

Commentary | First Quarter 2021

# Quarterly Market Update

## Presented by:

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# Tumultuous 2020 Ended with More Hopeful Expectations

## MACRO

### Q4 2020

- Global economic recovery continued, with some moderation amid rise in virus cases.

### OUTLOOK

- Most major countries' recoveries should broaden into expansions as vaccine-related full reopening occurs.
- Near-term headwinds from the recent spike in virus cases are unlikely to cause a double-dip recession.
- China's economy remains a bit ahead of the rest of the world, underpinned by strength in global manufacturing activity.
- Monetary policy remains extraordinarily supportive of liquidity and financial conditions.
- Fiscal policy is likely to become even more stimulative and supportive of inflation.

## ASSET MARKETS

- Big gains for riskier asset prices, including a shift toward reflationary leadership.

- Policy decisions and their impact on real interest rates are likely to have an increasingly large influence on asset returns.
- Buoyant asset valuations reflect positive expectations built into asset prices.
- Market volatility may return as expectations adjust to the post-pandemic landscape.
- Potential shifts in long-term trends, including the possibility of a more inflationary backdrop, also loom.
- Cyclical outlook remains constructive, but portfolio diversification is as important as ever.

# Q4 Stock Rally Accentuated Strong Year for Asset Returns

	Q4 2020 (%)	1 Year (%)		Q4 2020 (%)	1 Year (%)
Gold	0.7	25.1	U.S. Corporate Bonds	2.8	9.4
U.S. Small Cap Stocks	31.4	20.0	Non-U.S. Developed-Country Stocks	16.0	7.8
U.S. Large Cap Stocks	12.1	18.4	Investment Grade Bonds	0.7	7.5
Emerging-Market Stocks	19.7	18.3	High Yield Bonds	6.5	6.2
U.S. Mid Cap Stocks	19.9	17.1	Emerging-Market Bonds	5.5	5.9
Long Government & Credit Bonds	1.7	16.1	Commodities	10.2	-3.1
Non-U.S. Small Cap Stocks	17.3	12.3	Real Estate Stocks	11.6	-8.0

Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. Assets represented by: Commodities—Bloomberg 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—ICE BofA High Yield Bond Index; Investment-Grade Bonds—Bloomberg 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—Bloomberg 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; Long Government & Credit Bonds—Bloomberg Barclays Long Government & Credit Index. Source: Bloomberg Finance L.P., Haver Analytics, Fidelity Investments Asset Allocation Research Team (AART), as of 12/31/20.

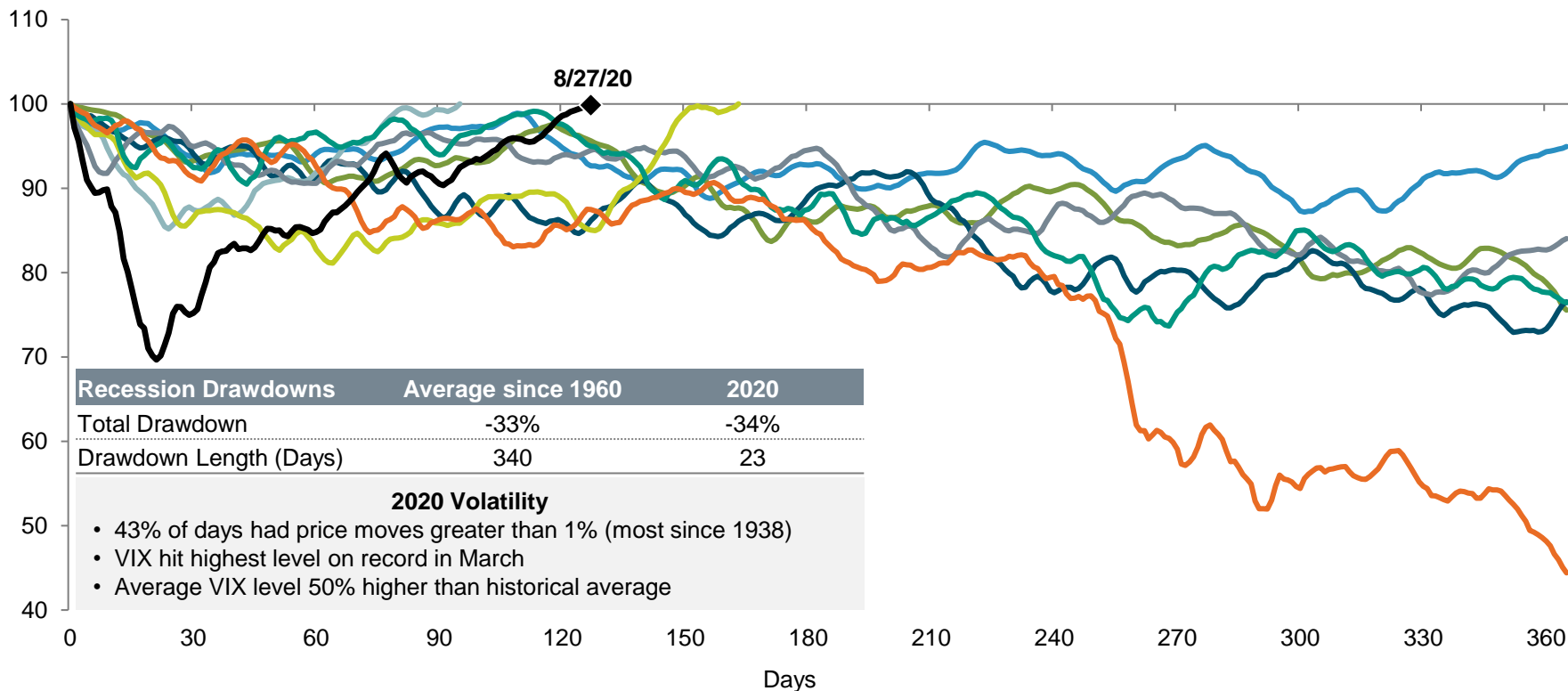


# Historic Market Volatility in 2020

## U.S. Stock Market Drawdowns during Recessions (1960–2020)

— 1960 — 1970 — 1973 — 1980\* — 1981 — 1990 — 2001 — 2008 — 2020

Index: Peak = 100

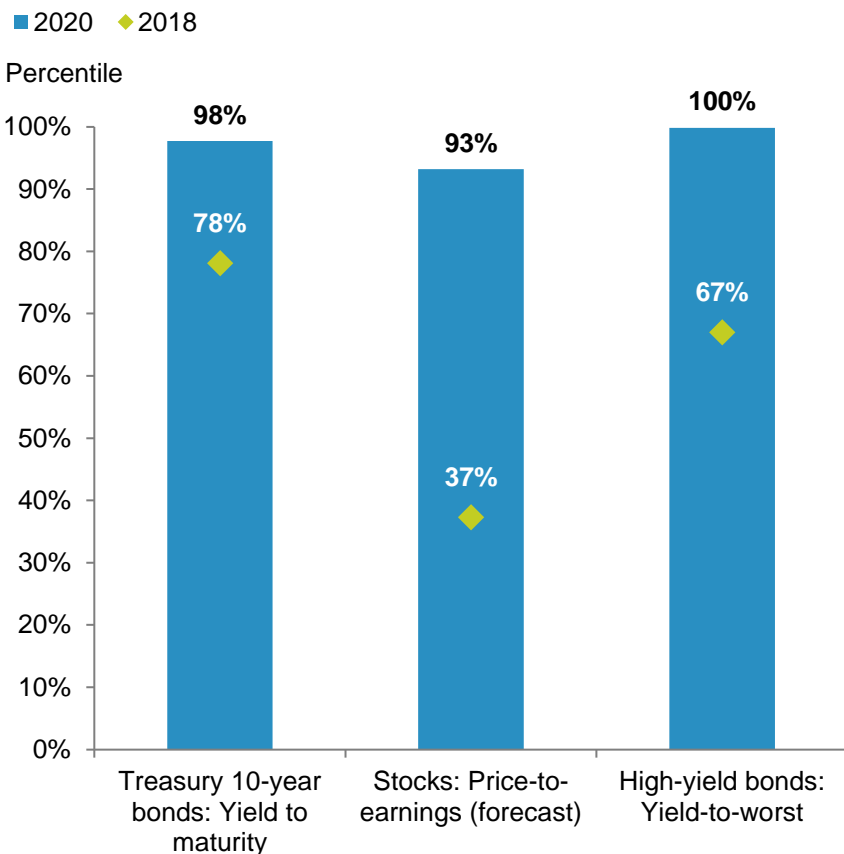


\* Since the 1973 peak is not regained until after the 1980 recession, the 1980 line starts at its near-term high on 2/20/1980. Index: S&P 500®. Lines represent a 5-day moving average, table uses daily values, and 1973 recession not included in average for return to peak. All indexes are unmanaged. You cannot invest directly in an index. **Past performance is no guarantee of future results.** Source: Standard & Poor's, Bloomberg Finance L.P., Fidelity Investments (AART), as of 12/31/20.

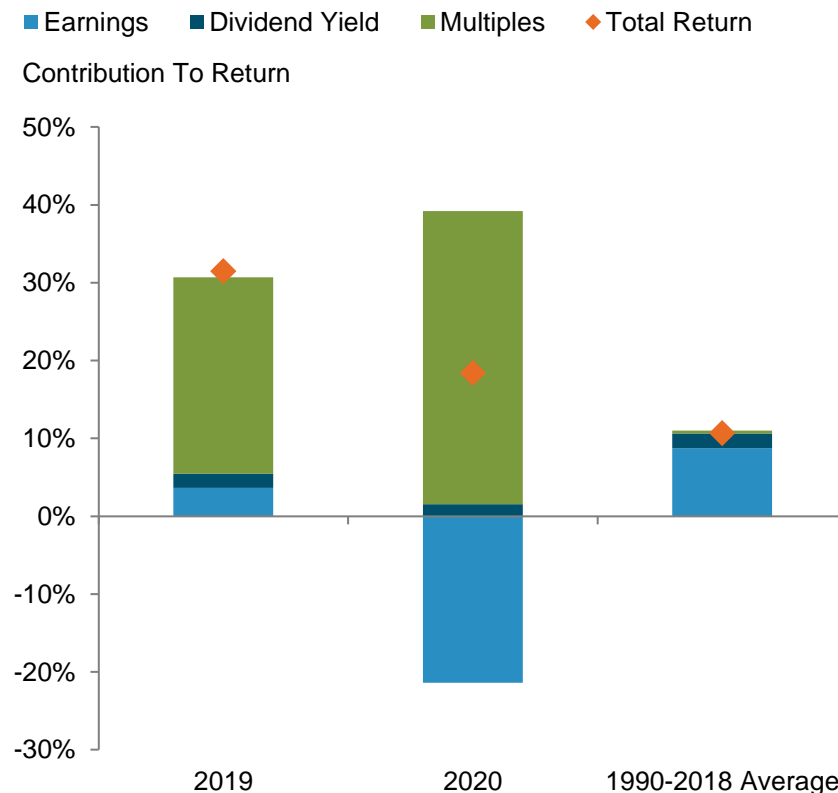


# Lofty U.S. Asset Valuations Reflect High Expectations

## Valuations of U.S. Assets (1989-2020)



## Decomposition of S&P 500 Total Return



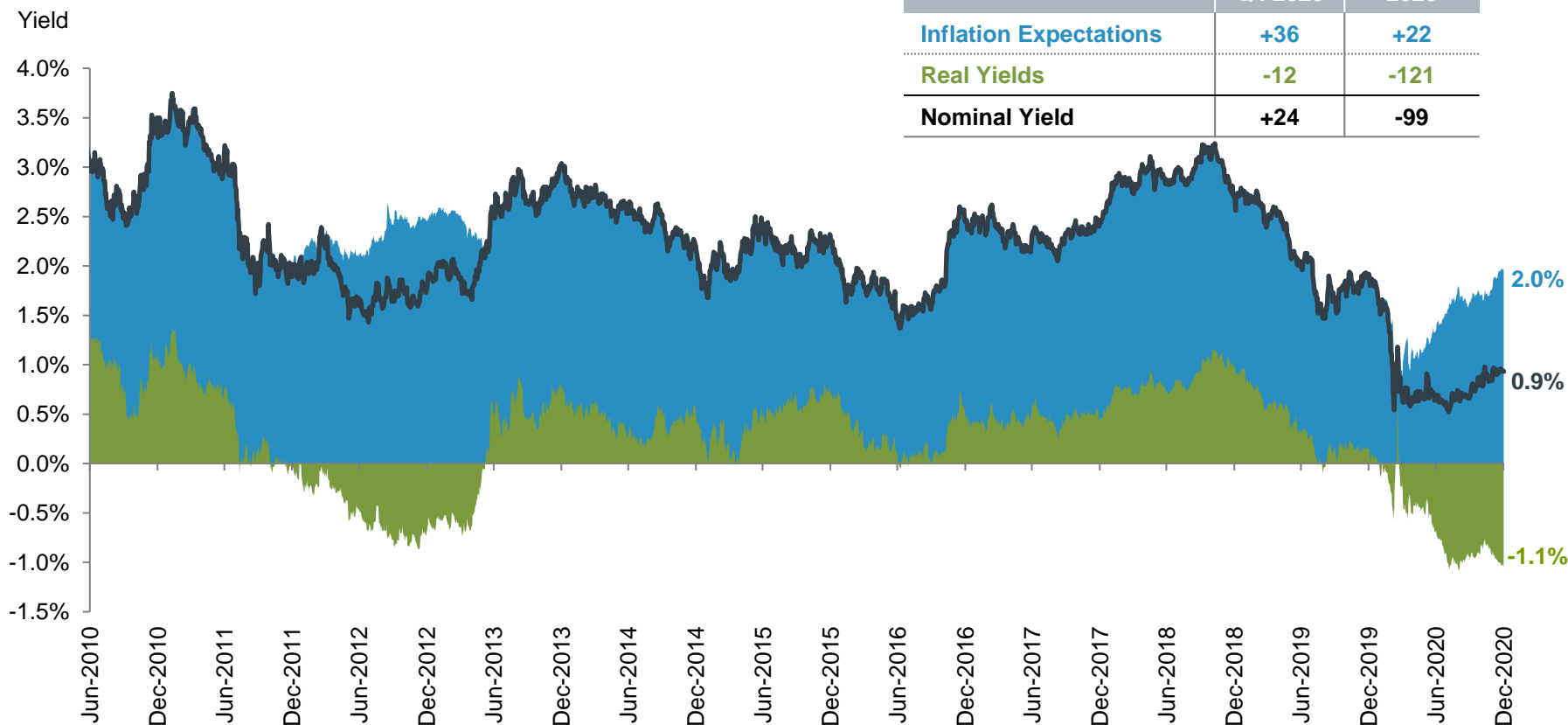
LEFT: Stocks are S&P 500 Index; High-yield bonds are Bloomberg Barclays U.S. Corporate High Yield Index. Source: Bloomberg, FactSet, Fidelity Investments (AART) as of Dec 31, 2020. RIGHT: Source: Standard & Poor, Haver Analytics, Fidelity Investments (AART) as of Dec 31, 2020.



# Bond Yields Ticked Up but Remained Near Record Lows

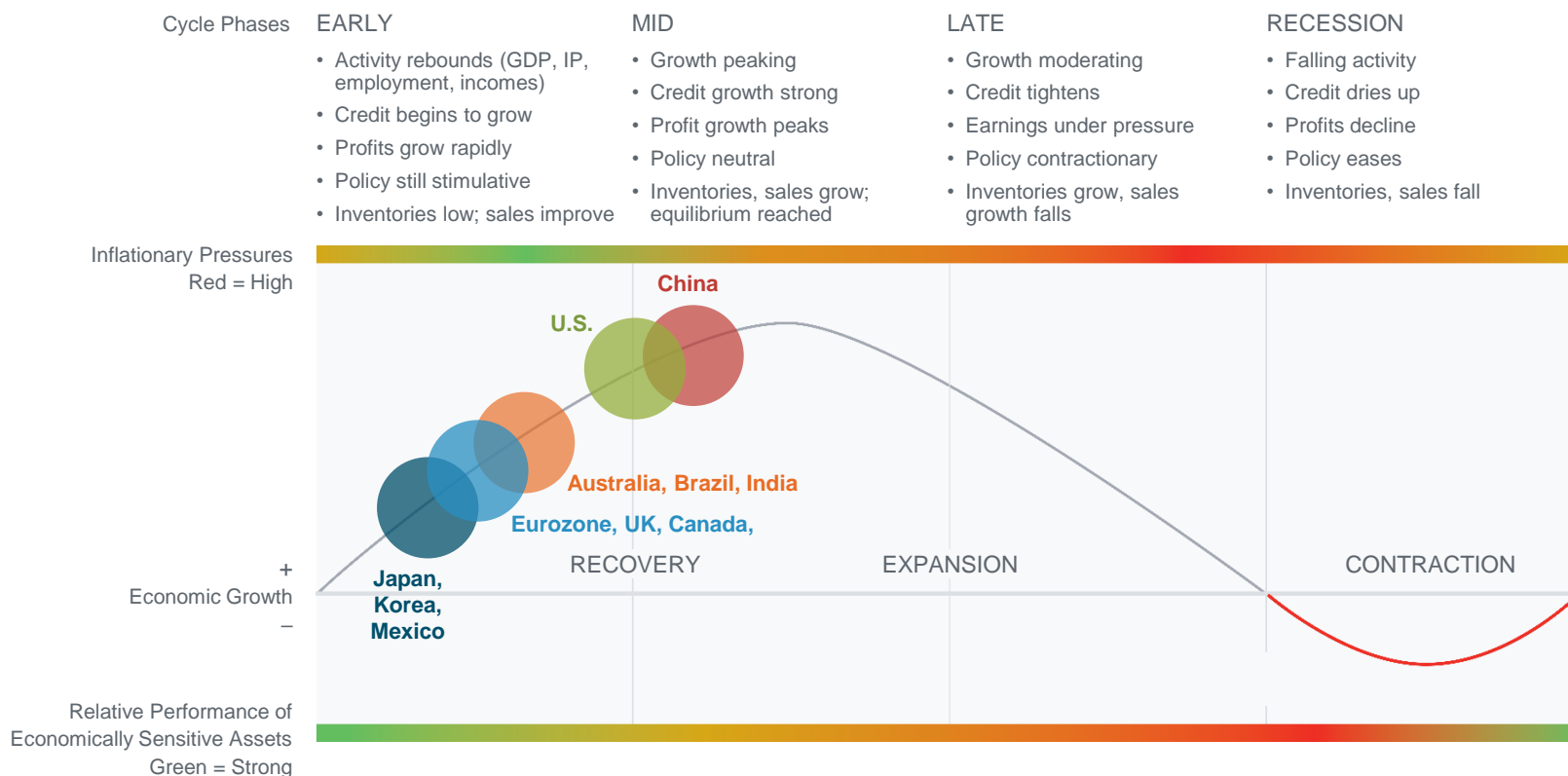
## 10-Year U.S. Government Bond Yields

■ Inflation Expectations ■ Real Yields — Nominal Yield



# Global Business Cycle in a Maturing Recovery

## Business Cycle Framework



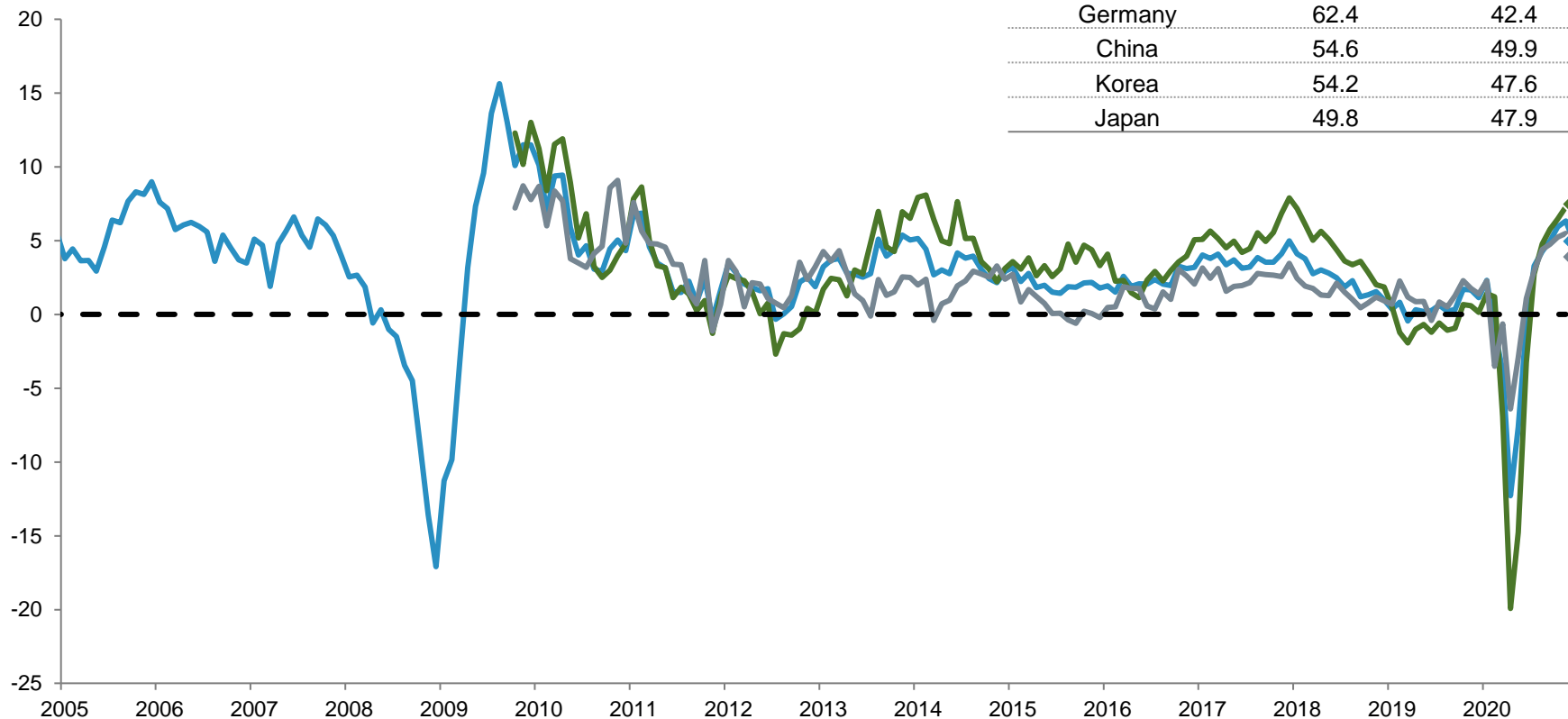
Note: The diagram above is a hypothetical illustration of the business cycle. There is not always a chronological, linear progression among the phases of the business cycle, and there have been cycles when the economy has skipped a phase or retraced an earlier one. Source: Fidelity Investments (AART), as of 12/31/20.

# Synchronized Global Rebound in Manufacturing

## Global Manufacturing Bullwhips

— Global — DM — EM

New Orders Less Inventories



Country	New Orders	Inventories
United States	67.9	51.6
Germany	62.4	42.4
China	54.6	49.9
Korea	54.2	47.6
Japan	49.8	47.9

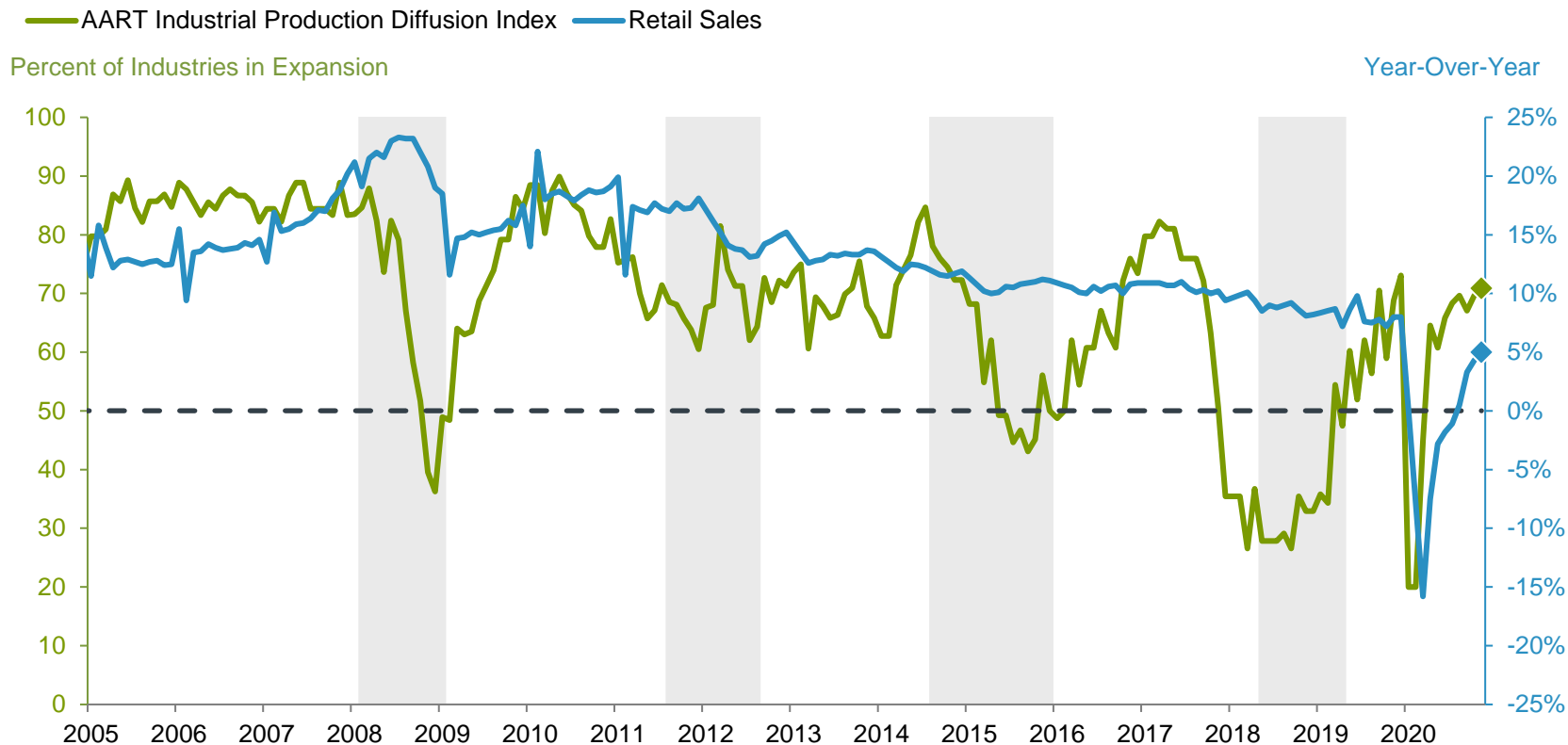
PMI: Purchasing Managers Index. New orders and inventories are sourced from country level PMIs. **Graph:** Source: ISM, HIS Markit, Haver Analytics, Fidelity Investments (AART), as of 12/31/20. **TABLE:** Source: Caixin, ISM, IHS Markit, Haver Analytics, Fidelity Investments (AART), as of 12/31/20.





# Consumption to Drive China's Growth in 2021

## China Industrial Production and Retail Sales



Grey bars represent China growth recessions as defined by AART. Source: People's Bank of China, Haver Analytics Fidelity Investments (AART), as of 11/30/20. Source: Markit, Haver Analytics, Fidelity Investments (AART).

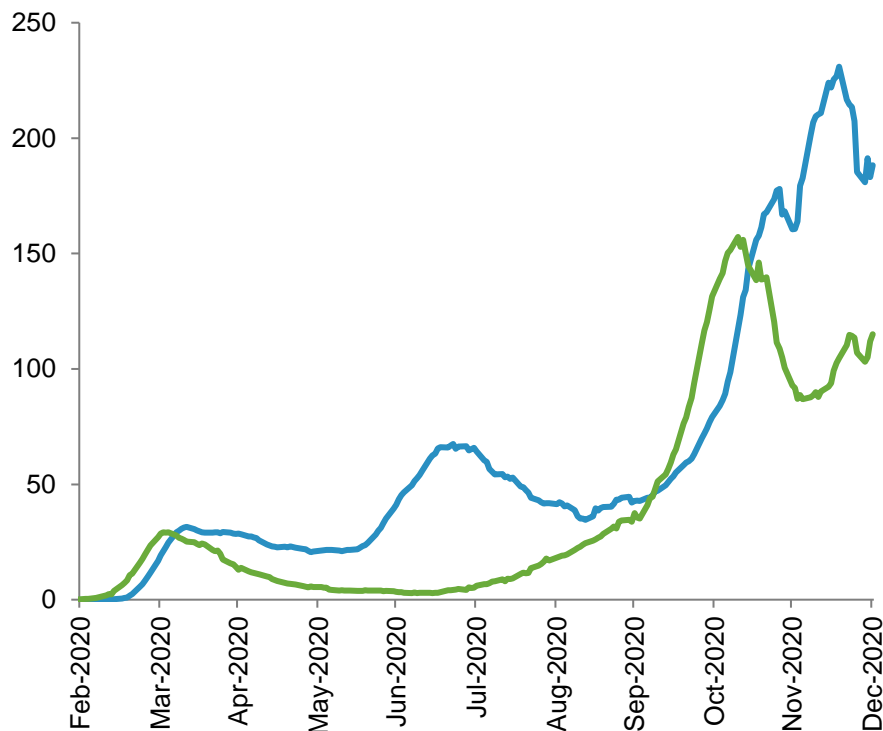


# New Virus Cases, but Europe Shows Signs of Resilience

## Newly Reported COVID-19 Cases

— U.S. — Major European Countries

Cases (Thousands)

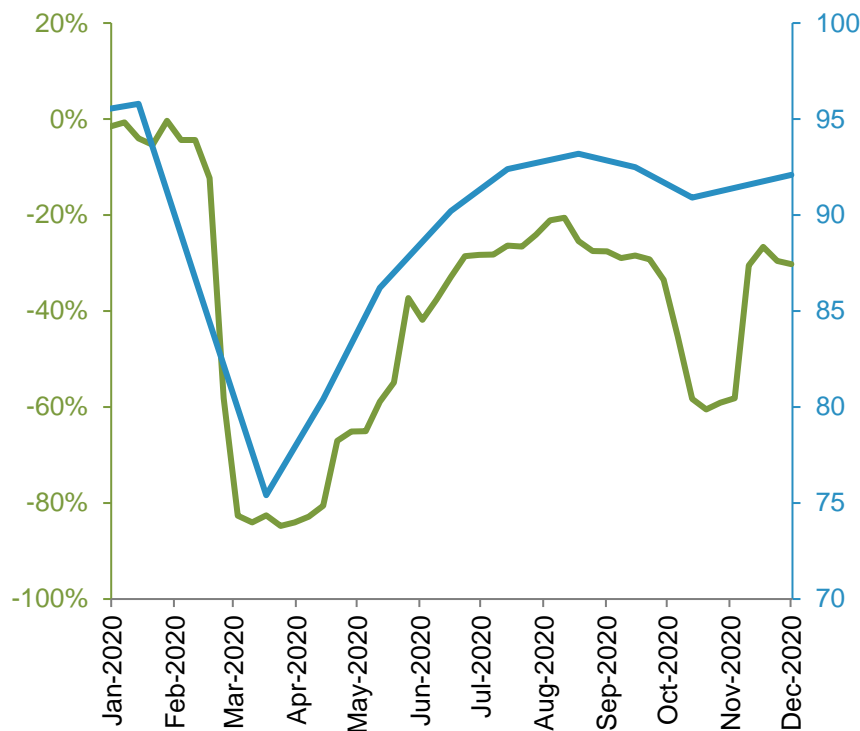


## European Economic Activity

— Offline Retail Activity — Germany IFO Business Climate Index

Year-Over-Year

Index (2015 = 100)



**LEFT:** Seven day moving average of newly reported COVID-19 cases. Major European countries include France, Germany, Spain, Italy, Ireland, and the UK. Source: WHO, Bloomberg finance, L.P., Fidelity Investments (AART), as of 12/31/20. **RIGHT:** Offline retail activity reflects high-frequency foot traffic and retail sales in Ireland, France, and the UK. Source: ShopperTrak, Bloomberg Finance, L.P., Ifo-Institut für Wirtschaftsforschung, Haver

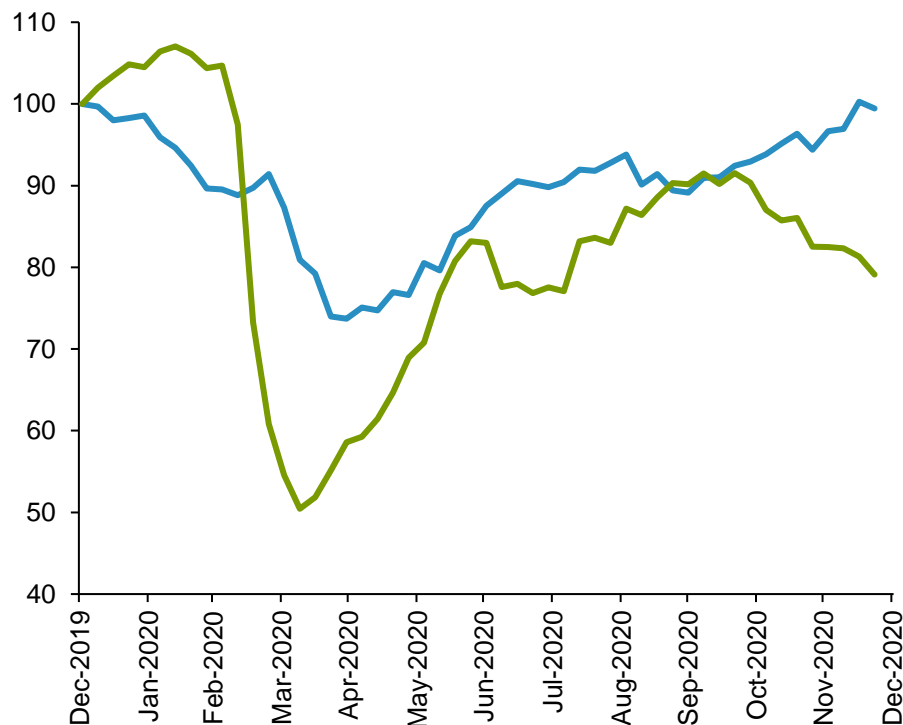


# U.S. Near-Term Activity Lull due to Virus Outbreak

## U.S. High-Frequency Economic Indicators

— AART Manufacturing Index — AART Services Index

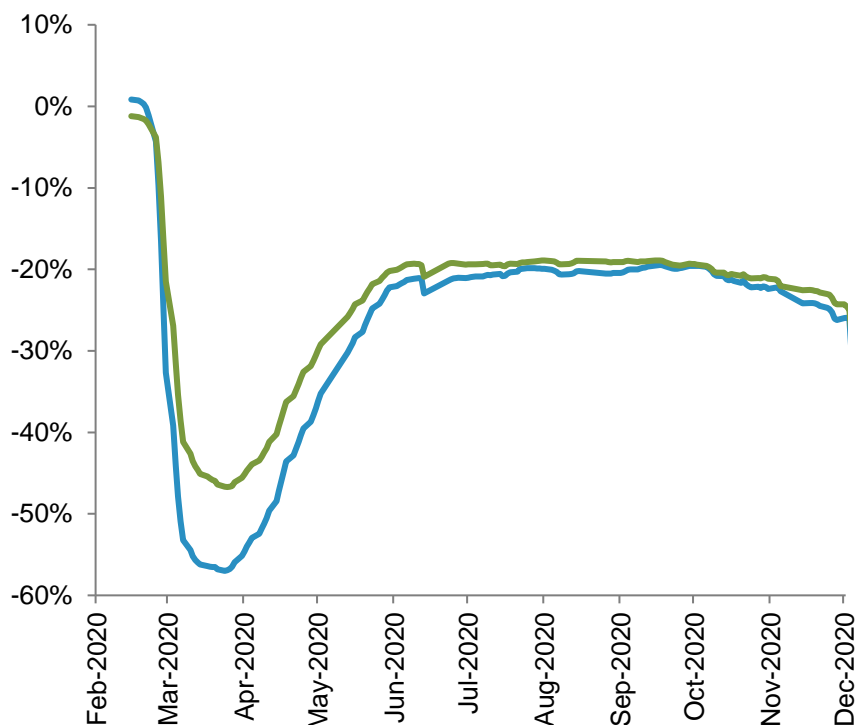
Index (Jan 2020 = 100)



## Small Business Activity

— Employees Working — Businesses Open

Percent from January 2020 Level

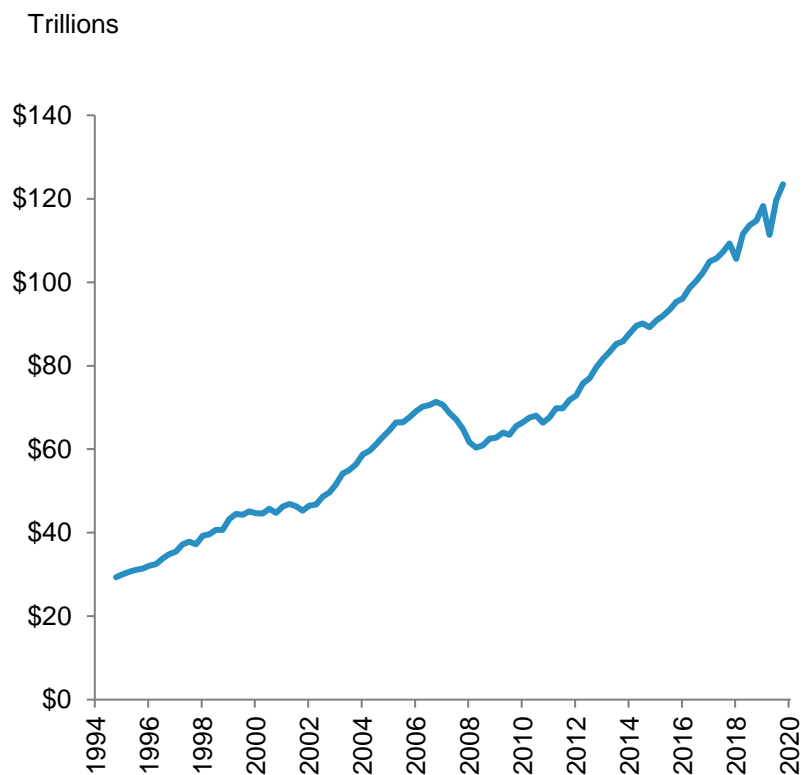


**LEFT:** AART Services and Manufacturing Indices are proprietary indices based on high-frequency data from multiple and variable sources. Source: Haver Analytics, Fidelity Investments (AART), as of 12/23/20. **RIGHT:** Five day moving average. Data immediately following Memorial Day, the Fourth of July, Labor Day, Thanksgiving, and Christmas are not displayed. Source: Homebase, Haver Analytics, Fidelity Investments (AART), as of 12/20/20.



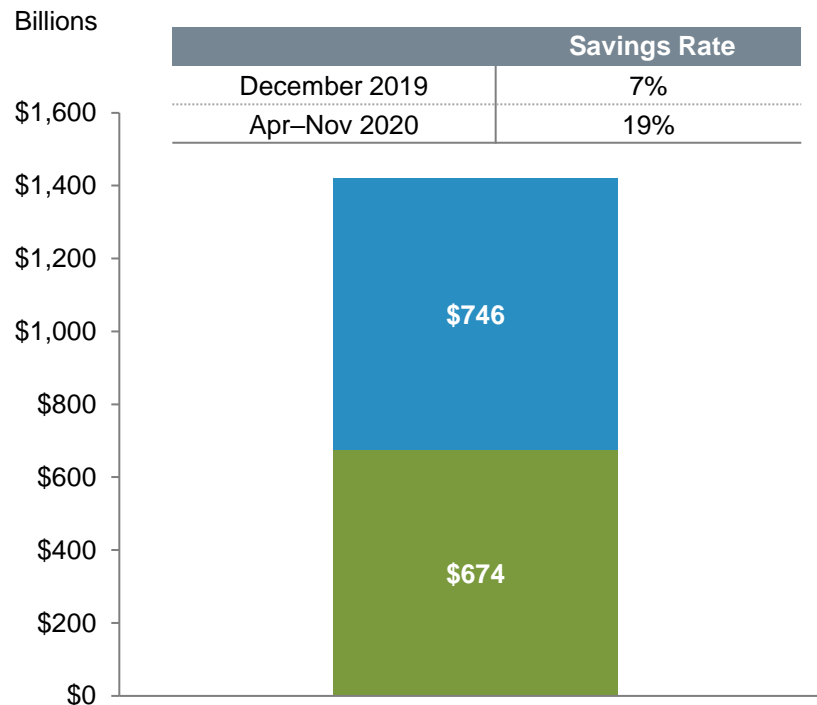
# U.S. Asset Rally, Stimulus, and Savings Provide a Cushion

## Household Net Worth



## Excess Personal Savings (2020)

■ Rise in Income ■ Decline in Spending

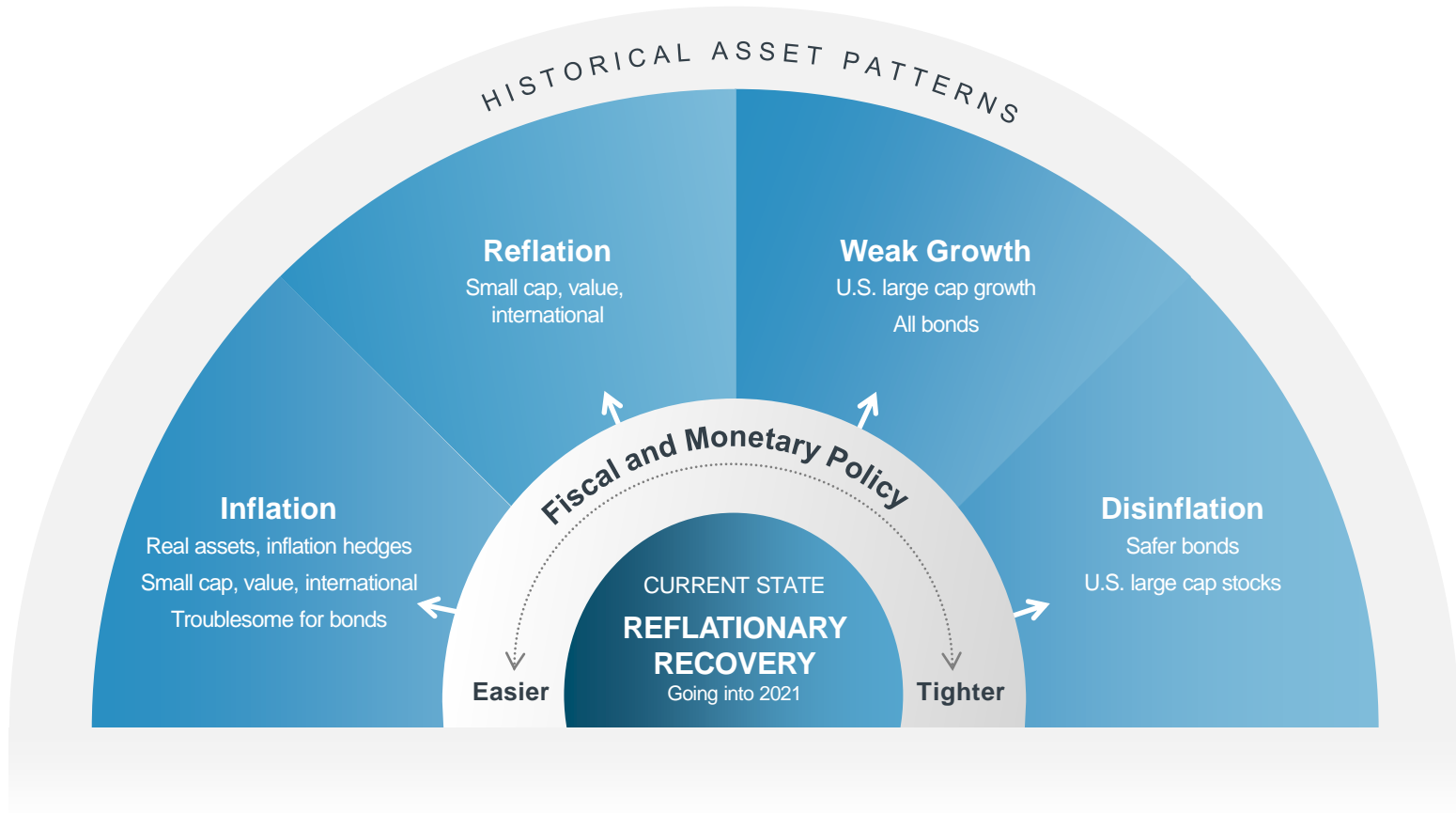


LEFT: Households and nonprofit organizations. Source: Federal Reserve Board, Haver Analytics, Fidelity Investments (AART), as of 11/30/20.

12 RIGHT: Bureau of Economic Analysis, Haver Analytics, Fidelity Investments (AART), as of 11/30/20.

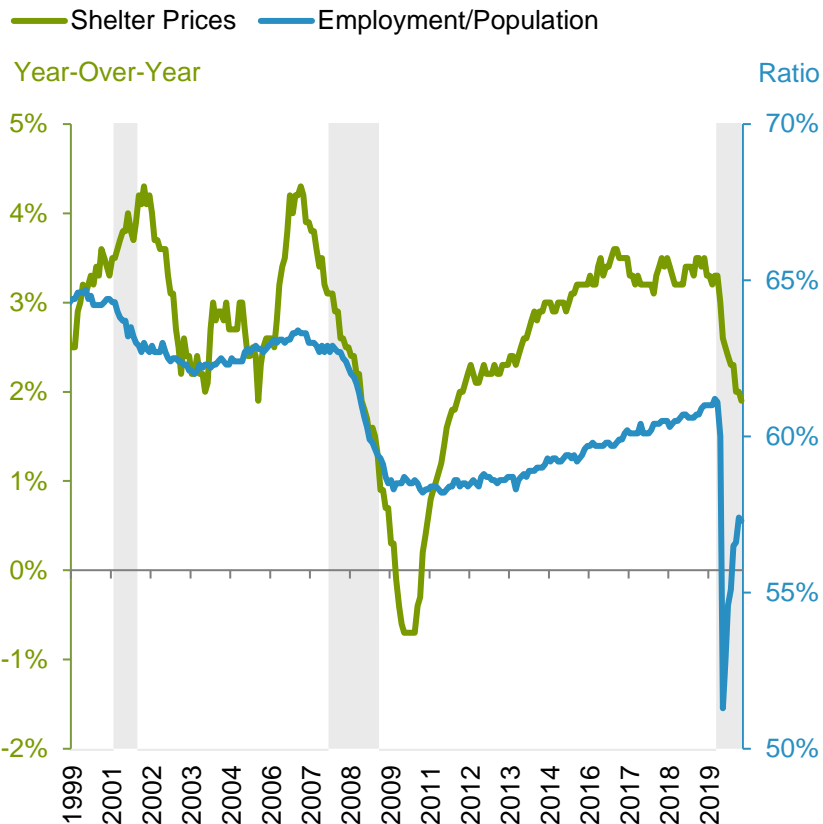


# Policy and Inflation Direction Critical to 2021 Outlook

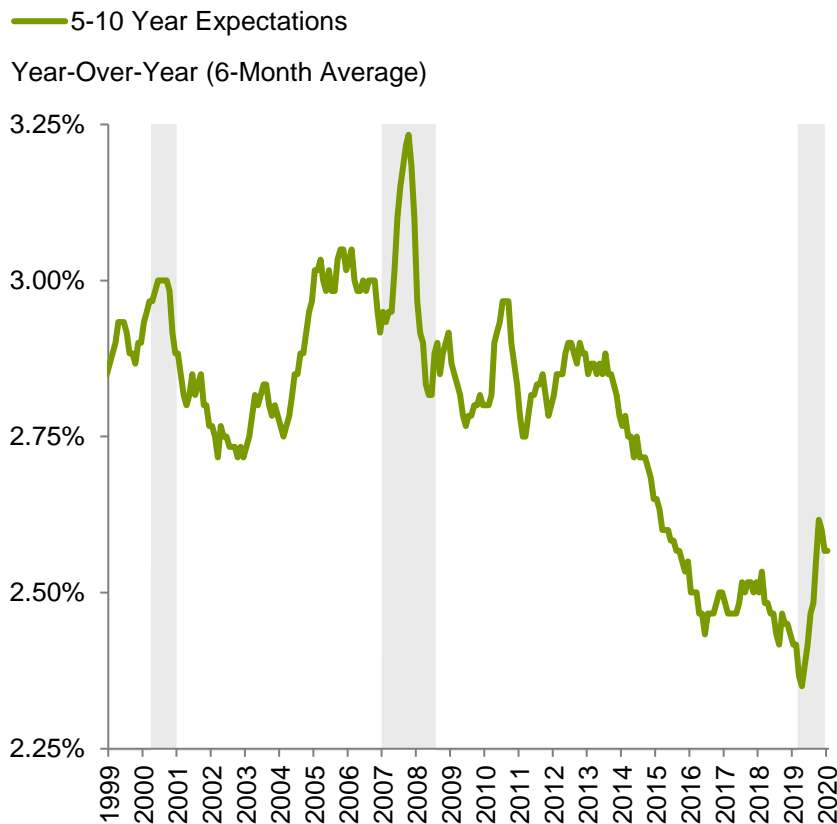


# Wages and Shelter Key to Near-Term Inflation Outlook

## Labor Market vs. Inflation



## Consumer Inflation Expectations



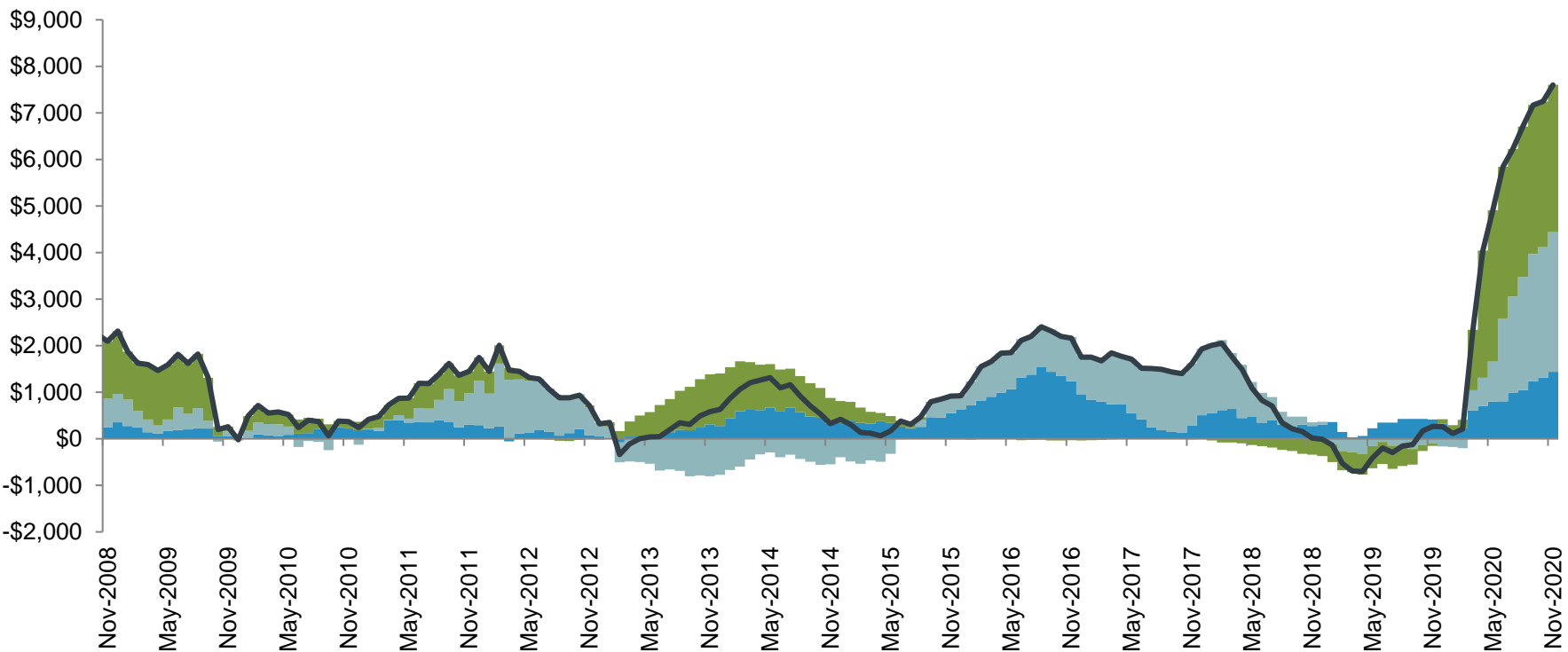
LEFT: Shelter Prices are a component of the Consumer Price Index. Source: Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 11/30/20. RIGHT: Source: University of Michigan, Haver Analytics, Fidelity Investments (AART), as of 11/30/20.

# Monetary Accommodation Still Supportive of Asset Prices

## Central Bank Balance Sheets

U.S. Eurozone Japan Total

Billions (12-Month Change)

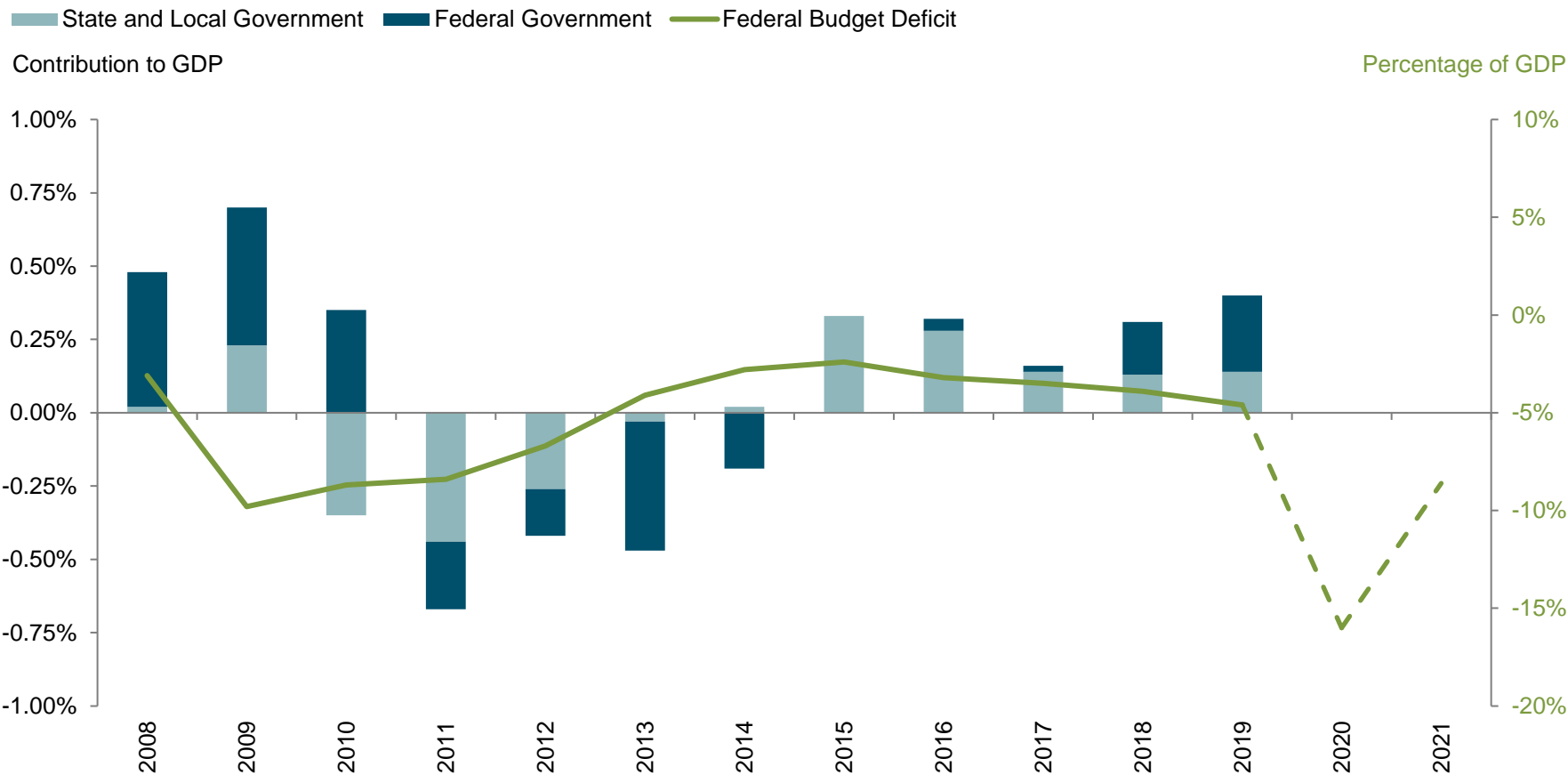


QE: Quantitative Easing. Source: Federal Reserve, Bank of Japan, European Central Bank, Haver Analytics, Fidelity Investments (AART), as of 11/30/20.



# More Fiscal Stimulus Approved, More May be on the Way

## U.S. Federal Fiscal Deficit and Government Impact on GDP



GFC: The great financial crisis of 2007–2008. GDP: Gross domestic product. Source: Congressional Budget Office (CBO), Bureau of Economic Analysis, Haver Analytics, Fidelity Investments (AART); as of 9/30/20. 2020 and 2021 Budget Deficits are CBO projections.

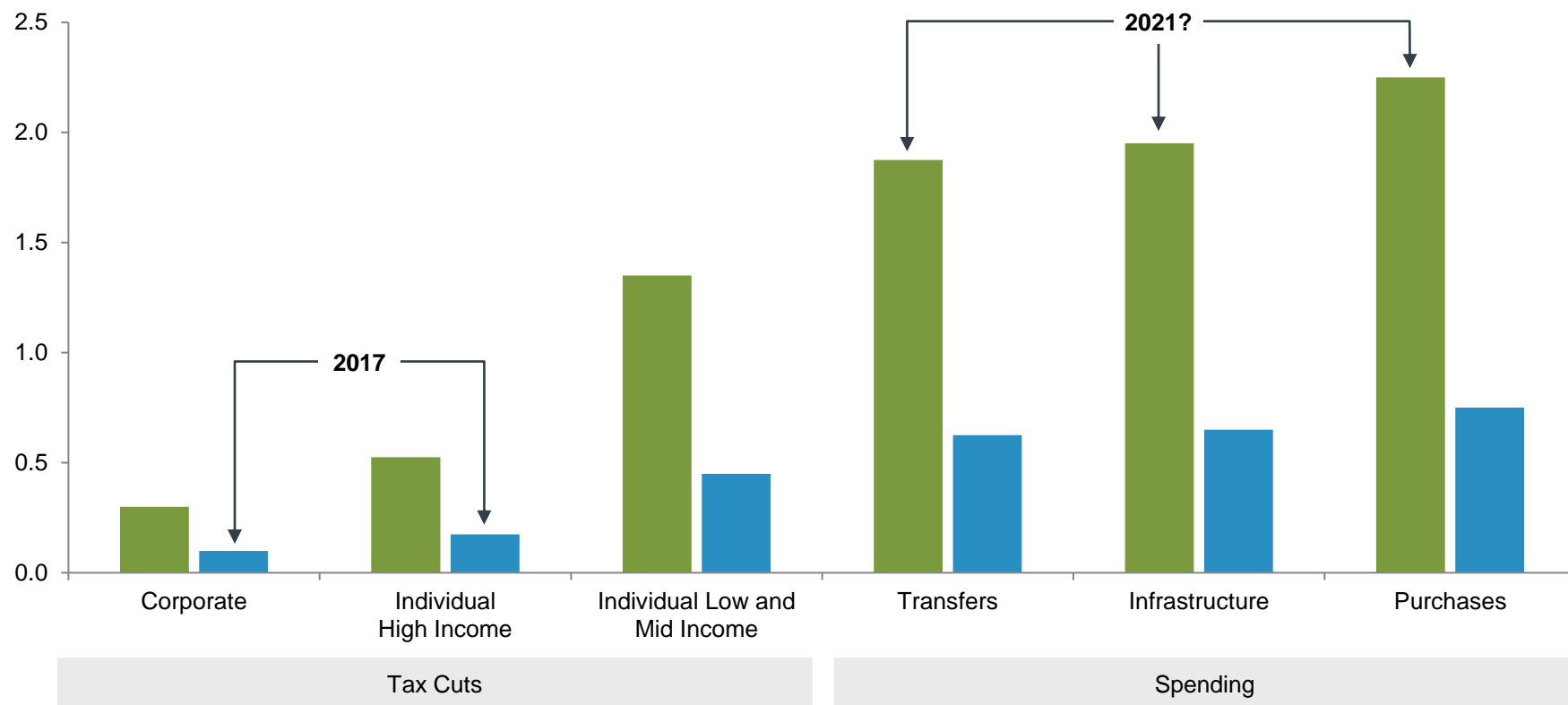


# High-Multiplier Spending May Be on the Horizon

## Fiscal Multipliers by Policy Category and Economic Conditions

■ Unused Capacity (Fed Easy) ■ Full Capacity (Fed Typical)

Multiplier

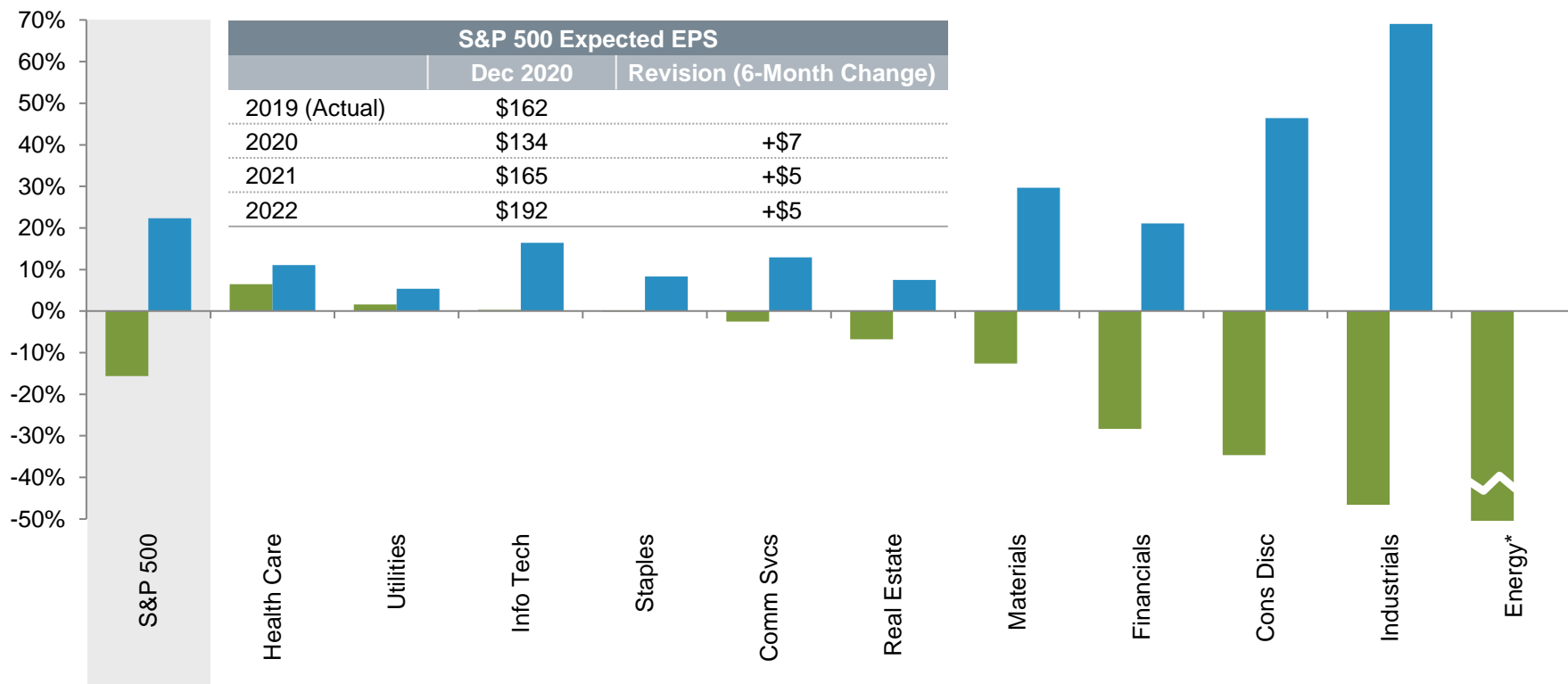


# Earnings Revised Higher as Market Expects Sharp Recovery

## Market Expectations for Earnings Growth by Sector

■ 2020 ■ 2021

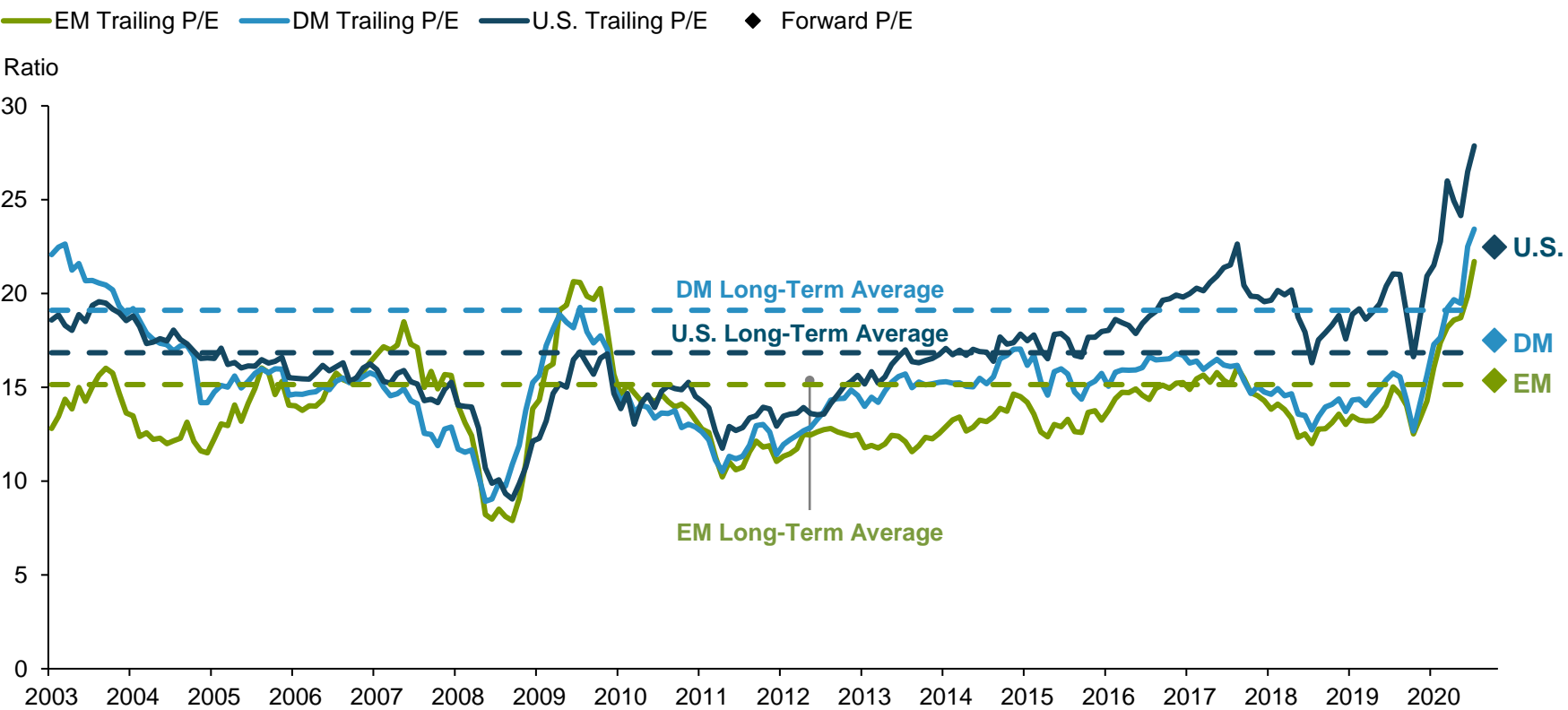
Year-Over-Year



\* Energy is expected to have negative earnings in 2020 which makes growth numbers non-numeric. EPS: Earnings per share.

# Equity Valuations Became Even More Elevated

## Global Stock Market P/E Ratios

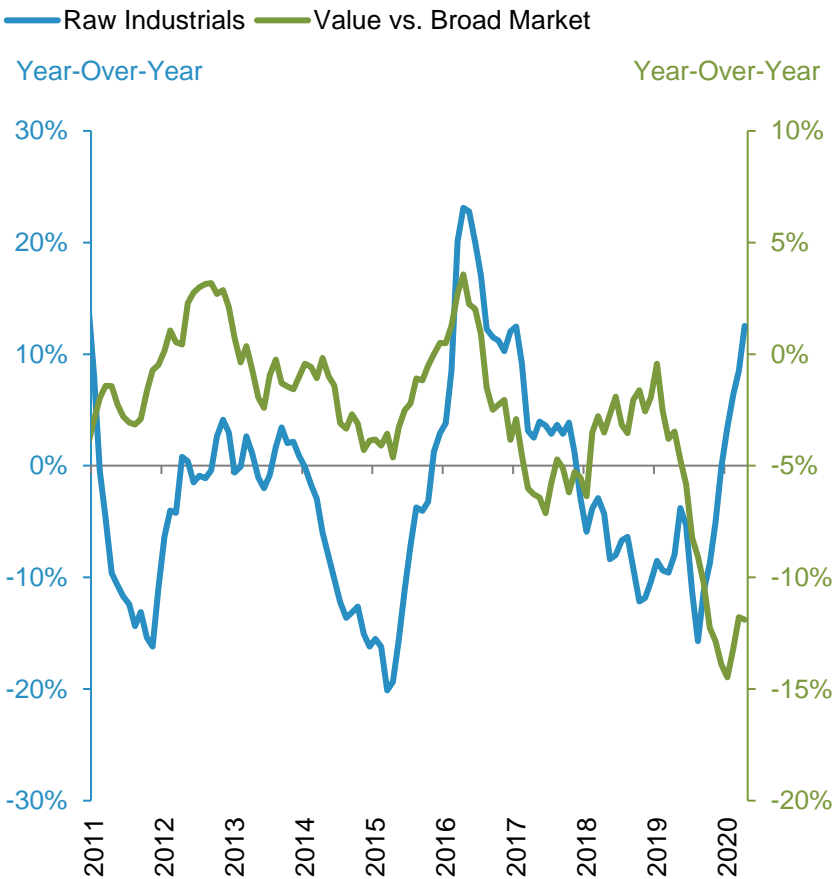


DM: Non-U.S. Developed Markets. EM: Emerging Markets. Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indexes are unmanaged. See Appendix for important index information. Price-to-earnings ratio (P/E): stock price divided by earnings per share. Also known as the multiple, P/E gives investors an idea of how much they are paying for a company's earnings power. Long-term average P/E for Emerging Markets includes data for 1988–2017; for Non-U.S. Developed Markets, 1973–2016; for the United States, 1926–2017. Indexes: DM—MSCI EAFE Index; EM—MSCI EM Index; United States—S&P 500. Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 12/31/20.

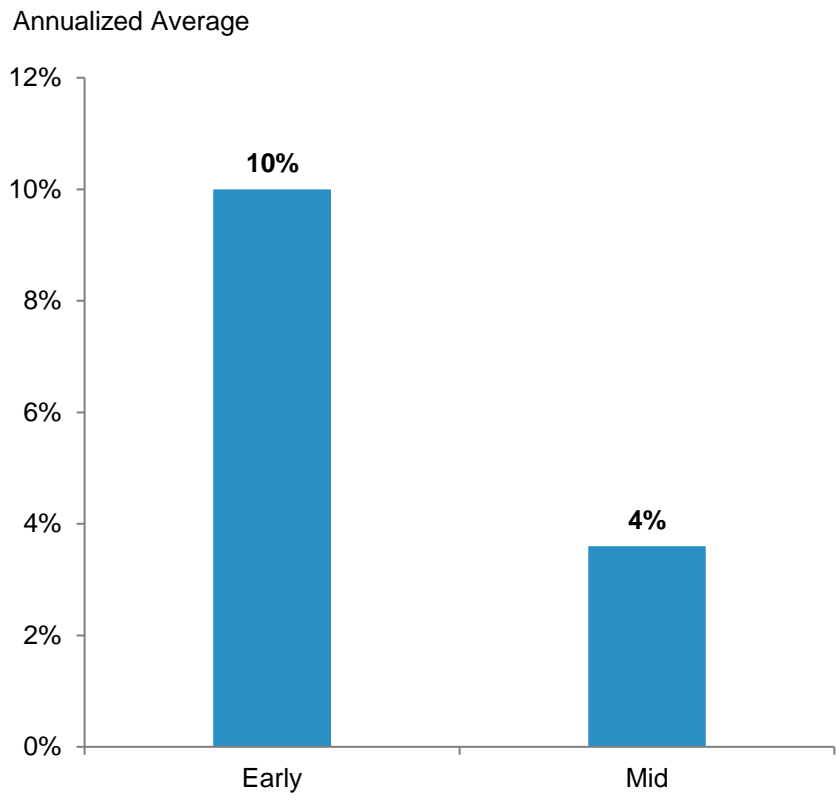


# Value Factor Supported by Global Growth Trend

## U.S. Value Stocks vs. Raw Industrials Prices



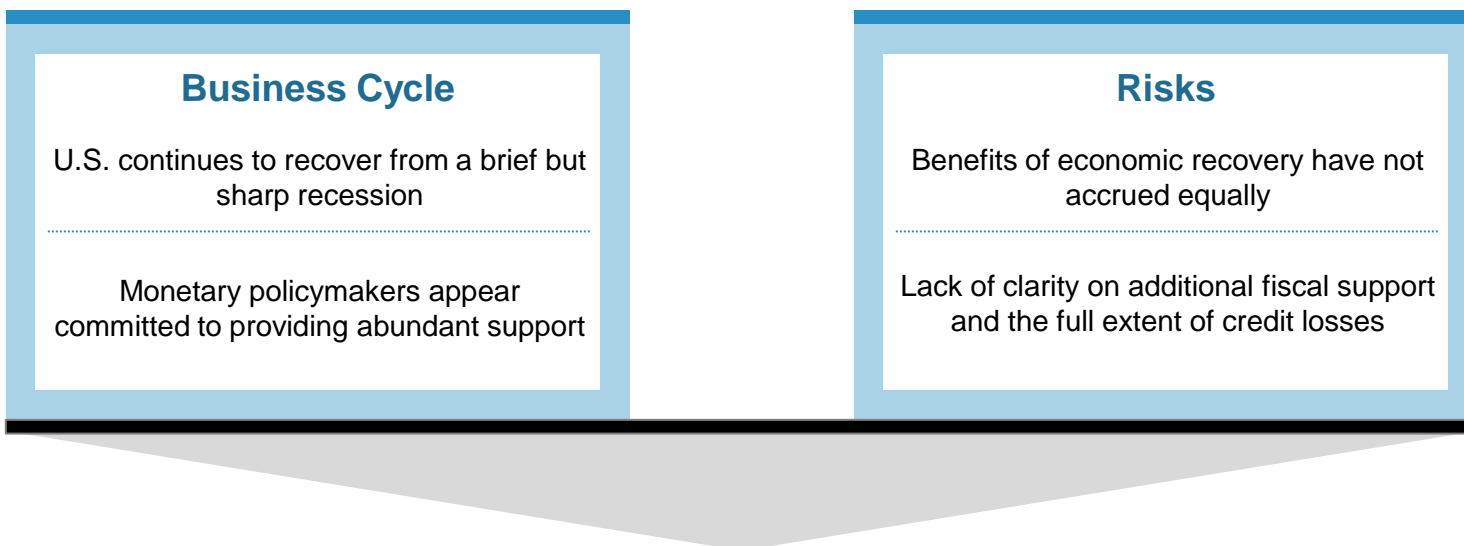
## Raw Industrials Prices (1950–2020)



Right: Broad Market is represented by Russell 1000 and Value is the Russell 1000 Value, Source: Commodity Research Bureau, Haver Analytics, Russell, Fidelity Investments (AART), as of 12/31/20



# Outlook: Market Assessment



## Business Cycle

U.S. continues to recover from a brief but sharp recession

Monetary policymakers appear committed to providing abundant support

## Risks

Benefits of economic recovery have not accrued equally

Lack of clarity on additional fiscal support and the full extent of credit losses

## Asset Allocation Implications

Emphasize focus on diversified and disciplined investment strategies

High valuations imply more attractive intra-asset class tilts and more selective inter-asset class positions

Opportunities include non-U.S. assets, U.S. small cap and value equities, TIPS, gold, and high-yield bonds

# Appendix: Important Information

Information presented herein is for discussion and illustrative purposes only and is not a recommendation or an offer or solicitation to buy or sell any securities. 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.

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## **Past performance and dividend rates are historical and do not guarantee future results.**

Investing involves risk, including risk of loss.

Diversification does not ensure a profit or guarantee against loss.

Index or benchmark performance presented in this document does not reflect the deduction of advisory fees, transaction charges, and other expenses, which would reduce performance.

Indexes are unmanaged. It is not possible to invest directly in an index.

Although bonds generally present less short-term risk and volatility than stocks, bonds do contain interest rate risk (as interest rates rise, bond prices usually fall, and vice versa) and the risk of default, or the risk that an issuer will be unable to make income or principal payments.

Additionally, bonds and short-term investments entail greater inflation risk—or the risk that the return of an investment will not keep up with increases in the prices of goods and services—than stocks. Increases in real interest rates can cause the price of inflation-protected debt securities to decrease.

Stock markets, especially non-U.S. markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets. The securities of smaller, less well-known companies can be more volatile than those of larger companies.

Growth stocks can perform differently from the market as a whole and from other types of stocks, and can be more volatile than other types of stocks. Value stocks can perform differently from other types of stocks and can continue to be undervalued by the market for long periods of time.

Lower-quality debt securities generally offer higher yields but also involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Any fixed income security sold or redeemed prior to maturity may be subject to loss.

Floating rate loans generally are subject to restrictions on resale, and sometimes trade infrequently in the secondary market; as a result, they may be more difficult to value, buy, or sell. A floating rate loan may not be fully collateralized and therefore may decline significantly in value.

The municipal market can be affected by adverse tax, legislative, or political changes, and by the financial condition of the issuers of municipal securities. Interest income generated by municipal bonds is generally expected to be exempt from federal income taxes and, if the bonds are held by an investor resident in the state of issuance, from state and local income taxes. Such interest income may be subject to federal and/or state alternative minimum taxes. Investing in municipal bonds for the purpose of generating tax-exempt income may not be appropriate for investors in all tax brackets. Generally, tax-exempt municipal securities are not appropriate holdings for tax-advantaged accounts such as IRAs and 401(k)s.

The commodities industry can be significantly affected by commodity prices, world events, import controls, worldwide competition, government regulations, and economic conditions.

The gold industry can be significantly affected by international monetary and political developments, such as currency devaluations or revaluations, central bank movements, economic and social conditions within a country, trade imbalances, or trade or currency restrictions between countries.

Changes in real estate values or economic downturns can have a significant negative effect on issuers in the real estate industry.

Leverage can magnify the impact that adverse issuer, political, regulatory, market, or economic developments have on a company. In the event of bankruptcy, a company's creditors take precedence over the company's stockholders.

# Appendix: Important Information

## Market Indexes

**Index returns on slide 26 represented by:** Growth—Russell 3000® Growth Index; Small Caps—Russell 2000® Index; Large Caps—S&P 500® index; Mid Caps—Russell Midcap® Index; Value—Russell 3000® Value Index; ACWI ex USA—MSCI ACWI (All Country World Index) ex USA Index; Japan—MSCI Japan Index; EAFE Small Cap—MSCI EAFE Small Cap Index; EAFE—MSCI EAFE (Europe, Australasia, Far East) Index; Europe—MSCI Europe Index; Canada—MSCI Canada Index; EM Asia—MSCI Emerging Markets Asia Index; Emerging Markets (EM)—MSCI EM Index; EMEA (Europe, Middle East, and Africa)—MSCI EM EMEA Index; Latin America—MSCI EM Latin America Index; Gold—Gold Bullion Price, LBMA PM Fix; Commodities—Bloomberg Commodity Index; High Yield—ICE BofA U.S. High Yield Index; Leveraged Loan—S&P/LSTA Leveraged Loan Index; TIPS (Treasury Inflation-Protected Securities)—Bloomberg Barclays U.S. TIPS Index; EM Debt (Emerging-Market Debt)—JP Morgan EMBI Global Index; CMBS (Commercial Mortgage-Backed Securities)—Bloomberg Barclays Investment-Grade CMBS Index; Credit—Bloomberg Barclays U.S. Credit Bond Index; Municipal—Bloomberg Barclays Municipal Bond Index; Long Government & Credit (Investment-Grade)—Bloomberg Barclays Long Government & Credit Index; ABS (Asset-Backed Securities)—Bloomberg Barclays ABS Index; Aggregate—Bloomberg Barclays U.S. Aggregate Bond Index; Agency—Bloomberg Barclays U.S. Agency Index; Treasuries—Bloomberg Barclays U.S. Treasury Index; MBS (Mortgage-Backed Securities)—Bloomberg Barclays MBS Index; Momentum—Fidelity U.S. Momentum Factor Index TR; Low Volatility—Fidelity U.S. Low Volatility Factor Index; Quality—Fidelity U.S. Quality Factor Index; Value—Fidelity U.S. Value Factor Index; Size—Fidelity Small-Mid Factor Index; Yield—Fidelity High Dividend Index.

**Bloomberg 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. **Bloomberg 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. **Bloomberg Barclays U.S. Corporate High Yield Bond Index** is a market value-weighted index covering the universe of dollar-denominated, fixed-rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets are excluded.

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

**Bloomberg 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).

**Bloomberg 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. **Bloomberg 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.

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

**Dow Jones U.S. Total Stock Market Index<sup>SM</sup>** is a full market capitalization-weighted index of all equity securities of U.S.-headquartered companies with readily available price data.

**Fidelity U.S. Low Volatility Factor Index** is designed to reflect the performance of stocks of large and mid-capitalization U.S. companies with lower volatility than the broader market. **Fidelity U.S. Value Factor Index** is designed to reflect the performance of stocks of large and mid-capitalization U.S. companies that have attractive valuations. **Fidelity U.S. Quality Factor Index** is designed to reflect the performance of stocks of large and mid-capitalization U.S. companies with a higher quality profile than the broader market. **Fidelity Small-Mid Factor Index** is designed to reflect the performance of stocks of small and mid-capitalization U.S. companies with attractive valuations, high quality profiles, positive momentum signals, and lower volatility than the broader market. **Fidelity U.S. Momentum Factor Index** is designed to reflect the performance of stocks of large and mid-capitalization U.S. companies that exhibit positive momentum signals. **Fidelity High Dividend Index** is designed to reflect the performance of stocks of large and mid-capitalization dividend-paying companies that are expected to continue to pay and grow their dividends.

**FTSE® National Association of Real Estate Investment Trusts (NAREIT®) All REITs Index** is a market capitalization-weighted index that is designed to measure the performance of all tax-qualified REITs listed on the NYSE, the American Stock Exchange, or the NASDAQ National Market List. **FTSE® NAREIT® Equity REIT Index** is an unmanaged market value-weighted index based on the last closing price of the month for tax-qualified REITs listed on the New York Stock Exchange (NYSE). **FTSE NAREIT All Equity Total Return Index** is a market capitalization-weighted index that is designed to measure the performance of tax-qualified real estate investment trusts (REITs) listed on the New York Stock Exchange, the NYSE MKT LLC, or the NASDAQ National Market List.

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

**JPM® EMBI Global Index**, and its country sub-indexes, tracks total returns for the U.S. dollar-denominated debt instruments issued by emerging-market sovereign and quasi-sovereign entities, such as Brady bonds, loans, and Eurobonds.

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



# Appendix: Important Information

## Market Indexes (continued)

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

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

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

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

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

**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** is a market capitalization-weighted index designed to measure the performance of the small to mid cap value segment of the U.S. equity market. It includes those Russell 3000 Index companies with lower price-to-book ratios and lower forecasted growth rates. **Russell Midcap® Index** is a market capitalization-weighted index designed to measure the performance of the mid cap segment of the U.S. equity market. It contains approximately 800 of the smallest securities in the Russell 1000 Index.

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

**Sectors and Industries** are defined by Global Industry Classification Standards (GICS®), except where noted otherwise. **S&P 500 sectors** 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 mortgage real estate investment trusts (REITs). Health Care—companies in two main industry groups: health care equipment suppliers, manufacturers, and providers of health care services; and companies involved in research, development, production, and marketing of pharmaceuticals and biotechnology products. Industrials—companies that manufacture and distribute capital goods, provide commercial services and supplies, or provide transportation services. Information Technology—companies in technology software and services and technology hardware and equipment. Materials—companies that engage in a wide range of commodity-related manufacturing. Real Estate—companies in real estate development, operations, and related services, as well as equity REITs. Communication Services—companies that facilitate communication and offer related content through various media; it includes media companies moved from Consumer Discretionary and internet services companies moved from Information Technology. Utilities—companies considered electric, gas, or water utilities, or that operate as independent producers and/or distributors of power.

**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.



# Appendix: Important Information

## Other Indexes

**Consumer Price Index (CPI)** is a monthly inflation indicator that measures the change in the cost of a fixed basket of products and services, including housing, electricity, food, and transportation.

**VIX®** is the Chicago Board Options Exchange Volatility Index®, a weighted average of prices on S&P 500 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.

**ICE BofA MOVE (Merrill Option Volatility Estimate) Index** is a measure of U.S. interest rate volatility that tracks the movement in U.S. Treasury yield volatility implied by current prices of one-month over-the-counter options on 2-year, 5-year, 10-year and 30-year Treasuries.

## Definitions

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

**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.

The Chartered Financial Analyst® (CFA®) designation is offered by CFA Institute. To obtain the CFA charter, candidates must pass three exams demonstrating their competence, integrity, and extensive knowledge in accounting, ethical and professional standards, economics, portfolio management, and security analysis, and must also have at least four years of qualifying work experience, among other requirements.

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