Commentary | First Quarter 2025

Quarterly Market Update

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

Market summary

Sturdy U.S. economy helped push up stocks and bond yields

The U.S. economy remained sturdy, and investors began to anticipate potential policy changes after the November elections. The Federal Reserve cut its policy rate during Q4 but acknowledged that additional monetary easing would depend on further progress toward its inflation target, which remained elusive in recent months. The global expansion remained intact, but political uncertainty rose and future upside surprises may be more difficult amid elevated valuations for riskier assets.

	MACRO	ASSET MARKETS
Q4 2024	• The global economic expansion continued, but monetary and political uncertainty rose.	• U.S. stocks rose but most asset categories dropped amid the rise in bond yields.
OUTLOOK	• The global business cycle remains in expansion, with a broad shift toward monetary easing and a stable earnings outlook. • The U.S. expansion continued to demonstrate evidence of both mid- and late-cycle dynamics. • Persistent core inflation in the U.S. implies additional Fed 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.	• 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.

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

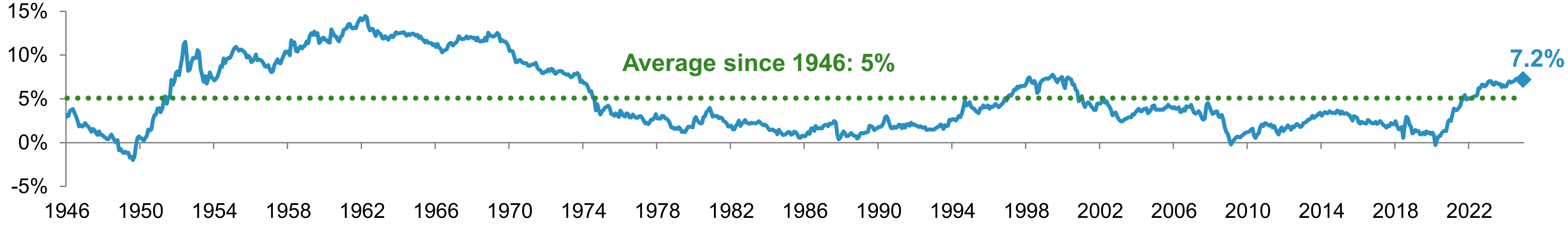
Broad asset rally fizzled in Q4, but a strong year for U.S. equities

The rise in U.S. Treasury-bond yields during Q4 created a headwind for most asset categories, as the broad 2024 rally fizzled. Non-U.S. equities suffered Q4 losses amid the rise in political uncertainty, and investment-grade fixed income assets eked out only modest 2024 gains after the weak Q4. Nevertheless, U.S. stocks added to their gains and finished the year with stellar double-digit returns, and most asset categories finished in positive territory for the full year.

	Q4 2024	2024		Q4 2024	2024
U.S. Growth	6.8%	32.5%	Emerging-Market Stocks	-8.0%	7.5%
Gold	-0.4%	27.2%	Emerging-Market Bonds	-1.9%	6.5%
U.S. Large Cap Stocks	2.4%	25.0%	Commodities	-0.4%	5.4%
U.S. Value	-1.9%	14.0%	Non-U.S. Developed-Country Stocks	-8.1%	3.8%
U.S. Small Cap Stocks	0.3%	11.5%	U.S. Corporate Bonds	-3.0%	2.0%
Real Estate Stocks	-6.2%	8.7%	Investment-Grade Bonds	-3.1%	1.3%
High Yield Bonds	0.2%	8.2%	Long Government & Credit Bonds	-7.4%	-4.2%

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

Annualized Return Difference

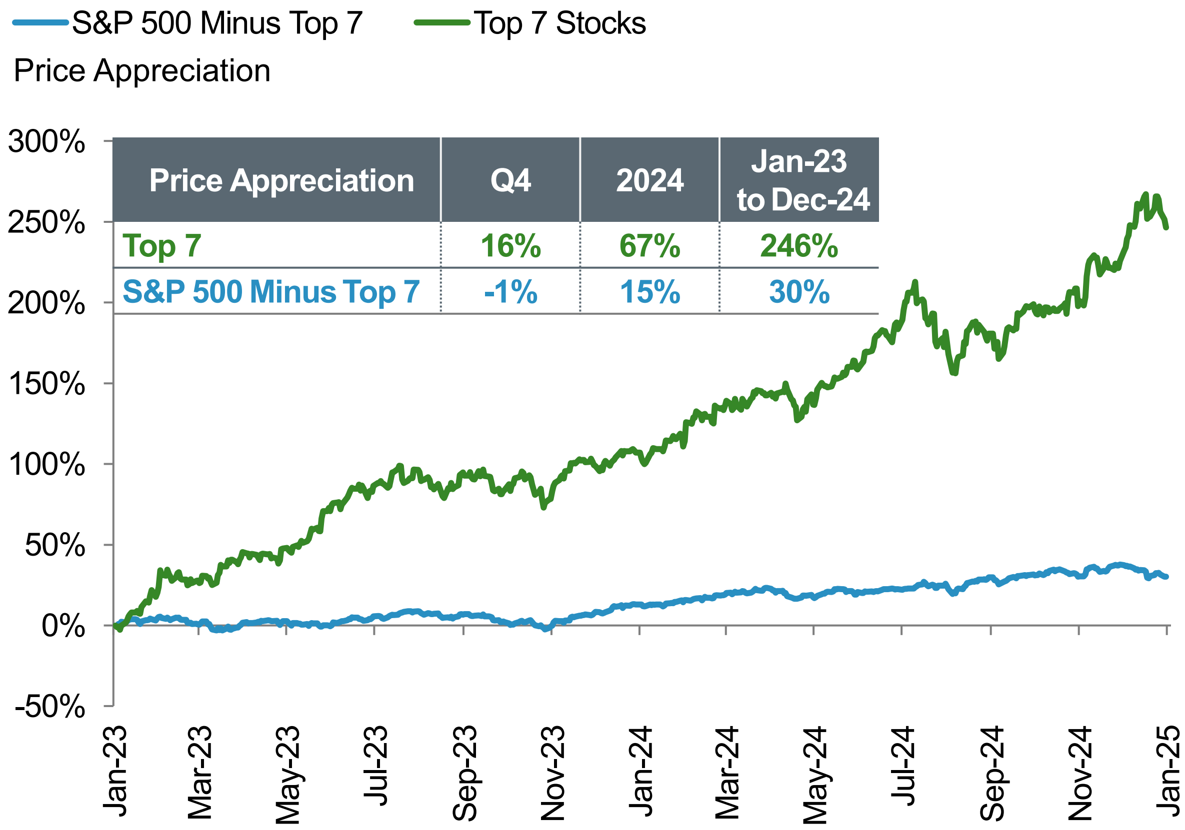


Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. IG: Investment grade. Assets represented by: U.S Growth Stocks—Russell 3000 Growth Index; Non-U.S. Developed-Country Stocks—MSCI 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 12/31/24.

The largest stocks ended a dominant year with a big Q4

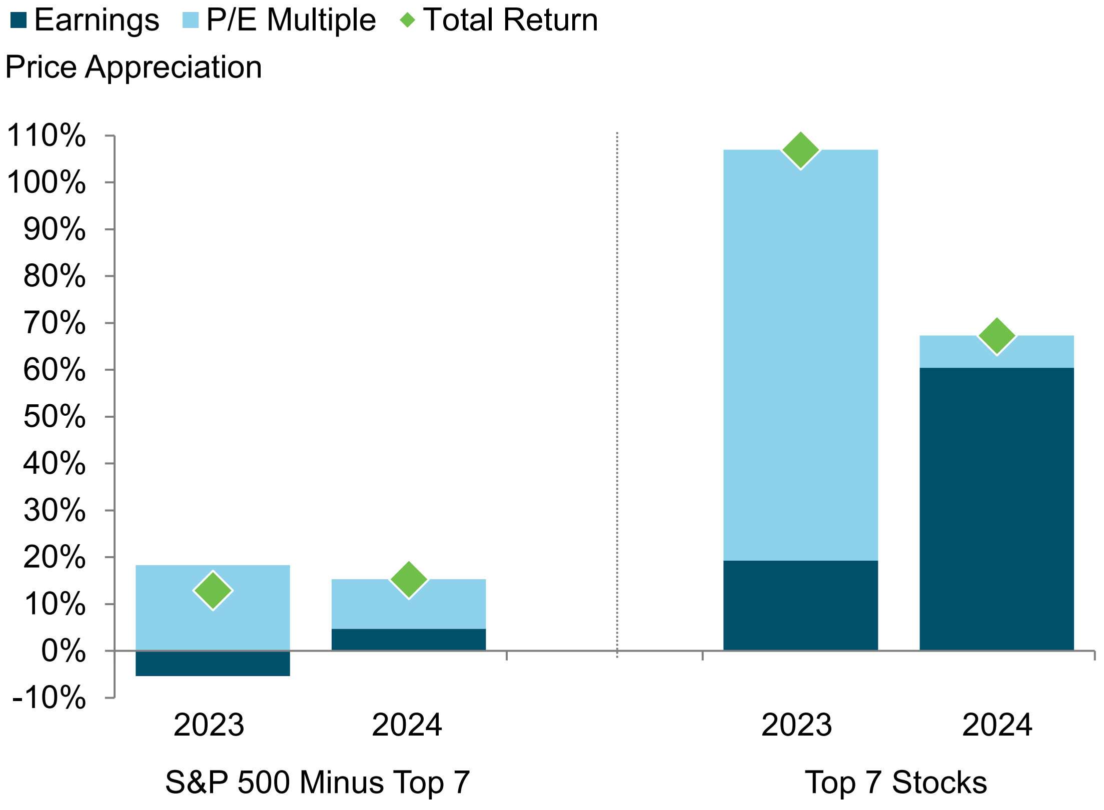
Stock prices of the largest U.S. companies by market capitalization—concentrated in the technology and communications sectors—finished Q4 and 2024 with another dominant performance relative to smaller stocks. Share prices of the largest seven companies more than tripled since the beginning of 2023, with earnings growth becoming the bigger driver of gains in 2024. With valuations near historically high levels, earnings growth may be the key determinant for stock performance in the year ahead.

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



Price Appreciation	Q4	2024	Jan-23 to Dec-24
Top 7	16%	67%	246%
S&P 500 Minus Top 7	-1%	15%	30%

Composition of U.S. Equity Returns (2023 vs. 2024)



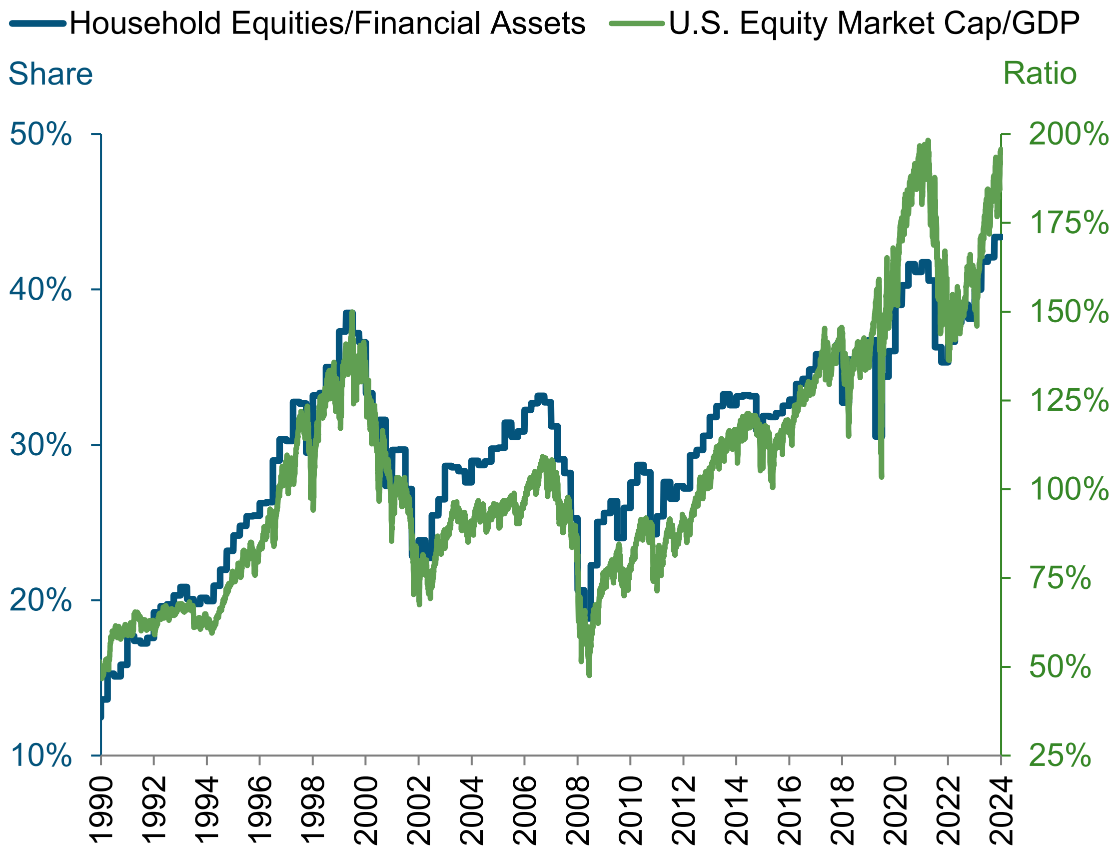
Largest seven U.S. stocks by market capitalization: Nvidia, Alphabet, Meta, Microsoft, Apple, Amazon, and Tesla. **LEFT:** YTD: Year to date. Source: Bloomberg Financial LP, Fidelity Investments, as of 12/31/24. **RIGHT:** Earnings: Trailing 12-month diluted earnings per share growth. P/E Multiple: Price-to-Earnings ratio for trailing 12-month diluted earnings. P/E Multiple and earnings use street estimates for Q4-2024. Calculation of P/E multiple includes all factors impacting total return excluding earnings per share. Source: Bloomberg Financial LP, Fidelity Investments, as of 12/31/24.

U.S. exposure to stocks has never been greater

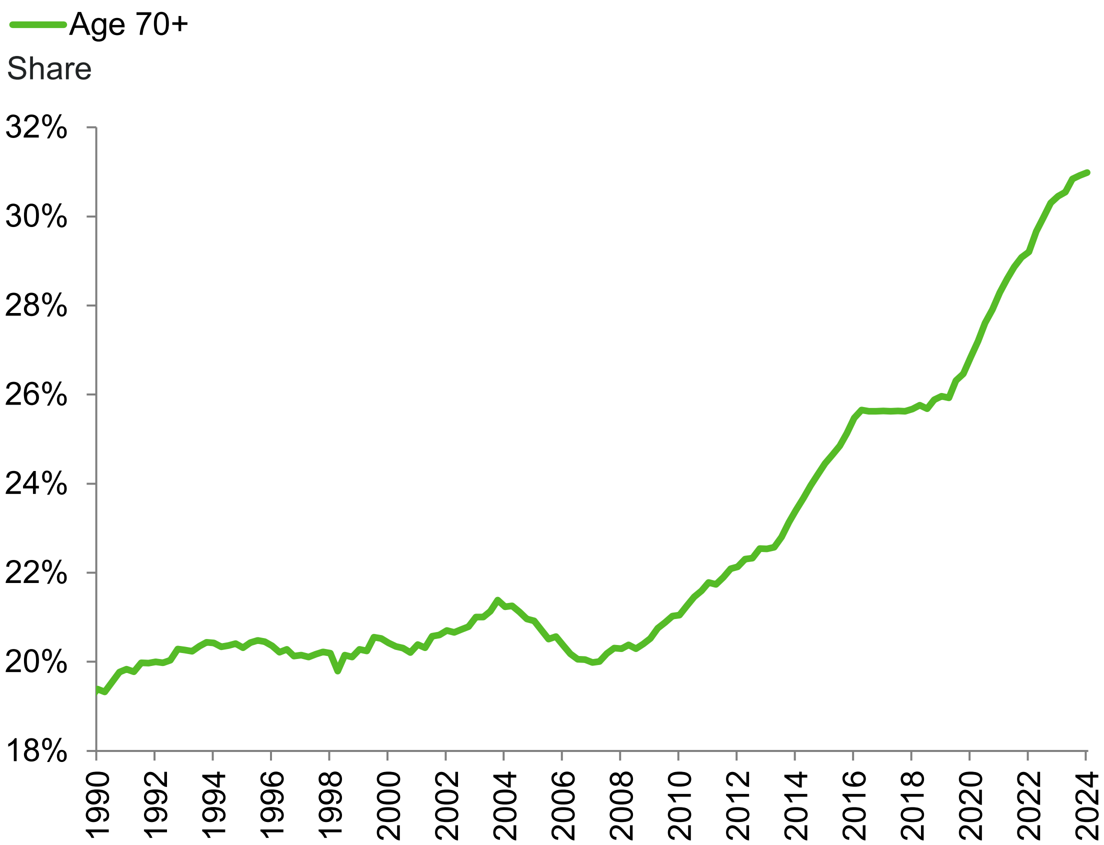
With U.S. household wealth levels near all-time highs, stocks have never played a larger role in the portfolio holdings of American investors. Stocks account for a record share of household financial assets, and more than 30% of household wealth is owned by Americans above 70 years old. The market cap of the U.S. stock market is nearly double the size of the economy, suggesting that changes in asset prices may have a greater impact on cyclical economic trends than in the past.

SUMMARY

U.S. Equity Market Ownership vs. Size of Economy



U.S. Household Net Worth by Demographic



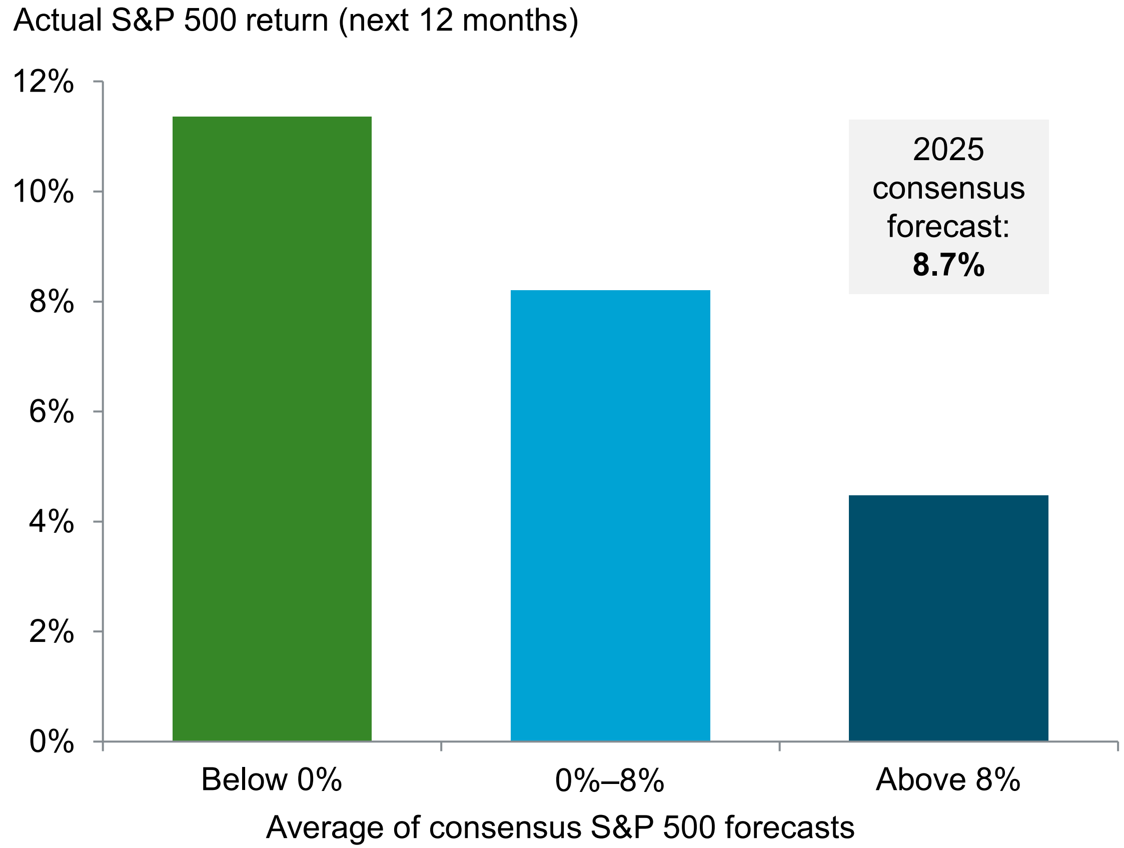
LEFT: U.S. Market Cap includes all publicly traded U.S. stocks. Source: Federal Reserve Board, Bloomberg Financial LP, Macrobond, Fidelity Investments (AART), as of 9/30/24. **RIGHT:** Source: Federal Reserve Board, Macrobond, Fidelity Investments (AART), as of 3/31/24.

Fidelity INVESTMENTS®

How much good news and "U.S. exceptionalism" is priced in?

Consensus expectations for 2025 U.S. stock market results appear to be optimistic. Based on analyst expectations, the average forecast for the S&P 500 index is nearly 9%, a level that historically has preceded below-average actual returns. Our proprietary survey of third-party, sell-side analysts shows extreme enthusiasm for U.S. stocks relative to non-U.S. equities and other assets, based on positioning recommendations. Upside surprises for asset prices often become more difficult amid elevated expectations.

S&P 500 Consensus Forecasts vs. Actual Returns (2000–2024)



AART Sell-Side Survey

Pair-Bet	Percent Rank Consensus Positioning	
U.S. Equity vs. EM Equity	99%	Most Bullish
U.S. Equity vs. DM ex-U.S. Equity	98%	
U.S. Equity vs. Commodities	96%	
U.S. Equity vs. U.S. IG Bond	82%	
Gold vs. Cash	70%	
U.S. IG Bonds vs. Cash	56%	Most Bearish

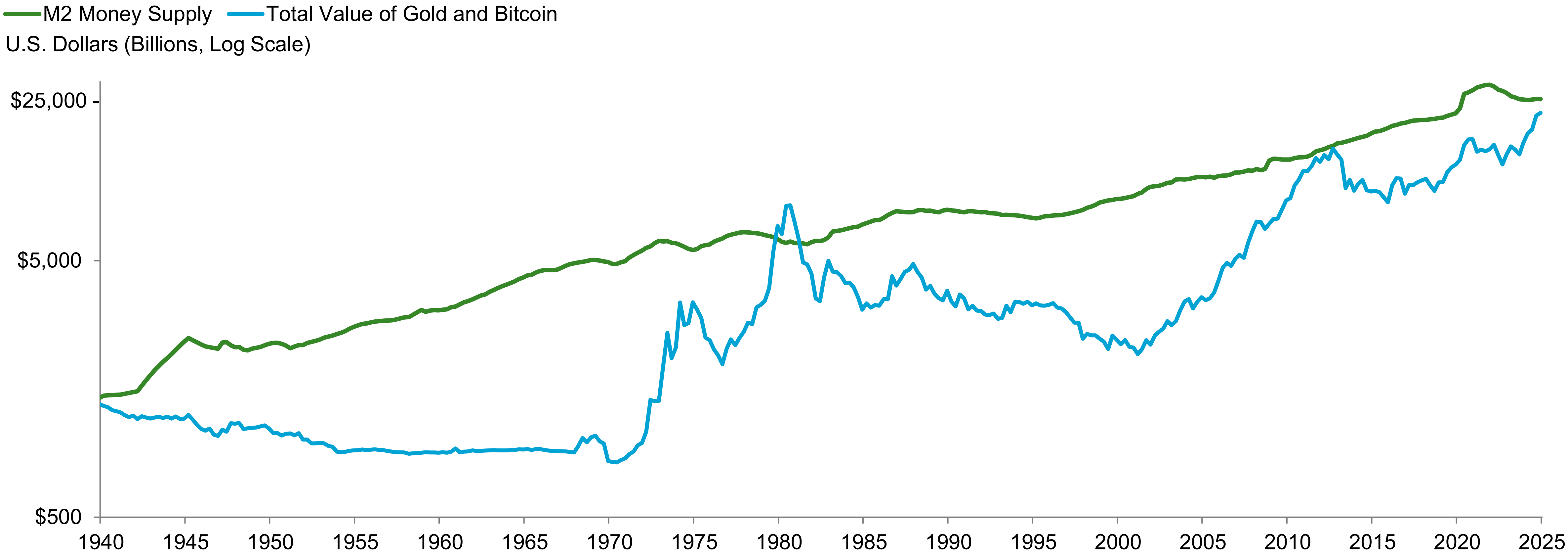
LEFT: Consensus forecasts on December 31 for the following year. Bloomberg Financial LP, Fidelity Investments, as of 12/31/24. **RIGHT:** The AART Sell-Side Survey is a proprietary survey that collects information on asset allocation positioning monthly from sell-side analysts. The percent rank captures current positioning for each pair-bet relative to survey history. Fidelity Investments, as of 11/30/24.

A big year for gold and Bitcoin

Alternate sources of value registered a strong year in 2024, with gold outpacing U.S. stocks and Bitcoin more than doubling. Precious metals, and more recently, digital assets, have performed well when the long-term growth of the money supply outpaced economic activity and made some investors grow concerned about the value of paper currency.

SUMMARY

M2 Money Supply vs. Gold and Bitcoin

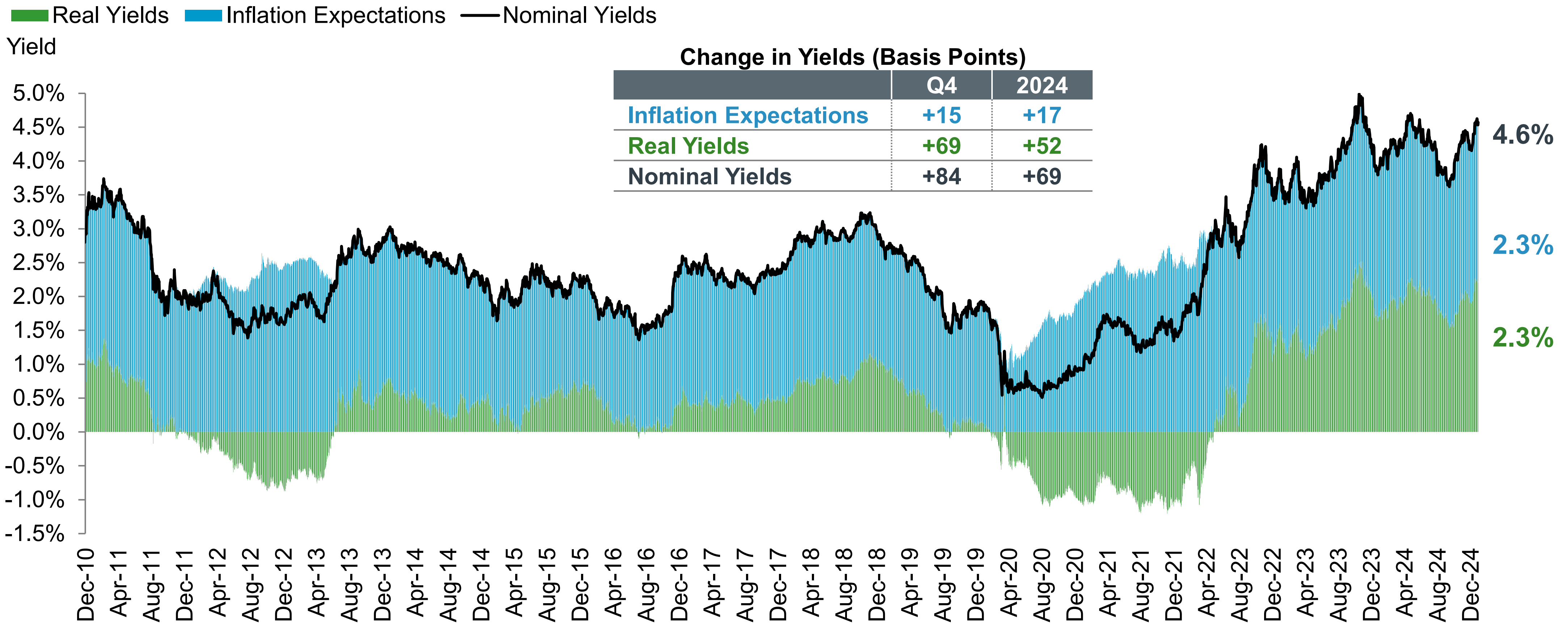


Total value of gold and Bitcoin: Value of above ground gold measured as the total tones of mined gold adjusted by the spot price, Bitcoin value measured as market cap beginning in Q1 2009. All values adjusted for inflation. Source: Bloomberg, Haver Analytics, World Gold Council, U.S. Geological Survey, Fidelity Investments (AART) as of 12/31/24.

Treasury yields spiked upward

Nominal 10-year U.S. Treasury bond yields surged nearly 90 basis point during Q4 and finished around 4.6%. A rise in real yields—the inflation-adjusted cost of borrowing—drove most of the nominal-rate increase, as investors lowered their expectations for Fed easing in 2025. Inflation expectations also ticked up modestly and remained in their average range over the past decade, while real yields remained at the high end of their range.

10-Year U.S. Government Bond Yields



Change in Yields (Basis Points)

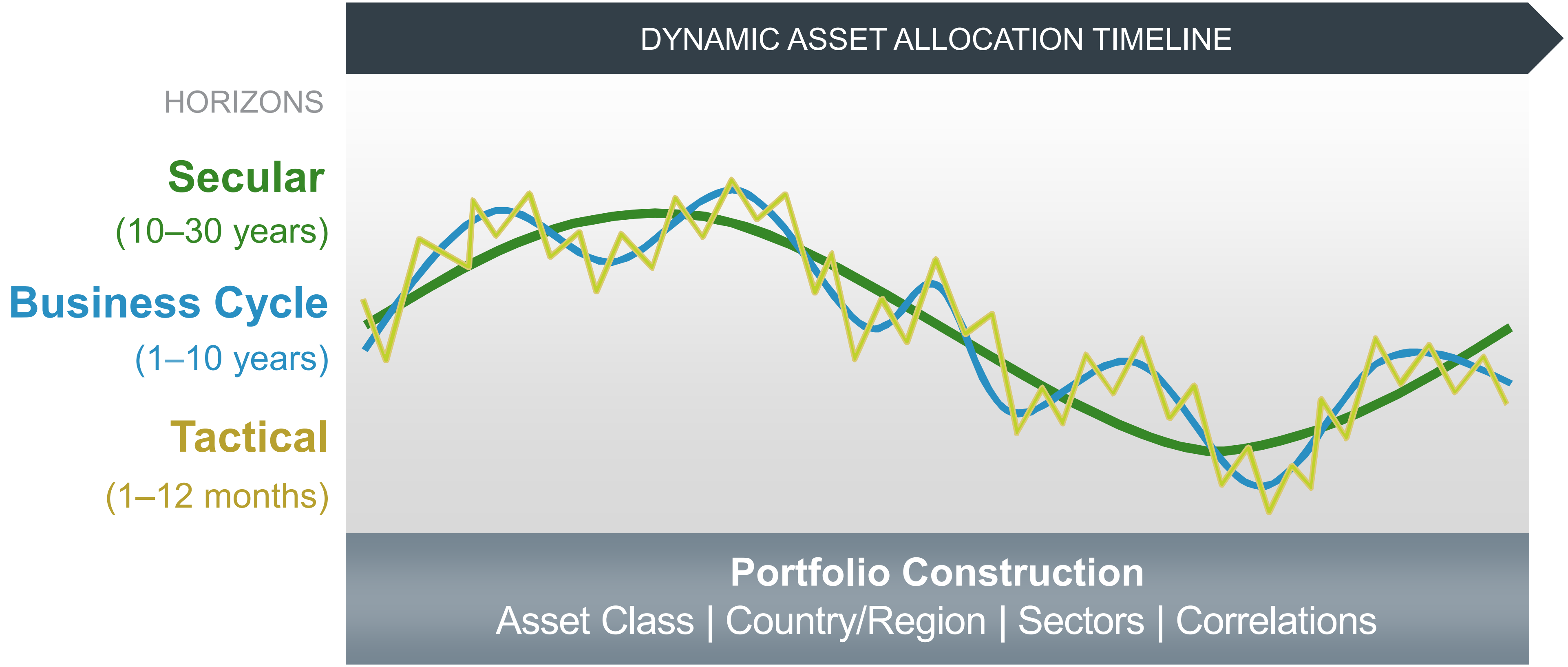
	Q4	2024
Inflation Expectations	+15	+17
Real Yields	+69	+52
Nominal Yields	+84	+69

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 12/31/24.

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).



 For illustrative purposes only. Source: Fidelity Investments (AART), as of 12/31/24.

Global business cycle in a less synchronized expansion

Many major economies displayed signs of late-cycle expansion, experiencing stable services activity and employment but softening manufacturing. The U.S. showed indications of both mid- and late-cycle dynamics. Weak domestic demand and structural headwinds raised recession risks in the Eurozone, while China continued to struggle to emerge from its growth slump. Canada is now on the cusp of early cycle, having benefited from lower rates and an improvement in economic activity.

Business Cycle Framework

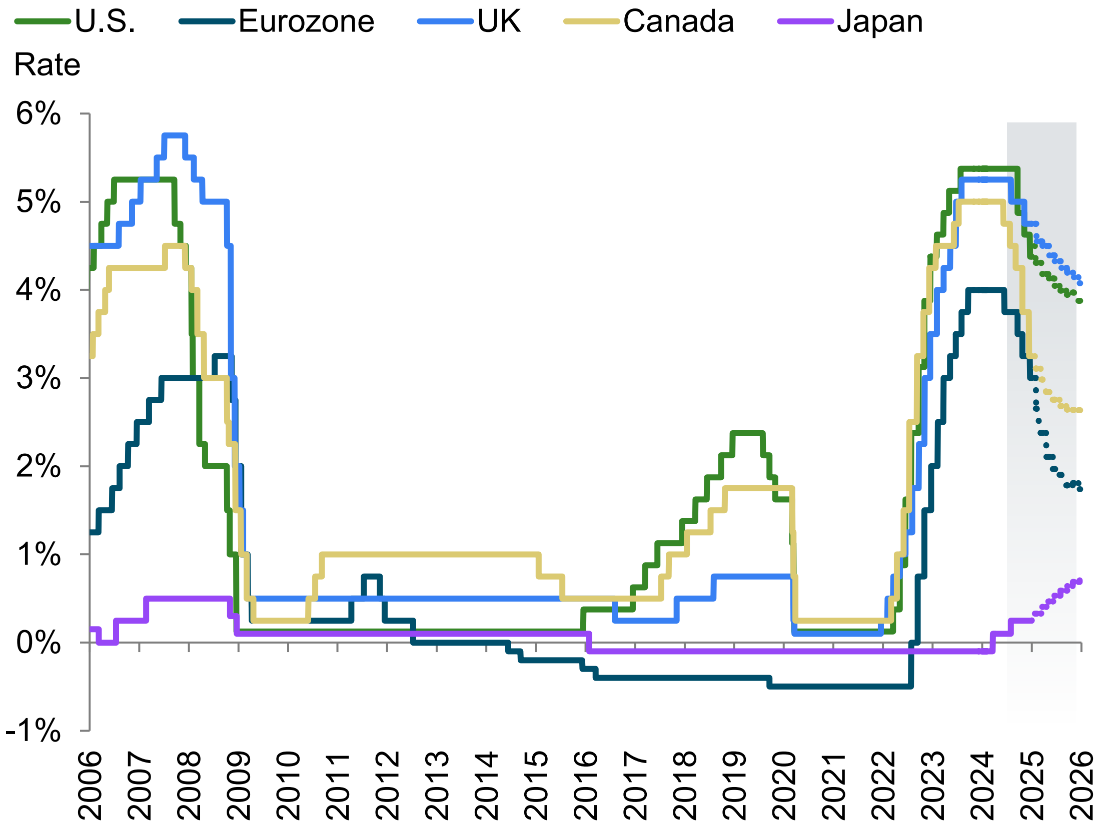
Cycle Phases	EARLY	MID	LATE	RECESSION
	• Activity rebounds (GDP, IP, employment) • Credit begins to grow • Profits grow rapidly • Policy still stimulative • Inventories low; sales improve	• Growth peaking • Credit growth strong • Profit growth peaks • Policy neutral • Inventories, sales grow; equilibrium reached	• Growth moderating • Credit tightens • Earnings under pressure • Policy contractionary • Inventories grow, sales growth falls	• 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 12/31/24.

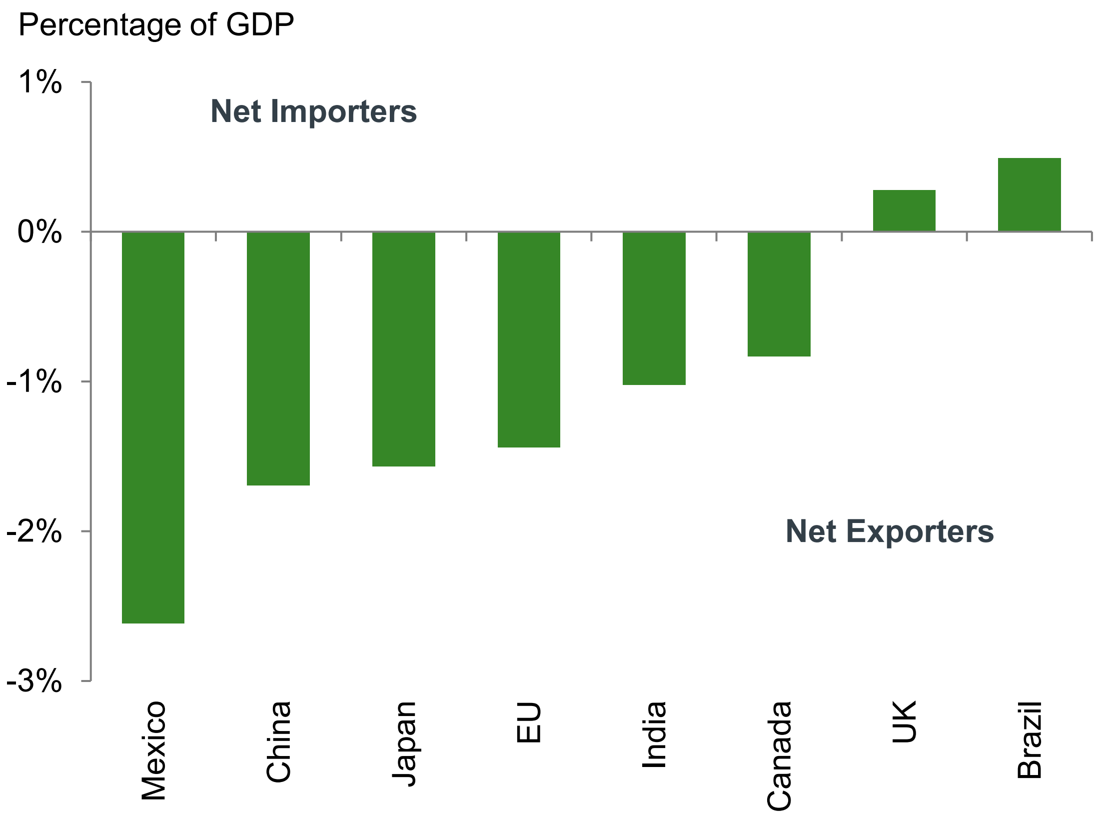
Uncertainty around monetary easing and trade policy

The global cycle faces policy crosswinds in 2025, including a potential headwind from trade policy and a tailwind from monetary easing. Most major developed market (DM) central banks continued to cut their policy rates during Q4, with expectations for more cuts in Europe and Canada in 2025 than in the U.S. The prospect of higher U.S. tariff rates poses a risk for major exporters, particularly countries that have meaningful goods trade surpluses with the U.S.

Global Short-Term Policy Rates



U.S. Trade Balance in Goods

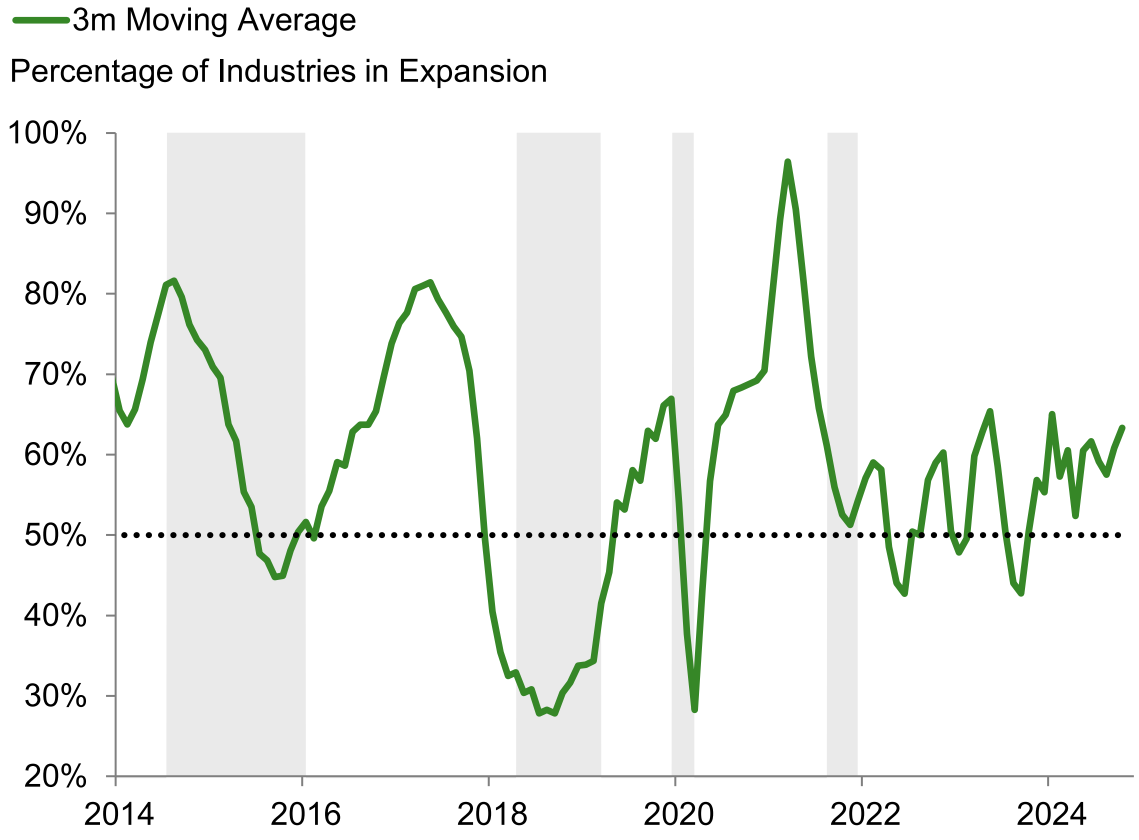


LEFT: Dotted lines represent market rate expectations using OIS swaps. They end at the peak expected policy rate by the market. Source: U.S. Federal Reserve Board, ECB, Bank of Japan, Bank of England, Bloomberg Finance L.P., Fidelity Investments (AART), as of 12/31/24. RIGHT: Source: National sources, Fidelity Investments (AART), as of 12/31/24.

China: Signs of improvement, policy outlook remains the key

China's cyclical trends are mixed with some hints of improvement against a backdrop of structural challenges. Industrial production reaccelerated in the second half of 2024, and property markets showed some signs of stabilization. Recent policy signaling indicates an incremental focus on household consumption and social welfare, but structural imbalances within the Chinese economy—including excess capacity and a debt overhang in the real estate sector—remain headwinds for the housing market and consumer confidence.

China Industrial Production Diffusion Index



China: Economic and Policy Trends

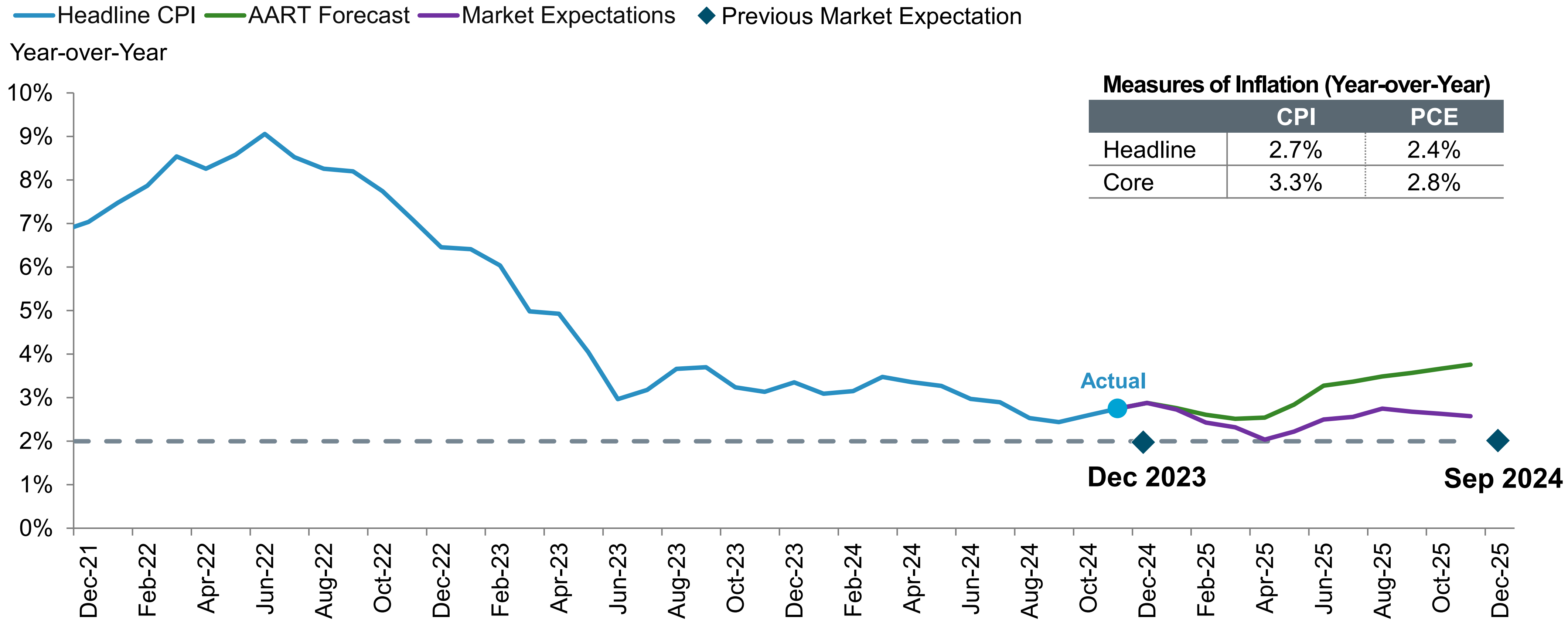
Positive	Negative
Local government support (debt swap)	Structural imbalances (excess capacity, high debt)
Property sector easing (mortgage refinancing)	Property overhang (asset value deterioration)
Equity market support (swap facilities)	Depressed consumer sentiment
Positive messaging for household consumption/social welfare	Geopolitical and trade risk

LEFT: Gray bars represent growth recessions as defined by AART. Source: National Bureau of Statistics, People's Bank of China, Fidelity Investments (AART) as of 12/31/24.

After significant disinflation, reaching 2% may prove challenging

Both headline and core CPI have declined significantly from 2022's highs, but core CPI remained sticky, ending the year above 3%. The Fed's preferred inflation metric, PCE, stalled well above its 2% target and our forecasts (for both CPI and PCE) continue to indicate a flattish trend for inflation over the next year. Market expectations for CPI inflation have climbed higher over the years, moving closer to our forecast. We believe returning to the stable, low core-inflation backdrop of the past 20 years will be challenging.

AART Inflation Estimates vs. Market Expectations



Measures of Inflation (Year-over-Year)

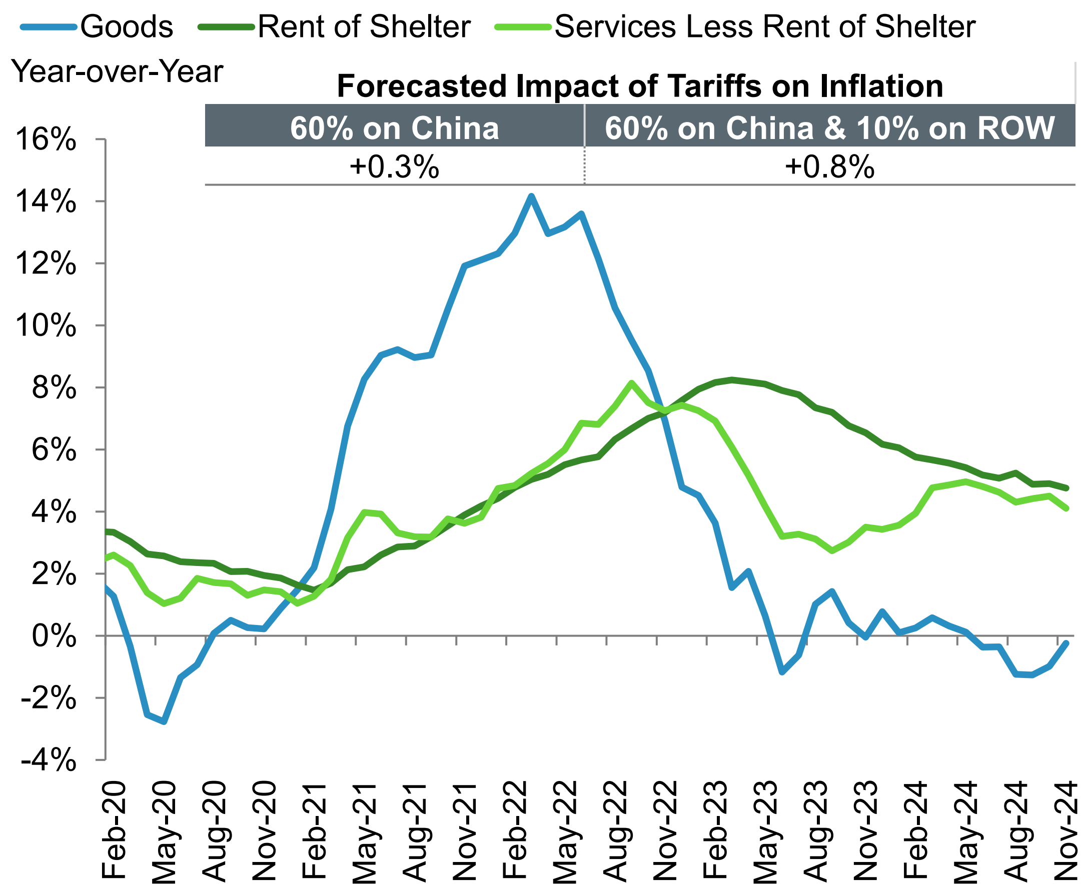
	CPI	PCE
Headline	2.7%	2.4%
Core	3.3%	2.8%

CPI: Consumer Price Index. PCE: Personal Consumption Expenditures. Market expectations: Inflation swaps. Source: Federal Reserve Bank of Cleveland, Macrobond, Bureau of Labor Statistics, Bloomberg, Haver Analytics, Fidelity Investments (AART), as of 12/31/24.

Second waves of inflation are historically common

A hefty decline in goods inflation drove recent disinflationary trends, but that trend has moderated and possible tariffs present upside risk. Services and shelter inflation remain elevated, partly due to structural 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 pose a risk to the outlook.

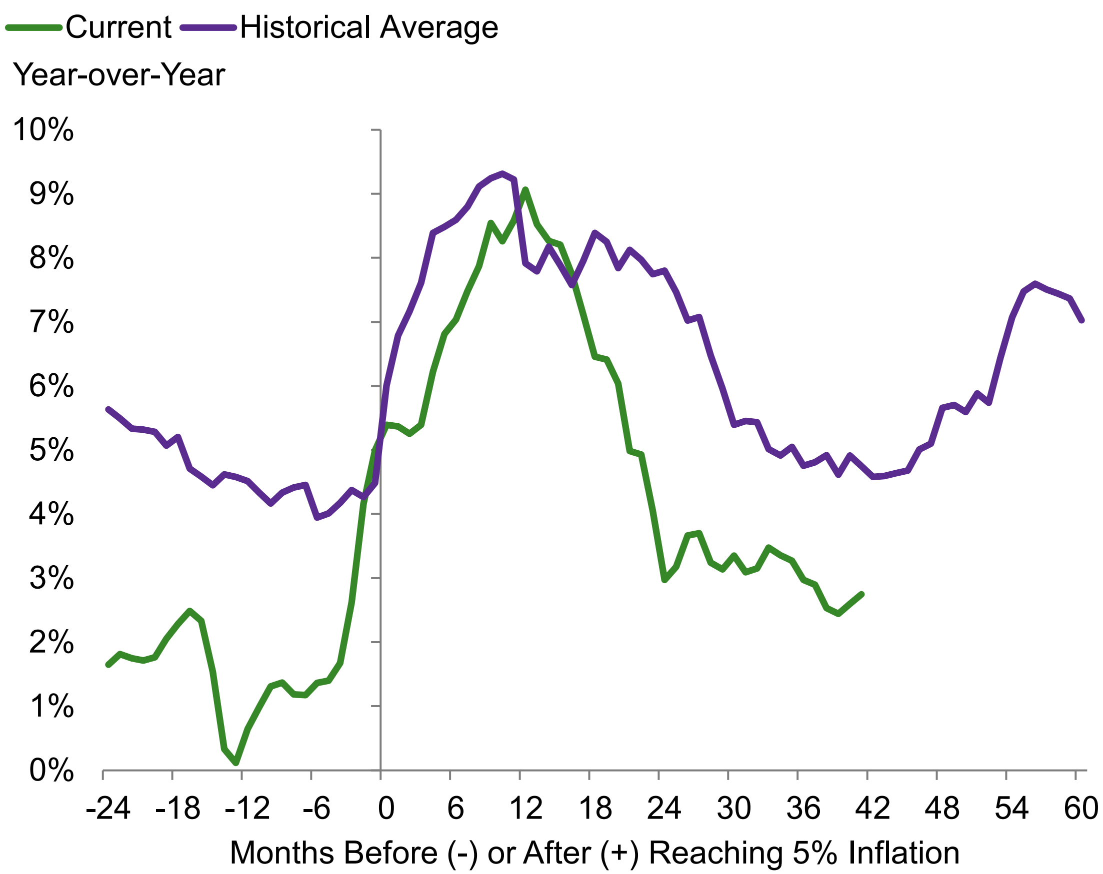
Components of Consumer Price Index



Forecasted Impact of Tariffs on Inflation

60% on China	60% on China & 10% on ROW
+0.3%	+0.8%

Inflation After Reaching Five Percent (1944–2024)

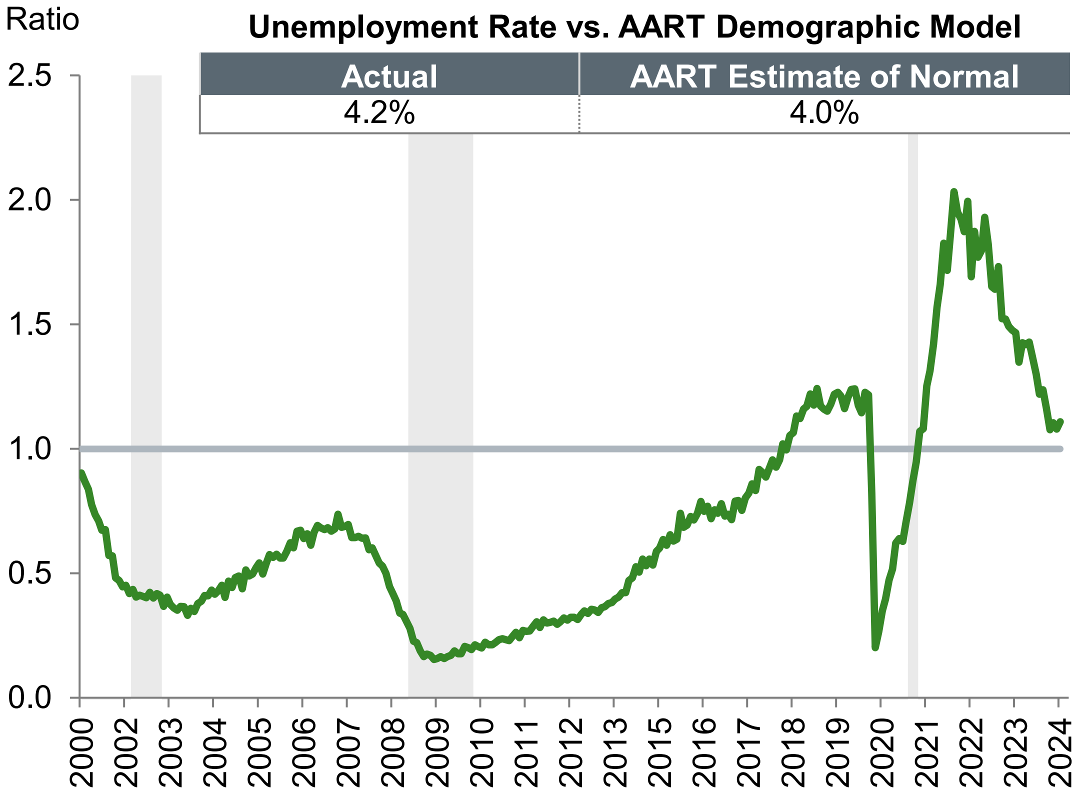


LEFT: Table contains AART Forecasts. ROW stands for Rest of World. Source: Bureau of Labor Statistics, Federal Reserve, Federal Reserve Bank of New York, Macrobond, Fidelity Investments (AART), as of 12/31/24. **RIGHT:** Current represents Headline CPI starting in June 2021. Historical average is an average of the six periods after 1944 where inflation exceeded five percent. Source: Bureau of Labor Statistics, Macrobond, Fidelity Investments (AART) as of 12/31/24.

U.S. labor markets stabilized; immigration a labor-supply wildcard

Many labor-market indicators softened during 2024, but overall employment conditions remained tight. The unemployment rate stabilized in the second half to end the year near our estimate of normal unemployment, and job openings steadied at a level that still exceeded the total number of unemployed workers. More women and immigrants in the workforce helped offset falling participation rates from older workers, but immigration flows trended lower in 2024 and potentially tighter policy may restrain labor supply in 2025.

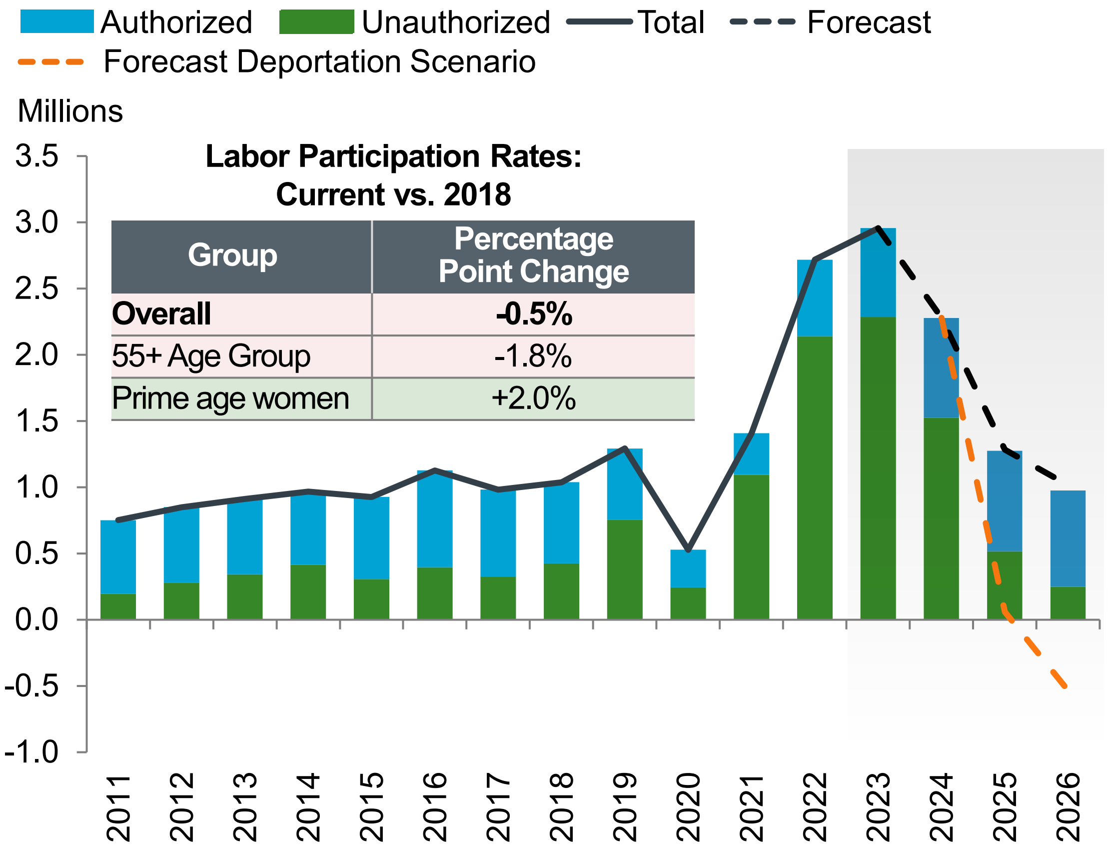
Job Openings Per Unemployed Worker



Unemployment Rate vs. AART Demographic Model

Actual	AART Estimate of Normal
4.2%	4.0%

U.S. Immigration Flows



Labor Participation Rates: Current vs. 2018

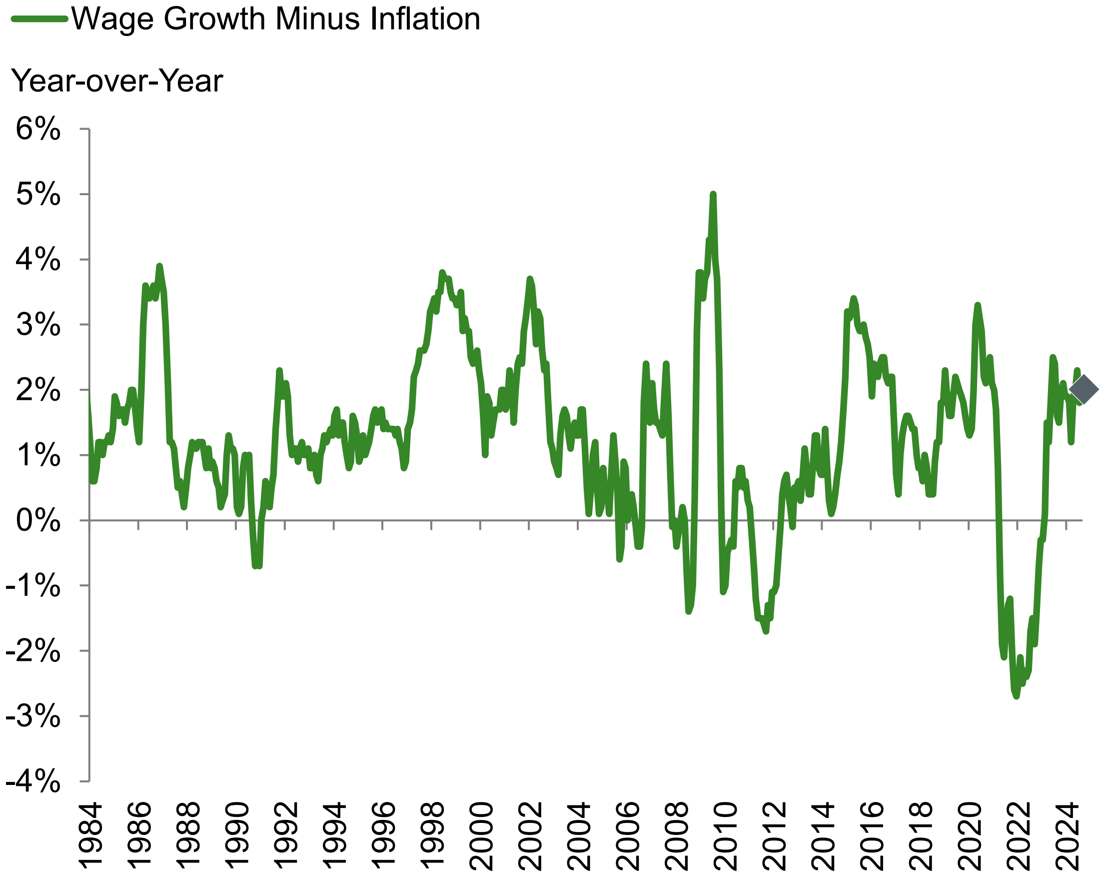
Group	Percentage Point Change
Overall	**-0.5%**
55+ Age Group	-1.8%
Prime age women	+2.0%

LEFT: AART estimated rate of normal unemployment over the long term, based on demographics. Gray bars indicate recessions. Source: Bureau of Labor Statistics, Macrobond, Fidelity Investments (AART) as of 12/31/24. **RIGHT**: Numbers are AART estimates. Shaded bar represents forecast. Forecast assumes continuation of current immigration policy. “Forecast: Deportation Scenario” (orange) assumes 1 million deportations a year. Table numbers are the participation rate on 11/30/24 less the participation rate on 11/30/2018. Source: Department of Homeland Security, ICE, Bureau of Labor Statistics, Macrobond, Fidelity Investments (AART) as of 12/31/24.

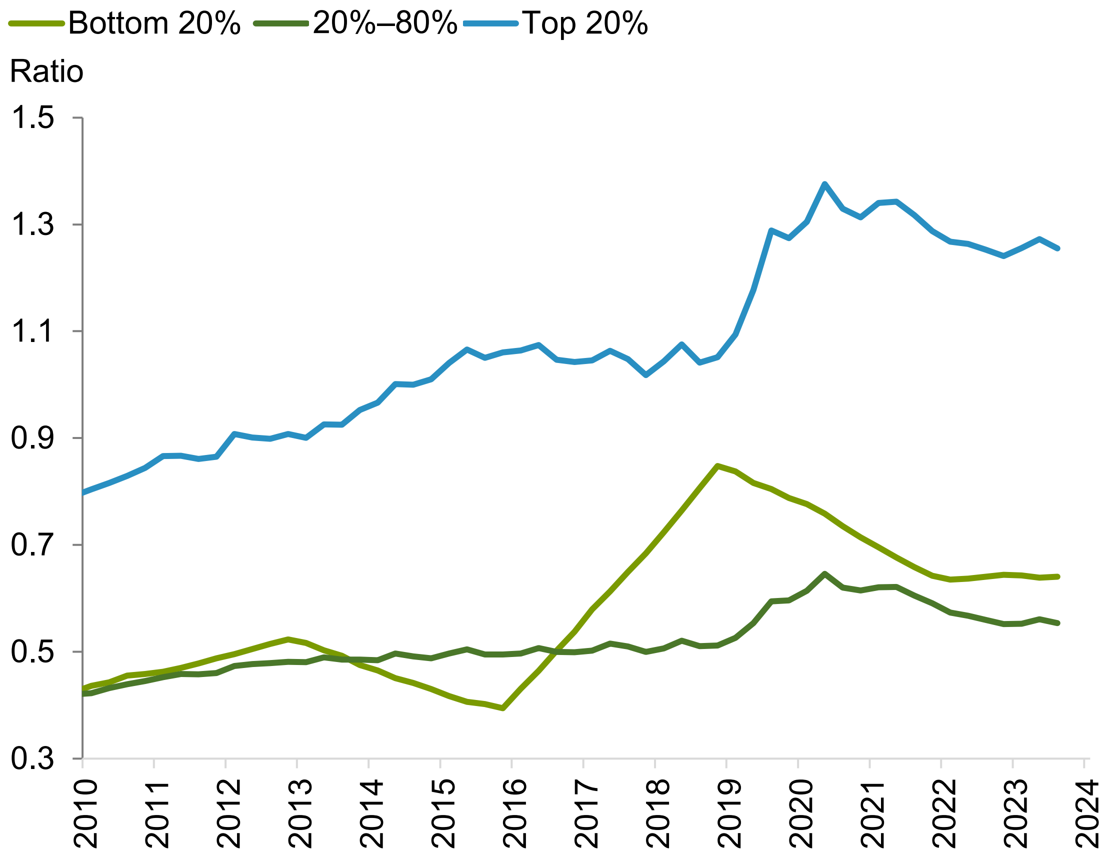
Healthy consumer remains major support to U.S. growth

The U.S. consumer is in solid shape, supported by positive real wage growth, a sound job market, and high levels of wealth. Cash holdings relative to liabilities are at historically high levels, underscoring the strength of household balance sheets and the ability to access credit if needed. Higher-income earners enjoy the strongest balance sheets and there has been deterioration among lower-income cohorts, but the overall consumption backdrop remains constructive for the U.S. economy.

Real Wage Growth



Household Cash to Liability Ratios Across Income Cohorts

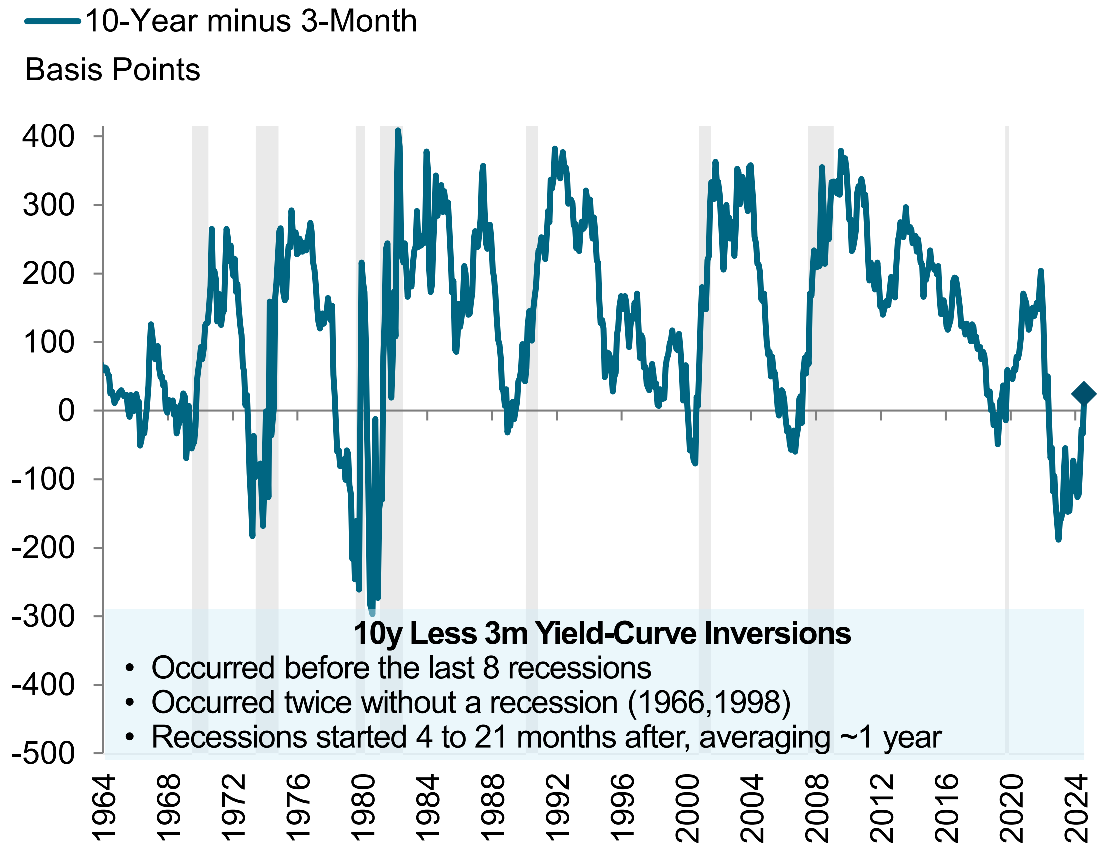


LEFT: Real Wage Growth: Atlanta Fed Wage Growth Tracker (Unweighted 3-month moving average) minus year-over-year CPI. Source: Bureau of Labor Statistics, Macrobond, Fidelity Investments (AART) as of 12/31/24. **RIGHT:** Cash to liabilities ratio is deposits and money market fund shares over liabilities. Source: Federal Reserve, Macrobond, Fidelity Investments (AART) as of 12/31/24.

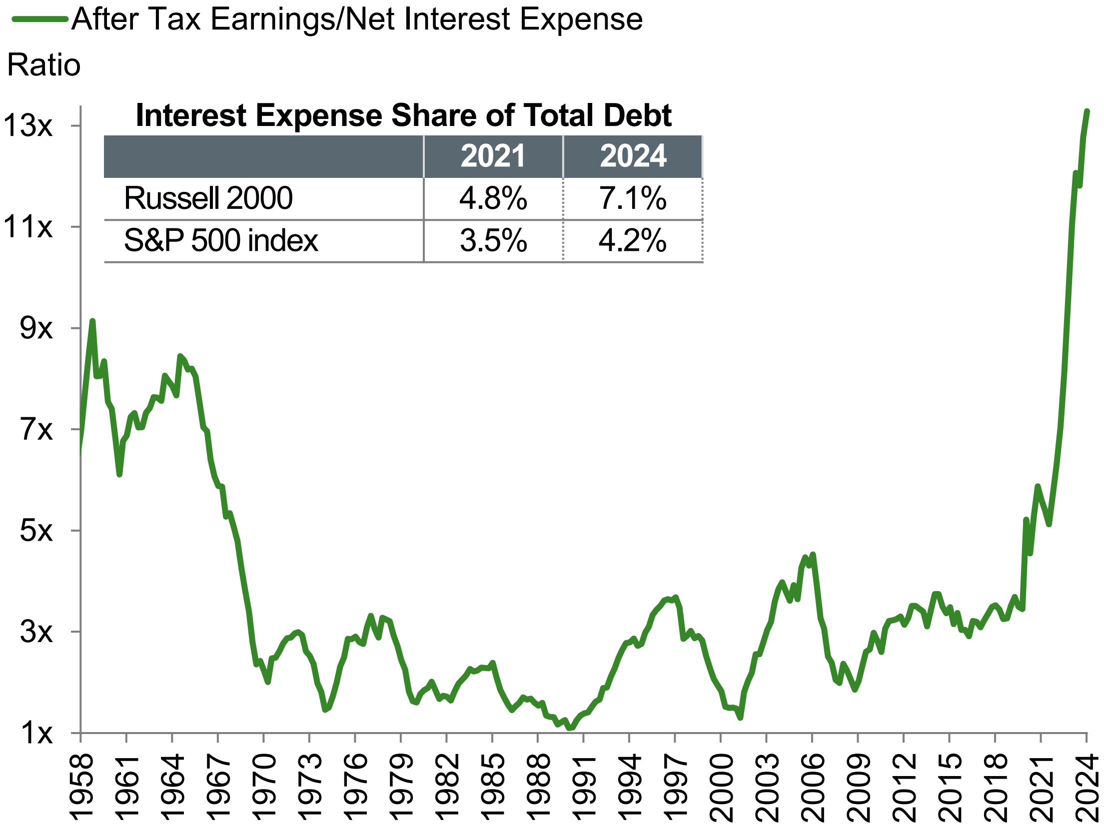
The yield curve exited inversion with no recession

After two years—the longest period on record with an inverted yield curve—the 10-year less 3-month Treasury yield curve flipped positive as the Fed cut rates and long-end yields rose. An inverted curve was historically a reliable leading indicator of recession, but the U.S. may have eluded recession due to the low rate sensitivity of the economy. Consumers locked in low mortgage rates, while large corporations locked in low rates on their debt and enjoyed earnings growth that far outpaced the rise in interest expense.

Treasury Yield Curve Spread



U.S. Corporate Interest Coverage



Interest Expense Share of Total Debt

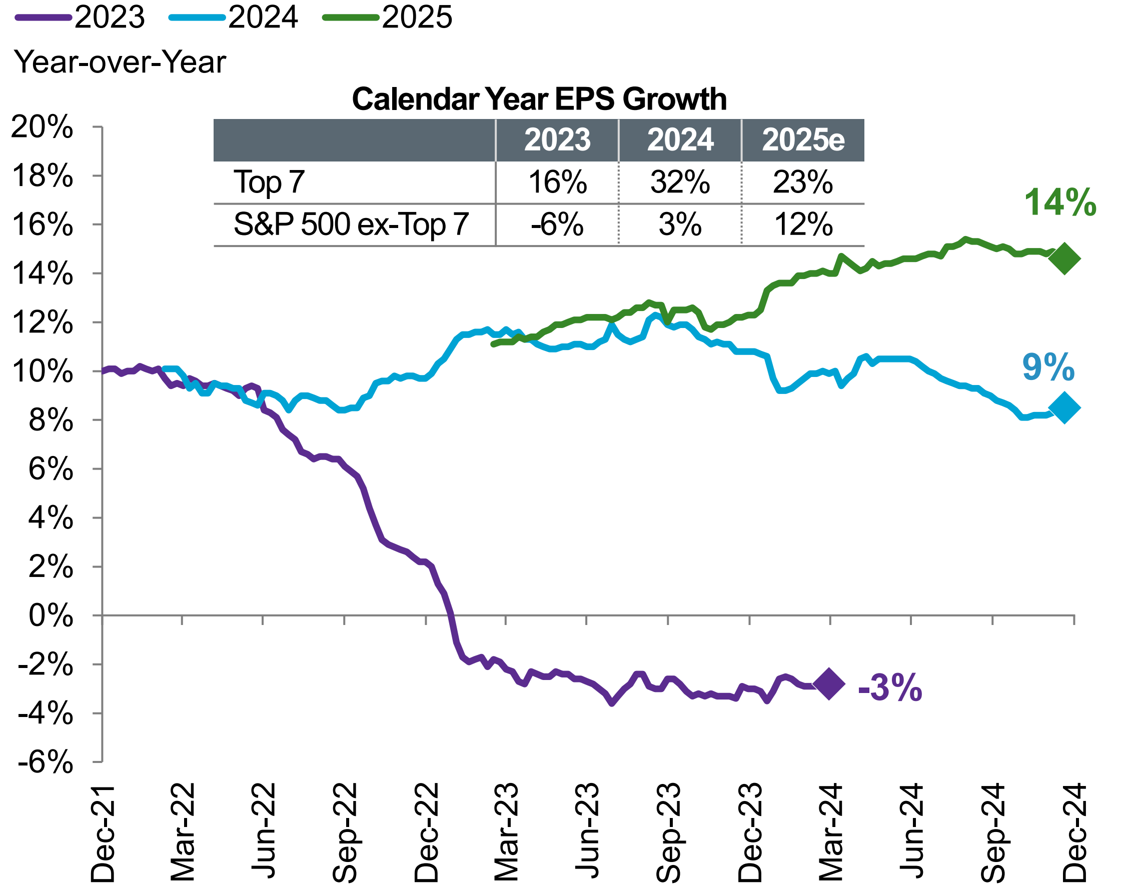
	2021	2024
Russell 2000	4.8%	7.1%
S&P 500 index	3.5%	4.2%

Shaded areas denote U.S. recession. **LEFT:** Source: Bloomberg Financial LP, NBER, Fidelity Investments (AART), as of 12/31/24. **RIGHT:** Bureau of Economic Analysis, Macrobond, Fidelity Investments (AART), as of 9/30/24.

Improving margins outlook reflects broadening earnings growth

Corporate earnings growth for 2024 ended the year at a 9% growth rate, with consensus expectation of 14% in 2025. 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.

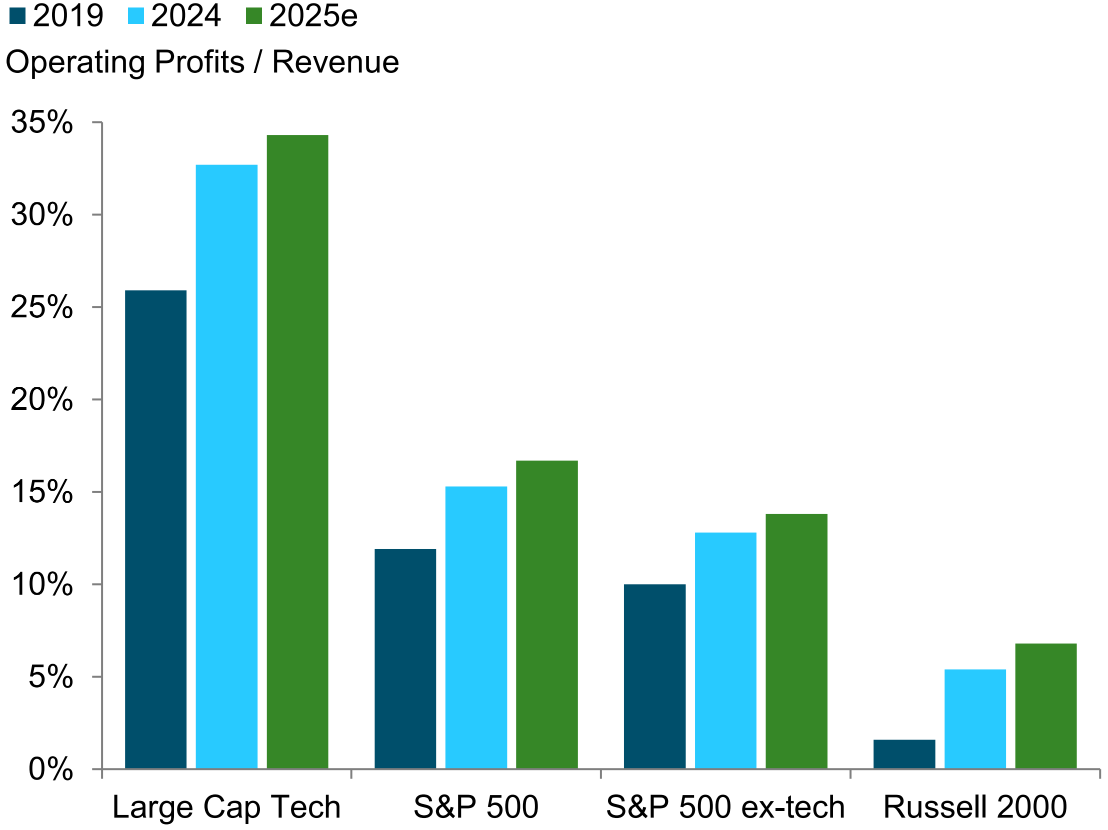
S&P 500 Earnings Growth Expectations



Calendar Year EPS Growth

	2023	2024	2025e
Top 7	16%	32%	23%
S&P 500 ex-Top 7	-6%	3%	12%

Profit Margins

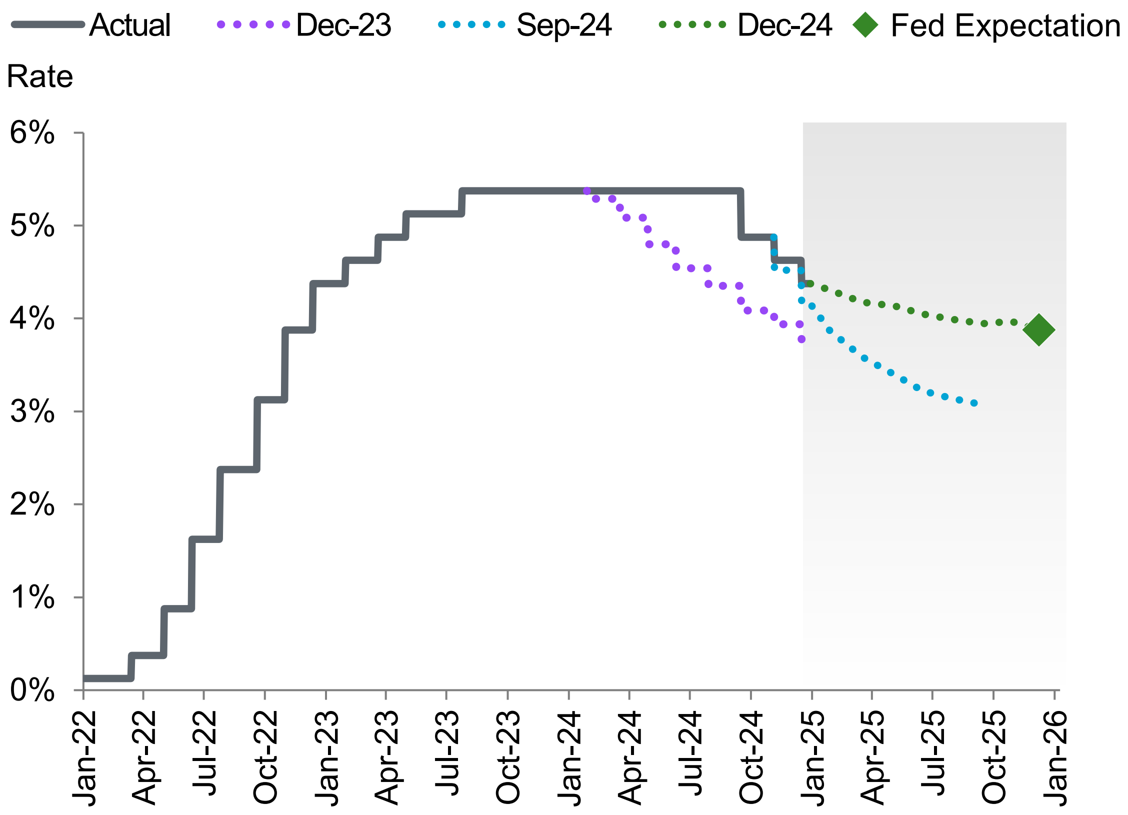


LEFT: Top7 includes Apple, Amazon, Google, Meta, Nvidia, Microsoft, Tesla. Earnings estimates from the Street for 4Q-2024 and 2025. Source: Bloomberg Financial LP, Fidelity Investments (AART), as of 12/31/24. **RIGHT:** Source: Bloomberg, Fidelity Investments (AART), as of 12/31/24.

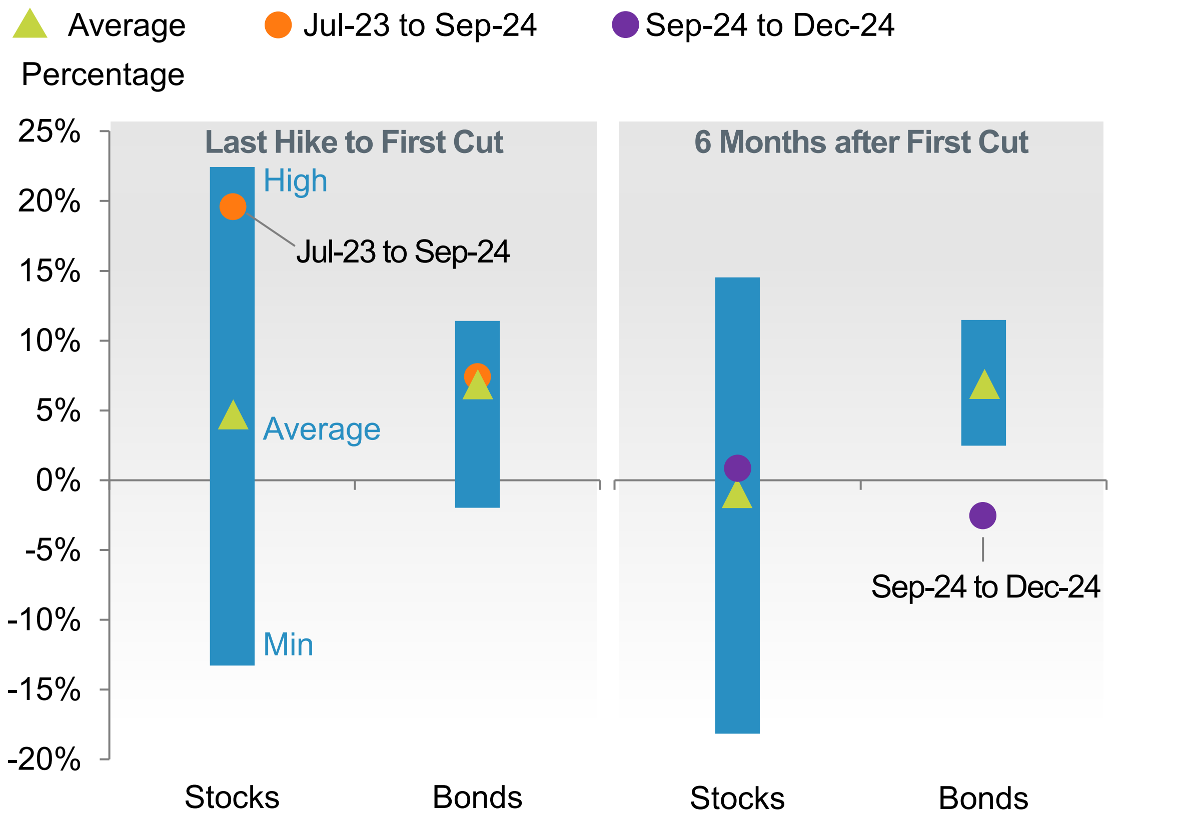
The Fed cut rates twice in Q4 but may be close to done

The U.S. Federal Reserve cut rates by 25bps twice during Q4, easing a total of 100bps during 2024. Coming into the year, the market expected 150bps of easing, but stubborn inflation kept the Fed from easing more aggressively and the market expected only 1 or 2 more cuts in 2025. Historically, stocks and bonds rally after the Fed's last hike and before the first cut, which occurred this cycle through Q3 2024. Typical equity returns after the first cut are more mixed, which has been the case so far with roughly flat returns this cycle.

Fed Funds Rate Expectations



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

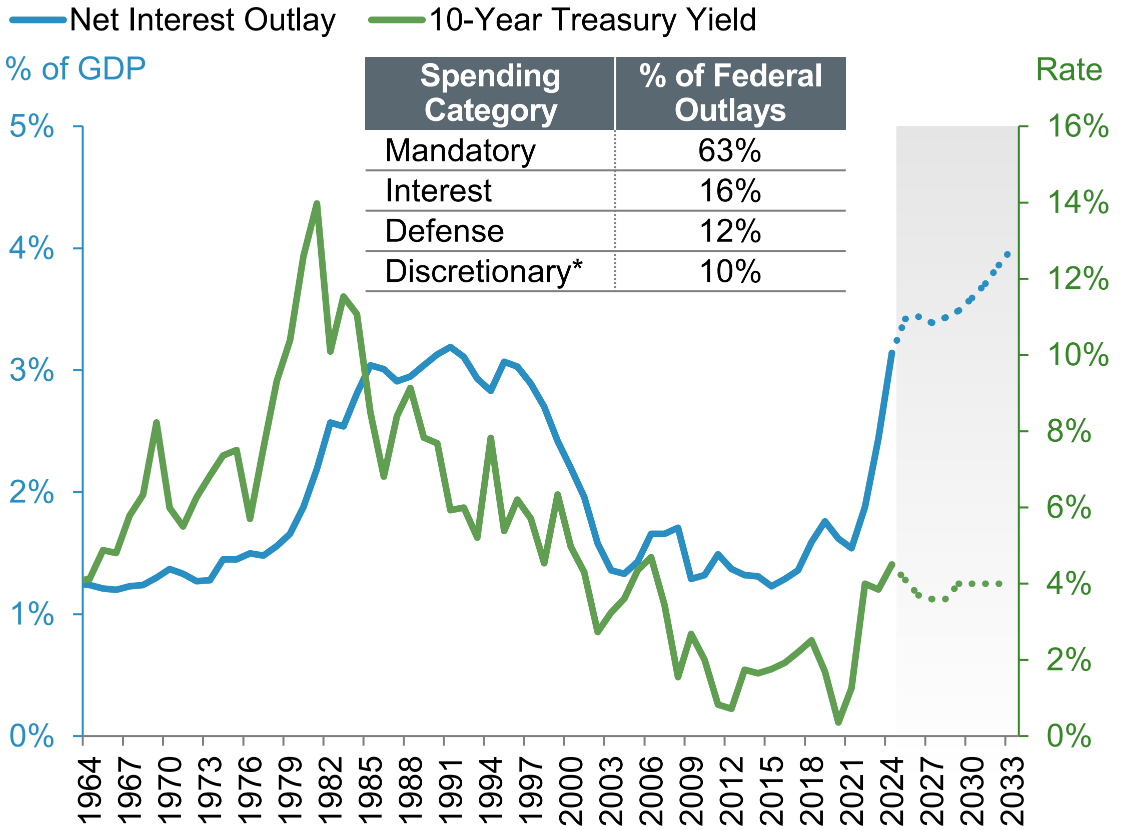


LEFT: Shaded area represents current Fed Funds Rate expectations. Source: U.S. Federal Reserve Board, NBER, Bloomberg Financial LP, Fidelity Investments (AART), as of 12/31/24. **RIGHT:** Stocks: Dow Jones Total Stock Market, Federal Reserve Board, Bonds: Bloomberg U.S. Aggregate Bond, Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 12/31/24.

A challenging backdrop hangs over the 2025 fiscal debate

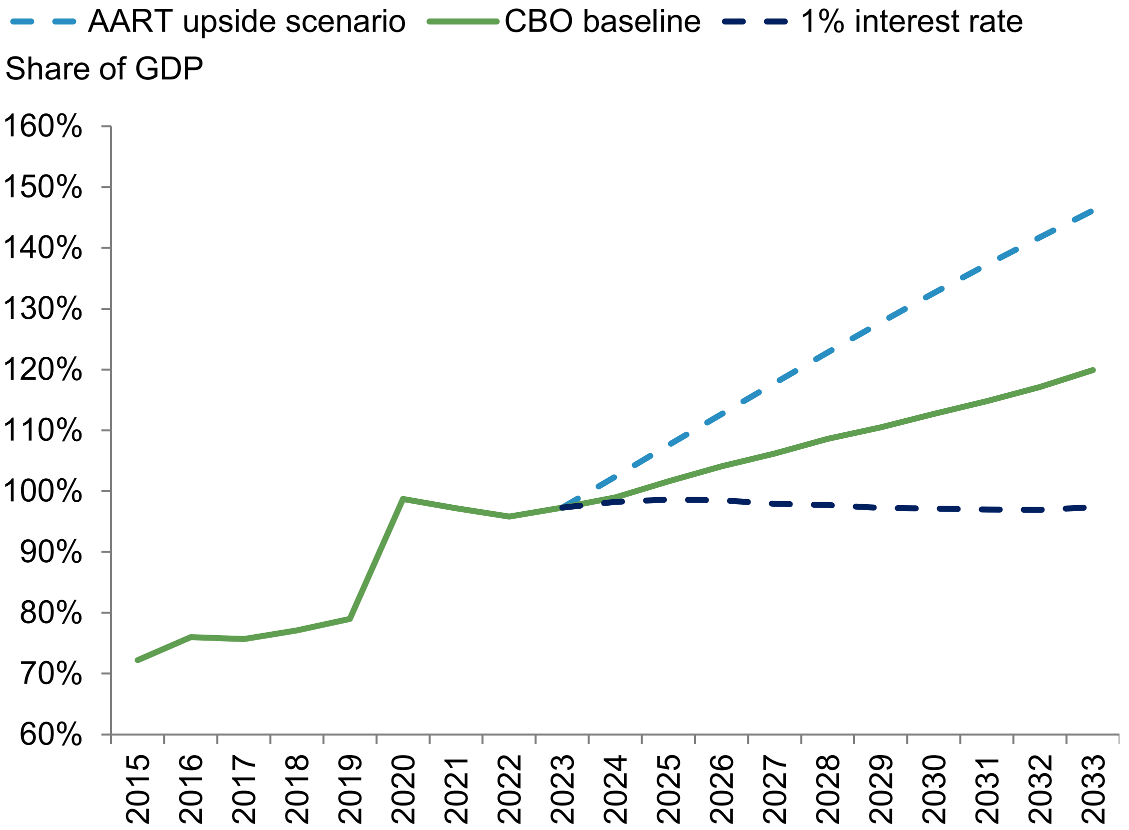
Interest payments are set to grab an even larger share of budgets in the coming years, keeping deficits large and pushing U.S. debt levels to all-time highs. The incoming GOP administration and Congress has indicated it wants to extend the more than $4 trillion of 2017 personal income tax cuts that expire at the end of 2025, which, absent offsetting actions, would add further to the baseline projections of rising debt. Changes in fiscal policy will likely impact asset prices and particularly bond markets in 2025.

U.S. Government Interest Outlay vs. Borrowing Rates



Spending Category	% of Federal Outlays
Mandatory	63%
Interest	16%
Defense	12%
Discretionary*	10%

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 12/31/24. **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 12/31/24.

Economic policy changes are likely to affect markets in 2025

The impact of the incoming Republican government's changes to economic policy will depend on details, chronology, and implementation. Investor-friendly corporate tax cuts and less regulation could be viewed positively for growth, but higher tariffs and tighter immigration restrictions have the potential to be stagflationary. The starting backdrop for President Trump is different than at the start of his first term in 2017, with greater fiscal and inflationary pressures and higher bond yields acting as constraints.

Potential Cyclical Impact of Major Economic Policy Proposals

Policy	Time to implement	Possible change	Growth	Inflation	Yields
Deregulation	Shorter	Regulatory freeze	↑	—	—
Trade		Some targeted tariff hikes (China, steel)	↓	↑	—
Immigration		Tighter border security	—	—	—
Fiscal		Extend personal tax rates	—	—	↑
		Lower corporate taxes	↑	—	—
		Increase deficit	—	↑	↑
Trade		Broad tariffs	↓	↑	—
Immigration		Mass deportation	↓	↑	—
Deregulation	Longer	Broad decrease in regulation	↑	↓	—

Beginning Backdrop for Trump Administrations

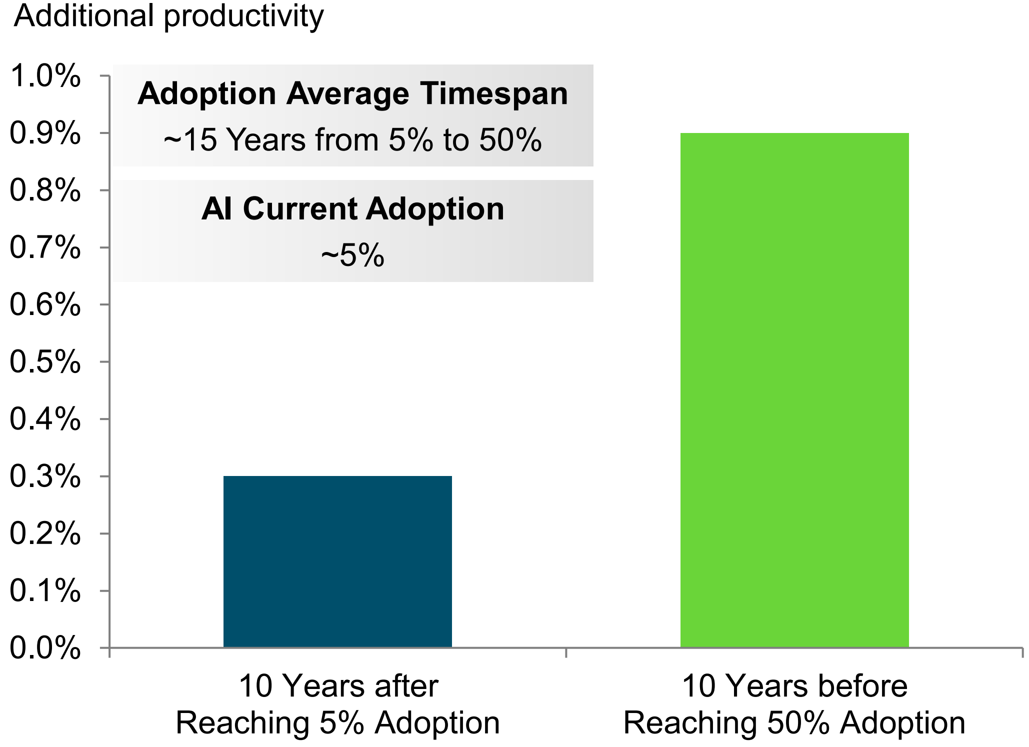
	2017	2025
Inflation (core CPI)	2.3%	3.3%
10-year Treasury yields	2.4%	4.6%
Fiscal deficit (% of GDP)	3.1%	6.5%
Fed	0.75% (hiking)	4.50% (easing)
Dollar (DXY)	101	108
U.S. equity valuations (CAPE)	22	36

 Source: U.S. Federal Reserve, Bloomberg, Macrobond, Congressional Budget Office, Fidelity Investments (AART) as of 12/31/24.

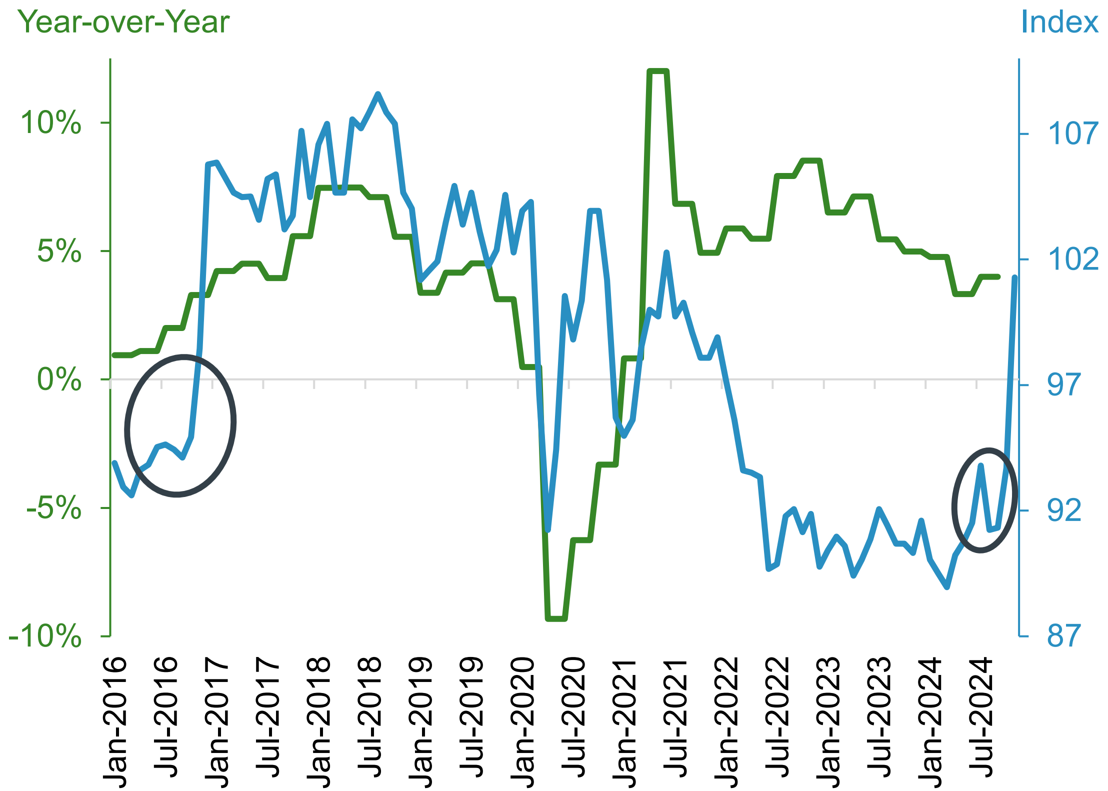
Headed for an upswing in productivity?

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. AI projects have undoubtedly boosted capital expenditures, but so far, large businesses have dominated the growth in investment. For a firmer cyclical upswing in productivity, the post-election bounce in small-business optimism will likely need to translate into broader capex growth.

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



Capital Expenditures and Small Business Optimism



LEFT: 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 12/31/24. **RIGHT:** Small business optimism is represented by the NFIB Small Business Optimism Index. Capex is represented by real private nonresidential fixed investment. Source: Bureau of Economic Analysis, National Federation of Independent Business, Macrobond, Fidelity Investments (AART) as of 12/31/24.

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

Policy changes have the potential to disproportionately impact non-U.S. economies

Sticky inflation, higher yields, fiscal policy uncertainty, and the Fed's response, are the largest risks to the outlook

Asset Allocation Implications

Portfolio managers are generally overweight risk assets

Some members discussed positively the potential for broadening trade including U.S. small caps and non-U.S. equities

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

For illustrative purposes only. Diversification does not ensure a profit or guarantee against a loss. Source: Fidelity Investments (AART), as of 12/31/24.

Asset markets

After mixed Q4, most assets finished with positive 2024 returns

The S&P 500 posted modest gains during Q4, bringing its total return to 25% for the year. The U.S. equity market exhibited a wide dispersion of returns with communication services and information technology far outpacing sectors like health care and materials for Q4 and the year. Other asset categories struggled in Q4, including non-U.S. stocks, which fell amid a rising dollar, and fixed income assets, which were hurt by rising Treasury yields. Despite the weak quarter, most assets exhibited positive calendar year returns.

U.S. Equity Styles Total Return

	Q4 2024	2024
Growth	6.8%	32.5%
Large Caps	2.4%	25.0%
Mid Caps	0.6%	15.3%
Value	-1.9%	14.0%
Small Caps	0.3%	11.5%

U.S. Equity Sectors Total Return

	Q4 2024	2024
Communication Services	8.9%	40.2%
Info Tech	4.8%	36.6%
Financials	7.1%	30.5%
Consumer Discretionary	14.3%	30.1%
Utilities	-5.5%	23.4%
Industrials	-2.4%	17.3%
Consumer Staples	-3.3%	14.9%
Energy	-2.4%	5.7%
Real Estate	-7.9%	5.2%
Health Care	-10.3%	2.6%
Materials	-12.4%	0.0%

Non-U.S./Global Assets Total Return

	Q4 2024	2024
ACWI ex-USA	-7.6%	5.5%
Canada	-1.8%	11.9%
Japan	-3.6%	8.3%
EAFE	-8.1%	3.8%
EAFE Small Cap	-8.4%	1.8%
Europe	-9.7%	1.8%
EM Asia	-7.9%	12.0%
Emerging Markets	-8.0%	7.5%
EMEA	-4.0%	5.6%
Latin America	-15.8%	-26.4%
Gold	-0.4%	27.2%
Commodities	-0.4%	5.4%

U.S. Equity Factors Total Return

	Q4 2024	2024
Momentum	5.8%	33.0%
Quality	1.1%	22.3%
Yield	-0.5%	22.0%
Value	1.9%	18.3%
Low Volatility	-0.9%	16.3%
Size	-0.2%	15.4%

Fixed Income Total Return

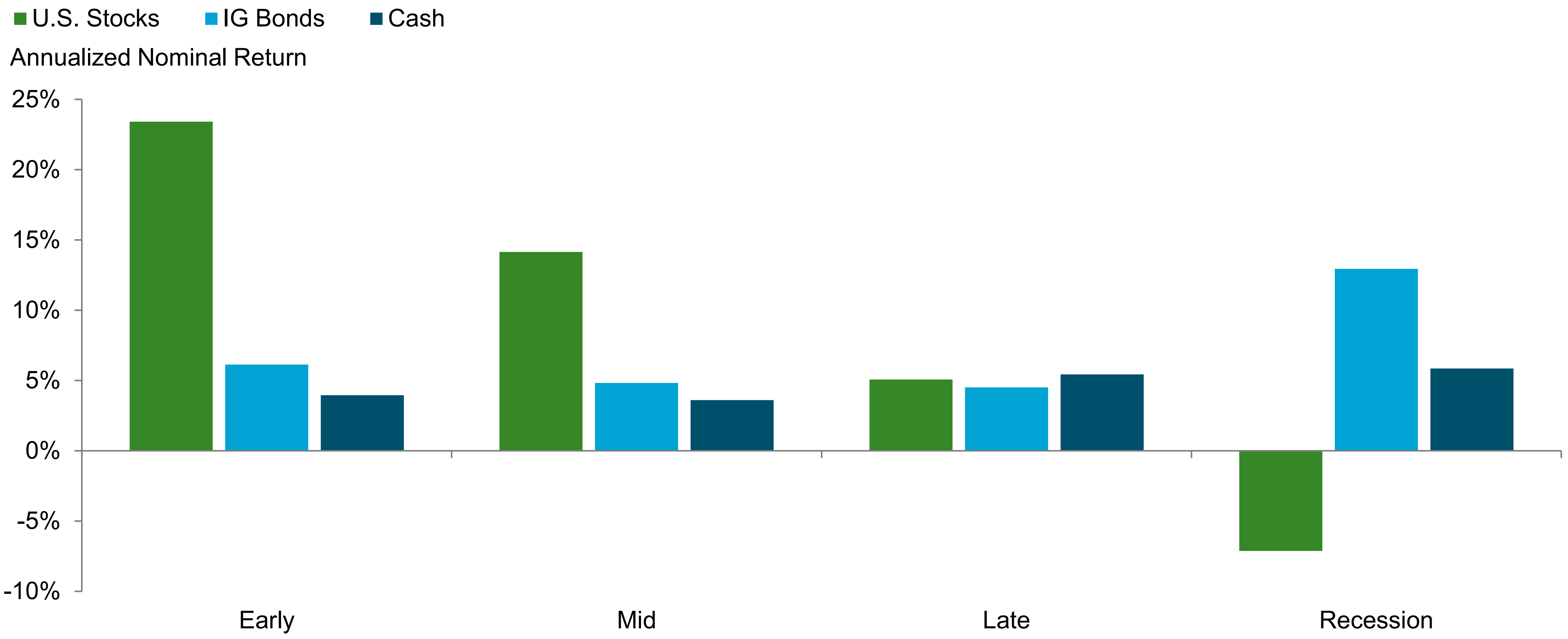
	Q4 2024	2024
Leveraged Loan	2.3%	9.0%
High Yield	0.2%	8.2%
EM Debt	-1.9%	6.5%
ABS	-0.1%	5.0%
CMBS	-1.5%	4.7%
Agency	-1.1%	3.2%
Credit	-3.0%	2.0%
TIPS	-2.9%	1.8%
Aggregate	-3.1%	1.3%
MBS	-3.2%	1.2%
Municipal	-1.2%	1.1%
Treasuries	-3.1%	0.6%
Long Govt & Credit	-7.4%	-4.2%

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 12/31/24.

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)

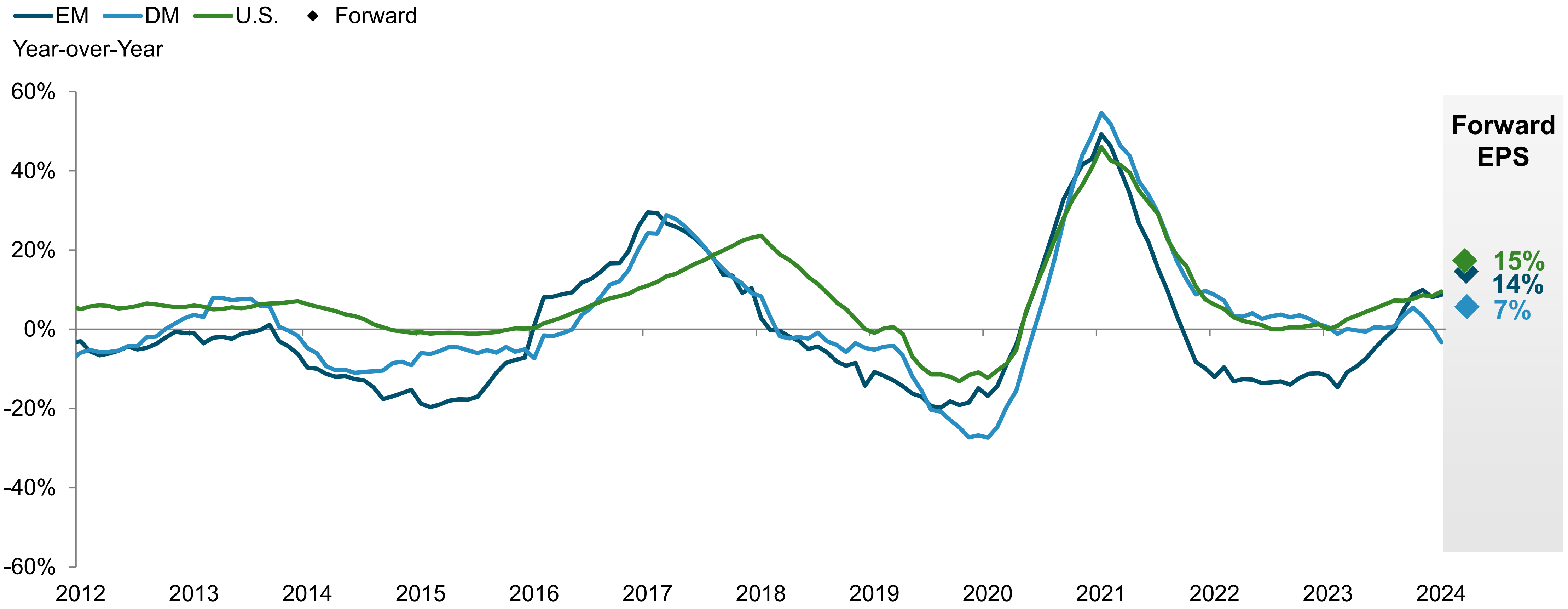


For illustrative purposes only. **Past performance is no guarantee of future results.** Diversification does not ensure a profit or guarantee against a loss. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. Domestic Equity—Dow 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.

Relatively positive earnings-growth momentum for U.S. and EM

Both the U.S. and emerging markets displayed relatively positive earnings growth during 2024. Year-over-year growth accelerated for the U.S. and trended upward for EM after a prolonged slump. Non-U.S. developed markets saw a reversal, with earnings growth decelerating and ending the year in negative territory. Investors continue to anticipate a broad-based rebound for global earnings growth in 2025.

Global EPS Growth (Trailing 12 Months)

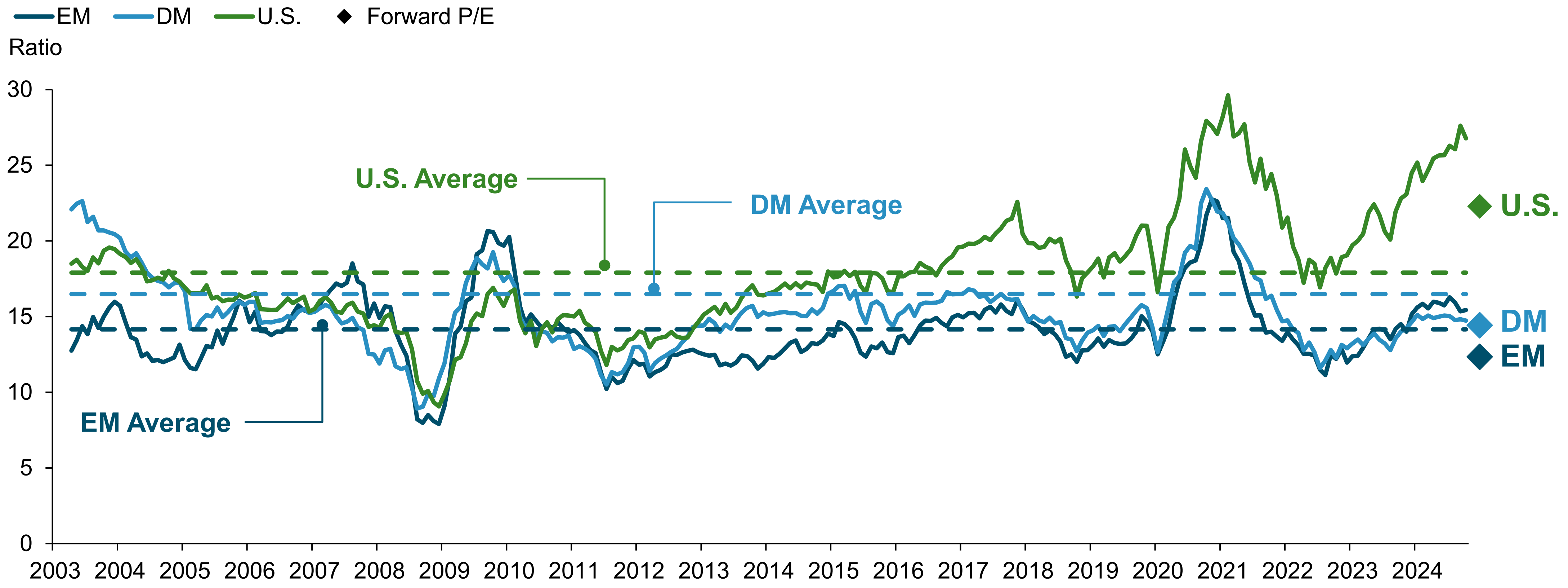


Past performance is no guarantee of future results. DM: Developed markets. EM: Emerging markets. EPS: Earnings per share. Forward EPS: Next 12 months' expectations. Indexes: DM—MSCI EAFE Index; EM—MSCI Emerging Markets Index; U.S.—S&P 500. Source: MSCI, Bloomberg Finance L.P., Fidelity Investments (AART),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

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

Valuations for the U.S. continued to rise with the trailing one-year price-to-earnings (PE) ratio remaining well above its long-term average. Emerging-market valuations declined slightly in Q4 but remained above its long-term average, while non-U.S. developed-market valuations remained the only region to finish below their historical average. 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

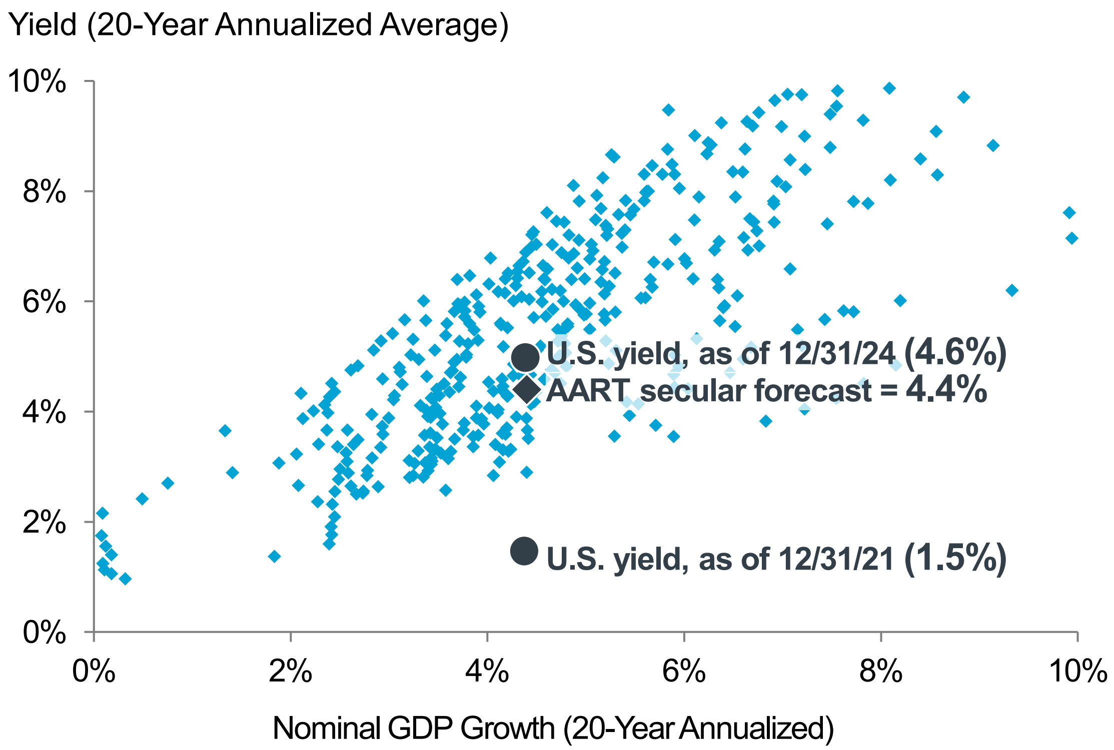


DM: Non-U.S. developed markets. EM: Emerging markets. Chart includes trailing 12-month P/Es. **Past performance is no guarantee of future results.** It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. Price-to-earnings (P/E) ratio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

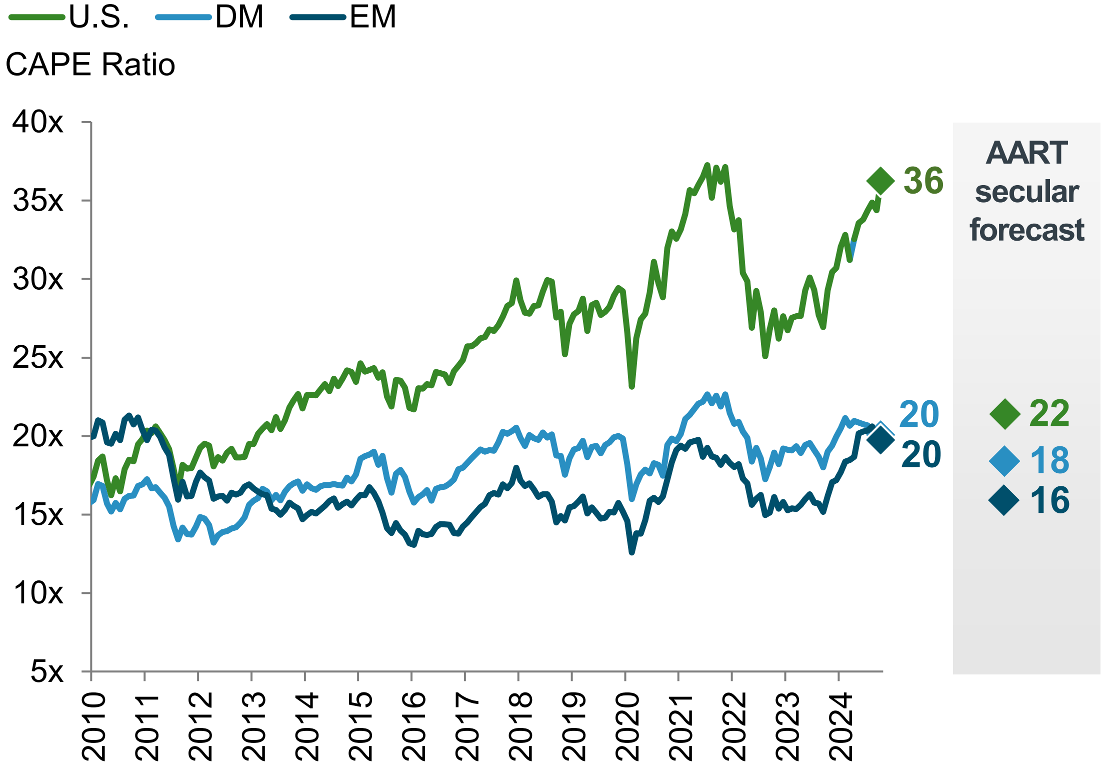
Relative valuations may provide opportunities ahead

Based on our long-term valuation metrics, we find certain equity and bond assets to offer an attractive entry point. Ten-year Treasury yields ended the year above 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

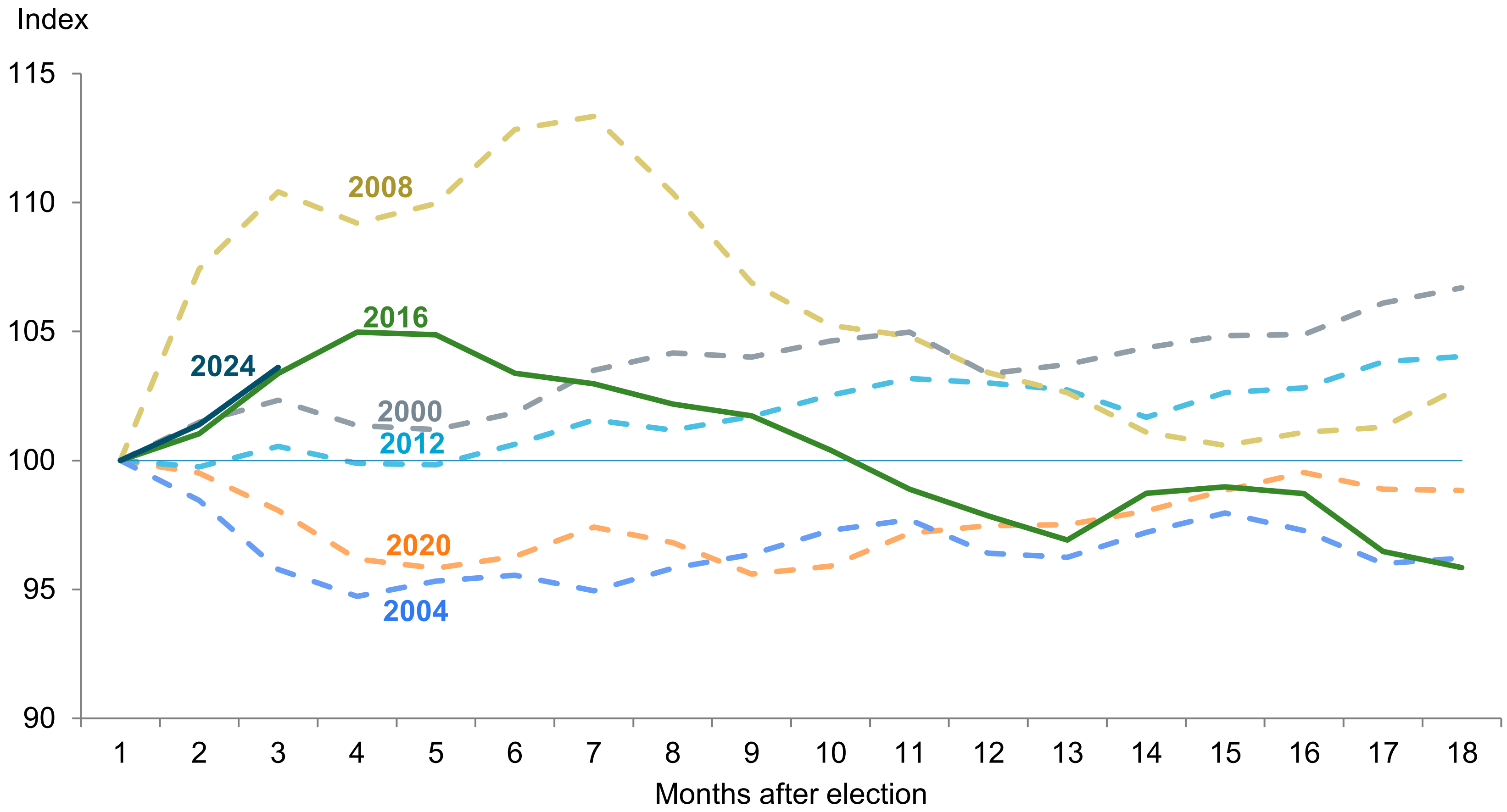


Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. **LEFT:** Highlighted dots are U.S. 10-year Treasury bond yields. AART secular forecast refers to an estimate for U.S. nominal GDP (4.4%). Source: Official Country Estimates, Haver Analytics, Fidelity Investments (AART), as of 12/31/24**. 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 11/30/24.

Q4 post-election dollar strengthening similar to 2016

The dollar appreciated during Q4, climbing steadily after the U.S. election results. The pattern closely resembles the path of the dollar after the 2016 election when markets expected America-first economic and trade policies to benefit U.S. growth relative to other countries. However, the gains to USD in 2016 proved temporary as other factors countered the dollar's rise, and FX markets face a variety of crosswinds in 2025, including high U.S. dollar valuations, large U.S. rate differentials, and trade-policy uncertainty.

U.S. Dollar Value



Outlook for U.S. Dollar

Upside risks/Downside risks

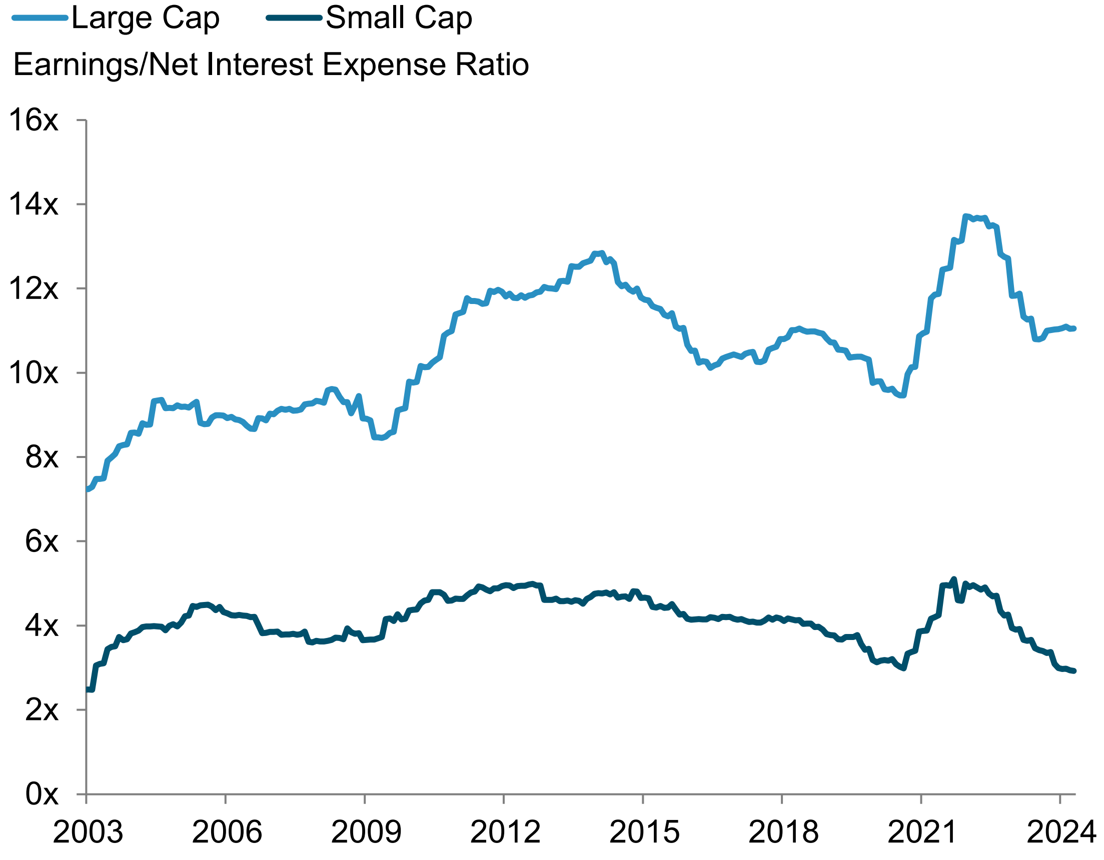
Valuation	Dollar is extremely overvalued.
Monetary backdrop	Rate differentials favor the U.S.
Policy	Tariffs & immigration policy pose a risk to growth. Tax policy and deregulation may be growth positive.

U.S. dollar value is represented by the Nominal Broad U.S. Dollar Index. Data is indexed to November 1st = 100. Source: Fidelity Investments, Macrobond, Federal Reserve, as of 12/31/24.

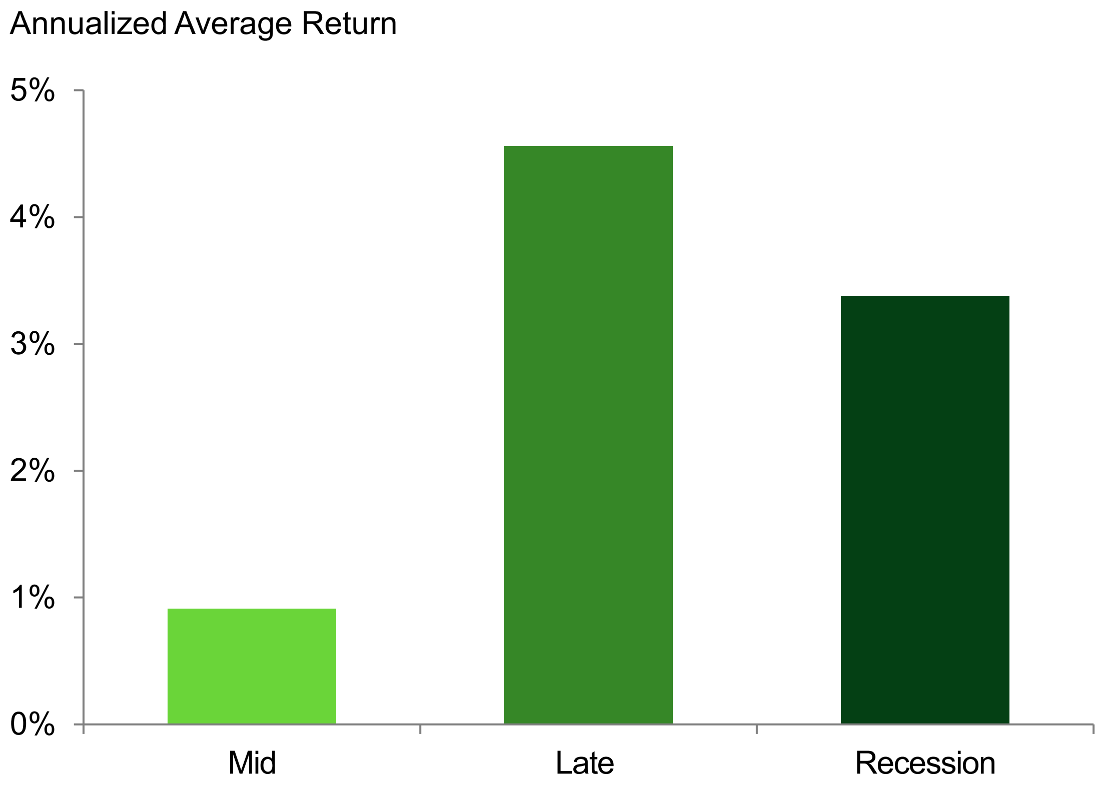
Cyclical and medium-term backdrop supports quality factor

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 12/31/24.
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 12/31/24.

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

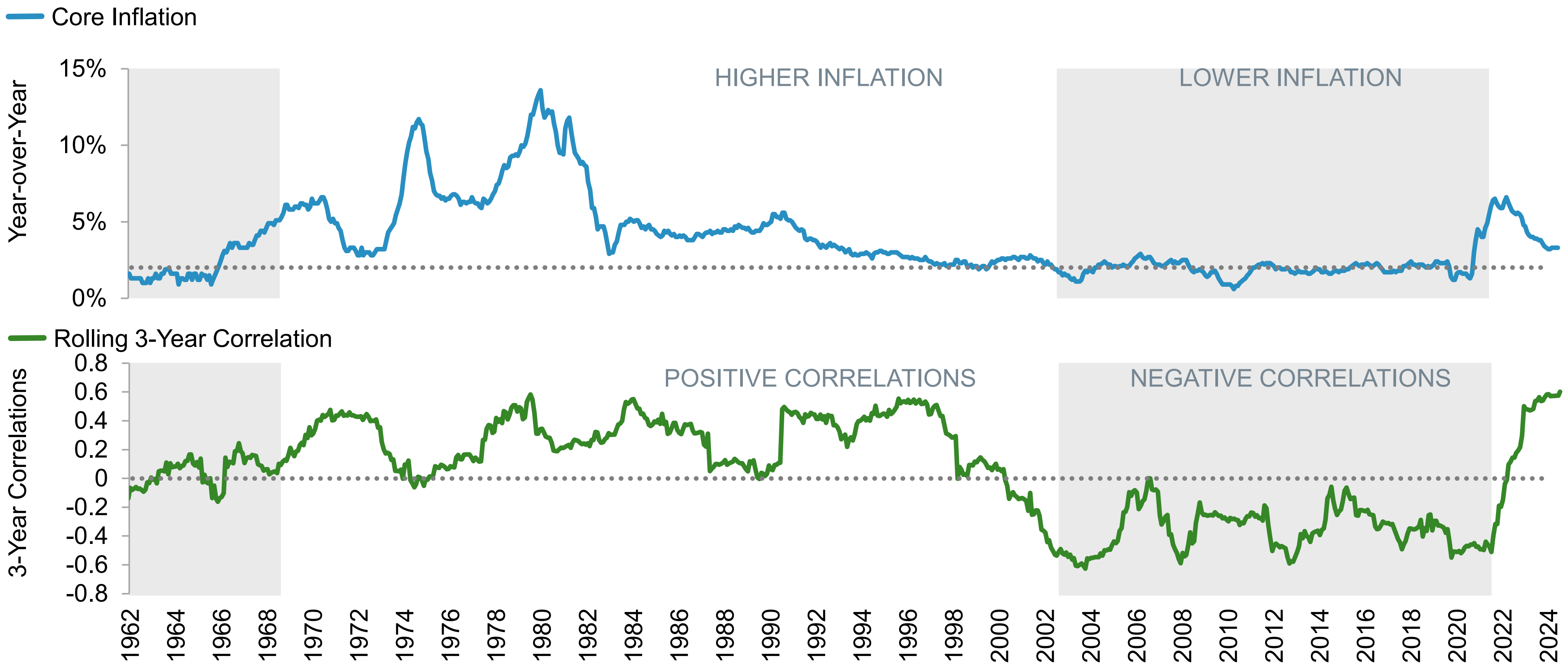
Sector	**EARLY CYCLE**—Rebounds	**MID CYCLE**—Peaks	**LATE CYCLE**—Moderates	**RECESSION**—Contracts
Financials	+			-
Real Estate	++	-	+	--
Consumer Discretionary	++		--	
Information Technology	+	+	-	--
Industrials	++			--
Materials	+	--		-
Consumer Staples	--	-	+	++
Health Care	--			++
Energy	--		++	--
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 12/31/24.

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

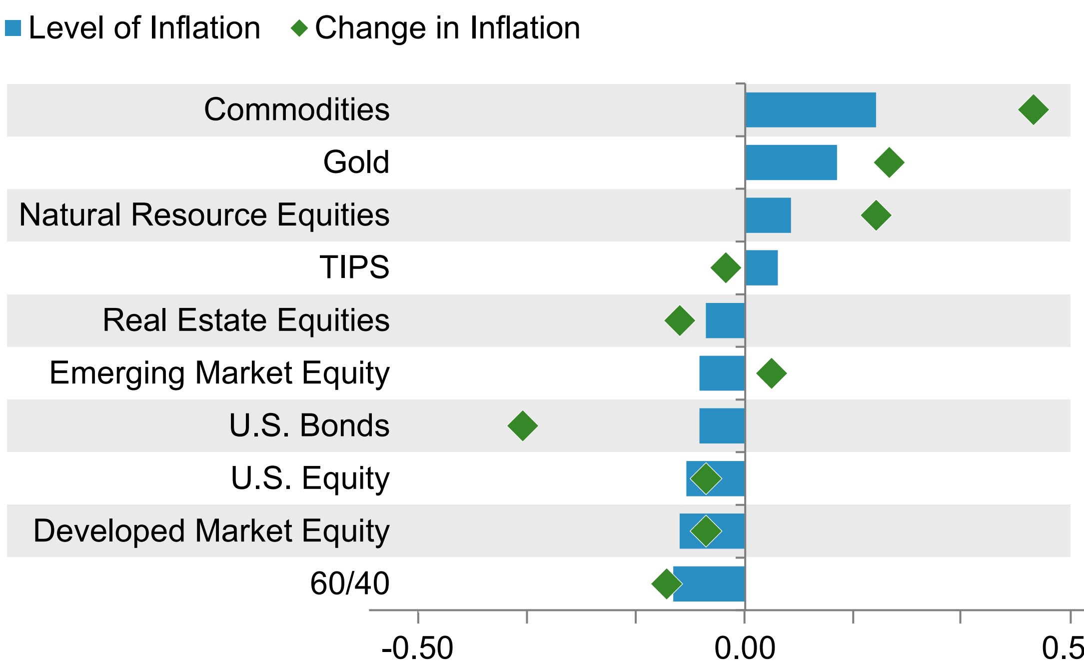


Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against a loss. Fidelity Investments proprietary analysis of historical asset class performance is not indicative of future performance. Stocks measured by the Dow Jones U.S. Total Stock Market Index (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 12/31/24.

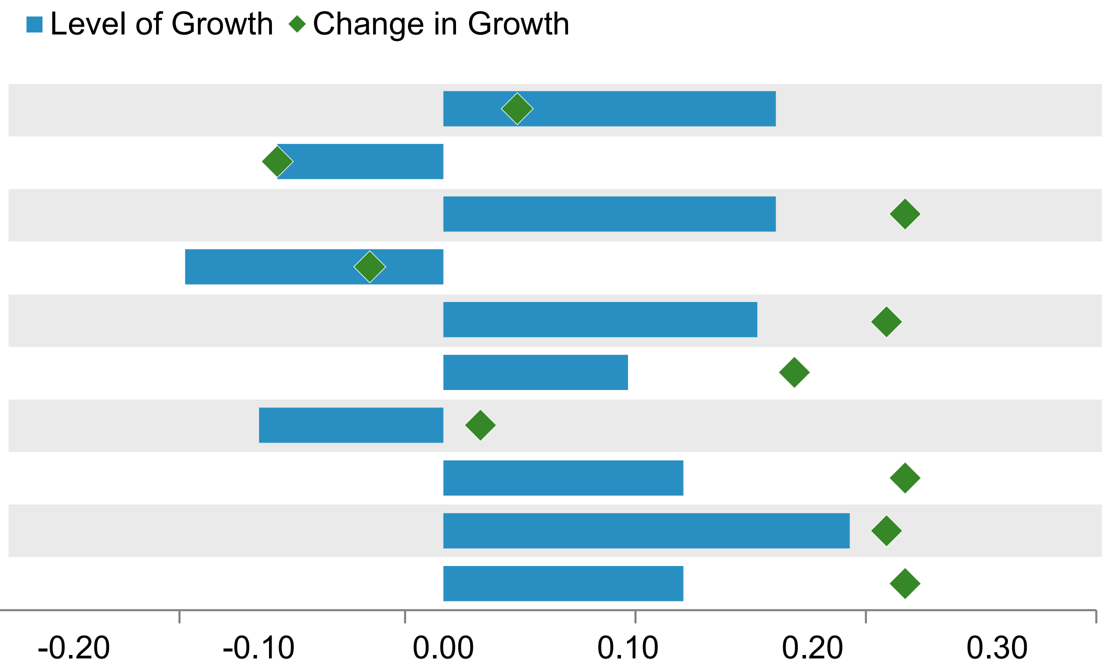
Inflation-sensitive assets can help provide diversification

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)



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

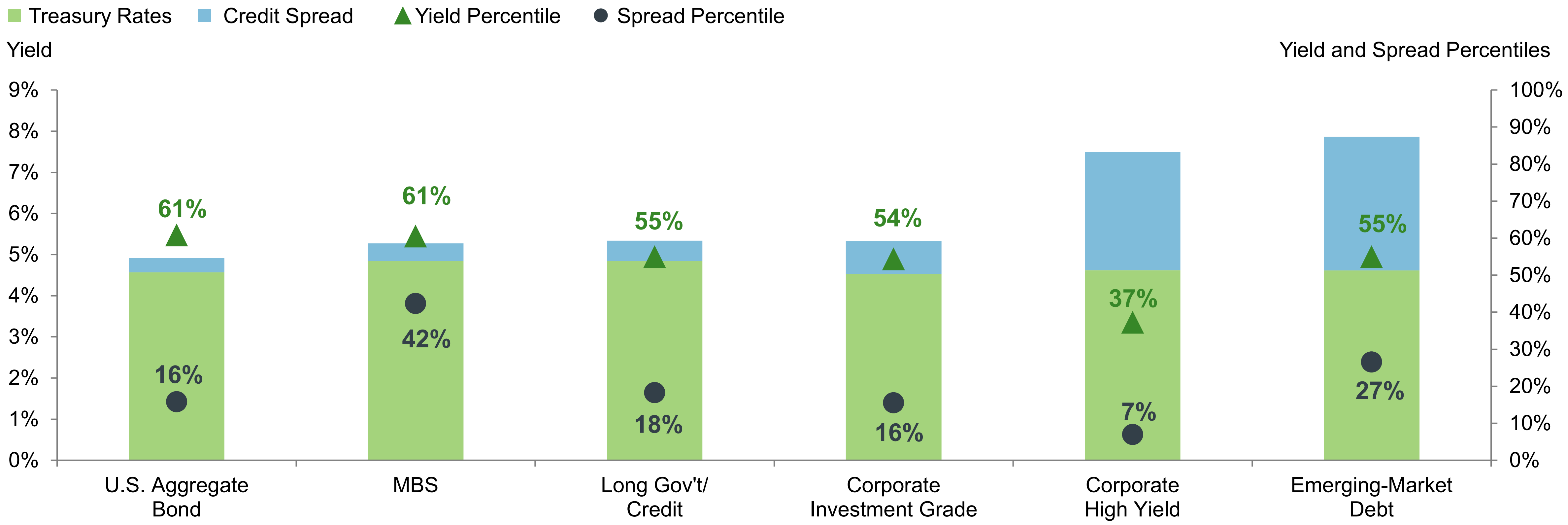


Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against loss. Indexes: U.S. Equity—S&P 500 Total Return; Developed Market Equity—MSCI EAFE Total Return; Emerging Market Equity—MSCI EM Total Return; Natural Resource Equities—S&P North America Natural 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 1/1/17 through 3/31/24.

Q4 capped off a year of higher rates and tighter spreads

Despite rising Treasury yields, most fixed income asset classes provided positive returns for 2024 as credit spreads tightened and higher coupons provided positive income. Most fixed income categories ended the year with yields near their long-term historical averages and credit spreads toward the lowest end of their historical ranges. 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)



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 12/31/24.

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

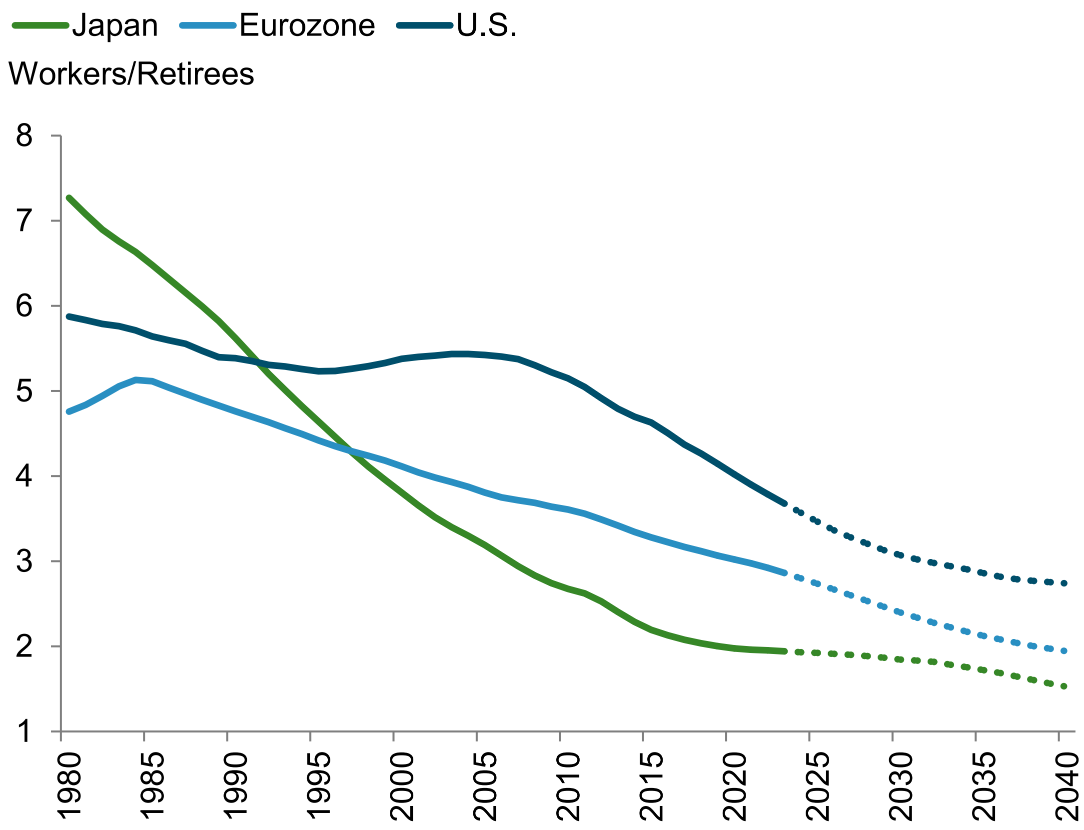
 Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against a loss.

Unprecedented debt levels amid aging demographics

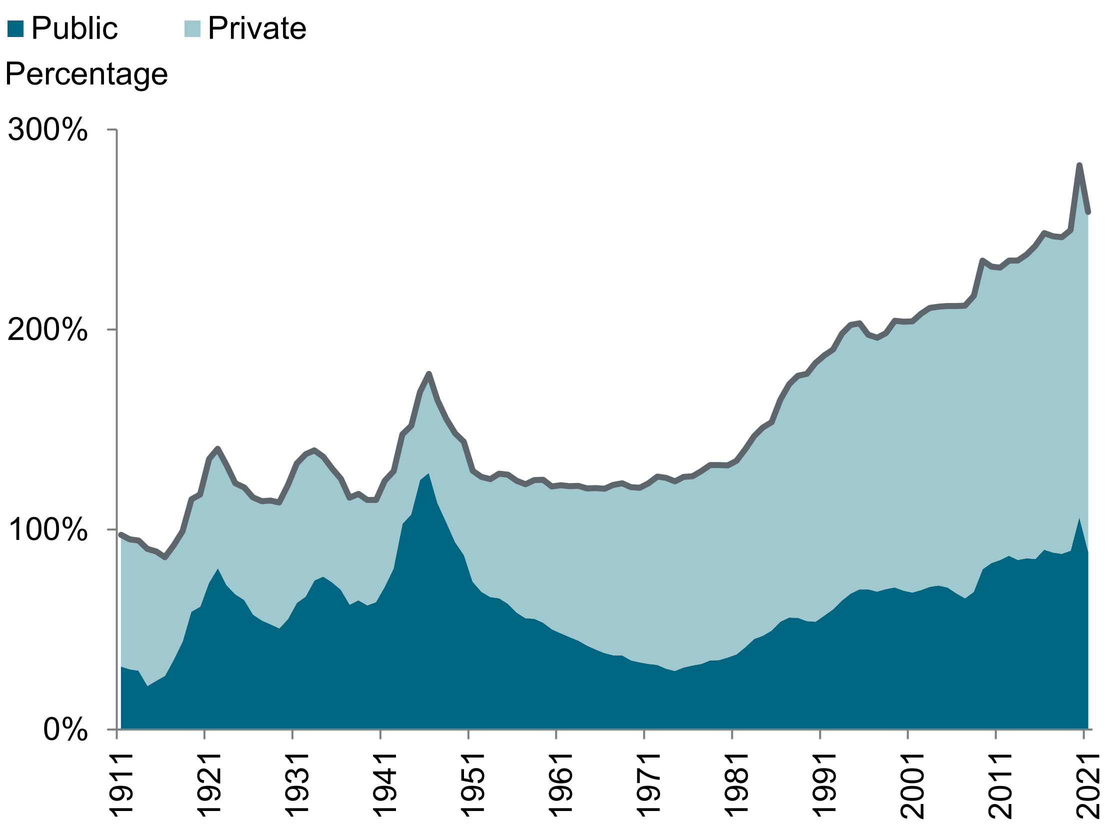
Most major economies face deteriorating demographic trends. With fewer new workers to support a growing number of retirees, greater fiscal pressures are ahead due to rising spending on pensions and health care. The dramatic worldwide rise in public and private debt in recent decades has been sustained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

LONG-TERM

Demographic Support Ratio



Global Debt as a Share of GDP



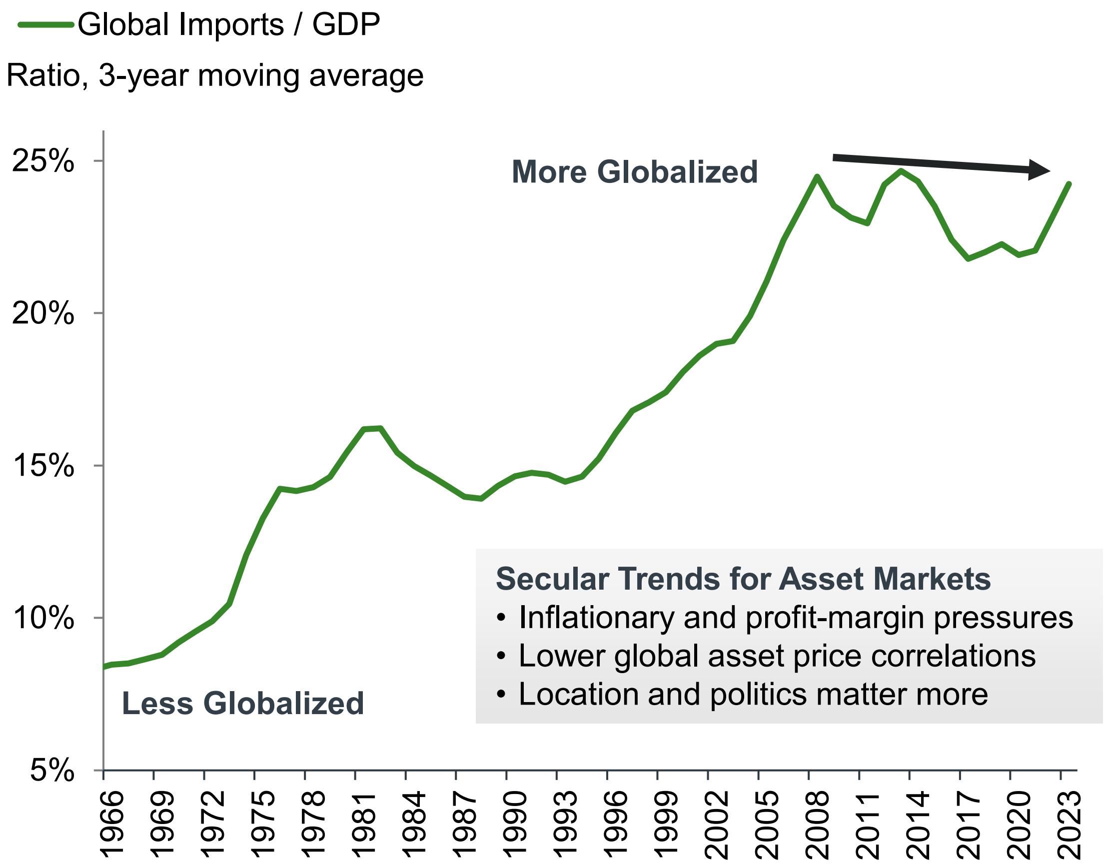
LEFT: The demographic support ratio is calculated as the number of workers (15–64 years old)/number of retirees (65 and older). Dotted line represents a projection. Source: United Nations, Haver Analytics, Fidelity Investments (AART), as of 7/31/22. **RIGHT:** Source: Bank of International Settlements,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

Multipolar geopolitical instability at the heart of peak globalization

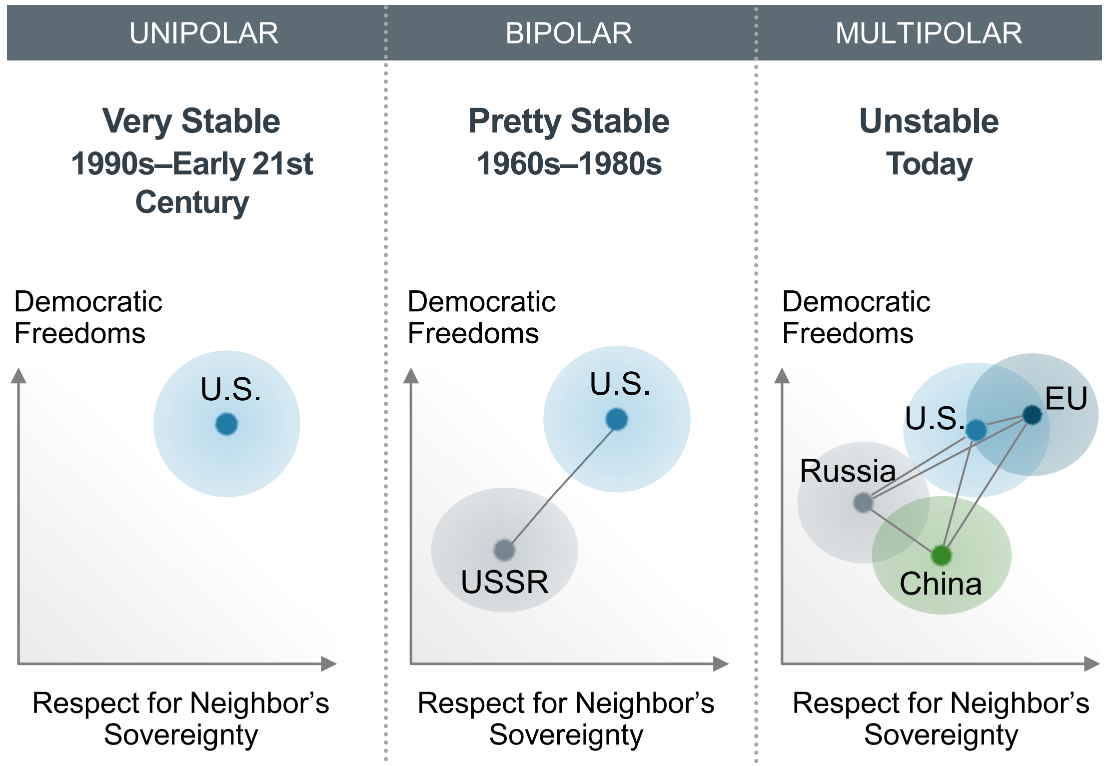
The stable, unipolar backdrop under U.S. dominance fostered rapid global integration, but economic openness has stalled in recent years. At the heart of "peak globalization" is a secular environment of higher geopolitical risk. The shift to today's multipolar environment implies more great-power competition, 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.

LONG-TERM

Trade Globalization



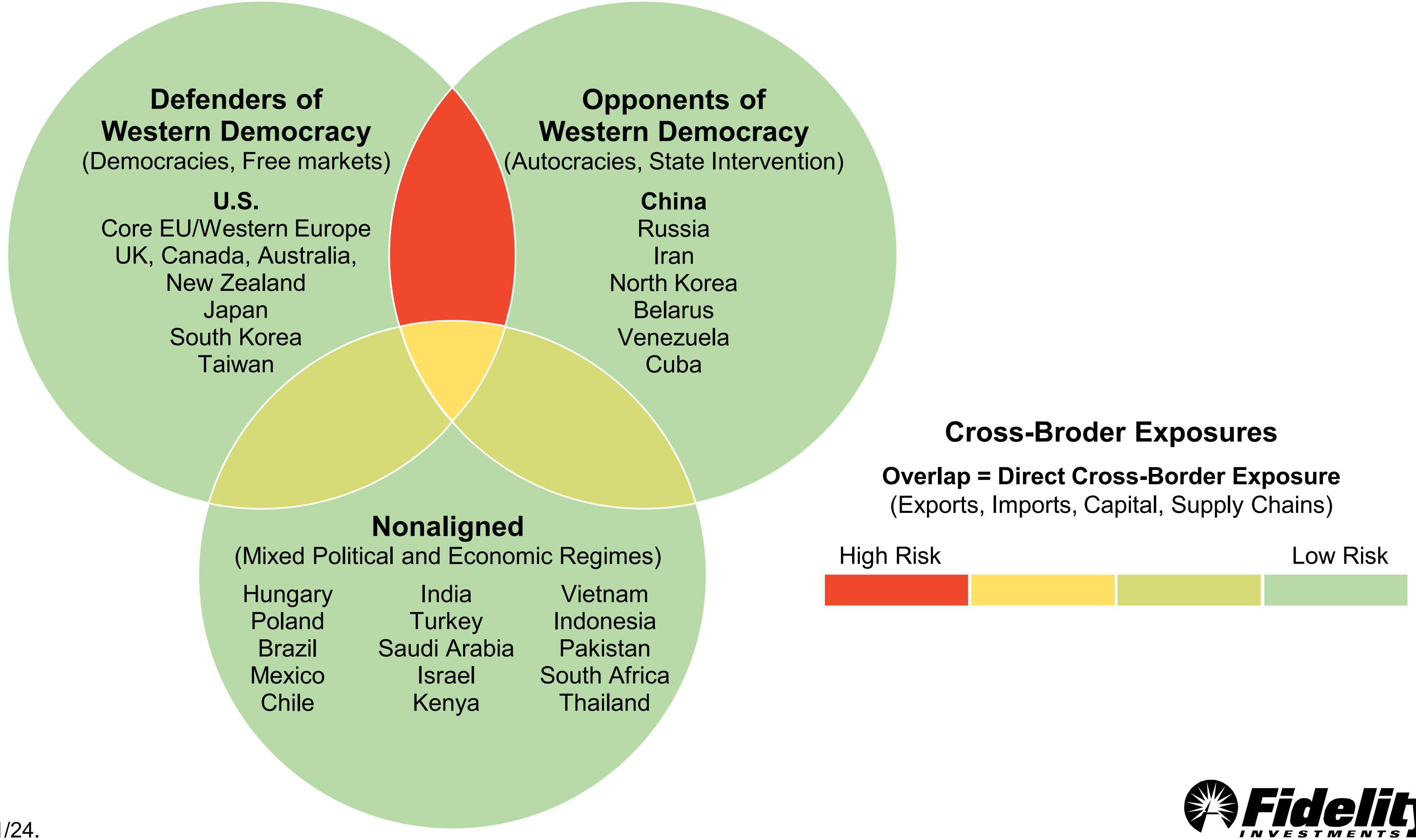
Global Regime Stability



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 12/31/24.

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.



Source: Fidelity Investments (AART), as of 12/31/24.

Secular inflation risks confront monetary policymakers

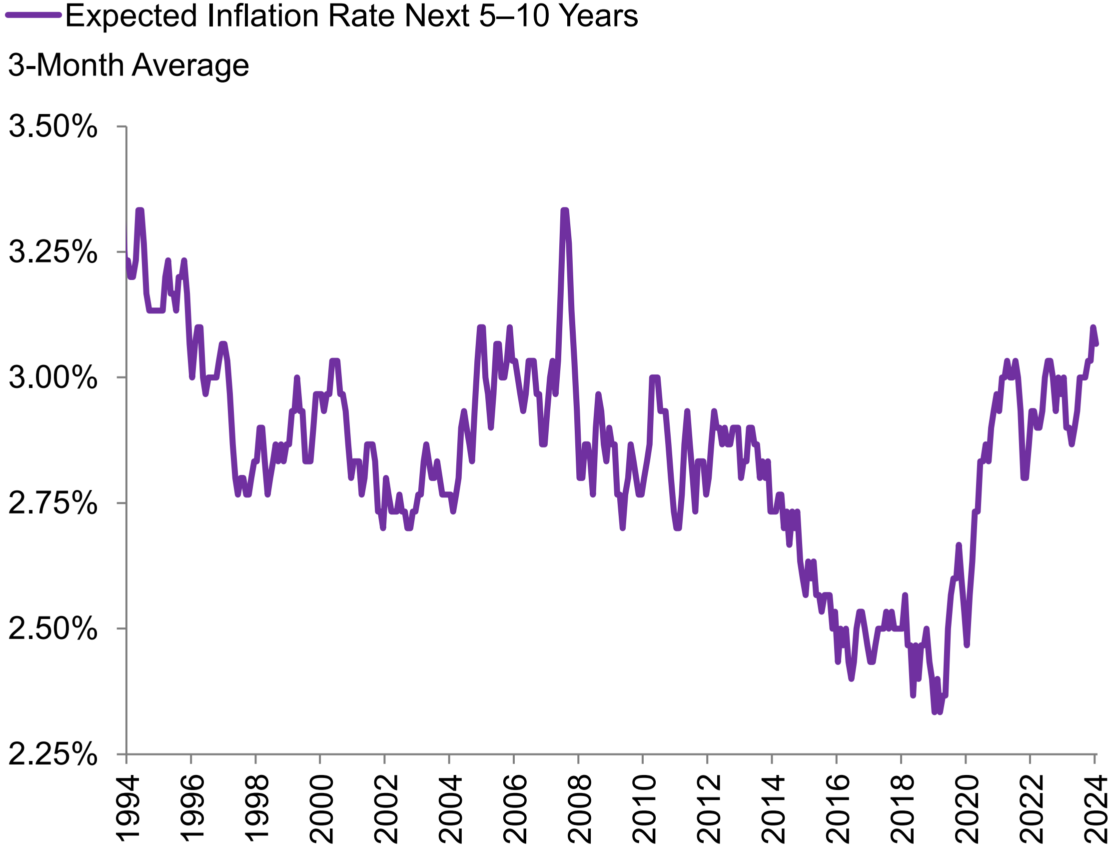
Several long-term trends have become more inflationary in recent years, raising the odds that we've entered a medium-term, high-inflation regime. These factors include supply-side pressures from deglobalization and aging demographics, accommodative fiscal policies, and climate disruption. U.S. consumers' long-term inflation expectations remain at the high end of their range over the past two decades.

LONG-TERM

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



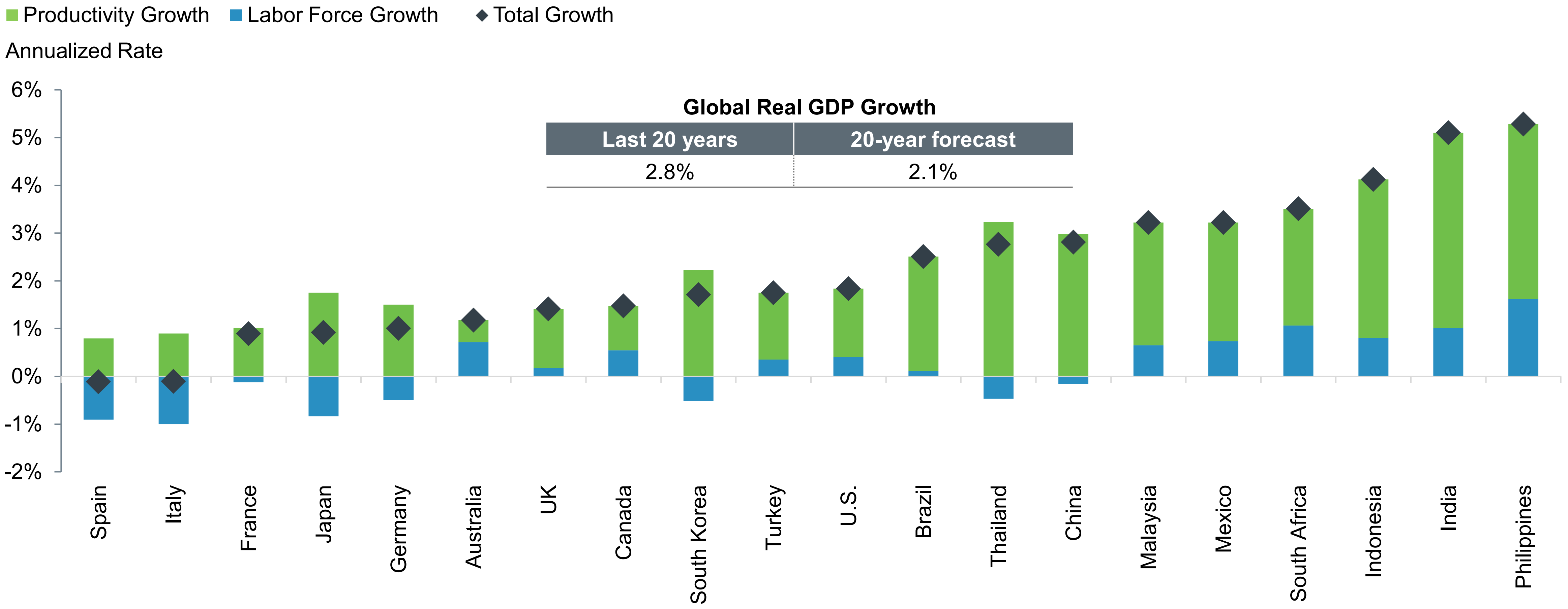
LEFT: Diversification does not ensure a profit or guarantee against a loss. Source: Fidelity Investments (AART), as of 6/30/24. **RIGHT:** University of Michigan Survey of Consumers. Source: University of Michigan, Macrobond, Fidelity Investments (AART), as of 12/31/24.

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

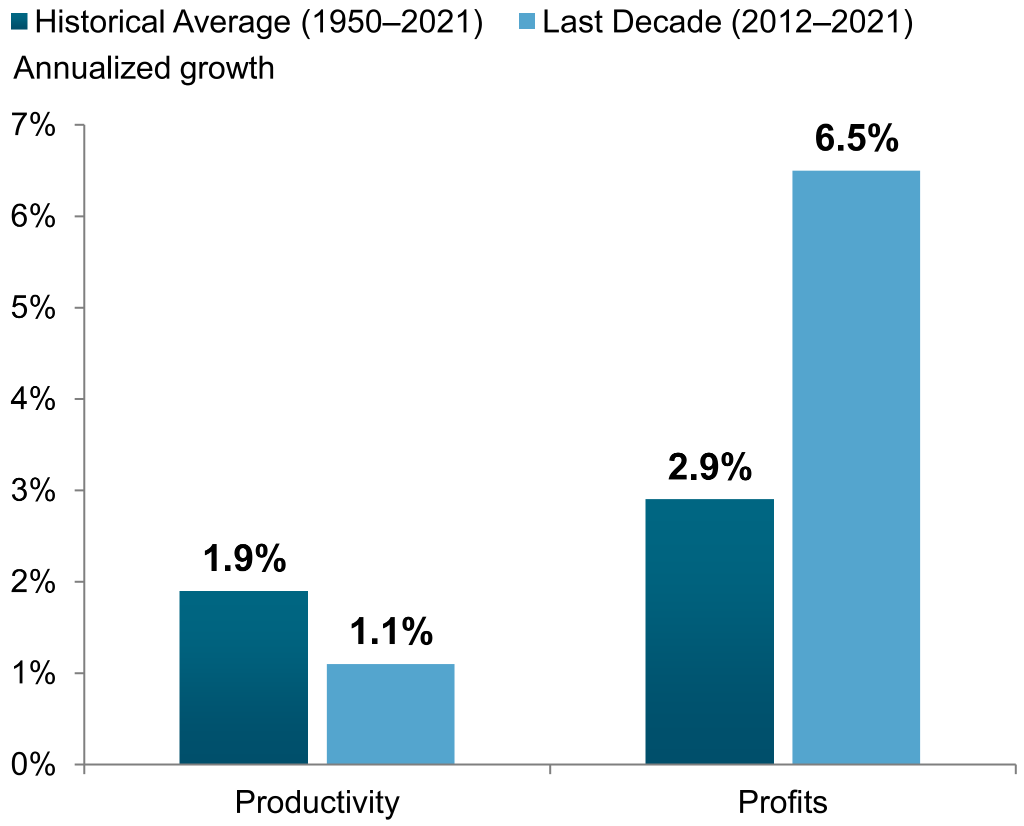
Last 20 years	20-year forecast
2.8%	2.1%

Past performance is no guarantee of future results. EM: Emerging markets. GDP: Gross domestic product.
Source: OECD and Fidelity Investments (AART), as of 5/31/24.

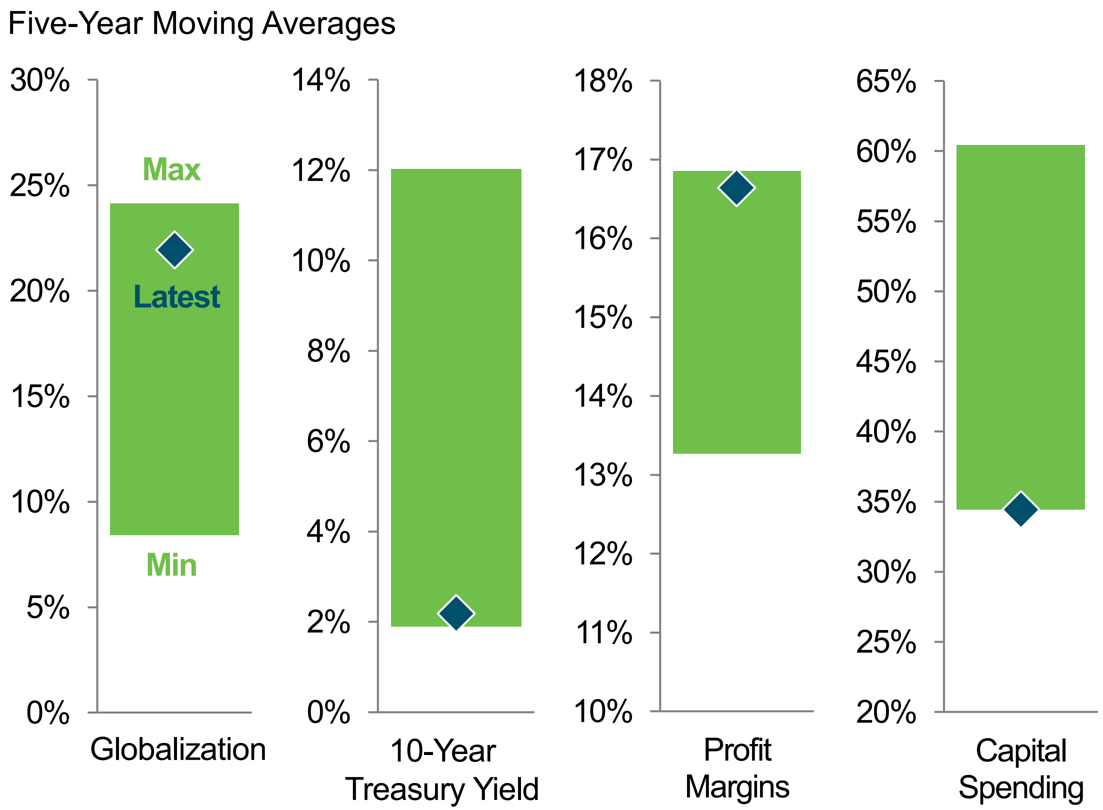
Change in corporate behavior on the horizon?

Over the past two decades, corporations were able to generate record-high profit growth despite productivity growth sinking to postwar 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

LONG-TERM

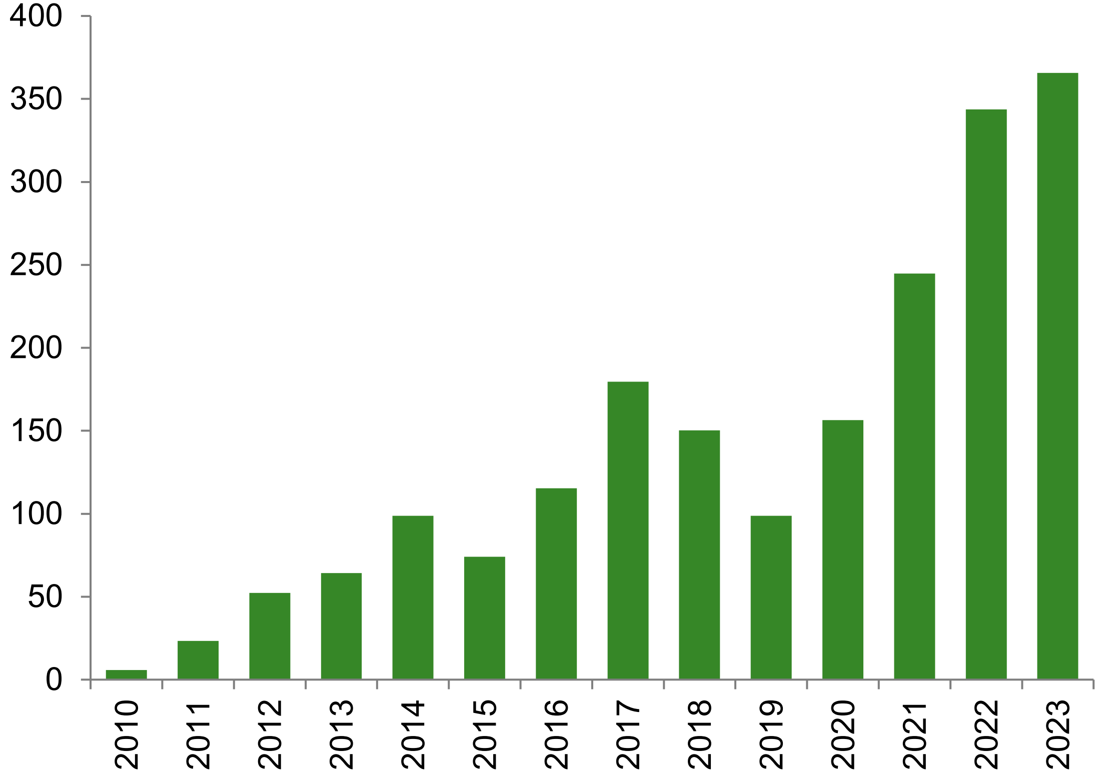
With long-term productivity rates slumping at multi-decade lows, several potential catalysts could boost productivity over the next decade. For instance, private and public investments to reshore manufacturing activities, mitigate the impact of climate change, and expand the use of AI have picked up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

LONG-TERM

Periodic Table of Returns

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
35%	40%	5%	79%	28%	8%	20%	39%	28%	5%	21%	38%	0%	36%	38%	43%	16%	41%	32%
33%	16%	-20%	58%	27%	8%	19%	34%	14%	3%	18%	30%	-2%	31%	20%	29%	-8%	26%	25%
27%	12%	-26%	37%	19%	4%	18%	33%	13%	1%	18%	26%	-2%	26%	18%	27%	-11%	18%	16%
22%	11%	-34%	32%	18%	4%	18%	32%	12%	1%	12%	22%	-3%	26%	18%	26%	-13%	18%	14%
18%	7%	-36%	28%	17%	2%	16%	23%	11%	1%	12%	15%	-4%	26%	14%	25%	-14%	17%	12%
16%	6%	-36%	27%	16%	2%	16%	19%	6%	0%	11%	15%	-4%	22%	8%	17%	-16%	14%	9%
12%	5%	-37%	26%	15%	0%	16%	7%	5%	-4%	9%	13%	-9%	22%	8%	15%	-18%	13%	8%
11%	2%	-38%	20%	15%	-4%	15%	3%	3%	-4%	8%	9%	-11%	18%	6%	11%	-20%	12%	8%
9%	-1%	-38%	19%	12%	-12%	11%	-2%	-2%	-5%	7%	8%	-11%	14%	3%	5%	-20%	10%	5%
4%	-2%	-43%	18%	8%	-13%	4%	-2%	-4%	-15%	3%	4%	-11%	9%	-3%	-2%	-24%	6%	4%
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
60% Large Cap 40% IG Bonds
Value Stocks
Small Cap Stocks
REITs
High-Yield Bonds
Emerging-Market Stocks
Commodities
Foreign-Developed Country Stocks
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 12/31/24.

Fidelity INVESTMENTS

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 12/31/24, 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.

Unless otherwise expressly disclosed to you in writing, the information provided in this material is for educational purposes only. Any viewpoints expressed by Fidelity are not intended to be used as a primary basis for your investment decisions and are based on facts and circumstances at the point in time they are made and are not particular to you. Accordingly, nothing in this material constitutes impartial investment advice or advice in a fiduciary capacity, as defined or under the Employee Retirement Income Security Act of 1974 or the Internal Revenue Code of 1986, both as amended. Fidelity and its representatives may have a conflict of interest in the products or services mentioned in this material because they have a financial interest in the products or services and may receive compensation, directly or indirectly, in connection with the management, distribution, and/or servicing of these products or services, including Fidelity funds, certain third-party funds and products, and certain investment services. Before making any investment decisions, you should take into account all of the particular facts and circumstances of your or your client's individual situation and reach out to an investment professional, if applicable.

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

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

Investing involves risk, including risk of loss.

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

Index or benchmark performance presented in this document does not reflect the deduction of advisory fees, transaction charges, and other expenses, which would reduce performance.

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

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

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

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

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

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

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

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

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

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

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

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

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

Appendix: Important information

Market Indexes

Index returns on slide 28 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.

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

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