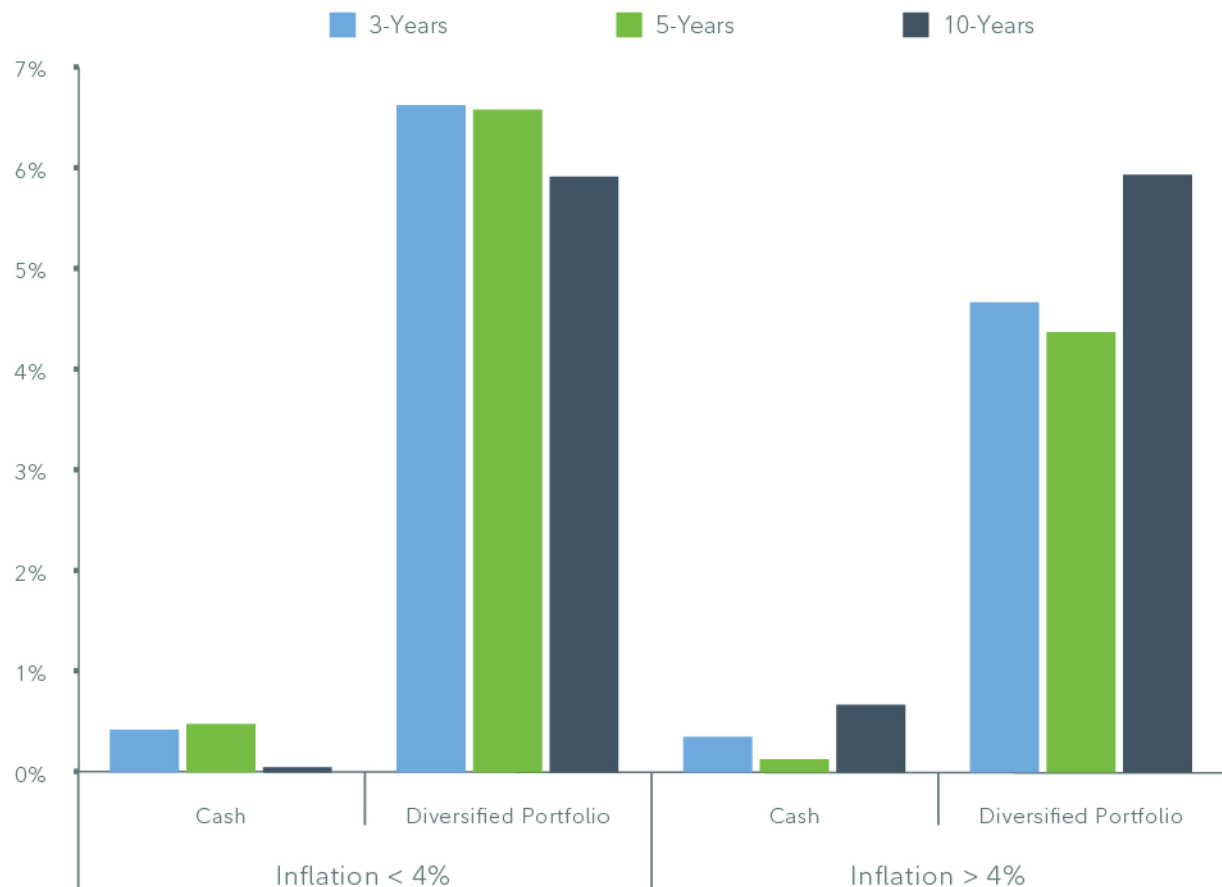


# Historically, a diversified portfolio of stocks and bonds has outpaced short-term investments when inflation has been high

- As stocks and bonds have experienced volatility this year in the face of higher inflation, some investors have been tempted to seek safety in short-term investments.
- However, looking back at previous environments of high inflation, a diversified mix of stocks and bonds has meaningfully outperformed short-term investments over longer time horizons.
- While short-term investments may feel safe in the near term, long-term investors may have an easier time reaching their financial goals through a diversified portfolio.

## Even through periods of historically high inflation, diversified portfolios have outpaced inflation far better than short-term investments

Returns shown are annualized total returns in excess of inflation



**Past performance is no guarantee of future results.** Diversification does not ensure a profit or guarantee against a loss. It is not possible to invest directly in an index. Diversified Portfolio: 42% U.S. Stocks—Dow Jones U.S. Total Stock Market Index; 18% International Stocks—MSCI ACWI ex USA Index, 35% Investment-Grade (IG) Bonds—Bloomberg U.S. Aggregate Bond Index, 5% Cash — Bloomberg 1–3 Month T-Bills. Inflation: 12-Month Rolling CPI—Urban Index. Returns are calculated starting in inflation period but include all subsequent periods for their holding horizon. Source: Bureau of Labor Statistics, Haver Analytics and Fidelity Investments (AART). Asset class total returns are represented by indexes from the following sources: Fidelity Investments, Bloomberg, ICE BofA. Fidelity Investments source: a proprietary analysis of historical asset class performance, which is not indicative of future performance. As of 4/30/2022.

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# Important Information

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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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.

# Important Information

## 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 MSCI All Country World Ex-U.S. 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 Bloomberg U.S. 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-backed securities (agency fixed-rate pass-throughs), asset-backed securities, and collateralized mortgage-backed securities (agency and non-agency).

The Bloomberg U.S. 3–6 Month 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 U.S. 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 1 month and less than 3 months.

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.

# Important Information

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