December 1, 2023

Q&A: CHANGES TO CERTAIN FIDELITY SHORT BOND FUNDS

Q1: I understand that Fidelity is making changes to several of its short bond funds. What can you tell me?

A: Yes. On April 1, 2023, Fidelity reduced expenses on its actively managed, investment-grade bond mutual funds and ETFs with durations of less than three years. At that time, we stated that we are always evaluating our offerings to ensure they provide customers with exceptional value. We believe the following additional changes, along with the price reductions, will improve the funds' performance and make them highly competitive in today's marketplace:

- **Fidelity Advisor® Limited Term Bond Fund (retail and advisor share classes) and Fidelity® Limited Term Bond ETF**. Effective February 28, 2024, the two funds' will modify their principal investment strategies to allow each fund to invest up to 20% of assets in lower-quality debt securities. As a result, the funds' supplemental composite benchmark will be modified to add a high-yield component.
- **Fidelity® Conservative Income Bond Fund (retail and advisor share classes) and Fidelity Flex® Conservative Income Bond Fund**. Effective December 6, 2023, the two funds will increase the maximum maturity of securities from two years to four years, and the funds' dollar-weighted average maturity from 0.75 years to one year or less.
- **Fidelity® Short-Term Bond Fund (retail and advisor share classes)**. While the fund's principal investment strategies have not changed, Fidelity will add disclosure to the fund's prospectus to support investing up to 10% of the portfolio's total net assets in lower-quality debt securities.

Q2: Can you provide more detail on the changes to the Advisor Limited Term Bond Fund and Limited Term Bond ETF, and the rationale for them?

Morningstar currently has two categories for its taxable intermediate-term bond funds: Intermediate Core and Intermediate Core Plus. The difference is that Core Plus funds invest more than 5% of their assets in high-yield securities. For short-term bond funds, which include limited-term funds, Morningstar makes no distinction between Core and Core Plus.

Many of Fidelity's competitors offer short-duration bond funds that resemble a Core Plus offering, based on their holdings in high-yield investments. Fidelity believes additional high-yield debt exposure could improve the risk/return profile of Fidelity Advisor® Limited Term Bond Fund and Fidelity® Limited Term Bond ETF. In other words, we expect the moderate increase in risk to result in higher expected return and risk-adjusted return potential in most market environments.

Currently, each limited-term fund has a stated policy of normally investing at least 80% of assets in investment-grade debt securities (those of medium and high quality) of all types and repurchase agreements for those securities. Effective February 28, 2024, Fidelity will remove "investment-grade" from each fund's policy and will add a principal investment strategy allowing each fund to invest up to 20% of its assets in lower-quality debt securities.

Alexandre Karam will be named a co-manager of each fund, joining current co-managers Rob Galusza, David DeBiase and Julian Potenza.

Accordingly, Fidelity will update the weights in the funds' supplemental benchmark, the Fidelity Limited Term Composite Index, as shown below:

Composite Benchmark Components	Weight	
	Current	New
Bloomberg U.S. 1-5 Year Credit Bond Index[1]	80%	70%
Bloomberg U.S. 1-5 Year Government Bond Index[2]	20%	20%
ICE BofA 1-5 Year BB-B US Cash Pay High Yield Constrained Index[3]	None	10%

Q3: Can you provide more detail on the changes to the Conservative Income Bond funds, and the rationale for them?

Fidelity® Conservative Income Bond Fund and Fidelity Flex® Conservative Income Bond Fund each have a stated policy to invest more than 25% of portfolio assets in the financial services industry. As of September 30, 2023, each fund held more than 50% of its net assets in financial services, with the majority of that percentage in bank debt holdings.

The funds' investment team – co-portfolio managers Julian Potenza, Rob Galusza, David DeBiase and Maura Walsh – sees an opportunity to increase fund diversification by de-emphasizing the banking sector and adding an allocation to high-quality, AAA-rated asset-backed securities. Since asset-backed securities have a slightly longer maturity than the funds' current investments, Fidelity will update the policies for maximum maturity and dollar-weighted average maturity,

[1] Bloomberg US 1-5 Year Credit Bond Index is a market value-weighted index of investment-grade corporate fixed-rate debt issues with maturities between one and five years.
[2] Bloomberg US 1-5 Year Government Bond Index is a market value-weighted index of US Government fixed-rate debt issues with maturities between one and five years.
[3] ICE BofA 1-5 Year BB-B US Cash Pay High Yield Constrained Index is a market capitalization-weighted index of US dollar denominated below investment grade corporate debt currently in a coupon paying period that is publicly issued in the US domestic market, with maturities between one and five years. Qualifying securities must have an average rating (based on Moody's, S&P and Fitch) between BB and B, inclusive. The country of risk of qualifying issuers must be an FX-G10 member, a Western European nation, or a territory of the US or a Western European nation. The FX-G10 includes all Euro members, the US, Japan, the UK, 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 and deferred interest bonds that are not yet accruing a coupon are excluded.

increasing the former from two years to four years, and the latter from 0.75 years to one year or less, which will align with the corresponding Fidelity® Conservative Income Municipal Bond funds. These changes will diversify the portfolio and give the investment team greater flexibility.

Currently, the (taxable) Conservative Income Bond funds and (non-taxable) Conservative Income Municipal Bond funds each have a principal investment strategy to invest in lower-quality investment-grade debt securities, subject to a stated limit of 5% for the taxable funds and 10% for the non-taxable fund. To align with each fund's intended allocation, Fidelity will remove the stated limits and move these strategies to the "Other Investment Strategies" section, which supports an up-to-10% investment.

Q4: Can you provide more detail on the change to Fidelity® Short-Term Bond Fund?

The fund, co-managed by Rob Galusza, Julian Potenza and David DeBiase, will add new disclosure to the prospectus to support investing up to 10% of the portfolio's total net assets in below-investment-grade securities. We believe this change will make the fund more attractive relative to its peers.

Q5: How will these changes be communicated to shareholders?

Each of the affected funds' prospectuses will be supplemented on December 1, 2023.

For Fidelity Advisor® Limited Term Bond Fund and Fidelity® Limited Term Bond ETF, existing shareholders will receive the required 60 days' notice of certain fund changes.

We will not actively reach out to plan sponsors to communicate changes.

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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.

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.

Past performance is no guarantee of future results.

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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 and 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 currency-exchange-rate, economic, and political risks, all of which are magnified in emerging markets. Lower-quality debt securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Leverage can increase market exposure, magnify investment risks, and cause losses to be realized more quickly. Although a forward foreign currency exchange contract is used to reduce or hedge a fund's exposure to changes in the value of the currency, suitable hedging transactions may not be available in all circumstances, may not be successful, and may eliminate any chance for the fund to benefit from favorable fluctuations in relevant foreign currencies.

Indexes are unmanaged. It is not possible to invest directly in an index.

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