Fidelity® Value Discovery Fund

Key Takeaways

- For the semiannual reporting period ending January 31, 2024, the fund's Retail Class shares gained 1.40%, trailing the 2.34% advance of the benchmark Russell 3000® Value Index.
- Portfolio Manager Sean Gavin was disappointed to see the fund trail the benchmark the past six months, a result he attributes to the market's mid-period shift away from the high-quality, low-volatility stocks he regularly favors.
- Compared with the benchmark, outsized exposure to the utilities and consumer staples sectors notably detracted, while picks in health care, especially among pharmaceutical-related stocks, also hurt.
- The biggest individual relative detractor was an overweight in drugmaker Bristol-Myers Squibb (-20%), which fell amid investors' concern about the company's upcoming patent expirations.
- In contrast, investment choices and an underweight in consumer discretionary contributed compared with the benchmark, as did stock selection in financials.
- In particular, a larger-than-benchmark stake in tax-preparation firm H&R Block (+41%) helped most, as the firm's shares recovered from a prior downturn.
- During the six-month period, Sean continued to favor companies trading below their intrinsic value, with a high-quality balance sheet and track record of consistent growth.
- As of January 31, citing the complexity of the economic backdrop, Sean remains committed to his investment approach by avoiding stocks trading at a valuation that he believes is unreasonable, instead choosing to focus on high-quality companies trading at a compelling price.

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.

Sean Gavin
Portfolio Manager

Fund Facts

Trading Symbol:	FVDFX
Start Date:	December 10, 2002
Size (in millions):	$2,822.69

Investment Approach

- Fidelity® Value Discovery Fund is a large-cap, value-oriented strategy that seeks capital appreciation.
- We focus on companies where there is a significant price dislocation, believing that a stock's market value will move toward its intrinsic (fair) value over time. We seek to purchase securities with a large "margin of safety" and use three different valuation measures to determine a company's intrinsic value.
- We favor firms with both cheap valuations and high-quality franchises – those with above-average returns on invested capital and that operate in businesses protected by strong entry barriers. Our strategy aims to benefit from lower earnings volatility and higher long-term growth. We also like companies with healthy cash-flow generation.
- Capital preservation is as important a factor in investing as is upside potential. The fund is structured to maintain a lower beta (sensitivity to market risk) and a higher-quality orientation than its benchmark, the Russell 3000® Value Index.

Q&A

An interview with Portfolio Manager Sean Gavin

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

The fund's Retail Class shares gained 1.40%, trailing the 2.34% advance of the benchmark Russell 3000® Value Index. The portfolio lagged the peer group average by a wider margin.

Taking a slightly longer-term view, the fund's Retail Class shares rose 2.22% for the trailing 12 months, again underperforming the benchmark and peer group average.

Q: How would you describe the market backdrop for value stocks the past six months?

Roughly halfway through the reporting period, stock market conditions meaningfully shifted. Initially, the fund, with its focus on low-volatility, high-quality stocks, outperformed the benchmark, as these companies were more in favor. Starting around late October, however, the market began to anticipate lower rates in the new year, and high-volatility, low-quality stocks took the lead. In short, what began as a tailwind turned to a headwind, providing a more challenging environment for my style of investing.

For the full six-month reporting period, the fund lagged the benchmark by 94 basis points. Specifically, outsized exposure to the lagging utilities and consumer staples sectors notably detracted, while picks in health care, especially among pharmaceutical-related stocks, also proved detrimental to the portfolio's relative return. In contrast, security selection and an underweight in consumer discretionary contributed compared with the benchmark, as did stock selection in financials.

Although I'm always disappointed whenever the fund underperforms, my focus remains on long-term investment results, and I recognize the inevitability of subpar results over short-term periods. Emphasizing high-quality, resilient, attractively valued firms is a key part of my investment strategy, which remains consistent regardless of prevailing market conditions. To remind shareholders, this approach is driven by my view that, over time, a stock's market value eventually will converge with its intrinsic value, or true underlying worth.

Furthermore, I use three valuation measures when determining a company's intrinsic value, and I invest in what I believe are high-quality firms. By high quality, I mean businesses that operate either in a specific niche or that possess a strong competitive position that provides a "moat," or high barrier to entry.

I also look for an above-average return on invested capital. Because of this focus on quality, I expect each of the fund's holdings to deliver a return on equity – a measure of profitability – that meaningfully exceeds that of the benchmark. I believe this can lead to lower earnings volatility over time. Lastly, I pay close attention to a firm's ability to generate cash, which I think can contribute to faster long-term growth when combined with high ROE.

Q: Relative to the benchmark, which stocks detracted most this period?

An outsized stake in drugmaker Bristol-Myers Squibb (-20%) hurt most the past six months. Its shares fell as investors continue to worry about how upcoming patent expirations may weigh on the business. Unfortunately, the company's heavy investment in addressing this concern has not yet panned out as much as either the market or I would have hoped. Still, as of January 31, Bristol-Myers' stock remains cheap, and the fund continues to hold it.

Also in the health care sector, an untimely overweight in Humana (-21%) hampered the fund's result. This managed-care provider appeared to have mispriced its insurance offerings, a challenge that was only magnified by higher-than-expected customer utilization. Late in the period, I sold this position in favor of other opportunities I believed offered a better risk-reward trade-off.

Further pressuring the portfolio's relative result was an out-of-benchmark position in discount retailer Dollar General (-37%). Shares of the firm plunged in September after reporting disappointing financial results. I lost confidence in Dollar General's ability to maintain the profit margin I expected, which ultimately changed my assessment of the firm's intrinsic value. Consequently, that same month I sold the stock.

A non-benchmark stake in Parex Resources (-23%), a Canadian energy exploration and production company, also detracted. Oil-price weakness affected many energy producers this period, and Parex was no exception. In addition, the firm's recent production fell short of what we had anticipated, although its long-term production numbers still appear attainable to me. As of January 31, I continue to like the company for its strong balance sheet, willingness to buy back shares and history of returning substantial cash to shareholders.

Q: Which stocks notably contributed?

A larger-than-benchmark holding in H&R Block (+41%) led the way the past six months. This tax-preparation firm has done a very good job at investing in margin-boosting projects, including technology to support its do-it-yourself customers. I believe H&R Block is acting wisely with the cash it produces by buying back shares while also providing a generous dividend to shareholders. Moreover, coming into this reporting period, the stock was very cheap after a prior downturn. Market participants realized a bit of that value during the period.

A couple of insurance holdings, Travelers (+24%) and Chubb (+21%), also added value compared with the benchmark. I see them as well-diversified, effectively run property and casualty companies that enjoyed strong financial results, thanks to their favorable pricing power. As of January 31, I continued to see both stocks as attractively valued, and they were, respectively, the fund's seventh- and fifth-largest positions.

Lastly, the decision to avoid pharmaceutical giant and benchmark component Pfizer (-23%) helped. Bolstered by its COVID-19 vaccine, Pfizer saw its earnings grow meaningfully during the pandemic. Since then, however, the firm has seen less financial impact from the vaccine, while many of its drugs are set to lose patent protection in the coming years. Consequently, I saw better risk/reward opportunities elsewhere in the industry, a decision that worked out well this period.

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

We've recently seen significant volatility in stock prices. Frequently, we've seeing individual stocks up or down 10%, 20% or even 30% after companies report their earnings. To me, this heightened volatility in single stocks suggests the stock market may be nearing an inflection point.

That said, I don't have a crystal ball. As I make my investment decisions, I regularly try to remind myself of this, given so much conflicting information about the health of the economy and certain industries, some of which are doing extremely well while others are seeing minimal earnings growth.

The uncertainty is providing us with a cloudy picture of the economy. Yet for the most part, the market has been ebullient, driven by highly bullish participants. Given this environment, I'm sticking with my investment process and philosophy. In a market full of stocks currently trading at prices I see as unreasonable, every day I'm continuing to search for new opportunities to add attractively valued, high-quality companies to the portfolio. ■

Portfolio Manager Sean Gavin on prioritizing quality in the portfolio:

"As I suggested, volatility in the stock market increased late in this six-month period. Meanwhile, the bond market has been seeing volatility at an all-time high. In such an environment, I think there's a decent chance that equity-market volatility could remain high for some time.

"In periods of elevated volatility, high-quality companies historically have outperformed, given that they present fewer questions about the sustainability of their earnings power in both the short and long term.

"When I assess a firm's quality, my favorite quantitative metrics involve looking at the variability in its return on invested capital and also its margin structure. But I'm also considering multiple *qualitative* factors.

"For example, I spend a lot of time evaluating management teams. I'll assess their history at their current company, as well as at others where they may have worked previously. I'll also talk to them about how they plan to use the capital their firm generates and what kinds of return they expect to be able to earn.

"By considering these multiple perspectives, you end up with a mosaic of the quality of the underlying business.

"Quality is critical to my management approach because it determines how much we will demand in exchange for our investment. The higher we determine a firm's quality to be, the more willing we are to accept a higher valuation when investing. Conversely, with a lower-quality company, we will require a larger 'margin of safety' before we invest – meaning we'll demand a very large gap between the stock price and what we determine to be that security's intrinsic value.

"Currently, with the substantial volatility we're seeing in financial markets and uncertainty surrounding the economic environment, we're leaning even more than usual into quality-oriented stocks."

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
H&R Block, Inc.	Consumer Discretionary	1.80%	52
The Travelers Companies, Inc.	Financials	2.06%	42
Chubb Ltd.	Financials	2.19%	37
Pfizer, Inc.	Health Care	-0.87%	24
Constellation Energy Corp.	Utilities	0.96%	22

** 1 basis point = 0.01%.*

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Bristol-Myers Squibb Co.	Health Care	1.37%	-32
Dollar General Corp.	Consumer Staples	0.27%	-32
Humana, Inc.	Health Care	1.13%	-25
Parex Resources, Inc.	Energy	0.83%	-25
The AES Corp.	Utilities	0.55%	-24

** 1 basis point = 0.01%.*

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Domestic Equities	83.03%	98.53%	-15.50%	0.23%
International Equities	14.89%	1.47%	13.42%	-0.59%
Developed Markets	13.66%	1.36%	12.30%	-0.58%
Emerging Markets	1.23%	0.10%	1.13%	-0.02%
Tax-Advantaged Domiciles	0.00%	0.01%	-0.01%	0.01%
Bonds	0.00%	0.00%	0.00%	0.00%
Cash & Net Other Assets	2.08%	0.00%	2.08%	0.36%

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	23.64%	22.53%	1.11%	-1.57%
Health Care	16.91%	14.51%	2.40%	-2.07%
Consumer Staples	12.98%	7.60%	5.38%	2.71%
Utilities	9.11%	4.64%	4.47%	-0.39%
Industrials	8.68%	13.73%	-5.05%	0.06%
Energy	8.13%	7.84%	0.29%	-0.50%
Information Technology	7.21%	9.28%	-2.07%	0.14%
Communication Services	5.24%	4.77%	0.47%	-0.10%
Consumer Discretionary	2.91%	5.32%	-2.41%	0.83%
Materials	2.12%	4.67%	-2.55%	0.02%
Real Estate	0.99%	5.13%	-4.14%	0.47%
Other	0.00%	0.00%	0.00%	0.00%

10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
Exxon Mobil Corp.	Energy	4.09%	4.24%
Berkshire Hathaway, Inc. Class B	Financials	3.95%	4.82%
JPMorgan Chase & Co.	Financials	3.55%	3.20%
Comcast Corp. Class A	Communication Services	3.34%	3.23%
Chubb Ltd.	Financials	2.88%	2.39%
Cigna Group	Health Care	2.66%	2.59%
The Travelers Companies, Inc.	Financials	2.65%	2.15%
Bank of America Corp.	Financials	2.43%	2.27%
Centene Corp.	Health Care	2.42%	2.18%
PG&E Corp.	Utilities	2.22%	2.14%
10 Largest Holdings as a % of Net Assets		**30.19%**	**29.45%**
Total Number of Holdings		**86**	**84**

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[1]
Fidelity Value Discovery Fund Gross Expense Ratio: 0.84%[2]	1.40%	-0.11%	2.22%	8.21%	9.51%	8.61%
Russell 3000 Value Index	2.34%	-0.18%	5.71%	8.93%	9.11%	8.65%
Morningstar Fund Large Value	3.51%	0.38%	6.69%	10.05%	9.82%	8.84%
% Rank in Morningstar Category (1% = Best)	--	--	84%	82%	57%	59%
# of Funds in Morningstar Category	--	--	1,215	1,129	1,074	825

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 12/10/2002.
[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. 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.

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 3000 Value Index is a market-capitalization-weighted index designed to measure the performance of the broad value segment of the U.S. equity market. It includes those Russell 3000 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

Sean Gavin 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, Mr. Gavin manages Fidelity Value Discovery Fund, Fidelity Blue Chip Value Fund, Fidelity Advisor Equity Value Fund, Fidelity Advisor Value Leaders Fund, Fidelity Series Value Discovery Fund, and FIAM Target Date Value Discovery Commingled Pool.

Prior to assuming his current position in January 2012, Mr. Gavin was a research analyst in the Equity division. During this time, he worked as a diversified analyst on the Value team, as a food and beverage analyst, and as a transportation analyst.

Before joining Fidelity in 2007, Mr. Gavin was an assistant portfolio manager at Pioneer Investments and a research analyst at both Boston Partners Asset Management and at Delphi Management. He has been in the financial industry since 1998.

Mr. Gavin earned his bachelor of arts degree in mathematics from Oberlin College and his bachelor of music degree in trombone performance from the Oberlin Conservatory. He is also a CFA® charterholder.

PERFORMANCE SUMMARY:
Quarter ending March 31, 2024

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Fidelity Value Discovery Fund Gross Expense Ratio: 0.69%[2]	15.36%	6.81%	10.50%	8.58%
% Rank in Morningstar Category (1% = Best)	84%	85%	60%	66%
# of Funds in Morningstar Category	1,204	1,118	1,058	816

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 12/10/2002.

[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.

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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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Diversification does not ensure a profit or guarantee against a loss.

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

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