Fidelity® Select Biotechnology Portfolio

Key Takeaways

- For the fiscal year ending February 29, 2024, the fund gained 22.99%, handily topping the 15.03% advance of the MSCI U.S. IMI Biotechnology 25/50 Index, but well behind the 30.45% result of the broadly based S&P 500® index.
- According to Portfolio Manager Rajiv Kaul, biotechnology stocks – especially those with smaller market capitalizations – lagged the broader stock market for most of the past 12 months but performed well in the rally that began in the final days of October.
- By comparison, the broad-based S&P 500® index was powered by the global rush to jump aboard the generative artificial intelligence train, as well as by an expanding global economy and cooling inflation, which prompted the Federal Reserve to pause its campaign to raise short-term interest rates in July.
- Stock selection in the fund's core biotechnology segment was the prime contributor to its performance versus the MSCI biotech index this period.
- A sizable overweight in stocks with a market capitalization in the range of $2 billion to $5 billion was particularly helpful.
- Conversely, a non-index position in diversified financial services via a stake in Bio AB Holdings, a Fidelity investment fund containing privately traded, early-stage biotech holdings, detracted from relative performance this period.
- As of February 29, Rajiv believes that recent concerns about inflation, Fed rate hikes and economic slowing have created attractive valuations in biotech stocks, especially among small- and mid-caps.
- He says he continues to favor companies with what he considers compelling prospects based on their products or pipelines.

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%).

Rajiv Kaul
Portfolio Manager

Fund Facts

Trading Symbol:	FBIOX
Start Date:	December 16, 1985
Size (in millions):	$4,916.38

Investment Approach

- Fidelity® Select Biotechnology Portfolio is an industry-based, equity-focused strategy that seeks to outperform its benchmark through active management.
- Fundamental, bottom-up research leveraging our experienced global health care team is the primary source of idea generation. Our analysis is driven by a data and statistical approach that emphasizes valuation through free cash flow and risk-adjusted net present value of future earnings, the latter being the standard valuation method in the drug-development industry.
- Our investment approach includes evaluating a company's drug pipeline, the size of its market opportunity and its relative valuation. We position the fund around four major themes: long-term winners with strong product pipelines – our primary focus – turnaround situations, breakthrough innovations and early-stage firms with promising science.
- 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 Rajiv Kaul

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

The fund gained 22.99% the past 12 months, handily topping the 15.03% advance of the MSCI U.S. IMI Biotechnology 25/50 Index, but well behind the 30.45% result of the broadly based S&P 500® index. The fund roughly doubled the peer group average, which tracks the entire health care sector.

Q: What was the market environment like for biotechnology stocks the past 12 months?

The MSCI industry index considerably lagged the S&P 500® index, which was powered mainly by information technology and communication services stocks amid the global rush to jump aboard the generative artificial intelligence train. The S&P 500® also was aided by an expanding global economy and cooling inflation, which in July prompted the U.S. Federal Reserve to pause its campaign to raise short-term interest rates.

With that said, biotech shares were supported by a steady stream of favorable clinical results and an active market for mergers and acquisitions. The value of biotech deals spiked roughly 45% in 2023, per data from the London Stock Exchange Group, running counter to the broad market. There were 1,078 biotech deals worth $122.2 billion in 2023, compared with 1,088 deals worth $84.2 billion the previous year. A prime motivation for companies prowling the acquisition trail was impending drug expiries, along with new federal rules and regulations. Consequently, established companies were looking to buy growth.

Large-cap biotechnology stocks outperformed early in the period, but small- and mid-cap biotech shares came on strong in the final four months, when the broader market turned higher. Overall, I felt the market offered ample opportunity for managers like me who have a disciplined approach and keep the focus on companies with attractive risk-adjusted net present value.

Q: What notably contributed to the fund's performance versus the MSCI industry index?

Stock selection in the fund's core biotechnology segment was overwhelmingly the top contributor to relative performance, adding 10.41 percentage points. By market cap, a sizable overweight in stocks with a value in the range of $2 billion to $5 billion was particularly helpful. For context, biotech stocks in the MSCI index with the largest market capitalization, greater than $100 billion, posted a collective gain of 19% for the 12 months. Meanwhile, those in the range of $2 billion to $5 billion, where the fund was most heavily overweighted, advanced 58%.

One of the fund's holdings in this group was a sizable overweight in Krystal Biotech (+95%), which paid off handsomely this period. The shares saw a big jump in May, after the company announced that it had received U.S. Food and Drug Administration approval for Vyjuvek™, or beremagene geperpavec-svdt, as the first therapy to treat dystrophic epidermolysis bullosa, known as "butterfly skin," at the genetic level. This rare disease weakens the skin, causing it to blister easily and leading to a greater incidence of injury.

The stock saw another big gain near the end of February, after Krystal reported blowout Q4 earnings, with sales of Vyjuvek™ leaping 390% to $42 million. I trimmed the position, but it was still the fund's third-largest holding, at about 6% of assets, and top overweight, by far, as of February 29.

Overweighting Biohaven (+224%) – also in the strong-performing market-cap category I mentioned – proved to be timely the past 12 months. Investors rewarded the shares based on the company's promising pipeline of products. One of the key reasons for optimism is the anticipation for taldefgrobep alfa, which appears poised to become a leading drug in the muscle-building class. The treatment, currently in phase 3 clinical trials, is the only myostatin inhibitor in clinical development that targets both myostatin and activin A signaling, two key regulators of muscle mass and adipose tissue.

Additionally, I am optimistic about Biohaven's program to treat obsessive-compulsive disorder, given the promising phase 2 trial results and prospects for the upcoming phase 3 readout. I reduced the fund's position, but Biohaven was among the largest overweights as of February 29.

I'll also mention an out-of-index stake in Denmark-based Zealand Pharma, which rose 200% the past 12 months. The company's share price soared near period end after an experimental weight-loss drug it is developing with German pharma company Boehringer Ingelheim yielded what they called "groundbreaking" mid-stage trial results in the treatment of fatty liver. The study is channeling investor interest in a related disease area: the global race for new obesity treatments. I increased the fund's allocation this period, placing Zealand among our top holdings and overweights as of February 29.

Q: What about noteworthy detractors?

A non-index position in diversified financial services via a stake in Bio AB Holdings (-47%), a Fidelity investment fund containing privately traded, early-stage biotech holdings, notably detracted from relative performance this period. One of the companies in the firm's investment portfolio, Adimab, reported significantly weaker-than-expected revenue, owing to slower spending from customers on Adimab's antibody programs, therefore delaying cash flows. Moreover, unfavorable market conditions led to lower valuations for comparable biotech companies during the period, leading to a large write-down in Adimab's valuation to reflect the challenging environment.

With that said, a sizable underweight in Amgen (+23%) was by far the fund's largest individual relative detractor. Shares of the biotechnology giant, which represented about 13% of the MSCI index this period, on average, received a boost after Amgen posted better-than-expected second-quarter earnings and revenue.

Amgen also increased its forecast for full-year 2023 revenue. One highlight of the quarter was the strong increase in sales of osteoporosis drug EVENITY® to a record $281 million, driven by strong growth in volume.

Further, Amgen investors thought the company might soon have some positive news to report on its treatments for obesity. Aside from its phase 2 candidate MariTide, or maridebart cafraglutide, and an oral small molecule dubbed AMG 786 that's currently in phase 1 testing, Amgen says it has a preclinical pipeline of "a half dozen or so" obesity candidates that are "rapidly advancing." It's too early to know how these efforts will pan out, but I was intrigued enough to meaningfully add to the fund's position and narrow the underweight in Amgen, which climbed to the fund's second-largest holding as of February 29.

Q: What are your final thoughts about biotech stocks as of February 29, Rajiv?

Biotech shares came alive from November through February. Whether this continues likely depends partly on the path taken by the U.S. economy. I think its prospects are good if the U.S. can sidestep a recession, which appears to be happening as we close out February.

There is tremendous value being created in companies doing important work on conditions such as obesity, depression, various types of infectious disease and many other maladies, in my view, and this has led to significant mismatches between valuations and fundamentals.

You can think of this value creation as pressure building in a pot of hot water. Eventually, the pressure will cause the water to bubble and even lift the lid of the pot. Similarly, companies with solid fundamental prospects tend to exert upward pressure on the stock price, which, in time, will likely "bubble over" and move higher. These are the situations I'm looking for. ■

Portfolio Manager Rajiv Kaul on GLP-1 drugs to treat obesity:

"GLP-1 drugs were one theme fueling investors' optimism the past 12 months. They represent a fairly new class of drugs that mimic a gut hormone called glucagon-like peptide-1, or GLP-1. Clinical studies have shown that they not only induce significant weight loss but also have beneficial effects on blood glucose and blood pressure, therefore reducing the risk of diabetes and heart disease. In fact, the results have been so impressive that GLP-1 drugs were named 2023's "Breakthrough of the Year" by the academic journal *Science*.

"The market for these drugs is enormous. According to the nonprofit Food Research & Action Center, obesity in the U.S. has more than doubled in adults and children since the 1970s. Meanwhile, the World Health Organization reports that overweight and obesity rates have reached epidemic proportions across Europe.

"Early entries in the GLP-1 category include Novo Nordisk's Ozempic® and Trulicity®, manufactured by Eli Lilly. Since then, both companies have come out with updated versions – Wegovy® from Novo Nordisk and Mounjaro® from Lilly. However, these drugs have at least one significant drawback: They must be injected, which is both more expensive and less convenient than oral medications. Attempts to develop oral GLP-1 treatments have disappointed so far, though, as it has proven difficult to recreate an effective GLP-1 peptide in pill form.

"With that said, I'm confident there will be some breakthroughs soon, and the fund owns a handful of companies working in this area. One is Amgen, where I significantly increased the fund's exposure. As I mentioned, Amgen has a significant pipeline, both preclinical and in more-advanced stages of testing, of obesity candidates that have 'rapidly advanced,' according to the company.

"Additionally, fund holdings Structure Therapeutics, a non-index position, and Viking Therapeutics continue to innovate, layering in other weight-loss mechanisms to create even more effective products. Viking Therapeutics was a new position this period."

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Krystal Biotech, Inc.	Biotechnology	4.51%	273
Biohaven Ltd.	Biotechnology	1.14%	136
Gilead Sciences, Inc.	Biotechnology	-7.56%	128
Zealand Pharma A/S	Biotechnology	0.69%	109
Moderna, Inc.	Biotechnology	-1.69%	101

** 1 basis point = 0.01%.*

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Amgen, Inc.	Biotechnology	-9.13%	-223
Adimab LLC	Diversified Financial Services	1.50%	-122
AbbVie, Inc.	Biotechnology	-9.13%	-59
Ventyx Biosciences, Inc.	Pharmaceuticals	0.37%	-55
Prothena Corp. PLC	Biotechnology	0.75%	-55

** 1 basis point = 0.01%.*

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Domestic Equities	92.21%	100.00%	-7.79%	1.32%
International Equities	7.87%	0.00%	7.87%	-1.16%
Developed Markets	7.17%	0.00%	7.17%	-0.44%
Emerging Markets	0.70%	0.00%	0.70%	-0.72%
Tax-Advantaged Domiciles	0.00%	0.00%	0.00%	0.00%
Bonds	0.00%	0.00%	0.00%	0.00%
Cash & Net Other Assets	-0.08%	0.00%	-0.08%	-0.16%

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
Biotechnology	93.33%	100.00%	-6.67%	0.89%
Pharmaceuticals	5.13%	--	5.13%	0.13%
Diversified Financial Services	1.01%	--	1.01%	-0.55%
Health Care Technology	0.26%	--	0.26%	-0.17%
Life Sciences Tools & Services	0.24%	--	0.24%	-0.13%
Health Care Services	0.10%	--	0.10%	-0.01%
Health Care Equipment	0.01%	--	0.01%	0.00%
Drug Retail	0.00%	--	0.00%	0.00%

10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
AbbVie, Inc.	Biotechnology	13.46%	14.31%
Amgen, Inc.	Biotechnology	7.11%	2.30%
Krystal Biotech, Inc.	Biotechnology	6.44%	5.38%
Regeneron Pharmaceuticals, Inc.	Biotechnology	4.22%	5.16%
Vertex Pharmaceuticals, Inc.	Biotechnology	3.16%	4.43%
Gilead Sciences, Inc.	Biotechnology	2.19%	0.50%
Alnylam Pharmaceuticals, Inc.	Biotechnology	2.01%	3.44%
Ascendis Pharma A/S sponsored ADR	Biotechnology	1.98%	1.41%
Apellis Pharmaceuticals, Inc.	Biotechnology	1.71%	1.12%
Arcellx, Inc.	Biotechnology	1.70%	1.06%
10 Largest Holdings as a % of Net Assets		**43.99%**	**45.02%**
Total Number of Holdings		**199**	**223**

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 Biotechnology Portfolio Gross Expense Ratio: 0.66%[2]	19.69%	9.53%	22.99%	-4.28%	7.01%	6.25%
S&P 500 Index	13.93%	7.11%	30.45%	11.91%	14.76%	12.70%
MSCI US IMI Biotechnology 25/50	14.78%	4.62%	15.03%	5.47%	10.19%	8.76%
Morningstar Fund Health	9.08%	5.27%	11.02%	-0.81%	7.31%	8.41%
% Rank in Morningstar Category (1% = Best)	--	--	9%	76%	64%	77%
# of Funds in Morningstar Category	--	--	177	158	136	113

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 12/16/1985.
[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

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The biotechnology industry can be significantly affected by patent considerations, intense competition, rapid technological change and obsolescence, and government regulation, and revenue patterns can be erratic. 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 Biotechnology 25/50 Index represents the performance of the MSCI US IM Biotechnology 25/50 Index since January 1, 2010, and the MSCI US Investable Market Capital Goods 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

% 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

Rajiv Kaul 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. Kaul manages Fidelity Select Biotechnology Portfolio. Additionally, he is responsible for covering biotechnology stocks.

Prior to assuming his current responsibilities, Mr. Kaul managed Fidelity Advisor Biotechnology Fund, Fidelity Growth Strategies Fund, Fidelity Advisor Growth Strategies Fund and VIP Growth Strategies Portfolio. Previously, he followed emerging telecommunications equipment stocks and managed Select Communications Equipment Portfolio and Select Biotechnology Portfolio. He has been in the financial industry since joining Fidelity's Equity research department in 1996.

Mr. Kaul earned his bachelor of arts degree from Harvard. He is also a member of the research advisory council at Massachusetts General Hospital (MGH), the research hospital of Harvard Medical School.

PERFORMANCE SUMMARY:
Quarter ending March 31, 2024

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Select Biotechnology Portfolio Gross Expense Ratio: 0.66%[2]	26.75%	-2.11%	7.05%	7.72%
% Rank in Morningstar Category (1% = Best)	10%	67%	66%	72%
# of Funds in Morningstar Category	178	159	136	114

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 12/16/1985.

[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.

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.

Fidelity Brokerage Services LLC, Member NYSE, SIPC, 900 Salem Street, Smithfield, RI 02917.

Fidelity Distributors Company LLC, 500 Salem Street, Smithfield, RI 02917.

736998.18.0