

Investment Themes Update

Could a spike in inflation, interest rates or taxes derail the post-Covid recovery?

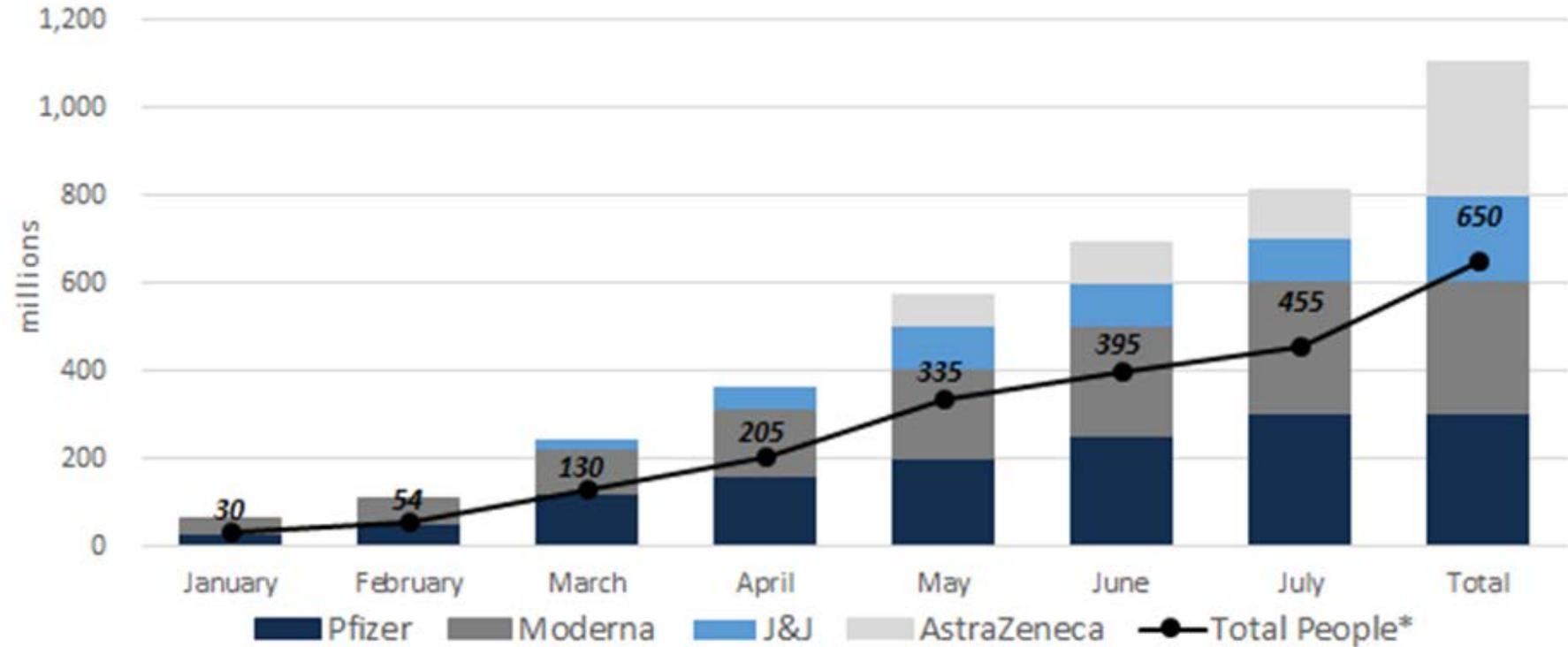
Q2 2021

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The vaccine situation remains promising despite J&J setbacks, as there is still expected to be enough supply to inoculate the entire us adult population by the end of May.

U.S. VACCINE DOSE MANUFACTURING TARGETS

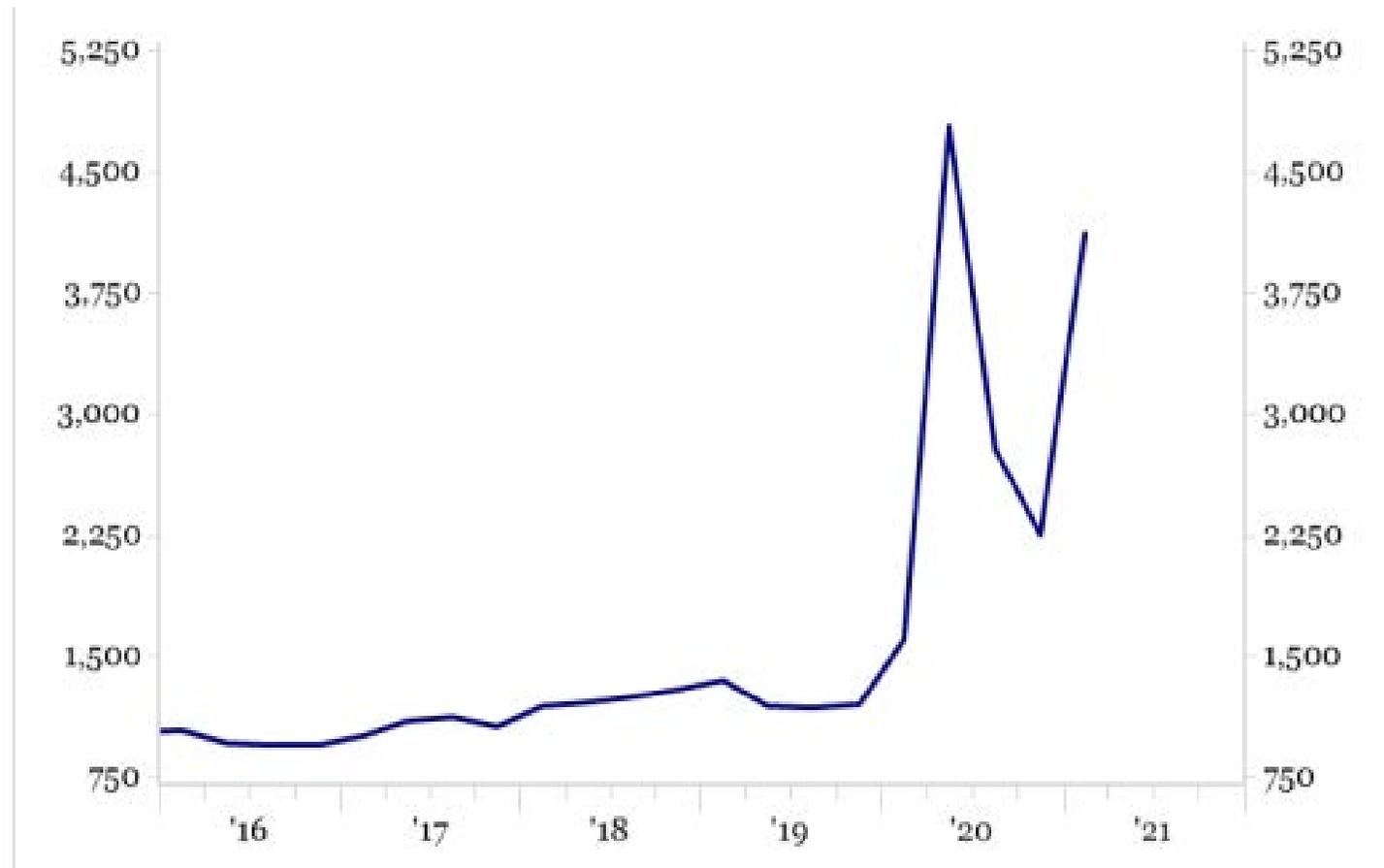


*Potential people vaccinated with 1 dose of J&J and 2 doses of other vaccines per person

Source: Evercore ISI, as of 04/25/2021

High personal savings rates and pent-up demand for leisure spurred a recent pick-up in economic activity

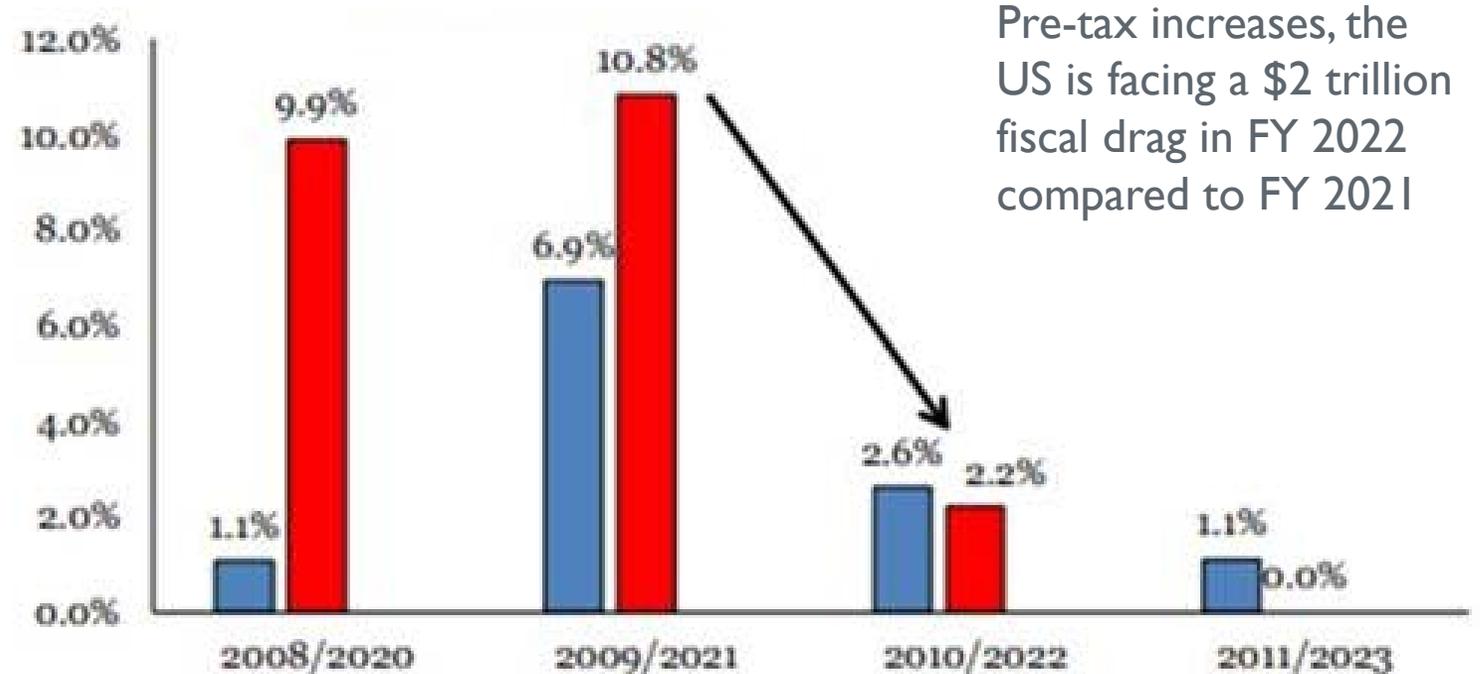
PERSONAL SAVING SAAR, BIL\$



Source: Bureau of Economic Analysis; Strategies as of 4/16/2021

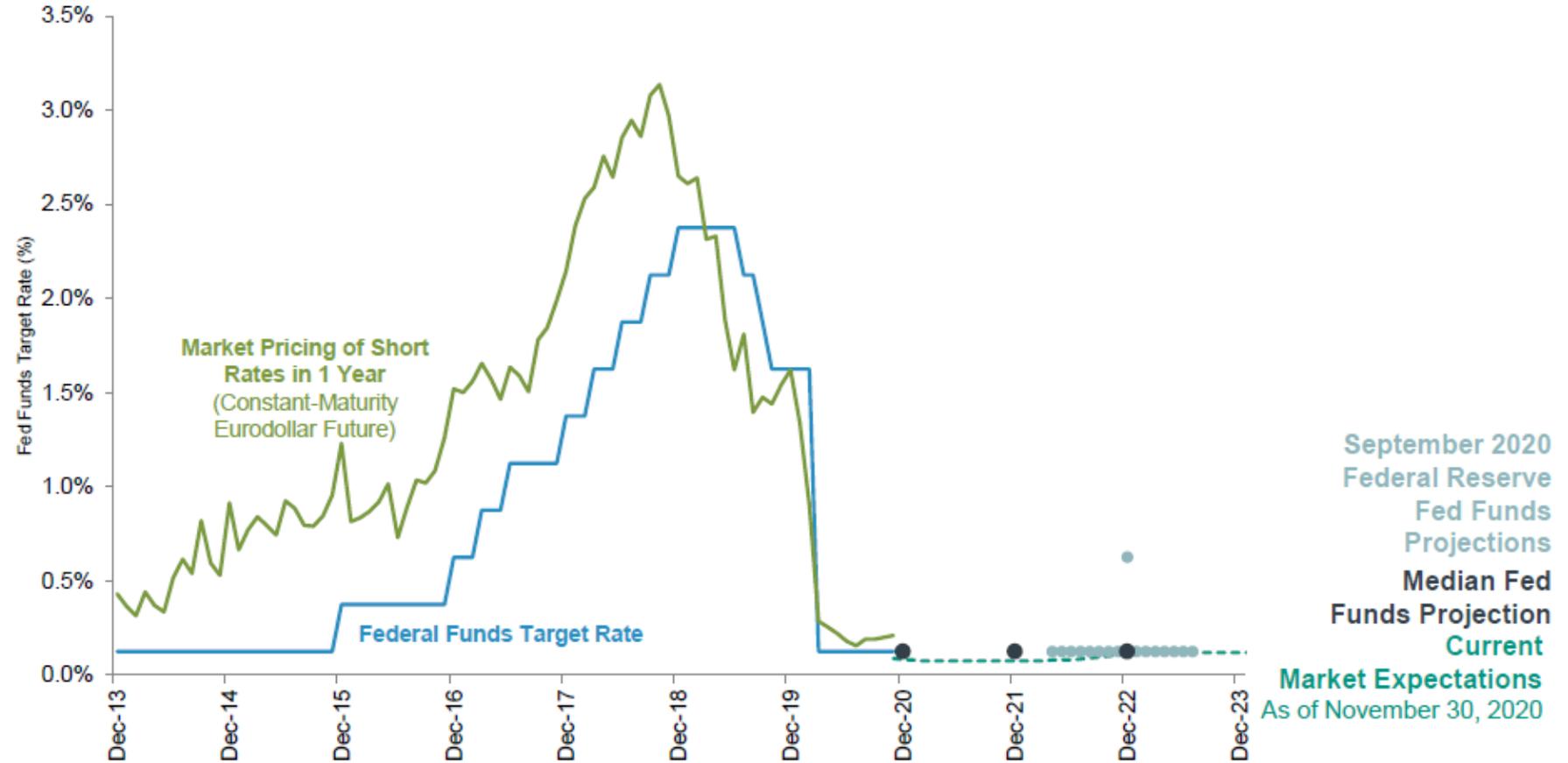
And Biden's Stimulus Plan will likely be more supportive than even the relief given during the depths of the pandemic

FISCAL POLICY, % OF GDP, FY FINANCIAL CRISIS VS. CORONAVIRUS



Source: Bureau of Economic Analysis; Strategies as of 4/16/2021

In addition, the Fed plans to keep interest rates low and is expanding its balance sheet, further incentivizing spending

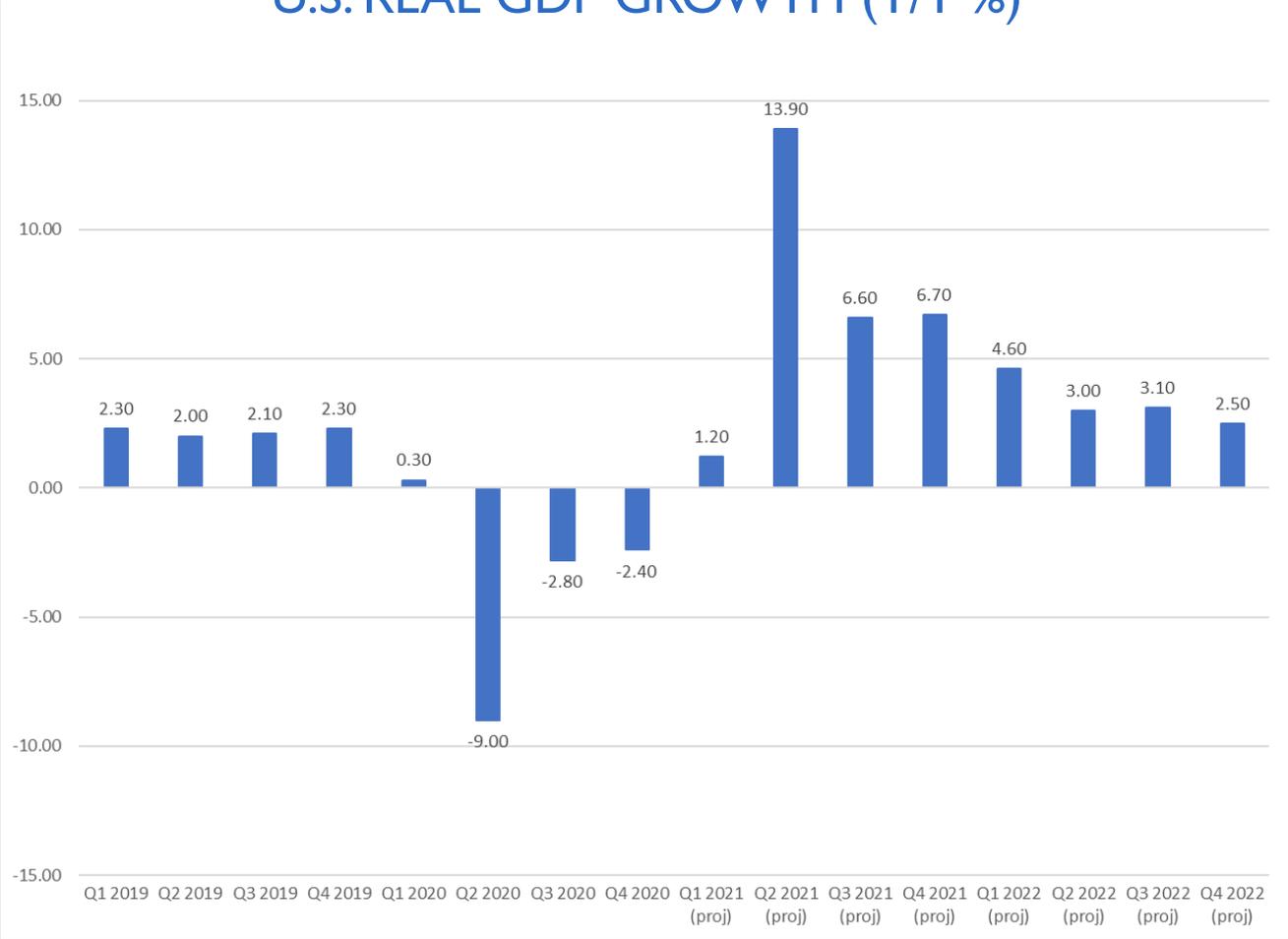


All 17 members of the Federal Reserve Board are reflecting a Fed Funds Projection rate of 0.125% for 2020 and 2021.

Source (graph): Federal Reserve and Bloomberg, as of 11/30/2020.

So, GDP should bounce back strongly in 2021 as Covid restrictions disappear and consumption picks up

U.S. REAL GDP GROWTH (Y/Y %)



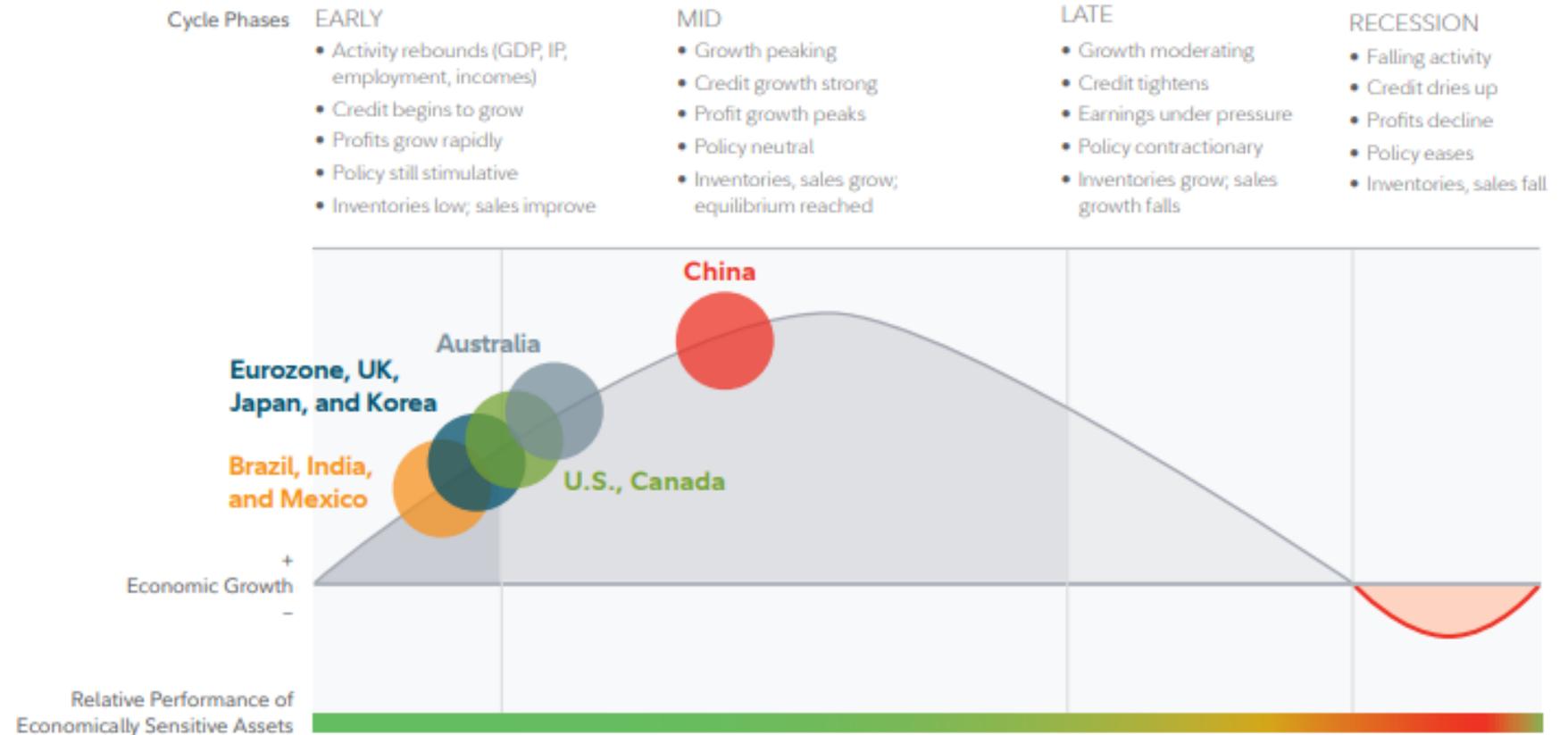
Source: Strategas, as of 03/12/2021



More importantly for Equity Markets, we remain in the early-to-mid cycle phase

BUSINESS CYCLE FRAMEWORK

The business cycle, which is the pattern of cyclical fluctuations in an economy over a few years, can influence asset returns over an intermediate-term horizon. Cyclical allocation tilts are only one investment tool, and any adjustments should be considered within the context of long-term portfolio construction principles and strategic asset allocation positioning.



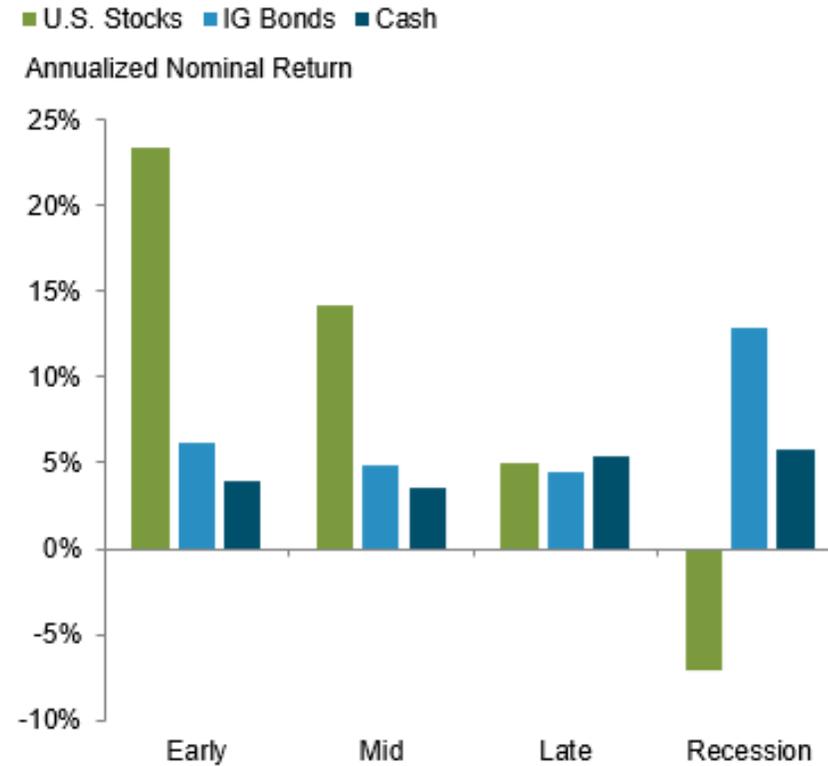
Note: The diagram above is a hypothetical illustration of the business cycle. There is not always a chronological, linear progression among the phases of the business cycle, and there have been cycles when the economy has skipped a phase or retraced an earlier one.

Source: Fidelity Investments (AART), as of 03/31/2021.



And returns in the early-to-mid cycle have historically been strong until the next recession

ASSET CLASS PERFORMANCE BY CYCLE PHASE (1950-2020)



U.S. Stock: Dow Jones U.S. Total Stock Market Index; Bonds: Bloomberg Barclays U.S. Aggregate Bond Index. Source: Fidelity Investments, Morningstar, Bloomberg Barclays.

Past performance is no guarantee of future results. It is not possible to invest directly in an index. All market indices are unmanaged. Index performance is not meant to represent that of any Fidelity mutual fund

Source: Asset Allocation Research Team, FMR, as of 12/31/2020



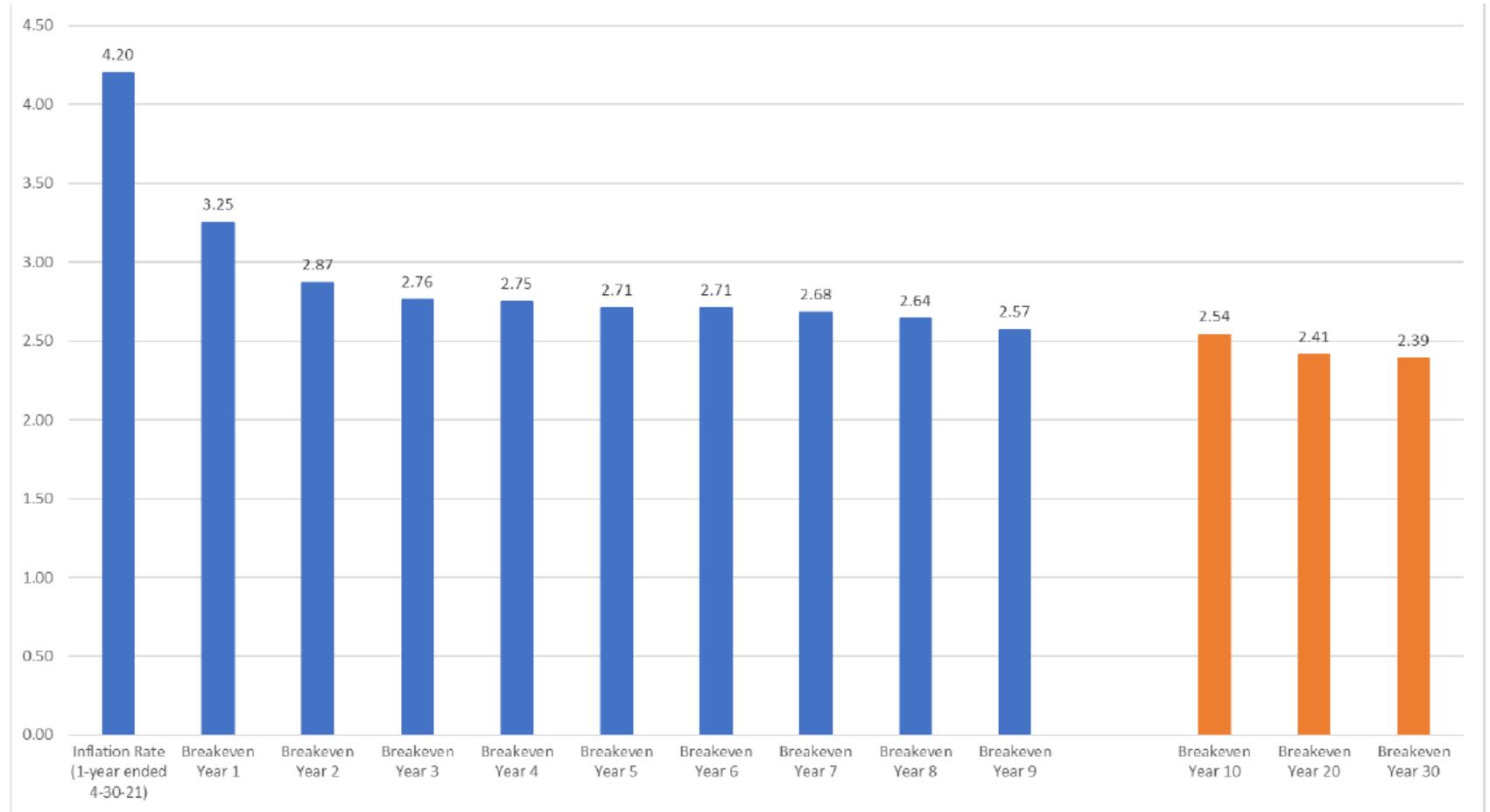
Could this recovery be derailed by?

- ▶ Inflation?
- ▶ Interest rate spike?
- ▶ Equity Valuations?
- ▶ Higher taxes?



While inflation is expected to jump over the next year or so, normalization is projected over the long-term

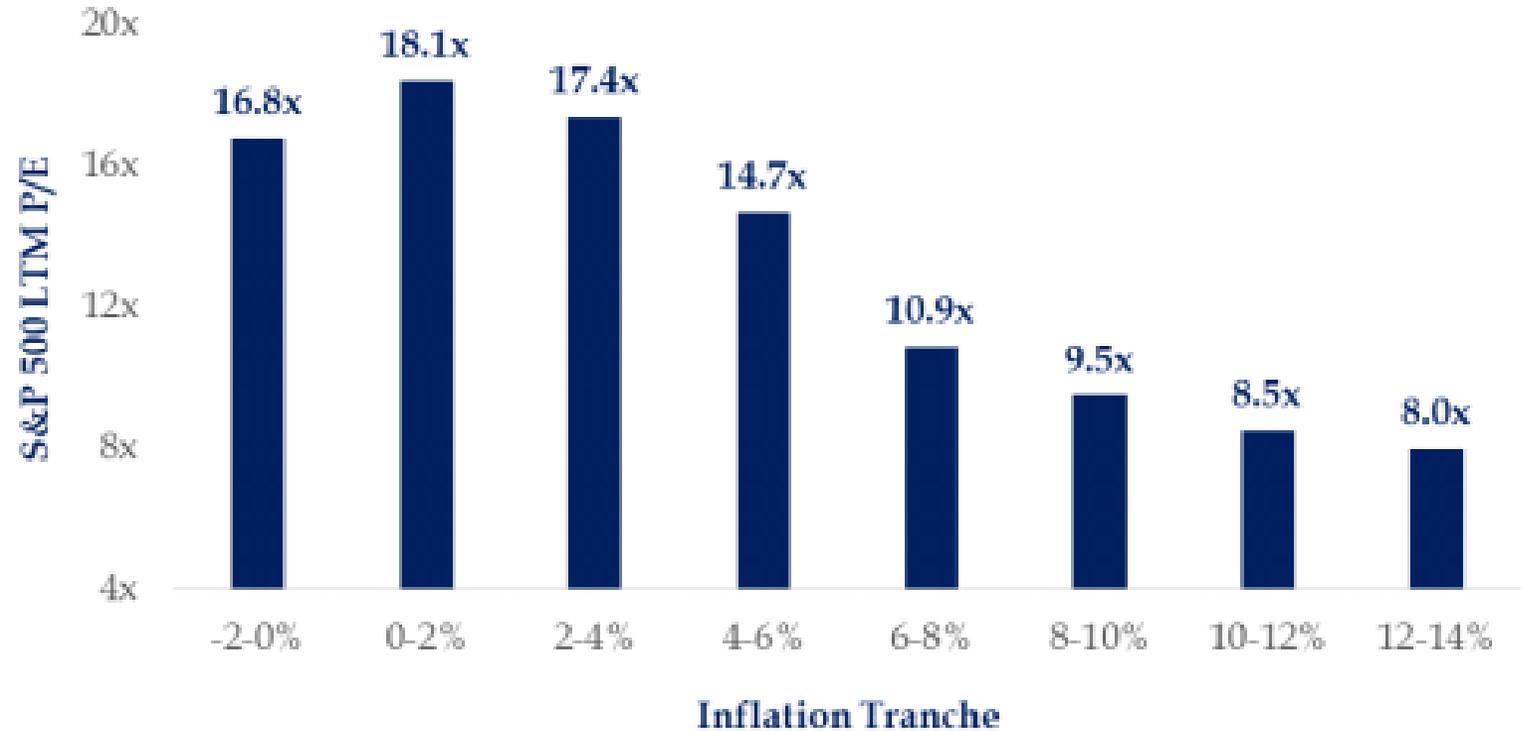
U.S. TREASURY EXPECTED BREAKEVEN INFLATION RATES



Source: Bloomberg, as of 05/17/2021

Higher inflation typically brings equity valuations down, but for now inflation remains at the sweet-spot level around 2%

AVERAGE S&P 500 TTM P/E BY CPI Y/Y TRANCHE



Source: Strategas, as of 02/17/2021

Interest rates appear merely to be normalizing as bond yields rise back to pre-pandemic levels



Source: StockCharts.com, as of 04/25/2021

A rise in interest rates is not necessarily a cause for concern, as the Equity Market has historically performed strongly during and following periods of rising rates

Sector Performance <i>During</i> Periods of Rising Interest Rates (Average, Sep 1993 - Oct 2018)		Sector Performance NTM <i>Following</i> Periods of Rising Interest Rates (Average, Nov 1994 - Oct 2019)	
Information Technology	34.4%	Financials	27.5%
Consumer Discretionary	21.3%	Information Technology	26.5%
Materials	18.9%	Health Care	23.6%
S&P 500	17.0%	Industrials	23.3%
Industrials	16.8%	Real Estate	23.2%
Financials	15.3%	Consumer Staples	21.2%
Health Care	15.0%	Utilities	21.2%
Energy	13.0%	S&P 500	20.0%
Consumer Staples	10.2%	Materials	16.7%
Real Estate	9.8%	Consumer Discretionary	16.7%
Communication Services	3.9%	Communication Services	15.7%
Utilities	3.3%	Energy	15.4%

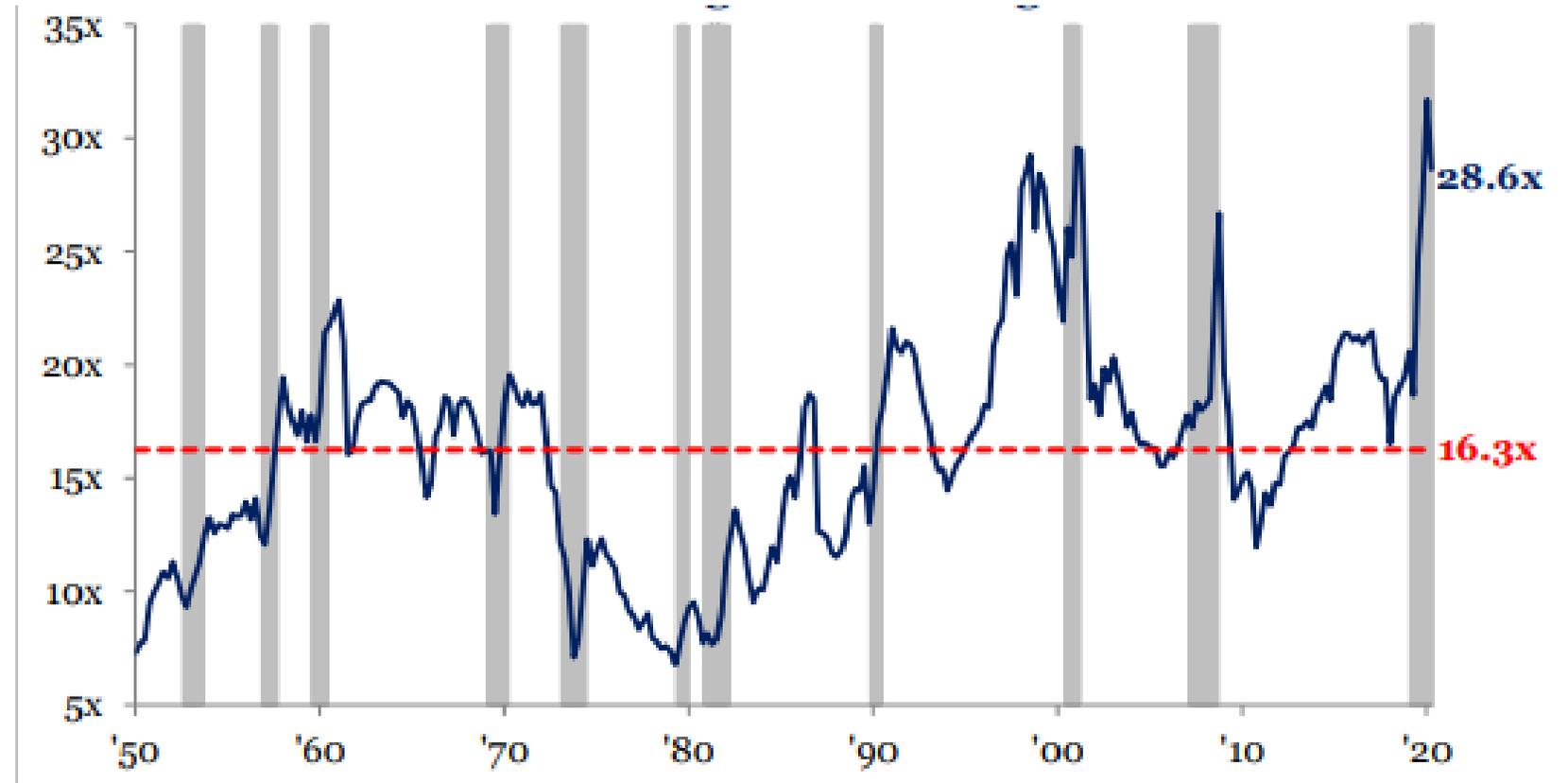
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Source, left: Strategas, as of 02/17/2021. Source, right: Strategas, as of 03/17/2021



As earnings recover alongside the gradual reopening of the economy, valuation multiples should move lower

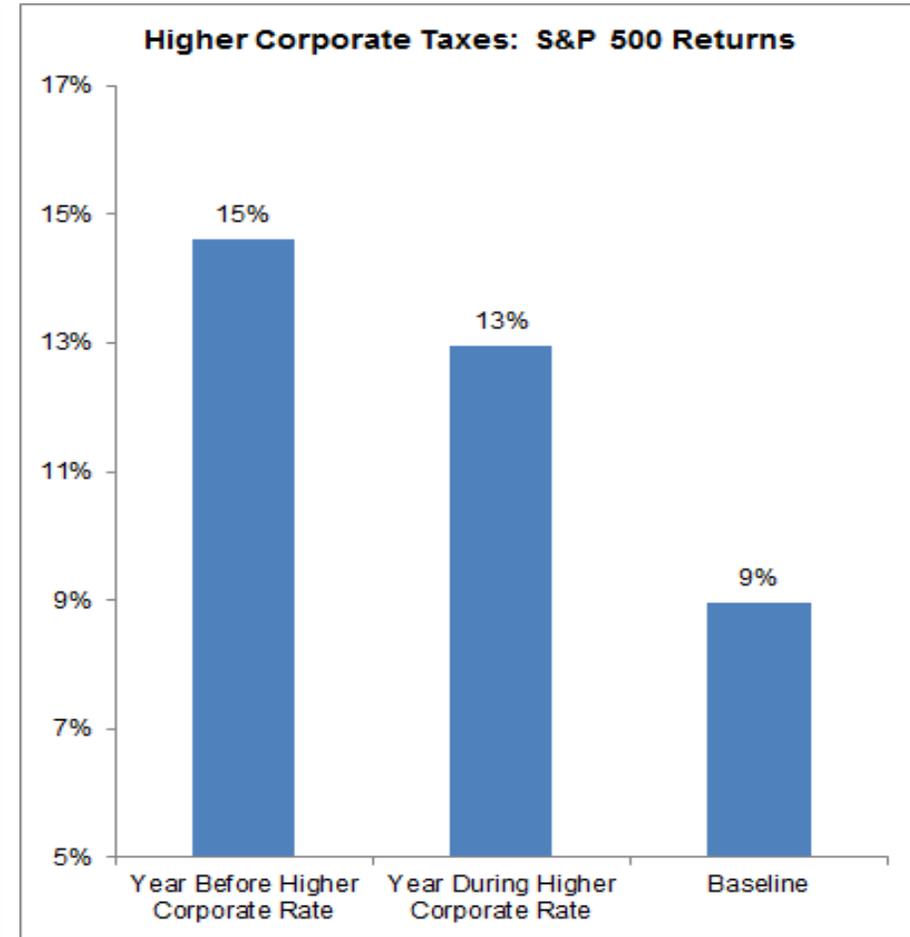
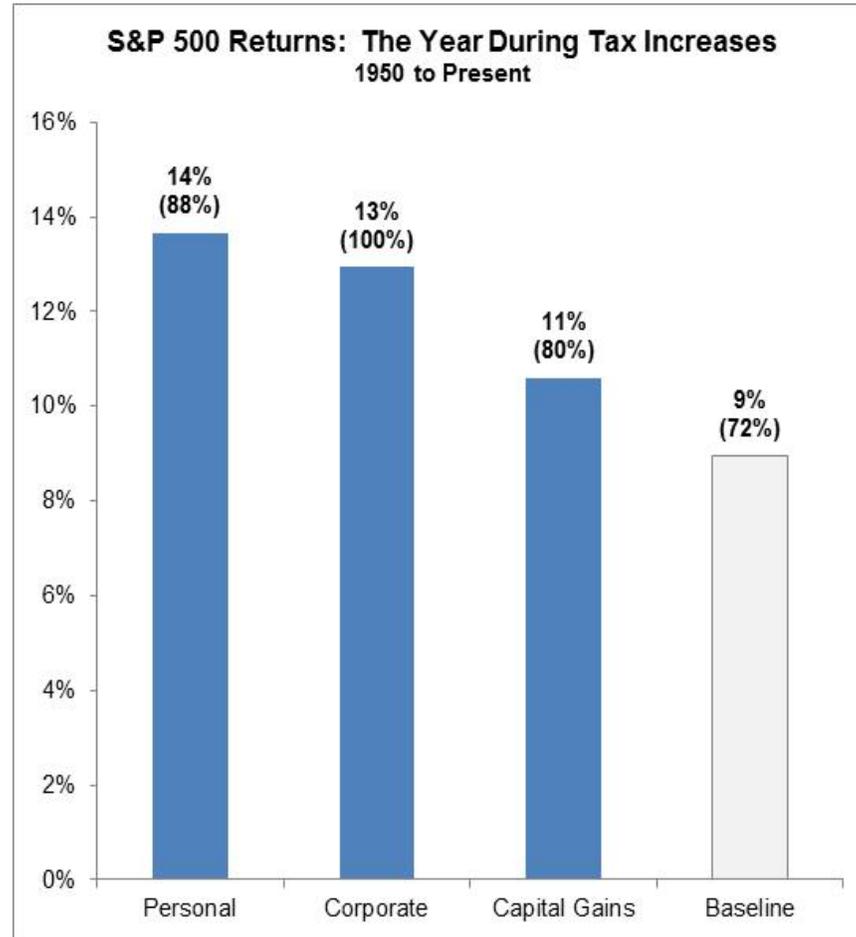
S&P 500 TTM P/E WITH LONG-TERM AVERAGE



*Calculated based on Q1 2021 annualized earnings

Source: Strategas, as of 03/22/2021

Historically, strong Equity Market performances have occurred in years in which taxes have been raised



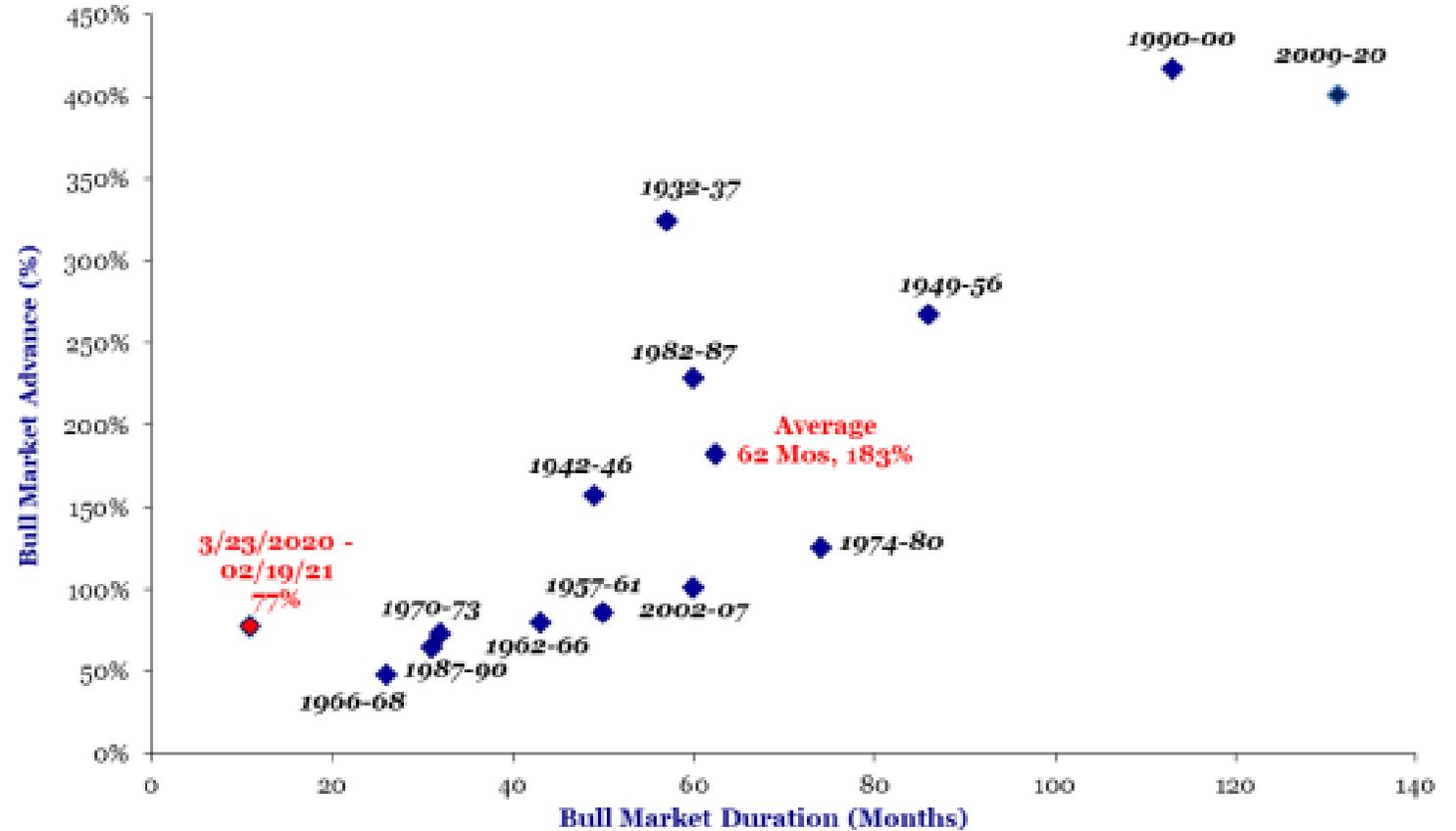
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Source: Haver, FMR, as of 07/01/2020



Compared to previous Bull Markets, this one still has room to run despite the strong advance over the past year

S&P 500 HISTORICAL BULL MARKETS 1928 TO PRESENT



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Source: Strategas, as of 02/22/2021



But performance may be volatile over the next 6 months, as seen historically in periods following large run-ups

S&P Forward Performance Following Best 250-Day % Changes

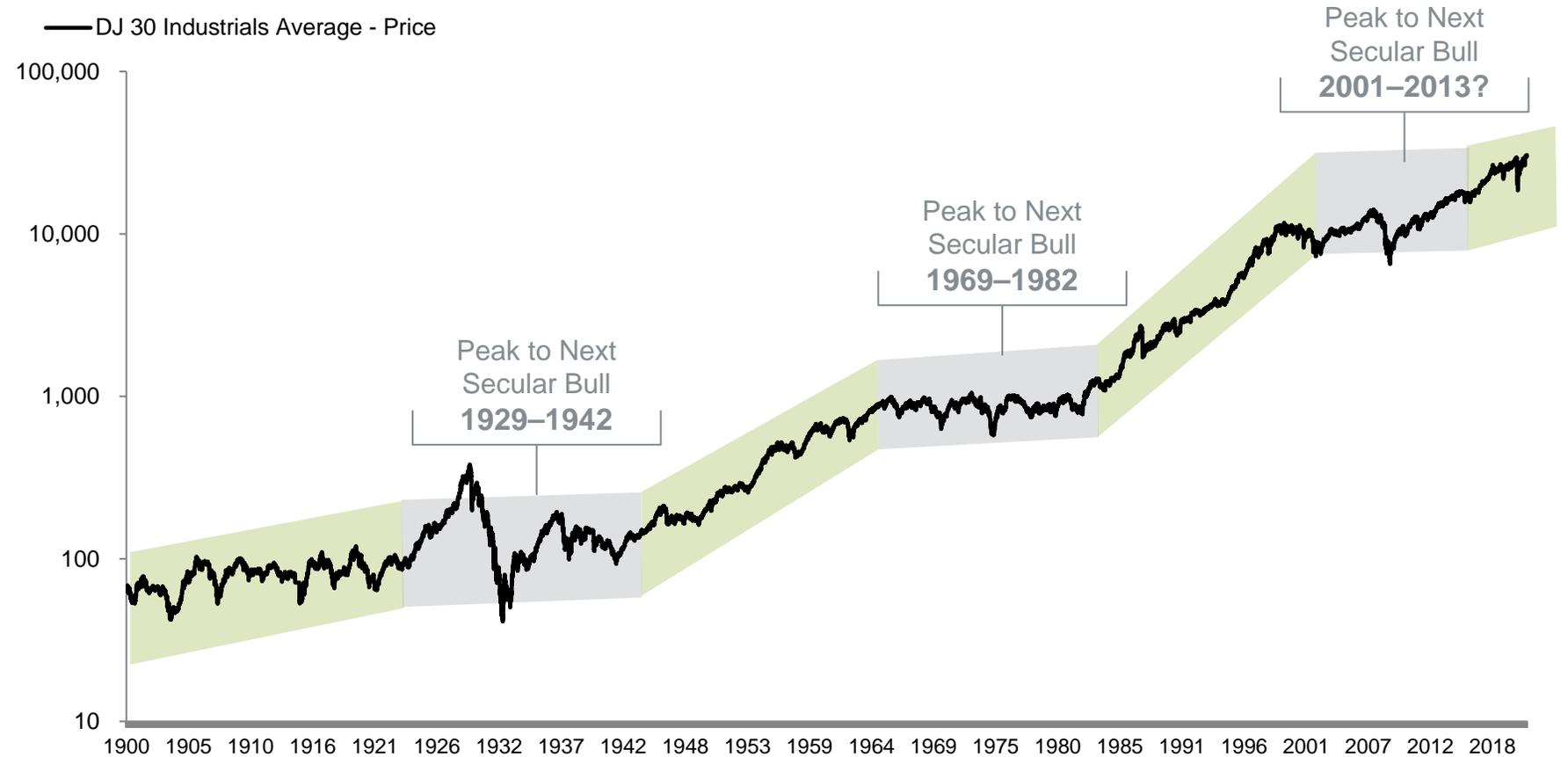
	<u>Date</u>	<u>250-Day % Change</u>	<u>+65-Days</u>	<u>+125-Days</u>	<u>+250-Days</u>
1.	3/5/2010	68.3%	-6.7%	-5.1%	14.9%
2.	7/26/1983	59.1%	-2.9%	-3.2%	-12.2%
3.	4/8/1998	49.3%	5.8%	-10.6%	20.4%
4.	7/24/1997	49.0%	0.1%	2.4%	23.8%
5.	5/20/1971	46.2%	-1.9%	-8.5%	5.5%
6.	1/3/1955	46.2%	0.9%	11.6%	22.9%
7.	8/26/1955	44.1%	5.9%	5.3%	11.7%
8.	3/8/2004	43.3%	-1.4%	-2.9%	6.5%
9.	8/27/1999	40.8%	3.0%	-1.1%	11.7%
10.	6/14/1950	40.1%	1.6%	3.6%	15.1%
	3/23/2020	74.9%	?	?	?
	Average		0.4%	-0.8%	12.0%
	% Positive		60.0%	40.0%	90.0%
	Historical Average		2.3%	4.4%	8.8%
	Historical % Positive		66.2%	70.1%	74.0%

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Source: Strategas, as of 04/19/2021



Taking a long-term view, we could still be in a secular Bull Market that started in 2013



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Source: Factset as of 01/05/2021; (Chart's y-axis is on log-scale)



Whose path resembles equity Bull Markets of the 50s & 80s – and both had a deep correction in year 8

BULL MARKET BREAKDOWN FROM 2013 VS 1950 & 1980 BREAKOUTS



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Source: Factset, as of 04/23/2021

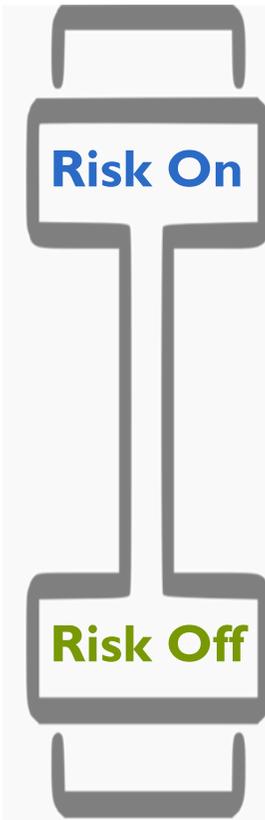


Given This Situation, One Consideration Would Be Moving to a Diversified Equity Overweight, While Seeking to Balance Risk with Fixed Income

EQUITIES

- ❖ Gradually move to overweight position
- ❖ Broadly diversify through all style boxes and international markets to potentially offset the smaller diversification benefits of fixed income due to low interest rates
- ❖ Emphasize secular trends
 - Innovation (technology, healthcare)
 - Demographic shifts (emerging economies)
 - Winner-takes-all phenomenon (large caps)

FIXED INCOME



Credit sensitive sectors that can take advantage of higher coupons and improving credit outlook (post-pandemic)

Investment grade bonds for diversification and potential downside mitigation if something goes wrong

Diversification and asset allocation do not ensure a profit or guarantee against a loss.

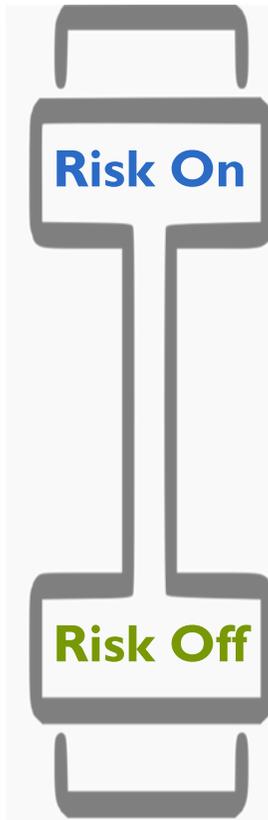
Detailed Strategies and Funds to Consider in 2021

EQUITIES

- Fidelity Advisor Growth Opportunities (FAGCX)
- Fidelity Advisor New Insights (FINSX)
- Fidelity Advisor International Capital Appreciation (FCPIX)
- Fidelity Advisor Focused Emerging Markets (FIMKX)
- Small Cap Funds (FCIGX, FCDIX, FCVIX)

- Fidelity Advisor Healthcare (FHCIX)
- Fidelity Advisor Strategic Dividend & Income (FSIDX)

FIXED INCOME



Fidelity Advisor Strategic Income (FSRIX)

Fidelity Advisor Real Estate Income (FRIRX)

Fidelity Advisor Total Bond (FEPIX)

Fidelity Advisor Investment Grade Bond (FGBPX)

Fidelity Advisor Intermediate Municipal Income (FZIIX)

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Appendix

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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.

Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets.

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

Sector funds can be more volatile because of their narrow concentration in a specific industry.

The FA Total Bond, FA Strategic Income, Fidelity Advisor Investment Grade Bond, FA Strategic Dividend and Income, and FA Intermediate Municipal Income funds can invest in securities that may have a leveraging effect (such as derivatives and forward-settling securities) that may increase market exposure, magnify investment risks, and cause losses to be realized more quickly.

FA Intermediate Municipal Income: The municipal market is volatile and can be significantly affected by adverse tax, legislative, or political changes and the financial condition of the issuers of municipal securities. Income exempt from federal income tax may be subject to state or local tax. All or a portion of the Fund's income may be subject to the federal alternative minimum tax. Income or fund distributions attributable to capital gains are usually subject to both state and federal income tax.

FA Real Estate Income: Changes in real estate values or economic downturns can have a significant negative effect on issuers in the real estate industry.

FA Small Cap Growth: 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 other types of stocks and can be more volatile than other types of stocks.

Fidelity Advisor Stock Selector Small Cap Fund: The securities of smaller, less well-known companies can be more volatile than those of larger companies.

Fidelity Advisor Small Cap Value: The securities of smaller, less well-known companies can be more volatile than those of larger companies. Value stocks can perform differently than other types of stocks and can continue to be undervalued by the market for long periods of time.

FA High Income: Commodity prices could impact some issuers in the high-yield segment.

FA Growth Opportunities: Growth stocks can perform differently from other types of stocks and the market as a whole and can be more volatile than other types of stocks.

FA Health Care: The health care industries are subject to government regulation and reimbursement rates, as well as government approval of products and services, which could have a significant effect on price and availability, and can be significantly affected by rapid obsolescence and patent expirations.

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Bloomberg Barclays US Aggregate Bond Index is a broad-based, market-value-weighted benchmark that measures the performance of the investment grade, US dollar-denominated, fixed-rate taxable bond market. Sectors in the index include Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS.

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