

Fidelity® Select Financials Portfolio

Investment Approach

- Fidelity® Select Financials Portfolio is a sector-based, equity-focused strategy that seeks to outperform its benchmark through active management.
- The fund focuses on higher-quality companies, as measured by return on equity, which we believe can drive robust growth and create more-attractive risk-adjusted returns for shareholders. Additionally, the fund targets improving businesses where such improvement is underappreciated by the market and allows the company to transition to a more profitable franchise in the future.
- We look for firms with attractive valuations relative to the index, and believe combining high quality and low valuation should compound returns over time with lower risk of multiple compression, as well as less downside capture.
- Stock selection and idea generation come from fundamental, bottom-up research that leverages the deep and experienced global financials team at Fidelity. We consider attractive financial stocks outside of the benchmark that offer the potential for favorable risk-adjusted returns.
- Sector strategies could be used by investors as alternatives to individual stocks for either tactical- or strategic-allocation purposes.

FUND INFORMATION

Manager(s):
Matthew Reed

Trading Symbol:
FIDSX

Start Date:
December 10, 1981

Size (in millions):
\$729.69

Morningstar Category:
Fund Financial

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The financials industries are subject to extensive government regulation, can be subject to relatively rapid change due to increasingly blurred distinctions between service segments, and can be significantly affected by availability and cost of capital funds, changes in interest rates, the rate of corporate and consumer debt defaults, and price competition. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. The fund may have additional volatility because of its narrow concentration in a specific industry. Non-diversified funds that focus on a relatively small number of stocks tend to be more volatile than diversified funds and the market as a whole.

PERFORMANCE SUMMARY

	Cumulative		Annualized			
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year/ LOF ¹
Select Financials Portfolio Gross Expense Ratio: 0.71% ²	10.83%	10.83%	34.69%	9.49%	13.79%	10.34%
S&P 500 Index	10.56%	10.56%	29.88%	11.49%	15.05%	12.96%
MSCI US IMI Financials 5% Capped Linked Index	10.70%	10.70%	33.46%	9.20%	12.29%	10.76%
Morningstar Fund Financial	7.57%	7.57%	27.76%	5.12%	9.52%	8.14%
% Rank in Morningstar Category (1% = Best)	--	--	19%	24%	15%	33%
# of Funds in Morningstar Category	--	--	102	96	95	79

¹ Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 12/10/1981.

² 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](https://www.fidelity.com/performance), [institutional.fidelity.com](https://www.institutional.fidelity.com), or [401k.com](https://www.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

Market Review

The past three months, the financials sector, as measured by the MSCI U.S. IMI Financials 5% Capped Linked Index, gained 10.70%, while the S&P 500® index advanced 10.56%. For the latter, it was the best start to a new year since 2019, driven by resilient corporate profits, a frenzy over generative artificial intelligence and the Federal Reserve's likely pivot to cutting interest rates later this year. Amid this favorable backdrop for higher-risk assets, the index continued its late-2023 momentum and ended March at its all-time high – in fact, 22 new closing highs were set in the past three months alone. Growth stocks led the broad rally, with all but one of 11 market sectors advancing.

Against this backdrop, financials stocks recorded the fourth-best performance among the 11 sectors in the S&P 500. Year-over-year, the U.S. economy expanded at a 3.1% rate in the fourth quarter of 2023, the strongest rise in about two years. A stronger economy tends to support loan growth at banks, as well as consumer spending, which drives activity for firms providing consumer credit and transaction & payment processing services.

Thus, the diversified banks (+15%), consumer finance (+16%) and transaction & payment processing (+11%) segments all recorded a solid gain for the quarter. Within diversified banks, stocks like Citigroup (+24%), Wells Fargo & Company (+19%) and JPMorgan Chase (+18%) were notable beneficiaries.

With that said, property & casualty insurance (+20%) was the top-performing industry within the MSCI index this quarter, powered by stocks like Progressive (+30%), Allstate (+24%) and Hartford Financial Services Group (+29%), which saw resurgent earnings growth due to a positive cycle in premium pricing.

Asset management & custody banks, another industry with a meaningful weighting in the index, was up 8%, while the financial exchanges & data group gained about 3%. Investment banking & brokerage climbed 8%.

However, regional banks (-1%) lagged amid upward pressure on interest rates, which revived concerns about losses on Treasuries and other securities held by these lenders, as well as potentially problematic commercial real estate loans. ■

Performance Review

For the three months ending March 31, 2024, the fund gained 10.83%, topping both the MSCI U.S. IMI Financials 5% Capped Linked Index and the broad-based S&P 500® index.

Turning to the fund's performance versus the MSCI sector index, stock selection and an overweight position in diversified financial services contributed most. Positioning in reinsurance and transaction & payment processing services also helped.

A large overweight in Wells Fargo, our second-largest holding as of March 31, topped the fund's list of relative contributors, gaining roughly 19% in Q1. In mid-January, the diversified financial services provider reported revenue and earnings that were roughly in line with analysts' estimates for the fourth quarter, with management noting the favorable impact of a strong economic environment, higher interest rates and cost-cutting initiatives. Net interest income for Q4 also was on par with the consensus expectation. We trimmed the fund's stake this quarter.

Overweighting Hartford Financial Services Group (+29%), a provider of property & casualty insurance, also proved to be timely. Although inflation is increasing the cost of claims, the insurance industry was already in the process of boosting premiums. Insurers also tend to make money from the "float" on premiums that are paid ahead of when claims are due. Higher interest rates mean higher returns on that float money.

Despite the fund's success with Hartford Financial Services Group, our overall stock selection in property & casualty insurance detracted this quarter, as did positioning in multi-sector holdings and research & consulting services. Within the multi-sector group, our decision to avoid Berkshire Hathaway hurt, given the index component's 18% increase for the quarter. In February, the insurance-focused conglomerate, which owns GEICO – a firm that generated particularly strong performance this period – and General RE, as well as a broad portfolio of other businesses and investment holdings, reported Q4 operating earnings that were 28% higher than the same period in 2022. This included strong results from its wholly owned businesses, as well as a substantial gain within its massive investment portfolio. ■

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Wells Fargo & Co.	Diversified Banks	4.45%	35
S&P Global, Inc.	Financial Exchanges & Data	-2.37%	35
Reinsurance Group of America, Inc.	Reinsurance	3.57%	31
Corebridge Financial, Inc.	Diversified Financial Services	1.24%	26
Hartford Financial Services Group, Inc.	Property & Casualty Insurance	1.23%	20

* 1 basis point = 0.01%.

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
MarketAxess Holdings, Inc.	Financial Exchanges & Data	0.94%	-35
JPMorgan Chase & Co.	Diversified Banks	-4.64%	-35
Progressive Corp.	Property & Casualty Insurance	-1.86%	-33
Berkshire Hathaway, Inc. Class B	Multi-Sector Holdings	-4.34%	-29
Dun & Bradstreet Holdings, Inc.	Research & Consulting Services	0.93%	-25

* 1 basis point = 0.01%.

Outlook and Positioning

There is much uncertainty on where inflation and interest rates will land, though for now we seem headed, albeit in uneven fashion, in a positive direction. The question, as always, will be how things progress relative to rapidly changing market expectations.

With that said, we believe there are still plenty of mispriced financial stocks to take advantage of, thereby potentially setting up the fund for success.

Although the expectation is still for the Fed to cut interest rates in 2024, the market has walked back expectations for how quickly any easing measures might occur, given higher-than-expected inflation data in Q1. On the positive side, the federal unemployment rate remains near historical lows, at only 3.8% in March, down from 3.9% the previous month.

A robust labor market suggests that a soft landing – that is, a modest slowdown with no recession – could still be in the cards. At any rate, in the current volatile environment, we anticipate an equity market that should lend itself to stock picking using our careful, bottom-up fundamental analysis.

As of March 31, the fund's largest industry overweight was diversified banks. Within this group, Wells Fargo was second among the fund's top overweights, and Bank of America, Keycorp and Citigroup were further down the list.

Another key group we overweighted was regional banks. Important overweights in this group as of quarter end included Puerto-Rico-based Popular, as well as M&T Bank. In all cases, we are focusing on regional banks with what we consider solid deposit franchises and good growth potential.

Elsewhere, the fund maintained a meaningful overweight in transaction & payment processing services. Aside from top overweight Mastercard, Global Payments was among the portfolio's largest overweights in this segment.

Reinsurance was another noteworthy overweight at the end of Q1, largely in virtue of our outsized position in Reinsurance Group of America, the portfolio's No. 3 overweight behind Mastercard and Wells Fargo. We like the potential for this company to continue to benefit from an improving health landscape on the COVID-19 front, as well as its strong capital position and its low risk to volatility in the capital markets.

On the other hand, the fund's biggest industry underweight at quarter end was financial exchanges & data. Individual underweights of note in this group were S&P Global, Intercontinental Exchange and CME Group, none of which the fund owned in the quarter. Additionally, we continued to carry a sizable underweight in multi-sector holdings as of March 31 by virtue of avoiding Berkshire Hathaway.

As always, we thank you for your confidence in our stewardship of the fund, and in Fidelity's investment-management capabilities. ■

10 LARGEST HOLDINGS

Holding	Market Segment
MasterCard, Inc. Class A	Transaction & Payment Processing Services
Wells Fargo & Co.	Diversified Banks
Bank of America Corp.	Diversified Banks
Reinsurance Group of America, Inc.	Reinsurance
Citigroup, Inc.	Diversified Banks
Chubb Ltd.	Property & Casualty Insurance
Morgan Stanley	Investment Banking & Brokerage
Apollo Global Management, Inc.	Diversified Financial Services
Marsh & McLennan Companies, Inc.	Insurance Brokers
Moody's Corp.	Financial Exchanges & Data
10 Largest Holdings as a % of Net Assets	42.75%
Total Number of Holdings	65

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.

CHARACTERISTICS

	Portfolio	Index
Valuation		
Price/Earnings Trailing	16.0x	16.6x
Price/Earnings (IBES 1-Year Forecast)	12.5x	14.2x
Price/Book	1.7x	2.0x
Price/Cash Flow	10.4x	12.9x
Return on Equity (5-Year Trailing)	10.9%	11.5%
Growth		
Sales/Share Growth 1-Year (Trailing)	26.6%	26.9%
Earnings/Share Growth 1-Year (Trailing)	4.6%	10.7%
Earnings/Share Growth 1-Year (IBES Forecast)	8.0%	10.4%
Earnings/Share Growth 5-Year (Trailing)	7.5%	12.3%
Size		
Weighted Average Market Cap (\$ Billions)	105.8	158.9
Weighted Median Market Cap (\$ Billions)	32.8	77.3
Median Market Cap (\$ Billions)	9.8	2.8

LARGEST OVERWEIGHTS BY MARKET SEGMENT

Market Segment	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
Diversified Banks	22.09%	17.96%	4.14%	-0.32%
Regional Banks	12.74%	9.67%	3.07%	0.33%
Reinsurance	4.08%	1.08%	3.00%	0.26%
Transaction & Payment Processing Services	13.93%	10.98%	2.95%	-0.02%
Diversified Financial Services	3.80%	1.34%	2.47%	0.41%

LARGEST UNDERWEIGHTS BY MARKET SEGMENT

Market Segment	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
Financial Exchanges & Data	4.16%	8.81%	-4.65%	0.43%
Multi-Sector Holdings	0.60%	4.42%	-3.82%	-0.29%
Life & Health Insurance	1.20%	4.42%	-3.22%	-0.10%
Consumer Finance	3.80%	5.74%	-1.94%	0.06%
Asset Management & Custody Banks	7.47%	9.24%	-1.78%	0.19%

LARGEST OVERWEIGHTS BY HOLDING

Holding	Market Segment	Relative Weight
MasterCard, Inc. Class A	Transaction & Payment Processing Services	5.36%
Wells Fargo & Co.	Diversified Banks	4.58%
Reinsurance Group of America, Inc.	Reinsurance	3.70%
Apollo Global Management, Inc.	Diversified Financial Services	1.67%
Popular, Inc.	Regional Banks	1.49%

LARGEST UNDERWEIGHTS BY HOLDING

Holding	Market Segment	Relative Weight
JPMorgan Chase & Co.	Diversified Banks	-4.73%
Berkshire Hathaway, Inc. Class B	Multi-Sector Holdings	-4.37%
Visa, Inc. Class A	Transaction & Payment Processing Services	-4.23%
American Express Co.	Consumer Finance	-2.26%
Goldman Sachs Group, Inc.	Investment Banking & Brokerage	-2.19%

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
Domestic Equities	94.47%	98.87%	-4.40%	0.30%
International Equities	5.20%	1.13%	4.07%	-0.19%
Developed Markets	3.74%	1.13%	2.61%	-0.03%
Emerging Markets	1.46%	0.00%	1.46%	-0.16%
Tax-Advantaged Domiciles	0.00%	0.00%	0.00%	0.00%
Bonds	0.00%	0.00%	0.00%	0.00%
Cash & Net Other Assets	0.33%	0.00%	0.33%	-0.11%

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.

3-YEAR RISK/RETURN STATISTICS

	Portfolio	Index
Beta	1.02	1.00
Standard Deviation	21.48%	20.69%
Sharpe Ratio	0.32	0.31
Tracking Error	3.54%	--
Information Ratio	0.08	--
R-Squared	0.97	--

Definitions and Important Information

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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.

MSCI U.S. IMI Financials 5% Capped Linked Index is a modified market capitalization-weighted index of stocks designed to measure the performance of Financials companies in the MSCI US Investable Market 2500 Index. Index returns shown for periods prior to September 1, 2016 are returns of the MSCI US IMI Financials 25/50 Index; returns shown for periods prior to January 1, 2010 are returns of the MSCI US Investable Market Financials Index.

S&P 500 Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.

MARKET-SEGMENT WEIGHTS

Market-segment weights illustrate examples of sectors or industries in which the fund may invest, and may not be representative of the fund's current or future investments. They should not be construed or used as a recommendation for any sector or industry.

RANKING INFORMATION

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% Rank in Morningstar Category is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1%. % Rank in Morningstar Category is based on total returns which include reinvested dividends and capital gains, if any, and exclude sales charges. Multiple share classes of a fund have a common portfolio but impose different expense structures.

RELATIVE WEIGHTS

Relative weights represents the % of fund assets in a particular market segment, asset class or credit quality relative to the benchmark. A positive number represents an overweight, and a negative number is an underweight. The fund's benchmark is listed immediately under the fund name in the Performance Summary.

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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