# 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

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(2_FIDELITY_LOGOS)FIDELITY

SHORT-INTERMEDIATE
GOVERNMENT
FUND
ANNUAL REPORT
SEPTEMBER 30, 1993
CONTENTS





PRESIDENT'S MESSAGE

DEAR SHAREHOLDER:

You may be among the many bond fund investors who have enjoyed strong returns in recent years. Falling interest rates and rising bond prices have provided an unusually positive climate for bonds. Interest rates have fallen to new lows with a key benchmark - the yield on 30-year Treasury bonds - falling from about 9% in 1988 to below 6% in September of this year.

For many people with bank accounts or other interest-bearing investments, low rates have meant less income. To find higher yields, many of us moved out of short-term investments into bond funds which have longer maturities (the time remaining until a bond's principal is repaid). From 1988 through 1992, taxable bond funds averaged annual returns - their yields plus changes in share price - of 10%, according to Lipper Analytical Services. This was well above historical averages, which have been more in the 4 - 6% range.

The question we'd all like answered is: what's ahead? Interest rates could drop more or stay where they are, but they also could reverse course and head back up. Just as falling rates translated into rising bond prices, so rising rates would cause bond prices to fall. The longer a bond's maturity, the greater the potential for price changes. The chart below, which compares the price returns of long-term (10- to 30-year) government bonds and one- to three-year government bonds, shows this. From December 31, 1976 to September 30, 1981, the price of these long-term bonds declined 36%, while the price of the short-term bonds fell only 10%.

It's important to know in advance how a change in interest rates might affect your investment. If you're in a long-term bond fund, you've probably been earning a high yield. If interest rates were to rise substantially, you would run the risk of losing some of the money you had originally invested. The table on the next page shows what could happen if you owned a

PRICE CHANGES: LONG-TERM VS. SHORT-TERM BONDS

Lehman Brothers Long-Term Lehman Brothers 1-3 Year

Government Bond Index Government Bond Index

* THROUGH OCTOBER 31, 1993

Row: 1, Col: 1, Value: 8.69
Row: 1, Col: 2, Value: 2.25
Row: 2, Col: 1, Value: -6.149999999999999
Row: 2, Col: 2, Value: -2.84
Row: 3, Col: 1, Value: -8.950000000000001
Row: 3, Col: 2, Value: -3.7
Row: 4, Col: 1, Value: -9.33
Row: 4, Col: 2, Value: -0.52
Row: 5, Col: 1, Value: -12.83
Row: 5, Col: 2, Value: -0.6900000000000001
Row: 6, Col: 1, Value: -11.35
Row: 6, Col: 2, Value: 0.92
Row: 7, Col: 1, Value: 26.21
Row: 7, Col: 2, Value: 7.74
Row: 8, Col: 1, Value: -8.219999999999999
Row: 8, Col: 2, Value: -2.24
Row: 9, Col: 1, Value: 1.91
Row: 9, Col: 2, Value: 1.8
Row: 10, Col: 1, Value: 18.4
Row: 10, Col: 2, Value: 2.55
Row: 11, Col: 1, Value: 14.13
Row: 11, Col: 2, Value: 0.54
Row: 12, Col: 1, Value: -10.91
Row: 12, Col: 2, Value: -2.89
Row: 13, Col: 1, Value: -0.22
Row: 13, Col: 2, Value: -2.37
Row: 14, Col: 1, Value: 9.27
Row: 14, Col: 2, Value: 1.72
Row: 15, Col: 1, Value: -2.58
Row: 15, Col: 2, Value: 0.8500000000000001
Row: 16, Col: 1, Value: 9.279999999999999
Row: 16, Col: 2, Value: 3.22
Row: 17, Col: 1, Value: -0.15
Row: 17, Col: 2, Value: -0.92
Row: 18, Col: 1, Value: 13.33
Row: 18, Col: 2, Value: -0.3800000000000001
%

30-year Treasury bond with a yield of 6.3%. If interest rates rose 1%, the bond's price would fall by about 12.1%. (A price return of -12.1% plus an income return of +6.3% gives you a total return of -5.8%.)

Ask yourself now how much share price change you can tolerate. Your answer will depend in part on your goal, in part on what role this investment plays in your overall financial strategy. Many investors try to line up the time they plan to be invested with the maturity of their bond fund. For example, if you have a longer-term goal - like saving for retirement 10 or more years away - you may be willing to ride out the markets ups and downs in exchange for the higher returns of a longer-term fund.

If you decide you can't tolerate the potential share price fluctuations in a longer- term bond fund, you may want to move to a fund with a shorter maturity and a lower yield. Recently, yields on three-year Treasury notes, for example, have been close to 4.4%. If interest rates rose 1%, the note's price would fall by only about 1.8%. An income return of +4.4% would more than offset the price return of -1.8%, giving you a total return of 2.6%. This is close to current yields on money market funds, but gives you added return potential if interest rates either fall or remain unchanged.

Finally, if you're uncomfortable with any share price changes, consider a money market fund, which is managed - but not guaranteed - to maintain a stable $1 share price. Although a money market fund is not insured, but its yield will vary with interest rates. So if rates rise, your yield should too.

The foundation of successful investing is making the right choice for your situation. We're here to help by providing you with whatever information you need to make an informed decision. Please call us at 1-800-544-8888 if you'd like a copy of our guide on ALTERNATIVES TO LOW BANK RATES or if you'd like to speak with one of our representatives. We look forward to hearing from you.

Best regards,

Edward C. Johnson 3d

HOW INTEREST RATES AFFECT BOND RETURNS

<TABLE>

<CAPTION>

| <S> MATURITY | <C> INTEREST RATES UNCHANGED | <C> INTEREST RATES UP 1% | <C> INTEREST RATES DOWN 1% |
|---|---|---|---|
| Short-term bond (3 years) | +4.4% | +2.6% | +6.4% |
| Intermediate-term bond (10 years) | +5.8% | -1.0% | +13.1% |
| Long-term bond (30 years) | +7.1% | -5.8% | +21.3% |

</TABLE>

THIS TABLE SHOWS THE ESTIMATED TOTAL RETURN OF TREASURY BONDS WITH VARYING MATURITIES, ASSUMING THAT OVER THE NEXT YEAR INTEREST RATES REMAIN THE SAME, OR GO UP OR DOWN ONE PERCENTAGE POINT FROM CURRENT LEVELS. TOTAL RETURN INCLUDES YIELD (INCOME RETURN) PLUS CHANGES IN PRICE (PRICE RETURN). THE RETURNS ABOVE ARE BASED ON YIELDS OF 4.4% FOR THREE-YEAR TREASURY NOTES, 5.7% FOR 10-YEAR TREASURY NOTES, AND 6.3% FOR 30-YEAR TREASURY BONDS. (SINCE TREASURY BONDS ARE BACKED BY THE FULL FAITH AND CREDIT OF THE U.S. GOVERNMENT, THERE IS NO CREDIT RISK.) THESE RETURNS DO NOT REFLECT THE PAST OR FUTURE PERFORMANCE OF ANY FIDELITY FUND. FIDELITY FUNDS ARE NOT INSURED OR GUARANTEED BY THE U.S. GOVERNMENT.

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. Each figure includes changes in a fund's share price, plus reinvestment of any dividends (or income) and capital gains (the profits the fund earns when it sells bonds that have grown in value). You can also look at the fund's income.

CUMULATIVE TOTAL RETURNS

| PERIODS ENDED SEPTEMBER 30, 1993 | PAST 1 YEAR | LIFE OF FUND |
|---|---|---|
| Short-Intermediate Government | 5.26% | 14.25% |
| Lehman Brothers 1-3 Year Government Bond Index | 4.94% | n/a |
| Average Short U.S. Government Fund | 5.67% | n/a |
| Consumer Price Index | 2.69% | 6.22% |

CUMULATIVE TOTAL RETURNS show the fund's performance in percentage terms over a set period - one year, or since the fund started on September 13, 1991. 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. You can compare these figures to the Lehman Brothers 1-3 Year Government Bond Index - a broad measure of the performance of short-term government bonds. To measure how the fund stacked up against its peers, you can also look at the average short U.S. government fund, which reflects the perform- ance of 84 funds tracked by Lipper Analytical Services. These benchmarks include reinvested dividends and capital gains, if any. Comparing the fund's performance to the consumer price index helps show how your fund did compared to inflation.

AVERAGE ANNUAL TOTAL RETURNS

| PERIODS ENDED SEPTEMBER 30, 1993 | PAST 1 YEAR | LIFE OF FUND |
|---|---|---|
| Short-Intermediate Government | 5.26% | 6.71% |
| Lehman Brothers 1-3 Year Government Bond Index | 4.94% | n/a |
| Average Short U.S. Government Fund | 5.67% | n/a |
| Consumer Price Index | 2.69% | 2.94% |

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

$10,000 OVER LIFE OF FUND

| | Short-Intermd Gov't (464) | LB 1-3 Year Gov't Index |
|---|---|---|
| 09/30/91 | 10000.00 | 10000.00 |
| 10/31/91 | 10124.47 | 10108.00 |
| 11/30/91 | 10206.40 | 10212.11 |

| | | |
|---|---|---|
| 12/31/91 | 10363.11 | 10367.34 |
| 01/31/92 | 10270.74 | 10353.86 |
| 02/29/92 | 10301.42 | 10384.92 |
| 03/31/92 | 10286.47 | 10381.81 |
| 04/30/92 | 10374.48 | 10476.28 |
| 05/31/92 | 10511.20 | 10573.71 |
| 06/30/92 | 10602.20 | 10680.50 |
| 07/31/92 | 10620.67 | 10803.33 |
| 08/31/92 | 10766.62 | 10890.84 |
| 09/30/92 | 10813.26 | 10993.21 |
| 10/31/92 | 10714.26 | 10930.55 |
| 11/30/92 | 10721.94 | 10914.15 |
| 12/31/92 | 10851.34 | 11015.65 |
| 01/31/93 | 11000.35 | 11131.32 |
| 02/28/93 | 11099.60 | 11220.37 |
| 03/31/93 | 11141.24 | 11255.15 |
| 04/30/93 | 11190.06 | 11323.81 |
| 05/31/93 | 11193.01 | 11296.63 |
| 06/30/93 | 11276.44 | 11381.36 |
| 07/31/93 | 11314.33 | 11406.40 |
| 08/31/93 | 11364.69 | 11501.07 |
| 09/30/93 | 11382.59 | 11537.87 |

$10,000 OVER LIFE OF FUND: Let's say you invested $10,000 in Short-Intermediate Government Fund on September 30, 1991, shortly after the fund started. As the chart shows, by September 30, 1993, the value of your investment, with dividends reinvested would have grown to $11,383 - a 13.83% increase on your initial investment. For comparison, look at how the Lehman Brothers 1-3 Year Government Bond Index did over the same period. With dividends reinvested, the same $10,000 investment would have grown to $11,538 - a 15.38% increase.

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)

INCOME

| YEARS ENDED SEPTEMBER 30, | 1993 | 1992 |
|---|---|---|
| Income return | 6.34% | 6.73% |
| Capital gain returns | 0.70% | 0.10% |
| Change in share price | (1.78)% | 1.30% |
| Total return | 5.26% | 8.13% |

Income returns, capital gain returns, and changes in share price are all part of a bond fund's total return. An income return reflects the dividends paid by the fund. A capital gain return reflects the amount paid by the fund to shareholders based on the profits it has from selling bonds that have grown in value. Both returns assume the dividends or gains are reinvested. Changes in the fund's share price include changes in the prices of the bonds owned by the fund. The sum of the return components may not equal the total return due to rounding.

DIVIDENDS AND YIELD

| PERIODS ENDED SEPTEMBER 30, 1993 | PAST 30 DAYS | PAST 6 MONTHS | PAST 1 YEAR |
|---|---|---|---|
| Dividends per share | n/a | 28.47(cents) | 62.27(cents) |
| Annualized dividend rate | n/a | 5.68% | 6.23% |
| Annualized yield | 3.43% | n/a | n/a |

Dividends per share show the income paid by the fund for a set period. If you annualize this number, based on an average share price of $10.00 over the past six months and $10.00 over the past year, you can compare the fund's income over these two periods. 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. This figure shows you the yield characteristics of the fund's investments at the end of the period. It also helps you compare funds from different companies on an equal basis.

FUND TALK: THE MANAGER'S OVERVIEW

MARKET RECAP

Bonds began the year on shaky ground but eventually posted sharp gains tied to low inflation, falling interest rates and slow growth in the U.S. economy. Early in the fall of 1992, fear of an accelerating recovery and uncertainty over the outcome of the presidential election drove interest rates up and bond prices down. But midway through the fourth quarter, as President-elect Clinton promised to tackle the budget deficit and fight inflation, the bond market signaled its approval. The yield on the benchmark 30-year Treasury bond fell from 7.65% on election day to 6.73% on March 8, 1993. Soon afterwards, a brief inflation scare swept the market, causing interest rates to rise again. But by early summer, bond investors focused on continued high unemployment and slow growth, and interest rates resumed falling. The yield on the 30-year Treasury dropped below 6% in early September, a record, and finished the month at 6.02%. Overall, long-term Treasuries returned 20.24% for the year ended September 30, 1993. Corporate junk bonds, as measured by the Salomon Brothers Composite High Yield Index, rose 15.51%. Mortgage securities lagged other fixed-income investments; the Salomon Brothers Mortgage Index rose 8.90%, reflecting the impact of massive refinancing by homeowners throughout the year.

An interview with Curt Hollingsworth
Portfolio Manager of Fidelity Short-Intermediate Government Fund

Q. CURT, HOW DID THE FUND PERFORM?

A. During the 12 months ended September 30, the fund's total return - which includes interest income and capital gains - amounted to 5.26%. According to Lipper Analytical Services, short-term government bond funds posted a higher average total return of 5.67%.

Q. WHY DID THE FUND LAG THE AVERAGE?

A. Because the fund invests fairly heavily in mortgage-backed securities issued by the Government National Mortgage Association (GNMA). For example, at the end of September, 41% of the fund's assets were in GNMAs. While those securities pay higher yields than Treasury issues, their prices don't rise as quickly when interest rates decline. That's because homeowners who refinance their mortgages at lower rates prepay their current loans as rates decline, and that money is refunded to GNMA investors as a return of principal. So instead of holding a bond that is becoming more valuable as rates fall, you get some of your cash back early.

Q. HOW DOES THE FUND CONTROL PREPAYMENT RISK?

A. In the past, the fund generally owned only high-coupon GNMAs - those with high stated interest rates. Those securities have higher risk of prepayment because they're backed by mortgages with high rates - the loans that homeowners are most likely to refinance when rates fall. To better control prepayment risk I've recently begun to balance our holdings by adding lower coupon GNMAs. I'm also employing a barbell strategy, which calls for buying a mix of the highest and lowest coupon GNMAs. The idea is that most borrowers with very high-rate loans who want to refinance already have done so, while borrowers with the lowest-rate loans have little incentive to refinance them. Similarly, I paired GNMAs backed by loans that were recently issued with GNMAs backed by loans issued long ago. Someone who just got a mortgage isn't likely to go to the trouble of refinancing it immediately, while someone who has held onto the same mortgage for years

isn't terribly likely to refinance it now.
Q. WERE YOU BETTING ON LOWER INTEREST RATES DURING THE PERIOD?
A. I don't make sizable bets on interest rates, because that would endanger the fund's primary mission, which is to maintain a relatively stable share price. Instead, I use a strategy called duration averaging to make modest adjustments in the fund's duration - a measure of how sensitive the fund's share price is to interest rate changes. When interest rates move above a fixed point I typically buy issues with slightly longer maturities to increase the fund's duration. For example, last fall the five-year Treasury's yield to maturity rose from 5.32% to 6.22%, and I extended the fund's duration - so that when rates subsided, the fund delivered bigger price gains on its holdings. In effect, I'm buying longer-term issues after their prices have declined - a strategy that should work well over time. Right now, the fund's duration is two years, which is slightly longer than neutral. That means if rates rose one percentage point, the fund's share price - $9.96 as of September 30 - would fall about 2% to $9.76. Of course, the reverse also is true. If rates fell one percentage point, the fund's share price would rise about 2%.
Q. DOES THE FUND HOLD ANY INTERMEDIATE-TERM BONDS?
A. Yes, it does. Rather than concentrate the fund's assets solely in bonds with two- to three-year maturities, I also hold a few intermediate-term bonds with maturities of five years while maintaining a relatively short average duration. I do that because I think that rates on five-year issues are likely to decline, which means their prices would rise.
Q. WHAT'S YOUR OUTLOOK?
A. I don't expect short-term rates to decline much. They've already fallen pretty far. For example, the federal funds rate - the rate banks charge each other on overnight loans - has fallen from just below 10% in 1989 to 3% now. But I don't think short rates will rise, either. I feel the economy is still too weak, and with many of our trading partners still in recession that probably isn't likely to change soon. In fact, I'm expecting inflation to decline from 3% to around 2% or 2.5% this year. If I'm correct, I believe the fund should continue to deliver total returns that reward investors for the added risk they're taking by beating the returns on money funds and CDs, which, unlike the fund are FDIC -insured. I'll continue to invest a significant portion of the fund's assets in GNMAs, which tend to deliver higher returns than Treasuries when interest rates are stable or rising.

FUND FACTS

GOAL: high current income with preservation of capital

START DATE: September 13, 1991

SIZE: as of September 30, 1993, over $168 million

MANAGER: Curt Hollingsworth, since October 1991; also manages Fidelity Advisor Government Investment; Fidelity Government Securities, Institutional Short-Intermediate Government; Spartan Limited Maturity Government, Long-Term Government and Short-Intermediate Government funds

(checkmark)

CURT HOLLINGSWORTH ON THE FUND'S INVESTMENT STRATEGY:

"The fund's main goal in earning current income is to provide a relatively stable share price. I aim to do that by focusing on short-term securities that don't fluctuate much with changes in interest rates. In addition, the fund invests exclusively in securities that are backed by the full faith and credit of the U.S. government. At the same time, the fund attempts to provide higher yields than more stable money market funds or certificates of deposit by investing in securities with slightly longer maturities, including mortgage-backed securities issued by the Government National Mortgage Association (GNMAs). To enhance the potential for price gains when interest rates are falling, I use our mortgage research capabilities to identify GNMAs with low prepayment risk."

(bullet) On September 30, the fund had about 59% of its assets in U.S. Treasury bonds and notes and 41% in GNMAs.

(bullet) The fund's share price during the 12 months ended September 30 remained between $9.83 and $10.19.

(bullet) The fund's duration, a measure of its sensitivity to changes in interest rates, was two years as of September 30, when its share price was $9.96. That means a one percentage point rise in rates should cause its share price to decline about 2% to around $9.76. But if rates decline one percentage point, the fund's share price should rise roughly 2% to around $10.16.

INVESTMENT CHANGES

COUPON DISTRIBUTION AS OF SEPTEMBER 30, 1993

| | % OF FUND'S INVESTMENTS | % OF FUND'S INVESTMENTS 6 MONTHS AGO |
|---|---|---|
| 6 - 6.99% | 0 | 5.7 |
| 7 - 7.99% | 10.6 | 30.2 |
| 8 - 8.99% | 48.5 | 20.0 |
| 9 - 9.99% | 24.8 | 17.2 |
| 10 - 10.99% | 11.3 | 0 |

COUPON DISTRIBUTION SHOWS THE RANGE OF STATED INTEREST RATES ON THE FUND'S INVESTMENTS, EXCLUDING REPURCHASE AGREEMENTS.

AVERAGE YEARS TO MATURITY AS OF SEPTEMBER 30, 1993

| | | 6 MONTHS AGO |
|---|---|---|
| Years | 4.3 | 3.6 |

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 SEPTEMBER 30, 1993

| | | 6 MONTHS AGO |
|---|---|---|
| Years | 2.0 | 2.0 |

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 SEPTEMBER 30, 1993 AS OF MARCH 31, 1993

Row: 1, Col: 1, Value: 0.0
Row: 1, Col: 2, Value: 40.6
Row: 1, Col: 3, Value: 59.4

U.S. Treasury obligations 54.9%

Government National Mortgage Association (GNMA) securities 36.1%

Short-term investments 9.0%

U.S. Treasury obligations 59.4%

Government
National Mortgage
Association
(GNMA)
securities 40.6%
Short-term
investments 0%
Row: 1, Col: 1, Value: 9.0
Row: 1, Col: 2, Value: 36.1
Row: 1, Col: 3, Value: 54.9
INVESTMENTS SEPTEMBER 30, 1993

Showing Percentage of Total Value of Investments in Securities

U.S. TREASURY OBLIGATIONS - 59.4%

| | PRINCIPAL AMOUNT | VALUE (NOTE 1) | |
|---|---|---|---|
| 8 1/2%, 5/15/95 | $ 25,740,000 | $ 27,642,443 | 912827YQ |
| 10 3/8%, 5/15/95 | 10,000,000 | 11,031,200 | 912810CQ |
| 9 1/4%, 8/15/98 | 14,000,000 | 16,707,032 | 912827WN |
| 7 7/8%, 2/15/00 | 10,000,000 | 10,568,700 | 912810BS |
| 8 3/8%, 8/15/00 | 31,620,000 | 34,045,886 | 912810BV |
| TOTAL U.S. TREASURY OBLIGATIONS (Cost $100,448,925) | | 99,995,261 | |
| U.S. GOVERNMENT AGENCY MORTGAGE-BACKED SECURITIES - 40.6% | | | |
| GOVERNMENT NATIONAL MORTGAGE ASSOCIATION | | | |
| 7%, 12/15/22 to 6/15/23 | 1,588,748 | 1,634,426 | 36203RP9 |
| 7 1/2%, 3/15/22 to 5/15/23 | 5,415,883 | 5,657,872 | 36203AE5 |
| 8%, 8/15/17 to 2/15/23 | 11,550,185 | 12,181,761 | 36203CQU |
| 8 1/2%, 1/15/17 to 2/15/23 | 7,328,449 | 7,768,165 | 362162WF |
| 9%, 11/15/21 to 9/15/22 | 13,966,511 | 14,926,729 | 36218HRK |
| 9 1/2%, 8/15/21 to 5/15/22 | 9,356,500 | 10,119,617 | 36223E6T |
| 10%, 11/15/09 to 7/15/21 | 5,961,191 | 6,579,679 | 36218PPL |
| 10 1/2%, 2/15/16 to 12/15/20 | 1,270,065 | 1,429,612 | 36220MTZ |
| 12 1/2, 4/15/10 to 10/15/15 | 6,576,215 | 7,677,982 | 362062FK |
| 13%, 9/15/14 | 250,176 | 294,107 | 36214S5A |
| TOTAL U.S. GOVERNMENT AGENCY MORTGAGE-BACKED SECURITIES (Cost $68,136,316) | | 68,269,950 | |
| TOTAL INVESTMENTS IN SECURITIES - 100% (Cost $168,585,241) | | $ 168,265,211 | |

INCOME TAX INFORMATION

At September 30, 1993, the aggregate cost of investment securities for income tax purposes was $168,585,241. Net unrealized depreci- ation aggregated $320,030, of which $362,710 related to appreciated investment securities and $682,740 related to depreciated investment securities.
The fund has elected to defer to its fiscal year ended September 30, 1994 $1,311,000 of losses recognized during the period November 1, 1992 to September 30, 1993.
At September 30, 1993, the fund had a capital loss carryforward of approximately $303,000 which will expire on September 30, 2001.

FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES

<TABLE>
<CAPTION>

| <S> | <C> | <C> |
|---|---|---|
| SEPTEMBER 30, 1993 | | |
| ASSETS | | |
| Investment in securities, at value (cost $168,585,241) (Note 1) - See accompanying schedule | | $ 168,265,211 |
| Cash | | 594,077 |
| Receivable for investments sold | | 14,257,909 |
| Interest receivable | | 2,268,898 |
| TOTAL ASSETS | | 185,386,095 |
| LIABILITIES | | |
| Payable for investments purchased | $ 16,872,425 | |
| Dividends payable | 101,630 | |

| | | |
|---|---|---|
| Accrued management fee | 65,567 | |
| Other payables and accrued expenses | 54,528 | |
| TOTAL LIABILITIES | | 17,094,150 |
| NET ASSETS | | $ 168,291,945 |
| Net Assets consist of: | | |
| Paid in capital | | $ 170,771,494 |
| Undistributed net investment income | | 2,415,218 |
| Accumulated undistributed net realized gain (loss) on investments | | (4,574,737) |
| Net unrealized appreciation (depreciation) on investment securities | | (320,030) |
| NET ASSETS, for 16,901,090 shares outstanding | | $ 168,291,945 |
| NET ASSET VALUE, offering price and redemption price per share ($168,291,945 (divided by) 16,901,090 shares) | | $9.96 |

</TABLE>

STATEMENT OF OPERATIONS

<TABLE>
<CAPTION>

| <S> | <C> | <C> |
|---|---|---|
| YEAR ENDED SEPTEMBER 30, 1993 | | |
| INVESTMENT INCOME<br>Interest | | $ 13,070,327 |
| EXPENSES | | |
| Management fee (Note 4) | $ 783,194 | |
| Transfer agent fees (Note 4) | 417,815 | |
| Accounting fees and expenses (Note 4) | 80,316 | |
| Non-interested trustees' compensation | 1,185 | |
| Custodian fees and expenses | 70,210 | |
| Registration fees | 89,044 | |
| Audit | 56,193 | |
| Legal | 1,417 | |
| Interest (Note 5) | 4,085 | |
| Miscellaneous | 1,338 | |
| Total expenses before reimbursement | 1,504,797 | |
| Reimbursement of expenses (Note 6) | (486,551) | 1,018,246 |
| NET INVESTMENT INCOME | | 12,052,081 |
| REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS (NOTES 1 AND 3)<br>Net realized gain (loss) on investment securities | | (3,529,055) |
| Change in net unrealized appreciation (depreciation) on investment securities | | (80,251) |
| NET GAIN (LOSS) | | (3,609,306) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | | $ 8,442,775 |

</TABLE>

STATEMENT OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

| <S> | <C> | <C> |
|---|---|---|
| | YEARS ENDED SEPTEMBER 30, | |
| | 1993 | 1992 |
| INCREASE (DECREASE) IN NET ASSETS | | |
| Operations<br>Net investment income | $ 12,052,081 | $ 4,189,460 |
| Net realized gain (loss) on investments | (3,529,055) | 16,575 |
| Change in net unrealized appreciation (depreciation) on investments | (80,251) | (240,481) |
| NET INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS | 8,442,775 | 3,965,554 |
| Distributions to shareholders from:<br>Net investment income | (10,384,430) | (3,441,893) |
| Net realized gain | (1,041,753) | (20,504) |
| Share transactions<br>Net proceeds from sales of shares | 163,545,822 | 227,192,187 |
| Reinvestment of distributions from:<br>Net investment income | 8,988,221 | 3,090,094 |
| Net realized gain | 956,564 | 20,110 |
| Cost of shares redeemed | (175,078,369) | (59,280,937) |
| Net increase (decrease) in net assets resulting from share transactions | (1,587,762) | 171,021,454 |
| TOTAL INCREASE (DECREASE) IN NET ASSETS | (4,571,170) | 171,524,611 |
| NET ASSETS | | |
| Beginning of period | 172,863,115 | 1,338,504 |
| End of period (including undistributed net investment income of $2,415,218 and $747,567, respectively) | $ 168,291,945 | $ 172,863,115 |
| OTHER INFORMATION<br>Shares | | |
| Sold | 16,349,116 | 22,481,012 |
| Issued in reinvestment of distributions from:<br>Net investment income | 899,578 | 306,255 |
| Net realized gain | 96,720 | 1,973 |
| Redeemed | (17,496,431) | (5,870,895) |
| Net increase (decrease) | (151,017) | 16,918,345 |

</TABLE>

FINANCIAL HIGHLIGHTS

<TABLE>
<CAPTION>

| <S> | <C> | <C> | <C> |
|---|---|---|---|
| | YEARS ENDED SEPTEMBER 30, | | SEPTEMBER 13, 1991 (COMMENCEMENT OF OPERATIONS) TO |
| | 1993 | 1992 | SEPTEMBER 30, 1991 |

| SELECTED PER-SHARE DATA | | | |
|---|---|---|---|
| Net asset value, beginning of period | $ 10.140 | $ 10.010 | $ 10.000 |
| Income from Investment Operations<br>Net investment income | .722 | .694 | .027 |
| Net realized and unrealized gain (loss) on investments | (.209) | .096(dagger)(dagger) | .010 |
| Total from investment operations | .513 | .790 | .037 |
| Less Distributions<br>From net investment income | (.623) | (.650) | (.027) |
| From net realized gain on investments | (.070) | (.010) | - |
| Total distributions | (.693) | (.660) | (.027) |
| Net asset value, end of period | $ 9.960 | $ 10.140 | $ 10.010 |
| TOTAL RETURN (dagger) | 5.26<br>% | 8.13% | .37% |
| RATIOS AND SUPPLEMENTAL DATA | | | |
| Net assets, end of period (000 omitted) | $ 168,292 | $ 172,863 | $ 1,339 |
| Ratio of expenses to average net assets (dagger) | .61<br>% | .28% | .65%* |
| Ratio of expenses to average net assets before voluntary expense limitation (dagger) | .90<br>% | 1.29% | 2.50%* |
| Ratio of net interest income to average net assets | 7.19<br>% | 7.91% | 5.67%* |
| Portfolio turnover rate | 348<br>% | 419% | -% |

</TABLE>

* ANNUALIZED
(dagger) THE TOTAL RETURNS WOULD HAVE BEEN LOWER HAD THE ADVISER NOT REIMBURSED CERTAIN EXPENSES DURING THE PERIODS SHOWN (SEE NOTE 6 OF NOTES TO FINANCIAL STATEMENTS). TOTAL RETURNS FOR PERIODS OF LESS THAN ONE YEAR ARE NOT ANNUALIZED.
(dagger)(dagger) THE AMOUNT SHOWN IN THIS CAPTION, WHILE DETERMINED BY THE SUMMATION OF AMOUNTS COMPUTED DAILY AS SHARES WERE SOLD OR REPURCHASED, IS ALSO THE BALANCING FIGURE DERIVED FROM THE OTHER FIGURES IN THE STATEMENT AND HAS BEEN SO COMPUTED. THE AMOUNT SHOWN FOR THE YEAR ENDED SEPTEMBER 30, 1992 FOR A SHARE OUTSTANDING THROUGHOUT THE PERIOD DOES NOT ACCORD WITH THE NET REALIZED AND UNREALIZED LOSS ON INVESTMENTS FOR THE PERIOD BECAUSE OF THE TIMING OF SALES AND REPURCHASES OF THE FUND'S SHARES IN RELATION TO FLUCTUATING MARKET VALUES OF THE INVESTMENTS OF THE FUND.

NOTES TO FINANCIAL STATEMENTS
For the period ended September 30, 1993

1. SIGNIFICANT ACCOUNTING POLICIES.
Fidelity Short-Intermediate Government Fund (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. 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. 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. Securities for which market quotations are not readily available are valued at their fair value as determined in good faith under consistently applied procedures under the general supervision of the Board of Trustees.
INCOME TAXES. As a qualified regulated investment company under Subchapter M of the Internal Revenue Code, each fund is not subject to income taxes to the extent that it distributes all of its taxable income for the fiscal year. The schedules of investments include information regarding income taxes under the caption "Income Tax Information."

INVESTMENT INCOME. Interest income, which includes 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. Distributions are declared daily and paid monthly from net investment income. Distributions from realized gains, if any, are recorded on the ex-dividend date. Mortgage security paydown gains (losses) are taxable as ordinary income and, therefore, increase (decrease) taxable ordinary income available for distribution.
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 mortgage-backed securities and losses deferred due to wash sales.
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.
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 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. PURCHASES AND SALES OF
INVESTMENTS.
Purchases and sales of long-term U.S. government and government agency obligations aggregated $588,825,328 and $573,419,357, respectively.
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 .14% 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 .30%. For the period, the management fee was equivalent to an annual rate of .47% of average net assets.
DISTRIBUTION AND SERVICE PLAN. Pursuant to the Distribution and Service Plan (the Plan), and in accordance with Rule 12b-1 of the 1940 Act, FMR or the fund's distributor, Fidelity Distributors Corporation (FDC), an affiliate of FMR, may use their resources to pay administrative and promotional expenses related to the sale of the fund's shares. Subject to the approval of the Board of Trustees, the Plan also authorizes payments to third parties that assist in the sale of the fund's shares or render shareholder support services. FMR or FDC has informed the fund that payments made to third parties under the Plan amounted to $43,534 for the period.
4. FEES AND OTHER TRANSACTIONS WITH AFFILIATES - CONTINUED
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.
5. BANK BORROWINGS.
The fund is permitted to have bank borrowings for temporary or emergency purposes to fund shareholder redemptions. The fund has established borrowing arrangements with certain banks. Under the most restrictive arrangement, the fund must pledge to the bank securities having a market value in excess of 220% of the total bank borrowings. The interest rate on the borrowings is the bank's base rate, as revised from time to time. The maximum loan and the average daily loan balances during the periods for which loans were outstanding amounted to $14,997,000 and $3,034,417, respectively. The weighted average interest rate was 3.82%. Interest expense of $4,085 was paid under the bank borrowing program.
6. REIMBURSEMENT OF
EXPENSES.
Prior to July 1, 1993, FMR voluntarily agreed to reimburse the fund for total operating expenses (excluding interest, taxes, brokerage commissions and extraordinary expenses). During the period expense limitation ranged from .40% to .70% of average net assets and the reimbursement amounted to

$486,551.
REPORT OF INDEPENDENT ACCOUNTANTS

To the Trustees of Fidelity Charles Street Trust and the Shareholders of Fidelity Short-Intermediate Government Fund:
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 Short-Intermediate Government Fund (a fund of Fidelity Charles Street Trust) at September 30, 1993, the results of its operations for the year then ended, the changes in its net assets and the 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 Fidelity Short-Intermediate Government Fund's management; our responsibility is to express an opinion on these financial statements based on our audits. 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 and brokers and the application of alternative auditing procedures when confirmation from brokers was not received, provide a reasonable basis for the opinion expressed above.
PRICE WATERHOUSE
Boston, Massachusetts
November 2, 1993
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