PORTFOLIO MANAGER Q&A | AS OF OCTOBER 31, 2025

Fidelity® Japan Smaller Companies Fund

Key Takeaways

- For the fiscal year ending October 31, 2025, the fund advanced 24.29%, topping the 23.57% return of its benchmark, the Russell/Nomura Mid-Small Cap℠ Japan Index.
- Smaller-company stocks in Japan performed quite well the past 12 months amid elevated volatility due to a number of factors, including the early 2025 release of a potentially disruptive large language model chatbot called DeepSeek, shifting U.S.-Japan tariff/trade policy and the October election of Sanae Takaichi as Japan's prime minister.
- Portfolio Manager Masaki Nakamura's strategy of investing in companies that have some idiosyncratic catalyst to drive growth helped the fund outpace its benchmark this period.
- Stock selection among industrial and consumer discretionary companies added the most value to the fund's performance versus the benchmark, and the fund's top individual relative contributors were sizable overweights in industrial conglomerate and major jet engine manufacturer IHI (+170%) and bank holding company Hokuhoku Financial Group (+131%).
- In contrast, stock selection in the information technology sector meaningfully detracted from the fund's relative result, while not owning two benchmark stocks – IT and network solutions provider NEC (+111%) and optical fiber and cable manufacturer Fujikura (+270%) – notably dampened the fund's relative performance.
- As of October 31, Masaki continues to have a positive outlook for the Japanese equity market and the fund holds many businesses that offer a strong value proposition to their customers and enjoy sturdier pricing power than their peers, including many of the fund's investments in higher-quality small-to-mid-cap companies that underperformed amid the surge in AI-related technology stocks in the second half of the period.

MARKET RECAP

International equities gained 25.17% for the 12 months ending October 31, 2025, according to the MSCI ACWI (All Country World Index) ex USA Index, rising amid increasingly attractive valuations versus U.S. stocks, a weakening U.S. dollar and resilient economic growth in some regions. Moves by some central banks toward monetary easing also contributed to a favorable backdrop. However, international stocks also faced challenges this period, including geopolitical uncertainty, elevated volatility and a sell-off beginning in mid-March, due partly to U.S. tariff policy and countermeasures to those changes from other countries. The brief but steep downtrend reversed in early April, as a pause on some tariffs and productive trade talks boosted international stocks through period end. For the full 12 months, the information technology (+43%), communication services (+38%), financials (+35%) and industrials (+31%) sectors led the way. Financials benefited from several rate cuts by the European Central Bank, the Bank of England and the Bank of Canada. Communication services and tech reflected the potential of artificial intelligence, while industrials was aided by growing demand for power. Conversely, health care (+0%) lagged most. By region, Canada and emerging markets (+29% each) notably outperformed, while Europe ex U.K. gained 23%. In contrast, Asia Pacific ex Japan (+18%) lagged the index by the widest margin.

Masaki Nakamura
Portfolio Manager

Fund Facts

Trading Symbol:	FJSCX
Start Date:	November 01, 1995
Size (in millions):	$395.49

Investment Approach

- Fidelity® Japan Smaller Companies Fund is a country-focused equity strategy that seeks long-term growth of capital by investing primarily in the securities of Japanese issuers, and other investments that are tied economically to Japan, with smaller market capitalizations.
- Our investment approach is anchored by the philosophy that purchasing high-quality companies below their estimated fair value can generate excess return, and help manage risk, over a full market cycle.
- We aim to identify and exploit mispricing of individual stocks in the Japanese market, where 75% of the companies lack any sell-side coverage.
- Specifically, we seek small-cap companies with stable returns on capital, durable competitive advantages, strong free cash flow and attractive reinvestment opportunities. We also favor firms with attractive shareholder remuneration policies, whether in the form of buybacks or dividend payments.

Q&A

An interview with Portfolio Manager Masaki Nakamura

Q: Masaki, how did the fund perform for the fiscal year ending October 31, 2025?

The fund advanced 24.29% the past 12 months, topping the 23.57% gain of its benchmark, the Russell/Nomura Mid-Small Cap℠ Japan Index, and the 15.48% result of its peer group average. Importantly, given our focus, longer-term performance comparisons favor the fund over the benchmark and peer group average.

Q: What market events influenced the fund's performance the past year?

Early in 2025, the release of DeepSeek, a free large language model chatbot developed by a Chinese artificial intelligence startup, sparked concerns about the sustainability of AI infrastructure investments. This development also raised questions about the valuations of the biggest AI players, and partially fueled a sell-off among information technology stocks in Japan and elsewhere.

On April 2, 2025 – a date U.S. President Trump called "Liberation Day" – the administration announced the most sweeping tariff hikes since the 1930s. This announcement led to considerable volatility in global markets. Stocks rallied later in the month, as the administration relaxed its stance on tariffs and investors believed the impact on economic growth might not be as bad as initially feared.

From late April through July, the Japanese market was relatively flat amid ongoing uncertainty regarding U.S. tariff policy. During this period, domestically focused companies outperformed export-oriented businesses.

In July, the U.S. and Japan reached a new strategic trade agreement, which includes 15% tariffs on most Japanese imports. Following this development, investors began to move money back into economically sensitive, export-focused companies in the Japanese market. At the same time, investments in AI-related stocks continued to expand in Japan and around the world. These factors drove the Japanese market higher for the remainder of the period. The October election of Sanae Takaichi as Japan's prime minister – the first woman to hold the position – also helped, as it removed another element of uncertainty from the political and economic landscape.

Within this environment, I continued to pursue my strategy of investing in what I consider to be fundamentally attractive stocks where I believe the company has some idiosyncratic catalyst to drive growth.

Q: Which sectors and stocks provided the biggest boost versus the benchmark?

Stock selection among industrial and consumer discretionary companies added the most value the past year. In terms of individual stocks, sizable overweights in IHI (+170%) and Hokuhoku Financial Group (+131%) were our top-performing individual relative contributors.

IHI is an industrial conglomerate and major jet engine manufacturer, along with being the fund's second-largest holding at period end. The company's highly profitable service and parts business helped drive strong earnings growth the past year. IHI also benefited from heightened demand for its defense-related products, as the Japanese government moved forward with its plan to substantially increase defense spending.

Since late 2022, Japan's government has allowed private companies to realize greater profits from purchases of equipment and services intended for national defense. In light of this, investors are increasingly recognizing the long-term earnings power of IHI's jet engine and defense units. Given IHI's outsized gain this period, I reduced the fund's exposure to the stock.

Hokuhoku Financial – the fund's largest investment as of period end – is a holding company for two banks. Because its return on invested assets is middle of the pack among Japanese banks, Hokuhoku materially benefited from interest rate hikes by the Bank of Japan. Additionally, the bank had been paying dividends to holders of its preferred stock. However, the bank retired the preferred shares during the period and raised the dividend on its common shares, thereby boosting returns for common shareholders.

I'll also mention my overweight in Ibiden (+190%), a top global maker of semiconductor substrates. Substrates are the foundational materials that provide mechanical support and electrical connections for processors and their surrounding components, such as memory. Notably, Ibiden is a leading supplier to AI powerhouse Nvidia, which uses the company's substrates in its advanced graphics processors that drive generative AI systems. During the period, Ibiden posted better-than-expected earnings. Given the strong performance of our investment, I trimmed the fund's position to manage portfolio risk.

Q: What detracted from relative performance this period?

Sector-wise, adverse stock picks in information technology, primarily among software & services companies, dampened the fund's relative return this period. One of these negatives was not owning benchmark component NEC (+111%), a provider of IT and network solutions. I chose not to invest in NEC because its stock was trading at a relatively high valuation compared with other IT service providers. Additionally, I thought the company's return on invested capital wasn't as strong as similar companies I already own.

Two other index members that I avoided also worked against the fund's relative result this period. These included Fujikura (+270%), a maker of optical fibers, as well as communication and power cables, along with retail conglomerate AEON (+95%).

Demand for Fujikura's optical fiber products fueled its earnings and stock price this period. However, I already own SWCC (+39%), which competes with Fujikura in certain markets. Overall, I believe SWCC – the fund's third-largest holding as of October 31 – is doing a better job of corporate governance. What's more, it's been a top relative contributor for the past few years.

I steered clear of AEON because the stock doesn't align with my investment approach. The business is not well managed, in my view, and the company has never generated returns above its cost of capital. I think the stock has benefited from increased risk appetite in the Japanese market and, as a result, is overvalued.

Q: Masaki, what is your outlook for the Japanese market as of October 31?

I continue to have a positive outlook for the Japanese equity market. It's encouraging to see an improving earnings trend among many types of companies.

In a departure from the past, companies are now able to implement moderate price increases. The fund holds many businesses that offer a strong value proposition to their customers and, consequently, enjoy sturdier pricing power than their peers.

As always, I will continue to monitor developments in the global economy. That said, my top priority is to find investment opportunities that fit within my investment process. I look for quality companies with robust competitive advantages, healthy balance sheets, strong free cash flow and a record of adroit capital allocation.

During the second half of the period, many of the fund's investments in higher-quality, small-to-mid-cap companies underperformed amid the surge in AI-related technology stocks. I believe there is the potential for these out-of-favor equities to do better as we move into 2026. ■

Portfolio Manager Masaki Nakamura on the improving risk/reward profile of Japanese small- and mid-cap stocks:

"I'm excited about the improved risk/reward profile of high-quality small-to-mid-cap (SMID-cap) stocks within the fund's investment universe. For me, 'high quality' means companies that have high returns on their invested capital. ROIC is a profitability metric that measures how well a company is using its capital from both debt and equity to generate profits. A higher ROIC indicates that a company is more efficient at turning capital into profits, while a lower ROIC suggests the company is less efficient. When a company's ROIC is higher than its cost of capital, it is creating value for its shareholders.

"During the past three years through March of 2025, investors in Japanese stocks were heavily focused on large-cap, value-oriented equities. This trend was partly driven by corporate governance reforms resulting from initiatives undertaken by the Tokyo Stock Exchange in early 2023. Consequently, value stocks outperformed, including the equities of many lower-quality companies.

"More recently, however, research I've conducted along with my Fidelity colleagues indicates that valuation measures for SMID-cap stocks with high ROIC have become quite compelling and are now well below historical averages. These findings have been confirmed by what I am finding as I research individual companies. As a result, I increased the fund's greater-than-benchmark allocation to SMID-cap stocks during the second half of the reporting period ending October 31.

"Specifically, as of period end, about 72% of the portfolio, on average, was allocated to small- and mid-cap stocks compared with about 60% in the fund's benchmark. This overweight increased by roughly two percentage points the past six months. Of course, valuation isn't the only factor I consider when selecting stocks for the portfolio. My top priority is to find high-quality companies with robust competitive advantages, healthy balance sheets, strong free cash flow and a record of adroit capital allocation."

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
International Equities	99.10%	100.00%	-0.90%	2.84%
Developed Markets	99.10%	100.00%	-0.90%	2.84%
Emerging Markets	0.00%	0.00%	0.00%	0.00%
Tax-Advantaged Domiciles	0.00%	0.00%	0.00%	0.00%
Domestic Equities	0.00%	0.00%	0.00%	0.00%
Bonds	0.00%	0.00%	0.00%	0.00%
Cash & Net Other Assets	0.90%	0.00%	0.90%	-2.84%

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
Industrials	26.96%	25.75%	1.21%	2.38%
Information Technology	20.04%	12.48%	7.56%	1.66%
Consumer Discretionary	12.82%	16.43%	-3.61%	0.80%
Financials	10.67%	11.52%	-0.85%	-0.89%
Materials	9.86%	8.66%	1.20%	-1.08%
Consumer Staples	6.98%	8.93%	-1.95%	-0.52%
Communication Services	4.53%	3.76%	0.77%	1.65%
Real Estate	2.38%	3.20%	-0.82%	0.65%
Energy	2.19%	1.95%	0.24%	-0.64%
Health Care	1.77%	4.50%	-2.73%	0.65%
Utilities	0.89%	2.82%	-1.93%	-1.81%
Other	0.00%	0.00%	0.00%	0.00%

COUNTRY DIVERSIFICATION

Country	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Japan	99.67%	100.00%	-0.33%	1.11%
Other Countries	0.00%	N/A	N/A	N/A
Cash & Net Other Assets	0.33%	0.00%	0.33%	-1.11%

10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
Hokuhoku Financial Group Inc	Financials	2.67%	2.00%
IHI Corp	Industrials	2.42%	1.87%
SWCC Corp	Industrials	2.23%	2.63%
Sompo Holdings Inc	Financials	2.22%	2.46%
Visional Inc	Industrials	2.08%	2.06%
Ebara Corp	Industrials	2.05%	0.91%
Ajinomoto Co Inc	Consumer Staples	1.97%	1.50%
Asics Corp	Consumer Discretionary	1.96%	1.53%
Yamato Kogyo Co Ltd	Materials	1.89%	2.60%
Kewpie Corp	Consumer Staples	1.82%	1.00%
10 Largest Holdings as a % of Net Assets		**21.30%**	**22.16%**
Total Number of Holdings		**87**	**86**

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 October 31, 2025

	Cumulative		Annualized			
	6 Month	YTD	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Fidelity Japan Smaller Companies Fund Gross Expense Ratio: 0.86%[2]	15.11%	23.53%	24.29%	18.46%	7.26%	7.79%
Russell/Nomura Mid Small Cap Japan Index (Gross)	13.44%	24.45%	23.57%	19.40%	8.05%	6.78%
Morningstar Fund Japan Stock	18.47%	24.78%	27.00%	22.20%	11.44%	8.47%
% Rank in Morningstar Category (1% = Best)	--	--	82%	87%	78%	50%
# of Funds in Morningstar Category	--	--	41	36	32	24

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 11/01/1995.

[2] 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, institutional.fidelity.com, or 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.**

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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 risks are particularly significant for funds that focus on a single country or region. The securities of smaller, less well-known companies can be more volatile than those of larger companies.

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.

Russell/Nomura Mid-Small Cap Index measures the performance of medium and small companies that represent the smallest 50% of companies of the Russell/Nomura Total Market Index as defined by float-adjusted market-capitalization. The Russell/Nomura Total Market Index represents 98% of the investable Japan equity market, consisting of common stock securities domiciled in Japan.

MSCI ACWI (All Country World Index) Index is a market-capitalization-weighted index that is designed to measure the investable equity market performance for global investors of developed and emerging markets.

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

Masaki Nakamura is a research analyst and 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, Mr. Nakamura manages Fidelity Japan Smaller Companies Fund. Additionally, he performs widespread fundamental research on Japanese small cap companies.

Prior to joining Fidelity in 2010, Mr. Nakamura was an assistant vice president at BlackRock in their global equity team and an assistant vice president at Merrill Lynch Investment Managers. He has been in the financial industry since 2002.

Mr. Nakamura earned his bachelor of arts degree in economics from Keio University and his master of business administration in finance and strategy from The Wharton School of the University of Pennsylvania.

PERFORMANCE SUMMARY:
Quarter ending December 31, 2025

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF[1]
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Fidelity INVESTMENTS

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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Information included on this page is as of the most recent calendar quarter.

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