

Thematic Investing With Differentiated Insights

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Thematic Investing at Fidelity

What is thematic investing?

Thematic investing at Fidelity allows you to invest directly in long-term trends and themes that best align with your interests or objectives, while accessing Fidelity's differentiated investment research and portfolio management expertise.



Disruption

Emerging industries and technologies that are changing the status quo



Megatrends

Secular trends affecting our world



Outcome oriented

Outcomes based on specific objectives



Environmental, social, and corporate governance (ESG)

Return with a purpose



Differentiated insights

Unique insights and industry-leading investment experience

Get exposure to long-term trends and themes with our innovative and differentiated investment strategies

Gain access to Fidelity's research and portfolio management expertise

Put our thought leadership insights to work for you

Thematic Fund Lineup

Comprehensive suite of thematic funds comprised of distinct sub-categories



Disruption

- Fidelity Disruptive Automation Fund (FBOTX) **NEW**
- Fidelity Disruptive Communications Fund (FNETX) **NEW**
- Fidelity Disruptive Finance Fund (FNTEX) **NEW**
- Fidelity Disruptive Medicine Fund (FMEDX) **NEW**
- Fidelity Disruptive Technology Fund (FTEKX) **NEW**
- Fidelity Disruptors Fund (FGDFX) **NEW**



Megatrends

- Fidelity Agricultural Productivity Fund (FARMX) **NEW**
- Fidelity Water Sustainability Fund (FLOWX) **NEW**



Outcome oriented

- Fidelity Dividend ETF for Rising Rates (FDRR)
- Fidelity Global Commodity Stock Fund (FFGCX)
- Fidelity Infrastructure Fund (FNSTX) **NEW**
- Fidelity Low Volatility Factor ETF (FDLO)
- Fidelity Select Natural Resources Portfolio (FNARX)
- Fidelity Strategic Real Return Fund (FSRRX)
- Fidelity Stocks for Inflation ETF (FCPI) **NEW**
- Fidelity U.S. Low Volatility Equity Fund (FULVX) **NEW**



ESG

- Fidelity International Sustainability Index Fund (FNIDX)
- Fidelity Select Environment & Alternative Energy Fund (FSLEX)
- Fidelity Sustainability Bond Index Fund (FNDSX)
- Fidelity U.S. Sustainability Index Fund (FITLX)
- Fidelity Women's Leadership Fund (FWOMX)



Differentiated insights

- Fidelity Enduring Opportunities Fund (FEOPX) **NEW**
- Fidelity Founders Fund (FIFNX)
- Fidelity Leveraged Company Stock Fund (FLVCX)



Fidelity Founders Fund (FIFNX)

Daniel Kelley, Portfolio Manager

The Founder's Mentality

From 1990–2016,
returns to shareholders
in public companies where
the founder is still involved were
3x higher than in other companies.*

When surveyed
93% of entrepreneurs
considered the
Founder's Mentality a
huge competitive advantage.

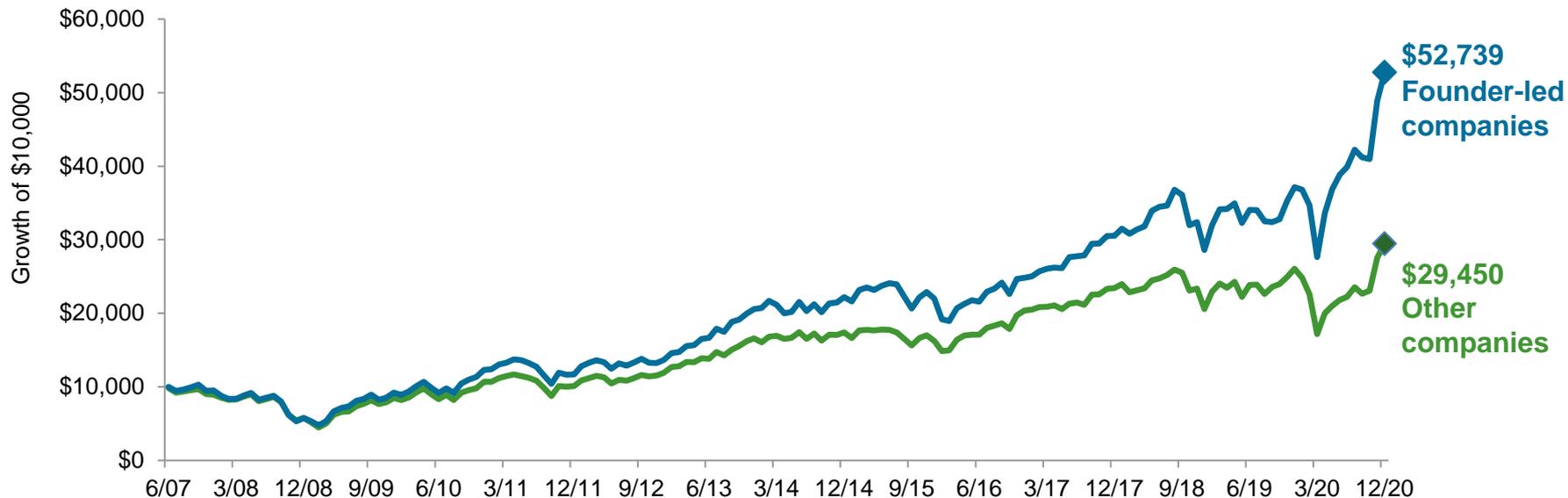
Companies that maintain the
Founder's Mentality tend to
move and adapt faster.

For illustrative purposes only.

* Source: Zook, C., Allen J., 2016. [Bain & Company](#). Barriers and Pathways to Sustainable Growth: Harnessing the Power of the Founder's Mentality, interviews with about 100 executives and founders worldwide and two global surveys of growth targets and barriers (n=325, n=377). Used with permission from Bain & Company.

Founder's Universe Performance Against Russell 3000

COMPANY COMPARISON BASED ON AN ANALYSIS OF RUSSELL 3000 COMPANIES



Past performance is no guarantee of future results. Not intended to represent the performance of the Fidelity Founders Fund.

Source: Fidelity Investments and FactSet. The performance shown above is in U.S. dollars and was calculated using monthly returns. The chart shows the cumulative performance of companies in the Russell 3000 Index from June 1, 2007 to December 31, 2020. Using an in-house quantitative screening method, the companies in the index are divided into two groups:

- 1) "Founder-Led Companies," which is defined as companies where the founder is in a position of influence, such as president or CEO, in a C-Suite role or on the board of directors, and
- 2) "Other Companies," which is composed of all of the remaining companies in the index that are not defined as "Founder-Led Companies."

When constructing the chart, the returns from June 1, 2007, to May 31, 2015, represent those companies identified as "Founder-Led Companies" and "Other Companies" using information available as of May 31, 2015. For all subsequent returns, "Founder-Led Companies" and "Other Companies" are identified on an ongoing basis.



Profile of Great Founders

Great founders are...



Customer Obsessed

Great founders are constantly evaluating what their customers want

- Relentless focus on the complete customer experience
- Are driven by customer feedback
- Convert customers into fans and advocates

Innovative

Great founders think long term and keep their companies competitive

- Disruptive and creative
- Focused on unmet or unrecognized needs
- Not satisfied with the status quo

Committed

Great founders are willing to do what it takes to turn their vision into a reality

- Personally invested in their businesses
- Driven by a vision and set of values
- Aligned with the interests of shareholders

For illustrative purposes only.

Great Founders Innovate in All Industries, Not Just Tech

S&P 500 companies where the founder is still CEO generate
31% more patents¹

 Energy	 Real Estate	 Health Care	 Materials
 Industrials	 Financials	 Biotechnology	 Consumer Staples
 Education	 Consumer Discretionary	 Software & Services	 Technology

For illustrative purposes only.

¹ Lee, Joon Mahn and Kim, Jongsoo and Bae, Joonhyung, "Founder CEOs and Innovation: Evidence from S&P 500 Firms" (February 17, 2016). Available at SSRN: <https://ssrn.com/abstract=2733456> or <http://dx.doi.org/10.2139/ssrn.2733456>.

Fidelity Founders Fund

Strategy overview

Equity strategy developed with a focus on the entrepreneurial spirit of founder-led companies

Seeks to invest in founder-involved companies with strong earnings growth potential that are trading at reasonable prices

Aims to demonstrate Fidelity's edge in picking the most alpha generating of the founder-involved universe

Investment Universe

The fund aims to invest in companies where the founder remains in a position of influence



CEO/President



Board of Directors



C-Suite Role



**Personal or Family
Share Ownership**

Fidelity Founders Fund Investment Philosophy

Focused on mispriced growth opportunities in founder-involved companies

- Companies led by people with the greatest vested interest (i.e., founders) have tended to outperform
- There are mispricing opportunities caused by investors' tendency to extrapolate recent trends
- Even high-quality companies that can generate high returns on invested capital can be mispriced relative to their long-term growth rate
- Valuation is important—cheap stocks with improving fundamentals can offer a higher probability of outperformance
- Extensive use of both fundamental and quantitative analysis to construct a portfolio provides the best chance for superior returns

Past performance is no guarantee of future results.

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. Securities selected using quantitative analysis can perform differently from the market as a whole. The advisor's applications of the founder-involved strategy may not achieve its intended results and the fund could underperform the market as a whole.

Investment Process

Repeatable and sustainable



Screening and Idea Generation

- Quantitative screening to identify founder-involved companies across the globe
- Ideas generated through Fidelity research and industry contacts

Fundamental Research

- Dig into model and key EPS drivers
- Stress-test all of the earnings models
- Study EPS growth history through economic cycles and key drivers through 10Ks
- Company visits and conferences
- Search for potential catalysts

Valuation Analysis

- Focus on companies with mispriced stocks relative to long-term earnings growth prospects
- Deep dives into different valuation metrics
- Scenario analysis to generate upside/downside price target ranges
- Fair value estimate

Portfolio

- 75 to 150 stocks
- Implement a “batting average” approach to portfolio construction, to avoid thesis creep
- Leverage quantitative and fundamental resources to help monitor the portfolio

Buy and Sell Discipline

Buy Discipline

- Identify stocks with above-average rates of earnings growth trading at reasonable valuations
- Superior management teams that are good allocators of shareholder capital
- Companies from industries that are experiencing strong positive secular change
- Mispriced optionality—factors underestimated by the market that can enhance a growth rate

Sell Discipline

- Stocks at or near price targets
- More attractive opportunities become available
- Thesis or fundamentals deteriorating with no obvious path for improvement
- One-year period of evaluation upon departure of founder to conduct greater due diligence



Fidelity Enduring Opportunities Fund (FEOPX)

Michael Kim, Portfolio Manager

Investment Philosophy

- Believe strong fundamental research is key to identifying which companies are “best of breed” and poised for durable multiyear earnings growth
- Identifying companies with sustainable competitive advantages, attractive industry characteristics, and strong management teams can deliver superior returns over the long term
- The accuracy of earnings estimates deteriorates as time horizons extend; in-depth research combined with investment patience can capture this inefficiency
- Systematic, rule-based portfolio construction processes can help deliver repeatable results while minimizing behavioral biases

Profile of Portfolio Holdings

Targeted exposure to durable, long-term investment ideas



Competitive Advantages

- Scale, network effects
- Pricing power
- Brand recognition
- Low threat from substitute products



Strong Management Teams

- High-quality capital allocation
- Customer obsessed
- Focus on stakeholder equity
- Clear strategic vision



Attractive Industry Characteristics

- Strong growth potential
- Emerging trends
- Consolidation/M&A
- Low competition/industry rivalry
- High barriers to entry

Portfolio holdings tend to exhibit the following characteristics relative to peers:

Above Average
Earnings Growth

Above Average
Return on Equity

Above Average
Returns on Invested Capital

Investment Process

Designed to capitalize on Fidelity's research edge and expertise in generating differentiated insights



**Fidelity
Enduring
Opportunities
Fund**

Idea Generation

- Leverage Fidelity's global equity research platform and deep network to identify investment opportunities
- Company meetings and visits
- Conferences
- In-house meetings and calls
- Industry research, business trends, mega-trends

Fundamental Analysis

- Focus on earnings potential, business model, and competitive advantage
- Prefer durable or improving businesses with viable structure for long-term profitability
- Evaluate stock's upside and downside risk potential in different scenarios
- Strong earnings growth prospects
- Favorable pricing power
- Unit growth above industry and increasing market share
- Robust free-cash-flow generation vs. capital expenditures

Portfolio Construction

- All stocks purchased for the fund have been identified as having strong long-term prospects
- Region neutral: ~55% U.S., ~35% Non-U.S. Developed, ~10% Emerging
- Stocks are initially weighted equal active within region
- Existing holdings are rebalanced monthly when they reach +/- 40% of target weight
- Sector exposures are not neutralized
- Buy/Sell decisions occur as the research team identifies new opportunities, or the investment thesis on an existing investment changes

Source: Fidelity Investments.

Systematic Portfolio Construction Approach Can Reduce Behavioral Biases



Human

VS.



**Systematic Portfolio
Construction Approach**

**Behavioral.
Biases:**

- Conservatism bias
- Confirmation bias
- Base-rate neglect
- Sample-size neglect
- Illusion of control bias
- Anchoring and adjustment bias
- Mental accounting bias
- Framing bias
- Availability bias

Behavioral biases
are **minimized**

Fidelity Enduring Opportunities Fund

Summary

Long-Term View



Combines **in-depth fundamental research** with **systematic portfolio construction** to capture the potential benefits of taking a long-term view of a company's fundamentals

Competitive Advantages



Seeks to invest in companies with **sustainable competitive advantages**, attractive industry characteristics, and strong management teams

Research Platform



Leverages Fidelity's **global equity research platform** and deep network to identify investment opportunities



Q&A

Fidelity Founders Fund (FIFNX)

Fidelity Enduring Opportunities Fund (FEOPX)



Appendix

Important Information

Past performance is no guarantee of future results.

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, all of which are magnified in emerging markets. Securities selected using quantitative analysis can perform differently from the market as a whole. The advisor's applications of the founder-involved strategy may not achieve its intended results and the fund could underperform the market as a whole.

Indexes are unmanaged. It is not possible to invest directly in an index.

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Because of their narrow focus, sector funds tend to be more volatile than funds that diversify across many sectors and companies. Non-diversified sector funds may have additional volatility because they can invest a significant portion of assets in securities of a small number of individual issuers.

Diversification does not ensure a profit or guarantee against loss.

Before investing in any mutual fund or exchange-traded fund, you should consider its investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus, offering circular, or, if available, a summary prospectus containing this information. Read it carefully.

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