

Fidelity® Select Consumer Staples Portfolio

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.

FUND INFORMATION

Manager(s):
Ben Shuleva

Trading Symbol:
FDFAX

Start Date:
July 29, 1985

Size (in millions):
\$1,445.96

Morningstar Category:
Fund Consumer Defensive

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.

PERFORMANCE SUMMARY

	Cumulative		Annualized			
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year/ LOF ¹
Select Consumer Staples Portfolio Gross Expense Ratio: 0.68% ²	4.74%	4.74%	5.98%	5.96%	9.05%	7.40%
S&P 500 Index	10.56%	10.56%	29.88%	11.49%	15.05%	12.96%
MSCI US IMI Consumer Staples 25/50	7.35%	7.35%	8.30%	7.36%	9.87%	9.12%
Morningstar Fund Consumer Defensive	5.60%	5.60%	4.84%	5.18%	8.75%	8.27%
% Rank in Morningstar Category (1% = Best)	--	--	38%	46%	49%	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 most recent prospectus and generally is based on amounts incurred during the most recent 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.institutional.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.

For definitions and other important information, please see the Definitions and Important Information section of this Fund Review.



Not FDIC Insured • May Lose Value • No Bank Guarantee

Market Review

The MSCI US IMI Consumer Staples Index gained 7.35% the past three months, lagging the 10.56% advance of the broad-based S&P 500® index. The sector continued to gain from price increases implemented in recent years and resilient consumer spending. However, the likelihood of reduced pricing power amid easing inflation, plus continued wage pressures, rising oil prices and concern that the new GLP-1 weight loss drugs would reduce demand for packaged foods and soft drinks, weighed on performance.

In addition, continued high interest rates and delayed expectations for when the Federal Reserve would start to cut its target interest rate hindered investor interest in dividend-paying sectors such as consumer staples. That said, the sector notably outperformed the defensive real estate and utilities sectors in the quarter.

Lastly, the economy's resilience, investor enthusiasm for artificial intelligence and better-than-expected corporate earnings reports continued to draw investors to other sectors, with the communication services, energy, information technology and financials leading the broader market's charge.

Among the biggest segments in the MSCI sector index, the consumer staples merchandise retail category – which accounts for roughly 23% of the index – led the way with a roughly 13% return in Q1. Top performers here were discount retailers Target, Dollar General and Walmart, along with membership warehouse stores Costco Wholesale and BJ's Wholesale Club. Another leading contributor to the index return was household products (+11%), which benefited from the strong performance of consumer goods companies Procter & Gamble and Colgate-Palmolive.

Most other dominant index segments posted relatively modest gains for the quarter. The soft drinks & non-alcoholic beverages (+4%) category – about 19% of the MSCI index – performed roughly in line with industry leaders Coca Cola and PepsiCo. Within packaged foods & meats (+4%), results were mixed, with Tyson Foods performing well, and Mondelez International and Treehouse Foods posting losses. Tobacco (+3%) and personal care products (+4%) also lagged the sector index.

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Archer Daniels Midland Co.	Agricultural Products & Services	-0.09%	22
Nomad Foods Ltd.	Packaged Foods & Meats	2.02%	17
PepsiCo, Inc.	Soft Drinks & Non-Alcoholic Beverages	-2.99%	14
Dollar Tree, Inc.	Consumer Staples Merchandise Retail	-0.78%	13
Walgreens Boots Alliance, Inc.	Drug Retail	-0.25%	10

* 1 basis point = 0.01%.

Performance Review

For the quarter, the fund's Retail Class shares returned 4.74%, lagging the 7.35% advance of the MSCI U.S. IMI Consumer Staples 25/50 Index.

Security selection and a large overweight in the soft drinks & non-alcoholic beverages group notably hampered performance versus the MSCI sector index the past three months. Much of the underperformance here came from having a sizable overweight in Keurig Dr. Pepper (-7%), which in February reported Q4 sales that fell short of investor expectations. Rising input costs – including for sugar and coffee – led the company to hike prices, which in turn dampened demand for its beverages.

Security selection and an overweight in the brewers segment further hindered performance versus the sector index. A large overweight in Boston Beer Company (-11%), which is best known for its Samuel Adams brand, notably detracted. The stock slid due to a decline in Q4 revenues, which management attributed to weak post-pandemic sales for its Truly hard seltzer brand.

Elsewhere, a notable underweight in the consumer staples merchandise retail category and stock picks in household products hurt. Individual detractors included a large overweight in battery company Energizer Holdings (-6%), which declined as higher prices led consumers to delay battery purchases, spurring investor concern that the category was in secular decline. Still high interest rates further pressured the stock, given the company's high debt load.

Conversely, no segment notably boosted the fund's relative result the past three months. In terms of individual contributors, an underweight for much of the period in agricultural products company Archer Daniels Midland (-13%) helped versus the MSCI index. When the share price fell amid an accounting probe, we added to our share count. A non-index position in U.K.-based Nomad Foods (+16%), Europe's leading frozen foods company, gained from financial results for 2023 and Q4 that beat investor expectations, driven by growth in organic sales and an increase in gross profit margins. ■

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Keurig Dr. Pepper, Inc.	Soft Drinks & Non-Alcoholic Beverages	6.60%	-93
Boston Beer Co., Inc. Class A	Brewers	2.70%	-53
Energizer Holdings, Inc.	Household Products	3.01%	-42
Costco Wholesale Corp.	Consumer Staples Merchandise Retail	-10.12%	-37
Walmart, Inc.	Consumer Staples Merchandise Retail	-3.85%	-27

* 1 basis point = 0.01%.

Outlook and Positioning

The U.S. stock market begins April with favorable momentum amid easier financial conditions and a solid consumer backdrop with the economy in the late-cycle expansion phase. Although global disinflation trends have continued, progress has been uneven with U.S. core inflation – which includes food and energy costs – closing the quarter at 3.8%. With core inflation remaining above the Federal Reserve's 2% target, expectations are that the "last mile" of disinflation may be difficult without greater economic slowing. Meanwhile, the pace and magnitude of potential interest rate cuts remains uncertain, although projections still signal the Fed's shift in that direction in 2024. Often defensive, bond-like sectors – such as consumer staples – benefit from low interest rates.

Amid this backdrop, we continue to believe the consumer staples sector has significant earnings growth potential and a good risk/return profile that is not reflected in valuations. More specifically, easing inflation is helping to lower input costs, while many companies are enjoying tailwinds from recent price hikes. Given this backdrop, we expect profit margins in the sector to rise, giving companies more latitude to reinvest in advertising, which could help boost volumes.

That said, further price increases could be more difficult near term because many U.S. consumers are still struggling with the high costs of everyday necessities. In fact, many consumers are expecting energy and food prices to decline as inflation eases. The hope for

consumer staples companies is that volumes will improve as prices fall or stop going up. If volumes don't improve, many companies will have to invest more aggressively in promotion, raising their costs. In addition, the extent to which the new GLP-1 weight loss drugs are a headwind remains uncertain.

Going forward, we plan to remain focused on companies that have an attractive stock valuation (often because they're hated or unloved by investors) and what we view as superior and sustainable earnings, driven by sustainable revenue growth.

The fund starts Q2 with few changes in industry positioning since the start of the year. We continue to have a large overweight in the soft drinks & non-alcoholic beverages group, which accounts for 28% of assets. Our expectation is that companies here will continue to benefit from the consolidated nature of the industry, which has high barriers to entry and strong volume growth globally. As we start April, Coca-Cola, Keurig Dr. Pepper and PepsiCo are top-5 holdings.

The fund also begins Q2 with a sizable overweight in the personal care products segment, which accounts for about 9% of assets. Kenvue remains our largest personal care products holding and our No. 4 position overall and a top overweight. Rounding out the fund's top 5 stocks is Procter & Gamble, our No. 1 position and our seventh-largest overweight. We enter April with a modest reduction in our exposure to household products (which went from about 22% to 20% of assets) and a slight increase in packaged foods & meats (which rose from roughly 12% to 13.5% of assets). ■

10 LARGEST HOLDINGS

Holding	Market Segment
Procter & Gamble Co.	Household Products
The Coca-Cola Co.	Soft Drinks & Non-Alcoholic Beverages
Keurig Dr. Pepper, Inc.	Soft Drinks & Non-Alcoholic Beverages
Kenvue, Inc.	Personal Care Products
PepsiCo, Inc.	Soft Drinks & Non-Alcoholic Beverages
Walmart, Inc.	Consumer Staples Merchandise Retail
Philip Morris International, Inc.	Tobacco
Energizer Holdings, Inc.	Household Products
Mondelez International, Inc.	Packaged Foods & Meats
Altria Group, Inc.	Tobacco
10 Largest Holdings as a % of Net Assets	63.00%
Total Number of Holdings	47

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.

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
Domestic Equities	95.04%	100.00%	-4.96%	-0.88%
International Equities	4.76%	0.00%	4.76%	0.98%
Developed Markets	4.76%	0.00%	4.76%	0.98%
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	0.20%	0.00%	0.20%	-0.10%

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.

LARGEST OVERWEIGHTS BY MARKET SEGMENT

Market Segment	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
Soft Drinks & Non-Alcoholic Beverages	28.10%	18.32%	9.78%	0.84%
Personal Care Products	9.13%	4.53%	4.60%	0.01%
Distillers & Vintners	5.06%	2.48%	2.58%	-0.00%
Brewers	2.81%	0.70%	2.11%	-0.09%
Household Products	20.42%	18.85%	1.57%	-2.30%

LARGEST UNDERWEIGHTS BY MARKET SEGMENT

Market Segment	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
Consumer Staples	8.74%	23.73%	-14.99%	-1.64%
Merchandise Retail	0.43%	3.04%	-2.61%	0.14%
Food Retail	0.68%	2.99%	-2.31%	-0.44%
Food Distributors	13.37%	14.54%	-1.17%	1.72%
Packaged Foods & Meats	0.47%	0.61%	-0.15%	0.53%
Drug Retail				

LARGEST OVERWEIGHTS BY HOLDING

Holding	Market Segment	Relative Weight
Keurig Dr. Pepper, Inc.	Soft Drinks & Non-Alcoholic Beverages	7.54%
The Coca-Cola Co.	Soft Drinks & Non-Alcoholic Beverages	4.91%
Kenvue, Inc.	Personal Care Products	4.57%
Energizer Holdings, Inc.	Household Products	3.34%
Boston Beer Co., Inc. Class A	Brewers	2.63%

LARGEST UNDERWEIGHTS BY HOLDING

Holding	Market Segment	Relative Weight
Costco Wholesale Corp.	Consumer Staples Merchandise Retail	-10.01%
Walmart, Inc.	Consumer Staples Merchandise Retail	-3.94%
PepsiCo, Inc.	Soft Drinks & Non-Alcoholic Beverages	-2.38%
Colgate-Palmolive Co.	Household Products	-2.00%
Kroger Co.	Food Retail	-1.46%

3-YEAR RISK/RETURN STATISTICS

	Portfolio	Index
Beta	1.03	1.00
Standard Deviation	14.69%	13.67%
Sharpe Ratio	0.22	0.34
Tracking Error	4.09%	--
Information Ratio	-0.34	--
R-Squared	0.92	--

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.

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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 is a modified market-capitalization-weighted index of stocks designed to measure the performance of Consumer Staples companies in the MSCI U.S. Investable Market 2500 Index. The MSCI U.S. Investable Market 2500 Index is the aggregation of the MSCI U.S. Large Cap 300, Mid Cap 450, and Small Cap 1750 Indices.

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.

3-YEAR RISK/RETURN STATISTICS

Beta is a measure of the volatility of a fund relative to its benchmark index. A beta greater (less) than 1 is more (less) volatile than the index.

Information Ratio measures a fund's active return (fund's average monthly return minus the benchmark's average monthly return) in relation to the volatility of its active returns.

R-Squared measures how a fund's performance correlates with a benchmark index's performance and shows what portion of it can be explained by the performance of the overall market/index. R-Squared ranges from 0, meaning no correlation, to 1, meaning perfect correlation. An R-Squared value of less than 0.5 indicates that annualized alpha and beta are not reliable performance statistics.

Sharpe Ratio is a measure of historical risk-adjusted performance. It is calculated by dividing the fund's excess returns (the fund's average annual return for the period minus the 3-month "risk free" return rate) and dividing it by the standard deviation of the fund's returns. The higher the ratio, the better the fund's return per unit of risk. The three month "risk free" rate used is the 90-day Treasury Bill rate.

Standard Deviation is a statistical measurement of the dispersion of a fund's return over a specified time period. Fidelity calculates standard deviations by comparing a fund's monthly returns to its average monthly return over a 36-month period, and then annualizes the number. Investors may examine historical standard deviation in conjunction with historical returns to decide whether a fund's volatility would have been acceptable given the returns it would have produced. A higher standard deviation indicates a wider dispersion of past returns and thus greater historical volatility. Standard deviation does not indicate how the fund actually performed, but merely indicates the volatility of its returns over time.

Tracking Error is the divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark, creating an unexpected profit or loss.



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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