

Fidelity[®] Variable Insurance Products:

High Income Portfolio

Semi-Annual Report
June 30, 2019



Beginning on January 1, 2021, as permitted by regulations adopted by the Securities and Exchange Commission, and if your insurance carrier elects to participate, you may not be receiving paper copies of the Fund's shareholder reports from the insurance company that offers your variable insurance product unless you specifically request paper copies from your financial professional or the administrator of your variable insurance product. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

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To view a fund's proxy voting guidelines and proxy voting record for the 12-month period ended June 30, visit <http://www.fidelity.com/proxyvotingresults> or visit the Securities and Exchange Commission's (SEC) web site at <http://www.sec.gov>.

You may also call 1-877-208-0098 to request a free copy of the proxy voting guidelines.

Fidelity® Variable Insurance Products are separate account options which are purchased through a variable insurance contract.

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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.

A fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-PORT. Forms N-PORT are available on the SEC's web site at <http://www.sec.gov>. A fund's Forms N-PORT may be reviewed and copied at the SEC's Public Reference Room in Washington, DC. Information regarding the operation of the SEC's Public Reference Room may be obtained by calling 1-800-SEC-0330.

For a complete list of a fund's portfolio holdings, view the most recent holdings listing, semiannual report, or annual report on Fidelity's web site at <http://www.fidelity.com>, <http://www.institutional.fidelity.com>, or <http://www.401k.com>, as applicable.

NOT FDIC INSURED •MAY LOSE VALUE •NO BANK GUARANTEE

Neither the Fund nor Fidelity Distributors Corporation is a bank.

Investment Summary (Unaudited)

Top Five Holdings as of June 30, 2019

(by issuer, excluding cash equivalents)	% of fund's net assets
CCO Holdings LLC/CCO Holdings Capital Corp.	2.9
Ally Financial, Inc.	2.4
Community Health Systems, Inc.	2.1
Tenet Healthcare Corp.	2.1
JBS U.S.A. LLC/JBS U.S.A. Finance, Inc.	1.9
	<u>11.4</u>

Top Five Market Sectors as of June 30, 2019

	% of fund's net assets
Energy	16.3
Telecommunications	10.5
Healthcare	8.7
Cable/Satellite TV	7.2
Diversified Financial Services	5.8

Quality Diversification (% of fund's net assets)

As of June 30, 2019



We have used ratings from Moody's Investors Service, Inc. Where Moody's® ratings are not available, we have used S&P® ratings. All ratings are as of the date indicated and do not reflect subsequent changes.

Asset Allocation (% of fund's net assets)

As of June 30, 2019*



* Foreign investments – 22.6%

Schedule of Investments June 30, 2019 (Unaudited)

Showing Percentage of Net Assets

Corporate Bonds – 88.8%

	Principal Amount	Value		Principal Amount	Value
Convertible Bonds – 0.6%					
Broadcasting – 0.6%					
DISH Network Corp.:					
2.375% 3/15/24	\$ 4,480,000	\$ 4,138,469	Virgin Media Secured Finance PLC 5.5% 8/15/26 (a)	\$ 3,170,000	\$ 3,284,913
3.375% 8/15/26	1,580,000	1,536,051	Ziggo Bond Finance BV:		
		<u>5,674,520</u>	5.875% 1/15/25 (a)	3,965,000	4,006,315
			6% 1/15/27 (a)	3,095,000	3,102,738
			Ziggo Secured Finance BV 5.5% 1/15/27 (a)	3,230,000	3,285,588
					<u>72,306,492</u>
Nonconvertible Bonds – 88.2%			Capital Goods – 0.9%		
Aerospace – 3.1%			AECOM:		
BBA U.S. Holdings, Inc. 5.375% 5/1/26 (a)	5,085,000	5,313,825	5.125% 3/15/27	4,750,000	4,940,000
Bombardier, Inc.:			5.875% 10/15/24	3,735,000	4,045,005
6.125% 1/15/23 (a)	7,925,000	8,033,969			<u>8,985,005</u>
7.5% 12/1/24 (a)	1,705,000	1,739,100	Chemicals – 2.6%		
7.875% 4/15/27 (a)	2,920,000	2,923,650	CF Industries Holdings, Inc. 5.15% 3/15/34	170,000	165,750
BWX Technologies, Inc. 5.375% 7/15/26 (a)	2,935,000	3,030,241	Element Solutions, Inc. 5.875% 12/1/25 (a)	6,140,000	6,393,275
TransDigm, Inc.:			OCI NV 6.625% 4/15/23 (a)	3,285,000	3,416,400
6% 7/15/22	1,725,000	1,742,250	Olin Corp. 5.125% 9/15/27	2,270,000	2,329,588
6.25% 3/15/26 (a)	4,300,000	4,498,875	The Chemours Co. LLC 5.375% 5/15/27	2,675,000	2,547,938
6.375% 6/15/26	4,340,000	4,394,250	TPC Group, Inc. 8.75% 12/15/20 (a)	6,400,000	6,376,000
		<u>31,676,160</u>	Trinseo Materials Operating SCA/Trinseo Materials Finance, Inc.		
			5.375% 9/1/25 (a)	2,810,000	2,704,625
			Valvoline, Inc. 4.375% 8/15/25	2,355,000	2,349,113
					<u>26,282,689</u>
Air Transportation – 0.5%			Consumer Products – 0.1%		
Aercap Global Aviation Trust 6.5% 6/15/45 (a) (b)	5,330,000	5,569,850	Prestige Brands, Inc. 6.375% 3/1/24 (a)	945,000	988,706
Banks & Thrifts – 2.4%			Containers – 2.3%		
Ally Financial, Inc.:			Ardagh Packaging Finance PLC/Ardagh MP Holdings U.S.A., Inc.:		
3.875% 5/21/24	1,560,000	1,590,888	4.625% 5/15/23 (a)	4,155,000	4,222,519
5.75% 11/20/25	13,625,000	15,071,263	6% 2/15/25 (a)	2,920,000	3,025,850
8% 11/1/31	6,215,000	8,214,428	7.25% 5/15/24 (a)	1,275,000	1,343,531
		<u>24,876,579</u>	Crown Americas LLC/Crown Americas Capital Corp. V 4.25% 9/30/26	3,105,000	3,167,100
Broadcasting – 1.3%			OI European Group BV 4% 3/15/23 (a)	2,850,000	2,864,250
Sirius XM Radio, Inc.:			Owens-Brockway Glass Container, Inc. 5.375% 1/15/25 (a)	2,115,000	2,204,888
3.875% 8/1/22 (a)	3,435,000	3,443,588	Reynolds Group Issuer, Inc./Reynolds Group Issuer LLC/Reynolds Group Issuer (Luxembourg) SA:		
4.625% 7/15/24 (a) (c)	1,390,000	1,422,359	5.125% 7/15/23 (a)	1,790,000	1,823,563
5% 8/1/27 (a)	3,455,000	3,515,117	7% 7/15/24 (a)	1,855,000	1,918,107
5.375% 4/15/25 (a)	1,495,000	1,541,719	Silgan Holdings, Inc. 4.75% 3/15/25	2,680,000	2,700,100
6% 7/15/24 (a)	3,330,000	3,422,408			<u>23,269,908</u>
		<u>13,345,191</u>	Diversified Financial Services – 5.8%		
Cable/Satellite TV – 7.1%			Chobani LLC/Finance Corp., Inc. 7.5% 4/15/25 (a)	1,585,000	1,481,975
Alice SA 7.75% 5/15/22 (a)	562,000	571,133	FLY Leasing Ltd.:		
Cablevision Systems Corp. 5.875% 9/15/22	1,695,000	1,794,581	5.25% 10/15/24	4,917,000	5,015,340
CCO Holdings LLC/CCO Holdings Capital Corp.:			6.375% 10/15/21	2,890,000	2,958,638
4% 3/1/23 (a)	7,775,000	7,792,008	Icahn Enterprises LP/Icahn Enterprises Finance Corp.:		
5% 2/1/28 (a)	8,430,000	8,608,716	5.875% 2/1/22	5,280,000	5,332,800
5.125% 5/1/23 (a)	1,065,000	1,087,298	6.25% 2/1/22	2,390,000	2,455,725
5.125% 5/1/27 (a)	5,530,000	5,725,541	6.25% 5/15/26 (a)	2,335,000	2,361,269
5.5% 5/1/26 (a)	4,285,000	4,484,467	6.75% 2/1/24	4,500,000	4,674,375
5.875% 4/1/24 (a)	2,000,000	2,090,000	MSCI, Inc. 4.75% 8/1/26 (a)	3,120,000	3,237,000
CSC Holdings LLC:			Navient Corp.:		
5.375% 7/15/23 (a)	5,000,000	5,137,500	5.5% 1/25/23	3,150,000	3,236,625
5.5% 5/15/26 (a)	7,580,000	7,949,146	5.875% 10/25/24	345,000	348,881
7.5% 4/1/28 (a)	2,370,000	2,601,786	6.125% 3/25/24	947,000	970,675
7.75% 7/15/25 (a)	2,825,000	3,056,368	6.5% 6/15/22	2,795,000	2,976,759
DISH DBS Corp.:					
5.875% 11/15/24	3,685,000	3,486,931			
6.75% 6/1/21	2,110,000	2,212,863			
7.75% 7/1/26	2,070,000	2,028,600			

See accompanying notes which are an integral part of the financial statements.

Corporate Bonds – continued

	Principal Amount	Value
Nonconvertible Bonds – continued		
Environmental – 0.4%		
LBC Tank Terminals Holding Netherlands BV 6.875% 5/15/23 (a)	\$ 3,630,000	\$ 3,593,700
Tervita Escrow Corp. 7.625% 12/1/21 (a)	475,000	483,175
		<u>4,076,875</u>
Food/Beverage/Tobacco – 3.6%		
C&S Group Enterprises LLC 5.375% 7/15/22 (a)	3,150,000	3,150,000
JBS U.S.A. LLC/JBS U.S.A. Finance, Inc.:		
5.75% 6/15/25 (a)	7,925,000	8,242,000
5.875% 7/15/24 (a)	9,570,000	9,845,138
6.75% 2/15/28 (a)	940,000	1,021,075
JBS U.S.A. Lux SA / JBS Food Co. 6.5% 4/15/29 (a)	2,550,000	2,769,938
Post Holdings, Inc.:		
5% 8/15/26 (a)	1,950,000	1,976,813
5.75% 3/1/27 (a)	1,635,000	1,688,138
Vector Group Ltd. 6.125% 2/1/25 (a)	8,649,000	8,015,720
		<u>36,708,822</u>
Gaming – 4.7%		
CRC Escrow Issuer LLC/CRC Finance LLC 5.25% 10/15/25 (a)	6,330,000	6,330,000
Eldorado Resorts, Inc.:		
6% 4/1/25	1,395,000	1,466,494
6% 9/15/26	485,000	529,863
GLP Capital LP/GLP Financing II, Inc. 5.25% 6/1/25	2,645,000	2,833,853
Golden Entertainment, Inc. 7.625% 4/15/26 (a)	1,845,000	1,886,513
MCE Finance Ltd. 4.875% 6/6/25 (a)	2,075,000	2,058,755
MGM Growth Properties Operating Partnership LP:		
4.5% 9/1/26	5,695,000	5,823,138
4.5% 1/15/28	2,895,000	2,873,288
5.75% 2/1/27 (a)	870,000	937,425
Scientific Games Corp.:		
5% 10/15/25 (a)	1,800,000	1,818,000
10% 12/1/22	1,891,000	1,983,186
Stars Group Holdings BV 7% 7/15/26 (a)	6,325,000	6,688,688
Station Casinos LLC 5% 10/1/25 (a)	2,575,000	2,581,438
Twin River Worldwide Holdings, Inc. 6.75% 6/1/27 (a)	605,000	630,713
Wynn Las Vegas LLC/Wynn Las Vegas Capital Corp. 5.25% 5/15/27 (a)	1,515,000	1,520,681
Wynn Macau Ltd.:		
4.875% 10/1/24 (a)	3,560,000	3,501,038
5.5% 10/1/27 (a)	4,680,000	4,516,200
		<u>47,979,273</u>
Healthcare – 8.7%		
Catalent Pharma Solutions 4.875% 1/15/26 (a)	400,000	406,000
Charles River Laboratories International, Inc. 5.5% 4/1/26 (a)	1,325,000	1,394,298
Community Health Systems, Inc.:		
5.125% 8/1/21	4,150,000	4,056,625
6.25% 3/31/23	12,320,000	11,858,000
8% 3/15/26 (a)	1,715,000	1,648,166
8.625% 1/15/24 (a)	2,785,000	2,793,661
CTR Partnership LP/CareTrust Capital Corp. 5.25% 6/1/25	5,145,000	5,337,938
HCA Holdings, Inc.:		
4.5% 2/15/27	3,855,000	4,111,130
5.875% 2/15/26	1,670,000	1,845,350
Hologic, Inc.:		
4.375% 10/15/25 (a)	2,070,000	2,098,463

	Principal Amount	Value
4.625% 2/1/28 (a)	\$ 395,000	\$ 400,925
IMS Health, Inc. 5% 5/15/27 (a)	2,745,000	2,834,213
MPT Operating Partnership LP/MPT Finance Corp.:		
5.25% 8/1/26	1,515,000	1,579,388
5.5% 5/1/24	2,870,000	2,941,750
6.375% 3/1/24	1,275,000	1,335,563
Sabra Health Care LP/Sabra Capital Corp. 5.375% 6/1/23	765,000	776,475
Service Corp. International 5.125% 6/1/29	1,420,000	1,494,550
Teleflex, Inc. 4.875% 6/1/26	2,115,000	2,194,313
Tenet Healthcare Corp.:		
4.625% 7/15/24	1,540,000	1,559,250
5.125% 5/1/25	1,030,000	1,035,150
6.25% 2/1/27 (a)	1,530,000	1,575,900
6.75% 6/15/23	4,805,000	4,823,019
8.125% 4/1/22	10,820,000	11,361,000
THC Escrow Corp. III 7% 8/1/25	3,425,000	3,412,156
Valeant Pharmaceuticals International, Inc.:		
5.875% 5/15/23 (a)	302,000	305,509
7% 3/15/24 (a)	5,000,000	5,313,000
9.25% 4/1/26 (a)	5,000,000	5,594,000
Vizient, Inc. 6.25% 5/15/27 (a)	240,000	253,512
Wellcare Health Plans, Inc. 5.375% 8/15/26 (a)	3,945,000	4,181,700
		<u>88,521,004</u>
Homebuilders/Real Estate – 0.7%		
Howard Hughes Corp. 5.375% 3/15/25 (a)	6,200,000	6,405,840
Starwood Property Trust, Inc. 4.75% 3/15/25	1,015,000	1,025,150
		<u>7,430,990</u>
Hotels – 0.3%		
Wyndham Hotels & Resorts, Inc. 5.375% 4/15/26 (a)	2,525,000	2,641,781
Insurance – 0.6%		
AmWINS Group, Inc. 7.75% 7/1/26 (a)	3,110,000	3,218,850
USIS Merger Sub, Inc. 6.875% 5/1/25 (a)	2,440,000	2,415,600
		<u>5,634,450</u>
Leisure – 0.3%		
Mattel, Inc. 6.75% 12/31/25 (a)	2,870,000	2,952,513
Metals/Mining – 1.0%		
First Quantum Minerals Ltd.:		
7.25% 5/15/22 (a)	1,360,000	1,353,200
7.25% 4/1/23 (a)	3,110,000	3,028,363
Freeport-McMoRan, Inc. 3.875% 3/15/23	2,770,000	2,770,000
Nufarm Australia Ltd. 5.75% 4/30/26 (a)	3,188,000	3,028,600
		<u>10,180,163</u>
Paper – 0.5%		
Berry Global Escrow Corp. 4.875% 7/15/26 (a)	2,055,000	2,098,669
Flex Acquisition Co., Inc.:		
6.875% 1/15/25 (a)	2,545,000	2,303,225
7.875% 7/15/26 (a)	550,000	507,375
		<u>4,909,269</u>
Restaurants – 0.9%		
1011778 BC Unlimited Liability Co./New Red Finance, Inc.:		
4.25% 5/15/24 (a)	1,785,000	1,805,081
5% 10/15/25 (a)	3,190,000	3,214,882
Golden Nugget, Inc. 6.75% 10/15/24 (a)	4,515,000	4,650,450
		<u>9,670,413</u>

See accompanying notes which are an integral part of the financial statements.

Common Stocks – 0.0%

	Shares	Value
Energy – 0.0%		
Forbes Energy Services Ltd. (e)	123,683	\$ 278,287
Telecommunications – 0.0%		
CUI Acquisition Corp. Class E (e) (f)	1	35,011
TOTAL COMMON STOCKS (Cost \$7,154,776)		313,298

Bank Loan Obligations – 2.0%

	Principal Amount	
Cable/Satellite TV – 0.1%		
WideOpenWest Finance LLC Tranche B, term loan 3 month U.S. LIBOR + 3.250% 5.6536% 8/19/23 (b) (d)	\$1,316,239	1,283,991
Energy – 0.1%		
California Resources Corp. Tranche B, term loan 3 month U.S. LIBOR + 4.750% 7.1524% 12/31/22 (b) (d)	1,020,000	973,376
Gaming – 0.3%		
Golden Entertainment, Inc. Tranche B, term loan 3 month U.S. LIBOR + 3.000% 5.41% 10/20/24 (b) (d)	2,977,025	2,962,140
Publishing/Printing – 0.1%		
Springer Science+Business Media Deutschland GmbH Tranche B 13LN, term loan 3 month U.S. LIBOR + 3.500% 5.9024% 8/24/22 (b) (d)	1,141,389	1,140,247
Services – 0.4%		
Almonde, Inc.:		
Tranche 2LN, term loan 3 month U.S. LIBOR + 7.250% 9.6524% 6/13/25 (b) (d)	130,000	128,727
Tranche B 1LN, term loan 3 month U.S. LIBOR + 3.500% 5.9024% 6/13/24 (b) (d)	555,460	540,496
Brand Energy & Infrastructure Services, Inc. Tranche B, term loan 3 month U.S. LIBOR + 4.250% 6.7881% 6/21/24 (b) (d)	3,297,700	3,183,666
TOTAL SERVICES		3,852,889
Telecommunications – 1.0%		
Frontier Communications Corp. Tranche B 1LN, term loan 3 month U.S. LIBOR + 3.750% 6.16% 6/15/24 (b) (d)	4,783,392	4,683,754
Level 3 Financing, Inc. Tranche B, term loan 3 month U.S. LIBOR + 2.250% 4.6524% 2/22/24 (b) (d)	2,490,000	2,468,835
Radiate Holdco LLC Tranche B, term loan 3 month U.S. LIBOR + 3.000% 5.4024% 2/1/24 (b) (d)	2,991,150	2,918,405
TOTAL TELECOMMUNICATIONS		10,070,994
TOTAL BANK LOAN OBLIGATIONS (Cost \$20,322,667)		20,283,637

Preferred Securities – 2.9%

	Principal Amount	Value
Banks & Thrifts – 2.6%		
Bank of America Corp.:		
5.2% (b) (g)	\$6,000,000	\$ 6,085,574
6.25% (b) (g)	2,590,000	2,873,633
Barclays PLC:		
7.75% (b) (g)	3,000,000	3,085,107
7.875% (Reg. S) (b) (g)	4,445,000	4,665,801
Royal Bank of Scotland Group PLC:		
7.5% (b) (g)	3,390,000	3,475,441
8.625% (b) (g)	2,065,000	2,226,038
Wells Fargo & Co. 5.9% (b) (g)	4,145,000	4,347,397
TOTAL BANKS & THRIFTS		26,758,991
Energy – 0.3%		
Andeavor Logistics LP 6.875% (b) (g)	2,630,000	2,686,369
TOTAL PREFERRED SECURITIES (Cost \$28,665,000)		29,445,360

Money Market Funds – 4.9%

	Shares	
Fidelity Cash Central Fund 2.42% (h) (Cost \$49,629,338)	49,619,741	49,629,665
TOTAL INVESTMENT IN SECURITIES – 98.6% (Cost \$995,656,068)		1,001,284,277
NET OTHER ASSETS (LIABILITIES) – 1.4%		14,383,693
NET ASSETS – 100%		\$1,015,667,970

Legend

- 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 end of the period, the value of these securities amounted to \$559,593,759 or 55.1% of net assets.
- Coupon rates for floating and adjustable rate securities reflect the rates in effect at period end.
- Security or a portion of the security purchased on a delayed delivery or when-issued basis.
- Coupon is indexed to a floating interest rate which may be multiplied by a specified factor and/or subject to caps or floors.
- Non-income producing
- Level 3 security
- Security is perpetual in nature with no stated maturity date.
- Affiliated fund that is generally available only to investment companies and other accounts managed by Fidelity Investments. The rate quoted is the annualized seven-day yield of the fund at period end. A complete unaudited listing of the fund's holdings as of its most recent quarter end is available upon request. In addition, each Fidelity Central Fund's financial statements are available on the SEC's website or upon request.

See accompanying notes which are an integral part of the financial statements.

Schedule of Investments (Unaudited) – continued

Affiliated Central Funds

Information regarding fiscal year to date income earned by the Fund from investments in Fidelity Central Funds is as follows:

Fund	Income earned
Fidelity Cash Central Fund	\$ 410,253
Total	<u>\$ 410,253</u>

Amounts in the income column in the above table include any capital gain distributions from underlying funds, which are presented in the corresponding line-item in the Statement of Operations, if applicable.

Investment Valuation

The following is a summary of the inputs used, as of June 30, 2019, involving the Fund's assets and liabilities carried at fair value. The inputs or methodology used for valuing securities may not be an indication of the risk associated with investing in those securities. For more information on valuation inputs, and their aggregation into the levels used below, please refer to the Investment Valuation section in the accompanying Notes to Financial Statements.

Valuation Inputs at Reporting Date:

Description	Total	Level 1	Level 2	Level 3
<u>Investments in Securities:</u>				
Equities:				
Communication Services	\$ 35,011	\$ —	\$ —	\$35,011
Energy	278,287	278,287	—	—
Corporate Bonds	901,612,317	—	901,612,317	—
Bank Loan Obligations	20,283,637	—	20,283,637	—
Preferred Securities	29,445,360	—	29,445,360	—
Money Market Funds	49,629,665	49,629,665	—	—
<u>Total Investments in Securities:</u>	<u>\$1,001,284,277</u>	<u>\$49,907,952</u>	<u>\$951,341,314</u>	<u>\$35,011</u>

Other Information

Distribution of investments by country or territory of incorporation, as a percentage of Total Net Assets, is as follows (Unaudited):

United States of America	77.4%
Luxembourg	4.1%
Netherlands	3.9%
Canada	3.8%
Cayman Islands	2.4%
Multi-National	2.2%
United Kingdom	2.0%
Ireland	1.3%
France	1.0%
Others (Individually Less Than 1%)	1.9%
	<u>100.0%</u>

See accompanying notes which are an integral part of the financial statements.

Financial Statements

Statement of Assets and Liabilities

	June 30, 2019 (Unaudited)
Assets	
Investment in securities, at value — See accompanying schedule:	
Unaffiliated issuers (cost \$946,026,730)	\$ 951,654,612
Fidelity Central Funds (cost \$49,629,338)	<u>49,629,665</u>
Total Investment in Securities (cost \$995,656,068)	\$ 1,001,284,277
Receivable for investments sold	43,595
Receivable for fund shares sold	1,002,190
Interest receivable	15,697,827
Distributions receivable from Fidelity Central Funds	<u>53,773</u>
Total assets	<u>1,018,081,662</u>
Liabilities	
Payable for investments purchased on a delayed delivery basis	\$ 1,390,000
Payable for fund shares redeemed	363,202
Accrued management fee	468,381
Distribution and service plan fees payable	43,359
Other affiliated payables	100,185
Other payables and accrued expenses	<u>48,565</u>
Total liabilities	<u>2,413,692</u>
Net Assets	<u>\$ 1,015,667,970</u>
Net Assets consist of:	
Paid in capital	\$ 1,047,854,587
Total distributable earnings (loss)	<u>(32,186,617)</u>
Net Assets	<u>\$ 1,015,667,970</u>
Net Asset Value and Maximum Offering Price	
Initial Class:	
Net Asset Value, offering price and redemption price per share (\$326,343,975 ÷ 59,884,745 shares)	<u>\$ 5.45</u>
Service Class:	
Net Asset Value, offering price and redemption price per share (\$66,951,450 ÷ 12,382,462 shares)	<u>\$ 5.41</u>
Service Class 2:	
Net Asset Value, offering price and redemption price per share (\$181,368,725 ÷ 34,591,375 shares)	<u>\$ 5.24</u>
Investor Class:	
Net Asset Value, offering price and redemption price per share (\$441,003,820 ÷ 81,361,541 shares)	<u>\$ 5.42</u>

See accompanying notes which are an integral part of the financial statements.

Financial Statements – continued

Statement of Operations

		Six months ended June 30, 2019 (Unaudited)
Investment Income		
Dividends		\$ 958,232
Interest		28,728,624
Income from Fidelity Central Funds		410,253
Total income		<u>30,097,109</u>
Expenses		
Management fee	\$ 2,717,438	
Transfer agent fees	405,490	
Distribution and service plan fees	251,852	
Accounting fees and expenses	176,035	
Custodian fees and expenses	6,005	
Independent trustees' fees and expenses	2,322	
Audit	47,512	
Legal	774	
Miscellaneous	3,764	
Total expenses before reductions	<u>3,611,192</u>	
Expense reductions	(7,550)	
Total expenses after reductions		<u>3,603,642</u>
Net investment income (loss)		<u>26,493,467</u>
Realized and Unrealized Gain (Loss)		
Net realized gain (loss) on:		
Investment securities:		
Unaffiliated issuers	(7,226,191)	
Total net realized gain (loss)		(7,226,191)
Change in net unrealized appreciation (depreciation) on investment securities		<u>75,595,163</u>
Net gain (loss)		<u>68,368,972</u>
Net increase (decrease) in net assets resulting from operations		<u>\$ 94,862,439</u>

Statement of Changes in Net Assets

	Six months ended June 30, 2019 (Unaudited)	Year ended December 31, 2018
Increase (Decrease) in Net Assets		
Operations		
Net investment income (loss)	\$ 26,493,467	\$ 53,689,686
Net realized gain (loss)	(7,226,191)	(5,131,565)
Change in net unrealized appreciation (depreciation)	<u>75,595,163</u>	<u>(83,118,826)</u>
Net increase (decrease) in net assets resulting from operations	<u>94,862,439</u>	<u>(34,560,705)</u>
Distributions to shareholders	<u>(8,304,011)</u>	<u>(55,130,050)</u>
Share transactions – net increase (decrease)	<u>40,901,041</u>	<u>(69,649,995)</u>
Total increase (decrease) in net assets	<u>127,459,469</u>	<u>(159,340,750)</u>
Net Assets		
Beginning of period	888,208,501	1,047,549,251
End of period	<u>\$ 1,015,667,970</u>	<u>\$ 888,208,501</u>

See accompanying notes which are an integral part of the financial statements.

Financial Highlights

VIP High Income Portfolio Initial Class

	Six months ended (Unaudited) June 30,	Years ended December 31,				
	2019	2018	2017	2016	2015	2014
Selected Per-Share Data						
Net asset value, beginning of period	\$ 4.97	\$ 5.46	\$ 5.38	\$ 4.95	\$ 5.52	\$ 5.80
Income from Investment Operations						
Net investment income (loss) ^A	.145	.288	.290	.320	.333	.317
Net realized and unrealized gain (loss)	.380	(.473)	.091	.402	(.531)	(.251)
Total from investment operations	.525	(.185)	.381	.722	(.198)	.066
Distributions from net investment income	(.045)	(.305)	(.301)	(.292)	(.364)	(.347)
Tax return of capital	—	—	—	—	(.008)	—
Total distributions	(.045)	(.305)	(.301)	(.292)	(.372)	(.347)
Redemption fees added to paid in capital ^A	—	—	—	—	— ^B	.001
Net asset value, end of period	\$ 5.45	\$ 4.97	\$ 5.46	\$ 5.38	\$ 4.95	\$ 5.52
Total Return ^{C,D,E}	10.61%	(3.46)%	7.13%	14.61%	(3.63)%	1.16%
Ratios to Average Net Assets ^{F,G}						
Expenses before reductions	.68% ^H	.67%	.67%	.68%	.68%	.68%
Expenses net of fee waivers, if any	.68% ^H	.67%	.67%	.68%	.68%	.68%
Expenses net of all reductions	.68% ^H	.67%	.67%	.68%	.68%	.68%
Net investment income (loss)	5.55% ^H	5.33%	5.22%	6.05%	5.94%	5.31%
Supplemental Data						
Net assets, end of period (000 omitted)	\$ 326,344	\$ 299,239	\$ 355,469	\$ 457,620	\$ 437,798	\$ 493,390
Portfolio turnover rate ^I	31% ^H	69%	70%	73%	69%	79%

^A Calculated based on average shares outstanding during the period.

^B Amount represents less than \$.0005 per share.

^C Total returns for periods of less than one year are not annualized.

^D Total returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown.

^E Total returns would have been lower if certain expenses had not been reduced during the applicable periods shown.

^F Fees and expenses of any underlying Fidelity Central Funds are not included in the Fund's expense ratio. The Fund indirectly bears its proportionate share of the expenses of any underlying Fidelity Central Funds.

^G Expense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements or reductions from other expense offset arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expenses net of fee waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class.

^H Annualized

^I Amount does not include the portfolio activity of any underlying Fidelity Central Funds.

See accompanying notes which are an integral part of the financial statements.

Financial Highlights – continued

VIP High Income Portfolio Service Class

	Six months ended (Unaudited) June 30,	Years ended December 31,				
	2019	2018	2017	2016	2015	2014
Selected Per-Share Data						
Net asset value, beginning of period	\$ 4.93	\$ 5.42	\$ 5.34	\$ 4.92	\$ 5.49	\$ 5.77
Income from Investment Operations						
Net investment income (loss) ^A	.142	.280	.283	.311	.324	.309
Net realized and unrealized gain (loss)	.382	(.471)	.092	.395	(.528)	(.248)
Total from investment operations	.524	(.191)	.375	.706	(.204)	.061
Distributions from net investment income	(.044)	(.299)	(.295)	(.286)	(.358)	(.342)
Tax return of capital	—	—	—	—	(.008)	—
Total distributions	(.044)	(.299)	(.295)	(.286)	(.366)	(.342)
Redemption fees added to paid in capital ^A	—	—	—	—	— ^B	.001
Net asset value, end of period	\$ 5.41	\$ 4.93	\$ 5.42	\$ 5.34	\$ 4.92	\$ 5.49
Total Return ^{C,D,E}	10.67%	(3.60)%	7.07%	14.37%	(3.76)%	1.07%
Ratios to Average Net Assets ^{F,G}						
Expenses before reductions	.78% ^H	.77%	.77%	.78%	.78%	.78%
Expenses net of fee waivers, if any	.78% ^H	.77%	.77%	.78%	.78%	.78%
Expenses net of all reductions	.78% ^H	.77%	.77%	.78%	.77%	.78%
Net investment income (loss)	5.44% ^H	5.23%	5.12%	5.95%	5.84%	5.22%
Supplemental Data						
Net assets, end of period (000 omitted)	\$ 66,951	\$ 58,231	\$ 68,104	\$ 84,945	\$ 73,313	\$ 59,961
Portfolio turnover rate ^I	31% ^H	69%	70%	73%	69%	79%

^A Calculated based on average shares outstanding during the period.

^B Amount represents less than \$.0005 per share.

^C Total returns for periods of less than one year are not annualized.

^D Total returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown.

^E Total returns would have been lower if certain expenses had not been reduced during the applicable periods shown.

^F Fees and expenses of any underlying Fidelity Central Funds are not included in the Fund's expense ratio. The Fund indirectly bears its proportionate share of the expenses of any underlying Fidelity Central Funds.

^G Expense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements or reductions from other expense offset arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expenses net of fee waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class.

^H Annualized

^I Amount does not include the portfolio activity of any underlying Fidelity Central Funds.

See accompanying notes which are an integral part of the financial statements.

VIP High Income Portfolio Service Class 2

	Six months ended (Unaudited) June 30,	Years ended December 31,	2017	2016	2015	2014
	2019	2018				
Selected Per-Share Data						
Net asset value, beginning of period	\$ 4.79	\$ 5.27	\$ 5.20	\$ 4.80	\$ 5.36	\$ 5.64
Income from Investment Operations						
Net investment income (loss) ^A	.134	.264	.267	.296	.309	.294
Net realized and unrealized gain (loss)	.359	(.451)	.090	.383	(.514)	(.244)
Total from investment operations	.493	(.187)	.357	.679	(.205)	.050
Distributions from net investment income	(.043)	(.293)	(.287)	(.279)	(.347)	(.331)
Tax return of capital	—	—	—	—	(.008)	—
Total distributions	(.043)	(.293)	(.287)	(.279)	(.355)	(.331)
Redemption fees added to paid in capital ^A	—	—	—	—	— ^B	.001
Net asset value, end of period	\$ 5.24	\$ 4.79	\$ 5.27	\$ 5.20	\$ 4.80	\$ 5.36
Total Return ^{C,D,E}	10.34%	(3.63)%	6.91%	14.17%	(3.87)%	.90%
Ratios to Average Net Assets ^{F,G}						
Expenses before reductions	.94% ^H	.92%	.92%	.93%	.93%	.93%
Expenses net of fee waivers, if any	.94% ^H	.92%	.92%	.93%	.93%	.93%
Expenses net of all reductions	.93% ^H	.92%	.92%	.93%	.93%	.93%
Net investment income (loss)	5.29% ^H	5.08%	4.97%	5.80%	5.68%	5.06%
Supplemental Data						
Net assets, end of period (000 omitted)	\$ 181,369	\$ 139,564	\$ 166,993	\$ 189,179	\$ 160,639	\$ 190,873
Portfolio turnover rate ^I	31% ^H	69%	70%	73%	69%	79%

^A Calculated based on average shares outstanding during the period.

^B Amount represents less than \$.0005 per share.

^C Total returns for periods of less than one year are not annualized.

^D Total returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown.

^E Total returns would have been lower if certain expenses had not been reduced during the applicable periods shown.

^F Fees and expenses of any underlying Fidelity Central Funds are not included in the Fund's expense ratio. The Fund indirectly bears its proportionate share of the expenses of any underlying Fidelity Central Funds.

^G Expense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements or reductions from other expense offset arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expenses net of fee waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class.

^H Annualized

^I Amount does not include the portfolio activity of any underlying Fidelity Central Funds.

See accompanying notes which are an integral part of the financial statements.

Financial Highlights – continued

VIP High Income Portfolio Investor Class

	Six months ended (Unaudited) June 30,	Years ended December 31,				
	2019	2018	2017	2016	2015	2014
Selected Per-Share Data						
Net asset value, beginning of period	\$ 4.94	\$ 5.43	\$ 5.36	\$ 4.93	\$ 5.50	\$ 5.78
Income from Investment Operations						
Net investment income (loss) ^A	.144	.284	.287	.317	.329	.314
Net realized and unrealized gain (loss)	.380	(.470)	.083	.403	(.529)	(.250)
Total from investment operations	.524	(.186)	.370	.720	(.200)	.064
Distributions from net investment income	(.044)	(.304)	(.300)	(.290)	(.362)	(.345)
Tax return of capital	—	—	—	—	(.008)	—
Total distributions	(.044)	(.304)	(.300)	(.290)	(.370)	(.345)
Redemption fees added to paid in capital ^A	—	—	—	—	— ^B	.001
Net asset value, end of period	\$ 5.42	\$ 4.94	\$ 5.43	\$ 5.36	\$ 4.93	\$ 5.50
Total Return ^{C,D,E}	10.65%	(3.50)%	6.95%	14.64%	(3.68)%	1.12%
Ratios to Average Net Assets ^{F,G}						
Expenses before reductions	.71% ^H	.71%	.71%	.71%	.71%	.71%
Expenses net of fee waivers, if any	.71% ^H	.71%	.71%	.71%	.71%	.71%
Expenses net of all reductions	.71% ^H	.71%	.71%	.71%	.71%	.71%
Net investment income (loss)	5.51% ^H	5.30%	5.18%	6.02%	5.90%	5.28%
Supplemental Data						
Net assets, end of period (000 omitted)	\$ 441,004	\$ 391,173	\$ 456,983	\$ 469,732	\$ 398,719	\$ 448,590
Portfolio turnover rate ^I	31% ^H	69%	70%	73%	69%	79%

^A Calculated based on average shares outstanding during the period.

^B Amount represents less than \$.0005 per share.

^C Total returns for periods of less than one year are not annualized.

^D Total returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown.

^E Total returns would have been lower if certain expenses had not been reduced during the applicable periods shown.

^F Fees and expenses of any underlying Fidelity Central Funds are not included in the Fund's expense ratio. The Fund indirectly bears its proportionate share of the expenses of any underlying Fidelity Central Funds.

^G Expense ratios reflect operating expenses of the class. Expenses before reductions do not reflect amounts reimbursed by the investment adviser or reductions from brokerage service arrangements or reductions from other expense offset arrangements and do not represent the amount paid by the class during periods when reimbursements or reductions occur. Expenses net of fee waivers reflect expenses after reimbursement by the investment adviser but prior to reductions from brokerage service arrangements or other expense offset arrangements. Expenses net of all reductions represent the net expenses paid by the class.

^H Annualized

^I Amount does not include the portfolio activity of any underlying Fidelity Central Funds.

See accompanying notes which are an integral part of the financial statements.

Notes to Financial Statements (Unaudited)

For the period ended June 30, 2019

1. Organization.

VIP High Income Portfolio (the Fund) is a fund of Variable Insurance Products Fund (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. Shares of the Fund may only be purchased by insurance companies for the purpose of funding variable annuity or variable life insurance contracts. The Fund offers the following classes of shares: Initial Class shares, Service Class shares, Service Class 2 shares and Investor Class shares. All classes have equal rights and voting privileges, except for matters affecting a single class.

2. Investments in Fidelity Central Funds.

The Fund invests in Fidelity Central Funds, which are open-end investment companies generally available only to other investment companies and accounts managed by the investment adviser and its affiliates. The Fund's Schedule of Investments lists each of the Fidelity Central Funds held as of period end, if any, as an investment of the Fund, but does not include the underlying holdings of each Fidelity Central Fund. As an Investing Fund, the Fund indirectly bears its proportionate share of the expenses of the underlying Fidelity Central Funds.

The Money Market Central Funds seek preservation of capital and current income and are managed by Fidelity Investments Money Management, Inc. (FIMM), an affiliate of the investment adviser. Annualized expenses of the Money Market Central Funds as of their most recent shareholder report date ranged from less than .005% to .01%.

A complete unaudited list of holdings for each Fidelity Central Fund is available upon request or at the Securities and Exchange Commission (the SEC) website at www.sec.gov. In addition, the financial statements of the Fidelity Central Funds are available on the SEC website or upon request.

3. Significant Accounting Policies.

The Fund is an investment company and applies the accounting and reporting guidance of the Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946 Financial Services — Investments Companies. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), which require management to make certain estimates and assumptions at the date of the financial statements. Actual results could differ from those estimates. Subsequent events, if any, through the date that the financial statements were issued have been evaluated in the preparation of the financial statements. The following summarizes the significant accounting policies of the Fund:

Investment Valuation. Investments are valued as of 4:00 p.m. Eastern time on the last calendar day of the period. The Board of Trustees (the Board) has delegated the day to day responsibility for the valuation of the Fund's investments to the Fair Value Committee (the Committee) established by the Fund's investment adviser. In accordance with valuation policies and procedures approved by the Board, the Fund attempts to obtain prices from one or more third party pricing vendors or brokers to value its investments. When current market prices, quotations or currency exchange rates are not readily available or reliable, investments will be fair valued in good faith by the Committee, in accordance with procedures adopted by the Board. Factors used in determining fair value vary by investment type and may include market or investment specific events, changes in interest rates and credit quality. The frequency with which these procedures are used cannot be predicted and they may be utilized to a significant extent. The Committee oversees the Fund's valuation policies and procedures and reports to the Board on the Committee's activities and fair value determinations. The Board monitors the appropriateness of the procedures used in valuing the Fund's investments and ratifies the fair value determinations of the Committee.

The Fund categorizes the inputs to valuation techniques used to value its investments into a disclosure hierarchy consisting of three levels as shown below:

Level 1 — quoted prices in active markets for identical investments

Level 2 — other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, etc.)

Level 3 — unobservable inputs (including the Fund's own assumptions based on the best information available)

Valuation techniques used to value the Fund's investments by major category are as follows:

Debt securities, including restricted securities, are valued based on evaluated prices received from third party pricing vendors or from brokers who make markets in such securities. Corporate bonds, bank loan obligations and preferred securities are valued by pricing vendors who utilize matrix pricing which considers yield or price of bonds of comparable quality, coupon, maturity and type or by broker-supplied prices. When independent prices are unavailable or unreliable, debt securities may be valued utilizing pricing methodologies which consider similar factors that would be used by third party pricing vendors. Debt securities are generally categorized as Level 2 in the hierarchy but may be Level 3 depending on the circumstances. The Fund invests a significant portion of its assets in below investment grade securities. The value of these securities can be more volatile due to changes in the credit quality of the issuer and is sensitive to changes in economic, market and regulatory conditions.

Equity securities, including restricted securities, for which market quotations are readily available, are valued at the last reported sale price or official closing price as reported by a third party pricing vendor on the primary market or exchange on which they are traded and are categorized as Level 1 in the hierarchy. In the event there were no sales during the day or closing prices are not available, securities are valued at the last quoted bid price or may be valued using the last available price and are generally categorized as Level 2 in the hierarchy. For equity securities, including restricted securities, where observable inputs are limited, assumptions about market activity and risk are used and these securities may be categorized as Level 3 in the hierarchy.

Investments in open-end mutual funds, including the Fidelity Central Funds, are valued at their closing net asset value (NAV) each business day and are categorized as Level 1 in the hierarchy.

Changes in valuation techniques may result in transfers in or out of an assigned level within the disclosure hierarchy. The aggregate value of investments by input level as of June 30, 2019 is included at the end of the Fund's Schedule of Investments.

Investment Transactions and Income. For financial reporting purposes, the Fund's investment holdings and NAV include trades executed through the end of the last business day of the period. The NAV per share for processing shareholder transactions is calculated as of the close of business of the New York Stock Exchange (NYSE), normally 4:00 p.m. Eastern time and includes trades executed through the end of the prior business day. Gains and losses on securities sold are determined on the basis of identified cost and include proceeds received from litigation. Dividend income is recorded on the ex-dividend date. Income and capital gain distributions from Fidelity Central Funds, if any, are recorded on the ex-dividend date. Interest income is accrued as earned and includes

Notes to Financial Statements (Unaudited) – continued

coupon interest and amortization of premium and accretion of discount on debt securities as applicable. Paid in Kind (PIK) income is recorded at the fair market value of the securities received. Debt obligations may be placed on non-accrual status and related interest income may be reduced by ceasing current accruals and writing off interest receivables when the collection of all or a portion of interest has become doubtful based on consistently applied procedures. A debt obligation is removed from non-accrual status when the issuer resumes interest payments or when collectability of interest is reasonably assured.

Class Allocations and Expenses. Investment income, realized and unrealized capital gains and losses, common expenses of the Fund, and certain fund-level expense reductions, if any, are allocated daily on a pro-rata basis to each class based on the relative net assets of each class to the total net assets of the Fund. Each class differs with respect to transfer agent and distribution and service plan fees incurred. Certain expense reductions may also differ by class. For the reporting period, the allocated portion of income and expenses to each class as a percent of its average net assets may vary due to the timing of recording these transactions in relation to fluctuating net assets of the classes. Expenses directly attributable to a fund are charged to that fund. Expenses attributable to more than one fund are allocated among the respective funds on the basis of relative net assets or other appropriate methods. Expense estimates are accrued in the period to which they relate and adjustments are made when actual amounts are known.

Income Tax Information and Distributions to Shareholders. Each year, the Fund intends to qualify as a regulated investment company under Subchapter M of the Internal Revenue Code, including distributing substantially all of its taxable income and realized gains. As a result, no provision for U.S. Federal income taxes is required. The Fund files a U.S. federal tax return, in addition to state and local tax returns as required. The Fund's federal income tax returns are subject to examination by the Internal Revenue Service (IRS) for a period of three fiscal years after they are filed. State and local tax returns may be subject to examination for an additional fiscal year depending on the jurisdiction.

Distributions are declared and recorded on the ex-dividend date. Income and capital gain distributions are declared separately for each class. Income and capital gain distributions are determined in accordance with income tax regulations, which may differ from GAAP.

Capital accounts within the financial statements are adjusted for permanent book-tax differences. These adjustments have no impact on net assets or the results of operations. Capital accounts are not adjusted for temporary book-tax differences which will reverse in a subsequent period.

Book-tax differences are primarily due to market discount, deferred trustees compensation, capital loss carryforwards, partnerships and losses deferred due to wash sales.

As of period end, the cost and unrealized appreciation (depreciation) in securities, and derivatives if applicable, for federal income tax purposes were as follows:

Gross unrealized appreciation	\$ 30,990,037
Gross unrealized depreciation	(22,730,612)
Net unrealized appreciation (depreciation)	<u>\$ 8,259,425</u>
Tax cost	<u>\$ 993,024,852</u>

Capital loss carryforwards are only available to offset future capital gains of the Fund to the extent provided by regulations and may be limited. Under the Regulated Investment Company Modernization Act of 2010 (the Act), the Fund is permitted to carry forward capital losses incurred in taxable years beginning after December 22, 2010 for an unlimited period and such capital losses are required to be used prior to any losses that expire. The capital loss carryforward information presented below, including any applicable limitation, is estimated as of prior fiscal period end and is subject to adjustment.

No expiration	
Short-term	\$ (29,389,142)
Long-term	(30,748,936)
Total capital loss carryforward	<u>\$ (60,138,078)</u>

Delayed Delivery Transactions and When-Issued Securities. During the period, the Fund transacted in securities on a delayed delivery or when-issued basis. Payment and delivery may take place after the customary settlement period for that security. The price of the underlying securities and the date when the securities will be delivered and paid for are fixed at the time the transaction is negotiated. The securities purchased on a delayed delivery or when-issued basis are identified as such in the Fund's Schedule of Investments. The Fund may receive compensation for interest forgone in the purchase of a delayed delivery or when-issued security. With respect to purchase commitments, the Fund identifies securities as segregated in its records with a value at least equal to the amount of the commitment. Losses may arise due to changes in the value of the underlying securities or if the counterparty does not perform under the contract's terms, or if the issuer does not issue the securities due to political, economic, or other factors.

Restricted Securities. The Fund may invest in securities that are subject to legal or contractual restrictions on resale. These securities generally may be resold in transactions exempt from registration or to the public if the securities are registered. Disposal of these securities may involve time-consuming negotiations and expense, and prompt sale at an acceptable price may be difficult. Information regarding restricted securities is included at the end of the Fund's Schedule of Investments.

Loans and Other Direct Debt Instruments. The Fund invests in direct debt instruments which are interests in amounts owed to lenders by corporate or other borrowers. These instruments may be in the form of loans, trade claims or other receivables and may include standby financing commitments such as revolving credit facilities that obligate the Fund to supply additional cash to the borrower on demand. Loans may be acquired through assignment or participation. The Fund did not have any unfunded loan commitments, which are contractual obligations for future funding, at period end.

4. Purchases and Sales of Investments.

Purchases and sales of securities, other than short-term securities, aggregated \$155,887,932 and \$139,875,903, respectively.

5. Fees and Other Transactions with Affiliates.

Management Fee. Fidelity Management & Research Company (the investment adviser) and its affiliates provide the Fund with investment management related services for which the Fund pays a monthly management fee. The management fee is the sum of an individual fund fee rate that is based on an annual rate of .45% of the Fund's average net assets and an annualized group fee rate that averaged .10% during the period. The group fee rate is based upon the average net assets of all the mutual funds advised by the investment adviser, including any mutual funds previously advised by the investment adviser that are currently advised by Fidelity SelectCo, LLC, an affiliate of the investment adviser. The group fee rate decreases as assets under management increase and increases as assets under management decrease. For the reporting period, the total annualized management fee rate was .56% of the Fund's average net assets.

Distribution and Service Plan Fees. In accordance with Rule 12b-1 of the 1940 Act, the Fund has adopted separate 12b-1 Plans for each Service Class of shares. Each Service Class pays Fidelity Distributors Corporation (FDC), an affiliate of the investment adviser, a service fee. For the period, the service fee is based on an annual rate of .10% of Service Class' average net assets and .25% of Service Class 2's average net assets.

For the period, total fees, all of which were re-allowed to insurance companies for the distribution of shares and providing shareholder support services, were as follows:

Service Class	\$ 32,372
Service Class 2	<u>219,480</u>
	<u>\$251,852</u>

Transfer Agent Fees. Fidelity Investments Institutional Operations Company, Inc. (FIIOC), an affiliate of the investment adviser, is the Fund's transfer, dividend disbursing, and shareholder servicing agent. FIIOC receives an asset-based fee with respect to each class. Each class pays a fee for transfer agent services, typesetting and printing and mailing of shareholder reports, excluding mailing of proxy statements, equal to an annual rate of class-level average net assets. The annual rate for Investor Class is .10% and the annual rate for all other classes is .07%. For the period, transfer agent fees for each class were as follows:

Initial Class	\$107,216
Service Class	22,013
Service Class 2	59,699
Investor Class	<u>216,562</u>
	<u>\$405,490</u>

Accounting Fees. Fidelity Service Company, Inc. (FSC), an affiliate of the investment adviser, maintains the Fund's accounting records. The fee is based on the level of average net assets for each month. For the period, the fees were equivalent to an annualized rate of .04%.

Interfund Trades. The Fund may purchase from or sell securities to other Fidelity Funds under procedures adopted by the Board. The procedures have been designed to ensure these interfund trades are executed in accordance with Rule 17a-7 of the 1940 Act. Interfund trades are included within the respective purchases and sales amounts shown in the Purchases and Sales of Investments note.

6. Committed Line of Credit.

The Fund participates with other funds managed by the investment adviser or an affiliate in a \$4.25 billion credit facility (the "line of credit") to be utilized for temporary or emergency purposes to fund shareholder redemptions or for other short-term liquidity purposes. The Fund has agreed to pay commitment fees on its pro-rata portion of the line of credit, which amounted to \$1,368 and is reflected in Miscellaneous expenses on the Statement of Operations. During the period, the Fund did not borrow on this line of credit.

7. Expense Reductions.

Through arrangements with the Fund's custodian, credits realized as a result of certain uninvested cash balances were used to reduce the Fund's expenses. During the period, these credits reduced the Fund's custody expenses by \$5,244.

In addition, during the period the investment adviser reimbursed and/or waived a portion of fund-level operating expenses in the amount of \$2,306.

8. Distributions to Shareholders.

Distributions to shareholders of each class were as follows:

	Six months ended June 30, 2019	Year ended December 31, 2018
Distributions to shareholders		
Initial Class	\$2,673,749	\$17,907,229
Service Class	556,316	3,943,733
Service Class 2	1,567,478	9,832,056
Investor Class	<u>3,506,468</u>	<u>23,447,032</u>
Total	<u>\$8,304,011</u>	<u>\$55,130,050</u>

Notes to Financial Statements (Unaudited) – continued

9. Share Transactions.

Transactions for each class of shares were as follows:

	Shares Six months ended June 30, 2019	Shares Year ended December 31, 2018	Dollars Six months ended June 30, 2019	Dollars Year ended December 31, 2018
Initial Class				
Shares sold	4,747,736	6,202,476	\$ 25,230,510	\$ 33,493,973
Reinvestment of distributions	515,173	3,524,845	2,673,749	17,907,229
Shares redeemed	(5,589,344)	(14,662,295)	(29,432,293)	(79,112,854)
Net increase (decrease)	<u>(326,435)</u>	<u>(4,934,974)</u>	<u>\$ (1,528,034)</u>	<u>\$ (27,711,652)</u>
Service Class				
Shares sold	2,496,908	12,191,684	\$ 13,185,731	\$ 66,067,244
Reinvestment of distributions	108,022	780,144	556,316	3,943,733
Shares redeemed	(2,025,375)	(13,739,826)	(10,651,607)	(73,072,494)
Net increase (decrease)	<u>579,555</u>	<u>(767,998)</u>	<u>\$ 3,090,440</u>	<u>\$ (3,061,517)</u>
Service Class 2				
Shares sold	14,607,836	23,010,572	\$ 74,505,851	\$ 120,750,917
Reinvestment of distributions	313,496	2,004,336	1,567,478	9,832,056
Shares redeemed	(9,471,895)	(27,570,257)	(48,428,656)	(141,357,243)
Net increase (decrease)	<u>5,449,437</u>	<u>(2,555,349)</u>	<u>\$ 27,644,673</u>	<u>\$ (10,774,270)</u>
Investor Class				
Shares sold	5,539,547	12,105,958	\$ 29,032,834	\$ 65,315,595
Reinvestment of distributions	679,548	4,641,386	3,506,468	23,447,032
Shares redeemed	(3,982,791)	(21,784,916)	(20,845,340)	(116,865,183)
Net increase (decrease)	<u>2,236,304</u>	<u>(5,037,572)</u>	<u>\$ 11,693,962</u>	<u>\$ (28,102,556)</u>

10. Other.

The Fund's organizational documents provide former and current trustees and officers with a limited indemnification against liabilities arising in connection with the performance of their duties to the Fund. In the normal course of business, the Fund may also enter into contracts that provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown as this would be dependent on future claims that may be made against the Fund. The risk of material loss from such claims is considered remote.

At the end of the period, the investment adviser or its affiliates were the owners of record of 50% of the total outstanding shares of the Fund and one otherwise unaffiliated shareholder was the owner of record of 13% of the total outstanding shares of the Fund.

Shareholder Expense Example

As a shareholder of the Fund, you incur two types of costs: (1) transaction costs and (2) ongoing costs, including management fees, distribution and/or service (12b-1) fees and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period (January 1, 2019 to June 30, 2019).

Actual Expenses

The first line of the accompanying table for each class of the Fund provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000.00 (for example, an \$8,600 account value divided by \$1,000.00 = 8.6), then multiply the result by the number in the first line for a class of the Fund under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period. The estimate of expenses does not include any fees or other expenses of any variable annuity or variable life insurance product. If they were, the estimate of expenses you paid during the period would be higher, and your ending account value would be lower. In addition, the Fund, as a shareholder in the underlying Fidelity Central Funds, will indirectly bear its pro-rata share of the fees and expenses incurred by the underlying Fidelity Central Funds. These fees and expenses are not included in the Fund's annualized expense ratio used to calculate the expense estimate in the table below.

Hypothetical Example for Comparison Purposes

The second line of the accompanying table for each class of the Fund provides information about hypothetical account values and hypothetical expenses based on a Class' actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Class' actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds. The estimate of expenses does not include any fees or other expenses of any variable annuity or variable life insurance product. If they were, the estimate of expenses you paid during the period would be higher, and your ending account value would be lower. In addition, the Fund, as a shareholder in the underlying Fidelity Central Funds, will indirectly bear its pro-rata share of the fees and expenses incurred by the underlying Fidelity Central Funds. These fees and expenses are not included in the Fund's annualized expense ratio used to calculate the expense estimate in the table below.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transaction costs. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds.

	Annualized Expense Ratio- ^A	Beginning Account Value January 1, 2019	Ending Account Value June 30, 2019	Expenses Paid During Period- ^B January 1, 2019 to June 30, 2019
Initial Class	.68%			
Actual		\$1,000.00	\$1,106.10	\$3.55
Hypothetical- ^C		\$1,000.00	\$1,021.42	\$3.41
Service Class	.78%			
Actual		\$1,000.00	\$1,106.70	\$4.07
Hypothetical- ^C		\$1,000.00	\$1,020.93	\$3.91
Service Class 2	.94%			
Actual		\$1,000.00	\$1,103.40	\$4.90
Hypothetical- ^C		\$1,000.00	\$1,020.13	\$4.71
Investor Class	.71%			
Actual		\$1,000.00	\$1,106.50	\$3.71
Hypothetical- ^C		\$1,000.00	\$1,021.27	\$3.56

^A Annualized expense ratio reflects expenses net of applicable fee waivers.

^B Expenses are equal to each Class' annualized expense ratio, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).

^C 5% return per year before expenses

Board Approval of Investment Advisory Contracts and Management Fees

VIP High Income Portfolio

Each year, the Board of Trustees, including the Independent Trustees (together, the Board), votes on the renewal of the management contract with Fidelity Management & Research Company (FMR) and the sub-advisory agreements (together, the Advisory Contracts) for the fund. FMR and the sub-advisers are referred to herein as the Investment Advisers. The Board, assisted by the advice of fund counsel and Independent Trustees' counsel, requests and considers a broad range of information relevant to the renewal of the Advisory Contracts throughout the year.

The Board meets regularly and, at each of its meetings, covers an extensive agenda of topics and materials and considers factors that are relevant to its annual consideration of the renewal of the fund's Advisory Contracts, including the services and support provided to the fund and its shareholders. The Board has established various standing committees (Committees), each composed of and chaired by Independent Trustees with varying backgrounds, to which the Board has assigned specific subject matter responsibilities in order to enhance effective decision-making by the Board. The Board, acting directly and through its Committees, requests and receives information concerning the annual consideration of the renewal of the fund's Advisory Contracts. The Board also meets as needed to review matters specifically related to the Board's annual consideration of the renewal of the Advisory Contracts. Members of the Board may also meet with trustees of other Fidelity funds through joint ad hoc committees to discuss certain matters relevant to all of the Fidelity funds.

At its January 2019 meeting, the Board unanimously determined to renew the fund's Advisory Contracts. In reaching its determination, the Board considered all factors it believed relevant, including (i) the nature, extent, and quality of the services to be provided to the fund and its shareholders (including the investment performance of the fund); (ii) the competitiveness of the fund's management fee and total expense ratio relative to peer funds; (iii) the total costs of the services to be provided by and the profits to be realized by Fidelity from its relationships with the fund; and (iv) the extent to which, if any, economies of scale exist and would be realized as the fund grows, and whether any economies of scale are appropriately shared with fund shareholders.

In considering whether to renew the Advisory Contracts for the fund, the Board reached a determination, with the assistance of fund counsel and Independent Trustees' counsel and through the exercise of its business judgment, that the renewal of the Advisory Contracts was in the best interests of the fund and its shareholders and that the compensation payable under the Advisory Contracts was fair and reasonable. The Board's decision to renew the Advisory Contracts was not based on any single factor, but rather was based on a comprehensive consideration of all the information provided to the Board at its meetings throughout the year. The Board, in reaching its determination to renew the Advisory Contracts, was aware that shareholders of the fund have a broad range of investment choices available to them, including a wide choice among funds offered by Fidelity's competitors, and that the fund's shareholders, who have the opportunity to review and weigh the disclosure provided by the fund in its prospectus and other public disclosures, have chosen to invest in this fund, which is part of the Fidelity family of funds.

Nature, Extent, and Quality of Services Provided. The Board considered Fidelity's staffing as it relates to the fund, including the backgrounds of investment personnel of Fidelity, and also considered the fund's investment objective, strategies, and related investment philosophy. The Independent Trustees also had discussions with senior management of Fidelity's investment operations and investment groups. The Board considered the structure of the investment personnel compensation program and whether this structure provides appropriate incentives to act in the best interests of the fund. Additionally, the Board considered the portfolio managers' investments, if any, in the funds that they manage.

Resources Dedicated to Investment Management and Support Services. The Board and the Fund Oversight and Research Committees reviewed the general qualifications and capabilities of Fidelity's investment staff, including its size, education, experience, and resources, as well as Fidelity's approach to recruiting, training, managing, and compensating investment personnel. The Board noted that Fidelity has continued to increase the resources devoted to non-U.S. offices, including expansion of Fidelity's global investment organization. The Board also noted that Fidelity's analysts have extensive resources, tools and capabilities that allow them to conduct sophisticated quantitative and fundamental analysis, as well as credit analysis of issuers, counterparties and guarantors. Further, the Board considered that Fidelity's investment professionals have sufficient access to global information and data so as to provide competitive investment results over time, and that those professionals also have access to sophisticated tools that permit them to assess portfolio construction and risk and performance attribution characteristics continuously, as well as to transmit new information and research conclusions rapidly around the world. Additionally, in its deliberations, the Board considered Fidelity's trading, risk management, compliance, and technology and operations capabilities and resources, which are integral parts of the investment management process.

Shareholder and Administrative Services. The Board considered (i) the nature, extent, quality, and cost of advisory, administrative, and shareholder services performed by the Investment Advisers and their affiliates under the Advisory Contracts and under separate agreements covering transfer agency, pricing and bookkeeping, and securities lending services for the fund; (ii) the nature and extent of the supervision of third party service providers, principally custodians, subcustodians, and pricing vendors; and (iii) the resources devoted to, and the record of compliance with, the fund's compliance policies and procedures. The Board also reviewed the allocation of fund brokerage, including allocations to brokers affiliated with the Investment Advisers, the use of brokerage commissions to pay fund expenses, and the use of "soft" commission dollars to pay for research services.

The Board noted that the growth of fund assets over time across the complex allows Fidelity to reinvest in the development of services designed to enhance the value and convenience of the Fidelity funds as investment vehicles. These services include 24-hour access to account information and market information through telephone representatives and over the Internet, investor education materials and asset allocation tools, and the expanded availability of Fidelity Investor Centers.

The Board noted that it and the boards of certain other Fidelity funds had formed an ad hoc Committee on Transfer Agency Fees to review the variety of transfer agency fee structures throughout the industry and Fidelity's competitive positioning with respect to industry participants.

Investment in a Large Fund Family. The Board considered the benefits to shareholders of investing in a Fidelity fund, including the benefits of investing in a fund that is part of a large family of funds offering a variety of investment disciplines and providing a large variety of mutual fund investor services. The Board noted that Fidelity had taken, or had made recommendations that resulted in the Fidelity funds taking, a number of actions over the previous year that benefited particular funds, including: (i) continuing to dedicate additional resources to Fidelity's investment research process, which includes meetings with management of issuers of securities in which the funds invest, and to the support of the senior management team that oversees asset management; (ii) continuing efforts to enhance Fidelity's global research capabilities; (iii) launching new funds and making other enhancements to meet client needs; (iv) launching new share classes of existing funds; (v) eliminating purchase minimums and broadening eligibility requirements for certain funds and share classes; (vi) reducing management fees and total expenses for certain growth equity funds and index funds; (vii) lowering expense caps for certain existing funds and classes, and converting certain voluntary expense caps to contractual caps, to reduce expenses borne by shareholders; (viii) eliminating short-term redemption fees for funds that had such fees; (ix) rationalizing product lines and gaining increased efficiencies from fund mergers and share class consolidations; (x)

continuing to develop, acquire and implement systems and technology to improve services to the funds and shareholders, strengthen information security, and increase efficiency; and (xi) continuing to implement enhancements to further strengthen Fidelity's product line to increase investors' probability of success in achieving their investment goals, including retirement income goals.

Investment Performance. The Board considered whether the fund has operated in accordance with its investment objective, as well as its record of compliance with its investment restrictions and its performance history. The fund had portfolio manager changes in April 2018 and November 2018. The Board will continue to monitor closely the fund's performance, taking into account the portfolio manager changes.

The Board took into account discussions that occur at Board meetings throughout the year with representatives of the Investment Advisers about fund investment performance. In this regard the Board noted that as part of regularly scheduled fund reviews and other reports to the Board on fund performance, the Board considers annualized return information for the fund for different time periods, measured against an appropriate securities market index ("benchmark index") and a peer group of funds with similar objectives ("peer group"), if any. In its evaluation of fund investment performance, the Board gave particular attention to information indicating changes in performance of certain Fidelity funds for specific time periods and discussed with the Investment Advisers the reasons for any overperformance or underperformance.

In addition to reviewing absolute and relative fund performance, the Independent Trustees periodically consider the appropriateness of fund performance metrics in evaluating the results achieved. In general, the Independent Trustees believe that fund performance should be evaluated based on net performance (after fees and expenses) of both the highest performing and lowest performing fund share classes, where applicable, compared to appropriate benchmark indices, over appropriate time periods that may include full market cycles, and compared to peer groups, as applicable, over the same periods, taking into account relevant factors including the following: general market conditions; issuer-specific information; and fund cash flows and other factors.

The Independent Trustees recognize that shareholders evaluate performance on a net basis over their own holding periods, for which one-, three-, and five-year periods are often used as a proxy. For this reason, the performance information reviewed by the Board also included net cumulative total return information for the fund and an appropriate benchmark index and peer group for the most recent one-, three-, and five-year periods ended June 30, 2018, as shown below. Returns are shown compared to the 25th percentile (top of box, 75% beaten) and 75th percentile (bottom of box, 25% beaten) of the peer universe.

VIP High Income Portfolio



Based on its review, the Board concluded that the nature, extent, and quality of services provided to the fund under the Advisory Contracts should continue to benefit the shareholders of the fund.

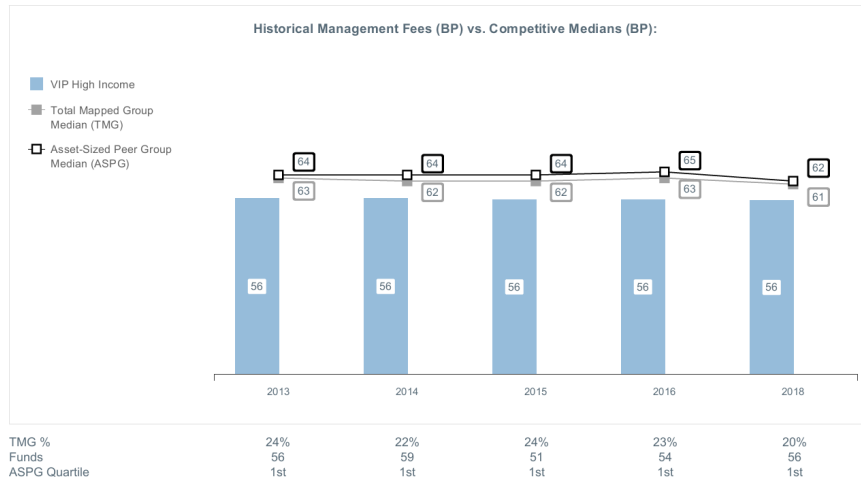
Competitiveness of Management Fee and Total Expense Ratio. The Board considered the fund's management fee and total expense ratio compared to "mapped groups" of competitive funds and classes created for the purpose of facilitating the Trustees' competitive analysis of management fees and total expenses. Fidelity creates "mapped groups" by combining similar Lipper investment objective categories that have comparable investment mandates. Combining Lipper investment objective categories aids the Board's management fee and total expense ratio comparisons by broadening the competitive group used for comparison.

Management Fee. The Board considered two proprietary management fee comparisons for the 12-month periods (ended June 30 for 2018 and December 31 for prior periods) shown in basis points (BP) in the chart below. The group of Lipper funds used by the Board for management fee comparisons is referred to below as the "Total Mapped Group." The Total Mapped Group is broader than the Lipper peer group used by the Board for performance comparisons because the Total Mapped Group combines several Lipper investment objective categories while the Lipper peer group does not. The Total Mapped Group comparison focuses on a fund's standing in terms of gross management fees before expense reimbursements or caps relative to the total universe of funds with comparable investment mandates, regardless of whether their management fee structures also are comparable. Funds with comparable investment mandates offer exposure to similar types of securities. Funds with comparable management fee structures have similar management fee contractual arrangements (e.g., flat rate charged for advisory services, all-inclusive fee rate, etc.). "TMG %" represents the percentage of funds in the Total Mapped Group that had management fees that were lower than the fund's. For example, a hypothetical TMG % of 20% would mean that 80% of the funds in the Total Mapped Group had higher, and 20% had lower, management fees than the fund. The fund's actual TMG %s and the number of funds in the Total Mapped Group are in the chart below. The "Asset-Size Peer Group" (ASPG) comparison focuses on a fund's standing relative to a subset of non-Fidelity funds within the Total Mapped Group that are similar in size and management fee structure. For example, if a fund is in the first quartile of the ASPG, the fund's management fee ranks in the least expensive or lowest 25% of funds in the ASPG. The ASPG

Board Approval of Investment Advisory Contracts and Management Fees – continued

represents at least 15% of the funds in the Total Mapped Group with comparable asset size and management fee structures, subject to a minimum of 50 funds (or all funds in the Total Mapped Group if fewer than 50). Additional information, such as the ASPG quartile in which the fund’s management fee rate ranked, is also included in the chart and was considered by the Board.

VIP High Income Portfolio



The Board noted that the fund’s management fee rate ranked below the median of its Total Mapped Group and below the median of its ASPG for the 12-month period ended June 30, 2018.

The Board noted that it and the boards of other Fidelity funds formed an ad hoc Committee on Group Fee, which meets periodically, to conduct an in-depth review of the “group fee” component of the management fee of funds with such management fee structures. The Committee’s focus included the mechanics of the group fee, the competitive landscape of group fee structures, Fidelity funds with no group fee component and investment products not included in group fee assets. The Board also considered that, for funds subject to the group fee, FMR agreed to voluntarily waive fees over a specified period of time in amounts designed to account for assets converted from certain funds to certain collective investment trusts.

The Board also noted that, in 2013, the ad hoc Committee on Management Fees was formed to conduct an in-depth review of the management fee rates of Fidelity’s active equity mutual funds. The Committee focused on the following areas: (i) standard fee structures; (ii) research consumption and trading evolution; (iii) management fee competitiveness/profitability by category; and (iv) factors that drive institutional pricing.

Based on its review, the Board concluded that the fund’s management fee is fair and reasonable in light of the services that the fund receives and the other factors considered.

Total Expense Ratio. In its review of each class’s total expense ratio, the Board considered the fund’s management fee rate as well as other fund or class expenses, as applicable, such as transfer agent fees, pricing and bookkeeping fees, fund-paid 12b-1 fees, and custodial, legal, and audit fees. The Board also noted that Fidelity may agree to waive fees and expenses from time to time, and the extent to which, if any, it has done so for the fund. As part of its review, the Board also considered the current and historical total expense ratios of each class of the fund compared to competitive fund median expenses. Each class of the fund is compared to those funds and classes in the Total Mapped Group (used by the Board for management fee comparisons) that have a similar sales load structure.

The Board noted that the total expense ratio of each of Initial Class, Investor Class, and Service Class ranked below the competitive median for the 12-month period ended June 30, 2018, and the total expense ratio of Service Class 2 ranked above the competitive median for the 12-month period ended June 30, 2018. The Board considered that, in general, various factors can affect total expense ratios. The Board noted that the total expense ratio of Service Class 2 was above the competitive median because of its 12b-1 fees and that excluding 12b-1 fees of both the class and the competitor classes, the total expense ratio of Service Class 2 ranked below the median. The Board noted that the fund offers multiple classes, each of which has a different 12b-1 fee structure, and that the multiple structures are intended to offer a range of pricing options for the intermediary market. The Board also noted that the total expense ratios of the classes vary primarily by the level of their 12b-1 fees, although differences in transfer agent fees may also cause expenses to vary from class to class.

Fees Charged to Other Fidelity Clients. The Board also considered Fidelity fee structures and other information with respect to clients of Fidelity, such as other funds advised or subadvised by Fidelity, pension plan clients, and other institutional clients with similar mandates. The Board noted that a joint ad hoc committee created by it and the boards of other Fidelity funds periodically reviews and compares Fidelity’s institutional investment advisory business with its business of providing services to the Fidelity funds and also noted the most recent findings of the committee. The Board noted that the committee’s review included a consideration of the differences in services provided, fees charged, and costs incurred, as well as competition in the markets serving the different categories of clients.

Based on its review of total expense ratios and fees charged to other Fidelity clients, the Board concluded that the total expense ratio of each class of the fund was reasonable in light of the services that the fund and its shareholders receive and the other factors considered.

Costs of the Services and Profitability. The Board considered the revenues earned and the expenses incurred by Fidelity in conducting the business of developing, marketing, distributing, managing, administering and servicing the fund and servicing the fund’s shareholders. The Board also considered the level of Fidelity’s profits in respect of all the Fidelity funds.

On an annual basis, Fidelity presents to the Board information about the profitability of its relationships with the fund. Fidelity calculates profitability information for each fund, as well as aggregate profitability information for groups of Fidelity funds and all Fidelity funds, using a series of detailed revenue and cost allocation methodologies which originate with the books and records of Fidelity on which Fidelity's audited financial statements are based. The Audit Committee of the Board reviews any significant changes from the prior year's methodologies.

PricewaterhouseCoopers LLP (PwC), auditor to Fidelity and certain Fidelity funds, has been engaged annually by the Board as part of the Board's assessment of Fidelity's profitability analysis. PwC's engagement includes the review and assessment of the methodologies used by Fidelity in determining the revenues and expenses attributable to Fidelity's mutual fund business, and completion of agreed-upon procedures in respect of the mathematical accuracy of the fund profitability information and its conformity to established allocation methodologies. After considering PwC's reports issued under the engagement and information provided by Fidelity, the Board concluded that while other allocation methods may also be reasonable, Fidelity's profitability methodologies are reasonable in all material respects.

The Board also reviewed Fidelity's non-fund businesses and potential indirect benefits such businesses may have received as a result of their association with Fidelity's mutual fund business (i.e., fall-out benefits) as well as cases where Fidelity's affiliates may benefit from the fund's business. The Board noted that changes to fall-out benefits year-over-year reflect business developments at Fidelity's various businesses.

The Board considered the costs of the services provided by and the profits realized by Fidelity in connection with the operation of the fund and was satisfied that the profitability was not excessive.

Economies of Scale. The Board considered whether there have been economies of scale in respect of the management of the Fidelity funds, whether the Fidelity funds (including the fund) have appropriately benefited from any such economies of scale, and whether there is potential for realization of any further economies of scale. The Board considered the extent to which the fund will benefit from economies of scale as assets grow through increased services to the fund, through waivers or reimbursements, or through fee or expense ratio reductions. The Board also noted that a committee (the Economies of Scale Committee) created by it and the boards of other Fidelity funds periodically analyzes whether Fidelity attains economies of scale in respect of the management and servicing of the Fidelity funds, whether the Fidelity funds have appropriately benefited from such economies of scale, and whether there is potential for realization of any further economies of scale.

The Board recognized that the fund's management contract incorporates a "group fee" structure, which provides for lower group fee rates as total group assets increase, and for higher group fee rates as total group assets decrease (with "group assets" defined to include fund assets under FMR's management plus the assets of sector funds previously under FMR's management). FMR calculates the group fee rates based on a tiered asset "breakpoint" schedule that varies based on asset class. The Board considered that the group fee is designed to deliver the benefits of economies of scale to fund shareholders when total Fidelity fund assets increase, even if assets of any particular fund are unchanged or have declined, because some portion of Fidelity's costs are attributable to services provided to all Fidelity funds, and all funds benefit if those costs can be allocated among more assets. The Board concluded that, given the group fee structure, fund shareholders will benefit from lower management fees as group assets increase at the fund complex level, regardless of whether Fidelity achieves any such economies of scale.

The Board concluded, taking into account the analysis of the Economies of Scale Committee, that economies of scale, if any, are being appropriately shared between fund shareholders and Fidelity.

Additional Information Requested by the Board. In order to develop fully the factual basis for consideration of the Fidelity funds' advisory contracts, the Board requested and received additional information on certain topics, including: (i) fund performance trends, in particular the underperformance of certain funds, and Fidelity's long-term strategies for certain funds; (ii) Fidelity's fund profitability methodology, profitability trends for certain funds, and the impact of certain factors on fund profitability results; (iii) metrics for evaluating index fund and ETF performance and information about ETF trading characteristics; (iv) the methodology with respect to the evaluation of competitive fund data and peer group classifications and fee comparisons; (v) the expense structures for different funds and classes; (vi) information regarding other accounts managed by Fidelity, including collective investment trusts; and (vii) Fidelity's philosophies and strategies for evaluating funds and classes with lower or declining asset levels.

Based on its evaluation of all of the conclusions noted above, and after considering all factors it believed relevant, the Board concluded that the advisory fee arrangements are fair and reasonable, and that the fund's Advisory Contracts should be renewed.

