PORTFOLIO MANAGER Q&A | AS OF FEBRUARY 29, 2024

Fidelity® Select Utilities Portfolio

Key Takeaways

- For the fiscal year ending February 29, 2024, the fund gained 6.01%, handily outperforming the -2.05% return of the MSCI U.S. IMI Utilities 25/50 Index, but widely trailing the 30.45% advance of the broad-based S&P 500® index.
- The past 12 months were challenging for the utilities sector, according to Portfolio Manager Douglas Simmons, as defensive-oriented sectors, such as utilities, pulled back, while shares of companies perceived to benefit from the burgeoning artificial intelligence boom soared.
- Stock and industry selection drove the fund's outperformance of the MSCI sector index, especially in electric utilities, the largest component of the sector index. An overweight and stock picks in independent power producers & energy traders also contributed.
- A larger-than-index stake in Constellation Energy (+128%) was the fund's top individual relative contributor versus the sector index this period.
- Conversely, stock picking in the multi-utilities category, as well as stock selection and an overweight among renewable electricity stocks, modestly detracted from the fund's relative result this period.
- The biggest individual relative detractor was an out-of-index position in NextEra Energy Partners (-55%), the yield company subsidiary of fund holding NextEra Energy (-20%), another investment that also held back the fund's relative result.
- As of February 29, Douglas says he is cautiously optimistic about the long-term outlook for the sector, given its strong business fundamentals, which have been driven in large part by efforts to electrify U.S. transportation and transition the country's power fleet toward renewable energy sources.

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%).

Fidelity INVESTMENTS

Douglas Simmons
Portfolio Manager

Fund Facts

Trading Symbol:	FSUTX
Start Date:	December 10, 1981
Size (in millions):	$1,158.03

Investment Approach

- Fidelity® Select Utilities Portfolio is a sector-based, equity-focused strategy that seeks to outperform the benchmark through active management.
- Within the utilities sector, we favor companies with superior business models that are growing their dividends and trading at discounts, as we believe they have potential to outperform the index over time. We perform bottom-up, fundamental research to form a view on utilities regulation and power prices to complement our stock selection process.
- Our investment approach focuses on stocks with lower valuations and that have the best total-return potential. This includes utilities stocks that have been overly discounted due to more-volatile and less-predictable earnings streams. We test our price assumptions through collaborations with Fidelity's experienced research team, while leveraging a network of industry contacts.
- 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 Douglas Simmons

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

The fund gained 6.01% for the 12 months, handily outperforming the -2.05% return of the MSCI U.S. IMI Utilities 25/50 Index, but trailing the 30.45% advance of the broad-based S&P 500® index. The fund outpaced its peer group average by 7.52 percentage points.

Q: Please describe the market backdrop for utilities stocks the past 12 months.

It was a challenging period for utilities, which was the weakest-performing sector in the S&P 500®. For most of the period, relatively defensive sectors, such as utilities, health care and real estate, underperformed, while shares of companies perceived to benefit from the burgeoning artificial intelligence boom soared. Additionally, despite some volatility, the market reacted positively to the end of the Federal Reserve's interest-rate-hiking campaign, further aiding a rally among growth-oriented stocks.

In the final months of 2023, inflationary trends finally began to ease enough for the Fed to hint it may be done with its rate-hiking campaign, which it had paused since July, holding policy interest rates at a 22-year high. This served to boost all sectors, and utilities stocks gained 8.61% from October through December, only to retreat again in January (-3.29%) and modestly rally in February (+1.46%).

Historically, utilities have exhibited the least economic sensitivity among the 11 equity market sectors, as well as having low beta – meaning the sector's volatility compared with the broader market. As this period progressed, the valuation of the utilities sector fell to its lowest since 1999, at a roughly 15% discount to the S&P 500®, as investors largely rotated into "growthier" stocks.

Q: What notably contributed to the fund's outperformance of the MSCI sector index?

Stock selection meaningfully helped, while industry positioning contributed to a lesser extent. My stock choices in electric utilities, the largest component of the sector index, at about 62%, on average, contributed most. An overweight and stock picks among independent power producers & energy traders also lifted the fund's relative result. Generally speaking, I chose to focus on companies that are driving efforts to decarbonize energy generation, as well as those that can benefit from the "electrification of everything" trend – most notably, the development of electric vehicles and the meaningful increase in demand for global power being driven by, among other things, the data centers that help enable efforts to develop AI.

Looking at the fund's holdings, shares of Constellation Energy gained 128% for the 12 months, making it the biggest individual contributor relative to the index. Constellation owns the largest fleet of nuclear reactors in the United States. Its industry-leading nuclear and renewable fleets are generating carbon-free energy, which is pivotal as the U.S. shifts its energy generation away from fossil fuels. Also, the company stands to benefit from the U.S. Inflation Reduction Act, which includes government subsidies for nuclear energy. This period, Constellation Energy's financials continued to surpass analysts' consensus expectations, which lifted the firm's stock price. As the period wound down, I reduced the fund's stake in the company to lock in some profit and redeployed those assets into stocks that were more cheaply valued. Constellation was still the portfolio's third-largest holding as of February 29.

Among independent power producers, the fund's overweight position in Texas-based Vistra Energy gained about 152% this period. In March 2023, Vistra announced its plan to acquire Ohio-based Energy Harbor's nuclear and retail energy business, which would: make Vistra's nuclear fleet the second largest in the country, behind Constellation; accelerate the growth of Vistra's zero-carbon operations; and add about one million retail customers. Further bolstering enthusiasm for the firm, Vistra posted stronger-than-anticipated financial results this period and issued a bullish outlook for 2024. Vistra was the fund's 13th-largest position as of February 29.

Timely positioning in electric and gas utility Southern (+11%) also meaningfully contributed. Southern's stable regulated business generated solid dividend growth, but the high cost of the company's efforts to build out its nuclear capacity had been weighing on the company's balance sheet. The company is turning its attention to carbon-free energy generation and building two nuclear power plants in Georgia. These new plants were brought online in July, allowing Southern to complement its existing wind and solar efforts. Southern was the fund's top overweight a year ago, but I reduced exposure to the company to lock in a profit and it was a notable underweight as of period end.

Q: How about noteworthy detractors?

By industry group, stock picking in multi-utilities, as well as choices and an overweight in renewable electricity, modestly hurt the fund's relative result this period.

The biggest individual relative detractor was the fund's out-of-index position in NextEra Energy Partners (-55%), the yield company subsidiary of fund holding NextEra Energy (-20%), which was also a detractor. NextEra Energy Partners acquires and manages contracted clean energy projects with a stable, long-term cash flow. The past 12 months, balance-sheet issues and rising interest rates weighed heavily on the firm's stock price. The company subsequently reduced its dividend growth-rate target from a range of 12% to 15% to just 5% to 8%, and the stock dropped further. In January, however, the company raised its dividend and issued guidance for a 13% dividend yield in 2024. Additionally, the company has taken numerous steps to shore up its financials, namely by selling some of its natural gas pipeline assets. I remained confident in the longer-term outlook for the firm, and I slightly increased the fund's stake.

Untimely ownership of Virginia-based regulated utility Dominion Energy (-23%) detracted from the fund's result versus the sector index. While most of Dominion's revenue comes from its regulated electric business, the company's shift away from fossil fuels to more-sustainable renewable resources and costs to build out its infrastructure have hampered its balance sheet and share price. When the stock fell in October, I sold the fund's position to opportunistically buy shares of other companies I believed were better valued and offered better growth opportunities in the longer term. Dominion's stock did rebound somewhat by period end, but still ended the period with a negative return as a component of the index (-8%).

Q: Douglas, any final thoughts for shareholders as of February 29?

I'm cautiously optimistic about the outlook for utilities stocks. As the U.S. continues to focus on electrifying transportation and transitioning the country's power fleet toward renewable energy sources, fundamentals for most utilities segments remain strong. From my perspective, these companies are at the epicenter of the shift away from fossil fuels, which could translate to faster earnings growth for U.S. utilities. Despite these solid business fundamentals, utilities is the most cheaply valued it has been – on a comparative price/earning basis, relative to the S&P 500® – in the past 20 years. At the same time, the average earnings growth and dividend growth rates are the highest they've been in about two decades. So, I think the resilience of utilities as a group has been underestimated and underappreciated by the market.

Given this dynamic, I believe utilities remain an attractive area for investment, given their stable earnings growth and low volatility when compared with the broader market. Due to consistent – and rising – demand for energy, utilities have often, in recent years, grown in both up and down markets. These qualities make utilities the least-economically sensitive sector in the market, and we believe the stocks can provide ballast to the portfolio in an uncertain environment. Thank you for your support of my stewardship of the fund. ■

Douglas Simmons on the 'electrification of everything':

"In order for the U.S. to achieve its ambitious goal of a net-zero emissions economy by 2050, consumers have increasingly turned to electricity to fuel their vehicles, homes, workplaces and factories. Products and systems run off electricity generated by wind, solar and nuclear power are beginning to proliferate in the marketplace.

"For example, 10 million electric vehicles were sold globally in 2022, and EV sales grew 34% in 2023. To provide perspective on the scale of this growth, in the U.S. EVs represented about 4% of total car sales in 2020. In 2022, EVs soared to 13% of overall sales, and that percentage climbed to 16% in 2023.

"As the world looks to decarbonize many facets of everyday life with clean energy, demand for electricity could increase significantly.

"In line with the theme of the 'electrification of everything,' the fund owns overweight positions in shares of three California-based electric utilities: Sempra, PG&E and Edison International, each of which is among the fund's top-five holdings as of February 29.

"California is at the heart of this electrification movement. Due to aggressive regulation of emissions, California has long dominated the EV market. This market is poised to grow further, as the state is requiring all new vehicles sold in California to have zero emissions by 2035. Just a decade ago, electric vehicles represented 2% of car sales in California. In 2023, roughly 25% of the state's new auto sales are EVs.

"In my view, PG&E, Edison International and Sempra are well-positioned to benefit from surging demand for electricity, from EVs and other 'clean energy' products and technologies. I expect these companies to post solid profit growth, as they continue to build out their renewable capabilities to meet rising demand."

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Constellation Energy Corp.	Electric Utilities	3.47%	266
Vistra Corp.	Independent Power Producers & Energy Traders	1.84%	178
Southern Co.	Electric Utilities	4.63%	96
PG&E Corp.	Electric Utilities	3.84%	47
NRG Energy, Inc.	Electric Utilities	0.52%	46

** 1 basis point = 0.01%.*

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
NextEra Energy Partners LP	Renewable Electricity	0.68%	-59
Dominion Energy, Inc.	Multi-Utilities	-1.36%	-30
Consolidated Edison, Inc.	Multi-Utilities	-2.73%	-15
NextEra Energy, Inc.	Electric Utilities	1.57%	-10
DTE Energy Co.	Multi-Utilities	-0.08%	-9

** 1 basis point = 0.01%.*

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Domestic Equities	98.38%	100.00%	-1.62%	-0.31%
International Equities	0.36%	0.00%	0.36%	0.36%
Developed Markets	0.36%	0.00%	0.36%	0.36%
Emerging Markets	0.00%	0.00%	0.00%	0.00%
Tax-Advantaged Domiciles	0.00%	0.00%	0.00%	0.00%
Bonds	0.00%	0.00%	0.00%	0.00%
Cash & Net Other Assets	1.26%	0.00%	1.26%	-0.05%

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
Electric Utilities	68.97%	62.01%	6.96%	3.89%
Multi-Utilities	17.54%	25.95%	-8.41%	-2.35%
Independent Power Producers & Energy Traders	7.39%	2.75%	4.64%	-0.21%
Renewable Electricity	1.18%	0.98%	0.20%	-0.17%
Gas Utilities	1.17%	4.39%	-3.22%	-3.22%
Electrical Components & Equipment	1.16%	--	1.16%	1.16%
Water Utilities	1.02%	3.92%	-2.90%	-2.51%
Industrial Gases	0.31%	--	0.31%	0.31%

10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
NextEra Energy, Inc.	Electric Utilities	13.05%	13.28%
Sempra	Multi-Utilities	8.94%	7.54%
Constellation Energy Corp.	Electric Utilities	6.57%	7.96%
PG&E Corp.	Electric Utilities	6.07%	6.85%
Edison International	Electric Utilities	5.98%	4.85%
FirstEnergy Corp.	Electric Utilities	5.48%	3.01%
American Electric Power Co., Inc.	Electric Utilities	5.02%	--
Southern Co.	Electric Utilities	4.94%	12.67%
Entergy Corp.	Electric Utilities	4.88%	1.76%
Eversource Energy	Electric Utilities	4.85%	2.04%
10 Largest Holdings as a % of Net Assets		**65.77%**	**68.53%**
Total Number of Holdings		**35**	**27**

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 Utilities Portfolio Gross Expense Ratio: 0.69%[2]	3.27%	-1.17%	6.01%	8.63%	6.98%	8.33%
S&P 500 Index	13.93%	7.11%	30.45%	11.91%	14.76%	12.70%
MSCI US IMI Utilities 25/50	0.52%	-1.88%	-2.05%	4.97%	4.50%	7.79%
Morningstar Fund Utilities	0.46%	-2.47%	-1.51%	4.03%	4.05%	6.63%
% Rank in Morningstar Category (1% = Best)	--	--	4%	7%	1%	1%
# of Funds in Morningstar Category	--	--	63	59	58	51

[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 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 utilities industries can be significantly affected by government regulation, financing difficulties, supply and demand of services or fuel, and natural resource conservation.

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 Utilities 25/50 Index is a customized blend of the following unmanaged indices: MSCI US IM Utilities 25/50 Index - 100%. The composition differed in periods prior to January 01 2010.

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

 The Morningstar information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or redistributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this 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

Douglas Simmons is a 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. Simmons manages Fidelity Telecom and Utilities Fund, Fidelity Select Utilities Portfolio, Fidelity VIP Utilities Portfolio, and the Fidelity Advisor Utilities Fund. As a member of Fidelity's Stock Selector Large Cap Group, he is also responsible for managing the utilities sleeves for various diversified sector-based portfolios.

Prior to assuming his current responsibilities in September 2005, Mr. Simmons served as a utilities analyst covering the electric and gas utility stocks.

Before joining Fidelity in 2003, Mr. Simmons worked as a financial analyst at the private equity firm Hicks, Muse, Tate & Furst. Previously, Mr. Simmons was an investment banking analyst at Morgan Stanley. He has been in the financial industry since 1997.

Mr. Simmons earned his bachelor of business administration degree in finance from The University of Texas at Austin, where he graduated with highest honors, and his master of business administration degree from Harvard Business School.

PERFORMANCE SUMMARY:
Quarter ending March 31, 2024

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Select Utilities Portfolio Gross Expense Ratio: 0.69%[2]	8.50%	8.16%	7.86%	8.70%
% Rank in Morningstar Category (1% = Best)	8%	5%	1%	1%
# of Funds in Morningstar Category	63	59	58	51

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[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.

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