Fidelity® Select Communication Services Portfolio

Key Takeaways

- For the fiscal year ending February 29, 2024, the fund's Retail Class shares gained 52.13%, notably outpacing the 42.33% advance of the MSCI U.S. IMI Communication Services 25/50 (Media Linked) Index and then 30.45% result of the broad-based S&P 500® index.
- After a significant decline in 2022, the communication services sector rebounded strongly in 2023 and into early 2024, posting the second-strongest result among the 11 sectors in the S&P 500®, behind only information technology, for the past 12 months.
- Healthy consumer demand, easing cost pressure and improved digital demand created a favorable operating environment for the sector, while new developments in generative artificial intelligence generated a lot of excitement.
- Portfolio Manager Matthew Drukker's stock selection and industry positioning contributed to the fund's considerable outperformance of the MSCI sector index the past 12 months. Specifically, comparatively light exposure to the underperforming integrated telecommunication services segment and investment choices in the movies & entertainment industry were beneficial.
- Among interactive media & services stocks, a larger-than-index position in Meta Platforms gained 180% this period, making it the fund's top individual relative contributor.
- Conversely, picks and a meaningful overweight in the lagging cable & satellite industry detracted from the fund's relative result this period. Security selection among interactive home entertainment stocks also hurt, though to a much lesser extent.
- Larger-than-index stakes in cable firms Liberty Broadband (-31%) and Charter Communications (-19%) were the fund's biggest individual relative detractors, respectively.
- Looking ahead, Matt is cautiously optimistic about communication services stocks after their recent outperformance. Still, he believes there is a long runway for growth, driven by consumers spending more time and increasingly shopping online, stoking demand for faster broadband and effective, targeted digital advertising.

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 Drukker
Portfolio Manager

Fund Facts

Trading Symbol:	FBMPX
Start Date:	June 30, 1986
Size (in millions):	$1,516.25

Investment Approach

- Fidelity® Select Communication Services Portfolio is a sector-based, equity-focused strategy that seeks to outperform its benchmark through active management.
- We employ a bottom-up, stock-by-stock approach to capitalize on our view that growth and revisions to earnings and free cash flow per share drive communication services stocks. As such, the fund tends to emphasize companies with sustainable growth that is likely to beat expectations, as well as secular growers that can drive consistent excess returns.
- We use fundamental analysis, supported by Fidelity's deep and experienced global technology, media and telecommunication team, to identify stocks that we believe have the greatest dislocation between long-term earnings-growth potential and valuation.
- 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 Matthew Drukker

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

The fund's Retail Class shares gained 52.13% the past 12 months, notably outpacing the 42.33% advance of the MSCI U.S. IMI Communication Services 25/50 (Media Linked) Index and the 30.45% result of the broad-based S&P 500® index. The portfolio handily outperformed the Morningstar peer group average for the period.

Q: What factors influenced the environment for communication services stocks this period?

It was a very solid 12 months for communication services firms, which posted the second-strongest result of the 11 equity sectors in the S&P 500® index, behind only information technology.

I think it's important to look back on the past few years to put this strong performance into context. During the COVID-19 pandemic, the valuations of many of companies in the communication services sector soared because demand for digital products and services skyrocketed.

Then, as the world gradually reopened starting in 2022, valuations for these stocks largely pulled back as these businesses lapped their strong pandemic-driven results and slowed to more-normalized growth trends. Rising inflation and interest rates also weighed on firms throughout the sector, causing many to post negative earnings revisions, which further hampered valuations. As the calendar turned to 2023, earnings estimates and valuations for communication services stocks had bottomed.

After a -38.74% return for the sector in 2022, I was not surprised by the strong rebound in 2023 and into 2024, given the reversal of many factors. Healthy consumer demand, easing cost pressure and improved digital demand created a much more favorable operating environment for these businesses. We started to see positive earnings-per-share revisions in the low double digits, while demand for communication services stocks improved, resulting in higher stock valuations.

Additionally, new developments in generative artificial intelligence created a lot of excitement among investors, and perceived beneficiaries of AI tended drove the sector's strong performance for the past 12 months.

Q: What contributed most to the fund's performance versus the MSCI sector index?

Both favorable stock selection and industry positioning propelled the portfolio's considerable outperformance the past 12 months. More specifically, comparatively light exposure to the underperforming integrated telecommunication services segment and investment choices in the movies & entertainment industry were extremely beneficial. Largely avoiding the lagging broadcasting segment also helped.

Turning to individual stocks, untimely positioning in Meta Platforms (+180%) was the top relative contributor this period. Following a lackluster 2022, when the company lapped strong pandemic-influenced results of the prior year and posted negative earnings revisions, its outlook tilted more positively in 2023. The firm reduced its operating costs, which helped lift earnings. Improvement in its advertising business and higher engagement with its Reels short-form video product also fueled the company's results the past 12 months. Investor concerns about the impact of Apple's ad-tracking changes on Meta's digital advertising business abated, as the latter invested in and integrated artificial intelligence into its operations to better target its advertising capabilities. The result has been a success and created value, especially for small businesses. As of February 29, Meta was the fund's largest holding, at 25% of assets, but the No. 2 underweight. I continued to maintain conviction in its long-term prospects, especially as a potential beneficiary of AI.

An untimely underweight and lack of exposure to index components AT&T (-4%) and Verizon Communications (+11%), respectively, also helped. This period, revenue for both companies remained under pressure amid rising competition from cable providers and other potential new entrants in the wireless arena, and subscriber growth slowed. While I intentionally avoided many of the firms within the integrated telecom services group – due to the maturity of the wireless market, competition and tepid growth of the industry's major players, including AT&T and Verizon – I notably shifted the fund's position in former to a modest overweight by the end of this reporting period. The company sold off some of its challenged assets, including Time Warner and DirecTV, and is refocusing its efforts on its core connectivity business. AT&T's valuation also dropped substantially, and I believe the market was overly negative on the value of the business, its expanding fiber network and free-cash-flow growth.

I'll also mention the fund's non-index stake in Uber Technologies, which gained 140% for the past 12 months. Late in the period, shares of the ride-hailing, courier, food-delivery and freight-transport services company rose after Uber reporting considerably higher-than-anticipated net income for the fourth quarter, capping 2023 with an annual operating profit for the first time since going public in 2019. Uber was the fund's second-largest overweight position versus the sector index and its eighth-largest holding at the end of February, even though I reduced it this period.

Q: What notably detracted?

My picks and a meaningful overweight in the cable & satellite industry pressured the fund's relative result most. Security selection among interactive home entertainment stocks also detracted, though to a much lesser extent.

Among individual investments, overweight positions in cable provider Liberty Broadband (-31%) and Charter Communications (-19%) each meaningfully underperformed the broader sector. Over the course of the period, subscriber growth slowed more than anticipated, while increased competition from 5G fixed wireless service providers also weighed on investor sentiment for the industry, including Liberty Broadband and Charter Communications. Longer term, however, I still believe these businesses remain well-positioned as the low-cost-per-bit providers of home broadband. These companies also have the capability to bundle home broadband services with wireless services at attractive prices for customers, which could potentially help them gain market share over time.

Q: Any final thoughts for shareholders, Matt?

As of February 29, I remain cautiously optimistic. Communication services stocks are coming off a very strong period of performance – both on an absolute basis and relative to the broader market – and I believe there is still a long runway for continued growth in the sector.

Consumers are spending more time and increasingly shopping online, which is driving demand for faster broadband and effective, targeted digital advertising. I view the rise of time spent online, the increase of e-commerce and digital advertising, and the resulting demand for broadband used for data consumption as the main themes that could propel the sector's continued growth. Additionally, with the integration of AI, I believe these trends may even accelerate faster than the market is anticipating.

That said, I believe it's important to maintain a balanced approach to investing in communication services stocks, which I believe helps deliver consistent results through periods of elevated volatility.

Owning shares of companies across the diverse spectrum of the sector and focusing on those that can benefit from the key themes I believe are driving growth has allowed the fund to weather the market's volatility of the past several years, and I maintain confidence that it should continue to serve the fund well. ■

Portfolio Manager Matt Drukker on artificial intelligence in the communication services sector:

"Artificial intelligence has been a notable catalyst for growth in the communication services sector for the past decade. For example, using AI capabilities, digital advertising platforms are now able to offer consumers hyper-personalized recommendations for products, services and content, based on their search, purchase and viewing history, all of which ultimately drives online engagement and prompts consumers to take action. By unlocking this hyper-personalization, AI has led to much better efficiency and incredible value in connecting businesses with consumers to increase revenue across the board.

"The communication services companies that are uniquely advantaged as the developers of AI products, innovation and the technology itself are ones that have access to significant computing power, engineering capabilities driven by talented computer science engineers specializing in AI, and massive amounts of data required to customize AI-driven models, all of which should aid firms' value propositions.

"In my view, the two best-positioned companies with these crucial elements are Meta Platforms, the parent of Facebook and Instagram, and Google-parent Alphabet, the fund's two largest holdings at period end. Each was underweight on February 29. Both have leveraged their massive stores of data and used innovative technology to develop their own supercomputers to advance their AI-driven capabilities. Moreover, their computer engineers have been developing the building blocks of AI for the past decade. Additionally, Meta and Facebook have proven abilities and track records in leveraging AI to drive engagement and digital advertising. In addition, they are now leading this next phase of development of generative AI and corresponding monetization of this new technology.

"Meta and Google also have billions of users, which allows them to introduce AI-driven products and services. It also enables them to quickly achieve adoption and scale, which is a valuable advantage that I believe could help bolster growth for both companies in the long term."

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Meta Platforms, Inc. Class A	Interactive Media & Services	2.79%	304
AT&T, Inc.	Integrated Telecommunication Services	-0.78%	218
Uber Technologies, Inc.	Passenger Ground Transportation	2.71%	195
Verizon Communications, Inc.	Integrated Telecommunication Services	-4.31%	149
Amazon.com, Inc.	Broadline Retail	3.72%	138

** 1 basis point = 0.01%.*

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Liberty Broadband Corp. Class A	Cable & Satellite	2.94%	-281
Charter Communications, Inc. Class A	Cable & Satellite	2.36%	-185
Alphabet, Inc. Class A	Interactive Media & Services	-3.54%	-126
Liberty Latin America Ltd. Class A	Alternative Carriers	1.04%	-99
Sea Ltd. ADR	Interactive Home Entertainment	0.78%	-92

** 1 basis point = 0.01%.*

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Domestic Equities	93.22%	99.94%	-6.72%	-3.43%
International Equities	2.43%	0.06%	2.37%	0.11%
Developed Markets	2.43%	0.06%	2.37%	0.11%
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	4.35%	0.00%	4.35%	3.32%

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
Interactive Media & Services	48.65%	53.12%	-4.47%	-4.30%
Movies & Entertainment	17.15%	15.64%	1.51%	2.00%
Cable & Satellite	7.25%	7.01%	0.24%	-3.46%
Broadline Retail	5.58%	--	5.58%	1.35%
Integrated Telecommunication Services	4.65%	8.33%	-3.68%	-0.42%
Interactive Home Entertainment	3.93%	3.15%	0.78%	2.91%
Wireless Telecommunication Services	3.52%	3.19%	0.33%	-0.76%
Passenger Ground Transportation	2.38%	--	2.38%	-0.56%
Alternative Carriers	2.12%	1.83%	0.29%	0.14%
Broadcasting	0.19%	2.34%	-2.15%	-2.15%
Other	0.23%	3.54%	-3.31%	-1.04%

10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
Meta Platforms, Inc. Class A	Interactive Media & Services	25.14%	21.42%
Alphabet, Inc. Class A	Interactive Media & Services	18.72%	20.13%
The Walt Disney Co.	Movies & Entertainment	6.14%	2.92%
Amazon.com, Inc.	Broadline Retail	5.58%	4.23%
AT&T, Inc.	Integrated Telecommunication Services	4.65%	4.76%
T-Mobile U.S., Inc.	Wireless Telecommunication Services	3.52%	4.29%
Netflix, Inc.	Movies & Entertainment	3.43%	6.87%
Uber Technologies, Inc.	Passenger Ground Transportation	2.38%	2.94%
Liberty Broadband Corp. Class A	Cable & Satellite	2.23%	4.65%
Comcast Corp. Class A	Cable & Satellite	2.14%	3.32%
10 Largest Holdings as a % of Net Assets		**73.92%**	**77.03%**
Total Number of Holdings		**45**	**39**

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 Communication Services Portfolio Gross Expense Ratio: 0.70%[2]	19.28%	8.90%	52.13%	4.88%	14.39%	10.63%
S&P 500 Index	13.93%	7.11%	30.45%	11.91%	14.76%	12.70%
MSCI US IMI Communication Services 25/50 (Media Linked) Index	17.69%	8.81%	42.33%	0.82%	10.31%	8.23%
Morningstar Fund Communications	10.50%	3.69%	24.26%	-5.29%	7.17%	6.34%
% Rank in Morningstar Category (1% = Best)	--	--	4%	2%	3%	8%
# of Funds in Morningstar Category	--	--	49	44	39	28

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 06/30/1986.
[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.**

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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 communication services industries can be significantly affected by government regulation, intense competition, technology changes and general economic conditions, consumer and business confidence and spending, and changes in consumer and business preferences. 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 Media 25/50 Index is a modified market capitalization-weighted index of stocks designed to measure the performance of Communication Services companies in the MSCI US Investable Market 2500 Index. Index returns shown for the period January 1, 2010 to November 30, 2018 are returns of the MSCI US IM Media 25/50 Index. Index returns shown for periods prior to January 1, 2010 are returns of the MSCI US IM Media 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

 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

Matthew Drukker is a portfolio manager and research analyst 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. Drukker manages the Fidelity Select Communication Services Portfolio. He is also responsible for covering the Communication Services Sector including Telecom, Media and Video Games. Additionally, he manages Fidelity Select Telecommunications Portfolio, Fidelity Communication Services Central Fund, VIP Communications Services Portfolio, and Fidelity Select Wireless Portfolio. He is also responsible for managing the communication services sub-portfolio of Fidelity Stock Selector All Cap Fund.

Prior to assuming his current responsibilities, Mr. Drukker co-managed Select Wireless Portfolio and covered the restaurant industry. Previously, he was an intern in Fidelity's Equity Research division.

Before joining Fidelity full time in 2008, Mr. Drukker was an investment banker in New York, specializing in mergers and acquisitions and capital raising for financial institutions. He has been in the financial industry since 1999.

Mr. Drukker earned his bachelor of arts degree in economics from Williams College and his master of business administration degree in finance from The Wharton School of the University of Pennsylvania.

PERFORMANCE SUMMARY:
Quarter ending March 31, 2024

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Select Communication Services Portfolio Gross Expense Ratio: 0.70%[2]	44.61%	4.63%	14.27%	11.29%
% Rank in Morningstar Category (1% = Best)	4%	2%	3%	8%
# of Funds in Morningstar Category	49	44	39	27

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

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