Financial Markets Review

First Quarter 2024

Market Overview

Benefits Of Diversification

Total Returns by Various Asset Classes (%)

2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	YTD	10 Year	
39.8	5.2	78.5	29.1	13.6	18.2	43.3	28.8	5.7	31.7	37.3	1.7	36.4	38.5	41.7	16.1	42.7	11.4	16.0	Large Growth
16.2	1.8	57.5	27.0	7.8	18.1	34.5	13.5	1.3	17.5	30.2	0.0	28.5	34.6	28.3	1.5	18.7	9.0	9.0	Large Value
11.8	-2.4	37.2	24.5	7.5	17.5	33.5	13.1	0.6	17.3	25.0	-1.6	26.5	18.3	27.6	-7.5	18.2	7.6	7.9	Small Growth
11.6	-23.4	34.5	18.9	4.4	17.3	32.5	6.9	0.5	11.8	22.2	-1.5	24.3	13.9	27.1	-11.2	16.5	5.8	7.0	Balanced
11.2	-26.4	31.8	16.8	2.6	16.5	22.8	6.0	0.0	11.3	14.2	-2.3	22.4	11.0	25.2	-11.8	14.6	5.1	6.9	Small Value
7.1	-28.9	26.3	16.7	1.6	15.6	16.8	5.6	-0.8	11.2	13.7	-4.2	20.2	7.8	12.2	-13.0	13.5	2.9	5.2	REIT
7.0	-35.6	20.6	15.5	0.4	15.3	7.4	4.2	-1.4	7.1	7.8	-5.8	22.0	7.5	11.3	-14.5	12.3	2.4	4.8	EAFE
7.0	-36.9	19.8	15.2	0.1	14.6	1.3	3.6	-1.4	7.1	7.5	-8.3	18.4	6.2	6.0	-14.5	11.5	2.2	4.4	High Yield
4.7	-38.4	19.7	11.8	-2.9	11.5	0.1	2.5	-3.8	6.9	3.7	-9.3	14.4	4.6	5.4	-15.2	9.8	1.5	2.9	Emerging Markets
2.2	-38.5	18.9	7.8	-5.5	7.0	-2.0	0.0	-4.6	4.7	3.5	-11.2	8.7	2.8	2.8	-20.1	5.5	1.4	2.2	TIPS
-0.2	-39.1	11.4	6.5	-12.1	4.2	-2.6	-2.2	-7.5	2.6	3.0	-12.9	8.4	0.6	0.0	-25.4	5.3	-0.1	1.5	Bonds
-9.8	-43.4	5.9	6.3	-13.3	0.1	-8.6	-4.9	-14.9	1.0	1.7	-13.8	7.7	-3.1	-1.5	-26.4	3.9	-0.6	1.4	Cash
-17.8	-53.3	0.2	0.1	-18.4	-1.1	-9.5	-17.0	-24.7	0.3	0.8	-14.6	2.3	-7.6	-2.5	-29.1	-7.9	-0.8	-1.6	Commodities

Diversification does not guarantee a profit or guarantee against loss.
Large Growth – Russell 1000 Growth Index; Large Value – Russell 1000 Value Index; Small Growth – Russell 2000 Growth Index; Small Value – Russell 2000 Value Index; EAFE – MSCI EAFE Index; Emerging Markets – MSCI Emerging Markets Index; High Yield – Merrill Lynch U.S. High Yield Master II Index; Bonds –Bloomberg Aggregate Bond Index; TIPS – Bloomberg US Treasury Inflation Protected Notes (TIPS) Index; Commodities – Bloomberg Commodity Index; REIT - MSCI US REIT Index: Cash – Citigroup 3 month T-Bill. The "Balanced" portfolio is re-balanced monthly and assumes the following weights: 45% DJ US Total Stock Market, 15% MSCI EAFE, 35% Bloomberg US Aggregate Bond and 5% Bloomberg 3-Month T-Bill. Source: Morningstar as of 3/31/2024. 10yr is the annualized total return as of 3/31/2024.
Past performance is no guarantee of future results.

Market Performance as of March 31, 2024

Total Returns by Various Asset Classes (%)

Domestic Equity	1Q24	1 Year	3 Years	5 Years	10 Years
Growth	11.2	38.0	11.5	17.8	15.4
Large Cap	10.6	29.9	11.5	15.0	13.0
Mid Cap	8.6	22.3	6.1	11.1	9.9
Value	8.6	20.2	7.7	10.2	8.9
Small Cap	5.2	19.7	-0.1	8.1	7.6

Sector (weight in S&P 500)	1Q24	1 Year	3 Years	5 Years	10 Years
Comm Serv (8.9%)	15.8	49.8	6.9	13.7	9.4
Info Tech (29.6%)	12.7	46.0	19.0	25.4	22.0
Financials (13.2%)	12.5	33.5	9.5	12.8	11.1
Cons Disc (10.3%)	5.0	28.7	4.3	11.5	12.6
Industrials (8.8%)	11.0	26.7	10.4	13.0	11.1
Energy (4.0%)	13.7	17.7	30.0	12.9	4.7
Materials (2.4%)	8.9	17.6	7.9	13.3	9.2
Healthcare (12.4%)	8.8	16.1	10.0	12.1	11.7
Real Estate (2.3%)	-0.5	9.6	3.4	5.3	8.0
Cons Staples (6.0%)	7.5	7.2	8.0	10.0	9.3
Utilities (2.2%)	4.6	0.4	4.1	5.9	8.4

Inflation Protection	1Q24	1 Year	3 Years	5 Years	10 Years
Gold	6.5	11.9	9.4	11.3	5.5
Real Estate	-0.5	9.6	3.4	5.3	8.0
US CPI-U NSA	1.1	3.2	5.7	4.2	2.8
TIPS	-0.1	0.5	-0.5	2.5	2.2
Commodities	2.2	-0.6	9.1	6.4	-1.6

Foreign Equity	1Q24 USD/LCL	1 Year	3 Years	5 Years	10 Years
Japan	11.2 / 19.3	26.2	4.1	8.2	7.1
Latin America	-3.9 / -2.1	23.4	11.0	4.1	2.1
EAFE	5.9 / 10.1	15.9	5.3	7.9	5.3
Europe	5.4 / 8.4	14.8	6.9	8.6	5.1
ACWI Ex USA	4.8 / 8.3	13.8	2.4	6.5	4.7
EAFE Small Cap	2.5 / 7.1	11.0	-0.9	5.4	5.1
EM	2.4 / 4.6	8.6	-4.7	2.6	3.3
Asia	3.4 / 5.6	6.7	-6.2	3.2	4.9
China*	-2.2 / -1.7	-16.9	-18.8	-6.2	1.4

Fixed Income	1Q24	1 Year	3 Years	5 Years	10 Years
Leveraged Loan	2.5	12.5	6.0	5.5	4.5
High Yield	1.5	11.1	2.2	4.0	4.4
EM Debt	1.5	8.4	-1.5	1.1	2.9
Cash	1.3	5.4	2.7	2.0	1.4
Credit	-0.4	4.1	-1.9	1.4	2.5
Global Bond Hedged	0.0	4.1	-1.3	0.8	2.2
Aggregate	-0.8	1.7	-2.5	0.4	1.5
MBS	-1.0	1.4	-2.8	-0.4	1.1
Global Bond LCL	-2.1	0.5	-4.7	-1.2	-0.1
Treasury	-1.0	0.1	-2.7	-0.1	1.0
Long Govt/Credit	-2.4	-1.1	-6.0	-0.6	2.3

Past performance is no guarantee of future results. The above sectors are represented by the following indexes: Growth – Russell 3000 Growth Index; Large Cap – S&P 500 Index; Mid Cap – Russell Mid Cap index; Small Cap – Russell 2000 Index; Value – Russell 3000 Value Index. The S&P 500 Sector Indices are constructed using the Global Industry Classification Standard (GICS). China – MSCI China Index; Asia – MSCI EM Asia index; EM – MSCI EM index; EAFE Small Cap – MSCI EAFE Small Cap Index; ACWI ex US – MSCI ACWI ex US Index; Europe – MSCI Europe Index; EAFE – MSCI EAFE Index; Japan – MSCI Japan Index; LatAm- MSCI EM Latin America Index; Gold – LBMA Gold Price PM Index; Commodities – Bloomberg Commodity Index. Real Estate - S&P 500 Sec/Real Estate Index. US CPI-U NSA - US Bureau of Labor Statistics Consumer Price Index All Urban Non Seasonally Adjusted. Long Govt/Credit – Bloomberg US Long Government/Credit Bond Index; EM Debt: Bloomberg EM Aggregate Index; High Yield – BofA ML US HY Master II Constrained Index; Credit – Bloomberg Credit Bond Index; Leveraged Loan - S&P/LSTA Leveraged Loan Index; Aggregate – Bloomberg US Aggregate Bond Index; TIPS – Bloomberg US TIPS Index; MBS – Bloomberg US Agency Fixed Rate MBS Index; Treasury – Bloomberg Treasury Index. Cash – Bloomberg Short Treasury 1-3 year Index. Global Bond LCL – Bloomberg Global Aggregate Bond LCL Index. Global Bond Hedged – Bloomberg Global Aggregate Bond Hedged Index. Local Currency (LCL) returns refers to the return in local currency (i.e. does not include any impact due to currency exposure).

* The MSCI China Index captures large and mid cap representation across China A shares, China B shares, H shares, Red chips, P chips and foreign listings (e.g. ADRs). B shares trade on the Shanghai and Shenzhen exchanges; they are quoted in foreign currencies (Shanghai USD, Shenzhen HKD). H shares trade on the Hong Kong exchange and other foreign exchanges (HKD). Red chips and P chips are incorporated outside of China and trade on the Hong Kong exchange (HKD).

Source: Factset, Morningstar as of 3/31/2024. 3, 5, and 10 year performance numbers are annualized total returns as of 3/31/2024.

Market Overview

Cyclical stabilization boosted stock prices and bond yields

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

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

Asset Allocation Implications

- Smaller active allocation positions are warranted by the late-cycle phase and elevated valuations for riskier assets
- fixed income assets viewed as an attractive diversifier to downside risks
- Security selection may present additional return opportunities

Diversification does not guarantee a profit or guarantee against loss. Past performance is no guarantee of future results. For illustrative purposes only. Source: Fidelity Investments (AART), as of 3/31/2024.

Global business cycle in prolonged expansion

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

I. Business Cycle Framework

Cycle Phases

EARLY

- Activity rebounds (GDP, IP, employment)
- Credit begins to grow
- Profits grow rapidly
- Policy still stimulative
- Inventories low; sa

MID

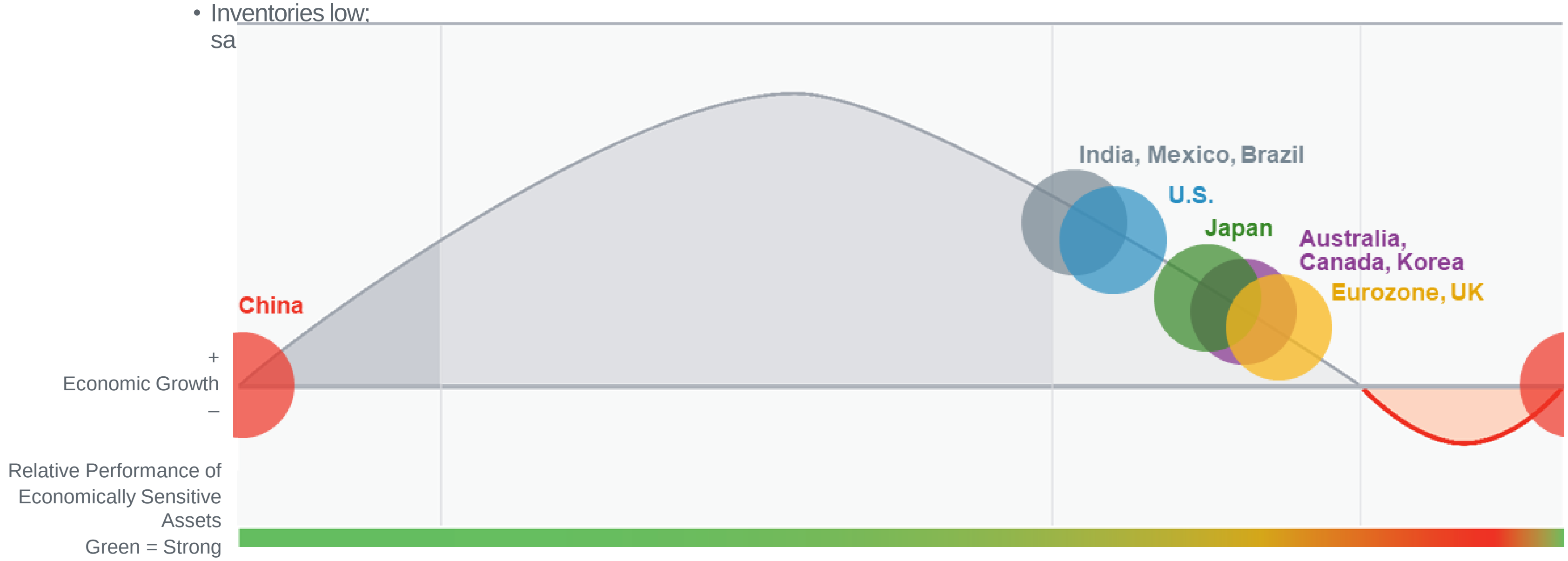
- Growth peaking
- Credit growth strong
- Profit growth peaks
- Policy neutral
- Inventories, sales grow; equilibrium reached

LATE

- Growth moderating
- Credit tightens
- Earnings under pressure
- Policy contractionary
- Inventories grow, sales growth falls

RECESSION

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

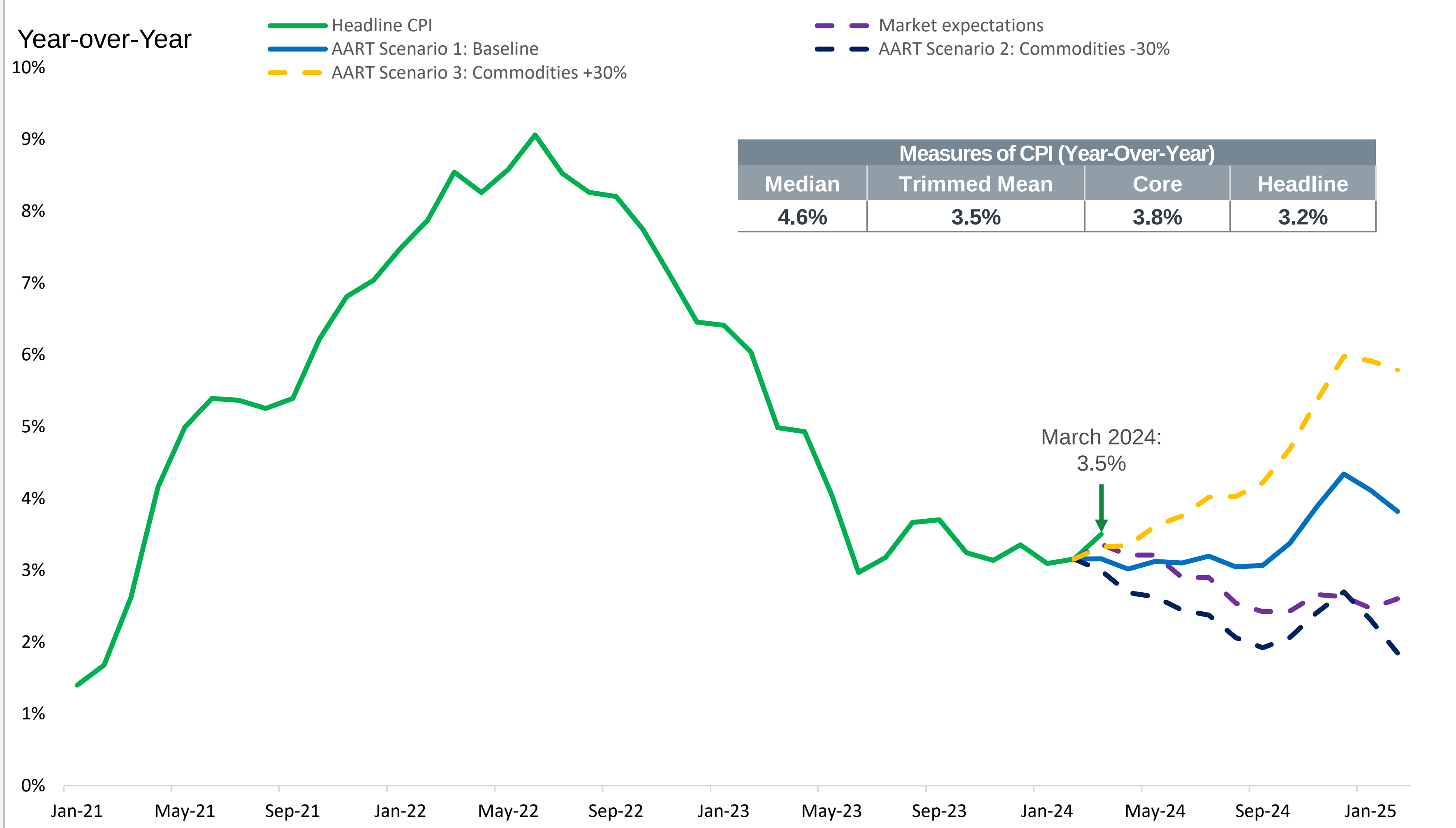


A growth recession is a significant decline in activity relative to a country's long-term economic potential. Note: The diagram above is a hypothetical illustration of the business cycle, the pattern of cyclical fluctuations in an economy over a few years that can influence asset returns over an intermediate-term horizon. There is not always a chronological, linear progression among the phases of the business cycle, and there have been cycles when the economy has skipped a phase or retraced an earlier one.
Source: Fidelity Investments (AART), as of 3/31/2024.

After significant disinflation, reaching 2% may prove challenging

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

I. Inflation Estimates under Different Commodity Price Scenarios



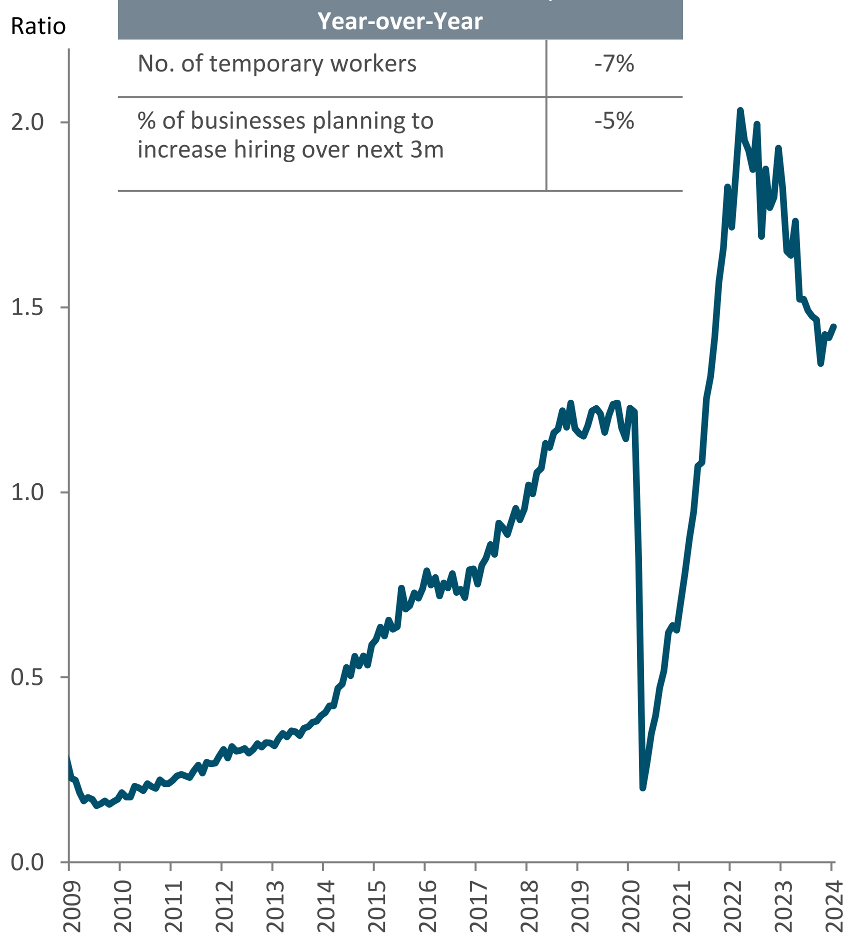
Measures of CPI (Year-Over-Year)			
Median	Trimmed Mean	Core	Headline
4.6%	3.5%	3.8%	3.2%

CPI: Consumer Price Index. Market expectations: inflation swaps. Commodity prices are represented by the Bloomberg Commodity Index (BCOM), and their hypothetical changes over the next year are assumed to occur equally throughout the year. Table values are as of 2/29/24. Trimmed mean excludes inflation rates that fall above the 98th percentile or below the 8th percentile of price changes. Median CPI excludes inflation rates outside of the 50th percentile of price changes. Source: Federal Reserve Bank of Cleveland, Macrobond, Bureau of Labor Statistics, Bloomberg, Haver Analytics, Fidelity Investments (AART), as of 3/31/2024.

Benign labor-market softening; supply gains nearing limits?

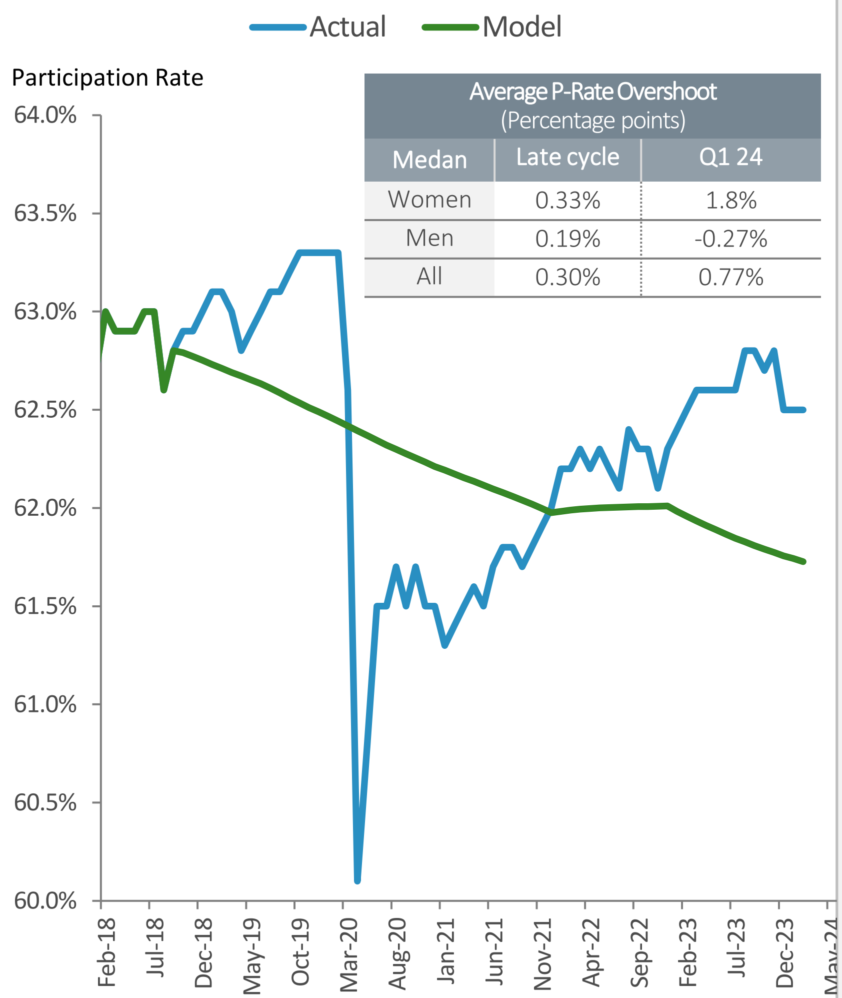
Labor markets continued to enjoy a relatively benign softening trend without a major rise in unemployment. Job openings continued to drop from their peak and labor-force participation rates remained high, providing a hint of disinflationary mid-cycle dynamics. However, labor force growth stagnated in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

I. Job Openings/Unemployed Workers



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

II. Participation Rate vs. AART Demographic Model



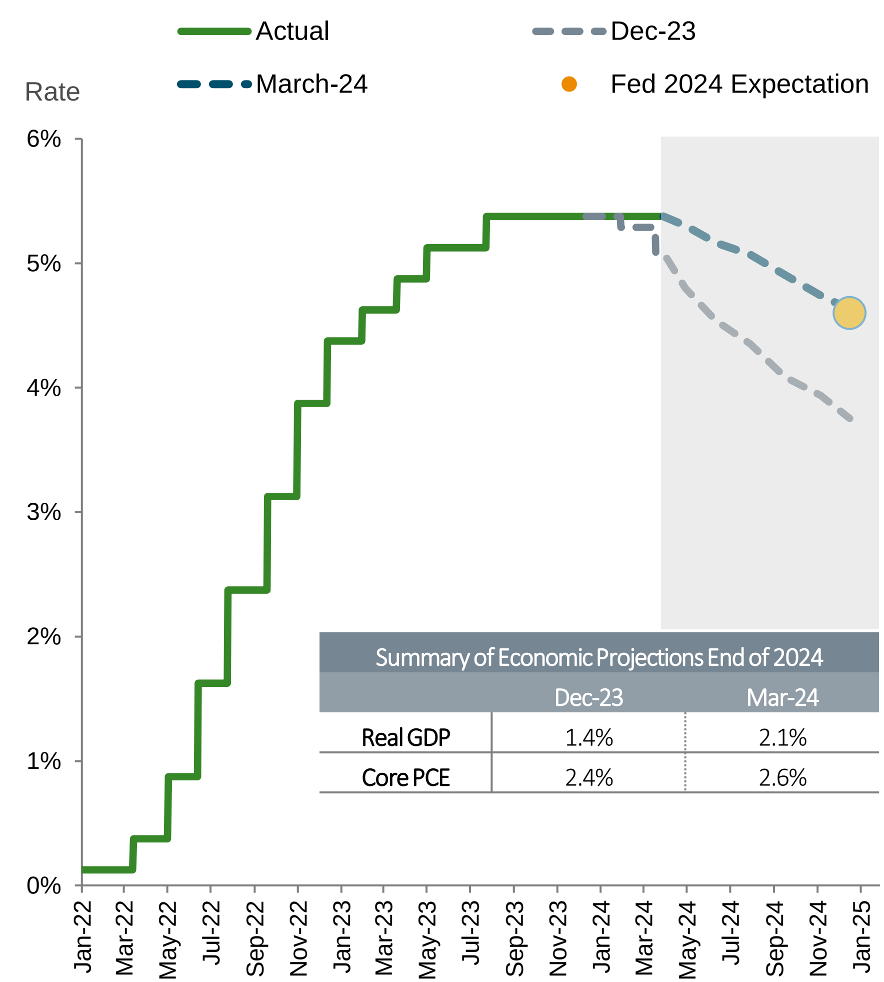
Average P-Rate Overshoot (Percentage points)		
Medan	Late cycle	Q1 24
Women	0.33%	1.8%
Men	0.19%	-0.27%
All	0.30%	0.77%

LEFT: No. of temporary workers is the year-over-year percent change in temporary help hiring. Percent of business increasing hiring over the next 3 months is from NFIB Small Business Jobs Report, this year's number minus last year's. Data is as of 2/29/24. RIGHT: AART Demographic Model is a model-estimated participation rate based on the Civilian Labor Force and Civilian Noninstitutional Population by age group and gender as of 2/29/2024. Current shows overshoot as of 2/29/24. Source: Bureau of Labor Statistics, NFIB, Macrobond, Fidelity Investments (AART) as of 3/31/2024.

Fixed income spreads tighter; yields attractive vs. prior decade

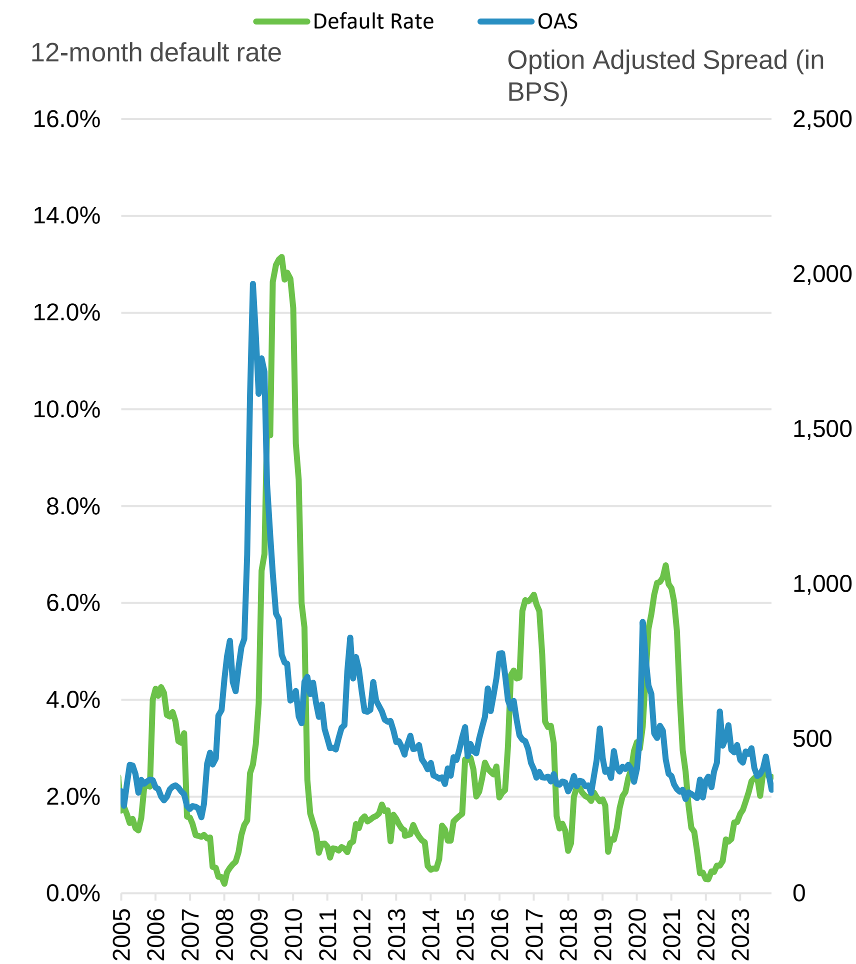
Treasury rates rose during Q1, leading most fixed income categories to end the quarter with yields around their long-term historical averages. The Fed continued to signal it would begin easing this year while forecasting higher growth and inflation for 2024. The market's expectations for rate cuts dropped during Q1 to be in line with the Fed's outlook for three cuts (4.6%) by the end of this year. Strong corporate and economic trends continued to boost the fundamental outlook for spread sectors, and credit spreads tightened further in most categories though defaults continued to increase.

I. Fed Funds Rate Expectations



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

II. High Yields Spread and Default Rates

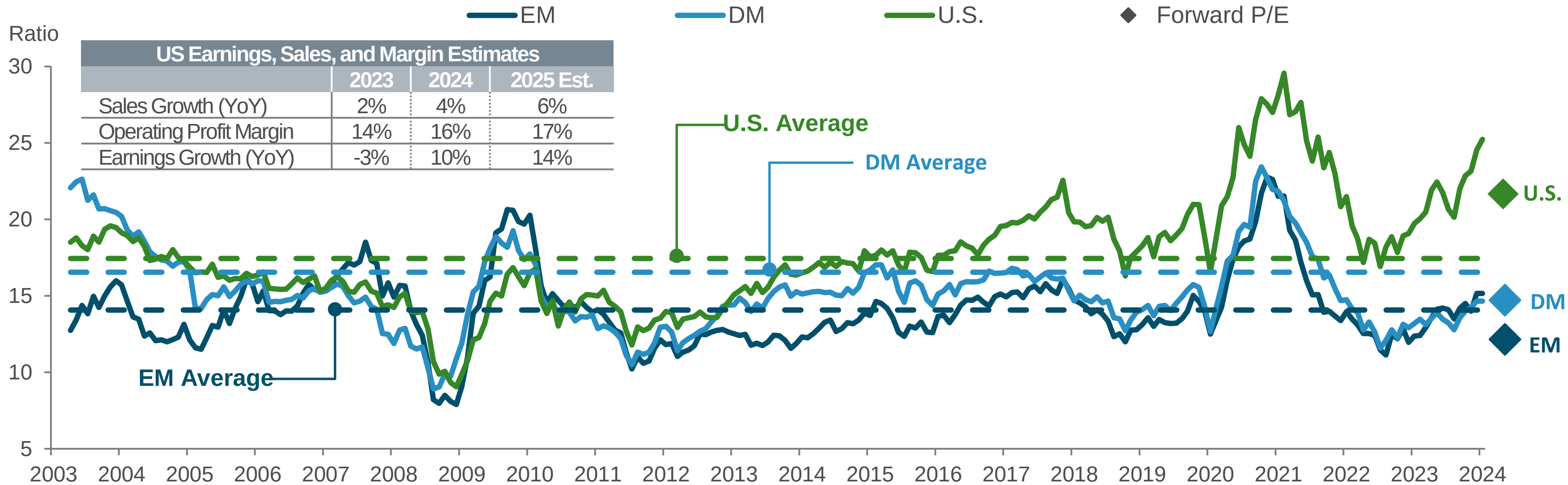


Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against a loss. It is not possible to invest directly in an index. All indexes are unmanaged. LEFT:Dotted lines represent Fed funds rate expectations using OIS swaps, Fed 2024 Expectation from the Fed's December Summary of Economic Projections. Source: Bloomberg Finance L.P., Federal Reserve Board, Fidelity Investments (AART), as of 3/31/2024. RIGT: Ice BOFA High Yield Index. Default rates are for trailing 12-month periods. The option-adjusted spread (OAS) is the measurement of the spread of a fixed-income security rate and the risk-free rate of return, which is then adjusted to take into account an embedded option. A basis point (BPS) is one hundredth of 1 percentage point. Source: Factset, as of 3/31/2024.

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

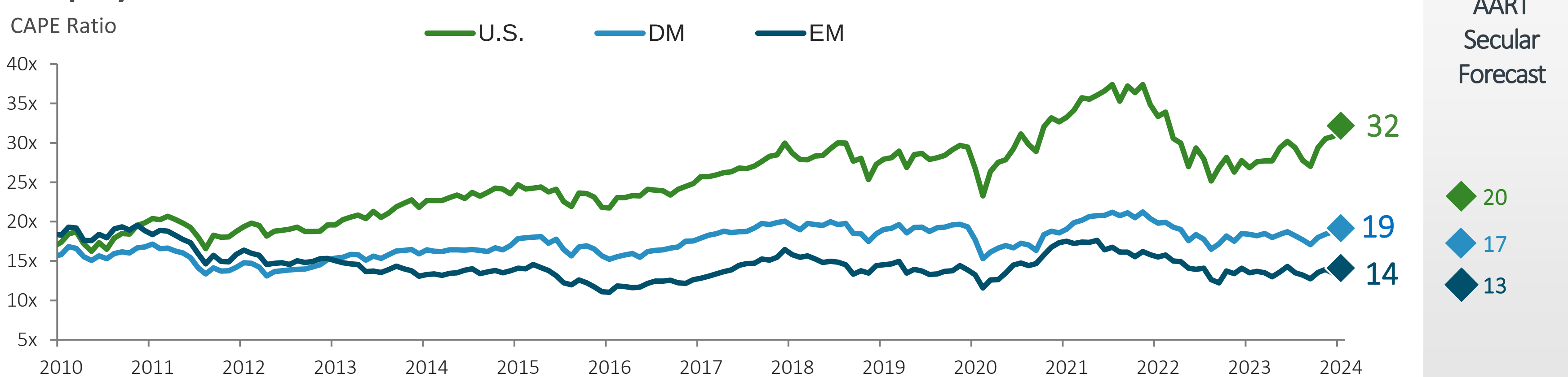
Valuations became somewhat more expensive amid the Q1 stock rally, especially for the U.S. The trailing one-year price-to-earnings (PE) ratio for U.S. stocks remained well above its long-term average. Emerging markets trailing valuations are slightly above their long-term average, while DM finished below.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

I. Global Stock Market P/E Ratios



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

II. Equity Valuations

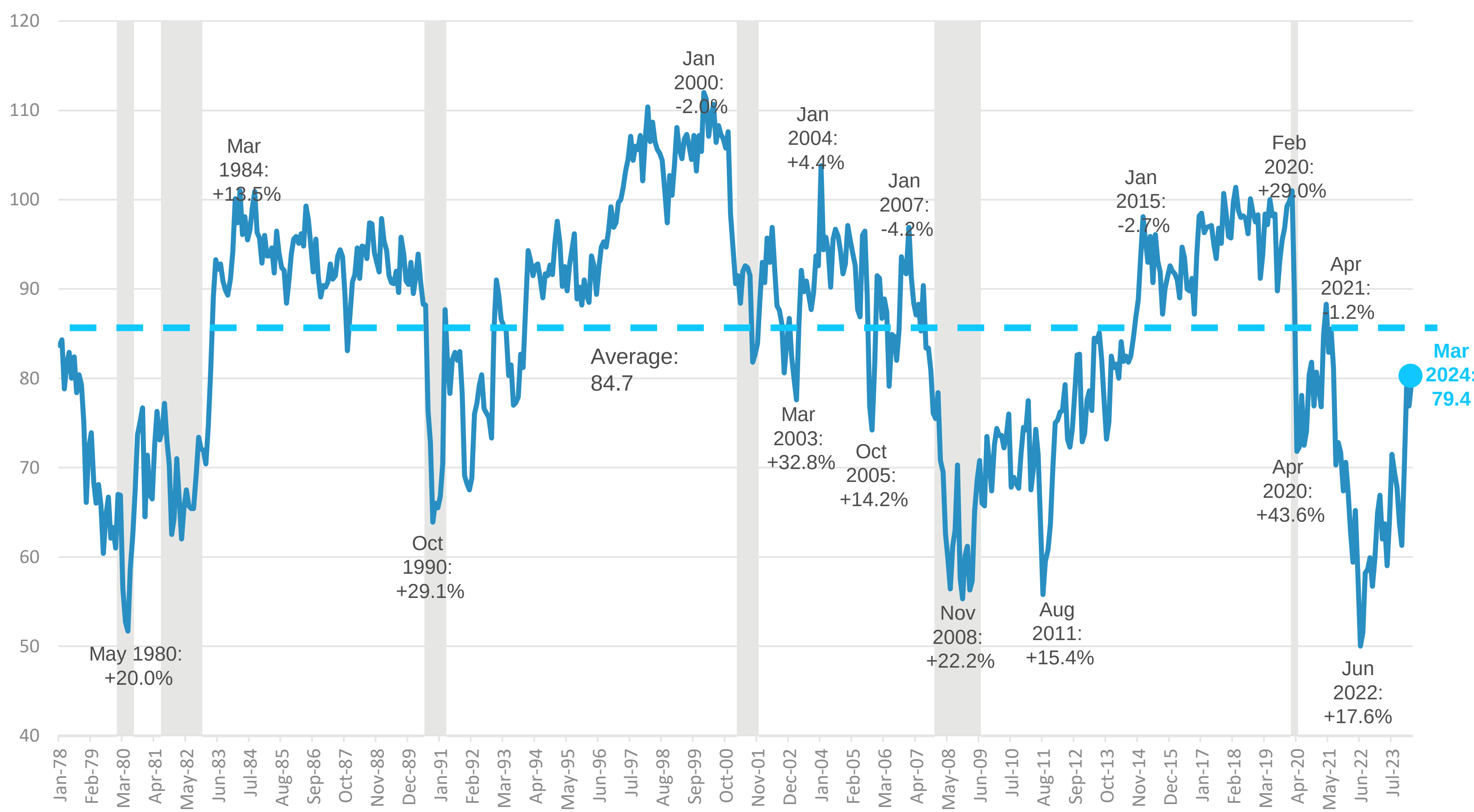


DM: Non-U.S. developed markets. EM: Emerging markets. TOP: Chart includes trailing 12-month P/Es. Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. Price-to-earnings (P/E) ratio (or multiple): Stock price divided by earnings per share, which indicates how much investors are paying for a company's earnings power. Long-term average P/E includes data from 12/31/03 to 3/31/2024. Indexes: DM—MSCI EAFE Index; EM—MSCI Emerging Markets Index; U.S.—S&P 500. Source: FactSet, Bloomberg Finance L.P., Fidelity Investments (AART), as of 3/31/24. Bottom: CAPE: Cyclically adjusted price-earnings. Price-to-earnings (P/E) ratio (or multiple): Stock price divided by earnings per share, which indicates how much investors are paying for a company's earnings power. Cyclically adjusted earnings are 10-year averages adjusted for inflation. Source: FactSet, countries' statistical organizations, MSCI, Fidelity Investments (AART), as of 3/31/2024.

Consumer Sentiment and the Stock Market

Consumer spending is the key to any market economy. Consumption spending makes up two-thirds of the U.S. economy on average, so as the U.S. consumer goes, so goes the U.S. economy. Generally consumer confidence rises with high stock returns, but high consumer confidence is often followed by low stock returns. While troughs in sentiment tend to precede strong equity returns, peaks in sentiment do not see as much upside.

I. Consumer Sentiment Index and subsequent 12-month S&P 500 returns



Shaded areas denote U.S. recession. The Michigan Consumer Sentiment Index (MCSI) is a monthly survey of consumer confidence levels in the United States conducted by the University of Michigan. Peak is defined as the highest index value before a series of lower lows, while trough is defined as the lowest index value before a series of higher highs. Subsequent 12-month S&P 500 returns are price returns only starting from the end of the month and excluding dividends. Past performance is no guarantee of future results. Source: University of Michigan, Factset as of 3/31/2024

Market perspective notes

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The S&P 500 Sector Indices are constructed using the Global Industry Classification Standard (GICS), a widely accepted industry analysis framework for investment research, portfolio management and asset allocation jointly developed and maintained by MSCI and Standard & Poor's.

References to specific security, sector or investment strategy should not be construed as recommendations or investment advice. The statements and opinions expressed are as of March 31, 2024, 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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All indexes are unmanaged, and performance of the indexes includes reinvestment of dividends and interest income, unless otherwise noted. Indexes are not illustrative of any particular investment, and it is not possible to invest directly in an index. Securities indices are not subject to fees and expenses typically associated with managed accounts or investment funds.

Keep in mind that investing involves risk. The value of your investment will fluctuate over time and you may gain or lose money.

Investment Risks:

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments.

The securities of smaller, less well-known companies can be more volatile than those of larger companies.

Foreign investments, especially those in emerging markets, involve greater risk and may offer greater potential returns than U.S. investments. This risk includes political and economic uncertainties of foreign countries, as well as the risk of currency fluctuation. Investments in smaller companies may involve greater risks than those in larger, more well known companies.

In general the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk and credit and default risks for both issuers and counterparties. Unlike individual bonds, most bond funds do not have a maturity date, so avoiding losses caused by price volatility by holding them until maturity is not possible. The value of inflation-protected debt securities tends to change less due to changes in inflation than other types of bonds but may decrease with decreases in inflation or, as with other debt securities, with increases in interest rates.

Increases in real interest rates can cause the price of inflation-protected debt securities to decrease.

Lower-quality debt securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer.

The energy industries can be significantly affected by fluctuations in energy prices and supply and demand of energy fuels, energy conservation, the success of exploration projects, and tax and other government regulations.

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