

Fidelity® Government Income Fund

Investment Approach

- Fidelity® Government Income Fund provides investors exposure to the government and government-related sectors of the U.S. bond market. The strategy may invest in U.S. Treasuries, Treasury Inflation-Protected Securities, debt issued by government-related agencies (e.g., Fannie Mae, Freddie Mac), and mortgage-backed securities (MBS) issued by Fannie Mae, Freddie Mac and Ginnie Mae.
- Benchmarked against the Bloomberg 75% U.S. Government/25% U.S. MBS Blended Index, the fund seeks to deliver competitive, risk-adjusted performance commensurate with investor expectations of a core government 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 support the identification of both opportunities and risks.

FUND INFORMATION

Manager(s):

Franco Castagliuolo
Sean Corcoran

Trading Symbol:

FGOVX

Start Date:

April 04, 1979

Size (in millions):

\$3,458.53

Morningstar Category:

Fund Intermediate Government

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. Leverage can increase market exposure and magnify investment risk.

PERFORMANCE SUMMARY

	Cumulative		Annualized			
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year/ LOF ¹
Fidelity Government Income Fund Gross Expense Ratio: 0.45% ²	6.30%	4.21%	4.21%	-3.81%	0.23%	1.08%
Bloomberg US Government Bond Index	5.62%	4.09%	4.09%	-3.74%	0.56%	1.27%
Bloomberg 75% US Government/25% US Mortgage-Backed Securities Blended Index	6.08%	4.33%	4.33%	-3.51%	0.49%	1.31%
Lipper General U.S. Government Funds Classification	6.75%	3.37%	3.37%	-4.07%	0.03%	0.90%
Morningstar Fund Intermediate Government	5.92%	4.42%	4.42%	-3.26%	0.27%	0.96%

¹ Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 04/04/1979.

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.



Not FDIC Insured • May Lose Value • No Bank Guarantee

Taxable Bond Market Review

Global capital markets staged a broad-based relief rally in the fourth quarter of 2023, after the U.S. Federal Reserve indicated it was likely done with the interest-rate-hiking program it began in March of 2022, and signaled it may be ready to pivot toward easing monetary policy in 2024.

U.S. taxable investment-grade bonds, as measured by the Bloomberg U.S. Aggregate Bond Index, gained 6.82% for the quarter and 5.53% for full-year 2023. This performance followed a historically difficult 2022 in which the index recorded its worst-ever annual result of -13.01%.

The quarter started inauspiciously, as October saw a continuation of the bond market downturn that began in April and intensified in September when the Fed, citing stronger-than-expected economic growth, adopted a "higher for longer" policy stance on interest rates and, while holding rates steady, left open the possibility of additional increases – at that time, dashing investors' hopes of the central bank declaring an official end to its hiking cycle. The Aggregate index returned -1.58% in October, its sixth consecutive monthly decline.

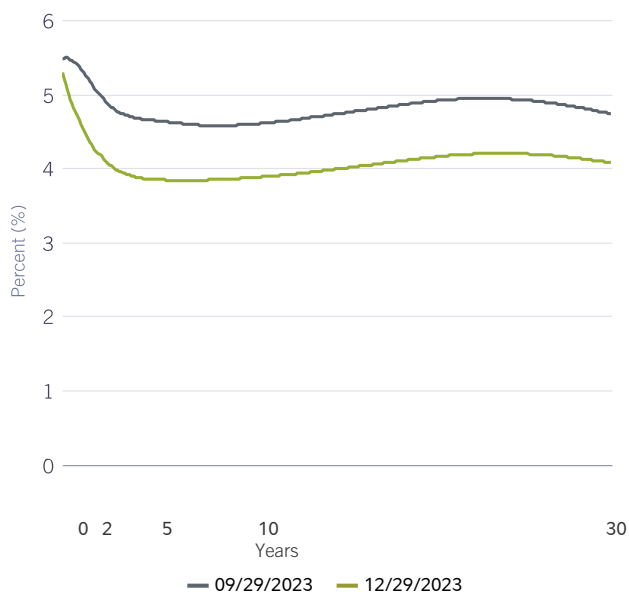
On November 1, however, the backdrop for bonds began to improve. At its FOMC committee meeting that day, the Fed again held rates steady and in a post-meeting press conference, Chair Jerome Powell struck a new, more optimistic tone, highlighting how much inflation had fallen. Then, on November 14, a consumer price index report showing milder-than-anticipated inflation for the month of October further stoked positive market sentiment. In response, bond yields, which had soared in September and October, fell sharply, and prices rose. The index gained 4.53% in November, its best monthly advance since the 1980s.

At its final committee meeting of the year on December 12–13, the Fed again held the line on interest rates, and Chair Powell suggested – without stating a timetable – that the central bank might soon be turning its attention to rate cuts. Ten days later, the latest monthly consumer price index reading indicated that the Fed's preferred inflation measure, the personal-consumption expenditures index, fell on a month-over-month basis for the first time since April 2020. The bond market closed the year with a further 3.83% advance in December, and nominal 10-year Treasury bond yields, after rising to nearly 5% in October, finished 2023 at 3.88% – roughly where they began it.

All major segments of the bond market posted a robust gain for the three months. In the risk-on environment, lower-quality (BBB and A) issues outperformed higher-quality (AAA and AA) bonds, while long-term maturities notably outpaced short term, reversing a trend that had largely persisted since 2022. Yield-advantaged, credit-sensitive sectors delivered strong excess returns in Q4, but results were mixed on a total-return basis, with investment-grade corporate bonds (+8.50%) handily surpassing U.S. Treasuries (+5.66%), while U.S. government-related securities advanced 5.47%. Among securitized segments, mortgage-backed securities (+7.48%) rebounded as investors looked forward to lower interest rates, though commercial mortgage-backed securities (+5.25%) and asset-backed securities (+3.48%) underperformed Treasuries.

Outside the index, U.S. corporate high-yield bonds (+7.16%) and high-yield emerging-markets debt (+9.73%) had strong showings, while U.S. Treasury Inflation-Protected Securities (+4.71%) had a more muted gain, per Bloomberg. ■

U.S. TREASURY YIELD CURVE



Source: Bloomberg

THREE-MONTH FIXED-INCOME SECTOR RETURNS

Sector	Total Return	Excess Return*
Government-Related	5.47%	0.33%
U.S. Mortgage-Backed Securities	7.48%	1.33%
Asset-Backed Securities	3.48%	0.37%
Commercial Mortgage-Backed Securities	5.25%	0.67%
U.S. Corporate Investment Grade	8.50%	2.03%
U.S. Corporate High Yield	7.16%	3.31%
Emerging Markets: Investment Grade	7.18%	0.98%
Emerging Markets: High Yield	9.73%	5.33%
U.S. Treasury	5.66%	0.00%

Source: Bloomberg

*Over similar-duration Treasuries

Performance Review

DETAILED FUND ATTRIBUTION RELATIVE TO BENCHMARK

Strategy: Non-Yield-Curve Positioning		Strategy: Duration and Yield Curve	
Market Environment	U.S. government securities posted a solidly positive return during the quarter. Government agency-backed mortgage securities outperformed U.S. Treasuries.	Market Environment	Across the curve, U.S. Treasury yields fell markedly in Q4, especially for maturities of three years or more. The yield curve remained inverted for the sixth full quarter in a row.
Fund Positioning (Impact vs. Benchmark)	<p>Overall, non-yield-curve positioning contributed to the fund's return versus the Bloomberg 75% U.S. Government/25% U.S. Mortgage-Backed Securities Blended Index.</p> <ul style="list-style-type: none"> • Out-of-benchmark exposure to commercial mortgage-backed securities and conventional mortgages helped. (Positive) • The fund's exposure to floating-rate cash flows hurt relative performance. (Negative) 	Fund Positioning (Impact vs. Benchmark)	<ul style="list-style-type: none"> • The fund had more interest rate sensitivity, as measured by its somewhat longer duration, than the benchmark, which contributed to relative performance as rates moved lower during the quarter. (Positive)

Outlook and Positioning

Global disinflation and economic expansion trends continued in the fourth quarter of 2023. At year-end, the U.S. remains in the late-cycle expansion phase, supported by a solid consumer backdrop. The U.S. Federal Reserve's monetary tightening cycle appears to be over, but the pace and magnitude of potential easing is uncertain. Since July, the Fed has maintained its current target range of 5.25% to 5.50%, a 22-year high.

During the quarter, equity and bond markets in the U.S. both registered strong gains, essentially pricing in a "soft landing" for the economy – that is, the expectation that the Fed will complete its hiking cycle without triggering a recession. As of December 31, this view is supported by U.S. jobs and consumer spending data that continue to be robust, and a November year-over-year inflation rate of 3.1%, versus the Fed's 2% target.

Some analysts believe that the "last mile" of disinflation toward the Fed's target may be difficult to traverse. Alternative scenarios to the soft-landing consensus include an unanticipated uptick of inflation and the possibility of a greater-than-expected economic slowdown.

For its part, the Fed has not claimed victory and is leaving its options open. Still, U.S. financial markets begin 2024 with favorable momentum and improving credit conditions.

At the end of the quarter, securities backed by the U.S. government continue to dominate the fund's investments. In a dynamic market environment, we continue to find pockets of value, based on our view of pricing and fundamentals.

Our goal remains to work with our experienced investment teams to try to find attractively priced bonds for the portfolio while maintaining a disciplined approach to risk management. In all markets, we seek to outperform and find areas of value without taking on undue risk. We remain focused on the long term and follow a process that is analytical and grounded in empirical data.

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 through our disciplined, risk-aware approach. ■

MARKET-SEGMENT DIVERSIFICATION

Market Segment	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
U.S. Treasury	54.34%	73.22%	-18.88%	-4.06%
U.S. Agency	0.40%	1.71%	-1.31%	-0.26%
Other Government Related (U.S. & Non-U.S.)	0.14%	0.01%	0.13%	0.00%
Corporate	0.00%	0.00%	0.00%	0.00%
MBS Pass-Through	27.61%	25.01%	2.60%	-9.32%
ABS	0.00%	0.05%	-0.05%	-0.05%
CMBS	7.30%	0.00%	7.30%	3.61%
CMOs	10.21%	0.00%	10.21%	3.13%
Cash	1.19%	0.00%	1.19%	0.52%
Net Other Assets	-1.19%	0.00%	-1.19%	6.43%
Futures, Options & Swaps	7.64%	0.00%	7.64%	0.68%

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	6.06 years	5.93 years
30-Day SEC Yield	3.74%	--
30-Day SEC Restated Yield	--	--
Net Asset Value	\$9.27	--

CREDIT-QUALITY DIVERSIFICATION

Credit Quality	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
U.S. Government	99.14%	99.99%	-0.85%	-7.75%
AAA	0.14%	0.00%	0.14%	0.01%
AA	0.00%	0.00%	0.00%	0.00%
A	0.00%	0.00%	0.00%	0.00%
BBB	0.00%	0.00%	0.00%	0.00%
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	-13.76%	0.01%	-13.77%	-9.79%
Cash & Net Other Assets	14.48%	0.00%	14.48%	17.53%

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.

Definitions and Important Information

Information provided in, and presentation of, this document are for informational and educational purposes only and are not a recommendation to take any particular action, or any action at all, nor an offer or solicitation to buy or sell any securities or services presented. It is not investment advice. Fidelity does not provide legal or tax advice.

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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 75% U.S. Government/25% U.S. Mortgage-Backed Securities Blend is a composite of unmanaged indexes combining the total returns of the Bloomberg U.S. Government Bond Index and Bloomberg U.S. MBS Index. The index weightings of the

component indexes are: Bloomberg U.S. Government Bond Index, 75%, and Bloomberg U.S. MBS Index, 25%.

Bloomberg 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.

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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