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

Fidelity® Select Pharmaceuticals Portfolio

Key Takeaways

- For the fiscal year ending February 29, 2024, the fund gained 34.35%, outperforming the 24.35% advance of the MSCI North America IMI + ADR Custom Pharmaceuticals 25/50 Linked Index and the 30.45% result of the broad-based S&P 500® index.
- Pharmaceutical stocks performed quite well the past 12 months, according to Portfolio Manager Karim Suwwan de Felipe, with many firms benefiting from growing demand for innovative drugs and treatments, particularly for diabetes and obesity.
- Still, the industry trailed the broad-based S&P 500® index, largely due to the smaller-cap components of the index, which underperformed this period, and an outsized rally in the information technology sector.
- Karim says his focus on companies with growth that has been fueled by innovative drugs boosted the fund's performance versus the MSCI industry index the past 12 months because many of these companies experienced strong demand.
- Not owning index component and pharma giant Pfizer (-31%) was the fund's top individual contributor relative to the industry index, followed by a sizable overweight stake in Eli Lilly (+144%).
- Conversely, non-index investments in biotechnology detracted from the fund's relative performance, including PTC Therapeutics (-43%) and Gilead Sciences (-7%).
- Looking ahead, Karim remains positive about the pharmaceuticals industry, where he says stock valuations are discounted to the historical average of the broader equity market and the industry itself.
- While rhetoric associated with the upcoming U.S. presidential election could cause some market turbulence, he thinks draconian drug-pricing legislation outside of the Inflation Reduction Act appears unlikely as of February 29.

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%).

Karim Suwwan de Felipe
Portfolio Manager

Fund Facts

Trading Symbol:	FPHAX
Start Date:	June 18, 2001
Size (in millions):	$1,080.26

Investment Approach

- Fidelity® Select Pharmaceuticals Portfolio is an industry-based, equity-focused strategy that seeks to outperform its benchmark through active management.
- We look to identify companies where the market misprices the duration or the sustainability of cash flows as well as the growth rates of these cash flows. The fund favors stocks with above-average long-term growth expectations at below-average valuations.
- Stock selection and idea generation come from fundamental, bottom-up research, evaluating drug portfolios and pipelines. We use internal and external resources to further validate ideas, including calls with company management, meetings with stakeholders, and discussions with Fidelity analysts, industry experts and consultants.
- 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 Karim Suwwan de Felipe

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

The fund gained 34.35% the past 12 monts, outperforming the 24.35% advance of the MSCI North America IMI + ADR Custom Pharmaceuticals 25/50 Linked Index and the 30.45% result of the broad-based S&P 500® index. The fund roughly tripled the peer group average, which represents a broad group of health care funds.

Q: What factors influenced the pharmaceutical industry's performance the past 12 months?

Pharma stocks performed quite well this period, with many firms continuing to benefit from growing demand for innovative drugs and treatments. In particular, glucagon-like peptide 1 agonists have made headlines as a breakthrough class of treatments for diabetes and obesity.

Still, the pharma industry trailed the broader equity market, largely due to the smaller-cap components of the index, which underperformed amid ongoing concerns, including a lack of funding in the biotechnology industry and unimpressive clinical results for several companies.

More broadly, exuberance for artificial intelligence reached a fever pitch after the release of OpenAI's ChatGPT chatbot in November 2022, causing the information technology sector to rally during the reporting period to a larger degree than other typically defensive areas of the market, such as pharmaceuticals.

Q: What was behind the fund's outperformance of the industry index?

My focus on companies with growth that is fueled by innovative drugs meaningfully contributed the past 12 months because many of these types of companies experienced strong demand for their products. At the same time, it was helpful to avoid pharma firms that are reliant on short-duration legacy portfolios and mergers and acquisitions for growth, and those that are at risk for patent lawsuits, because these stocks generally underperformed.

Among the index components I chose to largely avoid were Pfizer (-31%) and Johnson & Johnson (+9%). These companies face major patent cliffs that likely will impair the growth of their cash flow. I don't see the stocks' valuations as compelling when looking at long-term cash-flow generation. Indeed, Pfizer's revenue declined this period because demand for COVID vaccines waned, making my decision to not own the stock in the fund the top relative contributor for the reporting period. As for J&J, the firm's Q1 2023 earnings were mostly offset by its proposal to settle lawsuits related to its talc-based powders. In January, the company agreed to pay $700 million, saying the powder caused cancer. Competitive pressure for some of J&J's products also weighed on the stock.

A sizable overweight position in Eli Lilly (+144%) meaningfully lifted the fund's performance relative to the industry index. The company benefited from explosive demand for its diabetes treatment Mounjaro™, which has also had been used off-label for weight loss. In November, the U.S. Food and Drug Administration approved Zepbound, a newer version of Mounjaro, for chronic weight management. Prescription trends continued to surpass the market's expectations and the company reiterated in February that it would have new supply as soon as this year to help meet the tremendous demand for the drug. Although I trimmed our position in Eli Lilly to lock in some profit, it remained the fund's largest holding, at 24% of assets, and a top overweight as of February 29, reflecting my strong conviction in the stock.

Q: What else notably contributed?

Blueprint Medicines (+125%) and Quanterix (+120%) were two strong-performing out-of-index names that fit my investment philosophy well. In May, the FDA approved AYVAKIT®, Blueprint's drug for systemic mastocytosis, a rare autoimmune condition. The drug's strong uptake after launch surprised the market, lifting shares of Blueprint. I remain positive on Blueprint, the fund's No. 12 holding at period end. I think AYVAKIT® will be a lucrative drug for the company, with a multi-billion-dollar market on top of the company's promising pipeline in oncology.

Meanwhile, Quanterix partnered with Eli Lilly on P-tau217, a biomarker to aid in the diagnosis, monitoring and treatment of Alzheimer's disease. In May, Eli Lilly reported positive clinical trial results for its experimental treatment for Alzheimer's. Shares of Quanterix rose sharply following the news because P-tau217 diagnostics were used in the trial, which investors believed validated the test. I sold Quanterix in August to lock in a profit.

Q: Which investment decisions detracted?

Non-index investments in biotech hurt the fund's relative result this period, largely due to drug setbacks. For instance, untimely ownership of PTC Therapeutics (-43%) was the fund's biggest individual relative detractor. In January, the Committee for Medicinal Products for Human Use in Europe affirmed its negative opinion for PTC's drug Translarna®, which is used to treat Duchenne muscular dystrophy and in 2014 had received conditional approval for use in the European Union. As a result, the drug was withdrawn from the European market. Although I remain bullish on PTC's pipeline, including its candidate to treat phenylketonuria, a rare inherited disease, I sold off our stake in PTC in February.

A sizable out-of-index position in biotech company Gilead Sciences (-7%) hurt due to the trial failure of TRODELVY®, its potential treatment for lung cancer, which missed its primary endpoint. I remain optimistic on Gilead and future front-end lung cancer trials for TRODELVY®, and increased our stake in the stock. Gilead boasts stable, long-duration businesses in oncology and HIV, and the stock's valuation appears reasonable. I see Gilead as one of the fastest-growing stocks in the pharmaceuticals industry and I believe the market has underestimated the duration of its growth.

I'll also mention a sizable overweight in pharma firm AstraZeneca (+1%) as a notable relative detractor. The company reported mixed trial data for its potential lung cancer treatment, causing what I think will be temporary weakness for the stock.

AstraZeneca and Gilead are among the fund's largest holdings and overweights at period end, reflecting my positive outlook for the stocks.

Q: What is your outlook for the industry, Karim?

As of February 29, I'm positive about pharmaceuticals stocks. Stock valuations are discounted relative to the historical average of the broader equity market and the industry itself. Despite some challenges, several companies have still grown robustly, and innovation continued at a remarkable pace.

While rhetoric associated with the upcoming U.S. presidential election could cause some market turbulence, I think draconian drug-pricing legislation outside of the Inflation Reduction Act appears unlikely. Some of the drug-pricing provisions of the act could impact certain drugs, but the impact for the near term seems fairly muted. The U.S. remains the center of pharmaceutical industry innovation.

I continue to construct the portfolio with a focus on what I believe is a key fundamental strength for the industry: a strong pace of innovation that presents untapped opportunities not realized by the market.

The biopharma industry is experiencing a unique cycle, in which new modalities of therapies have transformed the way certain diseases are treated and potentially saving money for the whole health care system. ■

Karim Suwwan de Felipe on the endurance of GLP-1 treatments:

"In previous shareholder updates, I've described how new-generation GLP-1 drugs, namely Novo Nordisk's Ozempic® and Wegovy® and Eli Lilly's Mounjaro™, have transformed the means by which diabetes and obesity are treated. However, what I think is most unique about these companies is the deep moats they've created in the space, making it extremely difficult for other firms to compete.

"First, both Lilly and Novo have spent $4 to $6 billion a year in capital expenditures to build out their manufacturing network capacity – and it appears the two companies will continue to do so for the near future. This will be extremely hard to replicate for any potential competitor. Realistically, a new competitor would have to spend upward of $20 billion to build meaningful manufacturing capacity.

"In addition, Lilly and Novo have years of know-how in terms of complicated manufacturing procedures and building plants, making it even more difficult for would-be competitors, which would potentially require several years to ramp up institutional knowledge that may not even be available to them.

"In terms of the product itself, Lilly and Novo have already produced and will inevitably launch new generations of GLP-1 drugs. While there are other companies working on GLP-1 drugs, by the time these competitors can present data and invest in manufacturing, Lilly and Novo likely will have already come out with an improved iteration of the drug with better efficacy.

"Despite Lilly and Novo's already impressive growth, their market should expand further once supply constraints lift in another few years. In my view, this growth over time should multiply far beyond Wall Street's expectations. Also, Medicare has begun to reimburse fir these drugs due to their efficacy in other indications, including heart issues, which will allow more populations to access GLP-1s. Given all these positives, Eli Lilly and Novo-Nordisk are the fund's top holdings and major overweights at the end of February."

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Pfizer, Inc.	Pharmaceuticals	-5.21%	368
Eli Lilly & Co.	Pharmaceuticals	3.88%	352
Johnson & Johnson	Pharmaceuticals	-15.58%	253
Bristol-Myers Squibb Co.	Pharmaceuticals	-3.17%	197
Blueprint Medicines Corp.	Biotechnology	1.41%	124

** 1 basis point = 0.01%.*

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
PTC Therapeutics, Inc.	Biotechnology	1.08%	-128
Gilead Sciences, Inc.	Biotechnology	3.28%	-118
AstraZeneca PLC sponsored ADR	Pharmaceuticals	5.33%	-116
Merck KGaA	Pharmaceuticals	2.58%	-111
Biogen, Inc.	Biotechnology	2.02%	-106

** 1 basis point = 0.01%.*

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Domestic Equities	57.33%	64.00%	-6.67%	10.30%
International Equities	40.98%	36.00%	4.98%	-11.35%
Developed Markets	38.75%	36.00%	2.75%	-11.66%
Emerging Markets	2.23%	0.00%	2.23%	0.31%
Tax-Advantaged Domiciles	0.00%	0.00%	0.00%	0.00%
Bonds	0.09%	0.00%	0.09%	0.09%
Cash & Net Other Assets	1.60%	0.00%	1.60%	0.96%

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
Pharmaceuticals	71.75%	100.00%	-28.25%	-4.65%
Biotechnology	22.56%	--	22.56%	4.29%
Life Sciences Tools & Services	1.70%	--	1.70%	-0.85%
Health Care Equipment	1.30%	--	1.30%	0.37%
Health Care Supplies	0.43%	--	0.43%	-0.53%
Health Care Services	0.26%	--	0.26%	0.26%
Diversified Financial Services	0.21%	--	0.21%	-0.04%
Systems Software	0.19%	--	0.19%	0.18%
Drug Retail	0.00%	--	0.00%	0.00%

10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
Eli Lilly & Co.	Pharmaceuticals	23.81%	21.26%
Novo Nordisk A/S Series B sponsored ADR	Pharmaceuticals	14.41%	7.43%
AstraZeneca PLC sponsored ADR	Pharmaceuticals	8.23%	9.49%
GSK PLC sponsored ADR	Pharmaceuticals	4.87%	4.19%
Merck & Co., Inc.	Pharmaceuticals	4.80%	9.17%
UCB SA	Pharmaceuticals	3.87%	3.24%
Royalty Pharma PLC	Pharmaceuticals	3.13%	3.17%
Gilead Sciences, Inc.	Biotechnology	3.02%	3.15%
Moderna, Inc.	Biotechnology	2.55%	--
Legend Biotech Corp. ADR	Biotechnology	2.23%	1.92%
10 Largest Holdings as a % of Net Assets		**70.92%**	**70.87%**
Total Number of Holdings		**68**	**62**

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 Pharmaceuticals Portfolio Gross Expense Ratio: 0.70%[2]	16.48%	14.10%	34.35%	12.80%	14.14%	9.60%
S&P 500 Index	13.93%	7.11%	30.45%	11.91%	14.76%	12.70%
MSCI North America IMI + ADR Custom Pharmaceuticals 25/50 Linked Index	10.42%	9.93%	24.35%	9.58%	9.13%	7.07%
Morningstar Fund Health	9.08%	5.27%	11.02%	-0.81%	7.31%	8.41%
% Rank in Morningstar Category (1% = Best)	--	--	1%	1%	1%	36%
# of Funds in Morningstar Category	--	--	177	158	136	113

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 06/18/2001.
[2] This expense ratio is from the prospectus in effect as of the date shown above and generally is based on amounts incurred during that fiscal year, or estimated amounts for the current fiscal year in the case of a newly launched fund. It does not include any fee waivers or reimbursements, which would be reflected in the fund's net expense ratio.

Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate; therefore, you may have a gain or loss when you sell your shares. Current performance may be higher or lower than the performance stated. Performance shown is that of the fund's Retail Class shares (if multiclass). You may own another share class of the fund with a different expense structure and, thus, have different returns. To learn more or to obtain the most recent month-end or other share-class performance, visit fidelity.com/performance, institutional.fidelity.com, or 401k.com. Total returns are historical and include change in share value and reinvestment of dividends and capital gains, if any. Cumulative total returns are reported as of the period indicated. **Please see the last page(s) of this Q&A document for most-recent calendar-quarter performance.**

Definitions and Important Information

Information provided in, and presentation of, this document are for informational and educational purposes only and are not a recommendation to take any particular action, or any action at all, nor an offer or solicitation to buy or sell any securities or services presented. It is not investment advice. Fidelity does not provide legal or tax advice.

Before making any investment decisions, you should consult with your own professional advisers and take into account all of the particular facts and circumstances of your individual situation. Fidelity and its representatives may have a conflict of interest in the products or services mentioned in these materials because they have a financial interest in them, and receive compensation, directly or indirectly, in connection with the management, distribution, and/or servicing of these products or services, including Fidelity funds, certain third-party funds and products, and certain investment services.

FUND RISKS

The value of the fund's domestic and foreign investments will vary from day to day in response to many factors. Stock values fluctuate in response to issuer, political, regulatory, market, or economic developments. You may have a gain or loss when you sell your shares. Investments in foreign securities, especially those in emerging markets, involve risks in addition to those of U.S. investments, including increased political and economic risk, as well as exposure to currency fluctuations. Because FMR concentrates the fund's investments in a particular industry, the fund's performance could depend heavily on the performance of that industry and could be more volatile than the performance of less concentrated funds and the market as a whole. The fund is considered non-diversified and can invest a greater portion of assets in securities of individual issuers than a diversified fund; thus changes in the market value of a single investment could cause greater fluctuations in share price than would occur in a more diversified fund. The pharmaceuticals industry can be significantly affected by government approval of products and services, government regulation and reimbursement rates, patent expirations, and intense competition.

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 North America IMI + ADR Custom Pharmaceuticals 25/50 Linked Index is a float-adjusted market capitalization weighted index designed to measure the performance of companies engaged in the research, development or production of pharmaceuticals, including veterinary drugs. The index is composed of securities in the large, mid and small cap size-segments of the United States and Canada markets, as well as the American Depositary Receipts (ADRs) of companies from other developed foreign markets. The index is capped using the MSCI 25/50 methodology on a quarterly basis. Index returns shown for periods prior to April 1, 2017 are returns of the S&P Custom Pharmaceuticals Index; returns shown for periods prior to January 1, 2010 are returns of the MSCI U.S. Investable Market Pharmaceuticals 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

Karim Suwwan de Felipe is a research analyst and 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. Suwwan de Felipe is responsible for covering and providing recommendations on stocks in the global pharmaceutical sector. Additionally, he manages the Fidelity Select Pharmaceuticals Portfolio.

Prior to joining Fidelity in 2010, Mr. Suwwan de Felipe was a senior research associate at Citi Investment Research and Analysis. As a member of the biotechnology research team at Citi, he helped formulate recommendations on large and mid-cap biotechnology equities. Previously, Mr. Suwwan de Felipe conducted molecular biology research at CuraGen Corporation, a biotechnology company in Connecticut, and at Yale University's Department of Therapeutic Radiology.

Mr. Suwwan de Felipe earned his bachelor of science degree in molecular biophysics and biochemistry from Yale University, and his doctorate degree with distinction in cellular, molecular, and biophysical studies from Columbia University's College of Physicians and Surgeons.

PERFORMANCE SUMMARY:
Quarter ending March 31, 2024

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Select Pharmaceuticals Portfolio Gross Expense Ratio: 0.70%[2]	33.76%	14.34%	14.68%	10.31%
% Rank in Morningstar Category (1% = Best)	4%	1%	1%	35%
# of Funds in Morningstar Category	178	159	136	114

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 06/18/2001.

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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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