

# Fidelity Global Intrinsic Value Class

Celebrating five successful years and the achievement of a 5-star Morningstar rating



Fidelity Global Intrinsic Value Class was launched in May 2015 and recently passed its 5-year anniversary. The Fund, which is co-managed by Joel Tillinghast and Salim Hart, achieved a 5-star Morningstar rating as of May 31, 2020.

Joel, with over three decades of investment experience, has an impressive performance track record, having successfully managed his strategies through various market environments. He has been named among the “world’s greatest investors!” by *The Wall Street Journal*.

Joel and Salim have a strict focus on valuations, seeking to buy high-quality companies that are undervalued by the market. They prefer to invest in small- and medium-sized companies due to the attractive risk/reward potential offered by these companies over the longer term.

## Consistent performance



As at May 31, 2020	3-Month	1-Year	3-Year	5-Year	Since Inception
Fidelity Global Intrinsic Value Class (Series F)	-0.3	0.2	1.6	5.9	6.8
Benchmark (MSCI World Small Cap Index)	-0.9	0.0	2.4	5.7	6.6
% peers beaten**	55	51	85	90	91
Morningstar rating	-	-	★★★★★	★★★★★	

Source: Fidelity Investments Canada ULC. Inception date: May 6, 2015. Performance figures for periods greater than one year have been annualized. Returns are for Series F, net of fees, in Canadian dollars. Past performance is no guarantee of future results. \*\*Percentage of peers beaten is a standardized percentile ranking method used for showing how a particular return compares with all other returns in a defined peer group, by ranking the range of returns from 1 to 100. The higher the percentile, the higher the rank is of the individual return among all the returns in the peer group. All percentile ranks are based on the peer group Morningstar Global Small/Mid Cap Equity category. The number of funds in the category for the standard periods for Fidelity Global Intrinsic Value Class: 3-Month - 365 funds; 1-Year - 343 funds; 3-Year - 280 funds; 5-Year - 161 funds; and Since Inception - 161 funds.

## How is the Fund positioned to navigate market turbulence?

The Fund is designed in a manner that protects on the downside relative to its benchmark, while providing upside participation.

Joel and Salim invest in companies that offer their investors a combination of value, quality, consistent cash generation and capable management teams. This quality bias, as a result, has helped the strategy to tide over challenging market conditions. Furthermore, the Fund typically has a lower beta and risk (standard deviation) profile compared to its benchmark, the MSCI World Small Cap Index. Over the three-year period ended May 31, 2020, the Fund’s beta was 0.74, while its annualized standard deviation was 13.1% vs. 16.7% that of its benchmark.

\* July 2009, SmartMoney Magazine, The Wall Street Journal

## KEY TAKEAWAYS

An unconstrained global equity strategy, with a defensive tilt.

Contrarian investors finding opportunities in out-of-favour sectors and regions.

Finding value in health insurance, financials.

## PORTFOLIO MANAGERS

Joel Tillinghast

Salim Hart

## CATEGORY

Global Small/Mid Cap Equity

## BENCHMARK

MSCI World Small Cap Index

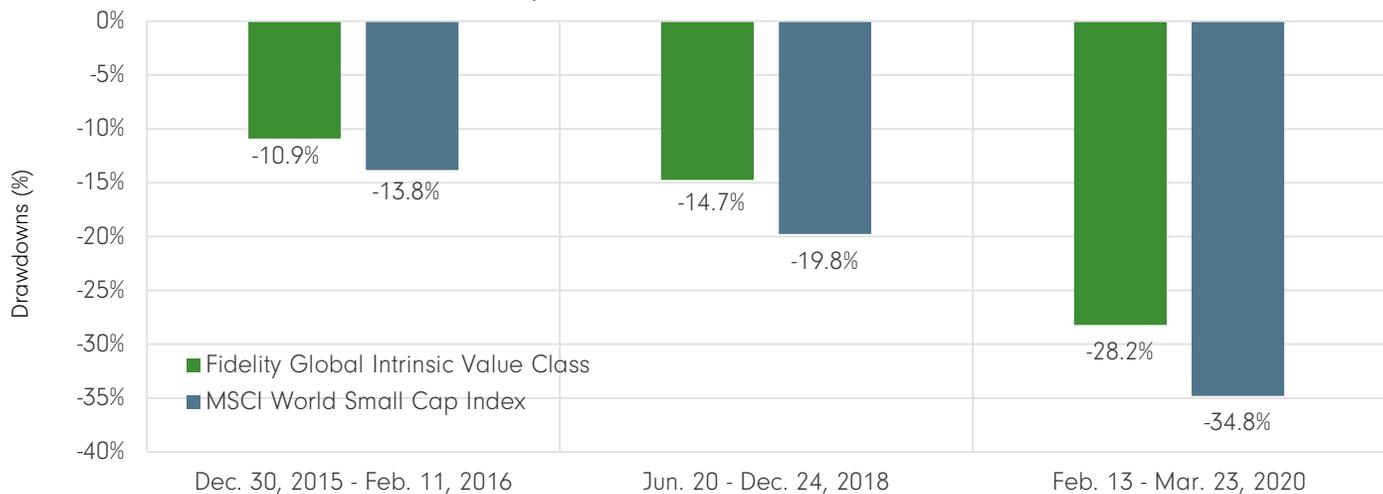
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The chart below illustrates the Fund has performed better than its benchmark, the MSCI World Small Cap Index, during market volatility (defined as periods in which the benchmark was down 10% or more).

**Fidelity Global Intrinsic Value Class drawdown in periods where the MSCI World Small Cap Index was down 10% or more since the Fund's inception**



Source: Fidelity Investments Canada ULC. As at April 30, 2020. Returns are for Series F, net of fees. Inception date: May 6, 2015.

## Investment themes

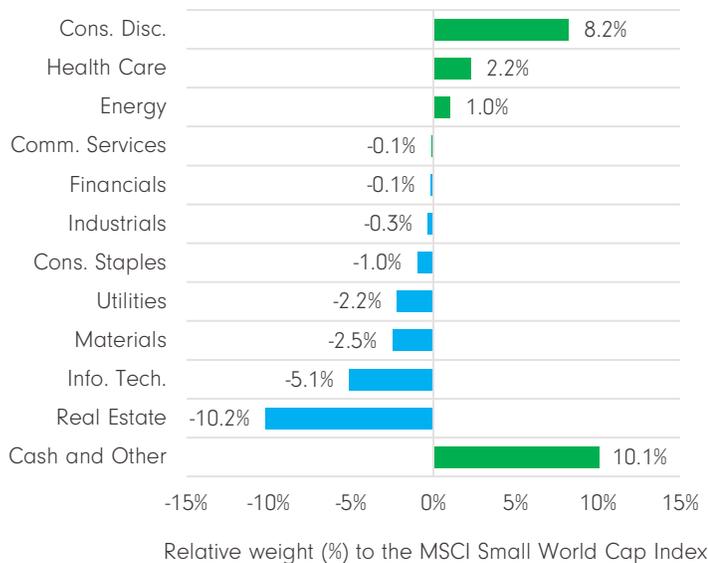
- **Health care insurance:** Joel and Salim have been finding interesting ideas in this area. They believe one of the longer-term consequences of the pandemic could be that people's desire to have health insurance will increase. That would increase demand and pricing power in the health insurance industry for many years into the future. Key portfolio holdings CVS Health and Humana are well-positioned to benefit from this trend.
- **Financials:** Investor sentiment towards financial companies has become increasingly negative due to declining interest rates. In Joel and Salim's view, however, banks and insurance companies are much better-capitalized than they were during the global financial crisis, and the massive sell-offs these stocks have experienced lately are due to market overreaction. They are, therefore, taking advantage of price and value dislocations within this sector and on the margin, have added to some high-quality consumer credit and insurance companies
- **Continue to favor Japan:** Japan remains the Fund's largest overweight. Joel and Salim believe that small/mid-cap companies in this region have strong balance sheets, attractive valuations and are highly cash generative. As these companies have strong balance sheets with a lot of cash, they are risk averse and coupled with how Japan has handled the COVID-19 crisis in a better manner compared to some other countries, the Fund's larger-than-benchmark positioning in Japan has held up well during the recent market downturn.

# Fidelity Global Intrinsic Value Class

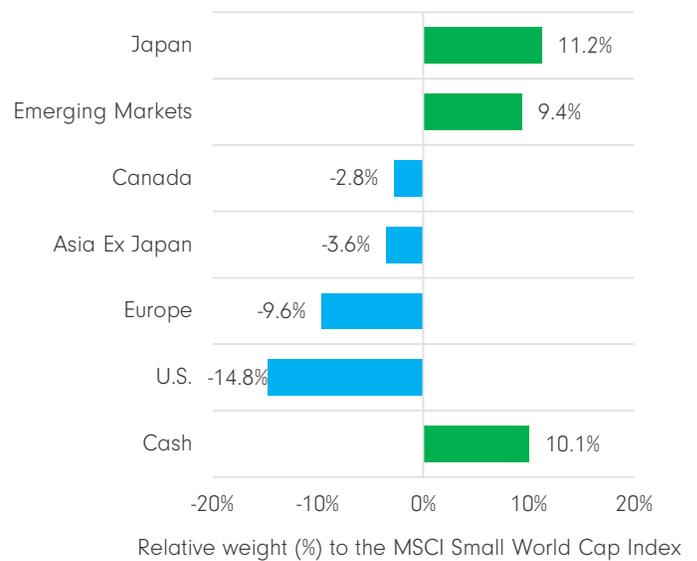
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## Sector relative allocation (%)



## Regional relative allocation (%)



Source: Fidelity Investments Canada ULC, as at April 30, 2020.

## Top ten holdings

Security	Sector	Country
Itochu	Trading Companies & Distributors	Japan
CVS Health	Health Care Providers & Services	U.S.
MetLife	Insurance	U.S.
Universal Health Services	Health Care Providers & Services	U.S.
Humana	Health Care Providers & Services	U.S.
Best Buy	Specialty Retail	U.S.
Williams-Sonoma	Specialty Retail	U.S.
HP	Technology Hardware	U.S.
Arata Corp	Distributors	Japan
Synchrony Financial	Consumer Finance	U.S.
<b>Total holdings</b>	<b>560</b>	
<b>Top 10 holdings aggregate</b>	<b>14.3%</b>	

Source: Fidelity Investments Canada ULC. As at March 31, 2020.

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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. The MSCI World Small Cap Index captures small cap representation across 23 developed markets countries.

Registered plan investors should be aware that the Fund may, from time to time, bear an income tax expense which will reduce returns.

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