PORTFOLIO MANAGER Q&A | AS OF JANUARY 31, 2024

Fidelity® Real Estate Investment Portfolio

Key Takeaways

- For the semiannual reporting period ending January 31, 2024, the fund gained 0.33%, versus 0.70% for the MSCI US IMI Real Estate 25/50 Linked Index.
- According to Portfolio Manager Steve Buller, real estate investment trust performance mirrored investor sentiment around interest rates the past six months, with early- and late-period weakness framing a mid-period rally.
- The fund's underperformance of the MSCI sector index mostly stemmed from security selection and an overweight in the lagging multifamily residential REIT industry. Picks among retail and telecom tower REITs also hurt, as did the portfolio's underweight in the hotel & resort category.
- The largest individual relative detractor was not owning mall REIT and index component Simon Property Group (+15%), which rebounded from pandemic-era weakness and as investors' risk appetite grew.
- In contrast, investment choices in the health care REIT category notably contributed to relative performance for the six months, especially the fund's lack of exposure to benchmark component Medical Properties Trust (-68%), which experienced credit- and management-related challenges this period.
- The past six months, Steve maintained his balanced investment approach, with the fund holding a combination of "risk-off" and "risk-on" real estate investments that he believed could fare well in a variety of interest rate scenarios.
- He continued to limit exposure to regional mall and office REITs – whose long-term challenges he felt made the categories unattractive – while shifting to an overweight in the self-storage industry.
- As of January 31, Steve remained hopeful that the REITs' current close relationship with interest-rate movements – a situation he sees as unfavorable for the fund – could ease as rates decline and individual company fundamentals and valuations matter more to investors.

MARKET RECAP

U.S. equities gained 6.43% for the six months ending January 31, 2024, according to the S&P 500® index, as a slowing in the pace of inflation and resilient late-cycle expansion of the U.S. economy provided a favorable backdrop for risk assets. The upturn was driven by a narrow set of firms in the information technology and communication services sectors, largely due to excitement for generative artificial intelligence. Monetary tightening by the U.S. Federal Reserve continued until late July, when the Fed said it was too soon to tell if its latest hike would conclude a series of increases aimed at cooling the economy and bringing down inflation. Since March 2022, the Fed has raised its benchmark interest rate 11 times before pausing and four times deciding to hold rates at a 22-year high while it observes inflation and the economy. After 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. The index added 1.68% in January, finishing the period just shy of a record close set on January 29. By sector for the full six months, tech and communication services (+12% each) led, followed by financials (+11%). The defensive health care sector rose about 6% and industrials gained roughly 3%. Real estate stocks were up 2%, just ahead of consumer discretionary (+1%). In contrast, utilities (-7%) and energy (-3%) lagged most, with the latter hampered by lower oil prices. Materials (-3%) and consumer staples (-1%) also lost ground.

Steve Buller
Portfolio Manager

Fund Facts

Trading Symbol:	FRESX
Start Date:	November 17, 1986
Size (in millions):	$2,594.79

Investment Approach

- Fidelity® Real Estate Investment Portfolio seeks above-average income and long-term capital growth, consistent with reasonable investment risk, by investing in securities of companies that own and, in most cases, operate commercial real estate properties.
- Investment in real estate securities has the potential to provide portfolio diversification, consistent income generation, total return and the ability to outpace inflation.
- We believe real estate investment trusts (REITs) represent a balance between real estate and stocks, and that recognizing attributes of both is key to identifying opportunities to outperform.
- Through rigorous bottom-up research from both Fidelity's dedicated real estate team and the firm's broader research resources, we strive to add value through security selection within a disciplined risk framework. Our process seeks to determine the relative attractiveness of individual REITs and will try to take advantage of pricing discrepancies in the market.

Q&A

An interview with Portfolio Manager Steve Buller

Q: Steve, how did the fund perform for the six months ending January 31, 2024?

The fund gained 0.33%, versus 0.70% for the MSCI US IMI Real Estate 25/50 Linked Index. The portfolio slightly outperformed the peer group average but fell well short of the 6.43% increase in the broad-based U.S. stock market, as measured by the S&P 500® index.

Taking a slightly longer-term view, the fund returned -4.72% for the trailing 12 months, lagging the MSCI real estate index, the peer group average and S&P 500®.

Q: What market factors influenced the fund's result the past six months?

We saw a tight correlation between the performance of real estate investment trusts and the direction of interest rates. When the period began last August, the REIT market was experiencing a steep decline, apparently reflecting investors' concern about further rate increases. By late October, however, that concern largely turned to optimism as a drop in inflation led to hopes of multiple potential rate cuts from the U.S. Federal Reserve in 2024. This shift in perception triggered a sharp rally in the REIT market in November and December. Unfortunately, January again brought a recalibration of market sentiment. More specifically, stronger-than-expected economic data suggested a less-aggressive timeline for Fed rate reductions, dampening investor hopes and pressuring REIT valuations. In all, the REIT market finished the period only slightly above its starting point six months earlier. Meanwhile, supply/demand fundamentals remained solid across most REIT industries, although apartments and offices were notable exceptions.

Looking more closely at portfolio performance, the biggest challenge relative to the MSCI real estate index was security selection and an overweight in the lagging multifamily residential REIT industry. Picks among retail and telecom tower REITs also hurt, as did the fund's underweight in the hotel & resort category. In contrast, investment choices among health care REITs notably contributed.

Q: How did you manage the fund this period?

I follow the same investment strategy regardless of the underlying market backdrop. My approach entails carefully considering both the similarities and differences between

REITs and their counterparts within the broader equity market. Long term, I believe REITs' valuations should trend toward the value of their underlying properties. REIT shares also represent an equity stake in a company, so their prices can fluctuate along with changes in the economy or investor sentiment, among other factors. The REIT market also can be inefficient, which can cause individual securities to be temporarily mispriced. Occasionally, this can present opportunities to buy REITs I like at undeservedly low prices, or to sell those trading for more than I think they're worth.

I focus on bottom-up security selection, meaning I select investments one at a time, relying in part on Fidelity's team of real estate analysts to find what I consider reasonably valued REITs of sufficient quality. I also maintain a flexible approach in order to adapt to a constantly changing investment environment. The REIT universe is relatively narrow, so I may adjust my emphasis based on current market conditions or where I believe they may be heading.

Throughout the period, I kept the fund positioned fairly consistently, utilizing a balanced approach. This entailed investing in industries and individual stocks that I believe could fare well in a variety of interest-rate environments. By owning a combination of "risk-on" and "risk-off" investments, I felt like the fund was appropriately positioned, given the lack of clear signals about the future direction of the economy.

Some notable allocations included continuing to limit the fund's exposure to regional mall and office REITs, whose long-term challenges I felt made these segments of the market unattractive.

Meanwhile, in the callout portion of this review, I'll discuss how I shifted the fund from an underweight to an overweight in the self-storage industry, whose fundamentals I believed were at a low point. I also believe these REITs could benefit from a potential decline in interest rates.

I maintained the portfolio's outsized exposure to apartment REITs as well, despite their recent challenges, because I think the industry is well positioned over the long term.

Other notable moves included increasing the fund's exposure to shopping center REITs – to help offset our lack of positioning among mall REITs – and reducing our allocation to hotel REITs, an industry that became less compelling to me amid higher valuations and increased labor expenses weighing on these firms' profit margins.

Q: Relative to the MSCI index, which holdings most influenced the fund's performance?

Not owning mall REIT and benchmark component Simon Property Group (+15%) was the foremost relative detractor the past six months. Shares of the company outperformed this period, as retail REITs continued to rebound from pandemic-era weakness and as investors' risk appetite grew.

Outsized exposure to apartment REITs UDR (-10%) and Mid-America Apartment Communities (-14%) also hurt. Stocks in this industry, especially those firms focused on the Sunbelt, struggled due to excess supply that depressed rents and led to a correction in the market. Although I agreed with the notion that apartment property owners would likely continue to be challenged over the near term, I still see long-term opportunity here and maintained the portfolio's overweight accordingly.

In contrast, our decision to not hold Medical Properties Trust, a benchmark component that returned -68%, proved quite advantageous. This owner of hospital properties experienced credit- and management-related challenges this period, resulting in a significant valuation decline.

The portfolio's comparatively light exposure to Realty Income (-2%) was another plus. Late in the reporting period, the fund acquired a stake in this triple-net REIT after Realty Income closed on its acquisition of Spirit Realty (+8%), an existing fund holding whose shares rose in response and ultimately added value compared with the sector index. Realty Income and other triple-nets lagged the broader REIT market these past six months due to their sensitivity to rising interest rates.

Lastly, an overweight stake in health care REIT Welltower (+7%) further contributed to the fund's relative result. Owners of assisted-living properties generally performed well this period as they continued to emerge from their post-pandemic performance challenges. As Welltower's valuation became a bit more expensive, we trimmed the fund's position as a result.

Q: Any closing thoughts for shareholders as of January 31, Steve?

Looking ahead, I'm anticipating that the correlation we've been seeing between REITs' performance and the direction of interest rates will likely persist until rates ultimately stabilize or fall.

Furthermore, this recent – and, I hope, short-lived – tight relationship represents an undesirable situation for my largely bottom-up (stock-by-stock) investment process. However, I remain hopeful that when rates eventually do decline, REIT performance can once again begin to reflect individual company fundamentals and valuations.

Meanwhile, I continue to believe the portfolio's balanced approach – which includes a mix of REITs and industries I'd expect to perform well if rates fall and those that may perform well if rates either stay high or increase – is well-suited to these market conditions. ■

Portfolio Manager Steve Buller on investment opportunities he sees in the self-storage industry:

"Over the past six months, I shifted from an underweight to an overweight in self-storage REITs within the portfolio. This positioning change reflects my view that the industry's fundamentals have likely troughed, making it possible to invest in the companies at discounted valuations. This creates what I see as an attractive opportunity, given that self-storage REITs, due to their strong growth rates and business models, historically have traded at a premium to the REIT market as a whole.

"The reason for this is that demand for storage tends to grow when people experience dramatic life changes, such as death, divorce or geographic moves. Although rates for the former two tend to stay consistent over time, fewer people have been moving these days because so many homeowners locked in low mortgage rates on their existing homes when interest rates were low throughout 2020 and 2021. Assuming we begin to see a decline in rates, however, I do see the opportunity for a reversal that could once again kick-start demand for storage space.

"I've also observed that demand, which was robust during the pandemic as people needed to clear out space in their homes or businesses, has settled down and returned to pre-pandemic levels, causing corresponding self-storage rental rates to come down as the market digests excess supply in the industry. In my view, self-storage valuations are already reflecting this pullback, making for an attractive long-term opportunity.

"As of January 31, I maintained overweight positions in CubeSmart and Public Storage, the latter being the largest self-storage REIT with the most national exposure, serving the largest and most geographically diverse set of markets. Meanwhile, I like CubeSmart for its New York City exposure, a market that disproportionately struggled during the pandemic and therefore offers greater recovery potential, in my opinion."

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Medical Properties Trust, Inc.	Health Care	-0.26%	30
Realty Income Corp.	Free Standing	-2.86%	27
Welltower, Inc.	Health Care	0.44%	23
Crown Castle, Inc.	Infrastructure REITs	3.93%	15
Digital Realty Trust, Inc.	Data Centers	1.26%	12

** 1 basis point = 0.01%.*

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Simon Property Group, Inc.	Regional Malls	-3.15%	-42
UDR, Inc.	Apartments	2.54%	-34
Mid-America Apartment Communities, Inc.	Apartments	2.05%	-33
Zillow Group, Inc. Class A	Unknown Industry	-0.18%	-30
American Tower Corp.	Infrastructure REITs	-6.91%	-26

** 1 basis point = 0.01%.*

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Domestic Equities	98.26%	100.00%	-1.74%	1.39%
International Equities	0.00%	0.00%	0.00%	0.00%
Developed Markets	0.00%	0.00%	0.00%	0.00%
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	1.74%	0.00%	1.74%	-1.39%

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
Industrial	13.35%	12.68%	0.67%	2.34%
Infrastructure	12.00%	12.34%	-0.34%	0.62%
Data Centers	10.85%	9.06%	1.79%	-0.67%
Shopping Centers	10.10%	4.65%	5.45%	1.80%
Apartments	9.69%	8.38%	1.31%	-0.39%
Self Storage	8.67%	6.65%	2.02%	4.02%
Health Care	8.51%	7.74%	0.77%	-0.40%
Free Standing	5.64%	5.07%	0.57%	0.40%
Diversified	4.88%	6.75%	-1.87%	-0.93%
Manufactured Homes	3.61%	2.15%	1.46%	-0.12%
Other	10.40%	10.32%	0.08%	-4.62%

10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
Prologis, Inc.	Industrial	11.37%	10.32%
Equinix, Inc.	Data Centers	7.37%	6.91%
Crown Castle, Inc.	Infrastructure REITs	6.23%	7.89%
Ventas, Inc.	Health Care	5.94%	4.88%
SBA Communications Corp. Class A	Infrastructure REITs	5.77%	3.23%
Public Storage	Self Storage	4.28%	--
Kimco Realty Corp.	Shopping Centers	3.52%	2.46%
Digital Realty Trust, Inc.	Data Centers	3.48%	3.97%
CubeSmart	Self Storage	3.24%	3.15%
NNN (REIT), Inc.	Free Standing	3.16%	2.76%
10 Largest Holdings as a % of Net Assets		**54.36%**	**52.09%**
Total Number of Holdings		**39**	**40**

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 January 31, 2024

	Cumulative		Annualized			
	6 Month	**YTD**	**1 Year**	**3 Year**	**5 Year**	**10 Year/ LOF[1]**
Fidelity Real Estate Investment Portfolio Gross Expense Ratio: 0.72%[2]	0.33%	-4.78%	-4.72%	4.64%	3.34%	6.55%
S&P 500 Index	6.43%	1.68%	20.82%	10.99%	14.30%	12.62%
MSCI US IMI Real Estate 25/50 Linked Index	0.70%	-4.94%	-3.62%	3.38%	0.97%	5.08%
Morningstar Fund Real Estate	0.22%	-4.39%	-3.00%	3.25%	3.62%	6.00%
% Rank in Morningstar Category (1% = Best)	--	--	77%	30%	71%	41%
# of Funds in Morningstar Category	--	--	252	236	215	158

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 11/17/1986.
[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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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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Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. Changes in real estate values or economic downturns can have a significant negative effect on issuers in the real estate industry. The value of securities of issuers in the real estate industry can be affected by changes in real estate values and rental income, property taxes, interest rates, tax and regulatory requirements, and the management skill and creditworthiness of the issuer. The fund may have additional volatility because it can invest a significant portion of assets in securities of a small number of individual issuers.

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.

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.

MSCI US IMI Real Estate 25/50 Linked Index is a modified market capitalization-weighted index of stocks designed to measure the performance of real estate companies in the MSCI US Investable Market 2500 Index. Index returns shown for periods prior to October 1, 2020 are returns of the Dow Jones U.S. Select Real Estate Securities Index (RESI).

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

Steve Buller is a portfolio manager in the Equity division at Fidelity Investments. Fidelity Investments is a leading provider of investment management, retirement planning, portfolio guidance, brokerage, benefits outsourcing, and other financial products and services to institutions, financial intermediaries, and individuals

In this role, Mr. Buller manages Fidelity Real Estate Investment Portfolio, Fidelity Advisor Global Real Estate Fund, and Fidelity Flex Real Estate Fund.

Prior to assuming his current responsibilities, Mr. Buller managed Fidelity and Fidelity Advisor International Real Estate Funds and VIP Real Estate Portfolio. Previously, he worked as an analyst covering real estate investment trusts (REITs) and the environmental industry in Fidelity's Equity group, and as a fixed income analyst at Fidelity International Limited's (FIL) London office. Mr. Buller also served as a distressed securities analyst and as a high yield analyst in Fidelity's High Income group. He has been in the financial industry since joining Fidelity in 1992.

Mr. Buller earned his bachelor of arts degree in finance and German literature, as well as his master of science degree in finance from the University of Wisconsin-Madison. He is also a CFA® charterholder.

PERFORMANCE SUMMARY:
Quarter ending March 31, 2024

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Fidelity Real Estate Investment Portfolio Gross Expense Ratio: 0.67%[2]	5.40%	2.83%	3.14%	6.26%
% Rank in Morningstar Category (1% = Best)	84%	35%	66%	46%
# of Funds in Morningstar Category	250	236	217	160

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 11/17/1986.

[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.

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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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