FIXED INCOME WEBINAR

Bonds, Bond Funds, and Bond ETFs

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Regional Brokerage Consultant, Fixed Income

Lee Sterne ETF Strategist **Richard Carter**

Vice President, Fixed Income Products





Agenda

Bond Market Context

Individual Bonds

Comparing Bond ETFs to Bond Mutual Funds

Summary and Next Steps



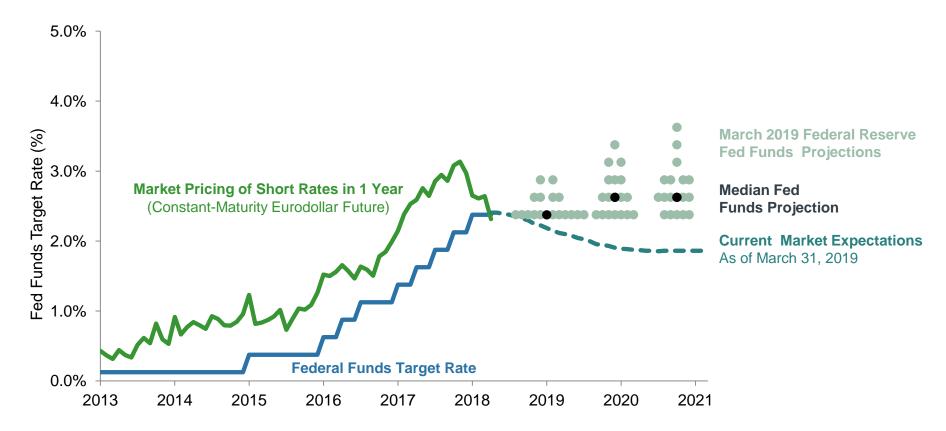


Bond Market Context

Beau Coash



Fed Funds Target Rate Market Expectations and Fed Projections



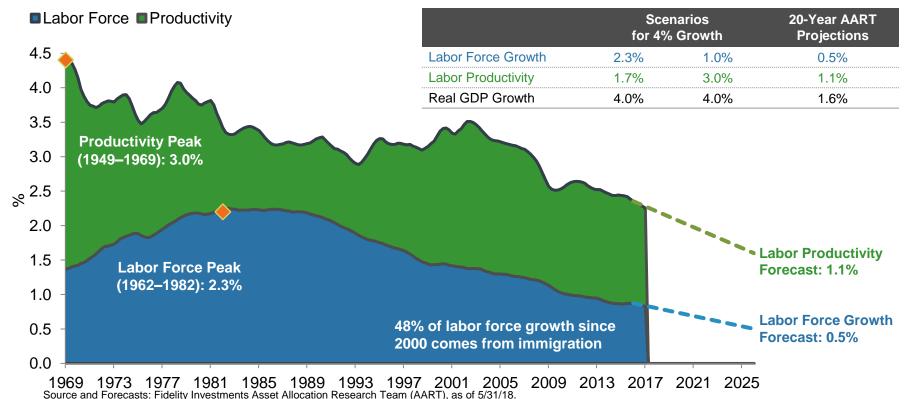
Source: Federal Reserve and Bloomberg, as of 3/31/19.

The Federal Open Market Committee (FOMC) is the branch of the Federal Reserve Board that determines the direction of monetary policy.



Productivity and Labor Force Growth

REAL GDP COMPONENTS

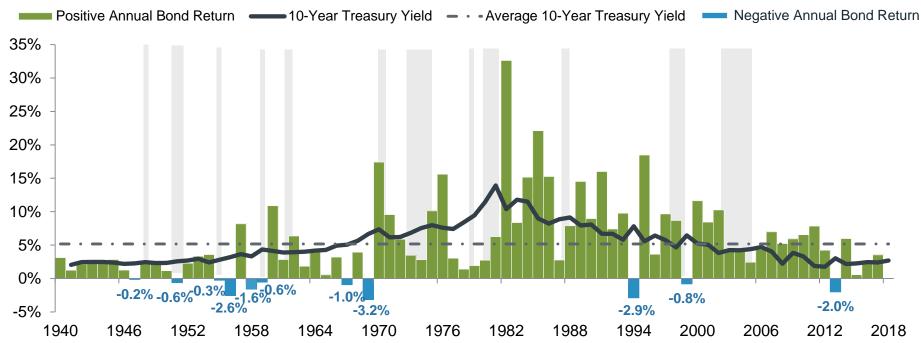


The date range corresponding to the productivity peak in the late 1960s reflects the aftermath of World War II, when the U.S. converted from a military-industrial based economy to a consumer-based economy. The date range corresponding to the labor force peak in the early 1980s reflects the entrance of the baby boomer generation into the U.S. workforce.



Bond Returns vs. Interest Rates (1940–2018)

AVERAGE ANNUAL RETURN: 5.3%

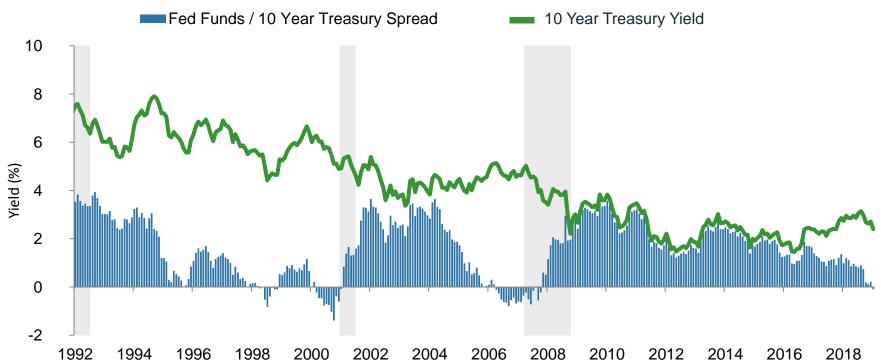


Source: Bloomberg, as of 12/31/18. Investment-grade bond returns are represented by the Bloomberg Barclays (BBgBarc) U.S. Aggregate Bond Index from January 1976 and by a composite of the IA SBBI U.S. Intermediate-Term Government Bond Index (67%) and the IA SBBI U.S. Long-Term Corporate Bond Index (33%) from January 1940 through December 1975. Shaded gray bars represent periods in which the U.S. was in a recession. Past performance is no guarantee of future results. It is not possible to invest directly in an index. All market indices are unmanaged. Not intended to represent the performance of any Fidelity fund.



Historical Fed Funds and Treasury Yields

FED FUNDS TARGET RATE VS. HISTORICAL 10 YEAR TREASURY YIELD



Source: Bloomberg as of 3/31/19.

Shaded gray bars represent periods in which the U.S. was in a recession.

Past performance is no guarantee of future results.

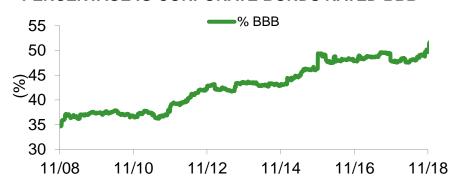


Corporate Bond Market Remains Healthy

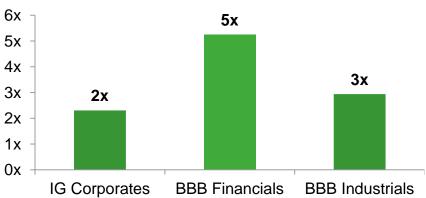
OUTSTANDING IG CORPORATE BONDS*



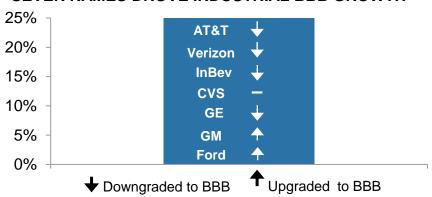
PERCENTAGE IG CORPORATE BONDS RATED BBB



IG CORPORATE GROWTH**



SEVEN NAMES DROVE INDUSTRIAL BBB GROWTH*





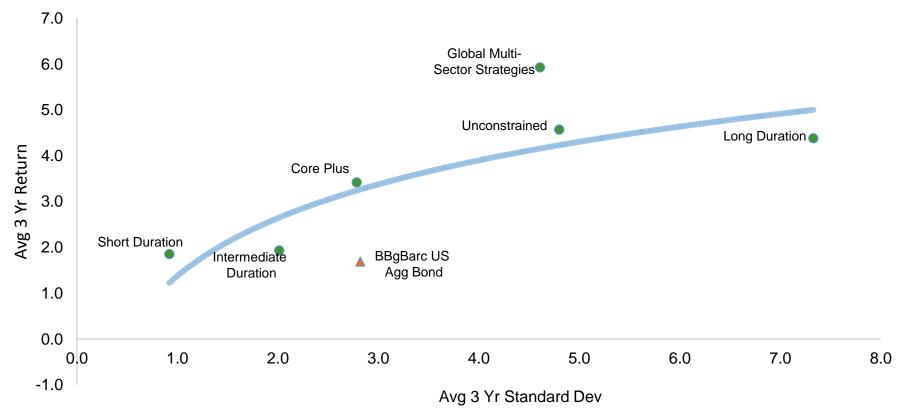
IG Corporate Growth

^{*} Investment Grade (IG) Corporate Bonds

^{* *}From 6/29/08 through 11/30/18.

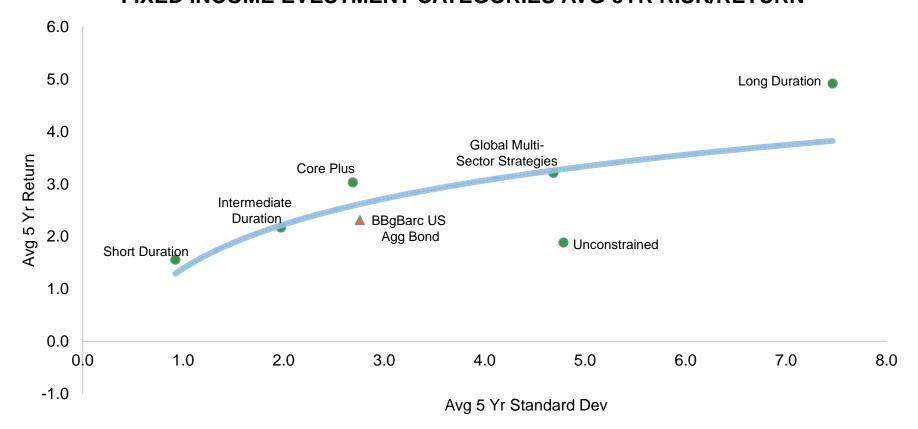
Fixed Income Evestment Categories Efficient Frontier

FIXED INCOME EVESTMENT CATEGORIES AVG 3YR RISK/RETURN



Past performance is no guarantee of future results. Standard deviation shows how much variation there is from the average (mean or expected value). Low standard deviation indicates that the data points tend to be very close to the mean, whereas high standard deviation indicates that the data is spread out over a large range of values. A higher standard deviation represents greater relative risk.

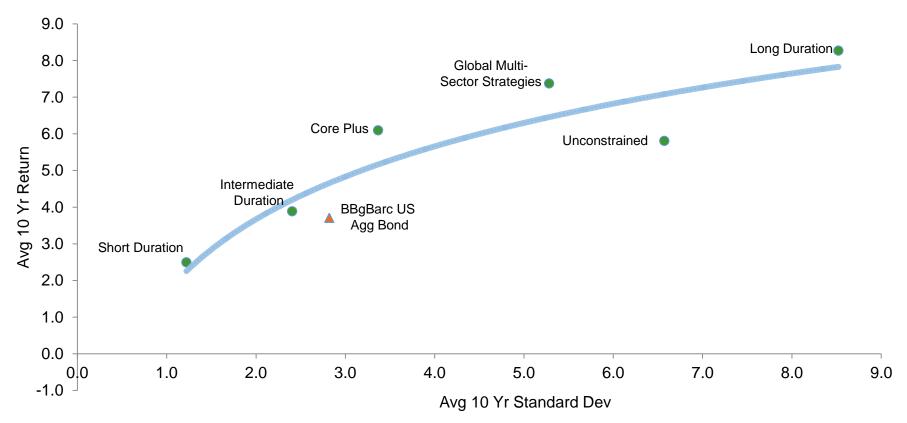
Fixed Income Evestment Categories Efficient Frontier FIXED INCOME EVESTMENT CATEGORIES AVG 5YR RISK/RETURN



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Fixed Income Evestment Categories Efficient Frontier

FIXED INCOME EVESTMENT CATEGORIES AVG 10YR RISK/RETURN



Past performance is no guarantee of future results. Standard deviation shows how much variation there is from the average (mean or expected value). Low standard deviation indicates that the data points tend to be very close to the mean, whereas high standard deviation indicates that the data is spread out over a large range of values. A higher standard deviation represents greater relative risk.

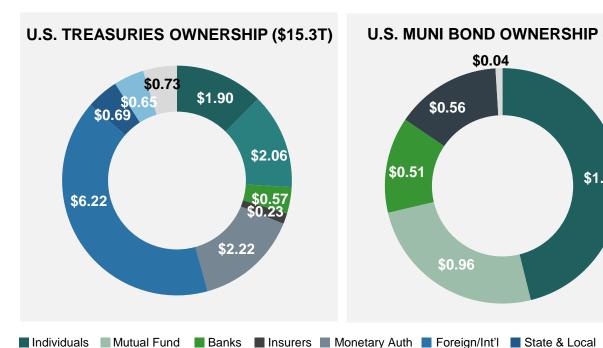


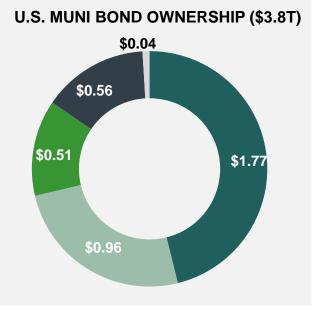
Individual Bonds

Mike Hodapp



Bond Ownership Varies Across Bond Types





GROWTH IN OUTSTANDING

	12/2007	9/2018
U.S. Treasuries	\$4.5T	\$15.3T
Municipals	\$3.5T	\$3.8T
Corporates	\$5.3T	\$9.2T

Others

Source: SIFMA; Federal Reserve. As of September 2018.



Bond Sub-asset Classes Have Different Risk/Reward Characteristics

You manage credit review and reinvestment for individual bonds

BOND RETURNS VARY BY BOND SECTOR



Considerations when investing in Bonds:

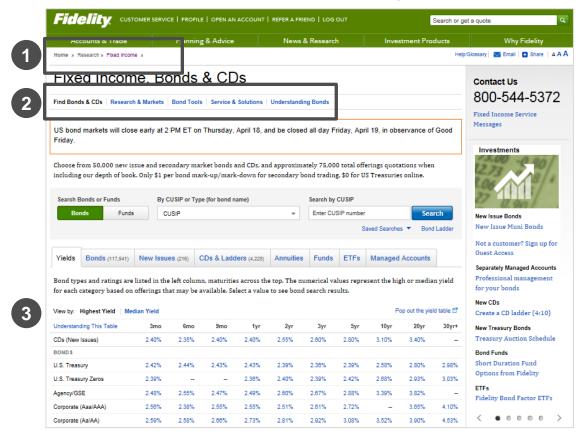
- Assessing bond sectors and features
- 2. Assessing credit ratings
- 3. Assessing liquidity
- 4. Assessing diversification

Source: Barclays 12/31/2018.

HY Corp—Bloomberg Barclays U.S. High Yield Index, IG Corp—Bloomberg Barclays U.S. Corporate Investment Grade Index, Muni—Bloomberg Barclays Municipal Bond Index, U.S. Agg—Bloomberg Barclays U.S. Aggregate Index, UST—Bloomberg Barclays U.S. Treasury Index. Past performance is no guarantee of future results.



Using the Bond Yield Table on Fidelity.com





Where can I learn more?

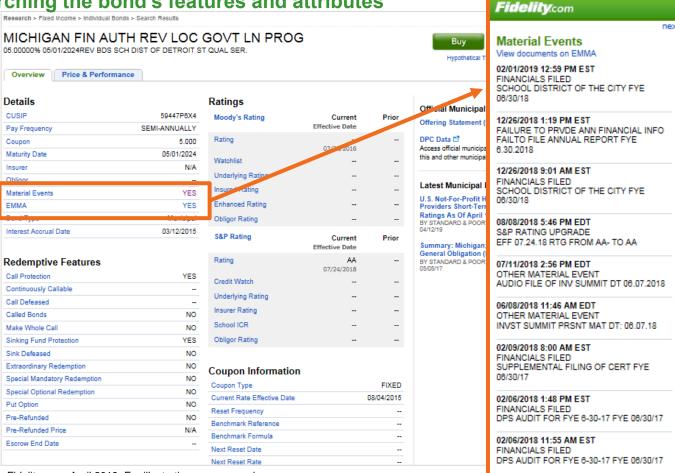
Research > <u>Fixed Income Bonds & CDs</u>





Using the Bond Details Pages

Researching the bond's features and attributes

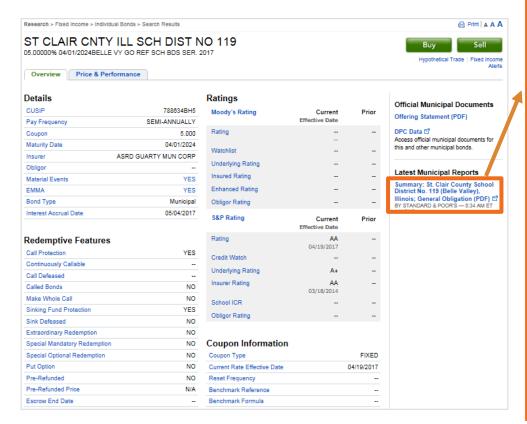


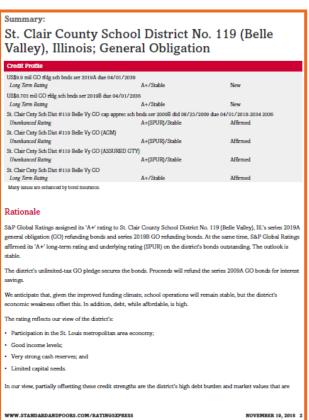
Source: Fidelity.com, April 2019. For illustrative purposes only.

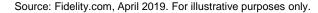


Issuer-Specific Credit Reports

Understand why a bond has its rating and potential risks





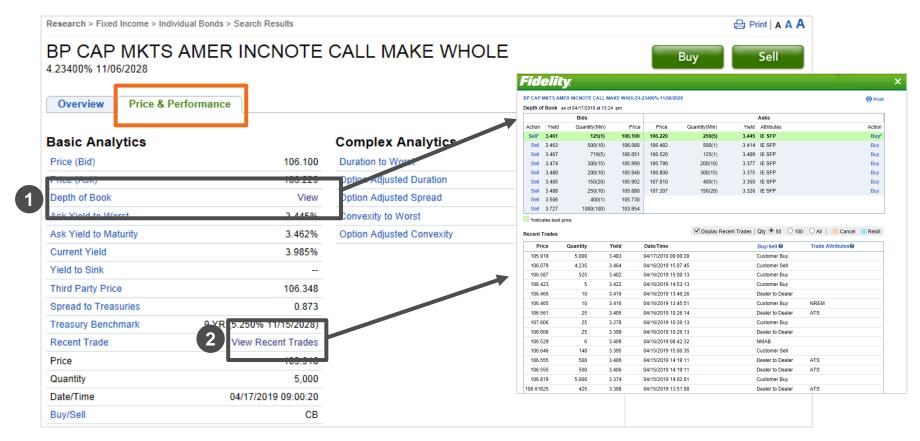




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Using Pricing Information to "See the Market"

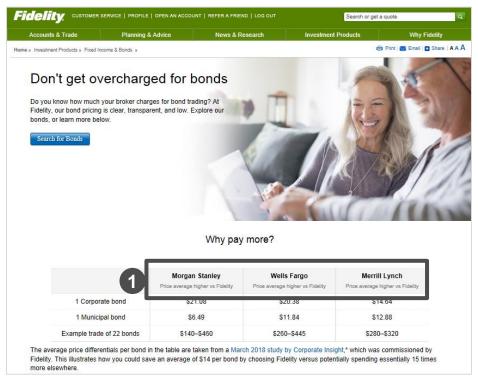
Aggregated live "depth of book" and historical trading prices







Understanding the Impact of Transaction Costs





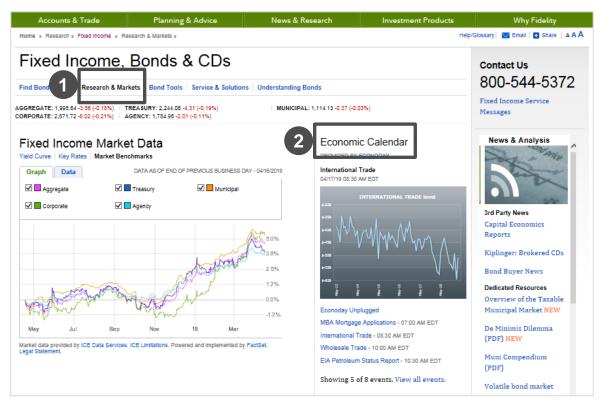
Where can I learn more?

fidelity.com/fixed-income-bonds/bond-pricing

See Footnote #2 on page 38 for details on this study. https://www.fidelity.com/viewpoints/investing-ideas/how-much-for-bonds
Source: Fidelity.com, April 2019. For illustrative purposes only.

Bond Market News and Reports

News and analysis from Fidelity and 3rd parties



Source: Fidelity.com, April 2019. For illustrative purposes only.

News, commentary, and research reports are from third-party sources unaffiliated with Fidelity. Fidelity does not endorse or adopt their content. Fidelity makes no guarantees that the information supplied is accurate, complete, or timely, and does not provide any warranties regarding results obtained from its use.



Key Advantages of Individual Bonds Using Fidelity's proprietary tools to plan & monitor

Bonds mature

Plan for future expenses, real estate tax payment, college education, reinvestment

Cash flow planning

Bond valuations may fluctuate but cash flow is consistent, barring an issuer default

Research before you invest

Bond structure and pricing

Strive to lower costs

Use Depth of Book. Compare Fidelity to firms with significant markups. New issue products no charge at Fidelity¹

Monitor your holdings

Fixed Income Analysis; Alerts on maturities, ratings changes

Ţ

Where can I learn more?

Research > Fixed Income Bonds & CDs > Bond Tools tab

For illustrative purposes only.

¹ Fidelity makes certain new issue products available without a separate transaction fee. Fidelity Brokerage Services LLC and National Financial Services LLC receive compensation for participating in the offering as a selling group member or underwriter.

Fixed Income Analysis







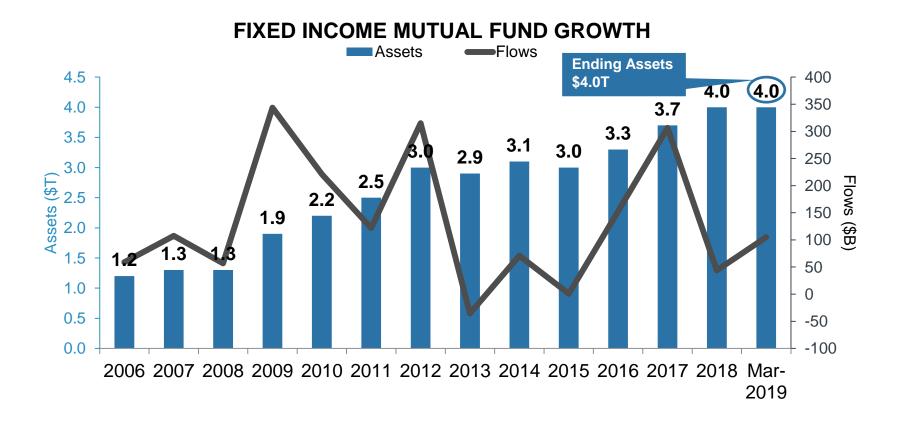


How Do Bond ETFs Compare to Bond Mutual Funds?

Lee Sterne

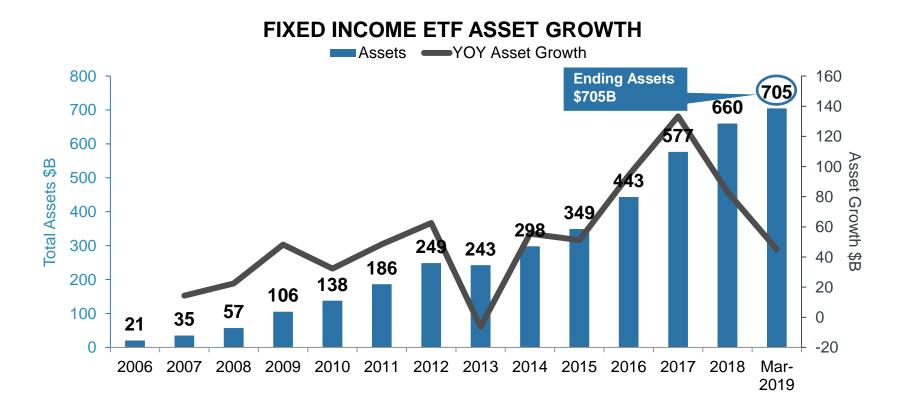


Bond Fund Market Landscape





Bond ETF Market Landscape





Things to Know About **Costs**

ETFs	Mutual Funds
Expense ratios	Expense ratios
Commissions (may be waived)	Load and no-load
Premium/discounts & bid-ask spreads	Bought/sold at NAV (may have redemption fees)





Things to Know About **Trading Attributes**

ETFs	Mutual Funds	
Intra-day trading on secondary market	Most transact once a day at close	
Allow limit, stop and conditional orders	No limit, stop or conditional orders	
Allow shorting and margin	No shorting (margin 30 days)	



Where can I learn more?

Research > Learning Center > Understanding how mutual funds, ETFs, and stocks trade https://www.fidelity.com/learning-center/trading-investing/trading/trading-differences-mutual-funds-stocks-etfs



Things to Know About Access, Transparency, and Taxes

ETFs	Mutual Funds	
Many sub-sector and industry focused ETPs, in addition to broader market ETPs	Most funds focus on broader markets; few sub-sector funds	
Generally, daily transparency of holdings	Holdings data, usually at least 1 month old	
Capital gains tend to be lower due to creation and redemption	Less tax efficient structure, all shareholders bear tax burden	

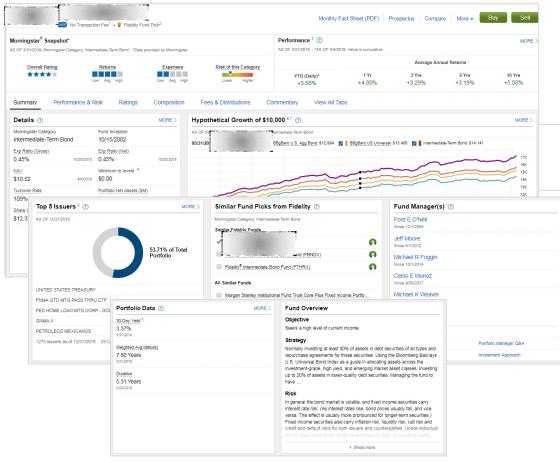


Where can I learn more?

Research > Learning Center > What's in your ETF? Understanding ETF portfolio composition https://www.fidelity.com/learning-center/investment-products/etf/whats-in-your-etf



Mutual Fund Research



Commonly used pages include:

SUMMARY

one-page summary with details on category, expense ratios, ratings, and objectives

PORTFOLIO COMPOSITION View the Top 10 Holdings

COMPARE

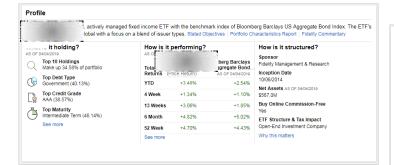
Perform a side-by-side comparison of up to five different securities

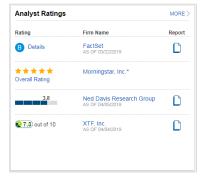


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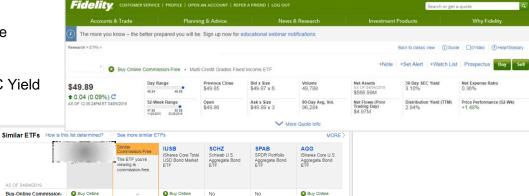
ETF Research

Detailed Quote—Bid/Ask, Volume, and Yield Profile—Summary of Holdings, Performance and Structure Compare—side-by-side comparison of 5 similar ETFs Analyst Ratings—FactSet, Morningstar, Ned Davis, XTF Fund Characteristics—Avg. Duration, Avg. Maturity, SEC Yield





Images are for illustrative purposes only.



Fixed Income

Managed

+1.07%

\$3.60B

0.04%

0.09

Commission-Free

Fixed Income

Managed

+1.39%

\$50 17R

0.05%

0.09

Commission-Free

Fixed Income

Passively

Managed

+1.11%

\$3.32B

0.06%

0.08

Fixed Income

Managed

\$5 ONB

0.04%

0.09



Free? Restrictions Apply

Investment Philosophy

Price Perf. (52 Weeks)

Fixed Income

SERR GOM

0.36%

0.11

Actively Managed

Asset Class

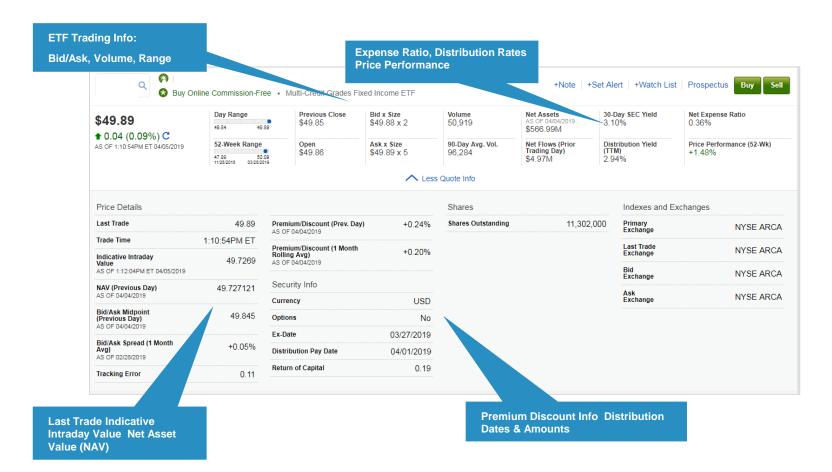
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Detailed Quote: Essential Information for ETF Investors

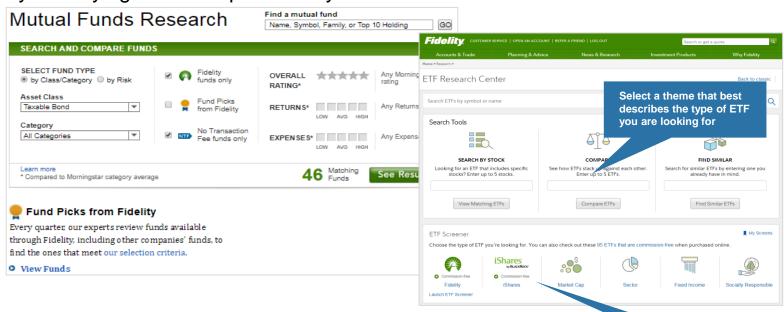




Screener Tools

Build your screen

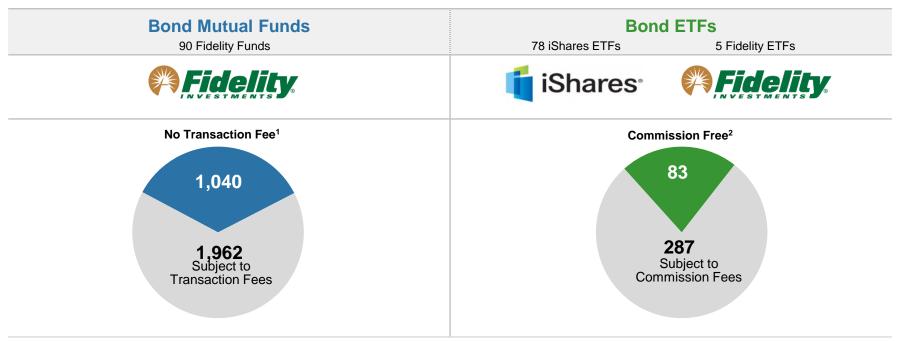
by identifying criteria important to you



Launch ETF Screener to build your search by criteria important to you

Free commission offer applies to online purchases of Fidelity ETFs and select iShares ETFs in a Fidelity brokerage account. The sale of ETFs is subject to an activity assessment fee (from \$0.01 to \$0.03 per \$1,000 of principal).

Bond Mutual Funds and ETFs on Fidelity.com



¹ Certain FundsNetwork funds may be subject to separate and additional redemption fees imposed by the particular fund. Investors should refer to that fund's current prospectus for details.

For iShares ETFs, Fidelity receives compensation from the ETF sponsor and/or its affiliates in connection with an exclusive long-term marketing program that includes promotion of iShares ETFs and inclusion of iShares funds in certain FBS platforms and investment programs. Please note, this security will not be marginable for 30 days from the settlement date, at which time it will automatically become eligible for margin collateral. Additional information about the sources, amounts, and terms of compensation can be found in the ETF's prospectus and related documents. Fidelity may add or waive commissions on ETFs without prior notice. BlackRock and iShares are registered trademarks of BlackRock Inc., and its affiliates.

² Free commission offer applies to online purchases of Fidelity ETFs and select iShares ETFs in a Fidelity brokerage account. The sale of ETFs is subject to an activity assessment fee (from \$0.01 to \$0.03 per \$1,000 of principal).

ETF Strategies Covering the Credit Spectrum

	INVESTMENT GRADE	IVESTMENT GRADE CREDIT SPECTRUM HIGH			HIGH YIELD
	Fidelity Low Duration Bond Factor ETF	Fidelity Limited Term Bond ETF	Fidelity Total Bond ETF	Fidelity Corporate Bond ETF	Fidelity High Yield Factor ETF
Ticker	FLDR	FLTB	FBND	FCOR	FDHY
Expense Ratio ¹	0.15%	0.36%	0.36%	0.36%	0.45%
Summary	Seeks income potential greater than a money market fund with less volatility than a short-term bond fund.	A credit-oriented ETF serving clients with shorter investment horizons	A core fixed income ETF for clients seeking income and a measure of protection from stock market volatility	A credit-oriented ETF serving clients with longer investment horizons	Seeks a high level of income and capital appreciation. Quantitative, rules-based approach to exploit market inefficiencies.
	Factor/ Passive	Active	Active	Active	Factor/Model-based Active

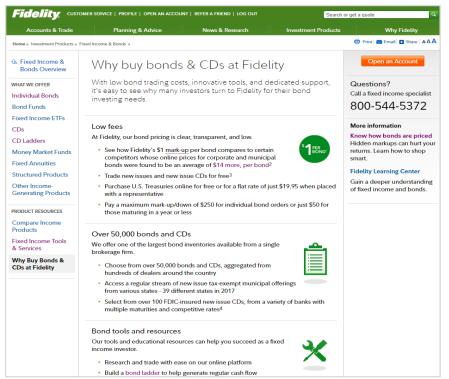
¹ Expense Ratio is the fund's total annual fund operating expenses as available in each fund's prospectus and represents the expenses that you pay each year as a percentage of the value of your investment. Any applicable brokerage charges are not included in the expense ratio.

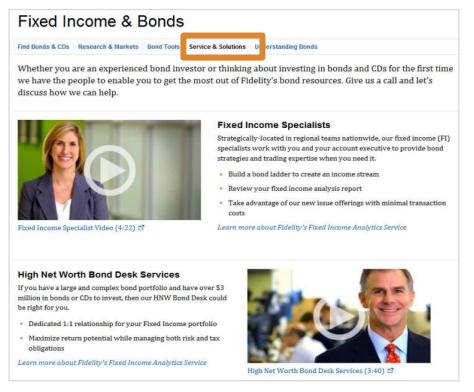


Summary and Next Steps



Why Buy Bonds at Fidelity?





Images are for illustrative purposes only.

A bond's mark-up is the difference (dollar and %) between a bond's Prevailing Market Price (PMP) and the trade price. The mark-up includes, but may not be limited to, Fidelity's \$1 per bond pricing. Details available on our fee schedule.

Further information about bond pricing and mark-ups may be found in this Fidelity Viewpoint.

1. Minimum mark-up or mark-down of \$19.95 applies if traded with a Fidelity representative. For U.S. Treasury purchases traded with a Fidelity representative, a flat charge of \$19.95 per trade applies. A \$250 maximum applies to all trades, reduced to a \$50 maximum for bonds maturing in one year or less. Rates are for U.S. dollar–denominated bonds; additional fees and minimums apply for non-dollar bond trades. Other conditions may apply; see Fidelity.com/commissions for details. Please note that mark-ups and mark-downs may affect the total cost of the transaction and the total, or "effective," yield of your investment. The offering broker, which may be our affiliate, National Financial Services LLC, may separately mark-up or mark-down the price of the security and may realize a trading profit or loss on the transaction.

Awards & Recognition: Fixed Income

	0		
Morningstar		Lipper	
Fund Awards	Fund	Fund Awards	Fund
Fixed Income Manager of the Year Awards	Ford O'Neil and Team, Fidelity Total Bond Winner: 2016 Franco Castagliuolo and Bill Irving Nominees: 2011 and 2014 Fidelity Municipal Bond Team Winner: 2003 Nominee: 2002, 2008, and 2011	2016 3-Year	Fidelity Capital & Income Fidelity Intermediate Government Income Fidelity Real Estate High Income Fidelity Spartan Long-Term Treasury Bond Index* Fidelity Spartan Short-Term Treasury Bond Index*
	John Carlson Fidelity New Markets Income Winner: 2011 Fidelity Total Bond	5-Year	Fidelity Intermediate Government Income Fidelity Real Estate High Income Fidelity Spartan Short-Term Treasury Bond Index*
Great 38 (2017)* Fidelity Total Bond Fidelity Mortgage Securities		10-Year	Fidelity Intermediate Government Income
		2017 5-Ye ar	Fidelity Real Estate High Income
Norningstar 4 & 5 Stars† 65 Funds/Classes		10-Year	Fidelity Intermediate Government Income
Analyst Ratings:† 7 GO	LD 12 SILVER 5 BRONZE	2018 5-Year	Fidelity Capital & Income
Fidelity and FA California Municipal Income • Fidelity GNMA • Fidelity and FA Intermediate Municipal Income • Fidelity and FA Municipal Income • Fidelity Tax-Free Bond • Fidelity and FA Total Bond		* Fidelity Advantage Class	
		Kiplinger	
Fidelity Capital & Income • Fidelity Conservative Income Bond • FA High Income Advantage • Fidelity Intermediate Bond • Fidelity and FA Investment Grade Bond • Fidelity Limited Term Bond • FA Limited Term Bond • Fidelity and FA Limited Term Municipal Income • Fidelity and FA Mortgage Securities • Fidelity New Markets Income • Fidelity and FA Short- Term Bond • Fidelity and FA Strategic Income		25 Favorite No-load Mutual Funds	Fund
		2016	Fidelity Intermediate Muni Income Fidelity New Markets Income
Fidelity and FA Floating Rate High Income • Fidelity and FA Government Income • Fidelity High Income • Fidelity and FA Real Estate Income • Fidelity U.S. Bond Index		2017	Fidelity Intermediate Muni Income Fidelity New Markets Income
		2018	Fidelity Intermediate Muni Income Fidelity New Markets Income Fidelity Strategic Income

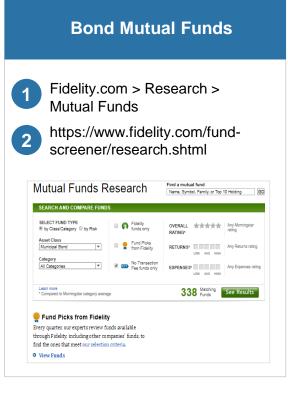
[†] Morningstar. Analyst Ratings as of 1/7/19. See important information slide for more details.

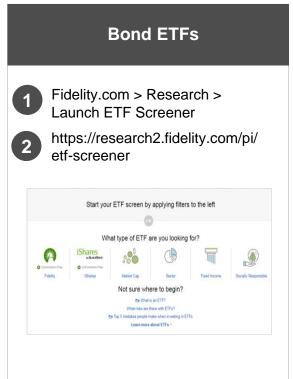
^{*}Each year, Morningstar's Director of Manager Research, Russ Kinnel, publishes his list of top funds that pass his rigorous screens. For 2017 "Great" and 2016 "Fantastic", out of a universe of more than 8,000 funds, only 38 funds and 45 funds passed all of his hurdles (cheapest quintile of category, portfolio managers with at least \$1 million invested, risk below "High" level, analyst rating of "Bronze" or higher, parent rating of "Positive," and life-of-manager returns above benchmark).

Your Next Steps

Locating the Products on Fidelity.com | More education and support services | How to buy

Individual Bonds Fidelity.com > Research > Fixed Income https://fixedincome.fidelity.com/ ftgw/fi/FILanding Fixed Income & Bonds Find Bonds & CDs | Research & Markets | Bond Tools | Service & Solutions | Understanding Bonds Are you paying too much for bonds elsewhere? See how we can save you hundreds of dollars over our competitors. Choose from 40,000 new issue and secondary market bonds and CDs, and approximately 60,000 total offerings quotations when including our depth of book. Only \$1 per bond concession for secondary bond trading, \$0 for US Treasuries on By CUSIP or Type (for bond name) Yields Individual Bonds (51,882) CDs (2,854) New Issues (259) Funds ETFs Bond types and ratings are listed in the left column, maturities across the top. The numerical values represent the high or median yield for each category based on offerings that may be available. Select a value to see bond search results. 0.40% 0.50% 0.55% 0.70% 1.05% 1.25% 1.55% U.S. Treasury Zeros 0.26% 0.36% 0.41% 0.62% 0.81% 1.11% 1.48% 2.09% 2.58% 0.58% 0.67% 0.74% 1.07% 1.24% 1.52% 1.89% 2.78% 3.31% - 1.08% 1.45% 1.53% 1.82% 2.53% 3.41% 3.95% Corporate (Aga(AAA)







Important Information

(from pages 19 and 35)

- 2. Fidelity commissioned Corporate Insight to study bond pricing, available online, for self-directed retail investors from five brokers that offer corporate and municipal bonds for comparison to Fidelity's standard online pricing. The <u>study</u> compared online bond prices for more than 40,000 municipal and corporate inventory matches from February 8 through February 14, 2018. It compared municipal and corporate inventories offered online in varying quantities. The study found that, on average, the three financial services firms identified in the chart were asking \$14.55 more per bond. Corporate Insight determined the average price differential by calculating the difference between the prices of matching corporate and municipal bond inventory at Fidelity, including Fidelity's \$1 per bond mark-up for online trades vs. the prices offered online for the same bonds from the three competitors in the table, then averaging the differences of the financial services firms. An order size of 22 bonds was selected to illustrate the hypothetical trade because this is the average for Fidelity's retail brokerage account holders who purchased individual municipal or corporate bonds for the 12 months ending February 2018.
- 3. Fidelity makes new issue CDs available without a separate transaction fee. Fidelity Brokerage Services LLC and National Financial Services LLC receive compensation for participating in the offering as a selling group member or underwriter.
- 4. For the purposes of FDIC insurance coverage limits, all depository assets of the account holder at the institution that issued the CD will generally be counted toward the aggregate limit (usually \$250,000) for each applicable category of account. FDIC insurance does not cover market losses. All of the new issue brokered CDs Fidelity offers are FDIC insured. In some cases, CDs may be purchased on the secondary market at a price that reflects a premium to their principal value. This premium is ineligible for FDIC insurance. For details on FDIC insurance limits, see www.fdic.gov.



Important Information (Cont'd)

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. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.

Interest income earned from tax-exempt municipal securities generally is exempt from federal income tax, and may also be exempt from state and local income taxes if the investor is a resident in the state of issuance. A portion of the income received may be subject to federal and state income taxes, including the federal alternative minimum tax. In addition, investors may be subject to tax on amounts recognized in connection with the sale of municipal bonds, including capital gains and "market discount" taxed at ordinary income rates. "Market discount" arises when a bond is purchased on the secondary market for a price that is less than its stated redemption price by more than a statutory amount. Before making any investment, investors should review the official statement for the relevant offering for additional tax and other considerations.

ETFs are subject to market fluctuation and the risks of their underlying investments. ETFs are subject to management fees and other expenses. Unlike mutual funds, ETF shares are bought and sold at market price, which may be higher or lower than their NAV, and are not individually redeemed from the fund.

The tax information contained herein is general in nature, is provided for informational purposes only, and should not be construed as legal or tax advice. Fidelity does not provide legal or tax advice. Fidelity cannot guarantee that such information is accurate, complete, or timely. Laws of a particular state or laws that may be applicable to a particular situation may have an impact on the applicability, accuracy, or completeness of such information. Always consult an attorney or tax professional regarding your specific legal or tax situation.

The Fidelity ETF Screener is a research tool provided to help self-directed investors evaluate these types of securities. The criteria and inputs entered are at the sole discretion of the user, and all screens or strategies with preselected criteria (including expert ones) are solely for the convenience of the user. Expert Screeners are provided by independent companies not affiliated with Fidelity. Information supplied or obtained from these Screeners is for informational purposes only and should not be considered investment advice or guidance, an offer of or a solicitation of an offer to buy or sell securities, or a recommendation or endorsement by Fidelity of any security or investment strategy. Fidelity does not endorse or adopt any particular investment strategy or approach to screening or evaluating stocks, preferred securities, exchange traded products, or closed-end funds. Fidelity makes no guarantees that information supplied is accurate, complete, or timely, and does not provide any warranties regarding results obtained from its use. Determine which securities are right for you based on your investment objectives, risk tolerance, financial situation, and other individual factors, and reevaluate them on a periodic basis.

References to individual securities are for illustrative purposes only, and should not be construed as investment advice.

Past performance is no guarantee of future results.

Before investing in any mutual fund or exchange traded fund, you should consider its investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus, an offering circular, or, if available, a summary prospectus containing this information. Read it carefully.



Important Information (Cont'd)

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Fidelity does not review the Morningstar data. For mutual fund performance information, you should check the fund's current prospectus for the most up-to-date information concerning applicable loads, fees, and expenses.

Established in 1988, the Morningstar Fund Manager of the Year award recognizes portfolio managers who demonstrate excellent investment skill and the courage to differ from the consensus to benefit investors. To qualify for the award, managers' funds must have not only posted impressive returns for the year, but the managers also must have a record of delivering outstanding long-term risk-adjusted performance and of aligning their interests with shareholders'. Nominated funds must be Morningstar Medalists—a fund that has garnered a Morningstar Analyst Rating™ of Gold, Silver, or Bronze. The Fund Manager of the Year award winners are chosen based on research and in-depth qualitative evaluation by Morningstar's Manager Research Group. Morningstar's Manager Research Group consists of various wholly owned subsidiaries of Morningstar, Inc. including, but not limited to, Morningstar Research Services LLC. Analyst Ratings are subjective in nature and should not be used as the sole basis for investment decisions. Analyst Ratings are based on Morningstar's Manager Research Group's current expectations about future events and therefore involve unknown risks and uncertainties that may cause such expectations not to occur or to differ significantly from what was expected. Analyst Ratings are not guarantees nor should they be viewed as an assessment of a fund's or the fund's underlying securities' creditworthiness. The Morningstar Analyst Rating is a subjective, forward-looking evaluation that considers a combination of qualitative and quantitative factors to rate funds on five key pillars: process, performance, people, parent, and price. Gold is the highest of four Analyst Rating categories. For the full rating methodology, go to corporate. Morningstar.com/us/documents/Methodology/Documents/AnalystRatingforFundsMethodology.pdf.

Morningstar's 2016 U.S. Fixed-Income Fund Manager of the Year award recognizes Ford O'Neil and team (Jeff Moore, Matt Conti, and Michael Foggin) for Fidelity Total Bond Fund (FTBFX). Fidelity Advisor Total Bond Fund Classes A, C, M, I, and Z are classes of Fidelity Total Bond Fund and have different expense and performance characteristics as well as eligibility requirements. See prospectus for more details. • William Irving, Franco Castagliuolo, and Fidelity's Taxable Bond Management Team were nominated for the 2011 Morningstar Fixed-Income Manager of the Year for Fidelity GNMA (FGMNX) and Fidelity Government Income (FGOVX). Effective 1/1/18, William Irving was appointed Managing Director of Research (MDR) in Fidelity's Global Asset Allocation (GAA) division. • The 2003 Morningstar Fixed-Income Manager of the Year award was won by Fidelity's Municipal Bond Fund Team, Fidelity Spartan Municipal Income. For the award, Morningstar evaluated 1,851 bond fund managers on long- and short-term returns, shareholder-friendly management style, and strength of conviction in investing decisions. The management team of Fidelity's municipal bond funds (all 16 funds) was nominated for the 2002 Morningstar Fixed-Income Manager of the Year. From Fidelity's muni fund lineup, Christine Thompson, Mark Sommer, and Jamie Pagliocco's team was nominated for the 2011 Morningstar Fixed-Income Manager of the Year. Effective 1/1/18, Christine Thompson was appointed Leader of Advanced Technologies for Investment Management for FMR Co. • As manager of Fidelity New Markets Income Fund. John Carlson was chosen from among five nominees as Morningstar's Fixed-Income Manager of the Year in 2011



Important Information (Cont'd)

Lipper Fund Awards honor fund management firms and individual mutual funds that have outperformed peers based on risk-adjusted, consistent return. Lipper determined the award winners by calculating the highest Consistent Return over the 3-, 5-, and 10-year periods. Consistent Return is a quantitative metric that incorporates two characteristics: risk-adjusted return and the strength of the fund's performance trend. Fidelity Investments and Lipper are not affiliated. The third-party trademarks and service marks appearing herein are the property of their respective owners.

Kiplinger's magazine. Industry review of 25 no-load mutual funds. Each year, Kiplinger's Personal Finance compiles a list of their favorite no-load mutual funds. The list includes 25 funds with seasoned managers, a proven track record, and low fees.

The Morningstar RatingTM for funds, or "star rating," is calculated for funds with at least a three-year history. (Exchange traded funds and open-end mutual funds are considered a single population for comparative purposes.) It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly excess performance (excluding the effect of sales charges, if any), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each fund category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 1 star.

Indices

All indexes are unmanaged, and performance of the indexes includes reinvestment of dividends and interest income, unless otherwise noted. Indexes are not illustrative of any particular investment, and it is not possible to invest directly in an index.

Bloomberg Barclays U.S. High Yield Index is a market value-weighted index that covers the universe of dollar-denominated, fixed-rate, non-investment-grade debt.

Bloomberg Barclays U.S. Corporate Investment Grade Index is a market value-weighted index of investment-grade corporate fixed-rate debt issues with maturities of one year or more.

Bloomberg Barclays Municipal Bond Index is an unmanaged index that includes investment-grade, tax-exempt, and fixed-rate bonds with maturities greater than two years selected from issues larger than \$75 million.

Bloomberg Barclays U.S. Aggregate Index is an unmanaged index that tracks domestic investment-grade bonds, including corporate, government, and mortgage-backed securities.

Bloomberg Barclays U.S. Treasury Index is a market value-weighted index of public obligations of the U.S. Treasury with maturities of one year or more.

IA SBBI U.S. Long-Term Corporate Bond Index is a market value-weighted index which measures the performance of long-term U.S. corporate bonds.

IA SBBI U.S. Intermediate-Term Government Bond Index is an unweighted index which measures the performance of five-year maturity U.S. Treasury Bonds. Each year a one-bond portfolio containing the shortest noncallable bond having a maturity of not less than five years is constructed. Bonds with impaired negotiability or special redemption privileges are omitted, as are partially or fully tax-exempt bonds starting in 1943. To measure holding period returns for the one-bond portfolio, the bond is priced (with accrued coupons) over the holding period and total returns are calculated.

The S&P 500® is an unmanaged market value-weighted index including 500 leading companies and captures approximately 80% coverage of available market capitalization

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