

# Fidelity Global Concentrated Equity Fund

## Quarterly Investment Review

June 30, 2023

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## Overview

**INCEPTION DATE:** January 30, 2002  
**BENCHMARK:** MSCI All Country World Index  
**FUND MANAGER:** Patrice Quirion

### OBJECTIVE

The Fund aims to achieve long term capital growth by investing primarily in equity securities of companies around the world

### APPROACH

- Offers a concentrated portfolio of the manager's best investment ideas.
- Focused on quality companies that the portfolio manager believes are reasonably priced and that have the potential to exhibit predictable and durable earnings growth.
- Diversified across multiple sectors of the global market.

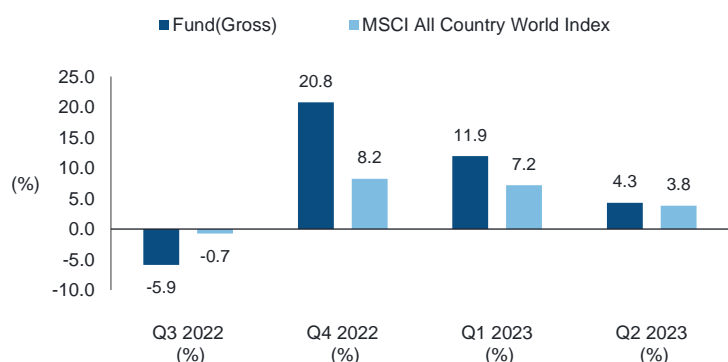
### PERFORMANCE RETURNS (%)

	Cumulative					Annualized				
	Q3 2022	Q4 2022	Q1 2023	Q2 2023	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Fidelity Global Concentrated Equity Fund - Series O	(5.86)	20.78	11.94	4.32	16.78	32.77	15.63	9.93	13.18	6.57
MSCI All Country World Index	(0.74)	8.24	7.18	3.82	11.27	19.54	9.93	8.23	11.25	6.36
Relative Return	(5.12)	12.54	4.76	0.50	5.51	13.23	5.70	1.70	1.93	0.21

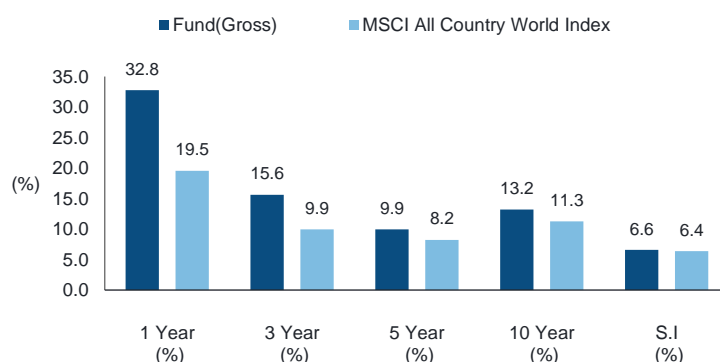
Performance returns are unaudited and time-weighted.

Note: Differences may be due to rounding.

### Cumulative Quarterly Performance



### Annualized as of June 30, 2023



## Overview

### PERFORMANCE RETURNS (%): CALENDAR YEAR RETURNS

	Calendar Year Returns									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Fidelity Global Concentrated Equity Fund - Series O	(8.82)	14.36	13.95	27.86	(8.41)	20.21	9.67	19.74	13.31	31.89
MSCI All Country World Index	(12.43)	17.53	14.22	20.20	(1.26)	15.83	4.13	17.10	13.55	31.04
Relative Return	3.61	(3.17)	(0.27)	7.66	(7.15)	4.38	5.54	2.64	(0.24)	0.85

Performance returns are unaudited and time-weighted.

Note: Differences may be due to rounding.

## Quarterly Fund Commentary

- From a sector perspective, the Fund's investments in industrials contributed to relative returns, as did its investments in health care.
- In industrials, investments in Finning and Allison Transmission Holdings contributed. In health care, investments in Medmix and Koninklijke Philips contributed. In other sectors, notable contributors included an allocation to KBR.
- The Fund's investments in the consumer discretionary sector detracted, as did underweight exposure to, and investments in, information technology.
- In consumer discretionary, an investment in Alibaba Group Holding and Prosus detracted. In information technology, lack of exposure to two American multinational technology companies detracted.

## 12 Month Fund Commentary

- The Fund's investments in, and overweight exposure to, the industrials sector and investments in financials contributed to relative returns.
- In industrials, investments in General Electric and Finning contributed to relative returns. In financials, investments in Banco Bilbao Vizcaya Argentaria and AIB Group contributed. In other sectors, notable contributors included an investment in Parker-Hannifin.
- Underweight exposure to, and investments in, information technology detracted from relative returns.
- In information technology, lack of exposure to an American multinational technology company and an investment in Kin and Carta detracted. In other sectors, notable detractors included investments in Clarivate and Alibaba Group Holding.

## Positioning and Outlook

- Portfolio manager Patrice Quirion believes consumer resilience to inflation has been the main driver of the delay in the market downturn that many market participants have been anticipating. He notes that consumer spending will have to contract before central banks will be willing to lower interest rates.
- The manager notes further that the number of interest rate cuts priced in for this year is overly optimistic. He has therefore positioned the Fund more defensively and has been finding opportunities in defensive sectors such as health care.
- Patrice is optimistic about Europe, including European banks. Valuations are attractive for European banks following almost a decade of interest rates at zero. While most global central banks may be either close to a peak or already finished with their interest rate hiking cycle, the market is pricing in three more increases by the European Central Bank.
- Patrice believes this should strengthen the euro, but more importantly improve the net interest margin for banks in this region. He believes European banks are diversified, have less commercial real estate exposure than banks in North America, have sticky household deposits and benefit from low deposit betas.
- The manager notes that although the market has been assuming a recession is coming, the price of copper has remained strong, which illustrates how tight supply and demand are for the metal. Patrice holds exposure in the Fund to capital goods companies that are part of the copper supply chain, which should benefit from commodity inflation. Top holdings as at June 30 included Finning, which supplies equipment to the mining industry.
- Over the quarter, Patrice added mostly to the Fund's health care and financials holdings, while trimming mainly from industrials and consumer discretionary.

## 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)
INDUSTRIALS	29.42	10.39	19.03	8.84	4.16	4.68	133	(6)	127
HEALTH CARE	9.24	12.34	(3.11)	4.55	0.35	4.20	43	6	48
MATERIALS	2.61	4.73	(2.11)	5.77	(2.63)	8.40	22	15	37
FINANCIALS	19.36	15.62	3.74	5.11	3.17	1.94	36	(6)	30
ENERGY	0.00	4.85	(4.85)	-	(0.96)	-	0	26	26
UTILITIES	0.00	2.91	(2.91)	-	(1.77)	-	0	18	18
REAL ESTATE	0.00	2.42	(2.42)	-	(1.34)	-	0	14	14
COMMUNICATION SERVICES	1.90	7.38	(5.48)	13.10	5.02	8.08	15	(4)	10
CONSUMER STAPLES	4.53	7.64	(3.12)	(6.19)	(1.80)	(4.39)	(22)	19	(3)
INFORMATION TECHNOLOGY	9.66	20.85	(11.19)	9.09	12.62	(3.53)	(40)	(90)	(130)
CONSUMER DISCRETIONARY	18.83	10.88	7.95	(1.97)	6.55	(8.51)	(163)	13	(149)
<b>SUBTOTAL</b>	<b>95.55</b>	<b>100.00</b>	<b>(4.45)</b>	<b>4.52</b>	<b>3.82</b>	<b>0.70</b>	<b>23</b>	<b>4</b>	<b>27</b>
CASH AND OTHER	4.45	-	-	-	-	-	-	-	23
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>4.32</b>	<b>3.82</b>	<b>0.50</b>	<b>-</b>	<b>-</b>	<b>50</b>

Note: Differences may be due to rounding.

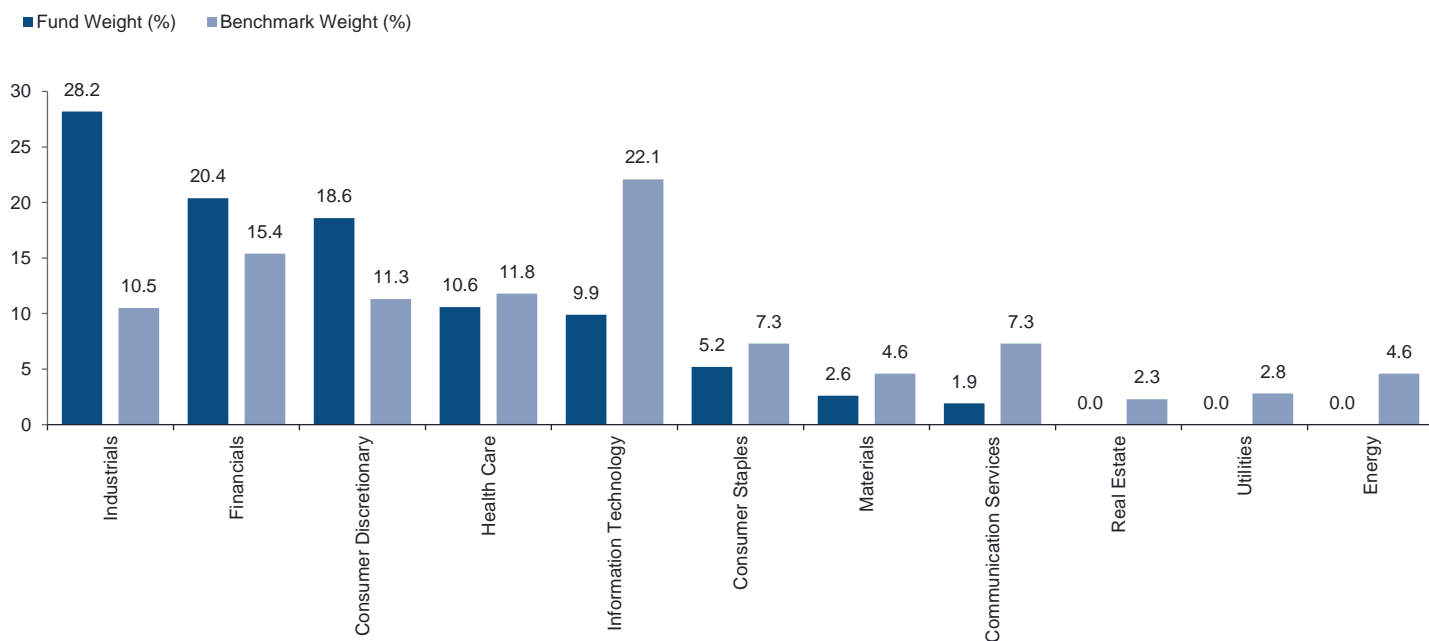
### SECTOR ATTRIBUTION SUMMARY - 1 YEAR

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)
INDUSTRIALS	33.45	10.24	23.21	39.01	28.79	10.22	293	217	510
FINANCIALS	17.03	16.27	0.76	43.84	15.78	28.05	434	(28)	407
HEALTH CARE	9.68	12.65	(2.97)	39.01	9.33	29.68	250	44	293
CONSUMER DISCRETIONARY	20.02	10.85	9.17	28.50	23.80	4.69	128	47	175
COMMUNICATION SERVICES	1.19	7.26	(6.08)	27.93	14.49	13.44	6	81	87
REAL ESTATE	0.00	2.61	(2.61)	-	(2.49)	-	0	69	69
UTILITIES	0.00	3.03	(3.03)	-	4.57	-	0	53	53
CONSUMER STAPLES	5.32	7.77	(2.45)	10.83	10.82	0.01	5	26	31
ENERGY	0.00	5.16	(5.16)	-	17.69	-	0	14	14
MATERIALS	2.31	4.79	(2.49)	13.48	15.95	(2.48)	4	9	13
INFORMATION TECHNOLOGY	8.56	19.36	(10.80)	18.25	40.99	(22.74)	(203)	(218)	(421)
<b>SUBTOTAL</b>	<b>97.55</b>	<b>100.00</b>	<b>(2.45)</b>	<b>33.04</b>	<b>19.54</b>	<b>13.50</b>	<b>915</b>	<b>314</b>	<b>1,230</b>
CASH AND OTHER	2.45	-	-	-	-	-	-	-	93
<b>TOTAL</b>	<b>100.00</b>	<b>100.00</b>	<b>0.00</b>	<b>32.77</b>	<b>19.54</b>	<b>13.23</b>	<b>-</b>	<b>-</b>	<b>1,323</b>

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
CLARIVATE PLC	INDUSTRIALS
FINNING LTD	INDUSTRIALS
BANCO BILBAO VIZ ARGENTARIA SA	FINANCIALS
PROSUS NV	CONSUMER DISCRETIONARY
MICROSOFT CORP	INFORMATION TECHNOLOGY
AIB GROUP PLC	FINANCIALS
AIRBUS SE	INDUSTRIALS
PANDORA A/S	CONSUMER DISCRETIONARY
SAMSUNG ELECTRONICS CO LTD	INFORMATION TECHNOLOGY
BARCLAYS PLC ORD	FINANCIALS

## Investment Process

### Philosophy/Approach

- Portfolio manager Patrice Quirion follows a “quality at a reasonable price” investment style.
- The investment philosophy is based on the premise that companies with sustainable quality, predictable growth, and attractive valuations can outperform the market over time. The portfolio manager believes that owning such companies creates a portfolio that delivers consistent returns while mitigating the likelihood of permanent capital loss.
- The portfolio manager follows a fundamental, bottom-up process while applying a top-down approach to understand macroeconomic risks. The investment process is designed to identify companies with sustainable quality, predictable growth and attractive valuations.
- To determine sustainable quality, that is, the ability to generate consistent strong returns on equity through the business cycle, the portfolio manager looks at profitability margins, returns on capital, financial leverage and earnings volatility, among other metrics.
- When reviewing a company’s growth prospects, the portfolio manager looks at revenue and profitability margin trends to determine the predictability of future growth. The portfolio manager favours companies that exhibit a clear long-term growth algorithm, based on market share gains, increasing product adoption, or other factors.
- Valuation is also an important input, because the manager tries to avoid taking any long-term valuation compression risk when purchasing quality companies. The portfolio manager compares the current stock valuation with its long-term historical average and intrinsic value, which is derived through long-term cash flow modelling.
- In addition to quantitative measures, the portfolio manager also reviews qualitative characteristics such as corporate governance, management team integrity, market leadership, industry structure, brand recognition, pricing power and earnings visibility

### Portfolio construction and risk management

- The portfolio construction process aims to create a concentrated global equity portfolio based on the manager’s highest-conviction investment ideas. Investment ideas are generated and refined through company meetings, investor conferences, internal research notes, and analyst interactions.
- The portfolio manager leverages Fidelity’s research resources to fundamentally analyze potential opportunities, including the use of proprietary models to examine long-term expected returns. The portfolio manager takes a long-term view on investments by requiring companies to have durable business fundamentals over the foreseeable future (typically a five- to ten-year time horizon).
- The best ideas are aggregated to form a concentrated portfolio. Stocks may be sold when a security reaches its target price, even if long-term fundamentals remain supportive. Stocks may also be sold if the manager sees a risk of deterioration in long-term fundamentals, if the manager believes that short-term fundamentals are likely to erode significantly, or if there are opportunities with greater upside potential elsewhere.