

# Fidelity® Variable Insurance Products:

## Balanced Portfolio

Semi-Annual Report  
June 30, 2019



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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.

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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)

The information in the following tables is based on the combined investments of the Fund and its pro-rata share of the investments of Fidelity's Fixed-Income Central Funds.

## Top Five Stocks as of June 30, 2019

	% of fund's net assets
Microsoft Corp.	3.2
Apple, Inc.	2.2
Amazon.com, Inc.	2.1
Facebook, Inc. Class A	1.7
Alphabet, Inc. Class C	1.4
	<u>10.6</u>

## Top Five Bond Issuers as of June 30, 2019

(with maturities greater than one year)	% of fund's net assets
U.S. Treasury Obligations	10.1
Fannie Mae	3.4
Ginnie Mae	2.5
Freddie Mac	1.8
Morgan Stanley	0.6
	<u>18.4</u>

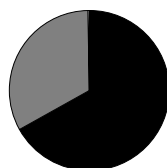
## Top Five Market Sectors as of June 30, 2019

	% of fund's net assets
Financials	13.9
Information Technology	13.0
Health Care	10.2
Consumer Discretionary	8.2
Communication Services	8.1

## Asset Allocation (% of fund's net assets)

As of June 30, 2019 \*

■ Stocks and Equity Futures	66.9%
■ Bonds	32.8%
□ Other Investments	0.3%



\* Foreign investments – 10.3%

An unaudited holdings listing for the Fund, which presents direct holdings as well as the pro-rata share of any securities and other investments held indirectly through its investment in underlying non-money market Fidelity Central Funds, is available at [fidelity.com](http://fidelity.com) and/or [institutional.fidelity.com](http://institutional.fidelity.com), as applicable.

Percentages in the above tables are adjusted for the effect of TBA Sale Commitments.

Percentages are adjusted for the effect of futures contracts and swaps, if applicable.

# Schedule of Investments June 30, 2019 (Unaudited)

Showing Percentage of Net Assets

## Common Stocks – 65.5%

	Shares	Value		Shares	Value
<b>COMMUNICATION SERVICES – 6.8%</b>					
<b>Diversified Telecommunication Services – 0.6%</b>					
AT&T, Inc.	823,871	\$ 27,607,917			
CenturyLink, Inc.	68,600	806,736			
		<u>28,414,653</u>			
<b>Entertainment – 1.6%</b>					
Activision Blizzard, Inc.	239,567	11,307,562			
Electronic Arts, Inc. (a)	70,000	7,088,200			
Netflix, Inc. (a)	55,100	20,239,332			
Take-Two Interactive Software, Inc. (a)	20,600	2,338,718			
The Walt Disney Co.	192,200	26,838,808			
Viacom, Inc. Class B (non-vtg.)	56,000	1,672,720			
		<u>69,485,340</u>			
<b>Interactive Media &amp; Services – 3.9%</b>					
Alphabet, Inc.:					
Class A (a)	17,962	19,449,254			
Class C (a)	58,849	63,610,473			
CarGurus, Inc. Class A (a)	42,800	1,545,508			
Facebook, Inc. Class A (a)	381,804	73,688,172			
Momo, Inc. ADR	113,200	4,052,560			
Tencent Holdings Ltd.	230,400	10,423,162			
Twitter, Inc. (a)	80,100	2,795,490			
		<u>175,564,619</u>			
<b>Media – 0.5%</b>					
Comcast Corp. Class A	531,090	22,454,485			
MDC Partners, Inc. Class A (a)	185,021	466,253			
		<u>22,920,738</u>			
<b>Wireless Telecommunication Services – 0.2%</b>					
Boingo Wireless, Inc. (a)	30,500	548,085			
T-Mobile U.S., Inc. (a)	106,503	7,896,132			
		<u>8,444,217</u>			
		<u>304,829,567</u>			
<b>CONSUMER DISCRETIONARY – 7.8%</b>					
<b>Auto Components – 0.1%</b>					
Aptiv PLC	68,500	5,536,855			
<b>Distributors – 0.1%</b>					
LKQ Corp. (a)	150,300	3,999,483			
<b>Diversified Consumer Services – 0.1%</b>					
Arco Platform Ltd. Class A	66,700	2,920,126			
Grand Canyon Education, Inc. (a)	7,500	877,650			
		<u>3,797,776</u>			
<b>Hotels, Restaurants &amp; Leisure – 1.9%</b>					
ARAMARK Holdings Corp.	112,700	4,063,962			
Cedar Fair LP (depository unit)	68,100	3,247,689			
Churchill Downs, Inc.	18,600	2,140,302			
Compass Group PLC	392,100	9,399,334			
Dunkin' Brands Group, Inc.	42,800	3,409,448			
Marriott International, Inc. Class A	69,091	9,692,776			
McDonald's Corp.	143,400	29,778,444			
Sea Ltd. ADR (a)	15,800	524,876			
Starbucks Corp.	90,090	7,552,245			
U.S. Foods Holding Corp. (a)	202,000	7,223,520			
		<u>83,726,975</u>			
<b>Household Durables – 0.2%</b>					
Lennar Corp. Class A	152,800	7,404,688			
<b>Internet &amp; Direct Marketing Retail – 3.1%</b>					
Alibaba Group Holding Ltd. sponsored ADR (a)	74,000	12,539,300			
Amazon.com, Inc. (a)	48,710	92,238,717			
MakeMyTrip Ltd. (a)	51,314	1,272,587			
Meituan Dianping Class B	1,889,600	16,569,710			
Naspers Ltd. Class N	5,800	1,403,891			
Pinduoduo, Inc. ADR	60,300	1,243,989			
The Booking Holdings, Inc. (a)	6,900	12,935,499			
		<u>138,203,693</u>			
<b>Leisure Products – 0.0%</b>					
Mattel, Inc. (a) (b)	238,400	2,672,464			
<b>Media – 0.0%</b>					
iQIYI, Inc. ADR (a)	17,100	353,115			
MultiChoice Group Ltd. (a)	2,600	24,730			
		<u>377,845</u>			
<b>Multiline Retail – 0.2%</b>					
Dollar Tree, Inc. (a)	93,800	10,073,182			
<b>Specialty Retail – 1.7%</b>					
Lowe's Companies, Inc.	155,500	15,691,505			
O'Reilly Automotive, Inc. (a)	16,200	5,982,984			
The Children's Place Retail Stores, Inc.	23,400	2,231,892			
The Home Depot, Inc.	163,808	34,067,150			
TJX Companies, Inc.	330,980	17,502,222			
		<u>75,475,753</u>			
<b>Textiles, Apparel &amp; Luxury Goods – 0.4%</b>					
NIKE, Inc. Class B	119,030	9,992,569			
Prada SpA	439,700	1,359,340			
PVH Corp.	29,200	2,763,488			
Rattler Midstream LP	59,500	1,153,705			
Tapestry, Inc.	142,900	4,534,217			
		<u>19,803,319</u>			
		<u>351,072,033</u>			
<b>CONSUMER STAPLES – 4.6%</b>					
<b>Beverages – 1.4%</b>					
Constellation Brands, Inc. Class A (sub. vtg.)	47,662	9,386,554			
Diageo PLC	72,700	3,129,029			
Keurig Dr. Pepper, Inc.	71,117	2,055,281			
Monster Beverage Corp. (a)	114,626	7,316,578			
PepsiCo, Inc.	70,600	9,257,778			
The Coca-Cola Co.	591,786	30,133,743			
		<u>61,278,963</u>			
<b>Food &amp; Staples Retailing – 0.5%</b>					
Costco Wholesale Corp.	18,500	4,888,810			
Kroger Co.	116,600	2,531,386			
Sysco Corp.	97,300	6,881,056			
Walmart, Inc.	74,100	8,187,309			
		<u>22,488,561</u>			
<b>Food Products – 0.7%</b>					
Bunge Ltd.	60,728	3,383,157			

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

## Schedule of Investments (Unaudited) – continued

### Common Stocks – continued

	Shares	Value
<b>CONSUMER STAPLES – continued</b>		
<b>Food Products – continued</b>		
Conagra Brands, Inc.	134,200	\$ 3,558,984
Danone SA	29,600	2,506,298
Mondelez International, Inc.	332,400	17,916,360
The Kraft Heinz Co.	131,000	4,066,240
The Simply Good Foods Co. (a)	71,300	1,716,904
		<u>33,147,943</u>
<b>Household Products – 1.1%</b>		
Colgate-Palmolive Co.	194,344	13,928,634
Energizer Holdings, Inc.	85,300	3,295,992
Procter & Gamble Co.	282,400	30,965,160
		<u>48,189,786</u>
<b>Personal Products – 0.2%</b>		
Coty, Inc. Class A	284,431	3,811,375
Unilever NV (Certificaten Van Aandelen) (Bearer)	106,200	6,452,519
		<u>10,263,894</u>
<b>Tobacco – 0.7%</b>		
Altria Group, Inc.	253,108	11,984,664
Philip Morris International, Inc.	220,456	17,312,410
		<u>29,297,074</u>
<b>TOTAL CONSUMER STAPLES</b>		<u>204,666,221</u>
<b>ENERGY – 3.2%</b>		
<b>Energy Equipment &amp; Services – 0.2%</b>		
Baker Hughes, a GE Co. Class A	182,800	4,502,364
Hess Midstream Partners LP	52,300	1,019,850
Liberty Oilfield Services, Inc. Class A	69,500	1,124,510
NCS Multistage Holdings, Inc. (a)	200,500	711,775
Oceaneering International, Inc. (a)	44,000	897,160
		<u>8,255,659</u>
<b>Oil, Gas &amp; Consumable Fuels – 3.0%</b>		
Black Stone Minerals LP	106,500	1,650,750
BP PLC sponsored ADR	164,422	6,856,397
Brigham Minerals, Inc. Class A	80,400	1,725,384
Cabot Oil & Gas Corp.	128,560	2,951,738
Chevron Corp.	168,100	20,918,364
Devon Energy Corp.	298,900	8,524,628
Diamondback Energy, Inc.	55,500	6,047,835
EOG Resources, Inc.	157,400	14,663,384
Exxon Mobil Corp.	187,500	14,368,125
Magnolia Oil & Gas Corp. Class A (a) (b)	266,600	3,087,228
Noble Energy, Inc.	155,300	3,478,720
Parsley Energy, Inc. Class A (a)	166,000	3,155,660
Phillips 66 Co.	104,226	9,749,300
Pioneer Natural Resources Co.	60,900	9,370,074
PrairieSky Royalty Ltd.	109,834	1,543,237
Reliance Industries Ltd.	413,073	7,507,205
Suncor Energy, Inc.	256,780	8,009,975
Targa Resources Corp.	40,400	1,586,104
Valero Energy Corp.	85,300	7,302,533
Viper Energy Partners LP	66,800	2,058,776
		<u>134,555,417</u>
<b>TOTAL ENERGY</b>		<u>142,811,076</u>

	Shares	Value
<b>FINANCIALS – 8.5%</b>		
<b>Banks – 3.1%</b>		
Bank of America Corp.	1,033,487	\$ 29,971,123
Citigroup, Inc.	512,854	35,915,166
EFG Eurobank Ergasias SA (a)	948,900	933,330
First Horizon National Corp.	386,800	5,774,924
Huntington Bancshares, Inc.	1,219,838	16,858,161
KeyCorp	403,200	7,156,800
M&T Bank Corp.	31,600	5,374,212
PNC Financial Services Group, Inc.	67,400	9,252,672
Sberbank of Russia sponsored ADR	159,100	2,446,958
Signature Bank	42,800	5,171,952
State Bank of India (a)	458,900	2,404,317
SunTrust Banks, Inc.	83,900	5,273,115
Wells Fargo & Co.	304,000	14,385,280
		<u>140,918,010</u>
<b>Capital Markets – 1.2%</b>		
Apollo Global Management LLC Class A	34,600	1,186,780
BlackRock, Inc. Class A	19,800	9,292,140
Cboe Global Markets, Inc.	96,925	10,044,338
E*TRADE Financial Corp.	300,500	13,402,300
Monex Group, Inc.	547,200	1,928,637
Morgan Stanley	233,000	10,207,730
State Street Corp.	65,800	3,688,748
Tradeweb Markets, Inc. Class A	21,900	959,439
Virtu Financial, Inc. Class A	220,700	4,806,846
		<u>55,516,958</u>
<b>Consumer Finance – 2.2%</b>		
360 Finance, Inc. ADR (b)	421,300	4,950,275
Ally Financial, Inc.	182,500	5,655,675
American Express Co.	154,500	19,071,480
Capital One Financial Corp.	438,358	39,776,605
Green Dot Corp. Class A (a)	22,500	1,100,250
LexisFintech Holdings Ltd. ADR (a)	105,300	1,175,148
OneMain Holdings, Inc.	383,829	12,977,258
PPDAI Group, Inc. ADR	78,687	342,288
Shriram Transport Finance Co. Ltd.	52,600	824,245
SLM Corp.	302,552	2,940,805
Synchrony Financial	216,100	7,492,187
		<u>96,306,216</u>
<b>Diversified Financial Services – 0.4%</b>		
Berkshire Hathaway, Inc.:		
Class A (a)	13	4,138,550
Class B (a)	46,400	9,891,088
Kimbell Royalty Partners LP	126,639	2,045,220
		<u>16,074,858</u>
<b>Insurance – 1.6%</b>		
American International Group, Inc.	305,400	16,271,712
Hartford Financial Services Group, Inc.	125,300	6,981,716
Marsh & McLennan Companies, Inc.	130,297	12,997,126
MetLife, Inc.	235,900	11,717,153
The Travelers Companies, Inc.	77,500	11,587,800
Willis Group Holdings PLC	70,102	13,427,337
		<u>72,982,844</u>
<b>TOTAL FINANCIALS</b>		<u>381,798,886</u>

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

## Common Stocks – continued

	Shares	Value
<b>HEALTH CARE – 9.3%</b>		
<b>Biotechnology – 1.5%</b>		
Alexion Pharmaceuticals, Inc. (a)	138,350	\$ 18,121,083
Amgen, Inc.	96,504	17,783,757
Celgene Corp. (a)	89,900	8,310,356
Global Blood Therapeutics, Inc. (a)	36,669	1,928,789
Immunomedics, Inc. (a)	58,000	804,460
Sarepta Therapeutics, Inc. (a)	16,500	2,507,175
Vertex Pharmaceuticals, Inc. (a)	111,400	20,428,532
		<u>69,884,152</u>
<b>Health Care Equipment &amp; Supplies – 2.9%</b>		
Abbott Laboratories	386,000	32,462,600
Becton, Dickinson & Co.	90,100	22,706,101
Boston Scientific Corp. (a)	715,880	30,768,522
Danaher Corp.	55,600	7,946,352
Haemonetics Corp. (a)	7,100	854,414
Hologic, Inc. (a)	126,200	6,060,124
Intuitive Surgical, Inc. (a)	29,900	15,684,045
Stryker Corp.	32,900	6,763,582
Wright Medical Group NV (a)	200,200	5,969,964
		<u>129,215,704</u>
<b>Health Care Providers &amp; Services – 2.1%</b>		
DaVita HealthCare Partners, Inc. (a)	72,000	4,050,720
HCA Holdings, Inc.	115,200	15,571,584
Humana, Inc.	56,800	15,069,040
Molina Healthcare, Inc. (a)	56,700	8,116,038
UnitedHealth Group, Inc.	207,089	50,531,787
		<u>93,339,169</u>
<b>Health Care Technology – 0.0%</b>		
Change Healthcare, Inc.	126,200	1,842,520
<b>Life Sciences Tools &amp; Services – 0.6%</b>		
Thermo Fisher Scientific, Inc.	93,017	27,317,233
<b>Pharmaceuticals – 2.2%</b>		
Allergan PLC	52,023	8,710,211
AstraZeneca PLC:		
(United Kingdom)	25,900	2,117,369
sponsored ADR	500,100	20,644,128
Bristol-Myers Squibb Co.	509,560	23,108,546
Corteva, Inc.	146,292	4,325,854
Eli Lilly & Co.	97,000	10,746,630
Horizon Pharma PLC (a)	99,300	2,389,158
Roche Holding AG (participation certificate)	89,516	25,170,813
		<u>97,212,709</u>
TOTAL HEALTH CARE		<u>418,811,487</u>
<b>INDUSTRIALS – 7.0%</b>		
<b>Aerospace &amp; Defense – 1.1%</b>		
General Dynamics Corp.	27,800	5,054,596
Northrop Grumman Corp.	35,940	11,612,573
Raytheon Co.	8,360	1,453,637
The Boeing Co.	31,280	11,386,233
United Technologies Corp.	144,710	18,841,242
		<u>48,348,281</u>
<b>Air Freight &amp; Logistics – 0.4%</b>		
United Parcel Service, Inc. Class B	194,577	20,093,967

	Shares	Value
<b>Airlines – 0.3%</b>		
American Airlines Group, Inc.	386,315	\$ 12,597,732
<b>Construction &amp; Engineering – 0.7%</b>		
AECOM (a)	729,565	27,614,035
Jacobs Engineering Group, Inc.	18,300	1,544,337
		<u>29,158,372</u>
<b>Electrical Equipment – 0.9%</b>		
Sensata Technologies, Inc. PLC (a)	215,250	10,547,250
Sunrun, Inc. (a)	1,104,735	20,724,829
Vivint Solar, Inc. (a)	1,252,539	9,143,535
		<u>40,415,614</u>
<b>Industrial Conglomerates – 1.0%</b>		
3M Co.	22,470	3,894,950
General Electric Co.	3,177,300	33,361,650
Honeywell International, Inc.	40,740	7,112,797
		<u>44,369,397</u>
<b>Machinery – 0.6%</b>		
Caterpillar, Inc.	2,200	299,838
Minebea Mitsumi, Inc.	306,100	5,181,399
WABCO Holdings, Inc. (a)	170,469	22,604,189
		<u>28,085,426</u>
<b>Marine – 0.3%</b>		
A.P. Moller - Maersk A/S Series B	10,890	13,550,612
<b>Professional Services – 0.3%</b>		
Nielsen Holdings PLC	576,853	13,036,878
<b>Road &amp; Rail – 0.9%</b>		
CSX Corp.	202,550	15,671,294
Norfolk Southern Corp.	112,230	22,370,806
Union Pacific Corp.	26,800	4,532,148
		<u>42,574,248</u>
<b>Trading Companies &amp; Distributors – 0.5%</b>		
HD Supply Holdings, Inc. (a)	523,055	21,068,655
Univar, Inc. (a)	84,900	1,871,196
		<u>22,939,851</u>
TOTAL INDUSTRIALS		<u>315,170,378</u>
<b>INFORMATION TECHNOLOGY – 12.8%</b>		
<b>Communications Equipment – 0.3%</b>		
Cisco Systems, Inc.	227,400	12,445,602
Telefonaktiebolaget LM Ericsson (B Shares) sponsored ADR	317,700	3,018,150
		<u>15,463,752</u>
<b>Electronic Equipment &amp; Components – 0.1%</b>		
Flextronics International Ltd. (a)	253,500	2,425,995
Jabil, Inc.	39,400	1,245,040
		<u>3,671,035</u>
<b>Internet Software &amp; Services – 0.1%</b>		
Wise Talent Information Technology Co. Ltd. (a)	882,200	2,337,717
<b>IT Services – 1.4%</b>		
Akamai Technologies, Inc. (a)	21,300	1,706,982
Alliance Data Systems Corp.	67,000	9,388,710
Cognizant Technology Solutions Corp. Class A	77,100	4,887,369
DXC Technology Co.	49,200	2,713,380
Elastic NV (b)	136,800	10,213,488
Fidelity National Information Services, Inc.	21,600	2,649,888
FleetCor Technologies, Inc. (a)	4,800	1,348,080

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

## Schedule of Investments (Unaudited) – continued

### Common Stocks – continued

	Shares	Value
<b>INFORMATION TECHNOLOGY – continued</b>		
<b>IT Services – continued</b>		
Global Payments, Inc.	19,700	\$ 3,154,561
GreenSky, Inc. Class A (a)	96,500	1,185,985
MasterCard, Inc. Class A	12,300	3,253,719
PagSeguro Digital Ltd. (a)	21,500	837,855
PayPal Holdings, Inc. (a)	154,600	17,695,516
Verra Mobility Corp. (a)	140,600	1,840,454
Visa, Inc. Class A	20,900	3,627,195
		<u>64,503,182</u>
<b>Semiconductors &amp; Semiconductor Equipment – 3.2%</b>		
Advanced Micro Devices, Inc. (a)	79,400	2,411,378
ams AG	32,512	1,274,569
Analog Devices, Inc.	31,100	3,510,257
Applied Materials, Inc.	165,500	7,432,605
Broadcom, Inc.	39,800	11,456,828
Lam Research Corp.	83,500	15,684,640
MACOM Technology Solutions Holdings, Inc. (a)	153,474	2,322,062
Marvell Technology Group Ltd.	369,900	8,829,513
Microchip Technology, Inc. (b)	21,000	1,820,700
Micron Technology, Inc. (a)	210,200	8,111,618
NVIDIA Corp.	108,900	17,884,647
NXP Semiconductors NV	181,600	17,725,976
ON Semiconductor Corp. (a)	909,712	18,385,280
Qualcomm, Inc.	281,297	21,398,263
Sanken Electric Co. Ltd.	86,300	1,801,802
Semtech Corp. (a)	7,300	350,765
Xilinx, Inc.	20,500	2,417,360
		<u>142,818,263</u>
<b>Software – 5.3%</b>		
2U, Inc. (a)	96,400	3,628,496
Adobe, Inc. (a)	62,031	18,277,434
Autodesk, Inc. (a)	79,961	13,025,647
Avast PLC (c)	3,900	14,858
Blue Prism Group PLC (a)	89,246	1,566,331
Box, Inc. Class A (a)	6,400	112,704
Cardlytics, Inc. (a)	51,004	1,325,084
Citrix Systems, Inc.	67,318	6,606,589
Everbridge, Inc. (a)	400	35,768
Kingsoft Corp. Ltd.	1,344,000	2,907,639
LivePerson, Inc. (a)	20,700	580,428
Microsoft Corp.	1,057,400	141,649,300
Parametric Technology Corp. (a)	42,611	3,824,763
Pivotal Software, Inc. (a)	56,700	598,752
Pluralsight, Inc. (a)	34,600	1,049,072
Salesforce.com, Inc. (a)	135,500	20,559,415
SurveyMonkey	559,459	9,236,668
Symantec Corp.	137,900	3,000,704
Talend SA ADR (a)	140,064	5,405,070
Totvs SA	89,000	1,019,110
Varonis Systems, Inc. (a)	49,500	3,066,030
Zuora, Inc. (a)	139,320	2,134,382
		<u>239,624,244</u>
<b>Technology Hardware, Storage &amp; Peripherals – 2.4%</b>		
Apple, Inc.	498,266	98,616,807

	Shares	Value
Pure Storage, Inc. Class A (a)	348,200	\$ 5,317,014
Western Digital Corp.	35,700	1,697,535
		<u>105,631,356</u>
<b>TOTAL INFORMATION TECHNOLOGY</b>		
		<u>574,049,549</u>
<b>MATERIALS – 1.6%</b>		
<b>Chemicals – 1.3%</b>		
Air Products & Chemicals, Inc.	27,900	6,315,723
Amyris, Inc. (a) (b)	229,800	818,088
Dow, Inc. (a)	48,359	2,384,582
DowDuPont, Inc.	124,592	9,353,121
Ecolab, Inc.	20,900	4,126,496
International Flavors & Fragrances, Inc.	20,000	2,901,800
LG Chemical Ltd.	11,320	3,467,712
Linde PLC	65,416	13,135,533
LyondellBasell Industries NV Class A	11,300	973,269
Olin Corp.	214,800	4,706,268
Sherwin-Williams Co.	6,000	2,749,740
The Chemours Co. LLC	221,930	5,326,320
Tronox Holdings PLC	89,100	1,138,698
W.R. Grace & Co.	9,800	745,878
Westlake Chemical Corp.	11,004	764,338
		<u>58,907,566</u>
<b>Construction Materials – 0.1%</b>		
Martin Marietta Materials, Inc.	10,300	2,370,133
Vulcan Materials Co.	20,200	2,773,662
		<u>5,143,795</u>
<b>Containers &amp; Packaging – 0.1%</b>		
Avery Dennison Corp.	17,600	2,035,968
Crown Holdings, Inc. (a)	61,600	3,763,760
		<u>5,799,728</u>
<b>Metals &amp; Mining – 0.1%</b>		
Newmont Goldcorp Corp.	91,500	3,520,005
		<u>3,520,005</u>
<b>TOTAL MATERIALS</b>		
		<u>73,371,094</u>
<b>REAL ESTATE – 2.0%</b>		
<b>Equity Real Estate Investment Trusts (REITs) – 1.9%</b>		
Alexandria Real Estate Equities, Inc.	47,400	6,687,666
American Tower Corp.	96,400	19,708,980
Ant International Co. Ltd. Class C (a) (d) (e)	621,699	4,681,393
CorePoint Lodging, Inc.	59,100	732,249
Corporate Office Properties Trust (SBI)	179,900	4,743,963
Crown Castle International Corp.	24,700	3,219,645
Equinix, Inc.	20,500	10,337,945
Equity Lifestyle Properties, Inc.	30,700	3,725,138
Front Yard Residential Corp. Class B	222,200	2,715,284
Outfront Media, Inc.	26,520	683,951
Potlatch Corp.	69,900	2,724,702
Prologis, Inc.	119,000	9,531,900
Simon Property Group, Inc.	7,300	1,166,248
Spirit Realty Capital, Inc.	28,580	1,219,223
Store Capital Corp.	47,700	1,583,163

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



## Common Stocks – continued

	Shares	Value
<b>REAL ESTATE – continued</b>		
<b>Equity Real Estate Investment Trusts (REITs) – continued</b>		
VICI Properties, Inc.	103,100	\$ 2,272,324
Welltower, Inc.	102,000	8,316,060
		<u>84,049,834</u>
<b>Real Estate Management &amp; Development – 0.1%</b>		
Cushman & Wakefield PLC	160,000	<u>2,860,800</u>
<b>TOTAL REAL ESTATE</b>		<u>86,910,634</u>
<b>UTILITIES – 1.9%</b>		
<b>Electric Utilities – 1.2%</b>		
Edison International	106,100	7,152,201
Entergy Corp.	32,800	3,376,104
Evergy, Inc.	38,825	2,335,324
Exelon Corp.	257,435	12,341,434
FirstEnergy Corp.	173,200	7,414,692
NextEra Energy, Inc.	64,851	13,285,376
PG&E Corp. (a)	52,199	1,196,401
PPL Corp.	182,800	5,668,628
Southern Co.	46,800	2,587,104
		<u>55,357,264</u>
<b>Independent Power and Renewable Electricity Producers – 0.1%</b>		
NRG Energy, Inc.	53,543	1,880,430
The AES Corp.	85,900	1,439,684
		<u>3,320,114</u>
<b>Multi-Utilities – 0.6%</b>		
Dominion Resources, Inc.	158,978	12,292,179
Public Service Enterprise Group, Inc.	120,800	7,105,456
Sempra Energy	56,498	7,765,085
		<u>27,162,720</u>
<b>TOTAL UTILITIES</b>		<u>85,840,098</u>
<b>TOTAL COMMON STOCKS</b>		<b>2,939,331,023</b>
(Cost \$2,299,411,020)		

## U.S. Treasury Obligations – 0.1%

	Principal Amount	
U.S. Treasury Bills, yield at date of purchase 2.11% to 2.39%		
7/25/19 to 9/26/19 (f)		
(Cost \$2,910,352)	\$ 2,920,000	<b>2,911,090</b>

## Fixed-Income Funds – 32.3%

	Shares	Value
Fidelity High Income Central Fund (g)	911,285	101,635,614
Fidelity VIP Investment Grade Central Fund (g)	12,582,126	<u>1,350,187,982</u>
<b>TOTAL FIXED-INCOME FUNDS</b>		<b>1,451,823,596</b>
(Cost \$1,399,163,669)		

## Money Market Funds – 2.6%

	Shares	Value
Fidelity Cash Central Fund 2.42% (h)	106,077,351	\$ 106,098,567
Fidelity Securities Lending Cash Central Fund 2.42% (h) (i)	12,350,054	<u>12,351,289</u>
<b>TOTAL MONEY MARKET FUNDS</b>		<b>118,449,856</b>
(Cost \$118,444,817)		
<b>TOTAL INVESTMENT IN SECURITIES – 100.5%</b>		<b>4,512,515,565</b>
(Cost \$3,819,929,858)		
<b>NET OTHER ASSETS (LIABILITIES) – (0.5%)</b>		<b>(22,784,944)</b>
<b>NET ASSETS – 100%</b>		<b>\$4,489,730,621</b>

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

## Schedule of Investments (Unaudited) – continued

### Futures Contracts

	Number of contracts	Expiration Date	Notional Amount	Value	Unrealized Appreciation/ (Depreciation)
<b>Purchased</b>					
<b>Equity Index Contracts</b>					
CME E-mini S&P 500 Index Contracts (United States)	436	Sept. 2019	\$64,183,560	\$995,849	\$ 995,849

The notional amount of futures purchased as a percentage of Net Assets is 1.4%

### Legend

- (a) Non-income producing
- (b) Security or a portion of the security is on loan at period end.
- (c) 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 \$14,858 or 0.0% of net assets.
- (d) Restricted securities – Investment in securities not registered under the Securities Act of 1933 (excluding 144A issues). At the end of the period, the value of restricted securities (excluding 144A issues) amounted to \$4,681,393 or 0.1% of net assets.
- (e) Level 3 security
- (f) Security or a portion of the security was pledged to cover margin requirements for futures contracts. At period end, the value of securities pledged amounted to \$2,911,090.
- (g) Affiliated fund that is generally available only to investment companies and other accounts managed by Fidelity Investments. A complete unaudited schedule of portfolio holdings for each Fidelity Central Fund is filed with the SEC for the first and third quarters of each fiscal year on Form N-PORT and is available upon request or at the SEC's website at [www.sec.gov](http://www.sec.gov). An unaudited holdings listing for the Fund, which presents direct holdings as well as the pro-rata share of securities and other investments held indirectly through its investment in underlying non-money market Fidelity Central Funds, is available at [fidelity.com](http://fidelity.com) and/or [institutional.fidelity.com](http://institutional.fidelity.com), as applicable. In addition, each Fidelity Central Fund's financial statements are available on the SEC's website or upon request.
- (h) 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.
- (i) Investment made with cash collateral received from securities on loan.

Additional information on each restricted holding is as follows:

Security	Acquisition Date	Acquisition Cost
Ant International Co. Ltd. Class C	5/16/18	\$ 3,487,731

### 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	\$ 1,119,513
Fidelity High Income Central Fund	3,191,869
Fidelity Securities Lending Cash Central Fund	99,658
Fidelity VIP Investment Grade Central Fund	22,992,790
Total	\$ 27,403,830

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. Amount for Fidelity Securities Lending Cash Central Fund represents securities lending income earned from the reinvestment of cash collateral from loaned securities, net of payments to and from borrowers of securities.

Fiscal year to date information regarding the Fund's investments in non-Money Market Central Funds, including the ownership percentage, is presented below.

Fund	Value, beginning of period	Purchases	Sales Proceeds	Realized Gain/Loss	Change in Unrealized appreciation (depreciation)	Value, end of period	% ownership, end of period
Fidelity High Income Central Fund	\$ 91,823,084	\$ 3,191,674	\$ —	\$ —	\$ 6,620,856	\$ 101,635,614	3.9%
Fidelity VIP Investment Grade Central Fund	1,250,395,464	37,765,031	—	—	62,027,487	1,350,187,982	24.2%
Total	\$1,342,218,548	\$40,956,705	\$ —	\$ —	\$68,648,343	\$1,451,823,596	

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

## 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
<b>Investments in Securities:</b>				
<b>Equities:</b>				
Communication Services	\$ 304,829,567	\$ 294,406,405	\$10,423,162	\$ —
Consumer Discretionary	351,072,033	340,268,808	10,803,225	—
Consumer Staples	204,666,221	192,578,375	12,087,846	—
Energy	142,811,076	142,811,076	—	—
Financials	381,798,886	381,798,886	—	—
Health Care	418,811,487	391,523,305	27,288,182	—
Industrials	315,170,378	301,619,766	13,550,612	—
Information Technology	574,049,549	574,049,549	—	—
Materials	73,371,094	73,371,094	—	—
Real Estate	86,910,634	82,229,241	—	4,681,393
Utilities	85,840,098	85,840,098	—	—
U.S. Government and Government Agency Obligations	2,911,090	—	2,911,090	—
Fixed-Income Funds	1,451,823,596	1,451,823,596	—	—
Money Market Funds	118,449,856	118,449,856	—	—
<b>Total Investments in Securities:</b>	<b>\$4,512,515,565</b>	<b>\$4,430,770,055</b>	<b>\$77,064,117</b>	<b>\$4,681,393</b>
<b>Derivative Instruments:</b>				
<b>Assets</b>				
Futures Contracts	\$ 995,849	\$ 995,849	\$ —	\$ —
<b>Total Assets</b>	<b>\$ 995,849</b>	<b>\$ 995,849</b>	<b>\$ —</b>	<b>\$ —</b>
<b>Total Derivative Instruments:</b>	<b>\$ 995,849</b>	<b>\$ 995,849</b>	<b>\$ —</b>	<b>\$ —</b>

## Value of Derivative Instruments

The following table is a summary of the Fund's value of derivative instruments by primary risk exposure as of June 30, 2019. For additional information on derivative instruments, please refer to the Derivative Instruments section in the accompanying Notes to Financial Statements.

Primary Risk Exposure / Derivative Type	Value	
	Asset	Liability
<b>Equity Risk</b>		
Futures Contracts (a)	\$995,849	\$0
<b>Total Equity Risk</b>	<b>995,849</b>	<b>0</b>
<b>Total Value of Derivatives</b>	<b>\$995,849</b>	<b>\$0</b>

(a) Reflects gross cumulative appreciation (depreciation) on futures contracts as presented in the Schedule of Investments. In the Statement of Assets and Liabilities, the period end daily variation margin is included in receivable or payable for daily variation margin on futures contracts, and the net cumulative appreciation (depreciation) is included in distributable earnings.

## Other Information

The composition of credit quality ratings as a percentage of Total Net Assets (Unaudited) is as follows. The information in the following tables is based on the combined investments of the Fund and its pro-rata share of the investments of Fidelity's Fixed-Income Central Funds.

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

## Schedule of Investments (Unaudited) – continued

U.S. Government and U.S. Government Agency Obligations	17.8%
AAA,AA,A	3.4%
BBB	7.7%
BB	2.3%
B	0.5%
CCC,CC,C	0.9%
D	0.0%
Not Rated	0.5%
Equities	65.5%
Short-Term Investments and Net Other Assets	1.4%
	<u>100.0%</u>

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.

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

United States of America	89.7%
United Kingdom	2.2%
Cayman Islands	2.1%
Netherlands	1.2%
Others (Individually Less Than 1%)	4.8%
	<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)
<b>Assets</b>		
Investment in securities, at value (including securities loaned of \$12,192,291) — See accompanying schedule:		
Unaffiliated issuers (cost \$2,302,321,372)	\$ 2,942,242,113	
Fidelity Central Funds (cost \$1,517,608,486)	<u>1,570,273,452</u>	
Total Investment in Securities (cost \$3,819,929,858)		\$ 4,512,515,565
Foreign currency held at value (cost \$35,026)		35,022
Receivable for investments sold		16,090,932
Receivable for fund shares sold		1,018,014
Dividends receivable		2,600,339
Distributions receivable from Fidelity Central Funds		466,012
Receivable for daily variation margin on futures contracts		289,940
Other receivables		<u>46,678</u>
<b>Total assets</b>		<u>4,533,062,502</u>
<b>Liabilities</b>		
Payable to custodian bank	\$ 1,840,088	
Payable for investments purchased	24,945,232	
Payable for fund shares redeemed	1,854,980	
Accrued management fee	1,423,325	
Distribution and service plan fees payable	265,831	
Other affiliated payables	543,886	
Other payables and accrued expenses	107,591	
Collateral on securities loaned	<u>12,350,948</u>	
<b>Total liabilities</b>		<u>43,331,881</u>
<b>Net Assets</b>		<u>\$ 4,489,730,621</u>
Net Assets consist of:		
Paid in capital		\$ 3,793,736,674
Total distributable earnings (loss)		<u>695,993,947</u>
<b>Net Assets</b>		<u>\$ 4,489,730,621</u>
<b>Net Asset Value and Maximum Offering Price</b>		
<b>Initial Class:</b>		
Net Asset Value, offering price and redemption price per share (\$230,805,474 ÷ 12,629,084 shares)		<u>\$ 18.28</u>
<b>Service Class:</b>		
Net Asset Value, offering price and redemption price per share (\$18,055,097 ÷ 995,404 shares)		<u>\$ 18.14</u>
<b>Service Class 2:</b>		
Net Asset Value, offering price and redemption price per share (\$1,296,660,204 ÷ 72,907,648 shares)		<u>\$ 17.78</u>
<b>Investor Class:</b>		
Net Asset Value, offering price and redemption price per share (\$2,944,209,846 ÷ 162,572,109 shares)		<u>\$ 18.11</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)
<b>Investment Income</b>		
Dividends		\$ 24,999,079
Interest		26,415
Income from Fidelity Central Funds (including \$99,658 from security lending)		<u>27,403,830</u>
<b>Total income</b>		<u>52,429,324</u>
<b>Expenses</b>		
Management fee	\$ 8,276,621	
Transfer agent fees	2,518,228	
Distribution and service plan fees	1,501,843	
Accounting and security lending fees	669,294	
Custodian fees and expenses	36,330	
Independent trustees' fees and expenses	10,058	
Audit	47,127	
Legal	8,518	
Miscellaneous	<u>15,416</u>	
Total expenses before reductions	13,083,435	
Expense reductions	<u>(91,708)</u>	
Total expenses after reductions		<u>12,991,727</u>
<b>Net investment income (loss)</b>		<u>39,437,597</u>
<b>Realized and Unrealized Gain (Loss)</b>		
Net realized gain (loss) on:		
Investment securities:		
Unaffiliated issuers	7,475,575	
Fidelity Central Funds	572	
Foreign currency transactions	(3,936)	
Futures contracts	<u>3,944,627</u>	
Total net realized gain (loss)		11,416,838
Change in net unrealized appreciation (depreciation) on:		
Investment securities:		
Unaffiliated issuers (net of increase in deferred foreign taxes of \$40,184)	448,580,265	
Fidelity Central Funds	68,648,343	
Assets and liabilities in foreign currencies	7,389	
Futures contracts	<u>2,474,457</u>	
Total change in net unrealized appreciation (depreciation)		<u>519,710,454</u>
<b>Net gain (loss)</b>		<u>531,127,292</u>
<b>Net increase (decrease) in net assets resulting from operations</b>		<u>\$ 570,564,889</u>

### Statement of Changes in Net Assets

	Six months ended June 30, 2019 (Unaudited)	Year ended December 31, 2018
<b>Increase (Decrease) in Net Assets</b>		
Operations		
Net investment income (loss)	\$ 39,437,597	\$ 62,014,836
Net realized gain (loss)	11,416,838	213,326,249
Change in net unrealized appreciation (depreciation)	<u>519,710,454</u>	<u>(454,655,556)</u>
<b>Net increase (decrease) in net assets resulting from operations</b>	<u>570,564,889</u>	<u>(179,314,471)</u>
Distributions to shareholders	<u>(213,990,388)</u>	<u>(259,714,378)</u>
Share transactions – net increase (decrease)	<u>265,136,298</u>	<u>337,820,970</u>
<b>Total increase (decrease) in net assets</b>	<u>621,710,799</u>	<u>(101,207,879)</u>
<b>Net Assets</b>		
Beginning of period	3,868,019,822	3,969,227,701
End of period	<u>\$ 4,489,730,621</u>	<u>\$ 3,868,019,822</u>

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

# Financial Highlights

## VIP Balanced Portfolio Initial Class

	Six months ended (Unaudited) June 30,	Years ended December 31,				
	2019	2018	2017	2016	2015	2014
<b>Selected Per-Share Data</b>						
Net asset value, beginning of period	\$ 16.78	\$ 18.76	\$ 16.77	\$ 16.27	\$ 16.93	\$ 17.76
Income from Investment Operations						
Net investment income (loss) <sup>A</sup>	.17	.30	.28	.27	.26	.27
Net realized and unrealized gain (loss)	2.25	(1.07)	2.44	.85	(.16)	1.37
Total from investment operations	2.42	(.77)	2.72	1.12	.10	1.64
Distributions from net investment income	(.06)	(.27)	(.27)	(.22)	(.26)	(.25)
Distributions from net realized gain	(.86)	(.94)	(.46)	(.40)	(.50)	(2.22)
Total distributions	(.92)	(1.21)	(.73)	(.62)	(.76)	(2.47)
Net asset value, end of period	\$ 18.28	\$ 16.78	\$ 18.76	\$ 16.77	\$ 16.27	\$ 16.93
<b>Total Return</b> <sup>B,C,D</sup>	14.84%	(4.22)%	16.43%	7.26%	.59%	10.26%
<b>Ratios to Average Net Assets</b> <sup>E,F</sup>						
Expenses before reductions	.49% <sup>G</sup>	.49%	.50%	.51%	.51%	.51%
Expenses net of fee waivers, if any	.49% <sup>G</sup>	.49%	.50%	.51%	.51%	.51%
Expenses net of all reductions	.49% <sup>G</sup>	.49%	.50%	.51%	.51%	.51%
Net investment income (loss)	1.97% <sup>G</sup>	1.64%	1.56%	1.66%	1.54%	1.63%
<b>Supplemental Data</b>						
Net assets, end of period (000 omitted)	\$ 230,805	\$ 206,293	\$ 231,977	\$ 209,201	\$ 212,589	\$ 220,897
Portfolio turnover rate <sup>H</sup>	42% <sup>G</sup>	55%	45%	43%	54%	56%

<sup>A</sup> Calculated based on average shares outstanding during the period.

<sup>B</sup> Total returns for periods of less than one year are not annualized.

<sup>C</sup> Total returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown.

<sup>D</sup> Total returns would have been lower if certain expenses had not been reduced during the applicable periods shown.

<sup>E</sup> 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. Based on their most recent shareholder report date, the expenses of any underlying non-money market Fidelity Central Funds were less than .005%.

<sup>F</sup> 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.

<sup>G</sup> Annualized

<sup>H</sup> 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 Balanced Portfolio Service Class

	Six months ended (Unaudited) June 30,	Years ended December 31,	2017	2016	2015	2014
	2019	2018				
<b>Selected Per-Share Data</b>						
Net asset value, beginning of period	\$ 16.67	\$ 18.65	\$ 16.69	\$ 16.20	\$ 16.86	\$ 17.70
Income from Investment Operations						
Net investment income (loss) <sup>A</sup>	.16	.28	.26	.25	.24	.25
Net realized and unrealized gain (loss)	2.23	(1.05)	2.41	.85	(.15)	1.36
Total from investment operations	2.39	(.77)	2.67	1.10	.09	1.61
Distributions from net investment income	(.06)	(.27)	(.26)	(.21)	(.25)	(.23)
Distributions from net realized gain	(.86)	(.94)	(.46)	(.40)	(.50)	(2.22)
Total distributions	(.92)	(1.21)	(.71) <sup>B</sup>	(.61)	(.75)	(2.45)
Net asset value, end of period	\$ 18.14	\$ 16.67	\$ 18.65	\$ 16.69	\$ 16.20	\$ 16.86
<b>Total Return</b> <sup>C,D,E</sup>	14.73%	(4.27)%	16.25%	7.16%	.51%	10.09%
<b>Ratios to Average Net Assets</b> <sup>F,G</sup>						
Expenses before reductions	.59% <sup>H</sup>	.59%	.60%	.61%	.62%	.65%
Expenses net of fee waivers, if any	.59% <sup>H</sup>	.59%	.60%	.61%	.61%	.65%
Expenses net of all reductions	.59% <sup>H</sup>	.59%	.60%	.61%	.61%	.65%
Net investment income (loss)	1.87% <sup>H</sup>	1.53%	1.46%	1.56%	1.43%	1.50%
<b>Supplemental Data</b>						
Net assets, end of period (000 omitted)	\$ 18,055	\$ 16,616	\$ 7,933	\$ 4,865	\$ 4,619	\$ 3,267
Portfolio turnover rate <sup>I</sup>	42% <sup>H</sup>	55%	45%	43%	54%	56%

<sup>A</sup> Calculated based on average shares outstanding during the period.

<sup>B</sup> Total distributions of \$.71 per share is comprised of distributions from net investment income of \$.255 and distributions from net realized gain of \$.458 per share.

<sup>C</sup> Total returns for periods of less than one year are not annualized.

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

<sup>E</sup> Total returns would have been lower if certain expenses had not been reduced during the applicable periods shown.

<sup>F</sup> 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. Based on their most recent shareholder report date, the expenses of any underlying non-money market Fidelity Central Funds were less than .005%.

<sup>G</sup> 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.

<sup>H</sup> Annualized

<sup>I</sup> 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 Balanced Portfolio Service Class 2

	Six months ended (Unaudited) June 30,	Years ended December 31,				
	2019	2018	2017	2016	2015	2014
<b>Selected Per-Share Data</b>						
Net asset value, beginning of period	\$ 16.37	\$ 18.33	\$ 16.41	\$ 15.95	\$ 16.61	\$ 17.47
Income from Investment Operations						
Net investment income (loss) <sup>A</sup>	.15	.25	.23	.22	.21	.23
Net realized and unrealized gain (loss)	2.17	(1.04)	2.38	.83	(.15)	1.34
Total from investment operations	2.32	(.79)	2.61	1.05	.06	1.57
Distributions from net investment income	(.05)	(.23)	(.23)	(.19)	(.22)	(.22)
Distributions from net realized gain	(.86)	(.94)	(.46)	(.40)	(.50)	(.22)
Total distributions	(.91)	(1.17)	(.69)	(.59)	(.72)	(2.43) <sup>B</sup>
Net asset value, end of period	\$ 17.78	\$ 16.37	\$ 18.33	\$ 16.41	\$ 15.95	\$ 16.61
<b>Total Return</b> <sup>C,D,E</sup>	14.61%	(4.44)%	16.12%	6.98%	.36%	10.02%
<b>Ratios to Average Net Assets</b> <sup>F,G</sup>						
Expenses before reductions	.74% <sup>H</sup>	.74%	.75%	.76%	.76%	.76%
Expenses net of fee waivers, if any	.74% <sup>H</sup>	.74%	.75%	.76%	.76%	.76%
Expenses net of all reductions	.74% <sup>H</sup>	.74%	.75%	.76%	.76%	.76%
Net investment income (loss)	1.72% <sup>H</sup>	1.39%	1.31%	1.41%	1.29%	1.38%
<b>Supplemental Data</b>						
Net assets, end of period (000 omitted)	\$ 1,296,660	\$ 1,045,617	\$ 979,052	\$ 687,973	\$ 555,924	\$ 521,880
Portfolio turnover rate <sup>I</sup>	42% <sup>H</sup>	55%	45%	43%	54%	56%

<sup>A</sup> Calculated based on average shares outstanding during the period.

<sup>B</sup> Total distributions of \$2.43 per share is comprised of distributions from net investment income of \$.216 and distributions from net realized gain of \$2.217 per share.

<sup>C</sup> Total returns for periods of less than one year are not annualized.

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

<sup>E</sup> Total returns would have been lower if certain expenses had not been reduced during the applicable periods shown.

<sup>F</sup> 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. Based on their most recent shareholder report date, the expenses of any underlying non-money market Fidelity Central Funds were less than .005%.

<sup>G</sup> 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.

<sup>H</sup> Annualized

<sup>I</sup> 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 Balanced Portfolio Investor Class

	Six months ended (Unaudited) June 30, 2019	Years ended December 31, 2018	2017	2016	2015	2014
<b>Selected Per-Share Data</b>						
Net asset value, beginning of period	\$ 16.64	\$ 18.61	\$ 16.65	\$ 16.16	\$ 16.82	\$ 17.66
Income from Investment Operations						
Net investment income (loss) <sup>A</sup>	.17	.28	.26	.25	.24	.26
Net realized and unrealized gain (loss)	2.22	(1.05)	2.41	.85	(.15)	1.36
Total from investment operations	2.39	(.77)	2.67	1.10	.09	1.62
Distributions from net investment income	(.06)	(.26)	(.25)	(.21)	(.25)	(.24)
Distributions from net realized gain	(.86)	(.94)	(.46)	(.40)	(.50)	(2.22)
Total distributions	(.92)	(1.20)	(.71)	(.61)	(.75)	(2.46)
Net asset value, end of period	\$ 18.11	\$ 16.64	\$ 18.61	\$ 16.65	\$ 16.16	\$ 16.82
<b>Total Return</b> <sup>B,C,D</sup>	14.77%	(4.28)%	16.28%	7.18%	.52%	10.18%
<b>Ratios to Average Net Assets</b> <sup>E,F</sup>						
Expenses before reductions	.57% <sup>G</sup>	.57%	.58%	.59%	.59%	.59%
Expenses net of fee waivers, if any	.57% <sup>G</sup>	.57%	.58%	.59%	.59%	.59%
Expenses net of all reductions	.57% <sup>G</sup>	.57%	.58%	.59%	.59%	.59%
Net investment income (loss)	1.89% <sup>G</sup>	1.56%	1.48%	1.58%	1.46%	1.55%
<b>Supplemental Data</b>						
Net assets, end of period (000 omitted)	\$ 2,944,210	\$ 2,599,494	\$ 2,750,265	\$ 2,350,058	\$ 2,224,674	\$ 2,052,258
Portfolio turnover rate <sup>H</sup>	42% <sup>G</sup>	55%	45%	43%	54%	56%

<sup>A</sup> Calculated based on average shares outstanding during the period.

<sup>B</sup> Total returns for periods of less than one year are not annualized.

<sup>C</sup> Total returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown.

<sup>D</sup> Total returns would have been lower if certain expenses had not been reduced during the applicable periods shown.

<sup>E</sup> 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. Based on their most recent shareholder report date, the expenses of any underlying non-money market Fidelity Central Funds were less than .005%.

<sup>F</sup> 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.

<sup>G</sup> Annualized

<sup>H</sup> 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 Balanced Portfolio (the Fund) is a fund of Variable Insurance Products Fund III (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.

Based on its investment objective, each Fidelity Central Fund may invest or participate in various investment vehicles or strategies that are similar to those of the Fund. These strategies are consistent with the investment objectives of the Fund and may involve certain economic risks which may cause a decline in value of each of the Fidelity Central Funds and thus a decline in the value of the Fund. 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%. The following summarizes the Fund's investment in each non-money market Fidelity Central Fund.

Fidelity Central Fund	Investment Manager	Investment Objective	Investment Practices	Expense Ratio <sup>(a)</sup>
Fidelity High Income Central Fund	FMR Co., Inc. (FMRC)	Seeks a high level of income and may also seek capital appreciation by investing primarily in debt securities, preferred stocks, and convertible securities, with an emphasis on lower-quality debt securities.	Delayed Delivery & When Issued Securities Loans & Direct Debt Instruments Restricted Securities	Less than .005%
Fidelity VIP Investment Grade Central Fund	FIMM	Seeks a high level of current income by normally investing in investment-grade debt securities and repurchase agreements.	Delayed Delivery & When Issued Securities Repurchase Agreements Restricted Securities Swaps	Less than .005%

(a) Expenses expressed as a percentage of average net assets and are as of each underlying Central Fund's most recent annual or semi-annual shareholder report.

An unaudited holdings listing for the Fund, which presents direct holdings as well as the pro-rata share of any securities and other investments held indirectly through its investment in underlying non-money market Fidelity Central Funds, is available at [institutional.fidelity.com](http://institutional.fidelity.com). 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](http://www.sec.gov). In addition, the financial statements of the Fidelity Central Funds which contain the significant accounting policies (including investment valuation policies) of those 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:

## Notes to Financial Statements (Unaudited) – continued

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 foreign equity securities, when market or security specific events arise, comparisons to the valuation of American Depositary Receipts (ADRs), futures contracts, Exchange-Traded Funds (ETFs) and certain indexes as well as quoted prices for similar securities may be used and would be 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.

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. U.S. government and government agency obligations 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.

Futures contracts are valued at the settlement price established each day by the board of trade or exchange on which they are traded and are categorized as Level 1 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.

**Foreign Currency.** The Fund may use foreign currency contracts to facilitate transactions in foreign-denominated securities. Gains and losses from these transactions may arise from changes in the value of the foreign currency or if the counterparties do not perform under the contracts' terms.

Foreign-denominated assets, including investment securities, and liabilities are translated into U.S. dollars at the exchange rates at period end. Purchases and sales of investment securities, income and dividends received and expenses denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date.

The effects of exchange rate fluctuations on investments are included with the net realized and unrealized gain (loss) on investment securities. Other foreign currency transactions resulting in realized and unrealized gain (loss) are disclosed separately.

**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, except for certain dividends from foreign securities where the ex-dividend date may have passed, which are recorded as soon as the Fund is informed of the ex-dividend date. Non-cash dividends included in dividend income, if any, are recorded at the fair market value of the securities received. Income and capital gain distributions from Fidelity Central Funds, if any, are recorded on the ex-dividend date. Certain distributions received by the Fund represent a return of capital or capital gain. The Fund determines the components of these distributions subsequent to the ex-dividend date, based upon receipt of tax filings or other correspondence relating to the underlying investment. These distributions are recorded as a reduction of cost of investments and/or as a realized gain. Interest income is accrued as earned and includes coupon interest and amortization of premium and accretion of discount on debt securities as applicable. Investment income is recorded net of foreign taxes withheld where recovery of such taxes is uncertain. 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. Foreign taxes are provided for based on the Fund's understanding of the tax rules and rates that exist in the foreign markets in which it invests. The Fund is subject to a tax imposed on capital gains by certain countries in which it invests. An estimated deferred tax liability for net unrealized appreciation on the applicable securities is included in Other payables and accrued expenses on the Statement of Assets & Liabilities.

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 the short-term gain distributions from the Underlying Funds, futures contracts, foreign currency transactions, passive foreign investment companies (PFIC), market discount, partnerships, deferred trustees compensation and losses deferred due to wash sales and excise tax regulations.

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	\$ 760,142,539
Gross unrealized depreciation	(89,163,369)
Net unrealized appreciation (depreciation)	<u>\$ 670,979,170</u>
Tax cost	<u>\$3,842,532,244</u>

The Fund elected to defer to its next fiscal year approximately \$22,672,263 of capital losses recognized during the period November 1, 2018 to December 31, 2018.

**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.

#### 4. Derivative Instruments.

**Risk Exposures and the Use of Derivative Instruments.** The Fund's investment objective allows the Fund to enter into various types of derivative contracts, including futures contracts. Derivatives are investments whose value is primarily derived from underlying assets, indices or reference rates and may be transacted on an exchange or over-the-counter (OTC). Derivatives may involve a future commitment to buy or sell a specified asset based on specified terms, to exchange future cash flows at periodic intervals based on a notional principal amount, or for one party to make one or more payments upon the occurrence of specified events in exchange for periodic payments from the other party.

The Fund used derivatives to increase returns and to manage exposure to certain risks as defined below. The success of any strategy involving derivatives depends on analysis of numerous economic factors, and if the strategies for investment do not work as intended, the Fund may not achieve its objectives.

The Fund's use of derivatives increased or decreased its exposure to the following risk:

**Equity Risk** Equity risk relates to the fluctuations in the value of financial instruments as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

The Fund is also exposed to additional risks from investing in derivatives, such as liquidity risk and counterparty credit risk. Liquidity risk is the risk that the Fund will be unable to close out the derivative in the open market in a timely manner. Counterparty credit risk is the risk that the counterparty will not be able to fulfill its obligation to the Fund. Counterparty credit risk related to exchange-traded futures contracts may be mitigated by the protection provided by the exchange on which they trade.

Investing in derivatives may involve greater risks than investing in the underlying assets directly and, to varying degrees, may involve risk of loss in excess of any initial investment and collateral received and amounts recognized in the Statement of Assets and Liabilities. In addition, there may be the risk that the change in value of the derivative contract does not correspond to the change in value of the underlying instrument.

**Futures Contracts.** A futures contract is an agreement between two parties to buy or sell a specified underlying instrument for a fixed price at a specified future date. The Fund used futures contracts to manage its exposure to the stock market.

Upon entering into a futures contract, a fund is required to deposit either cash or securities (initial margin) with a clearing broker in an amount equal to a certain percentage of the face value of the contract. Futures contracts are marked-to-market daily and subsequent daily payments (variation margin) are made or received by a fund depending on the daily fluctuations in the value of the futures contracts and are recorded as unrealized appreciation or (depreciation). This receivable and/or payable, if any, is included in daily variation margin on futures contracts in the Statement of Assets and Liabilities. Realized gain or (loss) is recorded upon the expiration or closing of a futures contract. The net realized gain (loss) and change in net unrealized appreciation (depreciation) on futures contracts during the period is presented in the Statement of Operations.

Any open futures contracts at period end are presented in the Schedule of Investments under the caption "Futures Contracts". The notional amount at value reflects each contract's exposure to the underlying instrument or index at period end and is representative of volume of activity during the period. Securities deposited to meet initial margin requirements are identified in the Schedule of Investments.

#### 5. Purchases and Sales of Investments.

Purchases and sales of securities (including the Fixed-Income Central Funds), other than short-term securities, aggregated \$942,727,178 and \$873,942,536, respectively.

#### 6. 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 .15% of the Fund's average net assets and an annualized group fee rate that averaged .24% 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 .39% of the Fund's average net assets.

## Notes to Financial Statements (Unaudited) – continued

**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	\$ 8,822
Service Class 2	<u>1,493,021</u>
	<u>\$1,501,843</u>

**Transfer Agent Fees.** Fidelity Investments Institutional Operations Company, Inc. (FIOC), an affiliate of the investment adviser, is the Fund's transfer, dividend disbursing, and shareholder servicing agent. FIOC 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 .15% and the annual rate for all other classes is .07%. For the period, transfer agent fees for each class were as follows:

Initial Class	\$ 72,809
Service Class	5,734
Service Class 2	388,186
Investor Class	<u>2,051,499</u>
	<u>\$2,518,228</u>

**Accounting and Security Lending Fees.** Fidelity Service Company, Inc. (FSC), an affiliate of the investment adviser, maintains the Fund's accounting records. The accounting fee is based on the level of average net assets for each month. Prior to April 1, 2019, FSC had a separate agreement with the Fund for administration of the security lending program, based on the number and duration of lending transactions. For the period, the total fees paid for accounting and administration of securities lending were equivalent to an annualized rate of .03%.

**Brokerage Commissions.** The Fund placed a portion of its portfolio transactions with brokerage firms which are affiliates of the investment adviser. Brokerage commissions are included in net realized gain (loss) and change in net unrealized appreciation (depreciation) in the Statement of Operations. The commissions paid to these affiliated firms were \$23,817 for the period.

**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.

### 7. 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 \$5,875 and is reflected in Miscellaneous expenses on the Statement of Operations. During the period, the Fund did not borrow on this line of credit.

### 8. Security Lending.

The Fund lends portfolio securities from time to time in order to earn additional income. For equity securities, lending agents are used, including National Financial Services (NFS), an affiliate of the Fund. Pursuant to a securities lending agreement, NFS will receive a fee, which is capped at 9.9% of daily lending revenue, for its services as lending agent. The Fund may lend securities to certain qualified borrowers, including NFS. On the settlement date of the loan, the Fund receives collateral (in the form of U.S. Treasury obligations, letters of credit and/or cash) against the loaned securities and maintains collateral in an amount not less than 100% of the market value of the loaned securities during the period of the loan. The market value of the loaned securities is determined at the close of business of the Fund and any additional required collateral is delivered to the Fund on the next business day. The Fund or borrower may terminate the loan at any time, and if the borrower defaults on its obligation to return the securities loaned because of insolvency or other reasons, the Fund may apply collateral received from the borrower against the obligation. The Fund may experience delays and costs in recovering the securities loaned. Any cash collateral received is invested in the Fidelity Securities Lending Cash Central Fund. The value of loaned securities and cash collateral at period end are disclosed on the Fund's Statement of Assets and Liabilities. At period end, there were no security loans outstanding with NFS, as affiliated borrower. Security lending income represents the income earned on investing cash collateral, less rebates paid to borrowers and any lending agent fees associated with the loan, plus any premium payments received for lending certain types of securities. Security lending income is presented in the Statement of Operations as a component of income from Fidelity Central Funds and includes \$448 from securities loaned to NFS, as affiliated borrower.

### 9. Expense Reductions.

Commissions paid to certain brokers with whom the investment adviser, or its affiliates, places trades on behalf of the Fund include an amount in addition to trade execution, which may be rebated back to the Fund to offset certain expenses. This amount totaled \$76,012 for the period.

In addition, during the period the investment adviser reimbursed and/or waived a portion of fund-level operating expenses in the amount of \$15,696.

## 10. Distributions to Shareholders.

Distributions to shareholders of each class were as follows:

	Six months ended June 30, 2019	Year ended December 31, 2018
<b>Distributions to shareholders</b>		
Initial Class	\$ 11,194,868	\$ 14,693,839
Service Class	896,629	694,746
Service Class 2	59,180,091	65,887,368
Investor Class	142,718,800	178,438,425
Total	<u>\$213,990,388</u>	<u>\$259,714,378</u>

## 11. 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
<b>Initial Class</b>				
Shares sold	392,962	666,387	\$ 6,947,026	\$ 12,328,080
Reinvestment of distributions	658,909	846,103	11,194,868	14,693,839
Shares redeemed	(714,518)	(1,586,723)	(12,663,988)	(29,275,830)
Net increase (decrease)	<u>337,353</u>	<u>(74,233)</u>	<u>\$ 5,477,906</u>	<u>\$ (2,253,911)</u>
<b>Service Class</b>				
Shares sold	75,374	698,945	\$ 1,315,796	\$ 12,568,742
Reinvestment of distributions	53,149	40,721	896,629	694,746
Shares redeemed	(129,980)	(168,111)	(2,261,098)	(2,972,032)
Net increase (decrease)	<u>(1,457)</u>	<u>571,555</u>	<u>\$ (48,673)</u>	<u>\$ 10,291,456</u>
<b>Service Class 2</b>				
Shares sold	8,061,662	11,876,479	\$ 138,982,750	\$ 214,202,204
Reinvestment of distributions	3,575,836	3,891,979	59,180,091	65,887,368
Shares redeemed	(2,610,998)	(5,306,745)	(45,105,155)	(95,270,609)
Net increase (decrease)	<u>9,026,500</u>	<u>10,461,713</u>	<u>\$ 153,057,686</u>	<u>\$ 184,818,963</u>
<b>Investor Class</b>				
Shares sold	2,498,428	6,468,683	\$ 43,951,205	\$ 118,544,909
Reinvestment of distributions	8,474,988	10,364,766	142,718,800	178,438,425
Shares redeemed	(4,591,601)	(8,404,057)	(80,020,626)	(152,018,872)
Net increase (decrease)	<u>6,381,815</u>	<u>8,429,392</u>	<u>\$ 106,649,379</u>	<u>\$ 144,964,462</u>

## 12. 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 69% 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- <sup>A</sup>	Beginning Account Value January 1, 2019	Ending Account Value June 30, 2019	Expenses Paid During Period- <sup>B</sup> January 1, 2019 to June 30, 2019
Initial Class	.49%			
Actual		\$1,000.00	\$1,148.40	\$2.61
Hypothetical- <sup>C</sup>		\$1,000.00	\$1,022.36	\$2.46
Service Class	.59%			
Actual		\$1,000.00	\$1,147.30	\$3.14
Hypothetical- <sup>C</sup>		\$1,000.00	\$1,021.87	\$2.96
Service Class 2	.74%			
Actual		\$1,000.00	\$1,146.10	\$3.94
Hypothetical- <sup>C</sup>		\$1,000.00	\$1,021.12	\$3.71
Investor Class	.57%			
Actual		\$1,000.00	\$1,147.70	\$3.04
Hypothetical- <sup>C</sup>		\$1,000.00	\$1,021.97	\$2.86

<sup>A</sup> Annualized expense ratio reflects expenses net of applicable fee waivers.

<sup>B</sup> 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). The fees and expenses of the underlying Fidelity Central Funds in which the Fund invests are not included in each Class' annualized expense ratio. In addition to the expenses noted above, the Fund also indirectly bears its proportional share of the expenses of the underlying Fidelity Central Funds. Annualized expenses of the underlying non-money market Fidelity Central Funds as of their most recent fiscal half year were less than .005%.

<sup>C</sup> 5% return per year before expenses



# Board Approval of Investment Advisory Contracts and Management Fees

## VIP Balanced 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)

## Board Approval of Investment Advisory Contracts and Management Fees – continued

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.

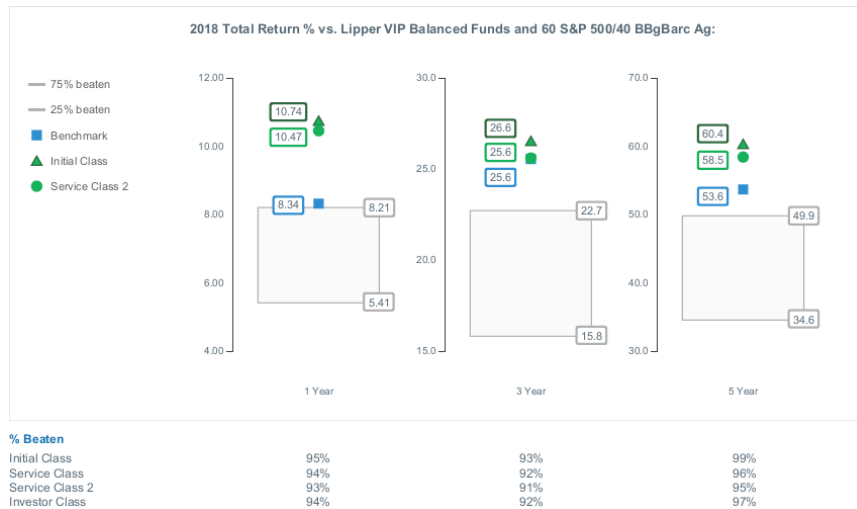
**Investment Performance.** The Board considered whether the fund has operated in accordance with its investment objective, as well as its record of compliance with its investment restrictions and its performance history. The fund had portfolio manager changes July 2015, October 2015, October 2016, August 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 Balanced Portfolio



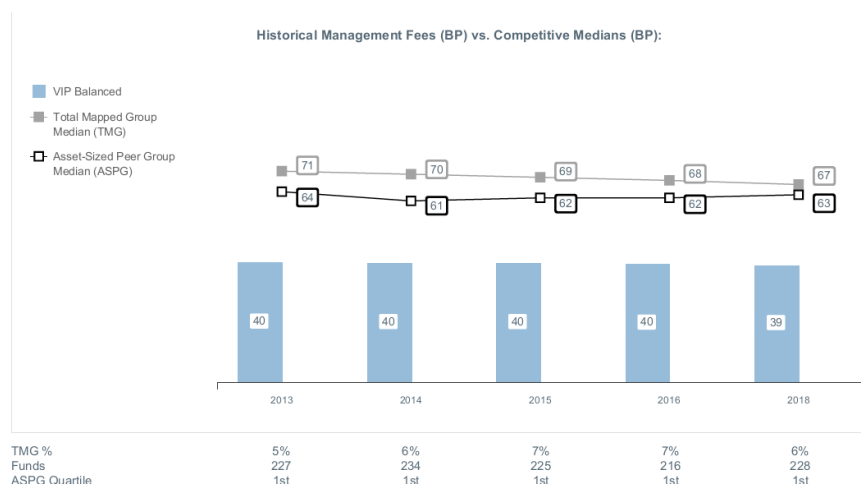
Based on its review, the Board concluded that the nature, extent, and quality of services provided to the fund under the Advisory Contracts should continue to benefit the shareholders of the fund.

**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

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 Balanced 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 class ranked below the competitive median for the 12-month period ended June 30, 2018.

**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

## Board Approval of Investment Advisory Contracts and Management Fees – continued

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.



