



# Thinking big with small caps

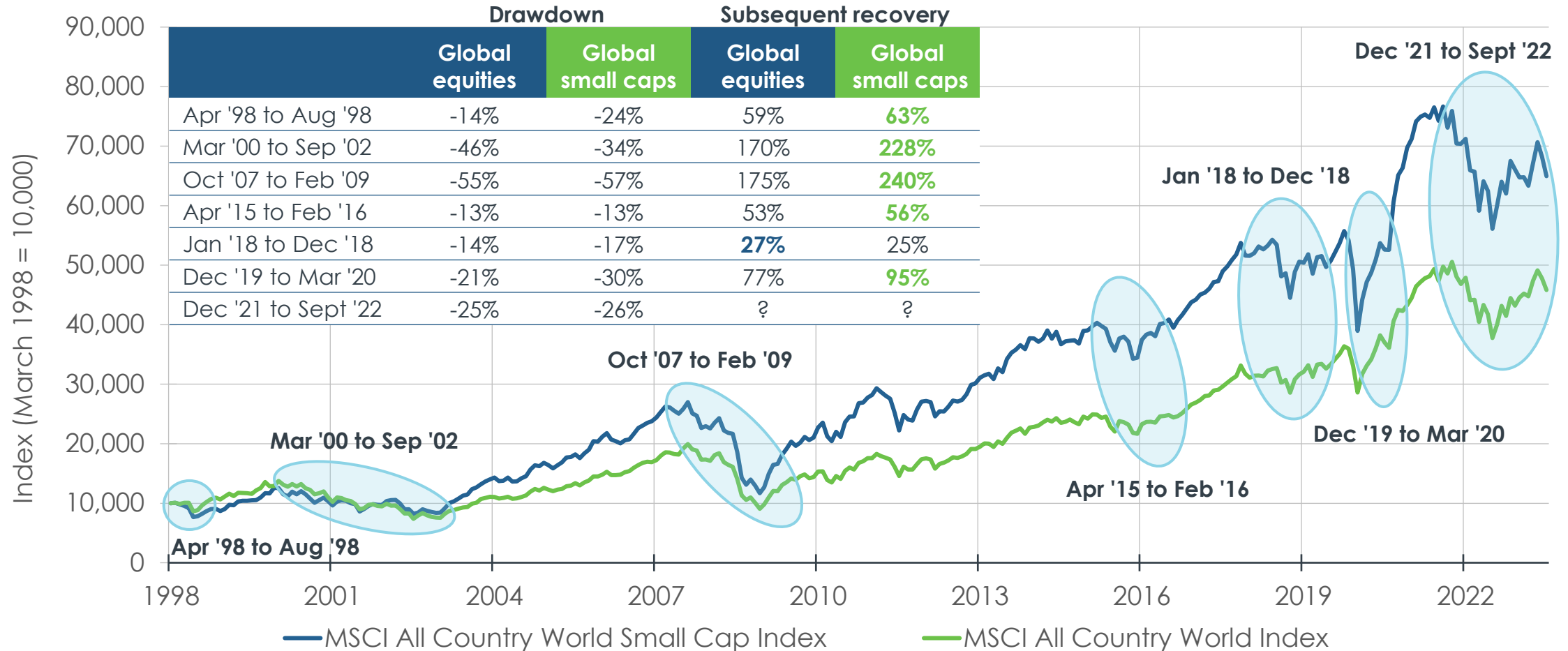
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Connor Gordon  
Portfolio Manager

November 2023

# The case for small caps

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



This chart represents periods from March 1998 to September 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 Fund

## Portfolio Managers



**Connor Gordon**

Portfolio Manager

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<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

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**Chris Maludzinski**

Portfolio Manager

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

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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 Institutional Trust

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

As at September 30, 2023	3-month	6-month	1 year	2 year	3 year	Since inception*
<b>Fidelity Global Small Cap Opportunities Institutional Trust</b>	<b>1.4</b>	<b>6.0</b>	<b>24.5</b>	<b>5.7</b>	<b>14.1</b>	<b>14.2</b>
MSCI AC World Small Cap Index	-1.3	0.0	13.4	-3.8	7.2	5.6
Excess return	2.7	6.0	11.1	9.5	6.9	8.6

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 December 31, 2019.

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 September 30, 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

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 September 30, 2023

SECURITY	INDUSTRY
Kirby	Marine transportation
XPO	Ground transportation
BWX Technologies	Aerospace and defense
Fairfax Financial Holdings	Insurance
Valvoline	Specialty retail
Demant	Health care equipment and supplies
RB Global	Commercial services and supplies
FTI Consulting	Professional services
SNC-Lavalin Group	Construction and engineering
KBR	Professional services
<b>% of top ten holdings</b>	<b>32.2%</b>
<b>Total holdings</b>	<b>68</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.



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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 6,266 constituents, the Index covers about 14% of the free float-adjusted market capitalization in each country.

The index returns are shown for comparative purposes only. Indexes are unmanaged, and their returns do not include any sales charges or fees as such costs would lower performance. It is not possible to invest directly in an index.

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