

Third Quarter 2014 | QUARTERLY MARKET UPDATE



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This report is a product of Fidelity's Asset Allocation Research Team (AART) with contributions from throughout Fidelity's asset management organization. AART conducts economic, fundamental, and quantitative research to develop asset allocation recommendations for Fidelity's portfolio managers and investment teams. AART is responsible for analyzing and synthesizing investment perspectives across Fidelity's asset management unit to generate insights on macroeconomic and financial market trends and their implications for asset allocation.

Market Summary

Market Summary Data																			

Overview: Backdrop Holds Steady, Less Risk Priced In

The pace of global expansion remained slow but relatively steady during Q2 2014. Alongside accommodative monetary policies and low inflation, market volatility plummeted and most asset prices rose. With less risk priced into the asset markets, low volatility may breed investor complacency amid a difficult backdrop in China and risks to global oil supplies.

Q2 2014 TRENDS

MACRO

- Global economy slow but steady
 - Benign cyclical trends in developed markets, especially in U.S. and Europe
 - In China, policy easing counters weakness; EMs increasingly divergent
- ECB easing underscored stimulative, “low for long” global monetary policies
- Modest interest-rate declines, generally low inflation
- Rising geopolitical risk; Iraq concerns pushed up oil prices, inflationary pressures

MARKETS

- “Goldilocks” fundamentals drove market volatility lower, most asset categories positive
- Gains widespread, performance range relatively narrow

OUTLOOK

- Business cycle still more supportive for developed economies
 - Steady backdrops in U.S. and Europe
 - Pockets of U.S. wage inflation but no late-cycle pressures yet
- Risks:
 - Market complacency amid low volatility, higher asset prices
 - Potential for monetary policy to disappoint
 - Asia: financial and cyclical backdrops in China, Japan
 - Geopolitical uncertainty, commodity supply risks to inflation

- U.S. mid-cycle still positive; equities still more favorable in countries with steadier cyclical outlooks
- Potential for market volatility to rise
- Interest rates range-bound; bonds may help provide downside protection

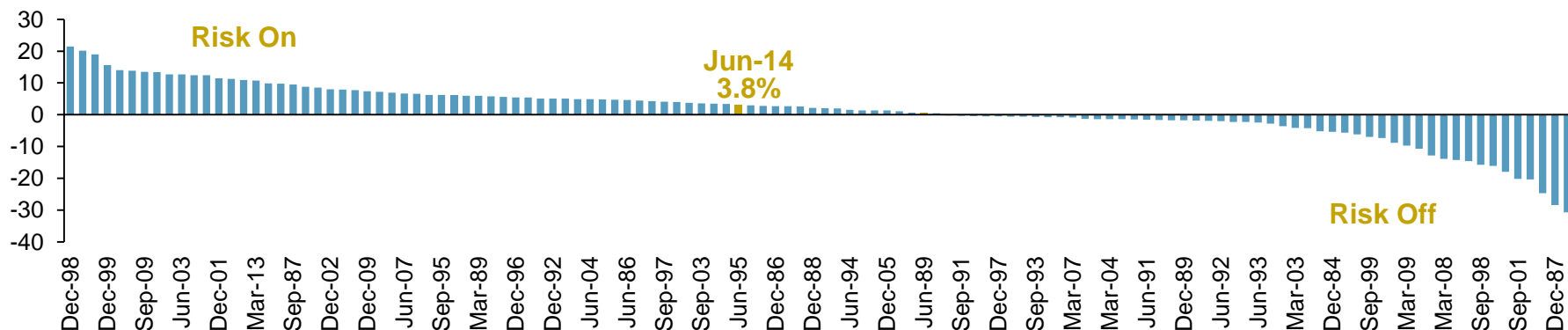
Widespread Gains across All Asset Categories

All major asset classes posted solid gains during Q2 and were in positive territory on a year-to-date basis. REITs led for the second quarter in a row, while rebounds occurred in Q1 global laggards such as emerging markets and non-U.S. developed equities. The risk meter was in the middle range, indicating a narrow range of performance across different types of assets.

	Q2 2014 (%)	YTD (%)		Q2 2014 (%)	YTD (%)
Real Estate Stocks	7.1	16.2	High-Yield Bonds	2.6	5.6
Emerging-Market Stocks	6.7	6.3	Non-U.S. Small-Cap Stocks	2.2	5.8
Emerging-Market Bonds	5.4	9.1	Investment-Grade Bonds	2.0	3.9
U.S. Large-Cap Stocks	5.2	7.1	U.S. Small-Cap Stocks	2.0	3.2
U.S. Mid-Cap Stocks	5.0	8.7	Gold	1.8	9.4
Non-U.S. Developed-Country Stocks	4.3	5.1	U.S. Treasury Bonds	1.4	2.7
U.S. Corporate Bonds	2.7	5.7	Commodities	0.1	7.1

Risk Meter: U.S. Large-Cap Stock minus Treasury Bond Returns, 1984–2014

Quarterly Return Difference (%)



Past performance is no guarantee of future results. It is not possible to invest directly in an index. See appendix for important index information. Assets represented by: Commodities – DJ-UBS Commodity Index; Emerging-Market Bonds – JP Morgan EMBI Global Index; Emerging-Market Stocks – MSCI EM Index; Gold – Gold Bullion, LBMA PM Fix; High Yield Bonds – Bank of America Merrill Lynch (BofA ML) High Yield Bond Index; Investment-Grade Bonds – Barclays U.S. Aggregate Bond Index; Non-U.S. Developed-Country Stocks – MSCI EAFE Index; Non-U.S. Small-Cap Stocks – MSCI EAFE Small Cap Index; Real Estate Stocks – FTSE NAREIT Equity Index; U.S. Corporate Bonds – Barclays U.S. Credit Index; U.S. Large-Cap Stocks – S&P 500 Index; U.S. Mid-Cap Stocks – Russell Midcap Index; U.S. Small-Cap Stocks – Russell 2000 Index; U.S. Treasury Bonds – Barclays U.S. Treasury Index. Source: FactSet, Wall Street Journal, Haver Analytics, Fidelity Investments (AART), as of 6/30/14.

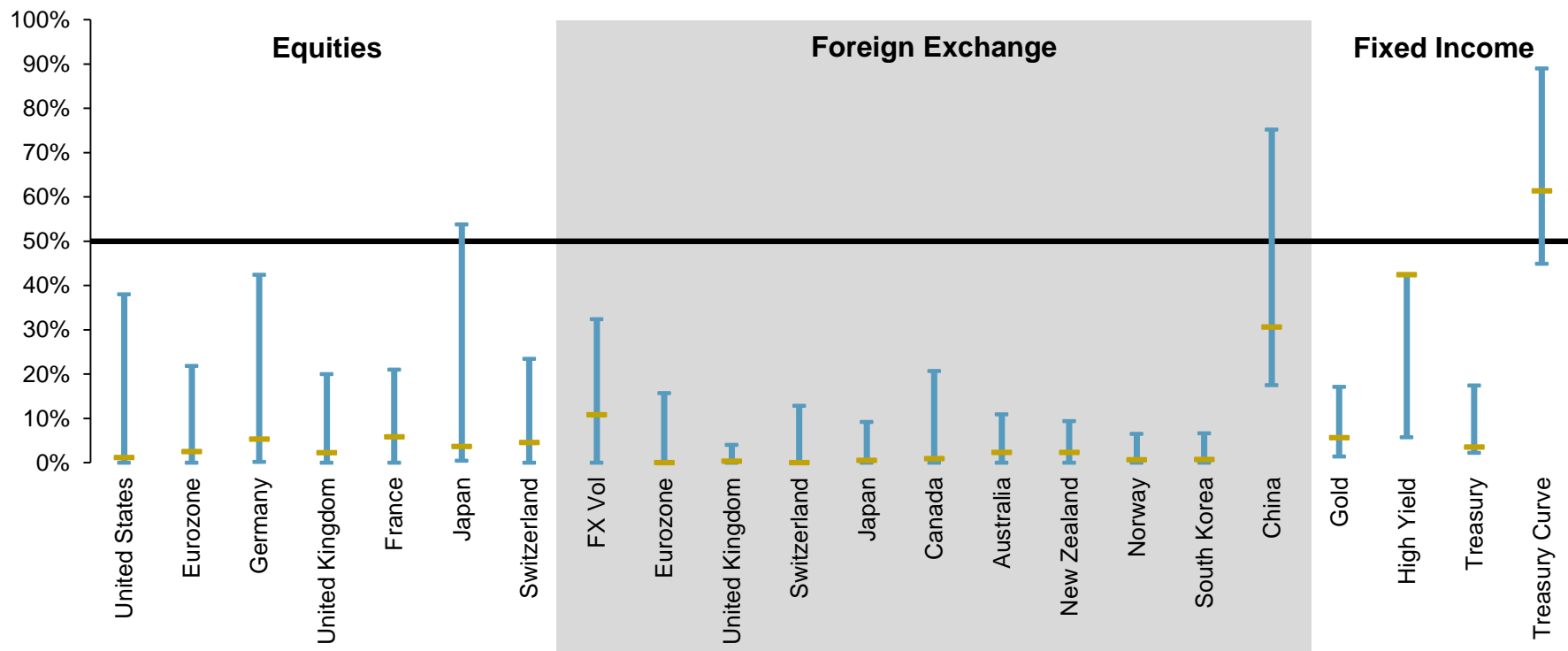
Exceptionally Low Global Market Volatility

Market volatility has plunged across nearly all financial instruments—including stocks, bonds, and currencies—hitting five-year lows in many categories. The steady economic backdrop and expectations of sustained low monetary policy rates have engendered investor risk-taking, particularly in carry trades that tend to benefit higher-yielding bonds and currencies.

Implied Asset Class Volatility

— 3m high — 3m low — current

Percentile Ranking vs. Last Five Years



Past performance is no guarantee of future results. It is not possible to invest directly in an index. See appendix for important index information. Implied volatility rankings calculated using 30-day at-the-money option prices. Equity volatility indices based on derivative fluctuations for each stock market. Volatility for each equity market represented by: United States – S&P 500; Eurozone – Euro Stoxx 50; Germany – DAX Index; United Kingdom – FTSE 100; France – CAC 40; Japan – Nikkei 225; Switzerland – SMI. Foreign exchange volatility (gray shading) is based on movements in each currency relative to the U.S. dollar; FX Vol is a Fidelity Investments calculation aggregating currency volatility. Gold volatility is gold prices relative to the U.S. dollar. High Yield volatility is calculated from the JNK exchange-traded fund. Treasury volatility is based on the MOVE Index. Treasury Curve is the volatility spread between the five- and one-year Treasuries. Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/14.

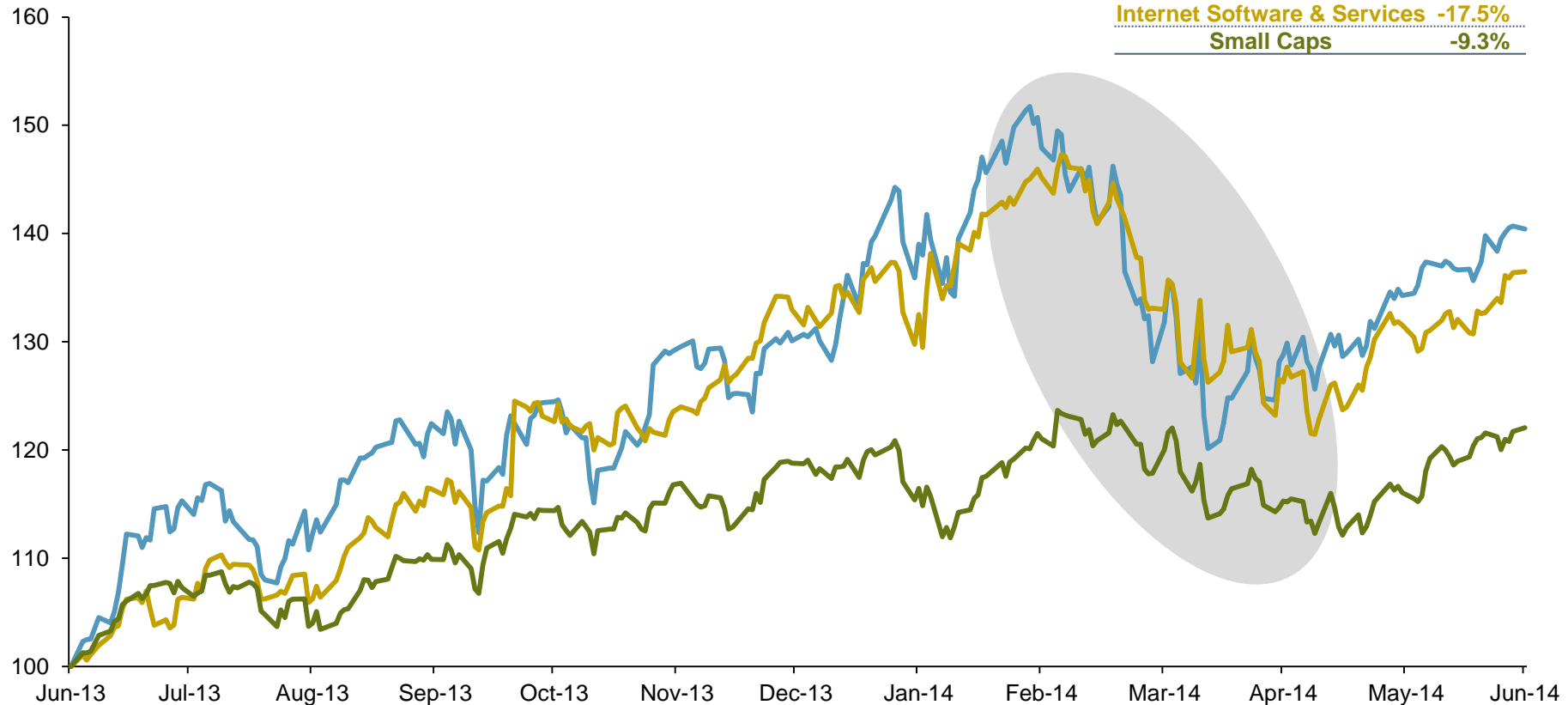
Low Volatility Veils Some Churning Beneath the Surface

Despite muted market-level volatility, narrower equity categories—such as small caps, biotechnology, and Internet stocks—experienced a correction. These categories led the market coming into 2014 and sported relatively high valuations compared with the broader indices, but they regained their footing during Q2 without disturbing the overall market’s upward trend.

Market Performance

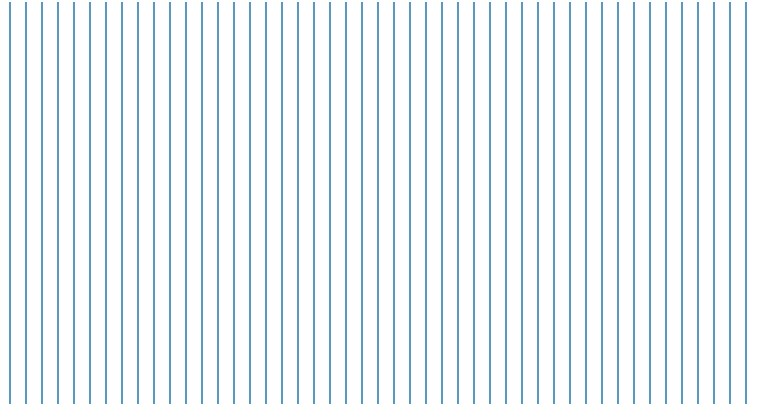
— Biotech — Internet Software & Services — Small Caps

Index Levels (6/30/13 = 100)



Past performance is no guarantee of future results. It is not possible to invest directly in an index. See appendix for important index information. Peak and trough dates for indices: Biotech – 2/25/14 (Peak) and 4/11/14 (Trough); Internet Software & Services – 3/5/14 and 5/8/14; Small Caps – 3/4/14 and 5/15/14. Small Caps represented by the Russell 2000 Index. Biotech represented by the Russell 3000 Biotechnology sub-index. Internet Software & Services represented by the Russell 3000 Internet Software & Services sub-index. Source: FactSet, Fidelity Investments (AART), as of 6/30/14.

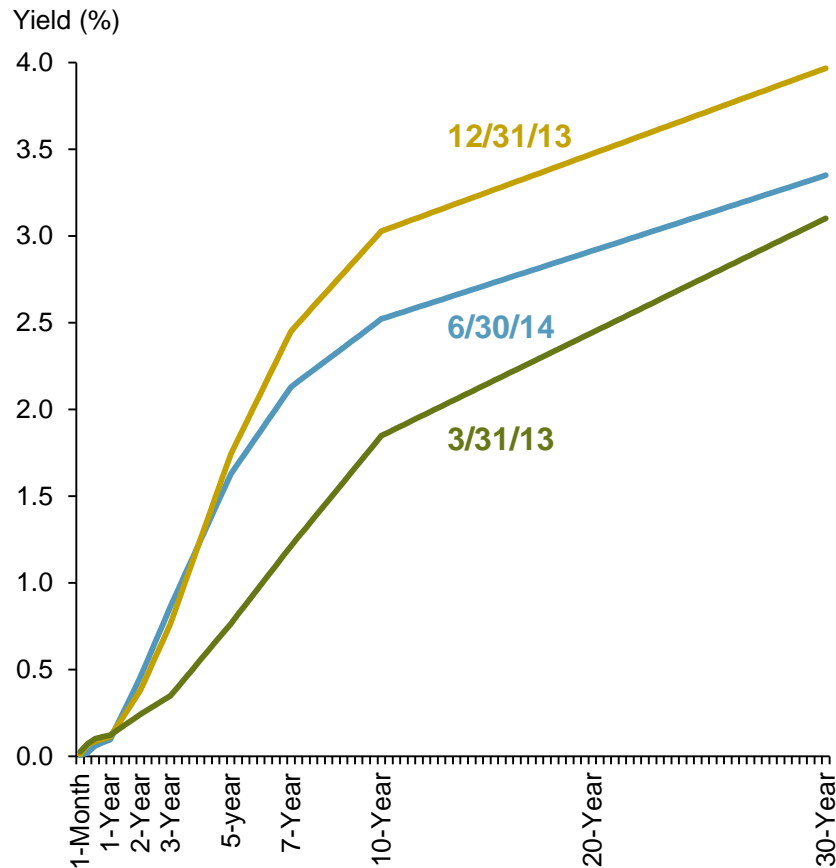
Theme: Interest Rate Outlook



2013 Curve Shift, Low Global Yields Keep U.S. Rates Low

The dramatic steepening of the yield curve in 2013 reflected increased investor expectations of the Fed's QE tapering and of stronger U.S. economic growth in 2014. So far this year, yields have come back down as investors interpreted a dovish Fed stance and disappointing economic performance. Low yields globally have supported foreign demand for U.S. bonds.

U.S. Treasury Yield Curve



10-Year Government Bond Yields



Fed: Federal Reserve. QE: quantitative easing. **LEFT:** Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/14. **RIGHT:** Past performance is no guarantee of future results. Other G7 (Group of 7) countries include Canada, France, Germany, Italy, Japan, and U.K. Simple average shown. Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/14.

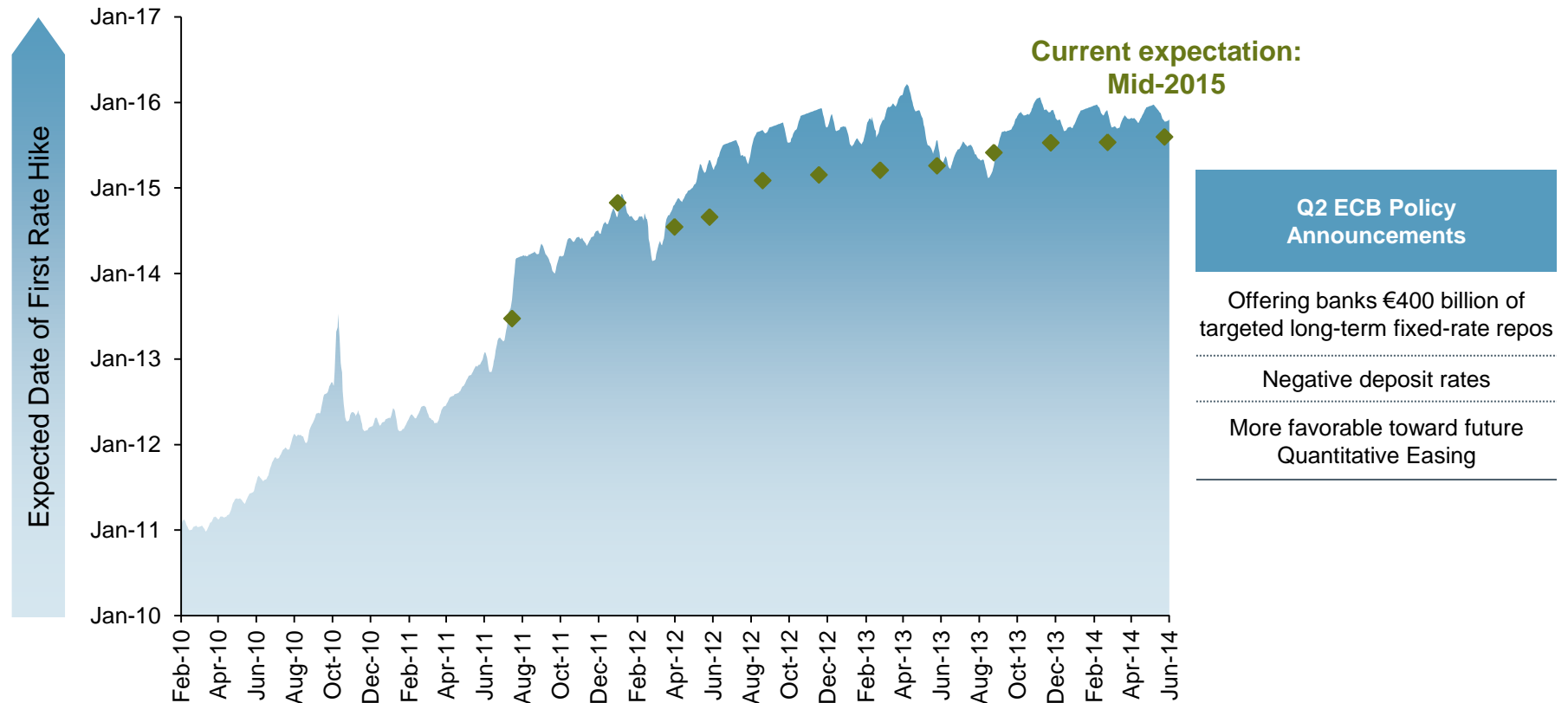
ECB and Fed Emphasize “Low for Long” Policies

During Q2, the European Central Bank unveiled a package of new monetary easing measures, while the Fed continued to emphasize that policy would be normalized only gradually and over time. As a result, despite the Fed’s move to end its quantitative easing program, investor expectations reflect that a rate hike is unlikely for at least 12 months.

Implied FOMC and Market Expectations for First Increase in Fed Funds Rate

Fed Fund Futures Market ◆ FOMC

Implied Date for First Increase in Fed Funds Rate



ECB: European Central Bank. Fed: Federal Reserve. FOMC: Federal Open Market Committee. Market Fed Funds rate hike expectations calculated using daily generic Fed Funds futures contracts out 36 months. Shown on a seven-day moving average basis. FOMC rate hike expectations calculated using the weighted average of the Board of Governors of the Federal Reserve System’s appropriate timing of policy firming survey results and 8/9/11 FOMC statement. Source: Federal Reserve, Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/25/14.

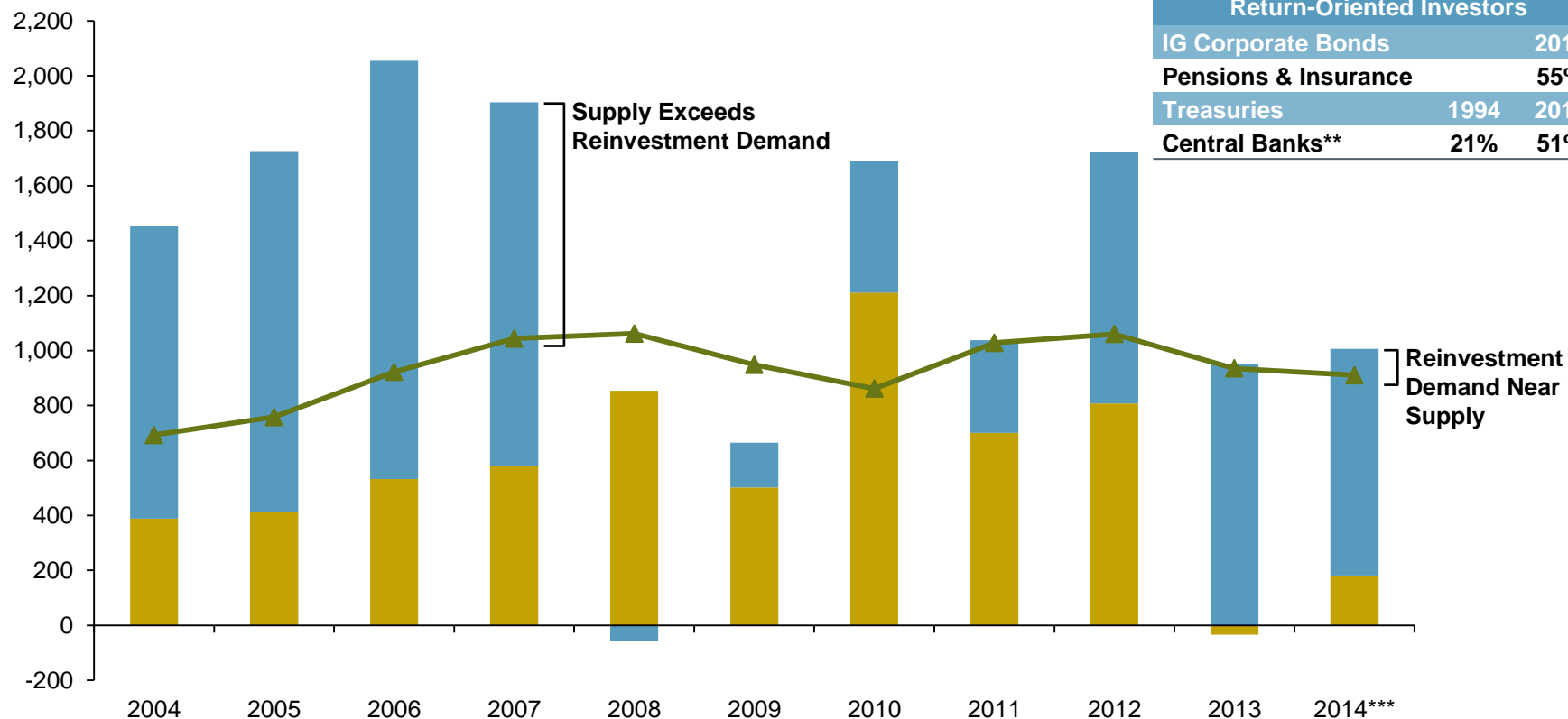
Favorable Bond Market Technicals: Limited New Supply

The net issuance of bonds—including government bonds after subtracting Fed purchases, as well as private credit bonds—has been lower in recent years than before the financial crisis in 2008. Since 2008, the demand created by the reinvestment of coupon proceeds has been nearly sufficient to soak up new issuance without any additional inflows.

U.S. Dollar Bond Net Issuance vs. Reinvestment Demand

Government Issuance (Post-Fed)* Spread Product Issuance Coupon Reinvestment Demand

Billions (\$)



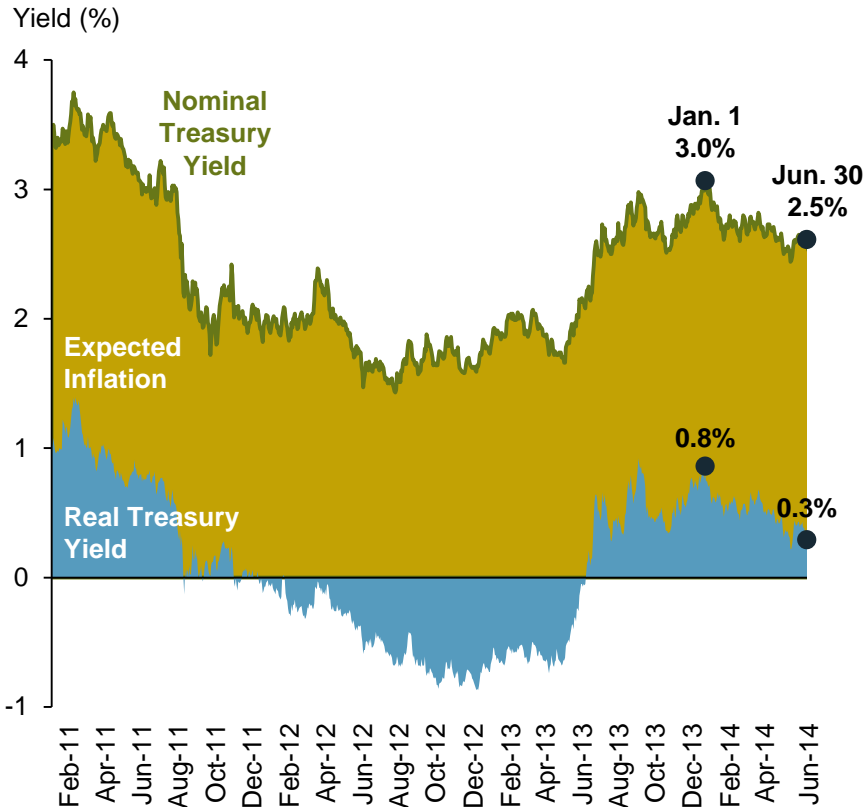
Ownership Share of Less Return-Oriented Investors	
IG Corporate Bonds	2013
Pensions & Insurance	55%
Treasuries	1994 2014
Central Banks**	21% 51%

*Post-Fed: excluding Fed asset purchases. **Federal Reserve and foreign official institutions as defined by the Treasury. ***Forecasted through year-end by JPMorgan (JPM) Research. Demand includes coupons for all bond issuance. Government Issuance includes Treasuries, agencies, and agency MBS. Spread Product Issuance includes corporates, emerging-market sovereigns, municipals, non-agency MBS, ABS, CMBS, and CLOs. IG: investment-grade. Source: JPM Research as of 5/31/2014 (bond issuance and reinvestment, data copyright JPM Research 2014), Barclays as of 9/30/2013 (investment grade corporate bondholders), Federal Reserve Flow of Funds (Treasury holders), Haver Analytics as of 3/31/2014, Fidelity Investments (AART), as of 6/30/14.

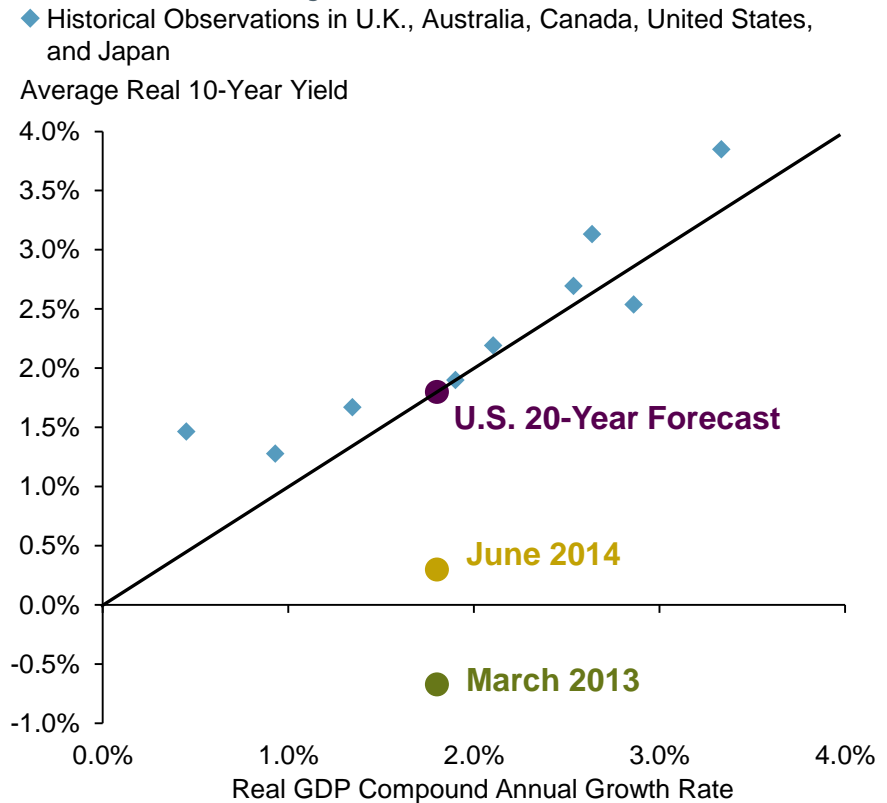
Outlook: A Sharp Rise in Yields Remains Unlikely

After 2013's rise, the decline in real long-term bond yields during 2014 has been the main driver of falling long-term nominal rates. Because bond yields and GDP growth tend to be highly correlated, given our forecast for slower U.S. GDP growth over the next 20 years, we believe 10-year Treasury yields should rise over time but to a level that is below the historical average.

10-Year Nominal and Real Treasury Yields and Inflation Expectations

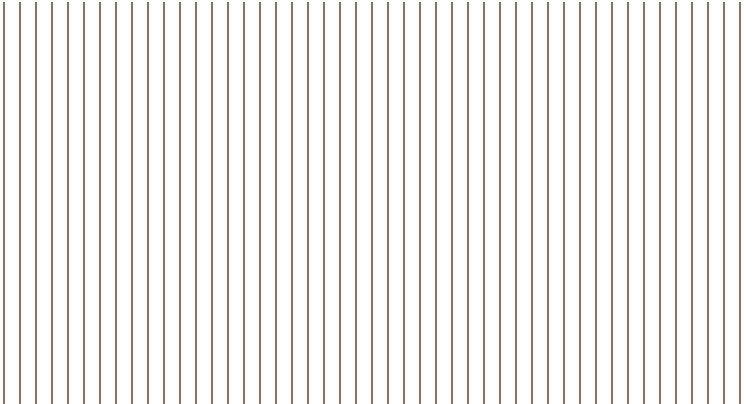


Government Real Yields and Real GDP Growth for Major Economies, 1985–2014



Nominal: not inflation-adjusted. Real: inflation-adjusted. GDP: Gross Domestic Product. **LEFT:** Real Treasury yield represented by the constant maturity 10-Year Treasury Inflation-Protected Security. Nominal yield represented by the constant maturity 10-Year Treasury bond. Expected inflation calculated as the difference between the nominal and real yields. Source: Bloomberg Finance L.P., Fidelity Investments (AART), through 6/30/14. **RIGHT:** The average real 10-year yield and real GDP compound annual growth rates are calculated since the inception dates of the inflation-adjusted government securities for the following countries: United Kingdom (Jan. 1985), Australia (Jun. 1985), Canada (Nov. 1991), United States (Apr. 1998), and Japan (Apr. 2004). Source: Country statistical organizations, Haver Analytics, Fidelity Investments (AART), through 6/30/14.

Economy/Macro Backdrop



Global Business Cycle Relatively Steady but Slow

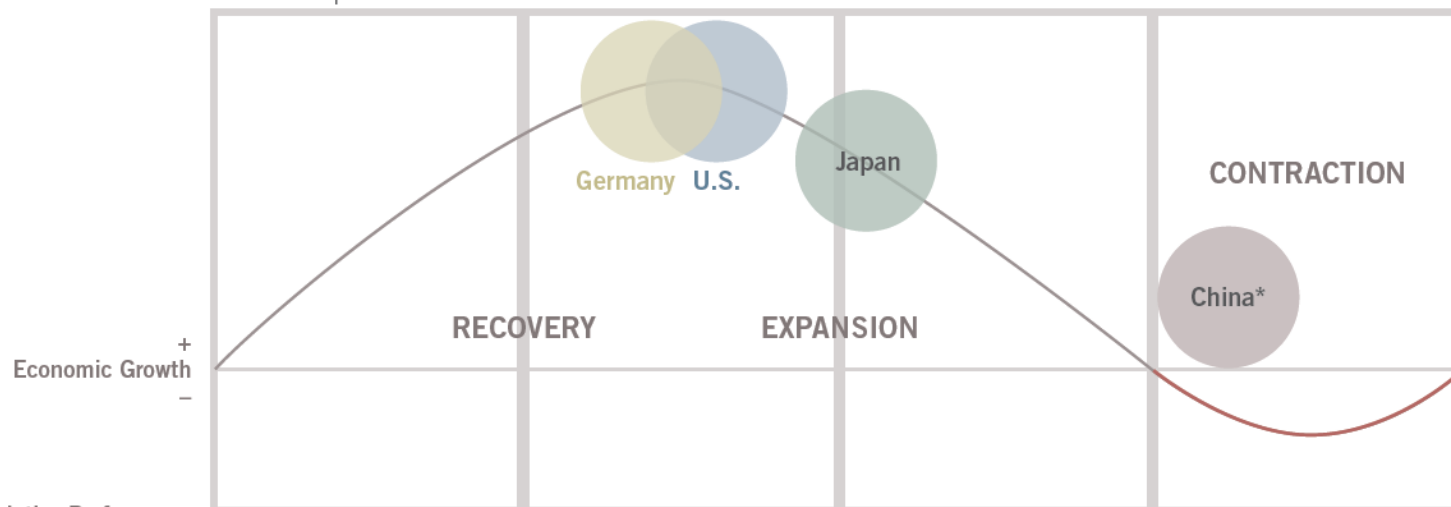
The global economy continues to grow at steady pace as the U.S. and much of Europe remain firmly in the mid-cycle. However, Japan has seen late-cycle pressures persist, while China's economy faces late cycle pressures and may be in a growth recession despite recent policy easing.

Inflationary Pressures
Red = High



EARLY	MID	LATE	RECESSION
-------	-----	------	-----------

- | | | | |
|---|---|--|---|
| <ul style="list-style-type: none"> • Activity rebounds (GDP, IP, employment, incomes) • Credit begins to grow • Profits grow rapidly • Policy still stimulative • Inventories low; sales improve | <ul style="list-style-type: none"> • Growth peaking • Credit growth strong • Profit growth peaks • Policy neutral • Inventories, sales grow; equilibrium reached | <ul style="list-style-type: none"> • Growth moderating • Credit tightens • Earnings under pressure • Policy contractionary • Inventories grow; sales growth falls | <ul style="list-style-type: none"> • Falling activity • Credit dries up • Profits decline • Policy eases • Inventories, sales fall |
|---|---|--|---|



Relative Performance of Economically Sensitive Assets
Green = Strong



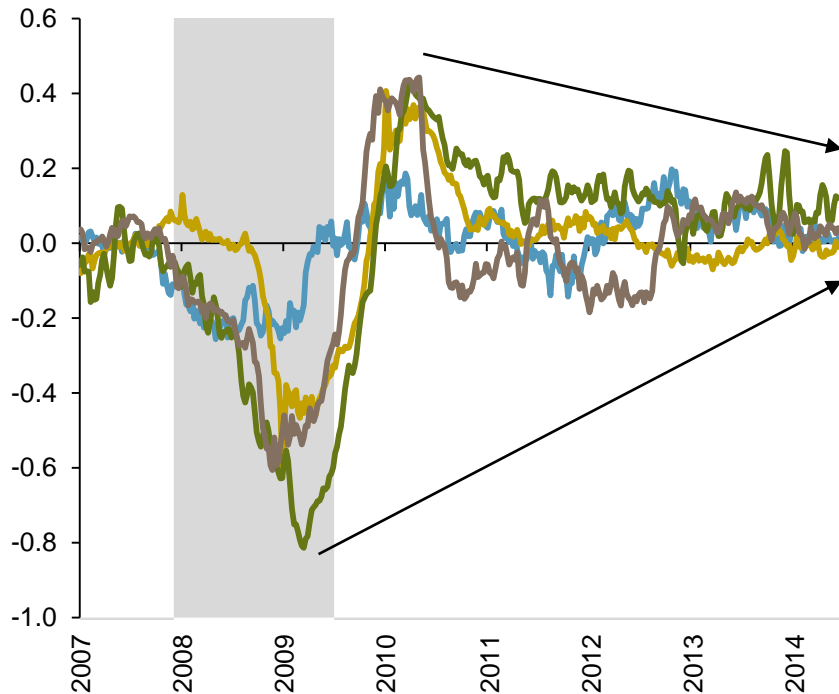
Low U.S. Economic Volatility; Some Weakening Abroad

The U.S. backdrop has been steady, with plunging volatility in economic data contributing to stability in the asset markets. However, leading economic indicators for the major global economies have deteriorated somewhat over the past quarter, with emerging economies suffering a greater slowing.

Volatility of Key U.S. Economic Indicators

— Consumer Confidence — Raw Steel Production
 — Initial Claims (Inverted) — Weekly Leading Index

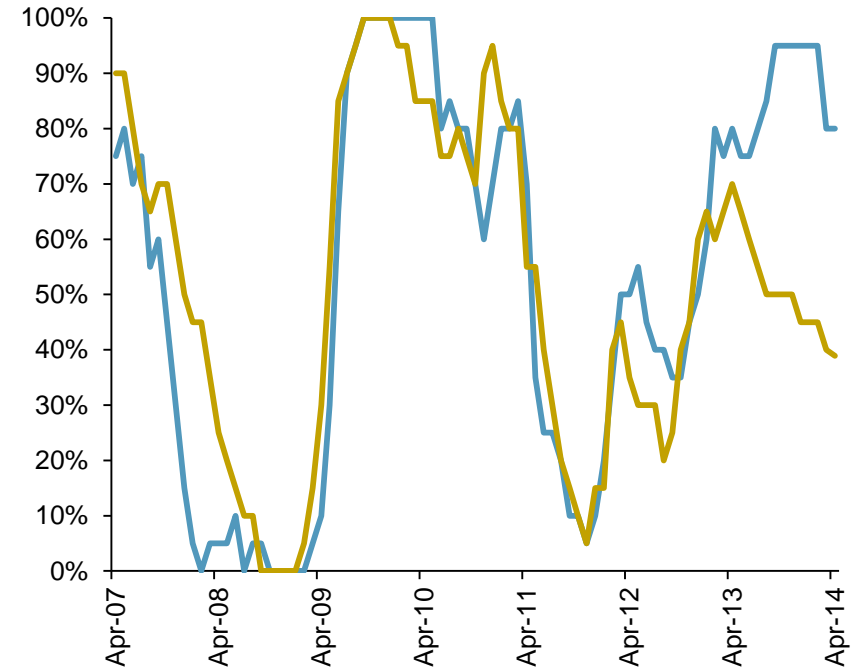
One-Year Rolling Average Z-Score



Leading Economic Indicators (LEIs)

— Developed — Emerging

% Positive over Past 6 Months



LEFT: See appendix for important index information. A Z-score is a measurement of the volatility of specific data points relative to the average of those data points. Shaded area indicates a recession as defined by the National Bureau of Economic Research. Source: Rasmussen Consumer Index (consumer confidence), American Iron and Steel Institute (raw steel production), Department of Labor (initial unemployment claims), Economic Cycle Research Institute (weekly leading index), National Bureau of Economic Research, Haver Analytics, Fidelity Investments (AART), as of 6/16/14.

RIGHT: LEI data from 20 developed and 20 emerging economies. Data complete through 3/31/14; as of 6/30/14, 95% of countries reporting data through 4/30/14. Source: Organisation for Economic Co-operation and Development (OECD), Foundation for International Business and Economic Research (FIBER), Haver Analytics, Fidelity Investments (AART), as of 6/30/14.

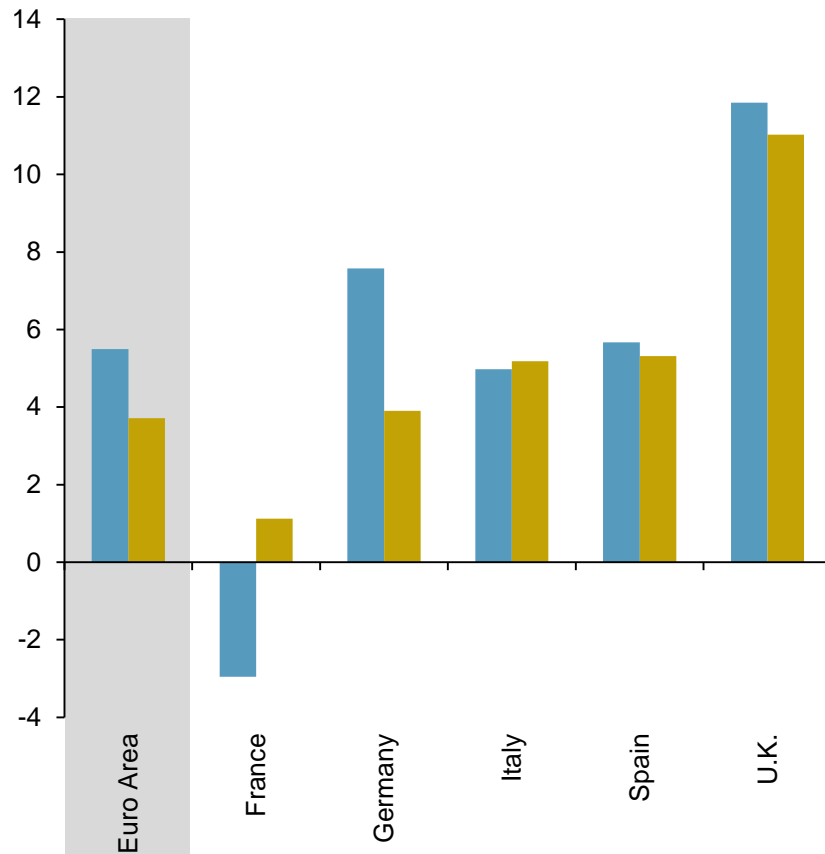
Outlook for Europe Steady but Slow; for Japan, Uncertain

Developed Europe's cyclical backdrop remains positive. Most countries boast a favorable outlook for manufacturing, although the slowing bullwhip is a sign that the expansion remains sluggish. The outlook for Japan remains muddled, as post-consumption tax hike data has shown a recovery in sentiment despite still-difficult current conditions.

European Manufacturing Bullwhip

■ Dec.2013 ■ May.2014

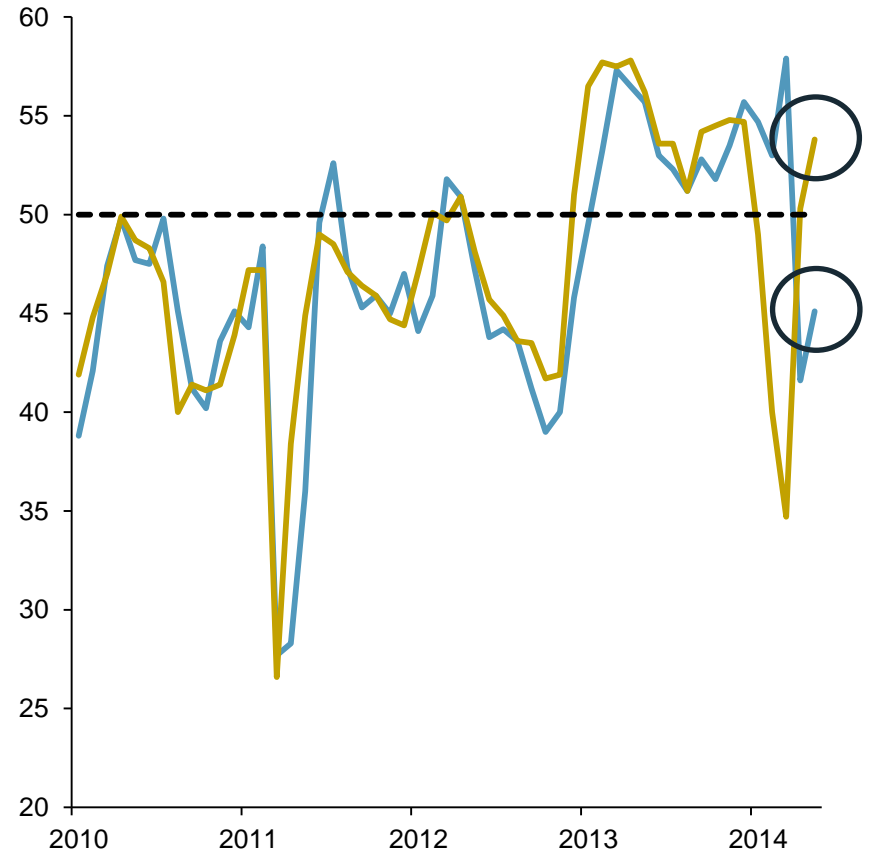
Bullwhip: Manufacturing PMI New Orders Index minus Inventories Index



Japan Economy Watchers Survey

— Current Conditions — Future Conditions

Diffusion Index (50 = Neutral)



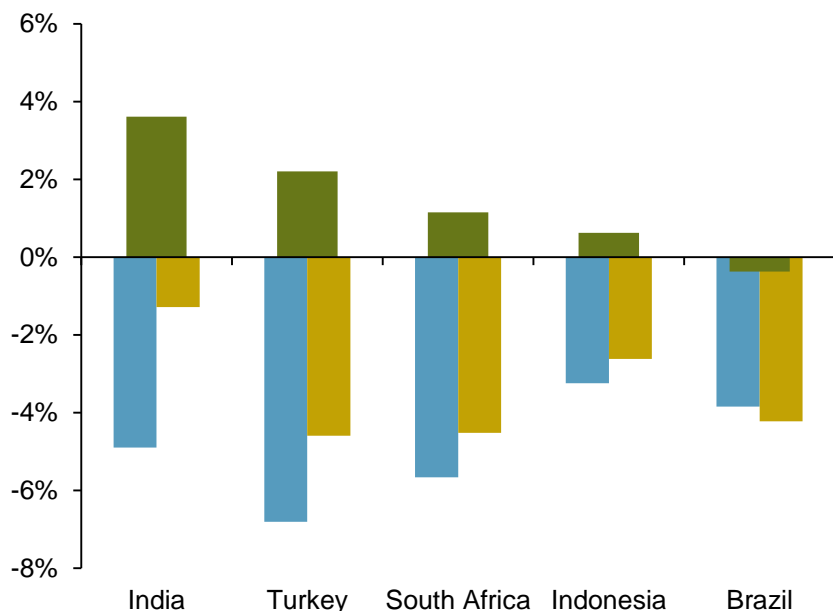
EMs: Recent Stability but Late-Cycle Challenges Persist

Emerging-market economies have stabilized recently as global financial conditions have eased, current account deficits have shrunk, exchange rate volatility has decreased, and election outcomes have generally been perceived as favorable. Yet, most are still facing stagflationary pressures, weak corporate profitability, and mixed lending and monetary conditions.

Current Account Balance

■ Q1 2013 ■ Q1 2014 ■ 4 Qtr. Change

% of GDP



Currency Change	India	Turkey	South Africa	Indonesia	Brazil
2013	-11%	-17%	-19%	-21%	-13%
YTD 2014	3%	1%	-1%	1%	7%

Late-Cycle Dynamics in Emerging Markets

Persistent Inflationary Pressures

Many large EM countries remain above their inflation targets

Weak Profitability

EM earnings per share contracted over past year

Tighter Bank Lending Standards

Bank lending conditions contracted for 4th consecutive quarter in Q1 2014

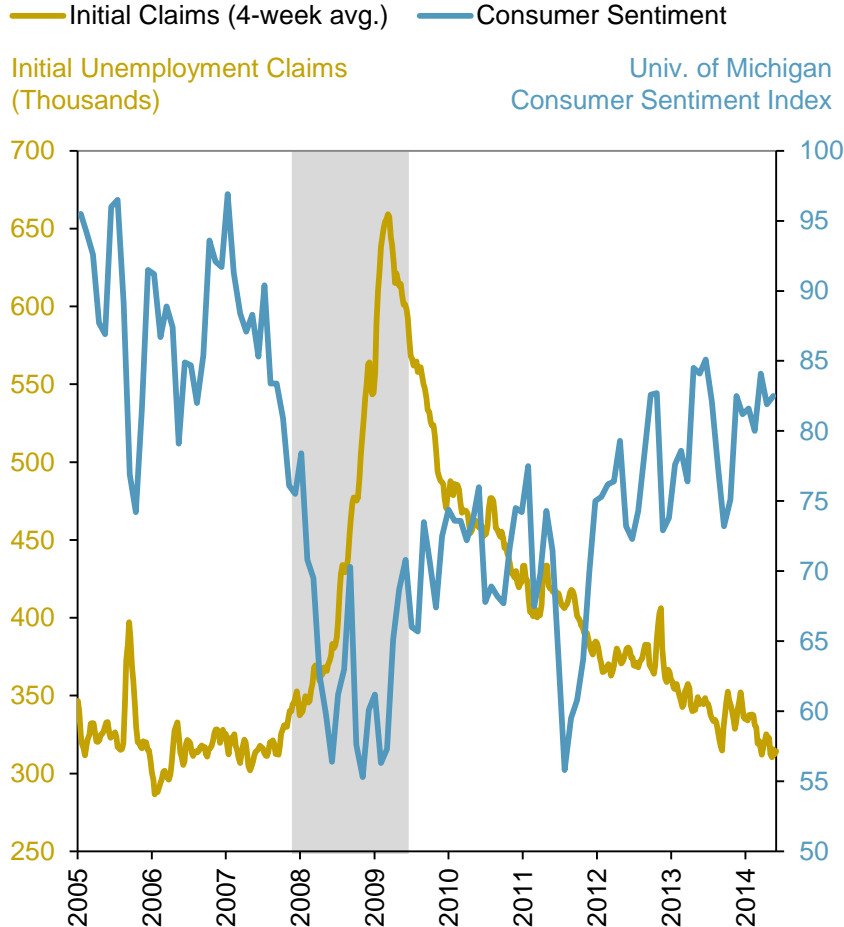
Mixed Monetary Policies

China easing, but some EMs have tightened to counter inflation

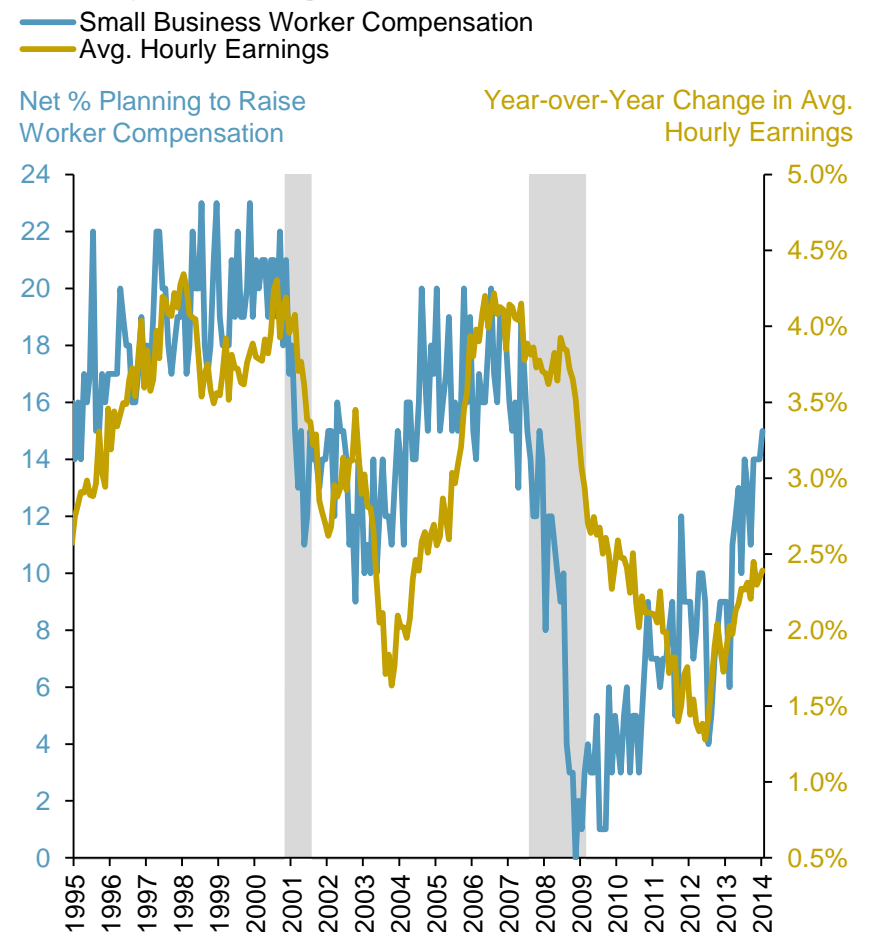
Gains in Employment Support Outlook for U.S. Consumer

The U.S. labor market continues to steadily improve; initial unemployment claims have fallen near seven-year lows and employee earnings are slowly accelerating. Consumer sentiment remains near post-recession highs. An improving employment backdrop and the potential for higher wages supports a constructive outlook for consumption activity.

Employment and Consumer Sentiment



Hourly Earnings & Worker Compensation



Shaded areas indicate recessions as defined by the National Bureau of Economic Research. **LEFT:** Source: Department of Labor, University of Michigan, Haver Analytics, Fidelity Investments (AART), through 6/30/14. **RIGHT:** Source: National Federation of Independent Businesses, Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 5/31/14.

Housing Slower; Capital Expenditure Could Accelerate

After a sharp rebound through the first half of 2013, the housing market remains in a soft patch. However, slowly improving fundamentals suggest the sector will provide a modest economic tailwind over the next two to three years. Business sentiment has continued to improve, signaling a potential pickup in capital expenditures.

U.S. Housing Fundamentals

Negatives	Positives
Tight mortgage credit	Slow credit thaw under way <i>Average FICO score on approved loans lower than last year</i>
Higher prices	Affordability still high <i>Index higher than at any point from 1971 to 2008</i>
Weak new housing demand	Labor market slowly improving <i>Unemployment rate of 25- to 34-year-olds fell to 6.5% from 7.7% one year ago</i>
Tepid construction activity	Activity still positive <i>Housing starts up 10% year over year</i>
Supply concerns	Inventories at low levels <i>Median of 5.5 months of sales is lower than historical average</i>

U.S. Capital Expenditure

— Real Private Fixed Non-Residential Investment
— Capital Expenditure Plans for Current Year

Year-over-Year % Change



LEFT: Source: Ellie Mae as of 5/31/2014 (FICO scores), National Association of Realtors as of 5/31/2014 (affordability, months of sales), Bureau of Labor Statistics as of 6/30/14 (unemployment rate), Census Bureau as of 5/31/2014 (housing starts, months of sales), Haver Analytics, Fidelity Investments (AART), as of 6/30/14. **RIGHT:** Capital expenditure plans are GDP-weighted (20% Industry, 80% Service). Source: Bureau of Economic Analysis (real private fixed non-residential investment), Institute for Supply Management (planned capital expenditures), Haver Analytics, Fidelity Investments (AART), as of 5/19/2014.

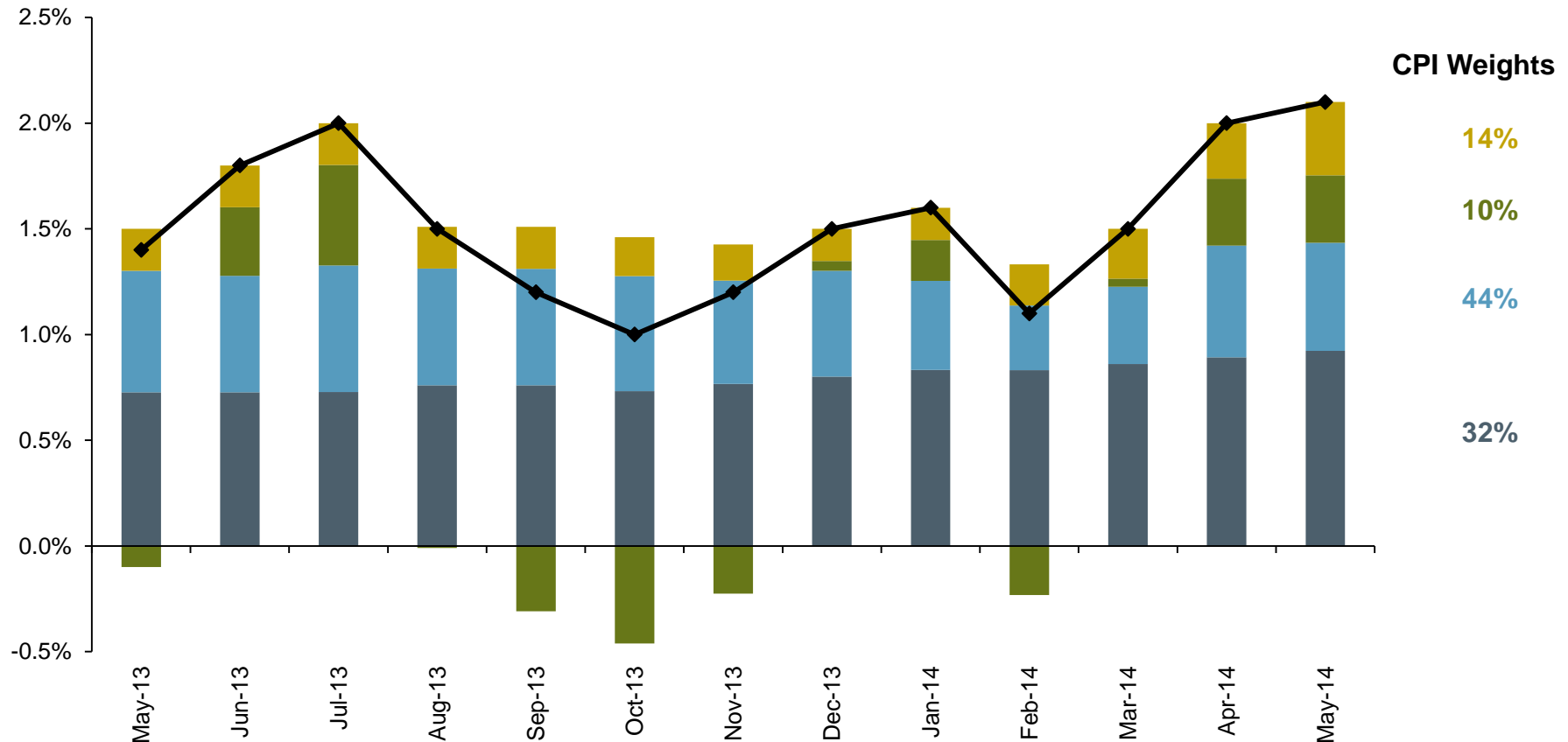
No Late Cycle, but Firmer Inflation Is Risk to U.S. Consumer

Both headline and core consumer inflation rates have ticked up to around 2% in 2014, driven by steady increases in shelter and a bounce in food and energy prices. A few pockets of wage inflation are present though not widespread. Late-cycle pressures do not appear imminent, but firmer inflation poses a risk to the outlook for consumer spending.

Contribution to Headline CPI

Shelter Other Core Energy Food CPI

Year-over-Year % Change



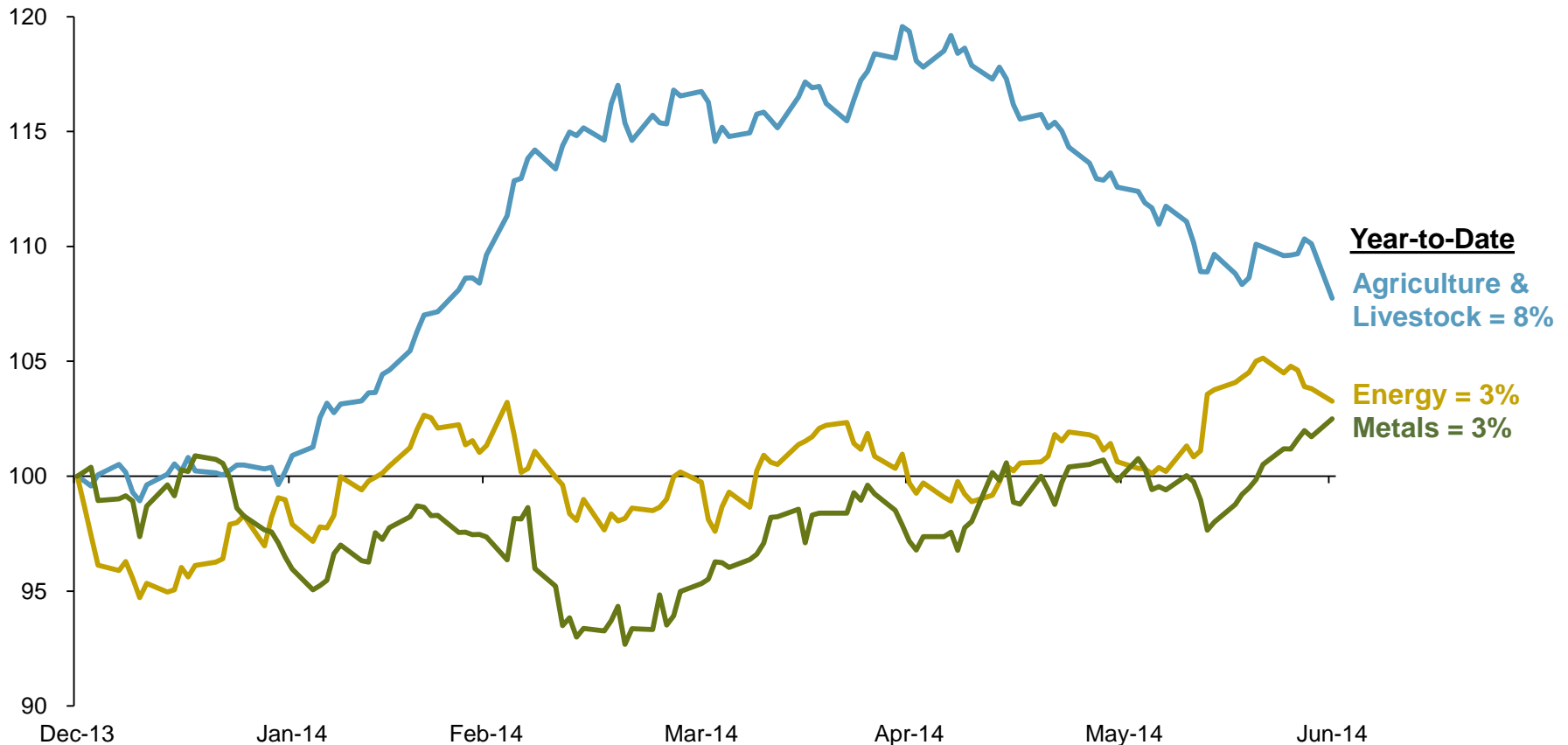
Supply Insecurities Threaten Global Disinflationary Backdrop

Supply disruptions of agricultural and energy commodities—due to severe weather and geopolitical events—have contributed to higher prices. With the risks to oil production rising alongside the instability in Iraq, higher commodity prices represent a threat to global inflation and growth.

Global Commodity Price Changes

— Agriculture & Livestock — Energy — Industrial Metals

Index Level (12/31/13 = 100)



Commodity index levels – S&P GSCI Commodity sub-indices. Past performance is no guarantee of future results. It is not possible to invest directly in an index. See appendix for important index information. Source: Standard & Poor's, Haver Analytics, Fidelity Investments (AART), as of 6/30/14.

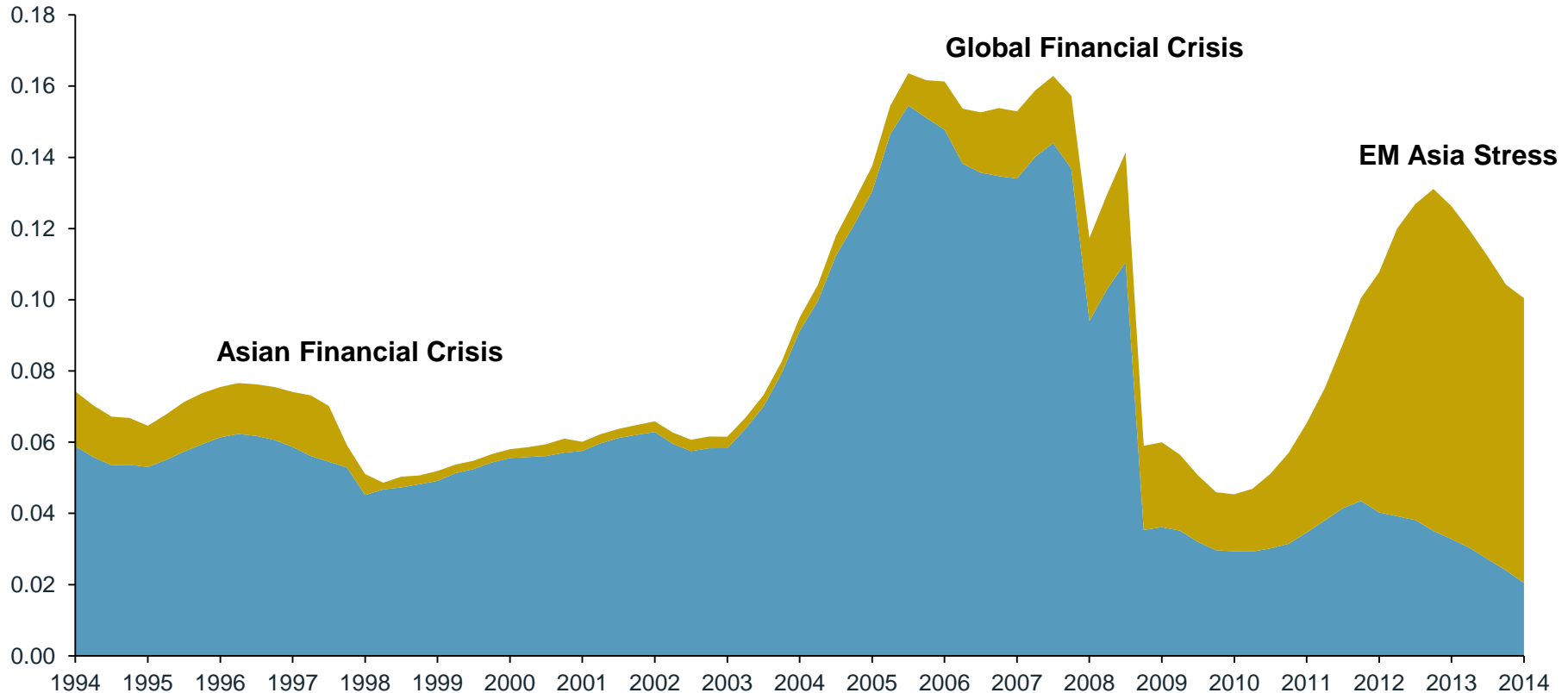
China's Financial Backdrop Poses Risk to Asia's Growth

Our banking crisis model is an early warning system that identifies mounting financial imbalances as a rising risk of future crisis. The probability of crisis has risen among emerging economies in recent years—specifically in China, as its rapid expansion of credit and housing prices is similar to the excesses of other countries that have experienced financial crises.

Aggregate Financial Crisis Risk (In Following Three Years)

■ Developed Markets ■ Emerging Markets

Probability of a Banking Crisis (GDP-weighted)



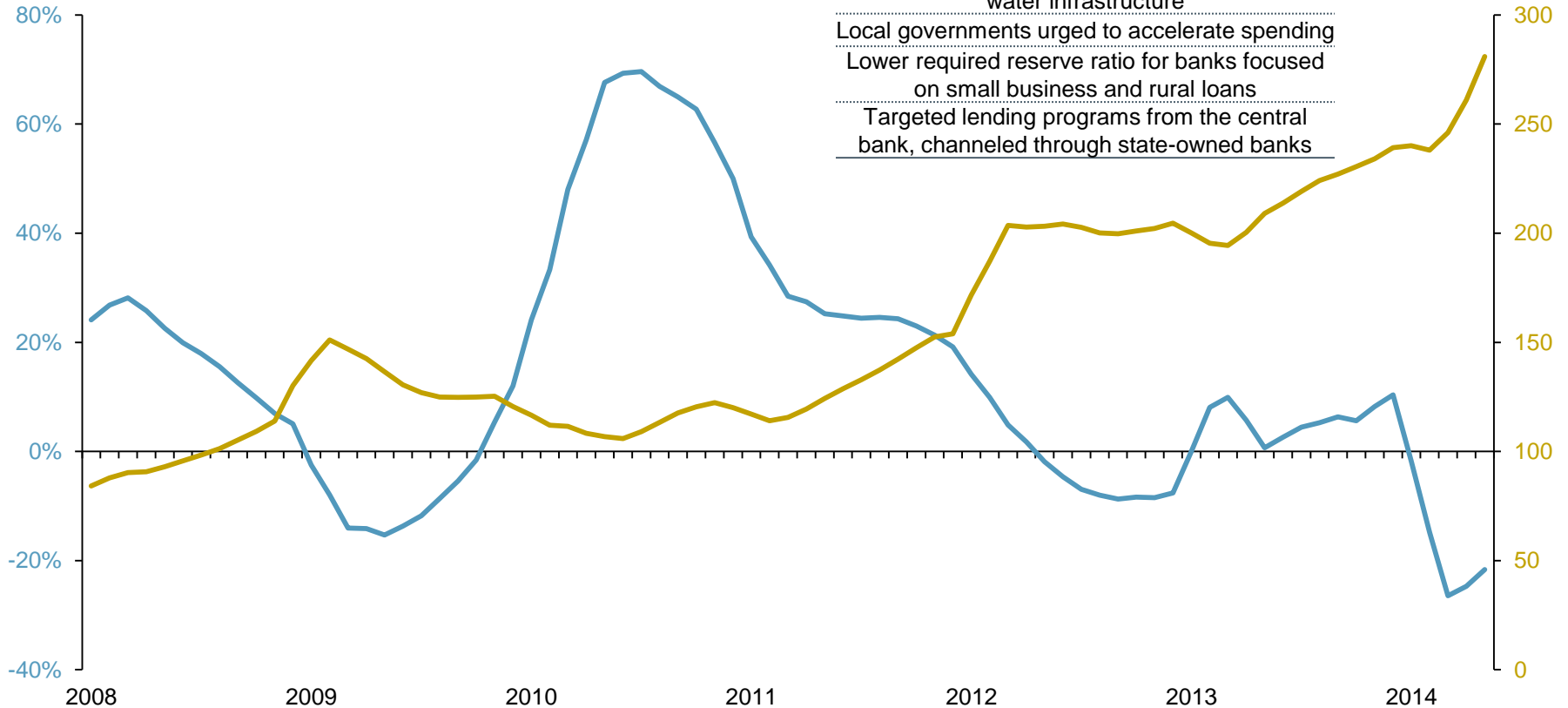
Property Market Dip Threatens China's Near-Term Stability

China continues to try to balance reining in excessive credit creation with attempting to meet high targets for economic growth. A slump in real estate—at the center of China's credit and investment boom—presents a substantial downside risk, prompting China's policymakers during Q2 to shift the policy focus away from reform and toward supporting growth.

China Real Estate

— Construction Started — Vacant Residential Inventory-to-Sales Ratio

Year-over-Year Change (%)



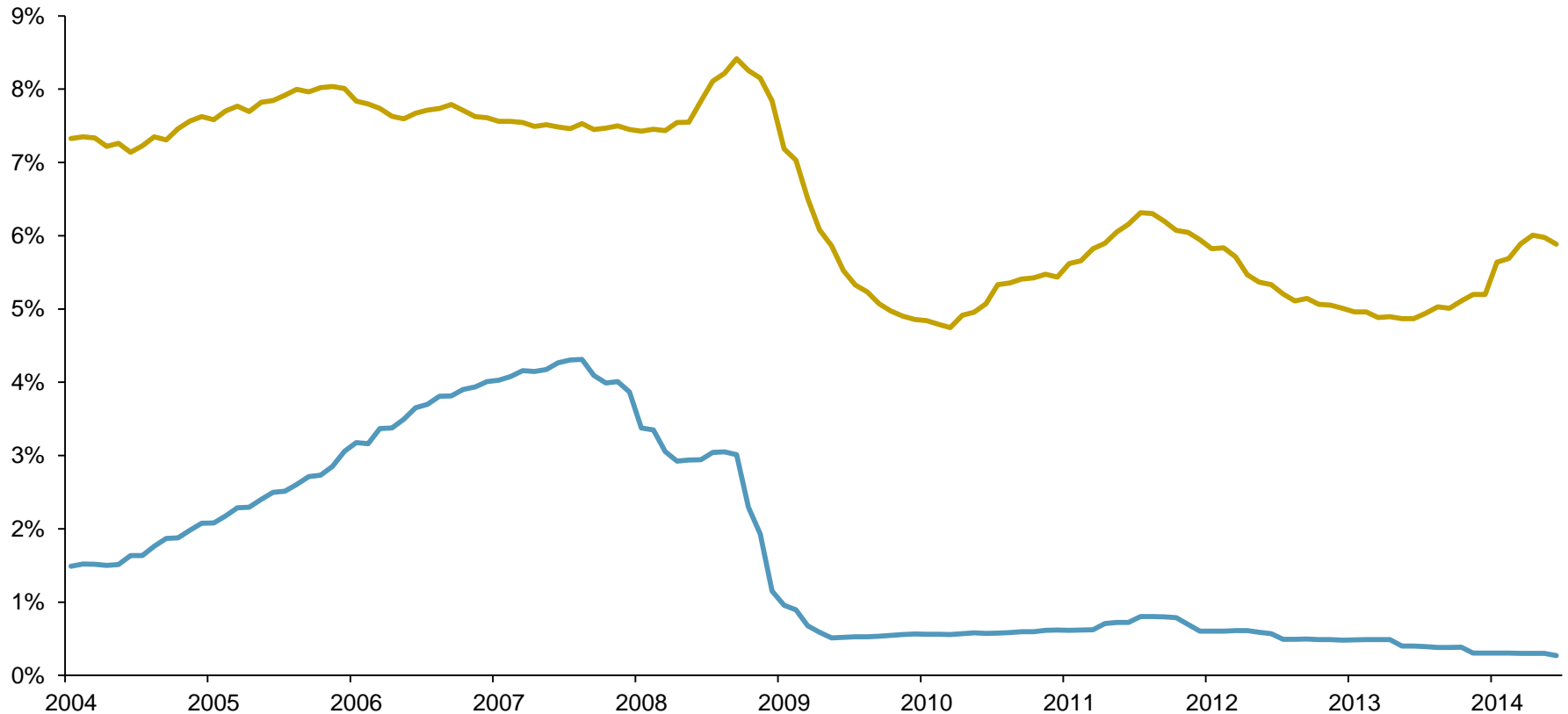
Boundless High Liquidity Growth Is Not Guaranteed

While global interest rates are low and financial conditions easy, the direction of monetary policy has grown more diverse. The U.S. and U.K. are moving beyond quantitative easing, and monetary actions among emerging markets are now split between rate hikes and rate cuts. Any unexpected shift toward a less accommodative stance could create market volatility.

Central Bank Target Policy Rates

— Developed Markets — Emerging Markets ex China

Target Policy Rates (%)



Outlook: Market Assessment

Fidelity's Business Cycle Board, composed of portfolio managers responsible for a variety of asset allocation strategies across Fidelity's asset management unit, believes that the global economy remains on a trend of slow but steady growth, with a mixed outlook among countries and regions.

Pockets of wage growth not a significant late-cycle risk

Market volatility subdued due to steady economy and easy monetary policies

Fed rate hikes remain unlikely over next six to 12 months

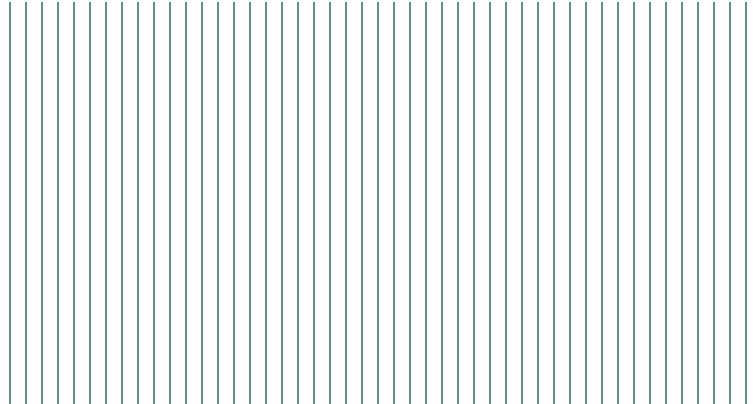
Asset Allocation Considerations

- Global business cycle generally supportive of risk assets in U.S. and Europe
- Mostly cautious toward emerging-market equities but prices have already discounted significant weakness
- Disciplined risk-management practices are imperative, especially during periods of extremely low volatility

Potential Risks

- Recent uptick in inflation
- Continued rise in geopolitical uncertainty
- Uncertain economic outlooks for China and Japan

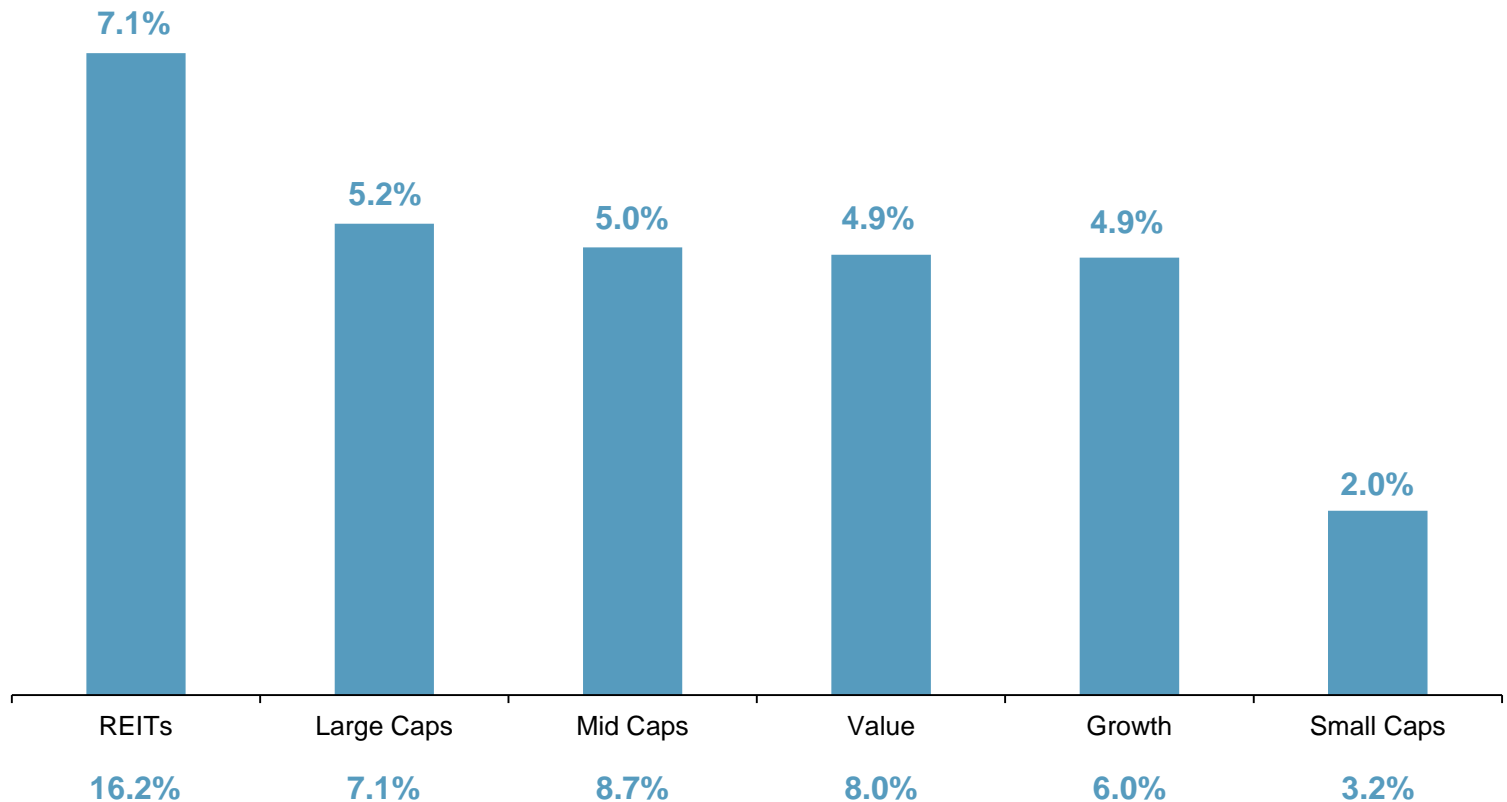
U.S. Equity Markets



REITs Lead Broad-Based U.S. Equity Gains

A rebound in the pace of U.S. economic activity during Q2 helped support solid returns across most equity categories. REITs continued to outperform, as the further decline in long-term interest rates during the quarter enhanced the return profile of this dividend-heavy category. Small-cap stocks continued to lag, though they strengthened during the end of Q2.

Q2 2014 Total Return

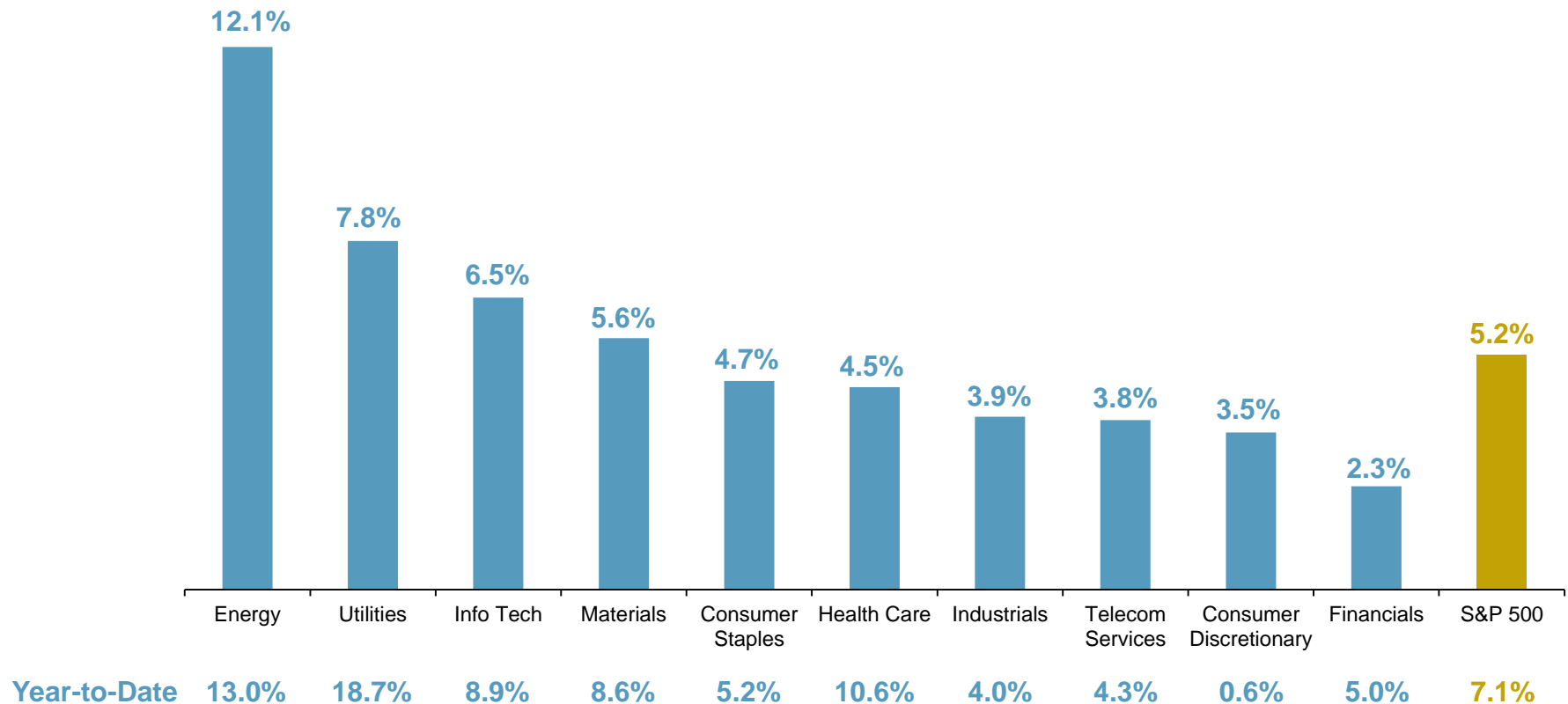


Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indices are unmanaged. Please see appendix for important index information. Equity market returns represented by: Growth – Russell 3000 Growth Index; Large Caps – S&P 500 Index; Mid Caps – Russell Midcap Index; REITs (Real Estate Investment Trusts) – FTSE NAREIT Equity Index; Small Caps – Russell 2000 Index; Value – Russell 3000 Value Index. Source: FactSet, Fidelity Investments (AART), as of 6/30/14.

Energy Led Widespread Positive Performance across Sectors

A rise in oil prices drove a strong outperformance by the energy sector during the second quarter, while most other sectors posted returns near those of the broader market. Utilities outperformed for a second consecutive quarter as lower long-term interest rates made dividends more attractive. Materials benefited from the 2014 rise in commodity prices.

Q2 2014 Total Return













Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indices are unmanaged. Please see appendix for important index information. Sector investing involves risk. Because of its narrow focus, sector investing may be more volatile than investing in more diversified baskets of securities. Sector returns represented by S&P 500 sectors. Source: FactSet, Fidelity Investments (AART), as of 6/30/14.

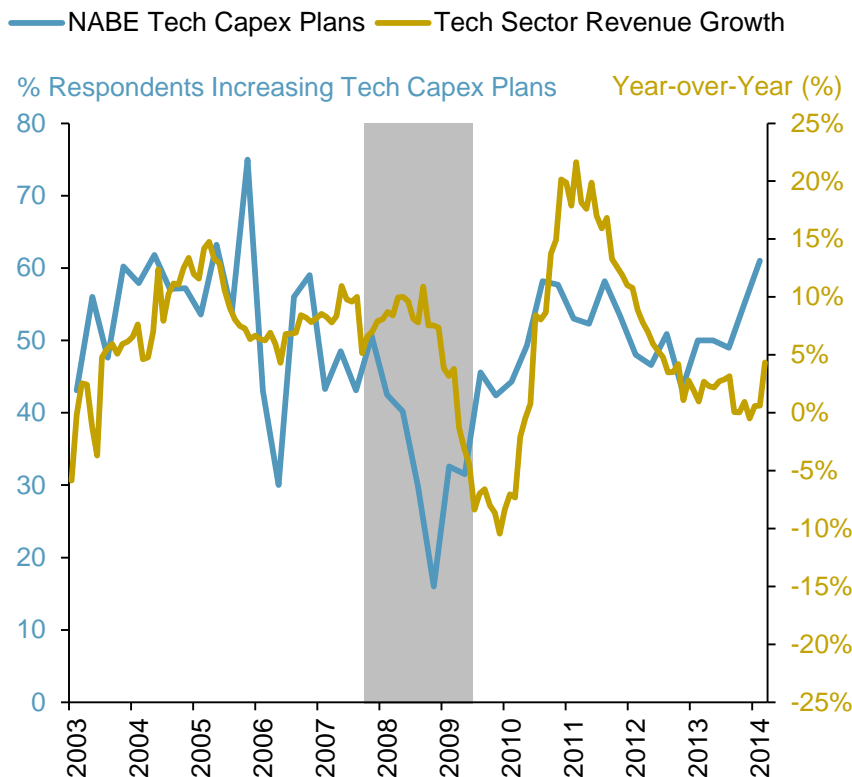
U.S. Business Cycle Backdrop Constructive for Tech Sector

A disciplined business-cycle approach to sector allocation can produce active returns by favoring industries that may benefit from cyclical trends. Revenue growth in the technology sector is poised to benefit from the greater number of companies planning to increase capital expenditures on technology over the next 12 months.

Business Cycle Approach to Sectors

Sector	Early	Mid	Late	Recession
 Financials	+			
 Consumer Discretionary	+		-	-
 Technology	+	+	-	-
 Industrials	+	+		-
 Materials	+	-	+	
 Consumer Staples			+	+
 Health Care			+	+
 Energy	-		+	
 Telecom	-			+
 Utilities	-	-	+	+

Business Tech Capital Expenditure Plans vs. Tech Sector Revenues



Past performance is no guarantee of future results. Sectors as defined by GICS. **LEFT:** Green portions suggest a historical pattern of outperformance, red portions suggest underperformance, and unshaded portions indicate no clear pattern of out- or underperformance vs. the broader market, as represented by the top 3,000 U.S. stocks by market capitalization. Analysis includes performance for 1962 to 2010. Source: *The Business Cycle Approach to Sector Investing*, Fidelity Investments (AART), May 2012. **RIGHT:** Shaded area indicates a recession as defined by the National Bureau of Economic Research. NABE Tech Capex Plans includes spending plans on computers and communications. Tech sector companies are those within the information technology sector in the top 3,000 U.S. stocks by market capitalization. Source: National Association for Business Economics Industry Survey, Haver Analytics, Fidelity Investments (AART), as of 6/30/14.

Valuations Above Long-Term Average, but Sustainable

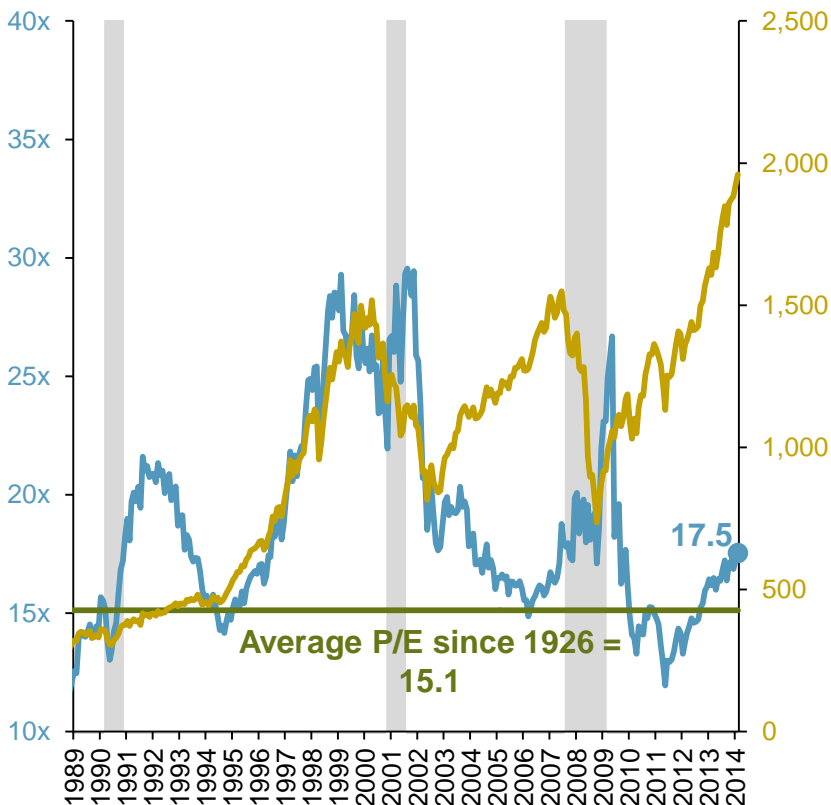
U.S. P/E ratios are slightly above their historical averages, but our long-term view is that stocks can sustain the current valuation level on average over the next 20 years. This is due to our expectation of lower interest rates and equity volatility, as well as the high exposure of the U.S. equity market to sectors that have consistently earned higher P/E multiples.

S&P 500 Price and Valuation

— Price-to-Earnings (P/E) — Average P/E — Price Index

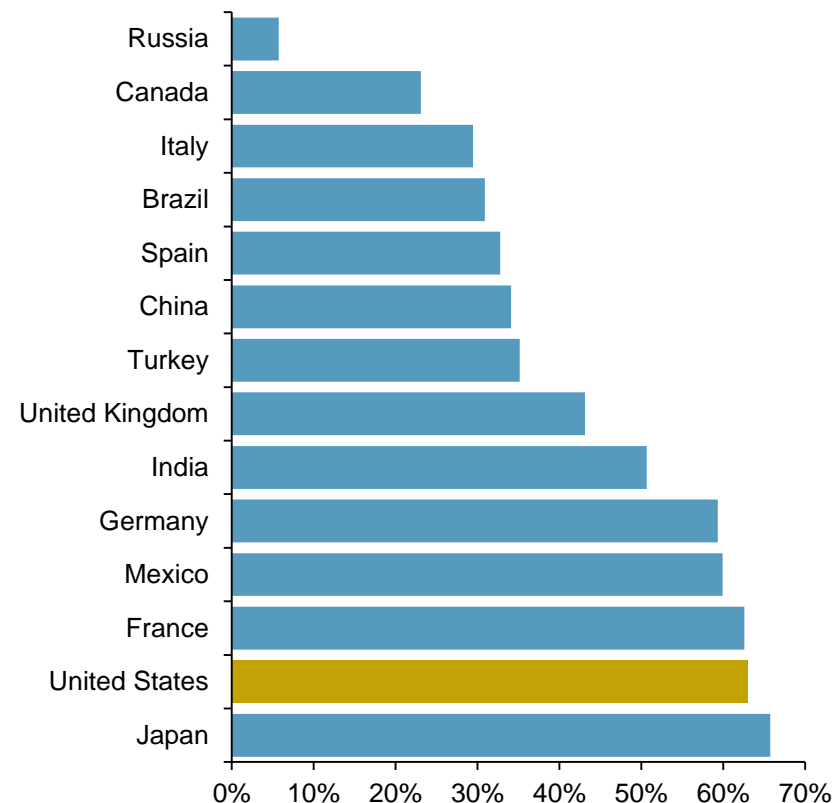
Price-to-Earnings Ratio

S&P 500 Price Level



Weight of High P/E Sectors in Equity Markets

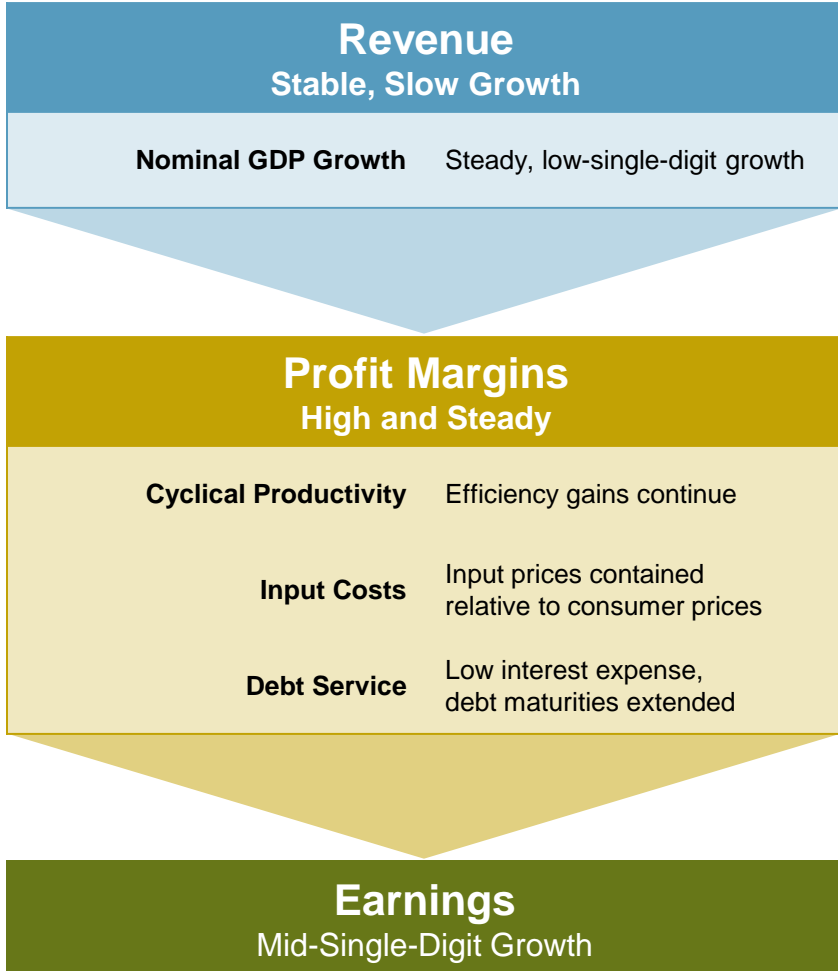
High P/E Sector Share of Total Equity Market (%)



LEFT: Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indices are unmanaged. Please see appendix for important index information. Shaded areas indicate U.S. recessions as defined by the National Bureau of Economic Research. Source: Standard & Poor's, Robert Shiller, Haver Analytics, Fidelity Investments (AART), as of 6/30/14. RIGHT: High P/E sectors include: technology, industrials, consumer goods, consumer services, and health care. Source: Thomson Reuters Datastream, Fidelity Investments (AART), as of 5/31/14.

Corporate Profitability Still a Support for Stocks

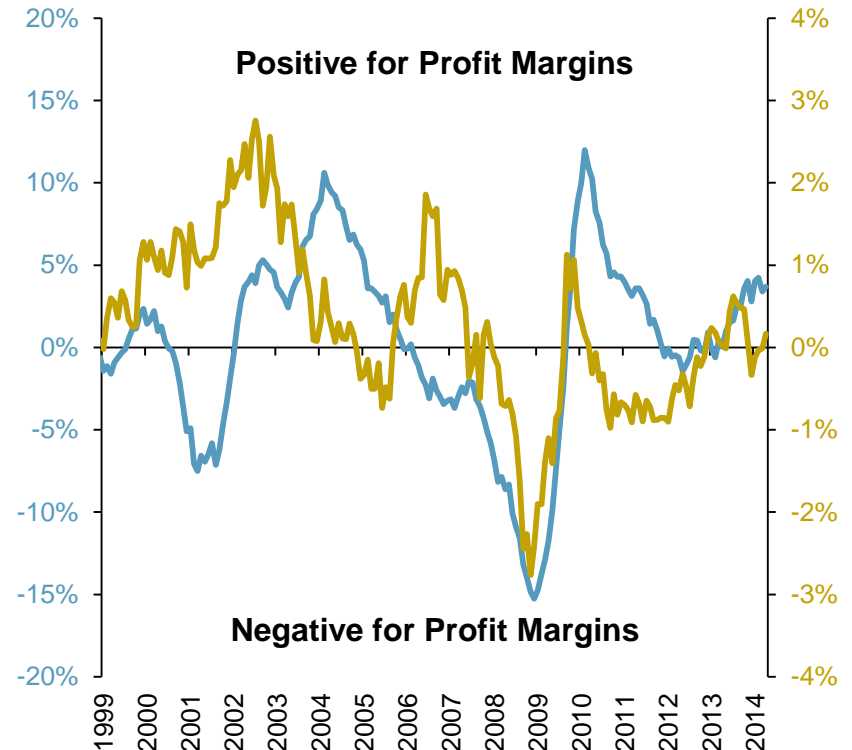
The slow but steady U.S. expansion provides a stable outlook for corporate revenues. Profit margins remain near historic highs and show little indication of pressure: cyclical productivity continues to rise, input cost inflation is muted, and debt service obligations are extremely low. Against this backdrop, mid-single-digit corporate profit growth appears achievable.



Earnings & Cyclical Productivity

— Cyclical Productivity
— Consumer Inflation minus Producer Inflation

Year-over-Year Change in Cyclical Productivity (%)
Core Consumer Inflation minus Core Producer Inflation

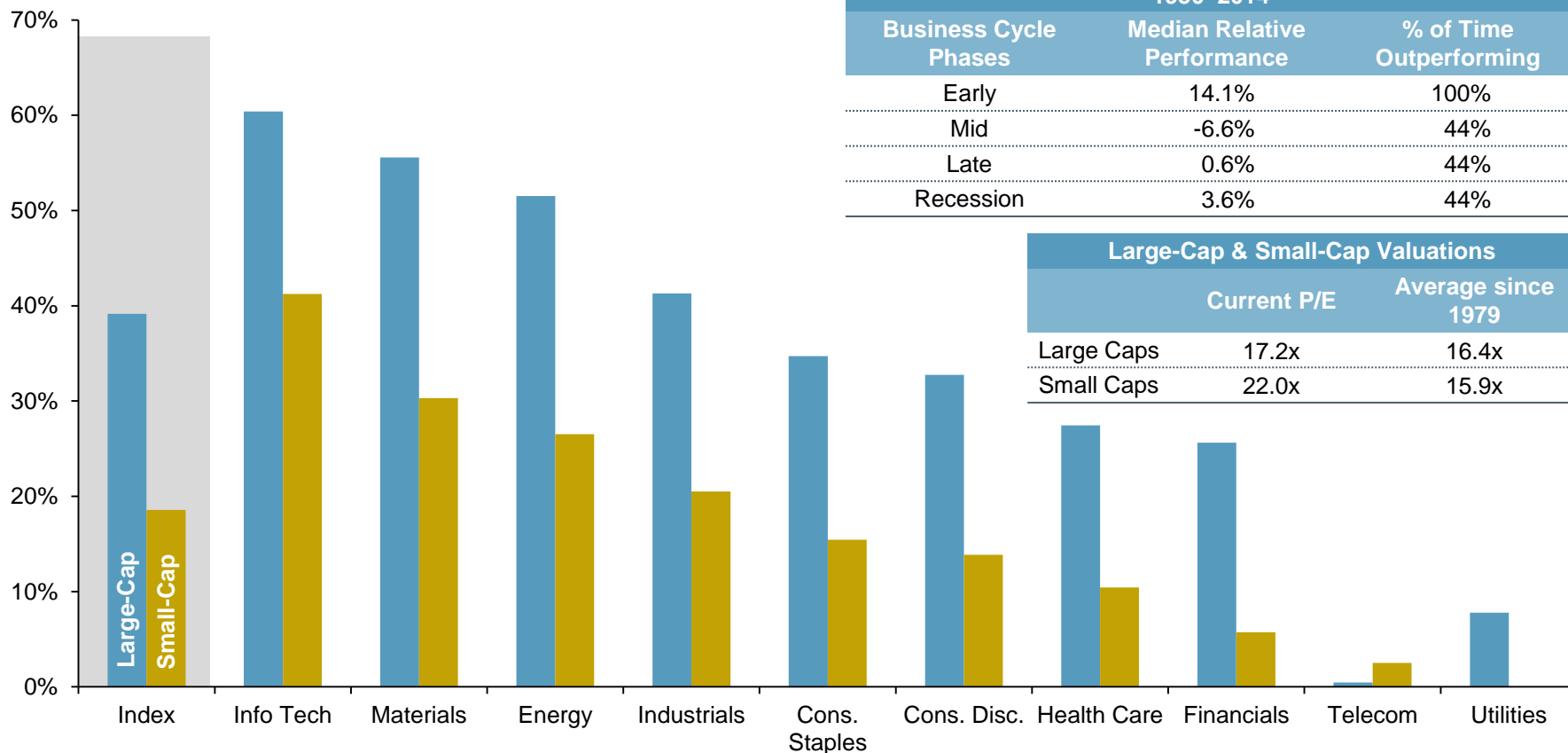


Mixed Outlook for Small-Cap vs. Large-Cap Stocks

Large-caps typically outperformed small-caps during mid-cycle expansions, and are currently less expensive relative to history. However, small-caps maintain less exposure than large-caps to the increasingly uncertain outlook for the international economy. It is unclear which of these dynamics will exert the greater influence on small-cap performance going forward.

Foreign Sales as a % of Total Sales

■ Large-Cap ■ Small-Cap



Business Cycle Phases	Median Relative Performance	% of Time Outperforming
Early	14.1%	100%
Mid	-6.6%	44%
Late	0.6%	44%
Recession	3.6%	44%

	Current P/E	Average since 1979
Large Caps	17.2x	16.4x
Small Caps	22.0x	15.9x

Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indices are unmanaged. Please see appendix for important index information. **CHART:** Large-cap stocks – S&P 500 Index; small-cap stocks – S&P Small-Cap 600 Index; sectors as defined by GICS; foreign sales data for 2013. **TABLES:** Large-cap stocks – S&P 500 Index; small cap stocks – IA SBBI U.S. Small Stock Index (1950 through 1978), Russell 2000 (1979 to 2014). Source: FactSet, Fidelity Investments (AART), as of 6/30/14.

Environment Improving for Active Management

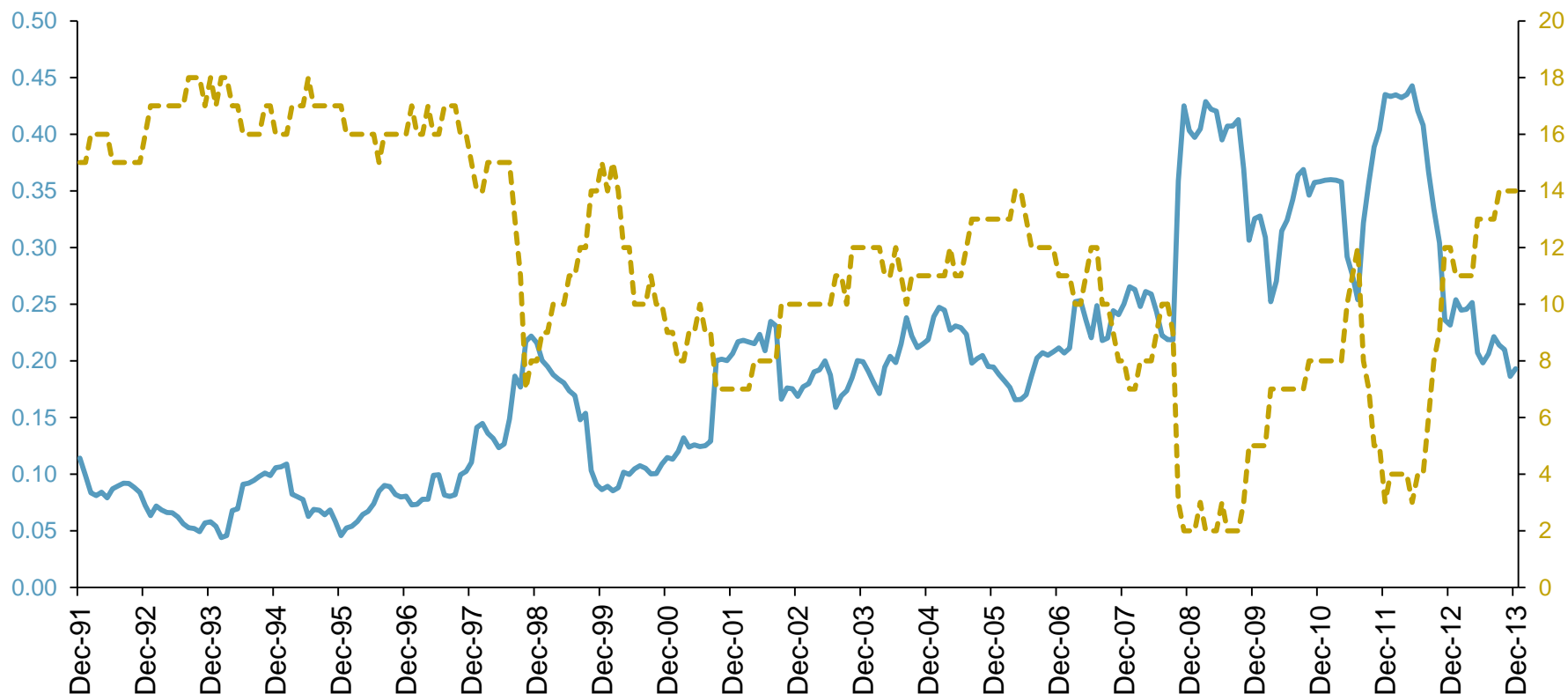
Although still elevated relative to history, the correlation between equity returns continued to fall in Q2 while the number of factors having a measurable impact on market returns (as determined by principal component analysis) has continued to rise. Accordingly, there may be more opportunity for active management in U.S. stocks today than during the past several years.

U.S. Equity Return Correlations and No. of Factors Driving Returns, 1991–2013

— Equity Correlations - - - # Factors Explaining 50% of Return Variation

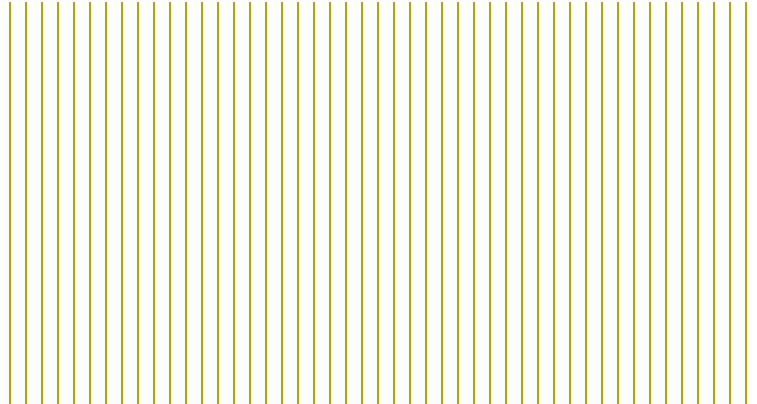
Correlations

Factors Explaining 50% of Return Variation



Average stock correlation calculated using trailing one year (52 weeks) of weekly returns. The number of factors explaining 50% of the return variation is the result of a principal component analysis (PCA) for the universe of stocks (Russell 3000 Index plus S&P 500 Index constituents) over the trailing one year using weekly returns. PCA: a linear method of statistical analysis that involves determining the combination of variables that produce a diagonal covariance matrix or a set of uncorrelated factor returns. Past performance is no guarantee of future results. Please see appendix for important index information. Source: FactSet, Fidelity Investments, as of 12/31/13.

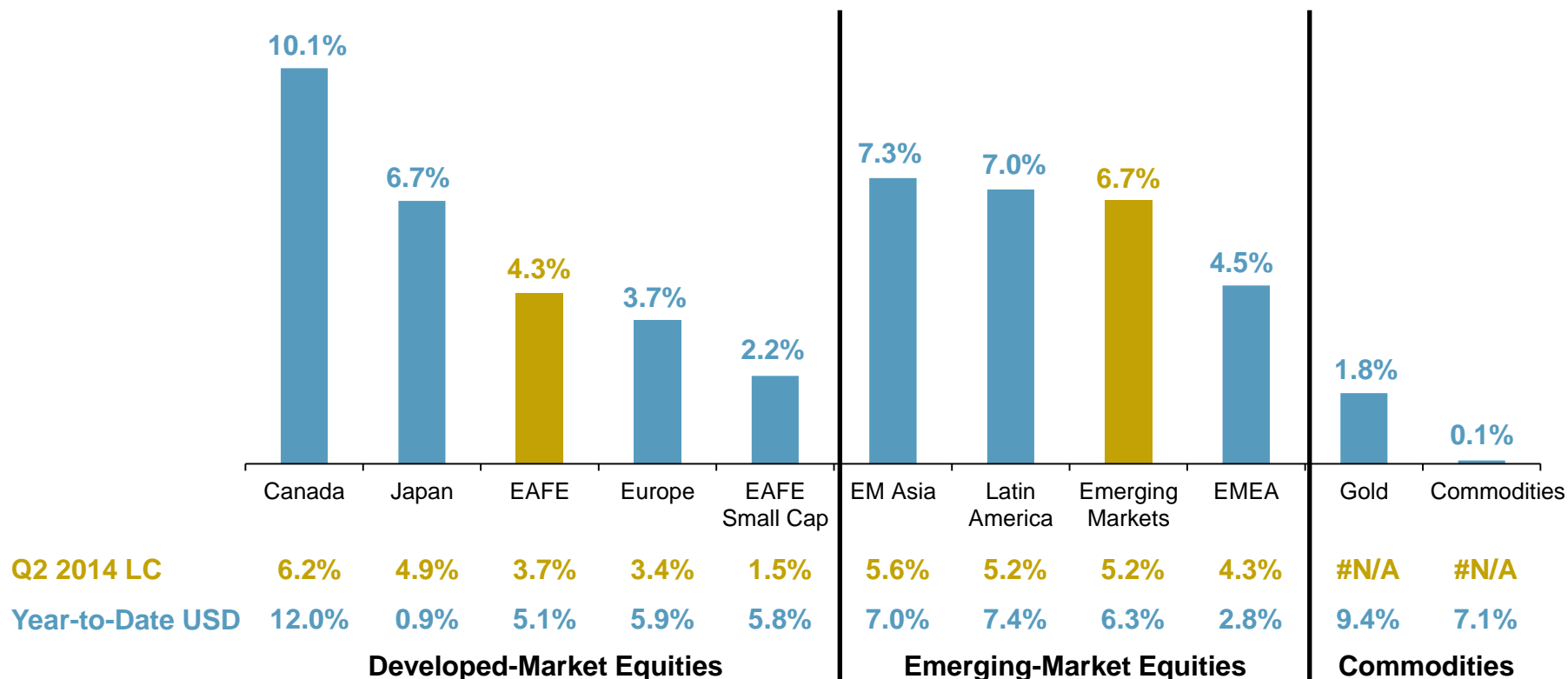
International Equity Markets & Global Assets



Stabilizing Global Conditions Buoy International Markets

Equity markets outside the U.S. posted strong returns this quarter, led by Canada and bolstered by solid emerging-market performance—in fact, EMs saw their best gains in six quarters. A weaker U.S. dollar helped boost results in all major markets. Commodities were flat, with a steep drop in agricultural prices offsetting a rise in energy prices.

Q2 2014 Total Return



EM: emerging markets. LC: local currency. All returns are gross in U.S. dollars unless otherwise noted. Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indices are unmanaged. Please see appendix for important index information. Index returns represented by: Canada – MSCI Canada Index; Commodities – S&P GSCI Commodities Index; EAFE – MSCI Europe, Australasia, Far East Index; EAFE Small Cap – MSCI EAFE Small Cap Index; EM Asia – MSCI Emerging Markets Asia Index; EMEA (Europe, Middle East, and Africa) – MSCI EM EMEA Index; Emerging Markets (EM) – MSCI EM Index; Europe – MSCI Europe Index; Gold – Gold Bullion Price, LBMA PM Fix; Japan – MSCI Japan Index; Latin America – MSCI EM Latin America Index. Source: FactSet, Fidelity Investments (AART), as of 6/30/14.

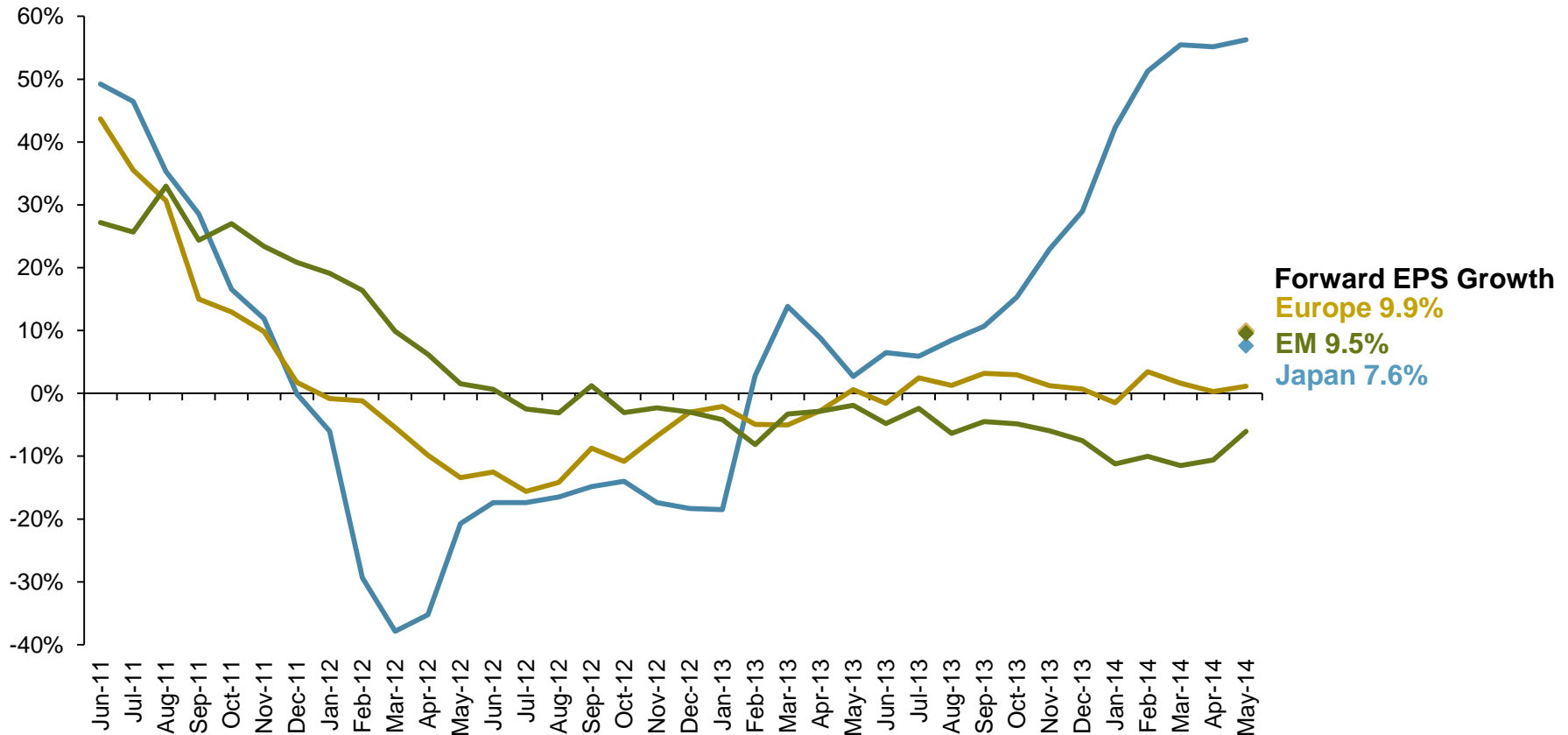
Mixed Earnings Picture Outside U.S.

Over the past year, non-U.S. corporate earnings have seen wide divergences: declines in EMs, very slow growth in Europe, and a dramatic rebound in Japan. Market expectations are that stabilizing conditions in EMs and moderating growth in Japan will produce a convergence in profits over the next year.

Global Earnings per Share Growth

— Japan — Europe — Emerging Markets

Year-over-Year Trailing EPS Growth Rate

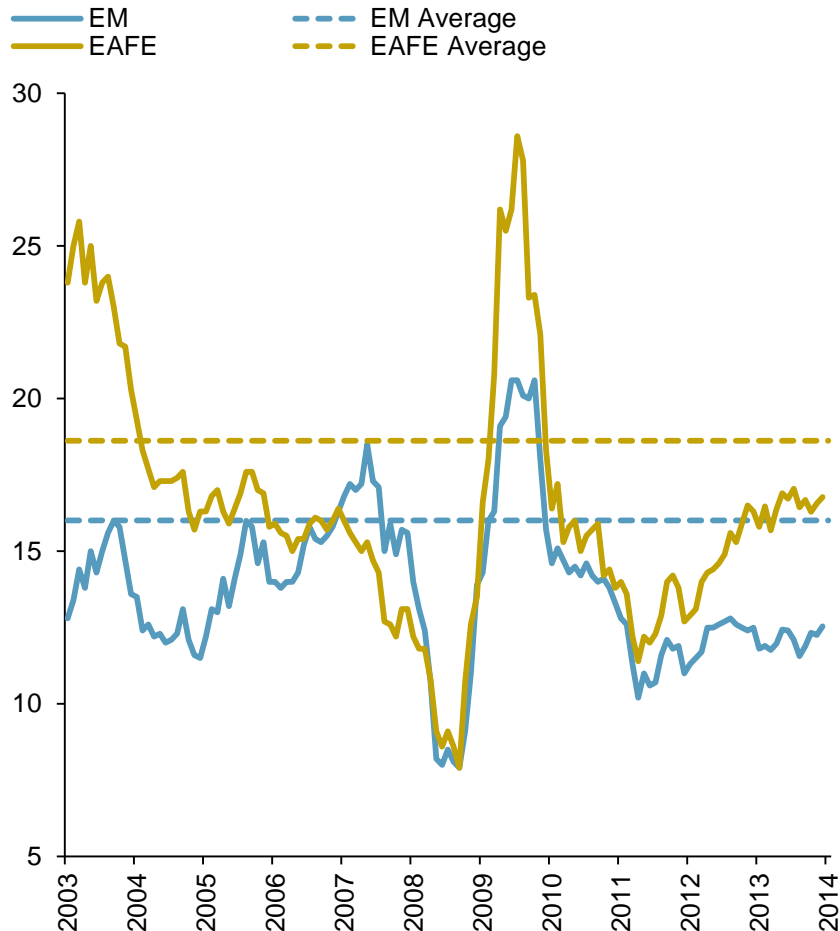


Please see appendix for important index information. EPS: earnings per share. Forward EPS growth uses estimates for the next twelve months for: EM – MSCI EM Index; Europe – MSCI Europe Index; Japan – MSCI Japan Index. Source: FactSet, Fidelity Investments (AART), as of 5/31/14.

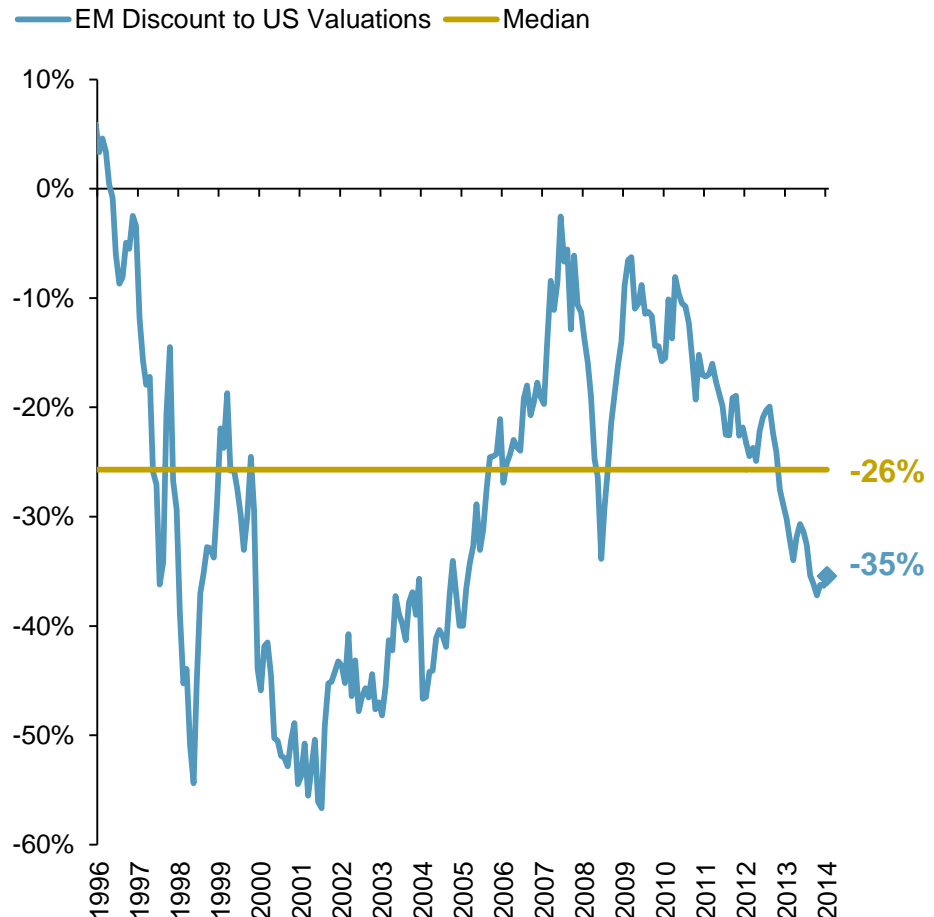
Emerging-Market Valuations Remain Compressed

Non-U.S. equity valuations remain historically attractive, with EM equities far below their long-term averages. While EM economies continue to experience headwinds, forward valuations are currently trading at a 35% discount to the U.S.—far below the median discount—suggesting a favorable support to long-term returns.

Trailing 12-Month P/E Ratios



EM Forward P/E Discount to U.S.



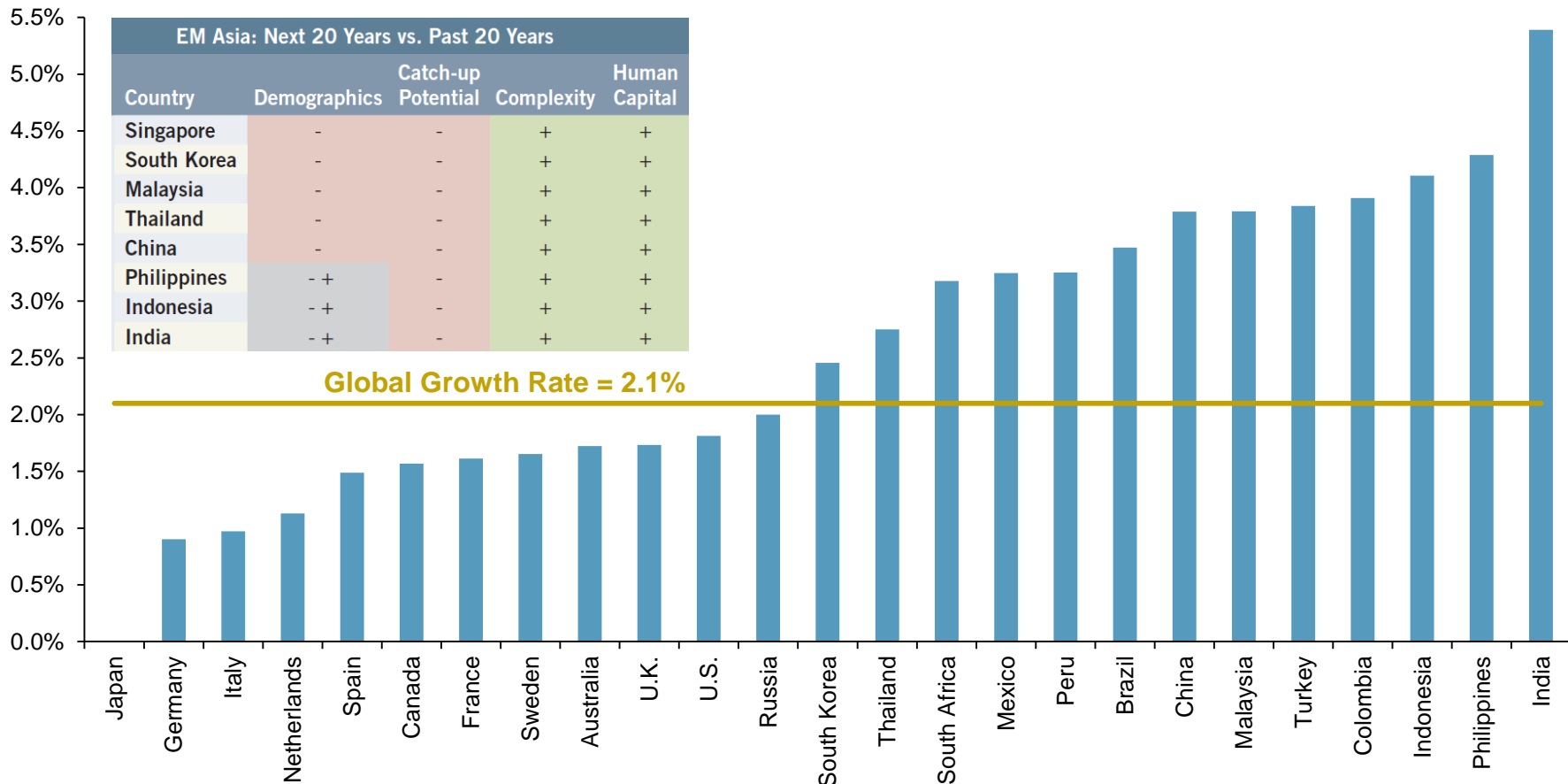
P/E Ratio: share price divided by earnings. P/E ratios derived from: EM – MSCI Emerging Markets (EM) Index; EAFE – MSCI Europe, Australia, Far East (EAFE) Index; U.S. – MSCI USA Index. LEFT: EM Average: 1988-2014. EAFE Average: 1973 to 2014. RIGHT: Forward P/E valuations are price divided by next-twelve-months earnings estimates. **BOTH:** Source: FactSet, Fidelity Investments (AART), as of 5/31/14.

Secular Global Economic Growth Forecast Favors EMs

We forecast slower global GDP growth of 2.1% annually over the next 20 years, versus a 2.7% average over the past 20 years. Developing economies will likely lead, underscoring the global nature of future investment opportunities. However, poorer demographics and less catch-up potential in emerging Asia signify a slower outlook for this region.

Real GDP Growth Forecast, 2014 to 2033

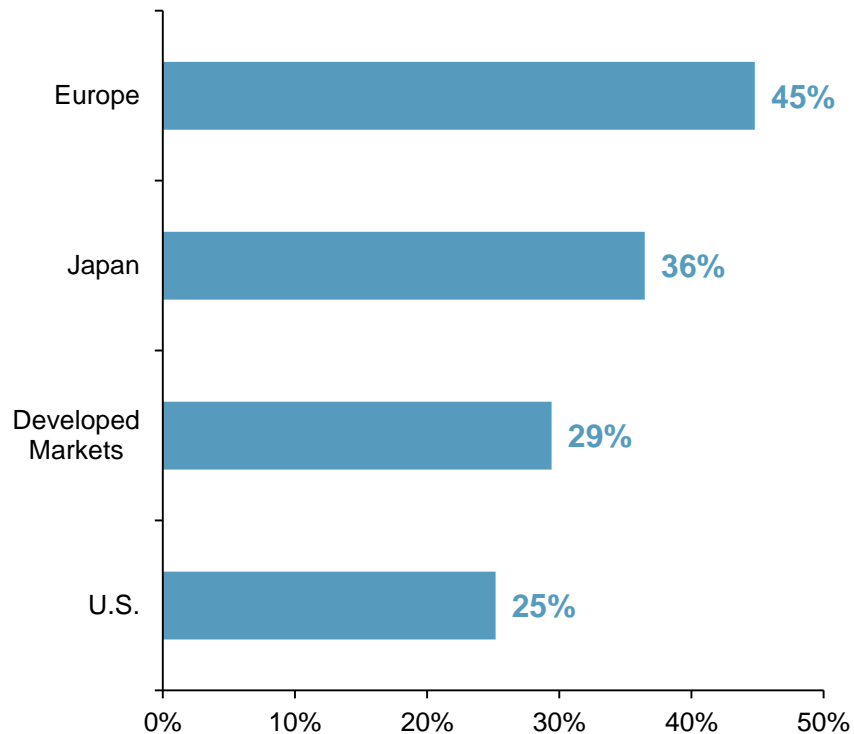
Annualized Growth Rate



Non-U.S. DM Equities: EM Exposure and Higher Yields

Investors can access the positive, secular economic growth in EMs while retaining the benefits of developed-market equities, such as greater liquidity and better corporate governance. Japanese and European equity markets have large exposures to EMs. Also, dividend yields in non-U.S. markets are higher, and have risen above their long-term averages.

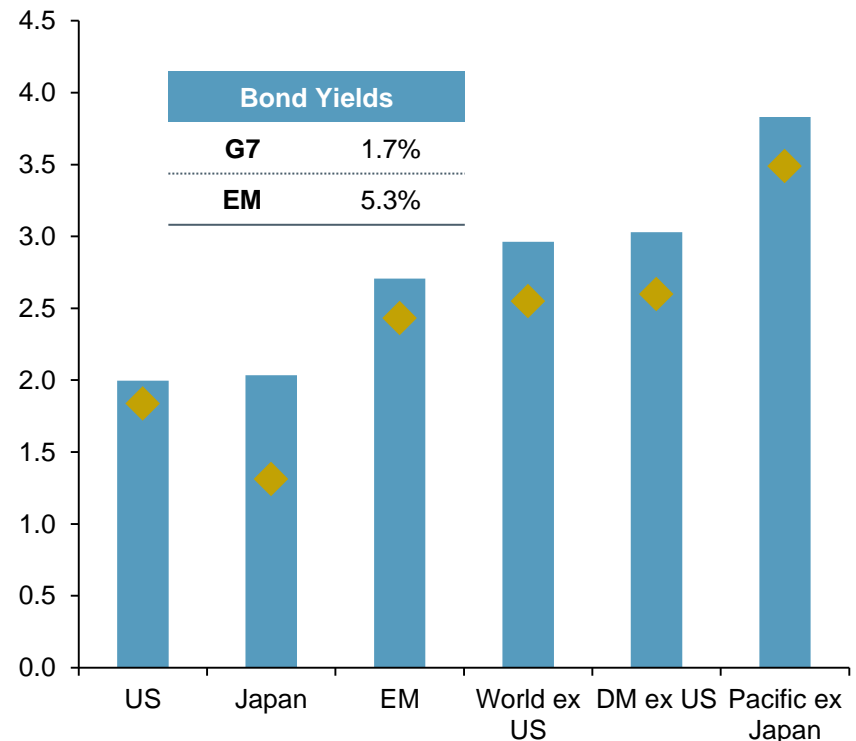
Share of Equity Market with Significant EM Exposure



Global Dividend Yields

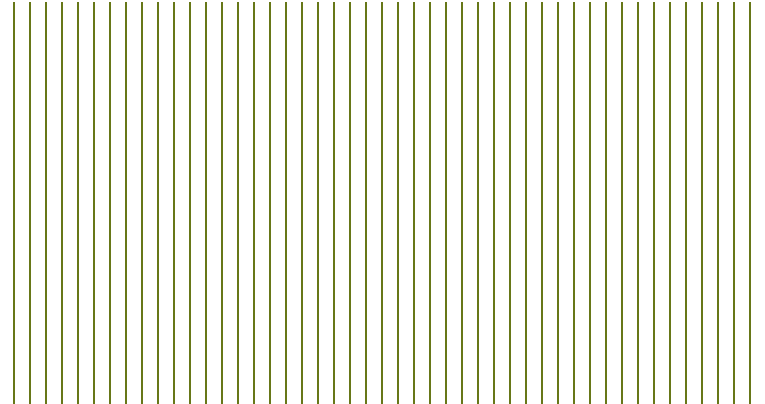
■ Current ◆ Avg. since 1995

Dividend Yield (%)



EM: Emerging Markets; DM: Developed Markets. Past performance and dividend yields are historical and do not guarantee future results. It is not possible to invest directly in an index. All indices are unmanaged. Please see appendix for important index information. Country/regions represented by: U.S. – MSCI USA Index; Japan – MSCI Japan Index; DM – MSCI World Index; Europe – MSCI Europe Index; EM – MSCI Emerging Markets Index; DM ex U.S. – MSCI World Index; World ex U.S. – MSCI AC World Index; Pacific ex Japan – MSCI Pacific ex Japan. Bond yields represented by: G7 – Citigroup Group-of-Seven Bond Index; EM – JP Morgan EMBI Global Index. **LEFT:** Significant EM exposure as defined by MSCI Economic Exposure indices. Companies with >25% of revenues from EM regions are considered significantly exposed. Source: MSCI, FactSet, Fidelity Investments (AART), as of 5/31/14. **RIGHT:** Source: FactSet, Fidelity Investments (AART), as of 5/31/14.

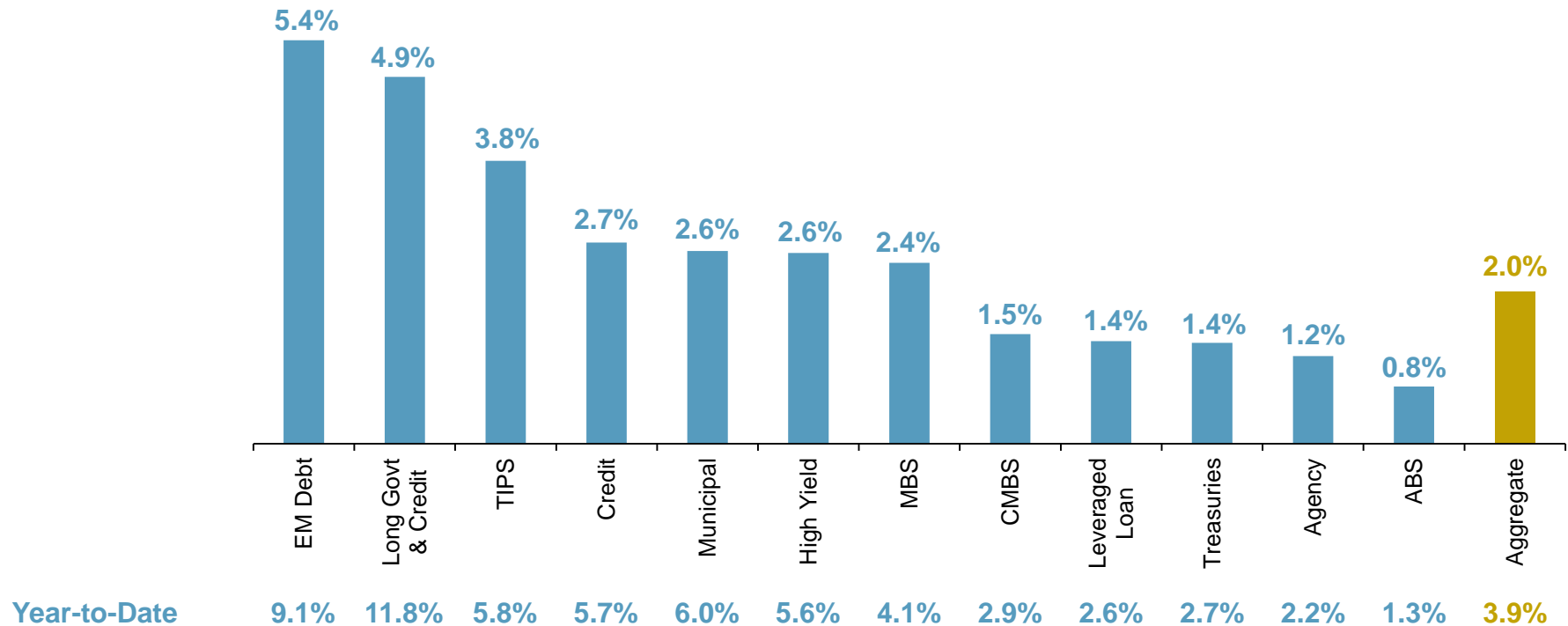
Fixed Income Markets



Broad Gains as Rates Fell and Spreads Narrowed

All fixed-income sectors continued to post positive returns during Q2. Longer-duration categories led, supported by falling longer-term interest rates. Spread compression also drove incremental performance across all credit categories. Emerging-market debt continued to benefit from both of these trends, following negative returns in 2013.

Q2 2014 Total Return

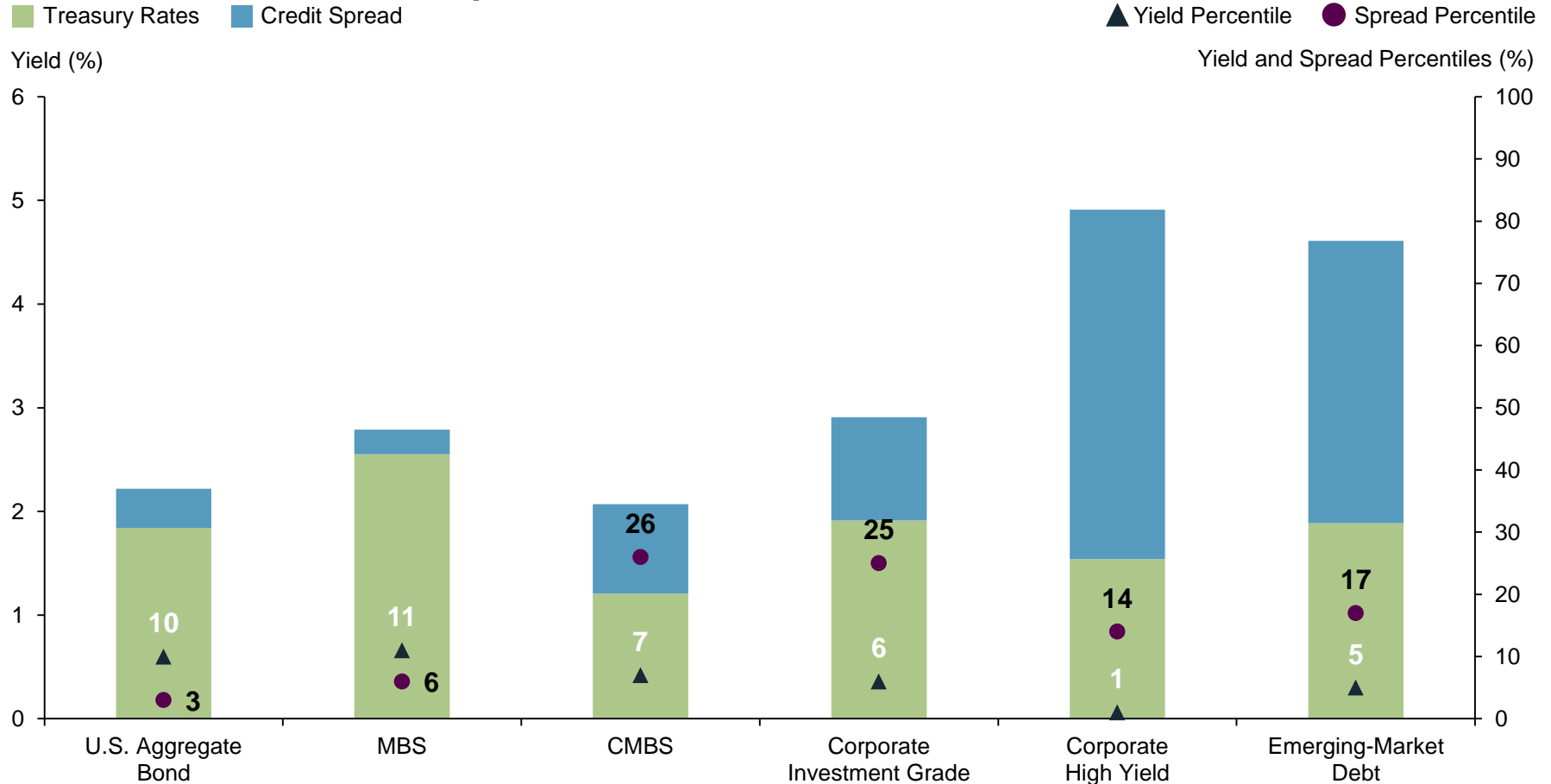


Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indices are unmanaged. Index returns represented by: ABS (Asset-Backed Securities) – Barclays ABS Index; Agency – Barclays U.S. Agency Index; Aggregate – Barclays U.S. Aggregate Bond Index; CMBS (Commercial Mortgage-Backed Securities) – Barclays Investment-Grade CMBS Index; Credit – Barclays U.S. Credit Bond Index; EM Debt (Emerging-Market Debt) – JP Morgan EMBI Global Index; High Yield – BofA ML U.S. High Yield Index; Leveraged Loan – S&P/LSTA Leveraged Loan Index; Long Government & Credit (Investment-Grade) – Barclays Long Government & Credit Index; MBS (Mortgage-Backed Securities) – Barclays MBS Index; Municipal – Barclays Municipal Bond Index; TIPS (Treasury Inflation-Protected Securities) – Barclays U.S. TIPS Index; Treasuries – Barclays U.S. Treasury Index. Source: FactSet, Fidelity Investments (AART), as of 6/30/14.

Bond Yields Still Low, Credit Spreads Narrowed

Yields and credit spreads of all fixed-income categories fell further below their long-term historical averages during the second quarter, nearing cyclical lows. Most bond categories benefited from robust investor demand and still-improving credit fundamentals.

Fixed Income Yields and Spreads



Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indices are unmanaged. Please see appendix for important index information. Percentile ranks of yields and spreads based on historical period from 2000 to 2014. MBS: Mortgage-Backed Security; CMBS: Commercial Mortgage-Backed Security. All categories represented by respective Barclays bond indices. Source: Barclays, Fidelity Investments (AART), as of 6/30/14.



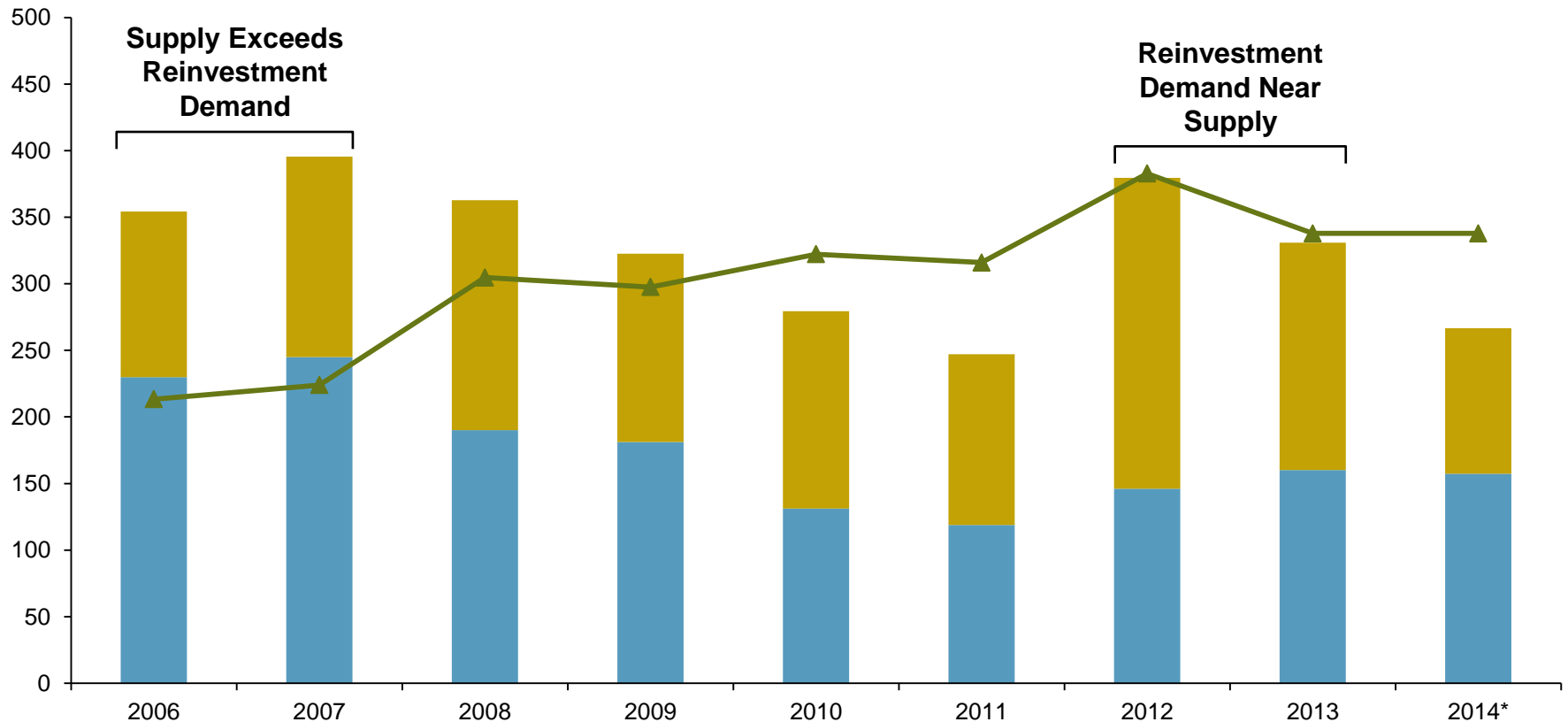
Technical Factors Support Municipal Bonds

Despite several negative credit developments, municipal fundamentals generally continue to steadily improve alongside the broader U.S. economic expansion. Market technicals remain strong amid declining new issuance and steady demand from the reinvestment of coupons and other proceeds.

Municipal Bond Issuance vs. Reinvestment Demand

■ New Project Financing ■ Refinancing ▲ Total Reinvestment Demand

Billions (\$)



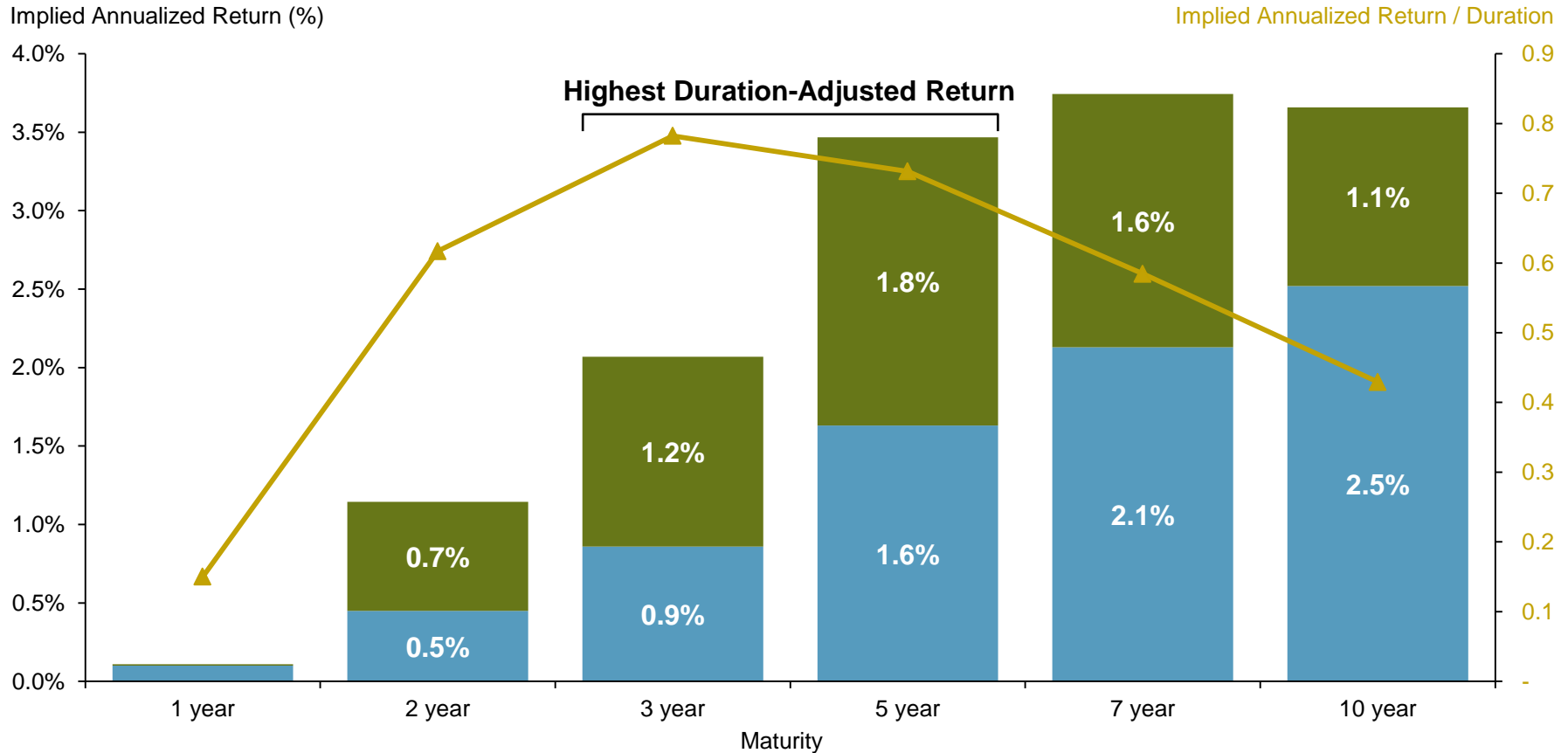
*New Project Financing and Refinancing forecasted through year-end with data through 4/30/14 and assuming a 2013 growth rate through year-end. Reinvestment Demand forecasted by JPMorgan Research. Refinancing includes issues that are in part used to refinance debt as well as new projects. Total Reinvestment Demand includes proceeds from existing municipal investments, including coupons, maturities, and refundings; demand data courtesy of JPMorgan Research, copyright 2014. Source: Thomson Reuters, JPMorgan Research, Fidelity Investments (AART), as of 4/30/14.

Short Duration: Roll May Boost Duration-Adjusted Returns

With cash yields near zero, short-duration fixed-income strategies may provide a better opportunity to outpace inflation without significant interest-rate risk. The yield curve is currently steepest in the two- to five-year range, potentially offering incremental roll returns and the best risk-adjusted return opportunities on the yield curve.

Return Potential of U.S. Treasuries

Yield Roll return Duration-Adjusted Return



Past performance is no guarantee of future results. Roll refers to the yield of a bond moving along the yield curve as it approaches its maturity date and the influence this has on the bond's price, assuming an unchanged yield curve. Yield refers to the current yield-to-maturity of each bond on the yield curve. Implied Annualized Return assumes yield curve slope remains unchanged and coupons are reinvested at current market rates. Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/14.

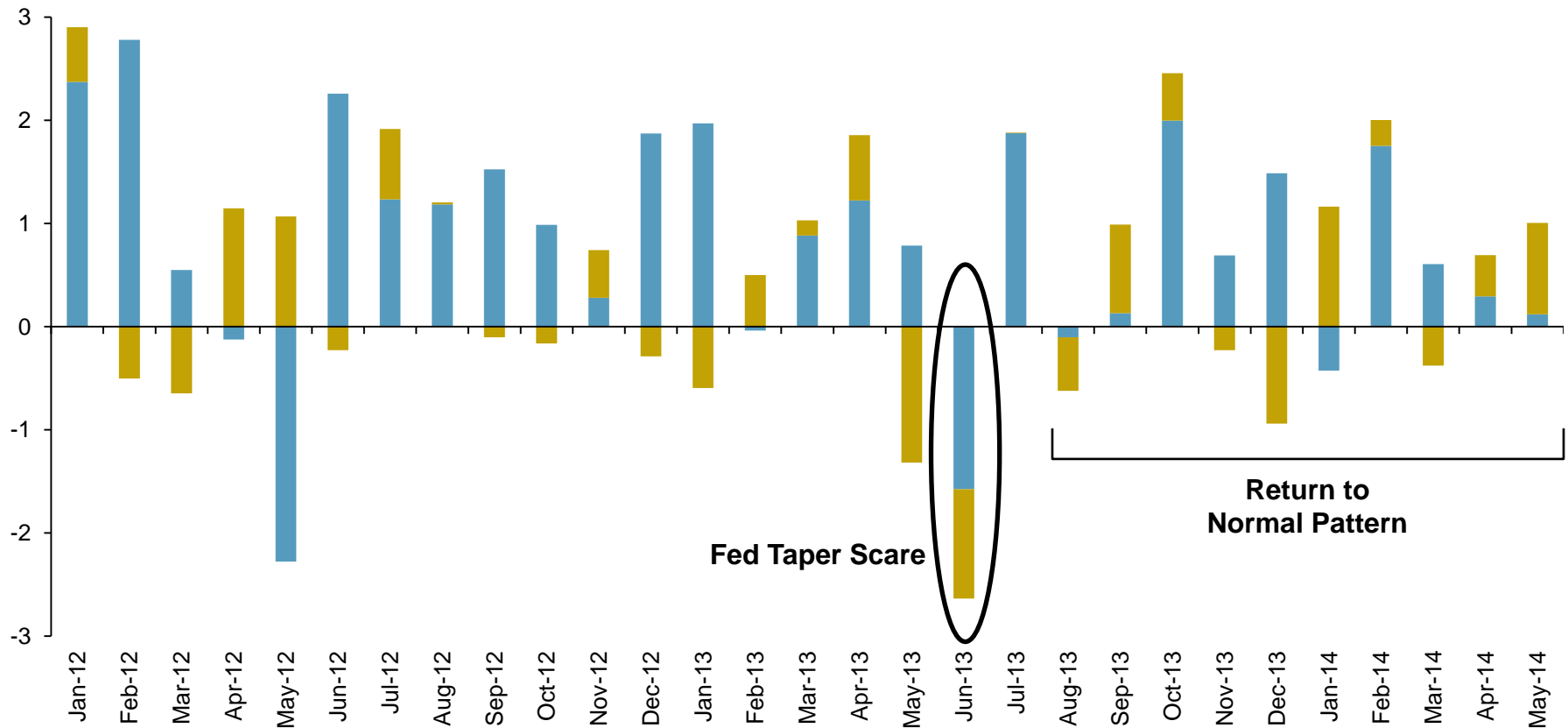
Typical Mid-Cycle Pattern for High Yield

High-yield debt typically benefits from economic expansion as credit spread tightening helps to offset a rise in interest rates. In the past, this negative correlation between rates and spreads has temporarily broken down following unexpected Fed policy announcements, implying a risk of higher volatility in the event of a surprise move to a tighter monetary posture.

High Yield Return Components: Spreads vs. Rates

■ Spread Return ■ Rate Return

Monthly Returns (%)



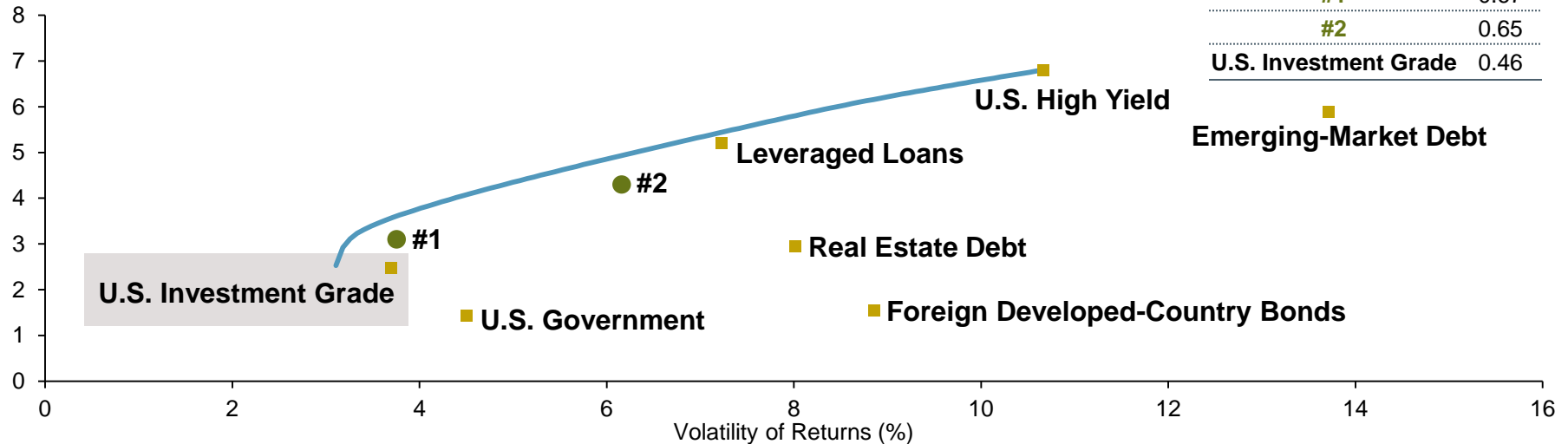
Past performance is no guarantee of future results. Spread returns: returns of the Bank of America Merrill Lynch (BofA ML) High-Yield Bond Index attributable to changes in credit spreads. Rate returns: returns of the BofA ML High-Yield Bond Index attributable to changes in interest rates. Source: BofA ML, Fidelity Investments (AART), as of 5/31/2014.

Allocating to Fixed Income: A Multisector Approach

With yields on high-quality U.S. bonds near historic lows, diversifying across a broad spectrum of fixed-income sectors may significantly improve a portfolio's Sharpe ratio, or risk-adjusted return. Investing in a variety of sectors may also provide opportunities to diversify across risk characteristics, which could enhance inflation resistance or geographic variation.

Efficient Frontier Using Yield to Maturity, 1998–2013

Yield to Maturity (%)



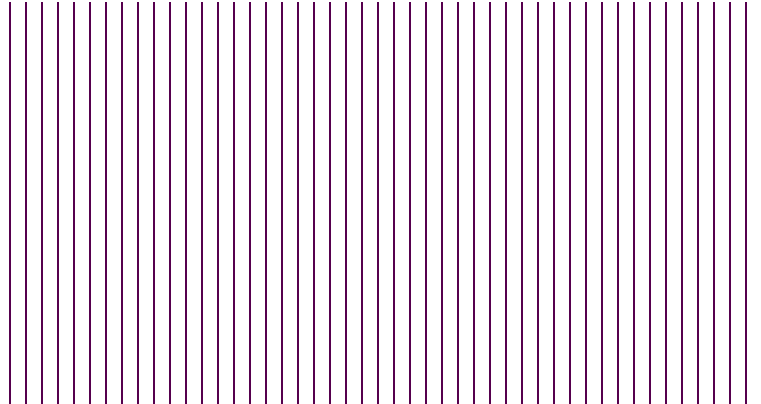
Portfolio	Sharpe Ratio
#1	0.67
#2	0.65
U.S. Investment Grade	0.46

Emerging-Market Debt

Portfolio	Description	Portfolio	Description
#1	High-quality portfolio with limited risk 80% U.S. Investment Grade 5% U.S. High Yield 5% U.S. Real Estate Debt 5% Leveraged Loans 5% Emerging Market	#2	Mix of high yield, government, and foreign 40% U.S. High Yield 30% U.S. Government 15% Foreign Developed 15% Emerging Market

Efficient frontier represents optimal risk-return combinations of seven assets. Yield to maturity: rate of return for investor who holds bond to maturity. Volatility is represented by standard deviation. Please see appendix for important definitions and index information. Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against loss. It is not possible to invest directly in an index. Index returns represented by: Emerging Market Debt – JPM EMBI Global Composite Index; Foreign Developed-Country Bonds – Citigroup G-7 Non-USD Bond Index; Leveraged Loans – S&P/LSTA Performing Loan Index; Real Estate Debt – 50% Barclays CMBS Index and 50% BofA ML Corporate Real Estate Index; U.S. Government – Barclays U.S. Government Index; U.S. High Yield – BofA ML High Yield Index; U.S. Investment Grade – Barclays U.S. Aggregate Bond Index. Source: FactSet, Bloomberg Finance L.P., Morningstar EnCorr, Fidelity Investments (AART), as of 12/31/2013.

Asset Allocation Themes



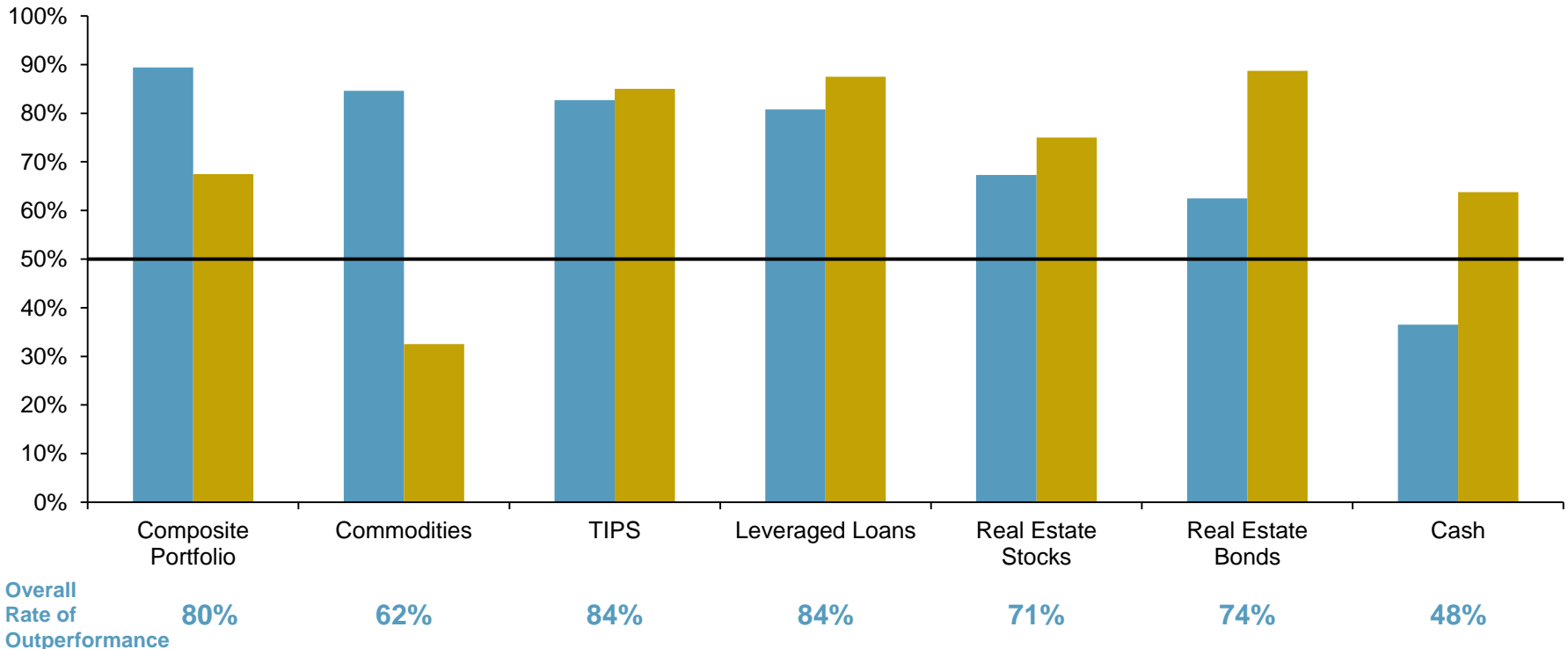
Real Return: Managing Inflation Risk Still Matters

Investments with hard-asset or income-adjusting characteristics have historically offered inflation resistance, particularly when investors needed it most—as inflation increased. Combining assets into a diversified real-return composite has increased the frequency of outpacing inflation as it rises, a difficult task for cash in today’s low-rate environment.

Frequency of Outperforming Inflation, 1998–2014

■ Outperformed during Rising Inflation ■ Outperformed during Falling Inflation

% of Periods Outperforming Inflation Rate



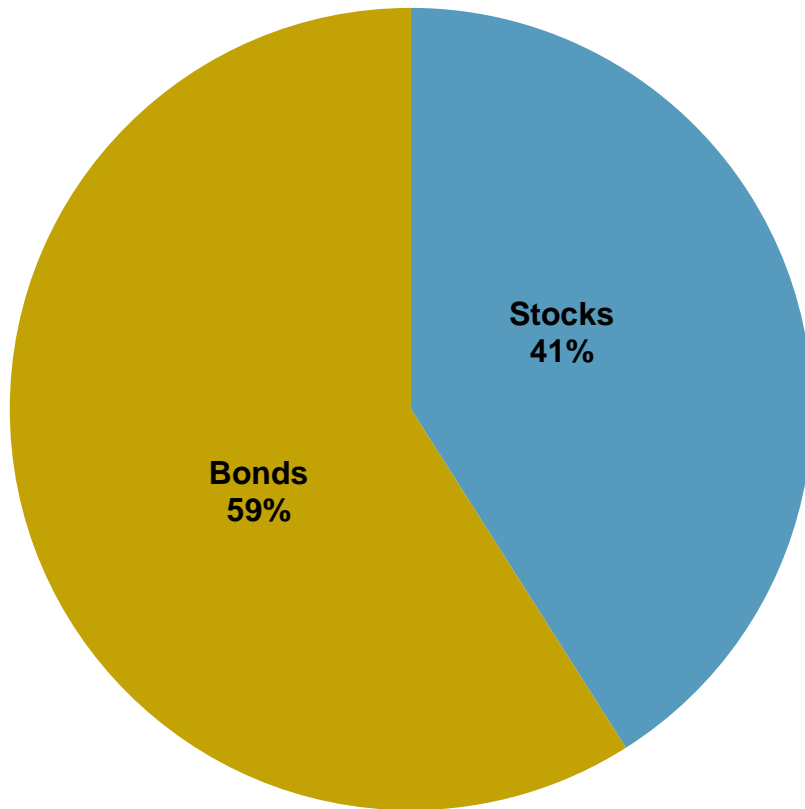
Past performance is no guarantee of future results. Diversification does not ensure a profit or guarantee against loss. It is not possible to invest directly in an index. Please see appendix for important index information. Inflation rate: year-over-year change in the consumer price index. Asset classes represented by: Cash – IA SBBI U.S. 30 Day Treasury Bill Index; Commodities – Dow Jones-UBS Commodity Index; Composite portfolio – 30% TIPS, 25% leveraged loans, 25% commodities, 10% real estate equity, 10% real estate income; Leveraged Loans – S&P/LSTA Leveraged Performing Loan Index; Real Estate Bonds – BofA ML U.S. Corporate Real Estate Index; Real Estate Stocks – Dow Jones U.S. Select Real Estate Securities Index; TIPS (Treasury Inflation Protected Securities) – Barclays U.S. TIPS Index. Source: Morningstar EnCorr, Fidelity Investments (AART), as of 6/30/14.

Myopic Loss Aversion Prompts Risk-Averse Behavior

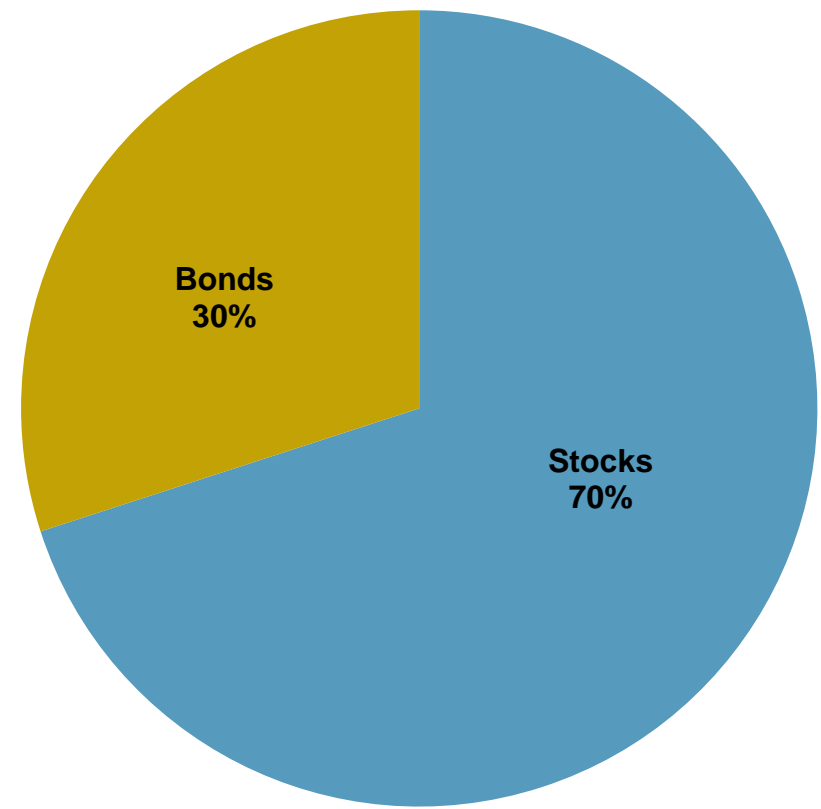
Myopic loss aversion describes a common bias in which greater sensitivity to losses than to gains is compounded by the frequent evaluation of outcomes. Investors who review their portfolios more frequently have tended to shift toward more conservative exposures, as increased monitoring raises the likelihood of seeing (and reacting to) a loss.

Impact of Feedback Frequency on Investment Decisions

Monthly



Yearly



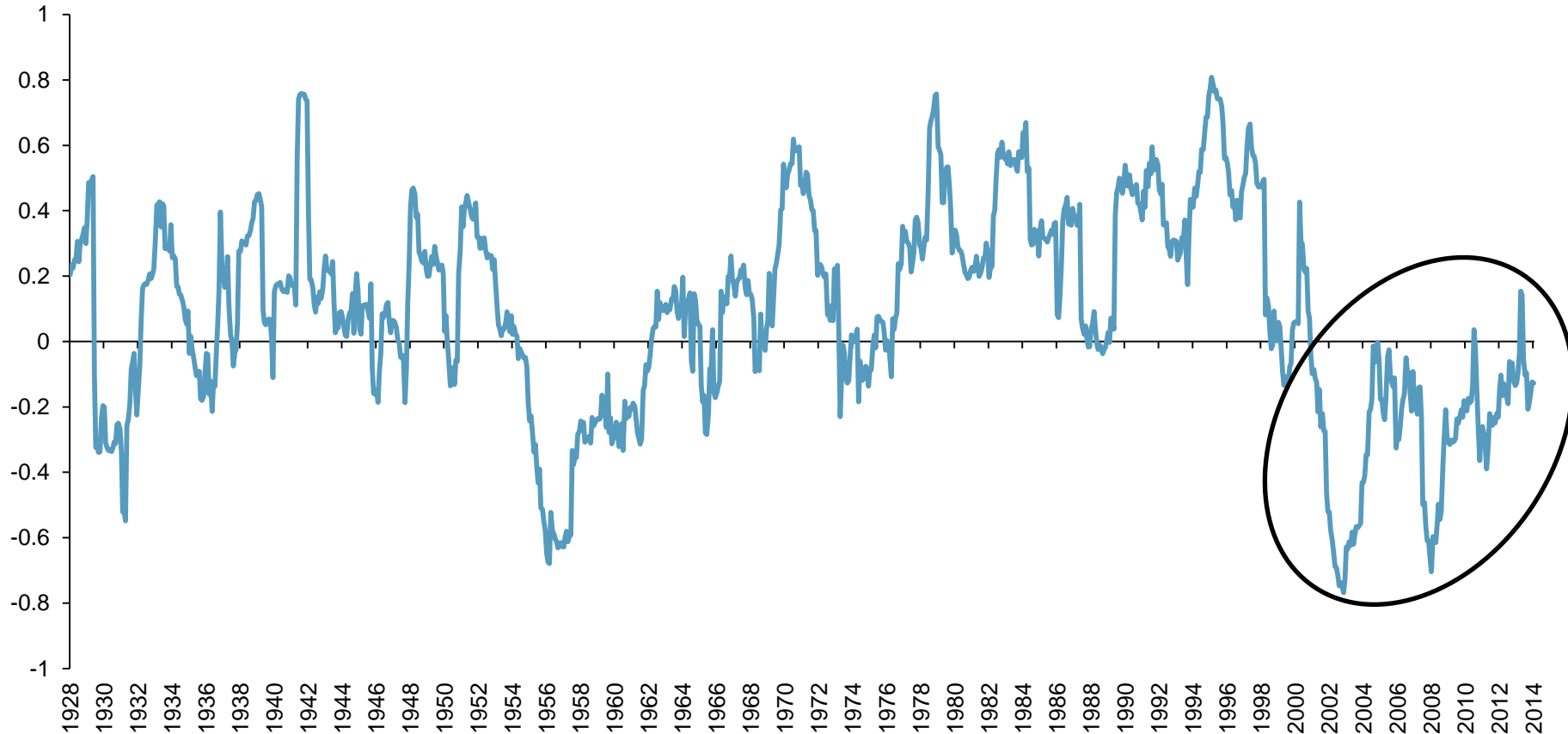
High-Quality Bonds Provide Diversification Benefits

Bond correlations with stocks remain negative on a rolling 24-month basis, suggesting that bonds continue to provide important portfolio diversification benefits, especially when equity volatility rises. Equity-to-bond correlations have historically tended to be lower during times of subdued and stable inflation, which is consistent with our long-term outlook.

Stocks and Bonds Performance Correlations

— Rolling 24-Month Stocks and Intermediate U.S. Treasury Bonds Correlation

Correlation Coefficient



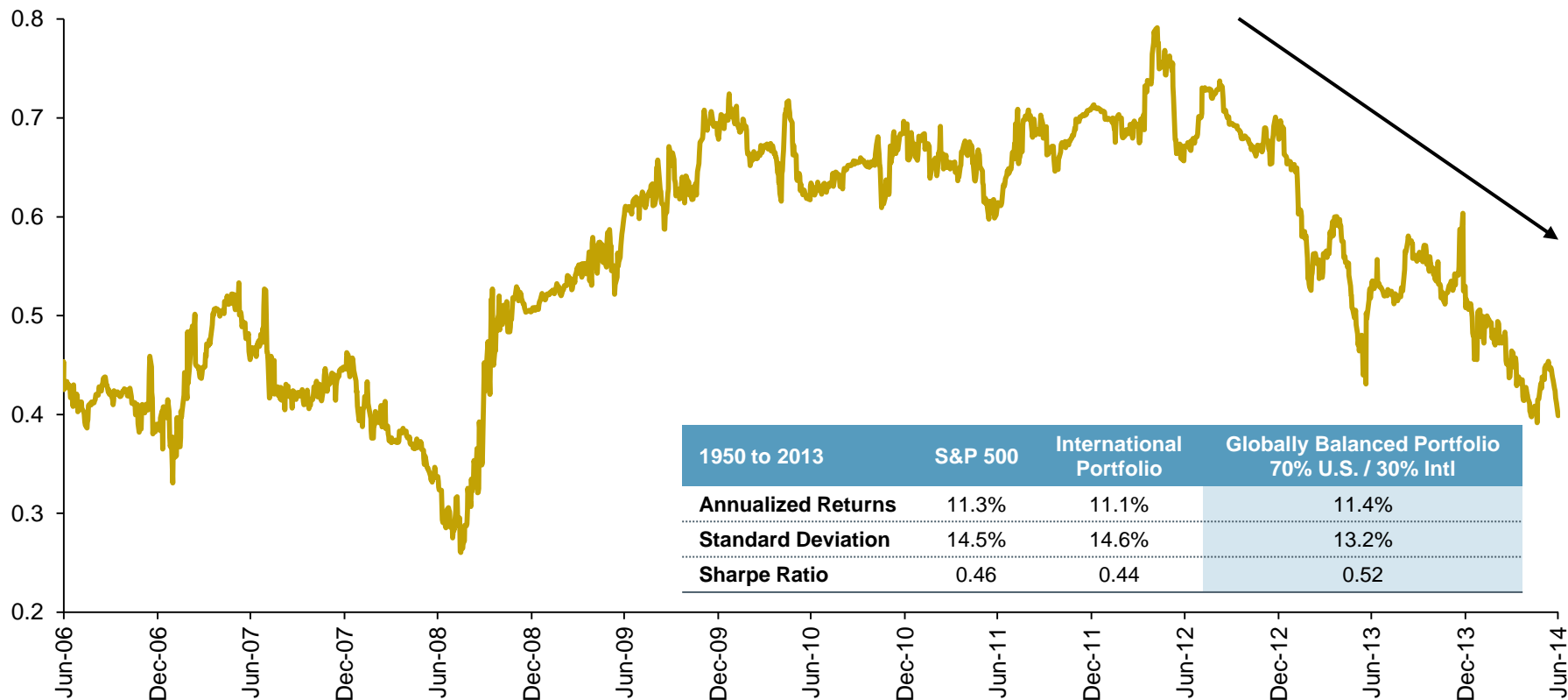
Past performance is no guarantee of future results. Stocks represented by the S&P 500 Index. Intermediate U.S. Treasury bonds represented by the IA SBBI Intermediate-Term U.S. Treasury Bond Index. Source: Morningstar EnCorr, Fidelity Investments (AART), as of 6/30/14.

International Equities: The Case for Diversification

A portfolio consisting of 70% U.S. and 30% international equities has provided higher returns, lower volatility, and better risk-adjusted returns than the S&P 500 over the long run. Correlations between U.S. and international equities have trended back down toward pre-recession levels, signaling increased benefits from diversification in a global portfolio.

Correlations: International and U.S. Equities

Six-Month Rolling Correlations of Daily Returns



Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indices are unmanaged. Please see appendix for important index information. **CHART:** International Equities – MSCI World ex-U.S.; U.S. Equities – S&P 500. Through 6/30/2014. **TABLE:** Hypothetical “globally balanced portfolio” is rebalanced monthly in 70% U.S. equities, 25% developed-market (DM) equities, and 5% emerging-market (EM) equities. U.S. equities – S&P 500 Total Return Index; DM equities – MSCI EAFE Index (1978-2013), Ibbotson (1970-1977), Global Financial Data (GFD) World x/USA Return Index (1950-1969); EM equities – MSCI EM Index (1988-2013), GFD Emerging Markets Index (1950-1987). **BOTH:** Source: FactSet, GFD, Ibbotson, Fidelity Investments (AART), as of 6/30/14.

Performance Rotations Underscore Need for Diversification

The performance of different assets has fluctuated widely from year to year, and the magnitude of returns can vary significantly among asset classes in any given year—even among asset classes that are moving in the same direction. A simple portfolio allocation with 60% in U.S. equities and 40% in U.S. bonds illustrates the potential benefits of diversification.

Periodic Table of Returns

1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014*	Legend
18%	75%	17%	38%	35%	35%	35%	66%	32%	14%	26%	56%	32%	35%	35%	40%	5%	79%	28%	8%	20%	39%	16%	Real Estate Stocks
17%	33%	8%	37%	23%	33%	29%	34%	26%	8%	10%	47%	26%	21%	33%	16%	-20%	58%	27%	8%	19%	34%	8%	Value Stocks
15%	20%	3%	37%	23%	29%	21%	27%	12%	5%	4%	39%	21%	14%	27%	12%	-26%	37%	19%	4%	18%	33%	7%	Large Cap Stocks
15%	19%	2%	30%	22%	24%	20%	24%	8%	2%	-2%	37%	18%	12%	22%	11%	-34%	32%	18%	4%	18%	32%	7%	Commodities
11%	19%	1%	28%	22%	22%	14%	21%	-1%	-2%	-6%	31%	17%	7%	18%	7%	-36%	28%	17%	2%	16%	23%	6%	Emerging-Market Stocks
8%	17%	0%	20%	16%	20%	9%	21%	-3%	-4%	-9%	31%	11%	5%	16%	6%	-36%	27%	16%	2%	16%	19%	6%	Growth Stocks
8%	10%	-1%	18%	15%	13%	3%	12%	-5%	-4%	-15%	29%	11%	5%	12%	5%	-37%	26%	15%	0%	16%	7%	6%	60% Large Cap 40% IG Bonds
7%	10%	-2%	15%	11%	10%	-3%	7%	-9%	-12%	-16%	28%	9%	5%	11%	2%	-38%	20%	15%	-4%	15%	3%	6%	High-Yield Bonds
5%	10%	-2%	15%	6%	2%	-18%	3%	-14%	-20%	-20%	24%	8%	4%	9%	-1%	-38%	19%	12%	-12%	11%	-2%	5%	Foreign-Developed Country Stocks
4%	4%	-3%	12%	6%	-3%	-25%	-1%	-22%	-20%	-22%	19%	7%	3%	4%	-2%	-43%	18%	8%	-13%	4%	-2%	4%	Investment-Grade Bonds
-12%	-1%	-7%	-5%	4%	-12%	-27%	-5%	-31%	-21%	-28%	4%	4%	2%	2%	-16%	-53%	6%	7%	-18%	-1%	-10%	3%	Small Cap Stocks

*Through 6/30/14. Past performance is no guarantee of future results. Diversification/asset allocation does not ensure a profit or guarantee against loss. It is not possible to invest directly in an index. All indices are unmanaged. Please see appendix for important index information. Asset classes represented by: Commodities – DJ-UBS Commodity Index; Emerging-Market – MSCI Emerging Markets Index; Foreign-Developed Country – MSCI EAFE Index; Growth – Russell 3000 Growth Index; High Yield – Bank of America Merrill Lynch U.S. High Yield Index; Investment-Grade – Barclays U.S. Aggregate Bond Index; Large Cap – S&P 500 Index; Real Estate – FTSE NAREIT Equity Index; Small Cap – Russell 2000 Index; Value – Russell 3000 Value Index. Source: Ibbotson Associates, Standard & Poor's, Haver Analytics, Fidelity Investments (AART), as of 6/30/14.

Appendix: Important Information

Views expressed are as of the date indicated, 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.

Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk.

These materials are provided for informational purposes only and should not be used or construed as a recommendation of any security, sector, or investment strategy.

Fidelity does not provide legal or tax advice and the information provided herein is general in nature and should not be considered legal or tax advice. Consult with an attorney or a tax professional regarding your specific legal or tax situation.

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 loss.

All indices are unmanaged, and performance of the indices includes reinvestment of dividends and interest income and, unless otherwise noted, is not illustrative of any particular investment. An investment cannot be made in any 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.

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 Indices

Bank of America Merrill Lynch (BofA ML) All U.S. Convertibles Index is an unmanaged index that tracks the performance of all U.S. convertible securities. **BofA ML Corporate Real Estate Index**, a subset of BofA ML U.S. Corporate Index, is a market capitalization-weighted index of U.S. dollar-denominated investment-grade corporate debt publicly issued in the U.S. domestic market by real estate issuers. Qualifying securities must have an investment-grade rating (based on an average of Moody's, S&P, and Fitch). In addition, qualifying securities must have at least one year remaining to final maturity, a fixed coupon schedule, and a minimum amount outstanding of \$250 million. **BofA ML High Yield Bond Index** is an unmanaged index that tracks the performance of below-investment-grade, U.S. dollar-denominated corporate bonds publicly issued in the U.S. domestic market. **BofA ML U.S. High Yield BB-B Rated 1-5 Year Index** includes fixed income securities with a remaining term to final maturity less than 5 years and rated BB1 through B3 by Moody's. **BofA ML U.S. Fixed Rate Preferred Securities Index** is an unmanaged index that tracks the performance of fixed-rate preferred securities publicly issued in the U.S. domestic market.

Barclays U.S. 1-3 (1-5) Year Government Credit Index includes all publicly issued U.S. government and corporate securities that have a remaining maturity between one and three (five) years and are rated investment grade. **Barclays U.S. 1-5 Year Credit Index** is designed to cover publicly issued U.S. corporate and specified non-U.S. debentures and secured notes with a maturity between one and five years and meet the specified liquidity and quality requirements; bonds must be SEC-registered to qualify. **Barclays U.S. 1-5 Year Municipal Index** covers the one- to five-year maturity, U.S. dollar-denominated, tax-exempt bond market with four main sectors: state and local general obligation bonds, revenue bonds, insured bonds, and pre-refunded bonds.

Barclays 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. **Barclays 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. **Barclays Emerging Market Bond Index** is an unmanaged index that tracks total returns for external-currency-denominated debt instruments of the emerging markets. **Barclays Long U.S. Government Credit Index** includes all publicly issued U.S. government and corporate securities that have a remaining maturity of 10 or more years, are rated investment grade, and have \$250 million or more of outstanding face value. **Barclays 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). **Barclays U.S. Agency Bond Index** is

a market value-weighted index of U.S. Agency government and investment-grade corporate fixed-rate debt issues. **Barclays 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. **Barclays U.S. Corporate High Yield Bond Index** is a market value-weighted index that covers the universe of dollar-denominated, fixed-rate, non-investment grade debt. **Barclays 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. **Barclays U.S. Government Index** is a market value-weighted index of U.S. government fixed-rate debt issues with maturities of one year or more. **Barclays Municipal Bond Index** is a market value-weighted index of investment-grade municipal bonds with maturities of one year or more. **Barclays 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 U.S. Treasury. **Barclays U.S. Treasury Bond Index** is a market value-weighted index of public obligations of the U.S. Treasury with maturities of one year or more.

The Citigroup 3-Month Treasury Bill Index is an unmanaged index of three-month Treasury bills.

CAC 40® Index is a free float-adjusted market capitalization-weighted price index of 40 companies listed on the Euronext Paris exchange selected to be representative of the broader market.

DAX is **Deutscher Aktienindex 100**, a market capitalization-weighted index of the 100 most heavily traded stocks in the German market.

Dow Jones-UBS 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.

Dow Jones U.S. Select Real Estate Securities Index is a float-adjusted, market capitalization-weighted index of publicly traded real estate securities, such as real estate investment trusts (REITs) and real estate operating companies (REOCs).

The Euro Stoxx 50® Index is a market capitalization-weighted stock index of 50 large, blue-chip companies operating within eurozone nations.

FTSE 100 Index is a market capitalization-weighted index of the 100 most highly capitalized blue chip companies listed on the London Stock Exchange. **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).

Appendix: Important Information

Market Indices (continued)

The **IA SBBI U.S. Small Stock Index** is a custom index designed to measure the performance of small-capitalization U.S. stocks. **IA SBBI U.S. Intermediate-Term Government Bond Index** is an unweighted index that measures the performance of five-year maturity U.S. Treasury bonds. Each year, a one-bond portfolio containing the shortest non-callable bond having a maturity of not less than five years is constructed. **IA SBBI U.S. Long-Term Corporate Bond Index** is a custom index designed to measure the performance of long-term U.S. corporate bonds. **IA SBBI U.S. 30-Day Treasury Bill Index** is an unweighted index that measures the performance of 30-day maturity U.S. Treasury bills.

JNK Exchange Traded Fund is the SPDR® Barclays High Yield Bond ETF, which seeks to provide investment results that track the price and yield performance of the Barclays High Yield Very Liquid Index, which includes high-yield corporate bonds with above-average liquidity that are denominated in U.S. dollars.

JPM® EMBI Global Index, and its country sub-indices, tracks total returns for traded external debt instruments issued by emerging-market sovereign and quasi-sovereign entities. **JPM® EMBI Global Investment Grade Index**, and its country sub-indices, tracks total returns for traded external debt instruments issued by emerging-market sovereign and quasi-sovereign entities rated investment grade. **JPM® EMBI Global Investment Grade Index**, and its country sub-indices, tracks total returns for traded external debt instruments issued by emerging-market sovereign and quasi-sovereign entities rated speculative grade.

MOVE is the **Merrill Option Volatility Estimate**, is a registered service mark of Merrill Lynch; it is a yield curve-weighted index of the normalized implied volatility on one-month Treasury options.

MSCI® All Country (AC) Europe Index is a market capitalization-weighted index that is designed to measure the equity market performance of Europe; it consists of the following developed and emerging-market country indices: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, Switzerland, Turkey, and United Kingdom. **MSCI All Country World Index (ACWI)** is a market capitalization-weighted index that is designed to measure the investable equity market performance for global investors of developed and emerging markets. **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 North America Index** is a market capitalization-weighted index designed to measure the performance of large and mid cap segments of the U.S. and Canada markets. **MSCI Pacific ex Japan Index** is a market capitalization-weighted index that is designed to measure the equity market performance of four of the five developed market countries in the Pacific region including Australia, Hong Kong, New Zealand, and Singapore.

MSCI World Index is a market capitalization weighted index that is designed to measure the investable equity market performance for global investors of developed markets. **MSCI World ex USA Index** is a market capitalization-weighted index designed to measure the equity market performance of developed markets excluding the U.S.

MSCI Emerging Markets (EM) Index is a market capitalization-weighted index that is 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 in Asia. **MSCI EM Europe, Middle East, and Africa (EMEA) Index** is a market capitalization-weighted index that is designed to measure the investable equity market performance for global investors in the emerging market countries of Europe, the Middle East, and Africa. **MSCI EM Latin America Index** is a market capitalization-weighted index that is designed to measure the investable equity market performance for global investors in the emerging market countries of Latin America. **MSCI EM Large Cap Index** is composed of those securities in the MSCI EM Index that are defined as large-capitalization stocks.

MSCI Europe, Australasia, Far East Index (EAFE) is a market capitalization-weighted index that is 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 that is 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 Canada Index is a market capitalization-weighted index designed to measure equity market performance in Canada. **MSCI China Index** is a market capitalization-weighted index designed to measure equity market performance in China. **MSCI Japan Index** is a market capitalization-weighted index designed to measure equity market performance in Japan. **MSCI USA Index** is a market capitalization-weighted index designed to measure the equity market performance of the U.S.

MSCI USA High Dividend Index is an unmanaged index that tracks the performance of U.S. high-dividend-yield equities; it consists of those securities in the MSCI USA Index that have a higher-than-average dividend yield, a track record of consistent dividend payments, and the capacity to sustain future dividend payments.

MSCI Economic Exposure Indices are designed to reflect the performance of companies with significant exposure to target regions or countries, regardless of their domicile.

Nikkei 225® Index is a market capitalization-weighted index of the 225 leading stocks traded on the Tokyo Stock Exchange.

Appendix: Important Information

Market Indices (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. **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** Russell 2500 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 2500 Index companies with lower price-to-book ratios and lower forecasted growth rates. **Russell 3000 Internet Software and Services** and **Russell 3000 Biotechnology** sub-indices are classified by the Global Industry Classification Standard (GICS). **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.

The S&P 500® Index 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.

The S&P SmallCap 600 is a market capitalization-weighted index of 600 small-capitalization stocks.

Sectors and industries defined by Global Industry Classification Standards (GICS®).

SMI is the Swiss Market Index, a price index made up of twenty of the largest capitalization and most liquid stocks traded on the Geneva, Zurich, and Basle Stock Exchanges.

S&P 500 sectors are defined as follows: 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, including seismic data collection; 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 real estate, including 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 whose businesses manufacture and distribute capital goods, provide commercial services and supplies, or provide transportation services. Information

Technology – companies in technology software & services and technology hardware & equipment. Materials – companies that are engaged in a wide range of commodity-related manufacturing. Telecommunication Services – companies that provide communications services primarily through fixed-line, cellular, wireless, high bandwidth, and/or fiber-optic cable networks. Utilities – companies considered electric, gas, or water utilities, or companies that operate as independent producers and/or distributors of power.

S&P GSCI (Commodities Index) is a world production-weighted index composed of 24 widely traded commodities. All sub-indices (Energy, Industrial Metals, Precious Metals, and Agriculture and Livestock) follow the same rules regarding world production weights, methodology for rolling, and other functional characteristics.

S&P GSCI™ (Goldman Sachs Commodities Index) is a world production-weighted index composed of 24 widely traded commodities. All sub-indices (Energy, Industrial Metals, Precious Metals, and Agriculture and Livestock) follow the same rules regarding world production weights, methodology for rolling, and other functional characteristics.

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.

Thomson Reuters Municipal Market Data (MMD) AAA Curve is a proprietary yield curve that provides the offer-side of AAA-rated state general obligation bonds, as determined by the MMD analyst team. In the interest of transparency, MMD publishes extensive yield-curve assumptions relating to various structural criteria that are used in filtering market information for the purpose of benchmark yield-curve creation. MMD yield curves are available on a subscription basis from Thomson Reuters.

VIX® is the **Chicago Board Options Exchange Volatility Index®**, a weighted average of prices on S&P 500 Index options with a constant maturity of 30 days to expiration. It is designed to measure the market's expectation of near-term stock market volatility.

Other Indices

The Consumer Price Index (CPI) is a monthly inflationary indicator that measures the change in the cost of a fixed basket of products and services; the unadjusted number is often called "headline inflation" or "headline CPI." **The Core Consumer Price Index** is a monthly inflationary indicator that measures the change in the cost of a fixed basket of products and services, excluding food and energy prices.

Cyclical Productivity is a proprietary index comparing aggregate hours worked to a set of economic indicators. It is calculated monthly, then reported as a year-over-year percentage change.

Appendix: Important Information

Other Indices (continued)

The **Economic Cycle Research Institute U.S. Weekly Leading Index** is a proprietary index based on leading economic indicators.

The **Economy Watchers Survey** is conducted by the Cabinet Office of Japan; it surveys individuals engaged in jobs that enable them to observe developments reflecting economic activity, in order to assess economic trends.

The **Global Leading Indicators Diffusion Index** is a proprietary index combining six-month averages for multiple leading indicators in the 37 largest economies. A score over 50 represents rising leading indicators, while a score under 50 represents falling leading indicators, and a score of 50 indicates no change. The economies included in the Global Leading Indicator Diffusion Index are: Austria, Belgium, Brazil, Canada, China, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, India, Indonesia, Ireland, Italy, Japan, South Korea, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Russia, Slovakia, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United States, United Kingdom.

The **London Bullion Market Association (LBMA)** publishes the international benchmark price of gold in USD, twice daily.

The **Producer Price Index (PPI)** measures the selling price received by domestic producers for their output. Core PPI excludes food and energy prices.

A **purchasing managers' index (PMI)** is a survey of purchasing managers in a certain economic sector. A PMI over 50 represents expansion of the sector compared to the previous month, while a reading under 50 represents a contraction, and a reading of 50 indicates no change. The Institute for Supply Management® reports the U.S. manufacturing PMI®. Markit compiles non-U.S. PMIs.

The **Rasmussen Consumer Index** measures consumer confidence on a daily basis.

The **University of Michigan Consumer Sentiment Index** is a consumer confidence index published monthly by the University of Michigan and Thomson Reuters.

Definitions

Correlation coefficient measures the interdependencies of two random variables, and ranges in value from -1 to +1, indicating perfect negative correlation at -1, absence of correlation at 0, and perfect positive correlation at +1.

The **Price-to-Earnings (P/E) ratio** is the ratio of a company's current share price to its current earnings, typically trailing 12-months earnings per share. A Forward P/E calculation will typically use an average of analysts' published estimates of earnings for the next 12 months in the denominator.

R² is a measure of how well a regression line fits the data. It ranges from 0 to 1: an R² of 0 suggests that the regression has no explanatory power, while an R² of 1 suggests that the regression fully explains the relationship between the variables regressed.

Sharpe ratio compares portfolio returns above the risk-free rate relative to overall portfolio volatility. A higher Sharpe ratio implies better risk-adjusted returns.

Standard deviation shows how much variation there is from the average (mean or expected value). A low standard deviation indicates that the data points tend to be very close to the mean, whereas a high standard deviation indicates that the data points are spread out over a large range of values. A higher standard deviation represents greater relative risk.

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