

# POINT OF VIEW

## Fidelity Canadian Opportunities Fund Fidelity Greater Canada Fund

Invest against the grain.

### KEY TAKEAWAYS

- Emphasis on downside risk mitigation has added value during market volatility.
- Current investment themes: fast food and grocers.
- Strong performance across all time periods.

### Style

Portfolio manager Hugo Lavallée is a contrarian investor who seeks to add value through out-of-favour stocks. Hugo uses time to his advantage by investing in companies that may face challenges in the short term, but have the ability to change course and grow over the long term.

### Fidelity Canadian Opportunities Fund



AS AT JANUARY 31, 2019	1 YEAR	3 YEAR	5 YEAR	10 YEAR
<b>Fidelity Canadian Opportunities Fund</b>	<b>6.4</b>	<b>12.0</b>	<b>6.9</b>	<b>13.1</b>
S&P/TSX Completion Index	(2.9)	7.9	2.9	9.6
Excess return	9.3	4.1	3.9	3.5
<b>Peers beaten</b>	<b>98</b>	<b>99</b>	<b>92</b>	<b>99</b>
Number of funds in the category	703	534	395	215
Morningstar rating	–	★★★★★	★★★★★	★★★★★

Source: Fidelity Investments Canada ULC and Morningstar Direct. Performance shows annual compounded returns as at January 31, 2019, Series F, net of fees, in Canadian dollars. Morningstar category, star ratings and number of funds in each category for the standard periods for Fidelity Canadian Opportunities Fund: Morningstar Canadian Equity category; three-year, five star (495 funds); five-year, five star (367 funds); ten-year, five star (192 funds).

### Fidelity Greater Canada Fund



AS AT JANUARY 31, 2019	1 YEAR	3 YEAR	5 YEAR	10 YEAR
<b>Fidelity Greater Canada Fund</b>	<b>6.2</b>	<b>10.6</b>	<b>8.4</b>	<b>12.3</b>
Blended benchmark*	1.7	10.5	8.4	11.2
Excess return	4.5	0.1	0.0	1.1
<b>Peers beaten</b>	<b>94</b>	<b>71</b>	<b>73</b>	<b>78</b>
Number of funds in the category	197	137	100	52
Morningstar rating	–	★★★★	★★★★	★★★★

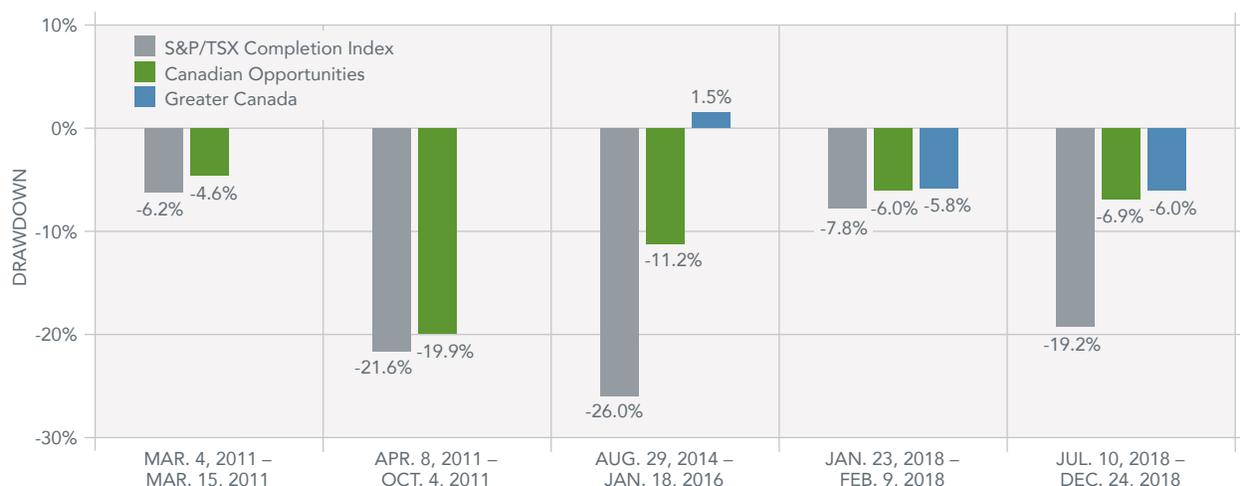
\* The Fund's blended benchmark is made up of 70% S&P/TSX Capped Composite Index and 30% S&P 500 Index. Source: Fidelity Investments Canada ULC and Morningstar Direct. Performance shows annual compounded returns as at January 31, 2019, Series F, net of fees, in Canadian dollars. Morningstar category, star ratings and number of funds in each category for the standard periods for Fidelity Greater Canada Fund: Morningstar Canadian Focused Small/Mid Cap Equity category; three-year, four star (124 funds); five-year, four star (90 funds); ten-year, four star (49 funds).

# Fidelity Canadian Opportunities Fund Fidelity Greater Canada Fund

## Downside protection

Fidelity’s research suggests that downside protection can be highly correlated with long-term outperformance. Market sell-offs in 2018 serve as a stark reminder of how quickly and painfully investment losses can mount. Hugo aims to protect capital during market drawdowns, which has resulted in both Funds performing well relative to the broad equity market in periods when markets have experienced significant drawdowns. The chart below illustrates how the Funds have performed compared to the Canadian small/mid-cap equity market when the market has declined at least 5%; it is evident that the Funds have fared better.

### Fidelity Canadian Opportunities Fund and Fidelity Greater Canada Fund drawdowns during Hugo Lavallée’s tenure\* in periods when the Canadian small/mid cap-equity market, as represented by S&P/TSX Completion Index, was down 5% or more from its peak



\* Hugo Lavallée took over management of Fidelity Canadian Opportunities Fund on September 2, 2008 and Fidelity Greater Canada Fund on October 4, 2011. Source: Fidelity Investments Canada ULC. Performance shows annual compounded returns as at January 31, 2019 (Series F) net-of-fees, in Canadian dollars. Inception dates: Fidelity Canadian Opportunities Fund, July 24, 2000; Fidelity Greater Canada Fund, January 7, 2008.

## Current investment themes

- **Fast food:** Hugo is finding attractive opportunities among several companies that own and operate fast food chains and that have been undervalued for a variety of reasons. For example, Chipotle Mexican Grill was clouded by negative sentiment following widely reported food quality issues, but has tremendous growth opportunities from expansion, increasing its online presence and growing its catering business.
- **Grocers:** Hugo notes that many grocers have been negatively affected by the threat of new entrants, such as Amazon, and by new technologies. Many traditional grocers, such as Loblaw and Metro, have been altering their business models, focusing more on fresh and prepared foods, making technological enhancements and operating discount brands that will allow them to grow over the long term.

# Fidelity Canadian Opportunities Fund

## Fidelity Greater Canada Fund

### Outlook

- Portfolio manager Hugo Lavallée observes that the business cycle is stretched and market valuations remain elevated, which warrants a more conservative approach and a larger cash allocation. This cash allocation helped mitigate volatility and protect investors' capital during market turbulence in 2018. Staying true to his investment style, Hugo took advantage of market declines late in 2018 and deployed capital when he found attractive opportunities in the market at depressed prices. As markets have rallied early in 2019, he has taken gains in some positions.

For more information, contact your advisor or visit [fidelity.ca](http://fidelity.ca)



**Read a fund's prospectus and consult your financial advisor before investing.** Mutual funds are not guaranteed; their values change frequently and past performance may not be repeated. Investors will pay management fees and expenses, may pay commissions or trailing commissions and may experience a gain or loss. The indicated rates of return are the historical annual compounded total returns including changes in unit value and the reinvestment of all distributions and do not take into account sales, redemption, distribution, optional charges or income taxes payable by any security holder that would have reduced returns. If you buy other series of Fidelity Funds, the performance will vary, largely due to different fees and expenses.

Investors who buy Series F pay investment management fees and expenses to Fidelity. Investors will also pay their dealer a fee for financial advice services in addition to the Series F fees charged by Fidelity.

The Morningstar Risk Adjusted Ratings (MRARs), commonly referred to as the Star Ratings, relate the risk-adjusted performance of a fund to its peers with the same CIFSC Fund category for the period ended as noted and are subject to change monthly. Morningstar calculates ratings for categories with at least five funds. To determine a fund's rating, the fund and its peer are ranked by their MRARs. If a fund scores in the top 10% of its category, it receives five stars (High); if it falls in the next 22.5%, it receives four stars (Above Average); the next 35% earns a fund three stars (Neutral or Average); those in the next 22.5% receive two stars (Below Average); and the lowest 10% receive one star (Low). The overall rating is a weighted combination of the three-, five- and ten-year ratings. For greater detail, see [www.morningstar.ca](http://www.morningstar.ca).

© 2019 Morningstar Research Inc. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is not a guarantee of future results.

The index returns are shown for comparative purposes only. Indexes are unmanaged and their returns do not include any sales charges or fees, because such costs would lower performance. It is not possible to invest directly in an index.

From time to time a manager, analyst or other Fidelity employee may express views regarding a particular company, security, and industry or market sector. The views expressed by any such person are the views of only that individual as of the time expressed and do not necessarily represent the views of Fidelity or any other person in the Fidelity organization. Any such views are subject to change at any time, based upon markets and other conditions, and Fidelity disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Fidelity Fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Fidelity Fund.

Certain statements in this commentary may contain forward-looking statements ("FLS") that are predictive in nature and may include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates" and similar forward-looking expressions or negative versions thereof. FLS are based on current expectations and projections about future general economic, political and relevant market factors, such as interest, and assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable and, accordingly, may prove to be incorrect at a future date. FLS are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any FLS. A number of important factors can contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition and catastrophic events. You should avoid placing any undue reliance on FLS. Further, there is no specific intention of updating any FLS, whether as a result of new information, future events or otherwise.

© 2019 Fidelity Investments Canada ULC. All rights reserved. Third-party trademarks are the property of their respective owners. All other trademarks are the property of Fidelity Investments Canada ULC

FIC-129359 02/19 129685-v2019211