leadership series | FOURTH QUARTER 2015

Quarterly Market Update

PRIMARY CONTRIBUTORS

Lisa Emsbo-Mattingly
Director of Asset Allocation Research

Dirk Hofschire, CFA
SVP, Asset Allocation Research

Jake Weinstein, CFA
Senior Analyst, Asset Allocation Research

Austin Litvak
Senior Analyst, Asset Allocation Research

Caitlin Dourney
Analyst, Asset Allocation Research

Fidelity INVESTMENTS

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Market Summary

Overview: Global Deflation Fears Stoke Market Turbulence

Additional evidence of China's economic slowing, in addition to surprising clumsiness in its management of equity and foreign-exchange market volatility, caused global growth concerns to dominate markets during Q3. The U.S. economy remains in solid shape, but the Federal Reserve's ambiguous messaging may have impeded confidence about the outlook.

	Q3 2015 TRENDS	OUTLOOK Q4 2015
MACRO	• China's slowing and devaluation pressured global economy and markets – Global trade slumped – Commodity prices and emerging-market currencies dropped sharply – Disinflation trends continued • U.S. economy remained solid, Europe steady • Federal Reserve stood pat, created ambiguity about outlook	• Global deflation risks have risen; modest improvement led by developed markets – China's balancing act difficult to sustain – U.S. mid-cycle economy sturdy amid bright consumer outlook – Europe cyclical trajectory solid • Fed hike soon, but tightening path likely even more gradual – Global monetary policy to remain highly accommodative
MARKETS	• Risk-off global markets with heightened volatility • Government yields fell in flight to quality	• Elevated volatility likely to continue; expect directionless markets until policy ambiguity removed • Favor assets tied to U.S. vs. China growth (and internal vs. external demand) • A spike in interest rates remains unlikely • Latter innings of rising dollar and falling commodities

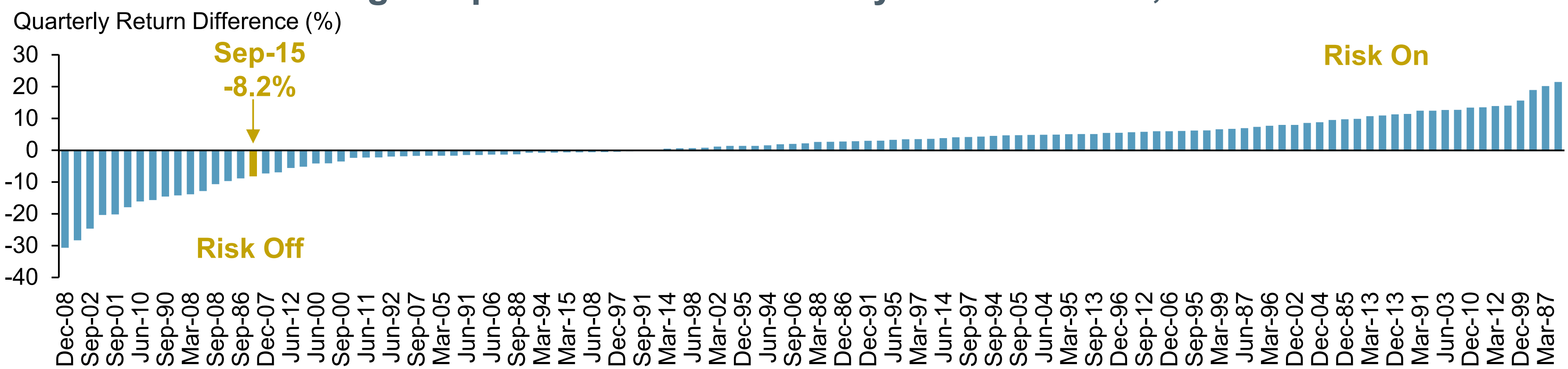
Fed: Federal Reserve. Past performance is no guarantee of future results.

Global Sell-Off Sends Most Markets into the Red for 2015

Punctuated by a global risk-off downturn during August, riskier asset classes posted their worst quarter since 2011. Emerging-market equities and commodities suffered the greatest losses due to concerns centered on China's growth, while high-quality bonds served as one of the few places to hide.

	Q3 2015 (%)	Year-to-Date (%)		Q3 2015 (%)	Year-to-Date (%)
Long Government & Credit Bonds	2.2%	-2.4%	U.S. Large-Cap Stocks	-6.4%	-5.3%
Investment-Grade Bonds	1.2%	1.1%	Non-U.S. Small-Cap Stocks	-6.8%	2.9%
Real Estate Stocks	1.0%	-4.5%	U.S. Mid-Cap Stocks	-8.0%	-5.8%
U.S. Corporate Bonds	0.5%	-0.3%	Non-U.S. Developed-Country Stocks	-10.2%	-4.9%
Emerging-Market Bonds	-2.0%	-0.3%	U.S. Small-Cap Stocks	-11.9%	-7.7%
Gold	-4.9%	-7.6%	Commodities	-14.5%	-15.8%
High-Yield Bonds	-4.9%	-2.5%	Emerging-Market Stocks	-17.8%	-15.2%

Risk Meter: U.S. Large-Cap Stock minus Treasury Bond Returns, 1985–2015

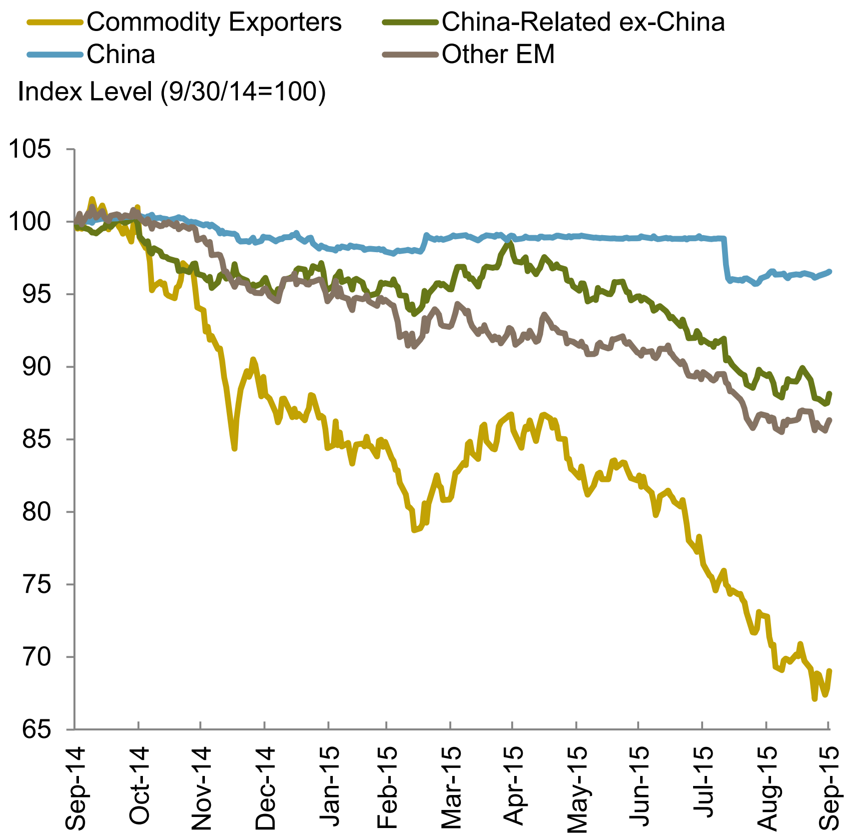


Past performance is no guarantee of future results. It is not possible to invest directly in an index. See appendix for important index information. Assets represented by: Commodities – Bloomberg Commodity Index; Emerging-Market Bonds – JPMorgan EMBI Global Index; Emerging-Market Stocks – MSCI EM Index; 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: Bloomberg Finance L.P., Haver Analytics, Fidelity Investments (AART), as of 9/30/15.

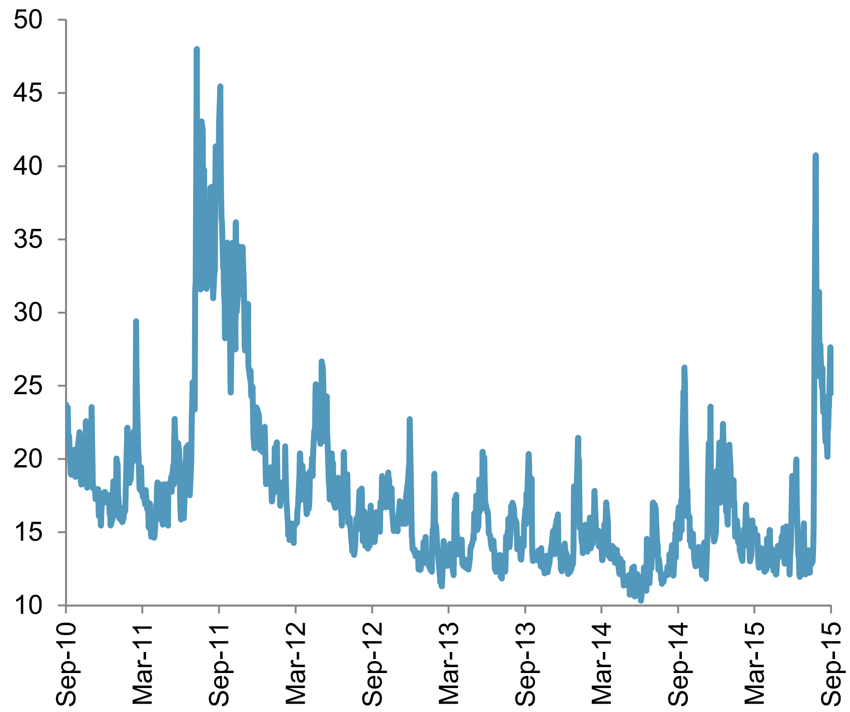
China's Devaluation Helps Trigger Jump to Higher Volatility

Amid slowing growth and capital outflows, China modestly devalued its currency, putting further pressure on the currencies of other emerging markets. While commodity prices and producers have been under pressure for more than a year, the higher level of volatility in the U.S. equity market may persist after a prolonged period of calm.

Emerging-Market Currencies vs. USD



U.S. Equity Volatility (VIX)



LEFT: China-Related ex-China: Korea, Malaysia, Taiwan, Thailand. Commodity Exporters: Brazil, Chile, Colombia, Indonesia, Peru, Russia, South Africa. Other EM: Czech Republic, Hungary, India, Mexico, Philippines, Poland, Turkey. Source: Bloomberg Finance L.P., Haver Analytics, Fidelity Investments (AART), as of 9/30/15. **RIGHT:** VIX: Chicago Board Options Exchange (CBOE) Volatility Index. Source: Bloomberg Finance, L.P., Fidelity Investments (AART), as of 9/30/15.

Outlook: Mid-Cycle Backdrop but Global Deflation Risk Up

We expect the U.S. mid-cycle expansion to ultimately provide support for equity markets, but in the near term, China's struggles to stabilize its economy pose the biggest risk to this view. With continued uncertainty around China's policy response and monetary policy in the U.S., smaller asset allocation bets are warranted amid potentially elevated volatility.

Risk #1: Inflation

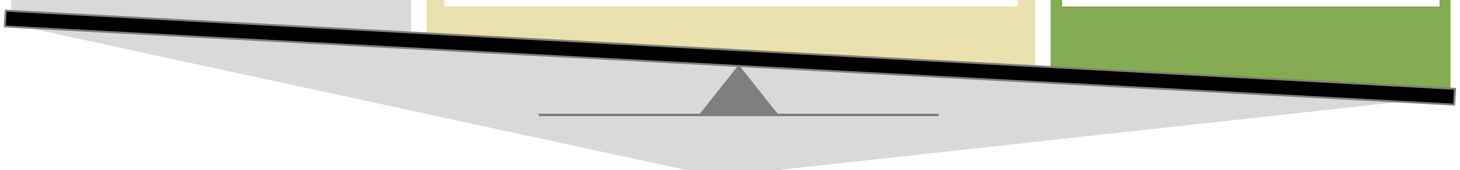
- U.S. wage growth faster than expected
- Late-cycle pressures

Base Case: Down the Middle

- Low Inflation
- Cyclical leadership by the U.S. and Europe
- Fed moves to tighten but at gradual pace

Risk #2: Deflation

- China fails to stabilize growth
- Global weakness dominates



Asset Allocation Implications

Inflation AA Implications

- Lower absolute returns
- Cyclical outperformance falters
- Favor inflation-resistant assets

Base Case

- Elevated market volatility
- Smaller bets warranted
- Favor DM equities over EM and commodities
- Hold duration to diversify

Inflation AA Implications

- Risk-off positioning
- Defensive assets benefit
- Favor U.S. over non-U.S. equities

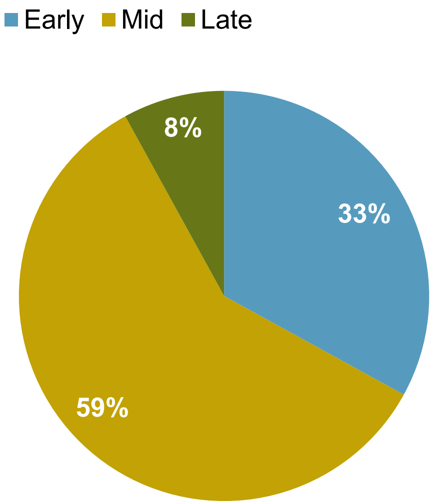
DM: Developed Market. EM: Emerging Market. AA: Asset Allocation. For illustrative purposes only. Past performance is no guarantee of future results. Source: Fidelity Investments (AART).

Theme: Fed Policy Outlook—Clarity Needed

First Fed Rate Hike Not Typically the Start of a Downturn

Historically, the first interest-rate hike in a Federal Reserve tightening cycle occurs during the mid-cycle phase, is a sign that the economic expansion is strengthening, and rarely presages an abrupt move into the late-cycle phase. Typically, economically sensitive assets such as equities have performed well in the period immediately after the initial hike.

Frequency of First Fed Rate Hike by Business Cycle Phase, 1950-2010



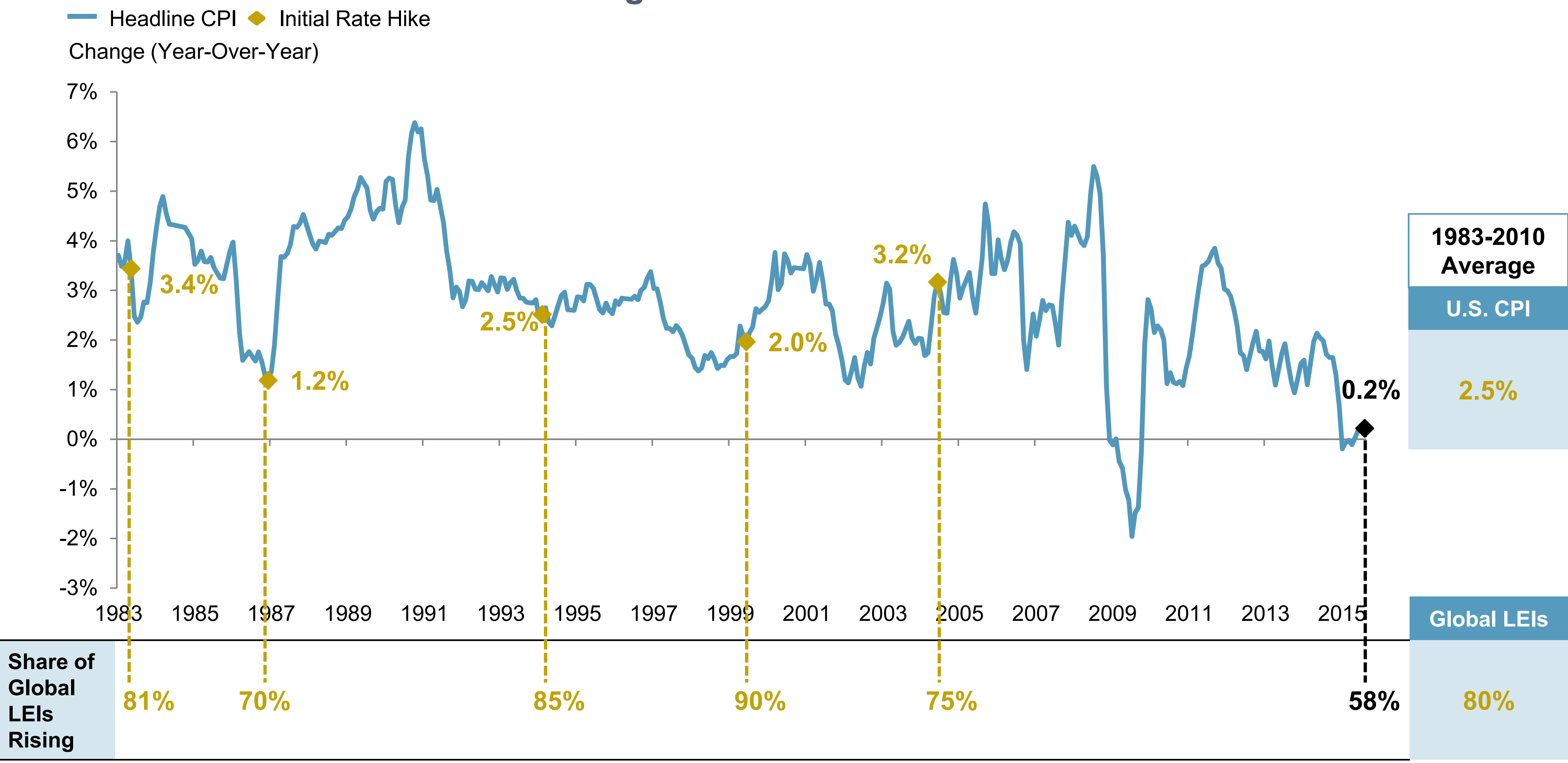
Median Performance During Fed Tightening Cycles, 1950-2010				
Asset Class	3 Months Prior	6 Months After	12 Months After	24 Months After
U.S. Equities	7%	9%	10%	22%
DM Equities	6%	7%	14%	38%
EM Equities	5%	8%	16%	23%
Commodities	3%	4%	7%	34%
IG Bonds	0%	1%	3%	14%

DM: Developed Market. EM: Emerging Market. IG Bonds: Investment-Grade Bonds (Barclays U.S. Aggregate Bond Index). Past performance is no guarantee of future results. You cannot invest directly in an index. See appendix for important index information. Performance not annualized. **CHART:** Source: Bloomberg Finance L.P., Federal Reserve, Haver Analytics, Fidelity Investments (AART), as of 12/31/14. **TABLE:** Median asset class performance around the last 12 Fed tightening cycles. Source: Bank of America Merrill Lynch, Barclays, Ibbotson, MSCI, Bloomberg Finance L.P., Fidelity Investments (AART), as of 9/30/15.

Weak Globe, Low Inflation Point to Gradual Tightening Pace

During the past three decades, the beginning of a tightening cycle has typically occurred in an environment of rising inflationary pressures and mounting global economic momentum. At this point, inflation is lower and the global economy weaker than during any previous first rate hike of a cycle, implying that the Fed is likely to tighten policy in a gradual fashion.

Inflation and Global Growth During Initial Fed Rate Hikes

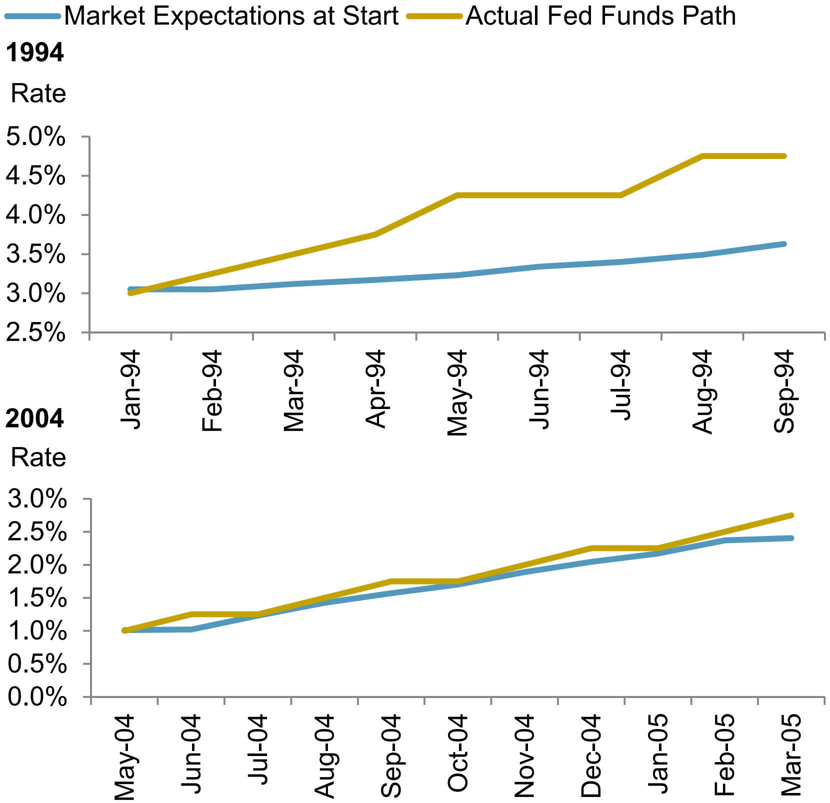


Global: leading economic indicators for world's 40-largest economies. Fed: Federal Reserve. LEI: Leading Economic Indicators. CPI: Consumer Price Index. Share of global LEIs rising on a six-month basis. Source: Organisation for Economic Co-operation and Development (OECD), Foundation for International Business and Economic Research (FIBER), Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 7/31/15.

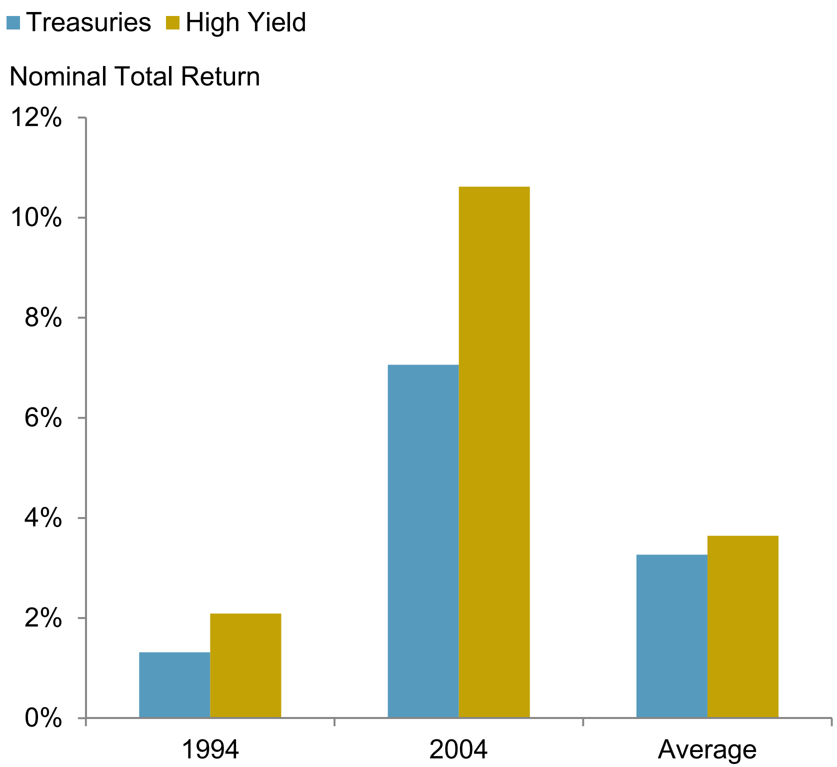
Market Impact of Fed Action Depends Partly on Expectations

In 1994, the Fed surprised investors by hiking aggressively, while the predictably incremental pace of tightening during the 2004 cycle was largely in line with market expectations. As of the end of Q3, market expectations were split on whether the Fed would hike in 2015, with an intermittent and gradual path of tightening projected over the next two years.

Fed Tightening vs. Market Expectations



Bond Market Returns During First 12 Months of Fed Tightening



LEFT: Market Expectations derived from fed funds futures. Source: Bloomberg Finance L.P., Haver Analytics, Fidelity Investments (AART), as of 9/30/15. **RIGHT:** Past performance is no guarantee of future results. You cannot invest directly in an index. See appendix for important index information. Source: Bank of America Merrill Lynch, Barclays, Ibbotson, Fidelity Investments (AART), as of 9/30/15.

Fed Outlook: Rate Hike May Remove Market Ambiguity

In behavioral science, ambiguity aversion occurs when investors perceive that outcomes and probabilities are difficult to specify, causing a paralyzing effect. A first rate hike by the Fed may incrementally tighten global financial conditions, but it may also remove the ambiguous feeling that some investors may have about monetary policy and the economy.

	Dictionary Definition	Behavioral Description		Market Implication	
	Synonym	Outcomes	Probabilities	Fed Policy	Investor Behavior
Risk	Chance	Specified	Well-Defined	Monetary cycle	Normal environment
Ambiguity	Vagueness	Uncertain	Uncertain	Extraordinary policies	Paralysis

Fed Outlook

- First Fed hike is not beginning of late-cycle
- Pace of tightening likely to be gradual
- Hikes tighten dollar liquidity; pressure less liquid asset classes
- First hike could remove ambiguity, boost confidence

For illustrative purposes only. Source: Fidelity Investments (AART), as of 9/30/15.

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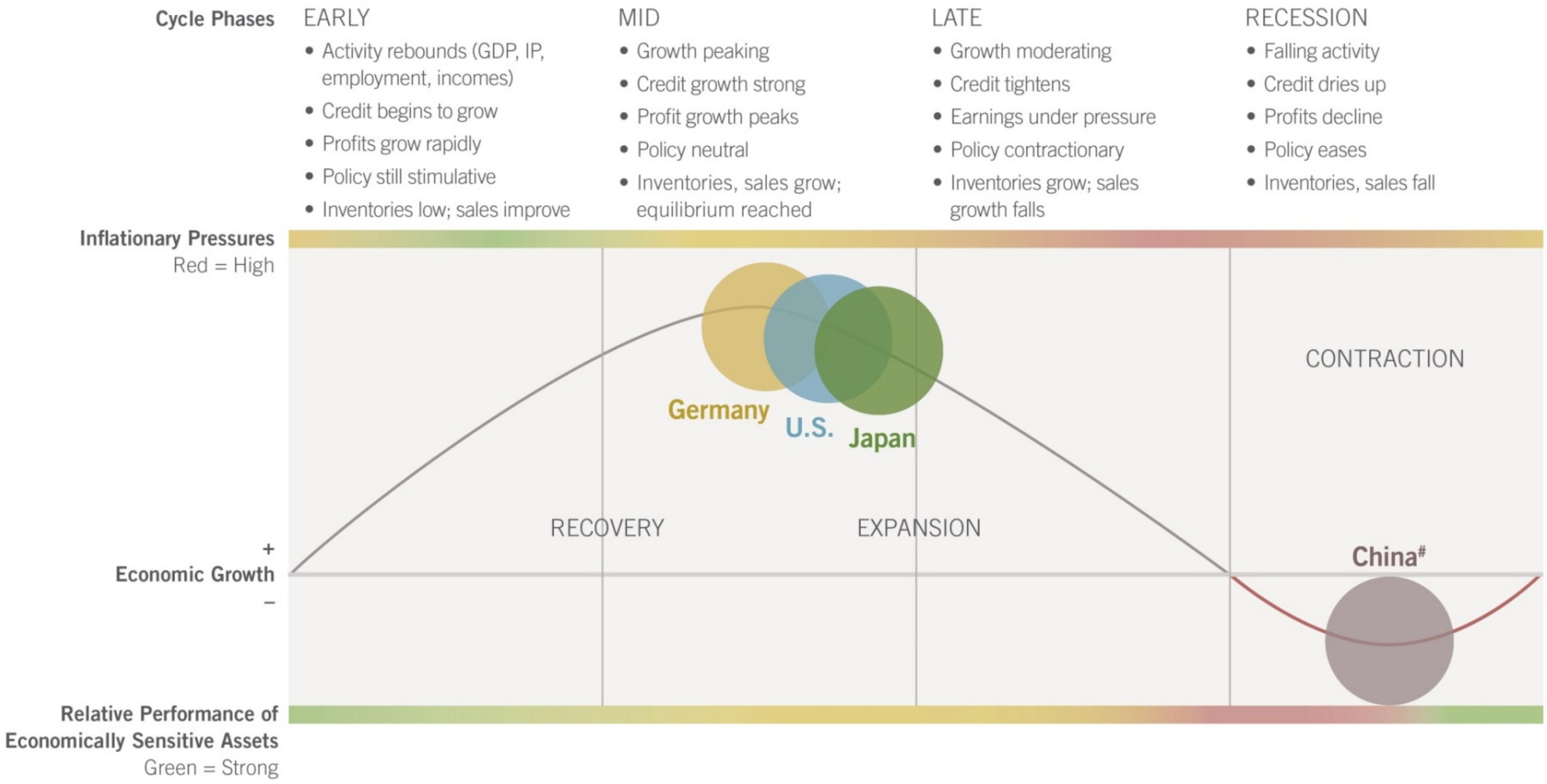
Economy/Macro Backdrop

Business Cycle: DMs Lead in Slow Global Environment

Most of the developed world continues in mid-cycle expansion, led by steady improvement in the U.S. and Europe. However, global growth remains tepid, as China and many other emerging markets face recessionary pressures. Japan shows increasing signs of a slowdown due to deteriorating external conditions in emerging Asia.

Business Cycle Framework

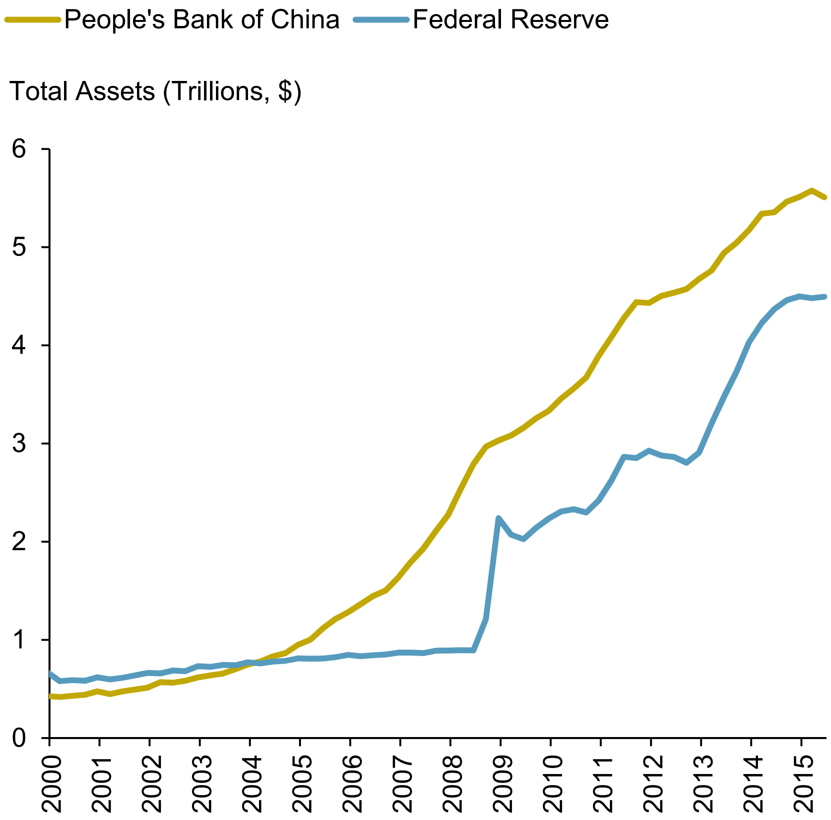


DM: Developed Markets. Note: The diagram above is a hypothetical illustration of the business cycle. There is not always a chronological, linear progression among the phases of the business cycle, and there have been cycles when the economy has skipped a phase or retraced an earlier one. # A growth recession is a significant decline in activity relative to a country's long-term economic potential. We have adopted the "growth cycle" definition for most developing economies, such as China, because they tend to exhibit strong trend performance driven by rapid factor accumulation and increases in productivity, and the deviation from the trend tends to matter the most for asset returns. We use the classic definition of recession, involving an outright contraction in economic activity, for developed economies. Source: Fidelity Investments (AART).

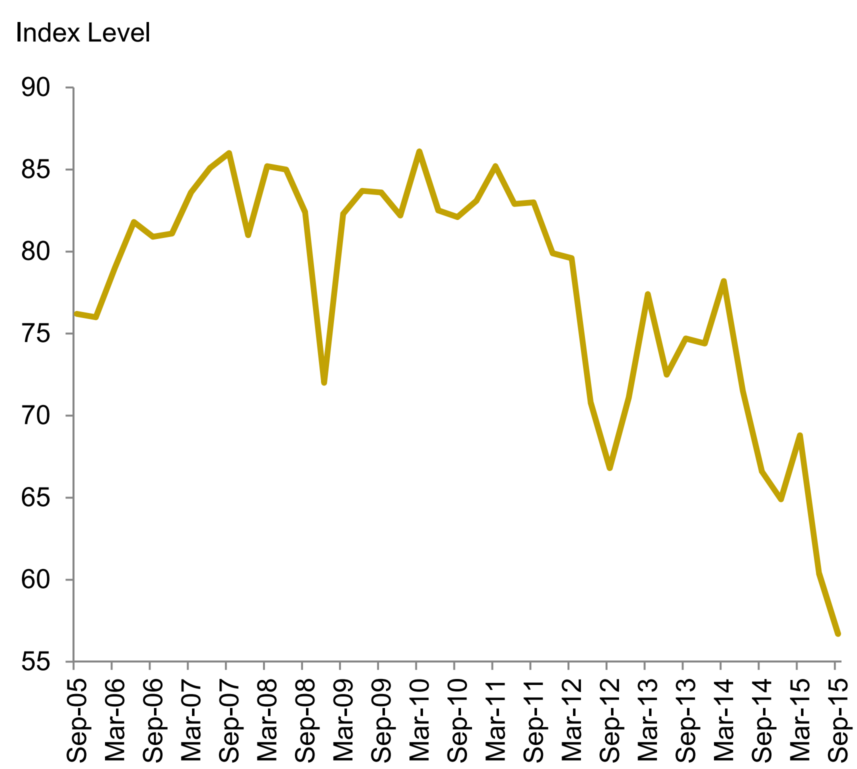
China Yet to Gain Traction amid Deflationary Pressures

A downshift in growth at the end of a cyclical boom has left China with a severe credit overhang and a need for economic restructuring. Policy easing became even more aggressive during Q3 and may help stabilize activity in the near term, but a more sustainable upturn may be elusive amid industrial overcapacity, declining corporate profitability, and weak loan demand.

Central Bank Balance Sheets



China Loan Demand

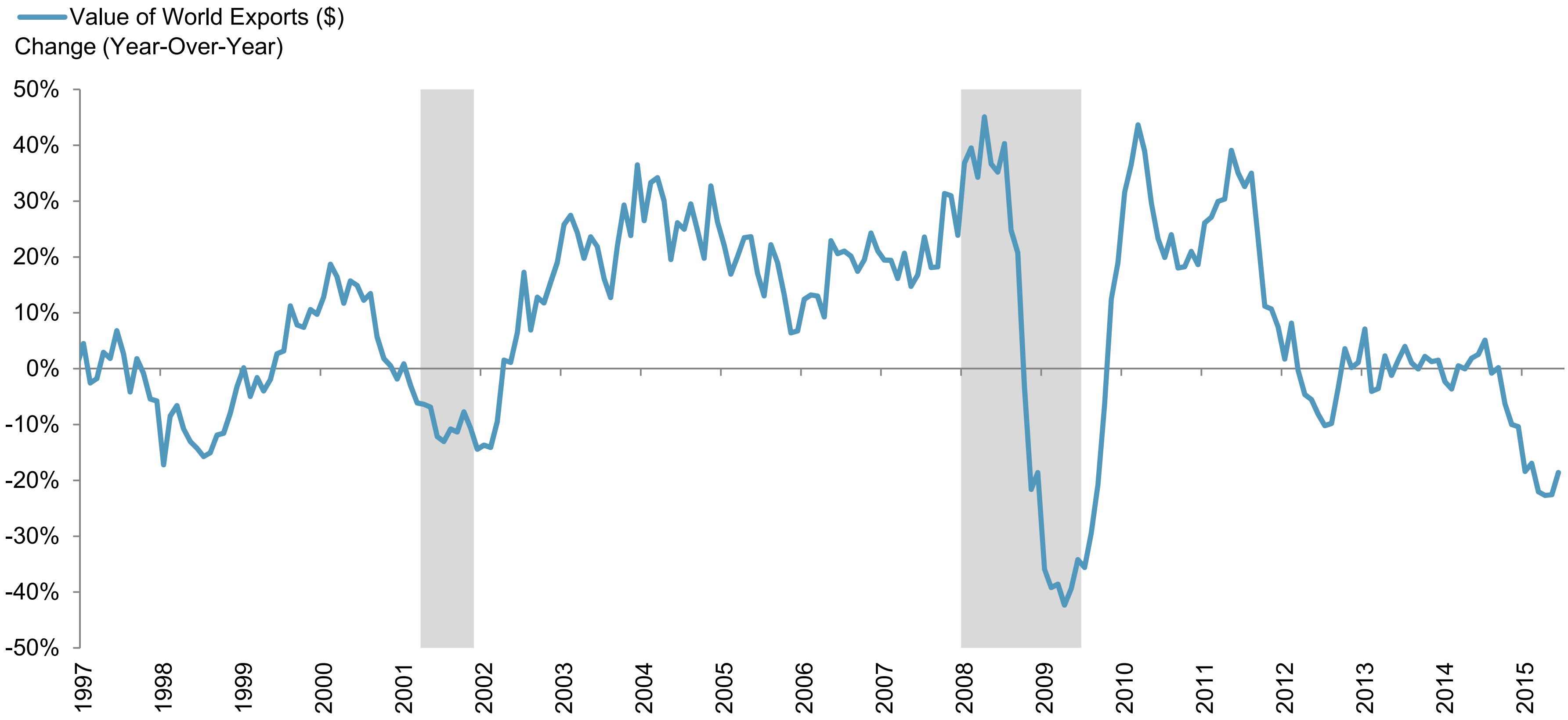


LEFT: Source: Federal Reserve, People's Bank of China, Haver Analytics, Fidelity Investments (AART), as of 6/30/15. **RIGHT:** Source: People's Bank of China, Haver Analytics, Fidelity Investments (AART), as of 9/30/15.

Global Trade Slump

As the world's second-largest economy, biggest trader, and largest consumer of commodities, China's faltering growth has had an outsized impact on global trade. The value of global exports—a proxy for both demand and prices—is declining at one of its fastest paces in decades, underscoring the difficult deflationary environment facing the world's exporters.

Global Export Growth

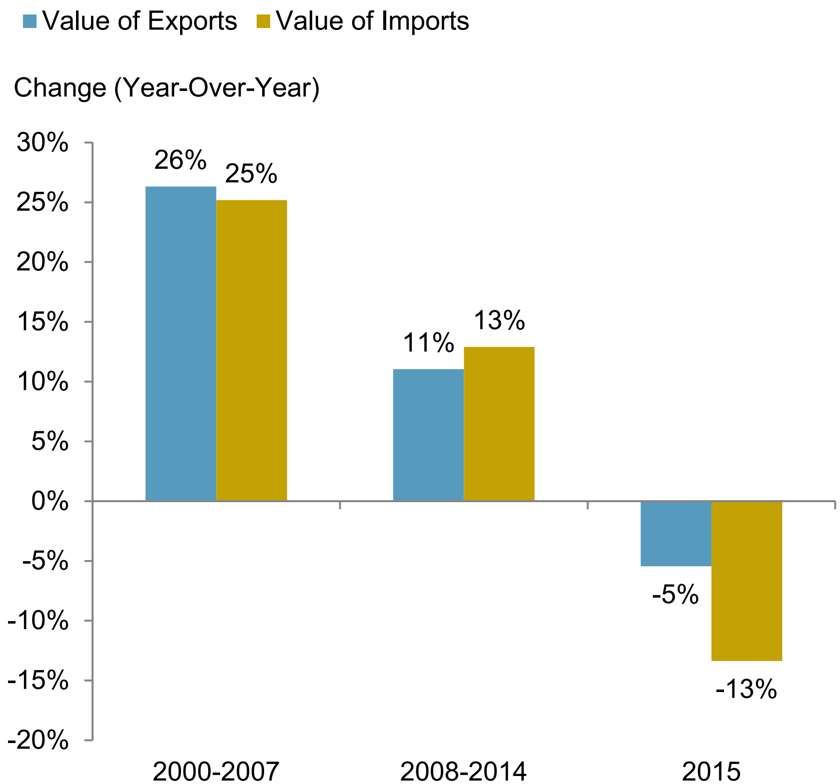


Grey area represents U.S. recession as defined by National Bureau of Economic Research (NBER). Export value in USD, adjusted for changes in currency. Source: International Monetary Fund, Haver Analytics, Fidelity Investments (AART), as of 6/30/15.

Tough Sledding for Economies More Dependent on Asia

Despite declining export growth, China has maintained a sizeable current account surplus as imports have shrunk even more rapidly. Countries and companies that direct more exports toward North America and Europe are faring better than those more reliant on import demand from China and the rest of Asia.

China Trade



	2000-2007	2008-2014	2015
Current Account as a % of GDP	**4.4%**	**3.7%**	**2.6%**

Manufacturing PMIs: New Export Orders

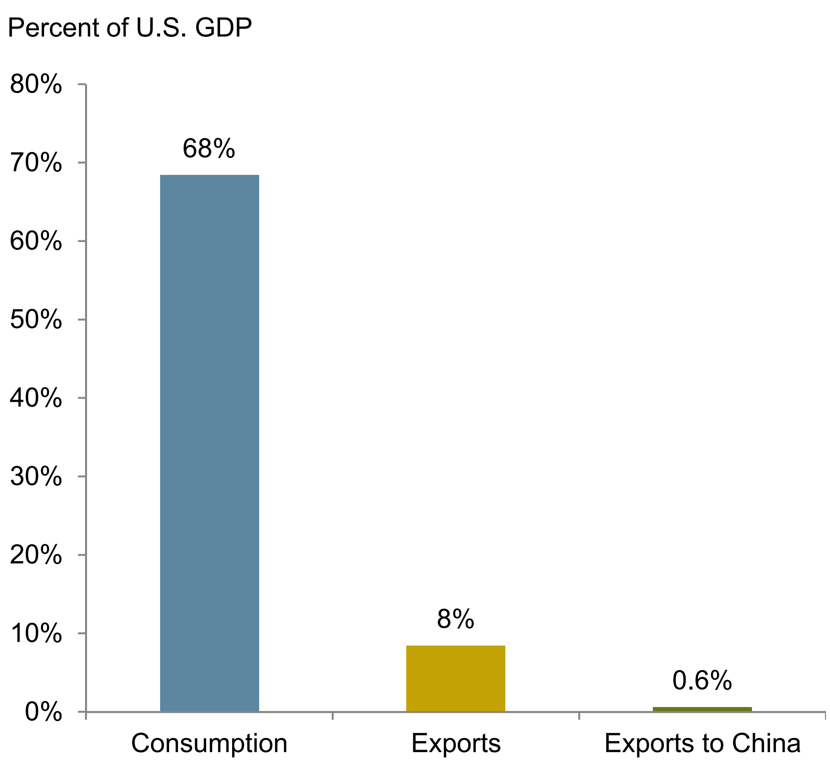
Country	Latest (>50 = Expansion)
Mexico	53.5
Eurozone	52.1
U.S.	50.6
Brazil	50.0
Canada	50.0
South Korea	48.4
Japan	47.8
Russia	47.8
China	45.8
Taiwan	44.3

LEFT: 2000-2007 and 2008-2014 are period averages, 2015 is latest data point. Value in USD. Source: China Customs, Haver Analytics, Fidelity Investments (AART), as of 8/31/15. **RIGHT:** Purchasing Managers' Index: new export orders. Source: Markit, JP Morgan, Countries' statistical organizations, as of 9/30/15.

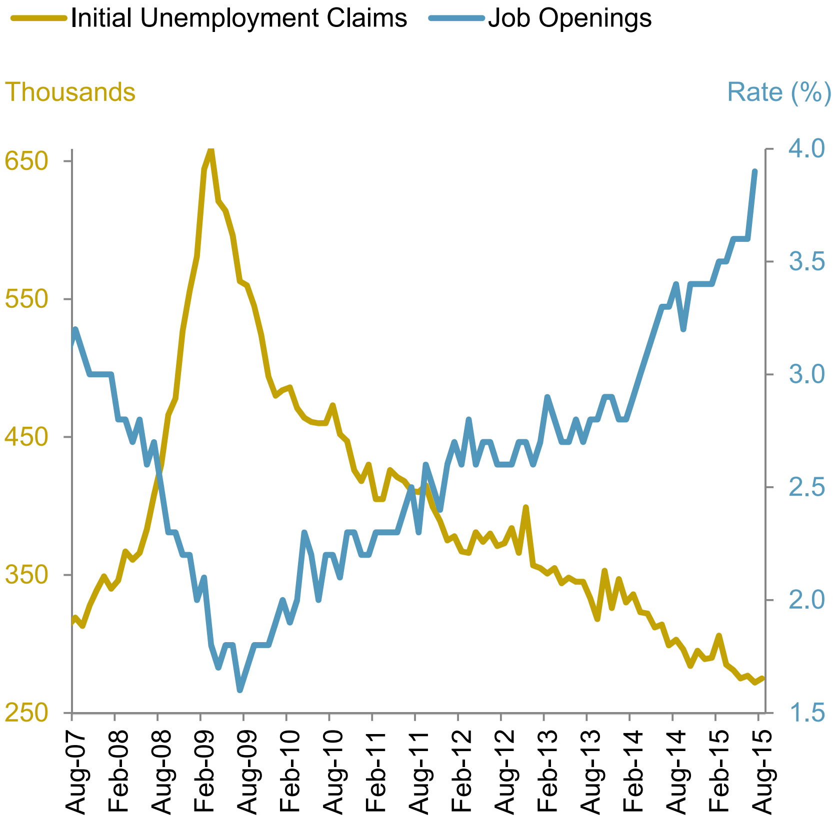
Solid Consumer Sector Insulates U.S. from Global Turmoil

Global weakness will likely further soften activity for external-oriented sectors of the U.S., but these areas constitute a relatively small portion of the overall economy. The much larger consumer sector continues to experience a positive dynamic, including the continued tightening of labor markets and an increasingly positive real-income outlook.

Components of U.S. GDP



Unemployment Claims and Job Openings

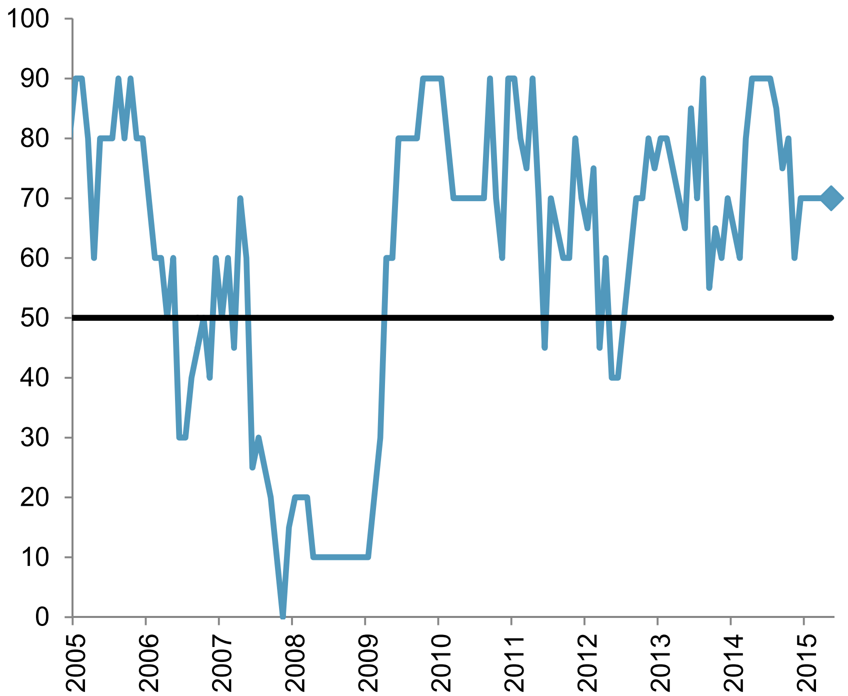


LEFT: Exports exclude services exports. Source: International Monetary Fund, Bureau of Labor Statistics, Bureau of Economic Analysis, Haver Analytics, Fidelity Investments (AART), as of 6/30/15. **RIGHT:** Source: Bureau of Labor Statistics, Department of Labor, Haver Analytics, Fidelity Investments (AART) as of 8/31/15.

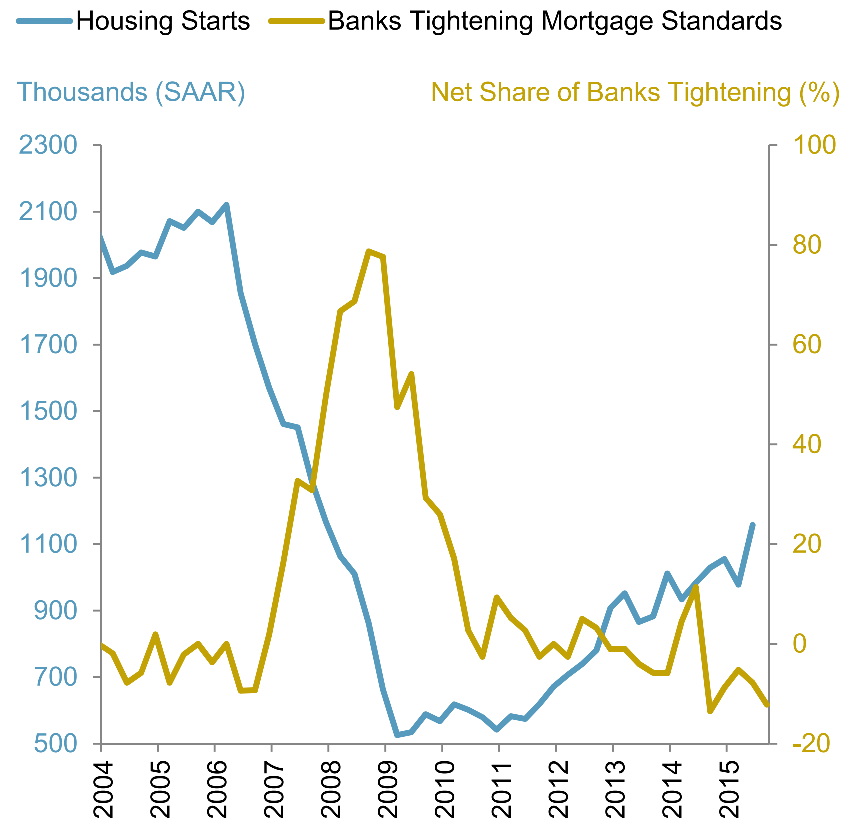
U.S. Domestic Fundamentals Support a Mid-Cycle Outlook

Leading economic indicators suggest the U.S. is likely to remain in a modest mid-cycle expansion in the near term. This outlook appears likely to be driven by better domestic conditions, such as the continued improvement in housing demand after years of subdued activity and tight mortgage-lending standards.

U.S. Leading Indicator Diffusion Index



Housing Starts and Mortgage Standards

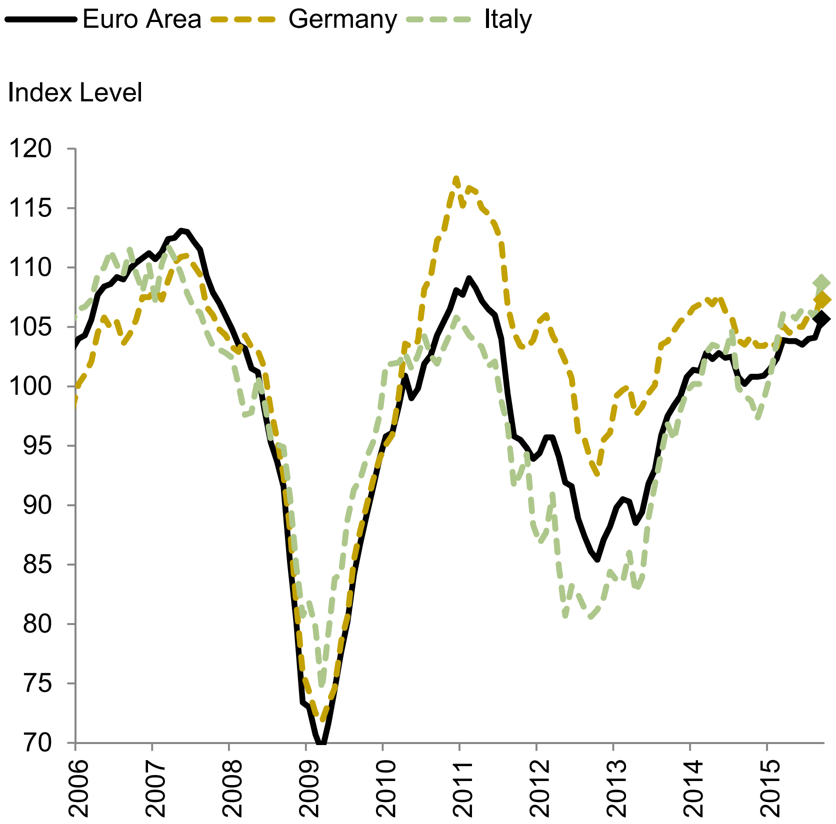


LEFT: Source: Conference Board, Haver Analytics, Fidelity Investments (AART), as of 5/30/15. **RIGHT:** Source: Census Bureau, Federal Reserve Board, Haver Analytics, Fidelity Investments (AART). Starts as of 8/31/15, mortgage data as of 9/30/15.

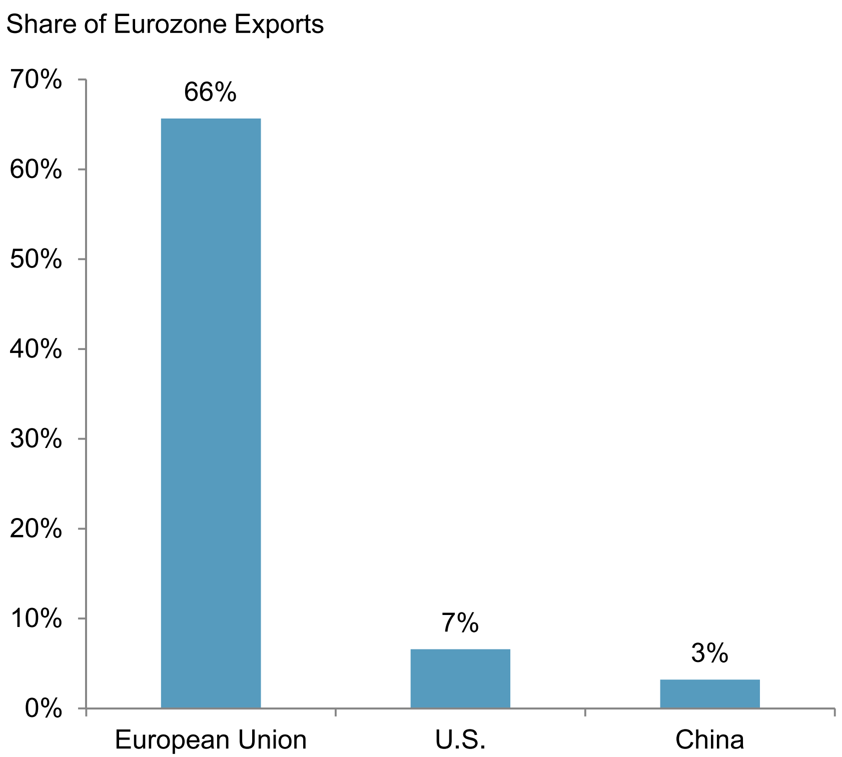
Domestic European Recovery Outweighs Foreign Drag

As evidenced by continued improvements in economic sentiment, Europe's domestic recovery continues amid supportive monetary policy and pent-up demand. Exports are more important for the euro-area countries than the U.S., but the majority of those exports go to other European economies, with a relatively small share destined for China.

Euro Area Economic Sentiment



Destination of Eurozone Exports

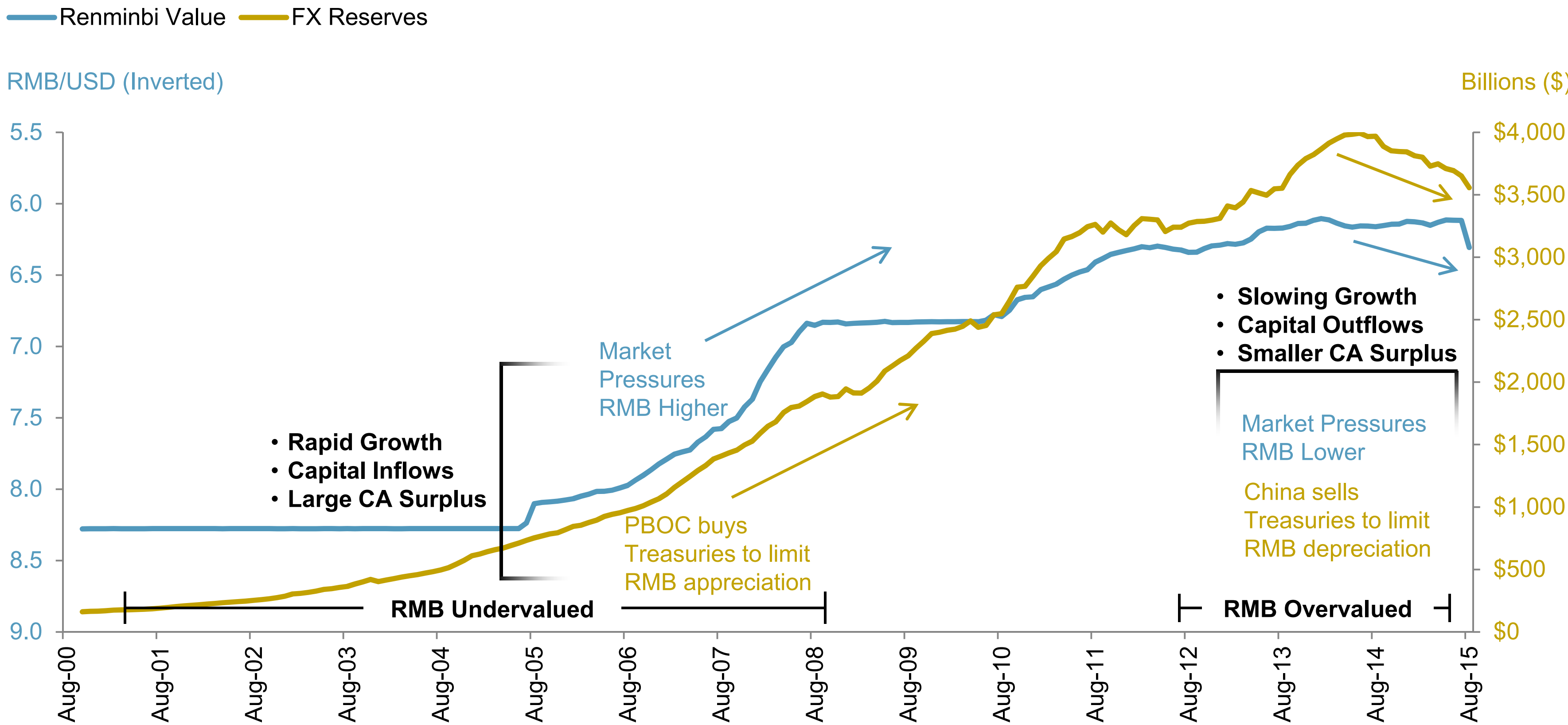


LEFT: Source: European Commission, Haver Analytics, Fidelity Investments (AART), as of 9/30/15. **RIGHT:** Exports exclude services exports. Source: International Monetary Fund, Haver Analytics, Fidelity Investments (AART), as of 5/31/15.

Devaluation Pressures Prompt China to Sell U.S. Treasuries

During China's boom years, foreign capital flowed in, and policymakers bought more than $3 trillion of U.S. Treasuries and other foreign-currency assets to keep the renminbi from appreciating too rapidly. As growth prospects have deteriorated, capital flows have reversed, causing policymakers to sell Treasuries to keep the renminbi from depreciating too markedly.

China Currency vs. FX Reserves



CA: Current Account. RMB: Renminbi. PBOC: People's Bank of China. Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 8/31/15.

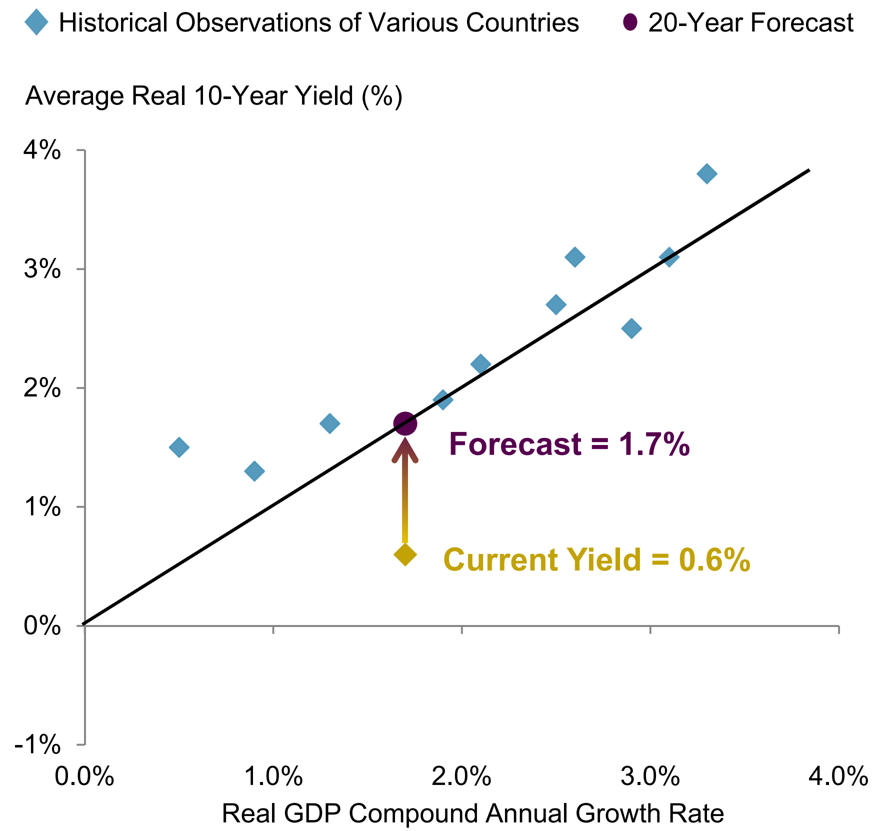
Bond Yield Forecast: Higher than Now, Lower than History

Although China's selling of Treasuries puts upward pressure on yields, there are many other factors influencing interest rates over the near term, including Fed policy, investor sentiment, and technicals. Over the long term, bond yields tend to gravitate to the pace of GDP growth, so we expect real yields will rise over time to average closer to our 1.7% GDP forecast.

Near-Term Rate Outlook

	Our View	Treasury Yields
Fundamentals		
Monetary Policy	Gradual path of Fed hikes	↑
U.S. Growth	Mid-cycle expansion	↑
Global Factors	Deflationary pressures	↓
Investor Risk Sentiment	Elevated volatility	↓
Technicals		
Supply	Low fiscal deficit → less bond issuance	↓
Demand	Low DM bond yields	↓
	China sells Treasuries	↑

Secular Rate Outlook

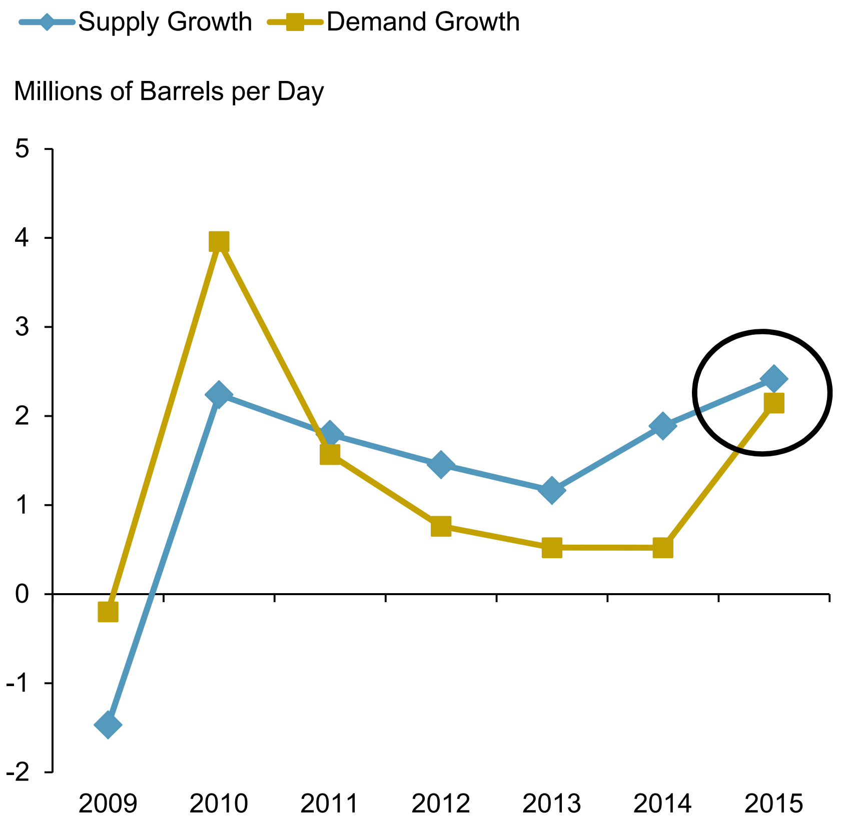


LEFT: Source: Fidelity Investments (AART) as of 9/30/15 **RIGHT:** Real: inflation-adjusted. The average real 10-year yield and real GDP compound annual growth rates are calculated since the inception dates of the inflation-adjusted government securities for the following countries: United Kingdom (Jan. 1985), Australia (Jun. 1985), Canada (Nov. 1991), United States (Apr. 1998), and Japan (Apr. 2004). Source: Countries' statistical organizations, Haver Analytics, Fidelity Investments (AART), as of 9/30/15.

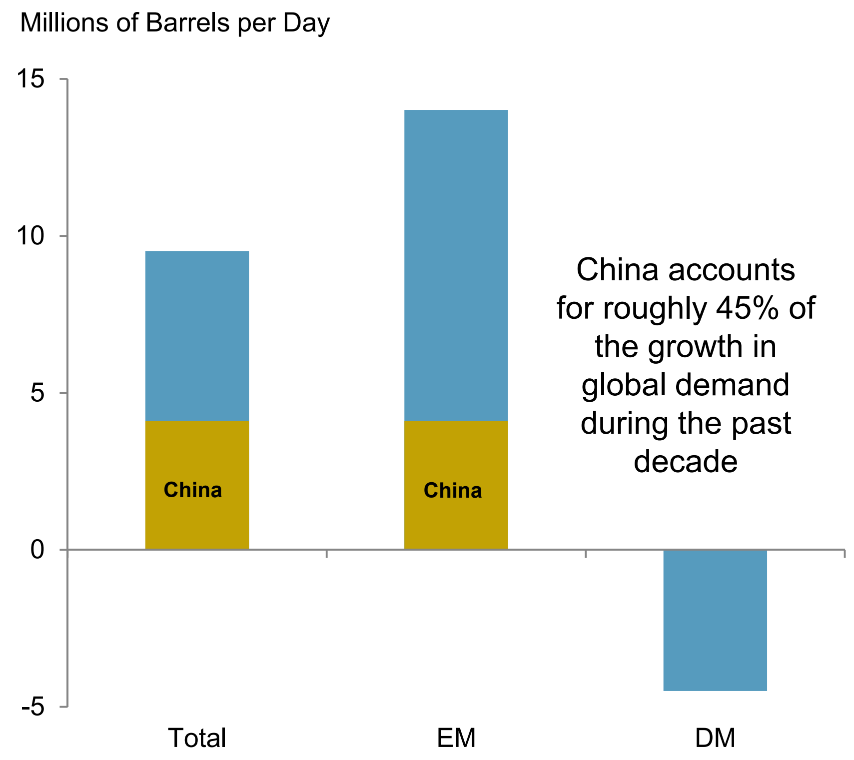
Slow Rebalancing Keeps Outlook for Oil Prices Muted

The sharp drop in oil prices during the past year has finally begun to stimulate global demand. However, global supply growth continues to outpace demand growth, which implies large global inventories have yet to be reduced. A greater demand response from China and other emerging markets is likely needed to generate a sustainable increase in oil prices.

Global Petroleum Market Balance



Change in Global Petroleum Demand, 2005-2015



DM: Developed Market. EM: Emerging Market. Petroleum is crude plus natural gas liquids. **LEFT:** Year-over-year change through August of each year. Source: Based on IEA data from the IEA Oil Data Service© OECD/IEA 9/15, IEA Publishing, Fidelity Investments (AART), as of 8/31/15. **RIGHT:** EM: Non-OECD. DM: OECD. Source: Based on IEA data from the IEA Oil Data Service© OECD/IEA 9/15, IEA Publishing, Fidelity Investments (AART), as of 8/31/15.

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 global economic trends remain divergent, with stabilization and recovery evident in many developed markets but late-cycle and recessionary trends in many emerging markets.

Favorable outlook for developed markets	Deflationary shock from China is greatest risk	Gradual pace of tightening from Fed

Asset Allocation Considerations

- Business cycle constructive for most developed-market equities
- U.S. credit-market fundamentals strong despite wider spreads
- Lower asset prices provide more valuation opportunities
- Higher volatility warrants a tighter risk budget

Potential Risks

- Weakening U.S. profit trends, and a faster-than-expected improvement in the domestic labor market
- China devaluation of the renminbi

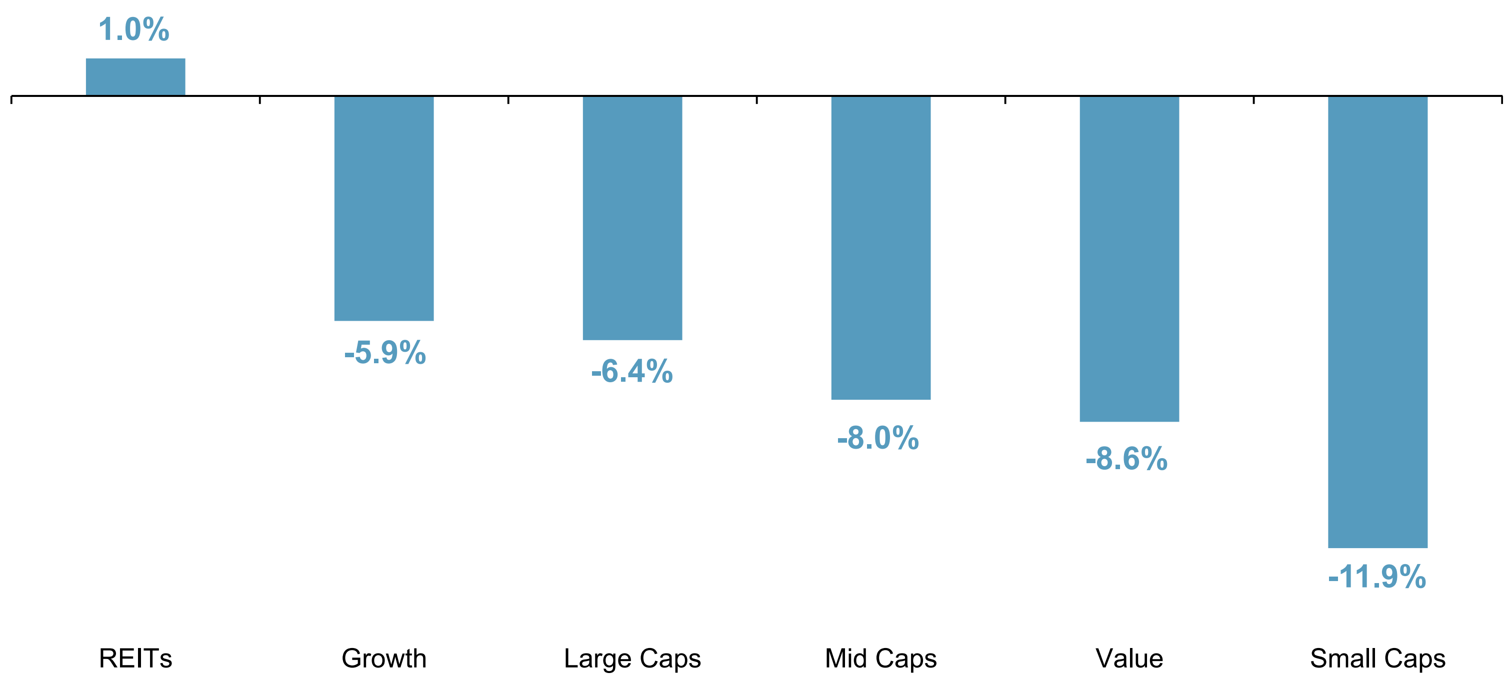
Fed: Federal Reserve. Source: Market Assessment Statement of Global Asset Allocation's Business Cycle Board, Fidelity Investments, as of 9/30/15.

U.S. Equity Markets

Negative Returns across Most Equity Categories

Driven by an overall risk-off tone in the markets, most equity styles and market caps sold off into correction territory during the third quarter, pushing returns negative on a year-to-date basis. In a reversal from the Q2 trend, REITs were the strongest performer, and small-caps lagged. Growth stocks continued to outperform their value counterparts.

Q3 2015 Total Return



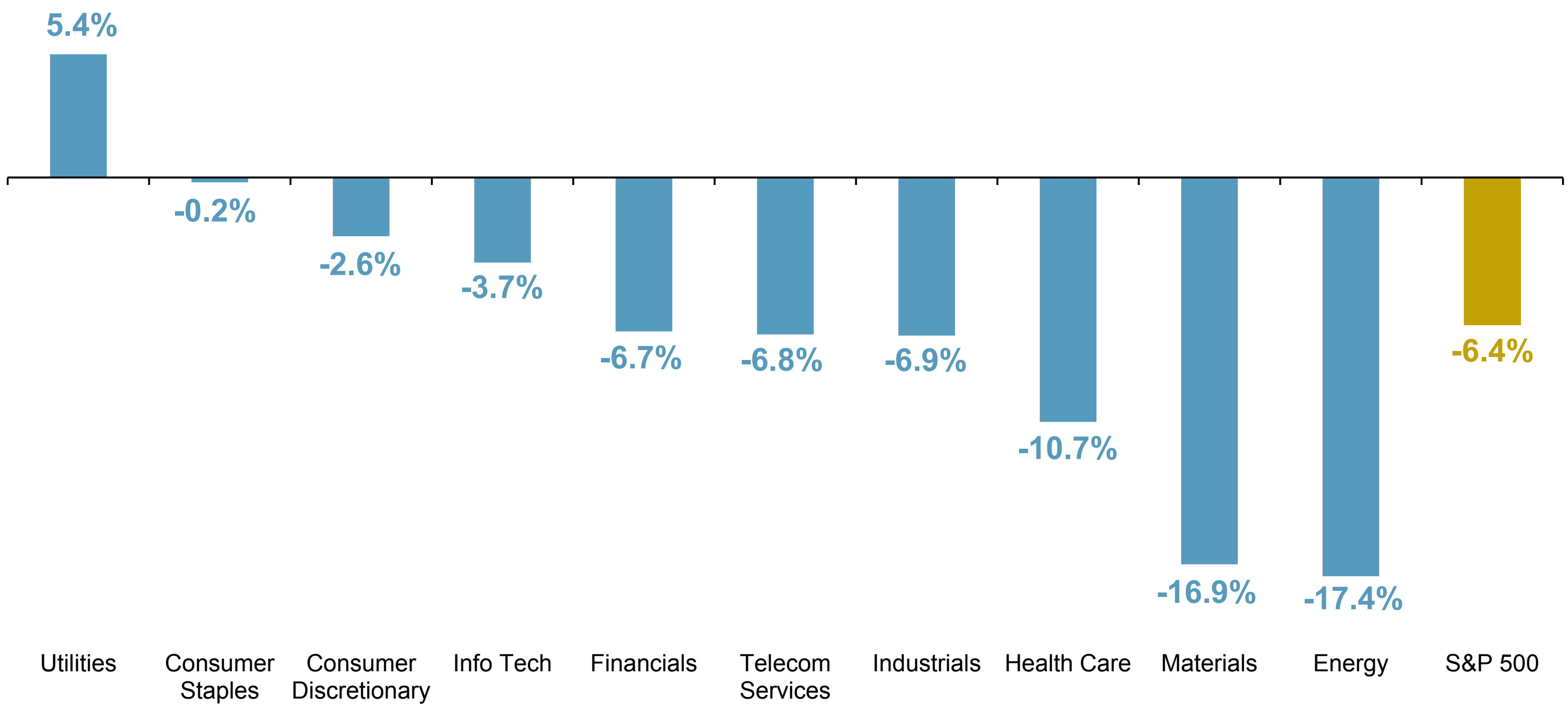
	REITs	Growth	Large Caps	Mid Caps	Value	Small Caps
Year-to-Date	-4.5%	-1.9%	-5.3%	-5.8%	-9.1%	-7.7%

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 9/30/15.

Utilities Were Lone Bright Spot amid Widespread Sector Losses

Nearly all sectors posted negative returns in the third quarter. Faced with another leg down in commodity prices, energy and materials were the worst-performing sectors. More defensive sectors—utilities and consumer staples—fared best amid a volatile and risk-off environment for global markets.

Q3 2015 Total Return



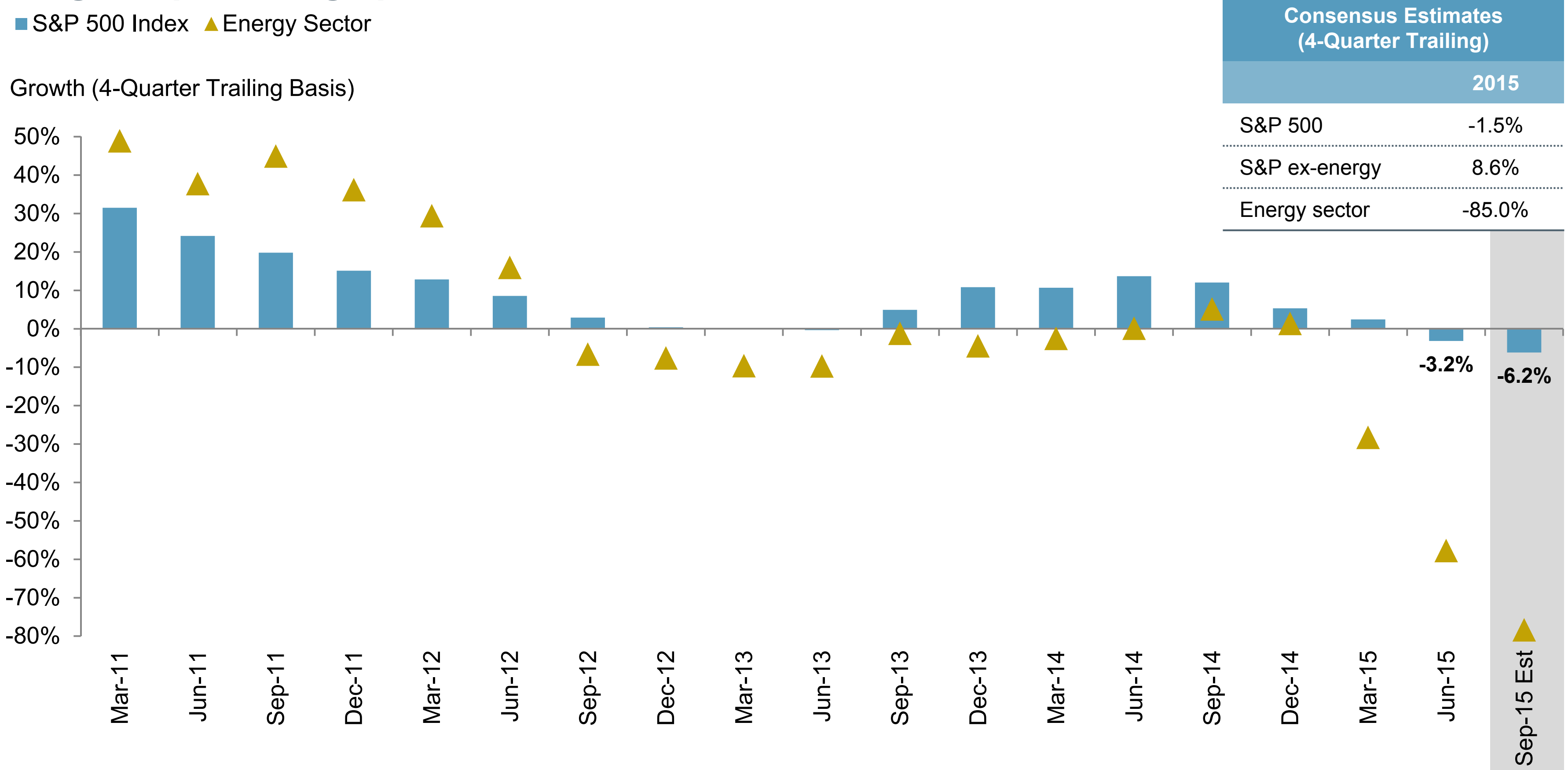
	Utilities	Consumer Staples	Consumer Discretionary	Info Tech	Financials	Telecom Services	Industrials	Health Care	Materials	Energy	S&P 500
Year-to-Date	-5.9%	-1.0%	4.1%	-3.0%	-7.1%	-3.9%	-9.8%	-2.1%	-16.5%	-21.3%	-5.3%

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 9/30/15.

Earnings Dragged Lower by Energy Sector

Amid a sustained commodity price sell-off, a strong dollar, and soft external demand, corporate earnings declined modestly (3.2%) in Q2 and will likely fall in Q3. However, this slowdown has been largely caused by the energy sector, where profits have declined nearly 60%, with the rest of the market continuing to exhibit positive earnings growth.

Large-Cap Earnings per Share Growth



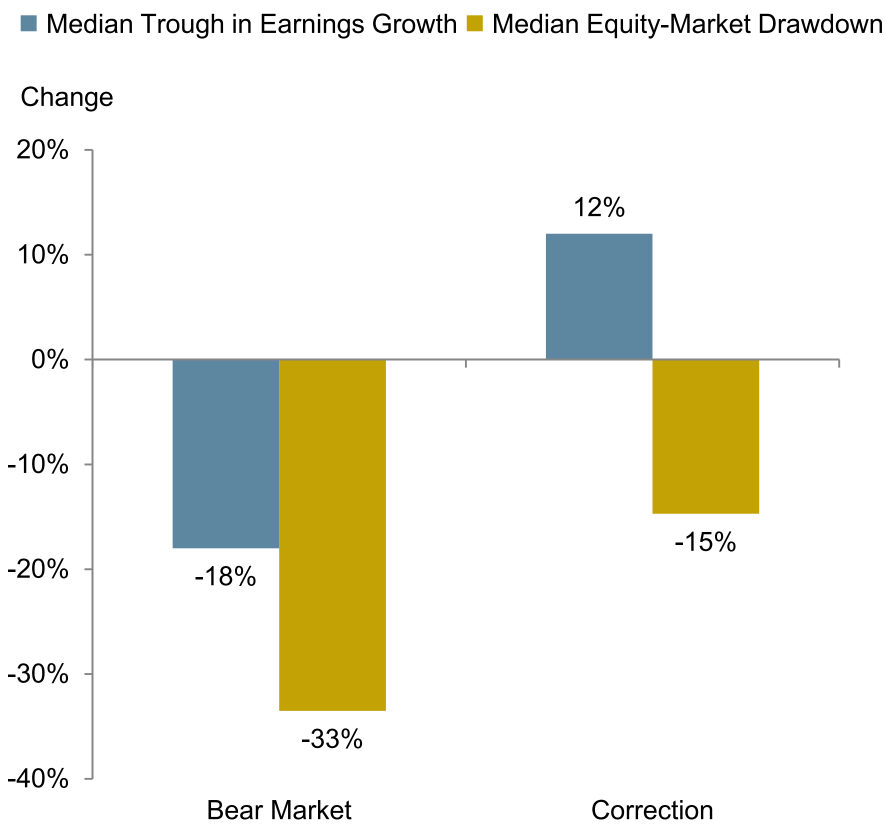
Consensus Estimates (4-Quarter Trailing)	2015
S&P 500	-1.5%
S&P ex-energy	8.6%
Energy sector	-85.0%

Past performance is no guarantee of future results. Source: Standard & Poor's, FactSet, Fidelity Investments (AART), as of 9/30/15.

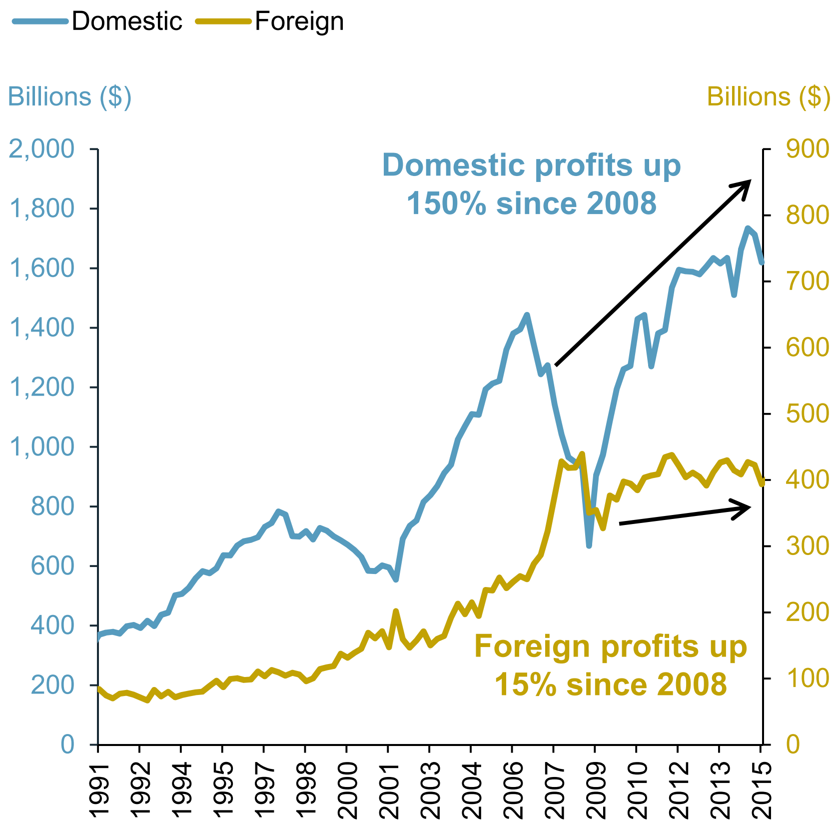
Fundamentals Suggest Mid-Cycle Correction, Not Bear Market

Historically, corrections have occurred more frequently than bear markets and have been more short-lived and shallow, largely because profit growth has tended to remain positive or to only decline slightly. Our outlook: Driven by strong domestic demand, profit growth should stabilize over time, averting the fundamental catalyst for a severe bear market in equities.

Bear Markets vs. Corrections Since 1980



U.S. Corporate Profits

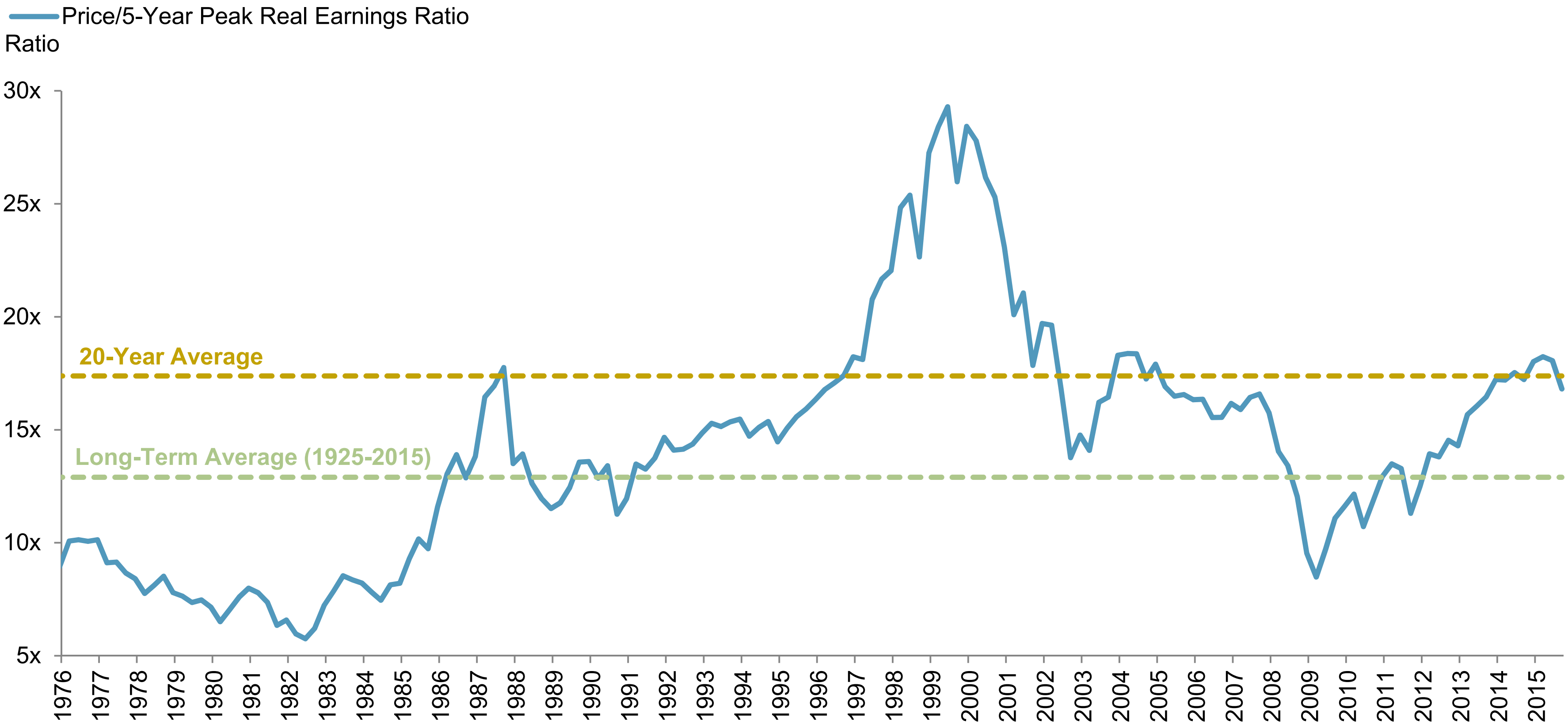


LEFT: Source: Standard & Poor's, Bloomberg Finance L.P., Haver Analytics, Fidelity Investments (AART), as of 6/30/15. **RIGHT:** Source: Bureau of Economic Analysis, Fidelity Investments (AART), as of 6/30/15. Past performance is no guarantee of future results.

Valuations Still Reasonable Relative to Recent History

Based on our preferred valuation metric—price-to-five-year-peak earnings—U.S. equity valuations are elevated but are still reasonable relative to recent history. On average, we expect valuations to remain closer to 20-year averages over the long term in part due to lower inflation, implying current price-to-earnings ratios are in fair value range.

S&P 500 Valuations



Price and five-year peak earnings are adjusted for inflation. Source: Standard & Poor's, Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART), as of 9/30/15. Past performance is no guarantee of future results.

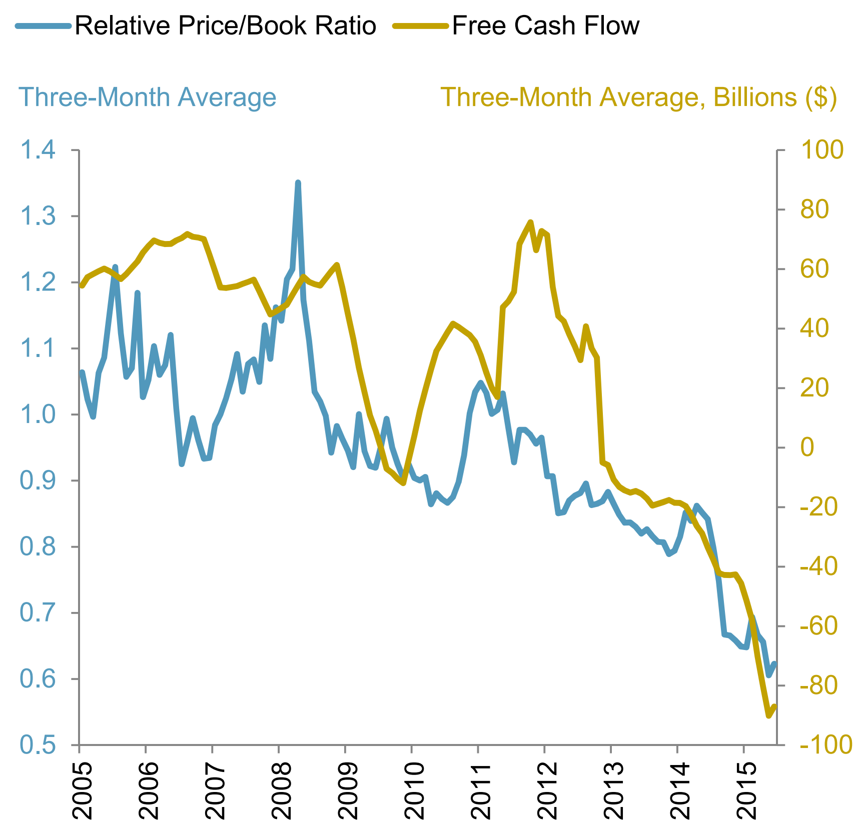
Sector Considerations: Energy in Focus

A business-cycle approach to sector allocation may produce active returns. While the energy sector traditionally outperforms once the late cycle begins and sector valuations relative to the market have become historically cheap, free cash flows continue to deteriorate. Active security selection may help investors identify potential winners and losers.

Business Cycle Returns Heat Map

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

Energy Sector Valuations & Cash Flows



Past performance is no guarantee of future results. Sectors as defined by GICS. **LEFT:** Unshaded portions above suggest no clear pattern of over- or underperformance vs. broader market. Double +/– signs indicate that the sector is showing a consistent signal across all three metrics: full-phase average performance, median monthly difference, and cycle hit rate. A single +/– indicates a mixed or less consistent signal. Source: "The Business Cycle Approach to Sector Investing," Fidelity Investments (AART), as of 9/30/14. **RIGHT:** Source: Haver Analytics, Fidelity Investments (AART), as of 8/31/15.

QUARTERLY MARKET UPDATE

Fourth Quarter 2015

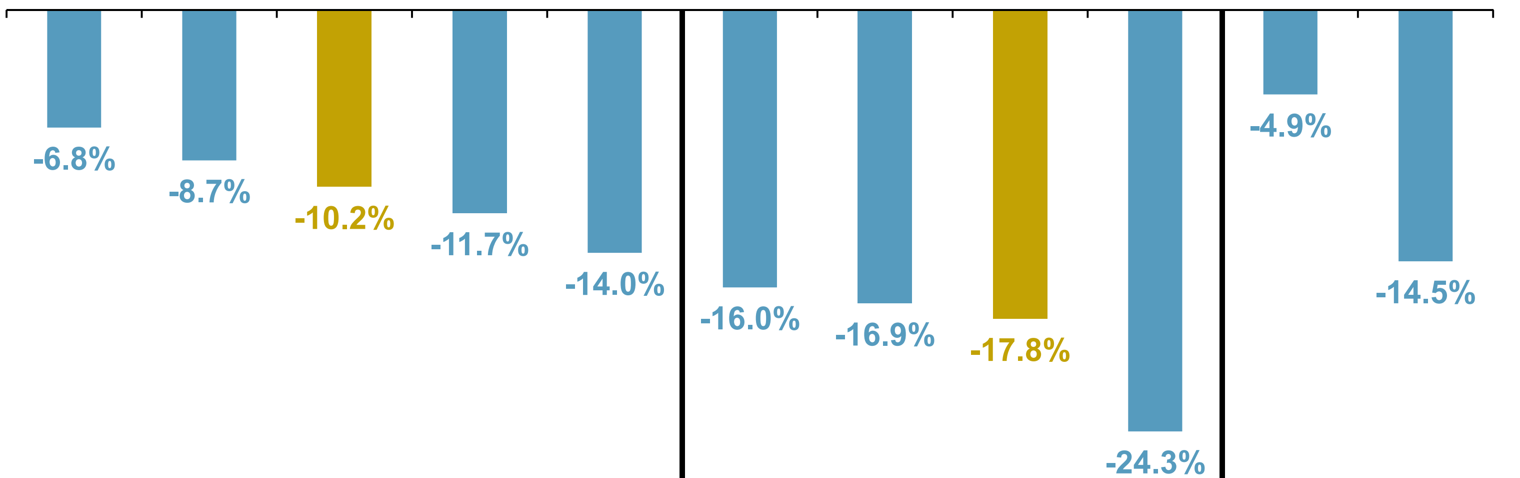
International Equity Markets & Global Assets

Fidelity INVESTMENTS

Global Assets Plummet, Erasing First-Half Gains

Global weakness emanating from Asia took a toll on global equities, commodities, and currencies in Q3. The worst equity market performers included commodity producers (Latin America and Canada) and China-linked trading partners (EM Asia). The rising U.S. dollar generally detracted from equity returns in USD terms, with the exception of Japan.

Q3 2015 Total Return



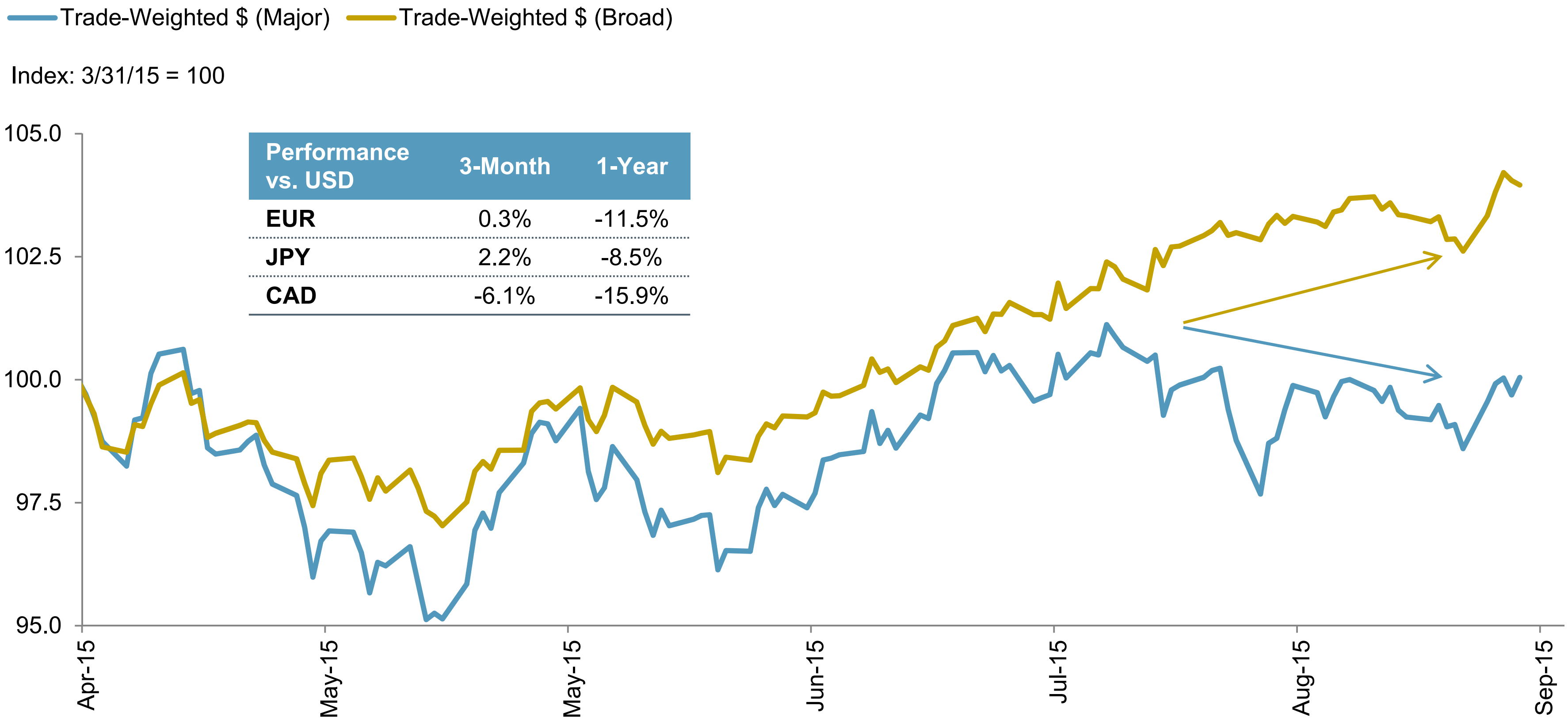
	EAFE Small Cap	Europe	EAFE	Japan	Canada	EMEA	EM Asia	Emerging Markets	Latin America	Gold	Commodities
Q3 2015 LC	-5.7%	-7.0%	-8.9%	-13.6%	-7.6%	-7.3%	-13.4%	-12.0%	-10.7%	#N/A	#N/A
Year-to-Date USD	2.9%	-4.7%	-4.9%	0.5%	-19.6%	-12.5%	-12.6%	-15.2%	-29.0%	-7.6%	-15.8%
	Developed-Market Equities					Emerging-Market Equities				Commodities	

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 9/30/15.

Dollar Performance Mixed, Hedging Not a One-Way Bet

Solid growth and the potential for higher rates continued to boost the U.S. dollar against most currencies in Q3, particularly those of emerging markets (included in the broad index). However, the dollar's ascent stalled vs. major currencies such as the euro and yen over the past six months, highlighting the challenge in timing and hedging short-term currency movements.

U.S. Dollar Performance



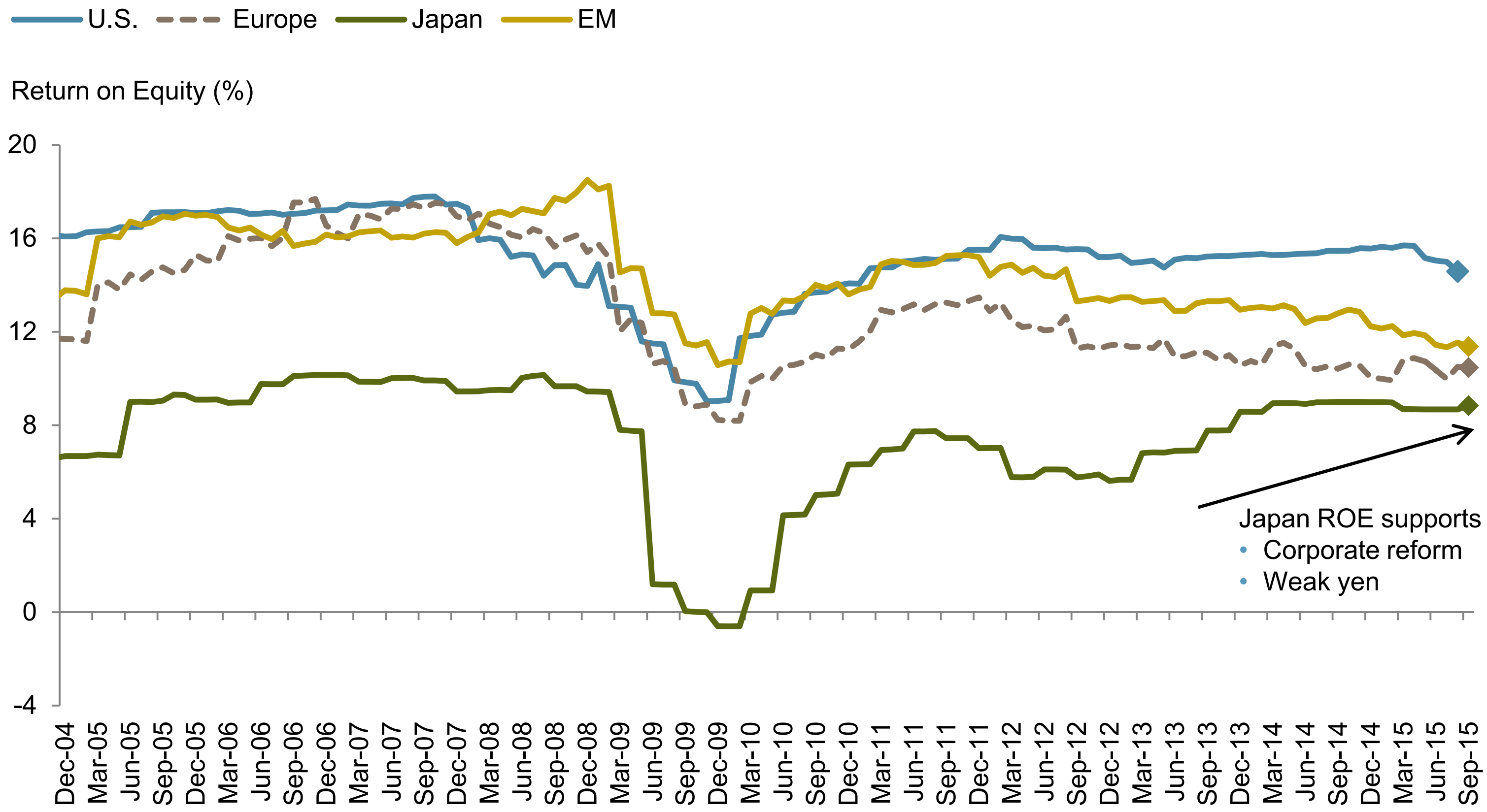
Performance vs. USD	3-Month	1-Year
EUR	0.3%	-11.5%
JPY	2.2%	-8.5%
CAD	-6.1%	-15.9%

EUR: Euro. JPY: Yen. CAD: Canadian dollar. Trade-weighted $ (Broad) Index: The broad index is a weighted average of the foreign exchange values of the U.S. dollar against the currencies of a large group of major U.S. trading partners. The index weights, which change over time, are derived from U.S. export shares and from U.S. and foreign import shares. Trade-weighted $ (Major) Index: The major currencies index is a weighted average of the foreign exchange values of the U.S. dollar against a subset of currencies in the broad index that circulate widely outside the country of issue. The weights are derived by rescaling the currencies' respective weights in the broad index so that they sum to 1 in each sub-index. See Appendix for countries listed in each index. Source: Federal Reserve, Bloomberg Financial L.P., Fidelity Investments (AART), as of 9/25/15. Past performance is no guarantee of future results.

Rising Profitability in Japan, EM Struggles Continue

Aided by the weak yen and new corporate governance standards that include return on equity (ROE) targets, Japanese companies have displayed an improving profitability trend. After eclipsing developed-market ROE levels prior to the global financial crisis, emerging-market corporations have since seen deteriorating profitability amid cyclical headwinds.

Developed- and Emerging-Market Return on Equity (ROE)



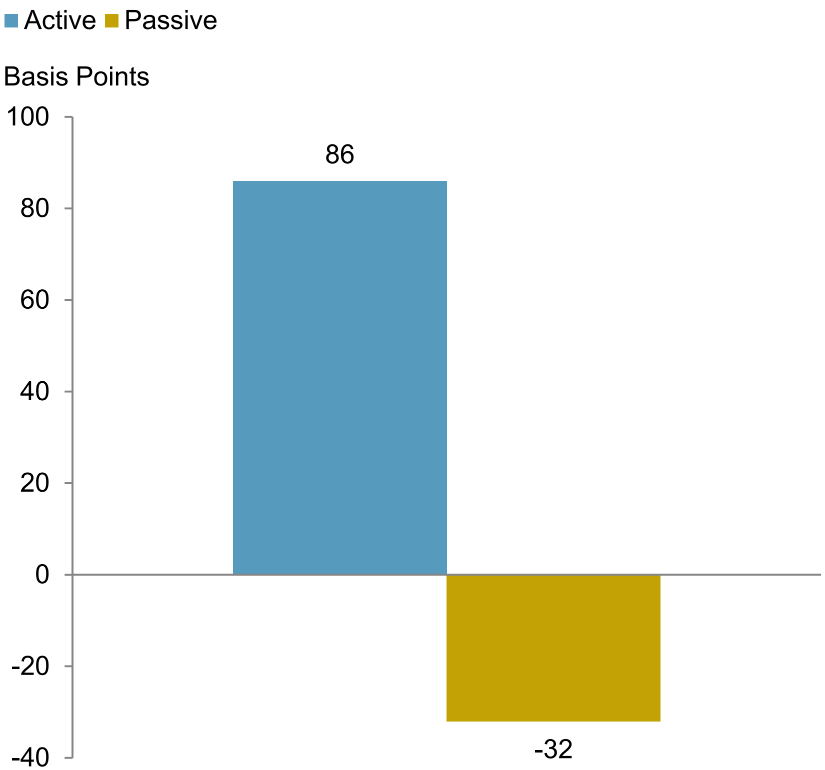
ROE	EPS Growth	
	LTM	*NTM*
15%	-3%	12%
11%	-19%	17%
10%	-11%	7%
9%	15%	11%

EM: Emerging Market. EPS: Earnings Per Share. LTM: Last Twelve Months. NTM: Next Twelve Months. **Chart** and **Table:** Source: Standard & Poor's, MSCI, FactSet, Fidelity Investments (AART), as of 9/30/15.

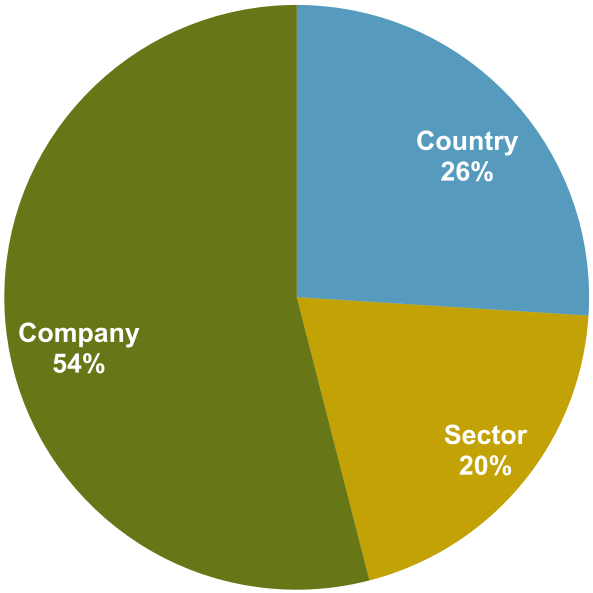
Ample Active Opportunities in the International Space

Over the long term, active international equity managers have exceeded benchmark performance by 86 basis points (on average) by taking advantage of less efficient non-U.S. markets. Quantitative analysis of past equity returns shows that company exposure (security selection) is the most significant factor for explaining differences in performance among stocks.

International Large-Cap Excess Returns (Avg. One-Year Rolling) 1992-2014



Average Source of Return for Global Stocks 1990-2015



LEFT: Excess returns represent industry average returns for each set of funds (active or passive, including closed or merged funds). International funds labeled as "foreign large growth/value/blend" by Morningstar. Average excess returns: the average of all monthly one-year rolling excess returns for all funds in the set under analysis, using overlapping one-year periods and data from Jan. 1, 1992 to Dec. 31, 2014. Excess returns are returns relative to the primary prospectus benchmark of each fund, net of fees. Basis point: 1/100th of a percentage point. Past performance is no guarantee of future results. This chart does not represent actual or future performance of any individual investment option. * See Appendix for additional information. Industry aggregate returns are equal-weighted for all funds in each set. Periods determined by availability of sufficient passive index fund data. Source: Fidelity *Leadership Series* paper "*Finding Superior Active Equity Managers: A Simple Approach for Investors*" (May 2015), Morningstar, Fidelity, as of 12/31/14. **RIGHT:** Anova: analysis of variation. Source: MSCI All Country World Index, Fidelity Investments, as of 8/31/15.

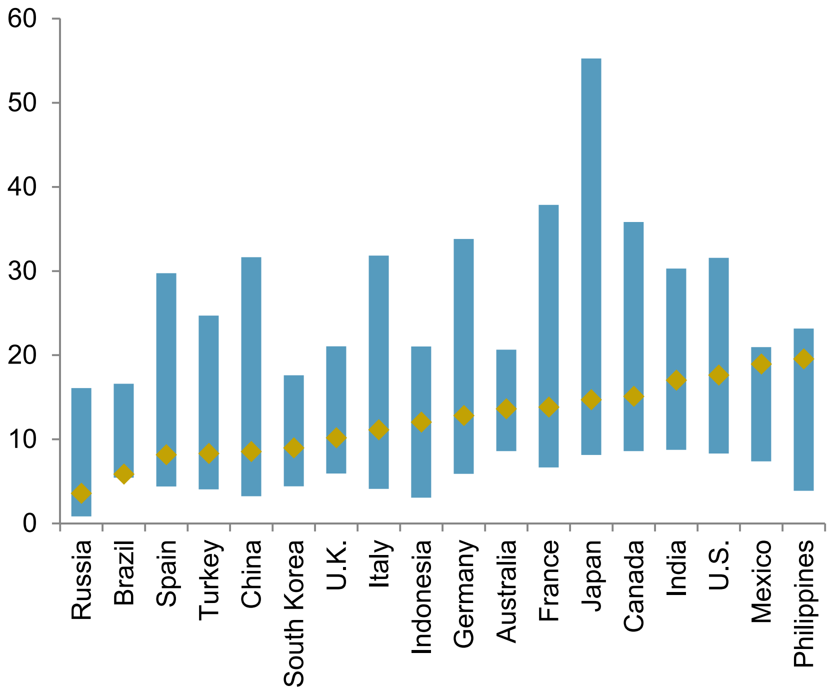
Non-U.S. Valuations Fall, Become More Attractive

Developed and emerging-market equities experienced multiple compression in Q3 due to weak equity performance. Valuations of most developed and emerging markets remained lower than U.S. multiples and fell further below long-term averages.

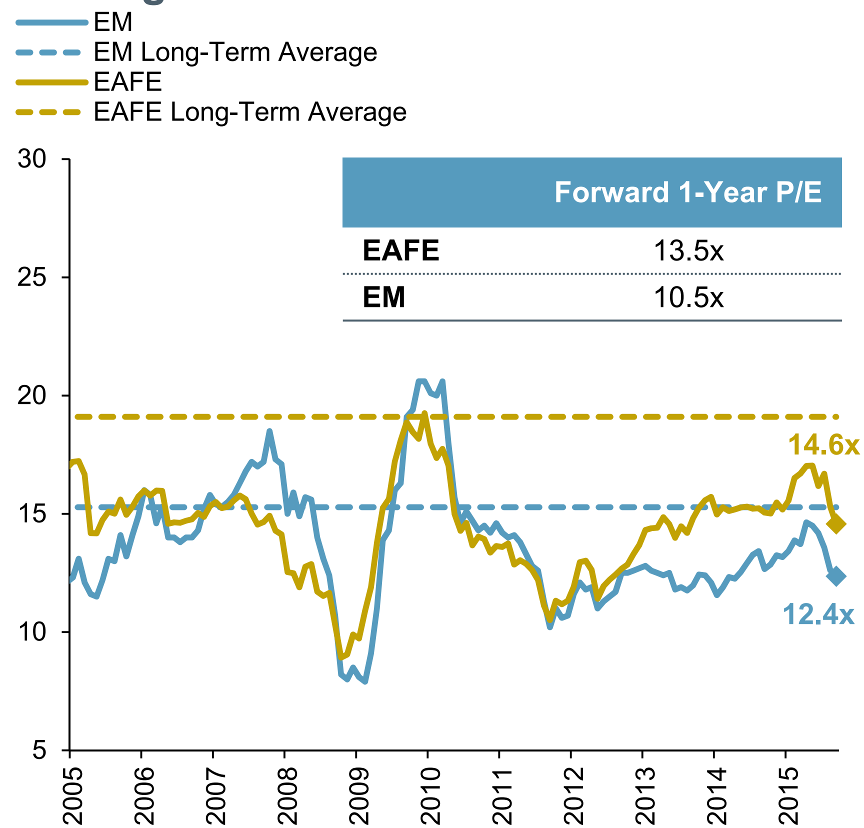
Cyclical P/Es

◆ Current ■ 20-Year Range

Price/5-Year Peak Real Earnings



Trailing 12-Month P/E Ratios



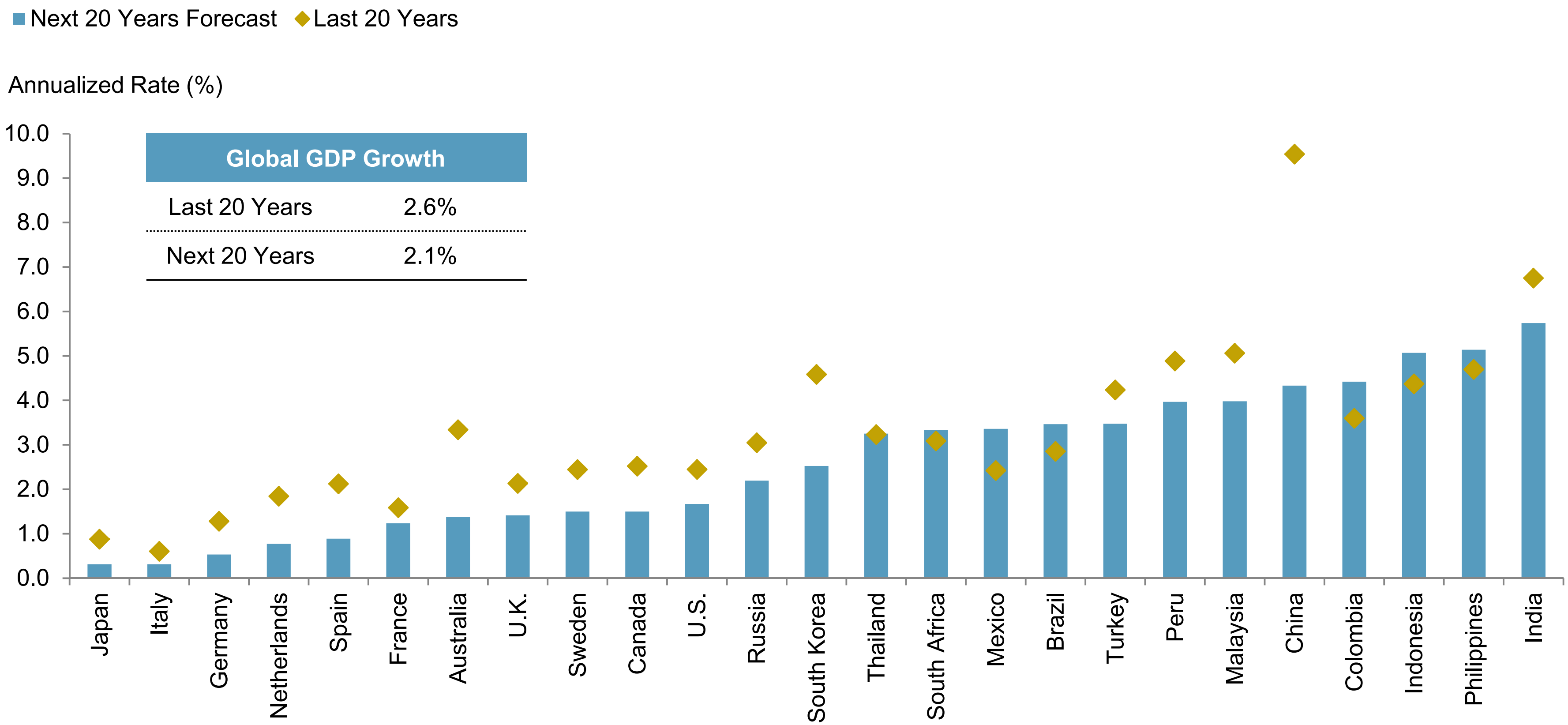
	Forward 1-Year P/E
EAFE	13.5x
EM	10.5x

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. EAFE: Europe, Australasia, Far East. EM: Emerging Market. Price-to-earnings (P/E) ratio (or multiple): Stock price divided by earnings per share, which indicates how much investors are paying for a company's earnings power. EM – MSCI Emerging Markets Index; EAFE ex-U.S. – MSCI EAFE ex-U.S. Index; U.S. – MSCI USA Index. **LEFT**: Five-year peak earnings are adjusted for inflation. Source: FactSet, countries' statistical organizations, Haver Analytics, Fidelity Investments (AART), as of 9/30/15. **RIGHT**: Forward P/E valuations are price divided by next-twelve-months earnings estimates. Source: FactSet, Fidelity Investments (AART), as of 9/30/15.

Slower Global GDP Growth, with EMs in the Lead

Using projections for 40 countries within the MSCI All Country World equity index, we forecast global GDP growth over the next 20 years in most countries will be slower compared to the past two decades, largely due to deteriorating demographics. We expect emerging markets will generally experience a faster pace of growth relative to developed countries.

Global Real GDP Growth Forecasts, 2015-2034



Global GDP Growth	
Last 20 Years	2.6%
Next 20 Years	2.1%

EM: Emerging Market. Source: Fidelity *Leadership Series* paper "*Secular Outlook for Global Growth: 2015-2034"* (July 2015). World Bank, Fidelity Investments (AART), as of 12/31/14.

QUARTERLY MARKET UPDATE

Fourth Quarter 2015

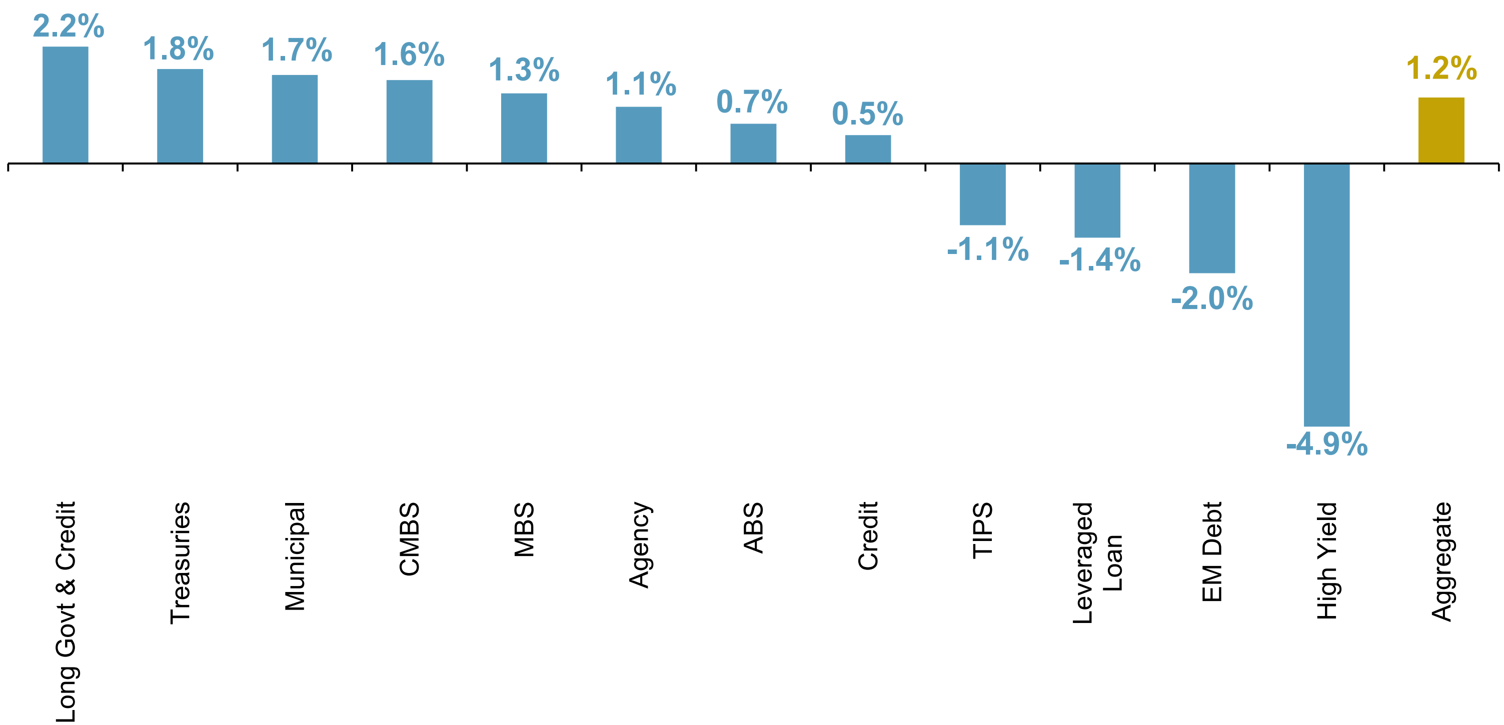
Fixed-Income Markets

Fidelity INVESTMENTS

High-Quality, Longer-Duration Categories Rebounded in 3Q

Falling interest rates and rising spreads resulted in the outperformance of higher-quality and longer-duration fixed-income categories during the third quarter, pushing the investment-grade aggregate bond index back into positive territory on a year-to-date basis.

Q3 2015 Total Return



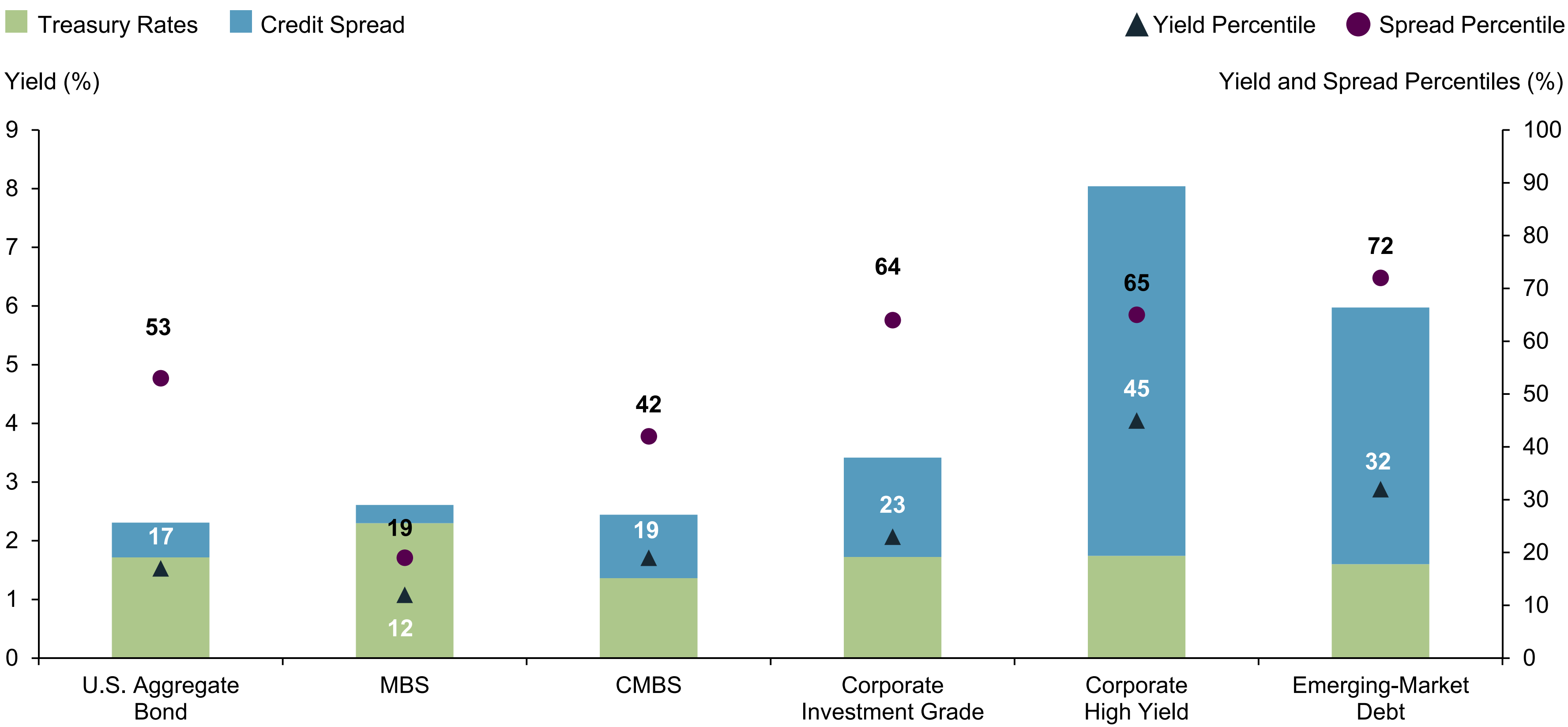
	Long Govt & Credit	Treasuries	Municipal	CMBS	MBS	Agency	ABS	Credit	TIPS	Leveraged Loan	EM Debt	High Yield	Aggregate
Year-to-Date	-2.4%	1.8%	1.8%	2.3%	1.6%	1.7%	1.8%	-0.3%	-0.8%	1.5%	-0.3%	-2.5%	1.1%

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) – JPMorgan 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 U.S. 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 9/30/15.

Yields Still Low, but Spreads Now Above Average

The decline in interest rates kept investment-grade bond and MBS yields well below their historical averages. However, widening spreads for corporate bonds and emerging-market debt pushed their spreads above their historical averages since 2000.

Fixed-Income Yields and Spreads

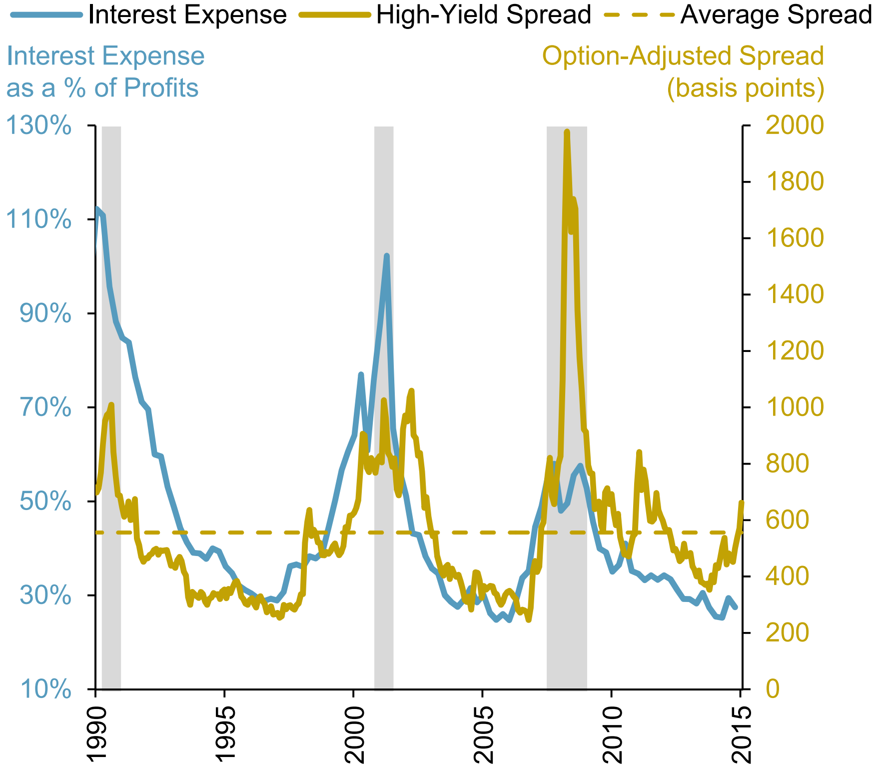


Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indices are unmanaged. Please see appendix for important index information. Percentile ranks of yields and spreads based on historical period from 2000 to 2015. MBS: Mortgage-Backed Security; CMBS: Commercial Mortgage-Backed Security. All categories represented by respective Barclays bond indices. Source: Barclays, Fidelity Investments (AART), as of 9/30/15.

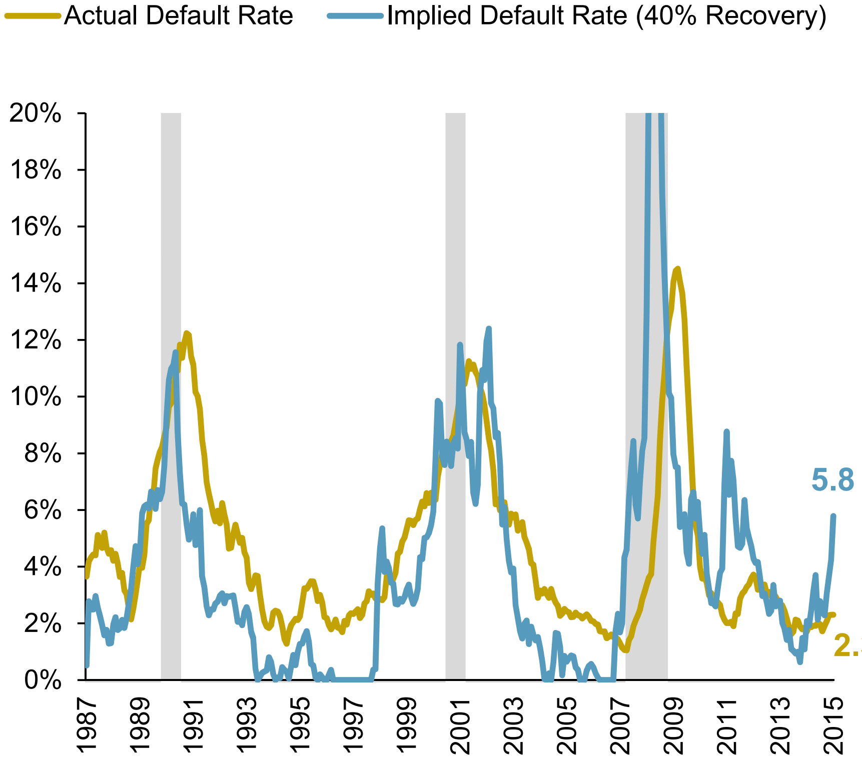
Cheaper High-Yield Valuations Discounting Some Bad News

High-yield spreads have widened significantly during the past year and are now back above their historical average. High-yield bond prices remain susceptible to weak energy prices, but the market has already priced in an elevated default rate despite low debt-servicing costs and still generally positive corporate balance sheets.

High-Yield Spreads & Corporate Interest Expense



Actual & Implied High-Yield Default Rates



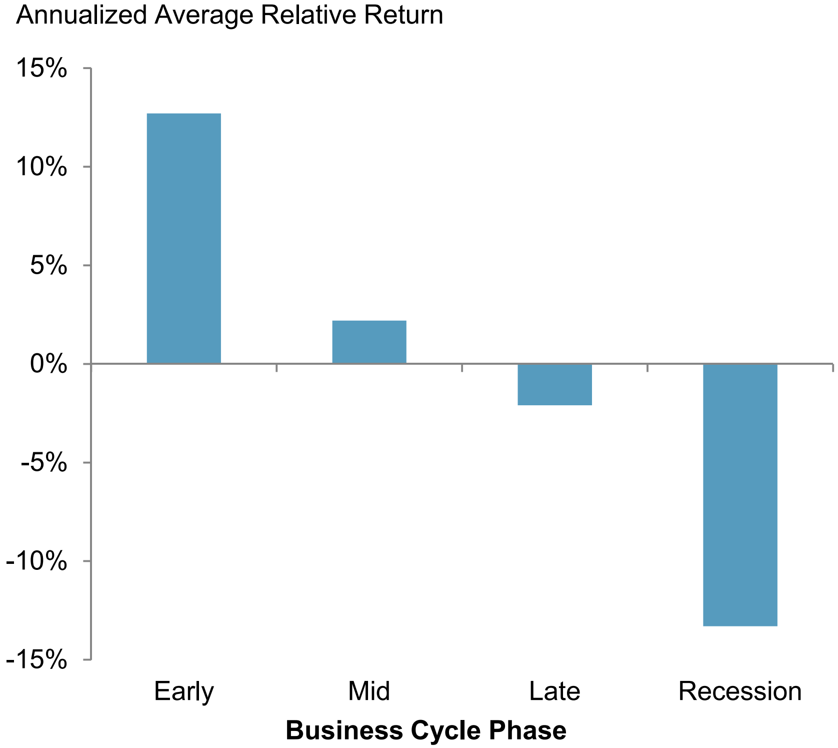
Shaded area indicates a recession as defined by the National Bureau of Economic Research (NBER). **LEFT:** Interest expense for all non-financial U.S. firms as defined by Bureau of Economic Analysis. OAS = Option-Adjusted Spread. High Yield – BofA ML U.S. High Yield Master II Index. Source: Bank of America Merrill Lynch, Bureau of Economic Analysis, Haver Analytics, Fidelity Investments (AART) as of 6/30/15. **RIGHT:** Implied defaults reached a peak of 30.5% in November 2008, not shown for scaling purposes. Actual default rates according to Moody's trailing 12-month default rate. Source: Moody's, Bank of America Merrill Lynch, Fidelity Investments (AART) as of 9/30/15.

Fidelity INVESTMENTS

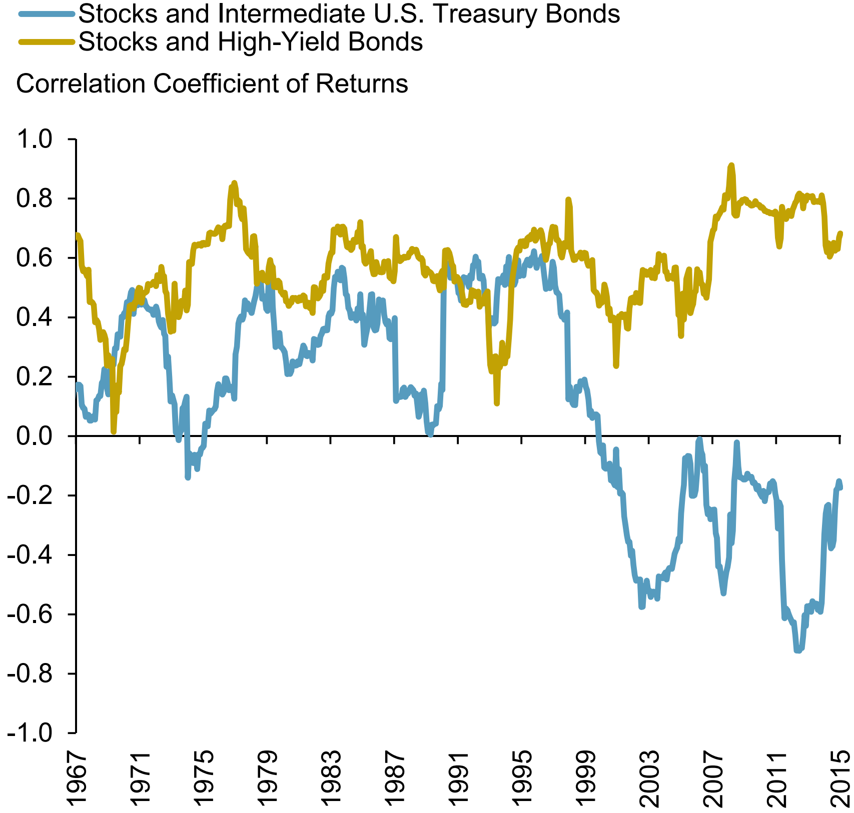
Managing Interest-Rate and Credit Risk

Credit-sensitive bonds such as high-yield corporates typically outperform their investment-grade counterparts during mid-cycle expansions amid strong credit and profit growth. However, lower-credit-quality bonds provide less diversification of equity risk within an overall portfolio, a particularly important consideration during a transition to the late-cycle phase.

High-Yield Bond Minus Investment-Grade Bond Performance (1950-2010)



Stocks and Bonds 3-Year Correlations

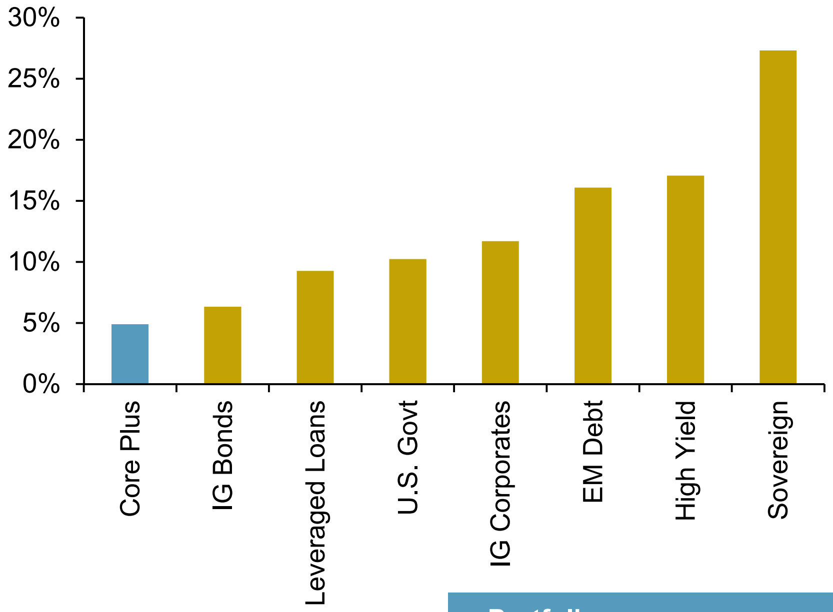


LEFT: Past performance is no guarantee of future results. Fidelity Investments proprietary analysis of historical asset class performance, using data from indices from Bank of America Merrill Lynch, Barclays. Source: Fidelity Investments (AART), as of 6/30/15. **RIGHT:** Source: BofA ML High Yield Index, Morningstar, Barclays, Bloomberg Finance L.P., Fidelity Investments (AART), as of 9/30/15.

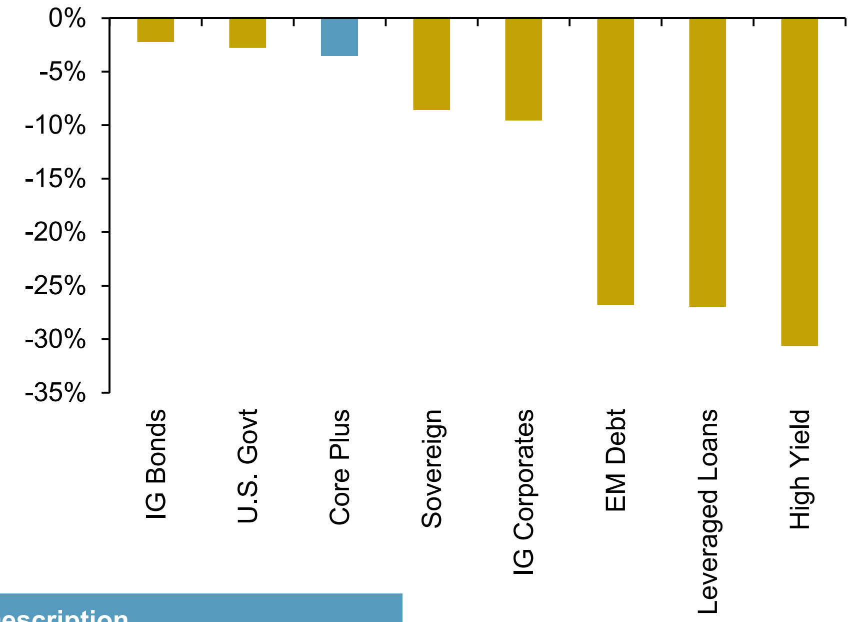
Benefits of High-Quality Core in a Multi-Sector Bond Portfolio

A multi-sector fixed-income strategy with a foundation of high-quality bonds and the addition of higher-yielding “plus” sectors has exhibited consistent downside protection. A “core plus” portfolio has generated fewer periods of negative returns than any individual bond sector, while providing a significantly lower magnitude of losses than lower-quality sectors.

1-Year Negative Return Periods, 1998–2014



Worst 1-Year Returns, 1998–2014



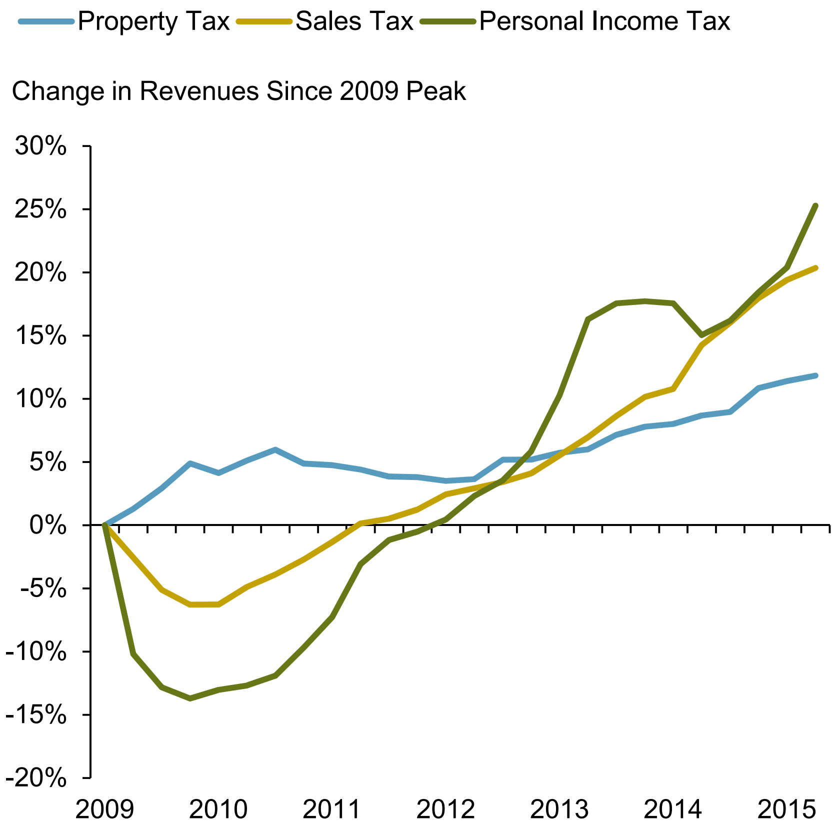
Portfolio	Description	
Core Plus	80% U.S. Investment Grade 5% Leveraged Loans	10% U.S. High Yield 5% Emerging Market

Past performance is no guarantee of future results. It is not possible to invest directly in an index. Index returns represented by: Emerging Market Debt – JPM EMBI Global Index; Foreign Developed-Country Bonds – Citigroup G-7 Non-USD Bond Index; Leveraged Loans – S&P/LSTA Performing Loan 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: Morningstar Direct, Fidelity Investments (AART), as of 12/31/14.

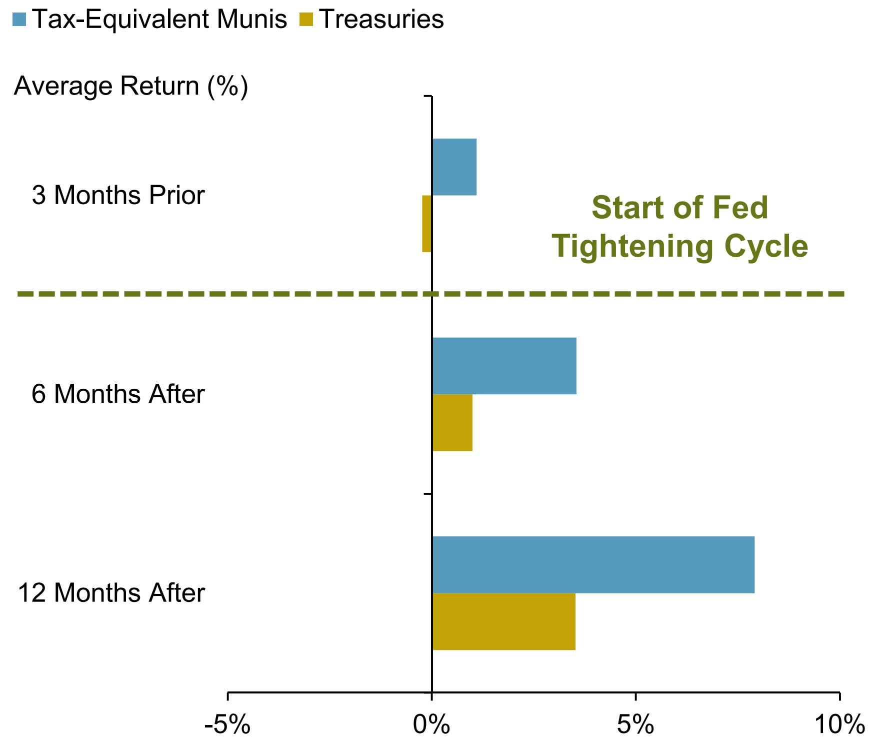
Muni Fundamentals Positive, Provide Diversification Benefit

Although fiscal challenges exist for many municipalities, state revenues have been improving in recent years, and the positive growth in property tax revenues is an encouraging sign for localities. Moreover, highly rated muni bonds historically tend to offer better tax-equivalent returns than comparable Treasuries around Fed tightening cycles.

State and Local Tax Revenues



Muni Performance around Fed Tightening Cycles, 1983–2010



Past performance is no guarantee of future results. **LEFT:** Data shown as four-quarter average. Data not adjusted for legislative changes. Personal income tax and sales tax represent state portion only, while property tax reflects state and local components. Source: U.S. Census Bureau Quarterly Summary of State and Local Tax Revenue, Fidelity Investments (AART), as of 6/30/15. **RIGHT:** Fed: Federal Reserve. Tax-equivalent yields assume the highest tax bracket calculated using top federal income-tax rate prior to 2013 and Medicare contribution tax plus top federal income tax rate from 2013 onwards. Fidelity Investments proprietary analysis of historical asset-class total returns, using data from indices from Barclays, Fidelity Investments. Source: Fidelity Investments (AART), as of 9/30/15.

Fidelity INVESTMENTS

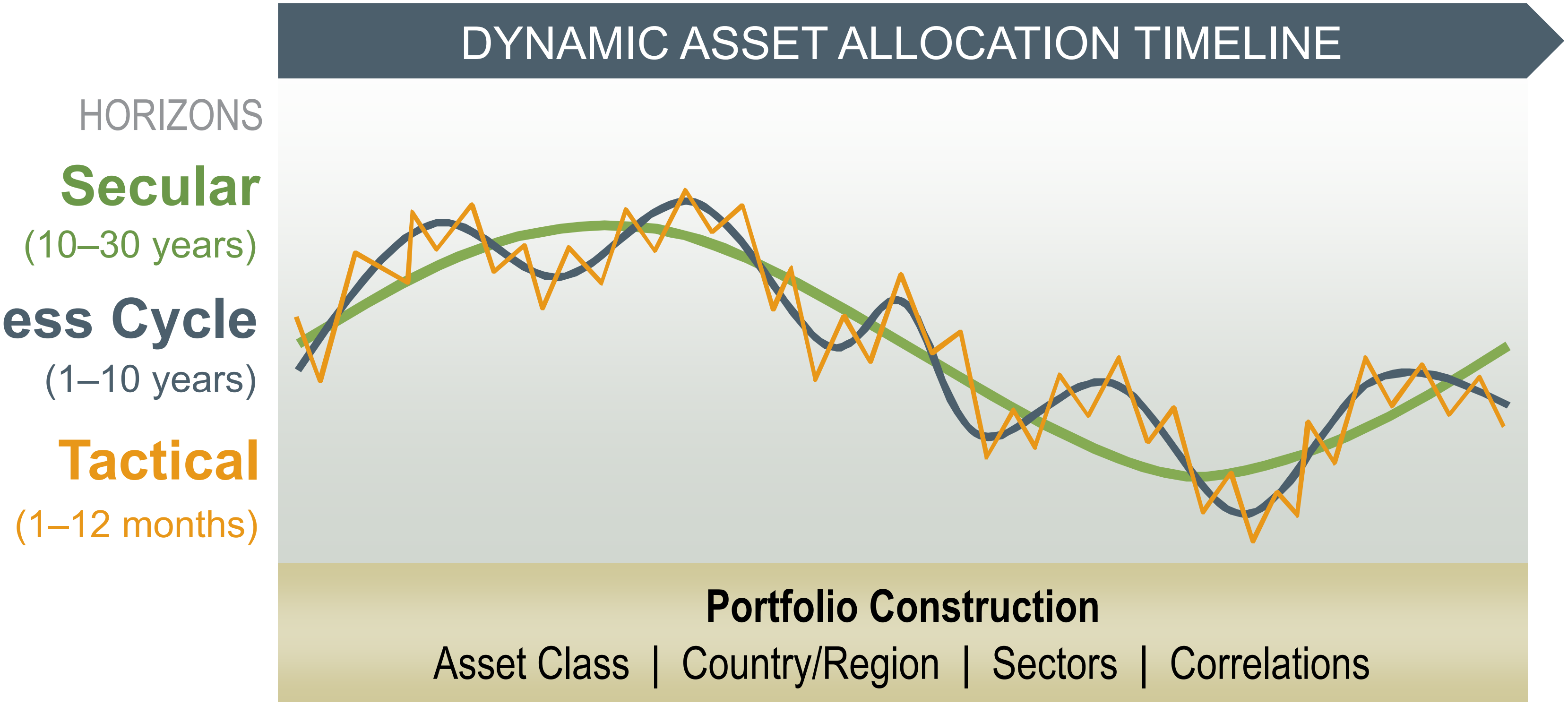
QUARTERLY MARKET UPDATE

Fourth Quarter 2015

Asset Allocation Themes

Multi-Time-Horizon Asset Allocation Framework

Fidelity's Asset Allocation Research Team (AART) believes that asset price fluctuations are driven by a confluence of various factors that evolve over different time horizons. As a result, we employ a framework that analyzes trends among three temporal segments: tactical (short term), business cycle (medium term) and secular (long term).



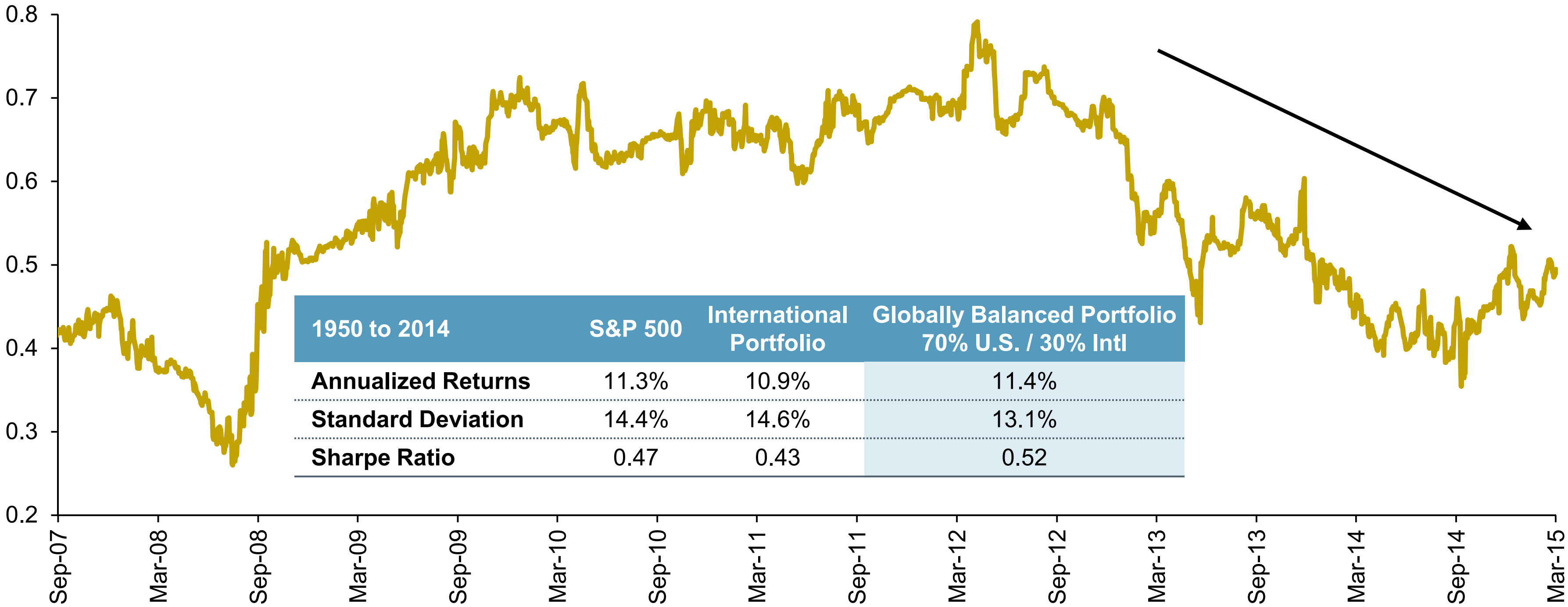
For illustrative purposes only. Source: Fidelity Investments (AART).

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. Though they rose in the second half of 2014, correlations between U.S. and international equities have trended down toward prerecession levels, signaling increased global diversification benefits.

Correlations: International and U.S. Equities

Six-Month Rolling Correlations of Daily Returns



1950 to 2014	S&P 500	International Portfolio	Globally Balanced Portfolio 70% U.S. / 30% Intl
Annualized Returns	11.3%	10.9%	11.4%
Standard Deviation	14.4%	14.6%	13.1%
Sharpe Ratio	0.47	0.43	0.52

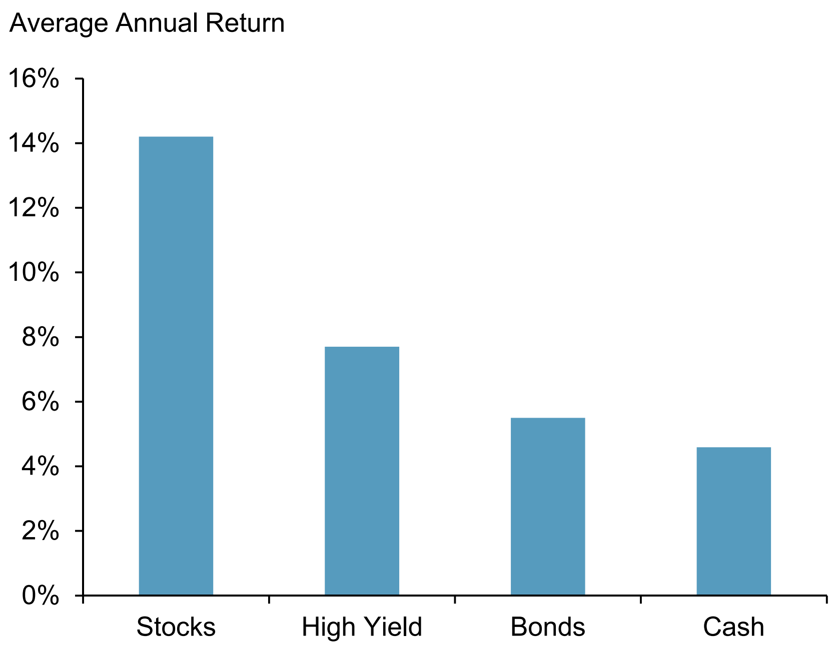
Past performance is no guarantee of future results. It is not possible to invest directly in an index. All indices are unmanaged. Please see appendix for important index information. **CHART:** International Equities – MSCI World ex-U.S.; U.S. Equities – S&P 500 Index, as of 12/31/14. **TABLE:** Hypothetical "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, Morningstar, Global Financial Data (GFD) World x/USA Return Index; EM equities – MSCI EM Index, GFD Emerging Markets Index. Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 3/31/15.

Fidelity INVESTMENTS

Late Cycle Often Causes a Key Shift in Asset Performance

The U.S. remains in a mid-cycle expansion. The late-cycle phase has the most mixed performance of any business cycle phase, with the leadership of economically sensitive assets typically faltering, and relative and absolute returns becoming more mixed. Monetary policy often becomes more neutral during the mid cycle and outright restrictive during the late cycle.

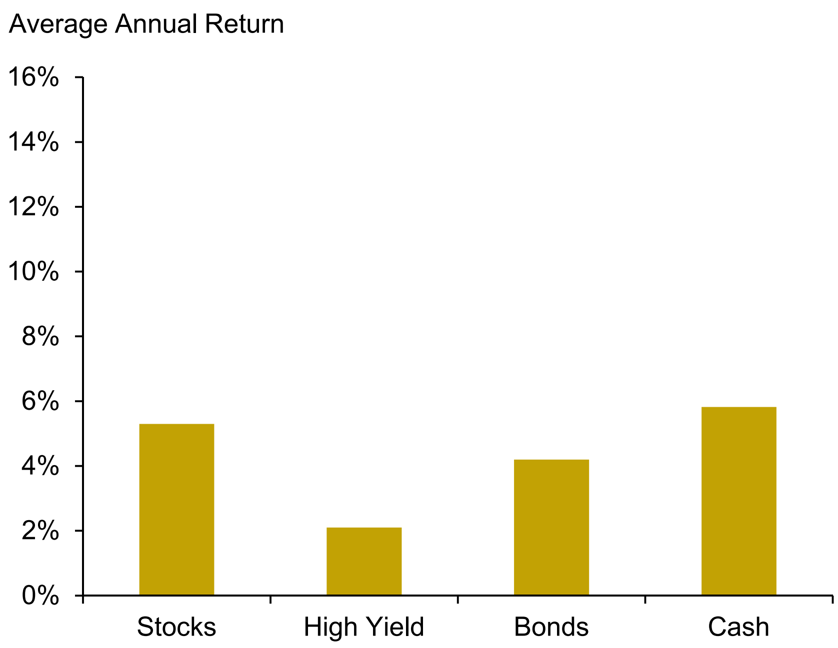
Mid-Cycle Asset Class Performance, 1950–2010



Favor Economically Sensitive Assets

- Monetary policy accommodative/neutralized
- Profit growth solid/peaks
- Credit spreads narrow

Late-Cycle Asset Class Performance, 1950–2010



Mixed Asset Class Performance

- Monetary policy becomes restrictive
- Earnings under pressure
- Credit spreads widen

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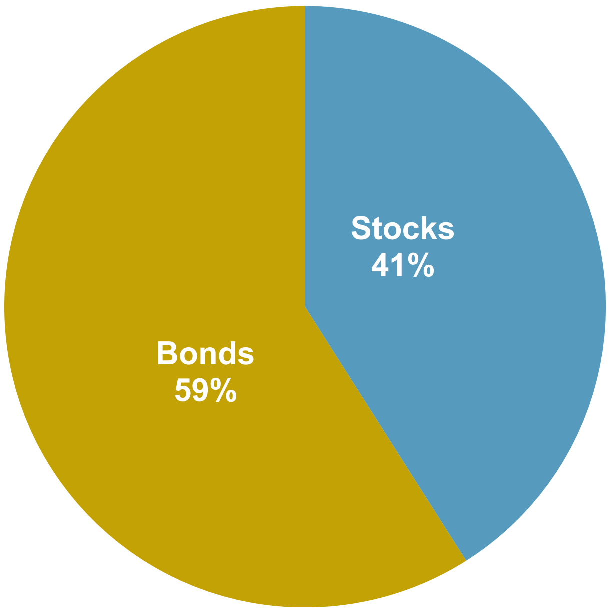
Past performance is no guarantee of future results. Fidelity Investments proprietary analysis of historical asset class performance, using data from indices from Bank of America Merrill Lynch, Barclays, Fidelity Investments, Morningstar. Source: Fidelity Investments (AART), as of 6/30/15.

Myopic Loss Aversion Prompts Risk-Averse Behavior

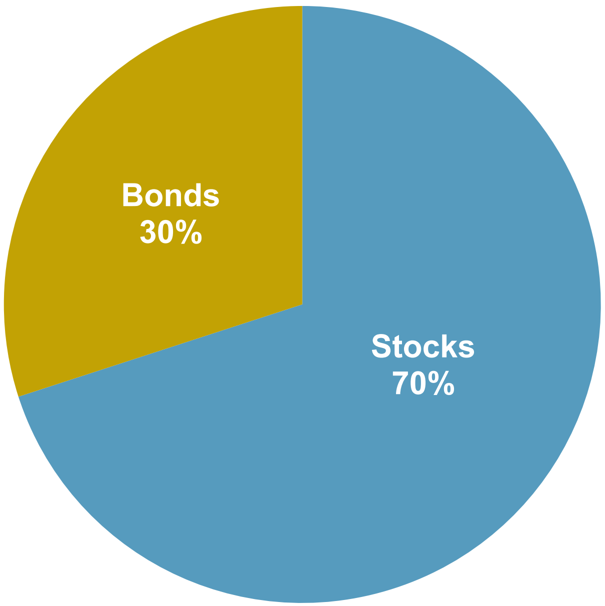
Myopic loss aversion describes a common bias in which greater sensitivity to losses than to gains is compounded by the frequent evaluation of outcomes. Investors who review their portfolios more frequently have tended to shift toward more conservative exposures, as increased monitoring raises the likelihood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

Impact of Feedback Frequency on Investment Decisions

Monthly



Yearly



In the study, subjects were assigned simulated conditions that were similar to making portfolio decisions on a monthly or yearly basis. Source: Thaler, R. H., A. Tversky, D. Kahneman, and A. Schwartz. "The Effect of Myopia and Loss Aversion on Risk Taking: An Experimental Test." *The Quarterly Journal of Economics* 112.2 (1997), used by permission of Oxford University Press, Fidelity Investments (AART), as of 12/31/14.

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	2015*
18%	75%	17%	38%	35%	35%	35%	66%	32%	14%	26%	56%	32%	35%	35%	40%	5%	79%	28%	8%	20%	39%	28%	1%
17%	33%	8%	37%	23%	33%	29%	34%	26%	8%	10%	47%	26%	21%	33%	16%	-20%	58%	27%	8%	19%	34%	14%	-2%
15%	20%	3%	37%	23%	29%	21%	27%	12%	5%	4%	39%	21%	14%	27%	12%	-26%	37%	19%	4%	18%	33%	13%	-3%
15%	19%	2%	30%	22%	24%	20%	24%	8%	2%	-2%	37%	18%	12%	22%	11%	-34%	32%	18%	4%	18%	32%	12%	-3%
11%	19%	1%	28%	22%	22%	14%	21%	-1%	-2%	-6%	31%	17%	7%	18%	7%	-36%	28%	17%	2%	16%	23%	11%	-5%
8%	17%	0%	20%	16%	20%	9%	21%	-3%	-4%	-9%	31%	11%	5%	16%	6%	-36%	27%	16%	2%	16%	19%	6%	-5%
8%	10%	-1%	18%	15%	13%	3%	12%	-5%	-4%	-15%	29%	11%	5%	12%	5%	-37%	26%	15%	0%	16%	7%	5%	-5%
7%	10%	-2%	15%	11%	10%	-3%	7%	-9%	-12%	-16%	28%	9%	5%	11%	2%	-38%	20%	15%	-4%	15%	3%	3%	-8%
5%	10%	-2%	15%	6%	2%	-18%	3%	-14%	-20%	-20%	24%	8%	4%	9%	-1%	-38%	19%	12%	-12%	11%	-2%	-2%	-9%
4%	4%	-3%	12%	6%	-3%	-25%	-1%	-22%	-20%	-22%	19%	7%	3%	4%	-2%	-43%	18%	8%	-13%	4%	-2%	-4%	-15%
-12%	-1%	-7%	-5%	4%	-12%	-27%	-5%	-31%	-21%	-28%	4%	4%	2%	2%	-16%	-53%	6%	7%	-18%	-1%	-10%	-17%	-16%

Legend
Investment-Grade Bonds
Growth Stocks
High-Yield Bonds
60% Large Cap 40% IG Bonds
Real Estate Stocks
Foreign-Developed Country Stocks
Large Cap Stocks
Small Cap Stocks
Value Stocks
Emerging-Market Stocks
Commodities

*2015 as of 9/30/15. 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 – Bloomberg 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: Morningstar, Standard & Poor's, Haver Analytics, Fidelity Investments (AART), as of 9/30/15.

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.

Market Indices

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 U.S. Real Estate Index** is a subset of the BofA ML Real Estate Corporate Index; qualifying securities must have an investment grade rating and an investment grade-rated country of risk. **BofA ML U.S. High Yield Bond Index** is a market capitalization-weighted index of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. **The Merrill Lynch High-Yield Bond Master II 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.

Market Indices (continued)

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 Euro Aggregate Bond Index** is a broad-based flagship benchmark that measures the investment grade, euro-denominated, fixed rate bond market, including treasuries, government-related, corporate and securitized issues. **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 Municipal Bond Index** is a market value-weighted index of investment-grade municipal bonds with maturities of one year or more. **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 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. 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.

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.

The Citigroup Non-USD Group-of-seven (G7) Equal Weighted Index is designed to measure the unhedged performance of the government bond markets of Japan, Germany, France, Britain, Italy, and Canada. The index is equal weighted by country. Issues included in the index have fixed-rate coupons and maturities of one year or more.

The CBOE Volatility Index® (VIX® Index) is a barometer of equity market volatility. The VIX Index is based on real-time prices of options on the S&P 500® Index (SPX) and is designed to reflect investors' consensus view of future (30-day) expected stock market volatility.

The Conference Board Leading Economic Index® (LEI) for the U.S. is a series of composite economic indexes that are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading, coincident, and lagging economic indexes are essentially composite averages of several individual leading, coincident, or lagging indicators. They are constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component – primarily because they smooth out some of the volatility of individual components.

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).

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).

The Global Financial Data (GFD) World x/USA Return Index is a multi-country composite index with constituents weighted by relative GDP and stock market capitalizations; it is designed to approximate continuous and comparable world ex-U.S. equity returns from 1919 to 1969. **GFD Emerging Markets Index** is a composite of various regional EM indices in use before 1987 using a qualitatively selected weighting of constituent countries; it is designed to approximate continuous and comparable EM equity returns from 1920 to 1987.

Market Indices (continued)

The IA SBBI U.S. Small Cap 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.

JPM® EMBI Global Index, and its country sub-indices, 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. **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.

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 & 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. & 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 REIT Preferred Index is a preferred stock market capitalization-weighted total return index of certain exchange-traded perpetual preferred securities issued by U.S. Equity and U.S. Hybrid REITs.

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 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 500 Total Return Index** represents the price changes and reinvested dividends of the S&P 500® Index. **The S&P SmallCap 600** is a market capitalization-weighted index of 600 small-capitalization stocks. **The S&P GSCI® Commodities Index** provides investors with a reliable and publicly available benchmark for investment performance in the commodity markets.

Appendix: Important Information

Market Indices (continued)

The **Sectors and industries** 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 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.

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.

Other Indices

The China Home Price Diffusion Index—70 Cities is a price index for existing residential buildings in 70 cities in China.

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, including housing, electricity, food, and transportation.

The Producer Price Index (PPI) measures the average change over time in the selling prices received by domestic producers for their output. The prices included in the PPI are from the first commercial transaction for many products and some services.

The London Bullion Market Association (LBMA) publishes the international benchmark price of gold in USD, twice daily. The **LBMA Gold price** auction takes place by ICE Benchmark Administration (IBA) at 10:30 and 15:00 with the price set in US dollars per fine troy ounce.

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.

Trade-weighted $ (Broad) Index: The broad index is a weighted average of the foreign exchange values of the U.S. dollar against the currencies of a large group of major U.S. trading partners. The index weights, which change over time, are derived from U.S. export shares and from U.S. and foreign import shares. Countries whose currencies are included in the Broad index are the Euro Area, Canada, Japan, Mexico, China, United Kingdom, Taiwan, Korea, Singapore, Hong Kong, Malaysia, Brazil, Switzerland, Thailand, Philippines, Australia, Indonesia, India, Israel, Saudi Arabia, Russia, Sweden, Argentina, Venezuela, Chile and Colombia. The Euro Area includes Germany, France, Italy, Netherlands, Belgium/Luxembourg, Ireland, Spain, Austria, Finland, Portugal, and Greece.

Trade-weighted $ (Major) Index: The major currencies index is a weighted average of the foreign exchange values of the U.S. dollar against a subset of currencies in the broad index that circulate widely outside the country of issue. The weights are derived by rescaling the currencies' respective weights in the broad index so that they sum to 1 in each sub-index. Countries whose currencies are included in the Major index are the Euro Area, Canada, Japan, United Kingdom, Switzerland, Australia, and Sweden. The Euro Area includes Germany, France, Italy, Netherlands, Belgium/Luxembourg, Ireland, Spain, Austria, Finland, Portugal and Greece.

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.

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.

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.

Excess return: the amount by which a portfolio's performance exceeds its benchmark, net (in the case of the analysis in this article) or gross of operating expenses, in percentage points.

Appendix: Important Information

Definitions (continued)

* **Methodology for excess returns** (P. 36): Our analysis focused on all U.S. large-cap, foreign (international) large-cap growth/value/blend equity mutual funds tracked by Morningstar between Jan. 1, 1992 and Dec. 31, 2014, including all core, value, and growth funds within each category and including actively managed funds and passive index funds. We included funds that did not exist for the entire period (closed or merged funds) to reduce survivorship bias. For passive index funds, we eliminated funds that were labeled as “enhanced index,” and funds with tracking error greater than 1% (which are unlikely to be actual passive index strategies despite their identification in the database). For international large-cap funds, we eliminated funds benchmarked to a price index, for greater comparability. We selected the oldest share class for each fund as representative; where more than one share class was oldest, we chose the class labeled as “retail.” Total fund counts for international large-cap equity funds: active 397, passive 25; average fund counts for performance calculation: active 213, passive 9. Averaging excess returns: We used Morningstar data on returns from Jan. 1, 1992 through Dec. 31, 2014. We calculated each fund’s excess returns on a one-year rolling basis, relative to each fund’s primary prospectus benchmark and net of reported expense ratio, for each month, using monthly excess return data from Morningstar. We used an equal-weighted average to calculate overall industry one-year returns for each month. (We chose to equal weight the averages in order to represent the average performance of the range of individual funds available to investors, rather than asset weighting, which may introduce bias into the analysis.) Funds in the study included active and passive funds tracked by Morningstar and benchmarked to the following indices: Foreign (international) large-cap equity (all in USD): MSCI ACWI Ex USA; MSCI ACWI Ex USA Growth; MSCI ACWI Ex USA Value; MSCI EAFE; MSCI EAFE Growth; MSCI EAFE Value; MSCI World Ex USA; MSCI World Ex USA Growth; MSCI World Ex USA Value. Index definitions: 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. MSCI ACWI (All Country World Index) ex USA Growth (Value) Index is a market capitalization-weighted index designed to measure the investable equity market performance of growth (value) stocks for global investors of large- and mid-cap stocks in developed and emerging markets, excluding the United States. MSCI EAFE Index 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. & Canada. MSCI EAFE Growth (Value) Index is a market capitalization-weighted index that is designed to measure the investable equity market performance of growth (value) stocks for global investors in developed markets, excluding the U.S. & Canada. MSCI World ex USA Index is a market capitalization weighted index that is designed to measure the investable equity market performance for global investors of developed markets, excluding the United States. MSCI World ex USA Growth (Value) Index is a market capitalization weighted index that is designed to measure the investable equity market performance of growth (value) stocks for global investors of developed markets, excluding the United States.

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