

# Building Portfolios for the Long Term

Why diversification matters<sup>1</sup>

## ANNUAL RETURNS OF KEY ASSET CLASSES (%), 1997–2016

1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	
U.S. Large Cap Value 35.47	U.S. Large Cap Growth 45.10	U.S. Small Cap Growth 43.09	U.S. Small Cap Value 22.83	U.S. Small Cap Value 14.03	U.S. Investment-Grade Bonds 10.25	U.S. Small Cap Growth 48.54	U.S. Small Cap Value 22.25	Non-U.S. Developed-Markets 13.73	Non-U.S. Developed-Markets 26.55	U.S. Large Cap Growth 12.15	U.S. Investment-Grade Bonds 5.24	U.S. Mid Cap 37.38	U.S. Small Cap Growth 29.09	U.S. Investment-Grade Bonds 7.84	U.S. Small Cap Value 18.05	U.S. Small Cap Growth 43.30	U.S. Equities 13.69	U.S. Large Cap Growth 8.18	U.S. Small Cap Value 31.74	HIGHEST
U.S. Large Cap Growth 33.73	U.S. Equities 28.58	U.S. Large Cap Growth 29.68	U.S. Mid Cap 17.51	U.S. Investment-Grade Bonds 8.44	U.S. Small Cap Value -11.43	U.S. Small Cap Growth 47.25	Non-U.S. Developed-Markets 20.43	U.S. Mid Cap 12.56	U.S. Small Cap Value 23.48	Non-U.S. Developed-Markets 11.35	U.S. Small Cap Value -28.92	U.S. Small Cap Growth 34.47	U.S. Small Cap 26.85	U.S. Large Cap Growth 4.63	U.S. Mid Cap 17.88	U.S. Small Cap 38.82	U.S. Large Cap Growth 13.57	U.S. Equities 1.38	U.S. Small Cap 21.31	
U.S. Equities 33.36	U.S. Large Cap Value 21.24	Non-U.S. Developed-Markets 27.22	U.S. Investment-Grade Bonds 11.63	U.S. Small Cap 2.49	U.S. Mid Cap -14.51	U.S. Small Cap Value 46.03	U.S. Small Cap 18.33	Diversified Portfolio 6.06	U.S. Large Cap Value 22.99	U.S. Mid Cap 7.98	Diversified Portfolio -31.63	U.S. Large Cap Growth 34.01	U.S. Mid Cap 26.64	U.S. Equities 2.11	Non-U.S. Developed-Markets 17.48	U.S. Small Cap Value 34.52	U.S. Large Cap Value 12.94	U.S. Investment-Grade Bonds 0.55	U.S. Mid Cap 20.74	
U.S. Mid Cap 32.25	Non-U.S. Developed-Markets 20.27	U.S. Small Cap 21.26	U.S. Large Cap Value 2.32	U.S. Mid Cap -0.60	Non-U.S. Developed-Markets -15.81	Non-U.S. Developed-Markets 38.85	U.S. Mid Cap 16.48	U.S. Equities 4.91	U.S. Small Cap 18.37	U.S. Small Cap Growth 7.05	U.S. Small Cap -33.79	Non-U.S. Developed-Markets 31.99	U.S. Small Cap Value 24.50	U.S. Large Cap Value 1.12	U.S. Large Cap Value 17.01	U.S. Mid Cap 33.50	U.S. Mid Cap 9.77	Non-U.S. Developed-Markets -0.67	U.S. Large Cap Value 16.20	
U.S. Small Cap Value 31.79	U.S. Mid Cap 19.11	U.S. Equities 21.04	Diversified Portfolio -2.09	Diversified Portfolio -5.26	Diversified Portfolio -16.70	U.S. Mid Cap 35.62	U.S. Small Cap Growth 14.31	U.S. Small Cap Value 4.71	Diversified Portfolio 15.97	U.S. Investment-Grade Bonds 6.97	U.S. Large Cap Growth -36.06	U.S. Small Cap 27.17	Diversified Portfolio 17.94	Diversified Portfolio -1.18	U.S. Small Cap 16.35	U.S. Large Cap Growth 32.66	Diversified Portfolio 7.32	Diversified Portfolio -1.05	Diversified Portfolio 13.79	
Diversified Portfolio 23.73	Diversified Portfolio 15.02	Diversified Portfolio 18.41	U.S. Small Cap -3.02	U.S. Large Cap Value -8.79	U.S. Large Cap Value -18.02	Diversified Portfolio 33.61	Diversified Portfolio 13.79	U.S. Large Cap Value 4.60	U.S. Equities 15.79	U.S. Equities 5.49	U.S. Large Cap Value -36.09	U.S. Equities 26.46	U.S. Equities 15.06	U.S. Mid Cap -1.73	U.S. Equities 16.00	U.S. Equities 32.39	U.S. Investment-Grade Bonds 5.97	U.S. Small Cap Growth -1.38	U.S. Equities 11.96	
U.S. Small Cap 22.36	U.S. Investment-Grade Bonds 8.69	U.S. Mid Cap 14.72	U.S. Equities -9.10	U.S. Small Cap Growth -9.23	U.S. Small Cap -20.48	U.S. Equities 28.68	U.S. Large Cap Value 13.34	U.S. Small Cap 4.55	U.S. Small Cap 13.35	Diversified Portfolio 4.43	U.S. Mid Cap -36.23	Diversified Portfolio 25.84	U.S. Large Cap Growth 13.21	U.S. Small Cap Growth -2.91	Diversified Portfolio 15.18	U.S. Large Cap Value 32.14	U.S. Small Cap Growth 5.60	U.S. Mid Cap -2.18	U.S. Small Cap Growth 11.32	
U.S. Small Cap Growth 12.95	U.S. Small Cap Growth 1.23	U.S. Large Cap Value 10.95	Non-U.S. Developed-Markets -14.01	U.S. Equities -11.89	U.S. Equities -22.10	U.S. Large Cap Value 26.75	U.S. Equities 10.88	U.S. Small Cap Growth 4.15	U.S. Mid Cap 10.32	U.S. Large Cap Value 0.25	U.S. Equities -37.00	U.S. Small Cap Value 20.58	U.S. Large Cap Value 11.69	U.S. Small Cap -4.18	U.S. Large Cap Growth 15.06	Diversified Portfolio 29.80	U.S. Small Cap 4.89	U.S. Large Cap Value -3.41	U.S. Large Cap Growth 6.95	
U.S. Investment-Grade Bonds 9.65	U.S. Small Cap -2.55	U.S. Investment-Grade Bonds -0.82	U.S. Small Cap Growth -22.43	U.S. Large Cap Growth -20.48	U.S. Large Cap Growth -27.98	U.S. Large Cap Growth 26.63	U.S. Investment-Grade Bonds 4.34	U.S. Large Cap Growth 2.88	U.S. Large Cap Growth 8.56	U.S. Small Cap -1.57	U.S. Small Cap Growth -38.54	U.S. Large Cap Value 14.59	Non-U.S. Developed-Markets 7.88	U.S. Small Cap Value -5.50	U.S. Small Cap Growth 14.59	Non-U.S. Developed-Markets 22.92	U.S. Small Cap Value 4.22	U.S. Small Cap -4.41	U.S. Investment-Grade Bonds 2.65	
Non-U.S. Developed-Markets 2.00	U.S. Small Cap Value -6.45	U.S. Small Cap Value -1.49	U.S. Large Cap Value -24.53	Non-U.S. Developed-Markets -21.31	U.S. Small Cap Growth -30.26	U.S. Investment-Grade Bonds 4.10	U.S. Large Cap Growth 3.74	U.S. Investment-Grade Bonds 2.43	U.S. Investment-Grade Bonds 4.33	U.S. Small Cap Value -9.78	Non-U.S. Developed-Markets -43.25	U.S. Investment-Grade Bonds 5.93	U.S. Investment-Grade Bonds 6.54	Non-U.S. Developed-Markets -12.04	U.S. Investment-Grade Bonds 4.21	U.S. Investment-Grade Bonds -2.02	Non-U.S. Developed-Markets -4.77	U.S. Small Cap Value -7.47	Non-U.S. Developed-Markets 1.21	LOWEST

### Past performance is no guarantee of future results.

Not intended to represent the performance of any Fidelity fund. All market indices are unmanaged. It is not possible to invest directly in an index.

Please see reverse side for index definitions.

- **U.S. Investment-Grade Bonds**  
Bloomberg Barclays U.S. Aggregate Bond Index
- **U.S. Small Cap**  
Russell 2000® Index
- **U.S. Large Cap Value**  
Russell Top 200 Value Index
- **U.S. Mid Cap**  
S&P MidCap 400® Index
- **Non-U.S. Developed-Markets**  
MSCI® EAFE® Index
- **U.S. Small Cap Value**  
Russell 2000 Value Index
- **U.S. Equities**  
S&P 500® Index
- **U.S. Large Cap Growth**  
Russell Top 200 Growth Index
- **U.S. Small Cap Growth**  
Russell 2000 Growth Index
- **Diversified Portfolio**  
Equal allocation to each index

**Not FDIC Insured • May Lose Value • No Bank Guarantee**

## Why Diversification Matters

The chart shows annual performance for various asset classes from 1997–2016.

As you can see, the market is seldom static. Leadership rotates as market dynamics change, and investment strategies that worked in the past may not be suitable for tomorrow's market.

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

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Investment decisions should be based on an individual's own goals, time horizon, and tolerance for risk. • 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. • 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 risk.

<sup>1</sup> Diversification does not ensure a profit or guarantee against a loss.

Not NCUA or NCUSIF insured. May lose value. No credit union guarantee.

Source: Morningstar, FMR Co., as of 12/31/16. • **Bloomberg Barclays U.S. Aggregate Bond Index** 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. Sectors in the index include Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS, and CMBS. **MSCI EAFE Index (Net MA)** 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. Index returns are adjusted for tax withholding rates applicable to U.S.-based mutual funds organized as Massachusetts business trusts. **Russell 2000 Growth Index** is a market capitalization-weighted index designed to measure the performance of the small cap growth segment of the U.S. equity market. It includes those Russell 2000 Index companies with higher price-to-book ratios and higher forecasted growth rates. **Russell 2000 Index** is a market capitalization-weighted index designed to measure the performance of the small cap segment of the U.S. equity market. It includes approximately 2,000 of the smallest securities in the Russell 3000<sup>®</sup> Index. **Russell 2000 Value Index** is a market capitalization-weighted index designed to measure the performance of the small cap value segment of the U.S. equity market. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth rates. **Russell Top 200 Growth Index** measures the performance of those Russell Top 200 companies with higher price-to-book ratios and higher forecasted growth values. **Russell Top 200 Index** is a market capitalization-weighted index designed to measure the performance of the largest cap segment of the U.S. equity market. **Russell Top 200 Value Index** measures the performance of those Russell Top 200 companies with lower price-to-book ratios and lower forecasted growth values. **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 MidCap 400 Index** is a market capitalization-weighted index of 400 mid cap stocks of U.S. companies chosen for market size, liquidity, and industry group representation.

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