



Municipal bonds

Fundamentals for investors

Not FDIC Insured • May Lose Value • No Bank Guarantee





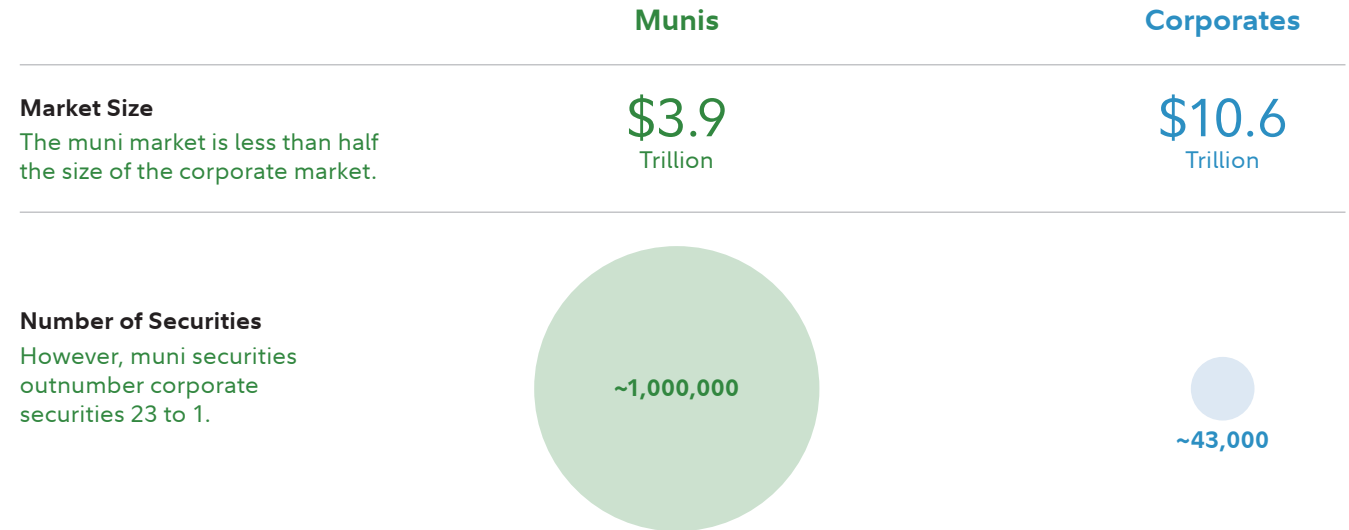
Tax-advantaged municipal bonds can be an attractive source of income. However, the municipal bond market is large and fragmented, which can make it difficult for individual investors to navigate on their own.

Changed market dynamics

Over time, investing in municipal bonds has become more complex. In the past, many bonds had high-credit-quality ratings due to the use of bond insurance, which protected investors if an issuer defaulted. For the most part, investors could pick bonds based on yield. Today, less than 10% of newly issued bonds are insured. Focusing only on yield could lead to increased volatility and risk.

Few investors have the resources to find municipal bonds that align with their goals and risk tolerance.

A LARGE AND FRAGMENTED MARKET MAKES IT DIFFICULT TO FIND THE RIGHT MUNI BOND



Source: Municipal Securities Rulemaking Board "Muni Facts," as of 12/31/21.

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. 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. Unlike individual bonds, most bond funds do not have a maturity date, so holding them until maturity to avoid losses caused by price volatility is not possible.

Reasons to consider municipal bond funds

Municipal bonds

Like bonds issued by the federal government or corporations, municipal bonds are simply debt instruments—money lent by investors to states, counties, cities, and nonprofit organizations to pay for public projects or to refinance existing debt. In return for an investor’s loan, the municipality promises to pay the investor interest—usually semiannually—and to return the investor’s principal on a specified date, often referred to as the maturity date (assuming no default). Municipal bonds have a wide range of credit quality (a measure of the municipality’s financial health and ability to repay the bond), maturities, and yields.

Municipal bonds help finance a variety of projects:



Schools



Housing



Roads and
Bridges



Hospitals



Utilities



Airports

Research is often the key to finding bonds of good value that align with an investor’s investment goals and risk tolerance. Yet many investors don’t have the time or resources for thorough research.

Municipal bond mutual funds can be a smart way to invest

Professional management

Fund managers have the experience and resources to research bonds, monitor their funds and the municipal market, and buy and sell bonds as market conditions change.

Diversification

Municipal bonds typically trade in increments of \$5,000, making it expensive for an investor to be appropriately diversified. Municipal bond funds own a large number of bonds across sectors, issuers, and maturities, which can help reduce volatility.

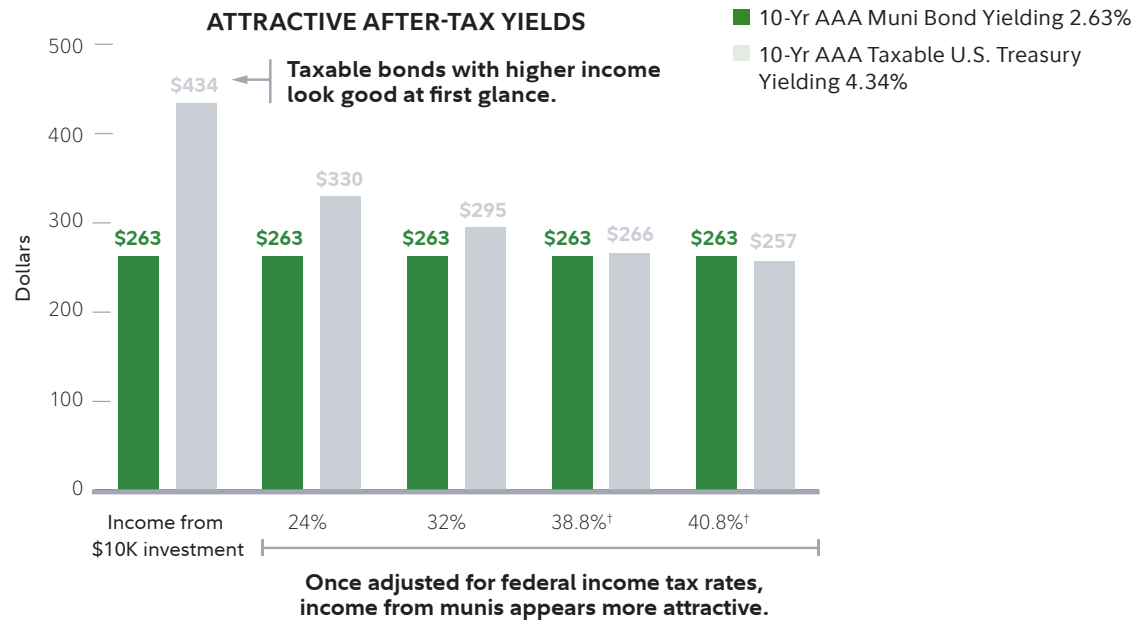
Easy access to your money

Shares in municipal bond funds can be bought and sold daily. With individual bonds, buying and selling can be difficult for retail investors, depending on market conditions and the fragmented and inefficient nature of the municipal market.

There are costs associated with investing in fixed income funds. Mutual funds typically charge management fees and may include additional fees, such as transfer agent fees, 12b-1 fees, and sales charges. For further clarification, speak with your financial representative.

Keep more of your bond income

Despite new tax laws and provisions, many investors still have tax bills larger than they would like. Unlike government or corporate bond funds, the income from municipal bond funds is usually exempt from federal income tax, and if you live in the same state as single-state municipal bond funds, the income may be exempt from state taxes.* Municipal income is exempt from the 3.8% Medicare tax on net investment income as well.



* All or a portion of the income may be subject to the federal alternative minimum tax. Income attributable to capital gains are usually subject to both state and federal income taxes.

This hypothetical example shows annual income from a \$10,000 investment in a taxable account and the impact on that income from the four highest federal tax rates. The municipal bond investment has a 2.63% assumed yield and the taxable U.S. Treasury yield is assumed to be 4.34% (data sourced from Refinitiv TM3, as of 11/30/23). This hypothetical example is used for illustrative purposes only; actual investments may vary. It does not reflect the impact of state taxes, federal and/or state alternative minimum taxes, tax credits, exemptions, fees, or expenses. If it did, after-tax income might be lower. Please consult a tax representative for further details.

[†] Rate includes a Medicare surtax of 3.8% imposed by the Patient Protection and Affordable Care Act of 2010.

Help smooth out portfolio volatility

Historically, municipal bonds have had low correlation to other asset classes, such as stocks. Adding a municipal bond fund to your portfolio can be an effective diversifier. While diversification can't prevent a loss, it may temper volatility.

MUNI BONDS CAN HELP DIVERSIFY YOUR PORTFOLIO

	Municipal Bonds	Corporate Bonds	Treasury Bonds	Stocks
Municipal Bonds	1.00			
Corporate Bonds	0.83	1.00		
Treasury Bonds	0.74	0.71	1.00	
Stocks	0.36	0.56	0.08	1.00

Correlation:

■ High: 0.60 to 1.00 ■ Moderate: 0.30 to 0.59 ■ Low: -1.00 to 0.29

Source: Morningstar, as of 11/30/23. Correlation was measured by 10-year correlation. Asset classes are represented by the following indices: municipal bonds: Bloomberg (BBG) Municipal Bond; corporate bonds: BBG U.S. Credit Bond; Treasury bonds: BBG U.S. Treasury; and stocks: S&P 500[®]. It is not possible to invest directly in an index. All market indices are unmanaged.

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

A focus on generating income and preserving wealth

Fidelity's approach to managing municipal bond funds places a premium on income and capital preservation. Rather than pursuing the highest yield, which can add volatility, our managers look at a bond's total return potential to generate both income and price appreciation while keeping a tight focus on risk.

Balance income potential against risk

- Seek bonds whose yields are aligned with risk tolerance
- Avoid bonds whose yields, although attractive, may not compensate for their higher risks

Focus on high quality

- Invest primarily in a broad range of investment-grade municipal bonds to help lower volatility and preserve capital
- Limit exposure to non-investment-grade securities

Seek to provide a consistent experience

- Target volatility in line with an investor's expectations of a core bond fund
- Seek competitive performance over the market cycle

A team approach

Every Fidelity municipal bond fund is overseen by a strong management team. The team's members work together to seek bonds with the greatest total return potential.

Portfolio managers are responsible for implementing the fund strategy and managing risk.

Credit analysts use their knowledge of issuers and sectors to help the portfolio managers identify attractive bonds and monitor existing holdings.

Legal experts review bond covenants to ensure that all aspects of the bond are fully understood.

Quantitative analysts employ analytical tools to evaluate the risk and return potential of funds based on a variety of market scenarios.

Traders use their knowledge of the market and proprietary technology to identify trading ideas.

Ask your financial representative about investing in Fidelity's municipal bond funds today.

Invest with one of the world's largest fixed income managers[†]

Helping investors navigate today's municipal bond market requires vast resources. As a private company, Fidelity has invested heavily in people and technology, aiming to gain an edge for the benefit of its investors. The result is a fixed income investment process focused on delivering highly competitive results through various market environments.

Our investment process is built on:

Transparency: An approach grounded in deep, global research and unique insights—relentlessly focused on investment objectives.

Accountability: Durability and discipline in seeking to outperform benchmarks while mitigating risk.

Teamwork: A culture of collaboration that fosters discussion and debate to generate the best ideas.

Integrity: Recognition for meeting investor expectations through skillful management and process.

Vitality: Nonstop innovation to meet the evolving needs of investors.

Learn more about Fidelity's fixed income investment capabilities at i.fidelity.com.

[†] As of 12/31/22, Pensions & Investments ranked Fidelity Investments 7th out of 164 firms for fixed income assets under management.

Contact your financial representative today.



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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. Unlike individual bonds, most bond funds do not have a maturity date, so holding them until maturity to avoid losses caused by price volatility is not possible. 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. If a fund's investor is a resident in the state of issuance of the bonds held by the fund, interest dividends may also be exempt from state and local income taxes. All or a portion of the fund's income may be subject to the federal alternative minimum tax. Income or fund distributions attributable to capital gains are usually subject to both state and federal income taxes. The fund can invest in securities that may have a leveraging effect (such as derivatives and forward-settling securities) that may increase market exposure, magnify investment risks, and cause losses to be realized more quickly.

Not NCUA or NCUSIF insured. May lose value. No credit union guarantee.

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

DEFINITIONS AND IMPORTANT INFORMATION

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

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

Bloomberg 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.

Correlation is a statistical measure of how two streams of returns move in relation to one another. A correlation of 1.0 implies that as one portfolio moves in price, the other will move in lockstep in the same direction. Negative 1.0 implies a perfectly inverse relationship—the portfolios move in exact opposite directions. The nearer the measure is to 0.0, the weaker the relationship is between the behavior of the two return streams.

S&P 500 Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.

It is not possible to invest directly in an index. All market indices are unmanaged.

Investing in municipal bond funds for the purpose of generating tax-exempt income may not be appropriate for investors in all tax brackets. Generally, tax-exempt municipal securities are not appropriate holdings for tax-advantaged accounts such as IRAs and 401(k)s.

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Before investing, consider the funds' investment objectives, risks, charges, and expenses. Consult your investment professional or visit i.fidelity.com for a prospectus or, if available, a summary prospectus containing this information. Read it carefully.