2023

Fidelity VISION 2023 Notes

LOOK AHEAD. STAY AHEAD.

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A CIO Perspective and Market Outlook

Andrew Marchese, *CIO and Portfolio Manager*

9:05 am - 9:35 am

The four pillars of investing: earnings, interest rates, liquidity, and valuation.

- In 2022, Marchese spoke predominantly about liquidity and interest rates affecting valuation, leaving profits for 2023.
    - Risk asset prices were affected by the inflation of demand for goods and services and the price of all risk assets, spawning risk-taking.
    - The unwind of that would cause a compression in valuation and people coming off the risk curve. That is what happened.
    - Also predicted that the negative effects of higher interest rates and inflation would be a problem to consider in 2023.
- Profits and valuation are the focus for today, and how the macro economy affects this.

Executive summary:

- Price movement of risk assets in 2023 will be predominantly governed by corporate profits. Pay attention to global nominal GDP, global PMIs, housing, wages and employment, and credit spreads.
- Equity markets have never bottomed before the onset of an economic contraction coupled with an inverted yield curve and shrinking monetary base. Focus on leadership, not "the market."
- Quality factors dominated market performance in 2022 irrespective of sector and style; selectively look for opportunities to add risk governed by deeply discounted valuation. Think 3-5 years, not 12 months.
- Use PMIs below 50, negative warnings revisions, and shifts in central bank policy to selectively add risk in preparation for a new investment cycle. Patience is a virtue.

Global economic cycle:

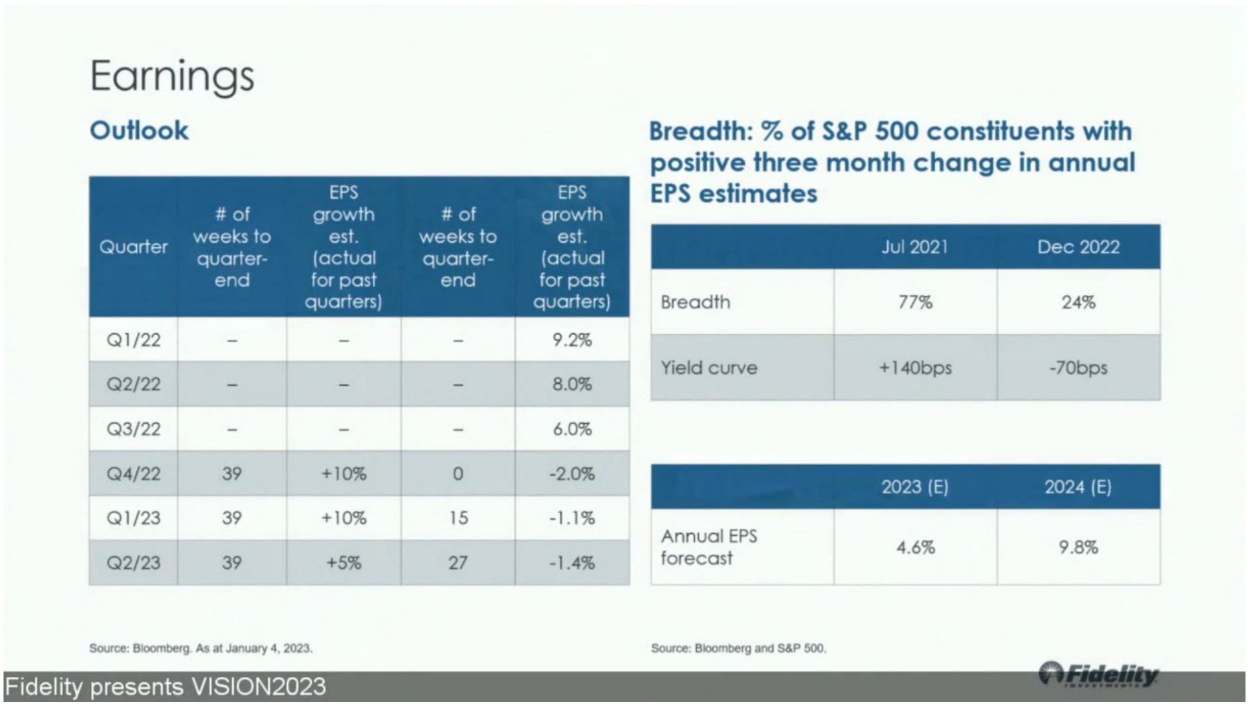
- Use macroeconomic factors as landmarks to make decisions.
- We are in the late cycle now. China is in a growth recession.
    - If central banks tighten correctly there will be a soft landing. If there is overtightening, there will be a hard landing.
    - Signs of optimism in continental Europe and China.

Relationship between indicators and recessionary periods:

- Housing goes through a recession typically only in hard landing scenarios.
- The National Association of Homebuilders Index is signaling a recession.
    - One metric does not confirm a thesis, but it is something to look out for.

- Global leading economic indicators is in contraction phase (all below 50).
  - The magnitude and intensity of the fall is what determines whether there will be a soft or hard landing.
- Wage inflation occurs in both scenarios.
- Rise in unemployment impacts whether we will see a soft landing or a recession.
  - However, unemployment is the most lagging of all indicators.
  - Leading indicator for unemployment is corporate profits.
  - Therefore, companies must have a better assessment of profits to know if they will face a hard or soft landing.

Trends in corporate profits:



Earnings

Outlook

Quarter	# of weeks to quarter-end	EPS growth est. (actual for past quarters)	# of weeks to quarter-end	EPS growth est. (actual for past quarters)
Q1/22	–	–	–	9.2%
Q2/22	–	–	–	8.0%
Q3/22	–	–	–	6.0%
Q4/22	39	+10%	0	-2.0%
Q1/23	39	+10%	15	-1.1%
Q2/23	39	+5%	27	-1.4%

Source: Bloomberg. As at January 4, 2023.

Breadth: % of S&P 500 constituents with positive three month change in annual EPS estimates

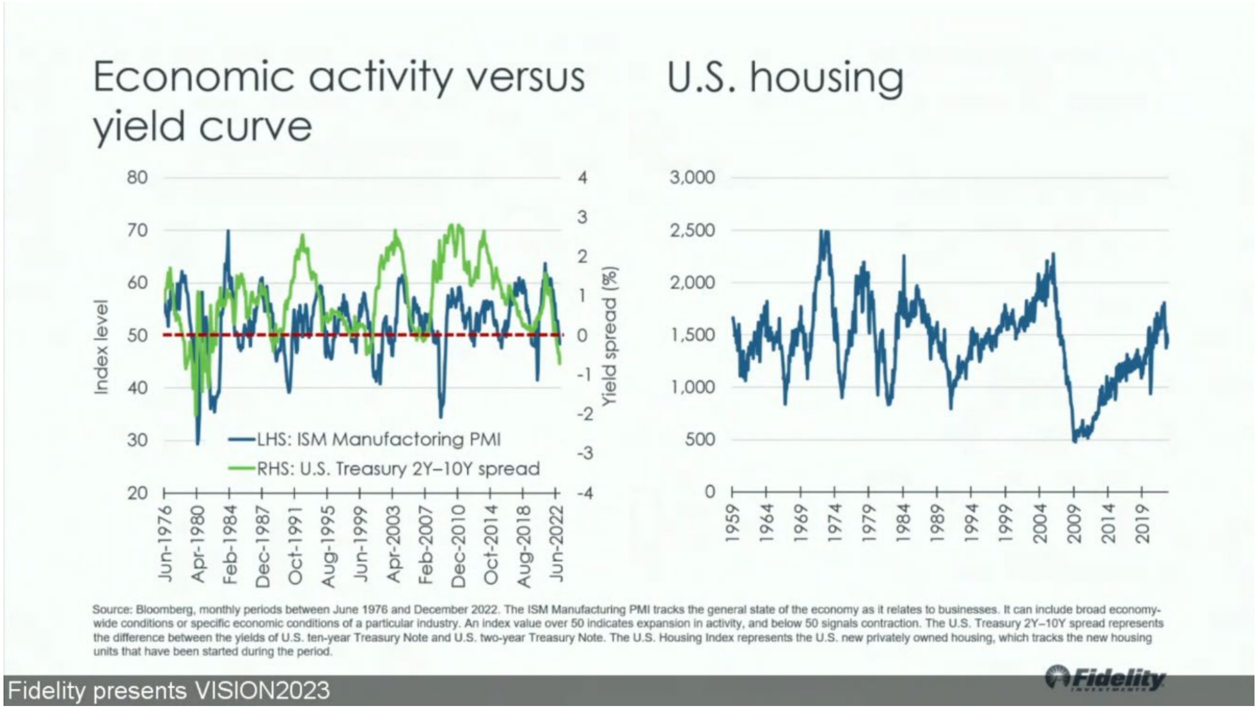
	Jul 2021	Dec 2022
Breadth	77%	24%
Yield curve	+140bps	-70bps

	2023 (E)	2024 (E)
Annual EPS forecast	4.6%	9.8%

Source: Bloomberg and S&P 500.

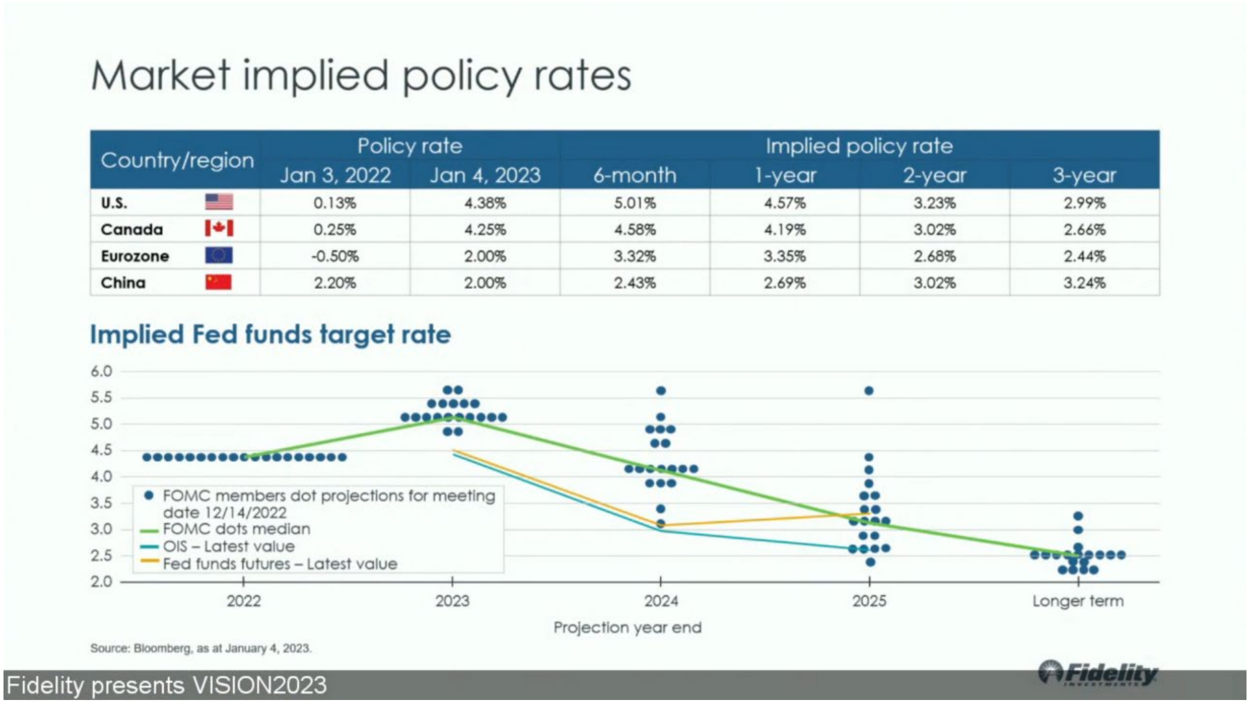
- The annual forecast is showing a reacceleration in profits even though interest rate hikes in 2022 are yet to completely make their way through North American and global economies.
- Over three-quarters of the S&P is in the negative earnings revision territory.
- Why? Because of monetary policy.
  - Unprecedented stimulus in 2020. Aggregate demand for goods and services has been perfectly correlated to money growth. That's what's happening.
- Anytime unemployment rises by 60 points in the U.S., it quickly goes above 200bps.
  - Every recession in the post-World War II era has faced this.
- If you compare revenue to average wage gains, and it falls by 350bps, history has always shown it triggers a 60-point rise in unemployment. We are at 300bps today.

Housing and the yield curve:



- When the green line is below the red dotted line, there is inversion. Lowest in the 80s.
- In years where we have recessions, the yield curve goes positive before the onset of a recession. We are not there yet.
- There is an air pocket before you see the worst. If you are an investor, the low periods are the best time to invest.
- Anytime the market goes through a tough time, housing bottoms at the same time. This is another clue of when to add more risk.

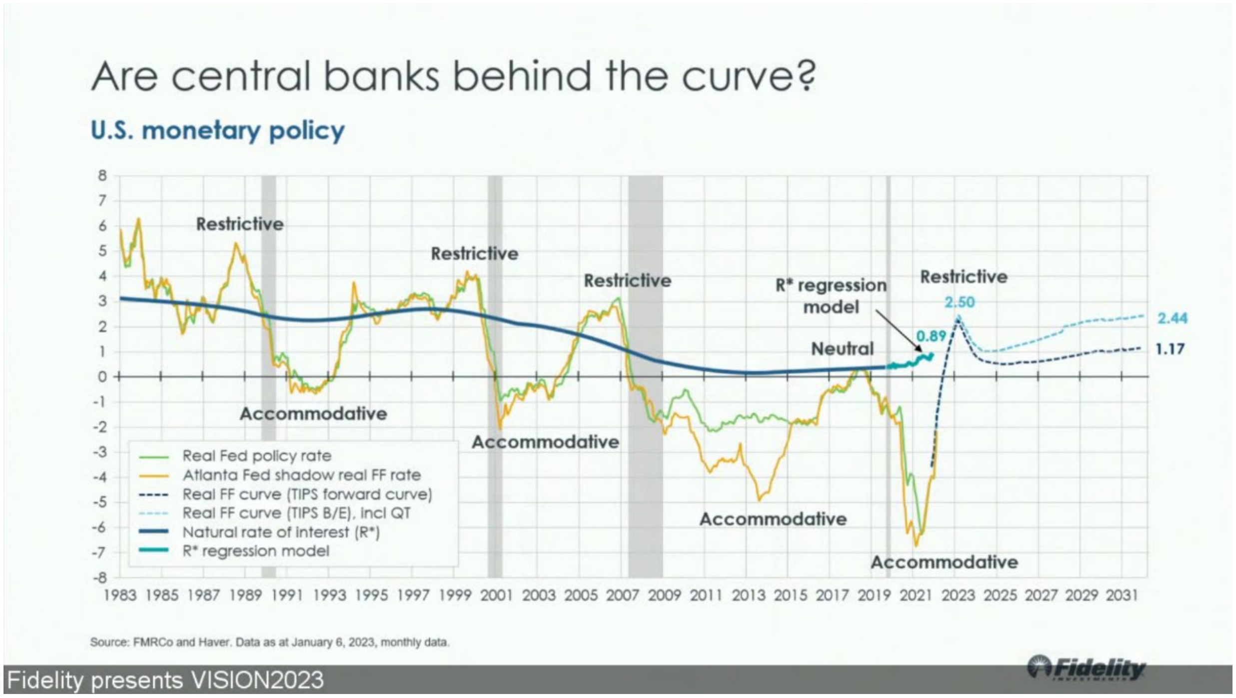
Consensus on the trajectory for interest rates:



Country/region	Policy rate Jan 3, 2022	Policy rate Jan 4, 2023	Implied policy rate 6-month	Implied policy rate 1-year	Implied policy rate 2-year	Implied policy rate 3-year
U.S.	0.13%	4.38%	5.01%	4.57%	3.23%	2.99%
Canada	0.25%	4.25%	4.58%	4.19%	3.02%	2.66%
Eurozone	-0.50%	2.00%	3.32%	3.35%	2.68%	2.44%
China	2.20%	2.00%	2.43%	2.69%	3.02%	3.24%

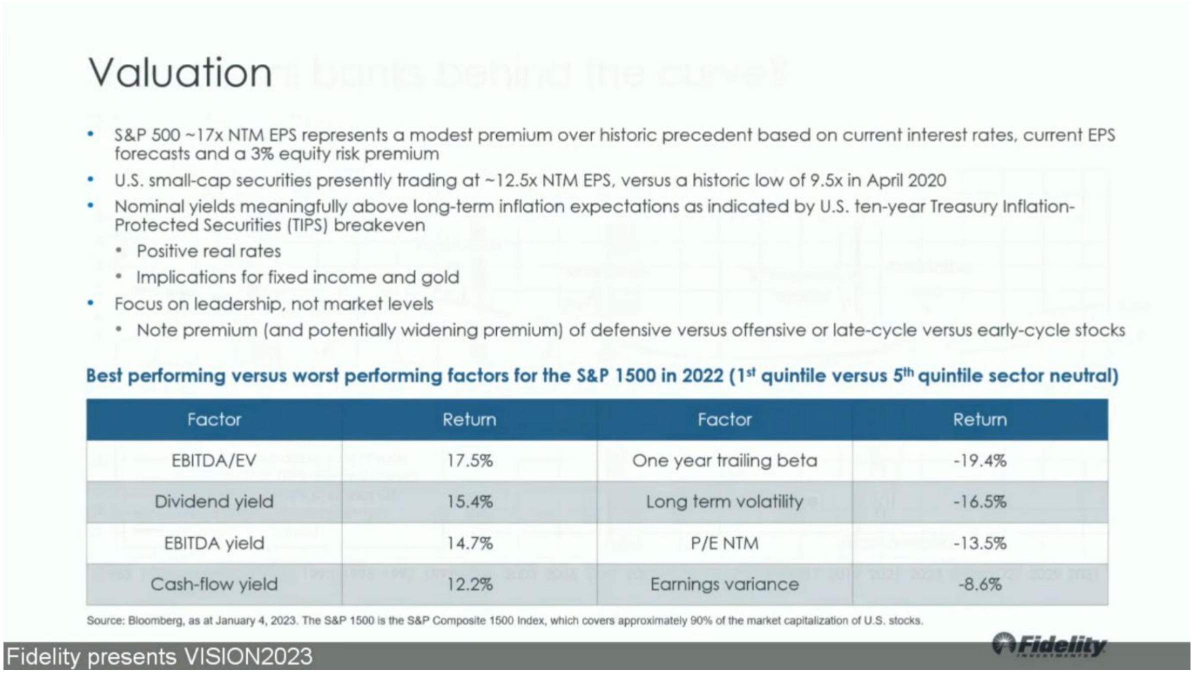
- In North America, there is a decline somewhere after the 6-month mark. In the Eurozone and China, there is a tightening.
- In China, if the Zero COVID Policy stays and there is not a lot of economic fallout because of that, industrial production should pick up, leading to them tightening up moving forward.
- Emerging markets and industrial commodities: can these two things go up in the face of a U.S. recession?
    - History would say no. There has never been a period that was durable where both have risen in a U.S. recession.
    - At some point, these two things need to sync up and that has investment implications for all of us.

Is the Fed being too restrictive?



- According to this chart, yes.
- The blue line shows the natural rate of interest, where inflation and growth are perfectly balanced off.
    - With current interest rate hikes, we are in a restrictive zone.
    - Grey indicates a hard landing.
- There is a space when you are most restrictive in here. Interest rates get cut as central banks anticipate a slowing economy. Causes rallies in the stock market.
    - It is not until the grey areas that the earnings show up and then the lagging indicators.
    - Has investment implications all along the way.
- We are going to go through a period of restrictive monetary policy after having the most accommodative period in all monetary history.

Valuation:



Valuation

- S&P 500 ~17x NTM EPS represents a modest premium over historic precedent based on current interest rates, current EPS forecasts and a 3% equity risk premium
- U.S. small-cap securities presently trading at ~12.5x NTM EPS, versus a historic low of 9.5x in April 2020
- Nominal yields meaningfully above long-term inflation expectations as indicated by U.S. ten-year Treasury Inflation-Protected Securities (TIPS) breakeven
  - Positive real rates
  - Implications for fixed income and gold
- Focus on leadership, not market levels
  - Note premium (and potentially widening premium) of defensive versus offensive or late-cycle versus early-cycle stocks

Best performing versus worst performing factors for the S&P 1500 in 2022 (1st quintile versus 5th quintile sector neutral)

Factor	Return	Factor	Return
EBITDA/EV	17.5%	One year trailing beta	-19.4%
Dividend yield	15.4%	Long term volatility	-16.5%
EBITDA yield	14.7%	P/E NTM	-13.5%
Cash-flow yield	12.2%	Earnings variance	-8.6%

Source: Bloomberg, as at January 4, 2023. The S&P 1500 is the S&P Composite 1500 Index, which covers approximately 90% of the market capitalization of U.S. stocks.

Fidelity presents VISION2023

- This is not particularly onerous. There are a lot of front-end economies' stocks and industries that are trading at very reasonable levels.
  - While the economic situation we will be going through for the next 12 to 24 months looks daunting, the market may have already gotten ahead of that.
- 10-year bond yields invariably do fall in recessions.
- While industrial commodities may not look as good, price of precious metals may.
  - Gold: real rates have been very positive.

Concluding thoughts:

- Investing comes down to price, and in our current situation, a lot of bad things have already been priced in.
- 2023 will require discipline, patience, and rigor around profit forecasts and upside/downside scenarios.
- Equity markets have priced in most of the change in central bank policy or change in liquidity but have not yet fully priced in earnings compression.
- Market levels may obscure transition of leadership during 2023.
  - Focus on leadership opportunities, not "the market."
- Price moves before earnings: Understand when the worst fundamentally has been discounted. Don't be paralyzed by fear or analysis.

Fixed Income Investing in an Evolving World

Jeff Moore, *Portfolio Manager*

9:35 am - 10:05 am

Two negative years in the bond market, but I've never seen you more excited about a year. Talk to us about 2023.

- It's interesting to look at 2022 → if you bought Multi-Sector Bond Fund at that dead wrong time last year, if you held this to today, you're only down 6% in the greatest sell-off in history
- You don't want to get caught worrying too much about interest rates
- The bond market is essentially just making loans
  - We want your money back for you and want to compound as fast as we can

Inflation:

- Jeff and his team believe we hit peak inflation in November 2022
- Now the question is, what is the path down from inflation?
- If you look at US inflation for 2023, and you make 2 decisions:
  - What is owners equivalent rent going to be?
    - This makes up 25% of the CPI basket
    - This becomes a lagging indicator
    - If you think this is growing at 5-6%, we're on the right track with inflation in that it is going down at a slow rate
  - If you assume owners equivalent rent is 1%
    - Now your base case is disinflation in the US in June
    - If this happens, the bond market will rally
- The time is now if you think we are on a 1% OER - goods prices have already rolled over and if we see unemployment pick up, we'll have a base case of really low inflation and potentially disinflation

Fed announcement tomorrow, what do you think is going to happen here?

- Tomorrow is going to be a nonevent
- Jeff thinks Fed will raise 25bps
- All you should be doing for data is checking in with CPI every month
  - You want to make sure CPI is on track
    - If you think CPI is coming down sharply → you want more bonds

Do you feel the Fed mismanaged all of this?

- Jeff thinks central banks did a great job taking rates to zero during Covid

- He also feels the initial fiscal stimulus during Covid was a good idea, there was a lot of uncertainty
- Jeff would argue that by September 2020 we should have raised interest rates, because there was no crisis
- COVID was still upon us, but it wasn't an economic crisis. It was just a social factor.
- They should have been raising rates a lot earlier than in 2021

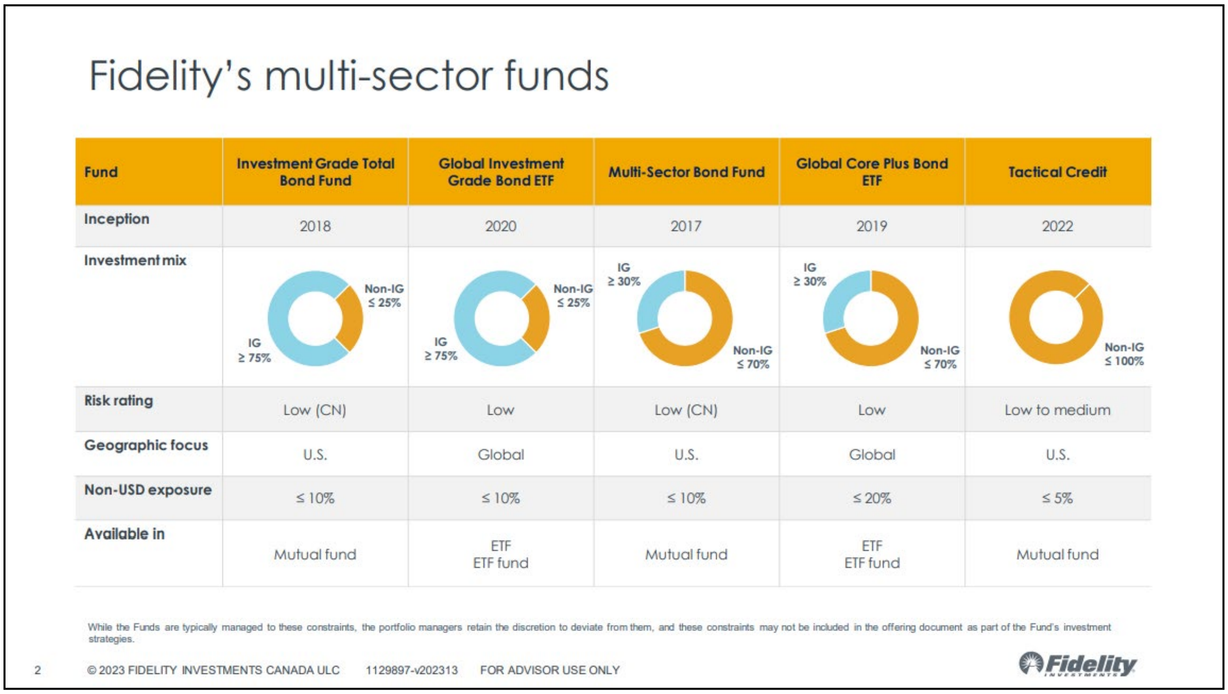
How much higher do you think the rate can go from here?

- Jeff and his team have a five-step process:
    - They run a 5000 simulation model - this looks at the level of interest rates, spreads, and volatility of the VIX versus today
- Stacy runs this 5000-simulation model and all it does is it looks at the level of interest rates, the level of spreads (making loans to corporates), and then volatility or volatility of the VIX versus today
- At the various levels, they look at what has happened historically
- Based on these models, in July 2021, Jeff's quant team concluded that there was a 40% chance of a negative return in the bond market
- Looking at the models today, the number is a 50% chance of a 10% return
    - Rates have increased substantially, spreads have widened, vol has also moved up, there is a lot to like here

Thoughts on GICs?

- Jeff's problem with GICs:
    - If you are going to lock away money for 5 years and you can't touch it, you should want a lot higher returns from this, 20-30%
- Bond market is the liquidity in the market, you don't want to lock away your money and not be able to take advantage of opportunities that arise elsewhere in those 5 years

Jeff's lineup and current positioning:



Fidelity's multi-sector funds

Fund	Investment Grade Total Bond Fund	Global Investment Grade Bond ETF	Multi-Sector Bond Fund	Global Core Plus Bond ETF	Tactical Credit
Inception	2018	2020	2017	2019	2022
Investment mix	IG ≥ 75%, Non-IG ≤ 25%	IG ≥ 75%, Non-IG ≤ 25%	IG ≥ 30%, Non-IG ≤ 70%	IG ≥ 30%, Non-IG ≤ 70%	Non-IG ≤ 100%
Risk rating	Low (CN)	Low	Low (CN)	Low	Low to medium
Geographic focus	U.S.	Global	U.S.	Global	U.S.
Non-USD exposure	≤ 10%	≤ 10%	≤ 10%	≤ 20%	≤ 5%
Available in	Mutual fund	ETF ETF fund	Mutual fund	ETF ETF fund	Mutual fund

While the Funds are typically managed to these constraints, the portfolio managers retain the discretion to deviate from them, and these constraints may not be included in the offering document as part of the Fund's investment strategies.

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Fidelity

We have three flavors of risk:

- **Investment Grade Total Bond Fond and Global Investment Grade Bond ETF:**
  - Going to have the beta of the marketplace
  - They'll have the least amount of non-investment grade
  - They'll have the most duration
  - Best diversification benefits versus the stock market
- **Multi-Sector and Global Core Plus:**
  - Going to be a little bit more correlated to stocks
  - Going to have more income
  - Will have more volatility and beta
  - Over time, these two should outperform the first two because these take more opportunity
- **Tactical Credit:**
  - High-yield loans, bank loans exposure
  - Highest correlation to stocks
- There is something for everyone
- In any one of these 3, there is a lot to like about all of them
- "If you don't like bonds now, then you're never going to like them"

Thoughts on leveraged loans:

- The bank loan market is a below investment grade marketplace. It floats → that's why everybody likes it.
- What's nice about these portfolios is we can go buy a lot of floating rate notes, bank loans that yield 7-8%
    - There's a sense of the floating rate bank loan market, it's just going to be a default, after default in that marketplace. You must remember these were crumby companies anyway.
- The nice thing about bank loans and high yield → loss in default is lowest when its an interest rate shock, if you get a hard recession, that'll hurt
- If you're just calling for an interest rate, reset shock → these companies still have all the revenue, they just can't afford all their debt. Then it comes down to negotiations.

Thoughts on Emerging Markets?

- EM consists of countries that probably shouldn't be considered EM i.e.) China and Korea
- The problem with this is that you don't have a stable beta
- The problem with EM team is not one thing, and so you don't have a stable beta
    - If you don't have a stable beta, it's hard for you as an investor to use
- Jeff and his team use the EM team at Fidelity and they pick individual targeted EM positions
    - For example, Brazil is at 13%, which is a decent place to be

How crowded is the investment grade trade at this point? Is the risk reward still supportive of longer duration?

- The hard part is there's no crowded trade here for government bonds in Jeff's mind
- The issue you have is what is your forward expectation for inflation?
    - If you buy a 10-year bonds at 3.5%. Let's assume that you think real rates are going to be 1%. That means what you're being compensated for, is 2.5% for every year in inflation
- Even if you think inflation could be higher this year, but on average, it will get back to two than the bond market is in good shape.
    - That's what you're trying to assess in the bond market today
- When you're thinking about adding term, you're trying to say "okay, I got a real rate I got some inflation. Do I think inflation number the bond market has reasonable? If it is the bond markets all set" → Jeff would say to you, his personal view, this is a great setup.

When do you expect central banks to start cutting rates?

- Jeff thinks that they will cut rates as soon as they can
- Bank of Canada does not want to raise rates anymore, they don't want to have the pain of the reset shock that will happen to mortgages if we keep having to raise rates

Do you recommend clients buy currency neutral or unhedged funds?

- Today, 99% US mortgages are conforming from fixed rate, they're hard to beat
- There isn't stress in the US right now, there is no reset risk
- Other areas of the world however, has reset risk
- Jeff's opinion is the US is in great shape, and the USD is still hard to beat

Opportunities in small-cap Investing

Connor Gordon, *Portfolio Manager*

10:05 am - 10:35 am

Can you give an overview of the fund?

- It is a global small cap fund
    - Investment process: quality + change = mispricing.
    - Profitability: Connor and Chris like companies that generate cash and avoid companies that burn cash
    - Predictability: like companies where they can look out three years and be confident within a reasonable range of outcomes that they know that what that company is going to
    - Value: if we can't value the company; we're not going to buy it and we're not going to put client money at risk.
    - Growth: Connor tells our analysts, if you're not growing, you're dying. We really want our companies to be aligned with a structural trend so that we can reinforce that predictability

Why are you avoiding commodities?

- Connor explains that we want to be confident in our company's plans over the years, however, Connor thinks that changing dislocation differentiates what his team does. The market is generally efficient besides the flaw of assuming the market health is permanent.
- In other words, when the market is doing well, the market assumes it will continue to do well forever and vice versa.
- Connor explains that his team tries to identify situations that are characterized by a change or dislocation.
- Positive change example: Chris has been working with one of the biggest animal renders in the United States, Darling Ingredients. In the beginning, growth was minimal, and the company had struggled with the cost of capital. After partnering with Valero, environmental and efficiency changes were made to the production process. Changes allowed production to grow and therefore sales grew.
    - Positive dislocation example: Prior to COVID, Aritzia, retail company, was struggling to open business in the US market. Once COVID had started, stores were closed. Questions that arise in this scenario:
        - Is this a durable brand?
        - Do they have a liquidity to survive during this time?
        - Can they adapt to the current market environment?
    - Connor's team had determined that Aritiza had the ability to survive the market state because of online shopping and is a company that will thrive in the future.

Where would you fit into small caps in value and growth baskets?

- Connor notes that they are neither growth nor value, they are eclectic. Holdings in their portfolio are off the run and his teams has diverse ideas.
- The first bucket is growth at a reasonable price, they are not hyper growth investors but are trying to identify companies where there is a secular tailwind where the growth is underappreciated. There is a valuation upside versus downside, and they can compound investor capital with the underlying growth rate of the business.
- The second bucket is characterized by the previous idea mentioned of positive change.
  - Example: if a company has a new product and a new management team, they are doing an acquisition, divestiture, or spin up of something changing state. A possible result is the earnings power of the business growing structurally higher in the future.
- The third bucket is characterized by the previous idea of dislocation.
  - Example being a company undergoing a temporary fixable problem and not a permanent problem. Connor's team buys when the outlook is negative and then make money as earning recover.

Connor's comments on performance:

Fidelity Global Small Cap Opportunities Institutional Trust

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

As at December 31, 2022	3-Month	6-Month	1 Year	2 Year	3 Year	Since inception*
Fidelity Global Small Cap Opportunities Institutional Trust	10.7	13.5	-7.5	7.8	12.9	13.6
MSCI AC World Small Cap Index	8.9	9.9	-12.8	0.2	4.7	5.7
Excess return	1.8	3.6	5.3	7.5	8.2	7.9

Calendar year returns	2022	2021	2020	2019** (Partial year)
Fidelity Global Small Cap Opportunities Institutional Trust	-7.5	25.5	24.1	4.0
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 December 31, 2022. 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.

- Diversity of ideas: Chris and Connor have a focus list of 600 companies that they know very well and are just waiting for that idea of change or dislocation to occur.
- Screening methods: They don't screen for high return on equity or low valuation. Instead, they screen for change and dislocation. They have developed an internal techspace screen that focuses on management change, a company doing an acquisition or divestiture, and triggers the research.

As a global investor, where are you finding more opportunities, is it in the US or outside?

- Connor and Chris look for areas that are dislocated and there has been no area that has been more dislocated recently than Europe.
- They don't get too hung up on predicting macros, what they do focus on is how the macro impacts the fundamental cash flows of business.
- During periods of uncertainty, they fall back on what makes fidelity great and that's the research, 140 analysts around the world regardless of what's going on, they are looking for the next best investment opportunity.

Small caps are thought to be more volatile than large caps. Can you describe how you manage risk?

- Connor thinks there's a difference of definition. When they talk about small caps, the average market cap of the company in the fund is $6 Billion USD. Comparing to the average Canadian small cap index, there is a $400M difference.
- The team invests in companies that are significantly larger than the size of what a Canadian investor would consider a small company. Small caps in a global context might be a mid-market caps.
- Connor's team is buying proven, profitable, predictable growing businesses.

Where should small cap fit in somebody's portfolio?

- Small cap is probably not going to be a replacement for a core TSX or S&P 500 fund, however, it's an asset class that is very underweight in many client's portfolios.

- Given the Alpha rich nature of the asset class, it can be a very good complement to enhance the overall return profile of a portfolio.
- This is a global mandate, Chris and Connor are looking at the full opportunity set in small caps

Finding Alpha from top-down to bottom-up

Ramona Persaud, *Portfolio Manager*

Denise Chisholm, *Director, Quantitative Market Strategy*

10:50 am - 11:20 am

Denise, you're a sector strategist. You think of the world in a top-down manner. Ramona, you're very much bottom up. But at the same time, you spent a lot of time-sharing ideas. Has there ever been a time when you disagreed?

Denise:

- I'd say right now. Maybe disagreement is the wrong word, but I'm certainly more constructive and Ramona is more cautious.
- We know that equities are just a discounting mechanism.
- The data is pretty clear in the sense that the more visible a recession is, the more likely it is to have already been discounted.

Can you discuss energy? There was a time when the two of you thought very differently about that.

Ramona:

- There was a time where I wanted to own energy. Denise helped to open my lens on valuation. So, we looked at it on different valuation metrics and all your statistical odds and I stayed away from it and that was the right call.
- I'm sort of a downside protection-oriented investor and this keeps me honest. Denise helps me to interrogate my biases because she is certainly more optimistic than I am.

Money supply has contracted at a rate we haven't seen historically. Can you talk about the implications of the lack of liquidity in the market?

Denise:

- When you look through history there's a clear correlation related to equities, such that when money supply is negative, you have the highest odds of an equity market advance and when the money supply is positive, you actually have the lowest odds for market advance. Which is a way to say that the market is mathematically a discounting mechanism, and you have to know as an investor that you to be at least oriented towards buying bad news and potentially selling good news.
- Whenever you see these negative indicators, you must look at the historical data and say with the basis of history, it is most likely to have been already discounted.

Why do dividend funds remain very attractive right now?

Ramona:

- In an environment that's inflationary, if you have a business that produces real pricing, that means if you're running the business well you should be able to then generate a level of real growth in your earning stream, which is what supports the dividends. That gets a massive sort of premium in an inflationary environment.
- So, when you've got drawdowns and volatility, having a good proportion of dividends in your return stream, both increases the dividend proportion of total return in a drawdown. This is great because dividends are always positive. Having a good proportion of dividends in your total return dampens the volatility profile of that return stream.

Denise, what are your thoughts on inflation?

Denise:

- If I had to pick one factor to pop into a core PCE deflator or core CPI model, choosing between wages or crude oil, it would be crude oil. That has been more likely to be the leading edge of deflationary pressures. So, the fact that we've seen a 20% contraction in gasoline and crude oil is a very significant deflationary impulse.
- The Fed knows that shelter is a deeply lagging indicator. So, if you say okay, let's just take out that big shelter component which is I think 40% of the CPI and 20% of the PCE deflator, and let's look at the average annualized run rate of everything else, minus that it's fairly negative over the last three and six months. To me, this says that there's not nearly as much of an inflation problem as many investors potentially expect

Can the US be in a recession and the rest of the world be okay?

Denise:

- It's definitely rare to do especially from a severe recession perspective. I do think that this is going to be a very difficult time to call it a quasi-recession, we had two quarters of negative GDP, we are likely going to have earnings contraction.
- I have to say that I think that if I had to choose between EM and US mid-caps, I'd pick us mid-caps for the stronger valuation support and at least the potential for more fundamental upside.

What sectors do you see the best opportunities in?

Denise:

- I'd say consumer discretionary, financials, and materials and specifically within materials, I would say metals and mining are the three opportunities that I see in the market.

You focus on downside protection and downside risk mitigation, why is it the smoothness of the ride so important to you and how do you think it can benefit investors?

Ramona:

- There are two pieces: there's the fund experience and there's the end investor experience. The real goal is to try to have the investor experience be as close to the fund experience.
- Starting with the fund experience, what you were aiming for is to continue delivering a good long term, compounded return and so alpha is your end destination.
- To me it really matters what the journey looks like, the smoothness of the ride, and so that is essentially the volatility that you allow into the return stream, obviously, without compromising the Alpha too much. That's how you maximize your compounded return in the fund.

Last year was unusual, both equities and bonds were negative last year. What's your outlook on these asset classes for 2023?

Denise:

- I think going forward when you look at the 60/40 portfolio, and I'm more constructive on equities than I am on bonds.
- The two critical drivers are inflation and the starting valuation point for equities and I think that the two critical drivers of both stocks and bonds are in a much better place starting this year than they were last year. I think the 60/40 portfolio will actually be back in 2023.

Given the potential for recession, are you being defensive or offensive? What sectors are you thinking about? Are there any companies that are great ideas that you've been looking at that you have in your portfolio?

Ramona:

- If you know my process that would lead me to be more defensive than offensive.
- Utilities, healthcare, consumer staples, they are on not exciting but, they're great portfolio construction tools. Consumer staples are a tool but not at a great valuation right now.
- I own healthcare, large cap pharma and biotech, and a fair bit of energy with decent free cash flow yields.

Do you think markets are in for another drawdown in 2023?

Denise:

- I don’t know, that is a timing question. I don't know where the trough is. But even in times like that, sometimes there is more opportunity even though you might have another drawdown.

Why should people be interested in our dividend lineup and in particular, global dividends?

Ramona:

- Like everyone else, I want alpha. What is not like everyone else is that I care a lot about the risk. I think of risk as a cost that I paid for that alpha. If you're going after a great long term compounded return, you must think about the risk profile and then I add some income to that which dampens that volatility even more.

Lessons Learned

Will Danoff, *Portfolio Manager*

11:20 am - 11:55 am

Can you talk about the last year?

- Will discusses the challenges that everyone endured not just in 2022 but since 2020
- Will talks about the excitement behind mega companies seeing their business accelerate and the opportunities it opened for investors
- Will recognizes that he had gotten too caught up in the excitement and is now reassessing which companies he should hold on to. And which he should let go.
- "Cast a wide net with the help of the great Fidelity Research Team and learn from your mistakes and move on, don't get frozen"

Can you discuss mega-cap tech i.e.) Facebook? Are you sticking by them?

- Will admits that he made a mistake, and was heavily influenced by Mark Zuckerberg's excitement in talking about the Metaverse back in 2021
- Facebook has struggled with monetization, specifically with WhatsApp, Facebook has also struggled with the younger crowd, changes in Apple's privacy policy have also had a negative impact
- Overall, Will states that he should be more optimistic and understand that they may have just missed the quarter
- He loves the vision and is optimistic now that, management is cutting costs

In the last round of earnings, the companies woke up, didn't they? You started to see job cuts.

- Will talks about how Canada and the United States have served as a beacon of hope for capitalism, as they attract smart people from around the world
- Will talks about the rise and fall of Tesla and the increasing amount of competition
- However, he remains optimistic due to Tesla's product capacity accompanied with the ever-increasing demand for EV's

Can you discuss healthcare?

- The S&P earnings grow 7% a year and therefore the market's going to double in 10 years
- Fidelity's job along with Will's job is to find companies that are going to grow faster than 7% a year
- Will mentions that some biotech companies such as Vertex and Regeneron have not gotten the credit they deserve

Can you discuss the sectors where you are finding opportunities and why?

- Will mentions that in the US the consumer sector is two thirds of the economy
- Will likes Dick's Sporting Goods and Academy Sports
- Will expands on the major success Academy Sport had during Covid-19, and how he continues to stay invested
- He also mentions the changing landscape due to the invasion of Ukraine and President Xi potentially looking to invade Taiwan
- Will states that there will always be opportunities in the technology sector

Would you characterize yourself as a bear right now or are you bullish? What's your outlook?

- Will states "I'm beaten up, and therefore I'm bullish"
- With the shock of inflation, one must be cautious
- There's regulatory risk specifically in cap tech

What are the most memorable CEO meetings you've had in your entire career?

- Will talks about the first time he met Warren Buffett, which was after 911 in the spring of 2002
- He recalls the advice that Warren Buffett gave him which was "never talk to CEOs, because the really good CEOs are going to tell you exactly what they think you want to hear"
- Will talks about meeting Charlie Munger who is the lead director of Costco

Asset Allocation highlights: A global perspective

David Wolf, *Portfolio Manager*

David Tulk, *Portfolio Manager*

Ilan Kolet, *Institutional Portfolio Manager*

1:00 pm - 1:40 pm

You said earlier you were a little skeptical on the soft landing. Could you expand on that?

- Inflation has become a problem. Two important questions to answer:
  - How much do you have to slow the economy to get rid of price pressures?
  - What interest rate is going to do that for you?
- Rates are probably going to stay higher for longer than most are expecting.
- Some cuts towards the end of the year, unless things collapse, hard time seeing Central banks be comfortable and control inflation.

Speaking about recession. Your thoughts on the economic landscape right now?

- Central banks know that this is a collateral damage of bringing inflation down.
- Regions like Europe and Canada have more downsides because of elevated interest rates sensitivity.
- China and other emerging markets are already in help. China is emerging out of recession à area of opportunistic growth.

What are your thoughts on Canada?

- One of the more interest rate sensitive economies in contrast to the U.S., it makes the situation in Canada rather more challenging than in the U.S.
- The yield curve in Canada between the overnight rate equal to 4.5% and the 10yr bond yields that's about 160 bps.
  - In 30 years, the most inverted Canadian yield curve ever got was about 601 bps. This is about 3x higher. In the U.S. it's somewhat inverted, but not as much.
- There's risk and a bit of a shock to the domestic market and a lot of investors that haven't really lived a credit cycle since the 1990s.
- Position: Overweight U.S.
  - Not because the USD is probably going to be stronger than the CAD, but it's very defensive.
- Bonds have been doing a good job of hedging stocks.
  - That correlation has gone positive because inflation volatility has come up for the first time in 40 years.

What are your thoughts on gold?

- Nowhere do we have as much time-series data to stress test how it should react in the presence of extremely elevated inflation.
- Gold vs. other building block asset classes performed exceptionally well.
- There has been some discussion about crypto dimming the light of gold - no clear answer there. But he would disagree with the question.

Is anyone going to take a crack at when you think about rate cuts will happen?

- You could get the very interesting dynamic with commodities and inflation.
    - Operationally, you might see headline inflation star to move higher as commodity prices recover.
- If inflation remains stubbornly elevated for even longer than we think some painful decisions from Global Central Banks will be required.

How do you form those active views?

- Really 2 pieces to forming our active asset allocation:
    - Analysts do fundamental and foundational analysis. Forecasting is hard because the models with which you forecast are wrong. Their models = simplified. Representations are really complicated in the real world. Even if you get history right, things change. The future is never going to look exactly like the past.
- How we work and where we're likely to be wrong because it helps us understand where markets can go wrong. It's the opportunity to put on a strong position.

While the market was still transitory, why did we think inflation was a problem? Why couldn't markets and central banks do that?

- Due to models that they used to forecast; they excluded supply. This is basically half of the inflation equation. For 40 years, supply hadn't really been relevant in forecasting inflation and models were getting super complicated.

What did they do?

- They shifted their asset allocation to protect against inflation.
- They bought commodities, gold and inflation linked bonds.
- They held more Canada than they usually do because of commodity linkage, reduced equity, and interest rates.
- Markets had a hard time with the aggressiveness of monetary policy, particularly in the first half of the year.

Could you walk us through how the funds are positioned today?

- You can see from stocks vs. bonds, you can take out the commodity position.
- About 5% underweight equities, broadly characterized as moderately defensive allocation.
- On the bond side of the portfolio, offsetting those underweight equities with an overweight to short-term cash or securities.
- Fair bit of USD exposure to enhance the traditional defensiveness of that allocation.
- Equity side: Continue to hold the protection against inflation in the form of commodities
- Bond side: inflation protected government debt, TIPS and real return bonds
- Very important: the underweight to Canadian assets that is motivated by the vulnerabilities that we see in Canada's economy, not only within the consumer but in the housing market.
- On the positioning, you can see underweight in Canadian equities and in Canadian bonds, and by extension underweight the Canadian dollar.

What's the motivation for this moderately defensive decision making?

- Macro is a little bit of concern; we are different than the market right now.
- They don't subscribe to the soft-landing narrative as being the most likely outcome because their work and analysis suggest that inflation has peaked but it is likely to fall in levels.
- Central banks around the world are not going to be able to cut or provide additional policy stimulus as rapidly or as the market currently priced.
    - The combination of that persistence inflation with more hawkish central banks, an economic fallout from that policy stance is going to be more severe & not fully priced into the market.

How do you calibrate the size of the underweight?

- Bottom-Up fundamentals are pretty good
- Valuation: fair movements seen in the price of assets which were historically expensive.
- Sentiment: we've seen bear market rallies. Sentiments skew too far in one direction. Sentiment has recovered from the very bearish positioning it had; however, doesn't give a clear indication where it may tilt.

We're coming off multi-decade highs. Many people think we've peaked. What are your thoughts?

- Inflation came up to 8-9% in the U.S. and Canada and has declined quickly.
- Extremely tight labor market leading to very strong wage growth. Wage growth is translating to very strong service price inflation.

- The move from 8 to 4% was easy and mechanical. The move from 4 to 2% is going to be much slower and much more difficult.
- Inflation and inflation volatility erodes the relationship between stocks and bonds in a multi-asset class portfolio. Relationship gets destroyed in periods of elevated inflation.
- We own asset classes on the fixed income side. Fidelity Inflation Focused Fund, 1st of its kind in Canada. That fund is up 3.5% and its peer group is down almost 7%.

Uncovering positive change in Canada and abroad

Mark Schmehl, *Portfolio Manager*

1:40 pm - 2:15 pm

Can you give us your thoughts on the markets right now?

- Things are getting better
- He looks at about 7000 stocks and has noticed across all sectors, things are working again
- The pattern in behavior in the stock market has changed. The market is saying maybe the worst is over. And, it has been consistent, as a large number of stocks have gone up.
    - Example: Netflix bottomed in October and went back up 70%.
- Mark does not think market participants believed this would happen.
- Most investors experienced 2 bear markets in the past 20 years. While some believe this recession resembles those, it is incorrect. Now, is not the same as those past recessions.
- This recession is a response to a weird once in 100-year pandemic. He believes to be on the other side of it all.
- His funds have beaten 5% of his peers last year, so there was improvement since 2021 where he beat 4% of his peers.
- It is time to add risk to portfolio and start changing the mentalities of investors who think we are approaching the end of world.
- As rates continue to rise, sensitivity declines. The relative trade is over, so investors should dip their foot in this stuff.

You focus on both tails of the market and look for positive change, is there change or only momentum?

- Hyper growth stocks have become less valuable (transfer) but are still in his wheelhouse as they are changing for the better now.
- When stocks go from horrendous to bad, it is the best time to make a move as they are getting better margins.
- A lot of companies (Microsoft. Shopify, etc.) are firing people, which is a change; before they used to just hire any college student, they can't do that anymore i.e., cutting costs. This change makes the market change as well.
    - Raising prices, cutting costs, etc.
- Energy is still tight, industrial is still tight = still look expensive and haven't been corrected yet.
- As of right now, Mark likes consumer discretionary sector.
    - The most shorted stocks are consumer discretionary stocks as people don't want to be a part of that, however what if a drop in prices, cuts, etc. don't happen? What if it isn't that bad? And right now, market is showing it isn't so bad.

The changes are very big in different sectors. In tech, are the changes enough?

- No, it isn't, but it is a change in sentiment.
    - 12000 people were laid off at Google. Second one, 30,000 lay off, but by then the market is already roaring.
    - Hiring every quarter to be firing every quarter is a big change.

There are some parts of the portfolio that are defensive, such as health care? What are your thoughts on that sector?

- He does not like it anymore, but it is the defensive factor gold standard.
- In portfolios, you need something to absorb the shock. They are a bit growthy and used to absorb the shock rather than to really make money. Therefore, Mark still uses it, but not it is not his favorite.

Where is your offense going now?

- His top 10 of this year vs last year is remarkably similar, but in the middle a lot has changed.
- A lot of opportunity in beaten down sectors (consumer, technology = really shorted names).
- In early stages of the market, he says to own really hated stuff.
- Big names were down 40% last year, but he is back into them because the market is changing.
- Can't just own S&P 500; need to be able to move from place to place to make money.

What do you think of financials of banks these days?

- He hasn't owned banks in a big way in a long time.
- High interest rates are good for financials = more income, more opportunity to cover for mistakes.
- Financials might be a sneaky bullish sector i.e., not the worst place to be hunting.
- Canadian banks are cheap in general and are good names.
- Believes in structurally higher inflation but is not a believer in long term 8% inflation.
- 3-4% inflation is good for financials.

You invested in materials in energy quite heavily last year. Are you still interested in them? Does China reopening change your view on energy?

- Not a big part of his portfolio anymore
- There was a huge relative move. A lot of folks got into it because it was the only sector that worked last year, but people don't know what they are holding.
- Energy is positioned in the wrong way = not the best right now.
- Reopening play in China won't work as it may have already happened i.e., no impact on energy.

What are your thoughts on the crypto space?

- Bitcoin is a different animal = it is for real, even Ether is real. A lot of the other ones are frauds, and you shouldn't even waste time on them.
- It is a good currency for some countries. It is a good way to deal with your wealth.
- Bitcoin mining is just as bad as any other mining, so you don't really want to own that.
- It is tricky, so need to weigh into it as we don't know the outcomes yet.

Are there any specifics catalysts you are looking for moving into the second half of the year?

- Looking at the path of inflation and that of the market.
- A lot of stocks are breaking through their 200-day resistance lines = looking better.
- He is watching oil as it leads inflation.
    - Right now, it is at $80 and seems to be at a level that makes sense.

What about industrials, such as auto and trucking, as well as electric vehicles?

- Industrials have been a great group. They are taking advantage of tail ends, like green build and reshoring theme.
- They tend to lag. Some are still benefiting from Covid, but that might disappear quickly.
- As of right now, it not clear where to put dollars in industrial. In general, if you believe the market is going to get better, then transport (rails), airlines, and trucking, as well as semi-conductors are good businesses.
- Auto has been producing below trend for a long time = production not changing much.
- Tesla is an exception. They have cut prices so much = so easy to buy one, therefore an obvious buying opportunity - The stock moves on units sold. He believes units sold will explode and the stock price will follow that, which will hurt their competition like Ford, GM.
- As for personality, is not as important according to Mark Schmehl. The product is what is important. You need to divorce yourself from the leader and own it because you like the firm.
- He likes semi-conductors. These things move early. There is a consolidated group of companies that need them for a lot of things.

What are your thoughts on AI?

- ChatGPT is very interesting. It is very old technology that has been there for a while, so not as surprising, but now the public is saying wow that's cool.
    - Not really that useful, it surfaces a lot of wrong answers, and it is static.
- He would rather go to Google for truth than Chat GPT.
- A lot of AI is still private.

  - He does sell privates in his portfolios, and they are marked down i.e., less expensive than a few years ago.
- There is big range in between the market and private = need expectations to go down.

Where do you see leadership in the market?
- Energy was the leader until about September of last year.
- Consumer and tech really looked like it was picking up steam and then went down in October but went back up.
- Now, seems to be strength in consumer
  - If we do have a recession, it may not be that bad and stocks are just oversold.
- Payment companies are screaming.

What do u pay attention to when looking to invest in a company?
- It depends on the company, the cycle, the industry, so many things. He doesn't have a defined list.
- A lot of PMs have a list, but he does not. He owned a lot of different stocks, so he does not have that.

How do you differentiate between your 3 funds right now?
- The 2 Canadian funds are 50/50 blend, which has hurt him compared to other Canadian peers.
- Special Situations is now closed = small cap product, slightly more risky products.
- Canadian Growth is more core, bigger, and has lower risk.
- Global Innovators allow for more degrees of freedom; he can go all over the world.
- The funds tend to move the same, but in terms of risk it goes from Canadian Growth (lowest), Special Situations, and then Global Innovators (highest)

You seem to have more positive tone. Do you anticipate more changes in your portfolio? More rotation? More turnover?
- His turnover has always been about 200% every year.
- He believes it will be a trader’s market i.e., need to move around a bit. You can't just buy and hold your favorite stocks.
- He believes it will be constructively trickly vs. negatively tricky.
- He is looking for the most change

Contrarian perspectives

Hugo Lavallée, ***Portfolio Manager***

2:30 pm - 3:05 pm

What are your thoughts on 2022?

- I'm a big believer in continuous improvement, intellectual honesty, and it just wasn't my best year, stocks were falling, and I leaned into risk a little bit too early.
- The first half of the year was a little tougher as we went straight from expansion to late cycle, to then talk about a recession with historical rising rates.
- The second half of the year the stock picking got better thanks to some of our analysts. I am a big believer in stock picking to get ahead and the stock picking was definitely better in the second half.
- Last year I was proudest about the Canadian Opportunities Fund as it is a small/mid cap fund that beat the market being down marginally.
  - I've heard from some people that have been disappointed that we closed the fund last summer.
  - The funds closed to new money, but if you're an existing holder you can still add.
  - We closed the fund to stay nimble, to protect and hopefully continue to thrive and have good long-term numbers as it is all about performance.
- This is the first year since I have run the Greater Canada Fund that we have had a negative absolute year which was kind of disappointing.
  - This is my most contrarian ideas fund which has a 50% minimum in Canada.
- The first 6 months of the Climate Leadership Fund was great but last year was disappointing.
  - One thing I've changed for that fund is instead of trying to predict the future, I am going to lean into good businesses with good return on invested capital that will have a climate tailwind.
- The good news of last year is that we did win two 5-year Lipper Fund Awards for the Canadian Opportunities Fund and Greater Canada Fund.
- Going into 2023, I think the market just gave us more opportunities from a contrarian investing point of view.
- We are looking at moments in time for companies where the outlook is so bad that the next change can only be positive. When these changes happen, you get years of returns in months.

Is it your sense that management is becoming more sensitive to the stock market and that they're trying to address their earnings and labour force?

- I think companies fight back and adapt to the times they are in; especially American companies tend to be quite aggressive that way.
- Last year was that big transition where before it was about growing at all costs and not worrying about profitability. Then the world changed, and the cost of capital is not free, but the world changes faster than companies can adapt.
- Q2 was a pretty big earnings season that was important as we've seen companies now starting to fight back.
- We saw these companies' adjusting costs and it was evident how fat some of these companies were on costs.
- Simplistically how I think about it is if you're a business with really high gross margin, most businesses depending on your sales model should be able to make some profits.
- Once the companies started understanding that the world's changed and we need to make some profits, companies started to fight back.

Markets as you've stated have been tough the last couple of years as you had to deal with COVID and higher interest rates. Both factors of course did come quickly, how did you manage through that volatility?

- One thing I've tried to do is to repair some of the sins of the past and what are some great Canadian stocks that I have missed over the past.
- COVID, last year, and the recession gives you an opportunity to revisit some good stocks that you've missed in the past because in general there's longevity in good organizations.
- I think when you have these external shocks like COVID or a recession, it gives you an opportunity to revisit those stocks that you've missed, and hopefully buy them for the next 10 years.
- Maybe that compounded returns over the next 10 years won't be as strong as the previous 10, but it's still going to be a market beating return and that's what I've tried to do.

Historically you have been good at stock picking coming out of recessions, what is your view on the market right now?

- I don't like discussing macro and to me it's all about stock picking and the rest is just conversation.
- I think there were more opportunities later last year, and historically I had a good 2003 as an analyst, a good 2009 as a PM, and a good 2020 as a PM so we will see what this year brings.
- If the years tougher and we make new lows we're going to lean in, the fund is not a static thing, it moves around and tries to find the best risk adjusted return all the time.
- I'm always confident when things are tough to work with a team to find stocks that are going to make a lot of money in the next 2-3 years.

You do have three mandates. They're kind of different from each other but do have the same management style, although the mandates are different. Can you give me your sense of the opportunities for each mandate?

- Canadian Opportunities is 90% Canada, small and mid-cap Canadian equities
    - It's been a great fund since 2000 and I was the second PM on the fund which was launched in July 2000, and has been a pretty good Canadian fund.
    - There are a lot of cheap small cap opportunities in tech as there were a ton of IPO's and companies raised a lot of capital.
    - The stocks have now gone way down because they're either marginally profitable or not profitable, but they have these huge over capitalized balance sheets.
- In Greater Canada you're getting a little bit more contrarian, 50% minimum in Canada and the rest I can go anywhere.
- Climate leadership is about that whole decarbonization trend and that mega trend of decarbonization, building a fund around that mega trend which I couldn't fully do with my other two mandates.
    - It's a global fund going against the MSCI and using all of fidelity research, putting our decarbonization goggles on and trying to find some things that makes sense for that product.

Looking at the list of what's in each one of these funds, there's a lot of crossovers in your top 10. Are you leaning into industrials right now?

- That is one thing that I am still working on and one of the ideas we are working on internally.
- There's a lot of industrials that were COVID losers because of supply chain problems.
- A lot of businesses that historically have pricing power that leads to a good return on invested capital, strong returns, strong margins from returns, there margins got crushed last year.
- One thing that I'm bullish on is finding industrial stocks that historically are good stocks, good businesses, high cashflow, high returns, but they've had a tough two years.
- The demand was a little lower, but really the margin compressed, and I believe in margin expansion, that's a real coinsurance signal if your margin started going back up.

In your climate leadership fund, you've got Canadian Pacific Railway. How does that fit with climate?

- One thing I try to do in the Climate Fund is continuous learning to try to expand our horizon on what we can buy for the fund and what makes sense.
- I would say the number of stocks I'm considering now is bigger than it was two years ago, and a good example are the railroads.

- The more we dug in and with the help of the analysts, we understand that if you're a Nike and you have a strong move to zero in 2035, one way to help solve for that is your transportation and distribution.
- The railroads are a huge carbon saver versus trucking, and they have a path to almost fully decarbonized in 15 years.
- If you take a good business that's been that's been depressed because of the recession and you have an opportunity to accelerate a little bit to the decarbonization trend, it makes sense to me in the climate leadership fund.

Identifying opportunities in volatile periods

Dan Dupont, Portfolio Manager

3:05 pm - 3:40 pm

Dan's Approach

- Dan has always been focused on downside protection and capitalizing on the best opportunities when they arrive
- Was hard to justify in periods of growth in 2020 and 2021, but tailwinds in 2022 markets presented great opportunities for him to outperform

Fidelity Canadian Large Cap Fund

- Long-only fund with a long-term horizon, focusing on stable and high-quality companies in Canada
- 71.3% up market capture and 32.4% down market capture during Dupont's tenure compared to benchmark
- 2.8% annualized excess return over benchmark

Global Value Long/Short

- Dan had found that the most successful fund managers have been the ones who lasted through bad markets, so his downside protection focus is well suited to a long-short fund
- The ability to now short as well allows him to further capitalize on what he believes to be the best opportunities
- Dan believes this fund best expresses his approach to investing
- **Long opportunities:**
    - Focus on quality companies and sustainable business with a strong balance sheet and enter at the right price. Key is to not overpay for the stock.
    - Won't get involved with companies heavily dependent on certain factors such as interest rates
- **Short opportunities:**
    - Opportunistic shorts include companies that are potentially overvalued based on their fundamentals, such as excessively optimistic sales growth
    - Dan is patient when looking for these opportunities and waits for them to emerge

Merger arbitrage

- Spread between the announced price of acquisition and market price due to certain risks
- 4-6% annualized return on these, so low-risk low-reward, ability to short allows this component of portfolio

- Very low correlation of returns to traditional stocks, so it is an extra component that contributes to additional downside protection

Finding value in stocks

- Volatile markets allow for more short opportunities for Dan to spot based on business fundamentals
- While Dan focuses on fundamentals, he understands the role of momentum and doesn't focus on just trying to time the peak. Is willing to wait for more information and momentum to die down before shorting (learned from the "meme stocks")
- Watches out for companies highly levered in many ways, and what position they are in

Global Value Long/Short vs Dan's other funds

- Is the same mandate he has always used, focusing on downside protection and quality companies
- Good fit for portfolios for people similarly focused on downside protection and those for worried about uncertainty like him
- The goal of the fund is lower volatility and greater performance, with very low correlation with the equity market
- Global Value Long/Short has a lot of options to generate positive returns even in a down market long-term
- Part of Dupont's process is being prepared for things slowing down such as in a recession, and still making money in less volatile ways
- Important to look at different sectors differently to identify opportunities and risks

	Global Value Long/Short	Canadian Large Cap/Concentrated Value
Regional focus	Global (up to 100% foreign)	Canadian focused (up to 49% foreign)
Market cap focus	All cap	Large cap
Leverage	May use leverage through the use of cash borrowings or short sales, typically no more than 200% gross exposure*	None
Stock selection approach	Fundamental bottom-up analysis	Fundamental bottom-up analysis
Attributes in security selection	**Long**: Positive free cash flow, high earnings visibility, stable sales growth, low P/E, high ROE **Short**: Merger arbitrage and opportunistic shorting	Positive free cash flow, high earnings visibility, stable sales growth, low P/E, high ROE

Risk management with shorting

- Long/Short Fund has systems in place to ensure positioning is strong and risks are not too high from short positions

- Likes having a strong risk management mandate in place, aligns well with downside protection views.
  - i.e.) if he has a good short in mind, will still only make up a small % of the portfolio

Historical Performance of Funds

Fidelity Canadian Large Cap Fund

Performance - Series F, net of fees (%)

As at December 31, 2022	3-Month	6-Month	1 Year	3 Year	5 Year	10 Year
Fidelity Canadian Large Cap Fund	9.1	9.3	14.9	16.1	11.9	12.3
Benchmark*	5.5	4.9	-8.1	8.6	8.6	10.7
Excess return	3.6	4.4	23.0	7.5	3.3	1.6

Fidelity Global Value Long/Short Fund

Performance - Series F, net of fees (%)

As at December 31, 2022	3-Month	6-Month	1 Year	2 Year	Since inception*
Fidelity Global Value Long/Short Fund	14.3	17.5	68.1	30.6	31.7
MSCI World Index	8.2	8.2	-12.2	3.0	5.7
Excess return	6.1	9.3	80.3	27.6	26.0