

Fidelity® Short-Term Bond Fund

Investment Approach

- Fidelity® Short-Term Bond Fund is a diversified, short-term bond strategy that seeks a high level of current income, consistent with preservation of capital.
- Benchmarked against the Bloomberg U.S. 1-3 Year Government/Credit Bond Index, the fund seeks to deliver competitive risk-adjusted performance that is commensurate with investor expectations of a high-quality short-term bond fund.
- Utilizing a team-based investment process, the fund relies on experienced portfolio managers, research analysts and traders. We concentrate on areas where we believe we can repeatedly add value, including asset allocation, sector and security selection, yield-curve positioning and opportunistic trading.
- Robust governance and risk management, consisting of extensive quantitative modeling, formal and informal portfolio reviews, and proprietary tools, support the identification of both opportunities and risks.

PERFORMANCE SUMMARY

	Cumulative		Annualized			
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year/LOF ¹
Fidelity Short-Term Bond Fund Gross Expense Ratio: 0.30% ²	2.96%	4.72%	7.69%	1.85%	1.94%	1.79%
Bloomberg US 1-3 Year Government/Credit Bond Index	2.96%	4.38%	7.19%	1.50%	1.70%	1.64%
Lipper Short Investment Grade Debt Funds Classification	2.90%	5.05%	8.20%	1.91%	2.13%	1.96%
Morningstar Fund Short-Term Bond	3.17%	5.18%	8.71%	1.69%	2.07%	1.98%

¹ Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 09/15/1986.

² This expense ratio is from the most recent prospectus and generally is based on amounts incurred during the most recent fiscal year, or estimated amounts for the current fiscal year in the case of a newly launched fund. It does not include any fee waivers or reimbursements, which would be reflected in the fund's net expense ratio.

Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. Performance shown is that of the fund's Retail Class shares (if multiclass). You may own another share class of the fund with a different expense structure and, thus, have different returns. To learn more or to obtain the most recent month-end or other share-class performance, visit fidelity.com/performance, institutional.fidelity.com, or 401k.com. Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. Cumulative total returns are reported as of the period indicated.

For definitions and other important information, please see the Definitions and Important Information section of this Fund Review.

FUND INFORMATION

Manager(s):
Team Managed

Trading Symbol:
FSHBX

Start Date:
September 15, 1986

Size (in millions):
\$2,359.77

Morningstar Category:
Fund Short-Term Bond

Bond funds entail interest rate risk (as interest rates rise bond prices usually fall), the risk of issuer default, issuer credit risk and inflation risk. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. Leverage can increase market exposure and magnify investment risk.



Not FDIC Insured • May Lose Value • No Bank Guarantee

Taxable Bond Market Review

U.S. taxable investment-grade bonds staged a strong rally in the third quarter of 2024, as steadily easing inflation and a cooling labor market led the U.S. Federal Reserve to implement its first policy interest-rate reduction following a lengthy period of monetary tightening. For the three months, investment-grade bonds advanced 5.20%, as measured by the Bloomberg U.S. Aggregate Bond Index.

After raising its benchmark interest rate 11 times between March 2022 and July 2023, the Fed held steady in a range of 5.25% to 5.5% for 14 months prior to cutting by half a percentage point (50 basis points) on September 18. The long-awaited move was enabled by several consecutive monthly reports that showed inflation slowly receding. This contrasted with the early months of 2024, when three straight reports had most inflation measures moving sideways or ticking up, which kept the Fed on pause in the year's first half and led investors to push back their expectations for the magnitude of rate cuts this year.

The Bloomberg U.S. Aggregate Bond Index gained 2.34% in July, when that month's inflation reading (through June) fell slightly from the previous month, dropping the year-over-year headline inflation rate to 3%. It was at this point that the market consensus around a likely September rate cut coalesced. The index advanced further in August (+1.44%) when that consensus firmed, stoked by a jobs report that showed U.S. hiring slowing substantially in July, pointing to a need for less restrictive monetary policy via lower interest rates.

Prior to the Fed's committee meeting on September 17-18, the only real suspense was around whether the central bank would opt for a quarter-point or half-point reduction in the federal funds rate. Its choice of the larger cut helped bonds gain again in the month of September (+1.34%). Year to date, the index is up 4.45%.

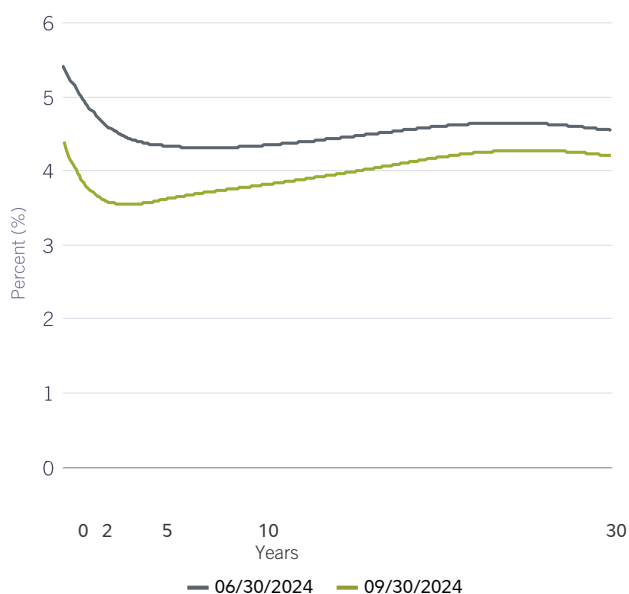
As bond prices rose during the three months, bond yields – which move in the opposite direction of prices – fell. The nominal 10-year U.S. Treasury yield dropped 55 basis points (0.55%) for the quarter, finishing at 3.81%.

For the full three months, gains were solid and broad-based across the bond market, with yield-advantaged, credit-sensitive segments leading the way. By quality rating, lower-quality investment-grade securities, rated A and BBB, gained 5.83% and 5.81%, respectively, faring best in the risk-on environment. Meanwhile, long-term maturities (10 years and up) advanced 7.93% and notably outpaced shorter-term issues.

Results varied at the sector level on a total-return basis (see exhibit below), but all spread products enjoyed positive excess returns versus Treasuries (+4.74%). U.S. corporate bonds (+5.84%) topped the investment-grade performance chart, bolstered by tighter credit spreads amid resilient fundamentals, followed by agency mortgage-backed securities (+5.53%), which benefited as investors increasingly shifted into high-quality, longer-duration asset classes. Commercial mortgage-backed securities (+4.65%) and government-related securities (+4.63%) delivered lesser gains, while asset-backed securities (+3.35%) turned in a comparatively modest advance.

Outside the Aggregate index, U.S. Treasury inflation-protected securities gained 4.12%, per Bloomberg, while U.S. high-yield corporate bonds (+5.28%) slightly lagged their investment-grade counterparts, and emerging-markets high-income bonds (+6.61%) showed relative strength. ■

U.S. TREASURY YIELD CURVE



Source: Bloomberg

THREE-MONTH FIXED-INCOME SECTOR RETURNS

Sector	Total Return	Excess Return*
Government-Related	4.63%	0.22%
U.S. Mortgage-Backed Securities	5.53%	0.78%
Asset-Backed Securities	3.35%	0.15%
Commercial Mortgage-Backed Securities	4.65%	0.36%
U.S. Corporate Investment Grade	5.84%	0.77%
U.S. Corporate High Yield	5.28%	1.72%
Emerging Markets: Investment Grade	5.34%	0.37%
Emerging Markets: High Yield	6.61%	2.33%
U.S. Treasury	4.74%	0.00%

Source: Bloomberg

*Over similar-duration Treasuries

Performance Review

DETAILED FUND ATTRIBUTION RELATIVE TO BENCHMARK

Strategy: Sector Allocation		Strategy: Security Selection	
Market Environment	For the quarter, gains were solid and broad-based across the bond market, with yield-advantaged, credit-sensitive segments leading the way. U.S. investment-grade corporate bonds and agency mortgage-backed securities were particular standouts versus Treasuries.	Market Environment	Among investment-grade categories, lower-quality (A and BBB) and longer-term (10 years and up) securities fared best.
Fund Positioning (Impact vs. Benchmark)	<p>Overall, sector allocation contributed to the fund's return versus the benchmark Bloomberg U.S. 1-3 Year Government/ Credit Bond Index this quarter.</p> <ul style="list-style-type: none"> Favoring short-term corporate bonds while underweighting similar-duration U.S. Treasuries helped relative performance. (Positive) Non-benchmark allocations to asset-backed securities – most notably, car loan debt – also added value. (Positive) 	Fund Positioning (Impact vs. Benchmark)	<p>Security selection among investment-grade bonds modestly aided relative performance the past three months.</p> <ul style="list-style-type: none"> Holdings among financial institutions contributed. (Positive) Within the industrial sector, debt holdings in the consumer non-cyclical corporate category helped, as well. (Positive)
Strategy: Duration and Yield Curve			
Market Environment	Yields declined across the maturity spectrum during the quarter, with the front end of the curve (0 to 5 years) falling most. In September the curve disinverted, as the yield of the two-year U.S. Treasury note fell below that of the 10-year note.		
Fund Positioning (Impact vs. Benchmark)	<p>Yield-curve positioning detracted from relative performance in Q3.</p> <ul style="list-style-type: none"> Underweighting one- and two- year bonds in favor of three- and five-year maturities hurt. (Negative) The fund's overall duration remained generally in line with that of the benchmark. (Neutral) 		

Outlook and Positioning

At quarter end, the global business cycle remained in expansion, with a broad shift toward monetary easing and a stable earnings outlook. During Q3, the U.S. Fed and the Bank of England each cut benchmark rates for the first time this cycle, while the European Central Bank and Bank of Canada began to ease in Q2 and dropped rates further this quarter.

The U.S. economic expansion demonstrates evidence of both mid- and late-cycle dynamics. Headline and core inflation have declined significantly from 2022's highs, but core inflation (which excludes volatile food and energy costs) remained above 3% at quarter end. Near-term recession risks appear muted, but a full pivot to a disinflationary mid-cycle environment remains uncertain.

As of September 30, the market had priced in the expectation of two additional rate cuts by year-end, with a total implied reduction of at least one percentage point from the peak rate (i.e., including the half-point September cut). Of course, the Fed may slow or quicken its pace, depending on how inflation, jobs and consumer spending data progress.

For the three months, on average, about 46% of the fund's assets were invested in corporate bonds. Within corporates, financials remained our largest sector allocation, at about 26% of total assets. The portfolio also owned 26% U.S. Treasuries, on average, and a roughly 19% non-benchmark allocation to asset-backed securities like securitized car loan debt and collateralized loan obligations. Consistent with our strategy, the fund was notably underweight U.S. Treasuries, which represented 69% of the benchmark, on average.

In a dynamic market environment, we continue to find pockets of value within the fixed-income market, based on our view of pricing and fundamentals. Our goal remains to work with our investment teams to try to find attractively priced bonds for the portfolio while maintaining a disciplined approach to risk management.

It is important to reiterate that the portfolio is constructed with a careful and intentional emphasis on security selection, especially with consideration to liquidity and financial resiliency. Investing is a long-term endeavor, and we're focused on generating strong risk-adjusted performance over a full market cycle. ■

MARKET-SEGMENT DIVERSIFICATION

Market Segment	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
U.S. Treasury	27.01%	69.29%	-42.28%	0.73%
U.S. Agency	0.00%	2.08%	-2.08%	0.45%
Other Government Related (U.S. & Non-U.S.)	0.37%	4.55%	-4.18%	0.56%
Corporate	42.53%	24.08%	18.45%	-3.35%
MBS Pass-Through	0.26%	0.00%	0.26%	0.00%
ABS	19.40%	0.00%	19.40%	0.23%
CMBS	5.20%	0.00%	5.20%	-0.26%
CMOs	1.82%	0.00%	1.82%	-0.10%
Cash	2.92%	0.00%	2.92%	1.48%
Net Other Assets	0.49%	0.00%	0.49%	0.26%
Futures, Options & Swaps	15.83%	0.00%	15.83%	0.85%

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, Net Other Assets can be a negative number.

CHARACTERISTICS

	Portfolio	Index
Duration	1.83 years	1.78 years
30-Day SEC Yield	4.22%	--
30-Day SEC Restated Yield	--	--
Net Asset Value	\$8.53	--

CREDIT-QUALITY DIVERSIFICATION

Credit Quality	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
U.S. Government	27.54%	71.36%	-43.82%	1.15%
AAA	23.89%	3.49%	20.40%	0.54%
AA	7.08%	5.59%	1.49%	0.07%
A	21.32%	10.80%	10.52%	-0.81%
BBB	15.34%	8.77%	6.57%	-2.39%
BB	0.00%	0.00%	0.00%	0.00%
B	0.00%	0.00%	0.00%	0.00%
CCC & Below	0.00%	0.00%	0.00%	0.00%
Short-Term Rated	0.00%	0.00%	0.00%	0.00%
Not Rated/Not Available	1.38%	-0.01%	1.39%	-0.31%
Cash & Net Other Assets	3.45%	0.00%	3.45%	1.75%

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Credit ratings for a rated issuer or security are categorized using the highest credit rating among the following three Nationally Recognized Statistical Rating Organizations ("NRSRO"): Moody's Investors Service (Moody's); Standard & Poor's Rating Services (S&P); or Fitch, Inc. Securities that are not rated by any of these three NRSRO's (e.g. equity securities) 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.

Definitions and Important Information

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CHARACTERISTICS

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.

30-day SEC Yield is a standard yield calculation developed by the Securities and Exchange Commission for bond funds. The yield is calculated by dividing the net investment income per share earned during the 30-day period by the maximum offering price per share on the last day of the period. The yield figure reflects the dividends and interest earned during the 30-day period, after the deduction of the fund's expenses. It is sometimes referred to as "SEC 30-Day Yield" or "standardized yield".

30-Day SEC Restated Yield is the fund's 30-day yield without applicable waivers or reimbursements, stated as of month-end.

Net Asset Value is the dollar value of one share of a fund; determined by taking the total assets of a fund, subtracting the total liabilities, and dividing by the total number of shares outstanding.

IMPORTANT FUND INFORMATION

Relative positioning data presented in this commentary is based on the fund's primary benchmark (index) unless a secondary benchmark is provided to assess performance.

INDICES

It is not possible to invest directly in an index. All indices represented are unmanaged. All indices include reinvestment of dividends and interest income unless otherwise noted.

Bloomberg U.S. 1-3 Year Government/Credit Bond Index is a market value-weighted index of investment-grade fixed-rate debt securities with maturities from one to three years from the U.S. Treasury, U.S. Government-Related, and U.S. Corporate indexes.

Bloomberg 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 U.S. Treasury Inflation-Protected Securities (TIPS) Index (Series-L) is a market value-weighted index that measures the performance of inflation-protected securities issued by the U.S. Treasury.

LIPPER INFORMATION

Lipper Averages are averages of the performance of all mutual funds with their respective investment classification category. The number of funds in each category periodically changes. Lipper, a Refinitiv company, is a nationally recognized organization that ranks the performance of mutual funds.

MARKET-SEGMENT WEIGHTS

Market-segment weights illustrate examples of sectors or industries in which the fund may invest, and may not be representative of the fund's current or future investments. They should not be construed or used as a recommendation for any sector or industry.

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YIELD CURVE

The relationship at a given point in time between yields on a group of fixed-income securities with varying maturities - commonly, Treasury bills, notes, and bonds. The curve typically slopes upward since longer maturities normally have higher yields, although it can be flat or even inverted.



Before investing in any mutual fund, please carefully consider the investment objectives, risks, charges, and expenses. For this and other information, call or write Fidelity for a free prospectus or, if available, a summary prospectus. Read it carefully before you invest.

Past performance is no guarantee of future results.

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