

Fidelity® Capital & Income Fund

Investment Approach

- Fidelity® Capital & Income Fund is a diversified high-yield bond strategy that seeks income and capital growth by investing primarily in the bonds of non-investment-grade companies.
- We apply an opportunistic investment approach, which results in tactical positions aimed to capitalize on relative value across a company's capital structure, including high-yield bonds, stocks, convertible securities, leveraged loans and preferred stocks.
- In particular, we seek companies with a strong balance sheet, high free cash flow, improving business/industry fundamentals and a sharp management team that is motivated to reduce debt. In doing so, we take a longer-term investment outlook and also may take advantage of opportunities based on the credit cycle.
- We strive to uncover these investments through in-depth fundamental credit analysis, working in concert with Fidelity's high-income and global research teams.

| PERFORMANCE SUMMARY | Cumulative | | Annualized | | | |
|---|------------|--------|------------|--------|--------|--------------------------|
| | 3 Month | YTD | 1 Year | 3 Year | 5 Year | 10 Year/LOF ¹ |
| Fidelity Capital & Income Fund Gross Expense Ratio: 0.92% ² | 1.77% | 12.36% | 12.36% | 12.01% | 7.03% | 7.93% |
| ICE BofA US High Yield/US High Yield Constrained Blend | 1.35% | 8.50% | 8.50% | 10.03% | 4.50% | 6.44% |
| Morningstar Fund High Yield Bond | 1.27% | 8.01% | 8.01% | 9.25% | 4.22% | 5.56% |
| % Rank in Morningstar Category (1% = Best) | -- | -- | 2% | 2% | 1% | 2% |
| # of Funds in Morningstar Category | -- | -- | 622 | 584 | 548 | 445 |

¹ Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 11/01/1977.

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):

Brian Chang
Mark Notkin

Trading Symbol:

FAGIX

Start Date:

November 01, 1977

Size (in millions):

\$14,833.15

Morningstar Category:

Fund High Yield Bond

Interest rate increases can cause the price of a debt security to decrease. Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Lower-quality bonds can be more volatile and have greater risk of default than higher-quality bonds. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks.

High-Yield Bond Market Review

U.S. high-yield bonds gained 1.35% in the fourth quarter, according to the ICE BofA® US High Yield Constrained Index, extending a rebound that began in early April, but at a slower pace. The advance has been supported by strong corporate fundamentals, a resilient economy and the Federal Reserve's first interest-rate reductions since December 2024, as well as active capital markets and continued inflows into the category. The gain in Q4 came largely from coupon accrual, versus movement in spreads or rates.

High yield entered October on an uptrend, but with the federal government in a shutdown that would last until November 12. The index rose nonetheless, boosted by earnings momentum and a constructive expansionary backdrop.

On October 29, the central bank lowered its benchmark federal funds rate by 0.25 percentage points at its second consecutive meeting, as it looked to balance a recent slowdown in hiring and inflation running higher than its 2% target. The index rose 0.20% for the month, with the Fed pushing back against market expectations for a further rate cut in 2025.

In November, high yield weathered the shutdown to gain 0.50%, benefiting from a U.S. economy largely driven by massive AI-related outlays by big tech companies.

Meanwhile, the Fed cut rates by another quarter point on December 10 but signaled caution about further rate cuts in early 2026. The index rose 0.65% for the month, 8.50% for the year and 10.46% since the low on April 8.

Looking at high-yield performance by quality in the fourth quarter, higher-rated credits (BB) fared best, gaining 1.58%. This topped the B (+1.55%) and CCC/below tiers (-0.42%).

The high-yield market's credit-quality composition remained stronger than its historical mix and improved the past three months, with BBs representing 45% of the market at year-end and CCCs/below representing only about 13%.

By industry, returns were positive across the board and fairly tightly clustered around the market aggregate. The defensive health care (+2.18%) and utility (+1.91%) groups led the way. The former was a sizable component of the index the past three months, representing about 8% of the market.

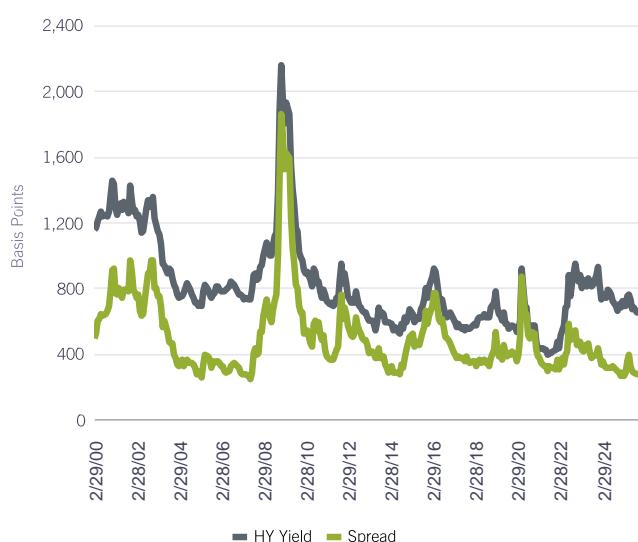
A handful of industries hovered around 1.75%, including automotive, real estate, financial services, capital goods and insurance. Several other groups edged the index for the three months: services, telecommunications, banking and transportation.

Energy gained 1.03%, held back by a sharp decline in the price of oil. It remained the largest group in the high-yield index the past three months, at 11%.

Other industries to modestly lag the index for the three months were technology & electronics, media, basic industry, leisure, retail and consumer goods.

High-yield debt finished the quarter roughly in line with leveraged loans and U.S. taxable investment-grade bonds, but trailed emerging-markets debt and U.S. equities. ■

HIGH-YIELD SPREAD AND AVERAGE YIELD (BASIS POINTS*)



*1 basis point = 0.01%.

Source: Bank of America as of 12/31/25. Yield spread is represented by the option-adjusted spread of the ICE BofA US High Yield/US High Yield Constrained Blend. The average spread is calculated from 1/31/00 through the most recent period.

THREE-MONTH HIGH-YIELD RETURNS

| Quality | Total Return |
|--|--------------|
| BB | 1.58% |
| B | 1.55% |
| CCC and Below | -0.42% |
| The ICE BofA US High Yield Constrained Index | 1.35% |

Source: Bank of America

Performance Review

For the quarter, the fund gained 1.77%, topping the 1.35% advance of the benchmark, the ICE BofA® US High Yield Constrained Index, and the 1.27% result of the peer group average. Importantly, given our focus, long-term performance comparisons strongly favor the fund over the benchmark and peer group average.

In Q4, the fund's core allocation to high-yield bonds drove its outperformance of the benchmark. Security selection was the primary contributor, with the fund's holdings surpassing the high-yield market by 58 basis points (0.58%). Substantial active exposure to equities also helped, gaining 1.89%. Meanwhile, floating-rate leveraged loans (+1.22%) – another non-benchmark allocation – detracted from the fund's relative result. The fund's position in cash also hurt performance, rising 1.03%. We ended the year with about 13% of assets in cash, higher than on September 30. We view this larger-than-usual stake as a residual effect of our bottom-up investing process. The fund is at the high end of its historical allocation to stocks, as we don't currently see a favorable risk/reward trade-off in the high-yield market, and we are comfortable maintaining this stance. High-yield bonds made up 50% of assets as of year-end, while stocks represented roughly 22% and bank debt about 10%.

By industry in Q4, security selection in telecommunications helped most, primarily reflecting a sizable position in stock and bonds issued by EchoStar (+18%), which designs and distributes products for pay-TV, wireless and satellite services providers. The company merged with DISH Network in January 2024. EchoStar is an issuer of high-yield bonds, but we decided to invest in distressed convertible bonds that were once unsecured convertibles issued by DISH. We chose this option because it gave the fund better access to EchoStar's spectrum assets, which we like, while also avoiding the firm's satellite TV business, which has been hampered by secular headwinds. EchoStar was the top holding by issuer at year-end.

In basic industry, the stock of Comfort Systems USA (+13%) contributed, as the provider of highly skilled craftsmen specializing in mechanical and electrical services benefited from the build-out of data centers to support artificial intelligence, as well as the construction of health care and pharmaceutical facilities and semiconductor-fabrication plants. Comfort Systems USA remained a sizable position at the end of December.

Conversely, it hurt to hold stock and bonds of Wolfspeed (-29%), a maker of semiconductors used in electric vehicles. We acquired Wolfspeed convertible bonds at a deep discount to par, or face value, and believed they provided a sufficient margin of error, but in Q4 they were pressured by a downturn in demand for EVs. ■

LARGEST OVERWEIGHTS BY MARKET SEGMENT

| Market Segment | Portfolio Weight | Index Weight | Relative Weight | From Prior Quarter | Relative Change |
|--------------------------|------------------|--------------|-----------------|--------------------|-----------------|
| Technology & Electronics | 16.03% | 5.35% | 10.68% | -0.13% | |
| Insurance | 3.63% | 2.53% | 1.10% | 0.04% | |
| Banking | 1.15% | 0.10% | 1.04% | 0.04% | |

Outlook and Positioning

As 2026 begins, the portfolio reflects our analysis of relative valuations for stocks and high-yield debt. In constructing the portfolio, we seek the best companies with the best leaders, aiming to buy their securities at a fair price. We look to capitalize on investment themes that have secular underpinnings, believing related companies can weather any cyclical storm because their earnings will be powered by durable drivers, even in tough economic times.

We remain confident about the sustainability of the secular themes that drove the fund the past three months. These include: the rapid ascension of AI, including growth in data centers and a material inflection in demand for power; the reshoring of the domestic economy and the rebuilding of the U.S. manufacturing base; electrification of autos, factories and industrial automation; the strengthening of the nation's energy and communications infrastructure; growth in digital commerce and advertising; and the growing popularity of alternative and nontraditional investments.

We still see good relative value in stocks, despite somewhat stretched valuations as of year-end. In Q4, the fund's exposure to stocks was essentially unchanged. We like the stocks held in the portfolio, believing they are reasonably priced and offer better value than bonds.

Among stocks, we have positioned the portfolio with an emphasis on several powerful themes that generally relate to the reindustrialization of America, with the emergence of AI the most topical. Accordingly, information technology represented roughly 30% of equity assets, by far the largest sector allocation after moving higher the past three months. Holdings here primarily reflect companies we believe to be beneficiaries of AI, particularly among semiconductor-related businesses. Industrials stood at 23% of assets, while financials accounted for 12%.

On the credit side, valuations remain tight and not very forgiving, and while fundamentals are solid, it is these historically elevated valuation levels that give us pause. The fund's high-yield allocation edged down to 50% of assets. Although issuer health is strong, current spreads offer limited upside, supporting a more cautious approach to portfolio risk. With little room for further tightening, we have favored higher-quality, lower-risk investments and avoided chasing yield, particularly given the portfolio's elevated equity beta. In that context, we're pleased with the fund's high-yield outperformance in the fourth quarter, as our intentionally defensive stance held up well in a market that largely rewarded risk. ■

LARGEST UNDERWEIGHTS BY MARKET SEGMENT

| Market Segment | Portfolio Weight | Index Weight | Relative Weight | From Prior Quarter | Relative Change |
|----------------|------------------|--------------|-----------------|--------------------|-----------------|
| Media | 3.86% | 8.80% | -4.94% | 0.34% | |
| Healthcare | 4.03% | 8.39% | -4.36% | -0.49% | |
| Leisure | 3.49% | 6.06% | -2.56% | -0.37% | |
| Real Estate | 1.48% | 3.86% | -2.39% | 0.06% | |
| Automotive | 0.94% | 3.20% | -2.26% | -0.31% | |

3-YEAR RISK/RETURN STATISTICS

| | Portfolio | Index |
|--------------------|-----------|-------|
| Beta | 1.06 | 1.00 |
| Standard Deviation | 5.76% | 4.79% |
| Sharpe Ratio | 1.21 | 1.04 |
| Tracking Error | 2.72% | -- |
| Information Ratio | 0.73 | -- |
| R-Squared | 0.78 | -- |

CHARACTERISTICS

| | Portfolio | Index |
|---------------------------|------------|------------|
| Duration | 1.74 years | 2.54 years |
| 30-Day SEC Yield | 4.44% | -- |
| 30-Day SEC Restated Yield | -- | -- |
| Net Asset Value | \$10.86 | -- |

ASSET ALLOCATION

| Asset Class | Portfolio Weight | Index Weight | Relative Weight | Relative Change From Prior Quarter |
|---------------------------------|------------------|--------------|-----------------|------------------------------------|
| Bank Debt | 10.26% | 0.00% | 10.26% | -0.88% |
| Corporate Bond: Cash Pay | 49.38% | 99.60% | -50.22% | -1.67% |
| Corporate Bond: Deferred Pay | 0.00% | 0.04% | -0.04% | -0.04% |
| Other Debt | 0.33% | 0.36% | -0.03% | 0.13% |
| Convertible Bonds | 1.21% | 0.00% | 1.21% | -0.05% |
| Convertible Preferred Stock | 0.91% | 0.00% | 0.91% | 0.03% |
| Non-Convertible Preferred Stock | 0.58% | 0.00% | 0.58% | 0.31% |
| Equities | 21.67% | 0.00% | 21.67% | -0.06% |
| Cash & Net Other Assets | 15.66% | 0.00% | 15.66% | 2.23% |

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-QUALITY DIVERSIFICATION

| Credit Quality | Portfolio Weight | Index Weight | Relative Weight | Relative Change From Prior Quarter |
|-------------------------|------------------|--------------|-----------------|------------------------------------|
| BBB & Above | 5.84% | 1.85% | 3.99% | 0.19% |
| BB | 18.23% | 44.97% | -26.74% | -1.71% |
| B | 23.92% | 39.55% | -15.63% | -0.90% |
| CCC & Below | 9.94% | 13.17% | -3.23% | -0.20% |
| Not Rated/Not Available | 26.40% | 0.10% | 26.30% | 0.24% |
| Cash & Net Other Assets | 15.67% | 0.36% | 15.31% | 2.38% |

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 Moody's Investors Service (Moody's). If Moody's does not publish a rating for a security or issuer, then the Standard & Poor's Ratings Services (S&P) rating is used. When S&P and Moody's provide different ratings for the same issuer or security, the Moody's rating is used. Securities that are not rated by these NRSROs (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.

LARGEST HOLDINGS BY ISSUER

Issuer

| | |
|--|--------------|
| ECHOSTAR CORP | |
| NVIDIA CORP | |
| TRANSDIGM INC | |
| COMFORT SYSTEMS USA INC | |
| ALLY FINL INC | |
| Five Largest Issuers as a % of Net Assets | 9.42% |
| Total Number of Holdings | 743 |

The five largest issuers are as of the end of the reporting period, and may not be representative of the fund's current or future investments. Holdings do not include money market investments.

Definitions and Important Information

Unless otherwise expressly disclosed to you in writing, the information provided in this material is for educational purposes only. Any viewpoints expressed by Fidelity are not intended to be used as a primary basis for your investment decisions and are based on facts and circumstances at the point in time they are made and are not particular to you. Accordingly, nothing in this material constitutes impartial investment advice or advice in a fiduciary capacity, as defined or under the Employee Retirement Income Security Act of 1974 or the Internal Revenue Code of 1986, both as amended. Fidelity and its representatives may have a conflict of interest in the products or services mentioned in this material because they have a financial interest in the products or services and may receive compensation, directly or indirectly, in connection with the management, distribution, and/or servicing of these products or services, including Fidelity funds, certain third-party funds and products, and certain investment services. Before making any investment decisions, you should take into account all of the particular facts and circumstances of your or your client's individual situation and reach out to a professional adviser, if applicable.

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.

ICE BofA U.S. High Yield Constrained Index is a modified market

capitalization weighted index of US dollar denominated below investment grade corporate debt publicly issued in the US 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 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 are excluded. The index contains all securities of The ICE BofA US High Yield Index but caps issuer exposure at 2%.

ICE BofA U.S. High Yield/U.S. High Yield Constrained Blend represents the performance of the ICE BofA US High Yield Constrained Index since 1/1/1997, and the ICE BofA US High Yield Master II Index prior to that date.

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.

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.

3-YEAR RISK/RETURN STATISTICS

Beta is a measure of the volatility of a fund relative to its benchmark index. A beta greater (less) than 1 is more (less) volatile than the index.

Information Ratio measures a fund's active return (fund's average monthly return minus the benchmark's average monthly return) in relation to the volatility of its active returns.

R-Squared measures how a fund's performance correlates with a benchmark index's performance and shows what portion of it can be explained by the performance of the overall market/index. R-Squared ranges from 0, meaning no correlation, to 1, meaning perfect correlation. An R-Squared value of less than 0.5 indicates that annualized alpha and beta are not reliable performance statistics.

Sharpe Ratio is a measure of historical risk-adjusted performance. It is calculated by dividing the fund's excess returns (the fund's average annual return for the period minus the 3-month "risk free" return rate) and dividing it by the standard deviation of the fund's returns. The higher the ratio, the better the fund's return per unit of risk. The three month "risk free" rate used is the 90-day Treasury Bill rate.

Standard Deviation is a statistical measurement of the dispersion of a fund's return over a specified time period. Fidelity calculates standard deviations by comparing a fund's monthly returns to its average monthly return over a 36-month period, and then annualizes the number. Investors may examine historical standard deviation in conjunction with historical returns to decide whether a fund's volatility would have been acceptable given the returns it would have produced. A higher standard deviation indicates a wider dispersion of past returns and thus greater historical volatility. Standard deviation does not indicate how the fund actually performed, but merely indicates the volatility of its returns over time.

Tracking Error is the divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark, creating an unexpected profit or loss.



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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