

# Fidelity® Capital Appreciation Fund

## Investment Approach

- Fidelity® Capital Appreciation Fund is a diversified domestic equity strategy that seeks capital appreciation.
- Our core philosophy is that stock prices follow earnings growth, and the fund skews toward the fastest quartile of earnings growers, with an emphasis on quality.
- We employ a "go-anywhere" approach, favoring companies with growth catalysts, such as new products, acquisitions or turnaround situations.
- We emphasize fundamental, bottom-up research, with a focus on driving results through security selection.

## PERFORMANCE SUMMARY

	Cumulative		Annualized			
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year/LOF <sup>1</sup>
Fidelity Capital Appreciation Fund Gross Expense Ratio: 0.61% <sup>2</sup>	14.16%	14.16%	36.58%	11.19%	17.14%	13.03%
S&P 500 Index	10.56%	10.56%	29.88%	11.49%	15.05%	12.96%
Morningstar Fund Large Growth	11.92%	11.92%	36.45%	7.95%	14.89%	13.24%
% Rank in Morningstar Category (1% = Best)	--	--	56%	24%	21%	61%
# of Funds in Morningstar Category	--	--	1,191	1,111	1,037	807

<sup>1</sup> Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 11/26/1986.

<sup>2</sup> This expense ratio is from the most recent prospectus and generally is based on amounts incurred during the most recent 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.

For definitions and other important information, please see the Definitions and Important Information section of this Fund Review.

## FUND INFORMATION

### Manager(s):

Asher Anolic  
Jason Weiner

### Trading Symbol:

FDCAX

### Start Date:

November 26, 1986

### Size (in millions):

\$6,661.20

### Morningstar Category:

Fund Large Growth

*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.*



Not FDIC Insured • May Lose Value • No Bank Guarantee

## Performance Review

For the first quarter of 2024, the fund gained 14.16%, outpacing the 10.56% advance of the benchmark, the S&P 500® Index.

The S&P 500® index achieved its best start to a new year since 2019, driven by resilient corporate profits, a frenzy over generative artificial intelligence and the Federal Reserve's likely pivot to cutting interest rates later this year. Amid this favorable backdrop for higher-risk assets, the index continued its late-2023 momentum and ended March at its all-time high – in fact, 22 new closing highs were set in the past three months alone. Growth stocks led the broad rally, with all but one of 11 market sectors advancing.

In Q1, the U.S. economy and corporate earnings exhibited signs of broadening stabilization. Although core U.S. inflation remained elevated and investors dialed back their expectation for the pace and magnitude of expected rate cuts, investors remained largely optimistic that the Fed would soon shift to easing after a historic hiking cycle from March 2022 to July 2023. That sentiment was evident in January, when the index gained 1.68%, and grew even stronger amid widespread optimism the central bank would bring down inflation to its target of 2% without inflicting too much damage to the economy, thereby pulling off a "soft landing." Sure enough, stocks gained 5.34% in February, boosted by strong corporate earnings. On March 20, the central bank held steady its benchmark federal funds rate and affirmed its projection to cut it three times this year, despite firmer-than-anticipated inflation in recent months. The index rose 3.22% for the month.

By sector within the S&P 500®, excitement about high-growth megatrends, fanned by AI fervor, was reflected in the roughly 13% gain for information technology – led by AI-focused chipmaker Nvidia (+82%) and cloud-computing giant Microsoft (+12%) – as well as communication services (+16%), with Facebook parent Meta Platforms (+37%) a standout. Amazon.com, from the consumer discretionary sector, rose about 19%, but the dominance of the so-called Magnificent Seven faded with steep pullbacks in personal-electronics giant Apple (-11%) and electric-vehicle maker Tesla (-29%), along with a lagging result from Google parent Alphabet (+8%). In other categories, energy stocks rose roughly 14%, driven by a strong increase in oil prices, while the rate-sensitive financials sector advanced about 12% and industrials gained 11%. In contrast, four defensive-oriented groups lagged most amid the risk-on backdrop: real estate (-1%), utilities (+5%), consumer staples (+8%) and health care (+9%).

Turning to the fund, security selection in the tech, industrials and consumer discretionary sectors contributed most to the fund's performance versus the benchmark in Q1. Our positive results in technology were led by a sizable underweight in Apple (-11%) and an overweight in Nvidia (+82%). We preferred the growth prospects for some of the other heavily weighted tech stocks in the benchmark over Apple and this proved to be the right decision given the firm's underperformance the past three months. Despite reporting better-than-expected quarterly financial results, investors seemed to focus on when the personal electronics giant would share specifics about its plan to capitalize on generative artificial intelligence, as well as management's forecast for lower 2024 sales of the firm's flagship iPhone® device in China, a crucial market where Apple has lost market share. The shares took another hit on March 21, when the U.S. Department of Justice sued Apple for limiting competition for its mobile phones, violating federal law.

As for Nvidia, the chipmaker continued to capitalize on booming interest in language-generating artificial intelligence. After years of investment in the development of chips and software for AI, Nvidia dominates the market for advanced graphics chips that are the lifeblood of new generative AI systems, including the viral chatbot ChatGPT. In mid-February, the firm reported financial results for the three months ending January 28 that far exceeded expectations – sales roughly tripled and earnings surged about eightfold – and also raised its forecast for its next fiscal quarter. On March 31, Nvidia and Apple and were the fund's No. 2 and 12 holdings, respectively.

Not owning benchmark component and electric vehicle giant Tesla (-29%) was another plus this quarter. We prefer stocks of companies that can grow earnings faster than the market and while we recognize that Tesla has driven circles around competitors GM and Ford Motor, we thought the stock was overvalued.

On the other hand, subpar picks among communication services, financials and energy stocks were detrimental to the portfolio's relative result in Q1. On an individual basis, comparatively light exposure to Meta (+37%), parent of popular social media platforms Instagram and Facebook, was the foremost relative detractor. On February 1, the firm reported better-than-expected financial results, driven by its highest quarterly sales growth (+25%) in roughly two years and a notable decrease in expenses. In addition, the company announced it would pay a dividend for the first time ever. The firm saw meaningful improvement in its digital advertising business and advancements in AI.

Our decision to avoid index component Eli Lilly (+34%) proved detrimental as well amid the growing success of the firm's diabetes and weight-loss franchise. ■

### LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Apple, Inc.	Information Technology	-4.50%	108
NVIDIA Corp.	Information Technology	1.53%	94
Tesla, Inc.	Consumer Discretionary	-1.31%	69
Uber Technologies, Inc.	Industrials	3.01%	40
General Electric Co.	Industrials	1.18%	29

\* 1 basis point = 0.01%.

### LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Meta Platforms, Inc. Class A	Communication Services	-1.44%	-33
Eli Lilly & Co.	Health Care	-1.35%	-27
Alnylam Pharmaceuticals, Inc.	Health Care	0.53%	-21
MongoDB, Inc. Class A	Information Technology	0.83%	-20
Kenvue, Inc.	Consumer Staples	1.00%	-20

\* 1 basis point = 0.01%.

## Outlook and Positioning

The U.S. stock market begins April with favorable momentum amid easier financial conditions and a solid consumer backdrop. Many major economies around the world, including the U.S., remained in the late-cycle expansion phase and registered hints of stabilization and even reacceleration in some areas, while some evidence of mid-cycle dynamics emerged.

Global disinflation trends continued, but progress remained uneven. In several developed countries, including the U.K., U.S. and eurozone, persistent pressure on core inflation was a factor in inflation remaining above central-bank targets. For the U.S., this implies the "last mile" of disinflation toward the Fed's target may be difficult without greater economic slowing. Global monetary tightening cycles appear over, but the pace and magnitude of easing is uncertain. Projections signal a shift toward meaningful policy loosening in 2024.

A continued rally in the stock prices of the largest U.S. companies by market capitalization – concentrated in the technology and communications sectors – once again drove the U.S. equity market's gain. After a steep downturn in 2022, the share prices of the largest seven companies have more than doubled since the beginning of 2023. The bulk of the large-stock gains, as well as the returns to the overall market, were propelled by an expansion in valuation multiples.

Still, some stocks of companies that fit our investment criteria – especially those that can grow earnings faster than the market – look attractively priced to us.

Among some of the notable positions we established this quarter were Micron Technologies (semiconductors); Nextracker (capital goods); Teva Pharmaceuticals; Domino's Pizza (consumer services); and Visa (financial services). Meanwhile, we exited some small holdings in energy, health care and technology. Biopharma giant Vertex Pharmaceuticals was a notable position we eliminated.

Overall, we remain focused on areas of the market that are driven by salient secular trends we think can lead to long-term growth, such as U.S.-focused industrial companies and growth-oriented areas of the technology sector. These include semiconductors, which play a critical role in the development of several growth themes in the fund, especially AI.

Industrials, a sector marked by underinvestment since the global financial crisis, represented about 16% of fund assets and was our biggest overweight at quarter end. We believe onshoring and nearshoring are strong secular themes. Since 2022, the U.S. government has approved three substantial pieces of legislation – the Inflation Reduction Act, Creating Helpful Incentives to Produce Semiconductors and the Tax Cuts and Jobs Act – all of which have led to a strong growth outlook for several companies in the sector.

Meanwhile, health care was the fund's second-largest sector overweight. Here, the fund holds large positions in medical-device maker Boston Scientific and pharmaceuticals firm AbbVie.

Information technology represents roughly 31% of the fund's assets, at the end of March, where we maintain a modest overweight. ■

## MARKET-SEGMENT DIVERSIFICATION

Market Segment	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
Information Technology	30.93%	29.57%	1.36%	-1.16%
Industrials	16.39%	8.80%	7.59%	1.50%
Health Care	14.72%	12.42%	2.30%	-0.46%
Financials	11.01%	13.16%	-2.15%	-0.09%
Consumer Discretionary	10.78%	10.34%	0.44%	1.09%
Communication Services	8.79%	8.95%	-0.16%	-0.31%
Energy	3.42%	3.95%	-0.53%	-0.36%
Consumer Staples	1.93%	5.97%	-4.04%	-0.75%
Materials	1.50%	2.37%	-0.87%	0.10%
Utilities	0.00%	2.20%	-2.20%	0.14%
Real Estate	0.00%	2.28%	-2.28%	0.24%
Other	0.00%	0.00%	0.00%	0.00%

## CHARACTERISTICS

	Portfolio	Index
<b>Valuation</b>		
Price/Earnings Trailing	35.1x	24.8x
Price/Earnings (IBES 1-Year Forecast)	26.7x	21.2x
Price/Book	6.9x	4.8x
Price/Cash Flow	24.6x	18.1x
Return on Equity (5-Year Trailing)	16.5%	18.2%
<b>Growth</b>		
Sales/Share Growth 1-Year (Trailing)	13.4%	12.1%
Earnings/Share Growth 1-Year (Trailing)	42.4%	11.9%
Earnings/Share Growth 1-Year (IBES Forecast)	17.8%	13.9%
Earnings/Share Growth 5-Year (Trailing)	19.4%	17.4%
<b>Size</b>		
Weighted Average Market Cap (\$ Billions)	732.9	796.9
Weighted Median Market Cap (\$ Billions)	115.7	224.4
Median Market Cap (\$ Billions)	25.6	35.4

### LARGEST OVERWEIGHTS BY HOLDING

Holding	Market Segment	Relative Weight
Uber Technologies, Inc.	Industrials	3.05%
Microsoft Corp.	Information Technology	2.86%
Boston Scientific Corp.	Health Care	2.47%
Ingersoll Rand, Inc.	Industrials	1.96%
MasterCard, Inc. Class A	Financials	1.63%

### LARGEST UNDERWEIGHTS BY HOLDING

Holding	Market Segment	Relative Weight
Apple, Inc.	Information Technology	-4.00%
Berkshire Hathaway, Inc. Class B	Financials	-1.74%
Meta Platforms, Inc. Class A	Communication Services	-1.50%
Eli Lilly & Co.	Health Care	-1.41%
Broadcom, Inc.	Information Technology	-1.32%

### 10 LARGEST HOLDINGS

Holding	Market Segment
Microsoft Corp.	Information Technology
NVIDIA Corp.	Information Technology
Amazon.com, Inc.	Consumer Discretionary
Uber Technologies, Inc.	Industrials
Boston Scientific Corp.	Health Care
MasterCard, Inc. Class A	Financials
Ingersoll Rand, Inc.	Industrials
Netflix, Inc.	Communication Services
General Electric Co.	Industrials
Alphabet, Inc. Class A	Communication Services
<b>10 Largest Holdings as a % of Net Assets</b>	<b>35.72%</b>
<b>Total Number of Holdings</b>	<b>154</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.

### ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
Domestic Equities	85.49%	99.34%	-13.85%	-0.36%
International Equities	13.92%	0.66%	13.26%	0.29%
Developed Markets	11.11%	0.66%	10.45%	0.11%
Emerging Markets	2.81%	0.00%	2.81%	0.18%
Tax-Advantaged Domiciles	0.00%	0.00%	0.00%	0.00%
Bonds	0.05%	0.00%	0.05%	0.00%
Cash & Net Other Assets	0.54%	0.00%	0.54%	0.07%

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.

### 3-YEAR RISK/RETURN STATISTICS

	Portfolio	Index
Beta	1.04	1.00
Standard Deviation	18.69%	17.60%
Sharpe Ratio	0.45	0.50
Tracking Error	4.12%	--
Information Ratio	-0.07	--
R-Squared	0.95	--

## 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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### CHARACTERISTICS

**Earnings-Per-Share Growth Trailing** measures the growth in reported earnings per share over trailing one- and five-year periods.

**Earnings-Per-Share Growth (IBES 1-Year Forecast)** measures the growth in reported earnings per share as estimated by Wall Street analysts.

**Median Market Cap** identifies the median market capitalization of the portfolio or benchmark as determined by the underlying security market caps.

**Price-to-Book (P/B) Ratio** is the ratio of a company's current share price to reported accumulated profits and capital.

**Price/Cash Flow** is the ratio of a company's current share price to its trailing 12-months cash flow per share.

**Price-to-Earnings (P/E) Ratio (IBES 1-Year Forecast)** is the ratio of a company's current share price to Wall Street analysts' estimates of earnings.

**Price-to-Earnings (P/E) Ratio Trailing** is the ratio of a company's current share price to its trailing 12-months earnings per share.

**Return on Equity (ROE) 5-Year Trailing** is the ratio of a company's last five years historical profitability to its shareholders' equity. Preferred stock is included as part of each company's net worth.

**Sales-Per-Share Growth** measures the growth in reported sales over the specified past time period.

**Weighted Average Market Cap** identifies the market capitalization of the average equity holding as determined by the dollars invested in the portfolio or benchmark.

**Weighted Median Market Cap** identifies the market capitalization of the median equity holding as determined by the dollars invested in the portfolio or benchmark.

### 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.

### 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.

**S&P 500 Index** 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.

### 3-YEAR RISK/RETURN STATISTICS

**Beta** is a measure of the volatility of a fund relative to its benchmark index. A beta greater (less) than 1 is more (less) volatile than the index.

**Information Ratio** measures a fund's active return (fund's average monthly return minus the benchmark's average monthly return) in relation to the volatility of its active returns.

**R-Squared** measures how a fund's performance correlates with a benchmark index's performance and shows what portion of it can be explained by the performance of the overall market/index. R-Squared ranges from 0, meaning no correlation, to 1, meaning perfect correlation. An R-Squared value of less than 0.5 indicates that annualized alpha and beta are not reliable performance statistics.

**Sharpe Ratio** is a measure of historical risk-adjusted performance. It is calculated by dividing the fund's excess returns (the fund's average annual return for the period minus the 3-month "risk free" return rate) and dividing it by the standard deviation of the fund's returns. The higher the ratio, the better the fund's return per unit of risk. The three month "risk free" rate used is the 90-day Treasury Bill rate.

**Standard Deviation** is a statistical measurement of the dispersion of a fund's return over a specified time period. Fidelity calculates standard deviations by comparing a fund's monthly returns to its average monthly return over a 36-month period, and then annualizes the number. Investors may examine historical standard deviation in conjunction with historical returns to decide whether a fund's volatility would have been acceptable given the returns it would have produced. A higher standard deviation indicates a wider dispersion of past returns and thus greater historical volatility. Standard deviation does not indicate how the fund actually performed, but merely indicates the volatility of its returns over time.

**Tracking Error** is the divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark, creating an unexpected profit or loss.



***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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