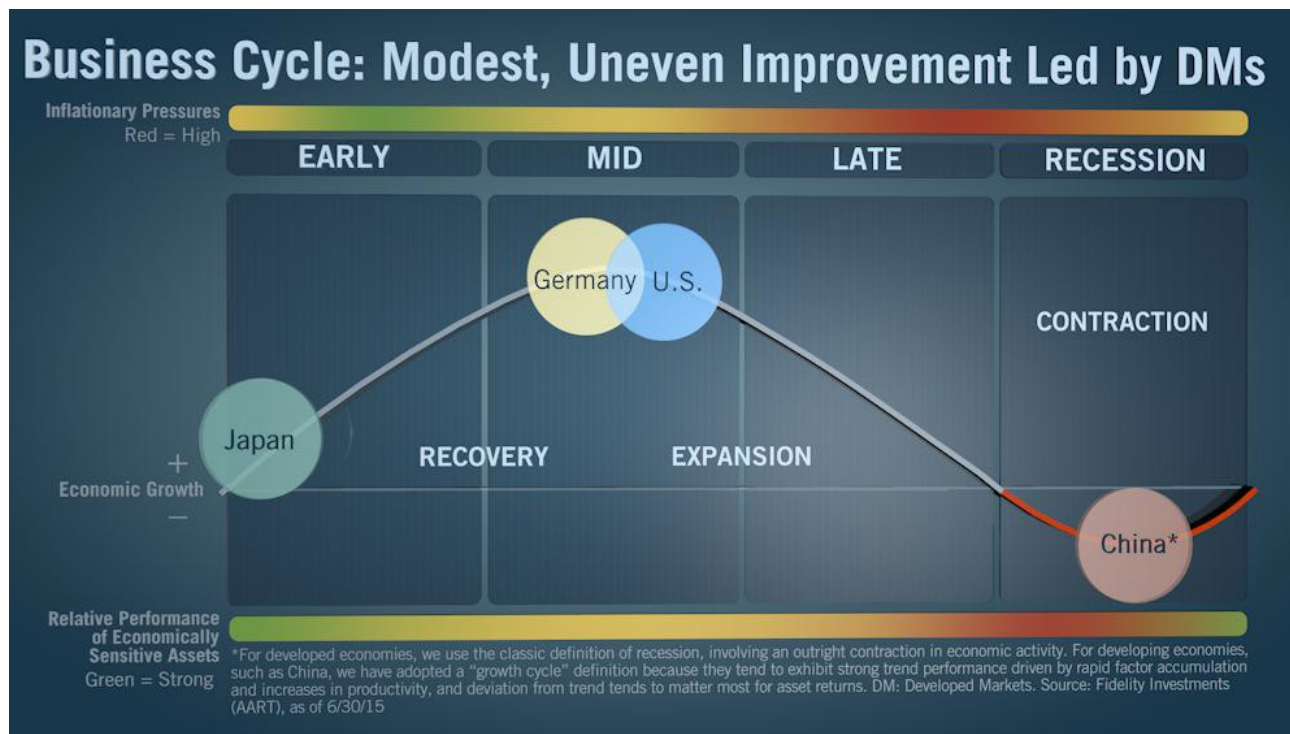


Quarterly Market Update: Third Quarter 2015

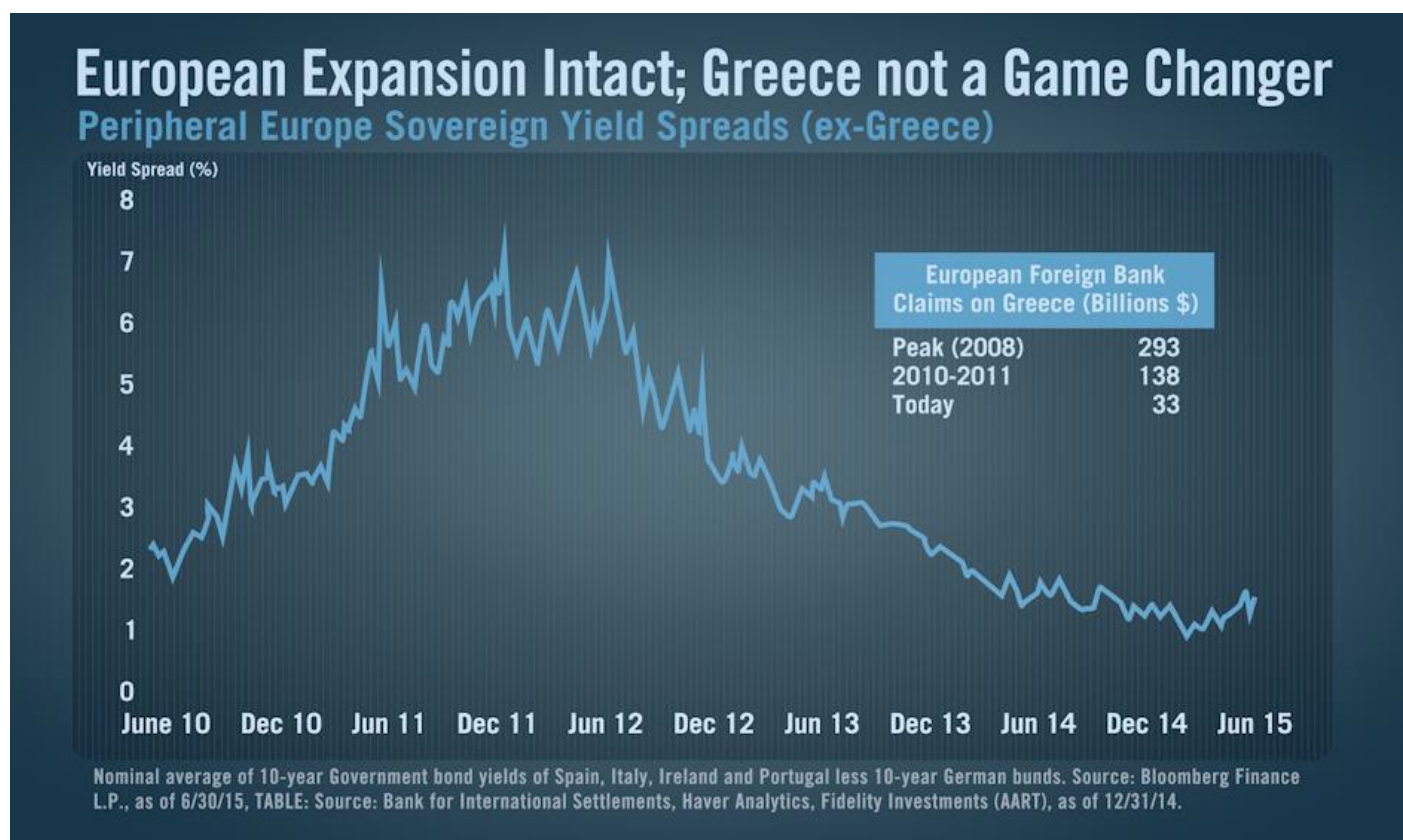
Hello, I'm Dirk Hofschire of Fidelity Investments, on behalf of my colleagues on the Asset Allocation Research Team, I'd like to share with you our insights on what's been happening in the markets in the economy and think about the outlook going forward for 2015.

So, I think back to the second quarter of this year it was kind of a lackluster period for the markets we had really flatish performance across most of the stock and bond categories. And one of the reasons I think is we simply had sort of a steady but unspectacular global macro environment. Countries like the U.S. and the Eurozone developed economies are in what we call a mid-cycle expansion, so very healthy parts the economic cycle. But, on the other hand, you've got China and many other emerging markets that are really facing cyclical headwinds and struggling to regain traction. So, you put that all together and it's really been a slow growth and kind of uneven progress on the global macro environment.



A big item in the news over the past several weeks has been Greece and we do believe it's going to be there for the next several weeks as well. Greece failed to make a payment on its sovereign debt, had to close its banking system, and essentially the odds that it eventually leaves the Eurozone have gone up. But no matter what happens next there's going to be a lot of volatility around the uncertainty. The good news is we think the Eurozone economy is in pretty good shape no matter what happens. This is a near-term impediment but

there's a lot of reasons the Eurozone can hold up better than it would've perhaps a few years ago if this had occurred. One is that it has less exposure to the Greek financial system and to Greek assets, it also has a lot more in place in terms of a solid economic trajectory more stimulus from the European Central Bank and the markets to this point for bonds in other peripheral countries like Italy, Spain, and Portugal their yields haven't gone up and spiked like they did in previous episodes several years ago. So, overall a fairly ring fenced problem to Greece although we do expect greater volatility ahead.



The U.S. economy will be even less impacted because the real strength of the economy has been the household sector. So, domestically here the U.S. consumers been boosted by more job gains, falling unemployment rate, income gains are now starting to show up, and with the low inflation, real inflation adjusted wage gains at one of their highest levels in years. So, you put that together with the balance sheet repair we've seen the last few years where households have been paring down their debt and the growth were finally seeing in consumer credit coming back. Now, we really think that the U.S. mid cycle is in pretty good shape.

U.S. Labor Markets and Households Continue to Improve

Household Debt and Credit Growth



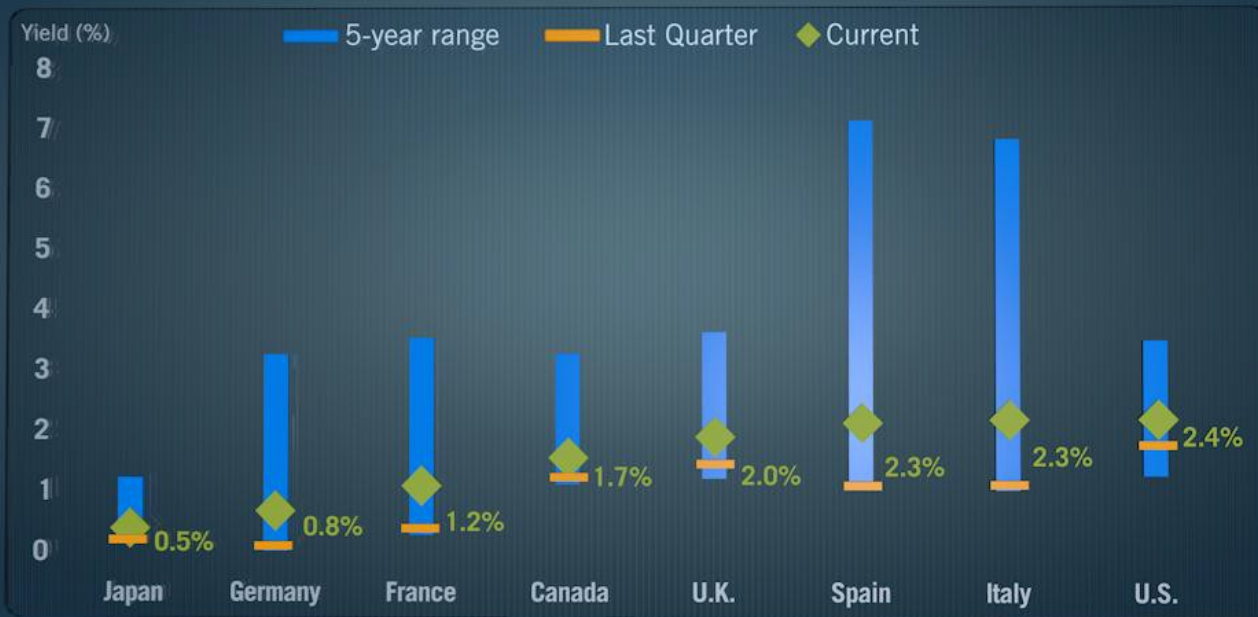
Source: Federal Reserve Board, Haver Analytics, Fidelity Investments (AART), as of 3/31/15.

One area we remain concerned about is China. So, China's stock market had really been on a tear early in the year was one of the better performing equity markets in the world and there's been a lot of volatility and the correction since then. We do think part of the reason is simple fundamental picture in the economy is still not that strong we've had a multiyear credit and investment boom, a lot of excess capacity, and the problem now is that industrial production levels and profits are going down we don't think that this weak trend is going to reverse any time soon. So, policy makers are helping to stabilize with more stimulus but it's going to be a rough road ahead still for China's economy.

A big topic for many investors is that of the direction of interest rates. So, during the first quarter we saw a bond yields fall around the world in many countries they reached multi-year lows. Second quarter they came back up. When you look at it from a high level however, relative to history bond yields in general are very low around the world. The U.S. government bond yields are actually some of the highest among the high quality countries in the world and that's drawn a lot of attractiveness from foreign investors helping to kind of keep a cap on U.S. yields as the U.S. economy improves. So, we do expect that the Federal Reserve is going to move toward its first rate hike here in the coming months, but we don't expect that it's going to mean a dramatic rise in interest rates because of this global dynamic of very low yields around the world.

Global Yields Reverse Course Upwards, Though Still Low

10-Year Government Bond Yields for Major Economies



Source: Bloomberg Finance L.P., Fidelity Investments (AART), as of 6/30/15.

So, overall a reasonably benign outlook in terms of the global macro environment, but we do expect that there'll be more volatility picking up as the year progresses.

For more information on our perspectives and the current themes in the financial markets, please see our complete quarterly market update. Thank you.

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Foreign investments involve greater risks than U.S. investments, and can decline significantly in response to adverse issuer, political, regulatory, market, and economic risks. Any fixed income security sold or redeemed prior to maturity may be subject to loss.

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. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer.

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