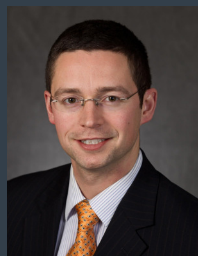
Fidelity® Select Transportation Portfolio

Key Takeaways

- For the fiscal year ending February 29, 2024, the fund gained 17.13%, trailing the 19.14% advance of the MSCI U.S. IMI Transportation 25/50 Linked Index and the 30.45% rise in the broadly based S&P 500® index.
- The U.S. stock market moved steadily higher for most of the period, aided by an expanding global economy and cooling inflation, which prompted the Federal Reserve to pause its campaign of interest rate increases in July.
- Portfolio Manager Matthew Moulis notes that transportation stocks, which tend to be a good proxy for the economy as a whole, registered a gain but trailed the broad-based S&P 500® index, largely because a number of companies in the industry were challenged to adjust to rising costs – especially for labor – amid ongoing uncertainty about the U.S. economy.
- Security selection in air freight & logistics, coupled with an overweight in that lagging industry (-8%), had the biggest negative impact on the fund's performance versus the MSCI index. A sizable underweight in the strong-performing cargo ground transportation segment (+30%) also detracted.
- In contrast, stock picking in the market-leading passenger ground transportation group (+92%) notably contributed to the fund's relative result, although an underweight offset much of that benefit. Timely exposure to the passenger airlines group (+2%) – which involved moving from an underweight to a modest overweight – also helped.
- As of February 29, Matt sees some promising developments for transportation companies, including lower global inventories, which likely mean more orders and shipments, and diminished prospects for a U.S. recession. However, the recent attacks on vessels in the Red Sea are a concern, and Matt is monitoring these developments.

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%).



Matthew Moulis
Portfolio Manager

Fund Facts

Trading Symbol:	FSRFX
Start Date:	September 29, 1986
Size (in millions):	$610.77

Investment Approach

- Fidelity® Select Transportation Portfolio is an industry-based, equity-focused strategy that seeks to outperform its benchmark through active management.
- We follow a fundamental, value-oriented investment philosophy of buying stocks we believe are priced cheaply, relative to peers, with respect to underlying company fundamentals.
- We identify these stocks using Fidelity's in-depth company and industry research, focusing on good businesses in attractive spaces. Specifically, we look for firms that are consistent profit generators and have a strong management team that can produce returns above their cost of capital, efficiently convert new income to free cash flow and/or capitalize on wide avenues for growth. Attractive industry groups are characterized by solid barriers to entry, differentiated products, disciplined pricing dynamics and inelastic demand.
- We seek to concentrate the portfolio in our best ideas, but carefully manage risk through position sizing and subindustry positioning.
- Sector and industry 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 Matthew Moulis

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

The fund gained 17.13% the past 12 months, trailing the 19.14% advance of the MSCI U.S. IMI Transportation 25/50 Linked Index and the 30.45% rise in the broadly based S&P 500® index. The fund finished roughly in line with the peer group average, which tracks the entire industrials sector.

Q: Please describe the environment for transportation stocks the past 12 months.

The U.S. stock market moved steadily higher for most of the period, aided by an expanding global economy and cooling inflation, which prompted the Federal Reserve to pause its campaign of interest rate increases in July. In December, the central bank pivoted away from a neutral view of interest rates, with its forecast of several rate cuts in 2024.

The strong advance of the S&P 500® index was concentrated in a small group of mega-cap stocks in the information technology (+61%) and communication services (+58%) sectors, reflecting investors' excitement about the possibilities of generative artificial intelligence and other tech themes.

Transportation stocks, which tend to be a good proxy for the economy as a whole, registered a gain but trailed the S&P 500® index, largely because a number of companies in the industry were challenged to adjust to rising costs – especially for labor – amid ongoing uncertainty about the U.S. economy. At the same time, companies across many industries have been mired in an extended period of destocking, which refers to selling down their inventory. As a result, there has been less demand for transportation providers to deliver new inventory.

Within the MSCI index, the industry group with the largest weighting, on average, was rail transportation (+24%). Another large index component was the air freight & logistics (-8%) segment, which was considerably weaker. Cargo ground transportation had an average weighting that put it in the No. 3 spot; the return there was a relatively strong gain of 30%. Meanwhile, passenger airlines (-1%) was in negative territory, while passenger ground transportation (+92%) almost doubled in value. Finally, marine transportation recorded a 29% advance the past 12 months.

Q: How was the fund positioned in this environment?

The fund continued to carry meaningful out-of-index exposure to oil & gas storage & transportation, a group that gained 19% for the fund. But in view of how well these investments performed in prior periods, I considerably reduced our holdings in this industry. My goal was to keep the position sizes from getting too large and to lock in some profit. The group had a mildly positive impact on the fund's relative performance this period.

Overall, the fundamentals supporting the group were favorable, in my view. There was healthy demand, resulting from easing pandemic pressures and economic expansion, structural shifts in global refining capacity, dislocations from Russia's invasion of Ukraine, and disruptions in the Red Sea caused by attacks on vessels.

Equally importantly, the supply of tankers suitable for shipping crude oil and refined petroleum products was constrained by a lack of orders for new vessels, an uncertain regulatory environment and financial losses incurred by the industry during the prior decade.

At the other extreme, cargo ground transportation was, by far, the fund's largest industry underweight.

Q: What detracted most versus the MSCI industry index?

Security selection in air freight & logistics, coupled with an overweight in that lagging industry (-8%), had the biggest negative impact on the fund's performance versus the MSCI index. The main driver of this disappointing result was Air Transport Services Group (-43%). The company is the largest lessor of mid-sized cargo aircraft, and I considered it uniquely positioned to capitalize on the growth of e-commerce. Unfortunately, some of the firm's customers have run into financial difficulties the past few quarters, lessening demand for ATSG's services and raising the possibility that it might have to write down some of the aircraft on its balance sheet. I reduced this stock to roughly a neutral position by the end of the period.

A sizable underweight position in the strong-performing cargo ground transportation segment (+30%) – now home to trucking firms – also hurt. I thought many trucking firms had been buoyed by demand from COVID-19 that would likely subside as the world continued to emerge from the pandemic. With that said, not owning index constituents XPO (+261%) and Old Dominion Freight Lines (+31%) detracted significantly this period. XPO's shares were aided by two primary factors. In mid-April, the company named Dave Bates, a highly regarded operations executive from Old Dominion, as its new chief operating officer. Then, in June, media reports indicated that labor and financial issues at Yellow Corporation, one of XPO's main competitors in the trucking space, might force Yellow to file for bankruptcy, which it did in August. Old Dominion was also helped by Yellow's difficulties and by the former's well-deserved reputation as a best-in-class provider of trucking and logistics services. My problem with Old Dominion was its rich stock valuation.

Q: What about contributors?

Stock picking in the market-leading passenger ground transportation group (+92%) notably contributed to the portfolio's relative result, although an underweight offset much of that benefit. Timely exposure to passenger airlines (+2%) – which involved moving from an underweight to a modest overweight – also helped. Valuations in the group had come down, demand seemed to be holding up well and the supply of planes was constrained by production hold-ups at aircraft manufacturers Boeing and Airbus.

In the airline space, underweighting or avoiding United Airlines (-12%), American Airlines Group (-2%), and JetBlue Airways (-22%) stood out as good decisions. In the case of Southwest Airlines (+17%), I established a new position this period near the stock's low point. My preferred strategy for investing in airlines is to minimize exposure to the large network carriers because of their mediocre growth prospects and high cost structures. Instead, I prefer niche carriers with competitive advantages in routes, costs and other factors.

I'll also mention a sizable overweight in Hafnia (+46%) that lifted the portfolio's relative result. The company is one of the world's largest operators of petroleum product and chemical tankers, with more than 200 vessels and a fully integrated shipping platform. Higher volumes, coupled with a constrained supply of tankers, resulted in improving prices and higher profits for the company.

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

I see some promising developments for transportation companies, including lower global inventories, which likely mean more orders and shipments, and diminished prospects for a U.S. recession.

However, the recent attacks on vessels in the Red Sea by Houthi rebels are a concern, as they are causing hundreds of cargo ships and tankers to avoid the Suez Canal, one of the world's most important waterways. Instead, these vessels are being rerouted around the southern tip of Africa – a lengthy detour that adds 4,000 miles to each journey, vastly increasing transport times and freight costs. I'm monitoring these developments closely. ■

Portfolio Manager Matt Moulis on opportunities in LTL carriers:

"Beset by serious labor and financial problems, less-than-truckload transportation company Yellow Corporation, a major player and a low-cost U.S. provider in the industry, declared bankruptcy in August. As the name implies, LTL carriers serve customers who have less than a whole truckload's worth of goods to transport. By consolidating many such customers into a single load, an LTL carrier can run trucks with a full load.

"Importantly, Yellow didn't restructure as a result of its bankruptcy; it completely ceased operations. Consequently, Yellow's volume was divided among the remaining competitors in the industry. In the short term, there's no question that Yellow's bankruptcy has been beneficial for its rivals. The absence of pricing pressure from Yellow, coupled with the added shipping volume, has enabled the remaining companies to reap above-average profits.

"One key question going forward is whether these profits will be durable or merely temporary. Part of the answer to that question will lie in how much capacity the industry adds in the coming years.

"To take advantage of these developments in the LTL space, the fund has a sizable overweight in Saia, a position I meaningfully increased the past 12 months. Saia has room to grow its terminal count and build a national footprint. This will produce both revenue growth and better density, which should help productivity. Additionally, after improving its service level – i.e., damage claims, on-time deliveries and the like – over roughly the past five years, the company has room to raise prices to more closely match peers. Saia (+111%) was a top relative contributor for the fund this reporting period.

"TFI International, an out-of-index position, is in the process of turning around the underperforming LTL business it acquired from UPS in 2021. Our investment in the company modestly detracted from the fund's relative result this period. However, the TFI management team has a track record of successfully improving operational and financial performance of companies it acquires, so I'm confident about this position's prospects."

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
United Airlines Holdings, Inc.	Passenger Airlines	-1.89%	72
Avis Budget Group, Inc.	Passenger Ground Transportation	-0.87%	55
Southwest Airlines Co.	Passenger Airlines	-2.00%	37
American Airlines Group, Inc.	Passenger Airlines	-1.51%	36
Hafnia Ltd.	Oil & Gas Storage & Transportation	1.27%	36

** 1 basis point = 0.01%.*

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
XPO, Inc.	Cargo Ground Transportation	-1.33%	-164
Air Transport Services Group, Inc.	Air Freight & Logistics	3.77%	-163
Alaska Air Group, Inc.	Passenger Airlines	2.05%	-107
Old Dominion Freight Lines, Inc.	Cargo Ground Transportation	-4.61%	-70
Sun Country Airlines Holdings, Inc.	Passenger Airlines	1.03%	-56

** 1 basis point = 0.01%.*

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Domestic Equities	90.59%	100.00%	-9.41%	4.15%
International Equities	8.59%	0.00%	8.59%	-3.69%
Developed Markets	2.45%	0.00%	2.45%	-1.97%
Emerging Markets	6.14%	0.00%	6.14%	-1.72%
Tax-Advantaged Domiciles	0.00%	0.00%	0.00%	0.00%
Bonds	0.00%	0.00%	0.00%	0.00%
Cash & Net Other Assets	0.82%	0.00%	0.82%	-0.46%

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
Rail Transportation	24.73%	26.64%	-1.91%	1.06%
Air Freight & Logistics	20.71%	21.38%	-0.67%	-3.11%
Passenger Ground Transportation	17.91%	18.04%	-0.13%	2.17%
Passenger Airlines	15.74%	13.38%	2.36%	2.40%
Cargo Ground Transportation	7.93%	18.29%	-10.36%	2.97%
Oil & Gas Storage & Transportation	6.22%	--	6.22%	-3.40%
Marine Transportation	5.94%	2.27%	3.67%	0.08%

10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
Union Pacific Corp.	Rail Transportation	17.75%	15.05%
Uber Technologies, Inc.	Passenger Ground Transportation	17.17%	7.71%
United Parcel Service, Inc. Class B	Air Freight & Logistics	12.33%	13.24%
FedEx Corp.	Air Freight & Logistics	4.88%	5.21%
Kirby Corp.	Marine Transportation	4.76%	5.03%
Delta Air Lines, Inc.	Passenger Airlines	3.85%	4.00%
Norfolk Southern Corp.	Rail Transportation	3.76%	2.58%
Saia, Inc.	Cargo Ground Transportation	3.47%	2.42%
Copa Holdings SA Class A	Passenger Airlines	3.35%	3.48%
CSX Corp.	Rail Transportation	3.21%	4.85%
10 Largest Holdings as a % of Net Assets		**74.54%**	**68.23%**
Total Number of Holdings		**44**	**46**

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 Transportation Portfolio Gross Expense Ratio: 0.70%[2]	11.48%	5.87%	17.13%	11.95%	11.07%	10.81%
S&P 500 Index	13.93%	7.11%	30.45%	11.91%	14.76%	12.70%
MSCI US IMI Transportation 25/50 Linked Index	11.80%	5.70%	19.14%	7.04%	10.26%	10.45%
Morningstar Fund Industrials	9.70%	3.50%	17.07%	6.77%	10.36%	9.88%
% Rank in Morningstar Category (1% = Best)	--	--	49%	20%	54%	35%
# of Funds in Morningstar Category	--	--	48	42	40	31

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 09/29/1986.
[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, institutional.fidelity.com, or 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.**

Definitions and Important Information

Information provided in, and presentation of, this document are for informational and educational purposes only and are not a recommendation to take any particular action, or any action at all, nor an offer or solicitation to buy or sell any securities or services presented. It is not investment advice. Fidelity does not provide legal or tax advice.

Before making any investment decisions, you should consult with your own professional advisers and take into account all of the particular facts and circumstances of your individual situation. Fidelity and its representatives may have a conflict of interest in the products or services mentioned in these materials because they have a financial interest in them, and receive compensation, directly or indirectly, in connection with the management, distribution, and/or servicing of these products or services, including Fidelity funds, certain third-party funds and products, and certain investment services.

FUND RISKS

The value of the fund's domestic and foreign investments will vary from day to day in response to many factors. Stock values fluctuate in response to issuer, political, regulatory, market, or economic developments. You may have a gain or loss when you sell your shares. Investments in foreign securities, especially those in emerging markets, involve risks in addition to those of U.S. investments, including increased political and economic risk, as well as exposure to currency fluctuations. Because FMR concentrates the fund's investments in a particular industry, the fund's performance could depend heavily on the performance of that industry and could be more volatile than the performance of less concentrated funds and the market as a whole. The fund is considered non-diversified and can invest a greater portion of assets in securities of individual issuers than a diversified fund; thus changes in the market value of a single investment could cause greater fluctuations in share price than would occur in a more diversified fund. The transportation industry can be significantly affected by changes in the economy, fuel prices, labor relations, insurance costs, and government regulation.

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 Transportation 25/50 Index is a modified market-capitalization-weighted index of stocks designed to measure the performance of Transportation companies in the MSCI U.S. Investable Market 2500 Index. The MSCI U.S. Investable Market 2500 Index is the aggregation of the MSCI U.S. Large Cap 300, Mid Cap 450, and Small Cap 1750 Indices. Index returns shown for periods prior to January 1, 2010 are returns of the MSCI U.S. Investable Market Transportation 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

 Fidelity does not review the Morningstar data and, for mutual fund performance, you should check the fund's current prospectus for the most up-to-date information concerning applicable loads, fees and expenses.

% 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

Matthew Moulis 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. Moulis is responsible for covering the transportation industry. Additionally, he manages Fidelity Select Air Transportation Portfolio and Fidelity Select Transportation Portfolio.

Prior to assuming his current responsibilities, Mr. Moulis covered the education services, alcoholic beverages, and alternative energy industries.

Before joining Fidelity in 2007, Mr. Moulis was an analyst at the Analysis Group. In this capacity, Mr. Moulis was responsible for working with a team to complete economic analyses and research, primarily for litigation purposes. He has been in the financial industry since 2007.

Mr. Moulis earned his bachelor of arts degree in economics and history from Bates College and his master of business administration degree from Massachusetts Institute of Technology (MIT) Sloan School of Management.

PERFORMANCE SUMMARY:
Quarter ending March 31, 2024

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Select Transportation Portfolio Gross Expense Ratio: 0.70%[2]	21.36%	9.87%	11.65%	10.73%
% Rank in Morningstar Category (1% = Best)	52%	38%	58%	46%
# of Funds in Morningstar Category	48	42	40	32

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 09/29/1986.

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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.

Views expressed are through the end of the period stated and do not necessarily represent the views of Fidelity. Views are subject to change at any time based upon market or other conditions and Fidelity disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Fidelity fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Fidelity fund. The securities mentioned are not necessarily holdings invested in by the portfolio manager(s) or FMR LLC. References to specific company securities should not be construed as recommendations or investment advice.

Diversification does not ensure a profit or guarantee against a loss.

Information included on this page is as of the most recent calendar quarter.

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