

# Fidelity® Small Cap Value Fund

## Key Takeaways

- For the semiannual reporting period ending January 31, 2024, the fund's Retail Class shares gained 1.64%, outpacing the -0.73% return of the benchmark Russell 2000® Value Index.
- Portfolio Manager Gabriela Kelleher was pleased with the fund's outperformance of the benchmark the past six months in what she says was a volatile span for equity investors. For much of the period, the portfolio benefited from its exposure to high-quality companies with durable cash flow and low debt.
- Security selection in the information technology, financials and industrials sectors notably contributed to the fund's outperformance of the benchmark this period.
- The fund's out-of-benchmark position in Assurant (+24%), a phone and car warranty specialist with a niche homeowners' insurance business, was the top individual relative contributor amid better-than-expected earnings.
- In contrast, stock picks in materials detracted the most from the portfolio's relative result.
- An overweight stake in O-I Glass (-37%), a maker of container glass products, hurt most. Shares of the company fell because market participants apparently grew fearful of the sustainability of the firm's pricing and profit margin.
- The past six months, Gabi trimmed several positions that had meaningfully outperformed, whereas she added to defensive, high-quality companies that lagged their lower-quality counterparts but that she believed provided a favorable risk-reward opportunity.
- As of January 31, Gabi remained optimistic about small-cap stocks, especially profitable ones, as she believes valuations here remain attractive relative to large-caps.
- After 17 years at Fidelity, Derek Janssen retired from the firm on December 31, 2023, at which time Gabriela Kelleher assumed sole management responsibilities for the fund.

## MARKET RECAP

U.S. equities gained 6.43% for the six months ending January 31, 2024, according to the S&P 500® index, as a slowing in the pace of inflation and resilient late-cycle expansion of the U.S. economy provided a favorable backdrop for risk assets. The upturn was driven by a narrow set of firms in the information technology and communication services sectors, largely due to excitement for generative artificial intelligence. Monetary tightening by the U.S. Federal Reserve continued until late July, when the Fed said it was too soon to tell if its latest hike would conclude a series of increases aimed at cooling the economy and bringing down inflation. Since March 2022, the Fed has raised its benchmark interest rate 11 times before pausing and four times deciding to hold rates at a 22-year high while it observes inflation and the economy. After the Fed's November 1 meeting, when the central bank hinted it might be done raising rates, the S&P 500® reversed a three-month decline and gained 14.09% through year-end. The index added 1.68% in January, finishing the period just shy of a record close set on January 29. By sector for the full six months, tech and communication services (+12% each) led, followed by financials (+11%). The defensive health care sector rose about 6% and industrials gained roughly 3%. Real estate stocks were up 2%, just ahead of consumer discretionary (+1%). In contrast, utilities (-7%) and energy (-3%) lagged most, with the latter hampered by lower oil prices. Materials (-3%) and consumer staples (-1%) also lost ground.



**Gabriela Kelleher**  
Portfolio Manager

### Fund Facts

<b>Trading Symbol:</b>	FCPVX
<b>Start Date:</b>	November 03, 2004
<b>Size (in millions):</b>	\$4,664.06

### Investment Approach

- Fidelity® Small Cap Value Fund takes a value approach to investing, focusing on companies with above-average quality characteristics, including good capital allocation, and that are trading at below-market multiples.
- We strive to buy the best businesses available among these value plays, though in periods of extremely high return variance, we may opportunistically go further down the quality spectrum if there is sufficient valuation dispersion in the market to justify it.
- Each of our investments is scrutinized for a perceived margin of safety, assessed through rigorous analysis of each firm's income statement and balance sheet.
- We employ a disciplined portfolio construction approach and manage the portfolio in a relatively concentrated fashion in order to emphasize our best ideas, and to try to have most of the risk and return of the fund driven by stock-specific factors.

## Q&A

An interview with Portfolio Manager Gabriela Kelleher

### Q: Gabi, how did the fund perform for the six months ending January 31, 2024?

The fund's Retail Class shares gained 1.64%, topping the -0.73% return of the benchmark Russell 2000® Value Index. The portfolio also outpaced the peer group average.

Security selection in the information technology, financials and industrials sectors were big contributors to the fund's outperformance of the benchmark this period. In contrast, stock picks in materials detracted most from the portfolio's relative result.

Taking a slightly longer-term view, the fund's Retail Class shares gained 3.98% for the trailing 12 months, again outperforming both the benchmark and peer group average.

### Q: Gabi, how would you assess the fund's result the past six months?

I was pleased with the portfolio's outperformance of the benchmark in what was a volatile span for equity investors. In most of the first half of the reporting period, market participants grappled with a possible recession amid weaker economic data, which weighed on stock prices. During this time, the fund's exposure to high-quality companies with durable cash flow and lower debt proved advantageous for performance versus the benchmark.

Starting in late October, however, as investors began to anticipate a peak in interest rates, and as the Fed suggested it could cut rates in 2024, the market sharply climbed, led by low-quality, heavily shorted stocks. Because I generally de-emphasize these types of investments, the portfolio was at a disadvantage for a couple of months. That said, market sentiment shifted in January and shares of high-quality, attractively valued firms once again started to outperform, leaving the fund well-positioned.

Throughout the past six months, I followed a consistent investment approach that I maintain regardless of market conditions. This entails seeking to generate long-term outperformance through individual stock selection, while simultaneously working to downplay the effects of sector positioning and market timing. Additionally, I typically seek to avoid big gaps between the fund's largest and smallest relative weightings in individual stocks.

Turning to risk management, my first and most essential step is to try to avoid paying too much for a stock in the first place. I do this by comparing a company's current valuation with an assessment of its earnings power over a full business cycle. Second, I look for stocks with what I see as a sufficient "margin of safety," meaning that, even if conditions fail to materialize according to plan, the securities' downside is likely less than that of the benchmark. Basically, I want the fund to hold resilient firms with the financial capacity to manage difficult conditions. Lastly, I conduct quantitative research to choose high-quality, small-cap stocks that meet my valuation criteria, even if they're not in benchmark.

### Q: Which stocks contributed most versus the benchmark this period?

An out-of-benchmark stake in Assurant (+24%), a phone and car warranty specialist with a second niche business in homeowners' insurance, led the way the past six months. After the company reported better-than-expected earnings in November, shares of the company meaningfully outperformed and reached my valuation target. Seeing better opportunities elsewhere, I sold the stock.

Another key relative contributor was a non-benchmark holding in Insight Enterprises (+26%). This technology reseller has benefited from long-term tailwinds, including consolidation in a fragmented industry and stronger relationships with large tech partners. The firm has generated strong free cash flow, and I believe it can continue to grow its earnings at a healthy level, even as the stock remains attractively priced, in my view. As of January 31, Insight was the fund's second-largest holding.

Further boosting the portfolio's relative result was an out-of-benchmark position in FirstCash Holdings (+22%), a pawn shop owner operating in the U.S. and Latin America. The fund has held the stock for some time, as I like its countercyclical business, minimal credit risk, extended opportunity for growth and attractive valuation. After the firm reported a couple of quarters of strong financial results and saw a healthy share-price gain, I trimmed the position, though it remained a meaningful allocation on January 31.

Outsized exposure to gaming company Light & Wonder (+13%) also helped relative performance. I held this stock due to the firm's high quality and dominant competitive position in the typically recession-resilient gambling business. The company has transformed itself in recent years, repairing its balance sheet and refocusing on its core competency of slot machines. I initially invested in the stock because I believed the business was not receiving enough credit for these changes. During this period, however, the market apparently came to share my view, with shares of the firm rising on strong financial results. I eventually sold the position, as its recent upward momentum left it less attractively valued.

### Q: Which stocks notably detracted?

An overweight stake in O-I Glass (-37%), a maker of container glass products, hurt most. Shares of the company fell because market participants apparently grew fearful of the sustainability of the firm's pricing and profit margin. As of January 31, I think the stock remains cheap relative to its business opportunity, so I added to the holding this period.

Another noteworthy relative detractor was Brookfield Infrastructure (-24%), an investment vehicle that owns assets focused on digitalization, decarbonization and deglobalization. I like Brookfield for its solid management team and history of prudent capital allocation. With today's environment of higher interest rates, however, the market appears concerned about the company's ability to deploy sufficient capital to match its past returns.

I think these fears are overblown, since management has locked in lower rates on its existing assets, while an improved merger-and-acquisition pipeline has created more investment opportunities for the firm. In addition, because Brookfield's assets are inflation-hedged, its revenue is tied to long-term contracts, which limits the variability of its outcomes. This period I increased exposure to the stock, which finished the period as the portfolio's largest holding and No. 2 overweight.

Lastly, a non-benchmark position in Envista Holdings (-35%), a maker of dental implants, braces and aligners, pressured relative performance. A difficult sales environment and more-challenging consumer backdrop in 2023 weighed on the company's financial results. As my conviction in Envista's business strategy and future growth opportunity declined, I sold the stock and reallocated the proceeds.

### Q: Any closing thoughts for shareholders as of January 31, Gabi?

I trimmed several positions that had meaningfully outperformed, whereas I added to a number of defensive, high-quality companies that lagged their lower-quality counterparts but provided a more favorable risk-reward opportunity, in my opinion. Following this approach, the portfolio's positioning shifted away a bit from the consumer discretionary and real estate sectors and toward segments of the market that had recently underperformed, including industrials and energy.

Looking ahead, I believe valuations in some parts of the market may have gotten ahead of themselves amid expectations of a Fed pivot toward lower rates. Within this environment, I continue to focus on reasonably valued, high-quality companies. Longer-term, though, I'm still optimistic about small-caps, especially profitable ones, as I believe valuations here, despite coming off their lows, are still attractive relative to large-caps. ■

## Portfolio Manager Gabriela Kelleher on 'over-earning' companies:

"At the peak of the COVID-19 pandemic, some companies were 'over-earning.' In other words, they saw a big business gain with people stuck at home, and the market seemingly rewarded them as if that demand shift would be permanent.

"Now, however, investor sentiment has shifted again. With demand pulled forward for some of these firms, they've now seen several quarters of weaker financial results. But just as I thought the market was overly optimistic before, now I think it's being overly pessimistic with some high-quality businesses experiencing what I believe are only temporary challenges.

"My approach has been to take a step back and figure out what a normalized rate of earnings growth would look like for these businesses. Viewed through this lens, I've found several companies with a stock trading at what I see as an unusually low valuation relative to the company's underlying quality.

"Consider one example in the portfolio: Hayward, a manufacturer of pool equipment. During the pandemic, demand for swimming pools and accessories grew sharply because people spent more time at home and outside. For a long time, the market was acting as if Hayward's robust earnings would last indefinitely. But, obviously, there are only so many swimming pools that can be built, so the demand trend wasn't sustainable.

"Distributors accumulated excess inventory, and when interest in these high-cost products began to weaken as the pandemic and consumer spending receded, investors reacted quickly and aggressively. In fact, I think the market may have overcorrected, which led me to add to the fund's position the past six months.

"Hayward is just one example of several fund holdings that fit this theme. I think the market is trying to figure out where the bottom is in these stocks, but I'm optimistic about their normalized earnings potential over the coming months."

## ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Domestic Equities	92.58%	97.71%	-5.13%	1.50%
International Equities	7.35%	2.29%	5.06%	0.77%
Developed Markets	6.21%	1.52%	4.69%	0.71%
Emerging Markets	0.00%	0.63%	-0.63%	-0.11%
Tax-Advantaged Domiciles	1.14%	0.14%	1.00%	0.17%
Bonds	0.00%	0.00%	0.00%	0.00%
Cash & Net Other Assets	0.07%	0.00%	0.07%	-2.27%

*Net Other Assets can include fund receivables, fund payables, and offsets to other derivative positions, as well as certain assets that do not fall into any of the portfolio composition categories. Depending on the extent to which the fund invests in derivatives and the number of positions that are held for future settlement, Net Other Assets can be a negative number.*

*"Tax-Advantaged Domiciles" represent countries whose tax policies may be favorable for company incorporation.*

## MARKET-SEGMENT DIVERSIFICATION

Market Segment	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Financials	29.25%	26.98%	2.27%	-1.21%
Industrials	18.12%	14.28%	3.84%	2.20%
Consumer Discretionary	10.67%	10.68%	-0.01%	-1.64%
Energy	9.21%	9.61%	-0.40%	1.34%
Information Technology	7.79%	5.81%	1.98%	1.37%
Health Care	6.54%	8.94%	-2.40%	0.68%
Materials	5.71%	4.76%	0.95%	1.08%
Real Estate	5.35%	10.25%	-4.90%	-1.51%
Consumer Staples	3.13%	2.34%	0.79%	-0.34%
Utilities	2.67%	3.80%	-1.13%	0.18%
Communication Services	1.51%	2.55%	-1.04%	0.11%
Other	0.00%	0.00%	0.00%	0.00%

## 10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
Brookfield Infrastructure Corp. A Shares	Utilities	2.67%	2.82%
Insight Enterprises, Inc.	Information Technology	2.52%	1.76%
Eastern Bankshares, Inc.	Financials	2.48%	2.13%
U.S. Foods Holding Corp.	Consumer Staples	2.34%	2.07%
Lumentum Holdings, Inc.	Information Technology	2.34%	1.60%
Primerica, Inc.	Financials	2.30%	1.92%
Owens & Minor, Inc.	Health Care	2.01%	1.21%
Jones Lang LaSalle, Inc.	Real Estate	1.99%	1.78%
First American Financial Corp.	Financials	1.95%	1.73%
First Interstate Bancsystem, Inc.	Financials	1.82%	1.53%
<b>10 Largest Holdings as a % of Net Assets</b>		<b>22.41%</b>	<b>20.62%</b>
<b>Total Number of Holdings</b>		<b>88</b>	<b>94</b>

The 10 largest holdings are as of the end of the reporting period, and may not be representative of the fund's current or future investments. Holdings do not include money market investments.

## FISCAL PERFORMANCE SUMMARY: Periods ending January 31, 2024

	Cumulative		Annualized			
	6 Month	YTD	1 Year	3 Year	5 Year	10 Year/LOF <sup>1</sup>
Fidelity Small Cap Value Fund Gross Expense Ratio: 1.04% <sup>2</sup>	1.64%	-2.73%	3.98%	9.97%	11.16%	8.96%
Russell 2000 Value Index	-0.73%	-4.54%	-0.09%	4.48%	6.74%	6.68%
Morningstar Fund Small Value	1.12%	-3.12%	3.34%	8.78%	8.76%	6.98%
% Rank in Morningstar Category (1% = Best)	--	--	43%	35%	16%	9%
# of Funds in Morningstar Category	--	--	489	458	427	333

<sup>1</sup> Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 11/03/2004.

<sup>2</sup> This expense ratio is from the prospectus in effect as of the date shown above and generally is based on amounts incurred during that fiscal year, or estimated amounts for the current fiscal year in the case of a newly launched fund. It does not include any fee waivers or reimbursements, which would be reflected in the fund's net expense ratio.

**Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. Performance shown is that of the fund's Retail Class shares (if multiclass). You may own another share class of the fund with a different expense structure and, thus, have different returns. To learn more or to obtain the most recent month-end or other share-class performance, visit [fidelity.com/performance](https://www.fidelity.com/performance), [institutional.fidelity.com](https://www.institutional.fidelity.com), or [401k.com](https://www.401k.com). Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. Cumulative total returns are reported as of the period indicated. Please see the last page(s) of this Q&A document for most-recent calendar-quarter performance.**

## Definitions and Important Information

**Information provided in, and presentation of, this document are for informational and educational purposes only and are not a recommendation to take any particular action, or any action at all, nor an offer or solicitation to buy or sell any securities or services presented. It is not investment advice. Fidelity does not provide legal or tax advice.**

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### FUND RISKS

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. The securities of smaller, less well-known companies can be more volatile than those of larger companies. Value stocks can perform differently than other types of stocks and can continue to be undervalued by the market for long periods of time.

### IMPORTANT FUND INFORMATION

Relative positioning data presented in this commentary is based on the fund's primary benchmark (index) unless a secondary benchmark is provided to assess performance.

After 17 years at Fidelity, Derek Janssen retired from the firm at the end of 2023, at which time Gabriela Kelleher assumed sole management responsibilities for the fund.

### INDICES

It is not possible to invest directly in an index. All indices represented are unmanaged. All indices include reinvestment of dividends and interest income unless otherwise noted.

**Russell 2000 Value Index** is a market capitalization-weighted index designed to measure the performance of the small-cap value segment of the U.S. equity market. It includes those Russell 2000 Index companies with lower price-to-book ratios and lower forecasted growth rates.

**S&P 500** is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.

### MARKET-SEGMENT WEIGHTS

Market-segment weights illustrate examples of sectors or industries in which the fund may invest, and may not be representative of the fund's current or future investments. They should not be construed or used as a recommendation for any sector or industry.

### RANKING INFORMATION

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% Rank in Morningstar Category is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1%. % Rank in Morningstar Category is based on total returns which include reinvested dividends and capital gains, if any, and exclude sales charges. Multiple share classes of a fund have a common portfolio but impose different expense structures.

### RELATIVE WEIGHTS

Relative weights represents the % of fund assets in a particular market segment, asset class or credit quality relative to the benchmark. A positive number represents an overweight, and a negative number is an underweight. The fund's benchmark is listed immediately under the fund name in the Performance Summary.

## Manager Facts

**Gabriela Kelleher** is a portfolio manager in the Equity division at Fidelity Investments. Fidelity Investments is a leading provider of investment management, retirement planning, portfolio guidance, brokerage, benefits outsourcing, and other financial products and services to institutions, financial intermediaries, and individuals.

In this role, Ms. Kelleher co-manages Fidelity and Fidelity Advisor Small Cap Value Fund. She is also responsible for in-depth fundamental research and analysis across the small cap technology sector.

Prior to joining Fidelity in 2018, Ms. Kelleher was a senior equity analyst and vice president at Goldman Sachs, where she held various investment research roles. Most recently, she was responsible for industrials and consumer discretionary sector coverage across several small and small-mid capitalization strategies in asset management. She has been in the financial industry since 2007.

Ms. Kelleher earned her bachelor of science degree in finance and CPA accounting from New York University's Stern School of Business. She is also a CFA® charterholder.



**PERFORMANCE SUMMARY:**  
**Quarter ending March 31, 2024**

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF <sup>1</sup>
Fidelity Small Cap Value Fund Gross Expense Ratio: 1.00% <sup>2</sup>	22.89%	7.13%	12.75%	9.35%
% Rank in Morningstar Category (1% = Best)	31%	33%	17%	10%
# of Funds in Morningstar Category	489	457	426	335

<sup>1</sup> Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 11/03/2004.

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**Before investing in any mutual fund, please carefully consider the investment objectives, risks, charges, and expenses. For this and other information, call or write Fidelity for a free prospectus or, if available, a summary prospectus. Read it carefully before you invest.**

**Past performance is no guarantee of future results.**

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