

# Fidelity® Total Bond FTBFX

Strong components are allocated with discipline and agility in this core plus offering.

## Morningstar's Take FTBFX

<b>Morningstar Rating</b>	★★★★
<b>Morningstar Analyst Rating</b>	Gold
<b>Morningstar Pillars</b>	
Process	⊕ Positive
Performance	⊕ Positive
People	⊕ Positive
Parent	⊕ Positive
Price	⊕ Positive

## Role In Portfolio

Core

## Fund Performance FTBFX

Year	Total Return (%)	+/- Category
YTD	3.77	0.37
2016	5.86	2.63
2015	-0.42	-0.17
2014	5.54	0.36
2013	-0.92	0.50

Data through 9-30-17

10-03-17 | by Emory Zink

Fidelity Total Bond benefits from a deep bench of sector specialists and resources at the firm, which is adroitly orchestrated by experienced portfolio managers. Those characteristics, taken together with attractive fees, support the fund's Morningstar Analyst Rating of Gold.

This fund's greatest strength is its process. Experienced sector specialists, many with lauded track records in their own rights, provide guidance to lead manager Ford O'Neil and team. Besides investing in the typical investment-grade credit, mortgages, and U.S. Treasuries in the fund's Bloomberg Barclays U.S. Aggregate Bond Index benchmark, the fund may allocate up to 20% in non-investment-grade bonds, including high-yield and emerging-markets debt, when the team finds market valuations compelling. This gives the fund an edge versus more-conservative benchmarklike intermediate-term bond peers, but it may also invite more volatility.

The team has executed this mandate with skill. For example, through early 2016, anxiety over dipping oil prices caused volatility in energy-related names, but sector specialists recommended exposures to hard-hit emerging-markets and high-yield bonds, which rebounded sharply later in the year. Since then, the team has pared back risk, exchanging corporate credit for U.S. Treasuries through the first half of 2017. That agile positioning helped the fund to a 2.1% gain for the year ended August 2017, and this performance landed in the intermediate-term bond Morningstar Category's best quartile.

Long-term results have also been impressive. During the trailing 10-year period ended August 2017, the fund generated 5.2% annualized, ahead of the Aggregate Index's 4.4% and ranking in the top quartile of the competitive intermediate-bond category, all while keeping volatility in line with its typical peer. Still, the fund's weightings in lower-quality bonds and emerging-markets bonds make it more susceptible to losses and have burned it before (2008's financial crisis), but over time, thoughtful positioning and intentional risk-taking have delivered attractive results.

**Process Pillar** ⊕ Positive | Emory Zink  
10/03/2017

Ford O'Neil and the management team aim to keep duration close to their bogy, the Bloomberg Barclays U.S. Aggregate Bond Index. They avoid duration bets, instead attempting to outpace their median category peer during a rolling 36-month period by adjusting the fund's sector allocations, yield-curve positioning, and through individual security selection. O'Neil taps into Fidelity's more than 100-person-strong fixed-income team for investment ideas. The fund generally invests the bulk of its assets in high-quality assets, such as investment-grade corporate bonds, securitized products, and U.S. Treasuries, but it has the flexibility to invest up to 20% of assets in non-investment-grade debt, including emerging-markets debt.

With more than two decades of experience at Fidelity, O'Neil has the institutional knowledge and investment experience to successfully coordinate a team with broad expertise across sectors. Gathering ideas from a bevy of credit analysts and traders, sector specialists regularly consult with O'Neil, and together the team analyzes and nimbly implements decisions. Access to Fidelity's suite of quantitative-risk and asset-allocation tools helps O'Neil and his team to forecast, back-test, and stress-test their portfolio in a variety of market conditions to make smarter portfolio decisions. As a result, the fund earns a Positive Process rating.

Ford O'Neil and his co-portfolio managers have been nimble with recent positioning. The fund was well-placed to take advantage of 2016's credit rally, ending that year with healthy allocations to most of the plus sectors, including high yield (15%) and emerging markets (5%). Relative to the Aggregate Index benchmark, the fund also featured a 10-percentage-point underweighting to U.S. Treasuries and mortgages in favor of a modest overweighting to investment-grade corporate credit, as well as low-single-digit out-of-benchmark exposures to commercial mortgage-backed securities and collateralized mortgage obligations. That year, the fund's performance benefited from this flexibility.

During the first seven months of 2017, tight credit spreads led O'Neil and his team to actively pare back the fund's risk posture. By July 2017, the fund's corporate credit exposure had fallen 7 percentage points to 37%, while the team had also reduced exposure to agency mortgages (15%), an underweighting relative to the index. U.S. Treasuries increased by 10 percentage points to 37%, matching the benchmark, though including Treasury Inflation-Protected Securities, which grew to 10% from 6% during that time frame. The team argues that although inflation continues to miss expectations, the securities appear attractive on a relative basis and offer liquidity that it could use as dry powder should volatility increase.

**Performance Pillar** + Positive | Emory Zink 10/03/2017

During Ford O'Neil's tenure, beginning in December 2004 through August 2017, it delivered 4.8% of annualized return, outpacing its Bloomberg Barclays U.S. Aggregate Bond Index benchmark and roughly 75% of peers in the competitive intermediate-bond category. That it realized this longer-term performance while navigating riskier markets illustrates its nimbleness and supports the fund's Positive Performance rating.

To be sure, this strategy comes with risk. During 2015 and into early 2016, for example, when high-yield came under pressure, this fund lagged more conservatively positioned rivals. However, the team took advantage of the volatility. During the early 2016 dip in oil prices, the firm's high-yield specialists helped O'Neil and company to ferret out hard-hit energy-related names, significantly contributing to performance in the months following. For the year ended August 2017, the fund has fared well, earning a 2.1% return that sits in the best quartile of the category. It benefited from a decision to increase exposures to high-yield and emerging markets in 2016's volatile fourth quarter before paring back those holdings through the first half of 2017. During longer periods of time, the fund's flexibility to take advantage of a broader menu of options, backed by the deep knowledge of sector-specific experts, has buoyed its performance relative to peers.

**People Pillar** + Positive | Emory Zink 10/03/2017

A proven team and strong firm-level resources earn this fund a Positive People rating. At the helm since late 2004, lead manager Ford O'Neil has built a long career in Fidelity's taxable-bond group. He started as an analyst and quickly moved into portfolio management. Today, O'Neil has fixed-income portfolio-management responsibilities on a range of Fidelity's retail and institutional accounts and also comanages several of Fidelity's asset-allocation funds. He draws on the work of a 30-person-plus credit team.

In June 2012, Jeffrey Moore, manager of Fidelity Investment Grade Bond FBNDX, joined O'Neil as a comanager here. The two have worked closely for many years on the firm's core and core-plus fixed-income products. In October 2017, Celso Munoz,

another member of the core bond team, joined this fund's roster. All three get help from several sector specialists on Fidelity's fixed-income team. Comanager Matt Conti is responsible for guiding the fund's high-yield sleeve and works with the firm's well-respected high income group of roughly two dozen credit analysts and associates. Conti also heads up Fidelity Focused High Income FHIFX, a portfolio dedicated to the higher-quality end of the junk-bond sector. Michael Foggin was named a portfolio manager in October 2014 and directs the fund's 9% international-bond sleeve. In addition to this responsibility, he helps manage a variety of global- and international-bond funds for Fidelity.

**Parent Pillar** + Positive | Emory Zink 04/18/2017

Long one of the industry's biggest asset managers, Fidelity has faced pressure as investors have pulled money from the active U.S. equity funds for which the firm is best known. While significant outflows could gravely impact some firms, Fidelity is shielded by its diverse mix across asset classes (including its own competitively priced index funds), success in other business lines, and private ownership that helps it escape quarterly earnings scrutiny.

The asset-management division remains well-staffed amid cost-cutting across the firm. Still, the firm could stand to rationalize its active-equity fund lineup: There are many redundant or mediocre funds alongside the standouts run by longtime star managers and up-and-comers. Retaining talent remains critical, particularly following the unexpected retirement announcement of a talented young small-cap manager. To its credit, Fidelity has handled equity manager transitions better than in the past. Meanwhile, Fidelity's fixed-income division remains among the industry's best, with a team-oriented approach assuaging key-person risk. Fidelity's target-date funds have improved, and the firm's technology and trading resources remain topnotch.

Even as it has raced to address competitive headwinds by unveiling a handful of factor-based exchange-traded funds, Fidelity remains capable on the actively managed side, earning a Positive Parent rating.

**Price Pillar** + Positive | Emory Zink 10/03/2017

While there are cheaper passively managed bond funds available, the fund's no-load shares represent roughly three fourths of assets, and its 0.45% expense ratio is below average for an offering in the intermediate-bond category. This qualifies the fund for a Positive Price Pillar rating.

## Fidelity Total Bond Fund (FTBFX)

All data as of 12/31/17 unless otherwise noted.

Total Returns, Expense Ratios, and SEC Yields (%)							
	Cumulative Returns	Average Annual Returns			Expense Ratios		30-Day SEC Yield
	YTD	1-Year	5-Year	10-Year	Gross	Net	
FTBFX	4.18	4.18	2.80	4.90	0.45	0.45	2.43
BBgBarc U.S. Aggregate Bond	3.54	3.54	2.10	4.01	-	-	-
BBgBarc U.S. Universal Bond	4.09	4.09	2.50	4.33	-	-	-

**Current performance may be higher or lower than that quoted. Visit [institutional.fidelity.com](http://institutional.fidelity.com) or call your investment professional for most recent month-end performance. Performance data shown represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate, so you may have a gain or loss when shares are sold.**

Total returns are historical and include changes in share price and reinvestment of dividends and capital gains, if any. It is not possible to invest directly in an index. All market indices are unmanaged.

Morningstar Rating <sup>1</sup>				
Intermediate-Term Bond Category	Overall	3-Year	5-Year	10-Year
FTBFX	★★★★	★★★★★	★★★★★	★★★★★
Number of funds in category	847	847	778	554

The Overall Morningstar Rating for a fund is derived from a weighted average of the performance figures associated with its three-, five-, and ten-year (if applicable) Morningstar Rating metrics, which are based on risk-adjusted returns. Past performance is no guarantee of future results.

Morningstar Percentile Rank				
Intermediate-Term Bond Category	1-Year	3-Year	5-Year	10-Year
% Rank in category (FTBFX)	32	8	14	17
Number of funds in category	986	847	778	554

Portfolio Diversification (%) <sup>2,3</sup>	
U.S. Government	41.55
Non-U.S. Government	3.02
Other Government Related (U.S. & Non-U.S.)	2.04
Corporate	33.36
MBS Pass-Through	13.99
ABS	1.16
CMBS	2.13
CMOs	1.80
Covered	0.02
Cash	4.54
USD	4.46
Non-USD	0.08
Net Other Assets <sup>4</sup>	-3.61
<b>Total</b>	<b>100.00</b>
Futures, Options & Swaps	-0.76
FX Forwards/Spots	-0.84

Credit Quality Diversification (%) <sup>2,5</sup>	
U.S. Government	57.42
AAA	1.09
AA	1.01
A	8.79
BBB	17.39
BB	7.47
B	4.42
CCC & Below	0.55
Short-Term Rated	0.00
Not Rated/Not Available	0.19
Cash & Net Other Assets <sup>4</sup>	1.67
<b>Total</b>	<b>100.00</b>

Portfolio Data (Years)	
Weighted Average Maturity	7.4
Duration	5.46

Asset Class Diversification (%) <sup>2,3</sup>	
Investment-Grade Bonds	83.55
High-Yield Investments	11.39
Emerging-Markets Investments	4.13
Cash & Net Other Assets <sup>4</sup>	0.93

Key Facts	
Management Fee (8/31/17)	0.31%
Turnover Rate (as of 8/17)	137%

Country Diversification (%) <sup>2,3</sup>	
United States	90.26
Mexico	1.82
United Kingdom	1.67
Netherlands	1.26

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 avoiding losses caused by price volatility by holding them until maturity is not possible. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks, all of which are magnified in emerging markets. Lower-quality bonds can be more volatile and have greater risk of default than higher-quality bonds. The fund 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.

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

*Unless otherwise disclosed to you, in providing this information, Fidelity is not undertaking to provide impartial investment advice, act as an impartial adviser, or to give advice in a fiduciary capacity.*

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

**1.** The Morningstar Rating™ 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 effects 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 2 stars, and the bottom 10% receive 1 star. Morningstar Rating is for the indicated share class only; other classes may have different performance characteristics. **2.** As a percentage of total net assets. **3.** Portfolio diversification, asset class diversification, and country diversification may not be representative of the fund’s current or future investments and may change at any time. Depository receipts are normally combined with the underlying security. **4.** Net Other Assets can include fund receivables, fund payables, and offsets to other derivative positions, as well as certain assets that do not fall into any of the portfolio composition categories. Depending on the extent to which the fund invests in derivatives and the number of positions that are held for future settlement, it can be a negative number. **5.** Credit ratings for a rated issuer or security are categorized using the highest credit rating from among the following three Nationally Recognized Statistical Rating Organizations (NRSROs): Moody’s Investors Service (Moody’s); Standard & Poor’s Ratings Services (S&P); or Fitch, Inc. Securities that are not rated by any of these three NRSROs (e.g. equity securities, if held) are categorized as Not Rated. All U.S. government securities are included in the U.S. Government category. The table information is based on the combined investments of the fund and its pro rata share of any investments in other Fidelity funds.

Diversification does not ensure a profit or guarantee against a loss.

#### DEFINITIONS AND IMPORTANT INFORMATION

**30-Day SEC Yield** is based on yield to maturity of a fund’s investments and not on the dividends paid by the fund, which may differ. **Bloomberg Barclays (BBgBarc) 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. **Bloomberg Barclays (BBgBarc) U.S. Universal Bond Index** represents the union of the BBgBarc U.S. Aggregate Bond Index, the BBgBarc U.S. Corporate High Yield Bond Index, the BBgBarc 144A Bond Index, the BBgBarc Eurodollar Bond Index, the BBgBarc Emerging Markets Aggregate USD Bond Index, and the non-ERISA portion of the BBgBarc U.S. CMBS Index. Municipal debt, private placements, and non-dollar-denominated issues are excluded from the index. The only constituent of the index that includes floating rate debt is the BBgBarc Emerging Markets Aggregate USD Bond Index. **Duration** is a measure of a security’s price sensitivity to changes in interest rates. Duration differs from maturity in that it considers a security’s interest payments in addition to the amount of time until the security reaches maturity, and also takes into account certain maturity-shortening features (e.g., demand features, interest rate resets, and call options) when applicable. Securities with longer durations generally tend to be more sensitive to interest rate changes than securities with shorter durations. A fund with a longer average duration generally can be expected to be more sensitive to interest rate changes than a fund with a shorter average duration. **Gross Expense Ratio** is the total annual fund or class operating expense ratio from the most recent prospectus (before waivers or reimbursements) and generally is based on amounts incurred during the most recent fiscal year. **Management Fee** is the fee paid by the fund to Fidelity Management & Research Company (FMR) for managing its investments and business affairs. 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/MethodologyDocuments/AnalystRatingforFundsMethodology.pdf](http://Corporate.Morningstar.com/us/documents/MethodologyDocuments/AnalystRatingforFundsMethodology.pdf). **Morningstar Total Percentile Rank** is calculated using Morningstar’s total return database. The calculation of total return is determined each month by taking the change in monthly net asset value, reinvesting all income and capital gains distributions during that month, and dividing by the starting NAV. Reinvestments are made using the actual reinvestment NAV, and daily payoffs are reinvested monthly. Multiple share classes of a fund have a common portfolio but impose different expense structures. © Morningstar, Inc. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its affiliates; (2) may not be copied or distributed; (3) is not warranted to be accurate, complete, or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Morningstar is a registered trademark of Morningstar, Inc., and is not affiliated with Fidelity Investments. 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. **Net Expense Ratio** is the total annual fund or class operating expense ratio from the most recent prospectus, after any fee waiver and/or expense reimbursements that will reduce any fund operating expenses for no less than one year from the effective date of the fund’s registration statement. This number does not include any fee waiver arrangement or expense reimbursement that may be terminated without agreement of the fund’s board of trustees during the one-year period. **Turnover Rate** is the lesser of amounts of purchases or sales of long-term portfolio securities divided by the monthly average value of long-term securities owned by the fund. **Weighted Average Maturity** is the average maturity of the individual securities in the fund weighted in proportion to their dollar value.

Article copyright 2017 by Morningstar. Reprinted from October 3, 2017, issue with permission from Morningstar. The statements and opinions expressed in this article are those of the author. Fidelity Investments cannot guarantee the accuracy or completeness of any statements or data.

The Morningstar Analyst Rating should not be used as the sole basis in evaluating a mutual fund. Morningstar Analyst Ratings are based on Morningstar’s current expectations about future events; therefore, in no way does Morningstar represent ratings as a guarantee nor should they be viewed by an investor as such. Morningstar Analyst Ratings involve unknown risks and uncertainties which may cause Morningstar’s expectations not to occur or to differ significantly from what we expected.

This information should in no way be considered investment advice. There is no guarantee the trends discussed in this article will continue. Investment decisions should take into account the unique circumstances of the individual investor and should be based on an individual’s own goals, time horizon, and tolerance for risk.

This reprint and any materials delivered with it should not be construed as an offer to sell or a solicitation of any offer to buy shares of any securities mentioned.

This information represents the opinions of a third party and does not necessarily represent the opinions of Fidelity Investments.

Third-party trademarks and service marks are the property of their respective owners. All other trademarks and service marks are the property of FMR LLC or an affiliated company.

If receiving this piece through your relationship with Fidelity Institutional Asset Management® (FIAM®), this publication is provided to investment professionals, plan sponsors, and institutional investors by Fidelity Investments Institutional Services Company, Inc.

If receiving this piece through your relationship with Fidelity Personal & Workplace Investing (PWI), this publication is provided to plan sponsors by Fidelity Brokerage Services LLC, Member NYSE, SIPC.

**Before investing, consider the fund’s investment objectives, risks, charges, and expenses. Contact your investment professional or visit [institutional.fidelity.com](http://institutional.fidelity.com), [fidelity.com](http://fidelity.com), or [401k.com](http://401k.com) for a prospectus or, if available, a summary prospectus containing this information. Read it carefully.**