Fidelity® Select Automotive Portfolio

Key Takeaways

- For the semiannual reporting period ending August 31, 2024, the fund returned -5.53%, trailing the -4.80% result of the FactSet Automotive Linked Index and notably underperforming the broad-based S&P 500® index.
- On June 30, 2024, Aidan Brandt came off the fund, leaving Amy Ge as sole portfolio manager.
- According to Amy, it was somewhat of a challenging six months for the automotive industry due to slowing global vehicle production that negatively impacted manufacturers and suppliers alike.
- Versus the FactSet industry index, subpar security selection in the automotive parts & equipment segment detracted most from the fund's performance, followed by picks among distributors and outsized exposure to diversified support services stocks.
- Turning to individual holdings, untimely positioning and trading activity in Tesla (+6%), Stellantis (-32%) and Copart (-0.4%) were the biggest performance challenges this period.
- In contrast, the combination of strong investment choices and a modest underweight among automotive manufacturers notably contributed to performance compared with the industry index.
- On a stock-specific basis, overweight stakes in Carvana (+98%) and General Motors (+22%), along with an opportune allocation shift in premium Chinese EV manufacturer Li Auto (-58%), proved advantageous.
- As of August 31, Amy highlights that the expectation for global vehicle production growth in 2025 is essentially flat, primarily because the proliferation of electric vehicles in Western markets hasn't materialized to the extent many had hoped, especially compared with China. In the U.S., new car ownership costs also have risen faster than overall wage inflation, leading to affordability issues for the average consumer.

Not FDIC Insured • May Lose Value • No Bank Guarantee

MARKET RECAP

U.S. equities gained 11.59% for the six months ending August 31, 2024, according to the S&P 500® index, driven by a resilient economy, a frenzy over generative artificial intelligence and the Federal Reserve's likely pivot to cutting interest rates later this year. Amid this favorable backdrop for higher-risk assets, the S&P 500® shook off a rough April and reached its all-time closing high in mid-July. Growth stocks led the charge, with the information technology sector up 15%, driven by semiconductor-related (+26%) stocks. Utilities (+25%), a beneficiary of the AI boom, also stood out, as did financials (+14%), consumer staples and real estate (+13% each). Gains were shallower elsewhere, with consumer discretionary (+1%) lagging most. Soon after this period began, risk assets were aided on March 20 when the central bank affirmed its projection to cut rates in 2024. Stocks then slipped in April (-4.08%), as inflation remained stickier than expected, but rebounded in May (+4.96%) and June (+3.59%), despite a reduced outlook for rate cuts from the Fed. The uptrend continued throughout July (+1.22%), with the top-heavy index hitting its all-time high mid-month before a sharp three-week reversal as investors rotated into small-cap, value and cyclical shares due to concern about a recession for the U.S. economy. Volatility spiked, but the index rallied in the final three weeks of August (+2.43%) to end the period just shy of its mid-July high.

Fidelity INVESTMENTS

Amy Ge
Portfolio Manager

Fund Facts

Trading Symbol:	FSAVX
Start Date:	June 30, 1986
Size (in millions):	$75.09

Investment Approach

- Fidelity® Select Automotive Portfolio is an industry-based, equity-focused strategy that seeks to outperform its benchmark through active management.
- Our investment process emphasizes stock selection while keeping industry weightings relatively neutral. The fund seeks earnings growth that is in line with or faster than the index. In pursuit of this, we invest in companies exhibiting above-average growth due to a strong geographic sales mix; suppliers with growing content per vehicle that is outpacing underlying production; and companies that are repurchasing shares, thereby accelerating earnings-per-share growth.
- The fund tends to favor higher-quality companies with valuations that are in line with or less expensive than the index. Our valuation approach is primarily focused on comparing discounted free cash flow multiples relative to peers.
- Stock selection and idea generation come from fundamental, bottom-up research that leverages the deep and experienced global consumer team at Fidelity. We consider attractive consumer stocks outside of the benchmark that offer the potential for favorable risk-adjusted returns.
- 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 Amy Ge

Q: Amy, how did the fund perform for the six months ending August 31, 2024?

The fund returned -5.53%, trailing the -4.80% result of the FactSet Automotive Linked Index and notably underperforming the broad-based S&P 500® index. The portfolio also underperformed the peer group average, which represents a broad group of consumer cyclical stocks.

On a longer-term basis, the fund rose 1.56% the past 12 months, topping the FactSet index but considerably lagging both the S&P 500® and peer group average.

Q: Could you please describe the environment for automotive stocks the past six months?

Sure. Overall, it was somewhat of a challenging period for the industry because expectations for global vehicle production came down a bit compared with the beginning of 2024. This trend of slowing growth was particularly evident in the electric-vehicle market. Furthermore, Chinese automakers continued to gain market share at the expense of more-established auto manufacturers throughout the rest of the world – a structural shift observed in the prior reporting period.

In terms of automotive suppliers, many companies have faced negative mix headwinds stemming from the production slowdown. This is partially because most suppliers tend to be overly exposed to European and North American automakers, as opposed to domestic Chinese automakers, where a considerable amount of global production is taking place. On the other hand, auto parts retailers proved to be a bright spot against this difficult backdrop, given that these businesses tend to be more defensive in nature. To that point, among the largest components within the FactSet industry index, the automotive retail (+11%) category fared the best this period, whereas auto manufacturers (-9%) – comprising over half the index – and automotive parts & equipment (-11%) firms meaningfully underperformed.

Q: What detracted most from the fund's result versus the FactSet industry index?

Subpar security selection in the automotive parts & equipment segment was most detrimental to relative

performance the past six months, followed by picks among distributors and outsized exposure to diversified support services stocks. Turning to individual holdings, I would point out that several of the more prominent relative detractors this period were due to untimely positioning changes related to the portfolio management transition from Aidan to myself.

Topping the list was electric-vehicle maker Tesla (+6%), where sales continued to fall short of investors' expectations. As a result, the firm's auto profit margins have come under pressure due to a reduction in vehicle prices aimed at stimulating demand. Nonetheless, there seems to be a renewed interest in the company on a number of fronts, including further strides in autonomous driving, as well as other non-automotive ventures, such as humanoid robotics. Market participants also appear hopeful that 2025 may bring about a refresh of Tesla's product lineup. I increased the fund's stake this period, making it the biggest position on August 31, although it remains an underweight.

The unfavorable impact of our trading in Detroit automaker Stellantis (-32%) was another negative this period. The firm had been gearing up for a product cycle slated to be released in the second half of 2024 that simply did not live up to expectations. More specifically, newer vehicle models were reflecting higher price points than consumers were willing to pay, ultimately leading to a build-up of inventory. Additionally, management reported lackluster second-quarter financial results, in which both revenue and operating income came up shy of analysts' consensus expectation across most geographies. Still, the company continued to be a sizable holding for the fund at period end, despite us having trimmed it a bit.

Prior to my taking over the portfolio, exposure to Copart (-0.4%) – a global provider of online vehicle auction and remarketing services – had been comparatively light versus the index. While I added to the position this period in order to narrow that underweight, the timing was not ideal from a relative performance standpoint due the stock's elevated valuation. The company continued to gain market share the past six months, but did so in the face of a deceleration in industrywide volume growth as total vehicle loss rates have fully recovered back to pre-pandemic levels. Copart was a top-10 holding on August 31.

A larger-than-index stake in automotive seating supplier Adient (-36%) further pressured the fund's relative result. Shares of the firm suffered the past six months because of the business's outsized exposure to Detroit and German automakers, as opposed to Chinese manufacturers that are expanding their competitive footprint and accounting for a greater percentage of global vehicle sales. Adient also was plagued by delayed program launches, slowing EV growth and insourcing risks. Given these challenges, I sold the stock prior to the end of the reporting period.

Q: What notably helped?

The combination of strong investment choices and a modest underweight among automotive manufacturers contributed most to performance compared with the FactSet index.

On a stock-specific basis, an overweight in online used car platform Carvana (+98%) bolstered the portfolio's relative return most the past six months. The primary story here was that expectations for the company were so low early in the period – largely stemming from market participants' liquidity concerns – that the stock had little room to go anywhere but up. Management then reported quarterly earnings that substantially exceeded Wall Street's expectations, rooted in continued market-share gains and improving profitability. These favorable results propelled the stock higher and deepened the financial squeeze on the firm's notable amount of short sellers. Carvana was the portfolio's No. 11 holding at the end of August.

A sizable stake in General Motors (+22%), the fund's fourth-largest position at period end, proved advantageous as well. The company continued to make forward progress as it relates to its competitive position within the U.S. versus Ford and Stellantis. The business also was able to keep its profit margins steady this period, along with buying back a lot of stock. That said, when reporting second-quarter financial results, management did cite some offsetting weakness overseas, particularly in China. All told, I did pare the position a bit the past six months.

Lastly, an opportune allocation shift in premium Chinese EV manufacturer Li Auto (-58%) was another plus. China's auto market has become intensely competitive for some time now. Late in the reporting period, the company reported solid Q2 financial results, in which revenue and volumes ticked up meaningfully compared with the prior quarter, even though consumers were opting for Li's lower-priced model. Interestingly, expenses declined a bit, despite new store openings and the rollout of charging stations. I added to the stock on weakness the past six months, making it a top-10 holding at period end.

Q: What's your outlook for automotive stocks as of August 31, Amy?

Looking ahead to 2025, the expectation for global production growth is essentially flat. Many Western automakers are slowing down their EV plans, taking down corresponding estimates and/or postponing previously announced model launches, largely because the proliferation of EVs in these markets hasn't materialized to the extent many had hoped. This stands in stark contrast to China, where the EV landscape has expanded incredibly fast. In the U.S., I'm hopeful that future interest-rate cuts, combined with automaker and dealer incentives, could provide some support to consumers, and, by extension, stimulate auto sales. ■

Portfolio Manager Amy Ge on autonomous driving:

"While it was a popular topic of discussion for the first time several years ago, autonomous driving has returned to the forefront. This time, however, Tesla has emerged as a potentially prominent player. The company is slated to host a robotaxi product day in the near future where it is anticipated that the firm will unveil its vision of a fully autonomous vehicle. The firm has invested a considerable amount of time, money and resources in improving its self-driving capabilities over the course of the past year.

"With existing competitors like Google's Waymo also making noteworthy strides lately, there are a number of key questions I'm contemplating, including:

- Is this going to be a winner-take-all market?
- How long will it take for this technology to be both viable and safe?
- Will the regulatory backdrop be receptive to, let alone supportive of, this technological change?

"Given these and other lingering questions, I wouldn't characterize my level of conviction in this theme as high, and this is reflected in the fund's underweight in Tesla, as well as its lack of exposure to Israeli autonomous driving company Mobileye.

"Having said that, the portfolio does have a non-index allocation to ride-hailing, courier, food delivery and freight transport services provider Uber Technologies as of August 31. I believe that for the foreseeable future, we're going to be in somewhat of a hybrid environment of both human and autonomous drivers and that businesses such as Uber should be instrumental in helping to facilitate that transition by offering both on their platform. This is already evident in their crucial partnerships with Waymo, London-based Wayve and GM-owned Cruise.

"Again, I find it difficult to envision any sort of light-switch moment where we all wake up one morning and no longer need to get behind the wheel. Rather, this will be an evolutionary shift that takes place over an extended time frame."

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Carvana Co. Class A	Automotive Retail	0.96%	63
General Motors Co.	Automobile Manufacturers	1.76%	48
Li Auto, Inc. ADR	Automobile Manufacturers	0.06%	43
Rivian Automotive, Inc. Class A	Automobile Manufacturers	0.37%	26
Toyota Motor Corp. sponsored ADR	Automobile Manufacturers	1.10%	21

** 1 basis point = 0.01%.*

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Tesla, Inc.	Automobile Manufacturers	-1.34%	-26
Stellantis NV	Automobile Manufacturers	-0.70%	-24
Copart, Inc.	Diversified Support Services	-0.43%	-24
Adient PLC	Automotive Parts & Equipment	0.60%	-23
CarMax, Inc.	Automotive Retail	-1.82%	-21

** 1 basis point = 0.01%.*

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Domestic Equities	70.66%	69.27%	1.39%	-1.42%
International Equities	29.13%	30.73%	-1.60%	1.47%
Developed Markets	24.24%	26.34%	-2.10%	0.90%
Emerging Markets	4.78%	4.39%	0.39%	1.21%
Tax-Advantaged Domiciles	0.11%	0.00%	0.11%	-0.64%
Bonds	0.00%	0.00%	0.00%	0.00%
Cash & Net Other Assets	0.21%	0.00%	0.21%	-0.05%

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
Automobile Manufacturers	53.63%	54.34%	-0.71%	5.06%
Automotive Retail	21.52%	21.70%	-0.18%	0.11%
Automotive Parts & Equipment	10.92%	11.86%	-0.94%	-6.74%
Diversified Support Services	6.27%	4.57%	1.70%	2.38%
Distributors	4.49%	4.71%	-0.22%	-0.52%
Passenger Ground Transportation	1.92%	--	1.92%	-0.09%
Trading Companies & Distributors	0.73%	0.52%	0.21%	0.21%
Food Retail	0.28%	--	0.28%	0.28%
Electronic Components	0.03%	--	0.03%	-0.01%

10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
Tesla, Inc.	Automobile Manufacturers	11.30%	7.39%
O'Reilly Automotive, Inc.	Automotive Retail	9.02%	10.11%
Toyota Motor Corp. sponsored ADR	Automobile Manufacturers	8.98%	13.36%
General Motors Co.	Automobile Manufacturers	8.17%	9.80%
Ferrari NV	Automobile Manufacturers	8.10%	4.76%
AutoZone, Inc.	Automotive Retail	5.05%	4.60%
Aptiv PLC	Automotive Parts & Equipment	4.72%	5.58%
Copart, Inc.	Diversified Support Services	4.52%	2.30%
Honda Motor Co. Ltd. sponsored ADR	Automobile Manufacturers	4.44%	1.56%
Li Auto, Inc. ADR	Automobile Manufacturers	4.17%	4.54%
10 Largest Holdings as a % of Net Assets		**68.46%**	**68.04%**
Total Number of Holdings		**33**	**29**

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 August 31, 2024

	Cumulative		Annualized			
	6 Month	YTD	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Select Automotive Portfolio Gross Expense Ratio: 0.77%[2]	-5.53%	0.25%	1.56%	-1.77%	15.27%	8.31%
S&P 500 Index	11.59%	19.53%	27.14%	9.38%	15.92%	12.98%
FactSet Automotive Linked Index	-4.80%	-0.17%	0.85%	-1.83%	14.98%	8.31%
Morningstar Fund Consumer Cyclical	1.05%	6.36%	15.05%	-0.28%	11.47%	9.98%
% Rank in Morningstar Category (1% = Best)	--	--	93%	69%	14%	65%
# of Funds in Morningstar Category	--	--	52	48	43	37

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 06/30/1986.
[2] This expense ratio is from the prospectus in effect as of the date shown above and generally is based on amounts incurred during that fiscal year, or estimated amounts for the current fiscal year in the case of a newly launched fund. It does not include any fee waivers or reimbursements, which would be reflected in the fund's net expense ratio.

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

Definitions and Important Information

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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 automotive industry is highly cyclical and can be significantly affected by labor relations and fluctuating component prices.

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.

FactSet Automotive Linked Index is a float-adjusted modified market capitalization weighted index designed to measure and track the performance of companies engaged in the manufacturing and distribution of automotive vehicles, parts and components. Index returns shown for periods prior to April 1, 2017 are returns of the S&P Custom Automobiles & Components Index; returns shown for periods prior to January 1, 2010 are returns of the MSCI U.S. Investable Market Automobiles & Components 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

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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

Amy Ge is a 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, Amy is responsible for covering automotive and rideshare stocks. She also manages the Fidelity Select Automotive Portfolio.

Prior to joining Fidelity in 2017, Ms. Ge was an associate in Goldman Sachs' Merchant Banking Division. She has been in the financial industry since 2009.

Ms. Ge earned her bachelor of arts and master of business administration degrees from the Wharton School of the University of Pennsylvania.

PERFORMANCE SUMMARY: Quarter ending June 30, 2024

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Select Automotive Portfolio Gross Expense Ratio: 0.77%[2]	-0.90%	-4.13%	14.20%	7.87%
% Rank in Morningstar Category (1% = Best)	93%	78%	14%	67%
# of Funds in Morningstar Category	51	48	43	37

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

[2] *This expense ratio is from the prospectus in effect as of the date shown above and generally is based on amounts incurred during that fiscal year, or estimated amounts for the current fiscal year in the case of a newly launched fund. It does not include any fee waivers or reimbursements, which would be reflected in the fund's net expense ratio.*

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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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Diversification does not ensure a profit or guarantee against a loss.

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