The following pages provide greater detail into some of the themes discussed in the Quarterly Market Perspective video:

1. **MARKET SUMMARY:**
   Stocks and bonds rose despite headlines of banking distress, higher interest rates in response to high inflation, and corporate layoff announcements.

2. **BUSINESS CYCLE:**
   The U.S. economy grew but at a slowing pace, weighed down by high inflation and the U.S. Federal Reserve’s ongoing rate hike cycle.

3. **INVESTMENT STRATEGY:**
   We increased defensiveness of client portfolios given heightened risk of a potential recession occurring.

4. **DIVERSIFICATION:**
   Stocks and bonds experienced elevated volatility, but with higher yields, bonds have again provided stability and income to well-diversified portfolios.

5. **STAYING INVESTED:**
   We believe that by staying with their investment plan, investors may be best positioned to achieve their financial goals.
1. MARKET SUMMARY

Stocks and bonds gained modestly despite elevated volatility as economic and market uncertainty continued

- U.S. stocks ended higher in a volatile quarter that experienced dramatic rate moves and pockets of distress among a handful of specialized, regional banks.

- International stocks gained as well but slightly lagged the U.S. due to emerging markets, which rose at a slower pace.

- Bond prices moved higher as intermediate- and long-term interest rates declined on expectations that the U.S. Federal Reserve will eventually cut the overnight rate in response to challenges in the banking sector.

This chart illustrates the performance of a hypothetical $100,000 investment made in the indexes noted above. Index returns include reinvestment of capital gains and dividends, if any, but do not reflect any fees or expenses. This chart is not intended to imply any future performance of the investment product.

Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. Please see Important Information for index definitions. Source: Fidelity Investments, as of 3/31/2023. U.S. stocks—Dow Jones U.S. Total Stock Market Index; international stocks—MSCI All Country World Ex-U.S. Index (Net MA); bonds—Bloomberg U.S. Aggregate Bond Index.
Bond yields have risen to their highest levels in nearly 15 years, which provided income and stability during a volatile Q1.

- As the U.S. Federal Reserve aggressively raised interest rates to fight inflation, bonds experienced unusually high volatility.
- However, bond yields are now near levels investors have not seen in nearly 15 years.
- After several years of very low yields, investment-grade bonds are once again providing healthy income for investors, as well as some stability against stock market volatility.
The U.S. economy remains in a late-cycle expansion, reflecting positive but slower economic growth.

- The late-cycle phase of the business cycle has historically been good for stock market performance, but returns have been more muted, and bouts of volatility have been more common.
- Economic growth typically slows in late-cycle phase, as rising interest rates can lead to softer economic activity.
- Other major economies around the world are also experiencing slower economic growth and regions like Europe and the U.K. may be in contraction.

2. BUSINESS CYCLE

*Asset class total returns are represented by indexes from the following sources: Fidelity Investments, Morningstar, and Bloomberg. Fidelity Investments source: a proprietary analysis of historical asset class performance, which is not indicative of future performance. From 1950–2022, as of 3/31/2023. \textit{Past performance is no guarantee of future results.}

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 3/31/2023.

Dow Jones U.S. Total Stock Market Index—U.S. stocks; MSCI All Country World Ex-US Index (Net MA)—international stocks; Bloomberg US Aggregate Bond Index—high-quality bonds; ICE BofA US High Yield Index—high-yield bonds; Bloomberg 3–6 Month US Treasury Bill Index—short-term investments; Bloomberg US TIPS Index—TIPS; Bloomberg Commodity Index Total Return Index—commodities.
The late-cycle expansion in the U.S. is supported by consumer spending, but the pace of growth is likely slowing.

- The Fed’s interest rate hikes to reduce inflation are also leading to slower economic growth.
- U.S. corporations are still seeing strong revenues, but earnings are softening and may decline; however, profit growth prospects overseas are improving.
- High inflation and interest rates are dampening consumer spending, but a persistently strong job market is somewhat counteracting this weakness for now.

### Summary of business cycle indicators

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Current View</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Growth</td>
<td>F</td>
<td>U.S. economy continues to expand, but at a slowing pace. Recession risks are rising.</td>
</tr>
<tr>
<td>Corporate Profits</td>
<td>M</td>
<td>Margins remain elevated, but profits are under pressure, and consensus is drifting lower for 2023.</td>
</tr>
<tr>
<td>Borrowing/Credit</td>
<td>U</td>
<td>The banking sector came under duress during the quarter with several high-profile banks needing government intervention. This will likely reduce banks’ willingness to lend.</td>
</tr>
<tr>
<td>Inventory</td>
<td>F</td>
<td>Inventory levels have risen in some areas of the economy, like retail, which we expect may become more widespread.</td>
</tr>
<tr>
<td>Federal Reserve</td>
<td>F</td>
<td>The Fed continues to raise interest rates but may be nearing the end of its hiking cycle.</td>
</tr>
<tr>
<td>Government Spending</td>
<td>F</td>
<td>Spending bill was passed recently, but a divided Congress likely to limit any further spending in 2023.</td>
</tr>
<tr>
<td>Inflation</td>
<td>U</td>
<td>Inflation has declined over the last few months but may take several quarters to reach more normal levels.</td>
</tr>
<tr>
<td>Consumer</td>
<td>U</td>
<td>Consumer spending is beginning to moderate particularly among lower-income cohorts.</td>
</tr>
<tr>
<td>Manufacturing Activity</td>
<td>M</td>
<td>Measures of manufacturing activity, such as PMI levels, have trended lower and in some cases are slightly below neutral.</td>
</tr>
<tr>
<td>International Developed Markets</td>
<td>F</td>
<td>The mild winter has reduced risks of an energy crisis in Europe, which has buoyed economic activity.</td>
</tr>
</tbody>
</table>

Sources: Fidelity Investments (AART), Strategic Advisers LLC, Bloomberg Finance, L.P., as of 3/31/2023.
Key economic indicators are showing signs of slower growth, but not recession

**Corporate Profits: Margins remain elevated, but profits under pressure**
Declining corporate profits generally reflect slowing economic growth

**Inventory: Levels rising in some sectors of the economy**
Lower levels reflect rising demand, while rising inventory levels reflect falling demand

**Borrowing/Credit: Banking duress may make banks less willing to lend**
Tightening conditions indicate banks less willing to issue loans

**Jobless Claims: Still low indicating a strong labor market**
Claims typically rise during a recession

We reduced risk within client accounts, keeping stock allocations below long-term targets

- We continued to de-risk portfolios during the quarter by reducing stocks, mostly in favor of high-quality bonds but also increased international stocks slightly.

- Within stocks, we reduced value in favor of quality and low volatility while within bonds, we tilted slightly toward U.S. Treasuries and cash.

- We believe our positioning can not only help protect client accounts from market volatility, but also enable them to participate in late-cycle rallies, like the one we experienced this quarter.

Diversification does not ensure a profit or guarantee against loss. This chart represents the relative asset class weights over time versus the long-term asset allocation mix of a PAS Total Return Growth with Income Blended preference. Stocks reference both U.S. and international stock allocations. Bonds represent investment-grade bond allocations. Short-term investments include money market fund and short-duration bond fund allocations. Opportunistic allocation classes refer to allocations to funds not within traditional stock, investment-grade bond, and short-term investment categories, including high-yield bond, commodity, and alternative investment allocations. The Growth with Income strategy has a long-term asset allocation mix of 42% U.S. stock (Dow Jones U.S. Total Stock Market Index), 18% international stock (MSCI All Country World Ex-US Index (Net MA)), 35% bonds (Bloomberg US Aggregate Bond Index), and 5% short-term investments (Bloomberg 3–6 Month US Treasury Bill Index), as of 3/31/2023. Current composition may differ, perhaps significantly.

Bonds often outpace cash after the Fed stops hiking rates

Since 1979, the Fed has conducted eight rate hiking cycles in which it repeatedly raised the overnight borrowing rate.

In most cases, these actions pushed rates of short-term investments (like cash) above rates of many high-quality bonds.

Money markets may seem prudent in the near term, but history suggests that bonds may be a better option if the Fed is close to ending its rate hikes.

Past performance is no guarantee of future results. The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS, and CMBS (agency and non-agency). It is not possible to invest directly in an index. All market indices are unmanaged. Index performance is not meant to represent that of any Fidelity mutual fund. Source: Bloomberg Finance, L.P., Morningstar, as of 1/31/2023, Fidelity Investments.
4. DIVERSIFICATION

A well-diversified portfolio has tended to recover from bear markets faster than stocks alone

- Last year saw U.S. stocks enter a bear market, which occurs when stocks decline 20% or more for an extended period; from 1952 to 2022, bear markets have occurred 13 times.

- In eight of the 13 instances, the U.S. economy entered a recession during the bear market.

- Regardless of a recession, on average, a well-diversified portfolio consisting of stocks, bonds, and short-term investments has recovered its starting value (completed a round trip) in less time than a portfolio of only stocks.

**Past performance is no guarantee of future results.** Bloomberg Finance, L.P, 6/1/1956–12/1/2021. A bear market is defined as a 20% drop in S&P from a previous high. Round-trip is defined as client’s holding in either a 60/40 portfolio or the S&P 500 Index returning to equal or greater value prior to bear market. Diversification does not ensure a profit or guarantee against loss.

*Averages represent median round-trips.

### Recovery time of a 60%/40% portfolio in a bear market varies compared with owning just stocks

Recovery time from the start of a bear market to full recovery (i.e., round-trip)

<table>
<thead>
<tr>
<th>Date</th>
<th>Recession Round-Trip</th>
<th>60/40 Round-Trip</th>
<th>S&amp;P 500 Round-Trip</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb-20</td>
<td>14 months</td>
<td>12 months</td>
<td>23 months</td>
</tr>
<tr>
<td>Sep-18</td>
<td>20 months</td>
<td>14 months</td>
<td>31 months</td>
</tr>
<tr>
<td>Oct-07</td>
<td>23 months</td>
<td>20 months</td>
<td>35 months</td>
</tr>
<tr>
<td>Mar-00</td>
<td>22 months</td>
<td>18 months</td>
<td>30 months</td>
</tr>
<tr>
<td>Jul-98</td>
<td>23 months</td>
<td>16 months</td>
<td>32 months</td>
</tr>
<tr>
<td>Jul-90</td>
<td>24 months</td>
<td>18 months</td>
<td>35 months</td>
</tr>
<tr>
<td>Aug-87</td>
<td>25 months</td>
<td>20 months</td>
<td>38 months</td>
</tr>
<tr>
<td>Nov-80</td>
<td>26 months</td>
<td>22 months</td>
<td>40 months</td>
</tr>
<tr>
<td>Jan-73</td>
<td>27 months</td>
<td>24 months</td>
<td>42 months</td>
</tr>
<tr>
<td>Nov-68</td>
<td>28 months</td>
<td>26 months</td>
<td>45 months</td>
</tr>
<tr>
<td>Jan-66</td>
<td>29 months</td>
<td>28 months</td>
<td>48 months</td>
</tr>
<tr>
<td>Dec-61</td>
<td>30 months</td>
<td>30 months</td>
<td>50 months</td>
</tr>
<tr>
<td>Aug-56</td>
<td>31 months</td>
<td>32 months</td>
<td>52 months</td>
</tr>
</tbody>
</table>

Average Round-Trip (60/40) 14 months 21 months
Average Round-Trip (S&P 500) 23 months 31 months

All Periods
Recession
No Recession
5. STAYING INVESTED

A look ahead: Stock returns are not always lower when recessions end and are often higher than when the recession began

- Not all recessions have the same impact on stocks and many investors may only recall recessions when stocks fell sharply.
- But five of the last 11 recessions have led to positive returns.
- The unpredictability of stock returns during recessions is why we believe investors should stay invested during recessions, as markets can rally sharply and unexpectedly.

Past performance is no guarantee of future results. Recession dates are determined by the National Bureau of Economic Research (NBER). Source: Bloomberg Finance, L.P., from 1950-2022. Indexes are unmanaged. It is not possible to invest directly in an index. The S&P Index was created in 1957; however, returns have been reported since 1926, and the index has been reconstructed for years prior to 1957.
The best-return days can happen at any time but often occur during a bear market or early in a bull market.

- We believe that it is impossible to predict the magnitude or timing of stock market returns, and so long-term investors may be more likely to experience better long-term returns if they maintain their exposure to stocks through bear markets.
- Bull markets are periods in which stocks rise 20% for an extended period of time; almost a quarter of the 50 best-returning days happen at the very beginning of bull markets.
- But almost half of the best days occurred during bear markets, which typically is a time in which investors are less confident that stocks will rise.

Past performance is no guarantee of future results. Measures the 50 best one-day returns of the S&P 500 Index from 1/1/1980–12/31/2022, as of 12/31/2022. A bear market is defined as a 20% drop in the S&P from a previous high.
Lasting economic expansions have powered investors through relatively infrequent recessions.

- Swift and severe market declines and recessions are stressful, but contractions are often much shorter than expansions.
- Each of the past recessions (red areas) on the chart were challenging in the moment, but they pale in comparison to expansions (blue areas), which show significant growth during those multiyear periods.
- After every past recession, the markets and the economy eventually stabilized, and an expansion followed.

5. STAYING INVESTED

Stocks have experienced significant gains during economic expansions.

- Average months duration: 62 months (expansion) vs. 11 months (recession).
- Average Annualized performance: 15% (expansion) vs. 1% (recession).

Past performance is no guarantee of future results. This chart illustrates the cumulative percentage return of a hypothetical investment made in the S&P 500 Index during periods of economic expansion and recession. Index returns include reinvestment of capital gains and dividends, if any, but do not reflect any fees or expenses. This chart is not intended to imply any future performance of an investment product. It is not possible to invest directly in an index. All indexes are unmanaged. Please see Important Information for index definitions. Source: Bloomberg, S&P 500 Index total annual return, 1/1/1950-12/31/2022; recession and expansion dates defined by the National Bureau of Economic Research (NBER).
1. Global stocks and bonds gained in a quarter that saw significant volatility and pockets of banking distress, but returns were supported by continued consumer spending.

2. The U.S. economy remained in a late-cycle expansion—a phase of the business cycle that has historically led to modestly positive stock market returns but with more frequent bouts of volatility.

3. The level of risk within client accounts is meaningfully below their long-term target, as we reduced exposure to stocks and increased exposure to bonds over the course of the quarter.
For more information, please call your Fidelity associate at 800-544-3455 or visit Fidelity.com.
The Business Cycle Framework depicts the general pattern of economic cycles throughout history, though each cycle is different; specific commentary on the current stage is provided in the main body of the text. In general, the typical business cycle demonstrates the following: During the typical early-cycle phase, the economy bottoms out and picks up steam until it exits recession, then begins the recovery as activity accelerates. Inflationary pressures are typically low, monetary policy is accommodative, and the yield curve is steep. Economically sensitive asset classes, such as stocks, tend to experience their best performance of the cycle. During the typical mid-cycle phase, the economy exits recovery and enters into expansion, characterized by broader and more self-sustaining economic momentum but a more moderate pace of growth. Inflationary pressures typically begin to rise, monetary policy becomes tighter, and the yield curve experiences some flattening. Economically sensitive asset classes tend to continue benefiting from a growing economy, but their relative advantage narrows. During the typical late-cycle phase, the economic expansion matures, inflationary pressures continue to rise, and the yield curve may eventually become flat or inverted. Eventually, the economy contracts and enters recession, with monetary policy shifting from tightening to easing. Less economically sensitive asset categories tend to hold up better, particularly right before and upon entering recession.

Neither asset allocation nor diversification assures a profit or protects against a loss.

**Past performance does not guarantee future results.**

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Foreign markets can be more volatile than U.S. markets due to increased risks of adverse issuer, political, market, or economic developments, all of which are magnified in emerging markets.

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, liquidity risk, call 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 commodities industry can be significantly affected by commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions.
Index Definitions

The Dow Jones U.S. Total Stock Market Index is an all-inclusive measure composed of all U.S. equity securities with readily available prices. This broad index is sliced according to stock-size segment, style, and sector to create distinct sub-indexes that track every major segment of the market.

The ICE BofA US High Yield Index is market capitalization weighted and is designed to measure the performance of U.S. dollar denominated below investment grade (commonly referred to as “junk”) corporate debt publicly issued in the U.S. domestic market.

The Bloomberg US Aggregate Bond Index is a broad-based flagship benchmark that measures the investment-grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage-back securities (agency fixed-rate pass-throughs), asset-backed securities, and collateralized mortgage-backed securities (agency and non-agency).

The Bloomberg 3–6 Month US Treasury Bill Index is a market capitalization–weighted index of investment-grade, fixed-rate public obligations of the U.S. Treasury with remaining maturities from three up to (but not including) six months, excluding zero-coupon STRIPS.

The Bloomberg Commodity Index Total Return 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.

The Bloomberg 1–3 Month US Treasury Bill Index measures the performance of public obligations of the U.S. Treasury that have a remaining maturity of greater than or equal to one month and less than three months.


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

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.

The Bloomberg US Corporate Bond Index measures the investment grade, fixed-rate, taxable corporate bond market. It includes USD denominated securities publicly issued by US and non-US industrial, utility, and financial issuers.

Important Information
Important Information

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