

# Fidelity® Small Cap Discovery Fund

## Investment Approach

- Fidelity® Small Cap Discovery Fund is a small-cap core strategy focused on companies with low implied expectations where there is a substantial disparity between the current share price and our view of the firm's intrinsic (fair) value.
- We strive to identify these disparities by performing intensive bottom-up research, which also can give us strong conviction of the company's future earnings power over an entire business cycle.
- In our value research, we scrutinize investments for a perceived margin of safety, assessed through both an income statement and balance sheet approach. We want to own resilient companies with sufficient financial strength to manage through difficult conditions.
- We seek attractive risk-adjusted returns by employing disciplined portfolio construction and managing the fund in a concentrated fashion in order to emphasize our best ideas.
- We typically focus on domestic small-cap companies with easily understood business models.

## FUND INFORMATION

**Manager(s):**  
Forrest St. Clair

**Trading Symbol:**  
FSCRX

**Start Date:**  
September 26, 2000

**Size (in millions):**  
\$2,827.34

**Morningstar Category:**  
Fund Small Blend

*Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The securities of smaller, less well-known companies can be more volatile than those of larger companies. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks.*

## PERFORMANCE SUMMARY

|                                                                              | Cumulative |       | Annualized |        |        |                           |
|------------------------------------------------------------------------------|------------|-------|------------|--------|--------|---------------------------|
|                                                                              | 3 Month    | YTD   | 1 Year     | 3 Year | 5 Year | 10 Year/ LOF <sup>1</sup> |
| Fidelity Small Cap Discovery Fund<br>Gross Expense Ratio: 1.05% <sup>2</sup> | 8.27%      | 8.27% | 24.73%     | 8.47%  | 12.03% | 8.52%                     |
| Russell 2000 Index                                                           | 5.18%      | 5.18% | 19.71%     | -0.10% | 8.10%  | 7.58%                     |
| Morningstar Fund Small Blend                                                 | 5.66%      | 5.66% | 18.93%     | 3.43%  | 9.33%  | 7.66%                     |
| % Rank in Morningstar Category (1% = Best)                                   | --         | --    | 14%        | 6%     | 11%    | 26%                       |
| # of Funds in Morningstar Category                                           | --         | --    | 610        | 584    | 552    | 384                       |

<sup>1</sup> Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 09/26/2000.

<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](http://fidelity.com/performance), [institutional.fidelity.com](http://institutional.fidelity.com), or [401k.com](http://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.



Not FDIC Insured • May Lose Value • No Bank Guarantee

## Performance Review

The fund returned 8.27% in the first quarter of 2024, versus 5.18% for the benchmark Russell 2000® Index. Longer-term performance comparisons also remain favorable.

U.S. small-cap stocks gained ground in the first quarter, as the Federal Reserve indicated a likely pivot to cutting interest rates later this year. 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. 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. For the period, the small-cap Russell 2000® index rose 5.18%, led by growth stocks.

Against this backdrop, the fund's focus on higher-quality stocks that are inexpensive given the amount of free cash flow they are generating continued to serve the fund well during Q1. We believe the market's general uncertainty about recent macroeconomic conditions may have led to more-stable, higher-quality stocks being more in favor with investors – a positive situation for the fund.

Looking more closely at the portfolio, both security selection and sector exposures contributed to the fund's outperformance of the Russell 2000®. Picks in financials and industrials led the way, while an underweight in the former and overweight in the latter category further helped, as did choices within health care and materials. Conversely, selection in information technology notably detracted.

We regularly look for companies offering their customers a clear value proposition, decent or improving fundamentals, strong free-cash-flow generation, and management teams with a proven record of creating shareholder value. Our largest relative contributors in Q1 fit these criteria. The fund's top individual contributor, for example, was XPO (+39%), a less-than-truckload transportation company whose shares rallied on news of the bankruptcy of a large competitor. We trimmed our stake in XPO this quarter. Another notable contributor was Owens & Minor (+44%), our ninth-largest holding on March 31. This stock recovered off a depressed valuation after the firm demonstrated progress in generating free cash flow and paying down debt. Also adding value was Crocs (+55%), whose stock rallied on better-than-expected business results.

In contrast, some of our biggest individual relative detractors were strong-performing benchmark components we opted not to own, especially IT companies Super Micro Computer (+255%), whose massive upward move was driven by investors' enthusiasm for anything seen as involving artificial intelligence, and MicroStrategy (+170%), which benefited from its ownership of bitcoin. Neither stock fit our risk-reward framework, as their range of outcomes is extremely wide. Among stocks we did hold, our biggest detractor was an overweight in Concentrix (-32%), a provider of outsourced call-center services. The market's concern about how AI might affect the company's business weighed on the stock. In our opinion, however, the stock is substantially undervalued and may recover. ■

## Outlook and Positioning

Our strategy seeks to generate long-term outperformance through individual stock picking, while limiting the impact of other variables.

A key part of our approach is to avoid paying too much for a stock in the first place. Second, we look for stocks with what we consider a sufficient margin of safety. Third, we analyze management and other factors to uncover what we think are high-quality firms.

Among notable changes to the fund's relative positioning in Q1 were reduced underweights in health care and financials. Health care remained by far the fund's largest underweight as of March 31. We also fully eliminated our real estate exposure and finished the quarter significantly underweight the segment. Information technology shifted from a slight overweight to a modest underweight over the three months. Meanwhile, our largest sector overweight was in industrials, followed by consumer discretionary.

Looking ahead, we see the potential for increased volatility and further broadening in the market. Heading into the second quarter, we view the portfolio as well-balanced with a focus on high-quality, cash-generative businesses that we believe should allow it to fare well irrespective of market trends.

We're continuing to conduct thorough research across the small-cap market so that we can make tactical purchases when attractive opportunities present themselves. We continue to find compelling investment opportunities in small-cap stocks, and we believe there may be ample opportunity to add value as an active manager versus the benchmark. ■

## CHARACTERISTICS

|                                              | Portfolio | Index |
|----------------------------------------------|-----------|-------|
| <b>Valuation</b>                             |           |       |
| Price/Earnings Trailing                      | 19.9x     | 28.5x |
| Price/Earnings (IBES 1-Year Forecast)        | 14.4x     | 21.1x |
| Price/Book                                   | 2.5x      | 2.3x  |
| Price/Cash Flow                              | 9.9x      | 14.1x |
| Return on Equity (5-Year Trailing)           | 12.2%     | 7.4%  |
| <b>Growth</b>                                |           |       |
| Sales/Share Growth 1-Year (Trailing)         | 1.9%      | 9.4%  |
| Earnings/Share Growth 1-Year (Trailing)      | -10.4%    | 24.0% |
| Earnings/Share Growth 1-Year (IBES Forecast) | 9.7%      | 35.9% |
| Earnings/Share Growth 5-Year (Trailing)      | 16.5%     | 16.0% |
| <b>Size</b>                                  |           |       |
| Weighted Average Market Cap (\$ Billions)    | 5.7       | 4.7   |
| Weighted Median Market Cap (\$ Billions)     | 5.6       | 3.1   |
| Median Market Cap (\$ Billions)              | 4.5       | 0.9   |

## MARKET-SEGMENT DIVERSIFICATION

| Market Segment         | Portfolio Weight | Index Weight | Relative Weight | Relative Change From Prior Quarter |
|------------------------|------------------|--------------|-----------------|------------------------------------|
| Industrials            | 26.14%           | 17.61%       | 8.53%           | -0.62%                             |
| Consumer Discretionary | 16.82%           | 10.83%       | 5.99%           | -0.22%                             |
| Financials             | 14.52%           | 15.89%       | -1.37%          | 1.48%                              |
| Information Technology | 13.19%           | 14.95%       | -1.76%          | -2.30%                             |
| Energy                 | 7.05%            | 7.33%        | -0.28%          | 0.04%                              |
| Materials              | 6.55%            | 4.53%        | 2.02%           | 0.88%                              |
| Health Care            | 4.93%            | 15.32%       | -10.39%         | 1.28%                              |
| Consumer Staples       | 4.56%            | 3.31%        | 1.25%           | 0.26%                              |
| Utilities              | 1.51%            | 2.50%        | -0.99%          | 0.14%                              |
| Communication Services | 0.11%            | 2.13%        | -2.02%          | 0.17%                              |
| Real Estate            | 0.00%            | 5.60%        | -5.60%          | -1.93%                             |
| Other                  | 0.00%            | 0.00%        | 0.00%           | 0.00%                              |

## ASSET ALLOCATION

| Asset Class              | Portfolio Weight | Index Weight | Relative Weight | Relative Change From Prior Quarter |
|--------------------------|------------------|--------------|-----------------|------------------------------------|
| Domestic Equities        | 86.81%           | 98.11%       | -11.30%         | 0.70%                              |
| International Equities   | 8.57%            | 1.89%        | 6.68%           | -1.55%                             |
| Developed Markets        | 8.57%            | 1.23%        | 7.34%           | -1.52%                             |
| Emerging Markets         | 0.00%            | 0.52%        | -0.52%          | 0.01%                              |
| Tax-Advantaged Domiciles | 0.00%            | 0.14%        | -0.14%          | -0.04%                             |
| Bonds                    | 0.00%            | 0.00%        | 0.00%           | 0.00%                              |
| Cash & Net Other Assets  | 4.62%            | 0.00%        | 4.62%           | 0.85%                              |

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.

## 10 LARGEST HOLDINGS

| Holding                                         | Market Segment         |
|-------------------------------------------------|------------------------|
| Insight Enterprises, Inc.                       | Information Technology |
| Patrick Industries, Inc.                        | Consumer Discretionary |
| Performance Food Group Co.                      | Consumer Staples       |
| First American Financial Corp.                  | Financials             |
| Olin Corp.                                      | Materials              |
| Mattr Corp. Class A                             | Energy                 |
| Beacon Roofing Supply, Inc.                     | Industrials            |
| FirstCash Holdings, Inc.                        | Financials             |
| Owens & Minor, Inc.                             | Health Care            |
| Genpact Ltd.                                    | Industrials            |
| <b>10 Largest Holdings as a % of Net Assets</b> | <b>26.92%</b>          |
| <b>Total Number of Holdings</b>                 | <b>96</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.

## 3-YEAR RISK/RETURN STATISTICS

|                    | Portfolio | Index  |
|--------------------|-----------|--------|
| Beta               | 0.88      | 1.00   |
| Standard Deviation | 20.03%    | 21.39% |
| Sharpe Ratio       | 0.29      | -0.13  |
| Tracking Error     | 7.13%     | --     |
| Information Ratio  | 1.20      | --     |
| R-Squared          | 0.89      | --     |

## 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.

**Russell 2000 Index** is a market capitalization-weighted index designed to measure the performance of the small-cap segment of the U.S. equity market. It includes approximately 2,000 of the smallest securities in the Russell 3000 Index.

### 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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