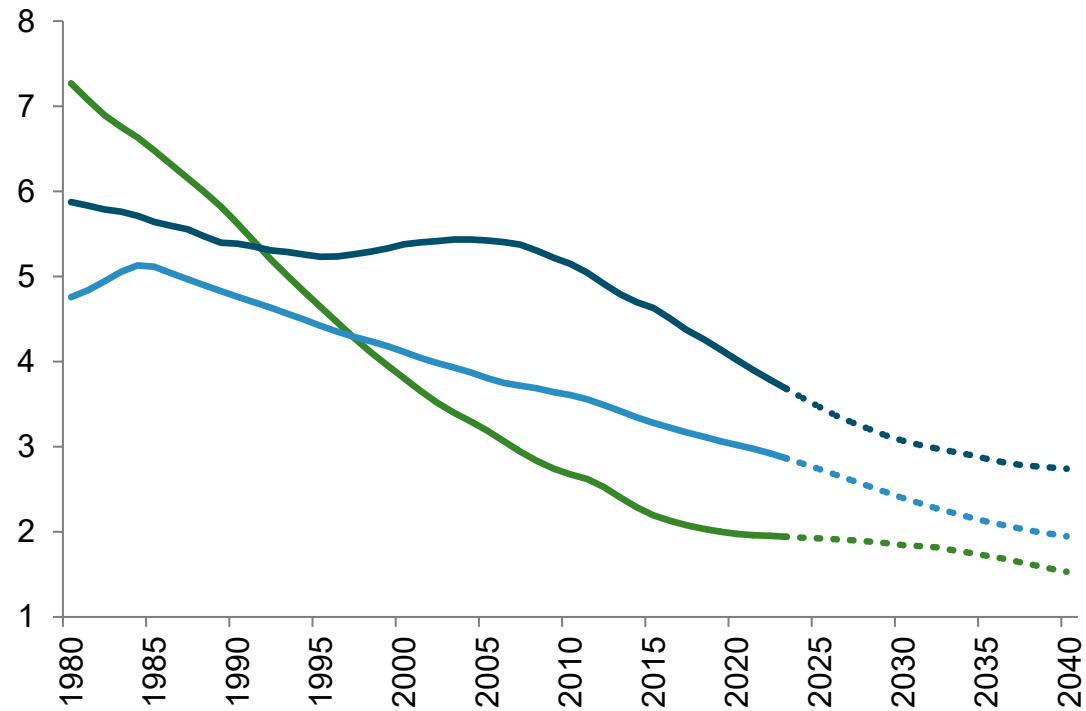
Unprecedented debt levels amid aging demographics

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

— Japan — Eurozone — U.S.

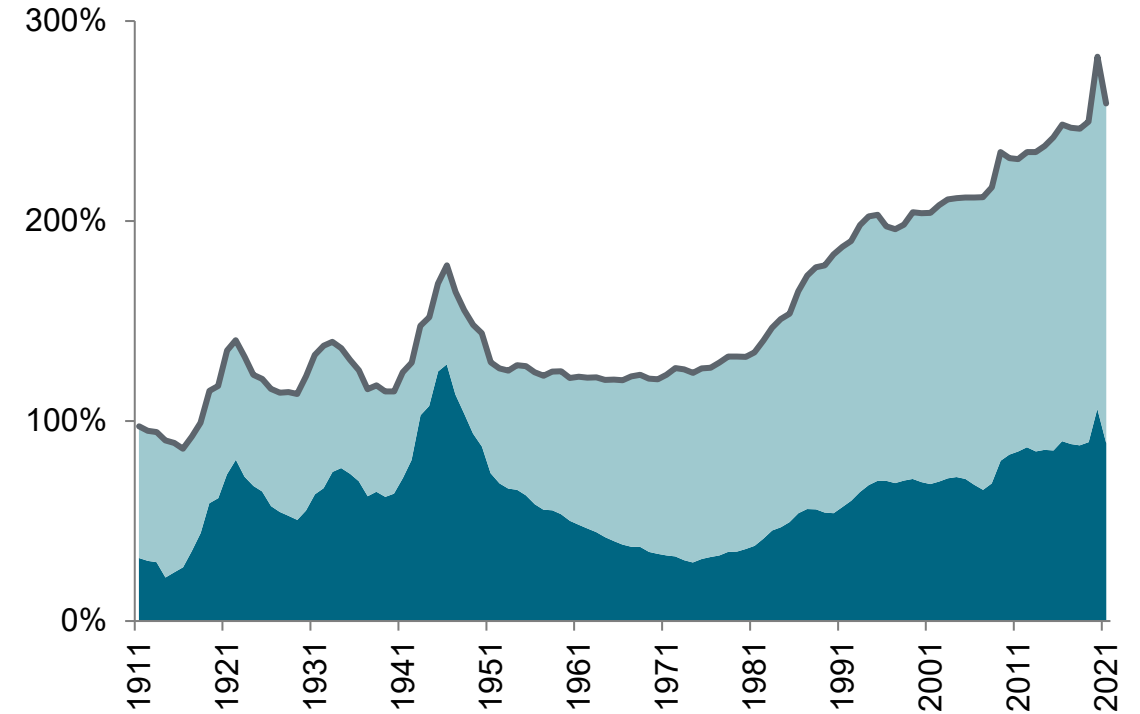
Workers/Retirees



Global Debt as a Share of GDP

■ Public ■ Private

Percentage



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.

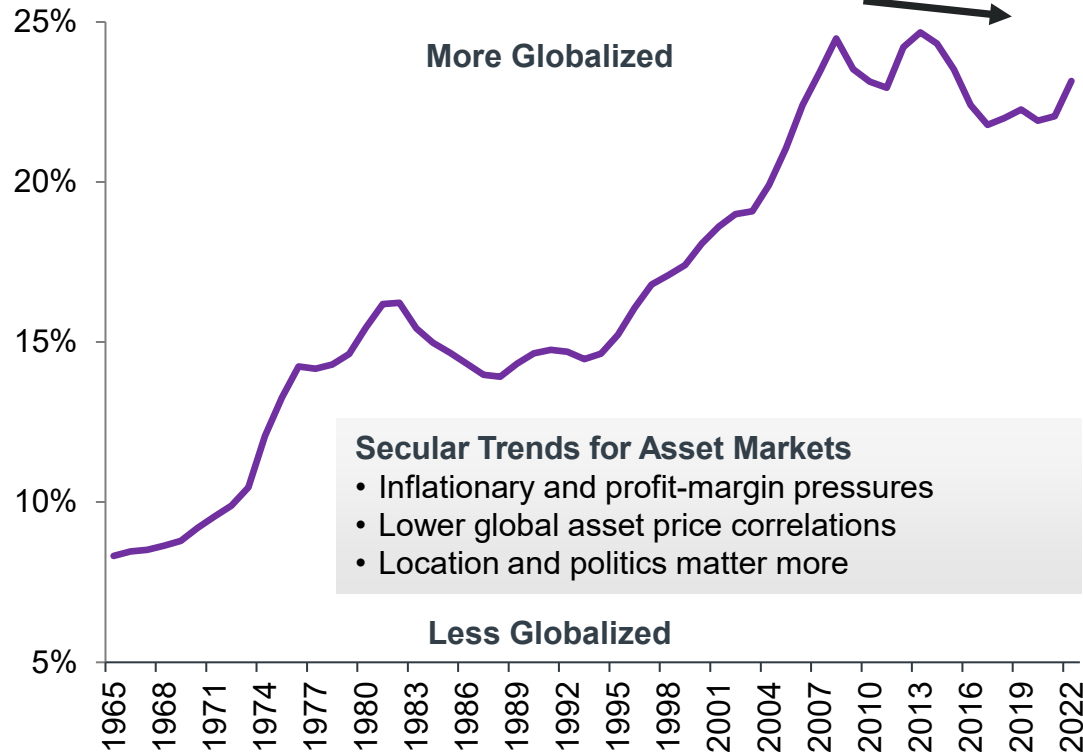
Multi-polar geopolitical instability at the heart of peak globalization

The stable, unipolar backdrop under U.S. dominance fostered rapid global integration, but economic openness has stalled in recent years. At the heart of “peak globalization” is a secular environment of higher geopolitical risk. The shift to today’s multi-polar environment implies more great-power competition, particularly the deepening U.S.-China rivalry, and a less stable global backdrop. The more politics and location matter, the greater the potential benefits and active opportunities from global asset diversification.

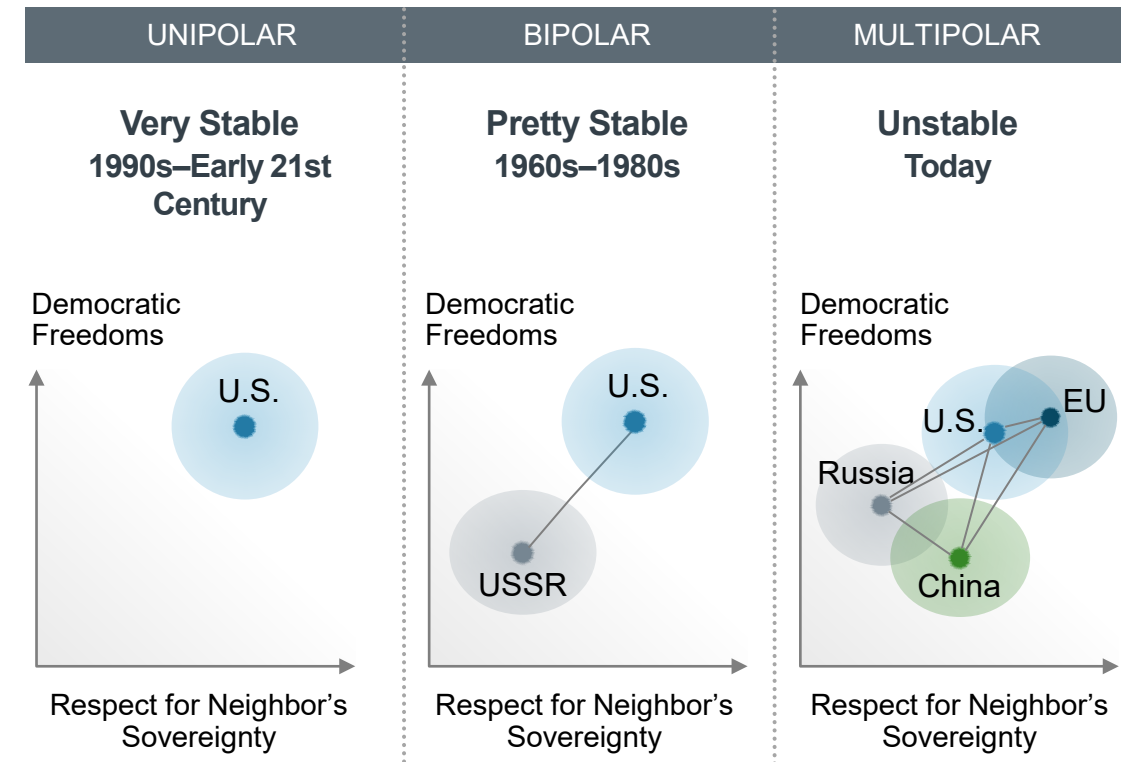
Trade Globalization

— Global Imports/GDP

Ratio, 3-year moving average



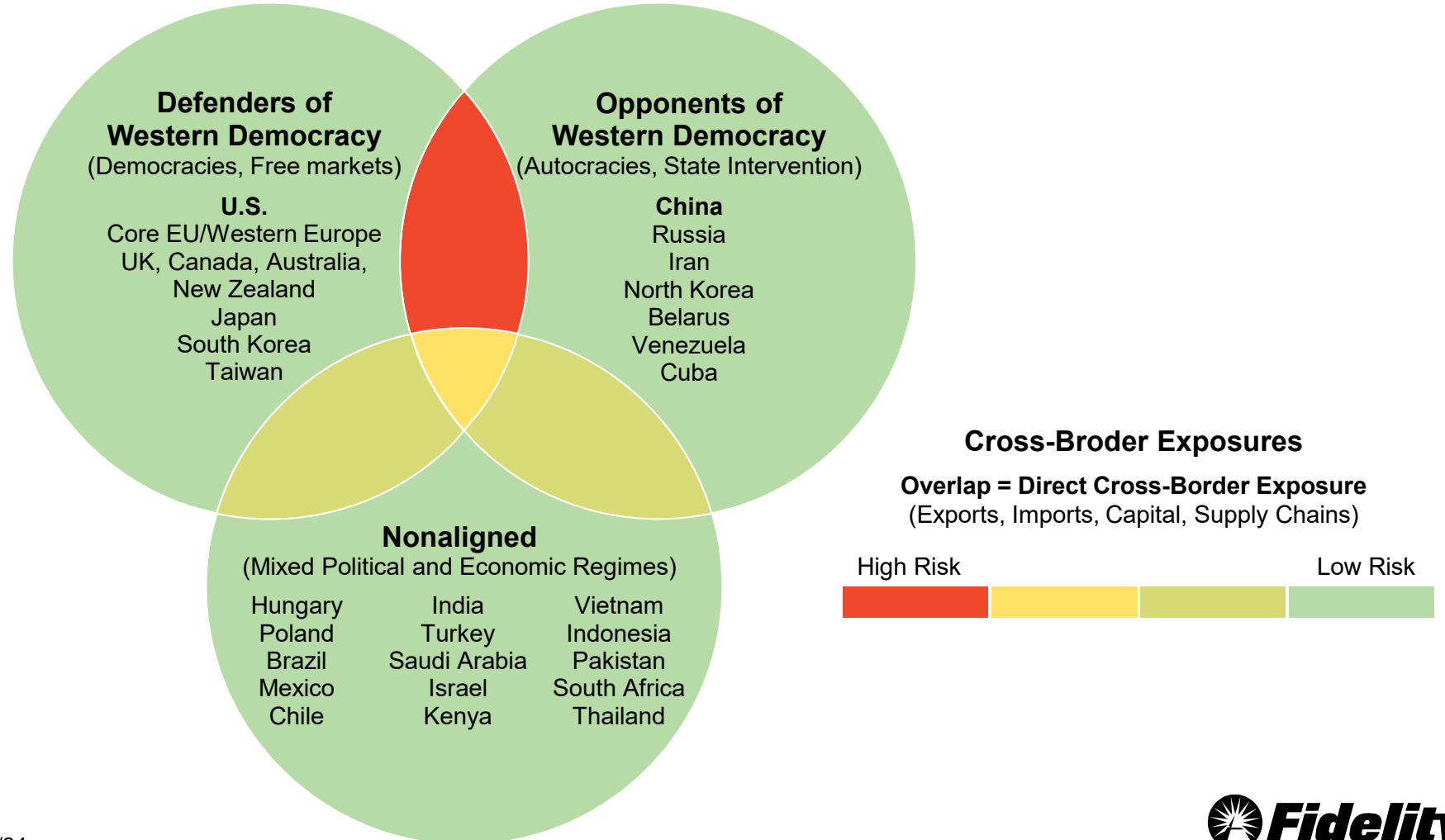
Global Regime Stability



Diversification does not ensure a profit or guarantee against a loss. **LEFT:** The arrow on the 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. **RIGHT:** Source: Fidelity Investments (AART), as of 9/30/24.

Managed globalization presents both risks and opportunities

We believe the evolving global system is trending toward a “managed globalization” regime where cross-border trade and capital flows are less rules-based and more influenced by geopolitical considerations. The broad contour may be described as three blocs of countries: defenders of the Western world view (democracies and more market-oriented economies), opponents of the U.S.-led world order, and non-aligned developing economies. This represents a variety of risks and opportunities across regions and industries.



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.

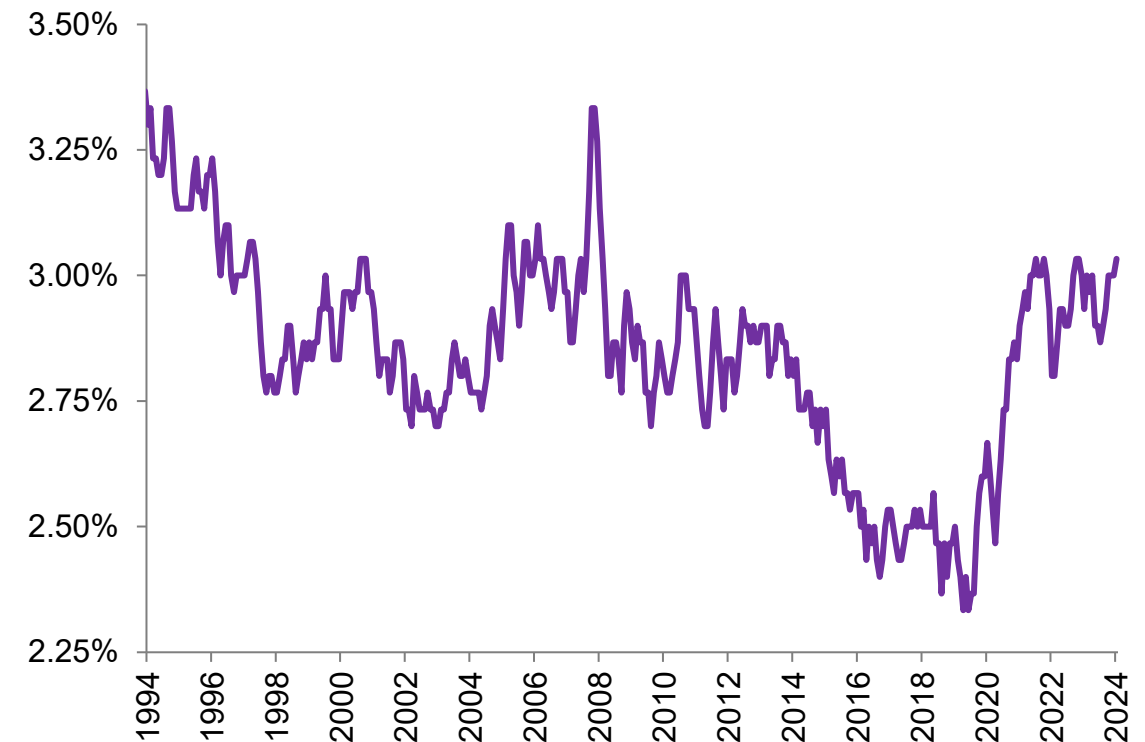
Possible Secular Impact on Inflation

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

— Expected Inflation Rate Next 5–10 Years

3-Month Average



LEFT: Diversification does not ensure a profit or guarantee against a loss. Source: Fidelity Investments (AART), as of 6/30/24. RIGHT: University of Michigan Survey of Consumers. Source: University of Michigan, Macrobond, Fidelity Investments (AART), as of 9/30/24.



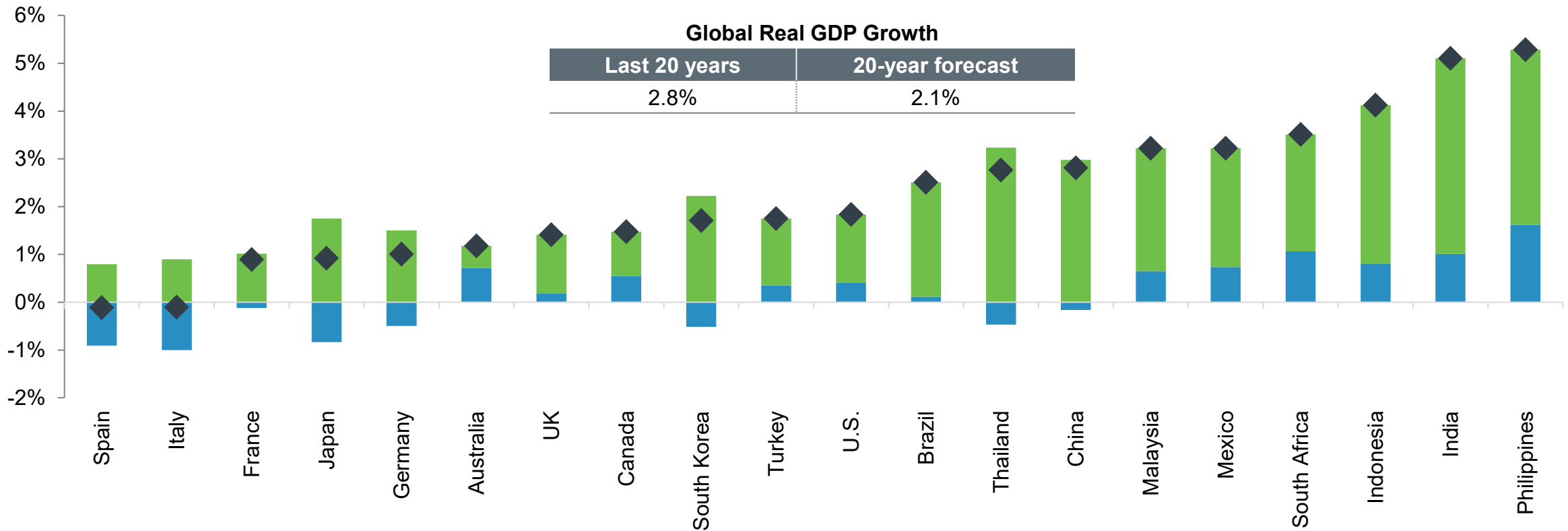
Secular forecast: Slower global growth, EM to lead

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.

Real GDP 20-Year Growth Forecasts

■ Productivity Growth ■ Labor Force Growth ◆ Total Growth

Annualized Rate



Past performance is no guarantee of future results. EM: Emerging markets. GDP: Gross domestic product.

Source: OECD and Fidelity Investments (AART), as of 5/31/24.

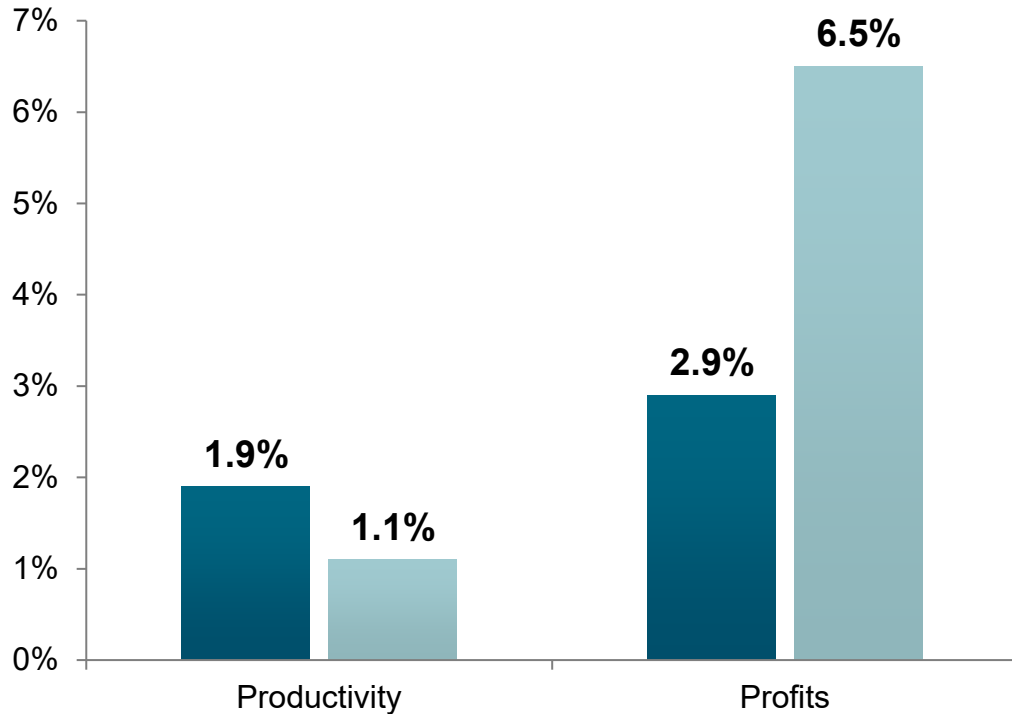
Change in corporate behavior on the horizon?

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

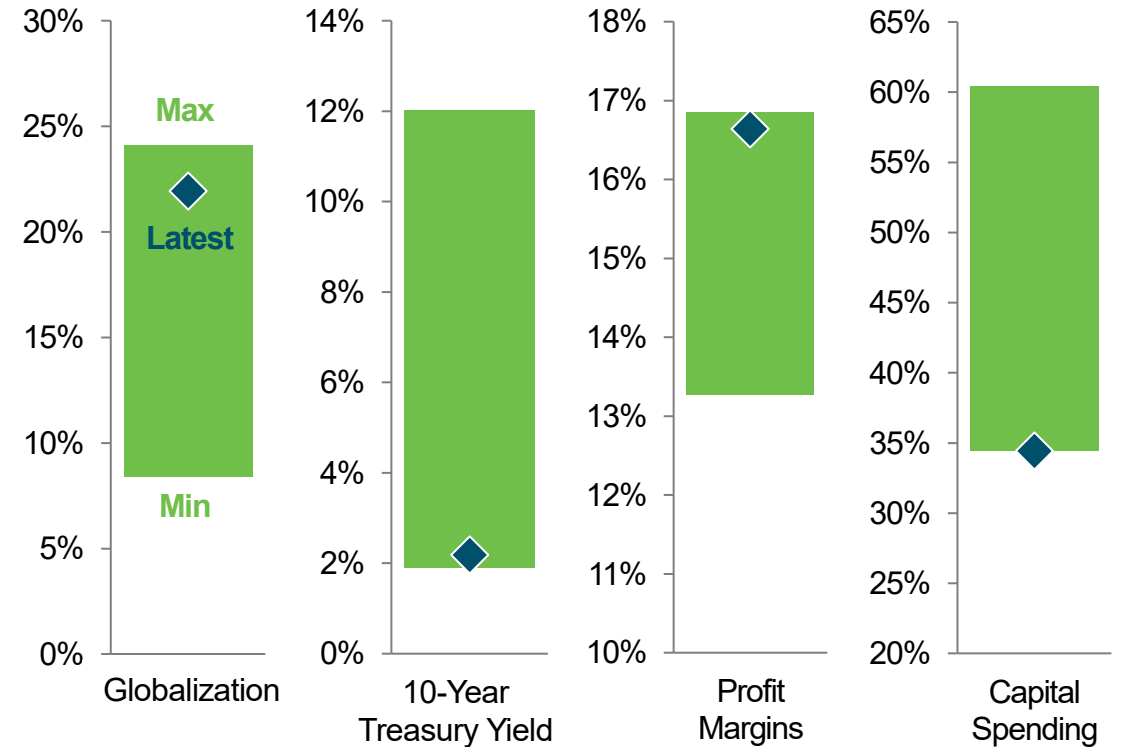
■ Historical Average (1950–2021) ■ Last Decade (2012–2021)

Annualized growth



Range of Corporate Indicators, 1962–2022

Five-Year Moving Averages



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.

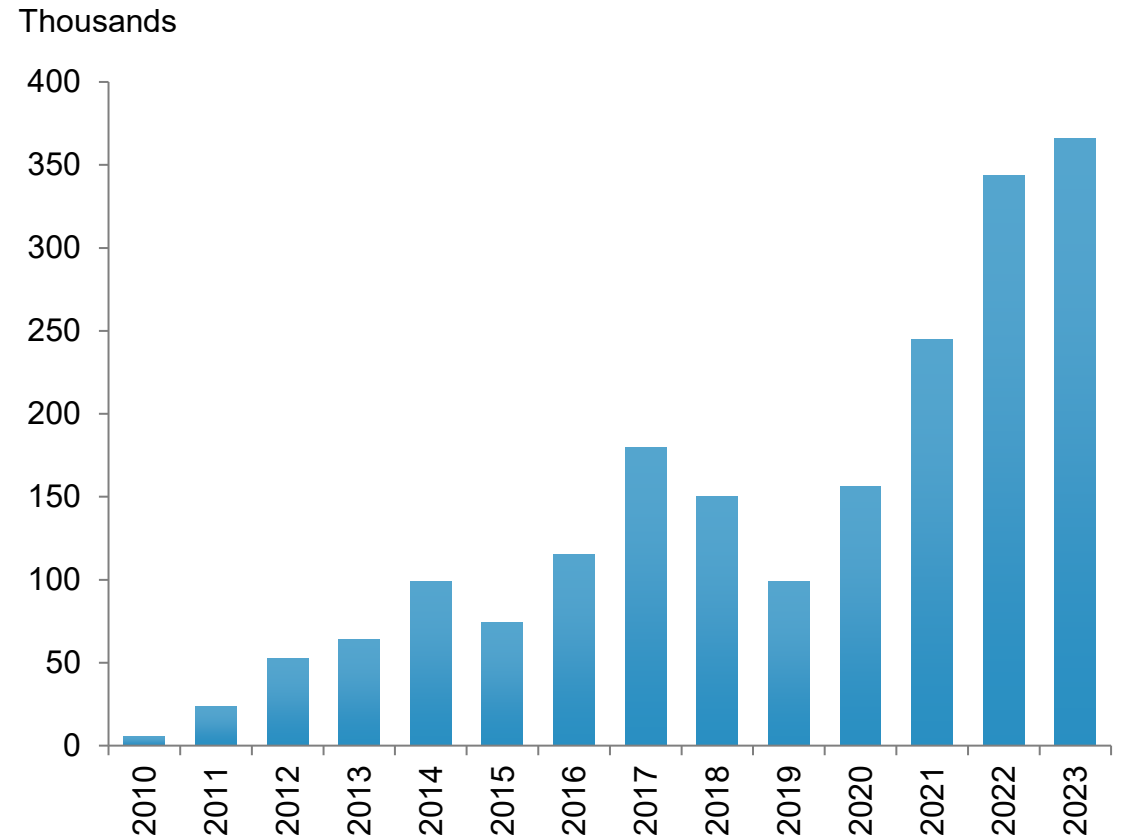
Strategic opportunities amid productivity upside scenarios

With long-term productivity rates slumping at multi-decade lows, several 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
Non-aligned countries as key beneficiaries	National security Energy, critical resources, defense, cyber
	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. 2023 data are projections. Source: Reshoring Initiative, Fidelity Investments (AART), as of 9/30/23.

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

2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	Legend
35%	35%	40%	5%	79%	28%	8%	20%	39%	28%	5%	21%	38%	0%	36%	38%	43%	16%	41%	24%	Growth Stocks
21%	33%	16%	-20%	58%	27%	8%	19%	34%	14%	3%	18%	30%	-2%	31%	20%	29%	-8%	26%	22%	Large Cap Stocks
14%	27%	12%	-26%	37%	19%	4%	18%	33%	13%	1%	18%	26%	-2%	26%	18%	27%	-11%	18%	17%	Emerging-Market Stocks
12%	22%	11%	-34%	32%	18%	4%	18%	32%	12%	1%	12%	22%	-3%	26%	18%	26%	-13%	18%	16%	Value Stocks
7%	18%	7%	-36%	28%	17%	2%	16%	23%	11%	1%	12%	15%	-4%	26%	14%	25%	-14%	17%	16%	REITs
5%	16%	6%	-36%	27%	16%	2%	16%	19%	6%	0%	11%	15%	-4%	22%	8%	17%	-16%	14%	15%	60% Large Cap 40% IG Bonds
5%	12%	5%	-37%	26%	15%	0%	16%	7%	5%	-4%	9%	13%	-9%	22%	8%	15%	-18%	13%	13%	Foreign-Developed Country Stocks
5%	11%	2%	-38%	20%	15%	-4%	15%	3%	3%	-4%	8%	9%	-11%	18%	6%	11%	-20%	12%	11%	Small Cap Stocks
4%	9%	-1%	-38%	19%	12%	-12%	11%	-2%	-2%	-5%	7%	8%	-11%	14%	3%	5%	-20%	10%	8%	High-Yield Bonds
3%	4%	-2%	-43%	18%	8%	-13%	4%	-2%	-4%	-15%	3%	4%	-11%	9%	-3%	-2%	-24%	6%	6%	Commodities
2%	2%	-16%	-53%	6%	7%	-18%	-1%	-10%	-17%	-25%	2%	1%	-14%	8%	-8%	-3%	-29%	-8%	4%	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 9/30/24.



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 of 9/30/24, 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.

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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 25 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 IndexSM 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.

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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