Fidelity American High Yield Fund

Quarterly Investment Review

March 31, 2024

FIDELITY CANADA INSTITUTIONAL™

Contents

Overview

INCEPTION DATE: October 01, 2003

BENCHMARK: ICE BofA U.S. High Yield Constrained Index

FUND MANAGER: Harley J Lank, Alexandre Karam

OBJECTIVE

The Fund aims to achieve a combination of a high level of income and the potential for capital gains by investing primarily in higher yielding securities issued by U.S. companies.

APPROACH

- Offers the potential for higher yield and capital growth than an investment-grade fixed-income fund.
- Can enhance diversification in a fixed-income portfolio.
- Leverages Fidelity's global resources and expertise in high-income investing.

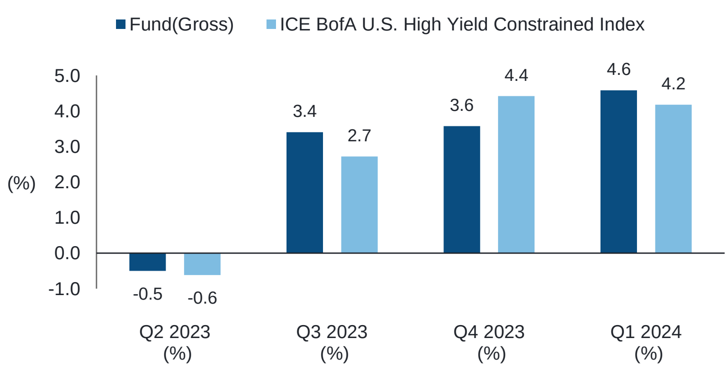
PERFORMANCE RETURNS (%)

	Cumulative					Annualized				
	Q2 2023	Q3 2023	Q4 2023	Q1 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Fidelity American High Yield Fund - Series O	(0.50)	3.40	3.57	4.58	4.58	11.43	6.81	5.50	7.38	7.26
ICE BofA U.S. High Yield Constrained Index	(0.62)	2.72	4.42	4.18	4.18	11.05	4.76	4.28	6.51	6.71
Relative Return	0.12	0.68	(0.85)	0.40	0.40	0.38	2.05	1.22	0.87	0.55

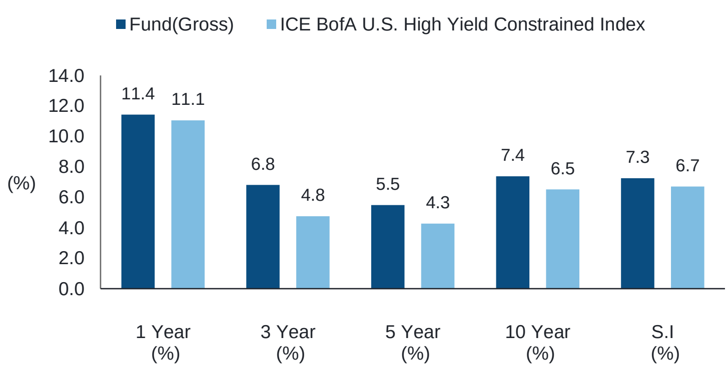
Performance returns are unaudited and time-weighted.

Note: Differences may be due to rounding.

Cumulative Quarterly Performance



Annualized as of March 31, 2024



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Overview

PERFORMANCE RETURNS (%): CALENDAR YEAR RETURNS

	Calendar Year Returns									
	2023	**2022**	**2021**	**2020**	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Fidelity American High Yield Fund - Series O	10.21	(1.16)	8.26	1.90	9.73	6.29	1.76	10.65	16.35	13.70
ICE BofA U.S. High Yield Constrained Index	10.43	(4.76)	4.45	4.21	8.63	6.54	0.42	13.42	14.40	11.75
Relative Return	(0.22)	3.60	3.81	(2.31)	1.10	(0.25)	1.34	(2.77)	1.95	1.95

Performance returns are unaudited and time-weighted.

Note: Differences may be due to rounding.

Quarterly Fund Commentary

- The Fund’s security selection in the energy industry and the media industry contributed to relative returns over the quarter.
- In energy, investments in Vistra Operations and MC Brazil Downstream were among the top contributors. In media, investments in Dish Network and Charter Communications contributed. In other industries, investments in Centurylink and Citigroup also contributed.
- The Fund’s security selection in the retail industry and investments in the health care industry detracted from relative returns.
- In retail, investments in Carvana and Bi-Lo detracted. In health care, lack of exposure to an American diversified health care provider was the main detractor. In other industries, investments in Altice France and Cox Media Group detracted.

12 Month Fund Commentary

- The Fund’s security selection in the technology and electronics industry and the energy industry contributed to relative returns over the year.
- In technology and electronics, lack of exposure to an American network infrastructure provider and an investment in MISys contributed. In energy, investments in Vistra Operations and California Resources contributed. In other industries, investments in Dish Network and Brand Energy Solutions also contributed.
- The Fund’s security selection in the retail industry and the financial services industry detracted from relative returns over the year.
- In retail, an investment in Carvana and lack of exposure to a Japanese technology conglomerate detracted. In financial services, an investment in Icahn Enterprises and lack of exposure to a U.S.-based nonbank holding company detracted. In other industries, an investment in Mesquite Energy and lack of exposure to a broad-range video and online commerce company detracted.

Positioning and Outlook

- Portfolio managers Harley Lank and Alexandre Karam note that momentum from the fourth quarter of 2023 continued into the first quarter of 2024 as spreads continued to tighten.
- There was a flood of new issuance in the quarter, and the managers participated in over 40 new issues.
- Harley and Alexandre believe there was too much enthusiasm around interest rate cuts in the market, and that, in turn, has led to tight credit spreads across markets, particularly in high-yield bonds. Credit spreads are functionally at the post–Global Financial Crisis low and while tighter spreads have some justification given the strength of balance sheets, the situation does not present an outsized opportunity for broad risk-taking.
- The managers believe that a higher-for-longer interest rate environment could cause challenges for high-yield issuers.
- The portfolio managers continued to hold investment-grade exposure as a ballast for the portfolio, including some preferred shares in the financials sector, because the managers are confident in money-centre banks and the U.S. financial system.
- The managers believe most issuers are still in good shape, although there is modest deterioration in the health care sector because reimbursements from the pandemic are negatively affecting current revenue for the sector.
- The Fund’s largest exposure is to the energy sector. The managers remain optimistic about the sector because energy provides strong earnings and is structurally underinvested.
- Harley and Alexandre have positioned the portfolio neutrally to slightly underweight relative to its benchmark from a risk perspective and remain prepared to take advantage of any volatility that may arise.

Investment Process

- Fidelity's American High Yield Fund employs an active management approach characterized by high-quality non-investment-grade debt securities, highly diversified portfolio exposures across industries and issuers, and a strict focus on controlling overall absolute and relative portfolio volatility. Company fundamentals are emphasized over yield, with particular focus on cash-flow-generating capability and strong capital structures.
- Portfolio construction is the culmination of the integrated contributions of the analysts and portfolio manager. The portfolio managers, Harley Lank and Alexandre Karam, are responsible for assimilating the recommendations of the research analysts into a portfolio that is diversified and risk-controlled. Individual positions are weighted in accordance with the manager's level of confidence with respect to the issuer's prospects. Consistent with our active investment style, portfolios are constantly monitored to determine whether new or secondary issues that may offer better value should replace existing holdings. Our large research team enables us to cover approximately 80% of the high yield universe on a market capitalization basis, including virtually all new issues brought to the market.
- The foundation of Fidelity's high yield bond investment process is fundamental, bottom-up credit research, combining quantitative and qualitative analysis. Quantitative analysis includes extensive financial modeling to properly assess a company's historical performance and formulating pro forma estimates for future operations. These models help analyze trends such as revenue growth, gross and net profit margins, and cash flow growth. Most importantly, this modeling enables us to determine whether current and future cash flows are sufficient to adequately service the company's liabilities. Qualitatively, our analysts perform extensive bottom-up research and rely on interaction with company management to discuss industry trends, business plans, and earnings and cashflow estimates. This is supplemented through the use of external consultants and industry surveys.
- The security selection process, done on both an absolute and relative basis, has the greatest influence on returns in the investment process. Once our fundamental analysis determines that a company is appealing, we determine whether the company's securities are attractively priced. We analyze the entire capital structure of each issuer ranging from senior bank debt to preferred stock/equity, and will invest where we believe the best risk/reward profile exists. The output of our analysts' research includes internal company ratings as well as comprehensive research that are published on a daily basis. Given our bottom-up focus, specific industries generally are not targeted for investment; however, industry overweighting or underweighting relative to the benchmark may occur when many companies within the same industry offer solid or deteriorating values. Mr. Lank and Mr. Karam reviews the portfolio continuously to ensure that imprudent exposure to individual industries is avoided.

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Performance results for individual accounts will differ from performance results for composites and representative accounts due to factors such as portfolio size, especially if currently only funded with affiliated fee paying seed capital, timing of investments, market conditions, account objectives and restrictions, and factors specific to a particular investment structure.

The value of a strategy's investments will vary day to day in response to many factors, including in response to adverse issuer, political, regulatory, market or economic developments. The value of an individual security or a particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole. Nearly all accounts are subject to volatility in foreign exchange markets.

The performance of fixed income strategies will change daily based on changes in interest rates and market conditions and in response to other economic, political or financial developments. Debt securities are sensitive to changes in interest rates depending on their maturity, and may involve the risk that their prices may decline if interest rates rise or, conversely, if interest rates decline, their prices may increase. Debt securities carry the risk of default, prepayment risk and inflation risk. Changes specific to an issuer, which may involve its financial condition or economic environment, can affect the credit quality or value of an issuer's securities. Lower-quality debt securities (those of less than investment grade quality, also referred to as high yield debt securities) and certain types of other securities are more volatile and are often considered to be speculative and involve greater risk due to increased sensitivity to adverse issuer, political, regulatory and market developments, especially in periods of general economic difficulty. The value of mortgage securities may change due to shifts in the market's perception of issuers, changes in interest rates, or regulatory or tax changes.

Derivatives may be volatile and involve significant risk, such as, credit risk, currency risk, leverage risk, counterparty risk and liquidity risk. Using derivatives can disproportionately increase losses and reduce opportunities for gains in certain circumstances. Derivatives may have limited liquidity and may be harder to value, especially in declining markets. Derivatives involve leverage because they can provide investment exposure in an amount exceeding the initial investment. Leverage can magnify investment risks and cause losses to be realized more quickly. A small change in the value of an underlying asset, instrument, or index can lead to a significant loss. Assets segregated to cover these transactions may decline in value and are not available to meet redemptions. Government legislation or regulation could affect the use of these transactions and could limit the ability to pursue such investment strategies.

The performance of international strategies depends upon currency values, political and regulatory environments, and overall economic factors in the countries in which they invest. Foreign markets, particularly emerging markets, can be more volatile than the Canadian market due to increased risks of adverse issuer, political, regulatory, market, or economic developments and can perform differently from the Canadian market. Foreign exchange rates also can be extremely volatile. These risks may be particularly significant for strategies that focus on a single country or region.

The securities, derivatives and currency markets of emerging market countries are generally smaller, less developed, less liquid, and more volatile than the securities, derivatives and currency markets of the United States and other developed markets and disclosure and regulatory standards in many respects are less stringent. There also may be a lower level of monitoring and regulation of markets in emerging market countries and the activities of investors in such markets and enforcement of existing regulations may be extremely limited. Government enforcement of existing market regulations may be limited, and any enforcement may be arbitrary and the results may be difficult to predict. Emerging market countries are more likely than developed market countries to experience political uncertainty and instability, due to factors such as war, terrorism, nationalization, limitations on the removal of funds or other assets, or diplomatic developments that affect investments in these countries. In many cases, governments of emerging market countries continue to exercise significant control over their economies. In addition, there is a heightened possibility of expropriation or confiscatory taxation, imposition of withholding taxes on interest payments, or other similar developments that could affect investments in those countries.

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