

Fidelity® VIP Investment Grade Bond Portfolio

Investment Approach

- Fidelity® VIP Investment Grade Bond Portfolio is a core fixed-income strategy providing investors one-stop access to a diverse group of U.S. high-grade bond sectors.
- Benchmarked against the Bloomberg U.S. Aggregate Bond Index, the fund seeks to deliver competitive risk-adjusted performance that is commensurate with investor expectations of a core 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, consisting of extensive quantitative modeling, formal and informal portfolio reviews, and proprietary tools, support the identification of both opportunities and risks.

FUND INFORMATION

Manager(s):
Team Managed

Start Date:
December 05, 1988

Size (in millions):
\$4,978.74

Morningstar Category:
Insurance Intermediate Core Bond

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. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. Lower-quality bonds can be more volatile and have greater risk of default than higher-quality bonds. Leverage can increase market exposure and magnify investment risk.

This portfolio is available for investment only by the separate accounts of insurance companies. Annuities are long term investments. Access to this VIP portfolio may be limited by tax penalties and surrender charges, and income taxes are due upon withdrawal of funds. Taxable amounts withdrawn from variable insurance contracts prior to age 59 1/2 may be subject to a 10% IRS penalty tax as well as income tax.

PERFORMANCE SUMMARY

	Cumulative		Annualized			
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year/ LOF ¹
VIP Investment Grade Bond Portfolio - Initial Class	0.09%	0.09%	4.30%	3.96%	0.66%	2.41%
Gross Expense Ratio: 0.38% ²						
Bloomberg US Aggregate Bond Index	-0.05%	-0.05%	4.35%	3.63%	0.31%	1.70%
Lipper VIP Core Bond Funds Classification	-0.13%	-0.13%	4.24%	3.68%	0.23%	1.78%
Morningstar Insurance Intermediate Core Bond	-0.07%	-0.07%	4.23%	3.65%	0.17%	1.69%

¹ Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 12/05/1988.

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 Initial Class shares. 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 institutional.fidelity.com, or contact Fidelity. Total returns are historical and include changes in share price and the automatic reinvestment of dividends and capital gains, but do not include any charges to the separate account level, such as policy charges and related insurance fees. If total returns had included these charges, returns would have been lower.

For definitions and other important information, please see the Definitions and Important Information section of this Fund Review.

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Not FDIC Insured • May Lose Value • No Bank Guarantee

Taxable Bond Market Review

U.S. taxable investment-grade bonds posted a roughly break-even result in the first quarter, as measured by the Bloomberg U.S. Aggregate Bond Index. A positive start to the year was upended in March by a sudden rise in geopolitical risk, which pushed U.S. Treasury yields higher and bond prices lower.

As 2026 began, the U.S. bond market was coming off a strong 2025 in which the index rose 7.30%, its best annual result since 2020. That advance was aided by relatively stable inflation and a largely resilient U.S. economy, conditions that by the second half of the year prompted the U.S. Federal Reserve to resume the monetary-easing program it had paused in late 2024. The Fed cut its policy interest rate by a quarter percentage point (25 basis points) in September, October and December.

Following its December 2025 committee meeting, Fed officials signaled they might hold rates steady for a time. With inflation stable but still above the 2% target, and labor-market data softening even as unemployment remained low, Fed Chair Jerome Powell indicated a wait-and-see stance. This announcement shifted the market's expectation for additional rate cuts to later in 2026. In the absence of an immediate catalyst, U.S. Treasury yields were little changed in January, limiting price volatility. The Aggregate index advanced slightly for the month (+0.11%).

February brought a catalyst in the form of U.S. inflation and employment data. Headline inflation for January came in at 2.4%, the lowest reading since May 2025, while the jobs report showed solid January hiring. The annual benchmark revision to payroll data, however, adjusted total job gains for 2025 sharply down. Together, these reports were viewed as potentially accelerating the Fed's timetable for further rate reductions. At the same time, broad-market investors adopted a more defensive posture. These factors fueled a bond market rally in February, lifting the index by 1.64%.

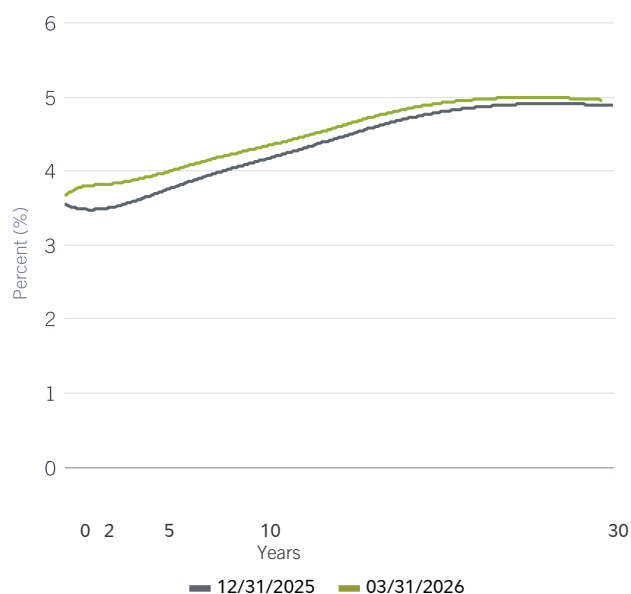
The market landscape changed abruptly at the end of February. In the late hours of February 28, the U.S. and Israel launched military operations against Iran. Tensions between the countries had been building in prior weeks but had not materially affected markets until then. The beginning of March saw a sharp rise in bond yields as expectations for Fed cuts shifted outward once again, and an increased risk premium was priced into the yield curve. Oil and energy prices surged, heightening investor concerns about a potential spike in inflation. The benchmark 10-year U.S. Treasury began the month at 3.97% and ended at 4.30%, after peaking at 4.44% on March 27. The index returned -1.76% for the month, reversing February's upturn.

Against a backdrop of rising yields, short-term debt issues with maturities of 1 to 3 years fared best in Q1, advancing 0.32%. Bonds with maturities of 3 to 5 years eked out a small gain (+0.04%), while all longer-term categories finished in modestly negative territory. Amid a cautious market backdrop, higher-quality bonds rated AAA and AA outperformed investment-grade debt rated A and BBB.

At the sector level, U.S. Treasuries (-0.04%) outpaced more credit-sensitive U.S. investment-grade corporate bonds (-0.54%). Securitized sectors – including agency mortgage-backed securities (+0.40%), commercial mortgage-backed securities (+0.32%) and asset-backed securities (+0.31%) – outperformed, as investors viewed them as offering higher income and solid fundamentals.

Outside the Aggregate index, U.S. Treasury Inflation-Protected Securities gained 0.26%, per Bloomberg, while U.S. high-yield corporate bonds (-0.50%) and emerging-markets debt – both investment-grade (-1.32%) and high-yield (-1.40%) – lagged amid risk-off market sentiment. ■

U.S. TREASURY YIELD CURVE



Source: Bloomberg

THREE-MONTH FIXED-INCOME SECTOR RETURNS

Sector	Total Return	Excess Return*
Government-Related	-0.07%	-0.08%
U.S. Mortgage-Backed Securities	0.40%	0.16%
Asset-Backed Securities	0.31%	0.10%
Commercial Mortgage-Backed Securities	0.32%	0.33%
U.S. Corporate Investment Grade	-0.54%	-0.49%
U.S. Corporate High Yield	-0.50%	-0.73%
Emerging Markets: Investment Grade	-1.32%	-1.31%
Emerging Markets: High Yield	-1.40%	-1.41%
U.S. Treasury	-0.04%	0.00%

Source: Bloomberg

*Over similar-duration Treasuries

Performance Review

DETAILED FUND ATTRIBUTION RELATIVE TO BENCHMARK

Strategy: Sector Allocation		Strategy: Security Selection	
Market Environment	Investment-grade fixed-income assets essentially broke even in Q1. Securitized sectors such as agency mortgage-backed securities and commercial mortgage-backed securities outperformed U.S. Treasuries, while U.S. corporate bonds lagged.	Market Environment	By maturity, short-term (1-3 year) bonds fared best against rising market yields; by credit rating, higher-quality AAA and AA issues outperformed lower-rated investment-grade debt amid a challenging risk backdrop.
Fund Positioning (Impact vs. Benchmark)	<p>Overall, sector allocation slightly detracted from the fund's performance versus the benchmark Bloomberg U.S. Aggregate Bond Index.</p> <ul style="list-style-type: none"> An underweight in mortgage-backed securities hurt the relative result (Negative) In contrast, larger-than-benchmark exposure to asset-backed securities and commercial mortgage-backed securities contributed. (Positive) 	Fund Positioning (Impact vs. Benchmark)	<p>Security selection contributed to relative performance.</p> <ul style="list-style-type: none"> Among corporate bonds, an underweight in industrials provided a boost in Q1. (Positive)
Strategy: Duration and Yield Curve			
Market Environment	Rates rose across the U.S. Treasury yield curve in Q1, with the biggest increases at the front end and then tapering further out on the curve.		
Fund Positioning (Impact vs. Benchmark)	<ul style="list-style-type: none"> The fund's yield-curve positioning added value versus the benchmark. (Positive) 		

Outlook and Positioning

As 2026 began, it appeared that markets were firing on all cylinders, with investors expecting AI-fueled capital spending and fiscal support from the One Big Beautiful Bill Act to provide a supportive backdrop. But markets took a pause in Q1, as concerns over the viability of AI investment started to surface, and global equity and bond markets sold off sharply as geopolitical events in Iran took center stage.

Developed-market central banks were largely in sync over the past two years, easing monetary policy from restrictive levels as inflation fell from pandemic peaks. Heading into the year, the U.S. Federal Reserve was expected to cut rates further in 2026, but rising oil prices have fueled inflation fears, shifting expectations away from cuts and toward the possibility (but not necessarily likelihood) of rate hikes this year.

After falling in 2025, nominal 10-year U.S. Treasury yields finished Q1 slightly higher. At quarter end, crosscurrents influencing fixed-income yields include softer labor-market data, higher near-term inflation expectations, a shift in monetary policy expectations and medium-term fiscal challenges.

Versus the Aggregate Index, the fund had an overweight in U.S. Treasuries as of March 31, including nominal securities and futures, and a small underweight in corporate credit. The portfolio was notably overweight in asset-backed securities and commercial mortgage-backed securities and underweight in agency mortgage-backed securities. By credit rating, the fund was underweight bonds rated AA and A, and overweight securities rated AAA and BBB. Overall, the portfolio was bulleted around the intermediate portion of the yield curve and, at period end, maintained a duration modestly longer than that of the index.

In a dynamic environment, we continue to find pockets of value within the fixed-income market, based on our view of pricing and fundamentals. Our goal remains to work with our investment teams to try to find attractively priced bonds for the portfolio while maintaining a disciplined approach to risk management.

It is important to reiterate that the portfolio is constructed with a careful 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. Given this focus, our long-term performance remains compelling. ■

MARKET-SEGMENT DIVERSIFICATION

Market Segment	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
U.S. Treasury	49.29%	46.02%	3.27%	0.11%
U.S. Agency	0.00%	0.56%	-0.56%	0.01%
Other Government Related (U.S. & Non-U.S.)	0.88%	3.76%	-2.88%	-0.09%
Corporate	22.09%	23.94%	-1.85%	0.33%
MBS Pass-Through	14.39%	23.85%	-9.46%	-0.28%
ABS	9.14%	0.43%	8.71%	-0.08%
CMBS	5.06%	1.44%	3.62%	0.39%
CMOs	1.63%	0.00%	1.63%	0.01%
Cash	2.09%	0.00%	2.09%	0.44%
Net Other Assets	-4.57%	0.00%	-4.57%	-0.84%
Futures, Options & Swaps	-1.42%	0.00%	-1.42%	0.41%

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	6.00 years	5.82 years
30-Day SEC Yield	4.15%	--
30-Day SEC Restated Yield	--	--
Net Asset Value	\$11.30	--

CREDIT-QUALITY DIVERSIFICATION

Credit Quality	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
U.S. Government	65.81%	71.17%	-5.36%	-0.14%
AAA	10.22%	3.09%	7.13%	0.38%
AA	3.20%	4.71%	-1.51%	-0.18%
A	8.16%	11.26%	-3.10%	0.34%
BBB	12.98%	9.76%	3.22%	-0.03%
BB	1.67%	0.00%	1.67%	-0.05%
B	0.08%	0.00%	0.08%	0.00%
CCC & Below	0.01%	0.00%	0.01%	0.00%
Short-Term Rated	0.00%	0.00%	0.00%	0.00%
Not Rated/Not Available	-3.43%	0.01%	-3.44%	0.03%
Cash & Net Other Assets	1.30%	0.00%	1.30%	-0.35%

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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

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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.

VIP refers to Variable Insurance Products

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 U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, mortgage-backed securities (agency fixed-rate pass-throughs), asset-backed securities and collateralized mortgage-backed securities (agency and non-agency).

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, have your client consider the portfolio's investment objectives, risks, charges, and expenses. Contact Fidelity for a VIP prospectus or, if available, a summary prospectus containing this information. Have your client read it carefully.

Past performance is no guarantee of future results.

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