

# Fidelity NorthStar Fund

## Quarterly Investment Review

June 30, 2024

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## Overview

**INCEPTION DATE:** October 31, 2002

**FUND MANAGER:** David Wolf, Daniel Dupont, Kyle Weaver, Morgen Peck, Samuel Chamovitz, Becky Baker

### OBJECTIVE

The Fund aims to achieve long-term capital growth.  
It invests primarily in equity securities of companies anywhere in the world.

### APPROACH

- Offers an unconstrained strategy that seeks to invest in the best companies anywhere in the world.
- Managed by two veteran portfolio managers who are supported by Fidelity's global resources.
- Unique co-management approach aims to mitigate downside risk in volatile markets.

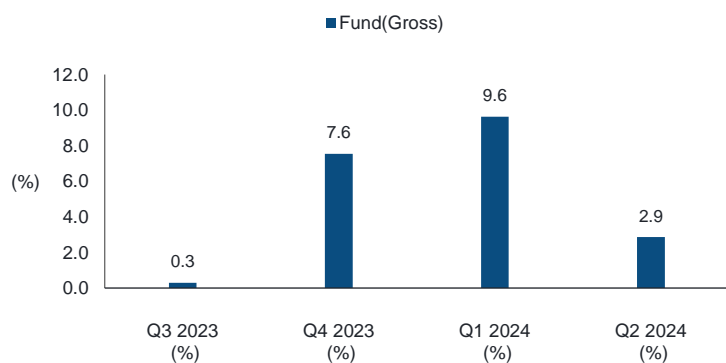
### PERFORMANCE RETURNS (%)

	Cumulative					Annualized				
	Q3 2023	Q4 2023	Q1 2024	Q2 2024	YTD	1 Year	3 Year	5 Year	10 Year	Since Inception
Fidelity NorthStar Fund - Series O	0.29	7.55	9.63	2.87	12.78	21.65	8.35	12.83	9.90	10.17

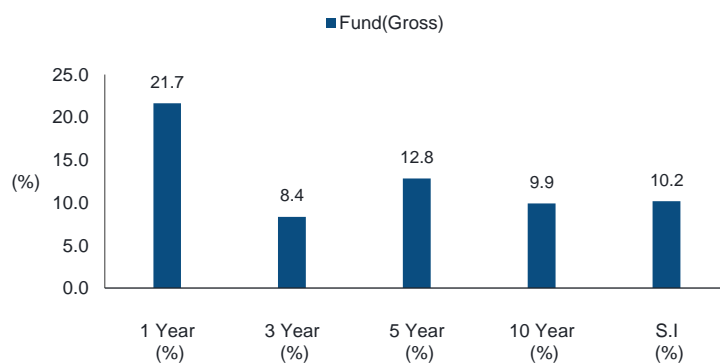
Performance returns are unaudited and time-weighted.

Note: Differences may be due to rounding.

### Cumulative Quarterly Performance



### Annualized as of June 30, 2024



## Overview

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

	Calendar Year Returns									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Fidelity NorthStar Fund - Series O	17.13	(4.31)	10.29	22.88	7.36	(2.88)	6.58	0.33	27.82	16.21

Performance returns are unaudited and time-weighted.

Note: Differences may be due to rounding.

## Quarterly Fund Commentary

- The Fund's investments in the information technology and communication services sectors contributed to absolute performance.
- In information technology, investments in Nvidia and Microsoft boosted absolute returns the most. In communication services, investments in Alphabet and Sea were notable contributors. In other sectors, holdings in Britvic and Imperial Brands contributed to absolute performance.
- In contrast, investments in materials and industrials were the largest absolute detractors. In materials, investments in High Power Exploration and Celanese weighed on performance. In industrials, holdings in Builder FirstSource and Hayward Holdings detracted from absolute performance. In other sectors, investments in Diageo and Bayer also detracted.

## 12 Month Fund Commentary

- The Fund's investments in the information technology and financials sectors contributed to absolute performance.
- In information technology, holdings in Nvidia and Microsoft contributed to absolute performance. In financials, allocations to Wells Fargo and TMX Group boosted absolute returns. In other sectors, investments in Meta Platforms and Alphabet were notable contributors.
- There were no notable detractors over the year.

## Positioning and Outlook

- Portfolio co-managers Sam Chamovitz and Morgen Peck acknowledge there are ongoing risks in the macroeconomic environment – the backdrop remains uncertain, and consumers continue to digest higher prices and rising interest rates. Despite this market backdrop, the managers' investment process remains unchanged, and they continue to manage the portfolio with a focus on value and quality.
- To combat inflation, the managers have been positioning the Fund in companies with strong pricing power that can pass on input price increases to customers. They also prefer businesses that can weather higher interest rates and that are less vulnerable to an economic downturn.
- Sam and Morgen continue to find opportunities internationally, particularly in Japan and Europe. They believe they can find many small- and mid-capitalization companies in these regions that are highly cash generative and have very attractive valuations, robust balance sheets and strong management teams.
- In addition to offering a rich opportunity set for value-oriented investors, Japan has recently undergone structural reforms that have been helpful to equities broadly. The Japanese government has made several efforts to implement more shareholder-friendly policies and improve capital allocation (through share buybacks or dividends).
- Amid rising market optimism driven by positive earnings projections and rate cut expectations, portfolio co-manager Dan Dupont is taking a measured approach in selecting securities with appealing risk-reward profiles. Dan continues to maintain a portfolio of high-quality holdings and while identifying potential in areas less affected by the current macroeconomic uncertainty. Accordingly, he is exploring defensive opportunities in Canadian telecommunication firms, influenced by the prospect of sustained high interest rates impacting interest rate-sensitive stocks. Additionally, the manager has been adding geographic diversification to the portfolio, by finding value in overlooked markets such as the U.K., which he sees as undervalued from a top-down perspective. His cautious yet opportunistic approach aims to invest in steady companies to avoid undue volatility, aligning with a longer-term defensive investment strategy.
- Portfolio co-manager Kyle Weaver continues to focus on companies with strong fundamentals that are attractively valued based on a long-term investment horizon, typically three to seven years. He stresses the importance of having a portfolio of stocks that are likely to behave differently during different types of markets. Kyle summarizes his three key growth profiles: resilient businesses, strong long-term growers and break-through/tipping point growth.
- As earnings results continue to show strength in the underlying fundamentals of his portfolio positions, he continues to maintain an offensive portfolio, while also realizing the benefits of more defensive positioning in his resilient growth bucket in sectors like telecom and health care. He is continuously focused on how new trends, like AI, may impact the more growth-oriented sectors, like information technology and communication services, and finding opportunities across a wide variety of sectors.
- An important part of Kyle's process is the ability to use market volatility to his advantage and rotate within these buckets, and he has been actively doing so, currently seeing more opportunity to add to more higher quality break-through/tipping point growth companies.

## Performance Attribution

### SECTOR ATTRIBUTION SUMMARY - 3 MONTHS

Sector	Average Fund Weight (%)	Fund Return (%)	Total Absolute Contribution (bps)
INFORMATION TECHNOLOGY	20.00	10.48	211
COMMUNICATION SERVICES	7.54	8.27	62
CONSUMER STAPLES	14.20	4.29	60
UTILITIES	1.33	7.48	9
HEALTH CARE	11.51	0.31	7
ENERGY	4.29	0.61	5
REAL ESTATE	0.88	2.95	2
FINANCIALS	10.02	(0.04)	1
MULTI SECTOR	0.04	4.23	0
CONSUMER DISCRETIONARY	13.19	(1.06)	(13)
INDUSTRIALS	11.76	(2.11)	(25)
MATERIALS	4.01	(8.07)	(35)
<b>SUBTOTAL</b>	<b>98.77</b>	<b>2.85</b>	<b>285</b>
CASH AND OTHER	1.23	-	2
<b>TOTAL</b>	<b>100.00</b>	<b>2.87</b>	<b>287</b>

Note: Differences may be due to rounding.

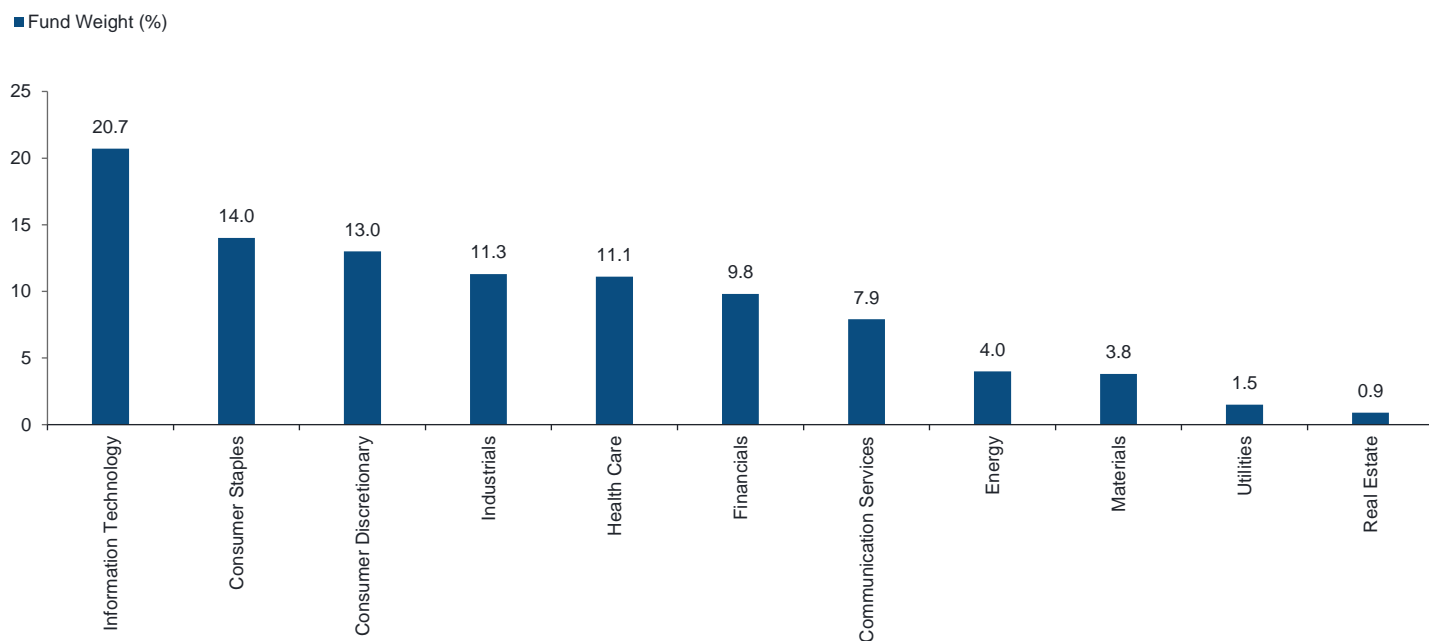
### SECTOR ATTRIBUTION SUMMARY - 1 YEAR

Sector	Average Fund Weight (%)	Fund Return (%)	Total Absolute Contribution (bps)
INFORMATION TECHNOLOGY	19.58	43.99	806
FINANCIALS	10.03	25.53	252
INDUSTRIALS	12.15	19.60	250
COMMUNICATION SERVICES	6.67	38.15	239
CONSUMER DISCRETIONARY	11.74	18.97	236
ENERGY	4.94	29.30	147
CONSUMER STAPLES	13.40	5.49	91
HEALTH CARE	11.68	2.94	40
MATERIALS	3.96	6.23	24
REAL ESTATE	0.80	18.24	16
UTILITIES	1.22	11.64	14
MULTI SECTOR	0.06	11.62	2
<b>SUBTOTAL</b>	<b>96.22</b>	<b>21.83</b>	<b>2,118</b>
CASH AND OTHER	3.78	-	47
<b>TOTAL</b>	<b>100.00</b>	<b>21.65</b>	<b>2,165</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 weights are based on end weights as at each quarter end.

### TOP 10 HOLDINGS

Holding	Sector
NVIDIA CORP	INFORMATION TECHNOLOGY
MICROSOFT CORP	INFORMATION TECHNOLOGY
META PLATFORMS INC CL A	COMMUNICATION SERVICES
AMAZON.COM INC	CONSUMER DISCRETIONARY
ALPHABET INC CL C	COMMUNICATION SERVICES
METRO INC	CONSUMER STAPLES
APPLE INC	INFORMATION TECHNOLOGY
IMPERIAL BRANDS PLC	CONSUMER STAPLES
BRITISH AMERICAN TOBACCO PLC	CONSUMER STAPLES
PHILIP MORRIS INTL INC	CONSUMER STAPLES

## Investment Process

### Daniel Dupont – Process overview

- Bottom-up, fundamental company analysis is the primary driver of portfolio construction
- Employs a value oriented style by aiming to purchase stocks at significant discounts
- Looks for strong companies with unrealized growth potential trading at discounted prices
- Highly values quality management with a strong and consistent track record of effective execution
- Looks for stocks that will deliver high return on capital over time, with long-term sustainable businesses, that are trading at low valuation multiples
- Number of holdings typically between 20-50 names and will typically have low turnover; position size is a function of conviction and is considered in relative terms.
- Assesses relative value among stocks on the basis of relative upside potential and downside risk
- Buys/sells purely a function of relative valuation and company fundamentals

### Joel Tillinghast – Process overview

Because of his focus on discounted valuations relative to intrinsic value, most investment theses on the companies in which he invests tend to take time to play out.

Valuations assessment is focused on the balance sheet and income statement. Joel Tillinghast aims to seek out companies with little or no debt and primarily tangible assets. He also looks for companies that are growing faster than their peers. His evaluation process involves testing for quality of earnings, consistency of earnings, and stability of revenue. The ability of management to execute successfully on sound strategy is a key consideration in assessing the value of a company as well.

Key factors that are considered in the valuation process include:

- Discounted valuations
- Management quality
- Low debt-to-equity ratios
- High margin businesses
- Niche products/services and market leadership with strong evidence of a sustainable competitive advantage
- High levels of free cash flow
- Business models that target repeat or habitual purchases or that are based on repeatable fee-generating activities

### Kyle Weaver and Becky Baker – Process overview

Looking for good companies that can be owned for years or decades and are extremely cheap on a 3-7 year view of earnings.

U.S. focused with flexibility to seek investments globally

Seeks to buy companies with:

- Well positioned industries or niches
- Secular tailwinds
- Ability to build or unlock shareholder value
- Revenue that is growing and durable
- Profit margins that are stable or improving
- Above-average capital stewardship
- Valuation that is reasonable, or reflects skepticism or misunderstanding



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The value of a strategy's investments will vary day to day in response to many factors, including in response to adverse issuer, political, regulatory, market or economic developments. The value of an individual security or a particular type of security can be more volatile than the market as a whole and can perform differently from the value of the market as a whole. Nearly all accounts are subject to volatility in foreign exchange markets.

The performance of fixed income strategies will change daily based on changes in interest rates and market conditions and in response to other economic, political or financial developments. Debt securities are sensitive to changes in interest rates depending on their maturity, and may involve the risk that their prices may decline if interest rates rise or, conversely, if interest rates decline, their prices may increase. Debt securities carry the risk of default, prepayment risk and inflation risk. Changes specific to an issuer, which may involve its financial condition or economic environment, can affect the credit quality or value of an issuer's securities. Lower-quality debt securities (those of less than investment grade quality, also referred to as high yield debt securities) and certain types of other securities are more volatile and are often considered to be speculative and involve greater risk due to increased sensitivity to adverse issuer, political, regulatory and market developments, especially in periods of general economic difficulty. The value of mortgage securities may change due to shifts in the market's perception of issuers, changes in interest rates, or regulatory or tax changes.

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