

Fidelity® Select Consumer Staples Portfolio

Key Takeaways

- For the fiscal year ending February 29, 2024, the fund's Retail Class shares gained 5.20%, lagging the 8.96% advance of the MSCI U.S. IMI Consumer Staples 25/50 Index and well behind the 30.45% return of the broad-based S&P 500® index.
- U.S. stocks rallied sharply the past 12 months, buoyed by investor enthusiasm for artificial intelligence, easing inflation, expectations of lower interest rates and a resilient economy.
- Portfolio Manager Ben Shuleva notes that the U.S. Federal Reserve's late-2023 decision to stop hiking interest rates and its signal that it might cut rates in 2024 caused investors to shift away from defensive sectors, including consumer staples.
- Although investor sentiment was weak, consumer staples companies generally delivered solid earnings this period, as easing inflation and lower energy prices helped reduce costs.
- A large underweight in the consumer staples merchandise category and stock picks within personal care products detracted from the fund's result versus the MSCI sector index this period.
- The largest individual relative detractor was underexposure to Costco Wholesale, which rose 58% this period. Overweights in Keurig Dr. Pepper (-11%) and Energizer Holdings (-18%) also hurt.
- Conversely, stock picks in the packaged foods & meats group helped the fund's relative performance. Top individual contributors included timely positioning in Estée Lauder (-37%) and an underweight in PepsiCo (-1%).
- As of February 29, Ben believes consumer staples companies stand to benefit from declining input costs, recent price increases, a strong earnings outlook, improved gross profit margins and attractive valuations.

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%).



Ben Shuleva
Portfolio Manager

Fund Facts

Trading Symbol:	FDFAX
Start Date:	July 29, 1985
Size (in millions):	\$1,498.74

Investment Approach

- Fidelity® Select Consumer Staples Portfolio is a sector-based, equity-focused strategy that seeks to outperform its benchmark through active management.
- Our core philosophy is that stock prices follow earnings and returns over the long term. We look for durable franchises capable of compounding value and delivering above-average earnings growth over time.
- Investment opportunities arise when there is a differentiated view with regard to the long-term earnings power of a company. We focus on stocks where the market underestimates the magnitude or duration of growth and the valuation is attractive.
- Fundamental research is key to our approach, as we build the portfolio stock by stock and take a multiyear investment perspective to get a differentiated view on long-term performance drivers. We also look to capitalize on short-term market opportunities, with the goal of optimizing risk-adjusted returns for shareholders.
- 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 Ben Shuleva

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

The fund's Retail Class shares gained 5.20% the past 12 months, lagging the 8.96% advance of the MSCI U.S. IMI Consumer Staples 25/50 Index, which in turn was well behind the 30.45% result of the broad-based S&P 500® index. The fund topped the peer group average.

Q: Why did consumer staples stocks lag the broader market the past 12 months?

Defensive sectors were out of favor with investors this period, as a backdrop of economic resilience, falling commodity prices and easing inflation pushed them toward offensive sectors. Enthusiasm for generative artificial intelligence drove especially strong advances from a handful of mega-cap growth stocks that propelled much of the market's gain, particularly within the information technology (+61%) and communication services (+58%) sectors.

Expectations in late 2023 that the U.S. Federal Reserve would start cutting its target interest rate in the coming year gave an added boost to economically sensitive sectors and growth stocks. Meanwhile, still relatively high interest rates hindered dividend-paying stocks that are often viewed as bond alternatives. Concern that GLP-1 weight-loss drugs would reduce the consumption of certain foods and beverages also weighed on the sector.

Although investor sentiment was weak, consumer staples companies generally delivered solid earnings this period, as easing inflation and lower energy prices helped reduce costs. Some of the largest segments in the MSCI sector index disappointed, however, namely soft drinks & non-alcoholic beverages (+4%) and packaged foods & meats (-3%). Conversely, consumer staples merchandise retail (+34%) and household products (+17%) notably advanced.

Q: What was your investment strategy?

As always, security selection focused on what I viewed as attractively valued companies with superior and sustainable earnings, driven by durable revenue growth. I favor companies that are generally unloved and super cheap. This approach was an uphill climb during a period when expensive growth stocks materially outperformed value stocks across all market capitalizations.

Q: What hurt the fund's performance versus the MSCI sector index?

By segment, a sizable underweight and security selection in the consumer staples merchandise retail segment notably detracted this period. I was concerned that product prices were coming down, volume was tepid and labor costs were increasing, undermining the profit outlook for Costco Wholesale, BJ's Wholesale Club and Walmart. But certain firms continued to take market share, so their revenue growth slowed less than I expected. Stock picks in the personal care products and household products groups and positioning in the soft drinks & non-alcoholic beverages category also weighed on our result versus the MSCI sector index.

Q: Which individual stocks detracted most?

A large underweight in Costco (+58%) hurt most by far versus the MSCI sector index for the 12 months. Costco is an excellent business that benefits from the value it provides to consumers. It has good revenue-growth prospects in the U.S. and internationally. However, I underweighted the stock because it was trading at a high valuation, and I thought there was little room for earnings to surprise positively. Costco's sales growth decelerated massively this period, but the share price continued to climb because revenue and earnings were better than expected and topped peers, thanks to gains in grocery sales and membership. I eliminated Costco from the portfolio in July because the stock was not attractively priced, in my view.

Another disappointment was a sizable overweight in Keurig Dr. Pepper (-11%), which was pressured by weaker-than-expected volume in its coffee business as the at-home coffee category lost share to away-from-home coffee purchases and energy drinks. I expect this market-share decline to ease, given that away-from-home coffee is more expensive and consumers are stretched financially. Plus, the other 70% of Keurig's business has gained market share. I took advantage of the stock's low valuation and significantly added to the fund's share count this period, making Keurig our No. 3 position and top overweight as of February 29.

Q: Which other stocks notably hurt?

Within household products, an overweight in Energizer Holdings (-18%) detracted versus the sector index. Energizer is best known for its batteries, which are sold under the Energizer®, Eveready® and Rayovac® brands. The stock was pressured because value stocks fell out of favor with investors this period. Plus, battery sales volume slid due to higher prices, prompting fear that the category was in secular decline and the company would lose share to private-label providers. Lastly, Energizer carries a large amount of debt, which pressured the business because interest rates remained high. I boosted the fund's stake this period,

believing the battery category may not be as bad as investors appear to fear.

Within personal care products, a new overweight in Kenvue (-20%), a consumer-health products company, hurt the fund's relative result. Kenvue owns well-known brands Tylenol®, Motrin® and Listerine®. A slow start to the flu and cold season and weakness in the U.S. skin and beauty segment led to an earnings shortfall that held back the stock's return. Despite that, I think Kenvue's long-term growth outlook is stronger than most investors are expecting, with cost-savings potential still ahead. Kenvue was the fund's fourth-largest position and No. 2 overweight as of February 29.

Q: Which investment choices helped?

Security selection and an underweight in the packaged foods & meats industry gave a meaningful boost to the fund's relative result. The biggest individual contributor came from timely positioning in Estée Lauder (-37%). The beauty products company has significant exposure to China, which has been a highly profitable market for the business. I had largely avoided the stock, though, because I thought the range of outcomes was wide and the stock didn't deserve a high price/earnings multiple. This past year, Estée's earnings in China sank, and the stock quickly became unloved by investors and cyclically depressed. The downturn, however, created what I viewed as a buying opportunity, resulting in an overweight at period end.

I also made the right call maintaining a large underweight in soft-drink and snack-food company PepsiCo (-1%), which had a more expensive valuation and worse free cash flow than Coca-Cola. Worries that GLP-1 drugs would hurt Pepsi's snack-food business and a market-share decline in its beverage segment kept the stock in check. Nevertheless, it was our fifth-largest position at period end.

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

I believe the risk/reward for the sector is positively skewed. Valuations remain attractive versus the broader market, easing inflation has helped to lower input costs and many companies have recently raised product prices.

Given this backdrop, I expect profit margins to rise in 2024, which could give companies more latitude to reinvest in advertising and which could help boost volume.

That said, price hikes will likely be more difficult, given that many U.S. consumers are still struggling with the high costs of everyday necessities.

In the packaged foods & meats group, an underweight in Hershey (-10%), the chocolate company, helped the fund as a spike in cocoa prices, slowing growth in the chocolate category, and fears that GLP-1 drugs would erode demand pressured its return ■

Portfolio Manager Ben Shuleva on his contrarian stance on GLP-1 drugs:

"GLP-1 weight-loss drugs, such as Novo-Nordisk's Wegovy®, have become the rage in health care. Studies show that consumers who take these drugs take in 25% to 30% fewer calories. Obviously, that decrease in consumption has implications for the food industry. While a fairly small number of people are using the drugs now, estimates show that 10 million to 50 million people could be on them in the next 10 years.

"I think it's unlikely that GLP-1 drugs will be used consistently by that many people. First, the drugs are expensive. The list price for Wegovy®, for example, is roughly \$1,350 per month, and you have to stay on it indefinitely to maintain your weight loss. Who is going to cover that cost? Second, the drugs can have side effects. Will people consistently take the drug if it involves side effects, such as nausea? Third, estimates of the impact on consumption may be overstated. If 50 million Americans were to go on the drugs and take in 25% fewer calories, it would still be a manageable headwind to total calorie consumption, in my view.

"By owning stocks pressured by GLP-1 concerns, I believe we can get paid if the drug usage is less than projected or if the drugs' negative impact on food and beverage sales is not as bad as expected. As a result, I've been buying some packaged foods stocks that are heavily discounted. For example, this period I initiated an overweight stake J.M. Smucker, which makes Smucker's® fruit spreads and Jif® peanut butter. In November, the company completed the acquisition of Hostess Brands. Investors disliked the deal and Smucker's management, pushing the stock into what I considered cheap territory. While I share the market's skepticism around a poorly priced deal, it may not be as bad as others think.

"I've also leaned into beverage stocks, notably adding to Keurig Dr. Pepper. Investors are worried about the impact of GLP-1 drugs on the consumption of sugary drinks and coffee. However, I think the effect may not be as negative as expected there either."

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Estee Lauder Companies, Inc. Class A	Personal Care Products	0.20%	52
PepsiCo, Inc.	Soft Drinks & Non-Alcoholic Beverages	-4.59%	42
The Hershey Co.	Packaged Foods & Meats	-1.21%	38
Walgreens Boots Alliance, Inc.	Drug Retail	-0.65%	37
Archer Daniels Midland Co.	Agricultural Products & Services	-0.82%	36

* 1 basis point = 0.01%.

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Costco Wholesale Corp.	Consumer Staples Merchandise Retail	-8.30%	-355
Keurig Dr. Pepper, Inc.	Soft Drinks & Non-Alcoholic Beverages	5.11%	-99
Energizer Holdings, Inc.	Household Products	2.35%	-71
Kenvue Inc	Personal Care Products	1.80%	-70
Olaplex Holdings, Inc.	Personal Care Products	0.56%	-65

* 1 basis point = 0.01%.

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Domestic Equities	95.63%	100.00%	-4.37%	0.34%
International Equities	4.32%	0.00%	4.32%	0.14%
Developed Markets	4.32%	0.00%	4.32%	0.14%
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	0.05%	0.00%	0.05%	-0.48%

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
Soft Drinks & Non-Alcoholic Beverages	27.98%	18.71%	9.27%	1.68%
Household Products	21.08%	19.16%	1.92%	-1.52%
Packaged Foods & Meats	12.43%	14.52%	-2.09%	2.03%
Personal Care Products	9.46%	4.31%	5.15%	3.19%
Consumer Staples Merchandise Retail	8.96%	24.05%	-15.09%	-4.52%
Tobacco	7.93%	7.09%	0.84%	-0.19%
Distillers & Vintners	5.70%	2.50%	3.20%	2.31%
Brewers	2.70%	0.69%	2.01%	-0.76%
Agricultural Products & Services	2.27%	2.47%	-0.20%	0.44%
Food Distributors	0.72%	3.05%	-2.33%	-1.57%
Other	0.72%	3.46%	-2.74%	0.05%

10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
Procter & Gamble Co.	Household Products	13.80%	14.25%
The Coca-Cola Co.	Soft Drinks & Non-Alcoholic Beverages	12.63%	14.02%
Keurig Dr. Pepper, Inc.	Soft Drinks & Non-Alcoholic Beverages	8.05%	7.04%
Kenvue, Inc.	Personal Care Products	6.16%	1.95%
PepsiCo, Inc.	Soft Drinks & Non-Alcoholic Beverages	4.47%	3.26%
Walmart, Inc.	Consumer Staples Merchandise Retail	4.12%	4.32%
Mondelez International, Inc.	Packaged Foods & Meats	3.79%	5.04%
Altria Group, Inc.	Tobacco	3.77%	4.54%
Philip Morris International, Inc.	Tobacco	3.28%	4.34%
Constellation Brands, Inc. Class A (sub. vtg.)	Distillers & Vintners	3.16%	2.04%
10 Largest Holdings as a % of Net Assets		63.23%	63.50%
Total Number of Holdings		54	64

The 10 largest holdings are as of the end of the reporting period, and may not be representative of the fund's current or future investments. Holdings do not include money market investments.

FISCAL PERFORMANCE SUMMARY:
Periods ending February 29, 2024

	Cumulative		Annualized			
	6 Month	YTD	1 Year	3 Year	5 Year	10 Year/LOF ¹
Select Consumer Staples Portfolio Gross Expense Ratio: 0.68% ²	-0.84%	0.25%	5.20%	7.39%	8.94%	7.22%
S&P 500 Index	13.93%	7.11%	30.45%	11.91%	14.76%	12.70%
MSCI US IMI Consumer Staples 25/50	4.70%	3.88%	8.96%	8.94%	9.89%	9.00%
Morningstar Fund Consumer Defensive	2.44%	2.12%	3.98%	6.30%	8.71%	8.15%
% Rank in Morningstar Category (1% = Best)	--	--	38%	46%	46%	66%
# of Funds in Morningstar Category	--	--	28	25	25	20

¹ Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 07/29/1985.

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](https://www.fidelity.com/performance), institutional. [fidelity.com](https://www.fidelity.com), or [401k.com](https://www.401k.com). Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. Cumulative total returns are reported as of the period indicated. Please see the last page(s) of this Q&A document for most-recent calendar-quarter performance.

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FUND RISKS

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The consumer staples industries can be significantly affected by demographic and product trends, competitive pricing, food fads, marketing campaigns, environmental factors, and government regulation, the performance of overall economy, interest rates, and consumer confidence. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. The fund may have additional volatility because of its narrow concentration in a specific industry. Non-diversified funds that focus on a relatively small number of stocks tend to be more volatile than diversified funds and the market as a whole.

IMPORTANT FUND INFORMATION

Relative positioning data presented in this commentary is based on the fund's primary benchmark (index) unless a secondary benchmark is provided to assess performance.

INDICES

It is not possible to invest directly in an index. All indices represented are unmanaged. All indices include reinvestment of dividends and interest income unless otherwise noted.

MSCI U.S. IMI Consumer Staples 25/50 Index MSCI US IMI

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

S&P 500 Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.

MARKET-SEGMENT WEIGHTS

Market-segment weights illustrate examples of sectors or industries in which the fund may invest, and may not be representative of the fund's current or future investments. They should not be construed or used as a recommendation for any sector or industry.

RANKING INFORMATION

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% Rank in Morningstar Category is the fund's total-return percentile rank relative to all funds that have the same Morningstar Category. The highest (or most favorable) percentile rank is 1 and the lowest (or least favorable) percentile rank is 100. The top-performing fund in a category will always receive a rank of 1%. % Rank in Morningstar Category is based on total returns which include reinvested dividends and capital gains, if any, and exclude sales charges. Multiple share classes of a fund have a common portfolio but impose different expense structures.

RELATIVE WEIGHTS

Relative weights represents the % of fund assets in a particular market segment, asset class or credit quality relative to the benchmark. A positive number represents an overweight, and a negative number is an underweight. The fund's benchmark is listed immediately under the fund name in the Performance Summary.

Manager Facts

Ben Shuleva 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. Shuleva manages Fidelity Select Consumer Staples Portfolio, Fidelity Advisor Consumer Staples Fund, Fidelity VIP Consumer Staples Portfolio, and the consumer staples subportfolio of Fidelity U.S. Equity Central Fund. Additionally, he is a research analyst responsible for researching food & non-alcoholic beverage, household product staples, and U.S. tobacco companies.

Prior to his current role, Mr. Shuleva was an equity research associate from 2008 to 2011 where he began his career researching stocks. He has been in the financial industry since joining Fidelity in 2008.

Mr. Shuleva earned his bachelor degree in finance from Southern Methodist University. He is also a CFA® charterholder.

PERFORMANCE SUMMARY:
Quarter ending March 31, 2024

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF ¹
Select Consumer Staples Portfolio Gross Expense Ratio: 0.68% ²	5.98%	5.96%	9.05%	7.40%
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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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