

Fidelity True North Fund

Quarterly Investment Review

December 31, 2022

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Overview

INCEPTION DATE: January 02, 2001
BENCHMARK: S&P/TSX Capped Composite Index
FUND MANAGER: Maxime Lemieux

OBJECTIVE

The Fund aims to achieve long term capital growth by investing primarily in Canadian equity securities.

APPROACH

- An excellent Canadian equity core holding.
- Seeks to invest in companies that are expected to grow over the long term and that are trading at reasonable valuations.
- Investments focused primarily in Canada.

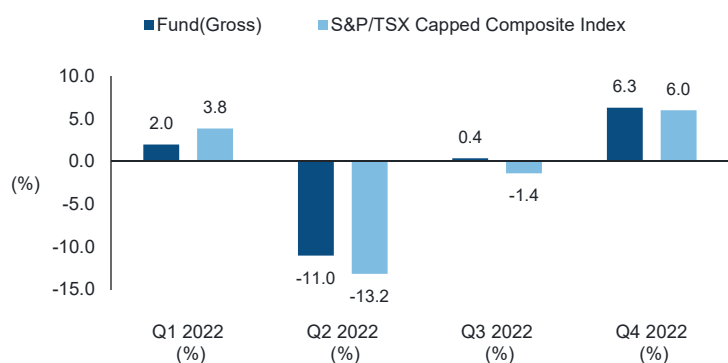
PERFORMANCE RETURNS (%)

	Cumulative					Annualized				
	Q1 2022	Q2 2022	Q3 2022	Q4 2022	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Fidelity True North Fund - Series O	1.97	(11.04)	0.36	6.28	(3.25)	(3.25)	11.11	9.82	10.89	9.25
S&P/TSX Capped Composite Index	3.82	(13.19)	(1.41)	5.96	(5.84)	(5.84)	7.54	6.85	7.74	6.76
Relative Return	(1.85)	2.15	1.77	0.32	2.59	2.59	3.57	2.97	3.15	2.49

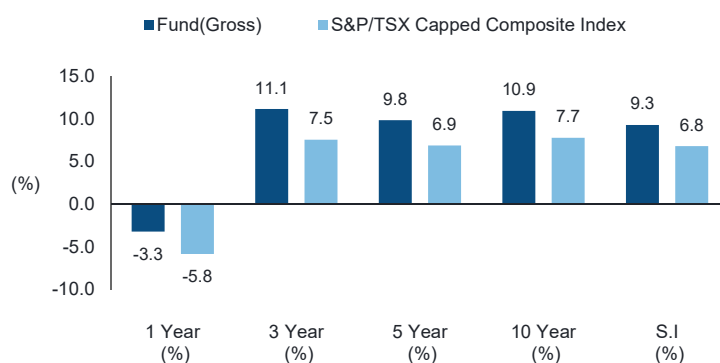
Performance returns are unaudited and time-weighted.

Note: Differences may be due to rounding.

Cumulative Quarterly Performance



Annualized as of December 31, 2022



Overview

PERFORMANCE RETURNS (%): CALENDAR YEAR RETURNS

	Calendar Year Returns									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fidelity True North Fund - Series O	(3.25)	25.99	12.52	19.89	(2.87)	7.26	12.49	0.37	16.10	25.24
S&P/TSX Capped Composite Index	(5.84)	25.09	5.60	22.88	(8.89)	9.10	21.08	(8.32)	10.55	12.99
Relative Return	2.59	0.90	6.92	(2.99)	6.02	(1.84)	(8.59)	8.69	5.55	12.25

Performance returns are unaudited and time-weighted.

Note: Differences may be due to rounding.

Quarterly Fund Commentary

- The Fund's investments in the communication services and industrials sectors contributed to relative performance.
- In communication services, overweight exposure to Rogers Communications contributed. In industrials, lack of exposure to a waste management company contributed. In other sectors, lack of exposure to a Canadian bank and an investment in Profound Medical were the primary contributors.
- The Fund's investments in the information technology and materials sectors detracted from relative returns.
- In information technology, underweight exposure to Shopify and investments in D-Wave Systems and Lightspeed Commerce detracted. In materials, investments in Nutrien and NanoXplore detracted. In other sectors, lack of exposure to an integrated oil and gas company detracted.

Annual Fund Commentary

- The Fund's investments in the information technology and financials sectors contributed to relative returns.
- In information technology, underweight exposure to Shopify contributed. In financials, underweight exposure to Bank of Nova Scotia contributed. In other sectors, investments in Dollarama and Suncor Energy contributed.
- The Fund's underweight exposure to the energy sector detracted from relative returns; specifically, lack of exposure to an oil and gas storage and transportation company detracted.
- In other sectors, investments in NanoXplore, Colliers International Group and Microsoft detracted.

Positioning and Outlook

- Portfolio manager Max Lemieux acknowledged that headline inflation has cooled recently, but service inflation remains sticky. Consumers are still relatively strong because the impact from higher interest rates takes time to affect household spending.
- Max believes that if there is a recession, it may take time to materialize and it could even be a minor recession. More importantly, it will be a result of falling earnings, and the increase in unemployment should be small.
- Even though North American equity market valuations contracted in 2022, in some parts of the market valuations are still historically rich, so Max is currently holding approximately 8% of the Fund in cash in case buying opportunities present themselves.
- Max has positioned the Fund with high exposure to industrials, favouring railroads, which tend to be defensive during recessions. He invests in quality stocks – companies with good balance sheets, good business models and good returns, and whose management teams he has faith in.

Performance Attribution

SECTOR ATTRIBUTION SUMMARY - 3 MONTHS									
Sector	Average Fund Weight (%)	Average Benchmark Weight (%)	Relative Weight (%)	Fund Return (%)	Benchmark Return (%)	Relative Return (%)	Security Selection (bps)	Sector Selection (bps)	Total Relative Contribution (bps)
COMMUNICATION SERVICES	4.98	4.86	0.12	17.43	6.11	11.32	58	1	59
UTILITIES	2.12	4.55	(2.44)	(5.09)	(7.42)	2.33	6	36	41
INDUSTRIALS	16.44	13.25	3.18	9.52	7.35	2.17	35	5	40
FINANCIALS	23.64	30.84	(7.20)	3.31	3.37	(0.06)	(1)	21	20
CONSUMER STAPLES	6.94	4.17	2.77	9.24	8.48	0.75	5	7	12
HEALTH CARE	2.35	0.42	1.94	7.33	(10.90)	18.23	42	(30)	11
ENERGY	10.36	18.51	(8.15)	11.79	8.95	2.85	29	(29)	(1)
REAL ESTATE	1.48	2.51	(1.03)	(2.22)	7.05	(9.27)	(14)	(2)	(16)
CONSUMER DISCRETIONARY	5.19	3.60	1.59	3.61	8.82	(5.21)	(27)	6	(21)
MATERIALS	10.13	11.78	(1.65)	5.74	8.18	(2.44)	(23)	(5)	(28)
INFORMATION TECHNOLOGY	8.24	5.50	2.74	5.23	12.60	(7.37)	(65)	24	(41)
SUBTOTAL	91.87	100.00	(8.13)	6.79	5.96	0.83	43	34	77
CASH AND OTHER	8.13	-	-	-	-	-	-	-	(45)
TOTAL	100.00	100.00	0.00	6.28	5.96	0.32	-	-	32

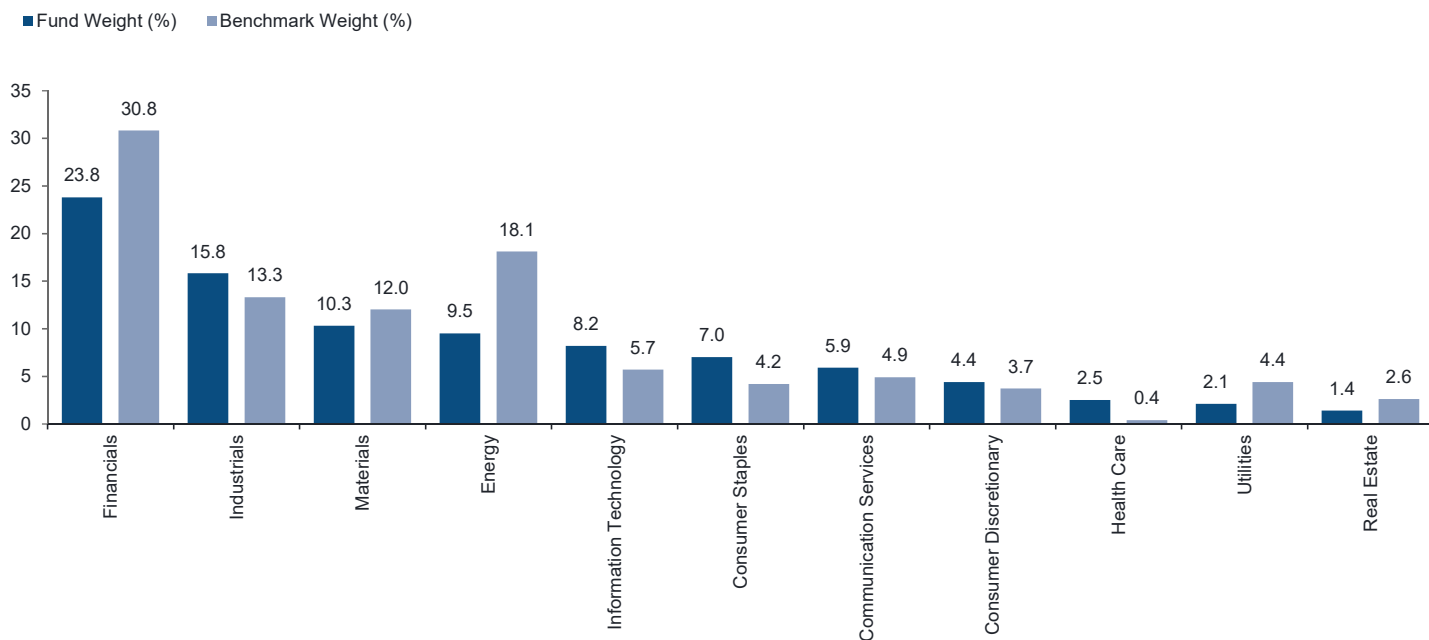
Note: Differences may be due to rounding.

SECTOR ATTRIBUTION SUMMARY - 1 YEAR									
Sector	Average Fund Weight (%)	Average Benchmark Weight (%)	Relative Weight (%)	Fund Return (%)	Benchmark Return (%)	Relative Return (%)	Security Selection (bps)	Sector Selection (bps)	Total Relative Contribution (bps)
INFORMATION TECHNOLOGY	9.42	6.09	3.34	(28.95)	(52.02)	23.07	365	(194)	171
FINANCIALS	26.35	31.71	(5.35)	(7.04)	(9.38)	2.33	57	22	79
CONSUMER STAPLES	6.16	3.99	2.17	12.06	10.08	1.97	11	32	43
HEALTH CARE	2.24	0.50	1.73	(8.84)	(61.59)	52.75	162	(122)	40
UTILITIES	2.72	4.78	(2.07)	(4.93)	(10.56)	5.64	15	20	36
COMMUNICATION SERVICES	4.05	4.97	(0.92)	2.42	(2.59)	5.02	31	(7)	24
CONSUMER DISCRETIONARY	5.96	3.43	2.52	(0.60)	(6.03)	5.43	37	(13)	24
INDUSTRIALS	15.59	12.31	3.28	(1.48)	1.44	(2.92)	(38)	28	(10)
REAL ESTATE	1.88	2.70	(0.81)	(35.03)	(21.54)	(13.49)	(30)	13	(17)
MATERIALS	9.70	12.05	(2.34)	0.79	1.73	(0.95)	(9)	(14)	(23)
ENERGY	10.18	17.47	(7.29)	39.95	30.27	9.68	66	(201)	(136)
SUBTOTAL	94.24	100.00	(5.76)	(3.28)	(5.84)	2.56	667	(436)	231
CASH AND OTHER	5.76	-	-	-	-	-	-	-	28
TOTAL	100.00	100.00	0.00	(3.25)	(5.84)	2.59	-	-	259

Note: Differences may be due to rounding.

Fund Positioning

SECTOR ALLOCATION



Sector breakdowns are only applied to equities and convertibles and the allocation percentages may not add to 100%.

Fund and benchmark weights are based on end weights as at each quarter end.

TOP 10 HOLDINGS

Holding	Sector
ROYAL BANK OF CANADA	FINANCIALS
TORONTO-DOMINION BANK	FINANCIALS
CANADIAN PAC RAILWAY LTD	INDUSTRIALS
ROGERS COMM INC CL B NON VTG	COMMUNICATION SERVICES
CANADIAN NATL RESOURCES LTD	ENERGY
CANADIAN NATL RAILWAY CO	INDUSTRIALS
CGI INC CL A SUB VTG	INFORMATION TECHNOLOGY
ALIMENTATION COUCHE-TARD INC	CONSUMER STAPLES
DOLLARAMA INC	CONSUMER DISCRETIONARY
INTACT FINL CORP	FINANCIALS

Investment Process

Sources of information and investment ideas

- Notes from Team Canada analysts, meetings with company management, conferences and third party research and publications

Investment style and portfolio construction

- Bottom-up, fundamental company analysis is the primary driver of portfolio construction
- Stock selection is driven by a growth at a reasonable price (GARP) approach, with an absolute return bias and strong focus on mitigating downside risk during periods of market weakness
- Looks for companies that are expanding margins and driving earnings-per-share growth, through prudent cost management and growing top line revenue
- Valuation analysis includes absolute versus relative to peers and industry, Price/Earnings, FCF yield, EV/Sales, PEG emphasis for faster growing industries such as technology or biotech, EV/EBITDA
- Highly values management quality and experience
- Looks for stocks that will outperform the market and peers over the next 12-18 months
- May invest in restructuring stories if valuations are sufficiently attractive and the outcome of restructuring has the potential to unlock significant value
- Insensitive to benchmark composition
- Sector weights result from bottom up stock selection, while industry selection is informed by both bottom-up and top down considerations
- Position size a function of conviction, may concentrate up to 5-7% of the portfolio in a single stock
- May hold core long-term positions in the portfolio and may trade around these opportunistically
- Buys/sells purely a function of relative valuation and company fundamentals
- May invest in non-Canadian stocks up to 30% but allocations to foreign stocks will typically average 10% or lower
- Will typically hold 3-5% in cash, however, in certain market conditions, may hold cash balances between 0-20%

Risk control

- Constantly searching for stocks offering the best risk/ reward profile (upside/downside potential)
- Thoroughness of analysis is the key risk control measure
- Manager runs diversified portfolio, typically less than 100 names, but willing to have significant under/overweights at stock or sector level
- Shifts portfolio beta based on market environment and whether market will pay for taking on a higher level of stock or portfolio risk