

Chairman's Message | February 28, 2026



Robert A. Lawrence

Dear Shareholder:

Global capital markets gained strongly for the 12 months ending February 28, 2026, supported by resilient corporate fundamentals, a steady macroeconomy and monetary easing by the U.S. Federal Reserve and other key central banks. Against this backdrop, both stocks and bonds advanced. U.S. high-yield securities outperformed investment-grade bonds, gaining 7.02%, per the ICE BofA® U.S. High Yield Constrained Index, versus 6.26% for the Bloomberg U.S. Aggregate Bond Index.

During the period, the broad U.S. bond market withstood pockets of elevated volatility, particularly in its early months. This volatility reached a peak in early April, after the newly elected Trump administration announced a broad set of tariffs on U.S. trade partners, which precipitated a steep bond sell-off. But the market began to rebound just a week later, as investor concern was alleviated by a 90-day pause on most of the planned tariffs. By summer, the expectation that the U.S. Federal Reserve would soon resume the rate-easing program it had paused since January contributed to the rally in fixed-income investments. The subsequent implementation of three Fed policy interest-rate cuts, along with milder-than-expected tariffs, strong corporate earnings and steady monthly economic data, all helped buoy credit markets in the second half of 2025.

Overall, demand for high-yield securities was firm in what was mostly a risk-on environment, though the market turned more defensive in February. Advances were broad-based for the full 12 months, with all 19 industries gaining ground. Three defensive segments stood out amid relatively tight dispersion: telecommunications (+10%), health care and real estate (+9.5% each). Utility, energy, capital goods and automotive each gained roughly 8%. In contrast, technology & electronics (+2%) and transportation (+3%) notably lagged.

Against this backdrop, our high-income funds delivered strong aggregate performance versus benchmarks and peers on an asset-weighted basis. Opportunistic high-yield strategies led results, complemented by solid contributions from equity high-income and core high-yield funds. Credit alternatives and real estate debt offerings added further relative strength, while emerging-markets debt and leveraged loan strategies delivered positive, though more muted, showings.

As of February 28, analysis from Fidelity's Asset Allocation Research Team – composed of portfolio managers and other analysts in our Global Asset Allocation division – implies that the global economic cycle remains in a solid, albeit unsynchronized, expansion against a backdrop of policy crosscurrents. The U.S. demonstrates a mix of cycle dynamics, with solid mid-cycle activity amid some areas of continued weakness in housing and labor markets. Near-term risks include policy and geopolitical uncertainty, inflation persistence and elevated equity-market valuations.

Although we pay attention to shorter-term results, our focus is on the long term, and our long-term relative performance remains compelling. For now, we continue to leverage our vast resources and expertise to closely monitor macro conditions, gain insight into market dynamics and choose securities with the potential to outperform over time. Thank you for your confidence in our investment-management capabilities. For more insights on current market developments, please visit us online.

Sincerely,

Robert A. Lawrence
*Chairman of the Board of Trustees
Fidelity Equity and High Income Funds*

Not FDIC Insured • May Lose Value • No Bank Guarantee

Please see the next page for important information.





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Risks: Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market or economic developments. The securities of **smaller, less well-known companies** can be more volatile than those of larger companies. 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, credit and default risks for both issuers and counterparties. **Lower-quality bonds** can be more volatile and have greater risk of default than higher-quality bonds. **The municipal market** is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities. Income exempt from federal income tax may be subject to state or local tax. **Leverage** can increase market exposure and magnify investment risk. **Foreign securities** are subject to interest rate, currency exchange rate, economic and political risks, all of which are magnified in emerging markets. The investment risk of **target date funds** changes over time as their asset allocation changes. These risks are subject to the asset allocation decisions of the Investment Adviser. Pursuant to the Adviser's ability to use an active asset allocation strategy, investors may be subject to a different risk profile compared to the target date funds' neutral asset allocation strategy shown in their glide path. Target date funds are subject to the volatility of the financial markets, including that of equity and fixed-income investments in the U.S. and abroad, and may be subject to risks associated with investing in high-yield, small-cap, commodity-linked and foreign securities. No target date fund is considered a complete retirement program and there is no guarantee any single fund will provide sufficient retirement income at or through retirement. Principal invested is not guaranteed at any time, including at or after the funds' target dates.

Past performance does not guarantee future results.

Diversification does not ensure a profit or guarantee against a loss.

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