

# Fidelity® Strategic Income Fund

## Investment Approach

- Fidelity® Strategic Income Fund is a multi-asset-class strategy that seeks high current income, and potentially also capital appreciation, by investing in a diversified mix of fixed-income securities.
- The fund's assets are allocated among domestic high-yield bonds, U.S. government securities, foreign developed-markets debt, emerging-markets securities and floating-rate high-yield debt, using a target weighting of 40%, 25%, 15%, 15% and 5%, respectively. This strategic allocation attempts to take advantage of the low correlation among these fixed-income segments with a goal of optimizing total returns while containing volatility over time.
- Specialized subportfolio managers are responsible for security selection in their respective areas of expertise and represent the primary source of alpha (risk-adjusted excess return), while the lead portfolio managers have the flexibility to make tactical allocation shifts around the target mix to help manage risk and capitalize on relative-value opportunities.

## PERFORMANCE SUMMARY

	Cumulative		Annualized			
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year/LOF <sup>1</sup>
Fidelity Strategic Income Fund Gross Expense Ratio: 0.69% <sup>2</sup>	-0.19%	-0.19%	5.31%	4.23%	3.67%	5.90%
Bloomberg Barclays U.S. Universal Bond Index	-1.41%	-1.41%	1.52%	1.73%	2.19%	4.01%
Fidelity Strategic Income Composite Index	-0.34%	-0.34%	4.17%	3.91%	3.34%	5.65%
Morningstar Fund Multisector Bond	-0.53%	-0.53%	3.43%	3.10%	2.93%	5.21%
% Rank in Morningstar Category (1% = Best)	--	--	12%	17%	27%	34%
# of Funds in Morningstar Category	--	--	314	255	205	119

<sup>1</sup> Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 05/01/1998.

<sup>2</sup> This expense ratio is from the most recent prospectus and generally is based on amounts incurred during the most recent fiscal year. 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](http://fidelity.com/performance), [institutional.fidelity.com](http://institutional.fidelity.com), or [401k.com](http://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:**  
FSICX

**Start Date:**  
May 01, 1998

**Size (in millions):**  
\$8,701.77

**Morningstar Category:**  
Fund Multisector Bond

*Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Fixed income investments 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, 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. Leverage can increase market exposure and magnify investment risk.*



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## Market Review

Asset markets started the year the same way they ended 2017 – exhibiting remarkably low levels of volatility. During the first quarter, however, a number of crosscurrents catalyzed an abrupt return of asset-price volatility, particularly in foreign developed-markets (DM) equities. Emerging-markets (EM) equities stayed in the black. Also, with the outlook for inflation and economic growth solidifying, and the U.S. Federal Reserve signaling intent for a sustained tightening cycle, 10-year Treasury yields rose to their highest level in four years.

In fixed income, U.S. taxable investment-grade bonds declined for the first quarter of 2018, as yields moved higher amid recent tax-reform legislation, rising policy and market interest rates, and indications of faster inflation. The Bloomberg Barclays U.S. Aggregate Bond Index returned -1.46% for the three months, generally lagging riskier assets such as stocks and high-yield bonds, even though overall bond supply tightened for the period.

For the three months ending March 31, 2018, the Fidelity Strategic Income Composite Index<sup>SM</sup> returned -0.34%. This index comprises five asset classes; in order of weighting in the Composite: U.S. high-yield debt, U.S. government debt, non-U.S. developed-markets government debt, emerging-markets debt and floating-rate debt. Only two categories delivered a positive absolute result this period.

U.S. corporate high-yield bonds returned -0.91% for the quarter, as measured by the ICE BofAML® US High Yield Constrained Index. High-yield began the new year by extending an upward trend that started in mid-February 2016, but reversed course in early February and continued downward in March. Amid broad-based market volatility in the final two months of the quarter, asset prices bounced around, and most categories, like high-yield, finished in modestly negative territory for the full three months.

In the U.S., market yields rose notably in January and February, ahead of another quarter-point rate interest rate hike implemented in March by the Fed. As of March 31, policy rates stood at their highest since 2008, with the Fed signaling the likelihood of at least two additional rate hikes for calendar year 2018. Against this backdrop, U.S. government bonds, as measured by the Bloomberg Barclays U.S. Government Bond Index, slightly outpaced the overall U.S. investment-grade bond market, returning -1.15%.

Meanwhile, emerging-markets debt returned -1.48%, as measured by the Bloomberg Barclays Emerging Markets Aggregate USD Bond Index. After a strong rally that began in late 2016 and continued into November 2017, emerging-markets debt declined in the first two months of 2018 before posting a modest gain in March. The downtrend was due in large part to rising interest rates, which weighed on the index's long-duration assets, especially in February. In addition, some idiosyncratic stories influenced the performance of many markets. As a result, most of the index's country constituents declined for the quarter.

Aided by currency effects, developed-markets debt, as measured by the Bloomberg Barclays Global Aggregate Developed Markets GDP Weighted ex USD Index, returned 3.12% the past three months.

Lastly, the S&P®/LSTA Leveraged Performing Loan Index gained 1.53%; it was the ninth straight quarter in which the asset class gained in value. Rising interest rates and expectations for more helped these securities, whose interest rates are regularly reset along with rate changes. ■

## THREE-MONTH RETURNS

Asset Class	Total Return
High-Yield Bonds <sup>1</sup>	-0.91%
U.S. Government Securities <sup>2</sup>	-1.15%
Foreign Developed-Markets Debt <sup>3</sup>	3.05%
Emerging-Markets Debt <sup>4</sup>	-1.48%
Floating-Rate High-Yield Debt <sup>5</sup>	1.53%

<sup>1</sup>ICE BofAML US High Yield Constrained Index

<sup>2</sup>Bloomberg Barclays U.S. Government Bond Index

<sup>3</sup>Bloomberg Barclays Global Aggregate Developed Markets GDP Weighted ex USD Bond

<sup>4</sup>Bloomberg Barclays EM USD Aggregate Index

<sup>5</sup>S&P/LSTA Leveraged Performing Loan Index

## Performance Review

### DETAILED FUND ATTRIBUTION RELATIVE TO BENCHMARK

#### Strategy: Asset Allocation

##### High-Yield Bonds

With the fund's high-yield exposure kept closely in line with that of the benchmark, this allocation had no effect on the fund's relative result.

**(Neutral)**

##### U.S. Government Securities

A modest underweighting in U.S. government debt securities had an incrementally positive effect on the fund's relative performance.

**(Slight positive)**

##### Foreign Developed-Markets Debt

Our decision to underweight this strong-performing category hampered the fund's result.

**(Negative)**

##### Emerging-Markets Debt

The fund's slight underweighting in emerging-markets debt, which trailed the Composite index, added modestly to relative performance.

**(Slight positive)**

##### Floating-Rate High-Yield Debt

In light of the category's outperformance versus the Composite, the fund's overweighting here had a favorable impact on results.

**(Positive)**

#### Strategy: Security Selection

##### High-Yield Bonds

Security selection in our high-yield debt subportfolio contributed to the fund's result, owing to favorable picks in the technology and energy industries.

**(Positive)**

##### U.S. Government Securities

Security selection among U.S. government debt had no meaningful impact on the fund's relative performance this period.

**(Neutral)**

##### Foreign Developed-Markets Debt

Security selection in the developed-markets debt subportfolio added value, particularly with picks in Germany.

**(Positive)**

##### Emerging-Markets Debt

Security selection among emerging-markets bonds was a meaningfully positive contributor this period, especially reflecting good security selection in Argentina, Brazil and Mexico.

**(Positive)**

##### Floating-Rate High-Yield Debt

The fund's floating-rate sub-portfolio marginally underperformed the category.

**(Slight negative)**

### ASSET ALLOCATION PERFORMANCE SUMMARY

Asset Class	Benchmark	Average Relative Weight	Relative Contribution (basis points)*
High-Yield Debt	ICE BAML US HY Const	0.1%	8
Floating-Rate Debt	S&P/LSTA Lev Perf Loan	3.3%	5
Foreign-Developed Markets Debt	BBgBar Glb Ag DM GDP xUSD	-2.6%	0
U.S. Government & Investment Grade Debt	BBgBarc Government Bond	-1.3%	1
Emerging Markets Debt	BBgBarc Emerging Markets	-1.0%	17
Invested Assets Subtotals	FID Strat Inc Comp Idx	-1.5%	30
Top-Level Cash & Net Other Assets	--	1.5%	1
Net Expenses	--	--	-16
<b>Total Value Added</b>			<b>15</b>

\*1 basis point = 0.01%.

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.

## Outlook and Positioning

The fund employs a lead portfolio-manager/subportfolio-manager structure. The two co-lead portfolio managers make allocation decisions across the fund's major asset classes. Individual selection decisions within each asset class are made by experienced and specialized managers within their respective areas of expertise.

Our asset allocation investment process is a disciplined, multi-step approach incorporating a large number of economic and market signals. The process begins with strategic allocation across the range of the fund's asset classes. Depending on the co-lead portfolio managers' outlook for each type of investment, they may over- or underweight an asset class versus the neutral mix. This is done judiciously, with an eye toward long-term trends and in a strategic manner to help preserve the integrity of the portfolios.

Separate from the asset allocation investment process, each subportfolio has its own dedicated portfolio manager who employs an asset class specific process for security selection. The aim of the fund's investment approach is to offer a well-diversified strategy with the potential to deliver strong income regardless of the interest-rate environment.

In managing the fund, we are seeking to provide a mix of upside potential and downside ballast.

Given limited volatility in the various markets we focus on in this fund, our approach has been to keep the fund's asset allocation weightings relatively close to our target weightings, such that security selection rather than asset allocation is the key driver of returns. We anticipate maintaining this positioning until we begin to see more volatility in fixed-income markets.

During the period, our primary asset allocation shift was to increase the fund's existing overweighting in floating-rate debt, which went from 7% to 9%. We funded this increase primarily by reducing exposure to developed-market debt, which went from 14% of the portfolio to about 12%. These shifts reflected our observation that floating-rate securities were offering a yield advantage over non-U.S. developed markets. Meanwhile, our other exposures were relatively close to those of the benchmark. For example, the fund's high-yield allocation was in line, on average, with our 40% target, while our allocation to both EM and U.S. government bonds both were roughly one percentage point below our target weightings. We also maintained a modest cash allocation, reflecting what we saw as few obviously undervalued asset classes in the marketplace.

We will be closely monitoring market trends as we regularly assess the relative investment opportunities available in our investment universe, and we will not hesitate to adjust the fund's asset allocations when we see the potential to add value. ■

## CREDIT-QUALITY DIVERSIFICATION

Credit Quality	Portfolio Weight
U.S. Government	23.60%
AAA	4.85%
AA	1.55%
A	3.73%
BBB	5.51%
BB	18.73%
B	20.94%
CCC & Below	6.00%
Short-Term Rated	0.00%
Not Rated/Not Available	7.25%
Cash & Net Other Assets	7.84%

*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.*

*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.*

## CHARACTERISTICS

	Portfolio
Duration	4.29 years
30-Day SEC Yield	3.33%
30-Day SEC Restated Yield	--
Net Asset Value	\$10.94

SUBPORTFOLIO COMPOSITION

Asset Class	Portfolio Weight	Strategic Allocation	Relative Weight	Relative Change From Prior Quarter
High-Yield Debt	39.87%	40.00%	-0.13%	-0.30%
Corporate Bonds	28.48%	--	--	--
Bank Loans	1.31%	--	--	--
Convertibles Securities	0.25%	--	--	--
Equity, Rights & Warrants	5.00%	--	--	--
Cash & Net Other Assets	4.83%	--	--	--
Floating-Rate Debt	9.14%	5.00%	4.14%	2.12%
Term & Revolving Loans	8.27%	--	--	--
Other Floating-Rate Securities	0.09%	--	--	--
Fixed-Rate Bonds	0.19%	--	--	--
Equity, Rights & Warrants	0.06%	--	--	--
Cash & Net Other Assets	0.54%	--	--	--
U.S. Government & Investment Grade Debt	24.05%	25.00%	-0.95%	0.36%
Sovereign Bonds	16.67%	--	--	--
Securitized Debt	8.11%	--	--	--
Futures, Options & Swaps	0.08%	--	--	--
Cash & Net Other Assets	-0.80%	--	--	--
Foreign-Developed Markets Debt	12.15%	15.00%	-2.85%	-1.94%
Corporate Bonds	2.92%	--	--	--
Sovereign Bonds	9.13%	--	--	--
Cash & Net Other Assets	0.10%	--	--	--
Emerging Markets Debt	14.05%	15.00%	-0.95%	0.05%
Corporate Bonds	3.79%	--	--	--
Sovereign Bonds	7.96%	--	--	--
Floating-Rate Debt	0.59%	--	--	--
Equity, Rights & Warrants	0.04%	--	--	--
Cash & Net Other Assets	1.67%	--	--	--
Top Level Fund	0.74%	--	0.74%	-0.29%
Top-Level Cash & Net Other Assets	0.74%	--	--	--

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.

## Definitions and Important Information

*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.*

### 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.

Effective 7/20/17, Adam Kramer was added as co-lead portfolio manager, while Joanna Bewick transitioned off the fund.

Effective 12/1/17, Sean Corcoran was added as co-portfolio manager and Bill Irving transitioned off the fund.

### 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 Barclays U.S. Universal Bond Index** represents the union of the Bloomberg Barclays U.S. Aggregate Bond Index, the Bloomberg Barclays U.S. Corporate High Yield Bond Index, the Bloomberg Barclays 144A Bond Index, the Bloomberg Barclays Eurodollar Bond Index, the Bloomberg Barclays U.S. Emerging Markets Bond Index, and the non-ERISA portion of the Bloomberg Barclays 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 Bloomberg Barclays U.S. Emerging Markets Bond Index.

**Fidelity Strategic Income Composite Index** is a customized blend of unmanaged indexes, weighted as follows: ICE BofAML US High Yield Constrained Index - 40%; Bloomberg Barclays US Government Bond Index - 25%; Bloomberg Barclays Emerging Markets Aggregate USD Bond Index - 15%; Bloomberg Barclays Global Aggregate Developed Markets GDP Weighted Ex USD Index - 15%; and S&P/LSTA Leveraged Performing Loan Index - 5%. The composition differed in periods prior to February 1, 2015.

**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.

**Bloomberg Barclays Global Aggregate Developed Markets GDP Weighted Ex USD Index** is a variant of the Barclays Global Aggregate Index that excludes bonds that are either U.S. dollar-denominated or belong to the EM GDP country blocs (with the exception of bonds with a country of risk of Hong Kong or Singapore). It is a rules-based alternative-weight benchmark that weights index-eligible country blocs by the size of their economies as measured by GDP rather than by the total amount of outstanding debt. The GDP weights are applied at a country-bloc level only, all index-eligible securities within each bloc remain market-value-weighted in order to best reflect the investment-choice set available to investors in that bloc. The Barclays Global Aggregate Developed Markets GDP Weighted Ex USD Index has the same underlying bonds and inclusion rules as its market-value-weighted counterpart. This multicurrency investment-grade global benchmark offers expanded spread sector security coverage, including bonds from the Treasury, government-related, corporate and securitized sectors. The index contains more than 7300 securities with a market value of approximately \$22.7 trillion, including 13 different local-currency-debt markets and 33 different countries of risk as of February 27, 2014.

**Bloomberg Barclays Emerging Markets Aggregate USD Bond Index** is a market-value-weighted index of U.S. dollar-denominated fixed- and floating-rate emerging-markets debt securities that are below investment grade. The index is designed to measure the performance of emerging-markets debt securities in the Americas, Europe, Asia, Middle East and Africa.

**Bloomberg Barclays U.S. Government Bond Index** is a market-value-weighted index of U.S. Government fixed-rate debt issues with maturities of one year or more.

**S&P/LSTA Leveraged Performing Loan Index** is a market-value-weighted index designed to represent the performance of U.S. dollar-denominated institutional leveraged performing loan portfolios (excluding loans in payment default) using current market weightings, spreads and interest payments.

**The ICE BofAML US High Yield Constrained Index** is a modified market-capitalization-weighted index of U.S. dollar-denominated below-investment-grade corporate debt publicly issued in the U.S. domestic market. Qualifying securities must have a below-investment-grade rating (based on an average of Moody's, S&P and Fitch). The country of risk of qualifying issuers must be an FX-G10 member, a Western European nation, or a territory of the U.S. or a Western European nation. The FX-G10 includes all eurozone members, the U.S., Japan, the U.K., Canada, Australia, New Zealand, Switzerland, Norway and Sweden. In addition, qualifying

securities must have at least one year remaining to final maturity, a fixed coupon schedule and at least \$100 million in outstanding face value. Defaulted securities are excluded. The index contains all securities of The BofA Merrill Lynch US High Yield Index but caps issuer exposure at 2%.

### RANKING INFORMATION

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% Rank in Morningstar Category is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1%. % Rank in Morningstar Category is based on total returns which include reinvested dividends and capital gains, if any, and exclude sales charges. Multiple share classes of a fund have a common portfolio but impose different expense structures.

### RELATIVE WEIGHTS

Relative weights represents the % of fund assets in a particular market segment, asset class or credit quality relative to the benchmark. A positive number represents an overweight, and a negative number is an underweight. The fund's benchmark is listed immediately under the fund name in the Performance Summary.



***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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