

Quarterly Market Update

Commentary First Quarter 2026

Primary Contributors

Dirk Hofschire, CFA
Director of Asset Allocation
Research

Jake Weinstein, CFA
Senior Vice President
Asset Allocation Research

Hope Allard
Research Analyst
Asset Allocation Research

Justine Jonathan
Research Associate
Asset Allocation Research

Matt Glazier
Research Analyst
Asset Allocation Research



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

Markets gained amid Fed easing and corporate momentum

Global equities rallied amid a constructive expansionary backdrop and strong corporate fundamentals. The U.S. Federal Reserve once again cut rates amid signs of softer employment conditions, and the U.S. fiscal package provides an additional tailwind for corporate earnings growth. The near-term outlook appears favorable for continued economic and business expansion, but policy uncertainty, inflation persistence, and elevated asset valuations warrant continued emphasis on portfolio diversification.

	Macro	Asset markets
Q4 2025	<ul style="list-style-type: none"> • The global economic expansion continued. 	<ul style="list-style-type: none"> • Stocks and precious metals rallied.
Outlook	<ul style="list-style-type: none"> • The global and U.S. business cycles remain constructive, with U.S. monetary and fiscal easing likely to continue in 2026. • U.S. trends include strong corporate fundamentals and earnings momentum, softening labor markets, and wealth-powered high-end consumption. • Capex is experiencing a powerful AI upswing, although signs of broadening activity remain faint. • Inflation remains persistent and the risks may be under-appreciated. 	<ul style="list-style-type: none"> • Elevated risky-asset valuations—particularly for U.S. stocks tied to AI—may not be a near-term impediment, but they provide little cushion amid a medium-term backdrop of policy, economic, and geopolitical risks. • Prospects for continued dollar weakening increase the attractiveness of diversification in non-U.S. assets. • Diversification in fixed income and inflation-resistant assets remains attractive to hedge risks.

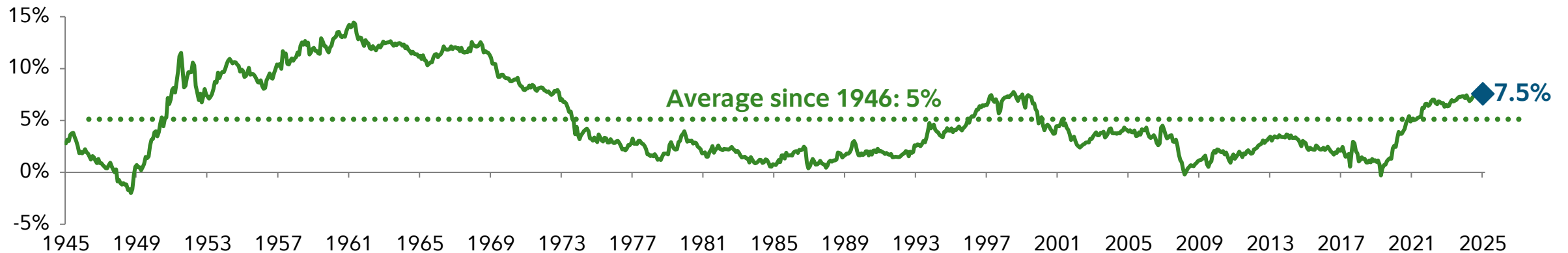
Non-U.S. equities spearheaded a broad-based asset rally

Financial markets finished a strong performance year on an up note as almost all asset categories rose during Q4. Non-U.S. equity markets, including emerging-market and developed countries, spearheaded the rally in global equity prices for both the quarter and year. Gold and precious-metal prices surged to all-time highs, boosted by a weaker dollar and rising medium-term policy and geopolitical risk. Credit-sensitive categories, such as emerging-market and high-yield corporate bonds, led widespread gains across major fixed income sectors.

	Q4 2025	2025		Q4 2025	2025
Gold	11.9%	64.6%	Emerging-Market Bonds	3.3%	14.3%
Emerging-Market Stocks	4.7%	33.6%	U.S. Small Cap Stocks	2.2%	12.8%
Non-U.S. Developed-Country Stocks	4.9%	31.2%	High Yield Bonds	1.3%	8.5%
U.S. Growth	1.1%	18.2%	U.S. Corporate Bonds	0.9%	7.8%
U.S. Large Cap Stocks	2.7%	17.9%	Investment-Grade Bonds	1.1%	7.3%
Commodities	5.8%	15.8%	Long Government & Credit Bonds	0.0%	6.6%
U.S. Value	3.8%	15.7%	Real Estate Stocks	-1.6%	2.9%

20-year U.S. stock returns minus IG bond returns since 1946

Annualized return difference



Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. IG: Investment grade. Assets represented by: U.S. Growth Stocks—Russell 3000 Growth Index; Non-U.S. Developed-Country Stocks—MSCI EAFE Index; Gold—Gold Bullion, LBMA PM Fix; U.S. Large Cap Stocks—S&P 500®; Long Government & Credit Bonds—Bloomberg Long Government & Credit Index; Emerging-Market Stocks—MSCI EM Index; High-Yield Bonds—ICE BofA High Yield Bond Index; U.S. Corporate Bonds—Bloomberg U.S. Credit Index; Investment-Grade Bonds—Bloomberg U.S. Aggregate Bond Index; U.S. Small Cap Stocks—Russell 2000® Index; Real Estate Stocks—FTSE NAREIT Equity Index; Emerging-Market Bonds—JP Morgan EMBI Global Diversified Composite Index; U.S. Value Stocks—Russell 3000® Value Index; Commodities—Bloomberg Commodity Index. Source: Bloomberg Finance L.P., Fidelity Investments Asset Allocation Research Team (AART), as of 12/31/25.

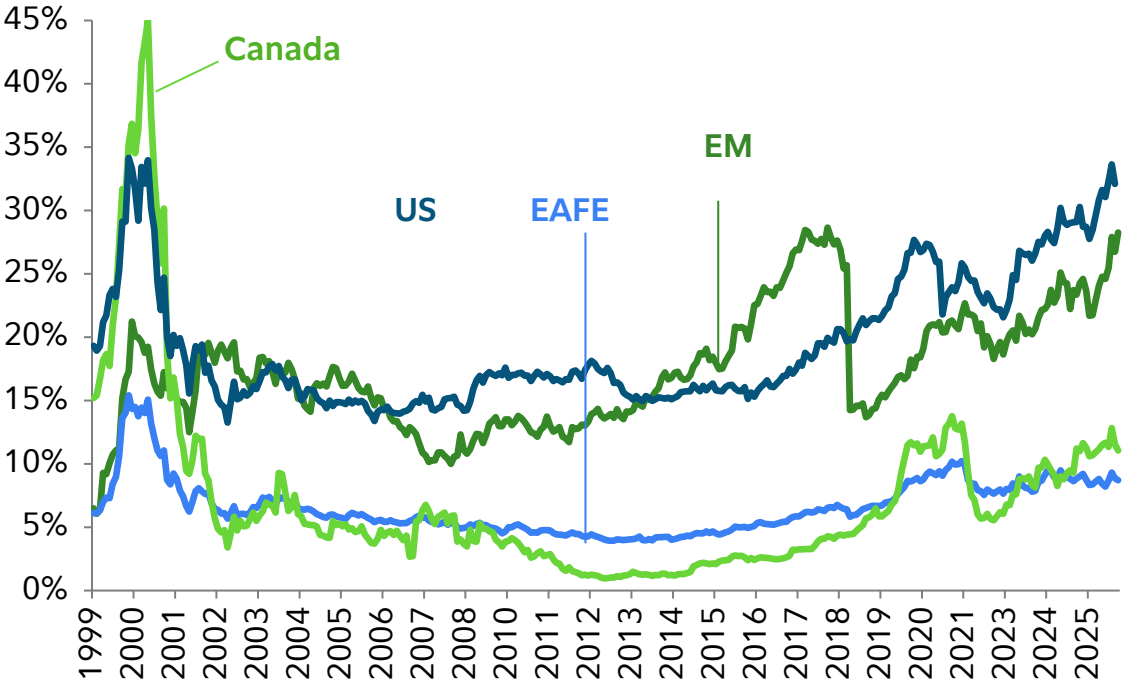
Mega-cap, tech concentration rose as earnings drove 2025 gains

Stock prices of the seven largest U.S. companies by market capitalization—concentrated in the technology and communications sectors—led the broader stock market for the third year in a row, but the degree of outperformance waned from the previous years. Higher earnings drove most of the market’s return. The historically high equity valuations and the market concentration may call for increased diversification, especially in less tech-heavy foreign markets.

Equity market IT concentration

Information Technology sector as % of equity market

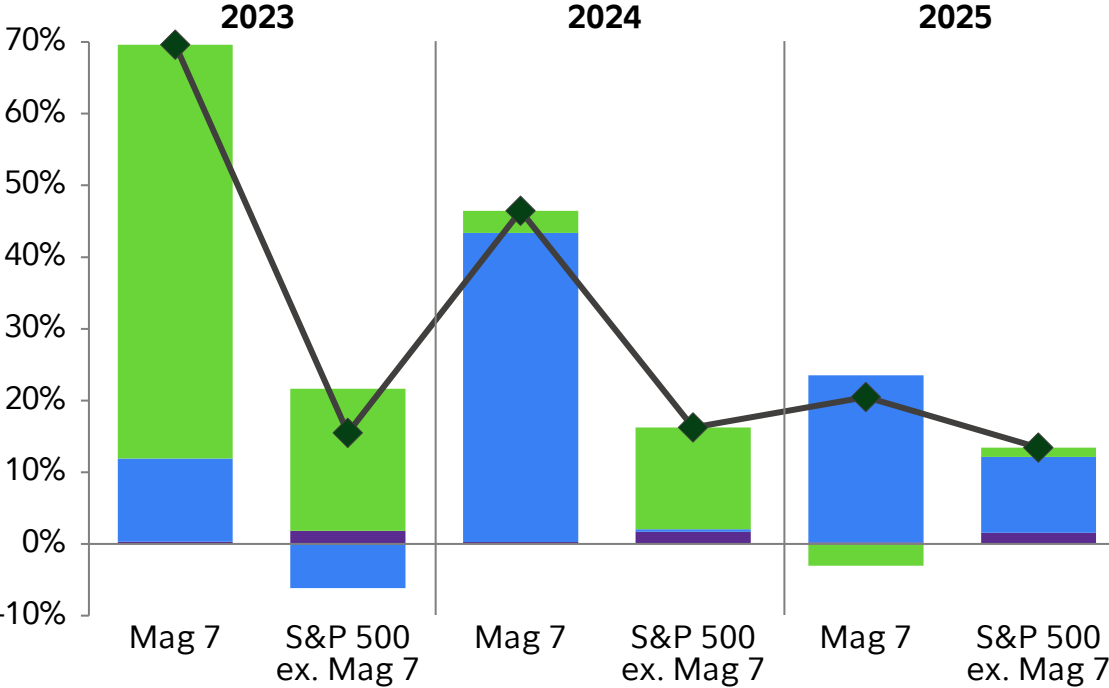
— EM — EAFE — Canada — US



Return composition of S&P 500

■ Dividends ■ EPS ■ P/E ◆ Total Return

Annualized return



5 LEFT: Information Technology sector market cap weights by region. Source: MSCI, Bloomberg, Haver Analytics, Macrobond as of 11/30/25. RIGHT: Magnificent 7 includes Apple, Amazon, Google, Meta, Nvidia, Microsoft, Tesla. Earnings estimates from the Street for Q4 2025. Source: FactSet, Fidelity Investments (AART), as of 12/31/25.

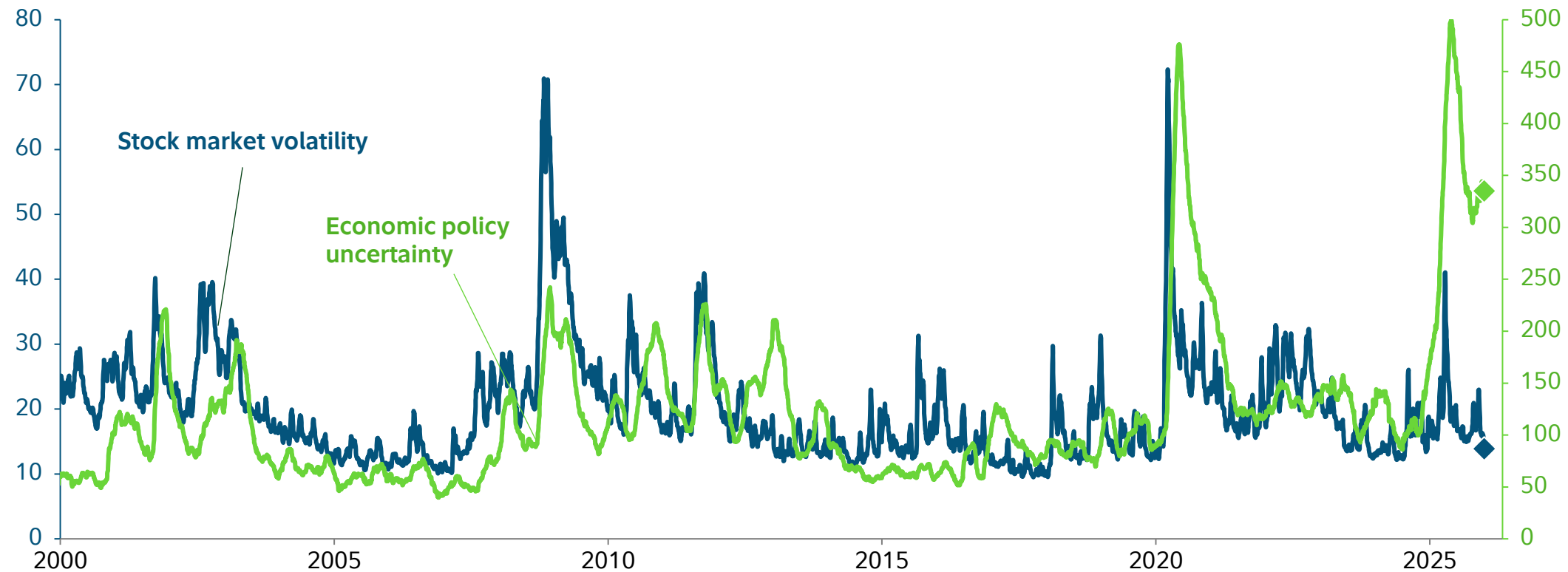
Volatility dropped, even as policy uncertainty remained elevated

Historically, high policy uncertainty has tended to coincide with elevated market volatility. Economic policy uncertainty dropped in the second half of 2025 after hitting a record high at the beginning of Q2, but it has remained extremely elevated and stands in sharp contrast to stock-market volatility that declined back to an average level. The unusually large gap between these two metrics may suggest some investor complacency about the outlook despite the lack of resolution in several key policy areas.

Stock market volatility and policy uncertainty

Cboe Volatility Index (VIX Index), 1-week moving average

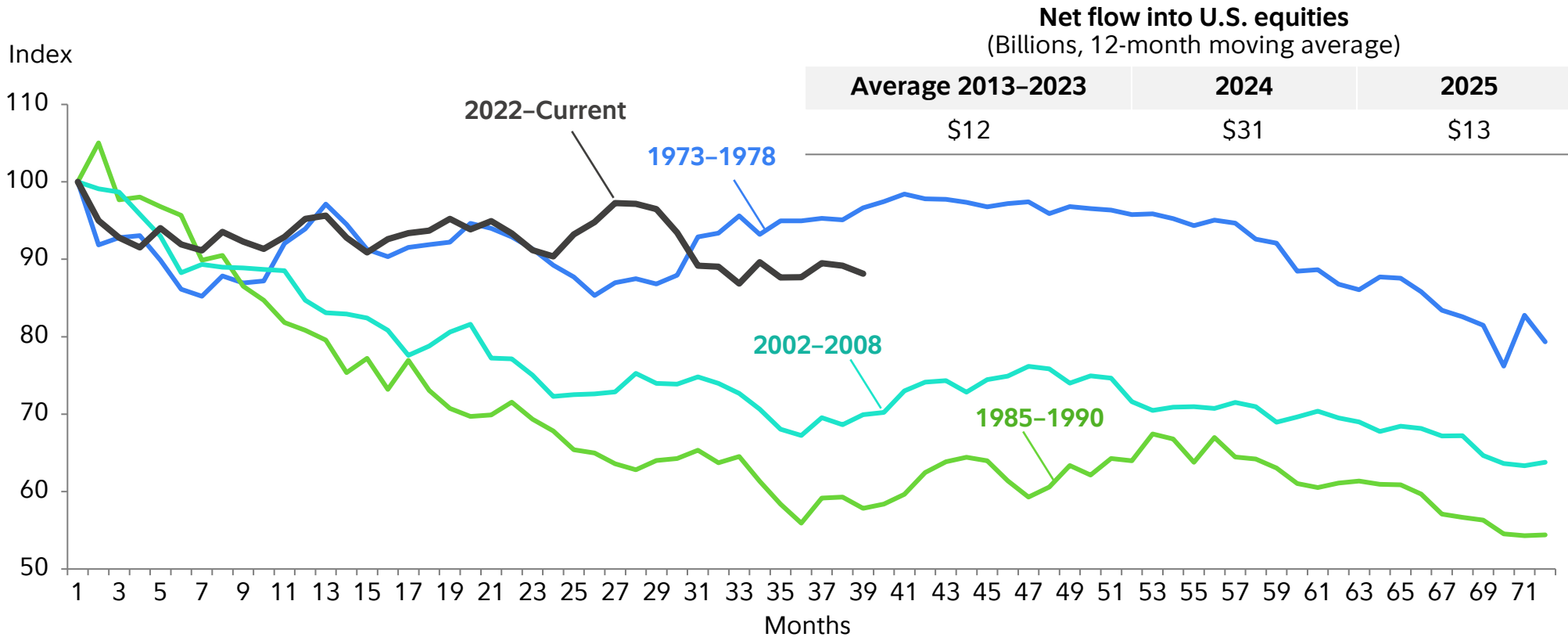
EPU Index, 8-week moving average



Dollar's 2025 decline may signal a bearish cycle

The U.S. dollar dropped roughly 10% against major currencies during 2025, its worst calendar year since 2017. Foreign investor enthusiasm for U.S. assets, via massive capital inflows that serviced large U.S. trade deficits over the past decade, may have reached a peak. Currency price movements sometimes occur in multiyear cycles, with the most recent dollar bear markets in the 1980s and early 2000s also beginning with extremely high valuations.

U.S. dollar bear cycles

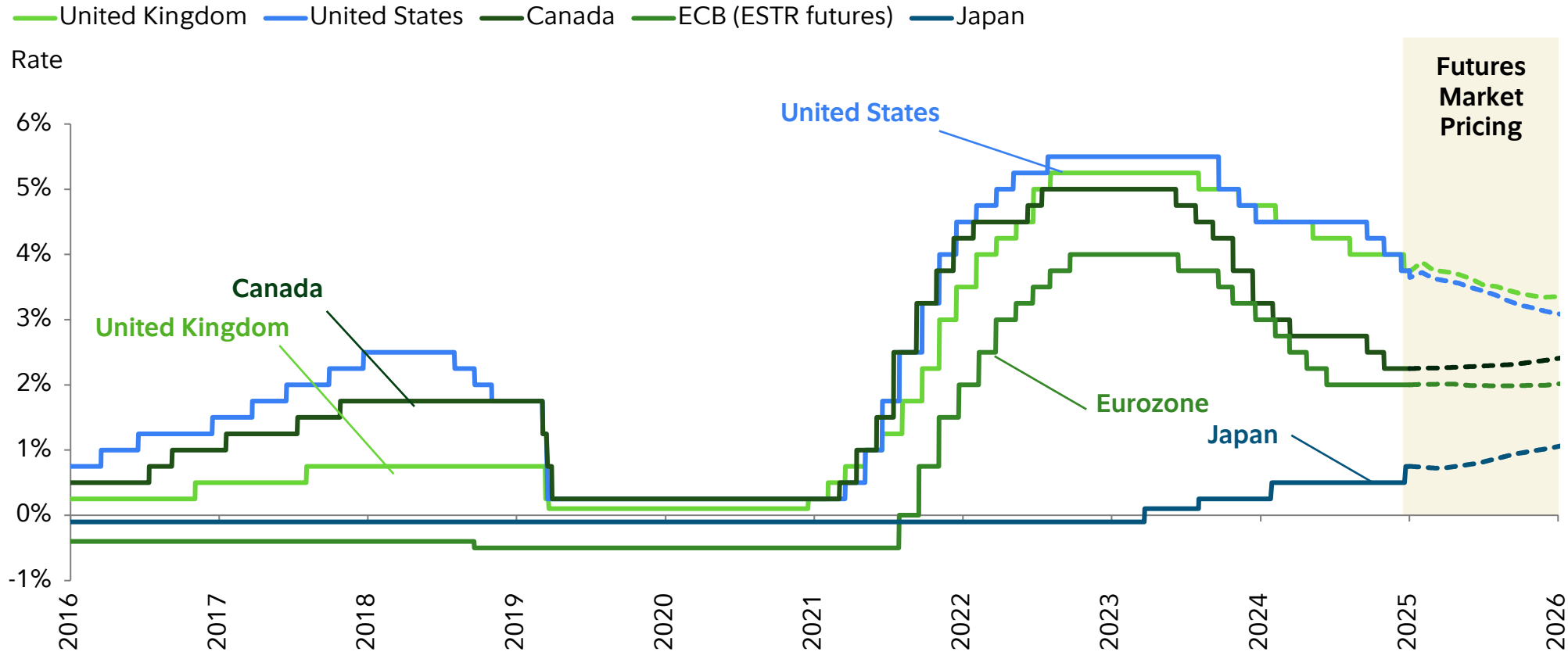


U.S. dollar is represented by the U.S. Dollar Index (DXY). 100 = first month of bear cycle. Source: Federal Reserve, Macrobond, Fidelity Investments (AART) as of 12/31/25. Source: Bloomberg, Fidelity Investments (AART) as of 11/30/25. TABLE: Data is on flows into mutual funds and ETFs. 2024 and 2025 data is from November of each year. Source: EPFR, Macrobond, Fidelity Investments (AART) as of 11/30/25.

Global monetary policy paths have been in sync, but could diverge

Developed market central banks were largely in sync over the past two years, easing monetary policy from restrictive levels as inflation fell from pandemic peaks. The Fed cut rates twice during Q4, but by December, central banks in the eurozone, U.K., and Canada were all on pause. Japan remained the outlier with another rate hike during Q4. For 2026, the market expects the divergence between the Fed's easing and the neutral or higher policy rates in most other countries to increase.

Global short-term policy rates



8 Chart illustrates central bank target rates, with dotted lines representing market rate expectations using futures contract pricing. Source: Federal Reserve, ECB, Bank of Japan, Bank of England, Bank of Canada, Macrobond, Fidelity Investments (AART), as of 12/31/25.

Treasury yields remained range bound

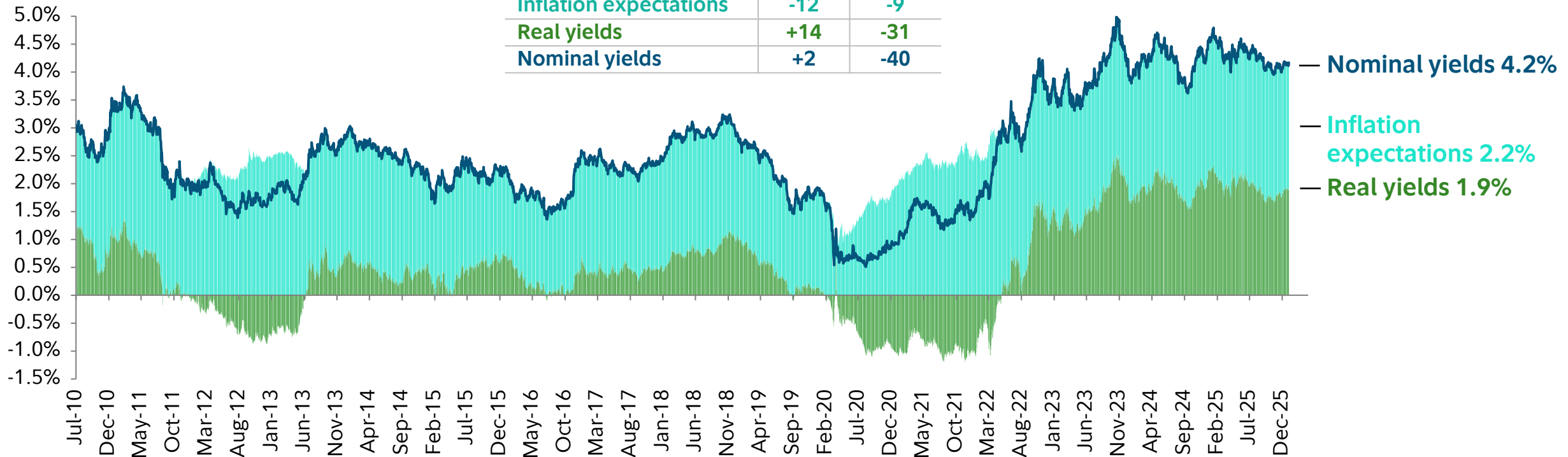
Nominal 10-year U.S. Treasury bond yields finished Q4 effectively unchanged at around 4.2%, completing a relatively rangebound year. A number of crosscurrents continued to influence yield movements, including softer labor-market data, Fed easing, sticky inflation, and medium-term fiscal challenges. While real yields—the inflation-adjusted cost of borrowing—rose slightly in Q4, they declined modestly in 2025, accounting for most of the tick lower in nominal yields. Real yields remain at the high end of their range over the past decade.

10-year U.S. government bond yields

Yield

Change in yields (basis points)

	Q4	2025
Inflation expectations	-12	-9
Real yields	+14	-31
Nominal yields	+2	-40



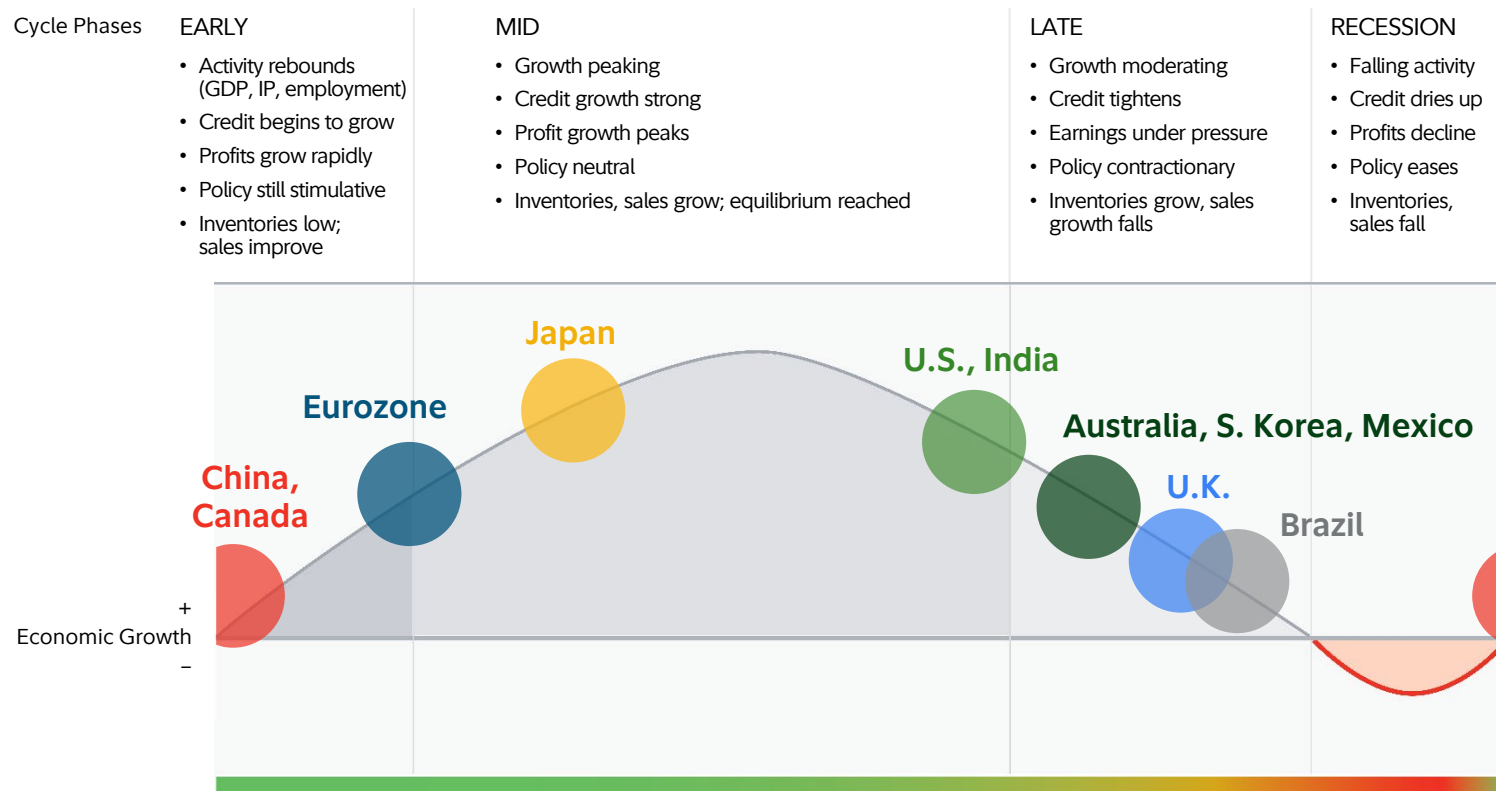
Nominal yields are U.S. Generic Govt 10-Year yields, inflation expectations are the U.S. Breakeven 10-Year rates. Inflation expectations and real yields may not sum to nominal yields due to rounding. TIPS: Treasury Inflation-Protected Securities.

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Global business cycle in an unsynchronized expansion

The global economy remains in a solid, albeit unsynchronized, expansion against a backdrop of policy crosscurrents. The U.S. demonstrated a mix of cycle dynamics, with solid mid-cycle activity amid some areas of continued weakness in housing and labor markets. While China displayed signs of slowing cyclical momentum, Europe and Canada exhibited early signs of strengthening, though further improvement may depend on progress in economic policy implementation.

Business cycle framework



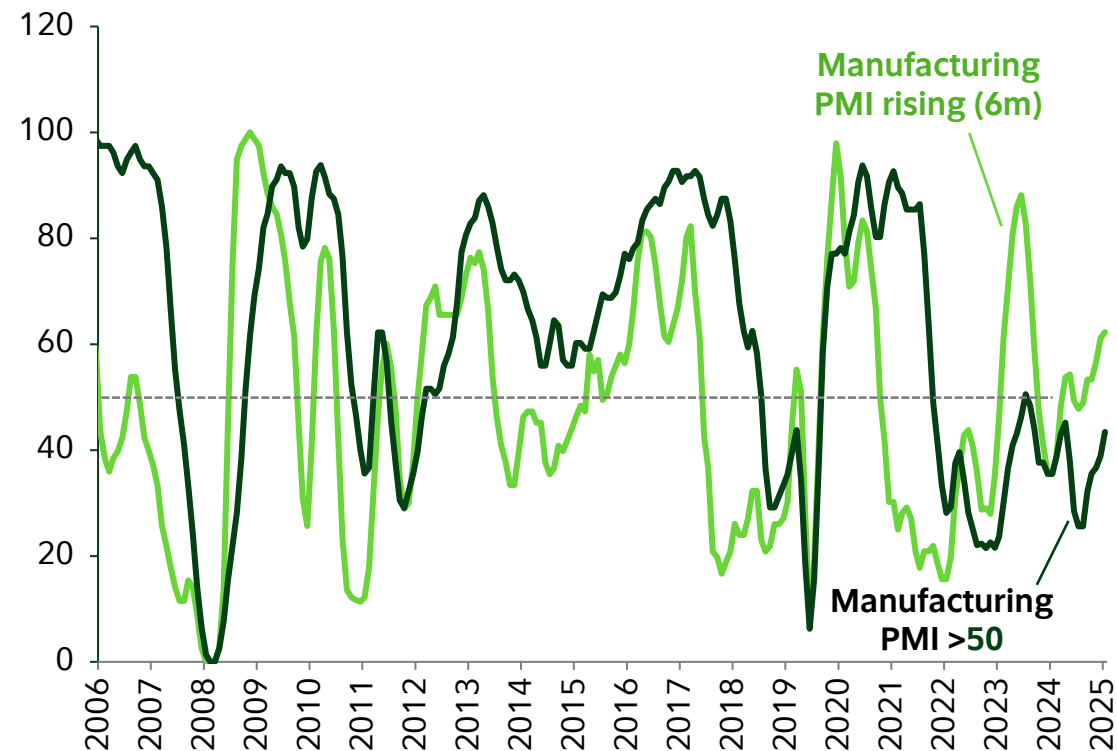
A growth recession is a significant decline in activity relative to a country's long-term economic potential. Note: The diagram above is a hypothetical illustration of the business cycle, the pattern of cyclical fluctuations in an economy over a few years that can influence asset returns over an intermediate-term 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 12/31/25.

International policies supporting global growth and markets

Outside of the U.S., the share of countries reporting improved manufacturing conditions rose, suggesting global industrial activity may be improving after a three-year soft patch. A number of countries have implemented various policies to support domestic growth, ranging from favorable fiscal initiatives in Europe to policy efforts to bolster consumption and the equity market in China. Fiscal policy is expected to remain supportive and turn even more stimulative in 2026 for several major economies.

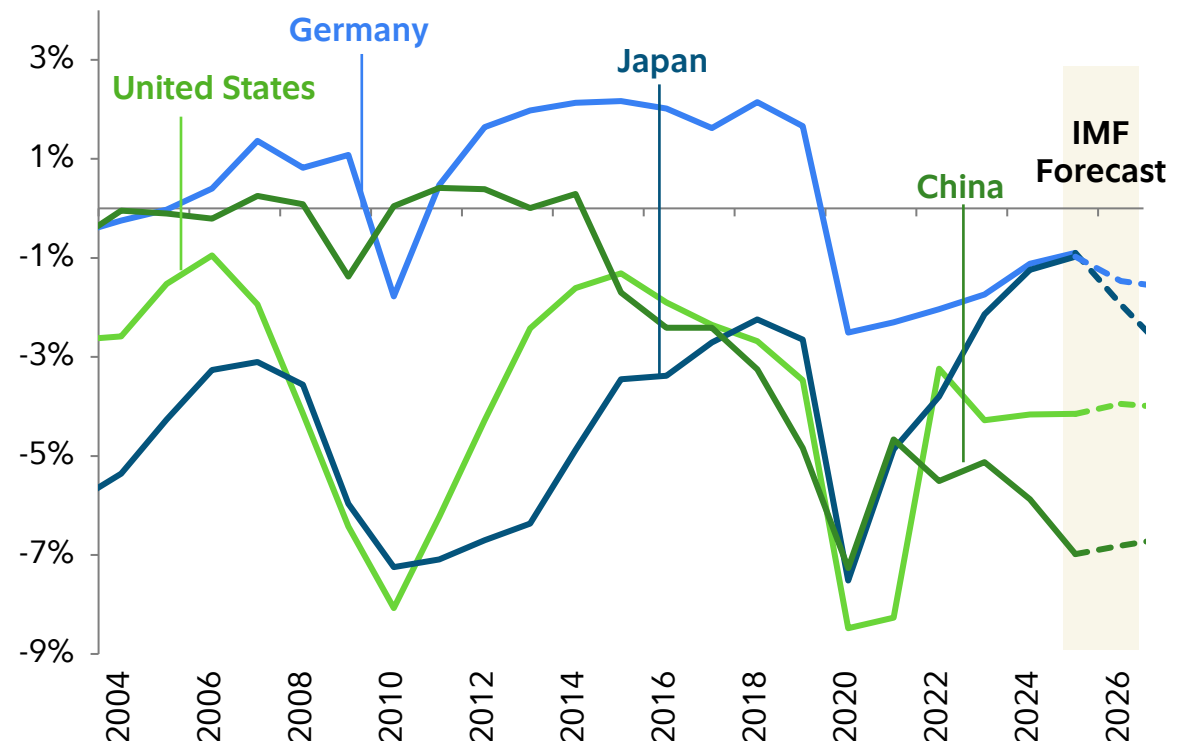
Global manufacturing

Share of countries



Fiscal policy impulse

Cyclically adjusted primary balance % of GDP



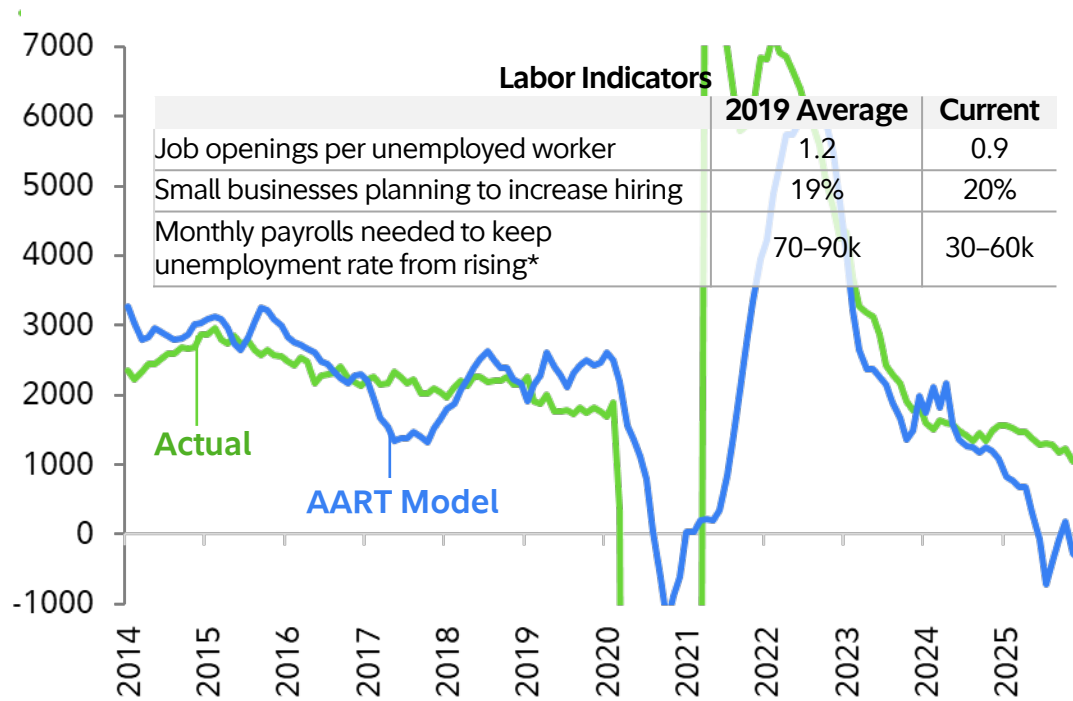
LEFT: Manufacturing PMIs Rising (6m) is the 3mma of the share of global manufacturing PMIs improving over the last six months. Manufacturing PMI >50 is the 3mma of the share of global manufacturing PMIs greater than 50, indicating economic expansion. Source: S&P Global PMI, Institute for Supply Management (ISM), Singapore Institute of Purchasing & Materials Management, BER, Macrobond, Fidelity Investments (AART) as of 12/31/25. RIGHT: Fiscal impulse as measured by cyclically adjusted primary deficit as a percentage of GDP. Source: International Monetary Fund (IMF), Macrobond, Fidelity Investments (AART), data as of 2024 and projected through 2026.

Softer labor markets weighed on consumer sentiment

The labor market stalled during Q4 as businesses slowed hiring. While most labor indicators showed a modest and orderly weakening, Fidelity's proprietary data on 20 million payroll jobs indicated growth was weaker than reported in the official data. This may help explain why consumer sentiment dropped dramatically during the second half of 2025. However, slower labor force growth and improving hiring plans suggest labor markets are not deteriorating rapidly.

Private payroll employment vs. Fidelity tracker model

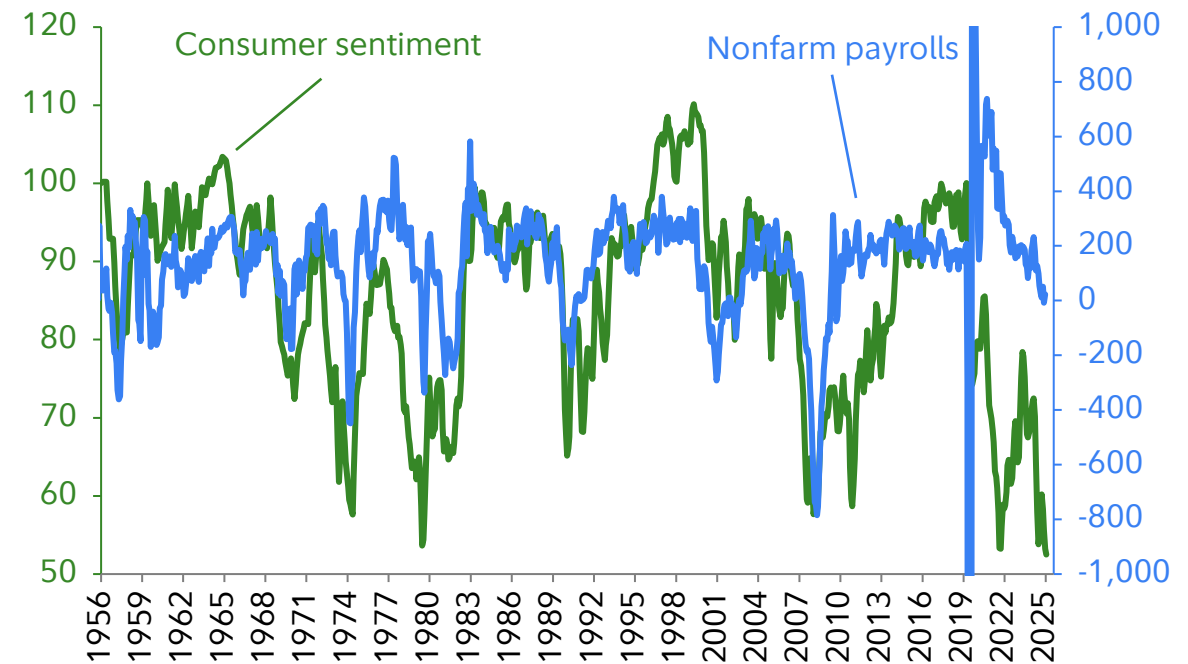
Year-over-year, thousands, 3-month moving average



Nonfarm payrolls vs. consumer sentiment

Index, 3-month moving average

Monthly change, thousands, 3-month moving average



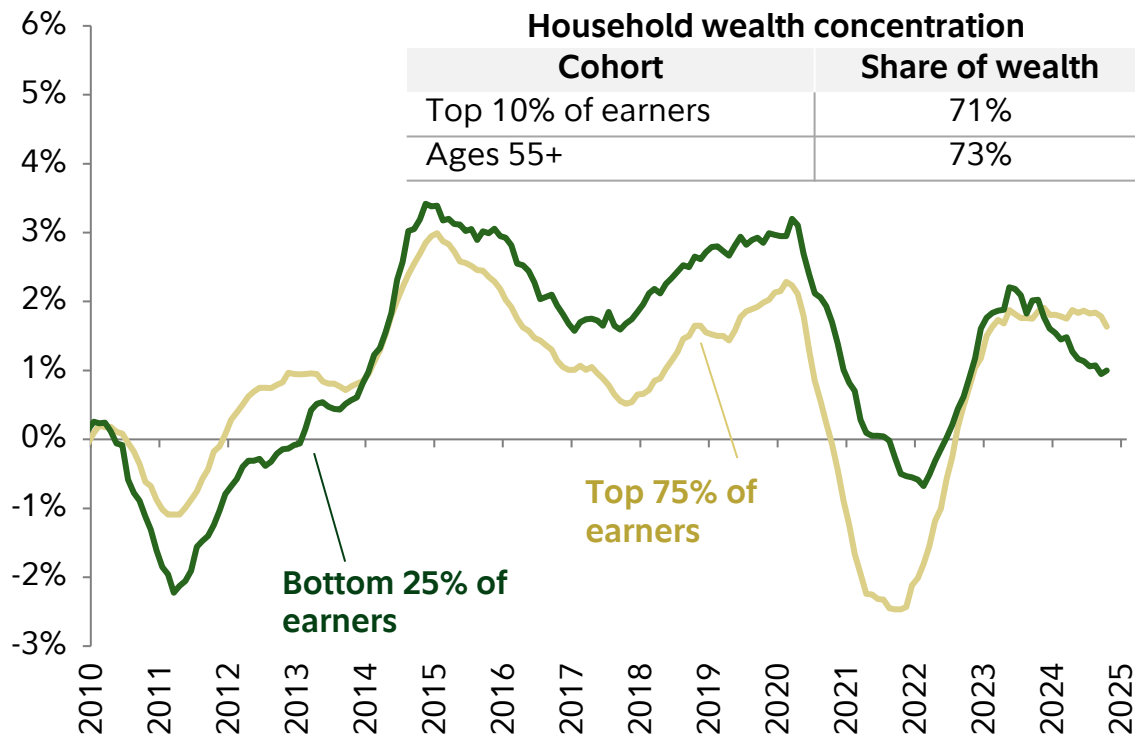
LEFT: The AART Model uses proprietary data on defined benefit plan participants to estimate the year-over-year change in employment among firms that use Fidelity's services. U.S. Bureau of Labor (BLS) statistics data (labeled actual) from March 2024 to present has not had its final revision, scheduled for February 2026. The AART model represents an estimate of payrolls after final BLS benchmark revisions are incorporated. Source: Bureau of Labor Statistics as of 11/31/25, Fidelity Investments (AART) data as of 11/31/25. TABLE: *Last row shows the trend rate estimated by the U.S. Federal Reserve Bank of San Francisco and current is an estimate based on AART proprietary immigration and demographic estimates. Source: U.S. Immigration and Customs Enforcement, U.S. Department of Homeland Security, U.S. Customs and Border Patrol, Bureau of Labor Statistics JOLTS report, National Federation of Independent Business, Macrobond, Fidelity Investments (AART) as of 11/30/25. RIGHT: Source: University of Michigan, Bureau of Labor Statistics, Fidelity Investments (AART). Sentiment data is as of 12/31/25, payrolls are as of 11/30/25.

U.S. consumers are older, wealthier, and more bifurcated

Consumer spending remained stable during Q4, supported by positive real wage growth and strong household balance sheets. However, spending has been increasingly supported by higher-income consumers, with lower cohorts experiencing a deceleration in real wage growth and less exposure to asset appreciation. An aging population, with a higher concentration of wealth among older households and in stocks, has made the economy relatively less sensitive to labor markets and more sensitive to swings in asset prices than in the past.

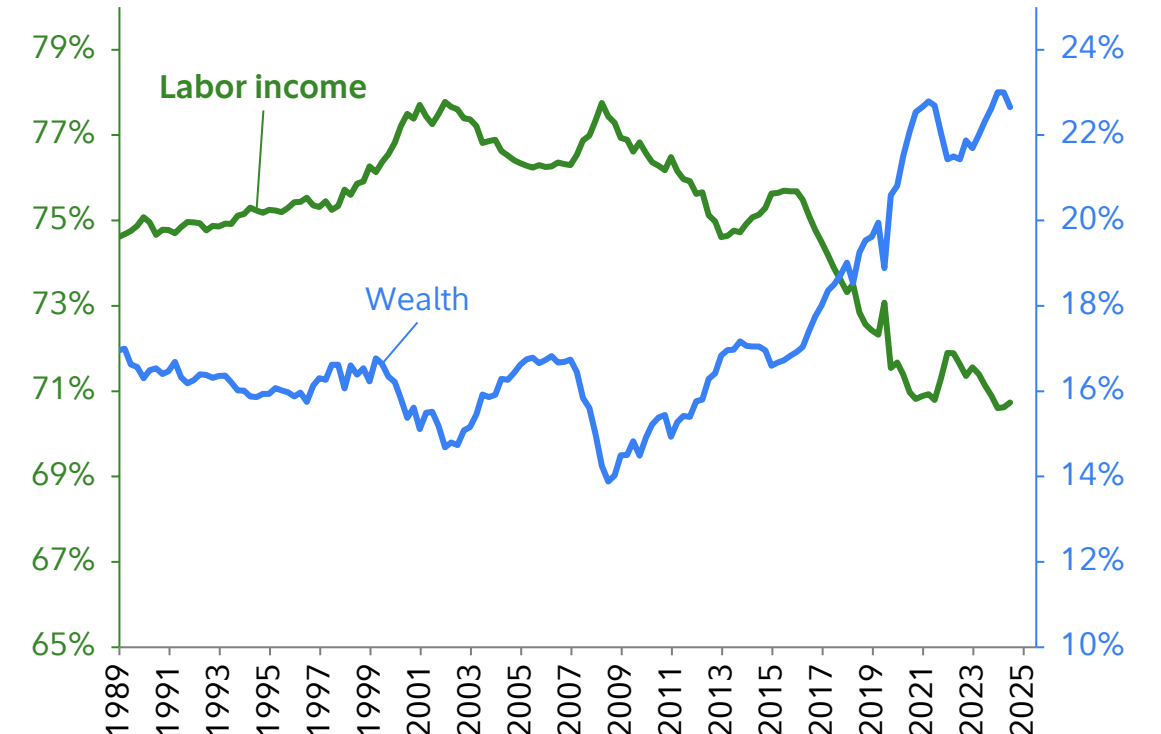
Real wage growth across income cohorts

Year-over-year, 12-month moving average



Factors influencing potential consumption

Share

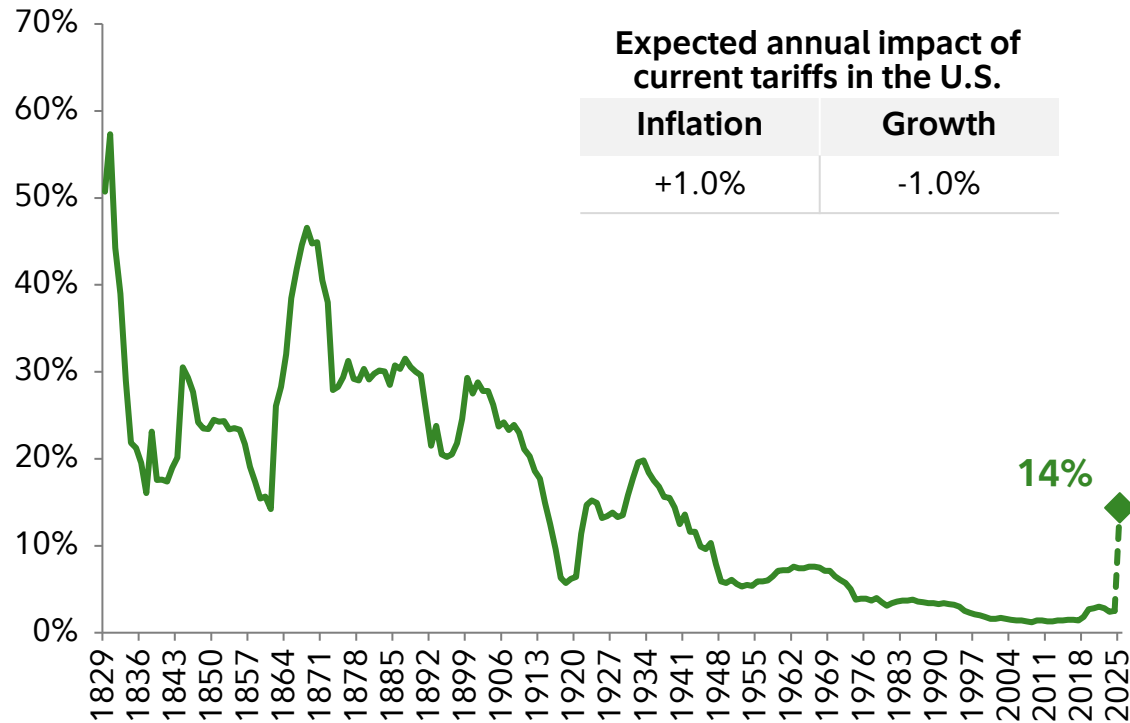


LEFT: Wage growth is inflation adjusted. Top 75% of earners is an average of the wage growth of the top three income quartiles. Source: Federal Reserve Bank of Atlanta, Bureau of Labor Statistics, Macrobond, Fidelity Investments (AART) as of 9/30/25. TABLE: Source: Federal Reserve, Macrobond, Fidelity Investments (AART) as of 6/30/25. RIGHT: Labor income and wealth do not add up to 100 as the remaining influence on consumption comes from government transfers, which are not shown. Source: Bureau of Economic Analysis, U.S. Federal Reserve, Survey of Consumer Finances, Fidelity Investments (AART) as of 1/31/25.

Tariff headwinds continued

Trade policy fluctuated during Q4 as the U.S. pursued new trade deals and reversed tariff hikes on some product categories. Despite the shifting tariff schedule, the average U.S. tariff rate changed little and remained at 90-year highs. Higher tariffs generated headwinds via upward pressure on prices and downward pressure on economic growth and profit margins. Uncertainty among small businesses improved somewhat but remained historically elevated, suggesting smaller companies have struggled the most to adjust to higher tariffs.

U.S. Tariff Rate

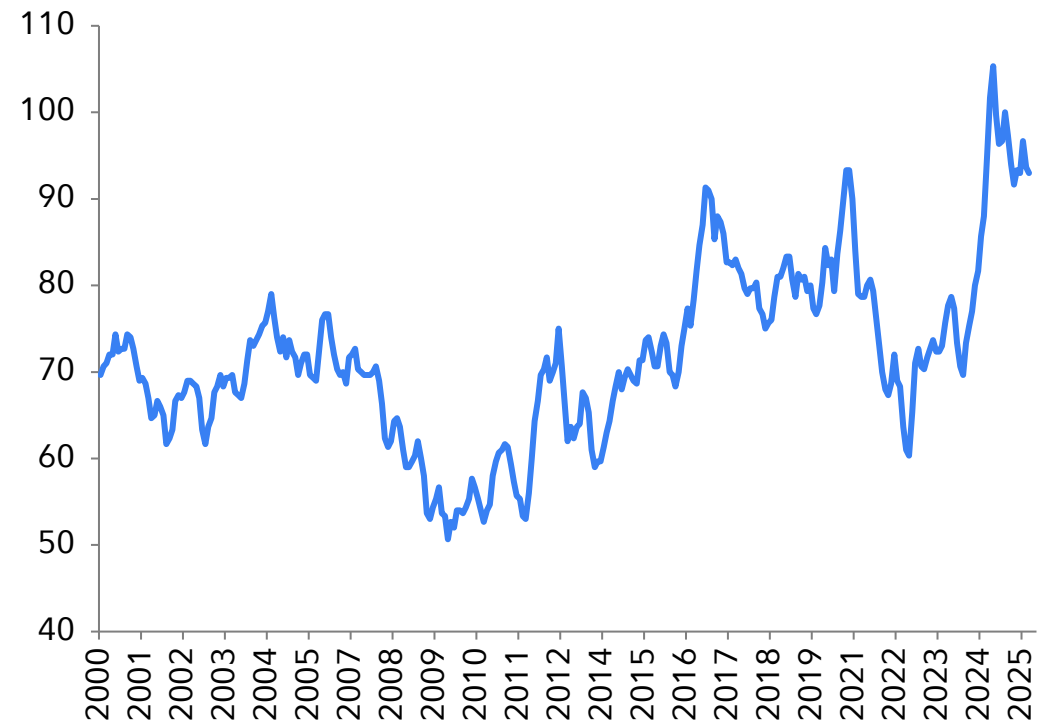


Expected annual impact of current tariffs in the U.S.

Inflation	Growth
+1.0%	-1.0%

Small Business Uncertainty

NFIB Index, 3-month moving average



LEFT: Last tariff rate point and table data are AART estimates. Includes all tariffs implemented as of 11/30/25. TABLE: AART estimates, annualized impact beginning April 2025. Source: Tax Foundation, Macrobond, Fidelity Investments (AART) as of 11/30/25. TABLE: AART estimates. Source: Bureau of Labor Statistics, Fidelity Investments (AART) as of 9/30/25. RIGHT: Source: NFIB, Macrobond, Fidelity Investments (AART) as of 11/30/25.

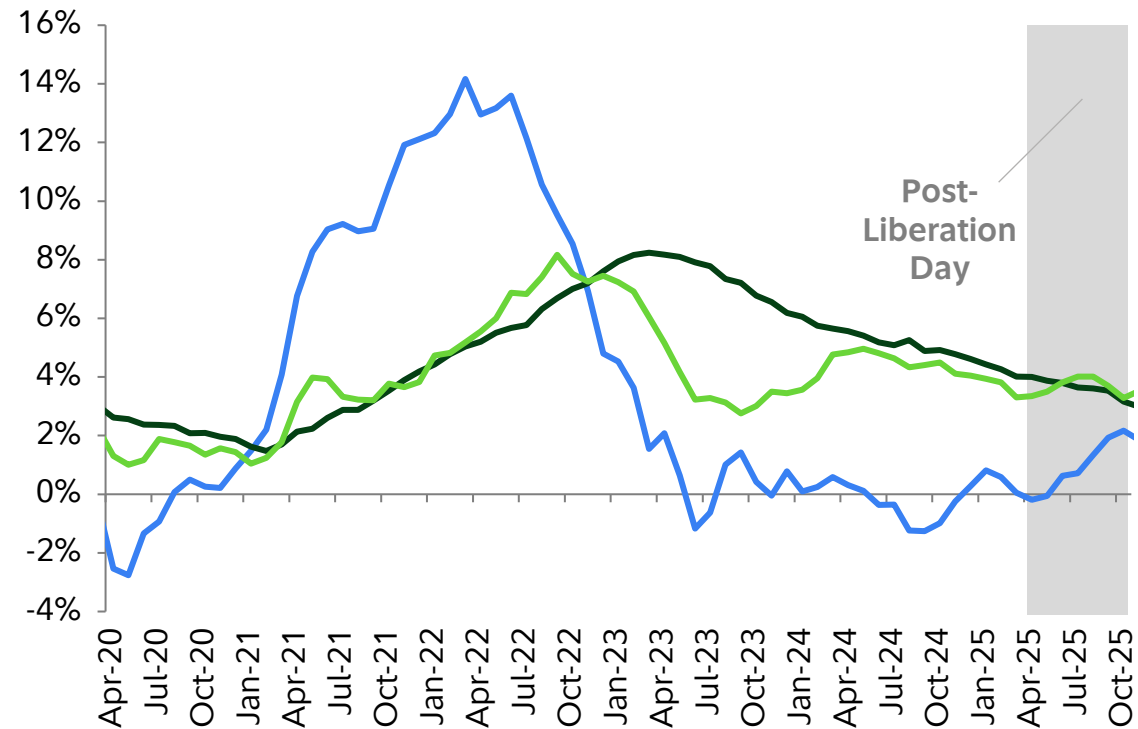
Rising goods prices adding to above-target inflation

After two years of near-zero goods inflation, tariff hikes triggered a rise in goods prices over the second half of 2025. Inflation remained sticky in housing and services, keeping headline consumer inflation elevated and well above the Fed's 2% target. While the market expects inflation to slow in 2026, we believe stable U.S. economic growth and the upside risk of businesses passing through tariff-related price increases may keep inflation rangebound around 3%.

U.S. CPI Inflation by Category

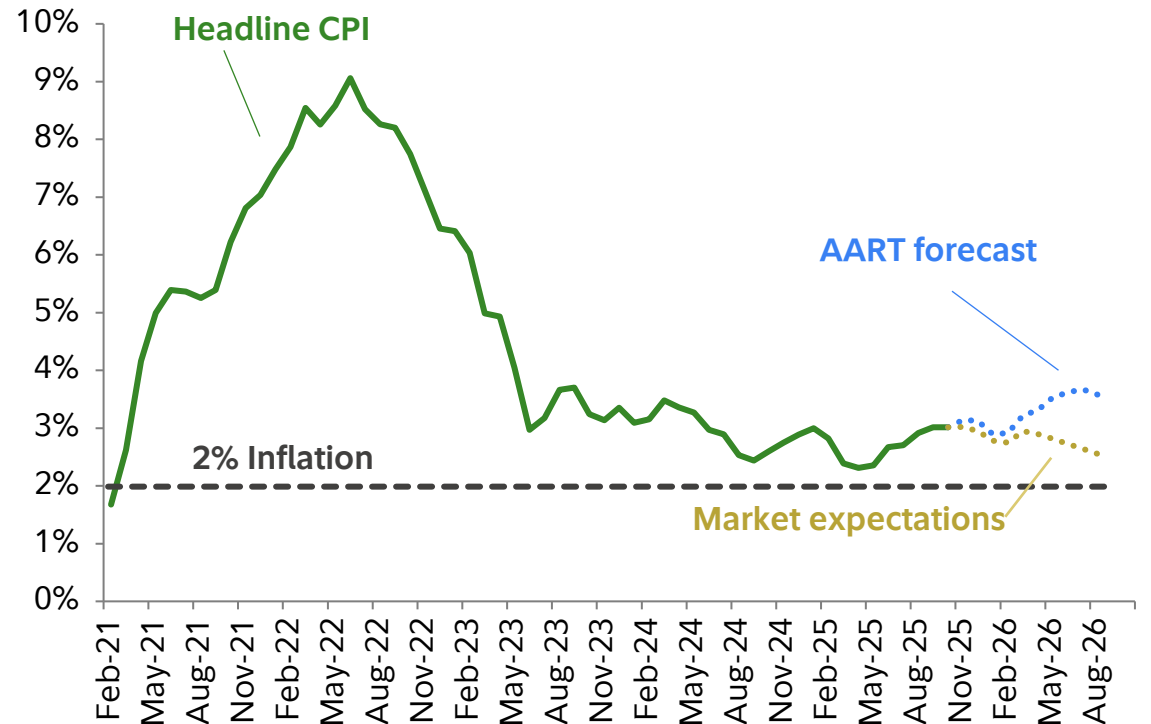
Year-over-year

— Goods — Rent of Shelter — Services Less Rent of Shelter



Consumer Inflation

Year-over-year

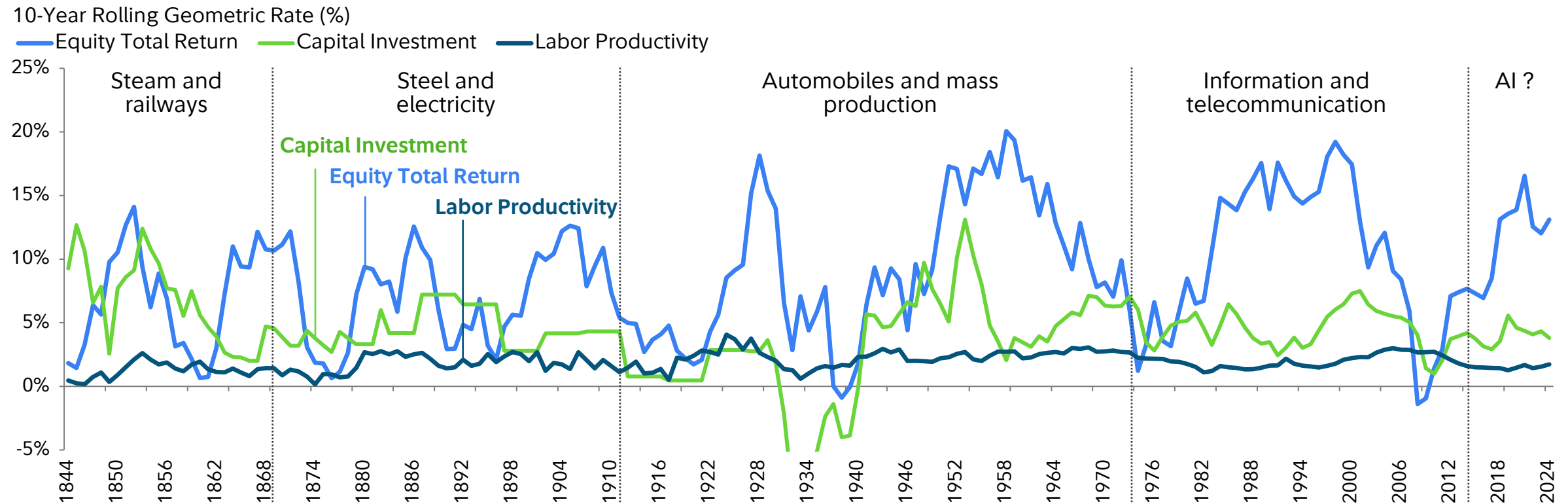


LEFT: Source: Bureau of Labor Statistics, Macrobond, Fidelity Investments (AART), as of 9/30/25. RIGHT: CPI: Consumer Price Index. Market expectations: inflation swaps. Source: Bureau of Labor Statistics, Bloomberg, Macrobond, Fidelity Investments (AART), as of 9/30/25.

AI capex boom: Boost to cycle and maybe long-term productivity

Our study of two centuries of technological transformations, from steamships to the internet, uncovers a typical pattern after a new technology emerges. Stock prices tend to rise first, followed shortly by a boom in capital investment, with widespread productivity gains typically following after a relatively long lag. So far, the current boom in AI-related business investment—led by massive outlays by large tech companies—has provided a huge boost to U.S. economic growth and stock prices, and likely only a modest lift to productivity.

200 years of technological transformation



Labor productivity is real nonfarm output per hour (extended back from 1890 using real GDP per capita). Capital investment is real private nonresidential fixed investment (extended back from 1869 using total private investment). Equity total return is S&P 500 (extended back from 1957 using historical stock aggregates). 10-year annualized rate. Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Maddison Project Database, Historical Statistics of the United States, International Center for Finance at the Yale School of Management, Haver Analytics, Fidelity Investments (AART) as of 12/31/24.

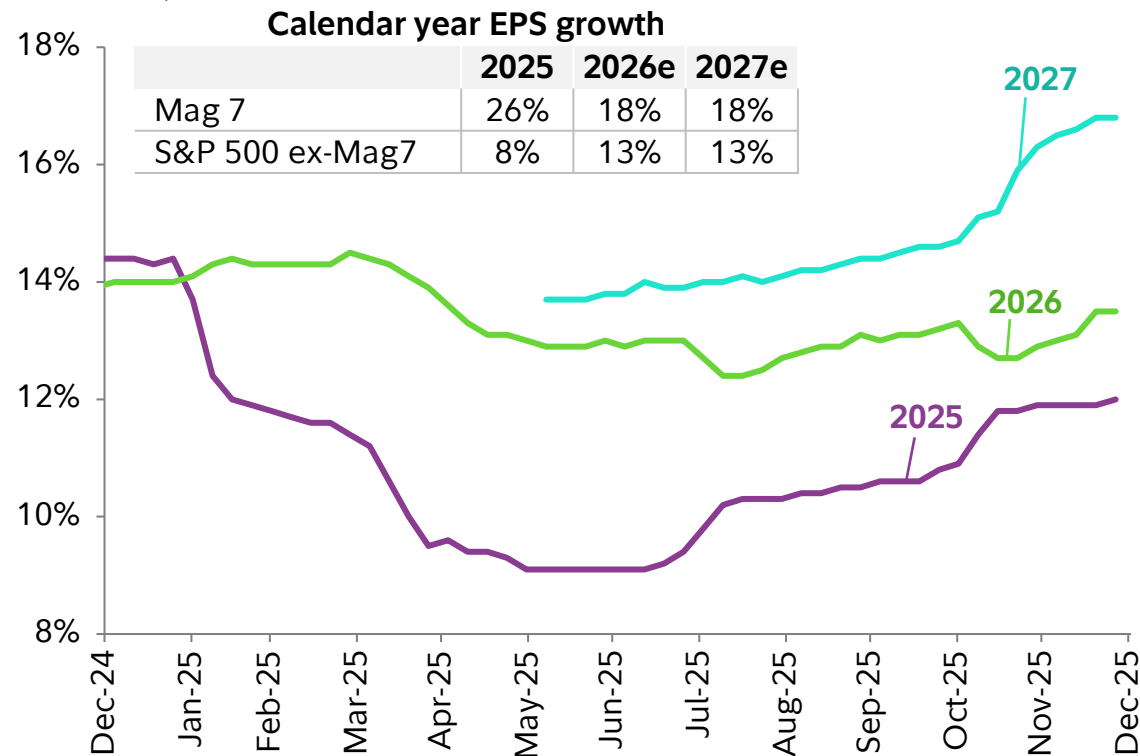
Upward earnings revisions with optimistic margin outlook

Corporate earnings revisions increasingly moved upward during the second half of 2025. Price momentum built across most sectors, even beyond the largest hyperscalers driving AI-related capex spending. The market expects technology-led, double-digit earnings growth in both 2026 and 2027, and is also optimistic smaller companies can achieve higher profits. The earnings outlook may be influenced by the ability of companies to increase their margins by passing along higher costs to consumers.

U.S. equity earnings growth expectations

— 2025 — 2026 — 2027

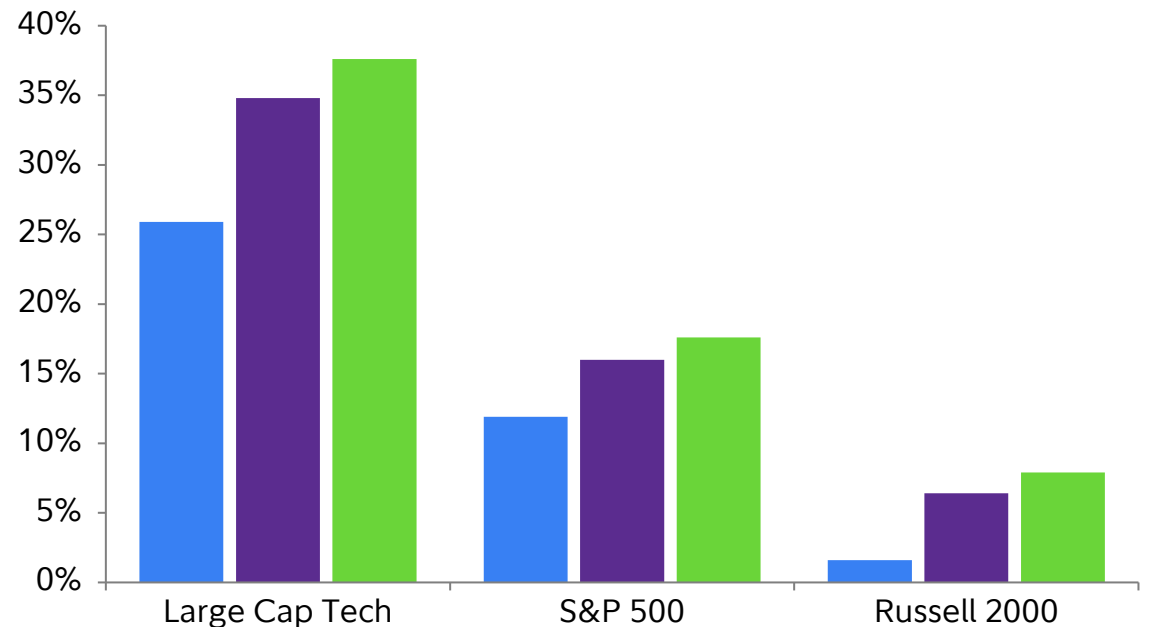
Year-over-year



Profit margins

■ 2019 ■ 2025 ■ 2026e

Operating profits/revenue

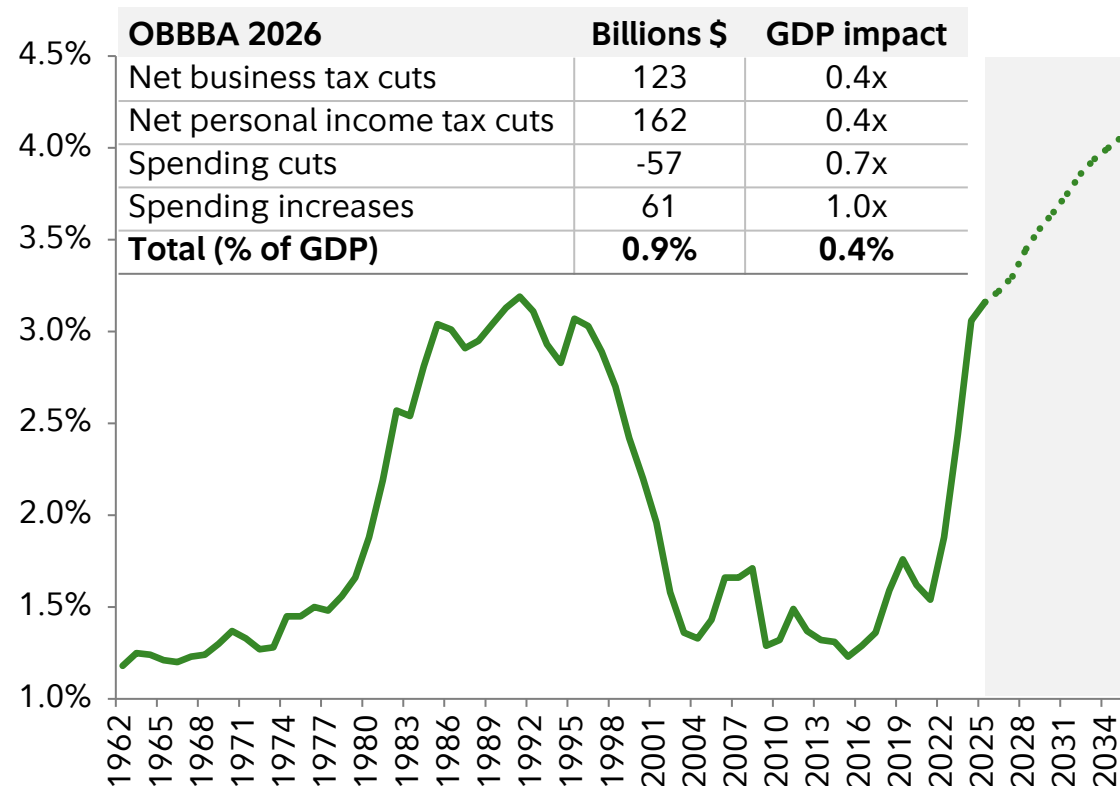


LEFT: Mag 7 includes Apple, Amazon, Google, Meta, Nvidia, Microsoft, Tesla. Earnings estimates from the Street for 2026/2027. Source: Bloomberg Financial LP, Fidelity Investments (AART), as of 12/31/25. RIGHT: Source: Bloomberg, Fidelity Investments (AART), as of 12/31/25.

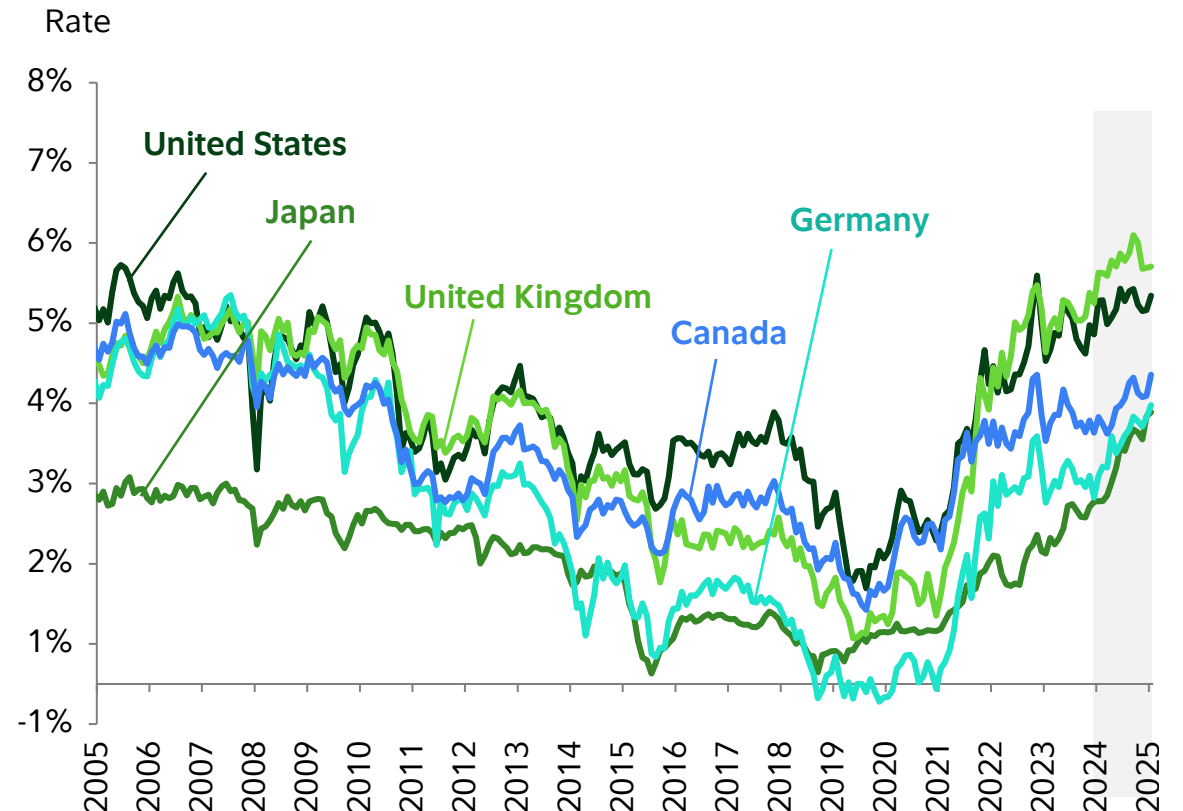
Fiscal policy: Cyclical boost, upward interest-rate pressure

Tax cuts from the 2025 OBBBA fiscal legislation will likely provide a modest cyclical lift to the economy and a pronounced boost to business cash flows and profits during 2026. However, interest payments on the federal debt are projected to continue to rise over the next decade amid the persistence of large budget deficits. A challenging fiscal outlook is shared by many other advanced economies, and the global rise in 30-year government-bond yields during 2025 likely reflected investor concerns about the expanding supply of government bonds.

Net interest outlay (% of GDP)



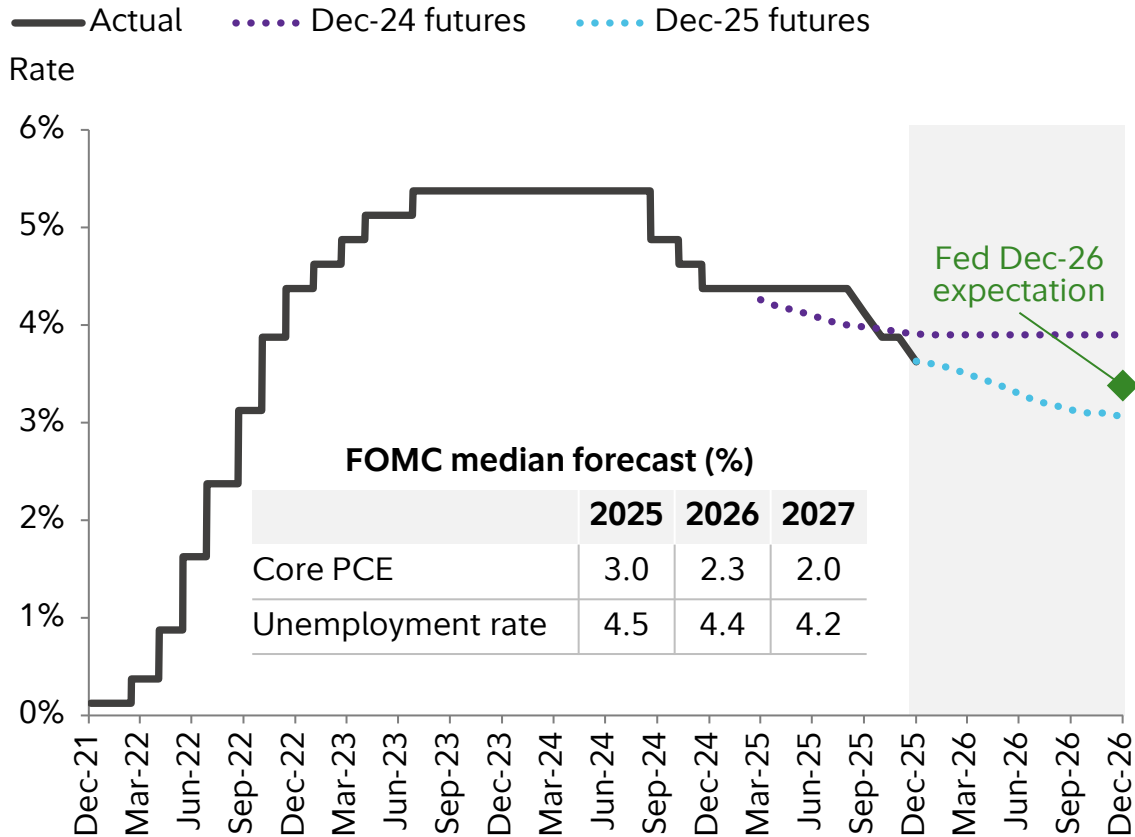
30-year sovereign bond yields



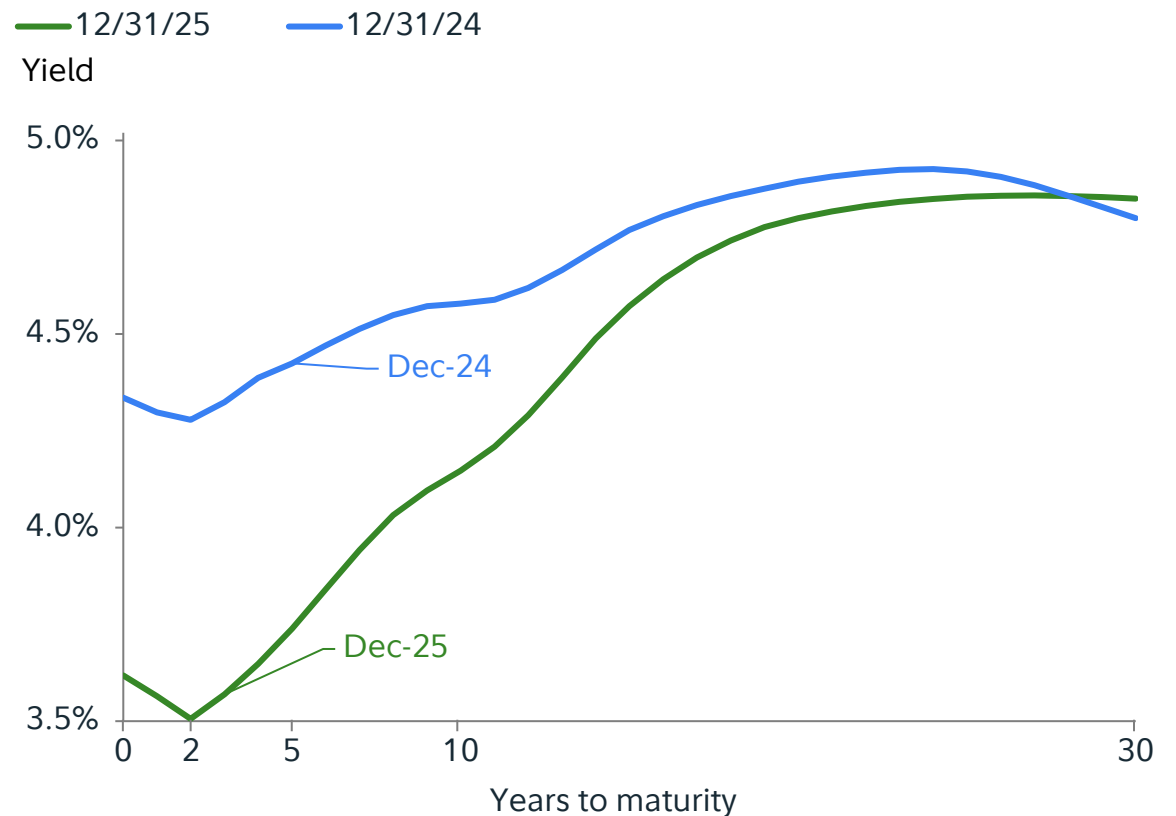
Fed cut rates in 2025, but the long end of the curve was stubborn

The Fed eased monetary policy during the second half of 2025, cutting its short-term policy rate by 75 basis points and ending quantitative tightening (after reducing its balance sheet by \$2.5 trillion since 2022). The market and Fed expect two more rate cuts during 2026 due to expectations for soft labor markets and short-lived inflation. The yield curve steepened significantly in 2025 amid concerns of elevated fiscal deficits and political influence on Fed decision-making, which could challenge the Fed’s ability to reduce longer-term yields.

Fed funds rate



Treasury yield curve



LEFT: FOMC: Federal Open Market Committee. Shaded area represents current Fed Funds Rate expectations. Source: U.S. Federal Reserve Board, NBER, Bloomberg Financial LP, Fidelity Investments (AART), as of 12/31/25. RIGHT: Source: Tradeweb, Fidelity Investments (AART), as of 12/31/25.

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Gold, global equities led widespread gains in 2025

Almost all major asset categories ended 2025 in positive territory, with gold at the top of the leaderboard. International equities posted strong gains for Q4 and the full year across both developed and emerging markets (EM). Within U.S. equities, some rotation to health care and value stocks occurred during Q4, but growth stocks in the communications services and information technology sectors posted another year of leadership. EM debt led during Q4 and 2025 in a strong year across all fixed income sectors.

U.S. equity styles total return

	Q4 2025	2025
Growth	1.1%	18.2%
Large Caps	2.7%	17.9%
Value	3.8%	15.7%
Small Caps	2.2%	12.8%
Mid Caps	0.2%	10.6%

U.S. equity sectors total return

	Q4 2025	2025
Communication Services	7.3%	33.6%
Info Tech	1.4%	24.0%
Industrials	0.9%	19.3%
Utilities	-1.4%	16.0%
Financials	2.0%	15.0%
Health Care	11.7%	14.6%
Materials	1.1%	10.5%
Energy	1.5%	8.7%
Consumer Discretionary	0.7%	6.0%
Consumer Staples	0.0%	3.9%
Real Estate	-2.9%	3.1%

Non-U.S./global assets total return

	Q4 2025	2025
ACWI ex-USA	5.1%	32.4%
Canada	7.7%	36.5%
Europe	6.2%	35.4%
EAFE Small Cap	2.7%	31.8%
EAFE	4.9%	31.2%
Japan	3.2%	24.6%
Latin America	8.2%	54.8%
Emerging Markets	4.7%	33.6%
EM Asia	4.5%	32.1%
EMEA	4.0%	31.8%
Gold	11.9%	64.6%
Commodities	5.8%	15.8%

U.S. equity factors total return

	Q4 2025	2025
Momentum	1.2%	21.6%
Value	5.5%	19.8%
Yield	2.5%	17.4%
Quality	1.6%	17.2%
Low Volatility	1.8%	12.1%
Size	0.5%	8.8%

Fixed income total return

	Q4 2025	2025
EM Debt	3.3%	14.3%
MBS	1.7%	8.6%
High Yield	1.3%	8.5%
Credit	0.9%	7.8%
CMBS	1.3%	7.7%
Aggregate	1.1%	7.3%
TIPS	0.1%	7.0%
Long Govt & Credit	0.0%	6.6%
Treasuries	0.9%	6.3%
Agency	1.2%	6.1%
ABS	1.2%	5.9%
Leveraged Loan	1.2%	5.9%
Municipal	1.6%	4.2%

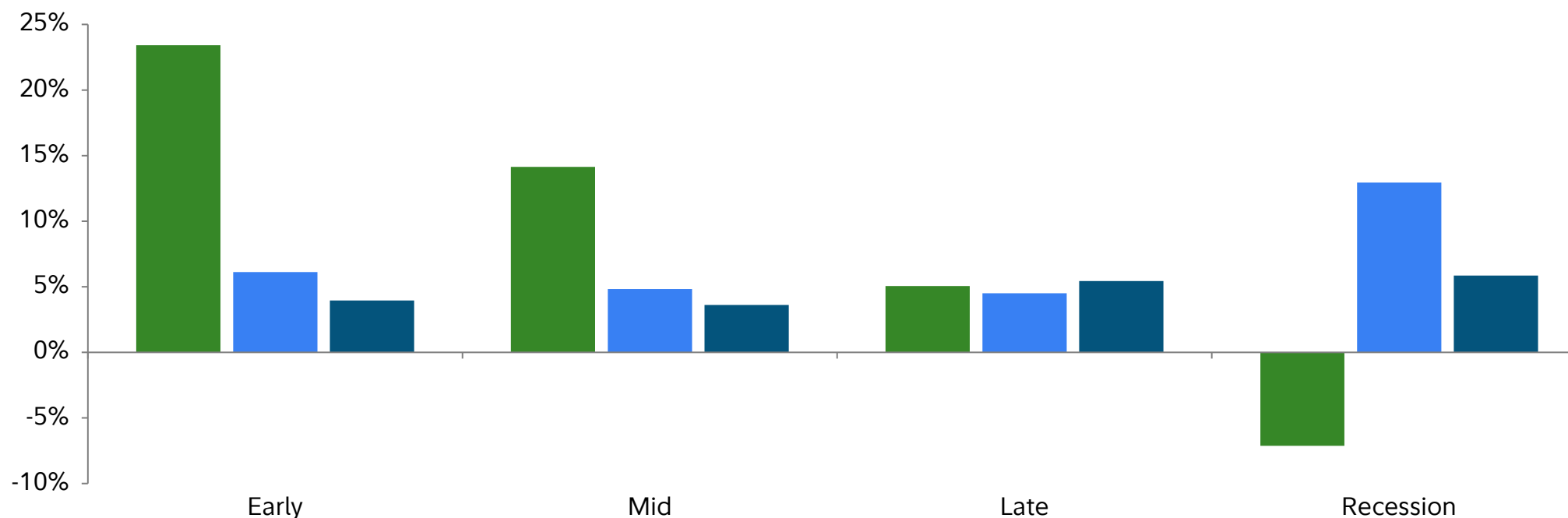
Business cycle road map a starting point for near-term allocation

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 12/31/25.

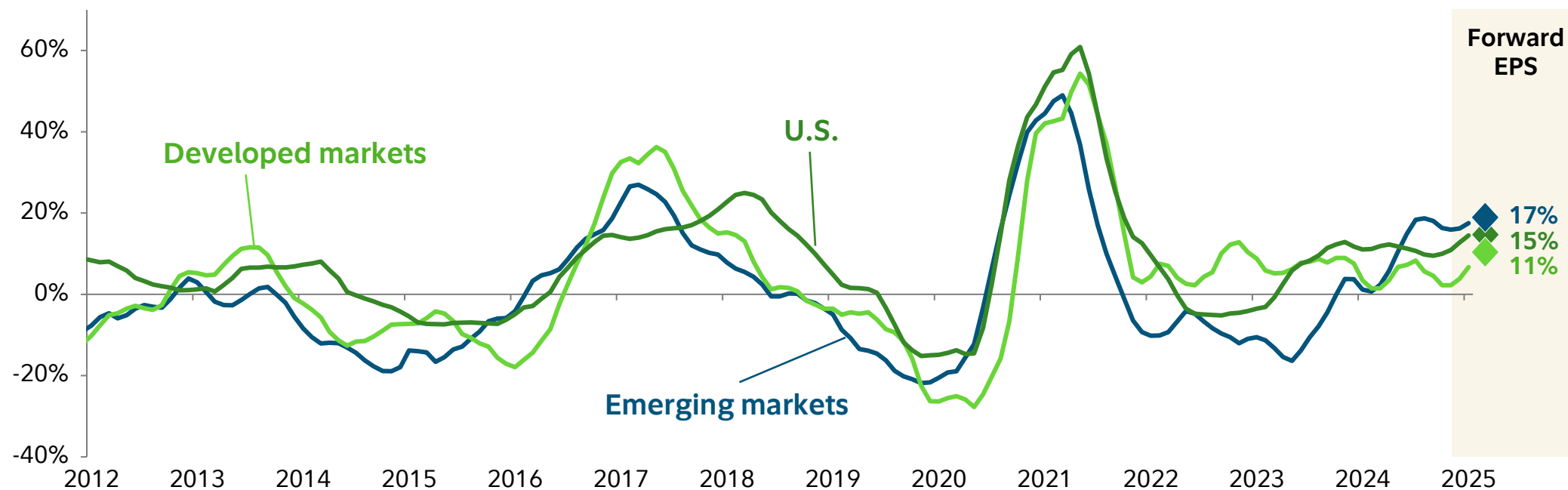
Solid global earnings growth with improving momentum

Earnings growth remained positive across regions in Q4, with an acceleration into the end of the year. Emerging markets and the U.S. both achieved double-digit year-over-year earnings growth, while non-U.S. developed markets experienced slower but still positive profit-growth results. Investors continue to anticipate double-digit earnings in all regions and accelerating momentum over the next 12 months.

Global EPS growth (trailing 12 months)

— EM — DM — U.S. ◆ Forward

Year-over-year, 3-month average

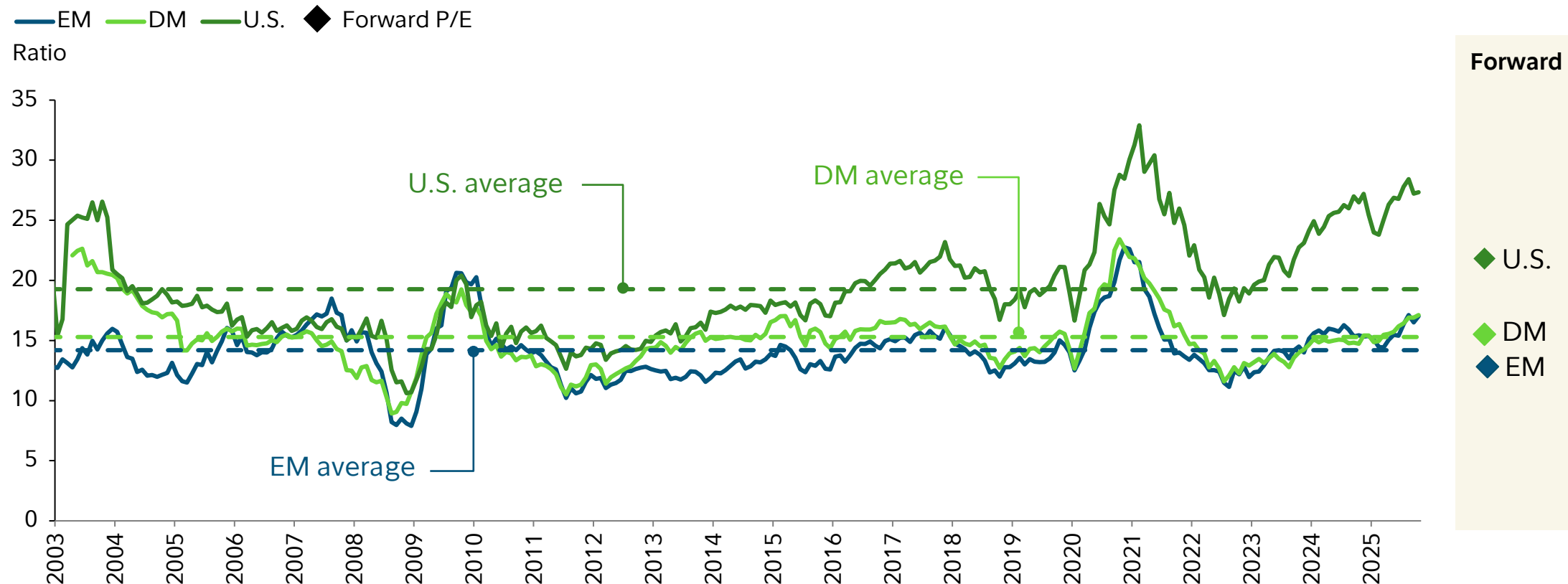


Past performance is no guarantee of future results. Forward EPS is unsmoothed. DM: Developed markets ex-USA. EM: Emerging markets. EPS: Earnings per share. Forward EPS: Next 12 months' expectations. Indexes: DM—MSCI EAFE Index; EM—MSCI Emerging Markets Index; U.S.—S&P 500. Source: MSCI, Bloomberg Finance L.P., Fidelity Investments (AART), as of 12/31/25.

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

Stock valuations rose across regions in Q4. The U.S. price-to-earnings (P/E) ratio remained well above its long-term average for the third year in a row. Non-U.S. P/Es remain more reasonable, although they are also above long-term averages. The market does expect some reversion in valuations across regions, however the forward P/E ratios for DM and EM are substantially lower than those in the U.S., making non-U.S. valuations relatively attractive across all metrics.

Global stock market P/E ratios



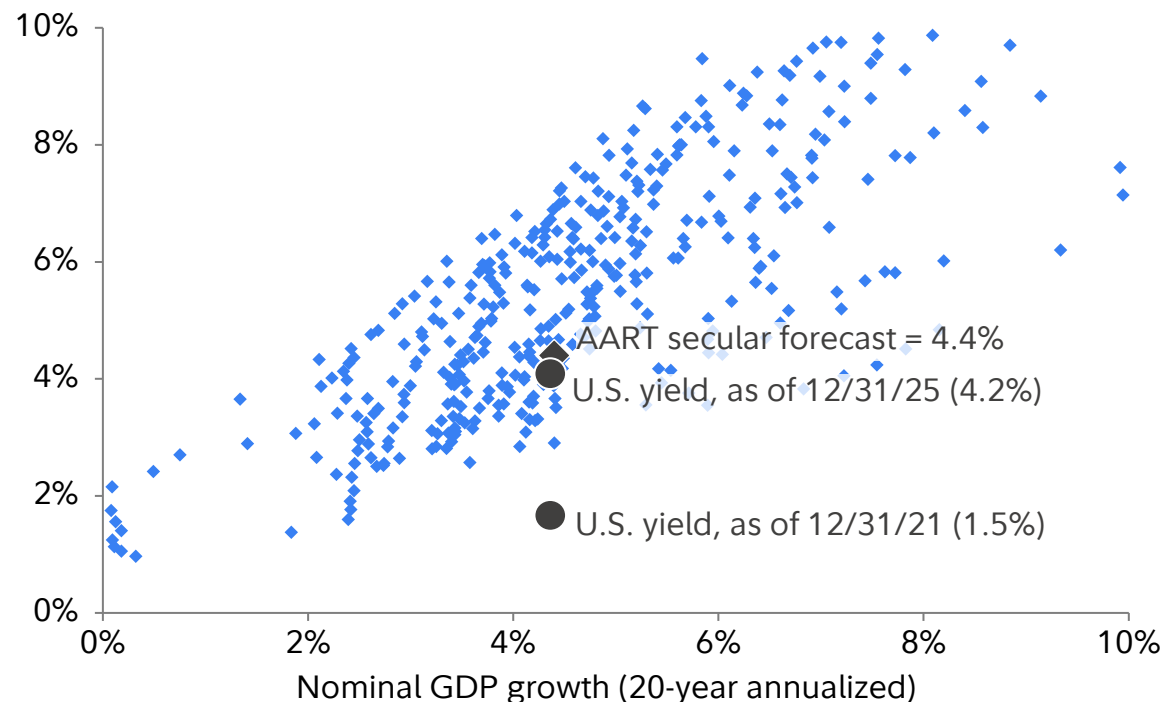
DM: Non-U.S. developed markets. EM: Emerging markets. Chart includes trailing 12-month P/Es. **Past performance is no guarantee of future results.** It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. Price-to-earnings (P/E) ratio (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 12/31/25. 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 12/31/25.

Relative valuations may provide opportunities ahead

Our long-term valuation metrics suggest certain equity and bond assets offer attractive entry points. Ten-year Treasury yields remain near our secular forecast of 4.4%, and bond valuations remain favorable compared with the past decade and relative to equities. Although we believe U.S. stocks should trade at premium valuations to other markets, cyclically adjusted price-to-earning ratios for U.S. stocks remain well above our secular forecasts and suggest non-U.S. stock markets appear relatively attractive.

10-year sovereign bond yields vs. GDP

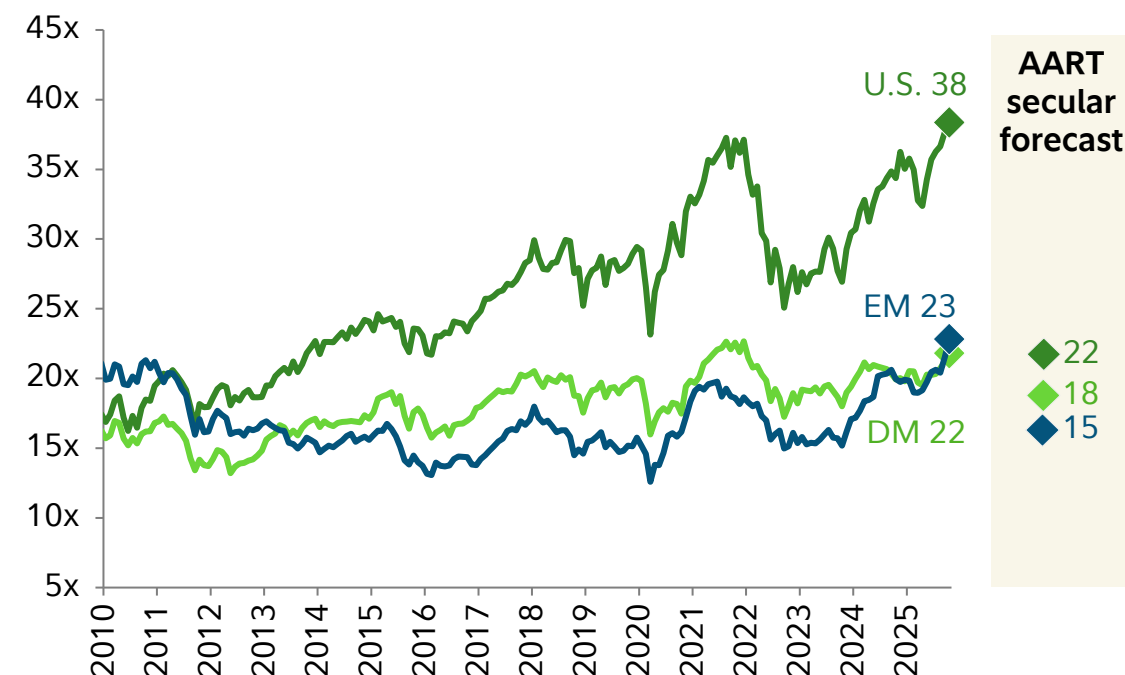
Yield (20-year annualized average)



Equity valuations

— U.S. — DM — EM

CAPE ratio

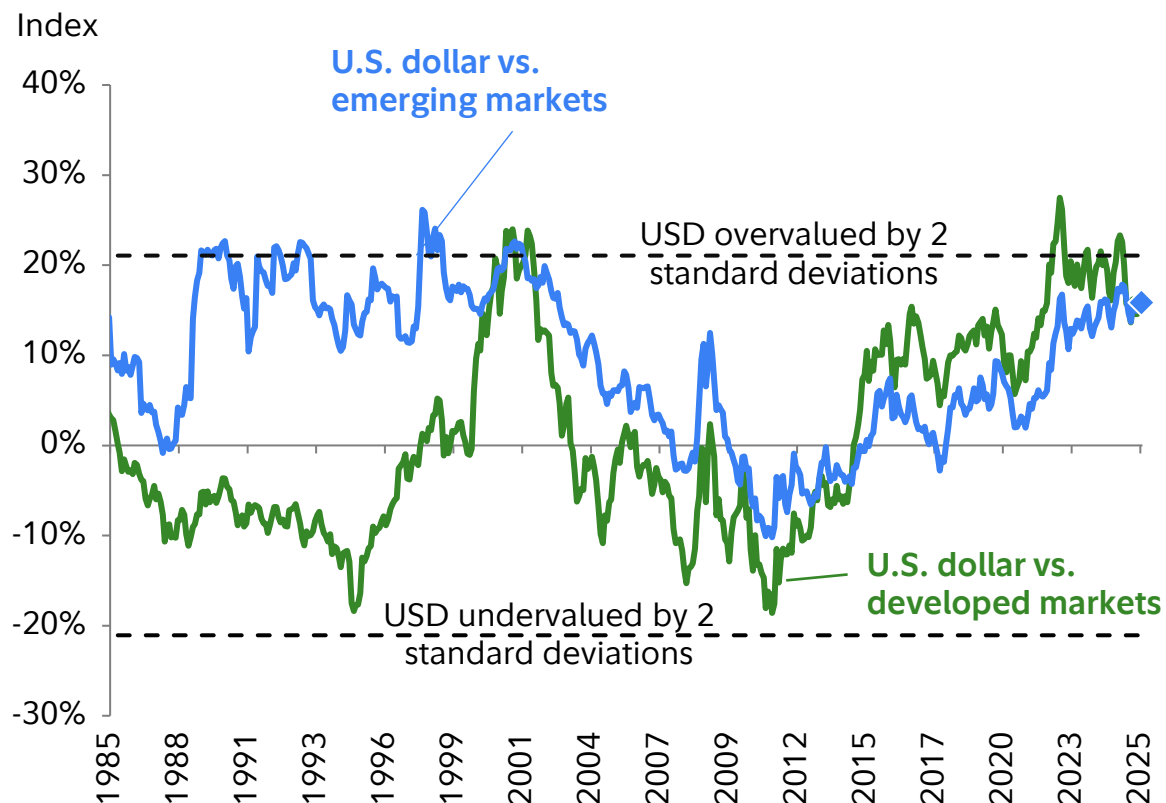


Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. LEFT: Highlighted dots are U.S. 10-year Treasury bond yields. AART secular forecast refers to an estimate for U.S. nominal GDP (4.4%). Source: Official Country Estimates, Haver Analytics, Fidelity Investments (AART), as of 12/31/25. 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 10/31/25.

Dollar still expensive, a positive for non-U.S. assets

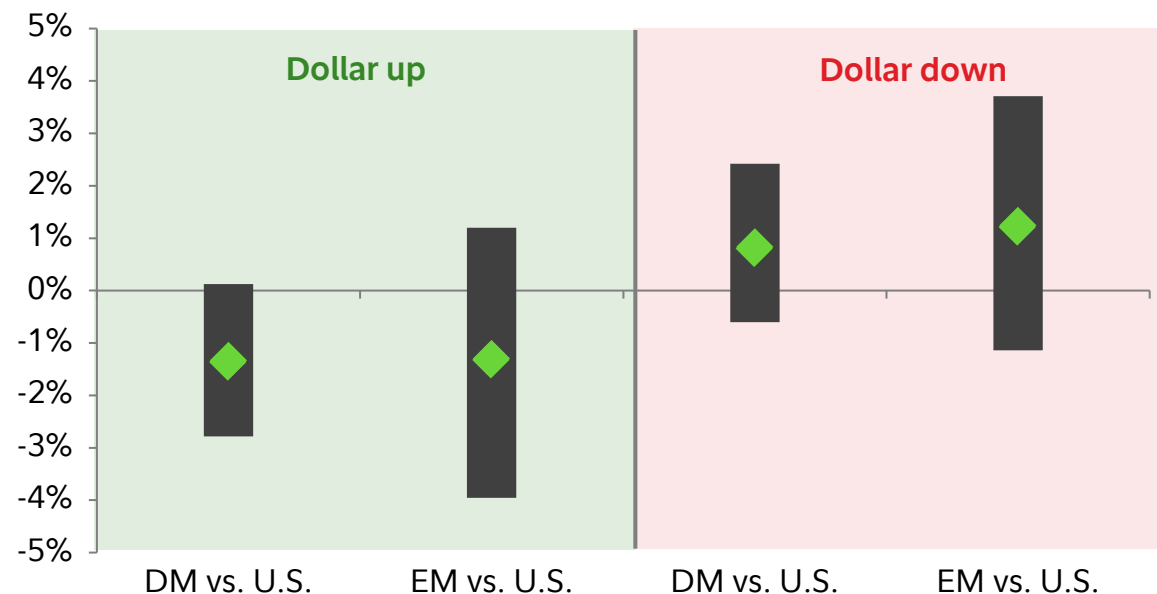
The U.S. dollar remained overvalued relative to both developed and emerging-market currencies. Historically, a weaker dollar has been a tailwind for the relative returns of DM and EM equities (versus U.S. stocks). We believe owning assets denominated in foreign currencies is an important component of portfolio diversification for U.S. investors.

U.S. dollar valuations (1985–2025)



Relative regional equity performance by U.S. dollar changes, 2003–2025

◆ Median ■ 25th-75th Percentile Range
Monthly return



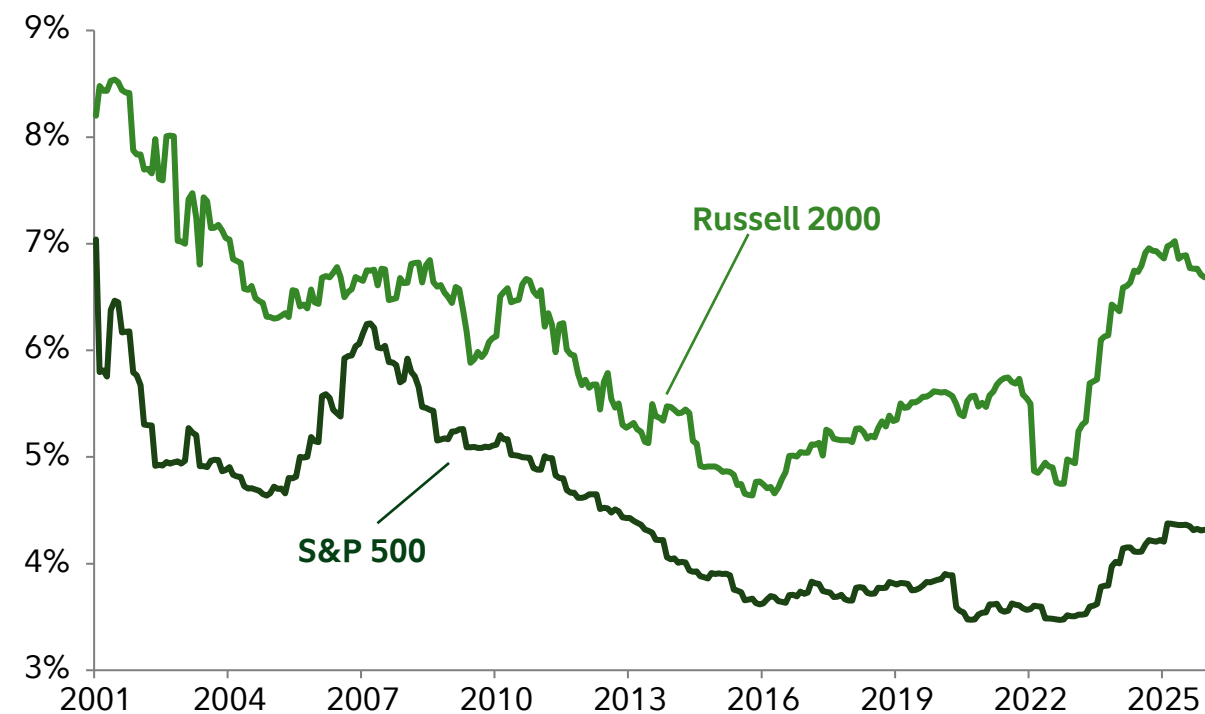
LEFT: U.S. Dollar Index is DXY. Measures the dollar against a basket of six currencies (Euro, Japanese Yen, British Pound, Canadian Dollar, Swedish Krona, Swiss Franc). Source: Bloomberg, Fidelity Investments (AART) as of 11/30/25. Source: EPFR, Macrobond, Fidelity Investments (AART) as of 10/31/25. RIGHT: Source: DM is represented by MSCI EAFE Net Total Return USD Index. EM is MSCI Emerging Net Total Return USD Index. U.S. is S&P 500. The dollar is represented by the Bloomberg Dollar Spot Index. Source: MSCI Company, S&P Global, Bloomberg, Macrobond, Fidelity Investments (AART) as of 12/31/25.

Will small caps benefit from Fed rate cuts?

Relative to large corporations, smaller companies have been more sensitive to higher interest rates in recent years because of their shorter-term liabilities and greater need for refinancing. Fed rate cuts are likely to help reduce the interest-rate expense of smaller companies, although the largest outperformance of small caps tends to be during early cycle when growth is accelerating.

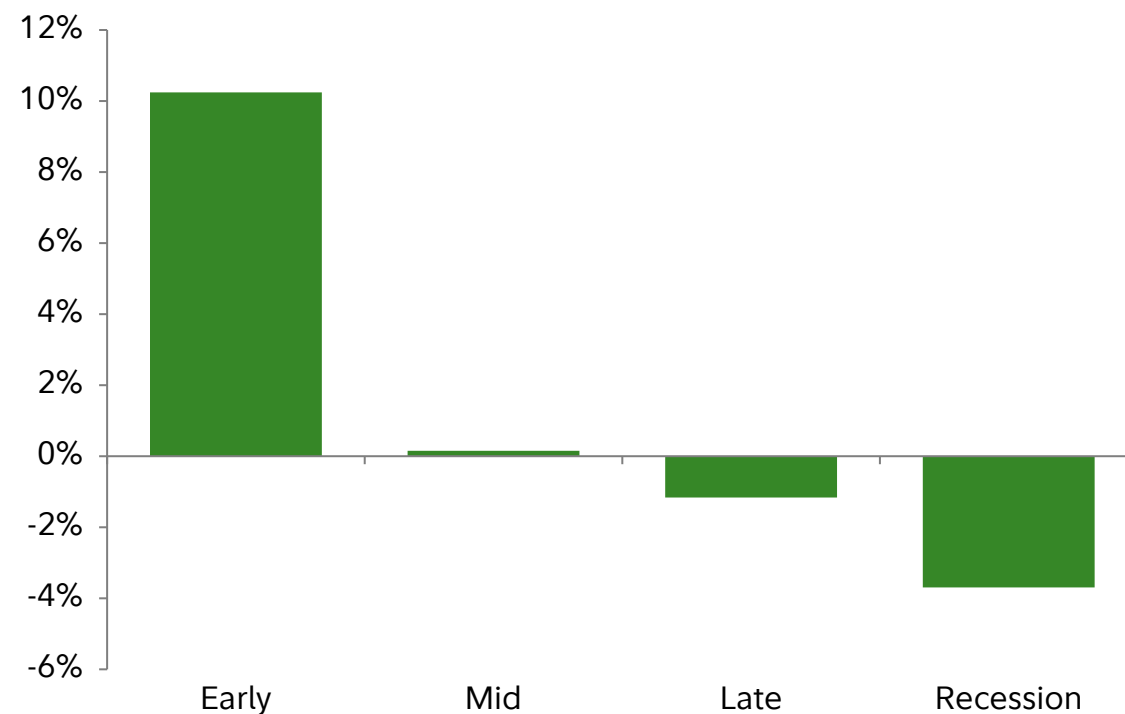
U.S. large and small cap interest expense

Net interest expense/total debt



U.S. small cap performance by business cycle phase (1950–2020)












Relative returns vs. large caps (annualized)



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. Large cap measured by S&P 500 and small cap measured by Russell 2000 and AART proprietary deep history of asset market returns. LEFT: Source: FactSet, Macrobond, Fidelity Investments (AART) as of 12/31/25. RIGHT: Source: Fidelity Investments, Macrobond, as of 12/31/25.

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.

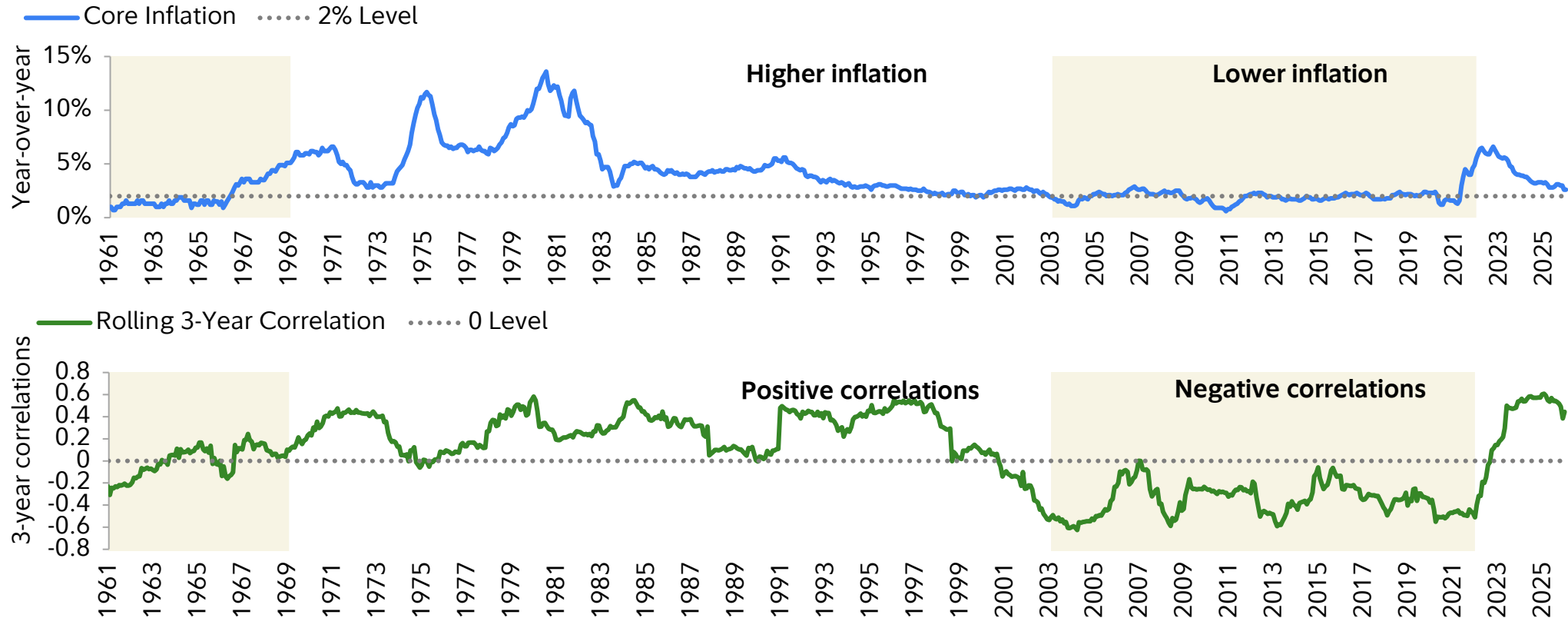
Sector	Early Cycle—rebounds	Mid Cycle—peaks	Late Cycle—moderates	Recession—contracts
 Financials	+			-
 Real Estate	++	-	+	--
 Consumer Discretionary	++		--	
 Information Technology	+	+	-	--
 Industrials	++			--
 Materials	+	--		-
 Consumer Staples	--	-	+	++
 Health Care	--			++
 Energy	--		++	--
 Communication 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 blue-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 12/31/25.

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

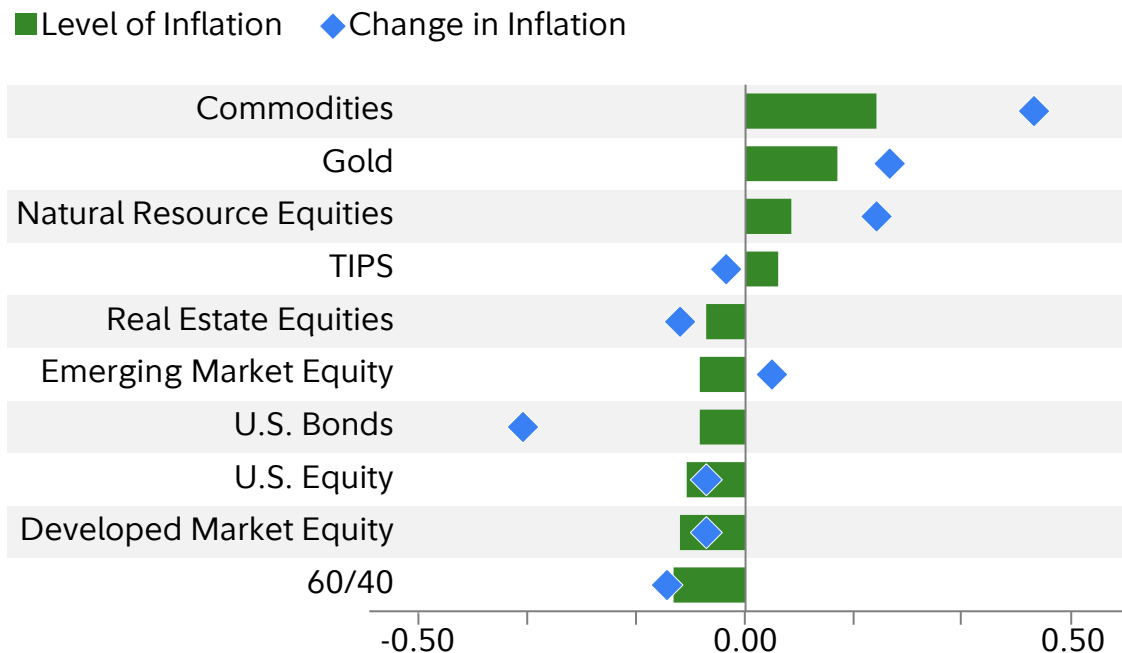


Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against a loss. Fidelity Investments proprietary analysis of historical asset class performance is not indicative of future performance. Stocks measured by the Dow Jones U.S. Total Stock Market Index (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., Fidelity Investments (AART), as of 12/31/25.

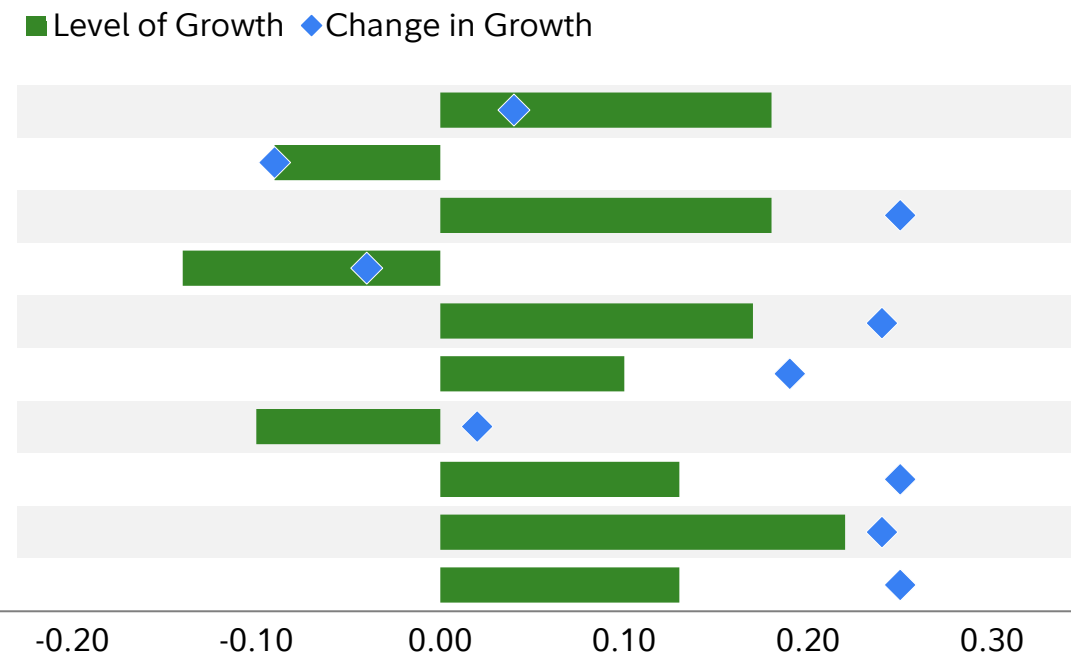
Inflation-sensitive assets can help provide diversification

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)



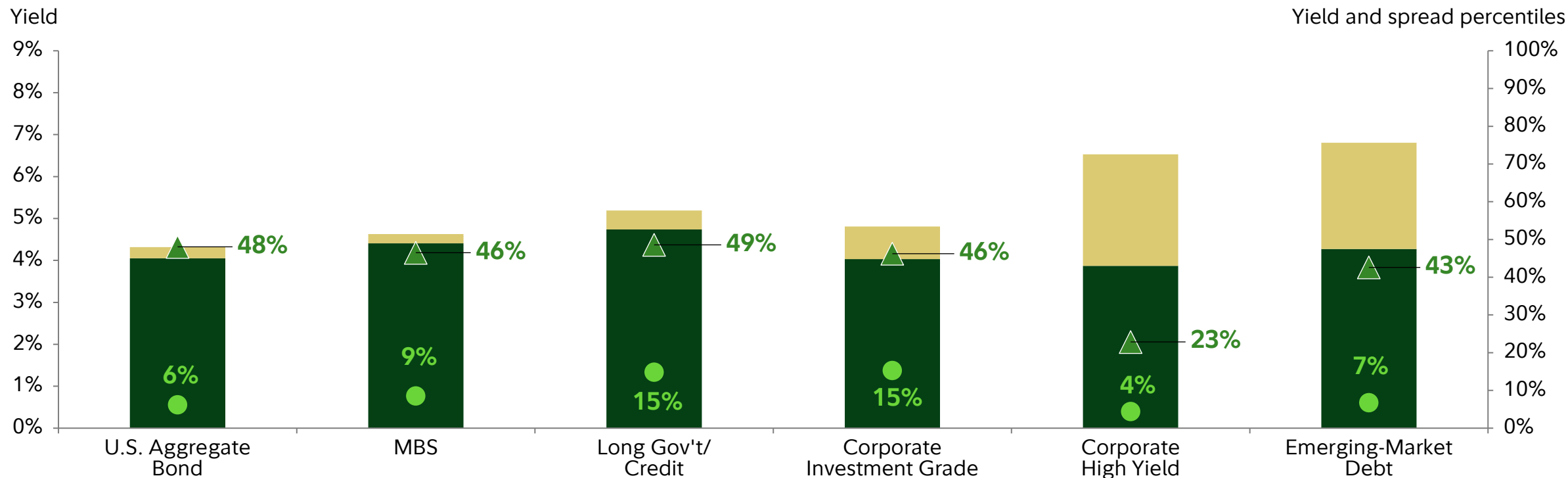
Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against loss. Indexes: U.S. Equity—S&P 500 Total Return; Developed Market Equity—MSCI EAFE Total Return; Emerging Market Equity—MSCI EM Total Return; Natural Resource Equities—S&P North America Natural Resource Sector Total Return; Real Estate Equities—Dow Jones US Select REITs; U.S. Bonds—Bloomberg US Aggregate Total Return; TIPS (Treasury Inflation-Protected Securities)—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.

Bond yields stable in Q4; credit spreads very tight vs. history

During 2025, fixed income performance benefited from lower Treasury yields and tighter credit spreads across all major fixed income categories. Credit spreads in the U.S. Aggregate Bond Index and high-yield sector begin 2026 in the lowest decile of their historical range, providing limited compensation for taking on credit risk. Overall, many fixed income category yields ended Q4 around their 50th percentile, suggesting overall bond valuations are roughly in line with long-term averages and provide solid income within a balanced portfolio.

Fixed income yields and spreads (1993–2025)

■ 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 2025. Treasury rates different across asset classes due to different duration for each index.

- Market summary
- Economy/macro backdrop
- Asset markets
- **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.

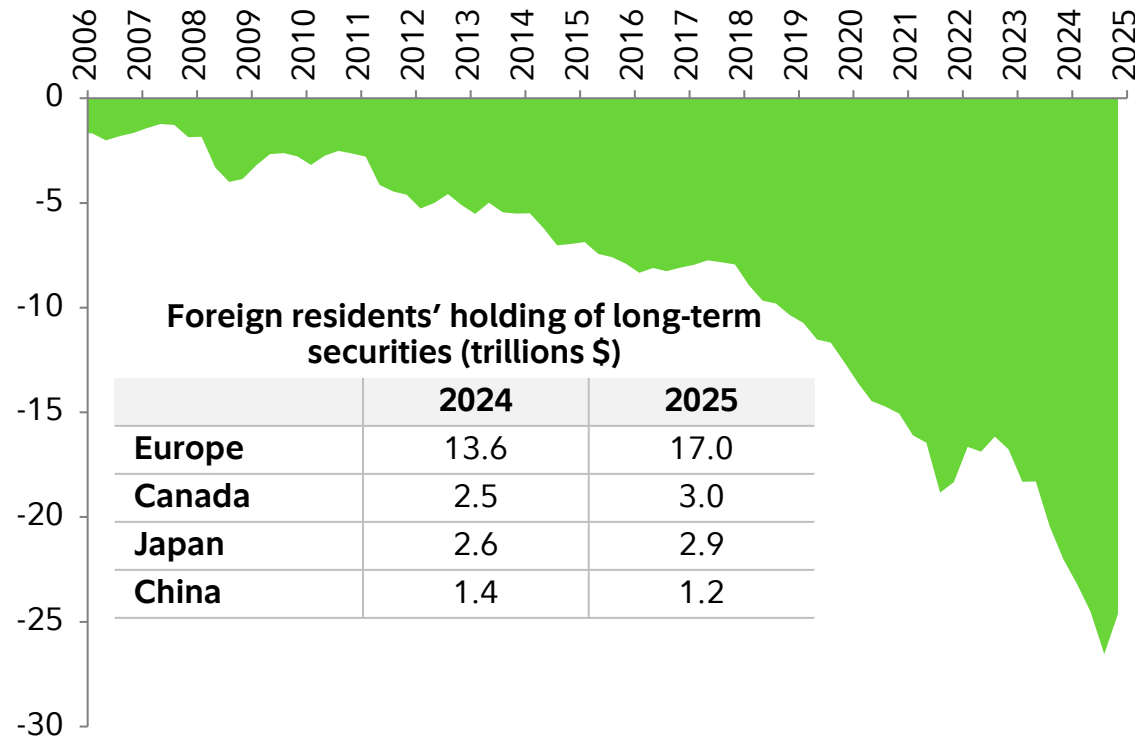
Broad secular trends	Secular factors	Potential impact	Results
 Unprecedented debt levels	Monetary policy	More uncertain with bigger swings between financial repression and fighting inflation	Inflation and interest rates more volatile
	Fiscal policy	Higher structural deficits	Policy and political risks higher
 Widespread aging demographics	Labor force	Supply constrained	Financial fragility
			Profit-margin pressures
 Peak globalization			Higher asset price volatility
			Lower global asset correlations
 Geopolitical instability	Supply-chain self sufficiency, reliability	Less goods and labor disinflation	Shows need for strategic diversification : More nuanced diversification and less reliance on simple extrapolation of past trends
	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



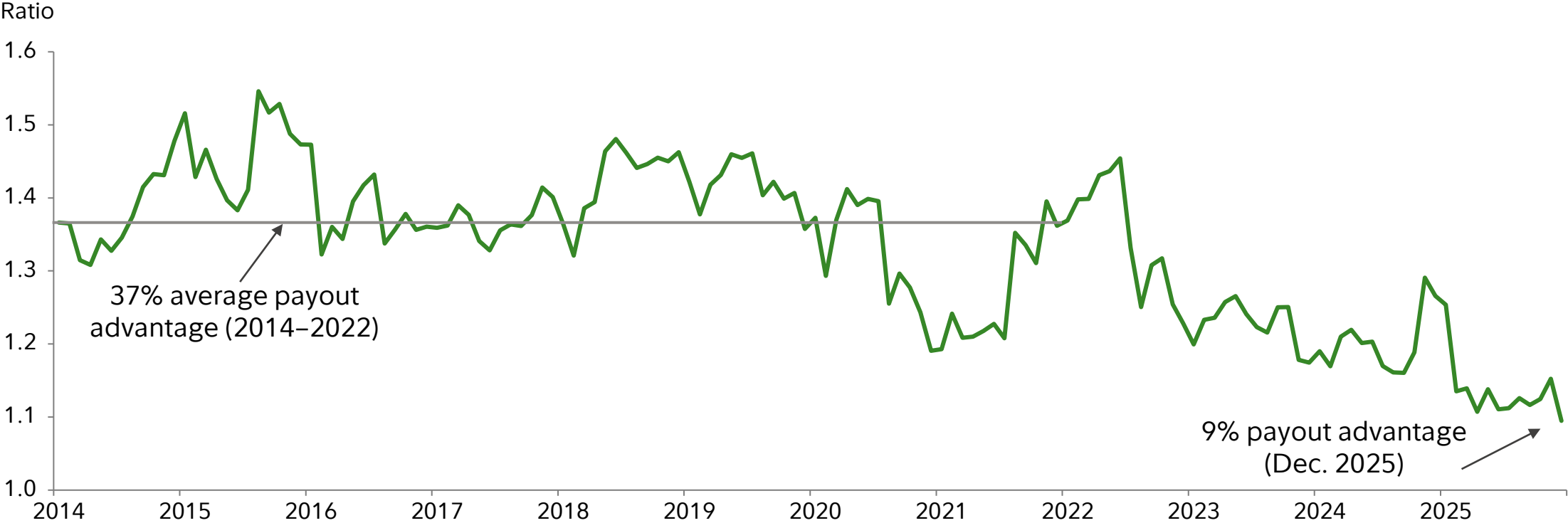
Examples of the underpinnings of U.S. exceptionalism

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 and asset (UST) • Deepest capital markets • Higher productivity growth and corporate ROE • Innovation/tech and science leadership <p>Foundational</p> <ul style="list-style-type: none"> • Rule of law and 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 and geography

U.S. equity payout advantage is dwindling

The U.S. has long held a superior corporate sector track record, underpinned by high returns on equity and strong corporate governance. For example, from 2014 to 2022 U.S. public companies provided higher total payments for shareholders (dividend and share buybacks) that resulted in equity payout yields that averaged nearly 40% higher than their foreign counterparts. However, this advantage has dwindled more recently to below 10% at the end of 2025, as some countries have prioritized more shareholder-friendly policies.

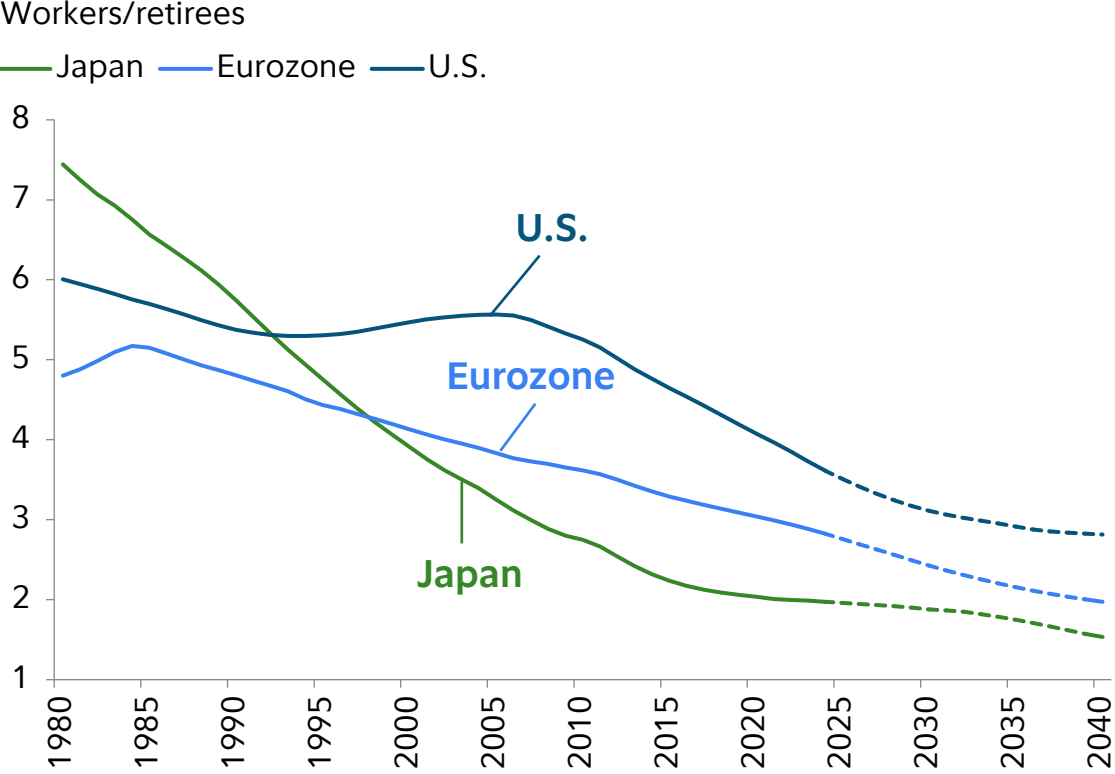
U.S. Equity vs. Non-U.S. Equity Payout Yield



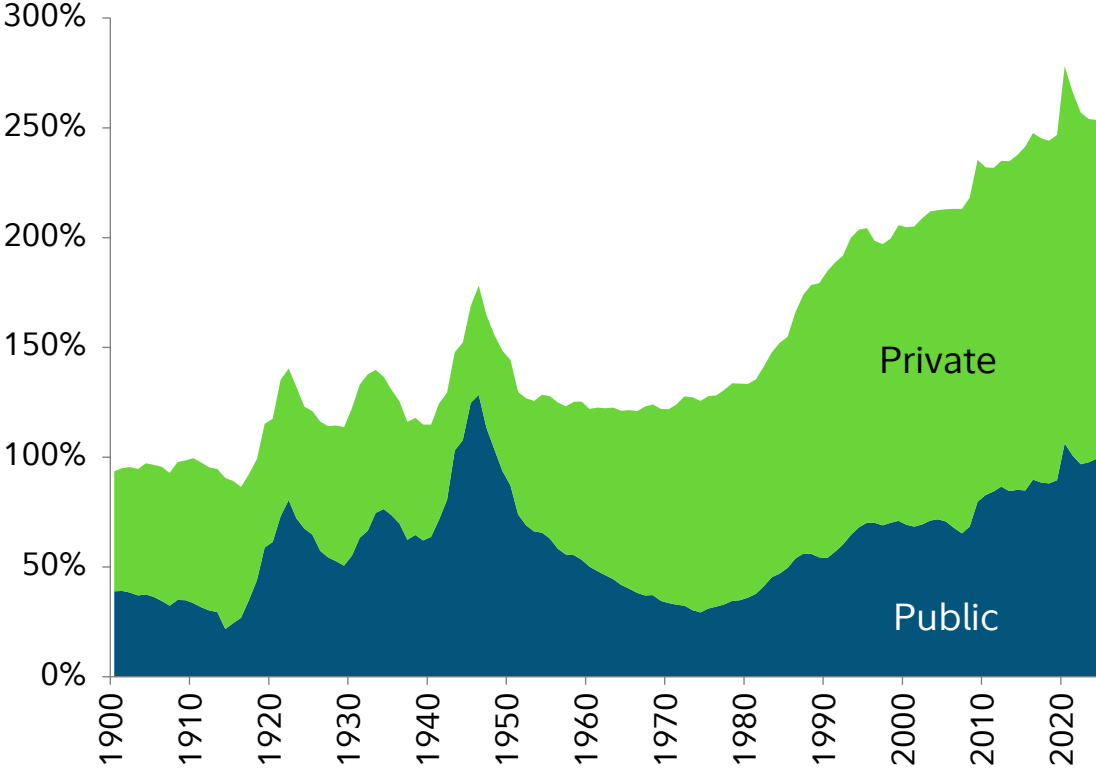
Unprecedented debt levels amid aging demographics

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

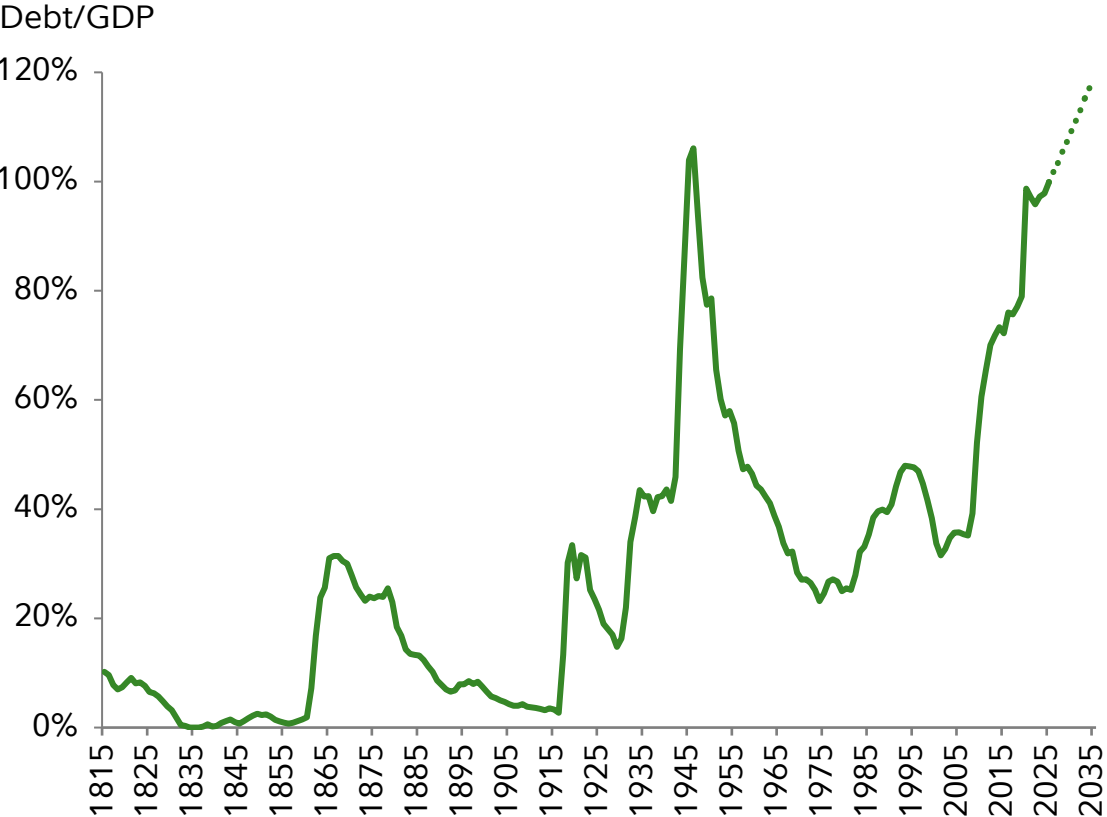


LEFT: The demographic support ratio is calculated as the number of workers (15–64 years old)/number of retirees (65 and older). Dotted line represents a projection. Source: United Nations, Haver Analytics, Fidelity Investments (AART), as of 7/31/22. RIGHT: Private refers to non-government debt. Source: Bank of International Settlements, International Monetary Fund, Maddison Project (MPD 2020), 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.

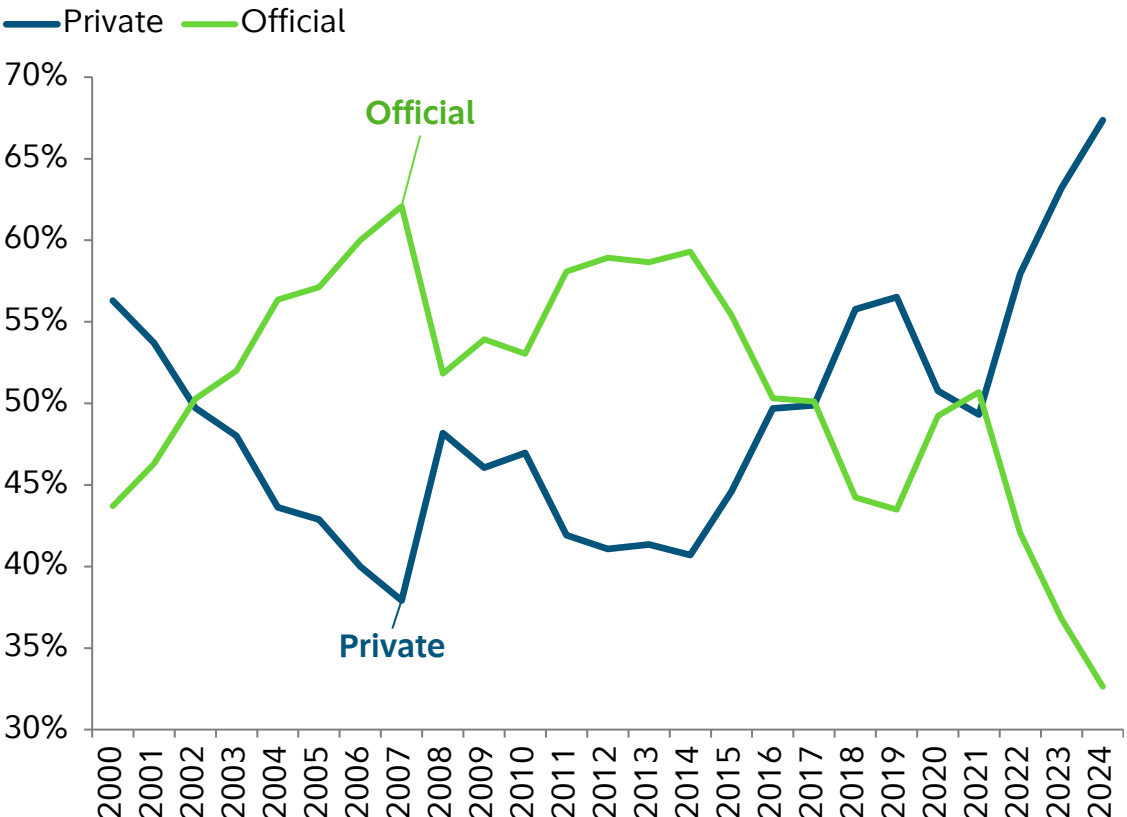
U.S. government debt on track to reach all-time high

U.S. government debt is at record peacetime levels and is soon expected to surpass all-time highs. Historically, highly indebted countries were often unable to produce fast enough real economic growth to stabilize debt, which often resulted in financial-repression efforts to hold interest rates at artificially low levels that raised the risks of higher inflation. With more Treasuries now in the hands of private-sector investors who may be more price-sensitive, policymakers face challenges that represent upside risks for long-term bond yields.

U.S. government debt



U.S. Treasury ownership

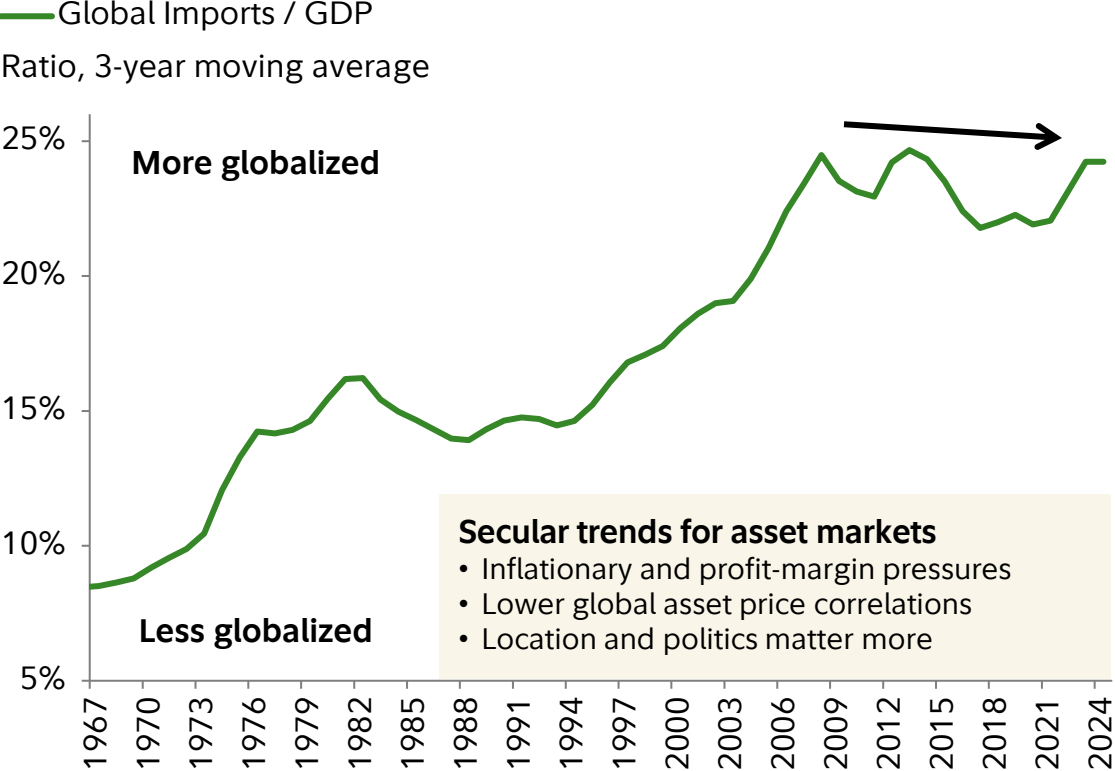


LEFT: Debt/GDP is CBO baseline. Does not reflect the impact of the One Big Beautiful Bill Act or the changes in tariff policy. Congressional Budget Office, "The Long-Term Budget Outlook: 2025-2055." Cbo.gov/publications/61187, as of 9/30/25. . RIGHT: Official ownership includes governments and central banks. Source: U.S. Treasury, U.S. Federal Reserve, Fidelity Investment (AART) as of 12/31/24.

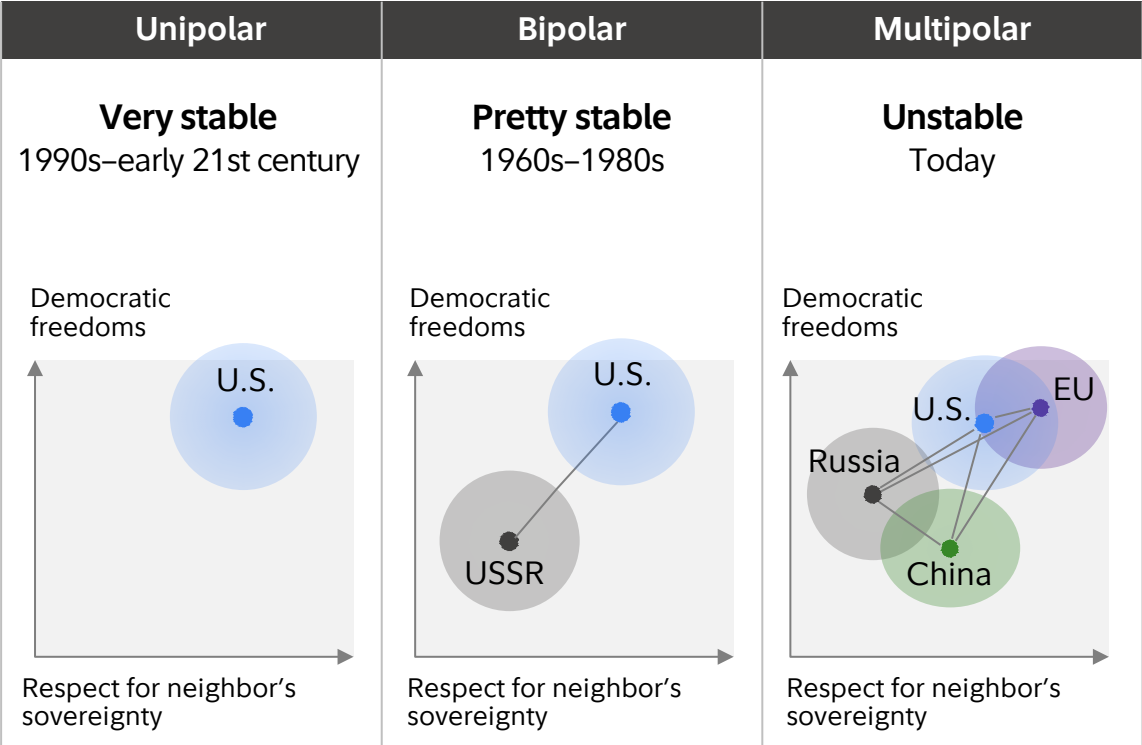
Unstable multipolar geopolitics at the heart of peak globalization

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 regime stability



39 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 12/31/24. RIGHT: Source: Fidelity Investments (AART), as of 3/31/25.

Secular inflation risks confront monetary policymakers

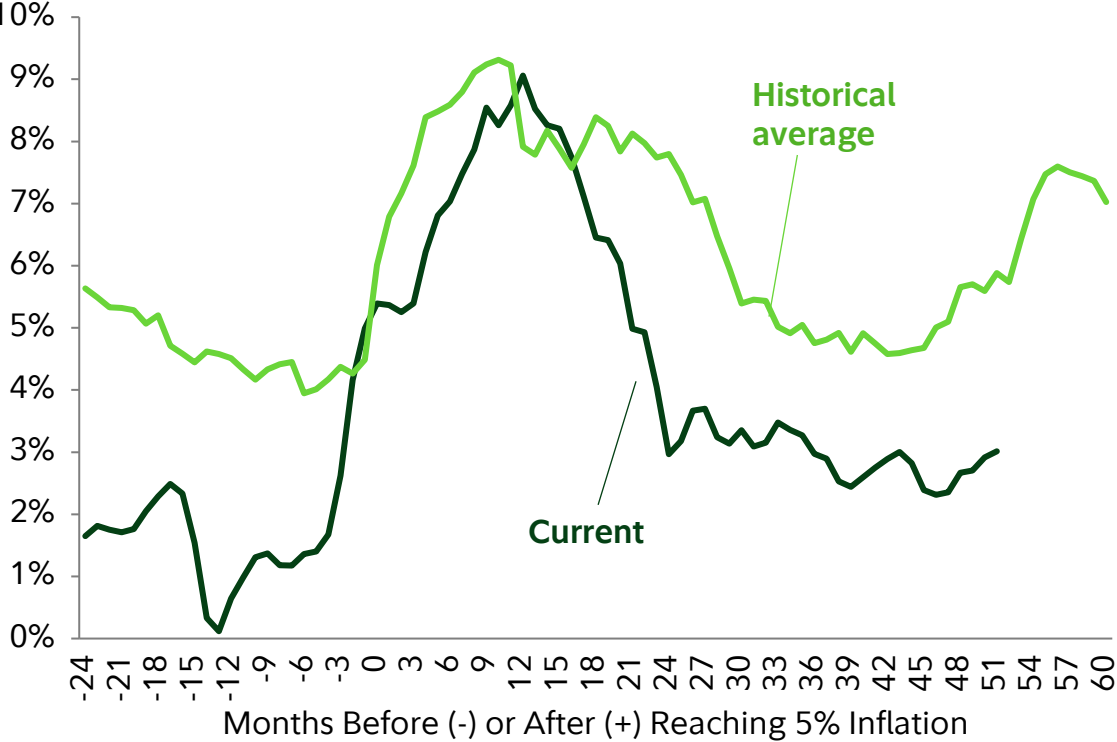
Several long-term trends have become more inflationary in recent years, raising the odds that we've entered a medium-term, high-inflation regime. These factors include supply-side pressures from deglobalization and aging demographics, accommodative fiscal policies, and climate disruption. Historically, inflation has moderated after reaching peaks above 5%, but inflation rates have often remained stubbornly high and even risen again in the following years.

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 and 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	↑ ↓

U.S. CPI inflation after reaching 5%

3-month average expected inflation rate



40 LEFT: Diversification does not ensure a profit or guarantee against a loss. Source: Fidelity Investments (AART), as of 12/31/25. RIGHT: Current represents headline CPI starting in June 2021. Historical average is an average of the six periods after 1944 where inflation exceeded five percent. Source: Bureau of Labor Statistics, Macrobond, Fidelity Investments (AART) as of 9/30/25.

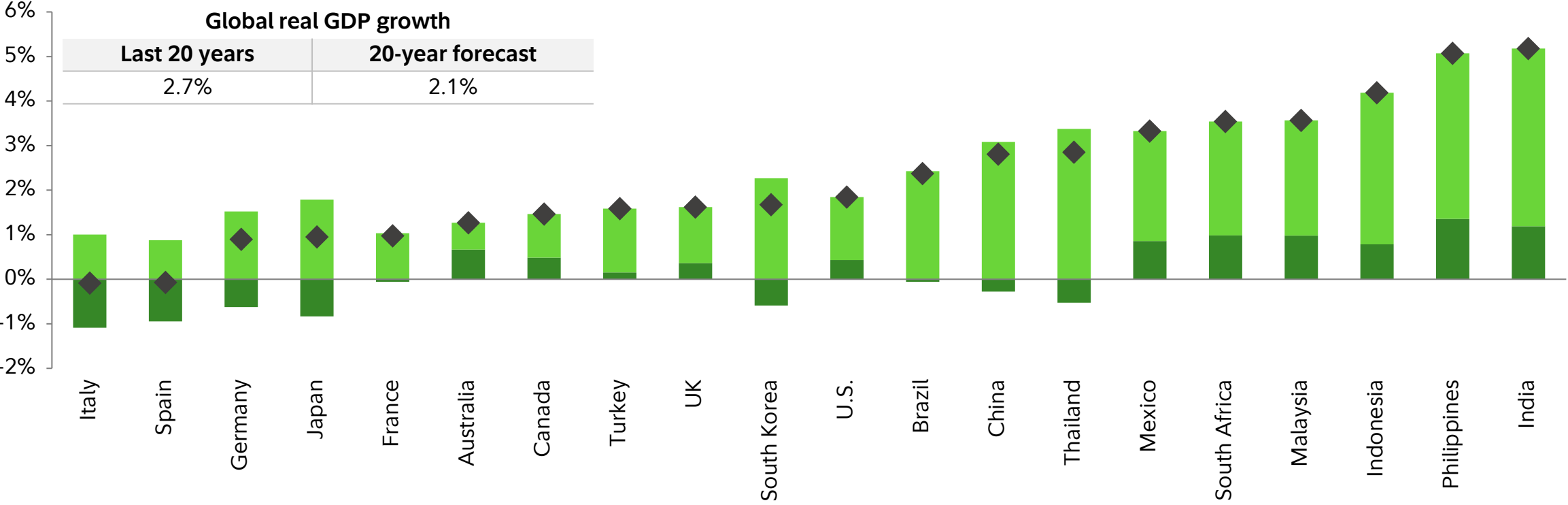
Secular forecast: Slower global growth, EM to lead

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

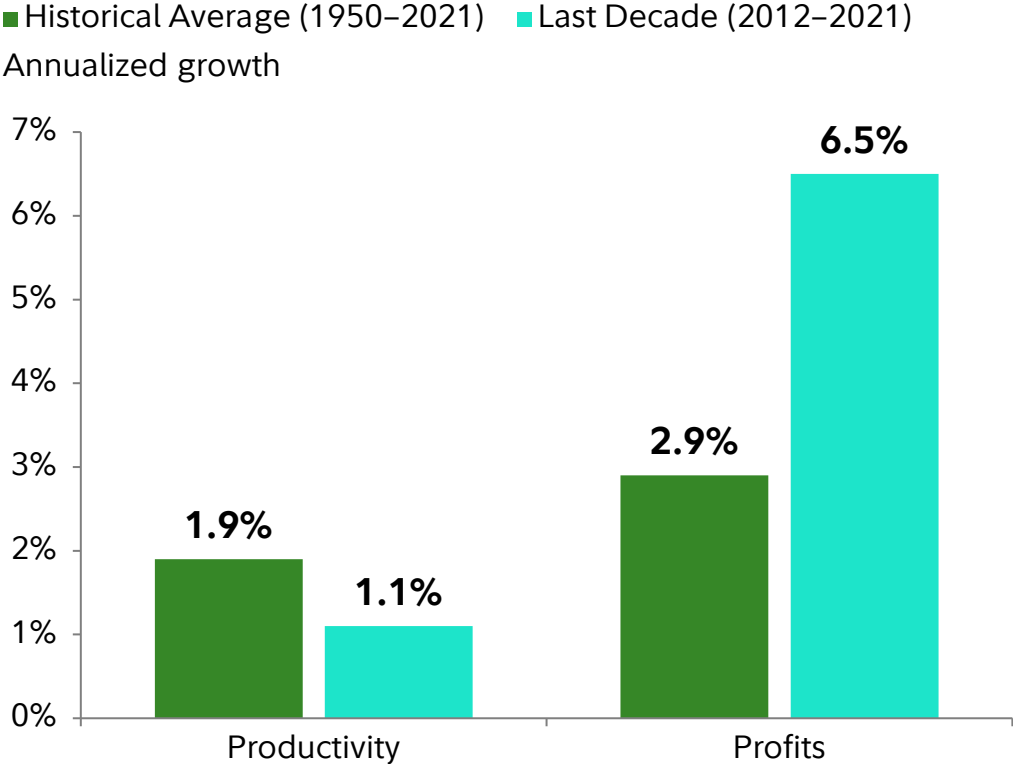
Annualized rate



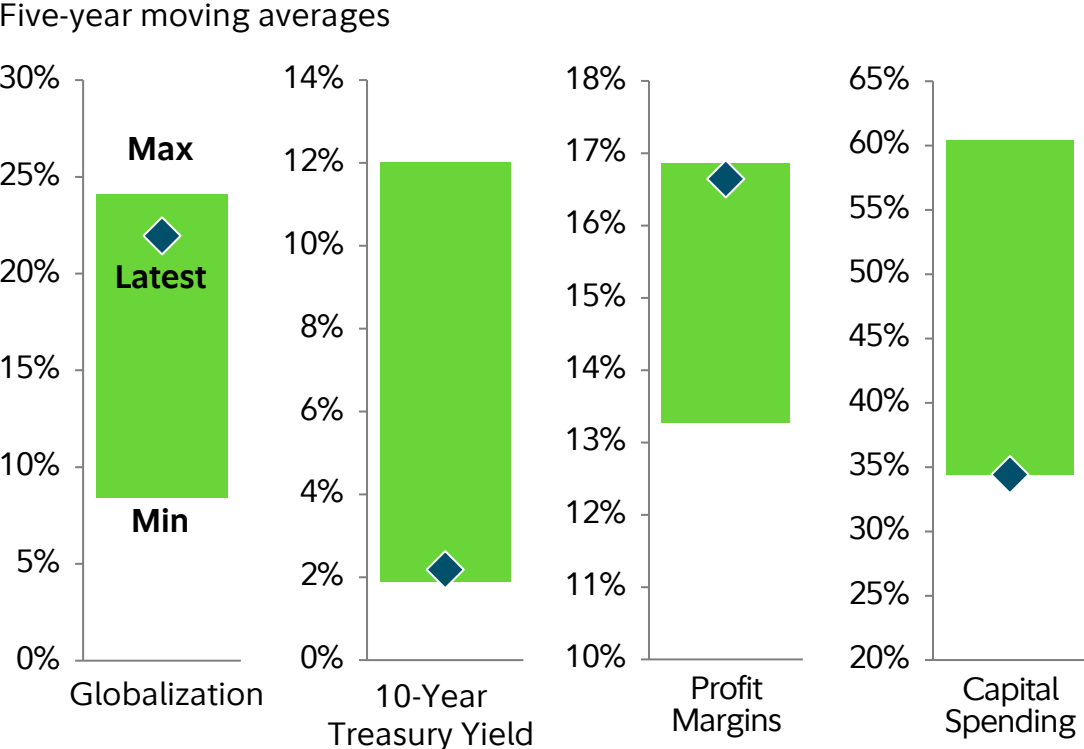
Corporate behavior may be shifting

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, we posited in 2023 that corporations may raise their capital expenditures from record-low levels, which could boost the productivity outlook. Recent trends imply this change in corporate behavior may be underway.

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.

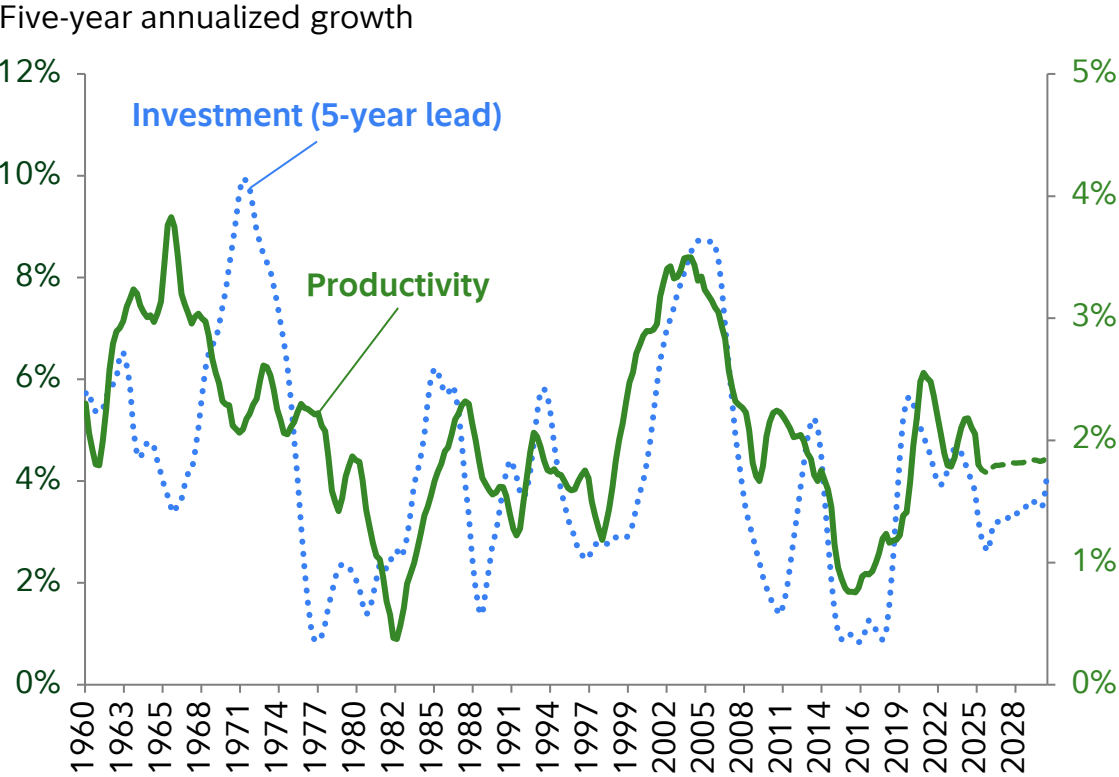
Strategic opportunities amid productivity upside scenarios

Several potential catalysts could boost productivity over the next decade, including rising investments to build out AI capabilities, reshore manufacturing, and mitigate climate change. While new capital expenditures typically take several years to translate into widespread productivity gains, it appears an upswing may be underway after reaching record-low investment and productivity rates during the past decade. Secular changes may provide greater global active opportunities across 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	Artificial intelligence Sector-specific automation, wider adoption
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
	Environmental Climate mitigation and adaptation, decarbonization

Real private investment spending vs. productivity



Performance rotations may underscore the 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	2025	Legend
35%	40%	5%	79%	28%	8%	20%	39%	28%	5%	21%	38%	0%	36%	38%	43%	16%	41%	32%	34%	Emerging-Market Stocks
33%	16%	-20%	58%	27%	8%	19%	34%	14%	3%	18%	30%	-2%	31%	20%	29%	-8%	26%	25%	31%	Foreign-Developed Country Stocks
27%	12%	-26%	37%	19%	4%	18%	33%	13%	1%	18%	26%	-2%	26%	18%	27%	-11%	18%	16%	18%	Growth Stocks
22%	11%	-34%	32%	18%	4%	18%	32%	12%	1%	12%	22%	-3%	26%	18%	26%	-13%	18%	14%	18%	Large Cap Stocks
18%	7%	-36%	28%	17%	2%	16%	23%	11%	1%	12%	15%	-4%	26%	14%	25%	-14%	17%	12%	16%	Commodities
16%	6%	-36%	27%	16%	2%	16%	19%	6%	0%	11%	15%	-4%	22%	8%	17%	-16%	14%	9%	16%	Value Stocks
12%	5%	-37%	26%	15%	0%	16%	7%	5%	-4%	9%	13%	-9%	22%	8%	15%	-18%	13%	8%	14%	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%	13%	Small Cap Stocks
9%	-1%	-38%	19%	12%	-12%	11%	-2%	-2%	-5%	7%	8%	-11%	14%	3%	5%	-20%	10%	5%	9%	High-Yield Bonds
4%	-2%	-43%	18%	8%	-13%	4%	-2%	-4%	-15%	3%	4%	-11%	9%	-3%	-2%	-24%	6%	4%	7%	Investment-Grade Bonds
2%	-16%	-53%	6%	7%	-18%	-1%	-10%	-17%	-25%	2%	1%	-14%	8%	-8%	-3%	-29%	-8%	1%	3%	REITs

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 12/31/25.

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 9/30/25, 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 22 represented by: Growth—Russell 3000® Growth Index; Small Cap—Russell 2000® Index; Large Cap—S&P 500®; Mid Cap—Russell Midcap® Index; Value—Russell 3000® Value Index; ACWI ex USA—MSCI ACWI (All Country World Index) ex USA Index; Japan—MSCI Japan Index; EAFE Small Cap—MSCI EAFE Small Cap Index; EAFE—MSCI EAFE (Europe, Australasia, Far East) Index; Europe—MSCI Europe Index; Canada—MSCI Canada Index; EM Asia—MSCI Emerging Markets Asia Index; Emerging Markets (EM)—MSCI EM Index; EMEA (Europe, Middle East, and Africa)—MSCI EM EMEA Index; Latin America—MSCI EM Latin America Index; Gold—Gold Bullion Price, LBMA PM Fix; Commodities—Bloomberg Commodity Index; High Yield—ICE BofA U.S. High Yield Index; Leveraged Loan—S&P/LSTA Leveraged Loan Index; TIPS (Treasury Inflation-Protected Securities)—Bloomberg U.S. TIPS Index; EM Debt (Emerging-Market Debt)—JP Morgan EMBI Global Diversified Composite Index; CMBS (Commercial Mortgage-Backed Securities)—Bloomberg Investment-Grade CMBS Index; Credit—Bloomberg U.S. Credit Bond Index; Municipal—Bloomberg Municipal Bond Index; Long Government & Credit (Investment-Grade)—Bloomberg Long Government & Credit Index; ABS (Asset-Backed Securities)—Bloomberg ABS Index; Aggregate—Bloomberg U.S. Aggregate Bond Index; Agency—Bloomberg U.S. Agency Index; Treasuries—Bloomberg U.S. Treasury Index; MBS (Mortgage-Backed Securities)—Bloomberg MBS Index; Momentum—Fidelity U.S. Momentum Factor Index TR; Low Volatility—Fidelity U.S. Low Volatility Factor Index; Quality—Fidelity U.S. Quality Factor Index; Value—Fidelity U.S. Value Factor Index; Size—Fidelity Small-Mid Factor Index; Yield—Fidelity High Dividend Index.

Bloomberg U.S. Aggregate Bond is a broad-based, market value-weighted benchmark that measures the performance of the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market.

Bloomberg U.S. Credit Bond Index is a market value-weighted index of investment-grade corporate fixed-rate debt issues with maturities of one year or more.

Bloomberg U.S. Treasury Index is a market value-weighted index of public obligations of the U.S. Treasury with maturities of one year or more.

Bloomberg U.S. Treasury Inflation-Protected Securities (TIPS) Index (Series-L) is a market value-weighted index that measures the performance of inflation-protected securities issued by the US Treasury.

Bloomberg Long U.S. Government Credit Index includes all publicly issued U.S. government and corporate securities that have \$250 million or more of outstanding face value.

Bloomberg U.S. Agency Bond Index is a market value-weighted index of U.S. Agency government and investment-grade corporate fixed-rate debt issues.

Bloomberg Municipal Bond Index is a market value-weighted index of investment-grade municipal bonds with maturities of one year or more.

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

Bloomberg CMBS Index is designed to mirror commercial mortgage-backed securities of investment-grade quality (Baa3/BBB-/BBB- or above) using Moody's, S&P, and Fitch, respectively, with maturities of at least one year.

Bloomberg ABS Index is a market value-weighted index that covers fixed-rate asset-backed securities with average lives greater than or equal to one year and that are part of a public deal; the index covers the following collateral types: credit cards, autos, home equity loans, stranded-cost utility (rate-reduction bonds), and manufactured housing.

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

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

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

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

Russell 3000® Index is a market capitalization-weighted index designed to measure the performance of the 3,000 largest companies in the U.S. equity market.

Russell 3000 Growth Index is a market capitalization-weighted index designed to measure the performance of the broad growth segment of the U.S. equity market. It includes those Russell 3000 Index companies with higher price-to-book ratios and higher forecasted growth rates.

Russell 3000 Value Index is a market capitalization-weighted index designed to measure the performance of the small to mid cap value segment of the U.S. equity market. It includes those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth rates.

Russell Midcap® Index is a market capitalization-weighted index designed to measure the performance of the mid cap segment of the U.S. equity market. It contains approximately 800 of the smallest securities in the Russell 1000 Index.

Russell 1000® Index is a market capitalization-weighted index designed to measure the performance of the large cap segment of the U.S. equity market.

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

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

Appendix: Important information

Market indexes (continued)

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

S&P 500® is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance. S&P 500 is a registered service mark of The McGraw-Hill Companies, Inc., and has been licensed for use by Fidelity Distributors Corporation and its affiliates.

Sectors and Industries are defined by Global Industry Classification Standards (GICS®), except where noted otherwise.

S&P 500 sectors: Consumer Discretionary—companies that tend to be the most sensitive to economic cycles.

Consumer Staples—companies whose businesses are less sensitive to economic cycles. Energy—companies whose businesses are dominated by either of the following activities: the construction or provision of oil rigs, drilling equipment, and other energy-related services and equipment; or the exploration, production, marketing, refining, and/or transportation of oil and gas products, coal, and consumable fuels. Financials—companies involved in activities such as banking, consumer finance, investment banking and brokerage, asset management, insurance and investments, and mortgage real estate investment trusts (REITs). Health Care—companies in two main industry groups: health care equipment suppliers, manufacturers, and providers of health care services; and companies involved in research, development, production, and marketing of pharmaceuticals and biotechnology products. Industrials—companies that manufacture and distribute capital goods, provide commercial services and supplies, or provide transportation services. Information Technology—companies in technology software and services and technology hardware and equipment. Materials—companies that engage in a wide range of commodity-related manufacturing. Real Estate—companies in real estate development, operations, and related services, as well as equity REITs. Communication Services—companies that facilitate communication and offer related content through various media. Utilities—companies considered electric, gas, or water utilities, or that operate as independent producers and/or distributors of power.

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

MSCI All Country World Index (ACWI) is a market capitalization-weighted index designed to measure investable equity market performance for global investors of developed and emerging markets.

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

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

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

MSCI Europe Index is a market capitalization-weighted index that is designed to measure the investable equity market performance for global investors of the developed markets in Europe.

MSCI Canada Index is a market capitalization-weighted index designed to measure equity market performance in Canada.

MSCI Japan Index is a market capitalization-weighted index designed to measure equity market performance in Japan.

MSCI Emerging Markets (EM) Index is a market capitalization-weighted index designed to measure the investable equity market performance for global investors in emerging markets.

MSCI EM Asia Index is a market capitalization-weighted index designed to measure equity market performance of EM countries of Asia.

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

MSCI EM Latin America Index is a market capitalization-weighted index designed to measure the investable equity market performance for global investors in Latin America.

FTSE® National Association of Real Estate Investment Trusts (NAREIT®) All REITs Index is a market capitalization-weighted index that is designed to measure the performance of all tax-qualified REITs listed on the NYSE, the American Stock Exchange, or the NASDAQ National Market List.

FTSE® NAREIT® Equity REIT Index is an unmanaged market value-weighted index based on the last closing price of the month for tax-qualified REITs listed on the New York Stock Exchange (NYSE).

FTSE NAREIT All Equity Total Return Index is a market capitalization-weighted index that is designed to measure the performance of tax-qualified real estate investment trusts (REITs) listed on the New York Stock Exchange, the NYSE MKT LLC, or the NASDAQ National Market List.

Fidelity U.S. Low Volatility Factor Index is designed to reflect the performance of stocks of large and mid-capitalization U.S. companies with lower volatility than the broader market.

Fidelity U.S. Value Factor Index is designed to reflect the performance of stocks of large and mid-capitalization U.S. companies that have attractive valuations.

Fidelity U.S. Quality Factor Index is designed to reflect the performance of stocks of large and mid-capitalization U.S. companies with a higher quality profile than the broader market.

Fidelity Small-Mid Factor Index is designed to reflect the performance of stocks of small and mid-capitalization U.S. companies with attractive valuations, high quality profiles, positive momentum signals, and lower volatility than the broader market.

Fidelity U.S. Momentum Factor Index is designed to reflect the performance of stocks of large and mid-capitalization U.S. companies that exhibit positive momentum signals.

Fidelity High Dividend Index is designed to reflect the performance of stocks of large and mid-capitalization dividend-paying companies that are expected to continue to pay and grow their dividends.

Appendix: Important information

Market indexes (continued)

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

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

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

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

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