Managing Risk through Late Cycle

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Key takeaways

In late cycle, the U.S. economy generally continues to grow at a more modest pace and riskier assets can potentially see positive returns.

Although volatility may increase, it's not uncommon to see rallies later into the cycle

Recessions happen. No matter where the U.S. economy resides in the business cycle, we believe that having a plan and remaining invested are two important drivers to long-term financial success

Late Cycle is a period of continued growth, but at a slower pace

We typically see signs of a maturing economy, but stocks and bonds generally rise.

- In late cycle, signs of a tight labor market can lead to higher wages. This is good for consumers, but a cost for businesses.
- At the same time, inflation and interest rates can move higher, and consumers may feel these impacts on mortgages and car loans. Inflation may also lead to higher prices for consumer goods.
- Additionally, stock markets may experience more volatility due to uncertainty about U.S. corporate profits and economic growth.
- It's important to know that late cycle is not a recession, but rather a period of moderating growth. A recession is when the economy actually shrinks.
- The business cycle is just one of several inputs our investment team uses to manage risk within client accounts. However, due to the wide range of historic outcomes in each phase of the business cycle, we believe it can be risky to try to time markets based on this research.

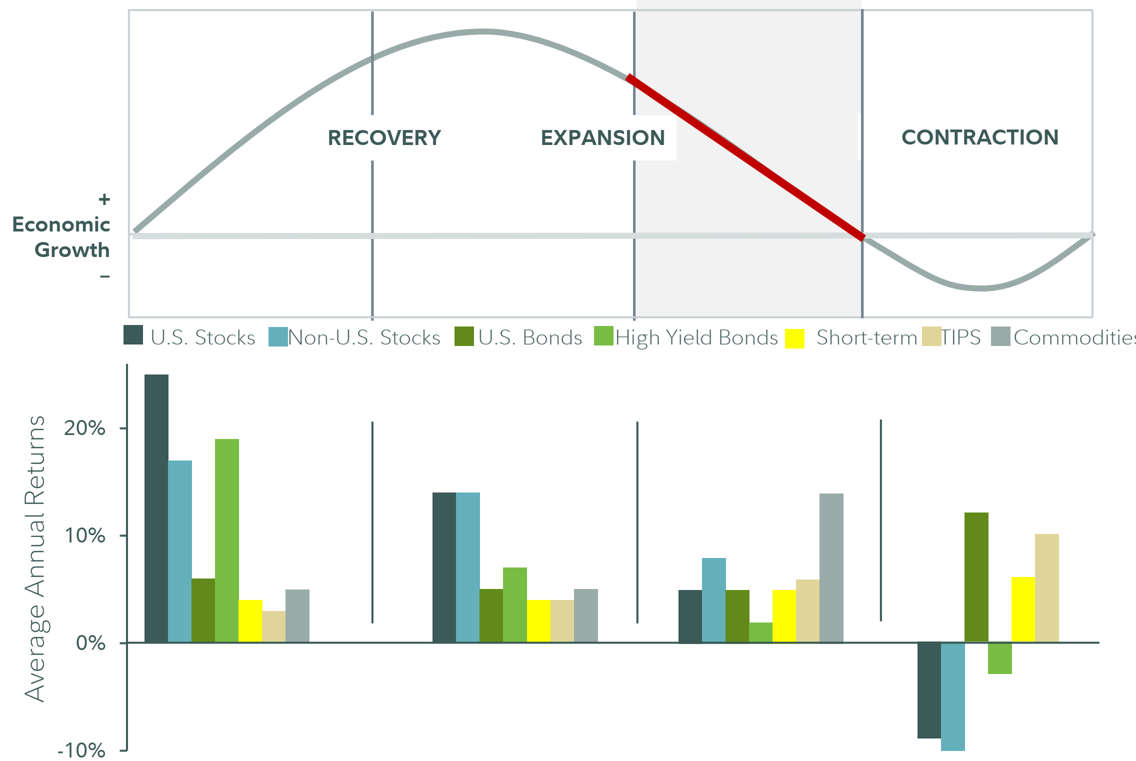
The late phase of the business cycle and business cycle average annual returns as of 12/31/23

Early
- Activity rebounds (GDP, IP, employment, incomes)
- Credit begins to grow
- Profits grow rapidly
- Policy still stimulative
- Inventories low, sales improve

Mid
- Growth peaking
- Credit growth strong
- Profit growth peaks
- Policy neutral
- Inventories, sales grow; equilibrium reached

Late
- Growth moderating
- Credit tightens
- Earnings under pressure
- Policy contractionary
- Inventories grow, sales growth falls

Recession
- Falling activity
- Credit dries up
- Profits decline
- Policy eases
- Inventories, sales fall



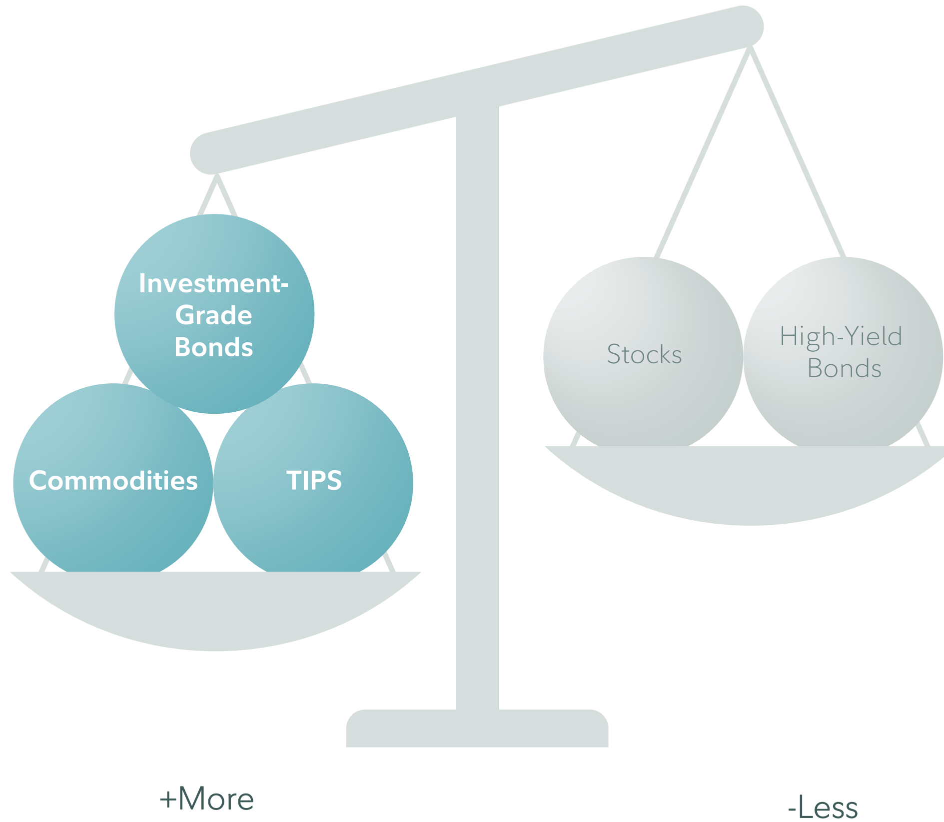
*Asset class total returns are represented by indexes from the following sources: Fidelity Investments, Morningstar, and Bloomberg. Fidelity Investments source: a proprietary analysis of historical asset class performance, which is not indicative of future performance. From 1950–2022, as of 12/31/23. **Past performance is no guarantee of future results.**
A growth recession is a significant decline in activity relative to a country's long-term economic potential. Note: The diagram above is a hypothetical illustration of the business cycle—the pattern of cyclical fluctuations in an economy over a few years that can influence asset returns over an intermediate-term horizon. There is not always a chronological, linear progression among the phases of the business cycle, and there have been cycles when the economy has skipped a phase or retraced an earlier one. Source: Fidelity Investments (AART), as of 12/31/23. Please see disclosures at the end of the presentation for important index and business cycle information.

As the U.S. economy matures, we will seek to modify the mix of investments in your account

During late cycle, we will typically seek to reduce risk in your account.

- Based on our extensive research, we believe aligning client accounts closer to their long-term asset allocation mixes may help manage risk within client accounts.
- We also continuously monitor and look for opportunities to rebalance your account, as needed, to help maintain the appropriate level of risk for your investments.
- We believe that the adjustments we make to your account on your behalf may help keep you aligned to your long-term financial goals.

In late-cycle, we may modify the investments in your account



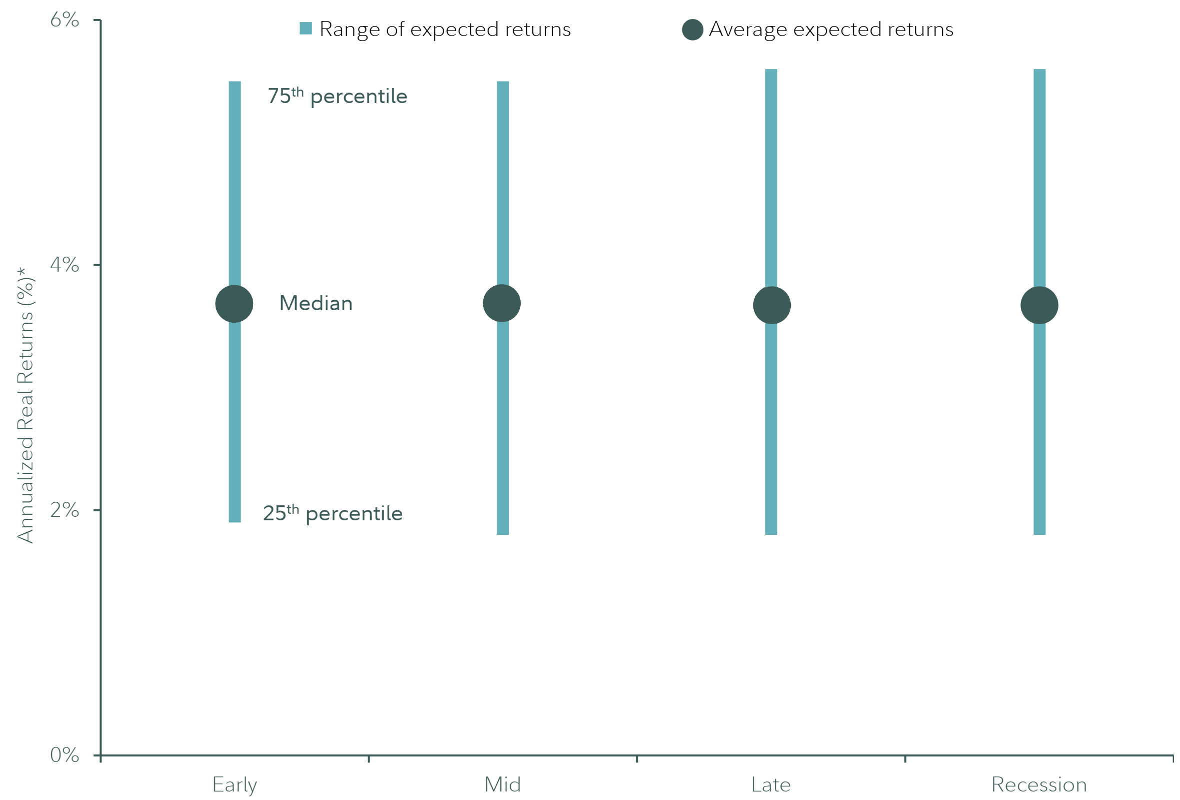
TIPS: Treasury Inflation-Protected Securities. **For illustrative purposes only.**

No matter when you start investing, outcomes can be similar over time

Our research shows that when you fund your account matters less with time.

- The difference in average long-term performance can be very small over time, regardless of which phase of the business cycle you start investing in.
- Therefore, choosing when to enter the market based on where we believe the U.S. economy resides in the business cycle is unlikely to dramatically affect your returns.
- Instead, we believe that remaining disciplined and sticking to your long-term investment plan may be a more reliable way to achieve your long-term financial goal.

20-year expected portfolio returns starting in each cycle



*Real return is the total return of an investment less the rate of inflation.

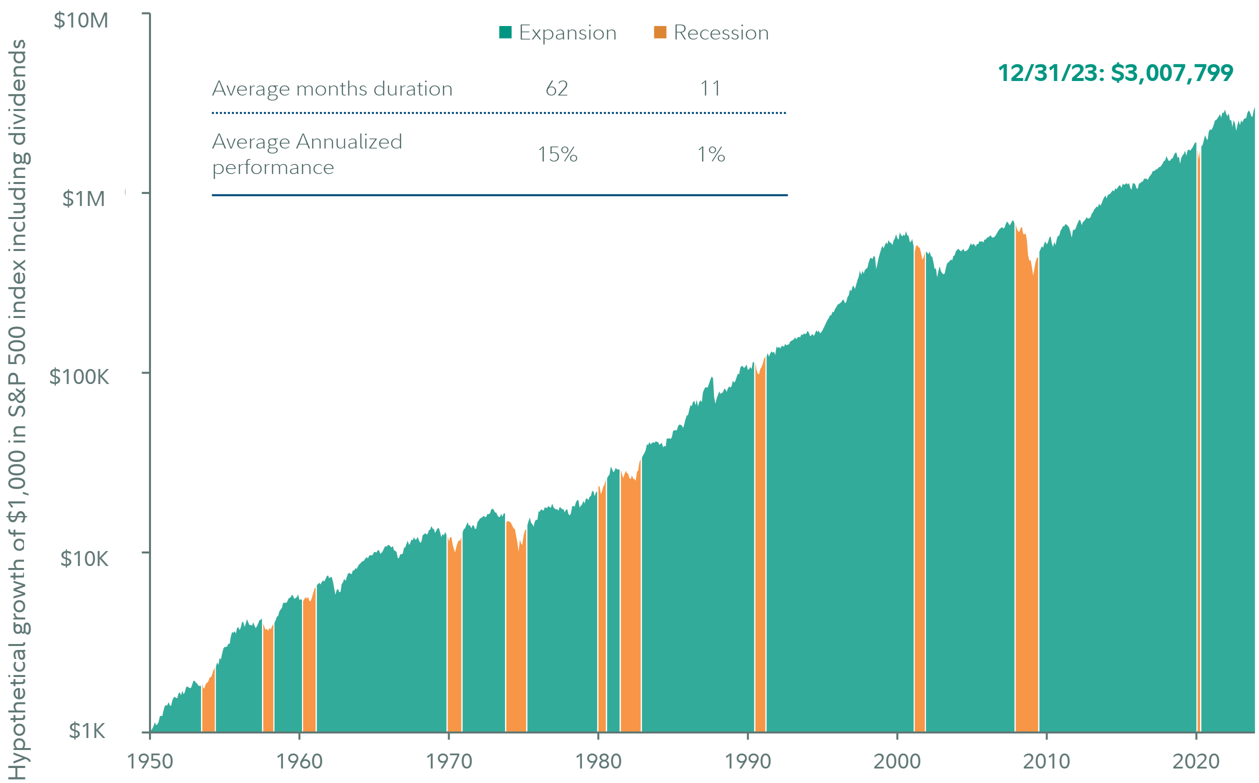
For illustrative purposes only. **Past performance is no guarantee of future results.** It is not possible to invest directly in an index. All indexes are unmanaged. Sample Portfolio: 36% Domestic Equity, 24% Foreign Equity, 40% IG Bonds. See Important Information section for index information. This historical analysis is based on Monte Carlo analysis based on historical index returns. 'Range of expected returns' illustrates simulations between the 25th and 75th percentile. The simulations represent an 85% confidence interval. Actual returns could potentially be higher or lower. Portfolio based on Dow Jones U.S. Total Stock Market Index, MSCI ACWI ex-US Index, Bloomberg Aggregate Index, as of 12/31/23. Please see disclosures at the end of the presentation for important index information.

Over the long-term, stocks have grown through market volatility and recessions

Despite occasional market downturns and recessions, focusing on your long-term goal is vital.

- Swift and severe market declines and recessions are stressful, but contractions are often much shorter than expansions.
- Each of the past recessions (orange areas) on the chart were challenging in the moment, but they pale in comparison with expansions (green areas) when stocks experienced significant growth.
- After every past recession, the markets and the economy have eventually stabilized and an expansion has followed.
- That's why we follow a disciplined investment process in managing your account to help you reach your long-term financial goal.

Since 1950, stocks have grown through 11 business cycles



	Expansion	Recession
Average months duration	62	11
Average Annualized performance	15%	1%

This chart illustrates the cumulative percentage return of a hypothetical investment made in the noted index during periods of economic expansions and recessions. Index returns include reinvestment of capital gains and dividends, if any, but do not reflect any fees or expenses. This chart is not intended to imply any future performance of the investment product. **Past performance is no guarantee of future results.** It is not possible to invest directly in an index. All indexes are unmanaged. Source: Bloomberg, S&P 500 Index total return for 1/1/50 to 12/31/23; recession and expansion dates defined by the National Bureau of Economic Research (NBER). The S&P 500 Index was created in 1957; however, returns have been reported since 1926, and the index has been reconstructed for years prior to 1957. Please see disclosures at the end of the presentation for important index information.

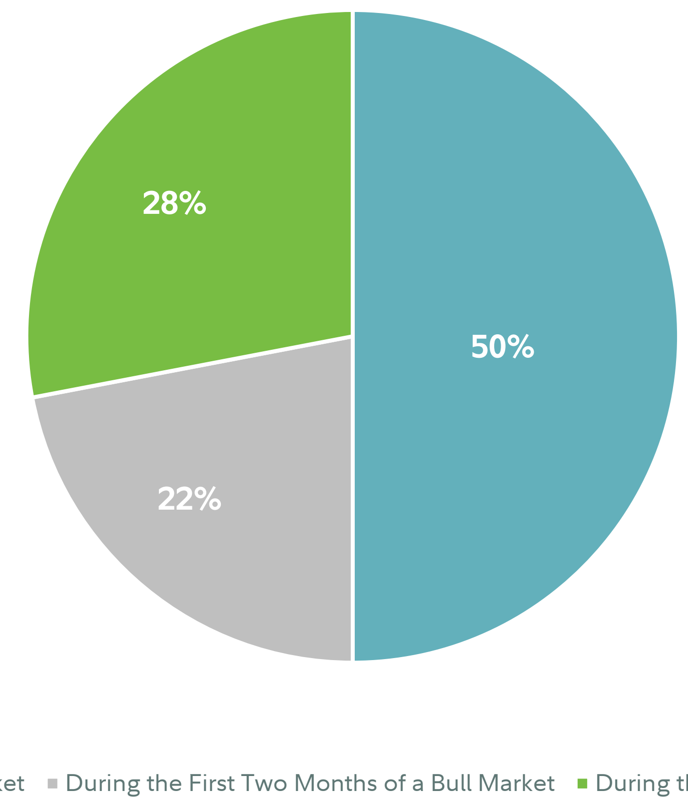
What history tells us: Transitioning from Late Cycle to Recession

The best-return days can happen at any time but often occur during a bear market or early in a bull market

We believe that it is impossible to predict the magnitude or timing of stock market returns.

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

Top 50 days with the highest returns in the S&P 500 Index, January 1980 to December 2023



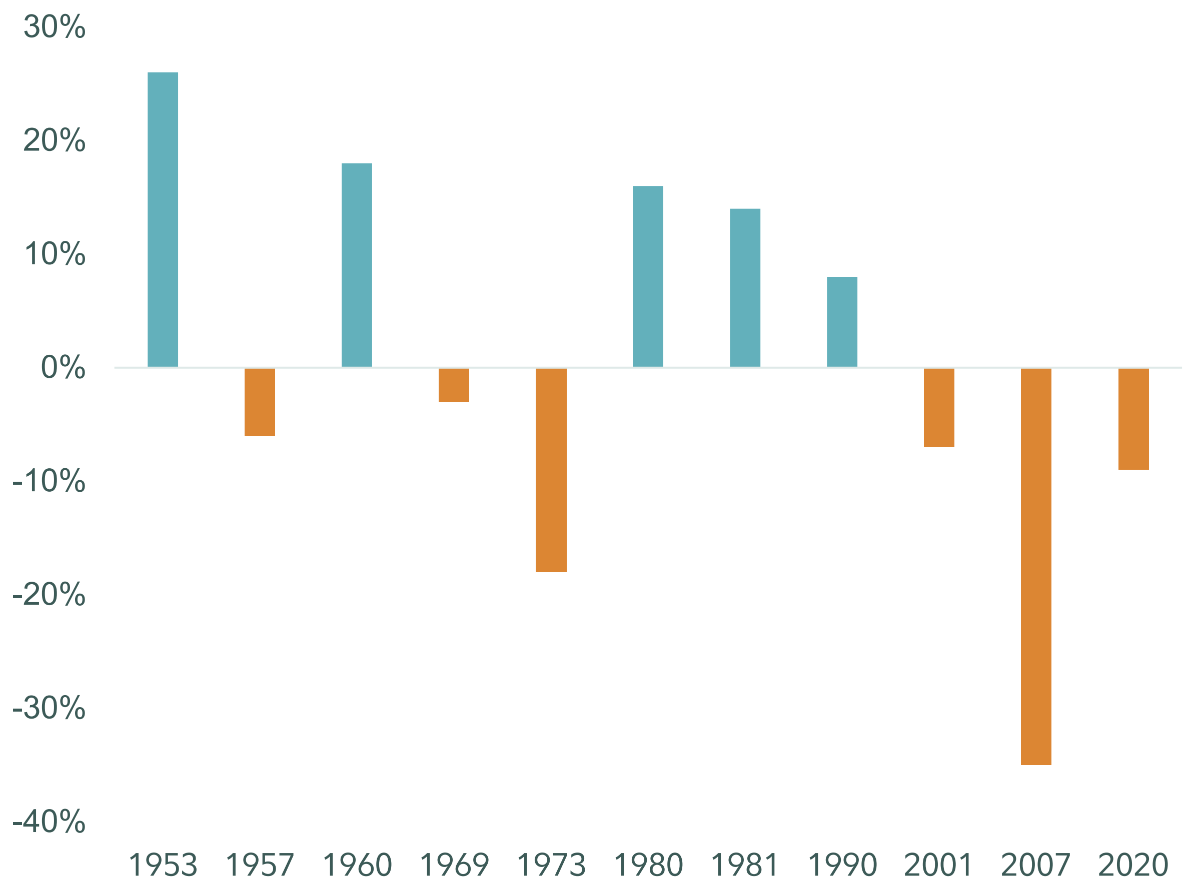
Past performance is no guarantee of future results. Measures the 50 best one-day returns of the S&P 500 Index from 01/01/1980 to 12/31/2023 as of 12/31/2023. A bear market is defined as a 20% drop in the S&P 500 Index from a previous high. It is not possible to invest directly in an index. All indexes are unmanaged. Please see disclosures at the end of the presentation for important index information.

Stocks have gained value or experienced modest negative returns during some recessions

Not all recessions look the same

- Many investors may only recall recessions when stocks fell sharply.
- But 5 of the last 11 recessions have led to positive returns.
- That's one of the reasons we believe investors may benefit from some exposure to stocks through recessions, as markets can rally sharply and unexpectedly during a recession.

S&P 500 Index has not always experienced significant volatility during recessions



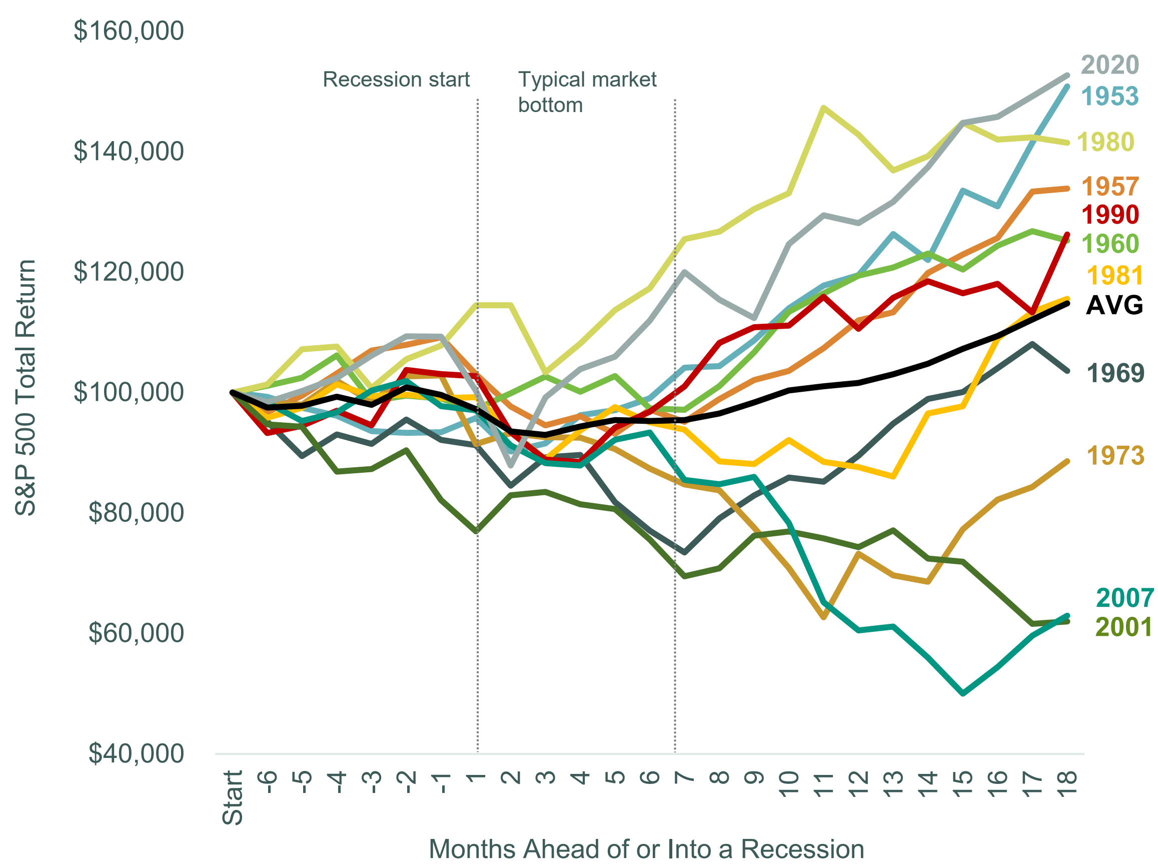
Past performance is no guarantee of future results. Recession dates by the National Bureau of Economic Research (NBER).
Source: Bloomberg Finance, LP, from 1950 to 2023.
Indexes are unmanaged. It is not possible to invest directly in an index. Please see disclosures at the end of the presentation for important index information. The S&P 500 Index was created in 1957; however, returns have been reported since 1926, and the index has been reconstructed for years prior to 1957.

Stocks have historically experienced seven months of volatility around recessions before starting to recover

Stocks typically start to recover before a recession is over.

- Stocks have on average experienced about seven months of negative returns from the start of a recession to a typical market bottom, before starting to recover during a recession.
- In some instances, stocks have gained in value from the start to the end of a recession.
- News headlines have often been grim throughout a recession, even after the market has started to recover, which may lead some investors to miss out on some of the strong recovery after a recession.

Returns have varied around recessions, 1950-–2023



Past performance is no guarantee of future results. Sources: Recession dates: NBER. S&P 500 total return: Bloomberg Finance, LP.
Indexes are unmanaged. It is not possible to invest directly in an index. The S&P 500 Index was created in 1957; however, returns have been reported since 1926, and the index has been reconstructed for years prior to 1957. Please see appendix for important index information. Please see disclosures at the end of the presentation for important index information.

Markets have typically experienced volatility as recessions began before staging a strong recovery

Our research shows that market volatility occurs with some frequency, but positive outcomes have been more likely over time.

- Stocks have historically experienced volatility as recessions begin.
- However, recessions have often been short and infrequent; while recoveries have usually been strong and lasting.
- We believe that remaining disciplined and sticking to your long-term investment plan may be a more reliable way to achieve your long-term financial goal than trying to time the market.

Market history of NBER recession dates (1950-–2023)

Average recession length	Average months for market to recover to pre-recession levels
11 months Shortest: 3 months Longest: 19 months	**11 months** Shortest: 1 months Longest: 38 months

Average months to market bottom	Average S&P 500 return 12 months after bottom
7 months Shortest: 2 months Longest: 15 months	**38%** Low: -20% High: 59%

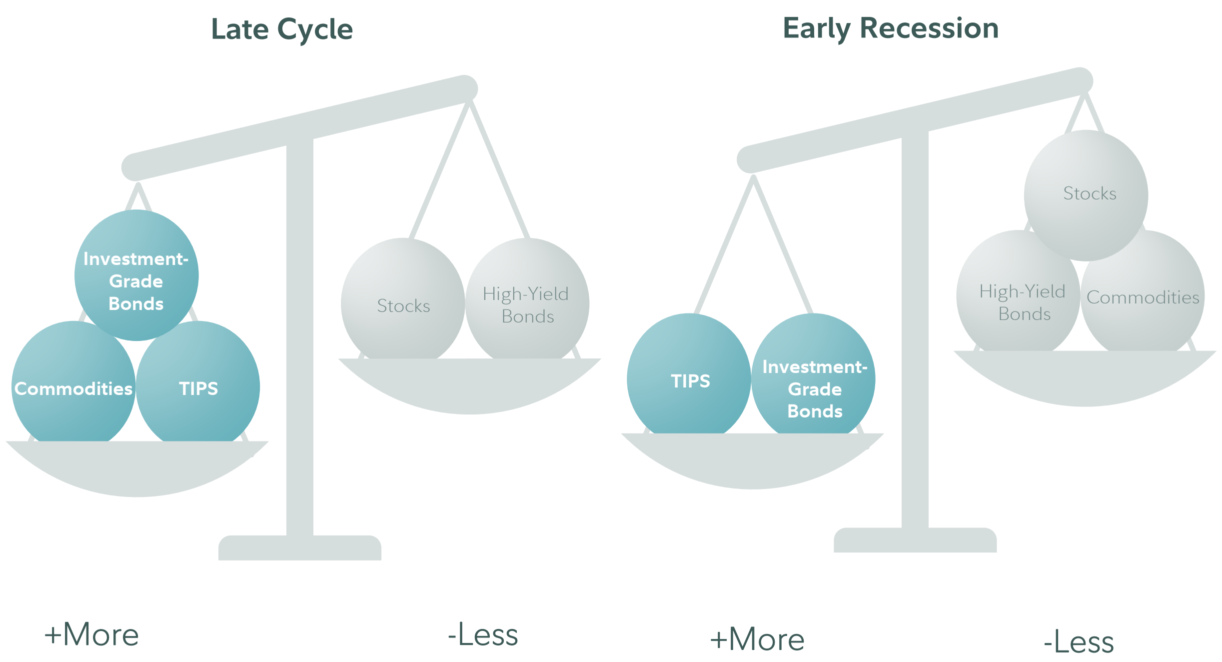
Past performance is no guarantee of future results. NBER recession dates and monthly S&P 500 total returns over the periods 1950–2023. Indexes are unmanaged. It is not possible to invest directly in an index. The S&P 500 Index was created in 1957; however, returns have been reported since 1926, and the index has been reconstructed for years prior to 1957 Please see disclosures at the end of the presentation for important index information.

As the U.S. economy shifts to recession, we may modify the mix of investments in client accounts

We adjust risk as the economy moves through the business cycle from late cycle to the onset of recession.

- As we move from late cycle through the onset of recession, we seek to reduce risk.
- As we move from early to late recession, we re-risk in an effort to take advantage of opportunities as the stock market rebounds.

We may modify the investments in your account as the U.S. economy progresses form late cycle through recession



TIPS: Treasury Inflation-Protected Securities. **For illustrative purposes only.**

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Views expressed are as of January 31, 2024, and are subject to change at any time based on market and other conditions. Data is unaudited. Information may not be representative of current or future holdings.

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

Keep in mind that investing involves risk. The value of your investment will fluctuate over time, and you may gain or lose money.

Past performance does not guarantee future results.

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Average annual returns on page 3 are represented as follows: U.S. stocks are represented by the Dow Jones U.S. Total Stock Market Index; Non-U.S. stocks are represented by the MSCI ACWI ex-US (Net MA) Index; U.S. bonds are represented buy the Bloomberg U.S. Aggregate Bond Index; High Yield Bonds are represented by ICE BofA US High Yield Index; Short-term investments are represented by Bloomberg U.S. 3–6 Month Treasury Bill; TIPS are represented by Bloomberg U.S. TIPS Index; and Commodities are represented by Bloomberg Commodity Index Total Return Index.

All indexes are unmanaged. Indexes are not illustrative of any particular investment, and it is not possible to invest directly in an index.

The S&P 500® Index is an unmanaged, market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to present U.S. equity performance.

The Dow Jones U.S. Total Stock Market Index is a float-adjusted market capitalization-weighted index of all equity securities of U.S.– headquartered companies with readily available price data.

The MSCI ACWI ex USA Index (Net MA) captures large and mid cap representation across 22 of 23 developed market (DM) countries.

Bloomberg U.S. Aggregate Bond Index is a market value–weighted index of investment-grade fixed rate debt issues, including government, corporate, asset–backed, and mortgage–backed securities, with maturities of one year or more.

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

The Bloomberg U.S. TIPS Index measures the performance of rules-based, market value–weighted, inflation-protected securities issued by the U.S. Treasury.

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

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

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Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. This material is provided for informational purposes only and should not be used or construed as a recommendation for any security.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. Unlike individual bonds, most bond funds do not have a maturity date, so avoiding losses caused by price volatility by holding them until maturity is not possible.

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

Regarding the business cycle chart of page 3, The Typical Business Cycle depicts the general pattern of economic cycles throughout history, though each cycle is different. In general, the typical business cycle demonstrates the following:

- During the typical early-cycle phase, the economy bottoms and picks up steam until it exits recession and then begins the recovery as activity accelerates. Inflationary pressures are typically low, monetary policy is accommodative, and the yield curve is steep. Economically sensitive asset classes such as stocks tend to experience their best performance during the early-cycle phase.

- During the typical mid-cycle phase, the economy exits recovery and enters into expansion, characterized by broader and more self-sustaining economic momentum but a more moderate pace of growth. Inflationary pressures typically begin to rise, monetary policy becomes tighter, and the yield curve experiences some flattening. Economically sensitive asset classes tend to continue benefiting from a growing economy, but their relative advantage narrows.

- During the typical late-cycle phase, the economic expansion matures, inflationary pressures continue to rise, and the yield curve may eventually become flat or inverted.

- Eventually, the economy contracts and enters recession, with monetary policy shifting from tightening to easing. Less economically sensitive asset categories tend to hold up better, particularly right before and upon entering recession.

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