

Fidelity True North Fund

Quarterly Investment Review

September 30, 2023

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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.

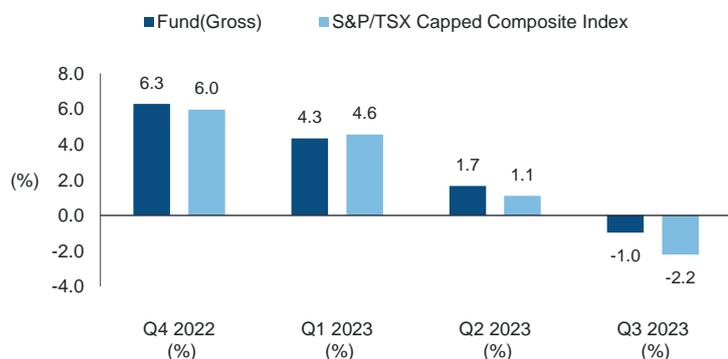
PERFORMANCE RETURNS (%)

	Cumulative					Annualized				
	Q4 2022	Q1 2023	Q2 2023	Q3 2023	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Fidelity True North Fund - Series O	6.28	4.34	1.66	(0.97)	5.04	11.64	11.83	10.18	9.78	9.17
S&P/TSX Capped Composite Index	5.96	4.55	1.10	(2.20)	3.38	9.54	9.88	7.27	7.54	6.69
Relative Return	0.32	(0.21)	0.56	1.23	1.66	2.10	1.95	2.91	2.24	2.48

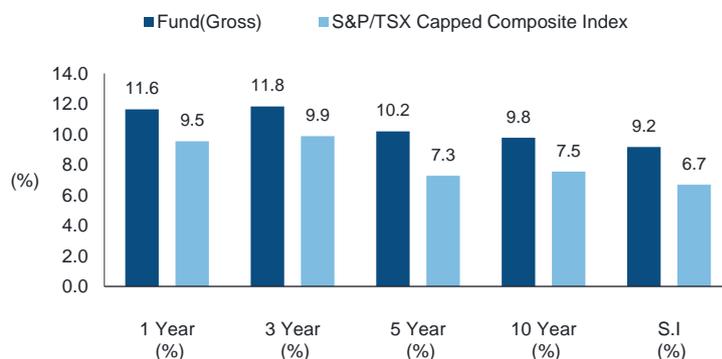
Performance returns are unaudited and time-weighted.

Note: Differences may be due to rounding.

Cumulative Quarterly Performance



Annualized as of September 30, 2023



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 industrials and financials sectors contributed to relative performance.
- In industrials, an investment in SNC-Lavalin Group and out-of-benchmark exposure to FedEx contributed. In financials, an investment in Fairfax Financial Holdings contributed. In other sectors, investments in Shopify and lack of exposure to a Canadian telecommunications company contributed.
- The Fund's investments in, and underweight exposure to, the energy sector detracted from relative performance.
- In energy, lack of exposure to a Canadian uranium producer and a Canadian petroleum company detracted. In other sectors, an investment in Rogers Communications detracted.

12 Month Fund Commentary

- The Fund's investments in, and overweight exposure to, the industrials sector contributed to relative performance. Investments in, and underweight exposure to, financials also contributed.
- In industrials, investment in SNC-Lavalin Group and out-of-benchmark exposure to FedEx contributed. In financials, lack of exposure to two Canadian banks contributed. In other sectors, investments in a Canadian multinational pipeline and energy company and CGI contributed.
- The Fund's investments in the information technology and materials sectors detracted from relative performance.
- In information technology, underweight exposure to Shopify detracted the most. In materials, investments in a Canadian mining company and Nutrien detracted. In other sectors, lack of exposure to a Canadian uranium producer and underweight exposure to Teck Resources detracted.

Positioning and Outlook

- Portfolio manager Maxime Lemieux notes that elevated interest rates as well as the "higher-for-longer" narrative drove volatility in the market over the last quarter. He notes further that stronger consumer spending and excess savings have led to the broader economy being more resilient. He acknowledges, however, that signs of economic vulnerability are becoming evident as consumer demand slows and excess savings deplete.
- As consumers face headwinds Max looks to avoid investments that rely on consumer financing as well as housing-related securities. In the manager's view, interest rates may remain elevated for an extended period. The effects of higher rates on consumers and the broader economy may lag, however.
- The manager notes that the trend for inflation is downward and that wage growth has slowed, indicating that inflation may be starting to come more under control, although it may be likely that it remains above central bank target levels.
- As interest-rate-sensitive investments drew back over the last quarter, Max is exploring opportunities in depressed securities such as those in utilities. Given the uncertain market backdrop, Max maintains a defensive stance and has a bias for quality stocks – companies with good balance sheets, good business models, good returns and trustworthy management teams. He continues to identify risk from an absolute perspective and invest for the long term.
- At the end of the quarter, the Fund had its largest overweight exposures to the industrials and consumer staples sectors. Energy and financials were the Fund's largest underweight sector exposures. In absolute terms, the financials and industrials sectors accounted for the Fund's largest exposures while real estate and health care had the least absolute exposure.

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	17.53	13.57	3.95	(0.77)	(4.22)	3.45	60	(7)	54
FINANCIALS	21.88	30.62	(8.73)	(1.11)	(2.61)	1.50	35	3	38
CONSUMER DISCRETIONARY	4.07	3.75	0.31	(2.94)	(7.08)	4.14	18	0	18
UTILITIES	2.38	4.28	(1.90)	(12.40)	(11.96)	(0.44)	(1)	19	18
INFORMATION TECHNOLOGY	9.30	7.63	1.67	(4.78)	(7.52)	2.75	24	(7)	17
MATERIALS	8.79	11.82	(3.03)	(2.50)	(3.76)	1.25	11	4	15
COMMUNICATION SERVICES	4.76	3.91	0.85	(8.38)	(12.55)	4.17	22	(10)	13
REAL ESTATE	1.33	2.41	(1.08)	(5.40)	(6.05)	0.66	1	5	6
MULTI SECTOR	0.70	0.00	0.70	(1.36)	0.00	(1.36)	1	0	1
CONSUMER STAPLES	7.42	4.17	3.25	(1.75)	(1.18)	(0.56)	(4)	3	0
HEALTH CARE	2.38	0.30	2.08	(5.95)	14.48	(20.43)	(53)	39	(14)
ENERGY	8.53	17.54	(9.02)	15.73	10.24	5.49	41	(108)	(67)
SUBTOTAL	89.06	100.00	(10.94)	(1.13)	(2.20)	1.07	155	(57)	97
CASH AND OTHER	10.94	-	-	-	-	-	-	-	26
TOTAL	100.00	100.00	0.00	(0.97)	(2.20)	1.23	-	-	123

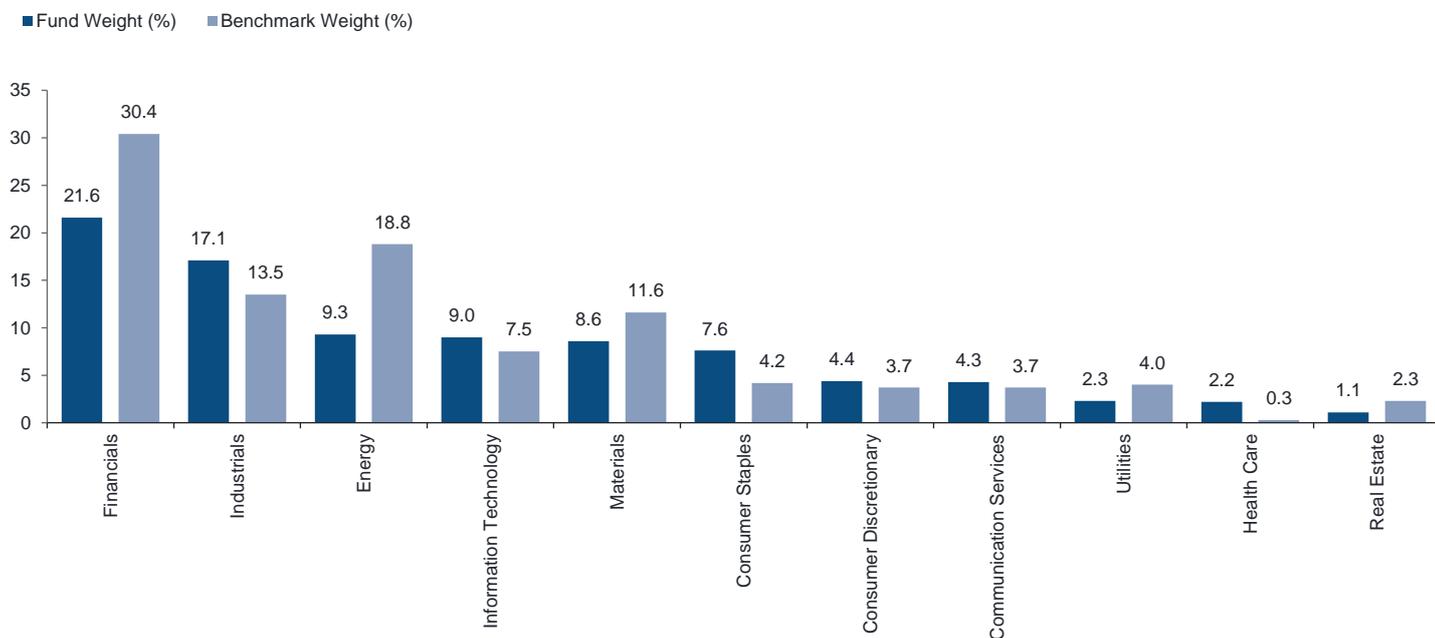
Note: Differences may be due to rounding.

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	16.77	13.52	3.25	24.26	11.58	12.68	202	8	210
FINANCIALS	22.60	30.68	(8.08)	6.63	4.55	2.08	48	43	91
COMMUNICATION SERVICES	5.31	4.48	0.83	8.61	(5.27)	13.88	78	(13)	65
UTILITIES	2.40	4.44	(2.04)	(13.19)	(14.26)	1.07	2	61	63
CONSUMER STAPLES	7.21	4.19	3.02	11.81	12.60	(0.79)	(5)	8	3
CONSUMER DISCRETIONARY	4.24	3.67	0.57	12.47	12.52	(0.05)	(8)	6	(2)
REAL ESTATE	1.44	2.48	(1.04)	(2.27)	3.42	(5.69)	(9)	6	(3)
MULTI SECTOR	0.29	0.00	0.29	(6.64)	0.00	(6.64)	(3)	0	(3)
ENERGY	8.85	17.57	(8.72)	25.92	17.35	8.57	72	(80)	(8)
HEALTH CARE	2.43	0.36	2.07	(0.04)	3.37	(3.40)	(29)	10	(19)
MATERIALS	9.49	12.02	(2.53)	0.34	4.75	(4.41)	(47)	15	(32)
INFORMATION TECHNOLOGY	8.60	6.59	2.01	25.85	54.41	(28.56)	(194)	90	(104)
SUBTOTAL	89.62	100.00	(10.38)	12.43	9.54	2.89	106	155	260
CASH AND OTHER	10.38	-	-	-	-	-	-	-	(50)
TOTAL	100.00	100.00	0.00	11.64	9.54	2.10	-	-	210

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

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