

Fidelity® Select Consumer Discretionary Portfolio

Key Takeaways

- For the fiscal year ending February 29, 2024, the fund gained 33.59%, outpacing the 29.12% gain of the MSCI U.S. IMI Consumer Discretionary 25/50 Index and the 30.45% advance of the broad-based S&P 500® index.
- Portfolio Manager Jordan Michaels says consumer discretionary stocks outpaced the broad equity market the past 12 months due to resilient consumer spending, disinflationary trends and expectations for a shift to monetary easing in 2024.
- Consistent with Jordan's investment approach, security selection drove the fund's outperformance of the MSCI sector index, particularly stock picking and an underweight in the weak-performing auto manufacturers industry. Choices in the footwear and broadline retail categories also notably contributed.
- From a stock-specific standpoint, an overweight in footwear brands company Deckers Outdoor (+114%) was the fund's top individual relative contributor this period, followed by an overweight in e-commerce giant Amazon.com (+87%).
- Conversely, the fund's biggest individual relative detractors were overweight positions in automotive technology supplier Aptiv (-32%) and discount retailer Dollar Tree (+1%).
- As of February 29, Jordan says earnings expectations for consumer discretionary stocks are higher than they were a year ago and the sector has rallied strongly – two factors that make valuations less compelling overall.
- Still, he is seeing many instances where valuations are attractive, especially considering a longer-term view, including in the homefurnishing retail category.

MARKET RECAP

U.S. equities gained 30.45% for the 12 months ending February 29, 2024, according to the S&P 500® index, as robust earnings, a slowing in the pace of inflation and resilient late-cycle expansion of the U.S. economy aided risk assets. The index ended February at a record high. Notably, the rally has been driven by a narrow set of firms in the information technology and communication services sectors, largely due to excitement for generative artificial intelligence. This is mostly reflected in semiconductor-related stocks (+113%) and media & entertainment (+68%) names. A likely shift in monetary policy also provided a boost. Aggressive rate hikes by the U.S. Federal Reserve continued until late July, when the Fed decided to pause a series of increases that began in March 2022 at a 22-year high while it observed the effect on inflation and the economy. Following the Fed's November 1 meeting, when the central bank hinted it might be done raising rates, the S&P 500® reversed a three-month decline and gained 14.09% through year-end and added 1.68% in January and 5.34% in February. By sector for the full 12 months, information technology (+61%) and communication services (+58%) were standouts, with AI a major tailwind. In sharp contrast, the defensive-oriented utilities sector (-1%) fared worst. Other notable laggards included real estate (+7%) and consumer staples (+8%), each also considered defensive, and energy (+6%).



Jordan Michaels
Portfolio Manager

Fund Facts

Trading Symbol:	FSCPX
Start Date:	June 29, 1990
Size (in millions):	\$555.32

Investment Approach

- Fidelity® Select Consumer Discretionary Portfolio is a sector-based, equity-focused strategy that seeks to outperform its benchmark through active management.
- We believe that the market is inherently inefficient and often too short-term-focused, which affords opportunities to generate excess returns with fundamental research utilizing a long-term investment horizon.
- We prefer companies where business quality or forward prospects seem underappreciated by the market and focus on identifying attractive relative value, including considering opportunities created by temporary issues or turnarounds.
- Stock selection and idea generation come from bottom-up research that leverages Fidelity's deep and experienced global consumer team. We also consider attractive consumer stocks outside of the benchmark that offer the potential for favorable risk-adjusted returns.
- Position sizing is based on conviction in the fundamental thesis and assessment of risk/reward.
- Sector strategies could be used by investors as alternatives to individual stocks for either tactical- or strategic-allocation purposes.

Q&A

An interview with Portfolio Manager Jordan Michaels

Q: Jordan, how did the fund perform for the fiscal year ending February 29, 2024?

The fund gained 33.59% the past 12 months, outpacing the 29.12% gain of the MSCI U.S. IMI Consumer Discretionary 25/50 Index and the 30.45% advance of the broad-based S&P 500® index. The fund handily outperformed its peer average.

Consistent with my investment approach, security selection contributed to the fund's performance versus the MSCI sector index this period. In particular, stock picking and an underweight in the weak-performing auto manufacturers industry meaningfully helped. Stock choices in the footwear, broadline retail and other specialty retail categories also notably contributed. Conversely, an overweight and stock picking in the underperforming automotive parts & equipment group detracted, as did stock picking in the consumer staples merchandise retail industry.

Q: What was behind the sector's performance?

U.S. stocks, including consumer discretionary shares, gained strongly the past 12 months, largely due to signals from the U.S. Federal Reserve that disinflationary trends were sufficient to project a shift to monetary easing in 2024. This news, along with resilient late-cycle expansion of the U.S. economy and a sharp decline in medium- and long-term U.S. Treasury yields, provided a favorable backdrop for cyclical areas of the market, such as consumer discretionary. On the consumer front, confidence improved and spending grew at a healthy clip this period, even amid still-elevated inflation and borrowing costs. Consumers were supported by a big drop in energy prices and wage gains amid a tight labor market. Many households had strong balance sheets due to soaring prices for housing and financial assets.

This backdrop gave way to mixed performance among the MSCI index's industry components. For example, strong demand for housing and tight supply was a boon for the new home market and provided support for the homebuilding industry (+68%), where PulteGroup (+100%) and DR Horton (+63%) benefited from stronger-than-expected quarterly financial results.

Many retailers thrived in this environment, including broadline retail (+78%), which was supported by the strong performance of e-commerce giant Amazon.com (+88%), and

apparel, accessories & luxury goods (+26%), including off-price apparel retailer TJX (+31%) and apparel brands retailer PVH (+71%). On the other hand, auto manufacturers (-2%) and auto parts & equipment (-12%) were notable industry laggards. In particular, index component and EV maker Tesla (-2%) was hurt by a declining profit margin due to aggressive price cutting of some vehicles, and management's guidance of lower unit volume growth.

Q: What investment decisions contributed most to the fund's relative performance?

An overweight in footwear brands company Deckers Outdoor (+114%) was the fund's top individual contributor versus the sector index the past 12 months. Shares of Deckers bounced higher amid sustained strong growth, led by momentum in its HOKA® and UGG® brands of footwear. Deckers is a good example of one type of stock I favor for the fund – companies with business quality or forward prospects that seem unappreciated by the market. Deckers was a top-20 holding and overweight in the fund at the end of February, though I'll note that this period we reduced the fund's investment in the stock.

Another key relative contributor was an overweight stake in Amazon (+87%), which benefited from profit-margin expansion and excitement around generative artificial intelligence. I reduced our position, however, the stock was our top holding, at 26% of assets, and among our largest overweights at period end.

Homebuilders PulteGroup (+100%) and KB Home (+91%) also lifted the fund's relative performance this period, given the stocks' outsized gains. Both companies benefited from favorable industry trends supporting builders. In addition, PulteGroup got a boost from strong volume and orders, as well as impressive profit-margin expansion. I trimmed the fund's stake in both stocks this period to lock in profits.

Q: What else helped?

An underweight, on average, in auto manufacturer General Motors (+7%) was a plus for the fund, given the stocks' underperformance of the sector index this period. I established a position in GM the past 12 months and made it a top-20 holding and overweight by period end, as I thought the stock price looked attractive, especially after a protracted period of underperformance. But GM underperformed as it grappled with strikes by the auto workers union, issues at its Cruise self-driving vehicles business unit and the rollout of its electric vehicles.

PVH (+71%) was another notable relative contributor. PVH owns the Calvin Klein and Tommy Hilfiger brands, among others. The stock rose in late November after PVH reported revenue that slightly lagged analysts' consensus estimate for the three months ending October 29, but raised its full-year

2023 forecast for earnings per share. PVH management said its optimism is based on significant progress in the firm's performance in North America.

Q: Which stocks notably hurt?

An overweight position in automotive technology supplier Aptiv (-32%) was the fund's largest relative detractor. I meaningfully added to our position in Aptiv, making it the 11th-largest holding and No. 5 overweight because I thought the firm was well-positioned amid growing demand for the electrification and automation of cars. Aptiv released strong Q3 and Q4 financial results, but the stock was negatively impacted overall by slowing content growth influenced by less-robust growth expectations for EVs.

Also detracting from our relative result was the fund's overweight position in discount retailer Dollar Tree (+1%). I thought Dollar Tree's Family Dollar stores would benefit from a turnaround under a new management team that had previously turned around Dollar Tree's main competitor, Dollar General. However, the stock was held back, in part, by the company's more-defensive characteristics amid the pro-cyclical market backdrop. In addition, big-box retailer Walmart was sharper on pricing, providing tough competition for Dollar Tree. I reduced our stake in Dollar Tree this period.

Lastly, I'll mention Penn Entertainment (-41%), a regional gaming company. The stock plunged in February following the firm's release of disappointing Q4 financial results, which included a significant drop in revenue. This was largely due to the company's evolving business strategy and the loss it incurred from its major deal with ESPN to relaunch its online gambling business. I modestly reduced the position.

Q: What's your outlook as of February 29?

It appears the market has entered 2024 on a more optimistic note than it was on the precipice of 2023. Consumer confidence is up, gasoline prices are in check and, in general, investors seem to anticipate the economic cycle's direction will veer toward a "soft landing" (slowing growth) rather than a "hard landing" (recession). Still, risk remains. I am cognizant of the upcoming election cycle in 2024, and the rhetoric that could impact consumers and the stock market. Earnings expectations for consumer discretionary stocks are higher than they were a year ago, and the sector has rallied strongly – two factors that make valuations (from an absolute standpoint) less compelling. Fortunately, I'm still seeing many instances where valuations in the sector are attractive, especially considering a longer-term view. Overall, the portfolio's holdings strike a good balance of risk and reward, with stocks that I think can perform well in a range of market environments. ■

Jordan Michaels on opportunities among home furnishing stocks:

"After a strong year for most retailers in 2023, home furnishings and home furnishing retailers are two areas of the consumer discretionary market I believe are poised for further growth. Following a period of strong demand for home-related purchases during the height of pandemic lockdowns, the inflation, high interest rates and soaring home prices of recent years were notable headwinds for home furnishing stocks. Specifically, stagnant home sales due to climbing mortgage rates crimped demand for home furnishings, which are inherently linked to the housing market. However, interest rates, including mortgage rates, are expected to fall in the second half of 2024, which should help home sales improve and spur demand for furnishings.

"Among home furnishing companies, I favor those that are well-positioned and have taken market share from competitors. For instance, the fund owns an overweight in Tempur Sealy International – the leading mattress producer in the U.S. Tempur Sealy's main competitor, Serta Simmons Bedding, struggled through a bankruptcy and restructuring, while Tempur added to its product portfolio and marketing efforts, all within the context of weak industry demand the past couple of years.

"I also like Williams-Sonoma as of February 29, which sells a line of kitchenware and home furnishings. The company has keen oversight of its supply chain – an increasingly prominent issue for many consumers – and carries many on-trend designs in its brands. Roughly two-thirds of the company's business is online, a space less-penetrated by furnishing companies.

"I'll also mention TJX, the owner of HomeGoods, which offers an ever-changing selection of furniture, rugs, kitchenware and more. The company is advantaged due to its size and impressive continuity within its buying operations. HomeGoods' attractive buys seem to be resonating well with customers, who return to find new products. As housing activity improves, I think the firm is positioned to rebound.

"Tempur Sealy and TJX were top-12 fund positions and among the portfolio's nine-largest overweights as of February 29. Williams-Sonoma was the fund's 12th-largest overweight at year-end."

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Deckers Outdoor Corp.	Footwear	1.40%	94
Amazon.com, Inc.	Broadline Retail	1.35%	58
PulteGroup, Inc.	Homebuilding	0.80%	47
General Motors Co.	Automobile Manufacturers	-0.67%	45
PVH Corp.	Apparel, Accessories & Luxury Goods	0.80%	44

* 1 basis point = 0.01%.

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Aptiv PLC	Automotive Parts & Equipment	1.28%	-91
Dollar Tree, Inc.	Consumer Staples Merchandise Retail	1.63%	-67
Penn Entertainment, Inc.	Casinos & Gaming	0.53%	-53
Capri Holdings Ltd.	Apparel, Accessories & Luxury Goods	0.45%	-39
Victoria's Secret & Co.	Apparel Retail	0.14%	-39

* 1 basis point = 0.01%.

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Domestic Equities	97.58%	98.65%	-1.07%	-0.86%
International Equities	2.30%	1.35%	0.95%	1.00%
Developed Markets	2.30%	0.00%	2.30%	1.07%
Emerging Markets	0.00%	1.35%	-1.35%	-0.07%
Tax-Advantaged Domiciles	0.00%	0.00%	0.00%	0.00%
Bonds	0.00%	0.00%	0.00%	0.00%
Cash & Net Other Assets	0.12%	0.00%	0.12%	-0.14%

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.

MARKET-SEGMENT DIVERSIFICATION

Market Segment	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Broadline Retail	26.35%	26.92%	-0.57%	-0.25%
Home Improvement Retail	11.30%	10.00%	1.30%	-0.38%
Automobile Manufacturers	10.83%	13.09%	-2.26%	1.06%
Restaurants	7.92%	10.87%	-2.95%	-0.14%
Hotels, Resorts & Cruise Lines	7.59%	8.04%	-0.45%	-0.74%
Apparel, Accessories & Luxury Goods	5.67%	2.36%	3.31%	0.77%
Apparel Retail	5.18%	4.27%	0.91%	-0.66%
Footwear	5.03%	3.28%	1.75%	-0.16%
Other Specialty Retail	4.62%	2.37%	2.25%	1.72%
Automotive Parts & Equipment	3.26%	2.06%	1.20%	-0.28%
Other	12.12%	12.36%	-0.24%	-1.46%

10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
Amazon.com, Inc.	Broadline Retail	25.83%	25.31%
Tesla, Inc.	Automobile Manufacturers	9.25%	13.92%
The Home Depot, Inc.	Home Improvement Retail	5.01%	4.89%
Lowe's Companies, Inc.	Home Improvement Retail	4.56%	4.80%
TJX Companies, Inc.	Apparel Retail	3.44%	4.37%
Hilton Worldwide Holdings, Inc.	Hotels, Resorts & Cruise Lines	2.94%	2.84%
McDonald's Corp.	Restaurants	2.90%	2.31%
NIKE, Inc. Class B	Footwear	2.71%	3.02%
Dick's Sporting Goods, Inc.	Other Specialty Retail	2.34%	2.01%
Booking Holdings, Inc.	Hotels, Resorts & Cruise Lines	2.03%	2.41%
10 Largest Holdings as a % of Net Assets		61.02%	66.11%
Total Number of Holdings		56	54

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.

FISCAL PERFORMANCE SUMMARY: Periods ending February 29, 2024

	Cumulative		Annualized			
	6 Month	YTD	1 Year	3 Year	5 Year	10 Year/ LOF ¹
Select Consumer Discretionary Portfolio Gross Expense Ratio: 0.71% ²	14.50%	5.57%	33.59%	4.20%	12.45%	11.32%
S&P 500 Index	13.93%	7.11%	30.45%	11.91%	14.76%	12.70%
MSCI US IMI Consumer Discretionary 25/50	10.79%	3.86%	29.12%	4.66%	14.91%	12.97%
Morningstar Fund Consumer Cyclical	13.07%	5.22%	23.46%	1.54%	11.58%	9.77%
% Rank in Morningstar Category (1% = Best)	--	--	7%	45%	48%	40%
# of Funds in Morningstar Category	--	--	50	45	43	37

¹ Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 06/29/1990.

² This expense ratio is from the prospectus in effect as of the date shown above and generally is based on amounts incurred during that 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. Please see the last page(s) of this Q&A document for most-recent calendar-quarter performance.

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FUND RISKS

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The consumer discretionary industries can be significantly affected by the performance of the overall economy, interest rates, competition, consumer confidence and spending, and changes in demographics and consumer tastes. 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.

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 Consumer Discretionary 25/50 Index represents the performance of the MSCI US IM Consumer Discretionary 25/50 Index since January 1, 2010, and the MSCI US Investable Market Consumer Discretionary Index prior to that date.

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.

Manager Facts

Jordan Michaels is a research analyst and portfolio manager in the Equity division at Fidelity Investments. Fidelity Investments is a leading provider of investment management, retirement planning, portfolio guidance, brokerage, benefits outsourcing, and other financial products and services to institutions, financial intermediaries, and individuals.

In this role, Mr. Michaels manages Fidelity Select Construction and Housing Portfolio, the consumer discretionary sleeve of Fidelity and Fidelity Advisor Stock Selector Large Cap Value Funds and covers specialty retail. He is also manages Fidelity Select Consumer Discretionary Portfolio, Fidelity Advisor Consumer Discretionary Fund, and Fidelity VIP Consumer Discretionary Portfolio.

Previously, he was a high yield research analyst covering building materials, retail, automobiles, and metals/mining.

Prior to joining Fidelity in 2008, Mr. Michaels was an intern at GID Securities. He has been in the financial industry since 2006.

Mr. Michaels earned his bachelor of arts in economics from Brandeis University. He is also a CFA® charterholder.

PERFORMANCE SUMMARY:
Quarter ending March 31, 2024

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF ¹
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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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