Fidelity American High Yield Fund

Quarterly Investment Review

June 30, 2023

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

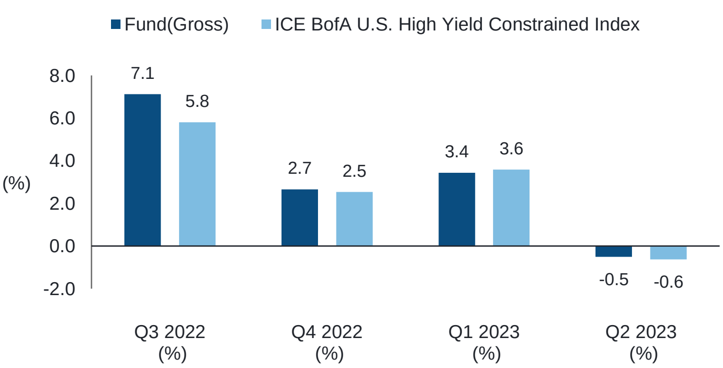
- Offers the potential for higher yield and capital growth than an investment-grade fixed-income fund.
- Can enhance diversification in a fixed-income portfolio.
- Leverages Fidelity's global resources and expertise in high-income investing.

PERFORMANCE RETURNS (%)

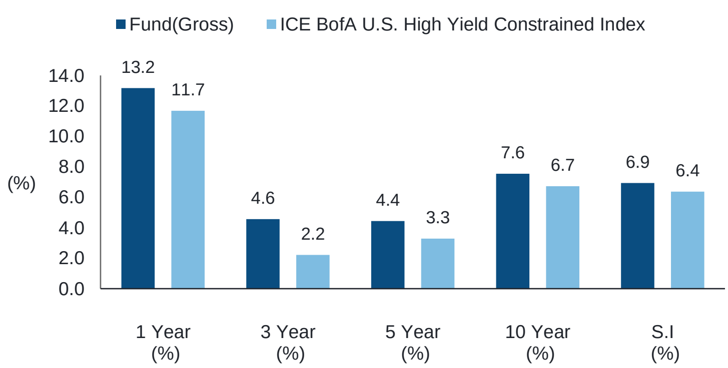
	Cumulative					Annualized				
	Q3 2022	Q4 2022	Q1 2023	Q2 2023	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Fidelity American High Yield Fund - Series O	7.12	2.66	3.43	(0.50)	2.91	13.17	4.57	4.44	7.55	6.94
ICE BofA U.S. High Yield Constrained Index	5.80	2.53	3.59	(0.62)	2.95	11.68	2.21	3.29	6.72	6.37
Relative Return	1.32	0.13	(0.16)	0.12	(0.04)	1.49	2.36	1.15	0.83	0.57

Performance returns are unaudited and time-weighted.
Note: Differences may be due to rounding.

Cumulative Quarterly Performance



Annualized as of June 30, 2023



Overview

PERFORMANCE RETURNS (%): CALENDAR YEAR RETURNS

	Calendar Year Returns									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fidelity American High Yield Fund - Series O	(1.16)	8.26	1.90	9.73	6.29	1.76	10.65	16.35	13.70	13.81
ICE BofA U.S. High Yield Constrained Index	(4.76)	4.45	4.21	8.63	6.54	0.42	13.42	14.40	11.75	14.62
Relative Return	3.60	3.81	(2.31)	1.10	(0.25)	1.34	(2.77)	1.95	1.95	(0.81)

Performance returns are unaudited and time-weighted.

Note: Differences may be due to rounding.

Quarterly Fund Commentary

- The Fund's security selection among certain issuers in the retail industry made the primary detraction from relative returns.
- In retail, an investment in Carvana was the primary detractor. In other industries, an investment in PG&E detracted.
- The Fund's security selection in the services industry and the technology and electronics industry contributed to relative returns over the quarter.
- In services, investments in Brand Industrial Services and CoreLogic were among the top contributors to relative returns. In technology and electronics, investments in Misys and Cloud Software Group contributed. In other industries, investments in California Resources and Communications Sales & Leasing contributed.

12 Month Fund Commentary

- The Fund's security selection in the leisure industry made the primary contribution to relative returns.
- In leisure, investments in New Cotai, Royal Caribbean Cruises and Melco Crown Entertainment were the primary contributors. In other industries, investments in Denbury, and Brand Industria also contributed.
- The Fund's security selection in the financial services industry and the transportation industry was the primary detractor from relative returns.
- In financial services, investments in Ally Financial and Coinbase Global detracted.
- In transportation, investments in Western Global Airlines and American Airlines detracted.

Positioning and Outlook

- Portfolio managers Harley Lank and Alexandre Karam note that high-yield securities had a strong second quarter in 2023. During that time, the U.S. Federal Reserve continued to raise interest rates while guiding to further rate hikes later in the year because it is intent on containing inflation.
- Following the resolution of the debt ceiling question, spreads in the sector tightened in June and are now below historical averages.
- The increase in issuance in the loan market witnessed in previous years has led to a decrease in the high-yield market, which has improved the credit quality for the sector above what it has been in the past. As a result, the managers believe tighter spreads are justified. For these reasons, the managers believe investors must be careful when comparing metrics to historical averages.
- Harley and Alexandre note that there is a technical imbalance in the market, where demand for high-yield bonds is currently outstripping supply. This imbalance can be partly explained by lower-quality issuers taking advantage of the low-interest-rate environment of 2020 and 2021 by refinancing outstanding loans and pushing out their debt maturities.
- The managers are making few new investments, instead adopting more of a wait-and-see approach to credit risk-taking.
- The managers are keenly aware of potential headwinds in the short to intermediate term, and while the increased level of yield offered by the high-yield market will help soften the blow of further increases in risk-free rates or spread-widening, they believe a more cautious approach is warranted.
- 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.