

Commentary | Third Quarter 2025

Quarterly Market Update

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

Market summary

Global stocks rallied amid policy fluctuations

Sentiment around U.S. tariff policies fluctuated during Q2, leading to a major early-quarter sell-off in global stock markets followed by a dramatic recovery. The global economy remained in solid shape and markets were underpinned by sturdy expectations for corporate earnings. The near-term outlook appears favorable for continued economic expansion, but policy uncertainty remains high and prospects for a continued dollar weakening increase the attractiveness of non-U.S. assets.

MACRO

ASSET MARKETS

Q2 2025

- The global economic expansion continued, weathering policy and geopolitical volatility.

- Stocks rallied globally, dollar dropped.

OUTLOOK

- The global business cycle remains in expansion, with a broad shift toward monetary easing outside the U.S.
- U.S. tariff policy uncertainty remains high, and much of the actual and potential impact from tariff hikes is still ahead.
- The U.S. expansion continued, with strong corporate earnings trends and dampened consumer expectations.
- The Fed is leaning toward additional rate cuts and a pro-cyclical fiscal package is nearing completion.
- Inflation risks may be under-appreciated.

- Prospects for a continued dollar weakening from still elevated valuation levels increase the attractiveness of diversification in non-U.S. assets.
- Elevated policy uncertainty warrants a restraint on active risk, particularly as market sentiment becomes more optimistic.
- Diversification in fixed income assets remains attractive to hedge growth risks and provide reasonable yields.

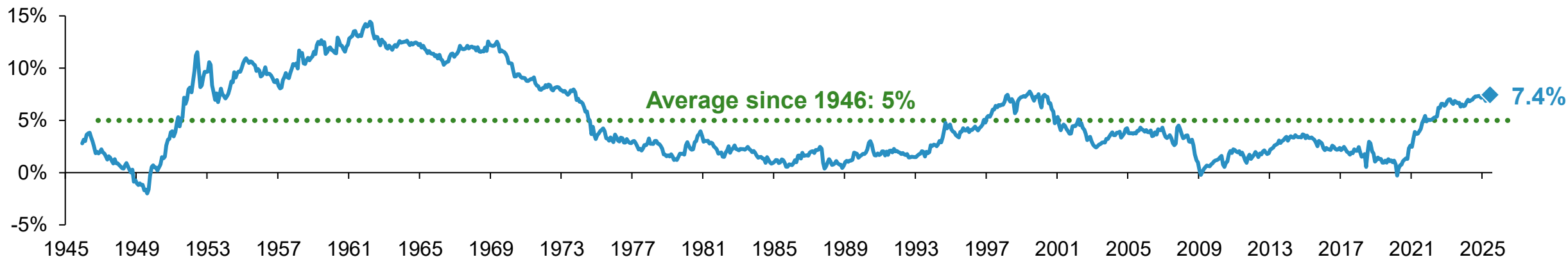
Riskier assets ended a volatile quarter on a high note

After experiencing double-digit percentage declines during the first week of the quarter, global stock prices roared back and finished the quarter with positive double-digit gains across most categories. The broad-based rally extended the outperformance of non-U.S. equities on a year-to-date basis, partly attributable to rising foreign currencies versus the U.S. dollar. Riskier credit sectors, such as high-yield corporate bonds, led the positive returns across most fixed income categories, while commodities lagged.

	Q2 2025	YTD		Q2 2025	YTD
U.S. Growth Stocks	17.6%	5.8%	High Yield Bonds	3.6%	4.5%
Emerging-Market Stocks	12.0%	15.3%	Emerging-Market Bonds	3.3%	5.6%
Non-U.S. Developed-Country Stocks	11.8%	19.4%	U.S. Corporate Bonds	1.8%	4.2%
U.S. Large Cap Stocks	10.9%	6.2%	Investment-Grade Bonds	1.2%	4.0%
U.S. Small Cap Stocks	8.5%	-1.8%	Long Government & Credit Bonds	-0.2%	3.4%
Gold	5.7%	25.9%	Real Estate Stocks	-1.2%	-0.3%
U.S. Value Stocks	3.8%	5.5%	Commodities	-3.1%	5.5%

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 6/30/25.



Policy uncertainty remains at the heart of market volatility

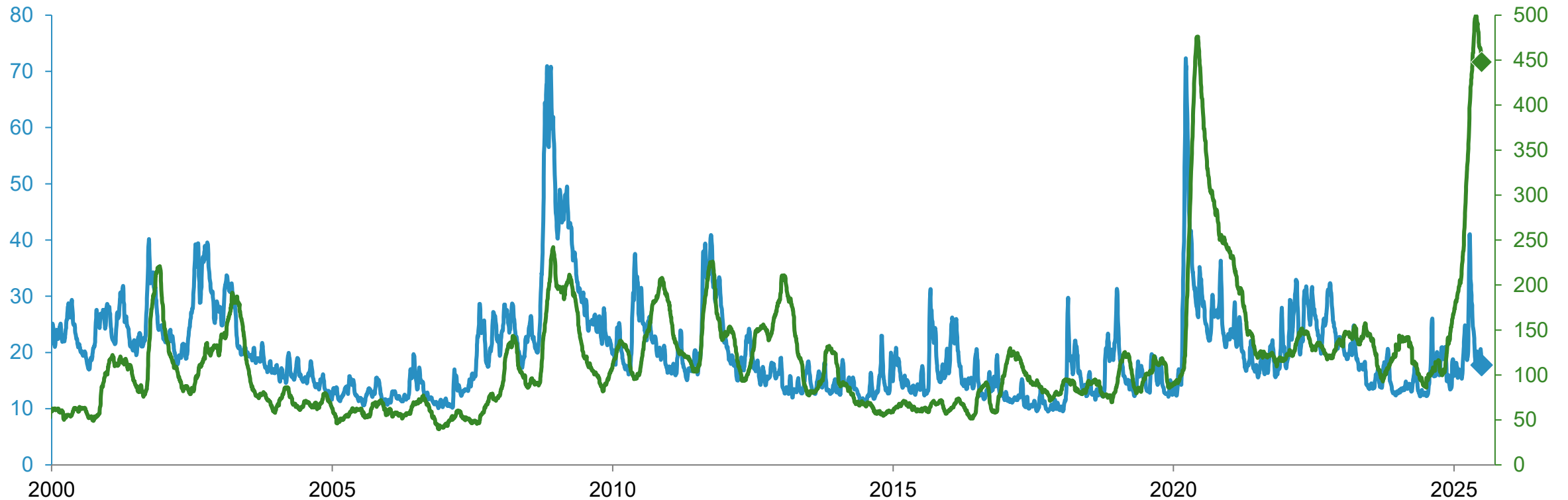
High policy uncertainty has tended to coincide with elevated market volatility. Economic policy uncertainty spiked to a record high at the beginning of Q2 after the announcement of large tariff-rate hikes, and stock-market volatility rose abruptly. During the subsequent weeks, stock-market volatility returned to subdued levels, while policy uncertainty fell from its peak but remained high relative to history, leaving an unusually large gap between these two metrics.

Stock Market Volatility and Policy Uncertainty

— Stock Market Volatility — Economic Policy Uncertainty

VIX Index, 1 week moving average

EPU Index, 8-week moving average



The dollar weakened as foreign buying slowed

The U.S. dollar dropped to a three-year low during Q2, extending its year-to-date declines to more than 10%. U.S. asset markets—and the value of the dollar—benefited from strong capital inflows from foreign investors in recent years. After a large increase in foreign purchases of U.S. stocks and bonds during the second half of 2024, net capital flows into U.S. assets remained positive but slowed significantly during the first half of 2025.

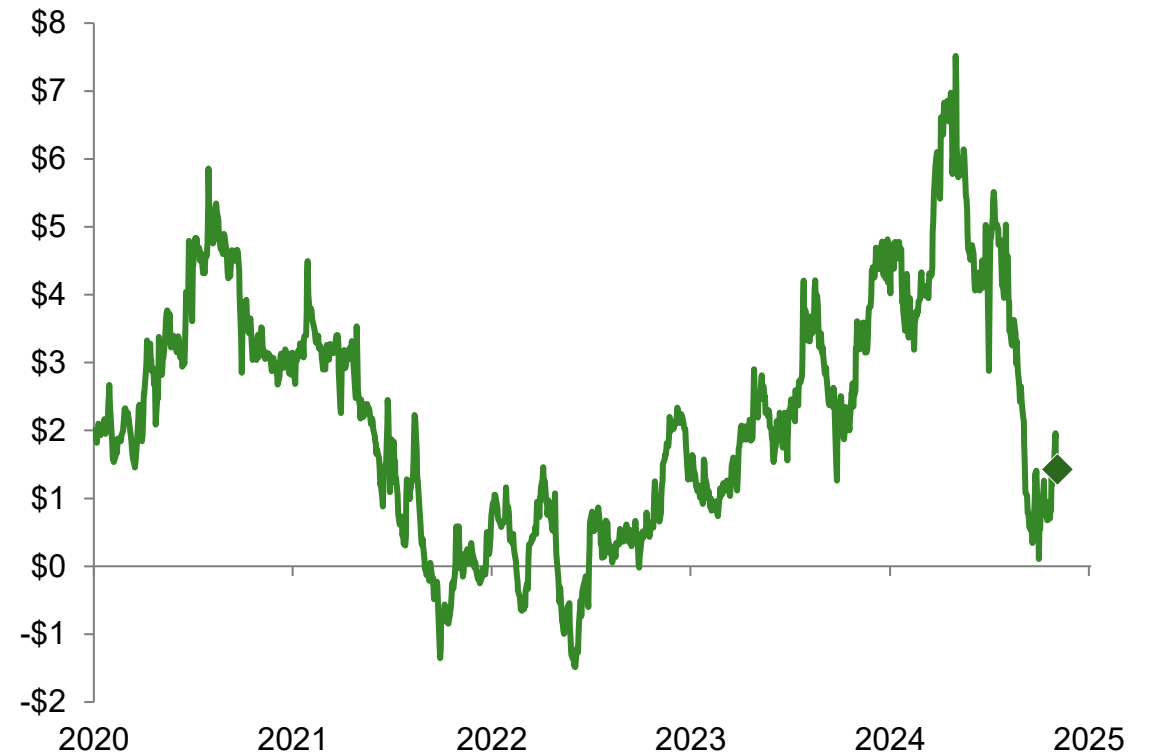
U.S. Dollar Index

Index



Net Flows Into U.S. Stocks and Bonds

EPFR Daily Flows, USD Billions



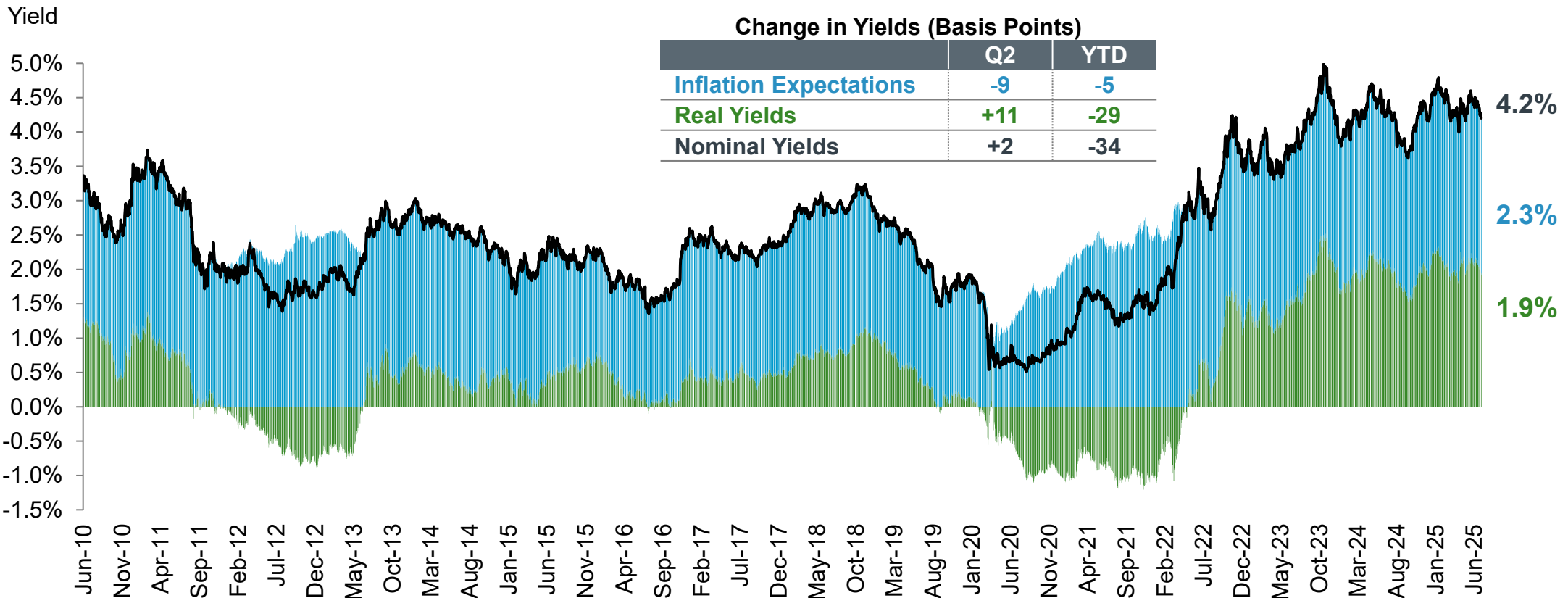
LEFT: U.S. Dollar Index is DXY. Measures the dollar against a basket of six currencies (Euro, Japanese Yen, British Pound, Canadian Dollar, Swedish Krona, Swiss Franc). Source: Bloomberg, Fidelity Investments (AART) as of 6/30/25. **RIGHT:** EPFR (Emerging Portfolio Fund Research) data tracks U.S. Equity and bond mutual funds and ETFs. Source: EPFR Global, Macrobond, Fidelity Investments (AART) as of 6/30/25.

Range-bound Treasury yields

Nominal 10-year U.S. Treasury bond yields finished Q2 about where they began the quarter, around 4.2%. Yields remained modestly lower than where they began 2025, with real yields—the inflation-adjusted cost of borrowing—still at the high end of their range over the past decade. Implied inflation expectations remained relatively steady and within their average range over the past 10 years. Investors will continue to monitor a variety of crosscurrents, including the outlooks for growth, inflation, and Treasury-bond issuance.

10-Year U.S. Government Bond Yields

Real Yields Inflation Expectations Nominal Yields

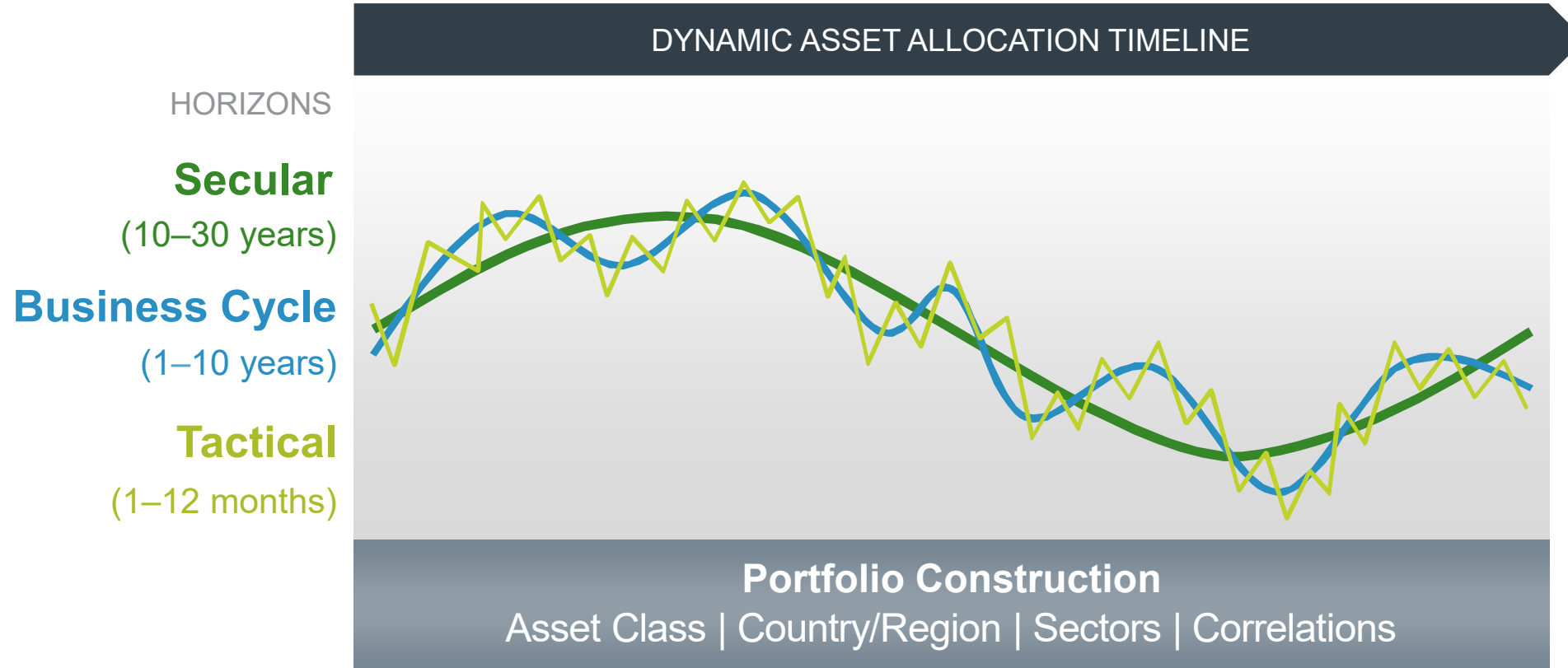


8 Nominal yields are U.S. Generic Govt 10-Year yields, inflation expectations are the U.S. Breakeven 10-Year rates. TIPS: Treasury Inflation Protected Securities. Source: Bloomberg, Federal Reserve, Macrobond, Fidelity Investments (AART) as of 6/30/25.

Economy/macro backdrop

Multi-time-horizon asset allocation framework

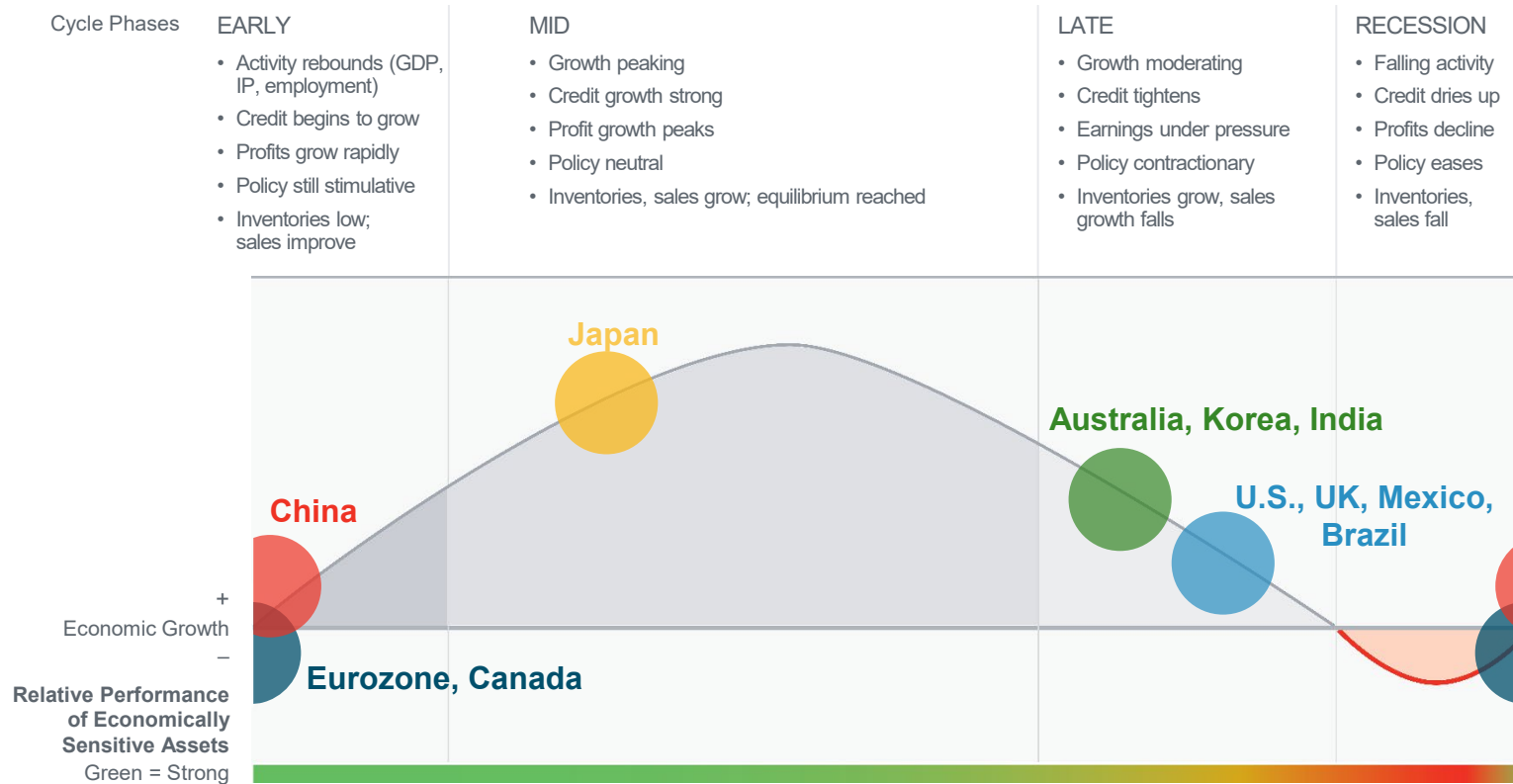
Fidelity's Asset Allocation Research Team (AART) believes that asset-price fluctuations are driven by a confluence of factors that evolve over different time horizons. As a result, we employ a framework that analyzes trends among three temporal segments: tactical (short term), business cycle (medium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



Global business cycle in a less synchronized expansion

The global cycle remains in a solid expansion, although it's becoming unsynchronized across countries and more uncertain amid a variety of policy crosscurrents. The U.S. demonstrated a wide mix of cycle dynamics, including both solid mid-cycle indicators as well as signs of softening activity. China, Europe, and Canada displayed some hopeful indicators of improved cyclical momentum after prolonged soft patches, but further progress may depend on continued improvement in the economic policy backdrop.

Business Cycle Framework



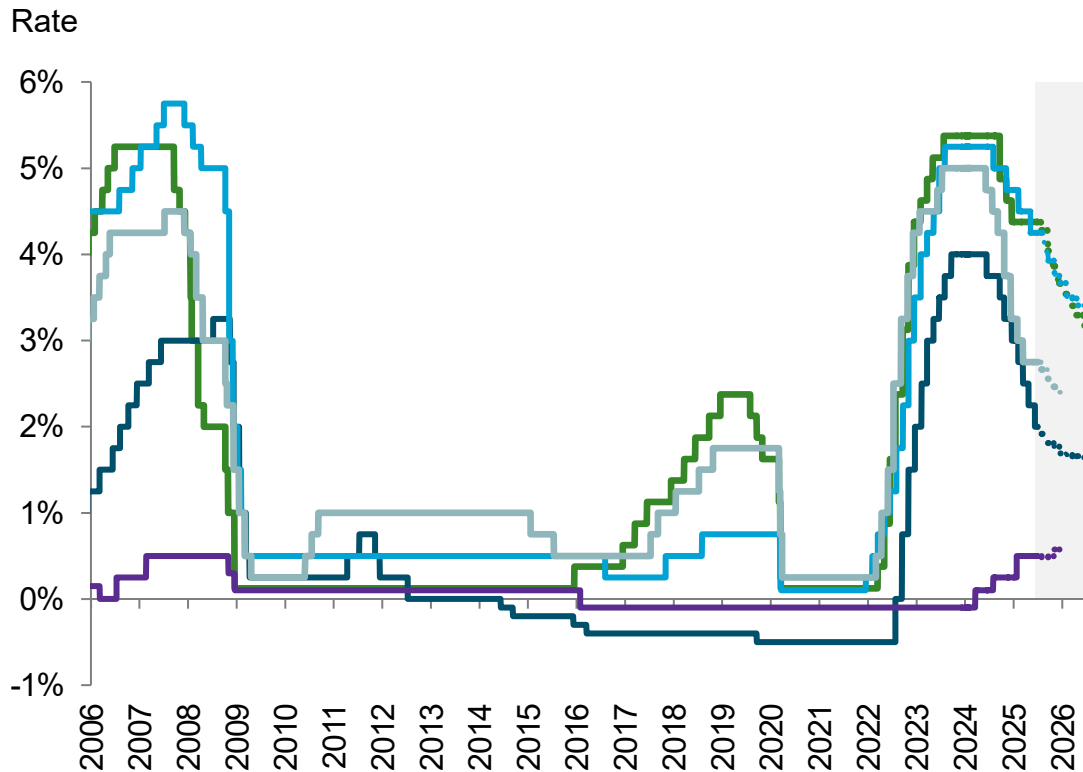
A growth recession is a significant decline in activity relative to a country's long-term economic potential. Note: The diagram above is a hypothetical illustration of the business cycle, the pattern of cyclical fluctuations in an economy over a few years that can influence asset returns over an intermediate-term 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 6/30/25.

Supportive international policies might gain traction

Outside the U.S., monetary easing provided a tailwind, as many central banks continued to cut interest rates, including the eurozone and UK. A renewed commitment in the eurozone to fiscal expansion through defense spending, especially in Germany, may spark an upturn in business sentiment. China is seeing signs of improvement through a pick-up in industrial activity and regulatory policy easing.

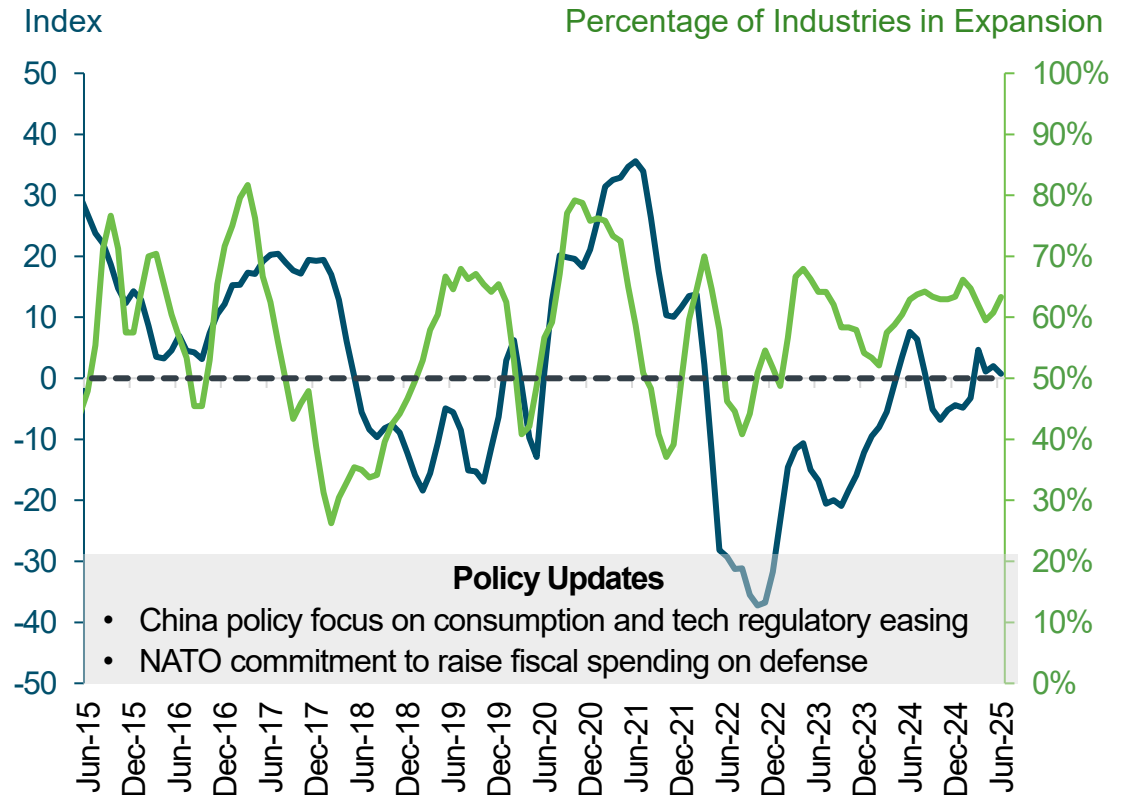
Global Short-Term Policy Rates

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



Global Sentiment and Industrial Activity

— EU Economic Sentiment — China Industrial Activity

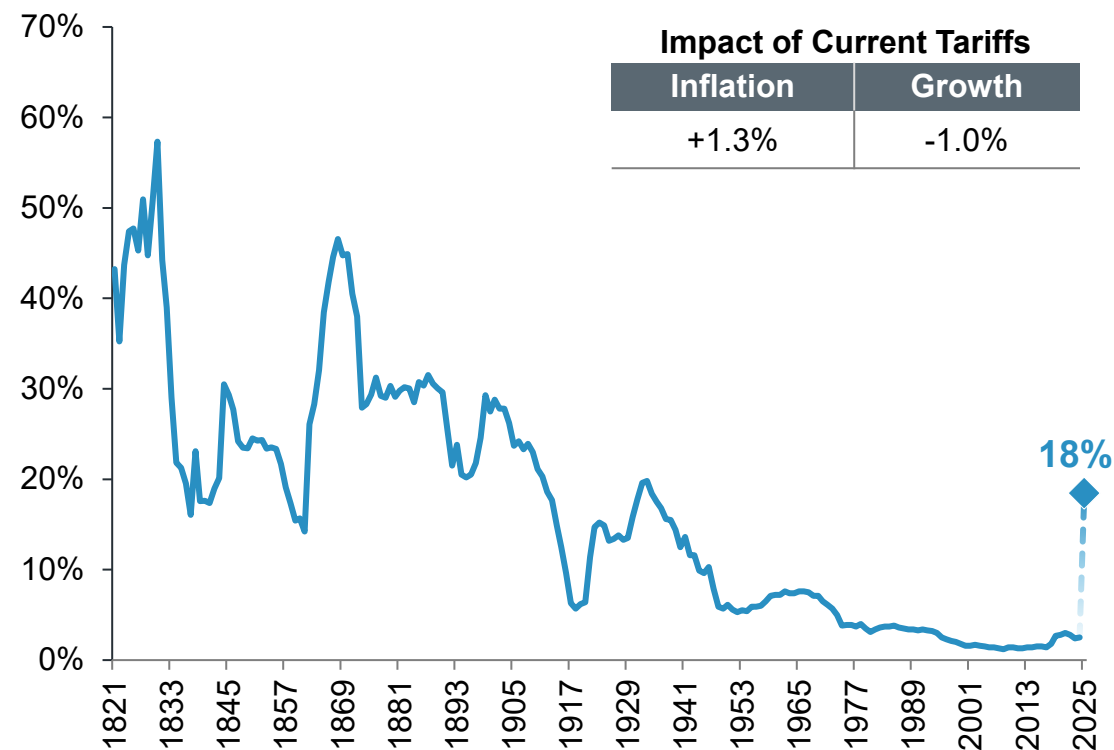


LEFT: Dotted lines represent market rate expectations using OIS swaps. Source: U.S. Federal Reserve Board, ECB, Bank of Japan, Bank of England, Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/25. **RIGHT:** Source: Sentix Behavioral Indices, People's Bank of China, Macrobond, Fidelity Investments (AART), as of 5/31/25.

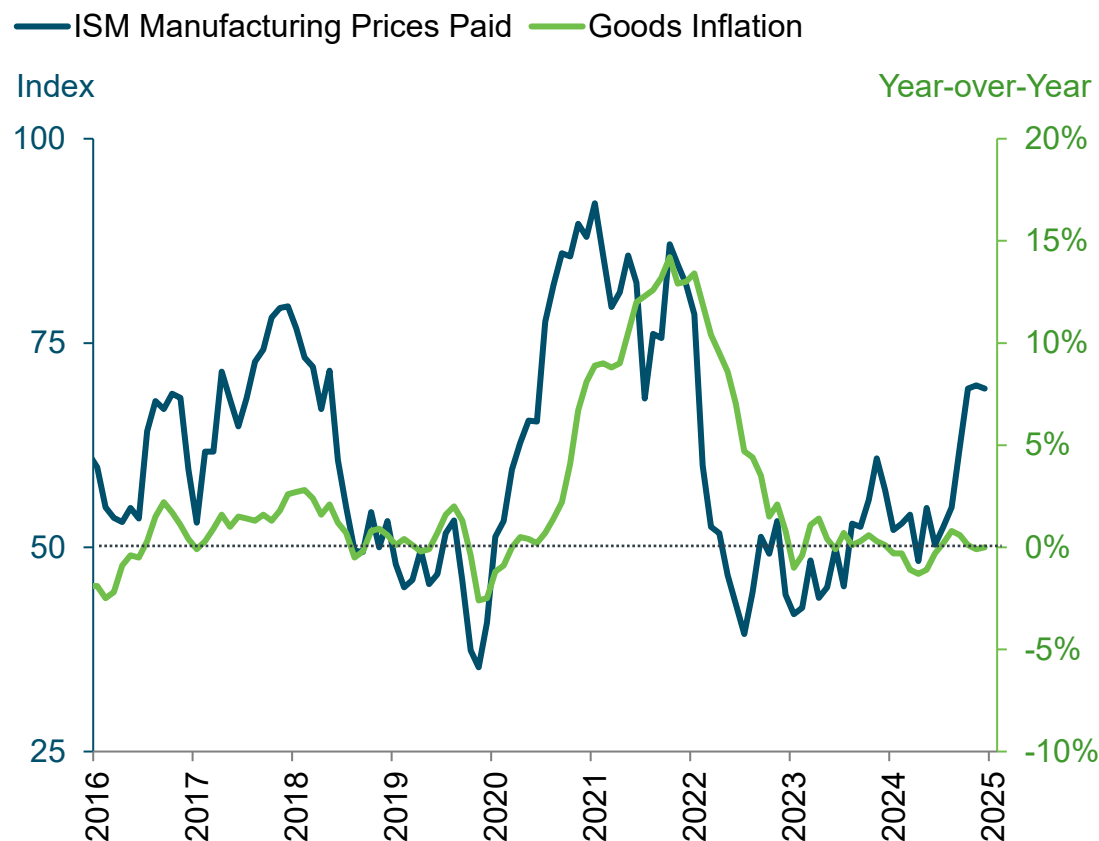
Tariff hikes cast a shadow over the global economic outlook

The outlook for trade policy remained uncertain as of the end of Q2, but tariff hikes enacted during 2025 resulted in the highest average U.S. tariff rate since the 1930s. The tariff hikes may provoke meaningful headwinds for countries with large trade relationships with the U.S., and they pose a direct stagflationary risk to the U.S. economy. Purchasing managers of manufactured goods have indicated rising price pressures in recent months, which has historically been a leading indicator of higher goods inflation.

U.S. Tariff Rate



U.S. Manufacturing Prices vs. Goods Inflation



LEFT: Last tariff rate point and table data are AART estimate. Includes all tariffs implemented as of 6/30/25. Source: Tax Foundation, Macrobond, Fidelity Investments (AART) as of 6/30/25. **TABLE:** AART estimates over the next twelve months. **RIGHT:** Source: Federal Reserve, Federal Reserve Bank of New York, Macrobond, Fidelity Investments (AART), as of 5/31/25.

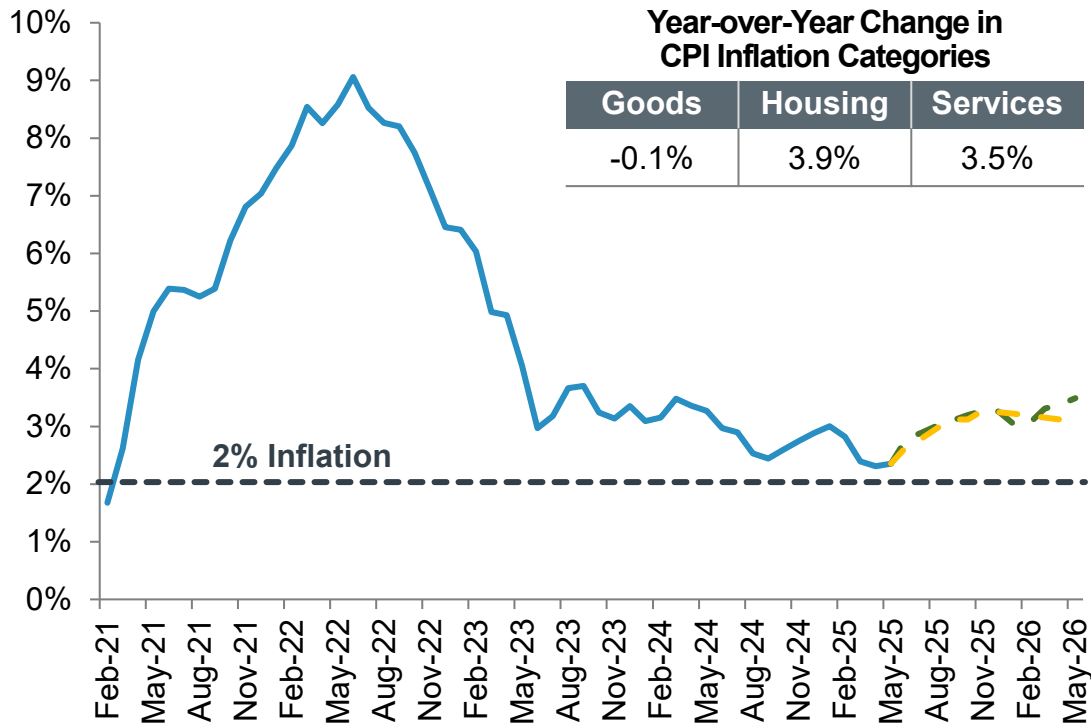
Inflation remains sticky and above the Fed's 2% target

Inflation remained above the Fed's 2% target throughout Q2 as sticky prices in services and housing offset deflation in goods. While inflation has come down significantly from its 2022 peak, more robust measures of the Fed's preferred inflation metric (PCE) indicate persistent inflationary pressures under the surface. We expect inflation to remain rangebound around 3% into next year, with upside risk from tariff hikes.

AART Inflation Estimates vs. Market Expectations

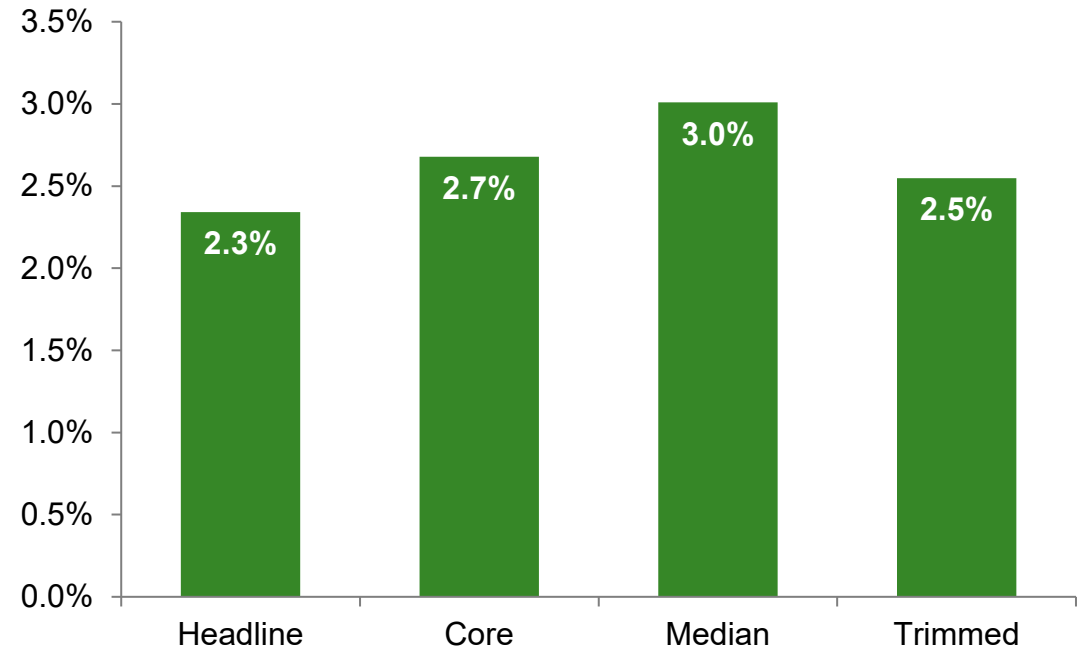
— Headline CPI — AART Forecast — Market Expectations

Year-over-Year



Measures of PCE Inflation

Year-over-Year



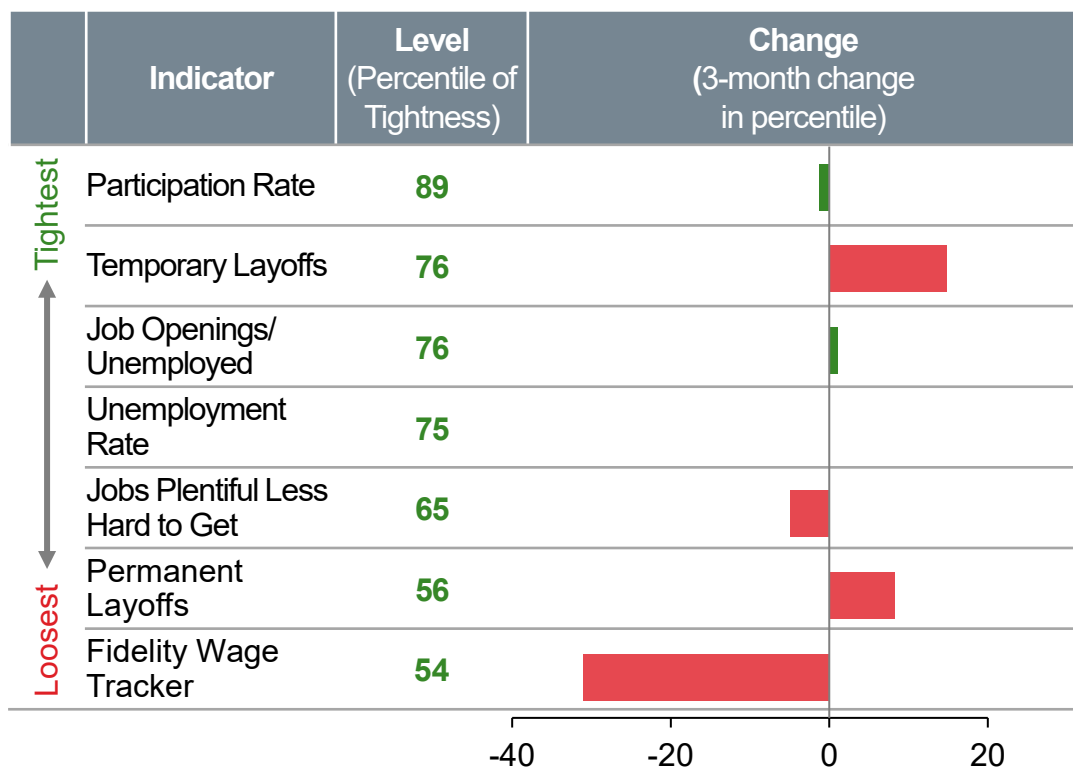
LEFT: CPI: Consumer Price Index. Market expectations: inflation swaps. Source: Bureau of Labor Statistics, Bloomberg, Haver Analytics, Fidelity Investments (AART), as of 5/31/25. **TABLE:** Source: Bureau of Labor Statistics, Macrobond, Fidelity Investments (AART) as of 5/31/25. **RIGHT:** PCE: Personal Consumption Expenditures. Core PCE: Excluding food and energy. Trimmed: Excluding outliers. Source: Bureau of Labor Statistics, Macrobond, Fidelity Investments (AART) as of 5/31/25.

Labor market and consumer spending soften from peaks

After the pandemic, a historically tight market fueled strong wage growth and a surge in consumption spending that boosted economic growth. These trends moderated in Q2 as federal government funding cuts, layoffs, and rising uncertainty led to a decline in consumer sentiment and slower spending. Despite the softening, the labor market remains at tight levels, and historically a sentiment drop that occurs without a significant rise in unemployment claims has not typically been a precursor of recession.

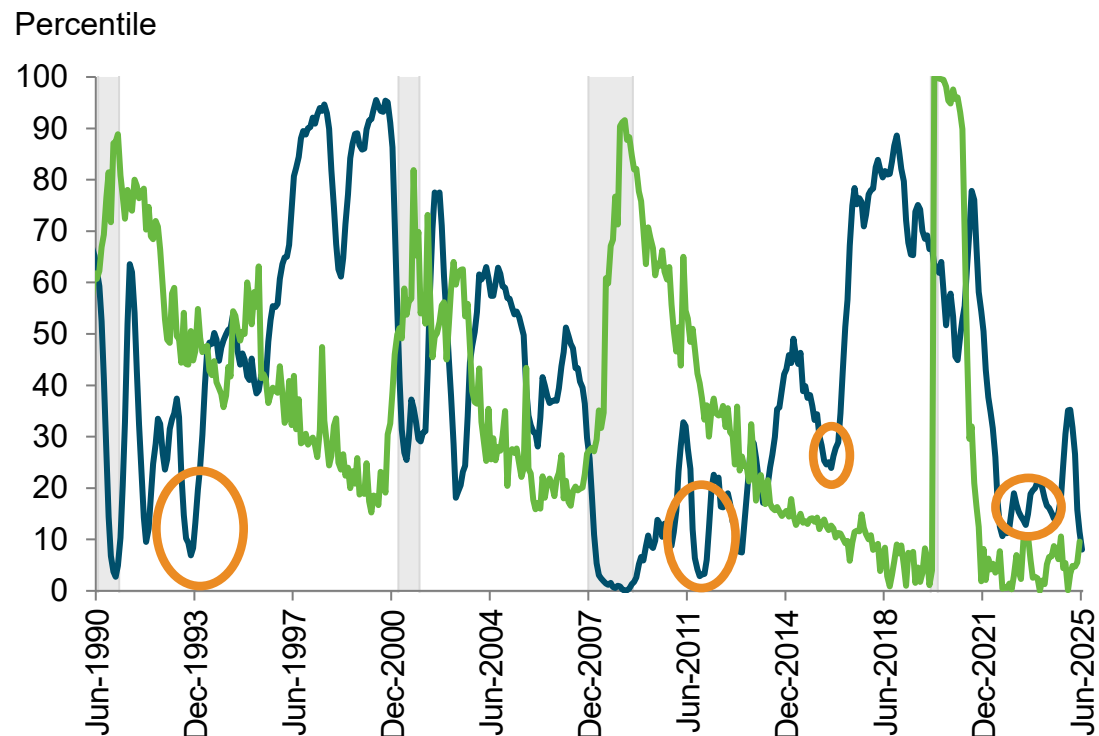
Labor Market Indicators

■ Tight ■ Loose



Initial Unemployment Claims and Consumer Sentiment

— Consumer expectations (6m moving avg.) — Initial Unemployment Claims



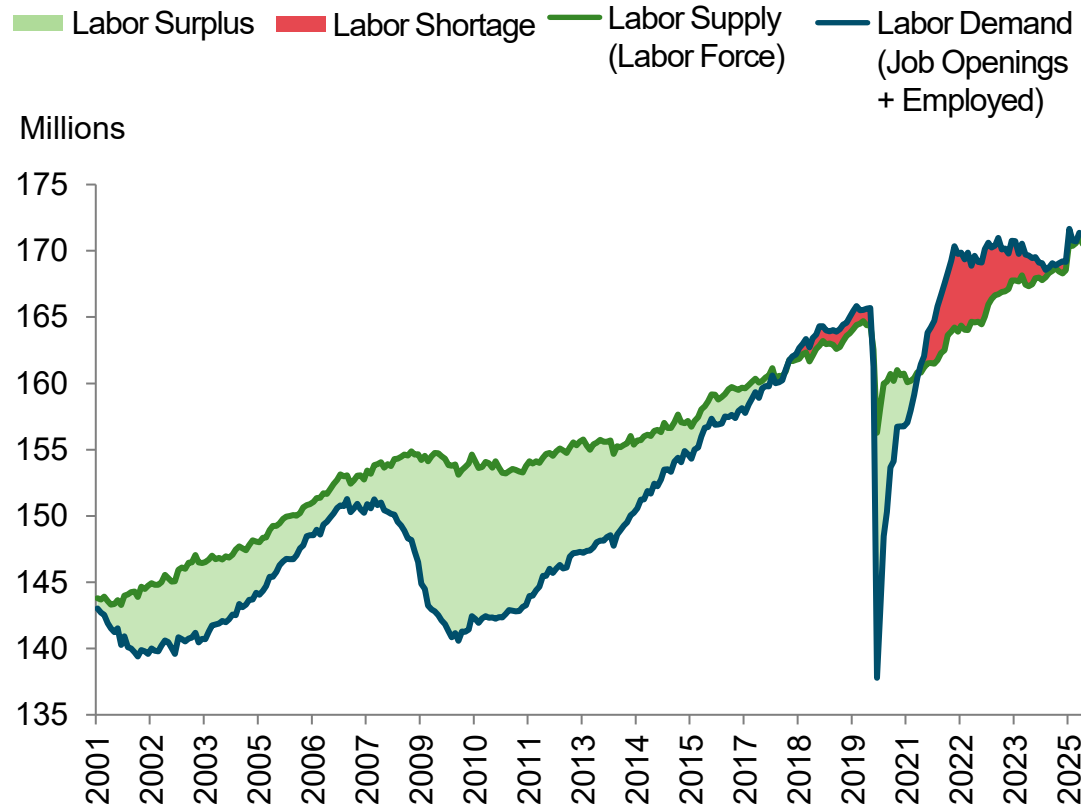
LEFT: Percentiles are calculated starting in 2000, except for Fidelity Wage Tracker, which starts in 2014. For some indicators a low percentile shows tightness (EG unemployment rate) and for others a high percentile shows tightness (EG wage tracker). Wage tracker is constructed using proprietary data on 401k contributions. Source: Conference Board, Bureau of Labor Statistics, JOLTS survey, Fidelity Investments (AART), as of 5/31/2025. Job openings per unemployed worker is as of 4/30/25. **RIGHT:** Initial claims are shown as a percent of the labor force. Showing first claims number of each month. Circles indicate periods where consumer expectations dipped but a recession did not follow. Shading denotes U.S. recessions. Source: U.S. Department of Labor, Macrobond, Fidelity Investments (AART) as of 5/31/25.



Changes in immigration policy may keep labor markets tight

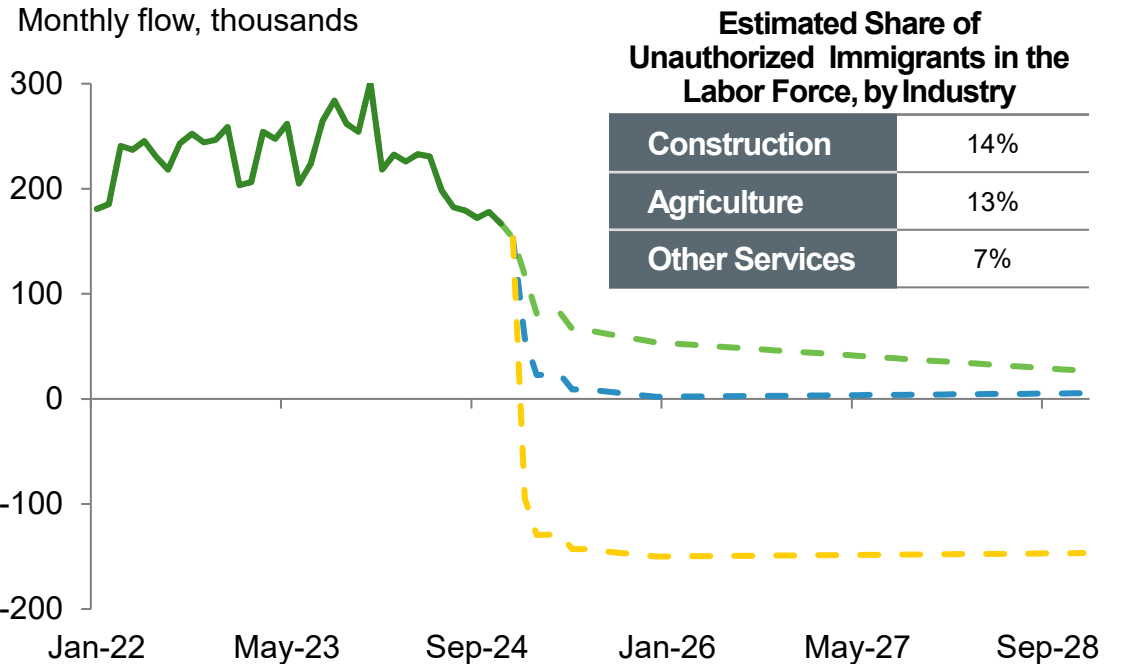
During the pandemic recovery, demand for labor rebounded at the same time older-worker retirements increased, resulting in a labor shortage that contributed to a tight labor market and pushed up wage growth. From 2022-2024, a surge in immigration mitigated the shortage and accounted for more than 80% of labor force growth. Recently, more restrictive immigration policies have slowed this trend, and mass deportations have the potential to further squeeze labor supply and potentially renew upward pressure on wages.

Labor Demand and Supply



Immigration Scenarios

--- Current Policy --- 1m Deportations a Year --- 2.8m Deportations a Year



LEFT: Source: Bureau of Labor Statistics, JOLTS Survey, Macrobond, Fidelity Investments (AART) as of 5/31/25. **RIGHT:** Immigration numbers and forecasts are AART estimates based on data from U.S. Customs and Border Patrol, the Department of Homeland Security and U.S. Immigration and Customs Enforcement, as of 6/30/25. Timing may vary. **TABLE:** Percentages are as of 2022. Other services is a miscellaneous category, including services such as repair and maintenance, personal laundry services, auto repair shops, funeral services, etc. Source: American Immigration Council, Fidelity Investment (AART) as of 10/31/22.

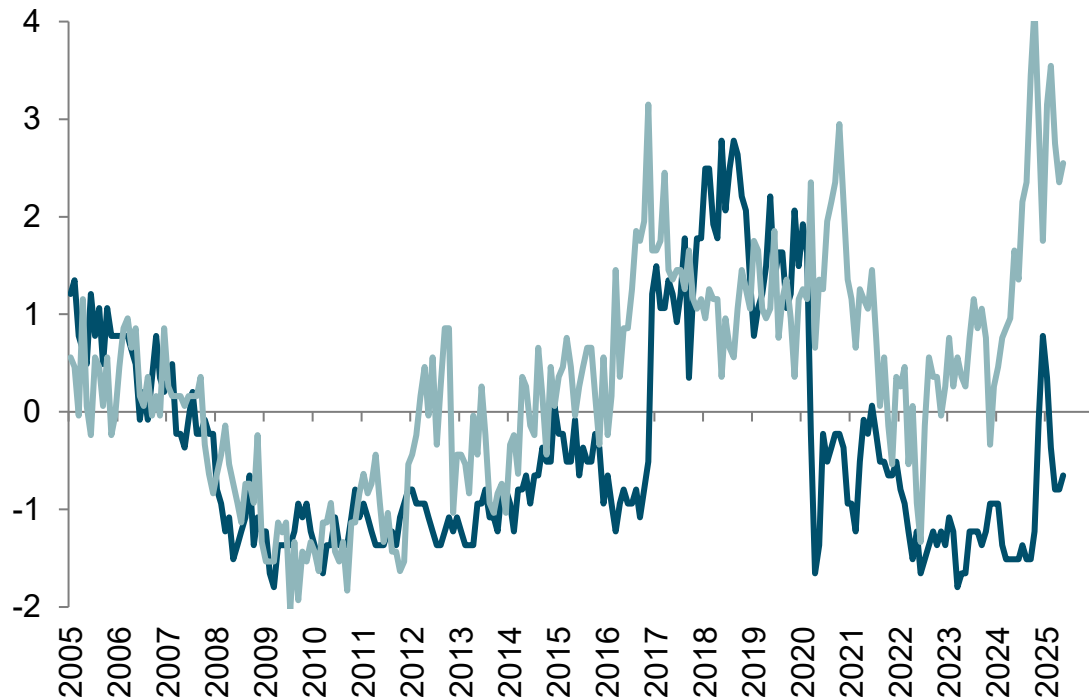
Business investment boosted by AI; headwinds from uncertainty

The trend in business investment remained positive, spurred by outlays for AI by large companies in the technology and communications sectors. However, policy uncertainty, particularly around tariff rates, continued to weigh on companies in other sectors and small businesses. Prolonged policy uncertainty often discourages capital expenditures, although investors remained hopeful that upcoming changes may include more positive deregulatory policies and business-friendly tax cuts.

Small Business Sentiment

— Good time to expand — Uncertainty index

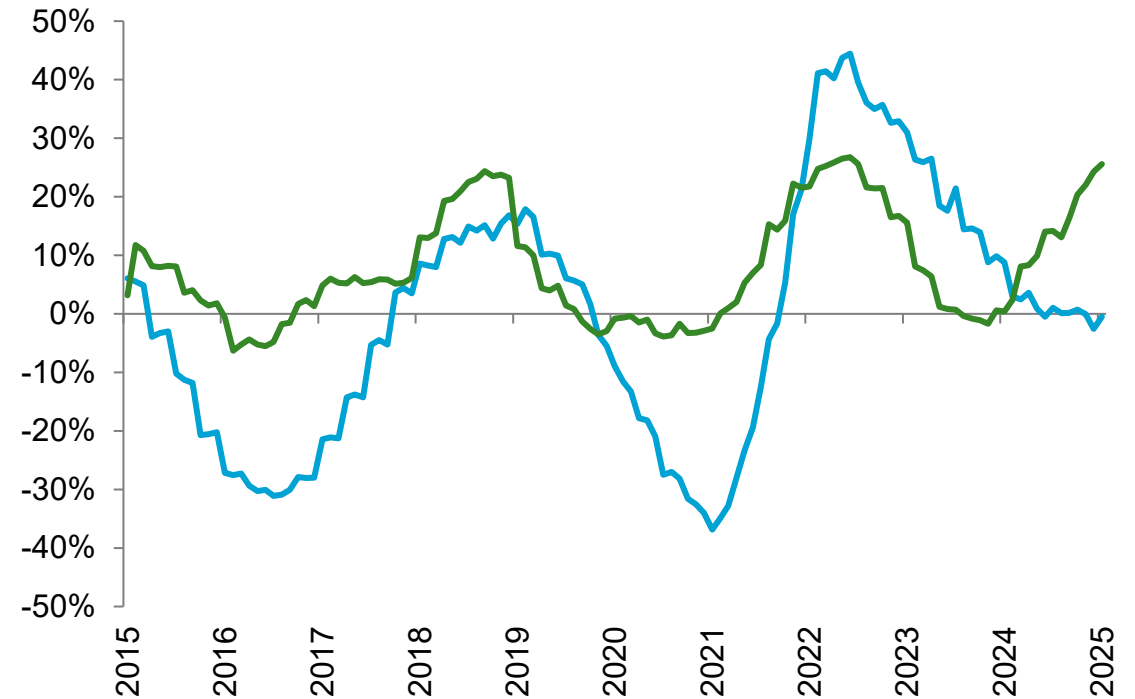
NFIB Survey Z-score



Capital Expenditures by Industry Sector

— Energy, Mats, Industrials — Info Tech, Comms, Cons Disc

Year-over-year growth



LEFT: Source: "Good time to expand" = business owners reported to National Federal of Independent Business (NFIB) that, "now is a good time to expand their business." National Federation of Independent Business, Macrobond, Fidelity Investments (AART), as of 5/31/25. RIGHT: Mats = materials; Comms = Communications Services; Cons Disc = Consumer Discretionary. Data from 3000 largest publicly traded companies. Source: Fidelity Investments (AART) as of 5/31/25.

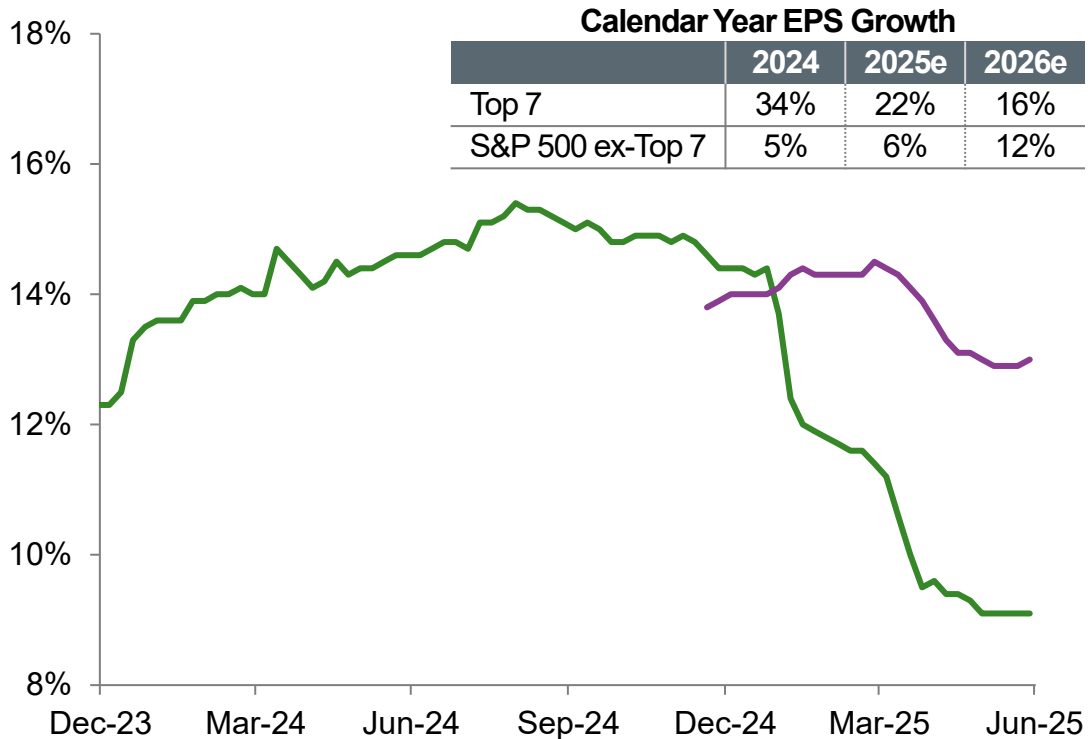
Earnings expectations stabilized with an optimistic margin outlook

After weakening during Q1, consensus estimates for 2025 corporate earnings growth stabilized. Profit margin expectations remained robust, with hopes that sales growth will continue to outpace input-cost inflation. The largest companies have been the biggest contributors to earnings growth in recent years, and the market expects them to maintain elevated margins and strong relative earnings power in 2025 and beyond.

S&P 500 Earnings Growth Expectations

— 2025 — 2026

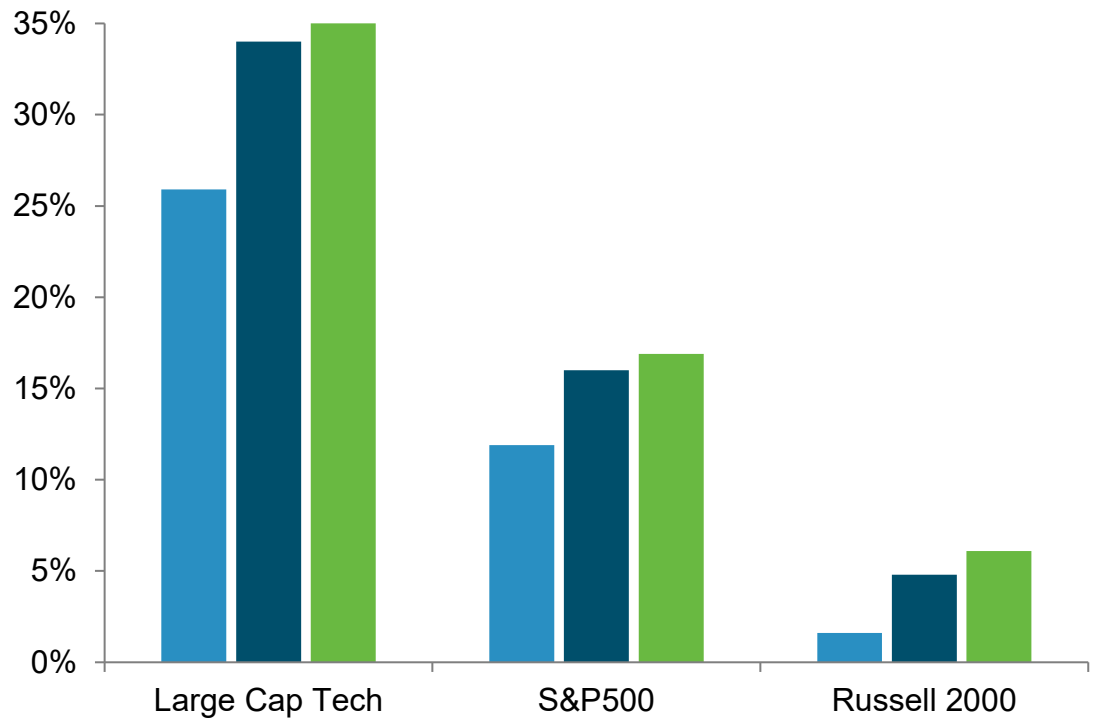
Year-over-Year



Profit Margins

■ 2019 ■ 2025 ■ 2026e

Operating Profits / Revenue

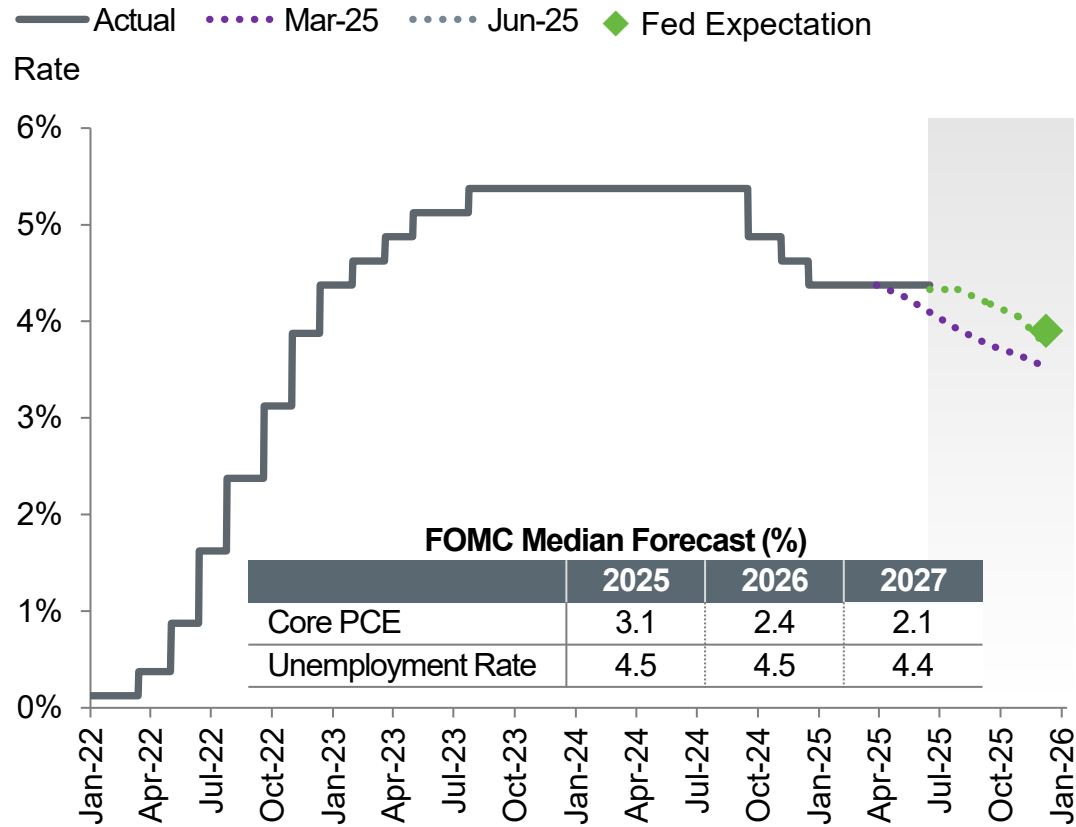


LEFT: Top 7 includes Apple, Amazon, Google, Meta, Nvidia, Microsoft, Tesla. Earnings estimates from the Street for 2025/2026. Source: Bloomberg Financial LP, Fidelity Investments (AART), as of 6/30/25. RIGHT: Source: Bloomberg, Fidelity Investments (AART), as of 6/30/25.

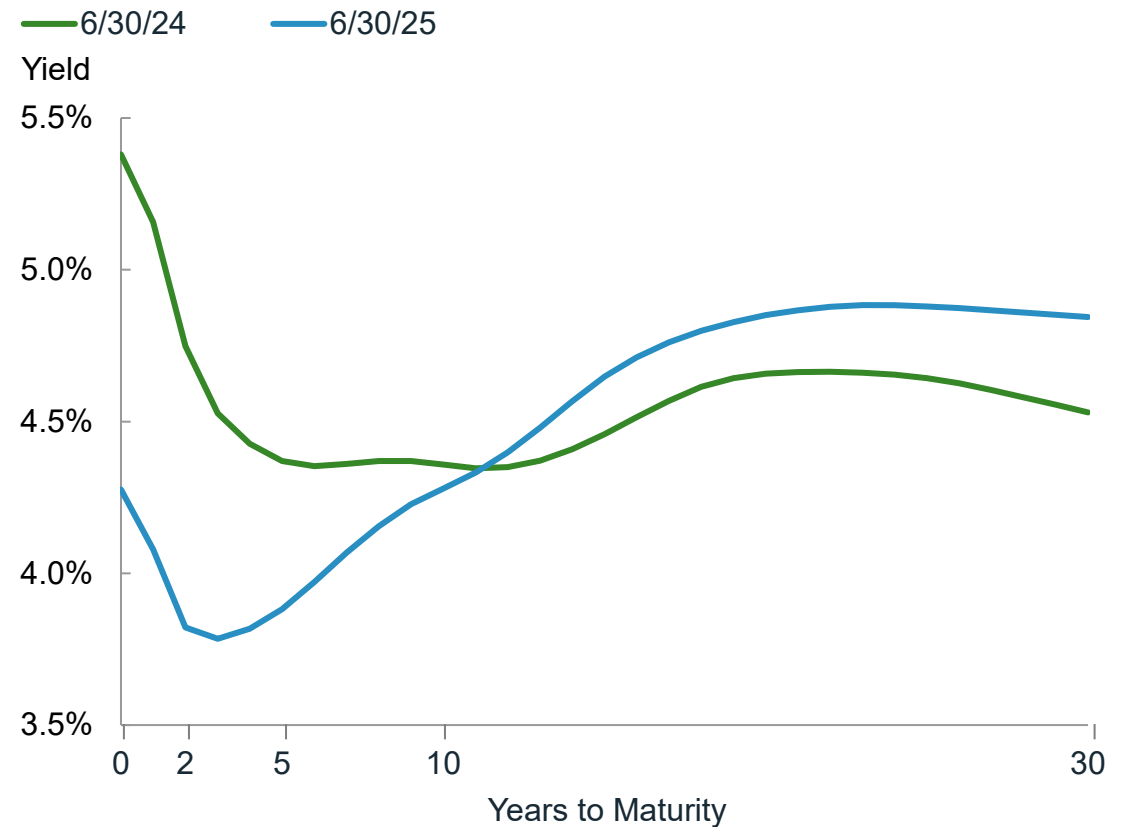
Fed on hold with bias to cut; long end of curve not responsive

After 100bps of rate cuts in 2024, the Fed kept its policy rate steady for the second quarter in a row. At the end of Q2, the market expected 50-75 bps of additional easing in 2025, despite the Fed's forecast of 3% inflation. Last year's Fed cuts pushed short term yields lower while longer-term yields rose, moving the inverted yield curve closer to its typical shape. Higher long-term Treasury yields may be a sign of the market's concern about large and growing public debt levels and bond issuance in the U.S. and other advanced economies.

Fed Funds Rate Expectations



Treasury Yield Curve



Bps = basis points. **LEFT:** Shaded area represents current Fed Funds Rate expectations. Source: U.S. Federal Reserve Board, NBER, Bloomberg Financial LP, Fidelity Investments (AART), as of 6/30/25. **RIGHT:** Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/25.

Fiscal package could spur short-term growth but add to the debt

The GOP-led Congress debated its multiyear fiscal package during Q2. The House of Representatives approved an initial bill that would provide new tax cuts for businesses and other measures that might boost economic and profit growth in 2026. Relative to the CBO's baseline forecast, the bill would increase U.S. government debt-to-GDP ratio over the next decade. Debt is soon expected to surpass all-time highs, and it would require a combination of much lower interest rates or much higher nominal growth to stabilize it.

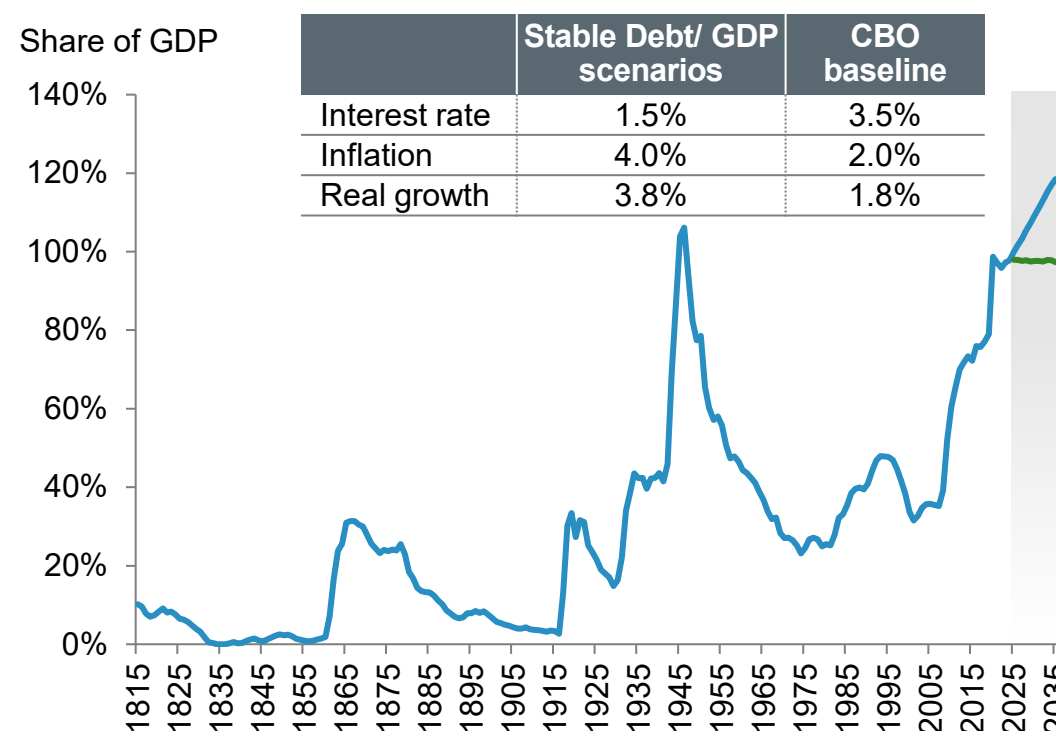
Estimated Impact of House Reconciliation Bill

One-year stimulus impact	2026 (billions \$)
New net business tax cuts	149
New net personal income tax cuts	151
Spending cuts	-75
Spending increases	49
Total (% of GDP)	0.9%

10-year budget impact	Trillions \$
Deficit increase	2.4
Extension of personal income tax rates	3.5

U.S. Government Debt

— CBO baseline — Stable debt with alternative scenarios



LEFT: Based on the CBO's analysis of the One Big Beautiful Bill Act approved by the House on May 22, 2025. Source: Congressional Budget Office (CBO) Fidelity Investments (AART) as of 6/30/25. **RIGHT:** Shading represents forward estimates. Interest rate = interest rate on government debt, inflation = Consumer Price Index, real growth = real GDP. U.S. Government Debt: publicly held debt. Alternative scenarios illustrate how changing one variable (without changing the other two CBO baseline variables) would stabilize debt/GDP from 2025-2035. Source: Congressional Budget Office, Macrobond, Fidelity Investments (AART) as of 6/30/25.



Economic policy: Uncertain crosscurrents for the macro outlook

The details, timing, and implementation of potential changes in government policies remain uncertain, and they offer a variety of possible impacts on economic and profit growth, inflation, and bond yields. 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 potential crosscurrents are difficult to measure, but finalizing policies and reducing uncertainty would provide a positive impulse.

Cyclical Impact of Policy Scenarios on GDP Growth

	Upside	Base case	Downside
Fiscal	0.9%	0.3%	0.0%
Tariffs	-0.5%	-1.0%	-1.5%
Immigration	0.0%	-0.1%	-0.2%
Uncertainty	-0.1%	-0.4%	-1.0%
Deregulation	↑	↑	0.0%
Total	0.3%	-1.2%	-2.7%

Cyclical Impact of Base-Case Policy on Inflation and Yields

	Inflation	UST Yields
Fiscal		↑
Tariffs	1.3%	Mixed
Immigration	↑	
Uncertainty		↓
Deregulation	↓	↓
Total	↑	Mixed

Stagflationary refers to a mix of slower economic growth and inflation. **LEFT:** Fiscal impact on GDP calculated using CBO estimates for fiscal multipliers. Source: Congressional Budget Office, Fidelity Investments (AART) as of 6/30/25. **RIGHT:** UST = U.S. Treasury bonds. Source: Fidelity Investments (AART) as of 6/30/25.

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 discussed the impact of policy on growth and inflation and its potential influence on markets going forward. As of the end of the quarter, portfolio managers remain generally overweight risk assets but held smaller active allocation positions compared with earlier in the cycle.

Macro Insights

The U.S. and global economy remain in expansion

Sticky inflation and policy uncertainty are the largest risks to the outlook

Markets may be too complacent given the lagged impact of policy

Asset Allocation Implications

Portfolio managers are modestly overweight risk assets

A weak dollar outlook provides support for non-U.S. assets

Several members mentioned gold and TIPS to hedge stagflationary risks

Asset markets

U.S. growth stocks led a broad-based globally equity rally

Large cap U.S. growth stocks, particularly in the info tech and communications sectors, bounced back sharply and spearheaded a broad-based Q2 global rally in riskier assets. Non-U.S. equities also posted double-digit gains, including both developed and emerging markets, and extended their year-to-date leadership. Credit-sensitive sectors such as high-yield corporate bonds and emerging-market debt led fixed income markets, and gold added to its stellar year-to-date gains despite weaker overall commodity prices.

U.S. Equity Styles Total Return

	Q2 2025	YTD
Growth	17.6%	5.8%
Large Caps	10.9%	6.2%
Mid Caps	8.5%	4.8%
Small Caps	8.5%	-1.8%
Value	3.8%	5.5%

U.S. Equity Sectors Total Return

	Q2 2025	YTD
Info Tech	23.7%	8.1%
Communication Services	18.5%	11.1%
Industrials	12.9%	12.7%
Consumer Discretionary	11.5%	-3.9%
Financials	5.5%	9.2%
Utilities	4.3%	9.4%
Materials	3.1%	6.0%
Consumer Staples	1.1%	6.4%
Real Estate	-0.1%	3.5%
Health Care	-7.2%	-1.1%
Energy	-8.6%	0.8%

Non-U.S./Global Assets Total Return

	Q2 2025	YTD
ACWI ex-USA	12.0%	17.9%
EAFE Small Cap	16.6%	20.9%
Canada	14.2%	15.5%
EAFE	11.8%	19.4%
Europe	11.4%	23.0%
Japan	11.4%	11.7%
Latin America	15.2%	29.9%
EM Asia	12.4%	13.9%
Emerging Markets	12.0%	15.3%
EMEA	7.6%	16.2%
Gold	5.7%	25.9%
Commodities	-3.1%	5.5%

U.S. Equity Factors Total Return

	Q2 2025	YTD
Momentum	16.6%	9.4%
Quality	9.0%	7.2%
Value	7.8%	4.8%
Size	6.9%	1.6%
Yield	5.8%	6.2%
Low Volatility	3.9%	4.6%

Fixed Income Total Return

	Q2 2025	YTD
High Yield	3.6%	4.5%
EM Debt	3.3%	5.6%
Leveraged Loan	2.3%	2.8%
CMBS	1.9%	4.5%
Credit	1.8%	4.2%
ABS	1.4%	2.9%
Agency	1.3%	3.4%
Aggregate	1.2%	4.0%
MBS	1.1%	4.2%
Treasuries	0.8%	3.8%
TIPS	0.5%	4.7%
Municipal	-0.1%	-0.3%
Long Govt & Credit	-0.2%	3.4%

ACWI ex-USA represented developed non-U.S. equities. EAFE: Europe, Australasia, and the Far East. EM: Emerging markets. EMEA: Europe, the Middle East, and Africa. For indexes and other important information used to represent above asset categories, see Appendix. **Past performance is no guarantee of future results.** It is not possible to invest directly in an index. All indexes are unmanaged. Sector returns represented by S&P 500 sectors. Sector investing involves risk. Because of its narrow focus, sector investing may be more volatile than investing in more diversified baskets of securities. Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/25.

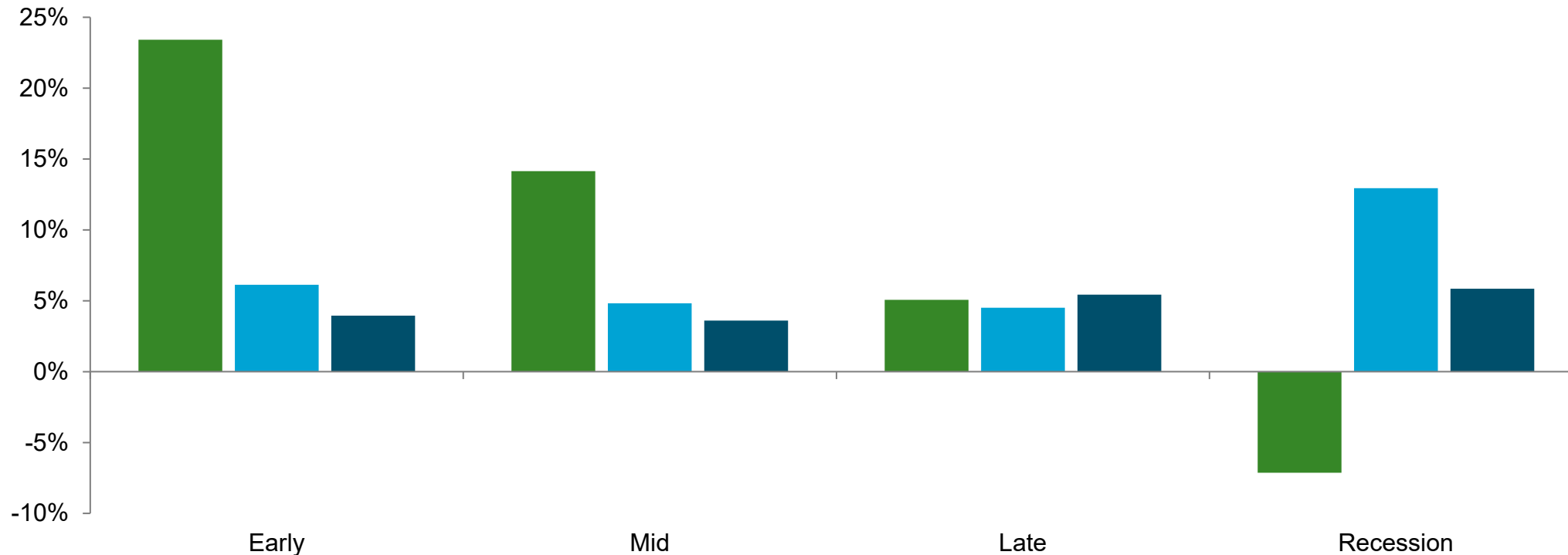
Business cycle road map a starting point for near-term allocation

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. U.S. Stocks—Dow Jones U.S. Total Stock Market Index; Investment-Grade (IG) Bonds—Bloomberg U.S. Aggregate Bond Index, Cash—Bloomberg 1-3 Month Treasury Bill Index. Source: Fidelity Investments, Morningstar, Bloomberg Finance L.P., as of 6/30/25.



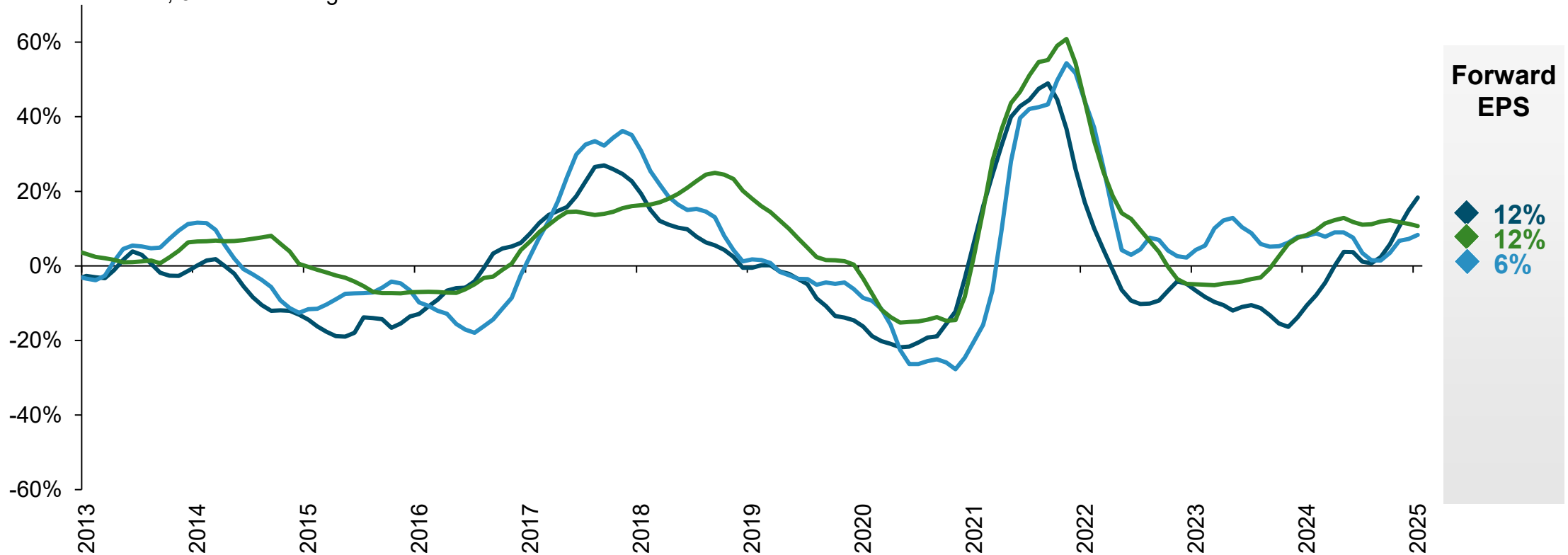
Relatively positive earnings-growth momentum for all regions

Earnings growth remained positive across regions in Q2. Emerging markets posted especially strong momentum, while non-U.S. developed markets saw a more modest increase and U.S. earnings remained flat. Investors continue to anticipate positive earnings growth over the next 12 months.

Global EPS Growth (Trailing 12 Months)

— EM — DM — U.S. ◆ Forward

Year-over-Year, 3-Month Average



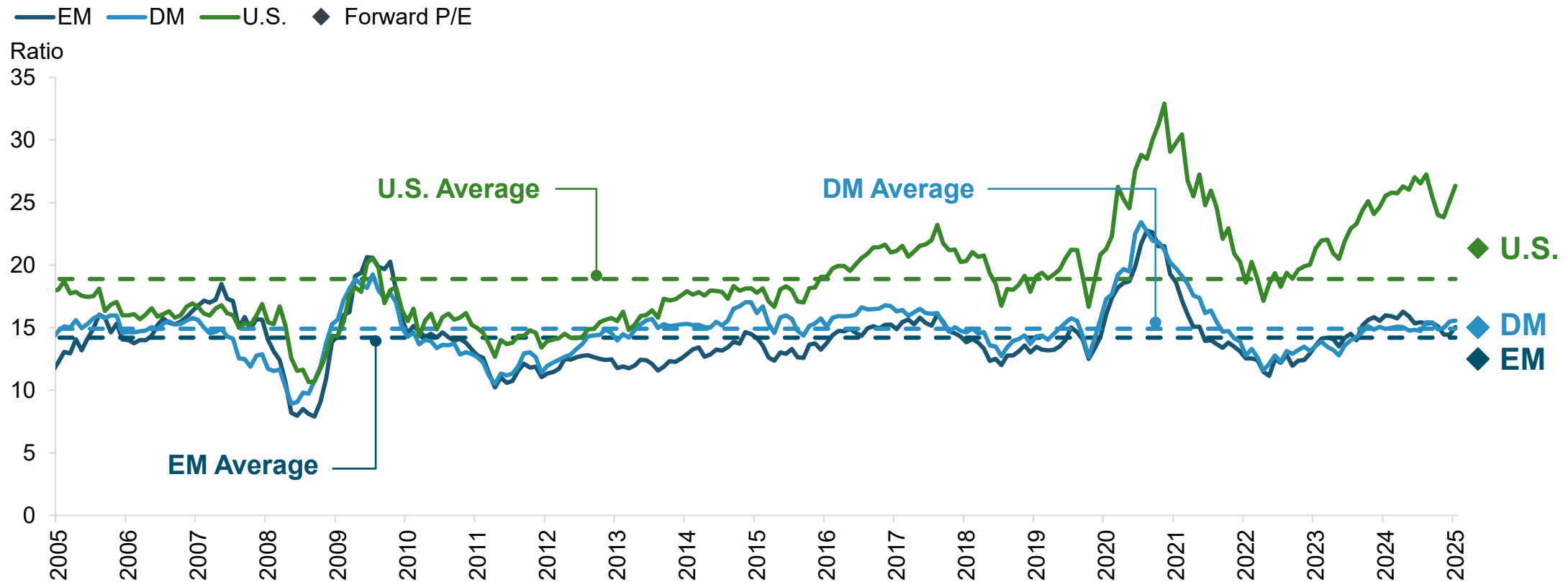
Past performance is no guarantee of future results. Forward EPS is unsmoothed. DM: Developed markets ex-USA. EM: Emerging markets. EPS: Earnings per share. Forward EPS: Next 12 months' expectations. Indexes: DM—MSCI EAFE Index; EM—MSCI Emerging Markets Index; U.S.—S&P 500. Source: MSCI, Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/25.



Non-U.S. equity valuations still look relatively attractive

U.S. stock valuations rose in Q2, extending the three-year trend of the price-to-earnings (PE) ratio remaining well above its long-term average. Non-U.S. PEs have more reasonable valuations, near their long-term averages. The forward P/E ratios for DM and EM are substantially lower than those in the U.S.

Global Stock Market P/E Ratios



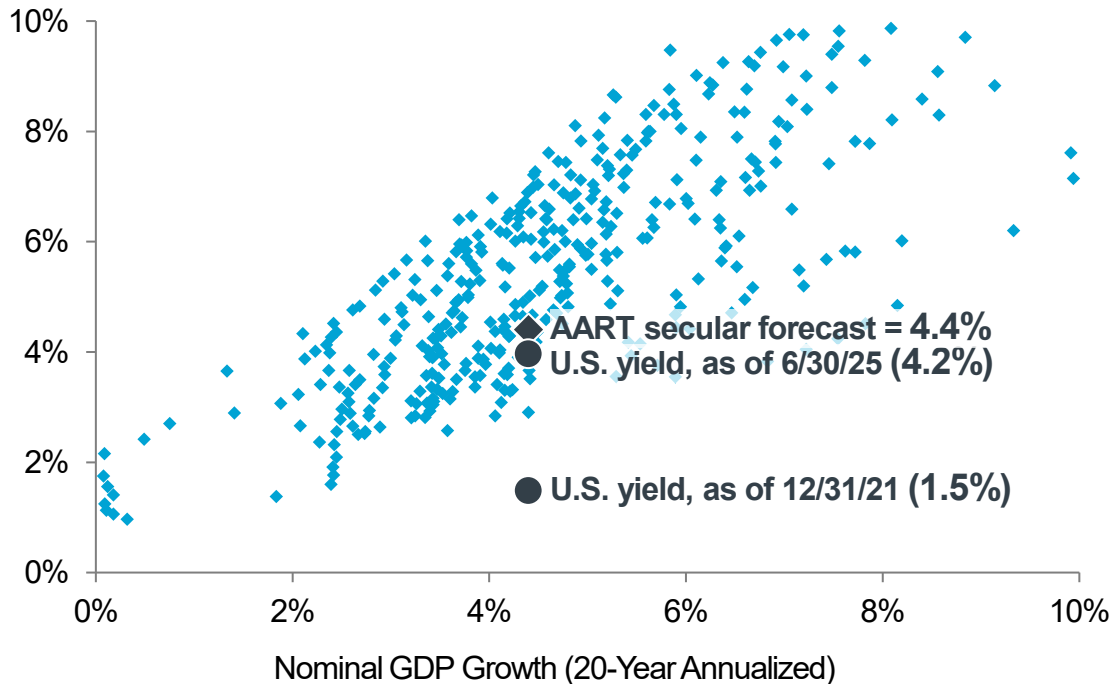
DM: Non-U.S. developed markets. EM: Emerging markets. Chart includes trailing 12-month P/Es. **Past performance is no guarantee of future results.** It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. Price-to-earnings (P/E) ratio (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 1/31/05 to 6/30/25. Indexes: DM—MSCI EAFE Index; EM—MSCI Emerging Markets Index; U.S.—S&P 500. Source: FactSet, Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/25.

Relative valuations may provide opportunities ahead

Based on our long-term valuation metrics, we find certain equity and bond assets offer an attractive entry point. Ten-year Treasury yields remain close to 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 when compared with current U.S. valuations, which remain well above our secular forecasts.

10-Year Sovereign Bond Yields vs. GDP

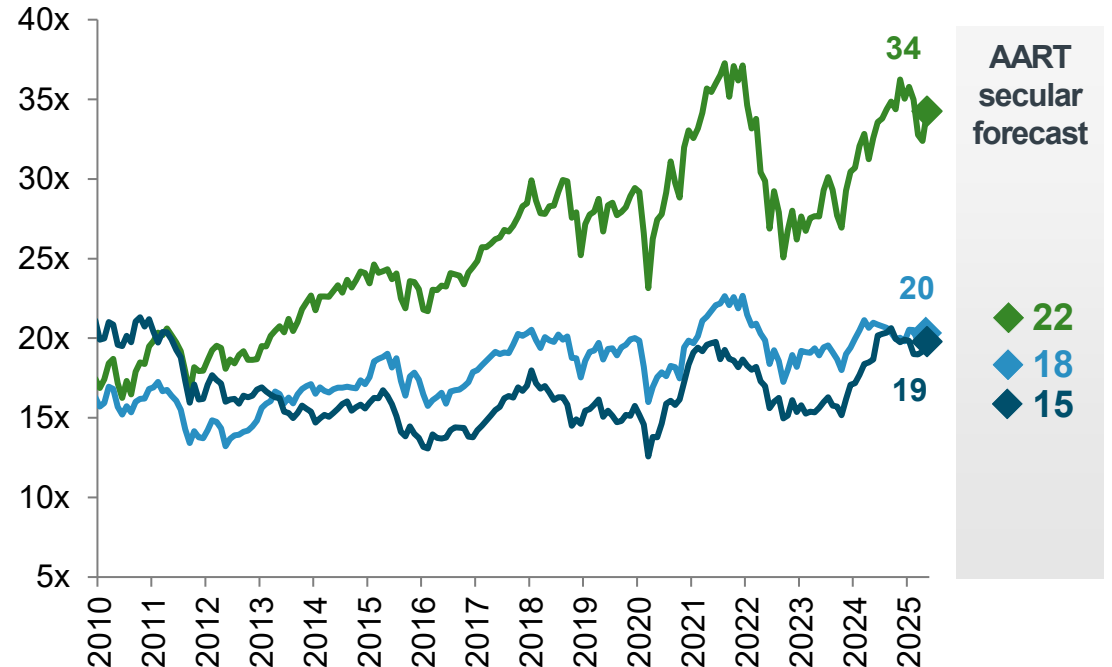
Yield (20-Year Annualized Average)



Equity Valuations

— U.S. — DM — EM

CAPE Ratio



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 4/30/25. **RIGHT:** CAPE: Cyclically adjusted price-earnings. DM: Developed markets. EM: Emerging markets.

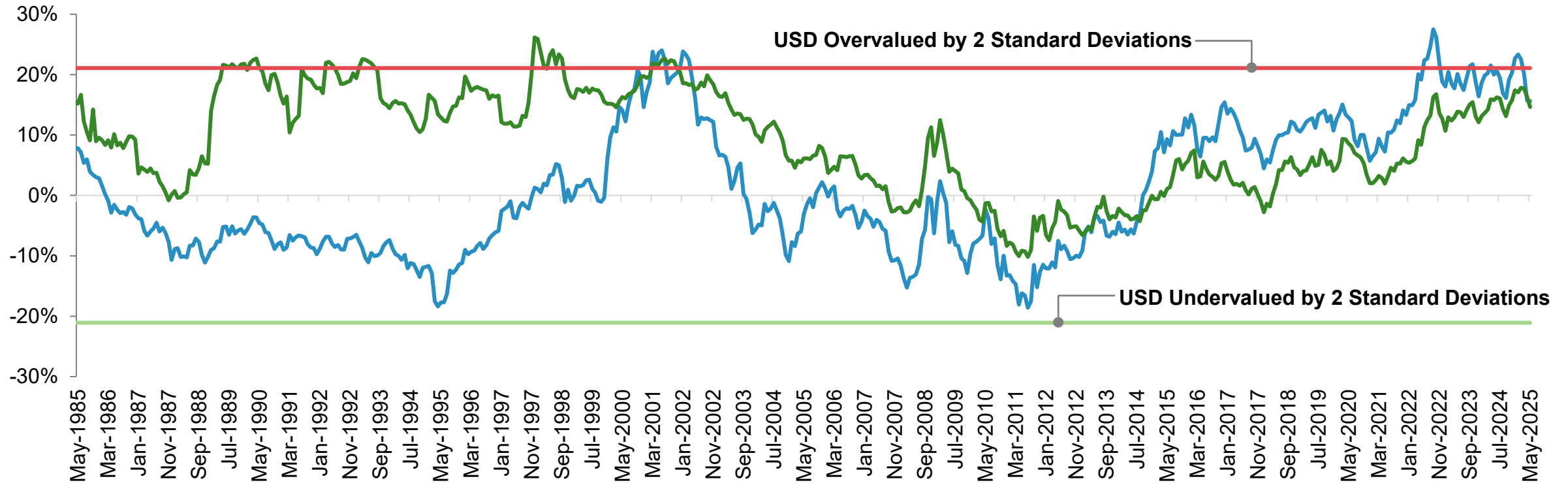
Price-to-earnings (P/E) ratio (or multiple): Stock price divided by earnings per share, which indicates how much investors are paying for a company's earnings power. Cyclically adjusted earnings are 10-year averages adjusted for inflation. Source: FactSet, countries' statistical organizations, MSCI, Fidelity Investments (AART), as of 5/31/25.

Despite dollar decline, currency valuations favor non-U.S.

Despite the U.S. dollar's decline during 2025, the dollar remains overvalued relative to major global currencies. Our valuation analysis suggests the currencies of both developed and emerging market countries are, on average, still at historically low valuation levels versus the dollar. This medium-term outlook supports the diversification into foreign assets by U.S. investors.

U.S. Dollar Valuations

— USD v DM — USD v EM



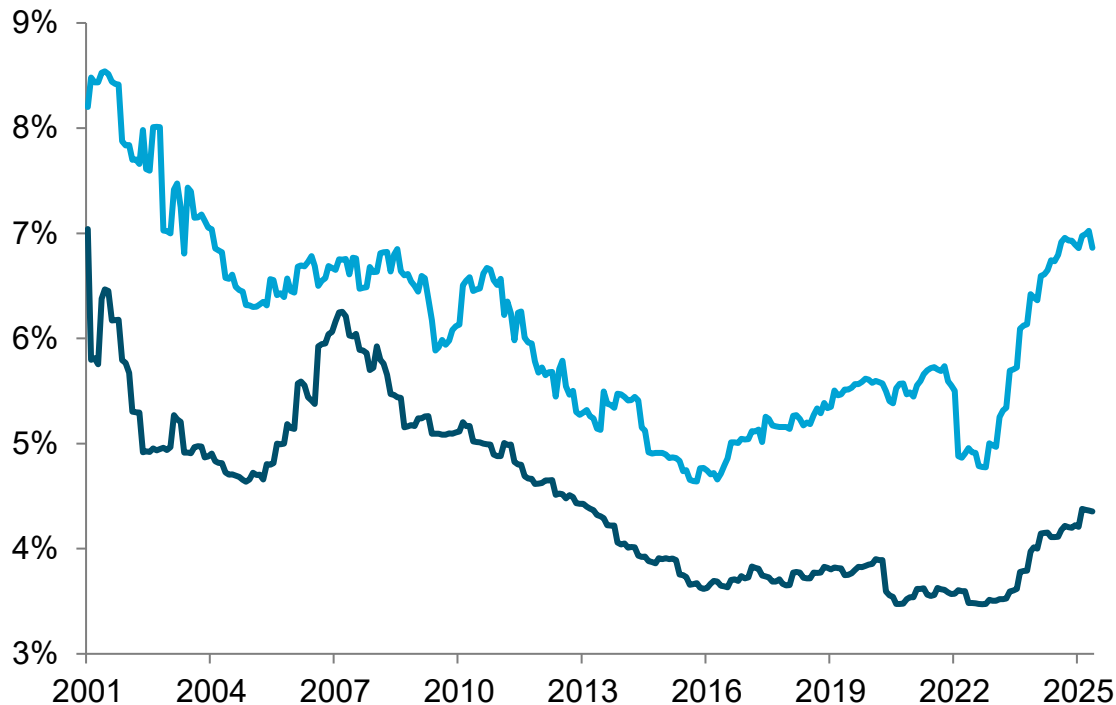
Cyclical and medium-term backdrop supports quality factor

Over the medium term, a higher cost of capital backdrop favors companies with higher-quality earnings and balance sheets. Smaller companies tend to have shorter-term liabilities and have needed to refinance debt at higher rates in recent years, driving up interest expense more than larger companies. 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 Expense

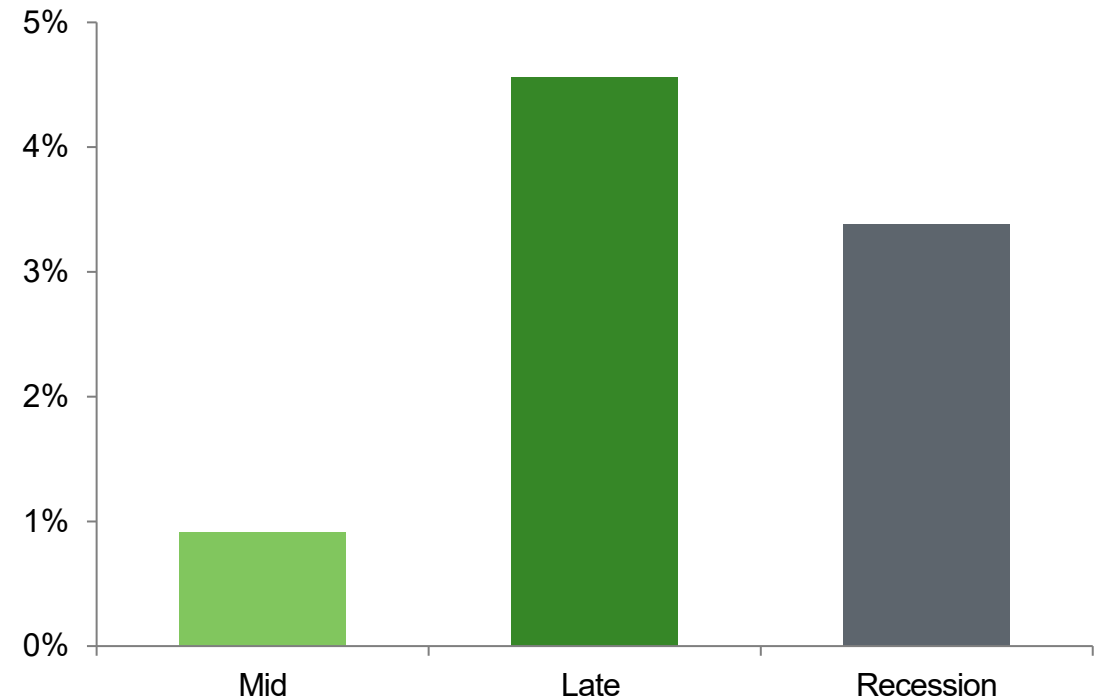
— S&P 500 — Russell 2000

Net Interest Expense/Total Debt



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

Annualized Average Return



Medium term = 1 to 10 years. **LEFT:** Large cap measured by S&P 500 and small cap measured by Russell 2000. Source: Factset, Macrobond, Fidelity Investments (AART) as of 5/31/25. **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 6/30/25.

Business cycle approach to equity sectors

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

Business Cycle Approach to Sectors

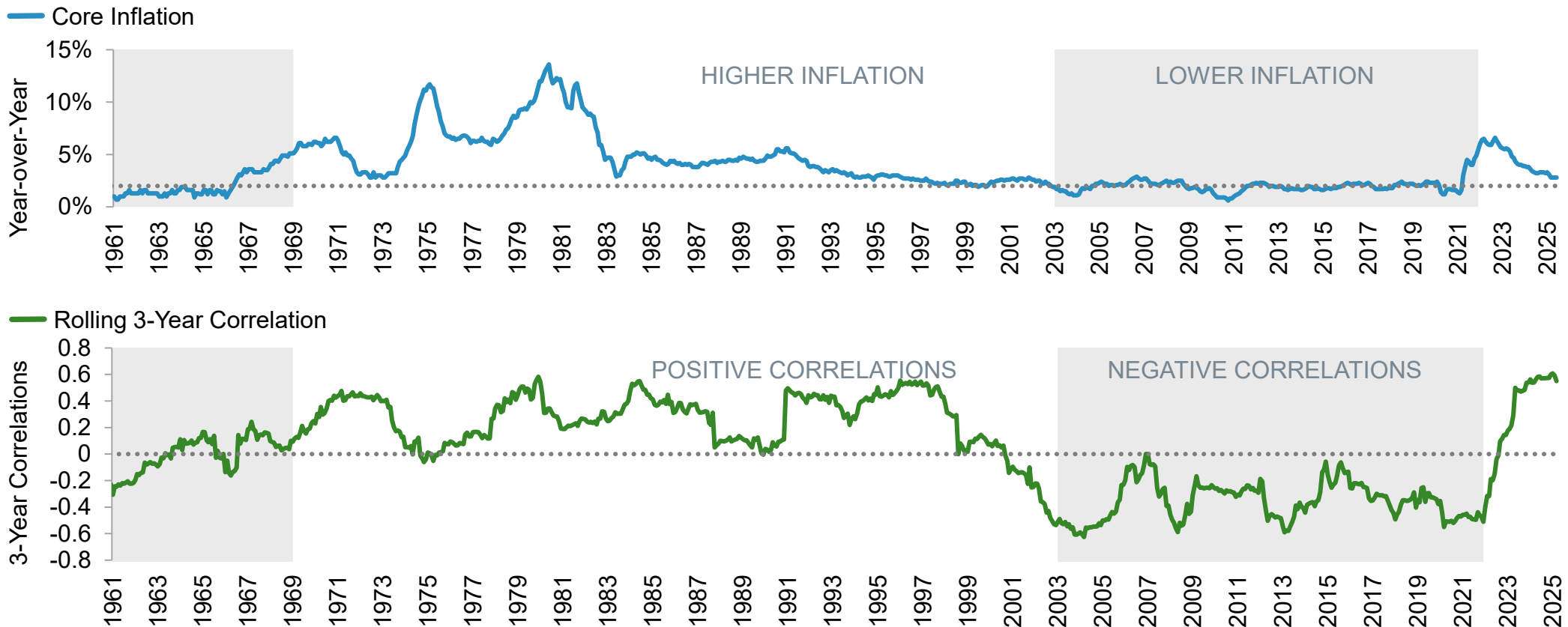
Sector	EARLY CYCLE—Rebounds	MID CYCLE—Peaks	LATE CYCLE—Moderates	RECESSION—Contracts
Financials	+			-
Real Estate	++	-	+	--
Consumer Discretionary	++		--	
Information Technology	+	+	-	--
Industrials	++			--
Materials	+	--		-
Consumer Staples	--	-	+	++
Health Care	--			++
Energy	--		++	--
Communication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

Past performance is no guarantee of future results. Sectors as defined by GICS. White line is a theoretical representation of the business cycle as it moves through early, mid, late, and recession phases. Green- and red-shaded portions above represent over- or underperformance, respectively, relative to the broader market; unshaded (white) portions suggest no clear pattern of over- or underperformance. Double +/- signs indicate that the sector is showing a consistent signal across all three metrics: full-phase average performance, median monthly difference, and cycle hit rate. A single +/- indicates a mixed or less consistent signal. Return data from 1962 to 2021. Source: Fidelity Investments (AART), as of 6/30/25.

High inflation has driven 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



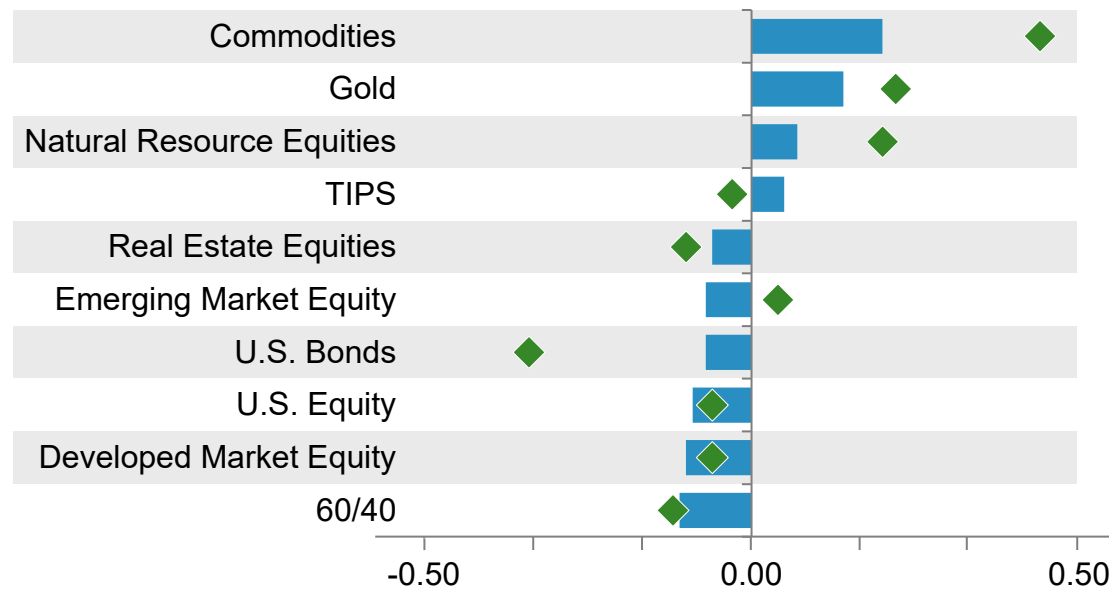
Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against a loss. Fidelity Investments proprietary analysis of historical asset class performance is not indicative of future performance. Stocks measured by the Dow Jones U.S. Total Stock Market Index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

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.

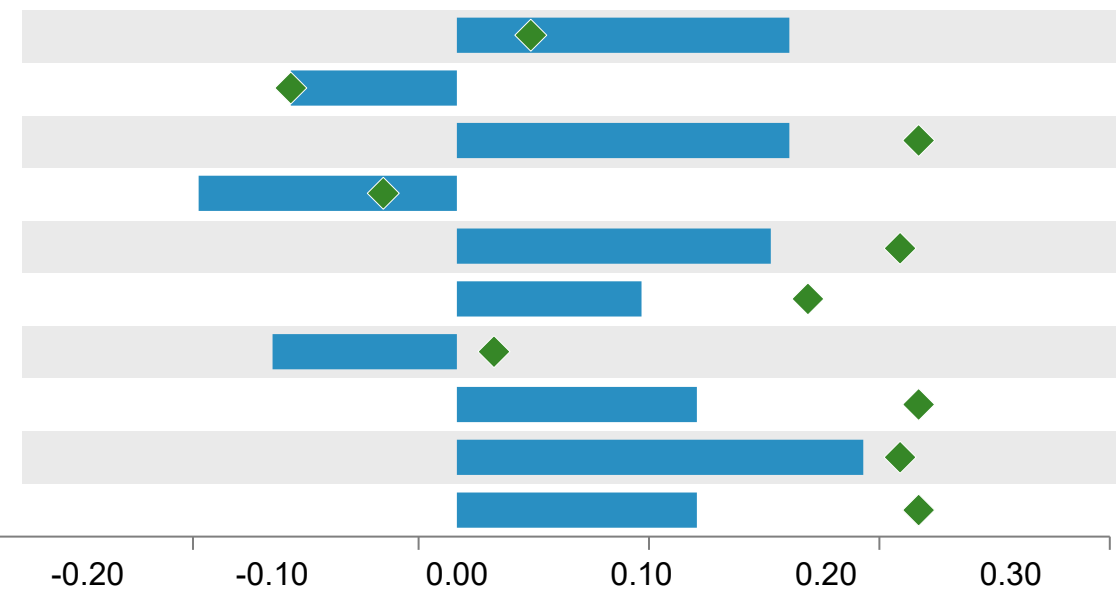
Return Correlation to U.S. Inflation (1970–2024)

■ Level of Inflation ◆ Change in Inflation



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

■ Level of Growth ◆ Change in Growth



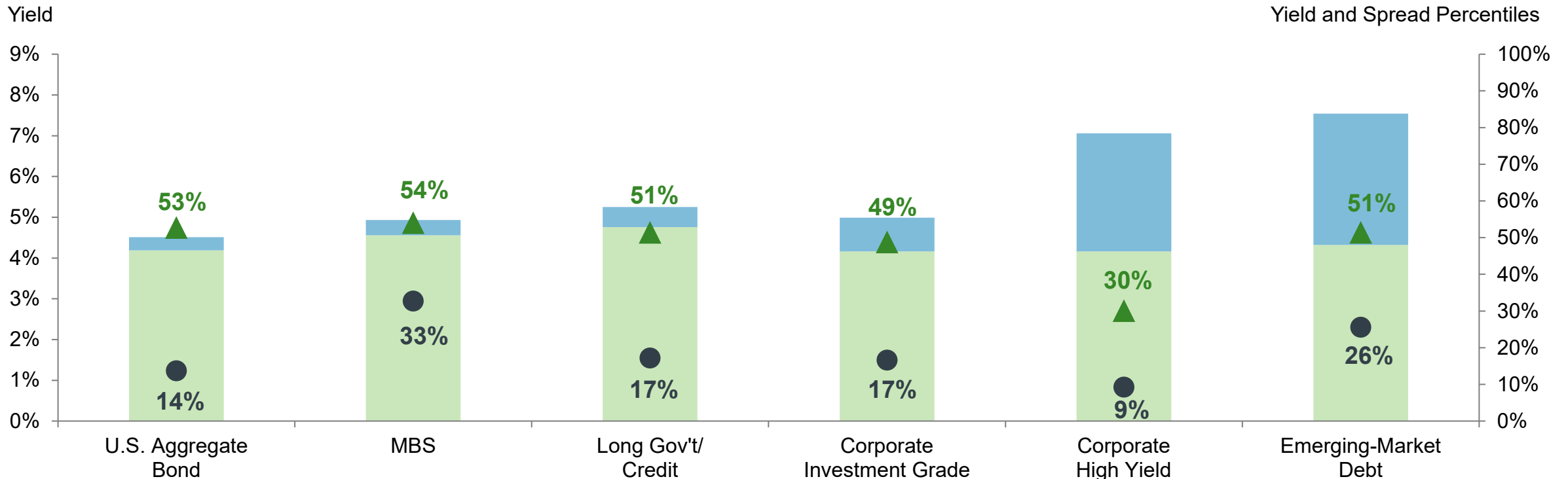
Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against loss. Indexes: U.S. Equity—S&P 500 Total Return; Developed Market Equity—MSCI EAFE Total Return; Emerging Market Equity—MSCI EM Total Return; Natural Resource Equities—S&P North America Natural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

Credit spreads tightened, yields stable

After widening during Q1 and immediately after the early Q2 tariff hike announcements, credit spreads abruptly reversed course and tightened significantly across most fixed income categories. High yield spreads tightened the most during the quarter, falling to the lowest decile of their historical range. Overall, fixed income yields ended Q2 around their 50th percentile, suggesting bond valuations are roughly in line with long-term averages and provide solid income within a balanced portfolio.

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 6/30/25.



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	Potential 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

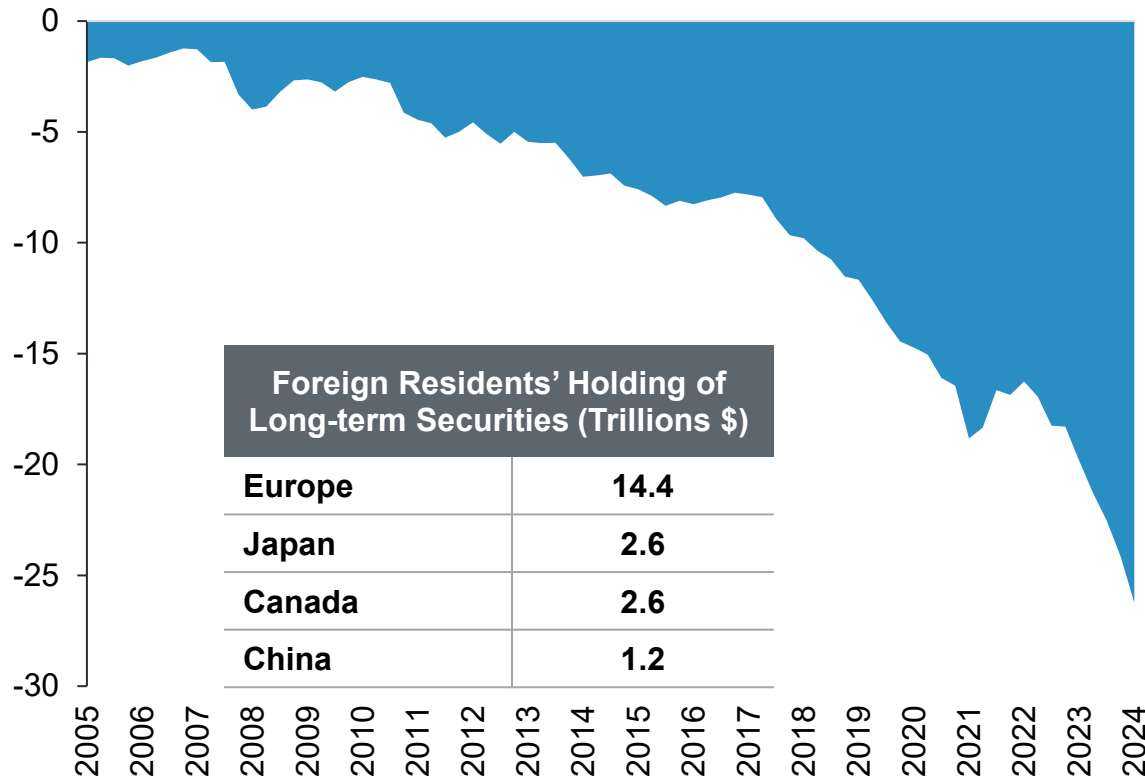


Peak “U.S. exceptionalism”?

U.S. financial markets benefited from significant foreign capital inflows in recent years, resulting in premium asset valuations, a strong dollar, and a record-high international investment deficit of more than \$25 trillion. Traditional U.S. allies—such as Europe, Japan, and Canada—account for a large proportion of the foreign-owned U.S. stocks and bonds. A variety of structural attributes developed over the past century underpin the perception of “U.S. exceptionalism”, and it’s possible this investor narrative has reached a peak.

U.S. International Investment Position

Trillions, USD



Examples of the Underpinnings of U.S. Exceptionalism

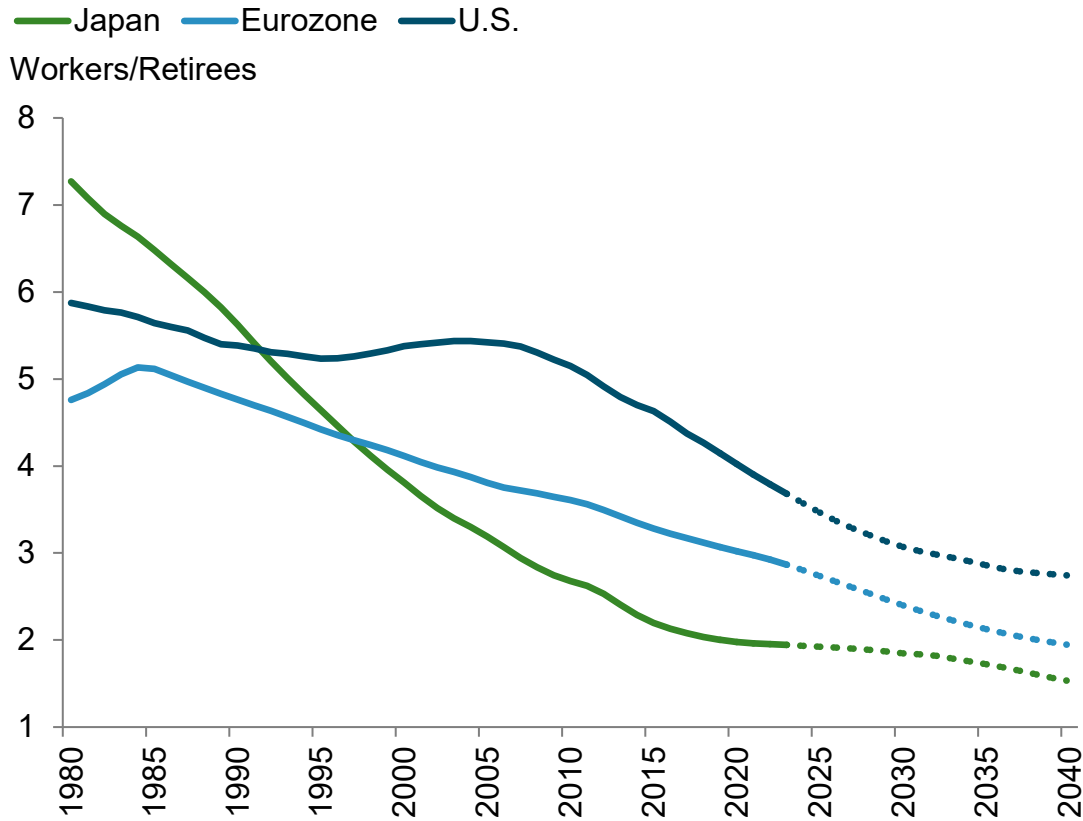
Capital market manifestations	<ul style="list-style-type: none"> • Premium asset valuations • Risk-free asset, lower rates • Foreign capital inflows
Structural attributes	<p>Economic/financial</p> <ul style="list-style-type: none"> • Global reserve currency & asset (UST) • Deepest capital markets • Higher productivity growth & corporate ROE • Innovation/tech & science leadership <p>Foundational</p> <ul style="list-style-type: none"> • Rule of law & societal trust • High-quality institutions • Deep network of global alliances & soft power
Great power foundations	<ul style="list-style-type: none"> • Largest, wealthiest global consumer • Military power • Resource endowments & geography

LEFT: Chart: Source: Macrobond, Fidelity Investments (AART), net international investment position International Monetary Fund as of 12/31/24. Table: Federal Reserve as of 3/31/25. RIGHT: Fidelity Investments (AART) as of 6/30/25.

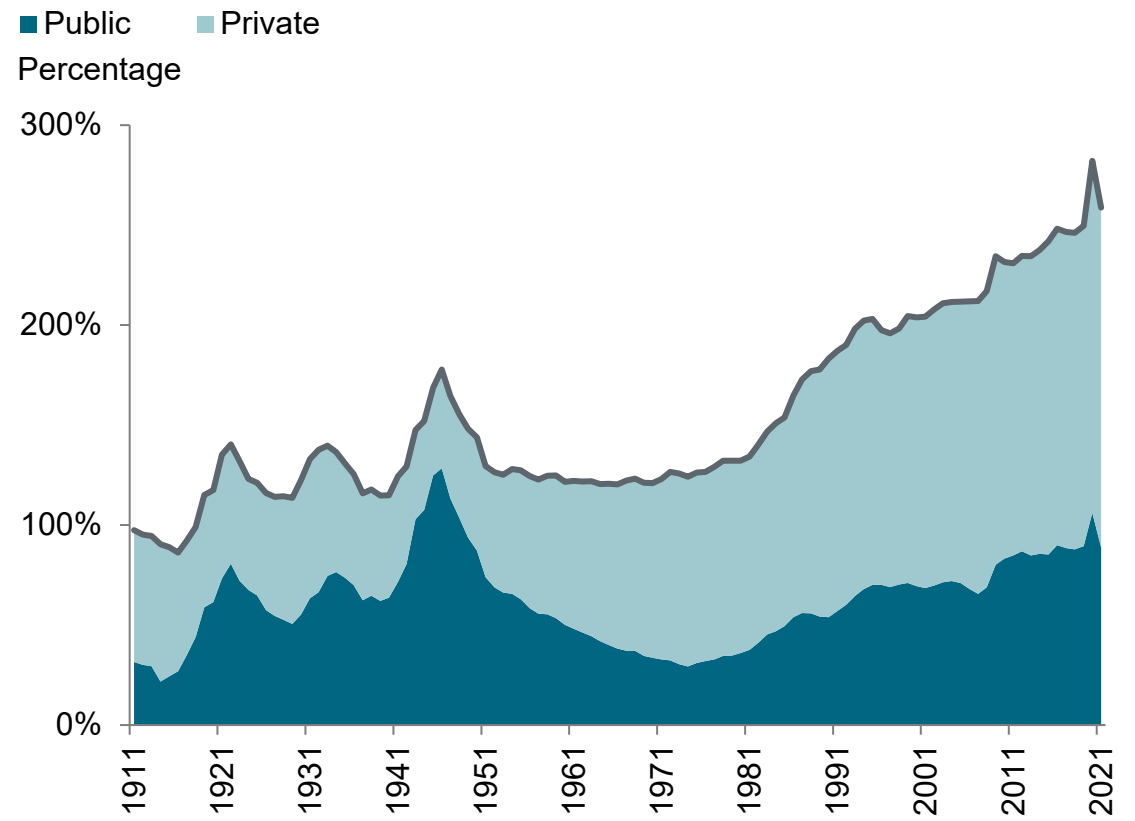
Unprecedented debt levels amid aging demographics

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

Demographic Support Ratio



Global Debt as a Share of GDP



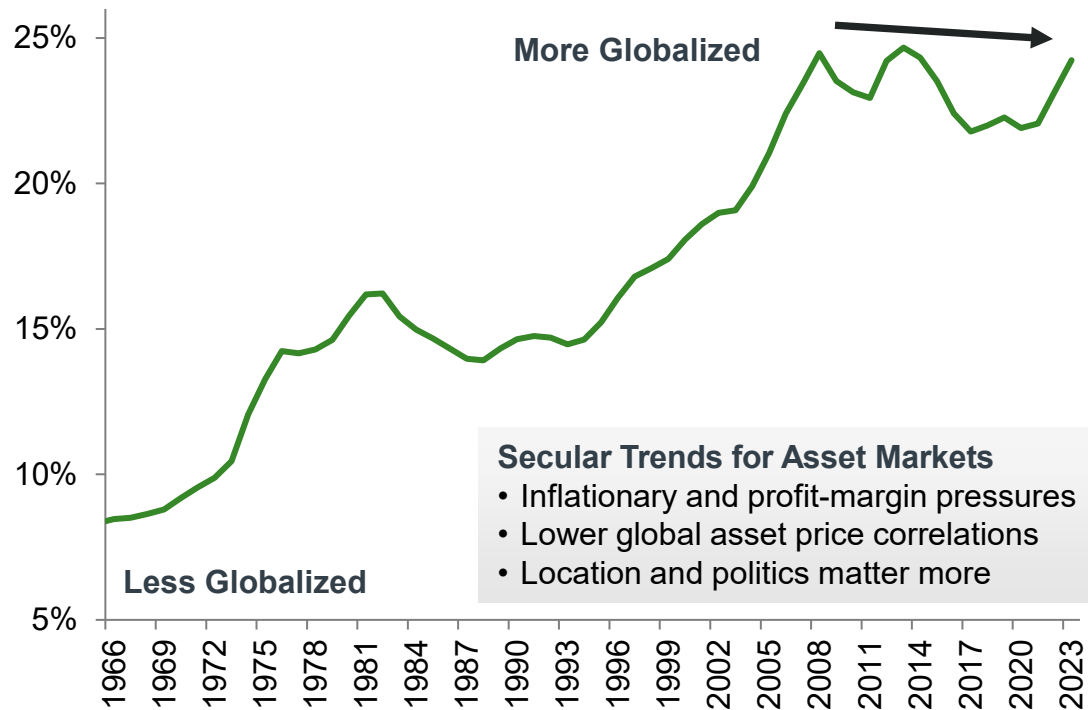
LEFT: The demographic support ratio is calculated as the number of workers (15–64 years old)/number of retirees (65 and older). Dotted line represents a projection. Source: United Nations, Haver Analytics, Fidelity Investments (AART), as of 7/31/22. **RIGHT:** Source: Bank of International Settlements, International Monetary Fund, Maddison Project, Fidelity Investments (AART), and the Jordà-Schularick-Taylor Macrohistory Database, compiled by Oscar Jordà, Moritz Schularick, and Alan M. Taylor, as of 12/31/21.

Unstable multipolar geopolitics at the heart of peak globalization

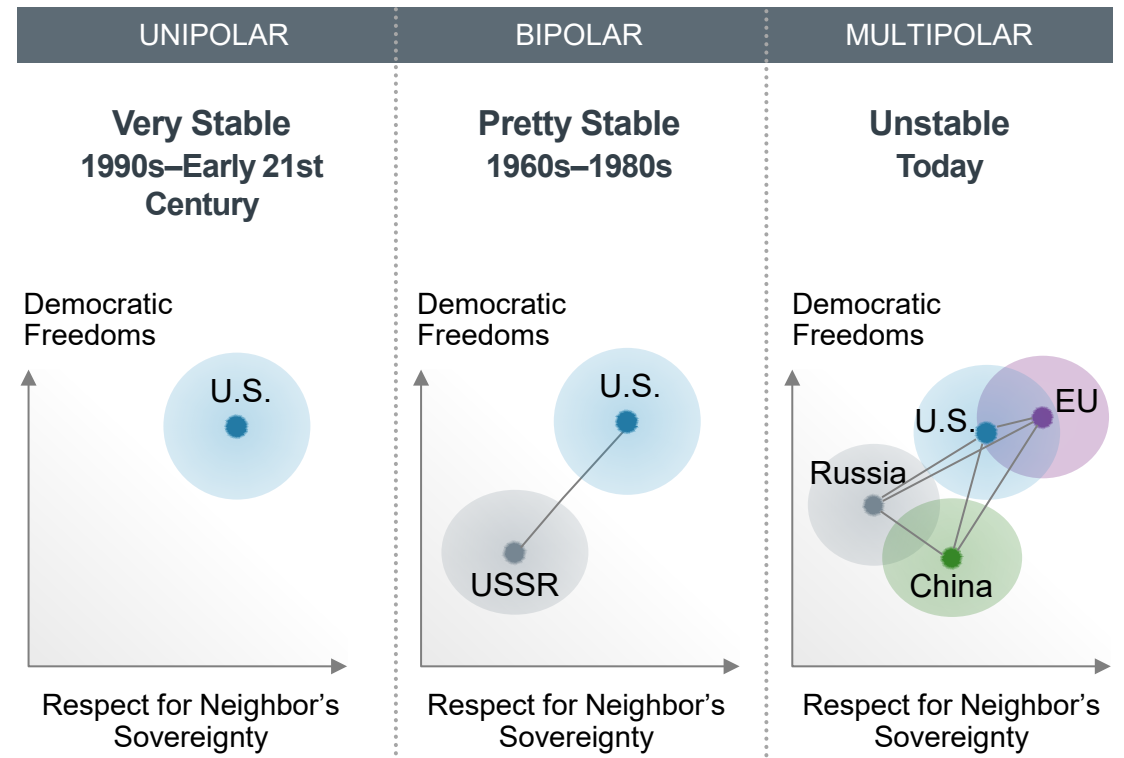
The stable, unipolar backdrop under U.S. dominance fostered rapid global integration, but economic openness has stalled in recent years. At the heart of “peak globalization” is a secular environment of higher geopolitical risk. The shift to today’s multipolar environment implies more great-power competition,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

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 12/31/23. **RIGHT:** Source: Fidelity Investments (AART), as of 3/31/25.

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 ended the quarter at their highest levels over the past three decades.

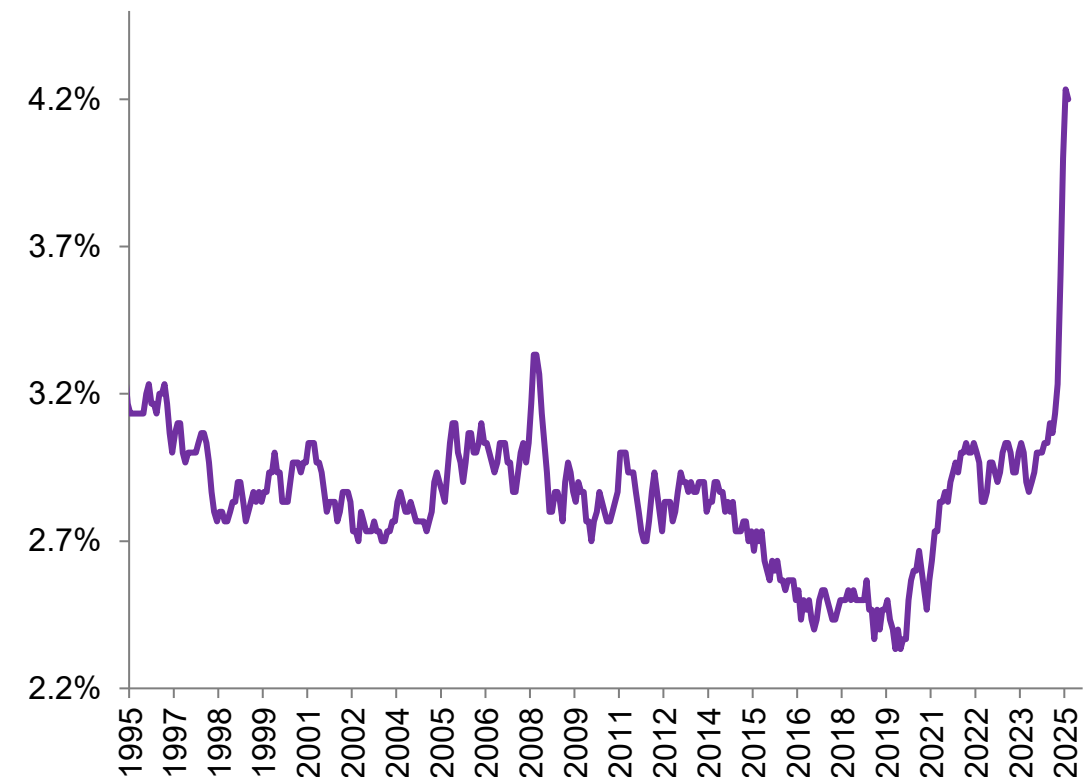
Possible Secular Impact on Inflation

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:	
	<ul style="list-style-type: none"> • 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

3-Month Average



LEFT: Diversification does not ensure a profit or guarantee against a loss. Source: Fidelity Investments (AART), as of 3/31/25. RIGHT: Expected inflation rate is for the next 5 to 10 years based on the University of Michigan Survey of Consumers. Source: University of Michigan, Macrobond, Fidelity Investments (AART), as of 6/30/25.

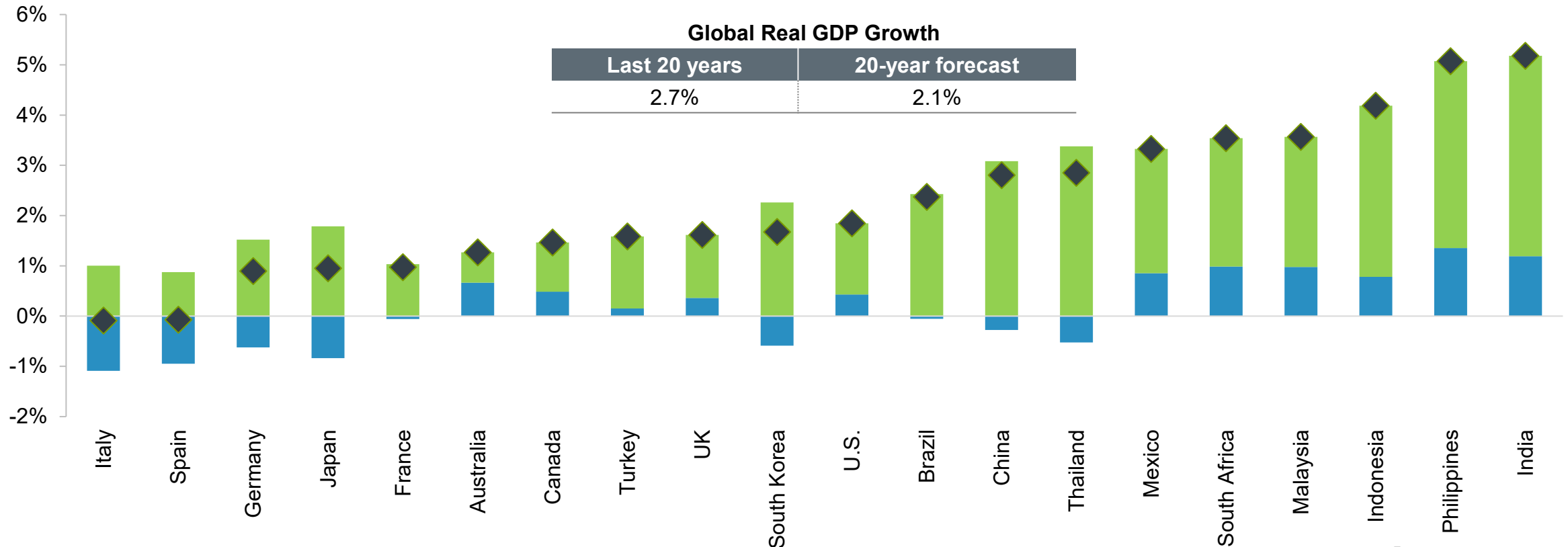
Secular forecast: Slower global growth, EM to lead

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.

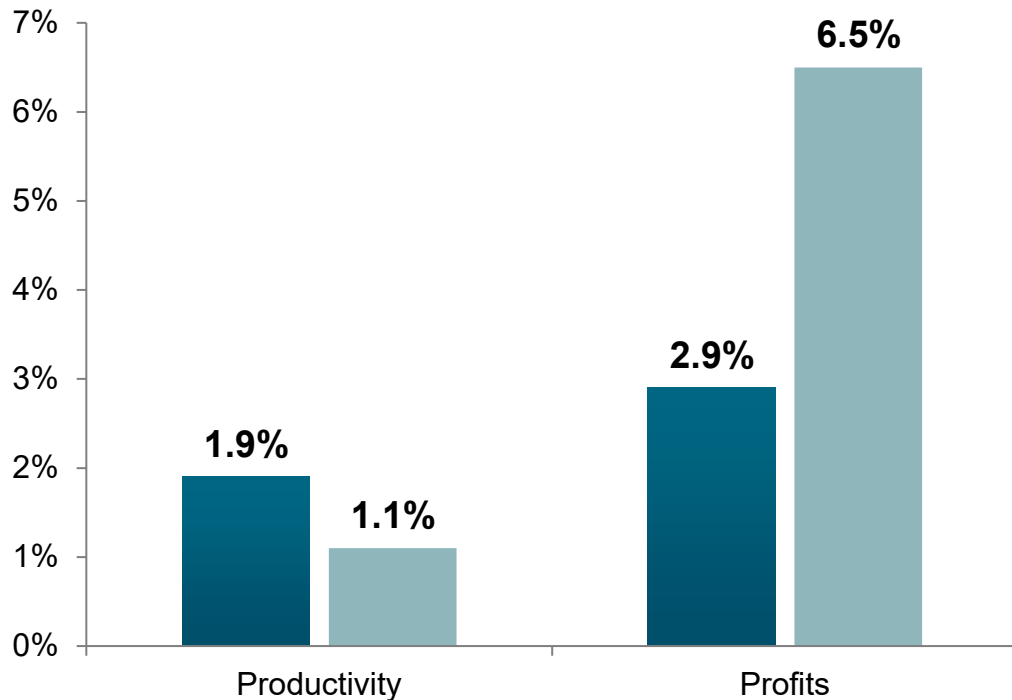
Change in corporate behavior on the horizon?

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

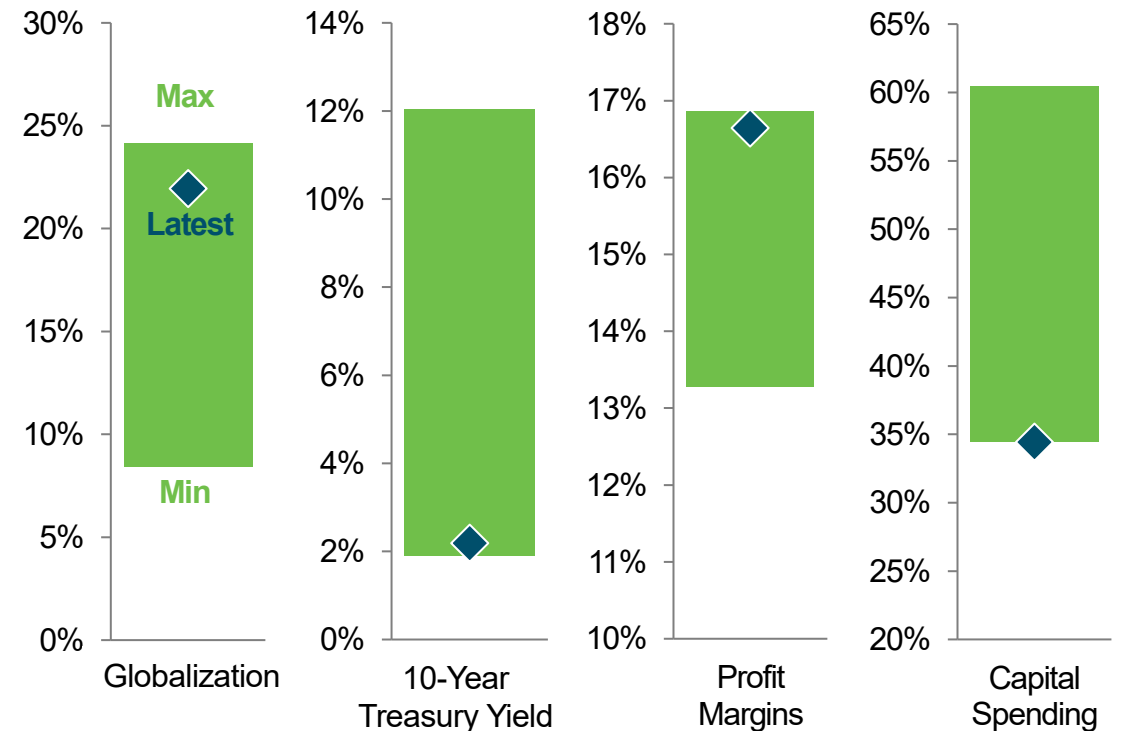
■ Historical Average (1950–2021) ■ Last Decade (2012–2021)

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

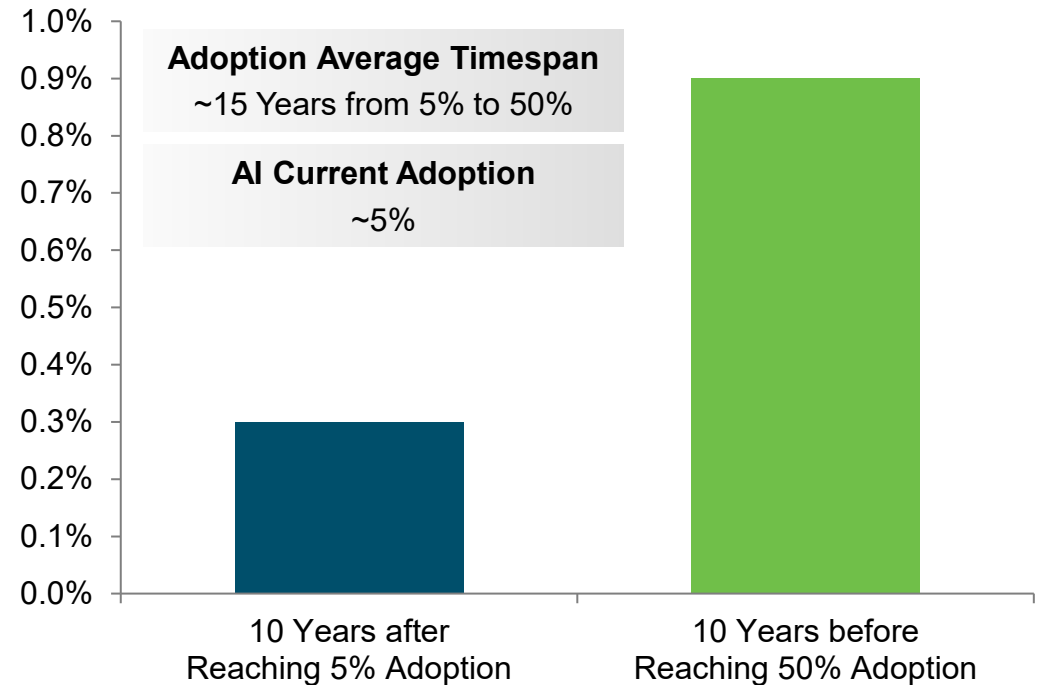
Several potential catalysts could boost productivity over the next decade, including rising investments to reshore manufacturing, mitigate climate change, and build out AI capabilities. AI may prove to be a transformational technology that boosts economy-wide productivity, but past technologies, such as electricity, often took more than a decade to significantly raise productivity rates. 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

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

Additional productivity



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:** 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.

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

2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD	Legend
35%	40%	5%	79%	28%	8%	20%	39%	28%	5%	21%	38%	0%	36%	38%	43%	16%	41%	32%	19%	Foreign-Developed Country Stocks
33%	16%	-20%	58%	27%	8%	19%	34%	14%	3%	18%	30%	-2%	31%	20%	29%	-8%	26%	25%	15%	Emerging-Market Stocks
27%	12%	-26%	37%	19%	4%	18%	33%	13%	1%	18%	26%	-2%	26%	18%	27%	-11%	18%	16%	6%	Large Cap Stocks
22%	11%	-34%	32%	18%	4%	18%	32%	12%	1%	12%	22%	-3%	26%	18%	26%	-13%	18%	14%	6%	Growth Stocks
18%	7%	-36%	28%	17%	2%	16%	23%	11%	1%	12%	15%	-4%	26%	14%	25%	-14%	17%	12%	6%	Value Stocks
16%	6%	-36%	27%	16%	2%	16%	19%	6%	0%	11%	15%	-4%	22%	8%	17%	-16%	14%	9%	6%	Commodities
12%	5%	-37%	26%	15%	0%	16%	7%	5%	-4%	9%	13%	-9%	22%	8%	15%	-18%	13%	8%	5%	60% Large Cap 40% IG Bonds
11%	2%	-38%	20%	15%	-4%	15%	3%	3%	-4%	8%	9%	-11%	18%	6%	11%	-20%	12%	8%	5%	High-Yield Bonds
9%	-1%	-38%	19%	12%	-12%	11%	-2%	-2%	-5%	7%	8%	-11%	14%	3%	5%	-20%	10%	5%	4%	Investment-Grade Bonds
4%	-2%	-43%	18%	8%	-13%	4%	-2%	-4%	-15%	3%	4%	-11%	9%	-3%	-2%	-24%	6%	4%	0%	REITs
2%	-16%	-53%	6%	7%	-18%	-1%	-10%	-17%	-25%	2%	1%	-14%	8%	-8%	-3%	-29%	-8%	1%	-2%	Small Cap Stocks

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 6/30/25.



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 6/30/25, 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 24 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 indexSM 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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