

# Thinking big with small caps

---

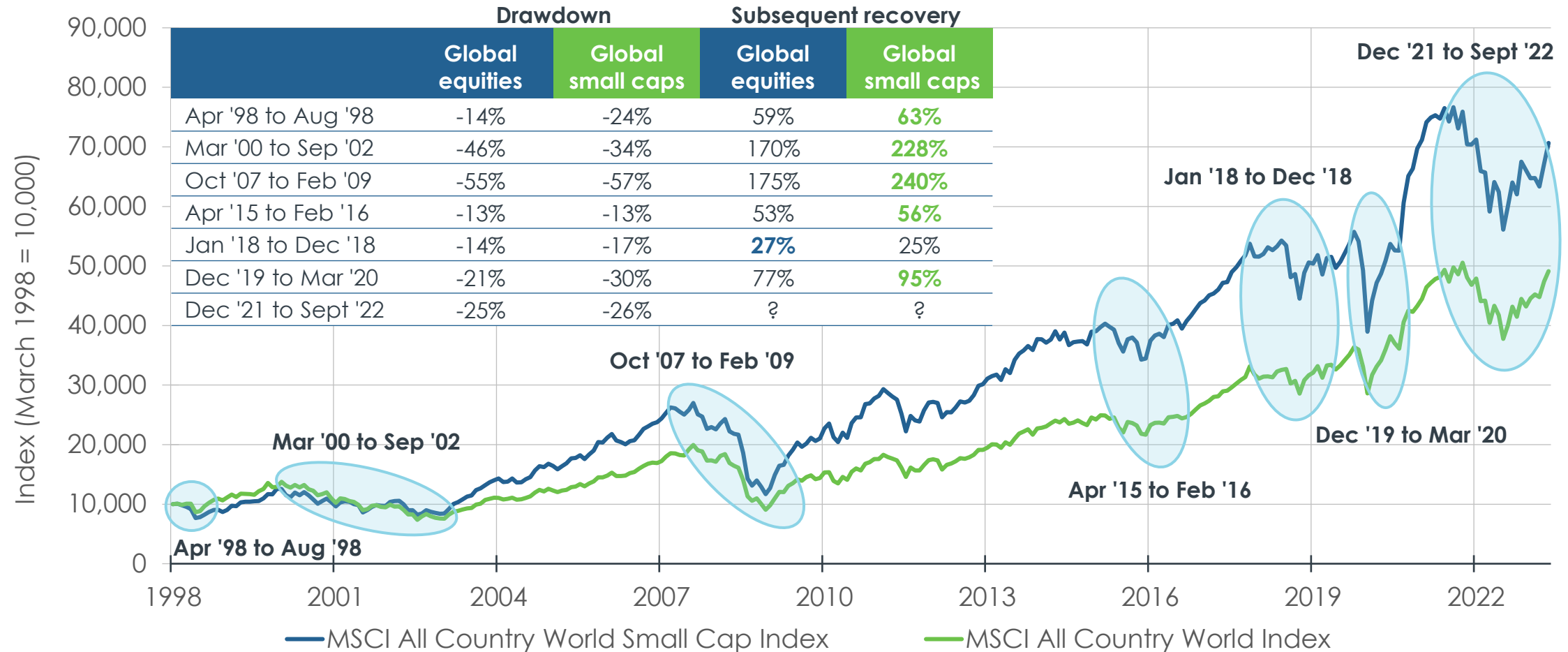
Connor Gordon  
Portfolio Manager

Chris Maludzinski  
Portfolio Manager

September 2023

# The case for small caps

**Small caps tend to outperform in market recoveries.**



This chart represents periods from March 1998 to July 2023 when the global equity market fell by at least 10%. Gross indices shown in U.S. dollars. Recovery is defined as market low to next market peak.  
Source: Fidelity Investments Canada ULC and Bloomberg Data.

# Fidelity Global Small Cap Opportunities Institutional Trust

## Standard period and calendar year returns, Series F (net of fees)

As at July 31, 2023	3-month	6-month	1 year	2 year	3 year	Since inception*
<b>Fidelity Global Small Cap Opportunities Institutional Trust</b>	<b>5.1</b>	<b>7.4</b>	<b>20.0</b>	<b>6.3</b>	<b>16.2</b>	<b>15.2</b>
MSCI AC World Small Cap Index	5.7	2.9	12.7	-0.7	10.4	7.6
Excess return	-0.6	4.5	7.4	7.0	5.8	7.7

Calendar year returns	2022	2021	2020	2019** (partial year)
<b>Fidelity Global Small Cap Opportunities Institutional Trust</b>	<b>-7.5</b>	<b>25.5</b>	<b>24.1</b>	<b>4.0</b>
MSCI AC World Small Cap Index	-12.8	15.1	14.3	3.7
Excess return	5.3	10.4	9.8	0.3

\*Inception date is November 4, 2019. \*\*Partial year from November 4, 2019, to October 31, 2022.

Source: Fidelity Investments Canada ULC. The performance shown above is for illustrative purposes only and does not reflect the actual performance of Fidelity Global Small Cap Opportunities Fund, which is a new fund. The table shows the standard period and calendar year performance of an Institutional strategy, which is not available publicly to Canadian investors, net of an estimated Series F management expense ratio (MER) of 1.18%. All returns are in Canadian dollars calculated using monthly returns. The returns shown above are used solely to illustrate the performance track record of the Institutional strategy, which is managed by the same portfolio managers, over the period of November 4, 2019, to July 31, 2023. The returns of the Institutional strategy are not meant to illustrate the returns of Fidelity Global Small Cap Opportunities Fund. While the Fund will be managed using the same strategy and approach of the Institutional strategy, the Fund is subject to different investment restrictions. The Fund and the Institutional strategy also may be subject to, among other things, different regulatory and tax rules, fee and expense structures and timing of trades. These and other factors will cause the Institutional strategy and Fidelity Global Small Cap Opportunities Fund to have different returns.

# Fidelity Global Small Cap Opportunities Fund

## Portfolio Managers



**Connor Gordon**

Portfolio Manager

<b>Portfolio Manager</b>	2019–Present	Global Small Cap Opportunities
<b>Generalist Analyst</b>	2013–2019	Small and mid caps
<b>Analyst</b>	2009–2013	Industrials Technology Health care



**Chris Maludzinski**

Portfolio Manager

<b>Portfolio Manager</b>	2019–Present	Global Small Cap Opportunities
<b>Analyst</b>	2008–2019	Consumer discretionary Communication services Financials Metals and mining

Source: Fidelity Investments Canada ULC.

# Fidelity Global Small Cap Opportunities Fund

Uncovering value by aiming to identify high-quality companies that are mispriced

## QUALITY

Focus on **high-quality companies** with the potential to grow and **compound earnings power** over a multi-year period.



## CHANGE

Emphasis on situations where the **market underreacts to positive change or overreacts to negative change**, resulting in an opportunity for excess returns.



## MISPRICING

Identify companies trading at a **discount to long-term earnings power/intrinsic value**.

## Seeks to invest in

- Simple business models
- Recurring revenue
- High return on capital/free cash flow
- Secular growth
- Shareholder-aligned management team
- Modest cyclicality and limited balance sheet risk



## Seeks to avoid

- Secular decline
- Technology obsolescence
- Commodities



For illustrative purposes only.

# Fidelity Global Small Cap Opportunities Fund

Focused on two general types of mispricing



## QUALITY VALUE

A business with the ability to **grow**, **reinvest** and **compound capital at a high rate** of return for a long period of time.

### Mispricing

The market underestimates the magnitude and/or duration of earnings growth.



## SPECIAL SITUATIONS

A business undergoing a material change in **strategy, management** or **corporate/capital structure**.

### Mispricing

The market underestimates the improvement in normalized earnings, growth and/or risk profile.

For illustrative purposes only.

# Fidelity Global Small Cap Opportunities Fund

## Top ten holdings as at June 30, 2023

SECURITY	INDUSTRY
Kirby	Marine
CSW Industrials	Building products
BWX Technologies	Aerospace and defence
Valvoline	Specialty retail
FTI Consulting	Professional services
Fairfax Financial Holdings	Insurance
Demant	Health care equipment and supplies
SNC-Lavalin Group	Construction and engineering
Axalta Coating Systems	Chemicals
RB Global	Commercial services and supplies
<b>% of top ten holdings</b>	<b>32.3%</b>
<b>Total holdings</b>	<b>66</b>

Source: Fidelity Investments Canada ULC.



## Why this Fund?

A high-conviction portfolio of typically 40–80 small-cap companies anywhere in the world.

Looks for mispriced investment opportunities where the market has underreacted to positive change or overreacted to negative change.

Invests in a vast but less efficient part of the market with greater potential for active return.

# Fidelity Global Small Cap Opportunities Fund

## Fund details and strategy parameters

<b>Portfolio managers</b>	Connor Gordon, Chris Maludzinski
<b>Category</b>	Global Small/Mid Cap Equity
<b>Risk classification</b>	Medium
<b>Benchmark</b>	MSCI All Country World Small Cap Index
<b>Region/country exposures</b>	Benchmark agnostic, no constraints
<b>Sector exposures</b>	Benchmark agnostic, no constraints
<b>Number of holdings</b>	Typically 40–80 securities
<b>Active share</b>	Typically 90%–100%
<b>Cash</b>	Typically less than 5%
<b>Purchase options</b>	CDN\$, US\$, Fidelity Tax-Smart CashFlow™

Source: Fidelity Investments Canada ULC. For illustrative purposes only. While the Fund is typically managed to these constraints, the portfolio managers retain the discretion to deviate from them, and they are not included in the offering document as part of the Fund's investment strategies.

# Important notice

For advisor use only. No recipient is authorized to pass this communication on to any other person whatsoever or reproduce it by any means without the prior written consent of Fidelity.

Commissions, trailing commissions, management fees, brokerage fees and expenses may be associated with investments in mutual funds and ETFs. Please read the mutual fund's or ETF's prospectus, which contains detailed investment information, before investing. The indicated rates of return are historical annual compounded total returns for the period indicated including changes in unit value and reinvestment of distributions. The indicated rates of return do not take into account sales, redemption, distribution or option charges or income taxes payable by any unitholder that would have reduced returns. Mutual funds and ETFs are not guaranteed. Their values change frequently, and investors may experience a gain or a loss. Past performance may not be repeated.

The statements contained herein are based on information believed to be reliable and are provided for information purposes only. Where such information is based in whole or in part on information provided by third parties, we cannot guarantee that it is accurate, complete or current at all times. It does not provide investment, tax or legal advice, and is not an offer or solicitation to buy. Graphs and charts are used for illustrative purposes only and do not reflect future values or returns on investment of any fund or portfolio. Particular investment strategies should be evaluated according to an investor's investment objectives and tolerance for risk. Fidelity Investments Canada ULC and its affiliates and related entities are not liable for any errors or omissions in the information or for any loss or damage suffered.

A return of capital reduces an investor's adjusted cost base. Capital gains taxes are deferred until units are sold or until the ACB goes below zero. Investors should not confuse this cash-flow distribution with a fund's rate of return or yield. While investors in Fidelity's tax-efficient series (Tax-Smart CashFlow) will be able to defer some personal capital gains, they must still pay tax on capital gains distributions that arise from the sale of individual holdings by fund managers, and on interest and dividend distributions. Tax-Smart CashFlow will also pay a year-end distribution that must be reinvested in additional securities of the applicable fund. The monthly cash-flow distributions on Tax-Smart CashFlow are not guaranteed, will be adjusted from time to time and may include income.

From time to time a manager, analyst or other Fidelity employee may express views regarding a particular company, security, and industry or market sector. The views expressed by any such person are the views of only that individual as of the time expressed and do not necessarily represent the views of Fidelity or any other person in the Fidelity organization. Any such views are subject to change at any time, based upon markets and other conditions, and Fidelity disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Fidelity Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Fidelity Fund.

# Important notice

Certain statements in this commentary may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest, and assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable and, accordingly, may prove to be incorrect at a future date. FLS are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any FLS. A number of important factors can contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition and catastrophic events. You should avoid placing any undue reliance on FLS. Further, there is no specific intention of updating any FLS, whether as a result of new information, future events or otherwise.

The investment risk level indicated is required to be determined in accordance with the Canadian Securities Administrators standardized risk classification methodology, which is based on the historical volatility of a fund, as measured by the ten-year annualized standard deviation of the returns of a fund or those of a reference index, in the case of a new fund.

A fund's volatility is determined using a statistical measure called "standard deviation." Standard deviation is a statistical measure of how much a return varies over an extended period of time. The more variable the returns, the larger the standard deviation. Investors may examine historical standard deviation in conjunction with historical returns to decide whether an investment's volatility would have been acceptable given the returns it would have produced. A higher standard deviation indicates a wider dispersion of past returns and thus greater historical volatility. Standard deviation does not indicate how an investment actually performed, but it does indicate the volatility of its returns over time. Standard deviation is annualized. The returns used for this calculation are not load-adjusted. Standard deviation does not predict the future volatility of a fund.

**The MSCI ACWI Small Cap Index** captures small-cap representation across 23 developed markets and 24 emerging markets countries. With 6,374 constituents, the Index covers about 14% of the free float-adjusted market capitalization in each country.

© 2023 Fidelity Investments Canada ULC. All rights reserved. Third-party trademarks are the property of their respective owners. Used with permission. Fidelity Investments is a registered trademark of Fidelity Investments Canada ULC. The presenter is not registered with any securities commission and therefore cannot provide advice regarding securities.