

# 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 CHARLES STREET TRUST

CIK: **354046** | State of Incorporation: **MA** | Fiscal Year End: **0930**  
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FIDELITY

(Registered trademark)  
U.S. GOVERNMENT RESERVES

ANNUAL REPORT  
SEPTEMBER 30, 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.  
PERFORMANCE: THE BOTTOM LINE

To measure a money market fund's performance, you can look at either total return or yield. Total return reflects both the change in a fund's share price over a given period, and reinvestment of its dividends (or income). Yield measures the income paid by a fund. Since a money market fund tries to maintain a \$1 share price, yield is an important measure of performance.

CUMULATIVE TOTAL RETURNS  
YEARS ENDED SEPTEMBER 30, 1993 PAST 1 PAST 5 PAST 10  
YEAR YEARS YEARS  
Fidelity U.S. Government Reserves 2.57% 32.83% 90.41%  
Consumer Price Index 2.69% 21.12% 44.09%  
Average Government Money Market Fund 2.62% 32.34% 87.53%

CUMULATIVE TOTAL RETURNS reflect actual performance over a specific period. 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. Comparing the fund's performance to the consumer price index helps show how your investment did compared to inflation. To measure how the fund stacked up against its peers, you can compare its return to the average government money market fund's total returns. This average currently reflects the performance of over 190 government money market funds tracked by IBC/Donoghue's MONEY FUND REPORT. (Registered trademark) (The periods covered by the IBC/Donoghue numbers are the closest available match to those covered by the fund.)

AVERAGE ANNUAL TOTAL RETURNS

YEARS ENDED SEPTEMBER 30, 1993 PAST 1 PAST 5 PAST 10  
 YEAR YEARS YEARS  
 Fidelity U.S. Government Reserves 2.57% 5.84% 6.65%  
 Consumer Price Index 2.69% 3.91% 3.72%  
 Average Government Money Market Fund 2.62% 5.77% 6.49%

AVERAGE ANNUAL TOTAL RETURNS take the fund's actual (or cumulative) return and show you what would have happened if the fund had achieved that return by performing at a constant rate each year.

YIELDS

9/30/92 12/31/92 3/31/93 6/30/93 9/30/93

Fidelity U.S. Government Reserves 2.87% 2.69% 2.49% 2.46% 2.89%  
 Average Government  
 Money Market Fund 2.85% 2.68% 2.56% 2.53% 2.54%

MMDA 2.83% 2.72% 2.58% 2.47% 2.38%

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 Row: 4, Col: 3, Value: 2.47  
 Row: 5, Col: 1, Value: 2.89  
 Row: 5, Col: 2, Value: 2.54  
 Row: 5, Col: 3, Value: 2.38

3% -  
 2% -  
 1% -  
 0%

Fidelity  
 U.S. Government  
 Reserves  
 Average Governmen  
 t  
 Money Market  
 Fund  
 MMDA

YIELD refers to the income paid by the fund over a given period. Yields for money market funds are usually for seven-day periods, expressed as annual percentage rates. A yield that assumes income earned is reinvested or compounded is called an effective yield. The charts above show the fund's current seven-day yield at quarterly intervals over the past year. This is compared to similar yields for the average government money market fund and the average bank money market deposit account (MMDA). Figures for the average government money market fund are from the IBC/Donoghue's MONEY FUND

REPORT. (Registered trademark) The MMDA average is supplied by BANK RATE MONITOR. (double dagger) (Both figures are those available closest to month end.)

A MONEY MARKET FUND'S TOTAL RETURNS AND YIELDS REFLECT PAST RESULTS RATHER THAN PREDICTING FUTURE PERFORMANCE.

COMPARING  
PERFORMANCE  
(checkmark)

There are some important differences between a bank money market deposit account (MMDA) and a money market fund. First, the U.S. government neither insures nor guarantees a money market fund. In fact, there is no assurance that a money fund will maintain a \$1 share price. Second, a money market fund returns to its shareholders income earned by the fund's investments after expenses. This is in contrast to banks, which set their MMDA rates periodically based on current interest rates, competitors' rates, and internal criteria.

FUND TALK: THE MANAGER'S OVERVIEW

An interview with Leland Barron,  
Portfolio Manager of Fidelity U.S. Government Reserves

Q. LOOKING BACK TO SEPTEMBER

1992, WHAT HAS BEEN THE TREND IN  
INTEREST RATES?

A. We saw slight moves both up and down. A year ago, interest rates hit a 20-year low after falling six percentage points during the preceding three years. Between October and December 1992 short-term interest rates climbed 3/4 of 1%. That was in part because many economic indicators pointed to a stronger-than-expected recovery, and investors feared a rise in inflation. In early 1993 the market accepted that the economic recovery was sluggish and that President Clinton was serious about reducing the budget deficit. Rates started to fall again, and remained steady during most of the spring. Between May and June short-term rates rose about 1/3 of 1% based on the market's renewed inflation fears. This inflation scare subsided a bit in July, when gold, commodity and consumer prices moderated somewhat. In response, short-term rates dropped about 1/4 of 1%. Recently the Fed indicated that they have adopted a neutral approach regarding monetary policy, which means they don't have a bias towards either raising or lowering interest rates at the present time.

Q. HOW DID YOU ALTER YOUR STRATEGY TO KEEP UP WITH THESE RAPID MOVES?

A. Last September, I began lengthening the fund's average maturity to as far out as 85 days, a move that was fairly aggressive. Interest rates were falling,

and I wanted to lock in attractive rates for as long as possible. After October, I began shortening the fund's maturity again as interest rates rose slightly. By year-end, the maturity had dropped to 46 days and remained in that general area during the first quarter of 1993. Through the second quarter I extended the maturity to between 60 to 70 days.

I didn't expect the Fed to raise rates immediately, and I wanted to take advantage of the rise in interest rates in May and June. As rates declined during the last several months I've kept the maturity at about 64 days.

Q. WHAT WERE THE RESULTS?

A. The fund's seven-day yield as of September 30, 1993 was 2.89%, compared to 2.49% at the end of March and 2.87% at the end of September 1992. The fund's total return for the year ended September 30, 1993 was 2.57%. During the same period, the average government money market fund had a total return of 2.62%, according to IBC/Donoghue. I wasn't as aggressive with the fund's maturity as I could have been because I believed the economy would improve faster than it did, and so, rates would rise more than they did. In hindsight, I missed an opportunity to extend the fund's maturity sooner.

Q. WHAT'S YOUR OUTLOOK?

A. I'm interpreting what Fed officials are currently saying as a sign that they don't see any real economic benefit from lowering short-term rates. On the other hand, there seems to be no real reason to raise rates either. Inflationary pressures -- increases in consumer prices, producer prices and wages -- are mild right now and the economy has been growing at only 2 to 2

1/2 percent annually. I see the Fed holding short-term rates steady over the next six months. So, I'll probably keep a neutral to aggressive strategy, with the average maturity of the fund somewhere in the 65-80 day range. Unless conditions drastically change, I probably won't go lower than the 50s.

#### FUND FACTS

GOAL: income and stability  
by investing in high quality,  
short-term investments  
START DATE: November 3,  
1981  
SIZE: as of September 30,  
1993, over \$1 billion  
MANAGER: Leland Barron,  
since July 1991; manager,  
Spartan U.S. Government  
Money Market Fund, since  
July 1991, and Spartan U.S.  
Treasury Money Market  
Fund, since January 1991  
(checkmark)

#### WORDS TO KNOW

AGENCY ISSUE: Debt security issued by a government agency, such as the Federal National Mortgage Association (Fannie Mae). Although their credit ratings are high, most agency issues are not backed by the full faith and credit of the U.S. government.

AVERAGE MATURITY: The average maturity of debt securities in a fund, weighted by dollar amount. When the average maturity is short, the fund manager believes interest rates will rise. When the average maturity is long, the fund manager is expecting rates to fall.

DISCOUNT RATE: The interest rate the Federal Reserve charges member banks for loans.

FEDERAL FUNDS RATE: The interest rate banks charge each other for overnight loans.

MATURITY: The amount of time remaining before a debt security is scheduled to be redeemed.

REPURCHASE AGREEMENT: Agreement between a seller and a buyer in which the seller promises to repurchase a block of securities at a set price and time. Also known as a "repo."

TREASURY OBLIGATION: Debt security issued directly by the U.S government. Payment of principal and interest are guaranteed.

#### INVESTMENT CHANGES

#### MATURITY DIVERSIFICATION

##### DAYS % OF FUND ASSETS % OF FUND ASSETS % OF FUND ASSETS

9/30/93 3/31/93 9/30/92

0 - 30 60.0 59.6 36.6

31 - 90 7.6 14.0 15.6

91 - 180 16.6 25.5 40.3

181 - 397 15.8 0.9 7.5

##### WEIGHTED AVERAGE MATURITY

9/30/93 3/31/93 9/30/92

Fidelity U.S. Government

Reserves 64 days 46 days 85 days

Average Government Money

Market Fund\* 59 days 56 days 60 days

##### ASSET ALLOCATION

AS OF 9/30/93 AS OF 3/31/93

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Row: 1, Col: 2, Value: 17.5

Row: 1, Col: 3, Value: 51.6

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Row: 1, Col: 1, Value: 28.4  
Row: 1, Col: 2, Value: 26.8  
Row: 1, Col: 3, Value: 44.8  
Row: 1, Col: 4, Value: nil

Federal agency  
issues 30.9%  
U.S. Treasury  
obligations 17.5%  
Repurchase  
agreements 51.6%  
Federal agency  
issues 28.4%  
U.S. Treasury  
obligations 26.8%  
Repurchase  
agreements 44.8%

\* SOURCE: IBC/DONOGHUE'S MONEY FUND REPORT(registered trademark)/GOVERNMENT  
INVESTMENTS SEPTEMBER 30, 1993

Showing Percentage of Total Value of Investments

FEDERAL AGENCIES - 30.9%

DUE ANNUALIZED YIELD AT PRINCIPAL AMOUNT VALUE (NOTE 1)

DATE TIME OF PURCHASE (000S) (000S)

FEDERAL FARM CREDIT BANK - AGENCY COUPONS - 4.1%

10/1/93 3.21% \$ 18,500 \$ 18,500 313993HX

10/3/94 3.43 25,000 25,003 313993JR

43,503

FEDERAL HOME LOAN BANK - AGENCY COUPONS - 2.9%

4/25/94 3.23 15,000 15,326 567995BM

4/25/94 3.33 15,000 15,505 567995AS

30,831

FEDERAL HOME LOAN BANK - DISCOUNT NOTES - 2.4%

1/19/94 3.19 15,000 14,856 567995BH

4/22/94 3.28 11,000 10,803 3133899B

25,659

FEDERAL HOME LOAN MORTGAGE CORP. - DISCOUNT NOTES - 1.6%

1/19/94 3.19 1,000 990 355993CG

1/20/94 3.15 16,000 15,846 355993FG

16,836

FEDERAL NATIONAL MORTGAGE ASSOC. - DISCOUNT NOTES - 13.5%

11/23/93 3.20 22,000 21,898 31364T9B

11/24/93 3.20 20,000 19,906 31364T9F

12/6/93 3.24 13,000 12,924 31365B9Q

12/31/93 3.29 15,000 14,877 31365D9M

2/28/94 3.22 75,000 74,009 31365R9S

143,614

STUDENT LOAN MARKETING ASSOCIATION - AGENCY COUPONS - 6.4% (A)

10/5/93 3.28 30,000 30,000 863990PS

10/5/93 3.56 15,000 15,091 82399CAU

7/1/94 3.74 23,600 23,600 82399CAU

68,691

TOTAL FEDERAL AGENCIES 329,134

U.S. TREASURY OBLIGATIONS - 17.5%

DUE ANNUALIZED YIELD AT PRINCIPAL AMOUNT VALUE (NOTE 1)

DATE TIME OF PURCHASE (000S) (000S)

U.S. TREASURY BILLS

10/21/93 3.27% \$ 10,000 \$ 9,982 9949989A

11/18/93 3.16 25,000 24,896 99399HPP

1/20/94 3.25 25,000 24,753 99399HVB

2/3/94 3.30 28,000 27,684 99399HWL

4/7/94 3.35 12,000 11,797 99399HLF

5/5/94 3.30 12,000 11,770 99399HPC

5/5/94 3.35 28,000 27,456 99399HPL

6/2/94 3.47 10,000 9,773 99399HRU

6/30/94 3.30 39,000 38,057 99399HTS

TOTAL U.S. TREASURY OBLIGATIONS 186,168

REPURCHASE AGREEMENTS - 51.6%

MATURITY AMOUNT

(000S)

With Credit Lyonnais:

At 3.5%, dated 9/30/93 due 10/1/93:

U.S. Treasury Obligations

(principal amount \$145,720,000)

4.25% to 9.5%, 5/15/94 to 5/31/98 \$ 150,014 150,000

227993LQWith First Boston Corporation:

At 3.15%, dated 9/08/93 due 10/8/93:

U.S. Government Obligations

(principal amount \$72,716,873)

3.65% to 9.5%, 7/01/98 to 7/01/23 51,635 51,500

310992BDIn a joint trading account

(U.S. Treasury Obligations)

dated 9/30/93, due 10/1/93

(Note 2)

At 3.40% 1,255 1,255

99799L7EAt 3.53% 347,109 347,075 99799L7C

TOTAL REPURCHASE AGREEMENTS 549,830

TOTAL INVESTMENTS - 100% \$ 1,065,132

Total Cost for Income Tax Purposes \$ 1,065,132

#### LEGEND

(a) The coupon rate shown on floating or adjustable rate securities represents the rate at period end.

#### INCOME TAX INFORMATION

At September 30, 1993 the fund had a capital loss carryforward of approximately \$436,000

of which \$7,000 and \$429,000 will expire on September 30,1995 and 1996 respectively.

#### FINANCIAL STATEMENTS

#### STATEMENT OF ASSETS AND LIABILITIES

<TABLE>

<CAPTION>

<S>

<C>

<C>

AMOUNTS IN THOUSANDS (EXCEPT PER-SHARE AMOUNT) SEPTEMBER 30, 1993

1.ASSETS

2.

3.

4.Investment in securities, at value (including repurchas

5.

\$ 1,065,132

e

agreements of \$549,830) (Notes 1 and 2) -

See accompanying schedule

6.Cash

7.

2,186

8.Interest receivable

9.

1,814

10. TOTAL ASSETS

11.

1,069,132

12.LIABILITIES

13.

14.

15.Payable for investments purchased

\$ 25,003

16.

17.Dividends payable

139

18.

19.Accrued management fee

166

20.

21.Other payables and accrued expenses

434

22.

23. TOTAL LIABILITIES

24.

25,742

25.26.NET ASSETS	27.	\$ 1,043,390
28.Net Assets consist of:	29.	30.
31.Paid in capital	32.	\$ 1,043,766
33.Accumulated net realized gain (loss) on investments	34.	(376)
35.36.NET ASSETS, for 1,043,766 shares outstanding	37.	\$ 1,043,390
38.39.NET ASSET VALUE, offering price and redemption price per share (\$1,043,390 (divided by) 1,043,766 shares)	40.	\$1.00

</TABLE>

STATEMENT OF OPERATIONS  
AMOUNTS IN THOUSANDS YEAR ENDED SEPTEMBER 30, 1993

41.INTEREST INCOME	42.	\$ 37,573
43.EXPENSES	44.	45.
46.Management fee (Note 4)	\$ 4,887	47.
48.Transfer agent fees (Note 4)	2,955	49.
50.Accounting fees and expenses (Note 4)	136	51.
52.Non-interested trustees' compensation	7	53.
54.Custodian fees and expenses	65	55.
56.Registration fees	94	57.
58.Audit	30	59.
60.Legal	27	61.
62.Miscellaneous	87	63.
64. TOTAL EXPENSES	65.	8,288
66.NET INTEREST INCOME	67.	29,285
68.NET REALIZED GAIN (LOSS) ON INVESTMENTS (NOTE 1)	69.	20
70.NET INCREASE IN NET ASSETS RESULTING FROM OPERATIONS	71.	\$ 29,305

STATEMENT OF CHANGES IN NET ASSETS

<TABLE>		
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<S>	<C>	<C>
AMOUNTS IN THOUSANDS	YEARS ENDED SEPTEMBER 30,	
72.INCREASE (DECREASE) IN NET ASSETS	1993	1992
73.Operations	\$ 29,285	\$ 51,665
Net interest income		
74. Net realized gain (loss) on investments	20	23
75. NET INCREASE (DECREASE) IN NET ASSETS RESULTING	29,305	51,688



FROM OPERATIONS

76.Dividends to shareholders from net interest income	(29,285)	(51,665)
77.Share transactions at net asset value of \$1.00 per share Proceeds from sales of shares	1,179,994	1,539,954
78. Reinvestment of dividends from net interest income	27,738	49,475
79. Cost of shares redeemed	(1,456,797)	(1,732,610)
80. Net increase (decrease) in net assets resulting from share transactions	(249,065)	(143,181)
81. TOTAL INCREASE (DECREASE) IN NET ASSETS	(249,045)	(143,158)
82.NET ASSETS	83.	84.
85. Beginning of period	1,292,435	1,435,593
86. End of period	\$ 1,043,390	\$ 1,292,435

</TABLE>

FINANCIAL HIGHLIGHTS

87. YEARS ENDED SEPTEMBER 30,

<TABLE>

<CAPTION>

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	<C>	<C>	<C>	<C>	<C>
88.	1993	1992	1991	1990	1989

89.SELECTED PER-SHARE DATA

90.Net asset value, beginning of period	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
--	----------	----------	----------	----------	----------

91.Income from Investme nt Operations Net interest income	.025	.039	.061	.076	.083
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92. Dividends from net interest income	(.025)	(.039)	(.061)	(.076)	(.083)
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93.Net asset value, end of period	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
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94.TOTAL RETURN	2.57%	3.95%	6.29%	7.86%	8.66%
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95.RATIOS AND SUPPLEMENTAL DATA

96.Net assets, end of period (in millions)	\$ 1,043	\$ 1,292	\$ 1,436	\$ 1,581	\$ 1,545
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97.Ratio of expenses to average net assets	.73%	.73%	.72%	.74%	.80%
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98.Ratio of net interest income to average net assets	2.57%	3.88%	6.13%	7.66%	8.29%
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</TABLE>

NOTES TO FINANCIAL STATEMENTS

For the period ended September 30, 1993

1. SIGNIFICANT ACCOUNTING POLICIES.

Fidelity U.S. Government Reserves (the fund) is a fund of Fidelity Charles 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. As permitted under Rule 2a-7 of the 1940 Act, and certain conditions therein, securities are valued initially at cost and thereafter assume a constant amortization to maturity of any discount or premium.

INCOME TAXES. As a qualified regulated investment company under Subchapter M of the Internal Revenue Code, the fund is not 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."

INTEREST INCOME. Interest income, which includes amortization of premium and accretion of original issue discount, is accrued as earned.

EXPENSES. Most expenses of the trust can be directly attributed to a fund. Expenses which cannot be directly attributed are apportioned between the funds in the trust.

DISTRIBUTIONS TO SHAREHOLDERS. Dividends are declared daily and paid monthly from net interest income.

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.

CHANGE IN ACCOUNTING FOR THE COST OF INVESTMENTS. Effective October 1, 1992, the fund changed its method of accounting for the cost of investments from the average cost method to the specific identification method. The new method of accounting for the cost of investments was adopted because it better matches specific costs with proceeds from sales of securities and more closely conforms realized gains with related distributions. The change in accounting had no effect on the fund's net assets, net asset value per share, its net increase (decrease) in net assets resulting from operations or its distributions. The change in accounting also had no effect on net accumulated realized gain on investments and net unrealized depreciation in value of investment securities previously reported through September 30, 1992.

2. OPERATING POLICIES.

REPURCHASE AGREEMENTS. The fund, through its custodian, receives delivery of the underlying securities, whose market value is required to be at least 102% of the resale price at the time of purchase. The fund's investment adviser, Fidelity Management & Research Company (FMR), is responsible for determining that the value of these underlying securities remains at least equal to the resale price.

JOINT TRADING ACCOUNT. Pursuant to an Exemptive Order issued by the Securities and Exchange Commission, the fund, along with other registered investment

2. OPERATING POLICIES - CONTINUED

JOINT TRADING ACCOUNT - CONTINUED

companies having management contracts with FMR, may transfer uninvested cash balances into a joint trading account. These balances are invested in one or more repurchase agreements that are collateralized by U.S. Treasury or Federal Agency obligations.

3. JOINT TRADING ACCOUNT.

At the end of the period, the fund had 20% or more of its total investments in repurchase agreements through a joint trading account. These repurchase agreements were with entities whose creditworthiness has been reviewed and found satisfactory by FMR. The repurchase agreements were dated 9/30/93 and due 10/01/93. The maturity values of the joint trading account investments were \$1,255,000 at 3.40% and \$347,109,000 at 3.53%. The investments in repurchase agreements through the joint trading account are summarized as follows:

SUMMARY OF JOINT TRADING ACCOUNT

AT 3.40% AT 3.53%

Number of Dealers or Banks	20	4
Maximum Amount With One Dealer or Bank	\$ 1,844,889,000	\$ 2,750,000,000
Aggregate Principal Amount of Agreements	10,083,337,000	4,450,000,000
Aggregate Maturity Amount of Agreements	10,084,291,000	4,450,436,000
Aggregate Market Value of Collateral	10,297,360,000	4,585,007,000
Coupon Rates of Collateral	3.326%-14.25%	3.236%-11.5%
Maturity Dates of Collateral	11/4/93-11/15/22	1/15/98-11/1/27

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

##### MANAGEMENT FEE. As the fund's

investment adviser, FMR receives a monthly fee that is calculated on the basis of a group fee rate plus a fixed individual fund fee rate applied to the average net assets of the fund. The group fee rate is the weighted average of a series of rates ranging from .15% to .37% and is based on the monthly average net assets of all the mutual funds advised by FMR. The annual individual fund fee rate is .28%. For the period, the management fee was equivalent to an annualized rate of .43% of average net assets. On December 12, 1991, the Board of Trustees approved a new group fee rate schedule with rates ranging from .14% to .37%; effective January 1, 1992, FMR has voluntarily agreed to implement this new group fee rate schedule. Effective September 1, 1993, FMR has agreed to voluntarily adopt a revised management fee structure for the fund. The revised structure provides for a lower individual fund fee rate of .03% and the addition of an income component (6% of gross income in excess of a 5% yield, up to a maximum of .24% of average net assets). These changes will provide for lower management fees, and will be presented to shareholders for approval at the next shareholder meeting.

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

##### CONTINUED

SUB-ADVISER FEE. As the fund's investment sub-adviser, FMR Texas Inc., a wholly owned subsidiary of FMR, receives a fee from FMR of 50% of the management fee payable to FMR. The fee is paid prior to any voluntary expense reimbursements which may be in effect, and after reducing the fee for any payments by FMR pursuant to the fund's Distribution and Service Plan.

TRANSFER AGENT FEE. Fidelity Service Co. (FSC), an affiliate of FMR, is the fund's transfer, dividend disbursing and shareholder servicing agent. FSC receives fees based on the type, size, number of accounts and the number of transactions made by shareholders. FSC pays for typesetting, printing and mailing of all shareholder reports, except proxy statements.

ACCOUNTING FEE. FSC maintains the fund's accounting records. The fee is based on the level of average net assets for the month plus out-of-pocket expenses.

#### REPORT OF INDEPENDENT ACCOUNTANTS

To the Trustees and Shareholders of  
Fidelity U.S. Government Reserves:

In our opinion, the accompanying statement of assets and liabilities, including the schedule of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Fidelity U.S. Government Reserves at September 30, 1993, and the results of its operations for the year then ended, the changes in its net assets for each of the two years then ended, and its financial highlights for the periods indicated, in conformity with generally accepted accounting principles. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits of these financial statements in accordance with generally accepted auditing standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which

included confirmation of securities owned at September 30, 1993 by correspondence with the custodian, provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE  
Dallas, Texas  
October 22, 1993  
TO CALL FIDELITY

#### FOR FUND INFORMATION AND QUOTES

The Fidelity Telephone Connection offers you special automated telephone services for quotes and balances. The services are easy to use, confidential and quick. All you need is a Touch Tone telephone.

#### YOUR PERSONAL IDENTIFICATION NUMBER (PIN)

The first time you call one of our automated telephone services, we'll ask you

to set up your Personal Identification Number (PIN). The PIN assures that

only you have automated telephone access to your account information.

Please have your Customer Number (T-account #) handy when you call --

you'll need it to establish your PIN. If

you would ever like to change your PIN, just choose the "Change your Personal

Identification Number" option when

you call. If you forget your PIN, please

call a Fidelity representative at 1-800-544-6666 for assistance.

#### (PHONE\_GRAPHIC) (PHONE\_GRAPHIC) MUTUAL FUND QUOTES\*

1-800-544-8544

Just make a selection from this record-ed menu:

PRESS

For quotes on funds you own.

1.

For an individual fund quote.

2.

For the ten most frequently requested Fidelity fund quotes.

3.

For quotes on Fidelity Select Portfolios. (Registered trademark)

4.

To change your Personal Identification Number (PIN).

5.

To speak with a Fidelity representative.

6.

#### (PHONE\_GRAPHIC) (PHONE\_GRAPHIC) MUTUAL FUND ACCOUNT

BALANCES 1-800-544-7544

Just make a selection from this record-ed menu:

PRESS

For balances on funds you own.

1.

For your most recent fund activity (purchases, redemptions, and dividends).

2.

To change your Personal Identification Number (PIN).

3.

To speak with a Fidelity representative.

4.

\* WHEN YOU CALL THE QUOTES LINE, PLEASE REMEMBER THAT A FUND'S YIELD AND RETURN WILL VARY AND, EXCEPT FOR MONEY MARKET FUNDS, SHARE PRICE WILL ALSO VARY. THIS MEANS THAT YOU MAY HAVE A GAIN OR LOSS WHEN YOU SELL YOUR SHARES. THERE IS NO ASSURANCE THAT MONEY MARKET FUNDS WILL BE ABLE TO MAINTAIN A STABLE \$1 SHARE PRICE; AN INVESTMENT IN A MONEY MARKET FUND IS NOT INSURED OR GUARANTEED BY THE U.S. GOVERNMENT. TOTAL RETURNS ARE HISTORICAL AND INCLUDE CHANGES IN SHARE PRICE, REINVESTMENT OF DIVIDENDS AND CAPITAL GAINS, AND THE EFFECTS OF ANY SALES CHARGES. FOR MORE INFORMATION ON ANY FIDELITY FUND INCLUDING MANAGEMENT FEES AND CHARGES, CALL 1-800-544-8888 FOR A FREE PROSPECTUS. READ IT CAREFULLY BEFORE YOU INVEST OR SEND MONEY.

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Fidelity Management & Research  
Company  
Boston, MA

SUB-ADVISER

FMR Texas Inc.  
Irving, TX

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Account Assistance 1-800-544-6666  
Product Information 1-800-544-8888  
Retirement Accounts 1-800-544-4774 (8 a.m. - 9 p.m.)  
TDD Service 1-800-544-0111  
for the deaf and hearing impaired  
(9 a.m. - 9 p.m. Eastern time)

\* INDEPENDENT TRUSTEES

\*\* AUTOMATED LINES FOR QUICKEST SERVICE