Bond Investing, Beyond Yield—A Deeper Dive
With a more sophisticated understanding of the bond landscape, you can make empowered decisions to help you grow your portfolio.
Develop an Ongoing Strategy with Fidelity

Education on the dimensions of bond investing

Resources to help inform and assist in selecting bond investments

Insights for making more prudent and informed decisions
# Common Questions

<table>
<thead>
<tr>
<th></th>
<th>Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>How many of you can describe the risk/reward of different types of bonds?</td>
</tr>
<tr>
<td>2</td>
<td>How many understand how the rate cycle impacts prices and yields of bonds?</td>
</tr>
<tr>
<td>3</td>
<td>How many know the different bond strategies to help manage your wealth?</td>
</tr>
</tbody>
</table>
Today’s Agenda

- Exploring Three Dimensions of Bond Investing
- Understanding Macroeconomic Trends
- Viewing Fidelity Bond Tools & Strategies
- Investing in Corporate & Municipal Bonds
Understanding Macroeconomic Trends

Key Market Drivers

The Economy Since 2007

U.S. Treasury Yields

Markets Reaction to Easing and Tightening
Key Market Drivers

Climbing the wall of worry.... After a punishing end to 2018 when most benchmark indices ended the year in negative territory, 2019 began with a strong bounce-back supported by the Federal Reserve’s pivot in language and later a reversal in interest rate policy.

Global GDP growth weakened by US-China trade war / tariffs, which continued to disrupt global supply chains and dampen capital investment. However, the services sector remained resilient as consumers enjoyed low unemployment, real wage / income growth, modest increases in home values and favorable financial conditions.

The yield curve inverted in the summer, in a signal that monetary policy was too tight. Meanwhile, the amount of bonds globally with negative yields reached new heights of over $17 Trillion.

The Federal Reserve switched from “normalization” to “mid-cycle adjustment”, as their 2018 forecast of around three more rate increases in 2019 were first suspended then moved into reverse with three 25bps rate cuts YTD.
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, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.

Sources: Bloomberg, November 2019
Past performance is no guarantee of future results.
Trends:

U.S. Treasury Yields

- The last four rate hike cycles averaged 10 rate hikes of 25bps each over an average of 22 months.

Source: Bloomberg and NBER, November 2019

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, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.
# Trends:
## Markets Reaction to Easing and Tightening

<table>
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<th>QUANTITATIVE EASING CYCLES</th>
<th>FED RATE HIKE CYCLES</th>
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<tbody>
<tr>
<td><strong>QE1</strong> 11/25/08–3/31/10</td>
<td><strong>2/28/94–3/31/95</strong></td>
</tr>
<tr>
<td><strong>QE2</strong> 11/3/10–6/30/11</td>
<td><strong>5/31/99–7/31/00</strong></td>
</tr>
<tr>
<td><strong>QE3</strong> 9/13/12–10/29/14</td>
<td><strong>6/30/99–7/31/00</strong></td>
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<table>
<thead>
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<tbody>
<tr>
<td>U.S. Treasury Bonds</td>
<td>1.5% (0.3%) 1.7%</td>
<td>2.0% 6.2% 5.3%</td>
<td>4.3%</td>
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<td>Investment-Grade Bonds</td>
<td>30.4% 1.4% 6.3%</td>
<td>2.2% 3.7% 5.8%</td>
<td>9.2%</td>
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<td>U.S. High-Yield Bonds</td>
<td>79.3% 5.4% 15.9%</td>
<td>2.9% (0.5%) 16.2%</td>
<td>23.8%</td>
<td></td>
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<tr>
<td>U.S. Large-Cap Stocks</td>
<td>26.0% 16.1% 35.8%</td>
<td>10.5% 11.4% 9.4%</td>
<td>10.3%</td>
<td></td>
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<tr>
<td>Gold</td>
<td>21.5% 17.7% (32.0%)</td>
<td>4.3% 4.3% 54.2%</td>
<td>19.6%</td>
<td></td>
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</table>


Source: Bloomberg December 2018

You cannot invest directly in an index. See appendix for important index information. Past performance is no guarantee of future results.
Learn More

Review materials in your kit

Online:
Fidelity’s Research Page
fidelity.com/fixedincome/research
Three Dimensions of Bond Investing

Understanding the Treasury Yield Curve

Bond Sub-Asset Classes Have Different Risk/Reward Characteristics

A Range of Yields Around the Benchmarks
Understanding the Treasury Yield Curve

Steep, upward-sloping curve:
During a recession or at the early part of the expansion. Fed (completed) cutting rates

Source: Bloomberg
Yield Curves were taken from 6/2/00, 7/21/06, and 6/4/10. UST – U.S. Treasury Actives Curve, Bloomberg; Corp – U.S. Dollar Swaps (30/360, S/A) Curve Financial AA; Muni – U.S. Muni General Obligation AAA Curve.
Dimension 1:

Understanding the Treasury Yield Curve

Flat curve:
Close to the end of the cycle. Fed still raising rates, growth strong

Source: Bloomberg
Yield Curves were taken from 6/2/00, 7/21/06, and 6/4/10. UST – U.S. Treasury Actives Curve, Bloomberg; Corp – U.S. Dollar Swaps (30/360, S/A) Curve Financial AA; Muni – U.S. Muni General Obligation AAA Curve.
Understanding the Treasury Yield Curve

Inverted curve:
Typically at the end of an economic cycle. Fed rate hikes complete

Source: Bloomberg
Yield Curves were taken from 6/2/00, 7/21/06, and 6/4/10. UST – U.S. Treasury Actives Curve, Bloomberg; Corp – U.S. Dollar Swaps (30/360, S/A) Curve Financial AA; Muni – U.S. Muni General Obligation AAA Curve.
Dimension 2: Bond Sub-Asset Classes Have Different Risk/Reward Characteristics

Annual Total Returns of Major Bond Sub-asset Classes

- U.S. Aggregate: 5.08%
- U.S. Treasuries: 4.72%
- High-Yield Corporates: 6.94%

Source: Barclays, 10/31/19


Past performance is no guarantee of future results.
<table>
<thead>
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<th>3mo</th>
<th>6mo</th>
<th>9mo</th>
<th>1yr</th>
<th>2yr</th>
<th>3yr</th>
<th>5yr</th>
<th>10yr</th>
<th>20yr</th>
<th>30yr+</th>
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<td><strong>CDs (New issues)</strong></td>
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<td>0.80%</td>
<td>--</td>
<td>1.00%</td>
<td>0.95%</td>
<td>1.00%</td>
<td>1.25%</td>
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<td><strong>BONDS</strong></td>
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<tr>
<td>U.S. Treasury</td>
<td>0.74%</td>
<td>0.71%</td>
<td>0.66%</td>
<td>0.64%</td>
<td>0.63%</td>
<td>0.64%</td>
<td>0.70%</td>
<td>0.94%</td>
<td>1.35%</td>
<td>1.57%</td>
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<td>U.S. Treasury Zeros</td>
<td>0.66%</td>
<td>0.74%</td>
<td>0.70%</td>
<td>0.64%</td>
<td>0.59%</td>
<td>0.58%</td>
<td>0.65%</td>
<td>0.84%</td>
<td>0.94%</td>
<td>0.71%</td>
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<td>Agency/GSE</td>
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<td>0.76%</td>
<td>0.73%</td>
<td>0.72%</td>
<td>0.71%</td>
<td>0.72%</td>
<td>0.87%</td>
<td>1.23%</td>
<td>1.91%</td>
<td>2.11%</td>
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<tr>
<td>Corporate (Aaa/AAA)</td>
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<td>0.97%</td>
<td>0.45%</td>
<td>0.82%</td>
<td>0.86%</td>
<td>0.65%</td>
<td>0.83%</td>
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<td>1.13%</td>
<td>1.11%</td>
<td>1.00%</td>
<td>0.95%</td>
<td>1.10%</td>
<td>1.26%</td>
<td>1.66%</td>
<td>2.54%</td>
<td>2.78%</td>
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<tr>
<td>Corporate (A/A)</td>
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<td>1.12%</td>
<td>1.13%</td>
<td>1.10%</td>
<td>1.05%</td>
<td>1.09%</td>
<td>1.30%</td>
<td>1.92%</td>
<td>2.73%</td>
<td>2.75%</td>
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<td>1.31%</td>
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<td>2.26%</td>
<td>3.46%</td>
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<td>Municipal (Aaa/AAA)</td>
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<td>0.86%</td>
<td>0.83%</td>
<td>0.83%</td>
<td>0.86%</td>
<td>0.97%</td>
<td>1.56%</td>
<td>2.17%</td>
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<tr>
<td>Municipal (Aa/AA)</td>
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<td>0.86%</td>
<td>0.90%</td>
<td>0.87%</td>
<td>0.97%</td>
<td>0.87%</td>
<td>0.87%</td>
<td>1.05%</td>
<td>1.62%</td>
<td>2.13%</td>
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<tr>
<td>Municipal (A/A)</td>
<td>0.99%</td>
<td>0.99%</td>
<td>0.95%</td>
<td>0.94%</td>
<td>0.96%</td>
<td>0.92%</td>
<td>0.94%</td>
<td>1.22%</td>
<td>1.81%</td>
<td>2.10%</td>
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<tr>
<td>Taxable Municipal*</td>
<td>0.78%</td>
<td>1.39%</td>
<td>1.33%</td>
<td>1.15%</td>
<td>1.27%</td>
<td>1.25%</td>
<td>1.50%</td>
<td>1.74%</td>
<td>2.60%</td>
<td>3.31%</td>
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</table>

**Source:** Fidelity.com as of March 2020
For illustrative purposes only
*Taxable Municipal ratings cover a rating range from Aaa to A3 from Moody’s or AAA to A- from S&P.
## Dimension 3:

A Range of Yields Around the Benchmarks

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**Source:** Fidelity.com as of March 2020

For illustrative purposes only
Learn More

Review materials in your kit

Online:
Fidelity’s Fixed Income Tools
fidelity.com/fixedincome/tools
Investing in Corporate & Municipal Bonds

Comparing the Risks & Rewards of Various Bonds

A Deeper Dive into Pricing & Risk

Fidelity’s Tools Can Assist in Your Research
Corporate Bonds:

Corporate Bond Spreads Return to Historical Averages

Source: Bloomberg Barclay’s U.S. Agg Corp Index (Investment Grade – Left Chart) & Bloomberg Barclays’s U.S. High Yield Index (High Yield – Right Chart), October 2019

OAS – Option Adjusted Spread
### BOND STRUCTURE AND RATINGS

#### AT&T INC NOTE CALL MAKE WHOLE
4.450000% 04/01/2024

#### Details
- **CUSIP**: 002069DC3
- **ISIN**: US002069DC34
- **SEDOL**: BDZ0098
- **Pay Frequency**: SEMI-ANNUALLY
- **Coupon**: 4.450
- **Maturity Date**: 04/01/2024
- **Moody’s Rating**: Baa1
- **S&P Rating**: BBB+
- **Issuer Events**: YES
- **Survivor Option**: N/A
- **Bond Type**: Corporate
- **Sector**: TELEPHONES
- **Interest Accrual Date**: 10/01/2015

#### Redemtive Features
- **Call Protection**: View Schedule NO
- **Continuously Callable**: YES
- **Called Bonds**: NO

### CREDIT RATINGS HISTORY

#### Issuer Events

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<thead>
<tr>
<th>Event Date</th>
<th>Event Time</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>10/20/2017</td>
<td>11:30 AM EDT</td>
<td>OTHER MATERIAL EVENT</td>
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<tr>
<td></td>
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<td>REMOVED FROM NEGATIVE FTC CREDIT WATCH ON 10/20/17</td>
</tr>
<tr>
<td>10/25/2016</td>
<td>11:45 PM EDT</td>
<td>OTHER MATERIAL EVENT</td>
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<tr>
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<td>NEGATIVE S&amp;P CREDIT WATCH ON 10/25/16</td>
</tr>
<tr>
<td>10/24/2016</td>
<td>5:30 PM EDT</td>
<td>OTHER MATERIAL EVENT</td>
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<td>NEGATIVE FTC CREDIT WATCH ON 10/24/16</td>
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<td>10/24/2016</td>
<td>11:30 AM EDT</td>
<td>OTHER MATERIAL EVENT</td>
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<tr>
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<td></td>
<td>NEGATIVE MDY CREDIT WATCH ON 10/24/16</td>
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<tr>
<td>03/25/2016</td>
<td>8:30 AM EDT</td>
<td>MOODY’S RATING UPGRADE</td>
</tr>
<tr>
<td></td>
<td></td>
<td>^UPGRADED TO Baa1 ON 03/25/16</td>
</tr>
<tr>
<td>03/22/2016</td>
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<td></td>
<td>^UPGRADED TO BBB+ ON 03/22/16</td>
</tr>
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<td>03/21/2016</td>
<td>5:00 PM EDT</td>
<td>OTHER MATERIAL EVENT</td>
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<tr>
<td></td>
<td></td>
<td>AMOUNT OUTSTANDING 1207964.00 AS OF 03/21/16</td>
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**Corporate Bonds:**

Dive Deeper to Assess Risk Before You Invest

For illustrative purposes only

Source: Fidelity.com, February 2018
Corporate Bonds: Dive Deeper into Pricing

**Offered Prices and Yields**

**Goldman Sachs GRP Inc MTN 5.00000% 06/15/2023 FR**

- **Price (Bid)**: 108.530
- **Price (Ask)**: 109.475
- **Depth of Book**
  - Current Yield: 4.567%
  - Ask Yield to Worst: 3.296%
  - Ask Yield to Maturity: 3.296%
- **Yield to Sink**:

**Basic Analytics**

- **Third Party Price**: 108.426
- **Spread to Treasuries**: 1.257
- **Treasury Benchmark**: 5 YR (1.375% 05/30/2023)
- **Recent Trade**
  - **Price**: 108.508
  - **Quantity**: 10

**Depth of Book and Trade History**

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<th>Bids</th>
<th>Asks</th>
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<tr>
<td><strong>Action</strong></td>
<td><strong>Yield</strong></td>
</tr>
<tr>
<td>Sell*</td>
<td>3.461</td>
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<td>Sell</td>
<td>3.452</td>
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<tr>
<td>Sell</td>
<td>3.473</td>
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For illustrative purposes only

Source: Fidelity.com, April 2017
S&P Global Ratings

Standard & Poor’s Credit Research

Summary:
The Goldman Sachs Group Inc. (Holding Company)
Goldman Sachs & Co. (Lead Bank)

Primary Credit Analyst:
Stuart Plesser, New York (1) 212-438-6870; stuart.plesser@spglobal.com

Secondary Contact:
Brendan Browne, CFA, New York (1) 212-438-7399; brendan.browne@spglobal.com

Corporate Bonds:
Issuer-Level Credit Research

For illustrative purposes only
Source: Fidelity.com, April 2017
Issuer-level credit research is provided by third-parties not affiliated with Fidelity.
Municipal Bonds:
Municipal Yields Compared to Treasury Yields

Past performance is no guarantee of future results.
Source: Thomson Reuters MMD, November 2019
## Municipal Bonds:

**A Range of Issuers & Risk/Return Within a State**

For illustrative purposes only

Source: Fidelity.com, November 2019

Table shows Connecticut secondary offerings

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<thead>
<tr>
<th>Action</th>
<th>State</th>
<th>Description</th>
<th>Coupon</th>
<th>Maturity Date</th>
<th>Next Call Date</th>
<th>Moody’s</th>
<th>S&amp;P</th>
<th>Moody’s</th>
<th>S&amp;P</th>
<th>Yield</th>
<th>Price Division</th>
<th>Net Bid</th>
<th>Spread</th>
<th>Ask Spread</th>
<th>Depth of Book</th>
<th>3rd Party Price</th>
<th>Recent Trades</th>
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<td>–</td>
<td>A1</td>
<td>A+</td>
<td>A1</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>116.640</td>
<td>10/16</td>
<td>1.270</td>
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<td>116.524</td>
<td>15/5</td>
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<tr>
<td>Buy</td>
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<td>HARTFORD CNTY CONN MET DIST GO BDS SER 03 0.0000% 08/01/2024</td>
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<td>–</td>
<td>AA3</td>
<td>AA</td>
<td>AA3</td>
<td>–</td>
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<td>116.684</td>
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<td>AAA</td>
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<tr>
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<td>5.000</td>
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<td>–</td>
<td>A1</td>
<td>A+</td>
<td>A1</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>117.078</td>
<td>15/16</td>
<td>1.290</td>
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<td>View</td>
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<tr>
<td>Sell</td>
<td>CT</td>
<td>CONNECTICU CT ST SPL TAX OBLIG REV SPL 03 0.0000% 08/01/2024 TAX OBLIG BDS SER A</td>
<td>5.000</td>
<td>09/01/2024</td>
<td>–</td>
<td>A1</td>
<td>A+</td>
<td>A1</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>117.381</td>
<td>400/10</td>
<td>1.220</td>
<td>–</td>
<td>1.220</td>
<td>View</td>
<td>–</td>
<td>–</td>
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<tr>
<td>Buy</td>
<td>CT</td>
<td>CONNECTICU CT ST SPL TAX OBLIG REV 05 0.0000% 10/01/2024 TRANSPORTATION INFRASTRUCTURE DDS</td>
<td>5.000</td>
<td>10/01/2024</td>
<td>10/15/2023</td>
<td>A1</td>
<td>A+</td>
<td>A1</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>113.780</td>
<td>50/5</td>
<td>1.000</td>
<td>–</td>
<td>1.993</td>
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<td>–</td>
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<tr>
<td>Sell</td>
<td>CT</td>
<td>CONNECTICU CT ST SPL TAX OBLIG BDS SER 2012G 0.00000% 10/15/2024</td>
<td>4.000</td>
<td>10/15/2024</td>
<td>10/15/2022</td>
<td>A1</td>
<td>A</td>
<td>A1</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>117.350</td>
<td>55/5</td>
<td>1.370</td>
<td>–</td>
<td>2.391</td>
<td>View</td>
<td>–</td>
<td>–</td>
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</tbody>
</table>
Municipal Bonds:

Check Material Events for Other Important News

For illustrative purposes only
Source: Fidelity.com, April 2017
NEW – Recent Trade Charts for Municipal & Corporate Bonds

For illustrative purposes only
Source: Fidelity.com, November 2019
Minimum markup or markdown of $19.95 applies if traded with a Fidelity representative. For U.S. Treasury purchases traded with a Fidelity representative, a flat charge of $19.95 per trade applies. A $250 maximum applies to all trades, reduced to a $50 maximum for bonds maturing in one year or less. Rates are for U.S. dollar-denominated bonds; additional fees and minimums apply for non-dollar bond trades. Other conditions may apply; see Fidelity.com/commissions for details. Please note that markups and markdowns may affect the total cost of the transaction and the total, or "effective," yield of your investment. The offering broker, which may be our affiliate, National Financial Services LLC, may separately mark up or mark down the price of the security and may realize a trading profit or loss on the transaction.

Markup - For secondary market bonds and CD purchases, the difference (dollar and %) between the Prevailing Market Price (PMP) and the trade price. Mark-up is calculated as: Mark-up / Total initial price x 100. The mark-up includes, but may not be limited to, Fidelity’s $1 per bond pricing. Details available on our fee schedule.

For illustrative purposes only
Source: Fidelity.com, January 2019
See disclosure on page 47 for details on this study
Insights:
Market Commentary from Fidelity and Independent Sources

For illustrative purposes only
Source: Fidelity.com, March 2020

Income Fund Update: Focusing on Flexibility and Opportunity in a New Decade

As trade tensions subsided, investors found calmer waters in the fourth quarter of 2019. Can that continue? Here, lead portfolio managers for PIMCO's Income Fund, Dan Ivason, Alfred Murata, and Josh Anderson, discuss their outlook and strategy for the year ahead.

Q: FOR MUCH OF LAST YEAR, GLOBAL GROWTH WAS SLOWING, WHILE RECESSION RISK, TRADE TENSIONS, AND BREXIT UNCERTAINTY WERE RISING. BUT THESE RISKS SEEMED TO EASE AND THE TONE IMPROVED DURING THE FOURTH QUARTER. WHAT IS PIMCO'S OUTLOOK FOR 2020?

Ivason: First and perhaps most important in our outlook for 2020, we think global growth will generally be positive across most key areas of the world — a little slower than we might like and a little slower than in the past. But we think the risk of recession has dissipated somewhat, and we expect steady growth and relatively low inflation. Unlike last year, when the U.S. was leading the rest of the world, we see growth momentum coming from outside the U.S.

There are still risks. With animal spirits alive and well and inflation expectations very low, we see some risk of an inflation surprise. Also, consistent with our longer-term outlook, we expect significant political uncertainty to continue. This year, the U.S. presidential election, in particular, could potentially lead to significant changes in the direction of fiscal policy and politics more broadly. Finally, there is always the potential for an external shock to global growth; the outbreak of the coronavirus is a risk we have been closely monitoring.

Our view at the moment is not that different from the consensus — range-bound markets, somewhat lower returns than last year, and a generally supportive environment for taking risk. That's not too surprising after the major central banks pivot toward easing in early 2020 and three rate cuts by the U.S. Federal Reserve last year. However, given some of the uncertainties present in markets, we are cognizant of the potential tail risks that remain. As part of our investment process, we spend a lot of time thinking about what aspects of our base case could be wrong if we entered a less friendly economic environment.
Research:

Research New Issues with Filings, Secondaries with Reports

For illustrative purposes only   Source: Fidelity.com, January 2016
Learn More

Review materials in your kit

Online: Fidelity’s Fixed Income Tools
  fidelity.com/fixedincome/tools
Viewing Fidelity Bond Tools & Strategies

Using Investment Strategies to Manage Wealth

Bonds Are a Series of Cash Flows

Diversifying Across Bond Types & Sectors
Common Financial Challenges

- College Education
- Rising Interest Rates
- Inflation Fears
- Stock Sell-off
- Over-Concentrated

TOOLS

- Bond Ladders
- Fixed Income Analysis

Strategies

- Cash Flow Planning
- Yield Curve Flexibility
- Diversification
A Bond Is a Series of Cash Flows that Can Be Mixed with Others

A bond’s projected cash flows

A ladder’s cash flow projection

For illustrative purposes only Source: Fidelity.com, April 2017
Past performance is no guarantee of future results.
College Education

Plan the Exact Year and Month Your Bonds Will Mature

Spend in future defined period

TOOLS

Ladder with matching maturities

For illustrative purposes only
Source: Fidelity.com, January 2016. Past performance is no guarantee of future results.
Rising Interest Rates / Inflation Fears
A Short-Dated Ladder Allows You to Reinvest Sooner

For illustrative purposes only
### Stock Sell-Off

**Certain Bond Types Are Less Correlated with Stocks than Others**

- **Earn a return, inverse correlation**
- **Fixed income market data**

<table>
<thead>
<tr>
<th>Bond Product Type</th>
<th>Correlation $^2$ vs S&amp;P 500</th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury</td>
<td>(0.40)</td>
</tr>
<tr>
<td>U.S. Aggregate</td>
<td>(0.20)</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td>(0.12)</td>
</tr>
<tr>
<td>Mortgage-Backed Securities</td>
<td>(0.13)</td>
</tr>
<tr>
<td>Inv. Grade Corporate Bonds</td>
<td>(0.07)</td>
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<tr>
<td>Emerging Market Bonds</td>
<td>0.46</td>
</tr>
<tr>
<td>High Yield Corporates</td>
<td>0.60</td>
</tr>
</tbody>
</table>

For illustrative purposes only

(1) Source: Morningstar using Bloomberg Barclays indices  

Past performance is no guarantee of future results

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S&P 500 return over same period (11/26/18 – 11/25/19) was 19.8%. Source: Fidelity.com

Aggarete – Bloomberg Barclays Aggregate Bond Index, Treasury – Bloomberg Barclays Aggregate Bond Index Treasury, Municipal – Bloomberg Barclays Municipal Bond Index, Corporate – Dow Jones Corporate Bond Index, Agency – Bloomberg Barclays Aggregate Bond Index Agency (see index definitions on page 48)
Over Concentrated

Use Fixed Income Analysis to Help Diversify Across Types and Sectors

| Bond type & sector type | TOOLS | Fixed income analysis: Diversify |

For illustrative purposes only
Source: Fidelity.com, January 2016. Past performance is no guarantee of future results.
Review materials in your kit

Learn More

Online:
Fidelity’s Fixed Income Tools
fidelity.com/fixedincome/tools
In Review

Exploring Three Dimensions of Bond Investing

Understanding Macroeconomic Trends

Viewing Fidelity Bond Tools & Strategies

Investing in Corporate & Municipal Bonds
Attend additional seminars:

- Demystifying Bond Selection for Your Portfolio
- Understanding Bond Pricing
- Using Fidelity's Fixed Income & Bond Investing Tools

Review Our Online Resources

Fidelity’s Fixed Income Tools
fidelity.com/fixedincome/tools

Fidelity’s Research Page
fidelity.com/fixedincome/research

Next Steps
How Fidelity Can Help

Create a more effective, overall fixed income investment strategy

Available resources include:

• Your local Financial Consultant
• A local Fixed Income Consultant
• A Fixed Income Specialist at 800-544-5372
Why Fidelity

WE BELIEVE IN MAKING THE COMPLEX, SIMPLER

Planning and Advice  Trading  Straightforward Pricing  Expert Insights and Investing Tools  Security and Privacy
With a more sophisticated understanding of the bond landscape, you can make empowered decisions to help you grow your portfolio.
Disclosures

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, liquidity risk, call risk and credit and default risks for both issuers and counterparties. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.

Interest income earned from tax-exempt municipal securities generally is exempt from federal income tax, and may also be exempt from state and local income taxes if the investor is a resident in the state of issuance. A portion of the income received may be subject to federal and state income taxes, including the federal alternative minimum tax. In addition, investors may be subject to tax on amounts recognized in connection with the sale of municipal bonds, including capital gains and “market discount” taxed at ordinary income rates. “Market discount” arises when a bond is purchased on the secondary market for a price that is less than its stated redemption price by more than a statutory amount. Before making any investment, investors should review the official statement for the relevant offering for additional tax and other considerations.

The tax information contained herein is general in nature, is provided for informational purposes only, and should not be construed as legal or tax advice. Fidelity does not provide legal or tax advice. Fidelity cannot guarantee that such information is accurate, complete, or timely. Laws of a particular state or laws that may be applicable to a particular situation may have an impact on the applicability, accuracy, or completeness of such information. Always consult an attorney or tax professional regarding your specific legal or tax situation.

References to specific securities are for illustrative purposes only and should not be construed as recommendations or investment advice.

A bond ladder, depending on the types and amount of securities within it, may not ensure adequate diversification of your investment portfolio. While diversification does not ensure a profit or guarantee against loss, a lack of diversification may result in heightened volatility of your portfolio value. You must perform your own evaluation as to whether a bond ladder and the securities held within it are consistent with your investment objectives, risk tolerance, and financial circumstances. To learn more about diversification and its effects on your portfolio, contact a representative.

Diversification does not ensure a profit or guarantee against loss.

1. (from page 29) Fidelity commissioned Corporate Insight to study bond pricing, available online, for self-directed retail investors from five brokers that offer corporate and municipal bonds for comparison to Fidelity’s standard online pricing. The study compared online bond prices for more than 40,000 municipal and corporate inventory matches from February 8 through February 14, 2018. It compared municipal and corporate inventories offered online in varying quantities. The study found that, on average, the three financial services firms identified in the chart were asking $14.55 more per bond. Corporate Insight determined the average price differential by calculating the difference between the prices of matching corporate and municipal bond inventory at Fidelity, including Fidelity’s $1 per bond mark-up for online trades vs. the prices offered online for the same bonds from the three competitors in the table, then averaging the differences of the financial services firms. An order size of 22 bonds was selected to illustrate the hypothetical trade because this is the average for Fidelity’s retail brokerage account holders who purchased individual municipal or corporate bonds for the 12 months ending February 2018.

Past performance is no guarantee of future results.
Disclosures

All indexes are unmanaged, and performance of the indexes includes reinvestment of dividends and interest income, unless otherwise noted. Indexes are not illustrative of any particular investment, and it is not possible to invest directly in an index.

Bloomberg Barclays U.S. High Yield Index is a market value-weighted index that covers the universe of dollar-denominated, fixed-rate, non-investment grade debt.

Bloomberg Barclays Emerging Market Bond Index is an unmanaged index that tracks total returns for external-currency-denominated debt instruments of the emerging markets.

Bloomberg Barclays U.S. Corporate Investment Grade Index is a market value-weighted index of investment-grade corporate fixed-rate debt issues with maturities of one year or more.

Bloomberg Barclays U.S. TIPS Index is an unmanaged index that consists of inflation-protected securities issued by the U.S. Treasury.

Bloomberg Barclays Municipal Bond Index is an unmanaged index that includes investment-grade, tax-exempt, and fixed-rate bonds with maturities greater than two years selected from issues larger than $75 million.

The Bloomberg Barclays U.S. Mortgage Backed Securities (MBS) Index tracks agency mortgage backed pass-through securities (both fixed-rate and hybrid ARM) guaranteed by Ginnie Mae (GNMA), Fannie Mae (FNMA), and Freddie Mac (FHLMC). The index is constructed by grouping individual TBA-deliverable MBS pools into aggregates or generics based on program, coupon and vintage. Introduced in 1985, the GNMA, FHLMC and FNMA fixed-rate indices for 30- and 15-year securities were backdated to January 1976, May 1977, and November 1982, respectively. In April 2007, agency hybrid adjustable-rate mortgage (ARM) pass-through securities were added to the index.

Bloomberg Barclays U.S. Aggregate Index is an unmanaged index that tracks domestic investment-grade bonds, including corporate, government, and mortgage-backed securities.

Bloomberg Barclays U.S. Treasury Index is a market value-weighted index of public obligations of the U.S. Treasury with maturities of one year or more.

The Bloomberg Barclays Municipal Bond Index is an unmanaged market value-weighted index of investment-grade municipal bonds with maturities of one year or more.

BoFA Merrill Lynch US High Yield Master II Index tracks the performance of US dollar denominated below investment grade rated corporate debt publically issued in the US domestic market. Each security must have greater than 1 year of remaining maturity, a fixed coupon schedule, and a minimum amount outstanding of $100 million.

The S&P 500® is an unmanaged market value-weighted index including 500 leading companies and captures approximately 80% coverage of available market capitalization.

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