

# SECURITIES AND EXCHANGE COMMISSION

## FORM N-30B-2

Periodic and interim reports mailed to investment company shareholders (other than annual and semi-annual reports mailed to shareholders pursuant to Rule 30e-1)

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### FILER

#### **FIDELITY LIMITED TERM MUNICIPALS**

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SPARTAN(Registered trademark)  
BOND STRATEGIST

ANNUAL REPORT  
DECEMBER 31, 1993  
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THIS REPORT AND THE FINANCIAL STATEMENTS CONTAINED HEREIN ARE SUBMITTED FOR THE GENERAL INFORMATION OF THE SHAREHOLDERS OF THE FUND. THIS REPORT IS NOT AUTHORIZED FOR DISTRIBUTION TO PROSPECTIVE INVESTORS IN THE FUND UNLESS PRECEDED OR ACCOMPANIED BY AN EFFECTIVE PROSPECTUS. NEITHER THE FUND NOR FIDELITY DISTRIBUTORS CORPORATION IS A BANK, AND FUND SHARES ARE NOT BACKED OR GUARANTEED BY ANY BANK OR INSURED BY THE FDIC.

PRESIDENT'S MESSAGE

DEAR SHAREHOLDER:

Once the new year begins, many people start reviewing their finances and calculating their tax bills. No one wants to pay more taxes than they have to. But a recent survey of 500 U.S. households, conducted by Fidelity and Yankelovich Partners, showed that few people have taken steps to reduce their taxes under the new legislation. Many were not even aware that the

new tax laws were retroactive to January 1993.

Whether or not you're someone whose tax bill will increase as a result of these changes, it may make sense to consider ways to keep more of what you earn.

First, if your employer offers a 401(k) or 403(b) retirement savings plan, consider enrolling. These plans are set up so you can make regular contributions -

before taxes - to a retirement savings plan. They offer a disciplined savings strategy, the ability to accumulate earnings tax-deferred, and immediate tax savings. For example, if you earn \$40,000 a year and contribute 7% of your salary to your 401(k) plan, your annual contribution is \$2,800. That reduces your taxable income to \$37,200 and, if you're in the 28% tax bracket, saves you \$784 in federal taxes. In addition, you pay no taxes on any earnings until withdrawal.

It may be a good idea to contact your benefits office as soon as possible to find out when you can enroll or increase your contribution. Most employers allow employees to make changes only a few times each year.

Second, consider an IRA. Many people are eligible to make an IRA contribution (up to \$2,000) that is fully tax deductible. That includes people who are not covered by company pension plans, or those within certain income brackets. Even if you don't qualify for a fully deductible contribution, any IRA earnings will grow tax-deferred until withdrawal.

Third, consider adding to your tax-free investments, either municipal bonds or funds that invest in municipal bonds. Often these can provide higher after-tax yields than comparable taxable investments. For example, if you're in the new 36% federal income tax bracket and invest \$10,000 in a taxable investment yielding 7%, you'll pay \$252 in federal taxes and receive \$448 in income. That same \$10,000 invested in a tax-free bond fund yielding 5.5% would allow you to keep \$550 in income.

These are three investment strategies that could help lower your tax bill in 1994. If you're interested in learning more, please call us at 1-800-544-8888 or visit a Fidelity Investor Center.

Wishing you a prosperous new year,

Edward C. Johnson 3d, Chairman

PERFORMANCE: THE BOTTOM LINE

There are several ways to evaluate a fund's historical performance. You can look at the total percentage change in value, the average annual percentage change, or the growth of a hypothetical \$10,000 investment. Total return figures include changes in a fund's share price and reinvestment of any dividends (or income), and the effect of the \$5 account closeout-fee. You can also look at the fund's income.

#### CUMULATIVE TOTAL RETURNS

PERIOD ENDED DECEMBER 31, 1993 LIFE OF  
FUND

Spartan Bond Strategist 1.22%

Spartan Bond Strategist -

After Taxes 1.18%

Consumer Price Index 0.69%

CUMULATIVE TOTAL RETURNS reflect the fund's performance over a set period - in this case, since the fund began on September 9, 1993. For example, if you invested \$1,000 in a fund that had a 5% return over the past year, you would end up with \$1,050. The after-tax total return shown above reflects what you would have after paying taxes if you closed your account at the end of the year and paid taxes on income and capital gains (at the 36% federal tax bracket) out of the proceeds. Comparing the fund's performance to the consumer price index helps show how your investment did compared to inflation. (The CPI figure is as of the month end nearest to the fund's start.)

AVERAGE ANNUAL RETURNS and the growth of a hypothetical \$10,000

INVESTMENT in the fund will appear in future reports once the fund is older.

#### INCOME

| 1993      | TOTAL  | PERCENT<br>TAX-FREE |
|-----------|--------|---------------------|
| September | \$.025 | 79.27%              |
| October   | \$.035 | 88.37%              |
| November  | \$.036 | 82.55%              |
| December  | \$.044 | 66.41%              |

The amounts shown above reflect the total income distributed for each fund share and the percentage that was federally tax-free.

#### YIELD

PERIOD ENDED DECEMBER 31, 1993

30-day annualized yield 4.74%

Tax-equivalent yield 6.89%

The 30-day annualized yield is a standard formula for all funds based on the yields of the bonds in the fund, averaged over the past 30 days. It helps you compare funds from different companies on an equal basis. The tax-equivalent yield shows what you would have to earn on a taxable investment to equal the fund's yield, if you're in the 36% federal tax bracket.

#### UNDERSTANDING

##### PERFORMANCE

How a fund did yesterday is no guarantee of how it will do tomorrow. Bond prices, for example, move in the opposite direction of interest rates. In turn, the share price, return, and yield of a fund that invests in bonds will vary. That means if you sell your shares during a market downturn, you might lose money. But if you can ride out the market's ups and downs, you may have a gain.  
(checkmark)

#### FUND TALK: THE MANAGER'S OVERVIEW

(Portfolio Manager's photograph)

#### MARKET RECAP

Generally, interest rates fell in the United States during the 12 months ended December 31, 1993. As a result, bond prices rose and most fixed-income investments - including those in tax-free bonds - enjoyed attractive returns. The yield on the benchmark 30-year Treasury bond declined steadily and reached an historic low of 5.79% in mid-October. By year-end, mild inflation

fears, fueled by a strengthening economy, had pushed up the yield on the 30-year bond to 6.35%. Two factors affected municipal bonds specifically: on the positive side, higher federal taxes - discussed all year and approved in August - boosted demand. At the same time, record new issuance kept supplies high, which somewhat dampened prices. Overall during the period, tax-free bonds performed well compared to other fixed-income investments. The Lehman Brothers Municipal Bond Index - a broad measure of the tax-free market - rose 12.29%. By comparison, the Lehman Brothers Aggregate Bond Index - which tracks investment-grade taxable bonds - rose only 9.75%, due in part to poor performance by mortgage-backed securities. Globally, falling interest rates and low inflation drove strong returns in both developed countries and, more notably, in emerging markets.

The Salomon Brothers World Government Bond Index - which includes U.S. issues - rose 13.27% for the year. The J.P. Morgan Emerging Markets Bond Index was up 44.17%.

An interview with George Fischer, Portfolio Manager of Spartan Bond Strategist

Q. GEORGE, HOW HAS THE FUND DONE?

A. From September 9, 1993 - the fund's start date - to December 31, the fund had a total return of 1.22%. That's a 1.18% total return after the effect of federal income taxes for investors in the 36% federal tax bracket. Unfortunately, in the fund's first few days the bond market experienced a substantial sell-off, which immediately set the fund back. But from September 30 to December 31, the fund's before-tax and after-tax returns were 1.98% and 1.60% respectively. During the same period, the Lehman Brothers Aggregate Bond Index - which tracks taxable issues - had a total return of .06% before taxes. The Lehman Brothers Municipal Bond Index - - which measures tax-free bond performance - returned 1.41%.

Q. WHAT'S THE PHILOSOPHY BEHIND THE FUND?

A. In the 1980s and early '90s, you could have put money into almost any sector of the U.S. bond market and gotten good returns. Interest rates were generally high and on the way down. Now, interest rates are half of what they were 10 years ago while tax rates have risen. This argues for a fund that manages not so much for tax-free income, but for after-tax total return for investors in the higher federal tax brackets. The fund invests in both taxable and tax-free bonds so shareholders will have the most money left over after paying taxes.

Q. SO HOW DO YOU STRUCTURE THE FUND?

A. I take a very broad view of bond investing, looking all over the world for the best opportunities. But the fund begins here at home and usually keeps at least a 50% stake in mostly high quality municipal bonds. Munis have always been a solid vehicle for managing after-tax total return, but they're by no means the only one. I rely on our analysts to help me find investment opportunities in a variety of other markets: U.S. Treasuries, corporate bonds, mortgage securities, and foreign bonds.

Q. WHAT HAS YOUR SEARCH TURNED UP SO FAR?

A. Over the past four months, the fund's stake in municipal bonds has been between 75 and 85%. These were typically high quality bonds; 45% were rated AA or above by Standard & Poor's on December 31. I concentrated on bonds with 10- to 15-year maturities, which I felt offered the most attractive yields when weighed against their risk. The fund benefited from artificially low prices in the municipal bond market because of a record large supply. I looked for non-callable bonds - which issuers can't redeem early - because it made sense to buy inexpensive bonds that the fund could hold onto for a while.

Q. WHAT ELSE IS IN THE FUND?

A. So far, I've stayed away from Treasuries because of the relative attractiveness of municipal bonds. I've also bought only a handful of domestic corporate bonds because I feel their best returns came earlier in the year. Most of the rest is invested overseas. On December 31, the fund had a 10.7% stake in dollar-denominated securities - foreign bonds issued in U.S. dollars - and 6.3% in non-dollar denominated securities. Among the dollar-denominated bonds, the fund relied heavily on issues from emerging markets like Mexico and Argentina. Among non-dollar denominated securities, I invested mainly in government bonds in Europe and Japan. These were the best performing of the fund's foreign issues. Bond prices in countries like France and Denmark rose when interest rates fell. In Europe and Japan, the fund usually hedged its investments, to lower currency risk.

Q. HOW DO YOU SEE THE NEW YEAR SHAPING UP?

A. Much of last year's large supply of municipal bonds was due to prerefunding, which is popular when interest rates fall. Issuers sell new lower-interest bonds, invest the proceeds in short-term government securities, and pay off the old bonds at the earliest opportunity. That essentially wipes old, higher interest debt off the issuer's balance sheet, but also pumps more bonds into the market. The issuer can only do it once on any given bond, though. That's why I think prerefunding will slow dramatically in '94, and the supply of munis will fall. On the demand side, tax hikes should keep people looking for tax-free investments. A lower supply and constant demand could help the fund by making its bonds more valuable. I don't see a lot of impact from interest rates moving one way or another. I plan to keep the fund heavily invested in municipals and use our analysts to help me find solid bets overseas. Foreign investing may become more challenging, however, because many of the price gains on European and Japanese bonds are probably behind us.

#### FUND FACTS

GOAL: maximum total return  
after federal income taxes by  
investing in both taxable and  
tax-free bonds

START DATE: September 9,  
1993

SIZE: as of December 31,  
1993, over \$21 million

MANAGER: George Fischer,  
since September 1993;  
manager, institutional  
municipal income portfolios,  
since May 1991  
(checkmark)

GEORGE FISCHER ON MANAGING  
FOR AFTER-TAX TOTAL

#### RETURN:

"This strategy means keeping  
an open mind. Municipal bonds  
are an obvious pick because  
their income is free of federal  
taxes. But other types of bonds  
whose income is taxable often

have attractive enough yields to more than offset what the tax man takes. I want to find a mix of bonds that brings in the highest total return, after taxes.

"

"Managing for after-tax return also requires being very careful when buying and selling bonds. Selling a bond whose price has risen could mean the fund will realize a taxable capital gain. When that happens, I hope to be able to offset the tax impact with a capital loss somewhere else, or with a high-yielding bond whose income will help cover the cost of taxes on the original capital gain."

(bullet) As of December 31, 81.9% of the fund's investments provided tax-free income.

18.1% were taxable.

(bullet) So far, the fund's 12.5% stake in California bonds hasn't been affected by the recent earthquake. Since it's difficult to predict the quake's long-term impact, the fund's California investments will be closely monitored for any signs of trouble.

(bullet) The fund had 64% of its investments in bonds rated A or above on December 31.

Another 7.3% was invested in BBB-rated bonds.

INVESTMENT SUMMARY

TOP TEN FIXED-INCOME SECURITIES AS OF DECEMBER 31, 1993

| (BY ISSUER)  | % OF FUND'S INVESTMENTS |
|--|-------------------------|
| Austin, Texas Utilities System                         | 6.1%                    |
| Knox County, Tennessee Health & Education Hospital     | 5.7                     |
| Springfield, Illinois Electric                         | 5.4                     |
| Fresno, California Sewer                               | 5.2                     |
| Hawaii County, Hawaii                                  | 5.0                     |
| New York City, New York                                | 4.8                     |
| Mexican Government                                     | 3.0                     |
| Houston, Texas Water Conveyance System                 | 2.9                     |
| Indiana Health Facilities Financing Authority Hospital | 2.8                     |

## AVERAGE YEARS TO MATURITY AS OF DECEMBER 31, 1993

Years 13.6

AVERAGE YEARS TO MATURITY SHOWS THE AVERAGE TIME UNTIL THE PRINCIPAL ON THE FUND'S BONDS IS EXPECTED TO BE REPAID, WEIGHTED BY DOLLAR AMOUNT.

DURATION AS OF DECEMBER 31, 1993

Years 8.8

DURATION SHOWS HOW MUCH A BOND'S PRICE FLUCTUATES WITH CHANGES IN INTEREST RATES. IF RATES RISE 1%, FOR EXAMPLE, A BOND WITH A FIVE-YEAR DURATION WILL LOSE ABOUT 5% OF ITS VALUE.

ASSET ALLOCATION AS OF DECEMBER 31, 1993

Municipal Securities 81.9%

Foreign taxable bonds -  
dollar-denominated 10.7%Foreign taxable bonds -  
non-dollar denominated 6.3%

Short-term investments 1.1%

Row: 1, Col: 1, Value: 1.1

Row: 1, Col: 2, Value: 6.3

Row: 1, Col: 3, Value: 10.7

Row: 1, Col: 4, Value: 21.9

Row: 1, Col: 5, Value: 30.0

Row: 1, Col: 6, Value: 30.0

INVESTMENTS DECEMBER 31, 1993

Showing Percentage of Total Value of Investment in Securities

MUNICIPAL BONDS - 74.3%

MOODY'S RATINGS PRINCIPAL VALUE (NOTE 1)

(UNAUDITED) (C) AMOUNT (A)

CALIFORNIA - 12.5%

California Pub. Wks. Board Lease Rev.:

Rfdg. (Dept. of Corrections) 5%, 12/1/07 A1 \$ 500,000 \$ 496,250 13068GSX

(California Univ. Proj.) Series A,

5.50% 6/1/10 A1 500,000 512,500 13068GRE

Fresno Swr. Rev. Series A-1, 6% 9/1/09,

(AMBAC Insured) Aaa 1,000,000 1,095,000 358229CE

San Jose Redev. Agcy. Tax Allocation

(Merged Area Redev. Proj.) 6% 8/1/08,

(MBIA Insured) Aaa 500,000 541,250 798147KR

2,645,000

CONNECTICUT - 2.4%

Connecticut Health &amp; Ed. Facs. Auth. Rev. Rfdg.

(Quinnipiac Coll.) Series D, 6% 7/1/13 BBB- 500,000 510,625 207742F3

HAWAII - 7.7%

Hawaii County Rfdg. &amp; Impt. Series A,

5.60% 5/1/13, (FGIC Insured) Aaa 1,000,000 1,063,750 419722QD

Hawaii Gen. Oblig. Series CH, 6% 11/1/07 Aa 500,000 553,750 419779NR

1,617,500

ILLINOIS - 5.4%

Springfield Elec. Rev. (Sr. Lien) 6.50% 3/1/08 Aa 1,000,000 1,136,250

850578NP

INDIANA - 2.8%



Indiana Health Facs. Fing. Auth. Hosp. Rev. Rfdg.  
 (Columbus Regional Hosp.) 7% 8/15/15,  
 (Cap. Guaranty Insured) Aaa 500,000 596,875 454797SM  
 KENTUCKY - 2.1%  
 Owensboro Elec. Lt. & Pwr. Rev. Rfdg. Series B,  
 0% 1/1/08, (AMBAC Insured) Aaa 925,000 446,313 691021JG  
 MARYLAND - 2.4%  
 Maryland Health & Higher Ed. Facs. Auth. Rev.  
 (Frederick Mem. Hosp.) 5.20% 7/1/08,  
 (FGIC Insured) Aaa 500,000 507,500 574216KG  
 MONTANA - 2.4%  
 Montana Higher Ed. Student Assistance Corp.  
 Student Loan Rev. Sr. Series A, 5 1/4%  
 12/1/02 (f) Aaa 500,000 515,625 612130DN  
 NEW YORK - 9.6%  
 New York City Rfdg. Series D, 5.70% 8/15/06 Baa1 1,000,000 1,012,500  
 649653MT  
 New York State Dorm. Auth. Rev. (Consolidated City  
 Univ. Sys.):  
   2nd Gen. Series A, 5.75% 7/1/09 Baa1 500,000 513,125 649834HQ  
   Series A, 5.75% 7/1/13 Baa1 500,000 510,625 649834HW  
   2,036,250  
 MUNICIPAL BONDS - CONTINUED  
 MOODY'S RATINGS PRINCIPAL VALUE (NOTE 1)  
 (UNAUDITED) (C) AMOUNT (A)  
 OHIO - 2.5%  
 Cleveland Wtrwks. Rev. Rfdg. 1st Mtg. Series G,  
 5.50% 1/1/13, (MBIA Insured) Aaa \$ 500,000 \$ 523,125 186432SF  
 PENNSYLVANIA - 2.4%  
 Philadelphia Muni. Auth. Rev. Rfdg. Lease  
 Series D, 6% 7/15/03 Ba 500,000 502,500 717904FX  
 TENNESSEE - 5.7%  
 Knox County Health & Ed. Hsg. Hosp. Facs. Rev.  
 Rfdg. (Ft. Sanders Alliance) Series C,  
 7.25% 1/1/09, (MBIA Insured) Aaa 1,000,000 1,212,500 499523MM  
 TEXAS - 11.3%  
 Austin Util. Sys. Rev. Rfdg. (Cap. Appreciation)  
 Series A, 0% 11/15/09, (MBIA Insured) Aaa 3,000,000 1,286,250 0524735N  
 Houston Wtr. (Conveyance Sys.) 7.20%  
 12/15/08, (AMBAC Insured) Aaa 500,000 605,000 442437EN  
 South Texas Higher Ed. Auth. Student Loan  
 Rev. Rfdg. Series A-1, 5% 12/1/02 (f) Aaa 500,000 505,000 840555BS  
   2,396,250  
 VIRGINIA - 2.3%  
 Virginia Beach Dev. Auth. Hosp. Facs. Rev.  
 (Virginia Beach Gen. Hosp. Proj.)  
 5.125% 2/15/18, (AMBAC Insured) Aaa 500,000 485,625 927739DH  
 WASHINGTON - 2.8%  
 Washington Pub. Pwr. Supply Sys.  
 Nuclear Proj. #1 Rev. Rfdg. Series A,  
 7% 7/1/08 Aa 500,000 585,625 939827QU  
 TOTAL MUNICIPAL BONDS  
 (Cost \$15,592,784) 15,717,563  
 MUNICIPAL NOTES (E) - 7.6%  
 CONNECTICUT - 1.9%  
 Connecticut Spl. Assessment Unemployment  
 Rev. Series 1993B, 2.95%, LOC Industrial  
 Bank of Japan, Mitsubishi Bank Ltd.  
 Japan, VRDN VMIG 1 400,000 400,000 207756AR  
 FLORIDA - 2.4%  
 Brevard County Hsg. Fin. Auth. Rev. (Sun Pointe  
 Bay Apts. Proj.) Series 1993, 3.55%,

BPA Continental Casualty Co., VRDN A-1+ 500,000 500,000 106904EC  
MUNICIPAL NOTES (E) - CONTINUED  
MOODY'S RATINGS PRINCIPAL VALUE (NOTE 1)  
(UNAUDITED) (C) AMOUNT (A)  
ILLINOIS - 3.3%  
Illinois Dev. Fin. Auth. Multi-Family Hsg. Rev.  
Rfdg. (Garden Glen Apts.) Series 93,  
3.55%, VRDN A-1+ \$ 400,000 \$ 400,000 451915AQ  
Illinois Health Facs. Auth. Rev. (Central Dupage  
Hosp. Assoc. Proj.) Series 1990, 4.50%,  
LOC Industrial Bank of Japan, VRDN VMIG 1 300,000 300,000 45201HD9  
700,000  
TOTAL MUNICIPAL NOTES  
(Cost \$1,600,000) 1,600,000  
NONCONVERTIBLE BONDS - 6.9%  
CONSTRUCTION & REAL ESTATE - 2.9%  
BUILDING MATERIALS - 2.9%  
Tolmex SA DE CV 8 3/8%, 11/1/03 Ba2 300,000 315,000 889557AA  
Grupo Simec 8 7/8%, 12/15/98 (d) - 300,000 305,625 889557AA  
620,625  
DURABLES - 0.4%  
TEXTILES & APPAREL - 0.4%  
Alpargatas SA euro 9%, 3/15/98 - 100,000 95,500 0205459A  
FINANCE - 2.5%  
BANKS - 1.0%  
Bancomer SA euro 8%, 7/7/98 (d) Ba2 200,000 210,000 059682AB  
CREDIT AND OTHER FINANCE - 1.5%  
Tribasa Toll Road Trust 10 1/2%, 12/1/11 (d) - 300,000 311,250 889557AA  
TOTAL FINANCE 521,250  
NONDURABLES - 1.1%  
BEVERAGES - 1.1%  
Grupo Embotellador de Mexico euro  
10 3/4%, 11/19/97 Ba2 200,000 224,000 40048J9A  
TOTAL NONCONVERTIBLE BONDS  
(Cost \$1,416,130) 1,461,375  
FOREIGN GOVERNMENT OBLIGATIONS - 10.1%  
MOODY'S RATINGS PRINCIPAL VALUE (NOTE 1)  
(UNAUDITED) (C) AMOUNT (A)  
Argentina Republic BOCON (e):  
3.64%, 4/1/01 - ARP 232,043 \$ 184,137 039995AH  
3.1875%, 9/1/02 - 197,260 161,891 039995AM  
Bank Negara Malaysia Treasury Bills  
0%, 6/22/94 A2 MYR 1,000,000 363,287 249998AV  
Denmark Government 7%, 12/15/04 Aa1 DKK 2,150,000 338,468 249998AV  
French Government principal strips 4/25/23 Aaa FRF 6,200,000 165,082  
351996BL  
Italian Government 11%, 6/1/96 (b) Aa1 ITL 150,000 92,010 46599BBA  
Mexican Government Brady 6 1/4%, 12/31/19 Ba3 750,000 626,250 597998PF  
New Zealand Government 10%, 3/15/02 Aa3 NZD 275,000 194,902 6501629D  
TOTAL FOREIGN GOVERNMENT OBLIGATIONS  
(Cost \$2,041,992) 2,126,027  
COMMERCIAL PAPER - 1.1%  
Bridas Energy Corp. 0%,  
6/14/94 (Cost \$241,606) - 250,000 241,750 107995AA  
TOTAL INVESTMENT IN SECURITIES - 100%  
(Cost \$20,892,512) \$ 21,146,715  
FORWARD FOREIGN CURRENCY CONTRACTS  
SETTLEMENT UNREALIZED  
DATE VALUE GAIN/(LOSS)  
CONTRACTS TO BUY  
38,515,699 JPY 2/2/94 \$ 344,761 \$ (10,878)

(Payable amount \$355,639)

THE VALUE OF CONTRACTS TO BUY AS A PERCENTAGE OF TOTAL INVESTMENT IN  
SECURITIES - 1.6%

CONTRACTS TO SELL

3,610,349 BEF 1/20/94 \$ 99,363 \$ 1,433  
2,328,268 DKK 2/2/94 341,508 6,315  
843,479 FRF 2/2/94 142,034 6,303  
38,515,699 JPY 2/2/94 344,761 20,122

TOTAL CONTRACTS TO SELL

(Receivable amount \$961,839) \$ 927,666 \$ 34,173

THE VALUE OF CONTRACTS TO SELL AS A PERCENTAGE OF TOTAL INVESTMENT IN  
SECURITIES - 4.4%

SECURITY TYPE ABBREVIATIONS

VRDN - Variable Rate Demand Notes

CURRENCY TYPE ABBREVIATIONS

ARP - Argentinean peso

BEF - Belgian franc

DKK - Danish krone

FRF - French franc

JPY - Japanese yen

ITL - Italian lira

MYR - Malaysian ringgit

NZD - New Zealand dollar

LEGEND

1. Principal amount is stated in United States dollars unless otherwise noted.
2. Principal amount in thousands.
3. Standard & Poor's Corporation credit ratings are used in the absence of a rating by Moody's Investors Service, Inc.
4. Security exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At the period end, the value of these securities amounted to \$826,875 or 3.9% of net assets.
5. The coupon rate shown on floating or adjustable rate securities represents the rate at period end.
6. Private activity obligations whose interest is subject to the federal alternative minimum tax for individuals (AMT securities).

OTHER INFORMATION

The composition of long-term debt holdings as a percentage of total value of investment in securities, is as follows (ratings are unaudited):

MOODY'S RATINGS S&P RATINGS

Aaa, Aa, A 63.6% AAA, AA, A 63.6%

Baa 9.6% BBB 7.3%

Ba 8.9% BB 4.5%

B 0.0% B 2.4%

Caa 0.0% CCC 0.0%

Ca, C 0.0% CC, C 0.0%

D 0.0%

The percentage not rated by either S&P or Moody's amounted to 3.6%.

The distribution of municipal securities by revenue source, as a percentage of total value of investment in securities, is as follows:

Electric Revenue 16.3%

General Obligation 14.8

Health Care 14.7

Water & Sewer 10.5

Education 9.7

Others (individually less than 10%) 15.9

TOTAL 81.9%

Distribution of investments by country, as a percentage of total value of investment in securities, is as follows:

United States 81.9%

Mexico 9.4

Argentina 3.2  
 Malaysia 1.7  
 Denmark 1.6  
 Others (individually less than 1%) 2.2  
 TOTAL 100.0%

INCOME TAX INFORMATION

At December 31, 1993, the aggregate cost of investment securities for income tax purposes was \$20,892,512. Net unrealized appreciation aggregated \$254,203, of which \$325,528 related to appreciated investment securities and \$71,325 related to depreciated investment securities.

At December 31, 1993, the fund had a capital loss carryforward of approximately \$26,000 which will expire on December 31, 2001.

FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES

<TABLE>

<CAPTION>

<S>

<C>

<C>

DECEMBER 31, 1993

ASSETS

|  |  |               |
|--|--|---------------|
| Investment in securities, at value (cost \$20,892,512)<br>(Note 1) - See accompanying schedule |  | \$ 21,146,715 |
|--|--|---------------|

|   |  |         |
|---|--|---------|
| Long foreign currency contracts held, at value (cost<br>\$355,639) (Note 2) |  | 344,761 |
|---|--|---------|

|   |              |  |
|---|--------------|--|
| Short foreign currency contracts (Note 2)<br>Contracts held, at value | \$ (927,666) |  |
|---|--------------|--|

|                               |         |        |
|-------------------------------|---------|--------|
| Receivable for contracts held | 961,839 | 34,173 |
|-------------------------------|---------|--------|

|      |  |        |
|------|--|--------|
| Cash |  | 34,826 |
|------|--|--------|

|                     |  |         |
|---------------------|--|---------|
| Interest receivable |  | 263,151 |
|---------------------|--|---------|

|              |  |            |
|--------------|--|------------|
| TOTAL ASSETS |  | 21,823,626 |
|--------------|--|------------|

LIABILITIES

|  |         |  |
|--|---------|--|
| Payable for foreign currency contracts held (Note 2) | 355,639 |  |
|--|---------|--|

|                                   |         |  |
|-----------------------------------|---------|--|
| Payable for investments purchased | 363,287 |  |
|-----------------------------------|---------|--|

|                   |        |  |
|-------------------|--------|--|
| Dividends payable | 13,675 |  |
|-------------------|--------|--|

|                        |        |  |
|------------------------|--------|--|
| Accrued management fee | 11,485 |  |
|------------------------|--------|--|

|                   |  |         |
|-------------------|--|---------|
| TOTAL LIABILITIES |  | 744,086 |
|-------------------|--|---------|

|            |  |               |
|------------|--|---------------|
| NET ASSETS |  | \$ 21,079,540 |
|------------|--|---------------|

Net Assets consist of:

|                 |  |               |
|-----------------|--|---------------|
| Paid in capital |  | \$ 21,027,360 |
|-----------------|--|---------------|

|  |  |          |
|--|--|----------|
| Distributions in excess of net investment income |  | (23,787) |
|--|--|----------|

|  |  |           |
|--|--|-----------|
| Accumulated undistributed net realized gain (loss) on<br>investments |  | (201,531) |
|--|--|-----------|

Net unrealized appreciation (depreciation) on:

|   |               |  |
|---|---------------|--|
| Investment securities   | 254,203       |  |
| Foreign currency contracts  | 23,295        |  |
| NET ASSETS, for 2,112,697 shares outstanding  | \$ 21,079,540 |  |
| NET ASSET VALUE, offering price and redemption price per share (\$21,079,540 (divided by) 2,112,697 shares) | \$9.98        |  |

</TABLE>

STATEMENT OF OPERATIONS

<TABLE>

<CAPTION>

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<C>

SEPTEMBER 9, 1993 (COMMENCEMENT OF OPERATIONS) TO DECEMBER 31, 1993

|                   |  |            |
|-------------------|--|------------|
| INVESTMENT INCOME |  | \$ 247,675 |
| Interest          |  |            |

EXPENSES

|                         |           |  |
|-------------------------|-----------|--|
| Management fee (Note 4) | \$ 33,664 |  |
|-------------------------|-----------|--|

|                                       |    |  |
|---------------------------------------|----|--|
| Non-interested trustees' compensation | 16 |  |
|---------------------------------------|----|--|

|                |  |        |
|----------------|--|--------|
| TOTAL EXPENSES |  | 33,680 |
|----------------|--|--------|

|                       |  |         |
|-----------------------|--|---------|
| NET INVESTMENT INCOME |  | 213,995 |
|-----------------------|--|---------|

REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS  
(NOTES 1, 2 AND 3)

Net realized gain (loss) on:

|                            |           |           |
|----------------------------|-----------|-----------|
| Investment securities      | (201,633) |           |
| Foreign currency contracts | (4,284)   | (205,917) |

Change in net unrealized appreciation (depreciation) on:

|                            |         |         |
|----------------------------|---------|---------|
| Investment securities      | 254,203 |         |
| Foreign currency contracts | 23,295  | 277,498 |

|                 |  |        |
|-----------------|--|--------|
| NET GAIN (LOSS) |  | 71,581 |
|-----------------|--|--------|

|   |  |            |
|---|--|------------|
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS |  | \$ 285,576 |
|---|--|------------|

</TABLE>

STATEMENT OF CHANGES IN NET ASSETS

<TABLE>

<CAPTION>

<S>

<C>

SEPTEMBER 9, 1993  
(COMMENCEMENT)

INCREASE (DECREASE) IN NET ASSETS

|   |            |
|---|------------|
| Operations  | \$ 213,995 |
| Net investment income   |            |
| Net realized gain (loss) on investments                                 | (205,917)  |
| Change in net unrealized appreciation (depreciation) on investments     | 277,498    |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS         | 285,576    |
| Distributions to shareholders   | (213,995)  |
| From net investment income  |            |
| In excess of net investment income                                      | (19,401)   |
| TOTAL DISTRIBUTIONS   | (233,396)  |
| Share transactions  | 21,406,105 |
| Net proceeds from sales of shares                                       |            |
| Reinvestment of distributions from net investment income                | 213,513    |
| Cost of shares redeemed   | (595,185)  |
| Redemption fees (Note 1)  | 2,927      |
| Net increase (decrease) in net assets resulting from share transactions | 21,027,360 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS                                 | 21,079,540 |

NET ASSETS

|  |            |
|--|------------|
| Beginning of period  | -          |
| End of period (including distributions in excess of net investment income of \$23,787) | 21,079,540 |

OTHER INFORMATION

|  |           |
|--|-----------|
| Shares   |           |
| Sold   | 2,151,983 |
| Issued in reinvestment of distributions from net investment income | 21,617    |
| Redeemed   | (60,903)  |
| Net increase (decrease)  | 2,112,697 |

</TABLE>

FINANCIAL HIGHLIGHTS

<TABLE>  
<CAPTION>  
<S>

<C>  
SEPTEMBER 9,  
1993  
(COMMENCEMENT  
OF OPERATIONS) TO

SELECTED PER-SHARE DATA

|  |                          |
|--|--------------------------|
| Net asset value, beginning of period                   | \$ 10.000                |
| Income from Investment Operations                      | .130                     |
| Net investment income                                  |                          |
| Net realized and unrealized gain (loss) on investments | (.011) (dagger) (dagger) |
| Total from investment operations                       | .119                     |
| Less Distributions                                     | (.130)                   |
| From net investment income                             |                          |
| In excess of net investment income                     | (.011)                   |
| Total distribution                                     | (.141)                   |
| Redemption fees added to paid in capital               | .002                     |
| Net asset value, end of period                         | \$ 9.980                 |
| TOTAL RETURN (dagger)                                  | 1.23%                    |

RATIOS AND SUPPLEMENTAL DATA

|  |           |
|--|-----------|
| Net assets, end of period (000 omitted)              | \$ 21,080 |
| Ratio of expenses to average net assets              | .70%*     |
| Ratio of net investment income to average net assets | 4.44%*    |
| Portfolio turnover rate                              | 275%*     |

</TABLE>

\* ANNUALIZED

(dagger) TOTAL RETURN DOES NOT INCLUDE THE ACCOUNT CLOSEOUT FEE AND FOR PERIODS OF LESS THAN ONE YEAR IS NOT ANNUALIZED.

(dagger) (dagger) THE AMOUNT SHOWN FOR A SHARE OUTSTANDING DOES NOT CORRESPOND WITH THE AGGREGATE NET GAIN ON INVESTMENTS FOR THE PERIOD ENDED DUE TO THE TIMING OF SALES AND REPURCHASES OF FUND SHARES IN RELATION TO FLUCTUATING MARKET VALUES OF THE INVESTMENTS OF THE FUND.

NOTES TO FINANCIAL STATEMENTS

For the period ended December 31, 1993

1. SIGNIFICANT ACCOUNTING POLICIES.

Spartan Bond Strategist (the fund) is a fund of Fidelity School Street Trust (the trust) and is authorized to issue an unlimited number of shares. The trust is registered under the Investment Company Act of 1940, as amended (the 1940 Act), as an open-end management investment company organized as a Massachusetts business trust. The following summarizes the significant accounting policies of the fund:  
SECURITY VALUATION. Securities are valued based upon a computerized matrix system and/or appraisals by a pricing service, both of which consider

market transactions and dealer-supplied valuations. Securities for which quotations are not readily available through the pricing service are valued at their fair value as determined in good faith under consistently applied procedures under the general supervision of the Board of Trustees. Short-term securities maturing within sixty days are valued either at amortized cost or original cost plus accrued interest, both of which approximate current value.

FOREIGN CURRENCY TRANSLATION. The accounting records of the fund are maintained in U.S. dollars. Investment securities, other assets and liabilities denominated in a foreign currency are translated into U.S. dollars at the current exchange rate. Purchases and sales of securities, income receipts and expense payments are translated into U.S. dollars at the exchange rate on the dates of the transactions.

It is not practical to identify the portion of each amount shown in the fund's Statement of Operations under the caption "Realized and Unrealized Gain (Loss) on Investments" that arises from changes in foreign currency exchange rates. Investment income includes net realized and unrealized currency gains and losses recognized between accrual and payment dates.

INCOME TAXES. The fund intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code. By so qualifying, the fund will not be subject to income taxes to the extent that it distributes all of its taxable income for its fiscal year. The schedule of investments includes information regarding income taxes under the caption "Income Tax Information."

INVESTMENT INCOME. Interest income, which includes amortization of premium and accretion of original issue discount, is accrued as earned. Investment income is recorded net of foreign taxes where recovery of such taxes is not assured.

DISTRIBUTIONS TO SHAREHOLDERS. Distributions are declared daily and paid monthly from net investment income. Distributions from realized gains, if any, are recorded on the ex-dividend date.

Income and capital gain distributions are determined in accordance with income tax regulations which may differ from generally accepted accounting principles. These differences are primarily due to differing treatments for foreign currency transactions and losses deferred due to excise tax regulations. Permanent book and tax basis

#### 1. SIGNIFICANT ACCOUNTING

##### POLICIES - CONTINUED

##### DISTRIBUTIONS TO SHAREHOLDERS - CONTINUED

differences relating to shareholder distributions will result in reclassifications to paid in capital.

REDEMPTION FEES. Shares held in the fund less than 180 days are subject to a redemption fee equal to .50% of the proceeds of the redeemed shares. The fee, which is retained by the fund, is accounted for as an addition to paid in capital.

SECURITY TRANSACTIONS. Security transactions are accounted for as of trade date. Gains and losses on securities sold are determined on the basis of identified cost.

#### 2. OPERATING POLICIES.

##### FORWARD FOREIGN CURRENCY

CONTRACTS. The fund may enter into forward foreign currency contracts. These contracts involve market risk in excess of the amount reflected in the fund's Statement of Assets and Liabilities. The face or contract amount in U.S. dollars reflects the total exposure the fund has in that particular currency contract. The U.S. dollar value of forward foreign currency contracts is determined using forward currency exchange rates supplied by a quotation service. Losses may arise due to changes in the value of the foreign currency or if the counterparty does not perform under the contract.

Purchases and sales of forward foreign currency contracts having the same settlement date and broker are offset and presented net on the Statement of Assets and Liabilities. Gain (loss) on the purchase or sale of forward foreign currency contracts having the same settlement date and broker is



recognized on the date of offset, otherwise gain (loss) is recognized on settlement date.

### 3. PURCHASES AND SALES OF INVESTMENTS.

Purchases and sales of securities, other than short-term securities, aggregated \$35,225,544 and \$14,765,823, respectively.

### 4. FEES AND OTHER TRANSACTIONS WITH AFFILIATES.

MANAGEMENT FEE. As the fund's investment adviser, Fidelity Management & Research Company (FMR) pays all expenses except the compensation of the non-interested Trustees and certain exceptions such as interest, taxes, brokerage commissions and extraordinary expenses. FMR receives a fee that is computed daily at an annualized rate of .70% of the fund's average net assets.

FMR also bears the cost of providing shareholder services to the fund. For the period, FMR or its affiliates collected certain transaction fees from shareholders which aggregated \$80.

### 5. BENEFICIAL INTEREST

At the end of the period, FMR was record owner of approximately 52% of the total outstanding shares.

### REPORT OF INDEPENDENT ACCOUNTANTS

To the Trustees of Fidelity School Street Trust and the Shareholders of Spartan Bond Strategist:

We have audited the accompanying statement of assets and liabilities of Fidelity School Street Trust: Spartan Bond Strategist, including the schedule of portfolio investments, as of December 31, 1993, and the related statement of operations, the statement of changes in net assets and the financial highlights for the period September 9, 1993 (commencement of operations) to December 31, 1993. These financial statements and financial highlights are the responsibility of the fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 1993 by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Fidelity School Street Trust: Spartan Bond Strategist as of December 31, 1993, the results of its operations, the changes in its net assets and the financial highlights for the period September 9, 1993 (commencement of operations) to December 31, 1993, in conformity with generally accepted accounting principles.

COOPERS & LYBRAND

Boston, Massachusetts

February 4, 1994

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