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Fidelity Global Future Leaders strategy

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# 1 Introduction

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When allocating to global equities, investors often gravitate towards global large market capitalisation (large-cap) stocks. This paper highlights the potential benefits of investing in global mid-cap stocks, contrasting them with the more commonly chosen large-cap stocks.

Key takeaways for investors:

- 1 Diversification and growth potential:** Mid-cap stocks offer significant long-term growth potential and diversification benefits, particularly in markets characterised by concentration on a few large-cap stocks. This segment is less dominated by individual stocks and sectors, reducing risk and enhancing portfolio stability.
- 2 Risk-return profile:** Mid-cap stocks have shown higher returns over the past 25 years compared to large-cap stocks, with a favourable Sharpe ratio, indicating that investors have been well-compensated for the risks involved.
- 3 Investment strategy:** Fidelity's Global Future Leaders strategy focuses on identifying durable winners in the mid-cap segment through intensive research and a structured investment process. This includes a diversified portfolio across Quality, Value, Transition, and Momentum categories (QVTM), guided by fundamental analysis.
- 4 Research and expertise:** Fidelity leverages a large research team dedicated to small to mid-cap stocks, enabling the identification of opportunities often overlooked by others. The strategy is managed by experienced professionals, utilising insights from a global research network.
- 5 Proven success:** The Fidelity Global Future Leaders Fund has consistently outperformed the MSCI World Mid Cap Index, demonstrating the effectiveness of its investment process in various market conditions.
- 6 Lessons learned:** This paper emphasises the importance of identifying businesses that can compound earnings, aligning with strong management teams, maintaining investment discipline to avoid overpaying for assets, and ensuring companies have robust balance sheets to withstand market pressures.

The mid-cap segment offers a rich landscape for investment with opportunities to invest in emerging leaders that may graduate to large-cap status, thereby presenting compelling long-term investment prospects for investors.

Past performance is not a reliable indicator of future performance.

## 2 The global mid- and small-cap segment

### 2.1 Characteristics and risk-return profile of market segments

For investors exploring the opportunity of the global mid- and small-cap segment, there are some key differences to be aware of when compared to the large-cap segment, as Tables 2.1 and 2.2 below illustrate.

**Table 2.1. Index characteristics**

Index characteristics	MSCI World Index	MSCI World Mid Cap Index	MSCI World Small Cap Index
No. of constituents	1,320	768	3,855
Market capitalisation (USD millions)			
Index	80,561,071	11,882,326	9,441,495
Largest	4,552,552	66,642	29,108
Smallest	1,744	2,897	127
Average	61,031	15,472	2,449
Median	21,414	12,311	1,445

Source: MSCI, 30 September 2025.

**Table 2.2. Typical characteristics of large-cap, mid-cap and small-cap segments**

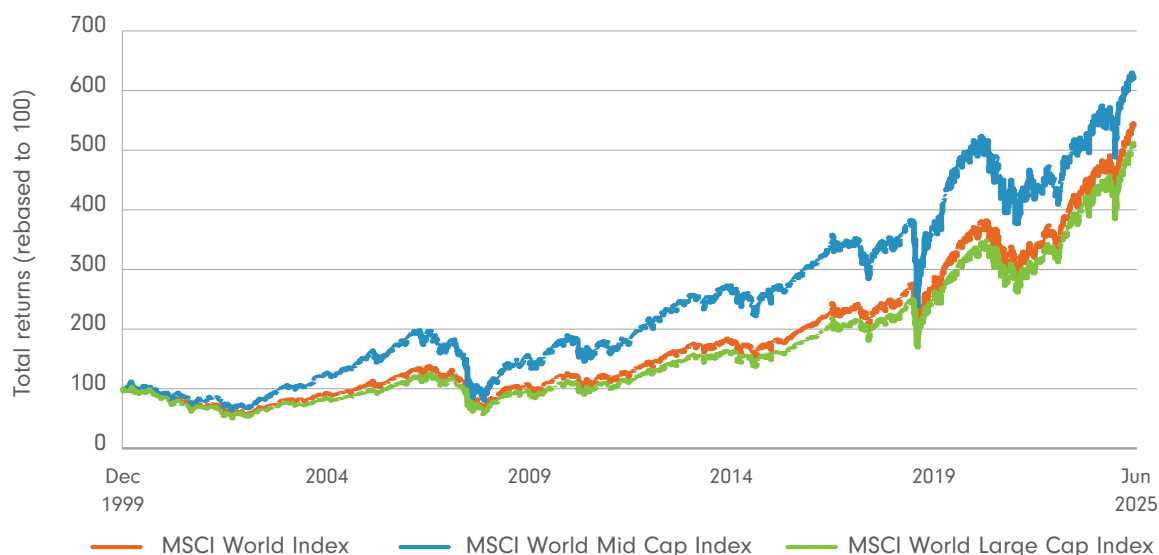
	Large-cap	Mid-cap	Small-cap
Maturity level	Generally well established	Generally established	Can be earlier stage
Volatility	Low	Medium	High
Potential for high returns	Low	High	High
Potential for negative returns	Low	Medium	High
Liquidity (ease and cost of trading)	Very good	Good	Typically low
Availability of company information and detailed research insight	Very high	High	Typically low

Source: Fidelity International, 30 September 2025.

## 2.2 Long-term returns profile over a 25-year period

While this segment is characterised by more volatility, long-term investors have been well-compensated for assuming this additional risk. Over the past 25 years, global mid-caps have generated higher returns than large-caps. For the 25 years to 30 September 2025, global developed world mid-caps (blue) delivered 115% in excess returns vs. their large-cap peers (green).

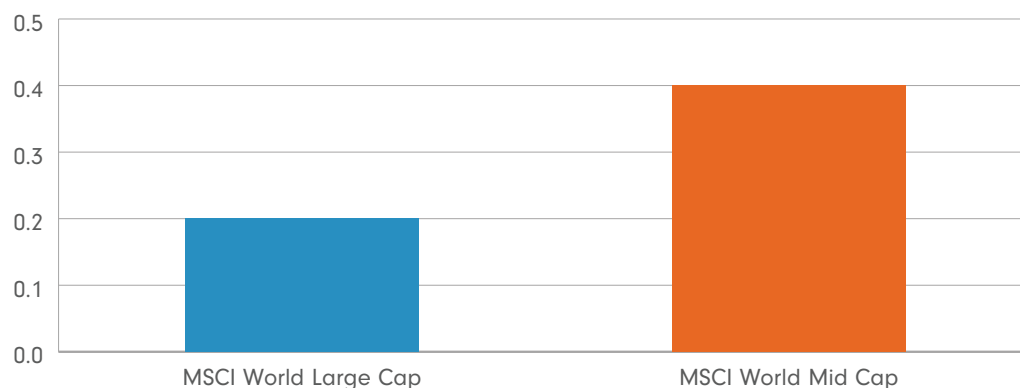
Figure 2.1. Return profile over a 25-year period



Source: Refinitiv DataStream, Data period from 1 January 2000 to 30 September 2025. Total returns in USD. Past performance is not a reliable indicator of future performance. .

A similar picture emerges when comparing risk outcomes through Sharpe ratios, and investors have been appropriately rewarded for their investment in global developed-world mid-cap stocks over the long term.

Figure 2.2. Sharpe ratio over 25 years to September 2025



Source: Refinitiv DataStream, Data period from 1 January 2000 to 30 September 2025. Past performance is not a reliable indicator of future performance.

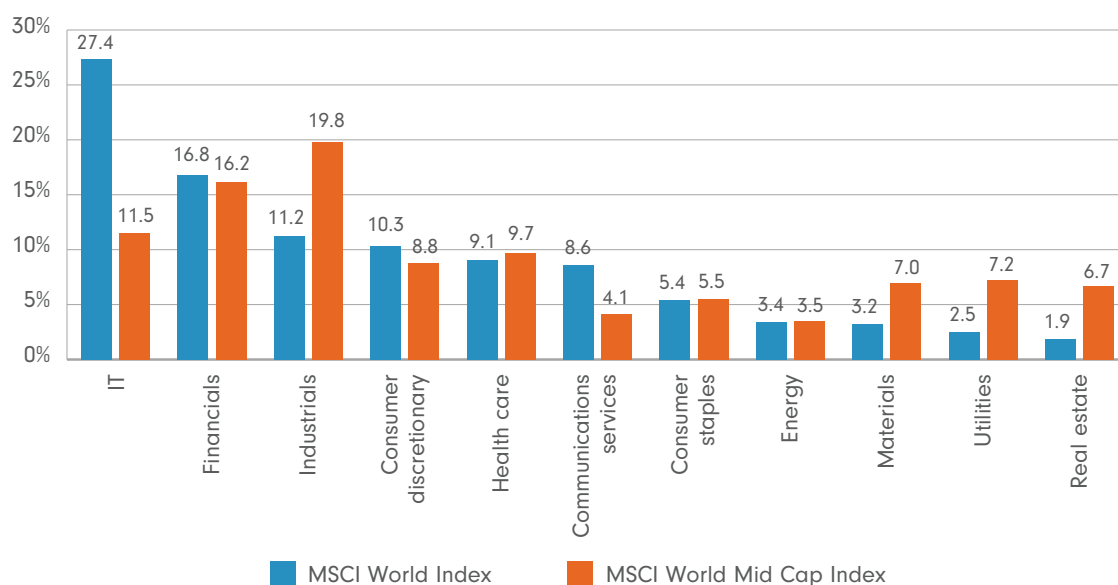


## 2.3 Diversification benefits at the sector and stock level

Given the concentration at the sector and stock level of major global market indices, many investors will be looking at adding asset classes to help diversify portfolios.

Global mid-small caps can help provide this diversification, offering investors exposure to companies across a broad range of sectors and companies.

**Figure 2.3. MSCI World Index – Sector and stock level concentration is evident**



Source: Fidelity International, MSCI, 30 September 2025. GICS classification. Reference to specific securities should not be construed as a recommendation to buy sell or hold these securities but is included for the purposes of illustration only. Past performance is not a reliable indicator of future performance.

**Table 2.3. Top holdings and index weight (%)**

MSCI World Index			MSCI World Mid Cap Index		
Stock	Sector	Index weight (%)	Stock	Sector	Index weight (%)
Nvidia	IT	5.7	Cloudflare A	IT	0.6
Apple	IT	4.7	Vistra Energy	Utilities	0.6
Microsoft	IT	4.5	United Rentals	Industrials	0.5
Amazon.com	Consumer Discretionary	2.6	Quanta Services	Industrials	0.5
Meta Platforms A	Communications Services	2.0	Alnylam Pharma	Health care	0.5
Broadcom	IT	1.8	Fastenal Co	Industrials	0.5
Alphabet A	Communications Services	1.8	Vertiv Holdings A	Industrials	0.5
Tesla	Consumer Discr	1.6	Axon Enterprise	Industrials	0.5
Alphabet C	Communications Services	1.5	Idexx Lab	Health care	0.4
JPMorgan Chase & Co	Financials	1.1	Seagate Technology	IT	0.4
Top 10		27.3%			5.0%

Source: Fidelity International, MSCI, 30 September 2025. GICS classification. Reference to specific securities should not be construed as a recommendation to buy sell or hold these securities but is included for the purposes of illustration only. Past performance is not a reliable indicator of future performance.

Table 2.3 shows the top 10 weightings of the MSCI World Index as compared to the MSCI Mid Cap Index, highlighting that there are no single stocks, or groups of stocks, dominating the developed-world mid-cap market, and no stocks that are more than a small percentage of the overall market, reducing the risk of portfolio concentration.

## 2.4 Opportunity to invest in established businesses with proven management

Contrary to popular belief, the average age of a company in the MSCI World Mid Cap Index is 28 years,<sup>1</sup> which provides reassurance about the experience and longevity of businesses within this investment universe. Here are a few examples.

- **TransMedics**, whose proprietary organ transplant platform extends the viability of donated organs for transplants, was founded in 1998. The company has focused on the development of technological expertise and proprietary solutions to resolve very specific issues in organ transplant and build market leadership, and yet the stock sits in the small cap category.
- **Moncler**, whose high-end outerwear is rapidly becoming familiar to emerging market consumers. The first Moncler down jackets were made in 1954 in France for the company's own workers, who wore them over their work overalls at the small mountain factory. Moncler was listed on the Milan Stock Exchange in December 2013 and has graduated from a small cap stock at the time of its IPO to US\$16 billion market cap stock today.<sup>2</sup>
- **Ferrari** was founded in 1939 and is a well-recognised brand in the luxury car segment. Often assumed to be a large-cap stock, it remained a mid-cap company with a market capitalisation of US\$35 billion until March 2021.

Large-cap businesses can also spin off segments of their company to unlock value, presenting the opportunity to invest in small-mid cap companies, with robust DNA and expertise in their industry. For example, Siemens Energy was created as an independent company in April 2020 following restructuring of the Siemens Group. Siemens Energy only very recently graduated from the mid-cap segment to the large cap segment in June 2025.

## 2.5 Mid-small cap stocks: Investment discipline remains crucial

Despite the opportunity in this universe, history shows that just a handful of today's small-caps and mid-caps will emerge as future leaders within their fields. Defining the ingredients to success can be difficult as it requires understanding the company intricately, and many are not covered by sell-side analysts or third-party research. Herein lies the opportunity for active investors.

To uncover the best opportunities, investors need extensive research capabilities. Fidelity's large global research platform includes a team of analysts dedicated to small-mid cap research across geographies that enables our investment team to identify opportunities that might be missed by others.

Rewarding global mid-small cap investment opportunities are often found in structural winners, technology disruptors, innovators, category leaders, and strong brands. Through rigorous research, it is vital to identify these opportunities early—before they are widely recognised—so investors can benefit from both valuation re-ratings and earnings growth. Experience shows that such companies often include unique niche operators or specialists which dominate their field, while others are part of a large global theme. Recently, sectors like technology, healthcare, and industrials, as well as businesses targeting global consumers, have become home to such businesses. Many of these companies are also founder led, with management teams that are both innovative and agile, aligning their interests closely with those of external shareholders.

The diversity of the mid-cap universe of stocks, the breadth of opportunities combined with a structured, repeatable active management process that rests in fundamental research, is well placed to add value relative to the market index.

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1. Source: Macquarie Research, May 2025.

2. Source: [Share Information | Moncler Group](#), July 2025

The relatively under-researched universe benefits from Fidelity's extensive network of research analysts, who can go beyond benchmark limitations to explore the full range of listed investment opportunities, providing insights into potential long-term winners.

An experienced portfolio management team, possessing deep knowledge of the mid-cap market, can help achieve differentiated outcomes compared to broad index investments over medium and long-term periods. Their expertise allows them to distinguish between short-term euphoria and long-term fundamentals-based expectations, maintain a disciplined focus on valuations, adjust position sizes based on conviction and liquidity, and consistently reassess these convictions to manage portfolio positions effectively.

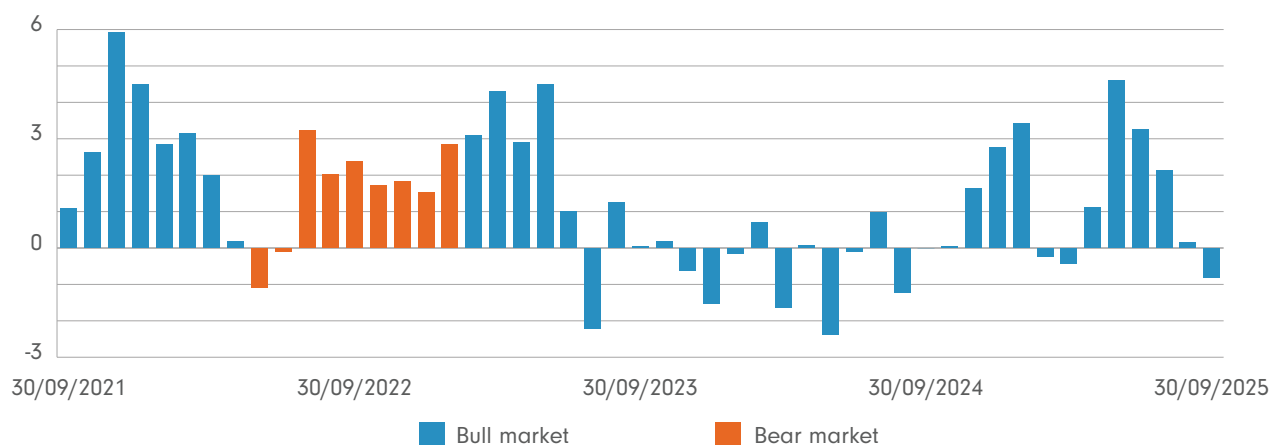
## 2.6 A proven manager in mid-small caps

The Fidelity Global Future Leaders strategy is jointly managed by two of our experienced investment professionals James Abela and Maroun Younes. Portfolio manager James Abela has 30 years' investment experience and has been successfully managing the Australian-specific Future Leaders Fund since its inception in 2013, a fund focused on mid to small-cap companies poised to be Australia's future market leaders. His co-manager, Maroun Younes, brings 20 years' experience covering a variety of sectors including telecommunications, media, technology and industrials. Along with their wealth of experience, these proven portfolio managers leverage the insights of one of the world's largest research teams in making their investment decisions. Fidelity's 400+ team of investment professionals covers all geographies and sectors in which the bulk of global future leaders are likely to reside.

Figure 2.4 outlines the encouraging performance outcomes delivered by the Fidelity Global Future Leaders Fund's structured and repeatable investment process, which we will elaborate upon in subsequent sections of this paper.

Since its inception as a publicly available vehicle in Australia since September 2020, the investment discipline has delivered strong performance outcomes on a rolling 12-month basis, outperforming the MSCI World Mid Cap (N) Index **37 times out of 48**, as at 30 September 2025.

**Figure 2.4. Fidelity Global Future Leaders Fund: Rolling 12-month excess return in bull vs. bear market**



Source: Fidelity International, 30 September 2025. Fund: Fidelity Global Future Leaders Fund. Index: MSCI World Mid Cap Index (Net). Total returns (net) are calculated using exit prices with distributions reinvested and are net of transactional and operational costs, and the applicable buy/sell spread. Bull market when returns of MSCI World Mid Cap Index > 0, bear market when returns of MSCI World Mid Cap Index < 0. Past performance is not a reliable indicator of future performance.



## 3 Investment philosophy and process

### 3.1 Overview

The Fund's investment philosophy is anchored on a belief that markets are semi-efficient and share prices do not always reflect the inherent worth of a business. Thus, the portfolio managers' fundamentals-led, bottom-up stock picking approach aims to uncover the best opportunities for outperformance in companies that not only grow profitability but also create shareholder value sustainably over the long term.

We assess a company's viable returns potential as well as longevity and reliability of the returns' potential. The portfolio is structured across the Quality, Value, Transition and Momentum (QVTM) categories, with some of their associated characteristics being:

- **Quality:** Structural growth businesses with solid management teams, offering one or more of persistent earning streams, favourable market structures, industry leaders and long-term compounders.
- **Value:** Strong business models that are currently out of favour but generate high free cash flow yields, potential to unlock undervalued assets through industry changes or shifts in market perception.
- **Transition:** Special situations or turnarounds with visible catalysts that can lead to notable upward shifts in earnings, valuations and share price outcomes.
- **Momentum:** Cyclical businesses in an upward industry earnings cycle.

We build a diversified portfolio of typically 40 to 70 stocks of listed global small to mid-cap companies with a strong industry position and the potential for strong relative performance through different market cycles.

The investment process is structured and repeatable and aims to identify and invest in a diversified portfolio of global mid and small cap companies that can achieve returns in excess of the benchmark over the suggested minimum investment time period of seven or more years. The investment process can be understood with the aid of the following six-stage process, represented in Figure 3.1 below.

**Figure 3.1. A consistent investment process**



Source: Fidelity International, 2025. For illustrative purpose only.

## 3.2 Screening and idea generation – identifying opportunities across the universe through intensive research

The primary source of ideas for the portfolio is Fidelity’s research analysts, as well as the portfolio managers. The team use a starting point of about 1,000 global small to mid-cap companies. Those with poor ESG ratings are screened out and, in the subsequent stage, stocks that are well-rated by our Fidelity analysts make it to the next level.

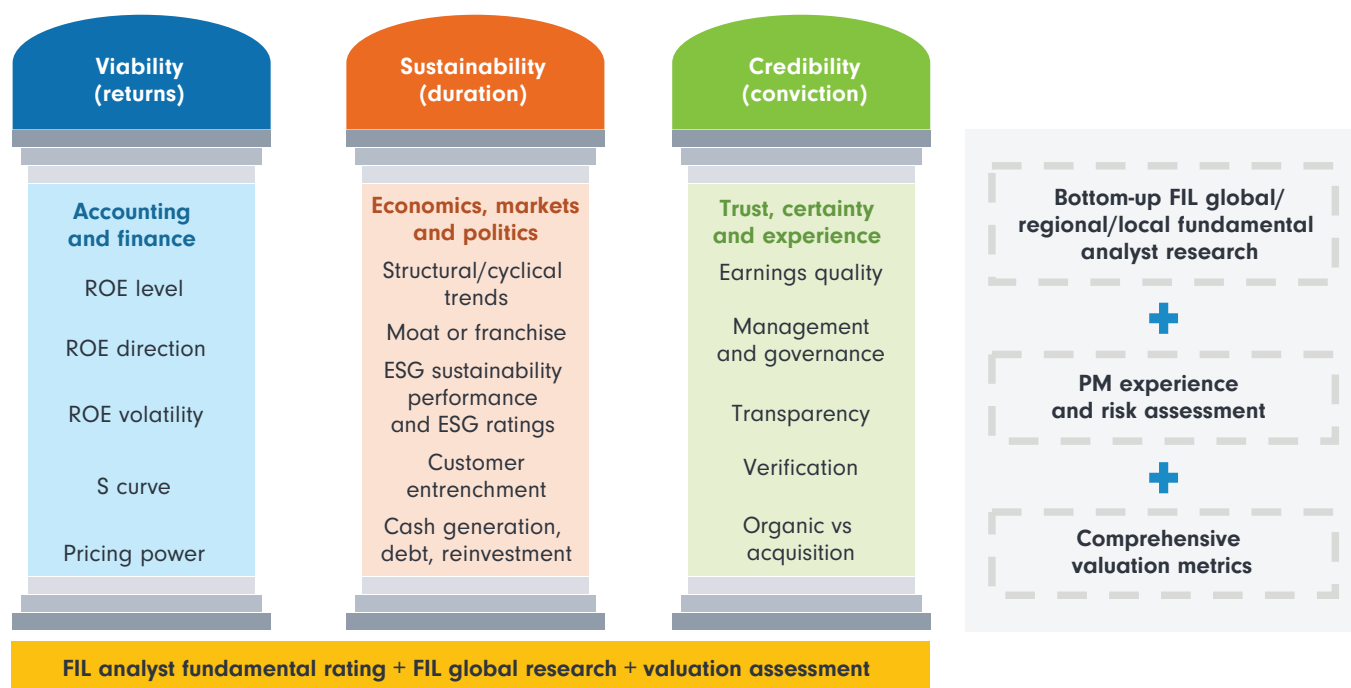
## 3.3 Stock selection – rigorous assessment and scoring

In this stage, more detailed analysis is conducted on 150 to 200 investable stocks that are found to have the most promising prospects during the initial screening. The portfolio managers focus on identifying stocks through the three pillars of success: Viability, Sustainability, Credibility (VSC). They will test the investment thesis and valuation models on which analysts’ stock recommendations are based.

- **Viability of returns:** pricing power, strong opportunities, and rising return on equity.
- **Sustainability of returns:** a strong industry position and the ability to generate cash flow to fund growth and withstand competitive pressures.
- **Credibility:** strong conviction in the quality of the business and management.

A score out of 10 for each of these characteristics is then assigned. The final portfolio is typically overweight companies that demonstrate stronger-than-average variability of returns, sustainability, and credibility.

Figure 3.2. Over time, high VSC scores exhibit high probability to be future leaders



Source: Fidelity international, 2025.

### 3.4 Portfolio construction and risk

During this stage, the companies that pass the VSC criteria are classified as QVTM and accordingly assessed from a valuations perspective, based on their categorisation. This is an important driver of portfolio construction; QVTM is used both as a risk tool and a portfolio construction tool. The portfolio is guided by the QVTM framework for an aggregated allocation to deliver alpha throughout the economic cycle.

**Figure 3.3. Investment process – balanced style QVTM (quality, value, transition, momentum)**

A reliable framework to deliver alpha through the cycle



Source: Fidelity international, 2025. The asset breakdown in Figure 3.3 above is for illustration purposes only and is based on internal classification at a point in time, and will change over time and in different market conditions. Stock categories are defined as per the portfolio manager's QVTM investment philosophy. Such reference does not constitute a recommendation to buy, sell or hold assets/securities, nor indicate certain securities or assets are held in the Fund.

**Table 3.1. QVTM overview**

Characteristics of companies		Companies considered for the portfolio	Portfolio segment mix*
<b>Quality</b>	Companies possessing a strong franchise with compounding earnings growth and high return on equity	Quality companies	40% of portfolio (± 10%)
<b>Value</b>	Out-of-favour companies that are attractively priced	Companies that will return to favour	30% of portfolio (± 10%)
<b>Transition</b>	Companies facing fundamental changes that could be an opportunity or a threat, making their return on capital uncertain	Companies facing promising changes	20% of portfolio (± 10%)
<b>Momentum</b>	Companies in a cyclical upswing with rising return on equity, near term strength and scarce attributes	Companies with upward momentum	10% of portfolio (± 10%)

\*The segmental mix is indicative and evolves with the market environment.

At an individual stock level, the highest conviction positions are in the range of 200 – 300 basis points (bps) overweight stance, medium conviction holdings are 100 – 200 bps overweight and reasonable conviction positions have a 50 – 100 bps exposure at any given stage.

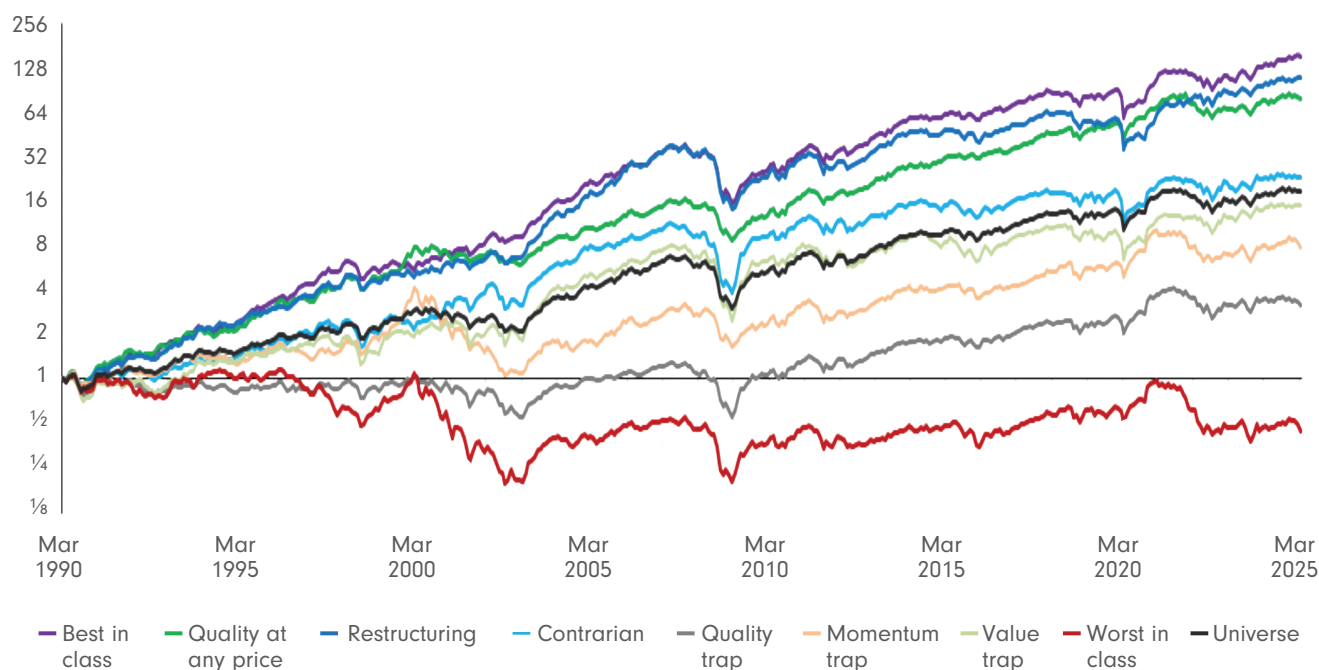
The final portfolio of typically 40 – 70 stocks is a blend of fundamentally attractive companies that are clearly identified as quality or value or transition or momentum at that point in time, trading at valuation levels commensurate with the style. The portfolio managers believe that a balanced portfolio containing stocks across these four segments will deliver more consistent performance through different market cycles compared to a portfolio focused on only one or two of these segments. This segment mix is actively managed to avoid style concentration. The Fund will be typically overweight companies that demonstrate stronger-than-average VSC.

### 3.5 Independent back-test for the QVTM approach

The QVTM approach has been independently validated by back-testing it through the HOLT model\* over a 35-year period, as illustrated in Figure 3.4 below. This analysis demonstrates that long-term outperformers in the mid-small cap stock segment are typically top-tier operators and quality businesses. The findings support the Fidelity Global Future Leaders investment strategy, which prioritises quality as a core allocation in the portfolio, aiming to identify exceptional compounders for strong long-term results.

### 3.6 HOLT styles

Figure 3.4.



\*Source: HOLT Lens ©UBS 2025. All rights reserved. Reproduced with permission to FIL Investment Management (Australia) Limited. May not be forwarded or otherwise distributed. Refer to end disclaimers for full legal language. Data as at 30 March 2025. Back test Period: January 1990 to March 2025. Cumulative total return by HOLT Investment Style – Scale: Log (base 2) Universe: Global Developed World Stocks: 301st Largest to 4000th as a proxy for US\$50bn to \$1bn market cap range aligned with the benchmark of Fidelity Global Future Leaders Fund. USD Total Return (Gross), Monthly Rebalance.

We describe the Holt investment styles as follows:

- **Best in Class:** Best in Class companies have well-rounded fundamental profiles as they rank in the top 40% of their peers on Quality, Momentum, and Valuation characteristics. Over the long term, they have been the best performing HOLT Investment Style across most global universes. In addition to their strong performance, Best in Class stocks can provide relief from extreme factor rotations as they rank attractively on all three HOLT Scorecard factors.
- **Restructuring:** Restructuring companies have low Quality profiles (bottom 40% of peers) but have strong Momentum signals and cheap Valuation characteristics (top 40%).
- **Contrarian:** Contrarian stocks rank well on Quality, indicating high and stable CFROI levels relative to peers, but have weak Momentum signals coupled with cheap Valuations.
- **Quality at Any Price:** Quality at Any Price stocks have high Quality characteristics and strong Momentum signals, but trade at expensive Valuations. Stocks with this combination of characteristics tend to do well during market drawdowns as investors tend to be more willing to pay a premium for Quality operators with positive sentiment in times of uncertainty. As a group their performance tends to be negatively correlated with Value Trap stocks, as their HOLT Scorecard profiles are mirror images.
- **Value Trap:** Value Traps have low operational Quality and weak Momentum signals but have cheap Valuations relative to peers. Companies with these fundamental profiles resemble those of 'deep value' stocks. Value Traps perform well after market drawdowns cease and market stress abates. As a group, their performance tends to be negatively correlated with Quality at Any Price stocks, as their HOLT Scorecard profiles are mirror images.
- **Momentum Trap:** Momentum Traps rank among the top 40% of peers on Momentum signals but exhibit low operational Quality characteristics and expensive Valuations in the HOLT framework.
- **Quality Trap:** Quality Traps generate high and stable CFROI levels relative to peers as evidenced by their top 40% Quality ranking. However, they have weak Momentum signals and expensive valuations in the HOLT framework.
- **Worst in Class:** Worst in Class stocks rank among the bottom 40% of their peers on Quality, Momentum, and Valuation. Worst in Class stocks tend to be the worst performing HOLT Investment Style across most universes over the long term.

**Table 3.2. HOLT scenario summary statistics**

HOLT investment style	Annualised excess return	Tracking error	Information ratio
Best in Class	6.9%	5.6%	1.2
Restructuring	12.6%	9.2%	1.4
Quality at any Price	-1.0%	6.4%	-0.2
Contrarian	2.9%	7.6%	0.4
Value Trap	5.3%	7.9%	0.7
Momentum Trap	-2.4%	11.4%	-0.2
Quality Trap	-5.1%	5.6%	-0.9
Worst in Class	-9.4%	14.5%	-0.6
Style Neutral	0.2%	2.2%	0.1

Source: UBS Holt™, 30 September 2025. Calculations: Annualised excess return: AVERAGE (monthly style absolute return - month universe return)\*12. Tracking error: STDEV.S (monthly style absolute return - monthly universe return)\*SQRT(12). Information ratio: Annualised excess return/tracking error.

**Table 3.3. HOLT scorecard factors**

HOLT investment style	Quality	Momentum	Valuation
Best in class	High	Strong	Cheap
Contrarian	High	Weak	Cheap
Restructuring	Low	Strong	Cheap
Value trap	Low	Weak	Cheap
Quality at any price	High	Strong	Expensive
Quality trap	High	Weak	Expensive
Momentum trap	Low	Strong	Expensive
Worst in class	Low	Weak	Expensive
	<div> <div>+</div> <div>top ranking 40% (peers are user-defined)</div> </div> <div> <div>—</div> <div>bottom ranking 40% (peers are user-defined)</div> </div>		

Source: UBS Holt™, 31 May 2025.



## 4 Investment philosophy in action

### 4.1 Outcomes generated over tenure

Five years ended 30 September 2025

The success of the Fidelity Global Future Leaders Fund is driven by a structured, repeatable investment discipline based on fundamentals-driven security selection. The investment process dynamically guides portfolio construction across quality, value, transition, and momentum styles based on the characteristics of the individual opportunities selected basis fundamental research.

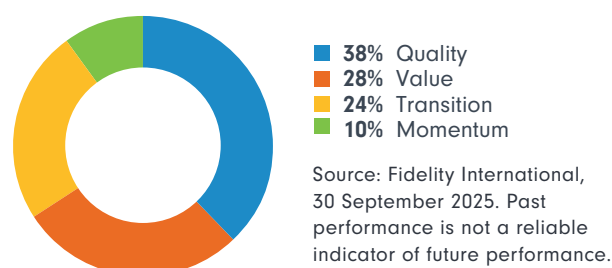
As outlined earlier, the process aims for an allocation of 40% in quality, 30% in value, 20% in transition and 10% in momentum stocks across its investment universe, within a range of  $\pm 10\%$ . As a result of this dynamic allocation across well-researched, fundamentally-attractive stocks, the portfolio has successfully navigated a variety of market environments since its launch on 28 September 2020 and delivered 0.7% in annualised excess returns versus its benchmark as at 30 September 2025 (net basis).

Figure 4.1 illustrates the contributions of the top 20 contributors over their tenure, categorised into four distinct segments: quality, value, transition, and momentum, to demonstrate the impact made by each category during this period.

**When viewed through the QVTM lens, it is evident that high-quality businesses contribute notably to alpha generation.**

When analysed through the perspective of both sector and market segmentation, the results highlight the significant role of strong security selection in achieving positive tenure performance. The security selection values in Tables 4.1 and 4.2 below demonstrate its contribution to tenure returns.

**Figure 4.1. Fidelity Global Future Leaders Fund: QVTM attribution for top 20 contributors September 2020 – September 2025**



### 4.2 Tenure returns

Five years ended 30 September 2025

**Table 4.1. Tenure to 30 September 2025 sector attribution performance**

30/09/2020 – 30/09/2025	Average weight (actual) %			Contribution to relative return (%)		
Sector	Fund	Index	Relative	Security selection	Market selection	Total
Information technology	22.9	13.0	9.9	6.3	7.1	13.4
Energy	5.3	3.9	1.4	7.9	2.8	9.8
Real estate	0.8	7.5	-6.7	1.4	4.4	5.0
Health care	8.4	8.9	-0.5	3.1	0.5	3.4
Consumer staples	1.2	4.3	-3.1	-1.0	4.0	2.7
Communication services	3.4	5.0	-1.6	-0.7	0.3	-0.4
Financials	14.6	14.2	0.4	-1.2	0.7	-0.3
Materials	4.3	8.4	-4.1	-4.5	4.0	-0.4
Utilities	0.4	6.0	-5.6	-0.7	-1.4	-2.4
Consumer discretionary	13.2	10.1	3.1	2.5	-6.9	-3.8
Industrials	20.5	18.7	1.9	-5.1	-3.6	-8.1
Total primary assets	95.2	100.0	-4.8	7.8	12.0	18.7

**Table 4.2. Tenure to 30 September 2025 country attribution performance**

Market	Average weight (actual) (%)			Contribution to relative return (%)		
	Fund	Index	Relative	Security selection	Market selection	Total
United States	62.0	59.7	2.2	36.9	2.9	41.4
Germany	3.1	2.6	0.6	-1.4	2.9	1.1
Japan	4.2	9.9	-5.7	-2.3	3.6	1.0
Netherlands	0.4	1.2	-0.8	-0.2	0.0	-0.4
France	1.7	2.8	-1.1	-0.2	-0.3	-0.6
Sweden	2.5	1.7	0.7	-1.8	0.9	-0.9
United Kingdom	4.8	4.6	0.2	-1.2	0.2	-1.0
Switzerland	2.2	1.9	0.3	-0.7	-1.1	-1.7
Italy	3.7	1.3	2.3	-4.6	2.6	-1.9
Australia	2.4	3.3	-1.0	-2.7	0.4	-2.2
Canada	0.4	3.7	-3.2	-1.5	-1.1	-2.5
Others (Index weight ≤ 1%)*	5.4	7.0	-1.6	-4.5	-2.2	-8.1
Non-benchmark countries**	2.3	0.0	2.2	-4.8	0.0	-5.1
<b>Total primary assets</b>	<b>95.2</b>	<b>100.0</b>	<b>-4.8</b>	<b>11.0</b>	<b>8.8</b>	<b>18.9</b>

Source: Fidelity International, 30 September 2025. Tables exclude futures and options, and cash. Past performance is not a reliable indicator of future performance.

\* Austria, Belgium, Denmark, Finland, Hong Kong, Ireland, Israel, New Zealand, Norway, Portugal, Singapore, Spain.

\*\*Bailiwick of Jersey, China, India, Taiwan, Vietnam.

## A proven investment process selecting stocks across sectors

Information technology, energy, real estate and health care sectors have made a significant contribution to returns since the Fund was launched. This is a testimonial for the investment process' dynamism and diligence to be able to identify future leaders in both 'new economy' and traditional 'old economy' sectors.

### Information technology

AppLovin is a great example of the process at work, being the largest contributor since the Fund's launch through 30 September 2025. AppLovin is a mobile advertising technology company, which deploys artificial intelligence (AI) to place advertisements real time in mobile games and other applications. To do so effectively, it deploys its proprietary 'AXON Engine', an AI-based tool that matches ads to users. Its dual revenue sources include advertisers who pay for the ads viewed and the revenue share from in-app purchases; i.e. consumer spending through the applications they are using. The company listed at the NASDAQ in April 2021.

AppLovin was first bought by the Fund in April 2024 as a holding that was transitioning to quality. The team were enthused by the success of AXON 2.0, on its way to become the industry-leading ad-matching software with its rapid rollout and adoption.

It was also encouraging to see the conviction that the founder-CEO retained in the business' prospects as he continued to drive the growth strategy. The AXON 2.0 app enabled the company to shift its strategic focus to its ad-tech business and expand beyond gaming advertisements to e-commerce and other non-gaming verticals. The company saw a significant growth in software revenue, which boosted profit margins and led to multiple broker upgrades.

The valuation boost shifted the stock into the momentum category as its success attracted attention in the investor community. Before long, however, the company faced scrutiny, and its stock fell following multiple short reports questioning the credibility of its digital advertising revenue. Our team relied on fundamental research and retained conviction, ultimately benefiting from the subsequent valuation recovery. We first traded AppLovin at US\$68.34 in April 2024, and the stock has now increased 931% (as at 30 September 2025).

Two other leading contributors over the Fund's tenure are energy holdings, traditionally associated with large-cap businesses. These positions are Cheniere Energy and Devon Energy, which aligned with value and transition categories over their holding periods in the strategy. In late 2020, a position was initiated in Cheniere Energy, the largest liquefied natural gas (LNG) exporter in the US. Given LNG's cleaner profile compared to coal, the business presented strong structural demand growth prospects and attractive cash flow yields—both not reflected in the share price at the time.

Devon Energy was added to the portfolio in early 2021, following a transition-driven restructuring. Its recent merger with WPX Energy was expected to sharpen its focus on four key basins, creating a compelling exploration and production opportunity.

Early on in our holding periods, these stocks benefitted from an uptrend in energy prices and revival of economic activity. Devon Energy delivered strong growth in its production volumes. The company announced a share buyback programme for 2022 and a strong growth in its dividend pay-out, which was received well by investors. While the subsequent Ukraine–Russia conflict was an unfortunate event, it drove energy prices higher while European consumers also shifted to US LNG supply to reduce their reliance on Russian oil and gas, which supported Cheniere's prospects. Our valuation discipline led to profit taking and we eventually exited both stocks from the portfolio.

It is also important to acknowledge that there are positions held in the portfolio that have delivered less optimal outcomes than desired. We will discuss key detractors as case studies in subsequent sections of this paper.

### 4.3 Themes and top ten overweight holdings

**Table 4.3. Stock specific search within themes that are raising the leaders of tomorrow**

Sector	Global Future Leaders' themes considered	
<b>Technology</b>	Software as a service Data centres and Cloud Subscription-led content models	Connectivity enablers and 5G Artificial intelligence
<b>Energy, resources, utilities</b>	Solar Wind and hydro Other renewables	Electric vehicles Green steel
<b>Consumer</b>	Online retailers Environmentally conscious Plant-based foods	Social gaming Mass market luxury
<b>Financials</b>	Fintech services Virtual banking Global exchanges	Trust and advisory Customised insurance
<b>Health care</b>	Medical technology Contact development outsourcing	Managed care Pharmaceuticals Medical devices

The global small- and mid-cap universe provides investors the opportunity to capture significant growth delivered by fundamentally robust businesses across industries, as shown by the long-term returns generated by some of the stocks identified by our disciplined investment process.

**Table 4.4. Returns generated by top 10 overweight holdings in Fidelity Global Future Leaders Fund (as at 30 September 2025)**

Security name	Business description	Founding year	Sector	Market	Fund (%)	Index (%)	Relative (%)	Stock total returns over a decade*
<b>AppLovin<sup>^</sup></b>	Mobile advertising tech company	2012	IT	US	4.8	0.0	4.8	<b>1,002%</b>
<b>CBRE Group</b>	Commercial real estate services and investment	1906	Real estate	US	3.3	0.4	2.9	<b>392%</b>
<b>Scout24</b>	Real estate digital marketplace platform	1998	Comms services	Germany	2.7	0.1	2.6	<b>290%</b>
<b>ITT</b>	Engineering and manufacturing	1920	Industrials	US	2.6	0.0	2.6	<b>498%</b>
<b>Auto Trader Group</b>	Online car retailing platform	1977	Comms services	UK	2.6	0.1	2.5	<b>159%</b>
<b>Halma</b>	Safety, health and tech group	1894	IT	UK	2.6	0.1	2.5	<b>426%</b>
<b>Resmed</b>	Sleep and respiratory care company	1989	Health care	US	2.4	0.3	2.1	<b>506%</b>
<b>Gaztransport et Technigaz</b>	Oil and gas transportation services	1994	Industrials	France	2.0	0.0	2.0	<b>447%</b>
<b>Moncler</b>	Luxury apparel	1952	Consumer discretionary	Italy	2.1	0.1	2.0	<b>250%</b>
<b>Ares Management</b>	Alternate investment manager	1997	Financials	US	2.2	0.3	1.9	<b>1,283%</b>

\*Calculated on a daily basis over a ten-year period in local currency terms. LSEG Datastream as at 30 September 2025.

<sup>^</sup>Total returns calculated post IPO date. Past performance is not a reliable indicator of future performance.

Source: Fidelity International as at 30 September 2025. Index: MSCI World Mid Cap Net Index. Any apparent discrepancies in the numbers are due to rounding. Reference to specific securities should not be construed as a recommendation to buy sell or hold these securities but is included for the purposes of illustration only and may not represent actual portfolio holdings at the time of viewing. Performance of the security is not a representation of the Fund's performance.

## 5 Case studies across the QVTM spectrum

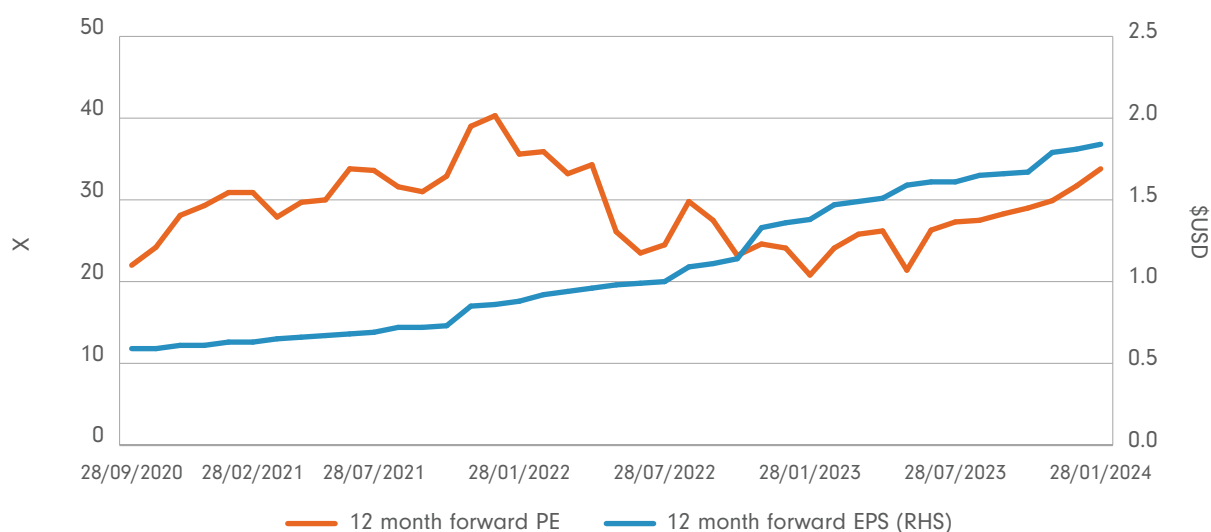
### Quality

#### Arista Networks (2020 to 2024)

Arista is a leading provider of multilayer network switches, which are primarily used in data centres and cloud computing. It counts Microsoft and Meta Platforms as its largest customers, and competes with Cisco and Juniper Networks, as these three players dominate the market. As the youngest of the three, Arista's technological edge helped it capture market share and grow rapidly in the process. Now that it is well entrenched amongst its customers, it can benefit from the explosion in data storage needs, driven in part by AI.

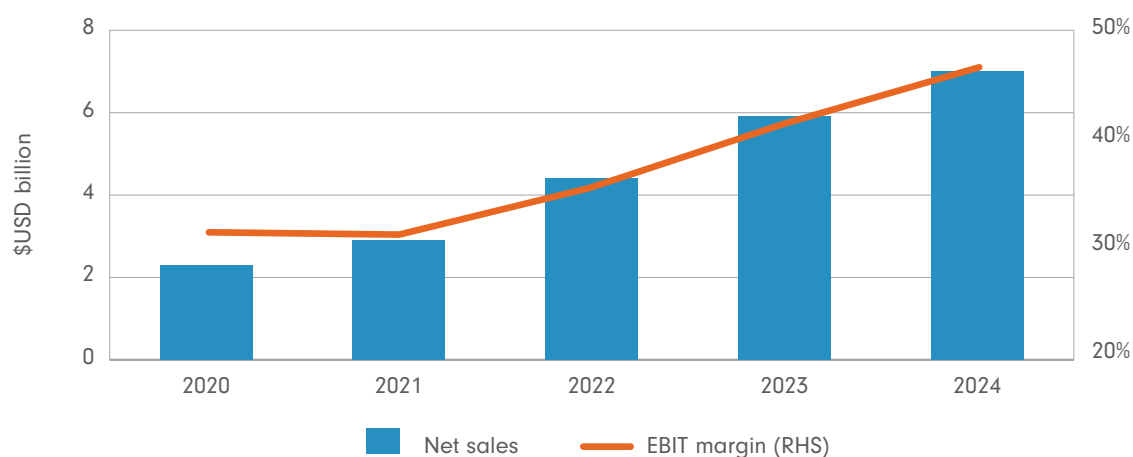
Arista was one of the positions initiated at the inception of the Fund in 2020. The company has been able to maintain double-digit, top-line growth rates over that time, and in the process expand operating margins from 30% to 38% due to operational leverage. It generates very attractive rates of return (>30%) and possesses a net cash balance sheet. Arista is steered by a very capable and well-regarded management team, with the co-founder still involved in the business. The stock returned 451%\* during our period of ownership and was only sold recently as it graduated from our universe. The stock exhibited all elements of a quality stock, given its exceptionally strong fundamentals, consistent record of being able to reinvest and grow, as well as positive earnings surprises.

Figure 5.1. Arista Networks: 12 month forward P/E ratio and EPS



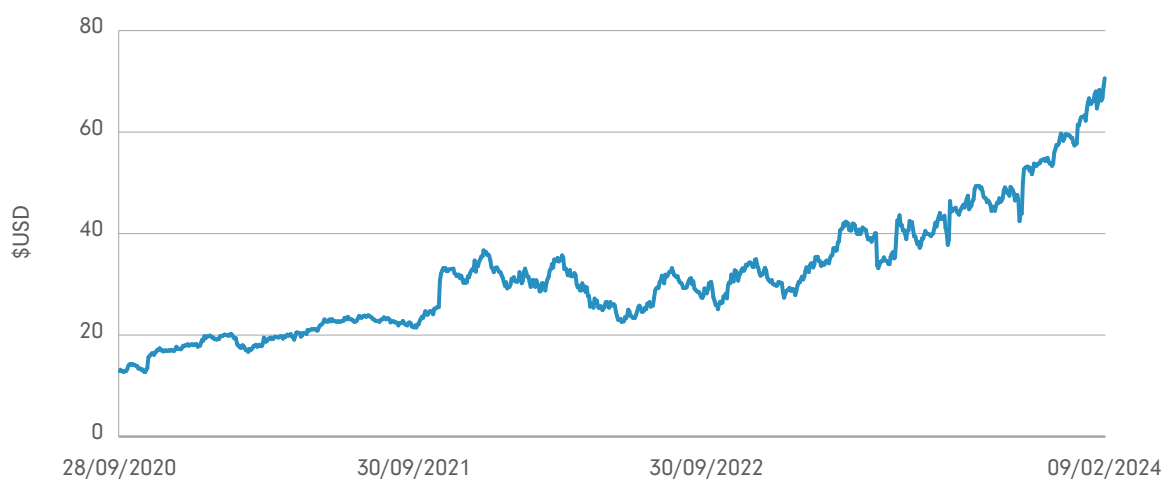
Source: Fidelity International, LSEG DataStream, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.2. Arista Networks: Net sales and EBIT Margin**



Source: Fidelity International, LSEG DataStream, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.3. Arista Networks: Share price since investment**



Source: Fidelity International, LSEG DataStream, 30 September 2025. \*Share price return from 28/09/2020 to 09/02/2024 in USD. Past performance is not a reliable indicator of future performance.



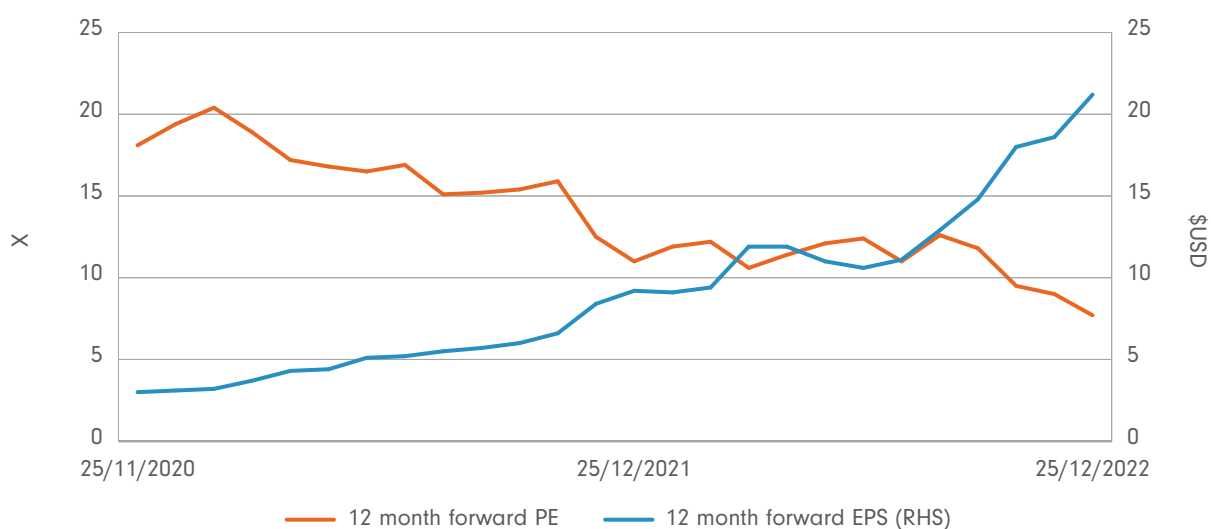
## Value to Transition to Momentum

### Cheniere Energy (2020 to 2022)

Cheniere Energy is a leading American exporter of LNG, headquartered in Texas. It was added to the portfolio in late 2020 when natural gas prices were low (Henry Hub gas prices were sub-\$3 per mmbtu). The world was still predominantly in lockdown and energy prices were depressed due to weak demand. At the time, the company had several operational LNG export trains with a target of reaching nine operational trains by 2023. Even with a conservative assumption in gas prices, our analysis showed that Cheniere could be generating free cash flow yields above 15% in 2023, once all the trains were operational and exporting gas.

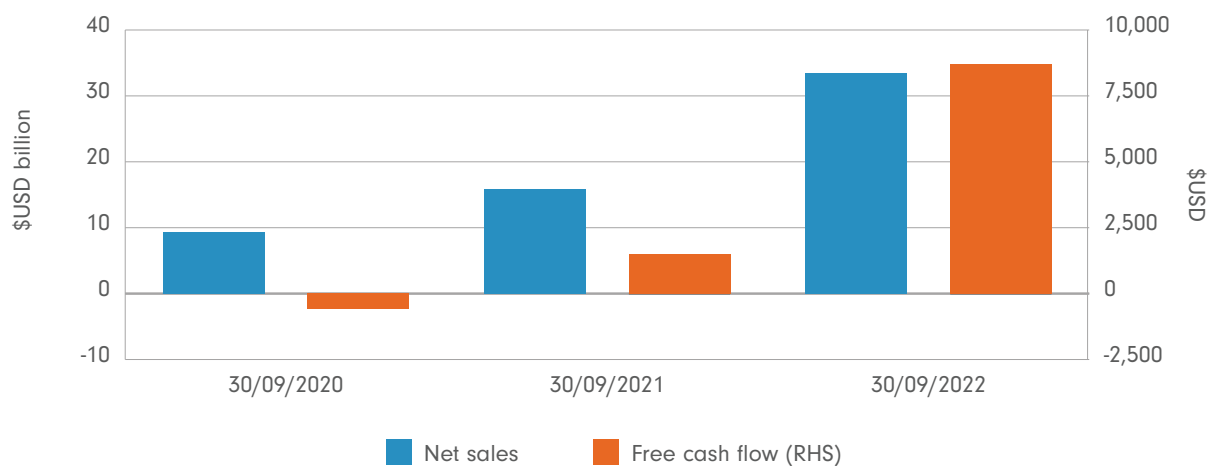
Energy prices began appreciating in 2021 as the economy began to recover following COVID lockdowns, and received a further boost in early 2022 as energy supply became even more restricted due to sanctions on Russian exports. Once energy prices started appreciating, investors became more enthusiastic towards Cheniere's prospects and, as a result, its valuation multiples rose. We exited our holdings in late 2022, with the stock having appreciated 162%\* from when we first invested in it.

Figure 5.4. Cheniere Energy: 12m Forward P/E Ratio and EPS



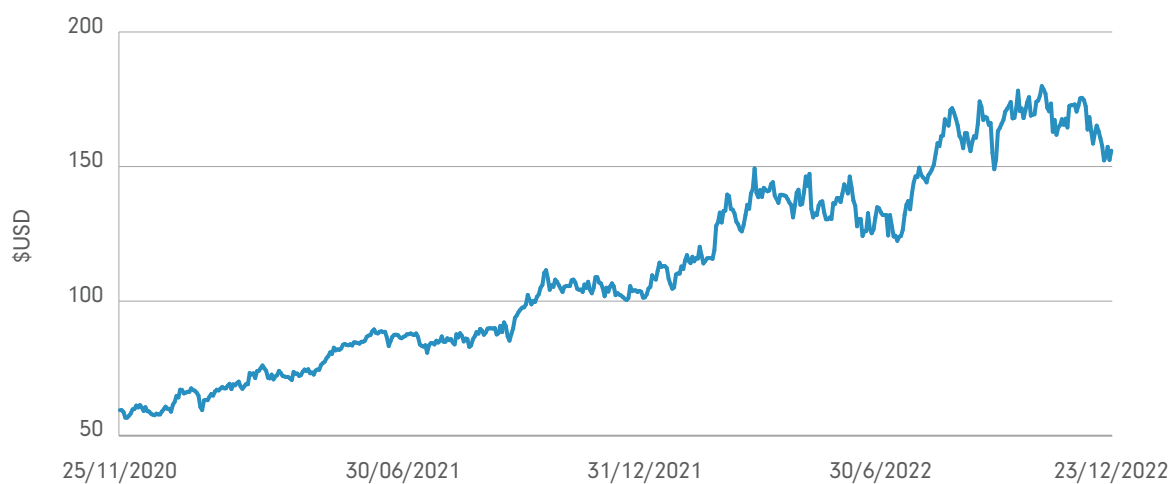
Source: Fidelity International, LSEG DataStream, Factset, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.5. Cheniere Energy: Net sales and free cash flow**



Source: Fidelity International, LSEG DataStream, Factset, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.6. Cheniere Energy: Share price since investment**



Source: Fidelity International, LSEG DataStream, Factset, 30 September 2025. \*Share price return from 25/11/2020 to 23/12/2022 in USD. Past performance is not a reliable indicator of future performance.

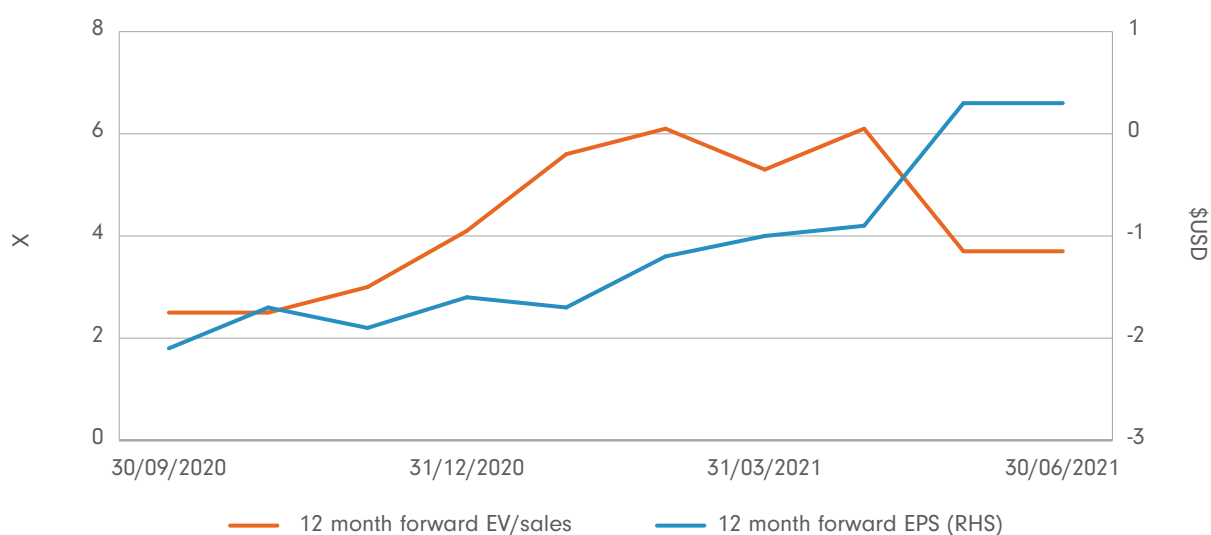
## Transition to Momentum

### IAC Inc. (2020 to 2021)

IAC is an owner and operator of a collection of digital media businesses. It is chaired by Barry Diller, a well-known and well-regarded media executive with decades of experience in creating and growing media brands, having previously led companies such as Paramount Pictures, 20th Century Fox, Home Shopping Network and USA Network. Furthermore, Tripadvisor, Expedia and Match.com were all previously owned by IAC. At the time of initiating a position in IAC in late 2020, its most valuable businesses included a large shareholding in ANGI Homeservices, Vimeo, DotDash, Care.com, and a recently acquired stake in MGM Resorts. Given the complexity of the organisation, with several divisions servicing a range of different end markets, the stock-specific analysis was complex and required a parallel assessment of a range of elements.

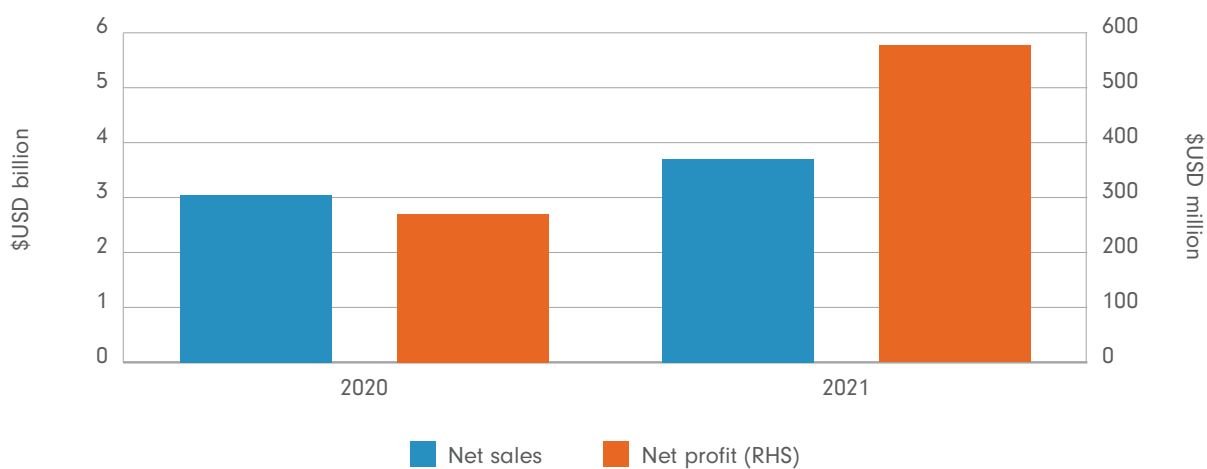
At the outset, some divisions were already established and profitable, whilst others were in the early stage of their lifecycle and loss-making at the time, but demonstrating rapid growth. As a result, it was a complex business to evaluate and therefore meant most investors could not simply 'screen' for this business quantitatively. Furthermore, the chairman had a history of creating value and was focused on extracting value for IAC shareholders, having recently spun out Match.com and ANGI Homeservices. IAC was essentially a conglomerate trading at a discount to its sum-of-the-parts valuation and therefore fell into the 'special situations' bucket. After we established our position in the stock, the business began a string of reporting very strong operating metrics, beating expectations as the economy slowly emerged from the pandemic. Valuation multiples began to expand quite dramatically, with EV/sales expanding from 2.5x at the time of purchase to over 5x. The stock had therefore moved from Transition to Momentum and, given it had reached our valuation, we exited the position. The stock had appreciated 105% over the course of nine months.

Figure 5.7. IAC: 12m forward EV/sales ratio and EPS



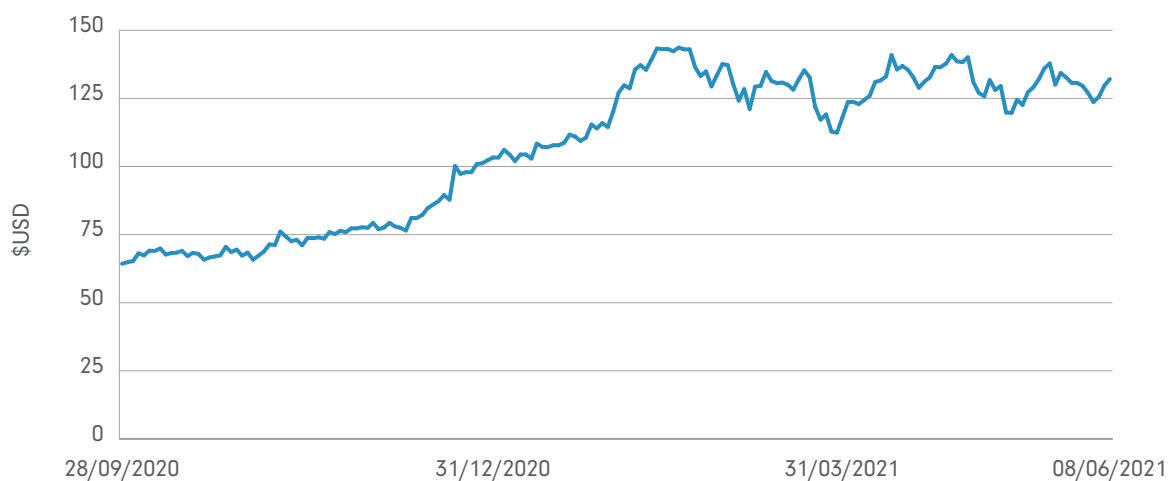
Source: Fidelity International, LSEG DataStream, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.8. IAC: Net sales and profit**



Source: Fidelity International, LSEG DataStream, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.9. IAC: Share price since investment**



Source: Fidelity International, LSEG DataStream, 30 September 2025. Share price return 29/09/2020 to 8/6/2021 in USD. Past performance is not a reliable indicator of future performance.

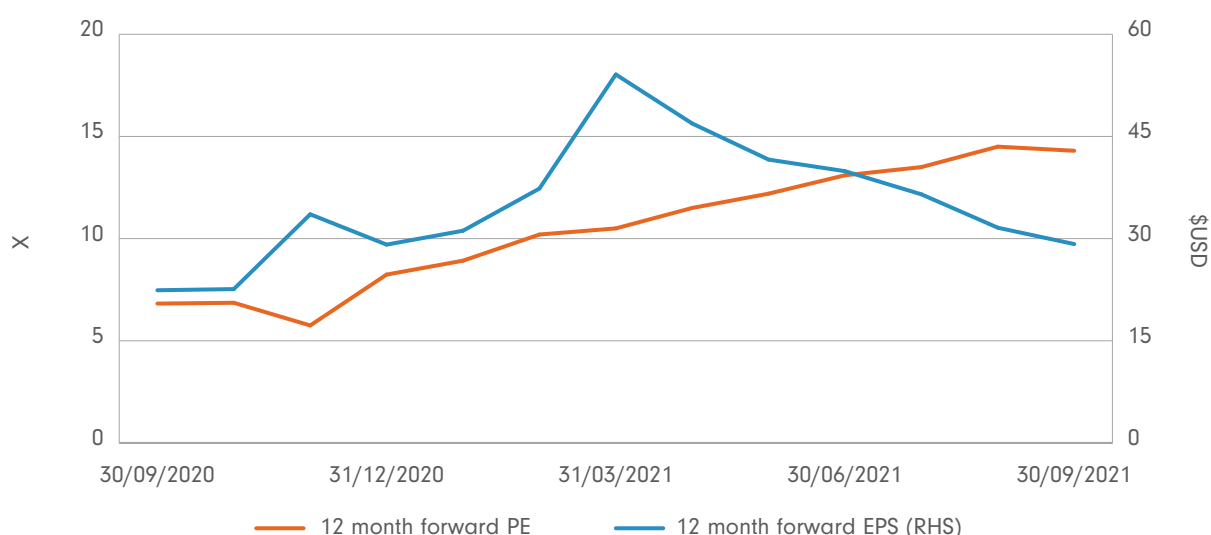
## Transition to Momentum

### Texas Pacific Land Corp (2020 to 2021)

Texas Pacific Land Corp (formerly Texas Pacific Land Trust) is an owner of 880,000 acres of land in West Texas. The company licenses out use of its land to oil companies, which in turn pay TPL a royalty. Texas Pacific was previously organised as a trust, run by a group of three trustees. Trustees were appointed for life, made all the decisions, and had very little by way of direct shareholdings in the business. In effect, they were earning a comfortable pay cheque for the rest of their life. However, in 2019, an activist investor accumulated a holding in Texas Pacific and began to agitate for change via a proxy fight. Eventually, the trust and investor group reached a settlement whereby the trust would reorganise itself into a corporation, the trustees would be replaced by a board of directors, and the company would operate like a regular corporation, with outside shareholders having voting rights.

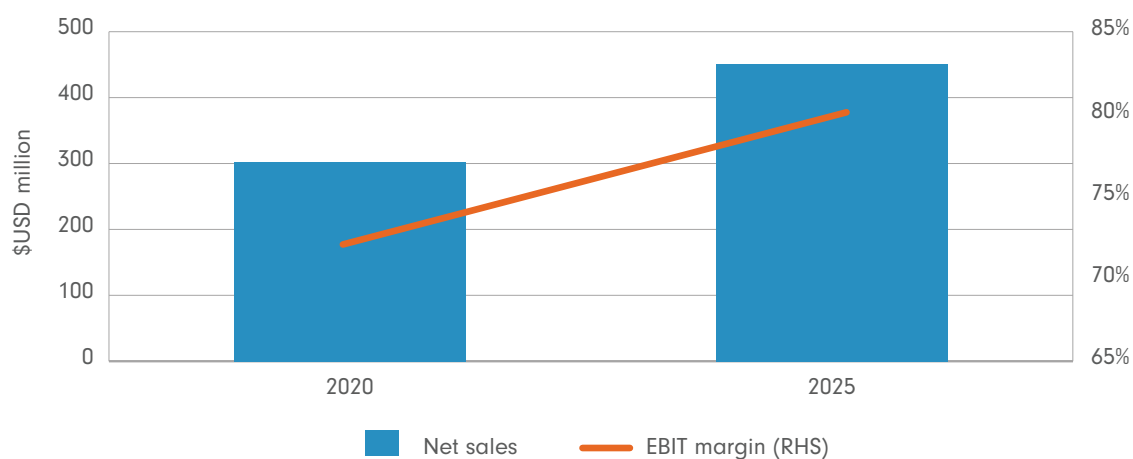
We purchased our position in 2020 at the inception of the Fund, and the reorganisation from a trust to a corporation took place in 2021. In addition, energy prices began to appreciate in 2021, and the royalty stream that TPL earns is linked to energy prices. We exited our position in mid-2021 when the valuation became too rich in our view, having made 164%\* from our initial purchase price.

**Figure 5.10. Texas Pacific Land Corp: 12 month forward P/E ratio and EPS**



Source: Fidelity International, LSEG DataStream, 31 May 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.11. Texas Pacific Land Corp: Net sales and EBIT margin**



Source: Fidelity International, LSEG DataStream, 31 May 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.12. Texas Pacific Land Corp: Share price since investment**



Source: Fidelity International, LSEG DataStream, 31 May 2025. \*Share price return from 28/09/2020 to 07/09/2021 in USD. Past performance is not a reliable indicator of future performance.



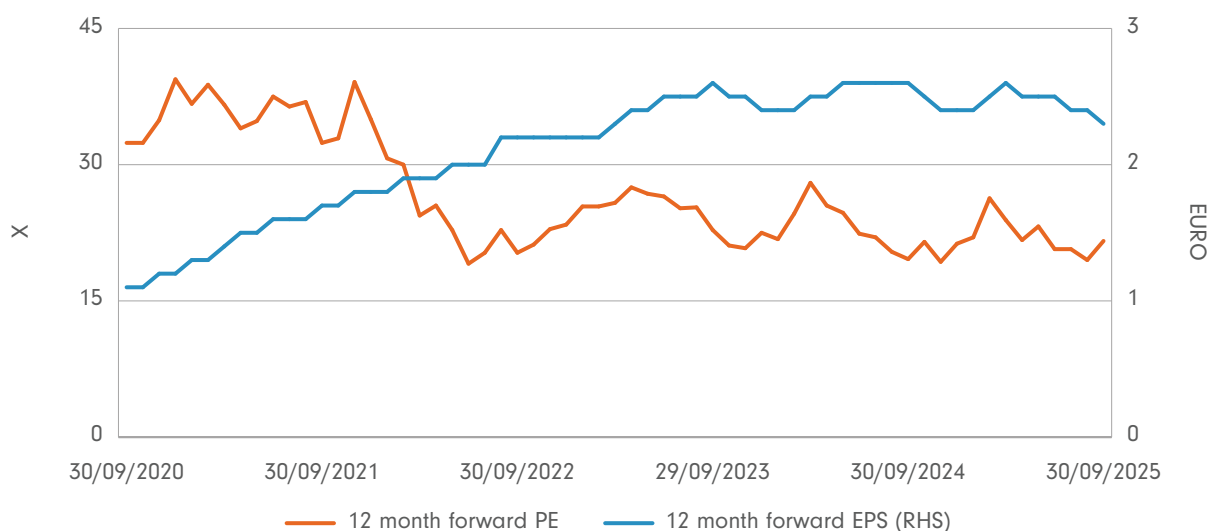
## Quality

### Moncler (2020 to present)

Moncler is an Italian luxury brand, known primarily for its outerwear, and has been held since inception of the Fund. Moncler is an aspirational brand that conveys status and wealth, and exhibits all the hallmarks of a high-quality business. It undoubtedly has strong pricing power, given its products are placed in the premium pricing category and the business enjoys gross margins of almost 70%. It has been able to grow revenue and earnings per share at mid-teens growth rates throughout our holding period and has generated returns on equity in excess of 20%.

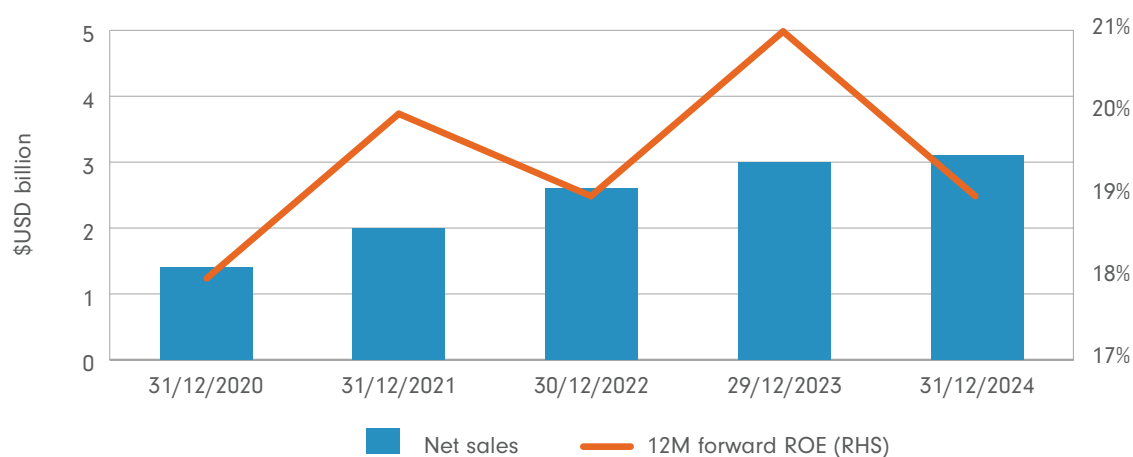
The chair-cum-CEO is a well-known luxury entrepreneur who brought back Moncler from near bankruptcy in 2003 and has been the architect behind its revival ever since. Moncler enjoys strong brand recall and awareness amongst the emerging middle- and upper-class cohorts, particularly in China. Moncler continues to display all the elements that have made it successful over the last two decades and has returned 57%\* to date over our holding period to the end of September 2025.

**Figure 5.13. Moncler: 12 month forward P/E ratio and EPS**



Source: Fidelity International, LSEG DataStream, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.14. Moncler: Net sales and 12-month forward ROE**



Source: Fidelity International, LSEG DataStream, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.15. Moncler: Share price since investment**



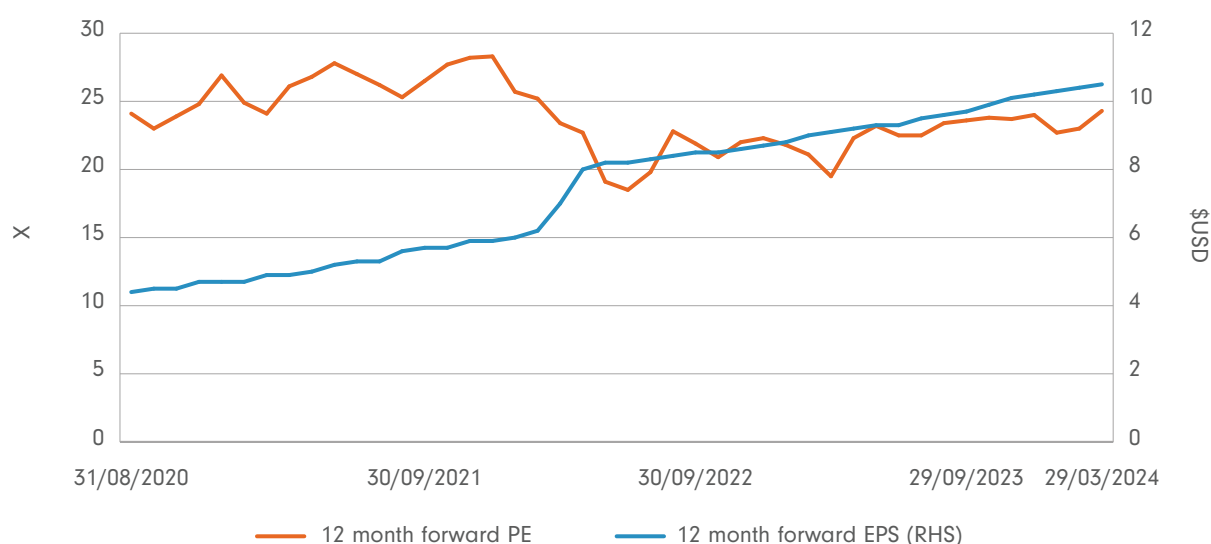
Source: Fidelity International, LSEG DataStream, 30 September 2025. \*Share price return from 28/09/2020 to 30/09/2025 in Eur. Past performance is not a reliable indicator of future performance.

## Arthur J. Gallagher (2020 to 2024)

Arthur J. Gallagher (AJG) is an American global insurance brokerage and risk management services firm. Insurance policies are an important allocation, particularly for operational businesses where it is a necessity. As a broker, AJG 'owns' the customer relationship and is their point of contact, yet it does not assume any underwriting risk. As a result, it operates a relatively capital-light business and subsequently delivers rates of return far in excess of its cost of capital, simultaneously generating a sticky and reliable revenue stream. The business generates abundant free cash flow, and it has used targeted M&A opportunities to supplement organic growth.

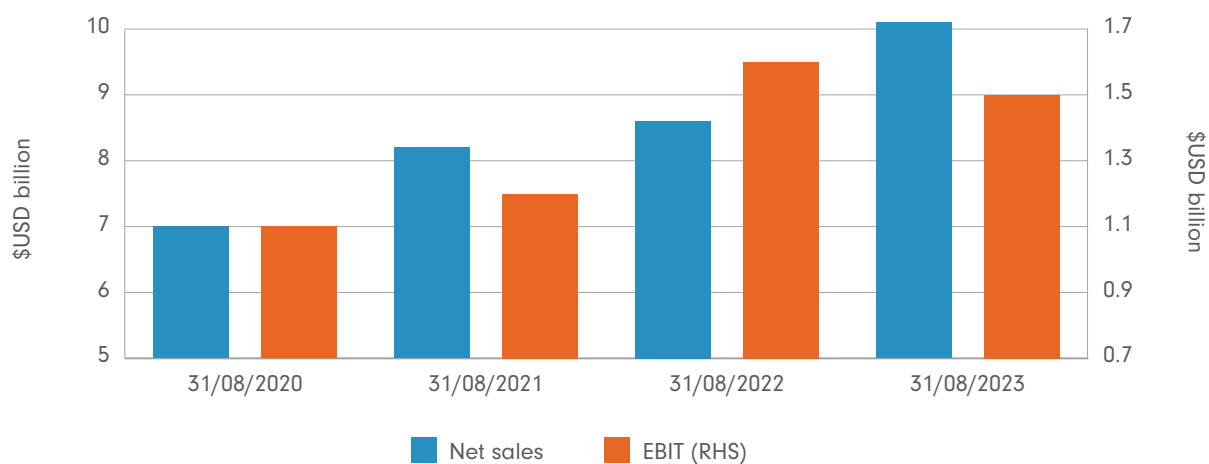
AJG was in the Fund at inception, and held through to early 2024, where we were required to divest due to it graduating out of our universe. Over our holding period, the business grew revenues and EPS by 15% p.a. and 24% p.a. respectively. The stock returned 143%\* during our ownership period.

**Figure 5.16. Arthur J. Gallagher: 12 month forward P/E ratio and EPS**



Source: Fidelity International, LSEG DataStream, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.17. Arthur J. Gallagher: Net sales and EBIT**



Source: Fidelity International, LSEG DataStream, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.18. Arthur J. Gallagher: Share price since investment**



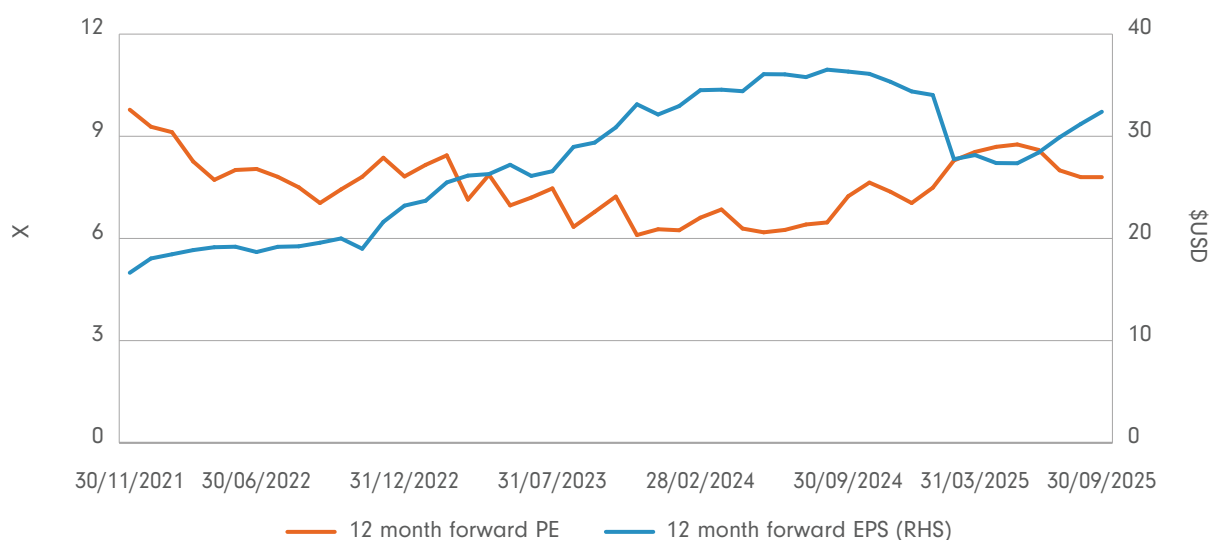
Source: Fidelity International, LSEG DataStream, 30 September 2025. \*Share price return from 28/09/2020 to 12/03/2024 in USD. Past performance is not a reliable indicator of future performance.

## RenaissanceRe (2021 to present)

RenaissanceRe (RNR) is a global provider of reinsurance and insurance services. We initiated a holding in late 2021, when we felt that inflation pressures were building, which would put upward pressure on interest rates. Insurance, along with energy, were the primary areas we identified as being both undervalued, as well as being beneficiaries from higher inflation and higher interest rates. At the time, we had a view that the insurance sector was going to experience a hardening cycle and insurance premiums would appreciate. Higher yields would allow insurers like RNR to earn higher rates of return on the pre-paid insurance premiums that they typically invest in short-term bonds.

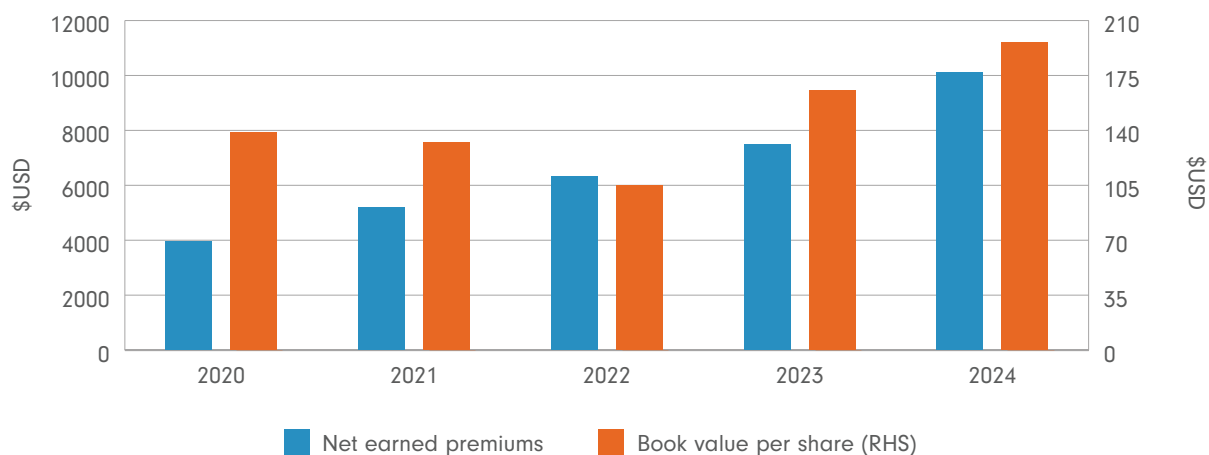
At the time, the stock was trading at a forward P/E of <10x, which we thought was too low for a business that is about to witness a cyclical upturn. It was an endorsement for our investment thesis when our research brought to our attention that RNR's CEO, CFO and other key executives had invested over US\$4million of their personal assets in the stock. Ultimately, the thesis played out as expected and RNR was able to increase its tangible book value by ~16% over the following two years, whilst also returning ~7% of its market cap to shareholders via stock buybacks and dividends. Over our holding period, the stock has appreciated by 59%,\* and given it continues to trade at low valuation multiples, remains a value holding.

**Figure 5.19. RenaissanceRe: 12 month forward P/E ratio and EPS**



Source: Fidelity International, LSEG DataStream, Factset, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.20. RenaissanceRe: Net earned premiums and book value per share**



Source: Fidelity International, LSEG DataStream, Factset, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.21. RenaissanceRe: Share price since investment**



Source: Fidelity International, LSEG DataStream, Factset, 30 September 2025. \*Share price return from 16/11/2021 to 30/09/2025 in USD. Past performance is not a reliable indicator of future performance.



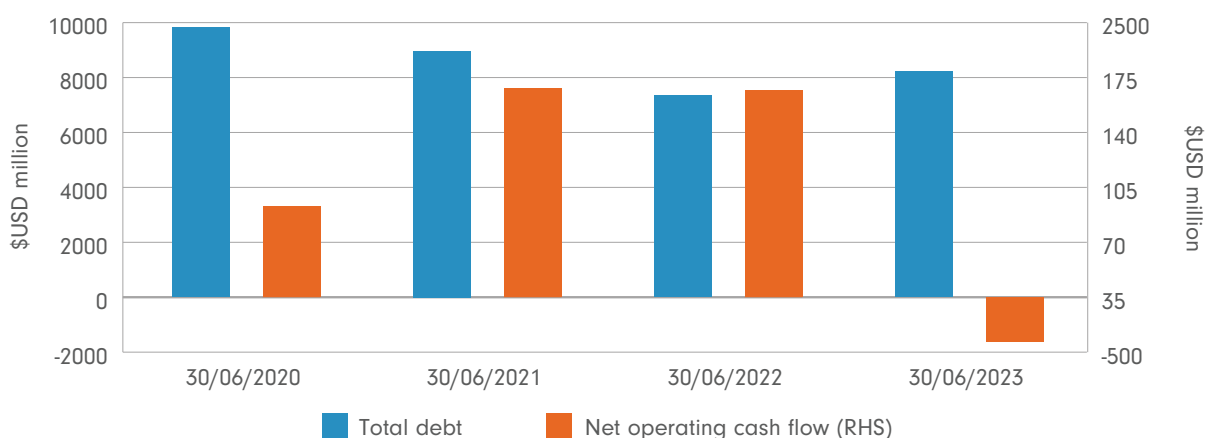
## Value

### Western Digital (2020 to 2024)

Western Digital is an American manufacturer and seller of storage solutions, namely hard disk drives (HDD) and NAND flash memory. While the HDD is in secular decline, Western Digital participates in this market via a duopoly structure with Seagate, and so this division delivers a steady cash flow. By contrast, NAND flash is a fast-growing market, but here the market structure is more fragmented, with six players. Memory is a commoditised market, so demand and supply dynamics impact price, which leads to large cycles.

We initiated a small position in late 2020, when Western Digital had been hit by a perfect storm of industry demand digestion issues, COVID-related costs and additional costs from ramping up a new production facility. The business was available at a considerable discount on a sum-of-the-parts basis. Essentially, Western Digital and Seagate were broadly comparable in size, share and profitability in the HDD market. Applying Seagate's valuation to Western Digital's HDD business implied a \$2 billion valuation for its NAND business, which is very low for a division that generates \$9 billion in revenue and could generate over \$1 billion in operating profit in a more normalised market environment. This was a classic value trade, and whilst the journey hasn't been a straight line, the stock price appreciated 49%\* since we first bought it.

**Figure 5.22. Western Digital: Total debt and net operating cash flow**



Source: Fidelity International, LSEG DataStream, Factset, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.23. Western Digital: Share price since investment**



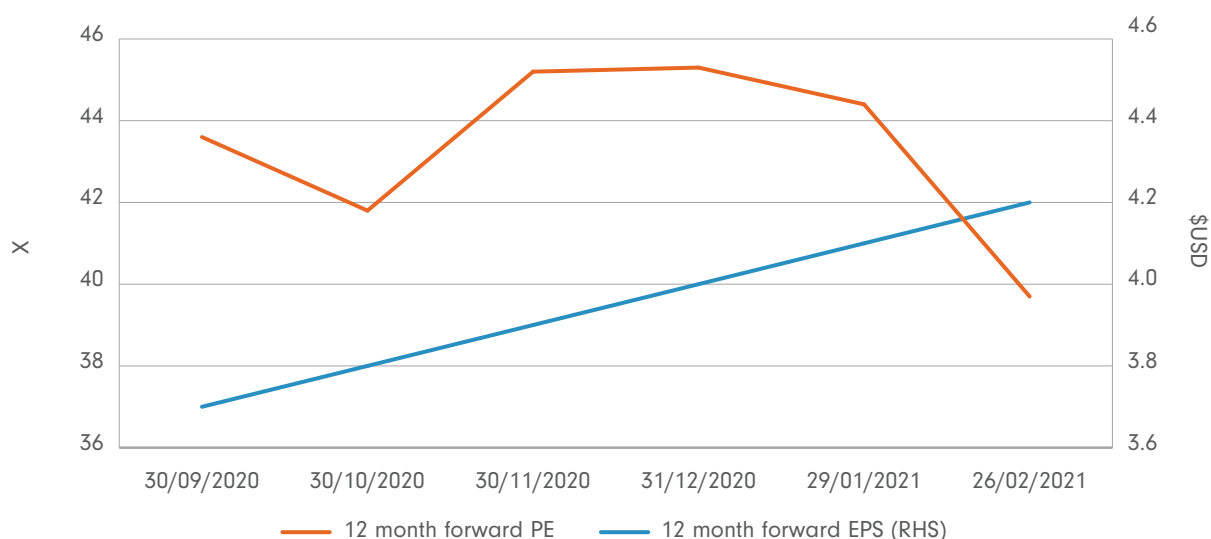
Source: Fidelity International, LSEG DataStream, Factset, 30 September 2025. \*Share price return from 28/09/2020 to 06/08/2024 in USD. Past performance is not a reliable indicator of future performance.

## Ferrari (2020 to 2021)

Ferrari is a well-known Italian manufacturer of expensive supercars, with a long history and pedigree in racing. Given this background and the strong brand name known around the world, Ferrari enjoys lots of pricing power, as consumers are attracted to its symbol of status and wealth. Since being separately listed in 2016, it has delivered a consistent track record of growth, disrupted only briefly in 2020 due to the pandemic. The business generates attractive rates of return, has excellent free cash conversion and sports a conservative balance sheet.

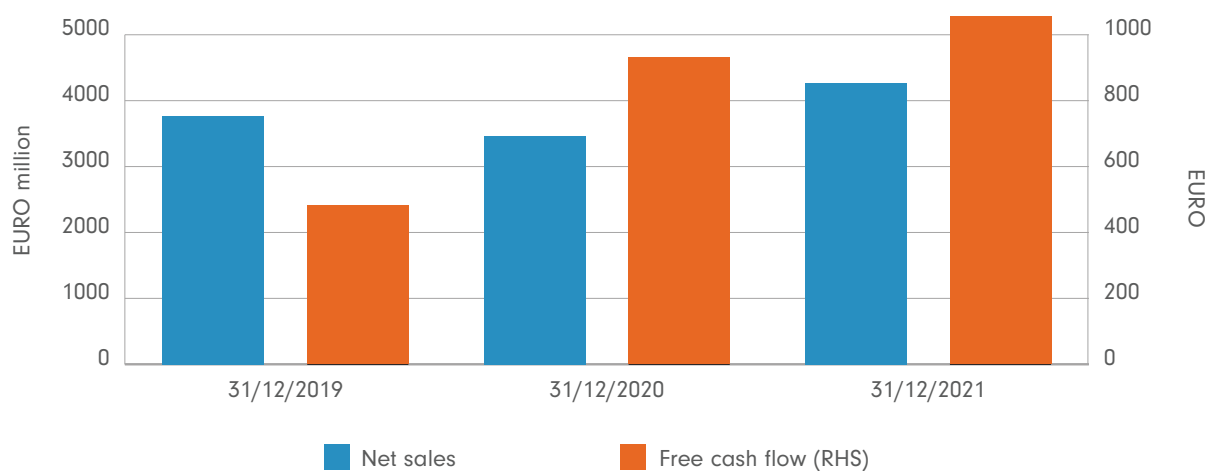
When equity markets plunged in early in 2020, Ferrari's market capitalisation dropped by ~20%. We took advantage of this opportunity and initiated a position in Ferrari at the inception of the Fund. The opportunity, however, was short lived as the stock bounced 10% within the space of four months, and we exited the position as Ferrari had graduated from our small- and mid-cap universe.

**Figure 5.24. Ferrari: 12 month forward P/E ratio and EPS**



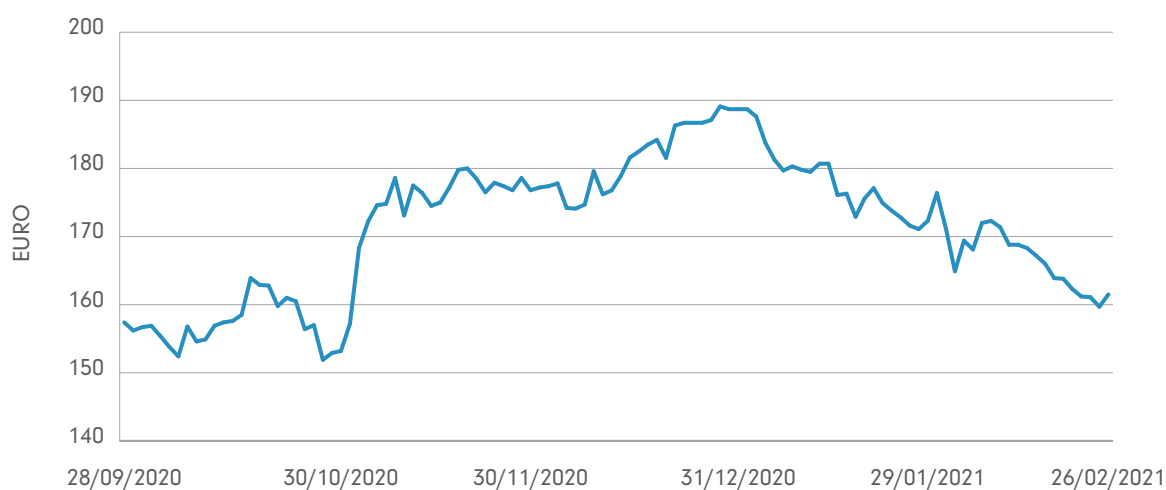
Source: Fidelity International, LSEG DataStream, Factset, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.25. Ferrari: Net sales and free cash flow**



Source: Fidelity International, LSEG DataStream, Factset, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.26. Ferrari: Share price since investment**



Source: Fidelity International, LSEG DataStream, Factset, 30 September 2025. Share price return from 28/09/2020 to 04/02/2021 in Euros. Past performance is not a reliable indicator of future performance.

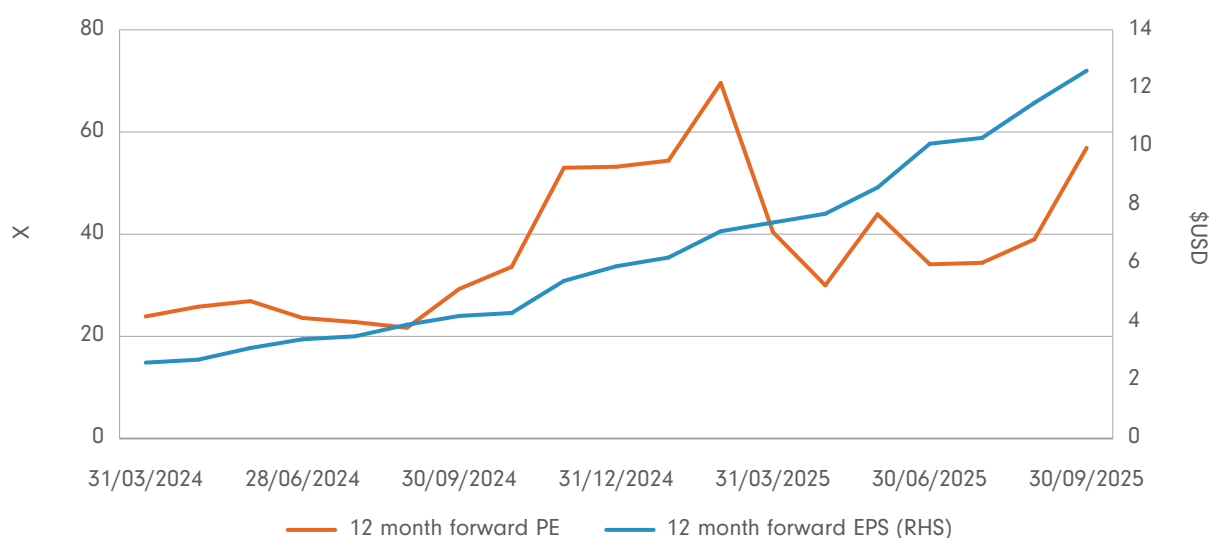
## Transition to Quality

### AppLovin (2024 to present)

AppLovin is a mobile technology company that operates two distinctive businesses – a collection of mobile video games, as well as a mobile marketing platform that connects advertisers through to audiences in gaming apps. Historically, the video games business was the bigger business, but, over time, the mobile marketing platform has increased in importance.

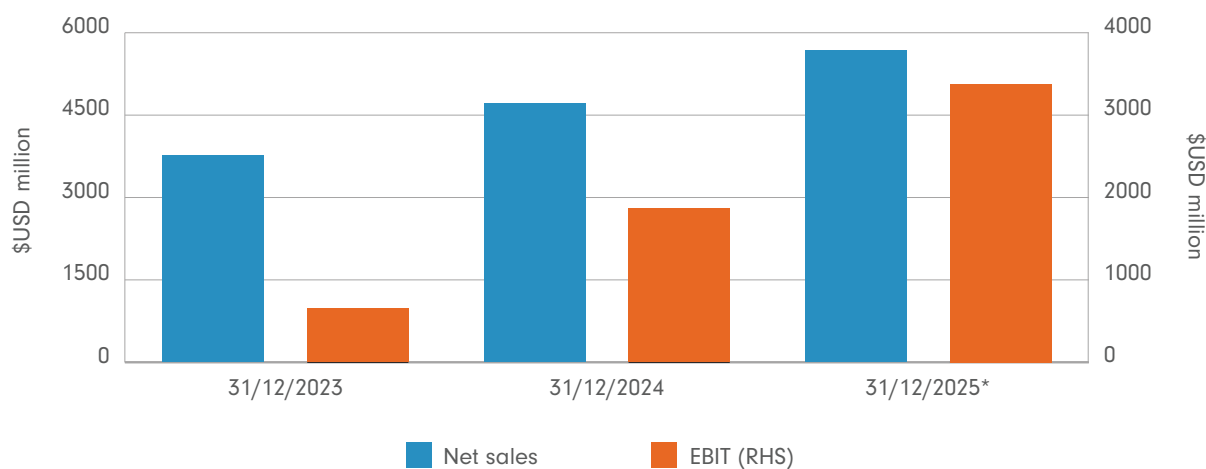
When we first invested in AppLovin in April 2024, management had already committed to divesting the video games business to focus exclusively on the market-leading mobile marketing platform. The overall group had become profitable in 2023; revenue growth was accelerating, and margins were starting to rapidly improve. At the time of purchase, our view was that the much higher-quality mobile advertising business was not being well recognised by the market, as AppLovin was still thought of primarily as a video gaming company, but that the accelerating growth of its mobile advertising business, coupled with the intention to sell the gaming business, would allow the market to finally see just how attractive and unique this asset was, and value it more appropriately. Cash conversion was exceptionally strong, the balance sheet was already solid, and with robust free cash flow and the planned divestment of the gaming business, the company had a clear path to a net cash position. Additionally, the business is still founder-led (two of the three co-founders are still involved in the business, including the CEO). Since we initiated a holding in AppLovin, the stock has gained 931% (as at 30 September 2025).

**Figure 5.27. AppLovin: 12 month forward P/E ratio and EPS**



Source: Fidelity International, LSEG DataStream, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.28. AppLovin: Net sales and EBIT**



Source: Fidelity International, LSEG DataStream, 30 September 2025. Past performance is not a reliable indicator of future performance.  
\*Factset consensus data.

**Figure 5.29. AppLovin: Share price since investment**



Source: Fidelity International, LSEG DataStream, 30 September 2025. Share price return from 02/04/2024 to 30/09/2025 in USD.  
Past performance is not a reliable indicator of future performance.

## Lessons learnt

Our disciplined investment process consistently searches for the most attractive opportunities within the global investment universe. Our approach has been successful in delivering encouraging outcomes, and simultaneously, we have also learnt valuable lessons from some of our positions that did not deliver as intended.

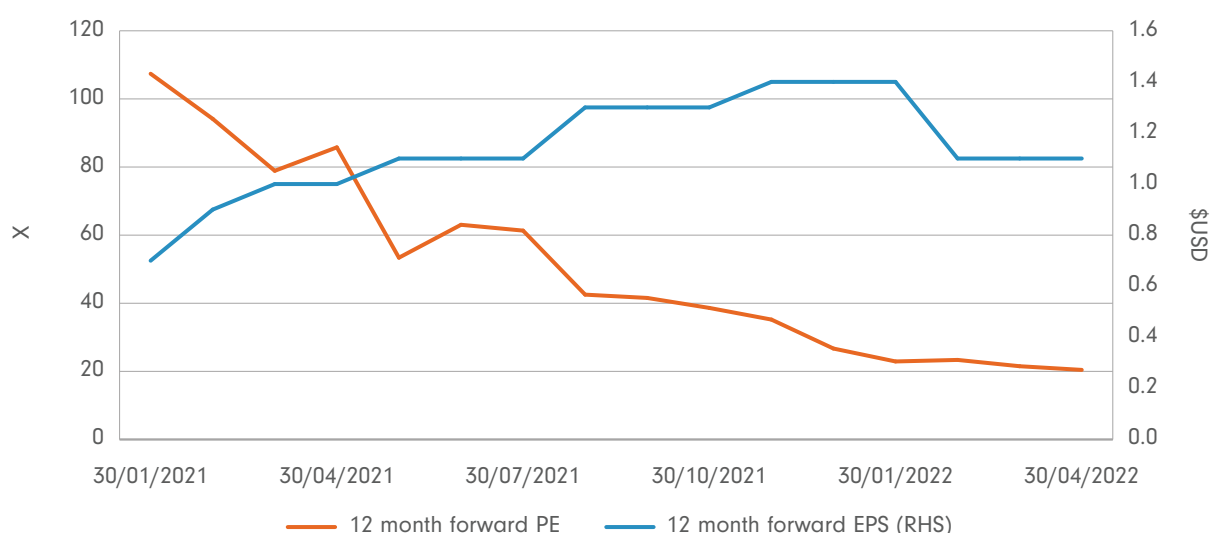
### Pinterest (2021 to 2022)

Pinterest is a media platform, designed to allow sharing of visual content, supported by advertising and ecommerce. We first initiated a position in Pinterest in early 2021. At the time, we thought of Pinterest as a quality franchise in the making, having found critical mass and scale during the pandemic lockdowns. The business had become profitable in 2019 and was on its way to increasing margins and returns as it grew revenues and experienced operational leverage. It possessed a net cash balance sheet, and management always acted in a deliberate and considered fashion. However, a few months later, concerns emerged about Pinterest's declining user trajectory. Management explained that this was due to the world re-opening, and Pinterest over-indexes to specific projects/use cases (e.g. remodelling your kitchen or planning a wedding).

At the time, we believed the concerns were overblown as user engagement metrics amongst the app users, who are a sticky and profitable customer base, were still strong. As a result, we added to our position on share price weakness. Early in 2022, however, it started becoming clear that Pinterest wasn't just facing a cyclical issue of lapping COVID lockdown comparisons. It became evident to us that Pinterest was also facing a structural issue, brought about by increased competition. Whilst Pinterest does indeed lend itself to specific projects and use cases, it's also used for entertainment purposes and, from this perspective, it was facing increased competition from Instagram, but more specifically from TikTok. Shortly afterwards, we exited the position.

The primary mistake we committed was overestimating the quality of Pinterest's business – we underestimated how much of Pinterest's explosive growth during the pandemic came from cyclical forces working in its favour, and we were not as vigilant on the increased intensity from the competitive landscape. Despite the platform continuing to grow revenues in 2022, valuation multiples compressed significantly as the broader market also lost conviction in Pinterest's durability.

**Figure 5.30. Pinterest: 12 month forward P/E ratio and EPS**



Source: Fidelity International, LSEG DataStream, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.31. Pinterest: Share price since investment**



Source: Fidelity International, LSEG DataStream, 30 September 2025. Share price return from 21/01/2021 to 26/04/2022 in USD. Past performance is not a reliable indicator of future performance.

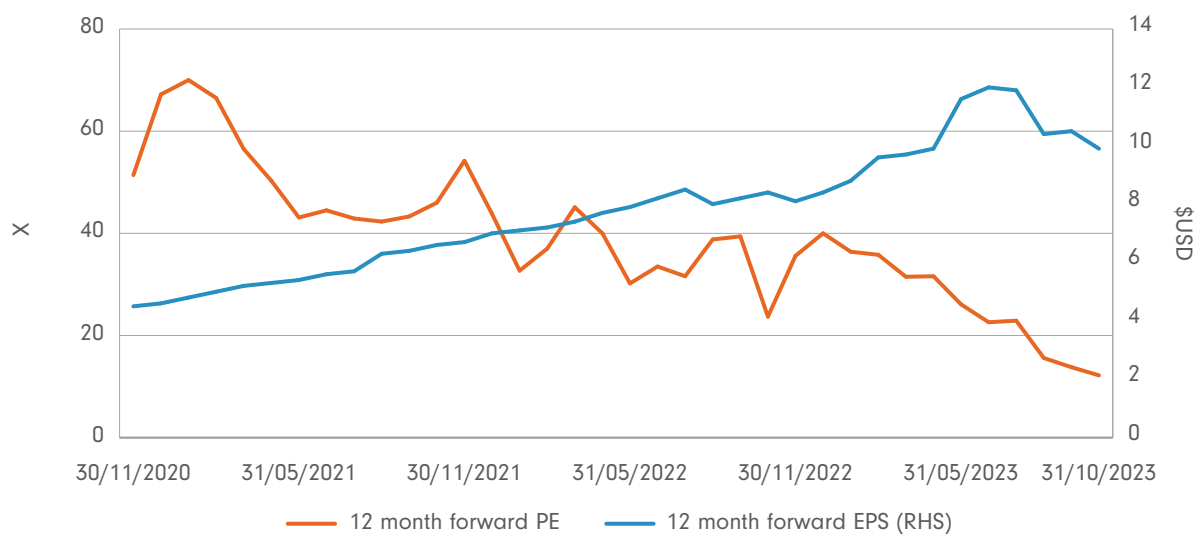
## SolarEdge Technologies (2020 to 2023)

SolarEdge is a global leading provider of solar inverter technology, headquartered in Israel. We first opened a position in SolarEdge in late 2020 as, at the time, SolarEdge had all the attributes of a quality business. The solar industry was expected to have a long-term secular growth trajectory ahead of it. SolarEdge had a superior technology (power-optimised inverters) to the existing legacy technology (string inverters), it had a strong market share position, generated attractive rates of return, and had a net cash balance sheet.

Initially, everything was going well and SolarEdge was up over 60% on our original purchase price within about a year of our investment. However, things started to turn midway through 2023, and a perfect storm of multiple headwinds started to brew very quickly. Firstly, Tesla launched a solar inverter of its own, and whilst it was still utilising the old legacy technology, Tesla had a stronger brand and so could do more, even with an inferior product. At the same time, growth in Europe and the US was slowing down – Europe due to electricity prices coming down, and the US due to a slowdown in housing activity as interest rate rises were starting to have an impact. In a very short space of time, demand slowed considerably as the distribution channel became oversupplied with inventory. In addition, gross margins took a hit from a combination of unavoidable cost increases and adverse mix-shift. Even the CFO was blindsided by the velocity of this slowdown – he had bought shares himself in August using his own money, and by October he was issuing a profit downgrade.

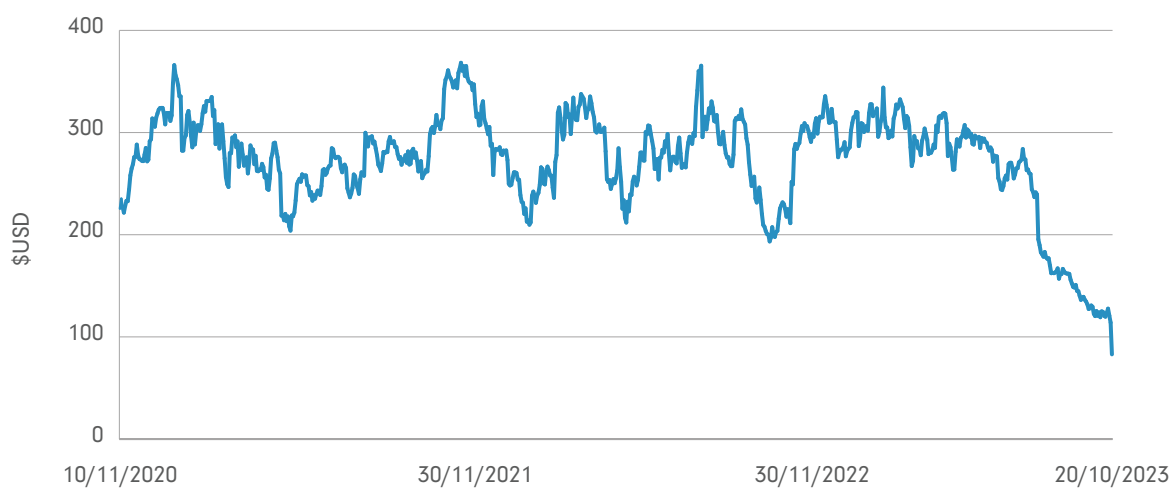
It was clear to us that the demand-supply dynamics were going to take a long time to resolve, and we lost confidence in management because they didn't appear to have the ability, tools, resources, or foresight to anticipate this market downturn on the horizon. A combination of earnings downgrades and a compression in the valuation multiples, as market sentiment and confidence in SolarEdge plummeted, led to a sharp drop in the share price.

**Figure 5.32. SolarEdge: 12 month forward P/E ratio and EPS**



Source: Fidelity International, LSEG DataStream, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.33. SolarEdge: Share price since investment**



Source: Fidelity International, LSEG DataStream, 30 September 2025. Share price return from 10/11/2020 to 20/10/2023 in USD. Past performance is not a reliable indicator of future performance.



## Reviewing and reinvesting

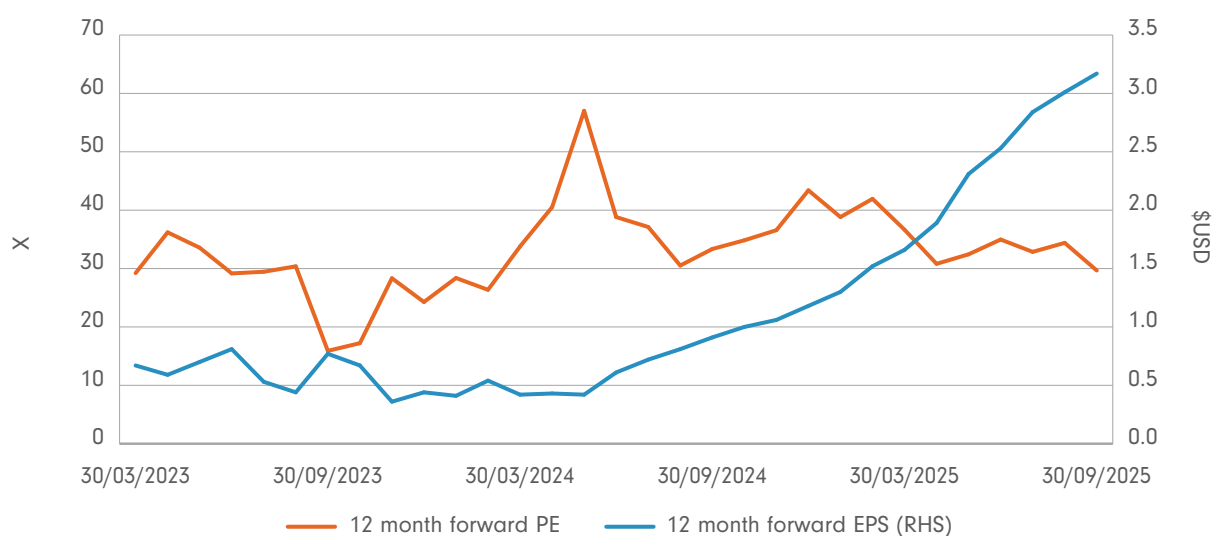
### Siemens Energy (2023)

Siemens Energy is a German supplier of power generation equipment, with utility companies comprising the majority of its customer base. A position was initiated in Siemens Energy in early 2023 as a value/turnaround play. The core business had significant opportunity to increase its margin profile over time, as it refocused on profitability rather than just market share. In the Gamesa division (wind turbine manufacturer), its problematic days seemed behind it. A new management team had been installed, which was working on some onerous legacy contracts that they needed to honour. By June 2023, Siemens issued a big profit downgrade, citing higher-than-expected failure rates in its legacy wind turbines due to wear and tear on some components, and increasing its liability provision to rectify the issues. By October 2023, Siemens Energy took another major hit as the company was asking the German federal government to underwrite its customer guarantees.

This brought up question marks regarding the strength of the balance sheet and whether a rights issue would be needed to recapitalise the balance sheet. We exited the position at this point due to all the uncertainty around what the business would look like going forward, but the combination of earnings downgrades and valuation multiple compression had a significant impact on the share price.

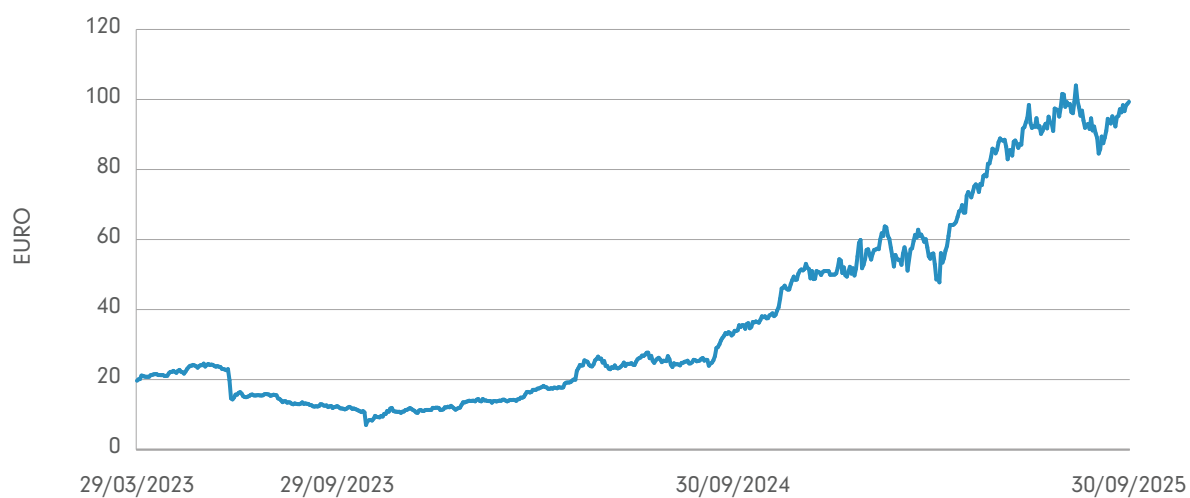
However, the deep dive we had conducted on the business gave us reason to keep the stock on our watch list. As a result, in light of a grid upgrade cycle as well as gaining much more comfort around the strength of the balance sheet, we re-entered into Siemens Energy in mid-2024 and have seen the company deliver encouraging earnings growth subsequently.

**Figure 5.34. Siemens Energy: 12 month forward P/E ratio and EPS**



Source: Fidelity International, LSEG DataStream, 30 September 2025. Past performance is not a reliable indicator of future performance.

**Figure 5.35. Siemens Energy: Share price since initial investment**



Source: Fidelity International, LSEG DataStream, 30 September 2025. Share price return from 29/03/2023 to 30/09/2025 in USD. Past performance is not a reliable indicator of future performance.

## 6 Conclusion

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A flexible investment philosophy—one not confined to a single style—enables the identification of winners across different environments, providing for a more consistent return profile for the Fund over market cycles.

Through the tenure of the Fund, several consistent lessons have emerged:

- **Focus on high-quality compounders**

It is critical to identify businesses that can consistently grow and compound their earnings, and many of our best investment ideas have been high quality long-term compounders. We look for businesses with durable competitive advantages (pricing power, network effects, strong intangibles) that can grow and compound earnings over many years.

- **Back strong, aligned management teams**

We look for leaders who are ‘in the trenches’, have significant skin in the game, and prioritise shareholders—avoiding teams that are merely empire-building.

- **Avoid overpaying and maintain valuation discipline**

The price you pay matters: overpaying risks multiple compression and poor returns, while fair or attractive entry valuations allow you to benefit from both earnings growth and expanding multiples. Many of our best performing investments experienced a combination of both earnings growth and expanding multiples throughout our holding period. Having two sources of returns can really create compelling investment outcomes.

- **Watch for signs of franchise deterioration**

Be vigilant for competitive or operational warning flags—overestimating a business’s resilience can lead to disappointing future earnings and valuation declines.

- **Value a solid balance sheet**

Companies with strong financial positions weather downturns better and can even capitalise on weaker rivals; those with stressed balance sheets face magnified headwinds.

We are excited about the diverse investment opportunities offered by the under-researched universe of global developed mid-small cap stocks. This is a constantly evolving market segment, where both emerging businesses and established companies vie for investor interest. Additionally, we benefit from high-quality businesses advancing to the large-cap market segment.

We firmly believe that by consistently applying our proven investment philosophy and leveraging the extensive proprietary research from the Fidelity ecosystem, Fidelity Global Future Leaders strategy is well positioned to deliver strong outcomes for clients over the long-term.

## About Fidelity International

Fidelity International offers investment solutions and services and retirement expertise to more than 2.8 million customers globally. As a privately held, purpose-driven company with a 50-year heritage, we think generationally and invest for the long term. Operating in more than 25 locations, we invest A\$713 billion globally on behalf of clients in the Asia-Pacific, Europe, the Middle East and South America. We are responsible for A\$308.6 billion in assets under administration.<sup>§</sup>

[fidelity.com.au](https://fidelity.com.au)



<sup>§</sup>Data as at 30 September 2025. Read more at [fidelity.com.au](https://fidelity.com.au).

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