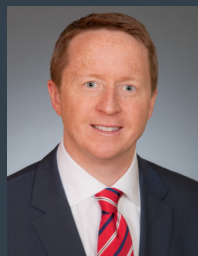
Fidelity® Select Energy Portfolio

Key Takeaways

- For the fiscal year ending February 29, 2024, the fund gained 6.66%, versus 6.64% for the MSCI U.S. IMI Energy 25/50 Index and 30.45% for the broad-based S&P 500® index.
- Portfolio Manager Maurice FitzMaurice notes that the price of crude oil – a key driver of energy stock performance – was range-bound between \$67 and \$94 per barrel the past 12 months, while the price of natural gas declined about 29%.
- Mild winter weather, rising production from the U.S. and Iran, and recessionary fears were headwinds for oil prices this period, according to Maurice.
- Against this backdrop, stock selection in the oil & gas exploration & production industry notably contributed to the fund's performance versus the MSCI energy sector index this period.
- In the oil & gas exploration & production group, an out-of-index position in oil & natural gas producer Canadian Natural Resources (+28%) was the portfolio's biggest individual relative contributor.
- Conversely, positioning in oil & gas storage & transportation stocks detracted from the fund's relative result, as did outsized exposure to the weak-performing oil & gas drilling industry.
- An underweight stake on oil & gas refining and marketing company Phillips 66 (+44%) was the portfolio's biggest individual relative detractor.
- As of February 29, Maurice is optimistic about the outlook for oil prices in the intermediate term, given favorable supply-and-demand dynamics.
- Looking ahead, he believes there is an investment opportunity in energy services stocks, largely because many market participants do not understand the capital needed to meet the world's growing demand for oil and gas. Furthermore, he feels the broader market has underestimated the upcoming business cycle for oilfield services companies.

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%), consumer staples (+8%) and energy (+6%).



Maurice FitzMaurice
Portfolio Manager

Fund Facts

Trading Symbol:	FSENX
Start Date:	July 14, 1981
Size (in millions):	$2,138.00

Investment Approach

- Fidelity® Select Energy Portfolio is a sector-based, equity-focused strategy that seeks to outperform its benchmark through active management.
- We believe stocks can become mispriced relative to intrinsic value for a variety of reasons, including cyclically depressed earnings or overly positive or negative sentiment.
- Supported by in-depth fundamental research, we seek to uncover investment opportunities by analyzing the drivers of supply and demand for energy commodities, in combination with valuations and cash-generation potential for energy stocks.
- Our process is grounded in the belief that the ability to generate free cash flow over time is the best barometer of value, and that companies with quality businesses trading at attractive levels compared with future free-cash-flow generation tend to outperform.
- Sector strategies could be used by investors as alternatives to individual stocks for either tactical- or strategic-allocation purposes.

Q&A

An interview with Portfolio Manager Maurice FitzMaurice

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

The fund gained 6.66% the past 12 months, versus 6.64% for the MSCI U.S. IMI Energy 25/50 Index and 30.45% for the broad-based S&P 500® index. The portfolio handily outperformed the peer group average.

Q: What was notable about the environment for energy stocks the past 12 months?

Prices for crude oil – a key driver of energy stock performance – were range-bound between roughly $67 and $94 per barrel this period, while natural gas prices declined. Meanwhile, the price of West Texas Intermediate crude oil, a proxy for U.S. oil prices, rose about 2% for the 12 months, from $77.05 bbl at the start of the period to $78.54 bbl at period end. The price of WTI oil peaked at $93.84 bbl on September 27 and reached a low point of $66.74 bbl on March 17. During the last five months of the period, the price of WTI oil gained momentum, rising from $68.61 bbl on Dec 11 to end the period at $83.17 bbl on March 31.

Mild winter weather, rising production from the U.S. and Iran, as well as recessionary fears were headwinds for oil prices. Increasing geopolitical tension in the Middle East drove a fairly short-lived rally in oil prices from September to October. Then, in late November, members of the Organization of the Petroleum Exporting Countries plus non-OPEC oil-producing participants (e.g., Russia and Mexico) – a group known as OPEC+ – cut production targets to help maintain crude-oil prices within its preferred range. Global growth in demand for oil, at 2.3 million barrels per day in 2023, was supportive of pricing, but that was matched by non-OPEC+ supply, which grew by about the same amount.

Meanwhile, Henry Hub natural gas prices declined about 29% for the 12 months, falling from $2.17 per MMBtu (Metric Million British Thermal Unit) at the start of the reporting period, to $1.54 as of February 29. Natural gas prices were negatively affected by increasing inventories in the U.S. and Europe. Domestic natural gas prices were also influenced by higher-than-expected production and a mild start to the winter season in the fourth quarter of 2023.

Q: Did you make any changes to the fund?

The portfolio had overweight stakes in firms with exposure to elevated oil prices, as well as rising oil and gas investment, including oil-leveraged exploration & production and oilfield services firms. I maintained this approach because the outlook for capital spending in these particular segments of the market continued to improve, in my view. I trimmed the fund's allocation to E&Ps more exposed to U.S. natural gas prices, given the corresponding weaker outlook here.

Elsewhere, the portfolio remained notably underweight the defensive oil & gas storage & transportation group, which largely consists of pipeline operators. While global demand for oil is expected to grow for at least another five years, I view the energy sector as relatively mature. As such, within mature and cyclical (economically sensitive) segments of the market, the most attractive businesses tend to be those with high-quality assets, a low-cost structure, a solid balance sheet and a disciplined capital-allocation framework that includes a healthy return of capital.

As a reminder, I have a value-oriented investment approach and prefer high-quality firms trading at a discount to their intrinsic value, as measured by a company's ability to generate free cash flow. To that point, I believe our research team can identify businesses that are mispriced relative to their intrinsic value, through in-depth fundamental research.

Q: What notably contributed to the fund's performance versus the MSCI sector index?

Positioning in the oil & gas exploration & production industry contributed to the fund's relative performance this period. Stock selection in the oil & gas equipment & services group also helped.

An out-of-index stake in Canadian Natural Resources (+28%) was the fund's largest individual contributor relative to the MSCI sector index. The company has been generating a lot of cash and reducing its debt for some time – two positive attributes that I felt warranted investment. Canadian Natural also has a disciplined management team and is a low-cost producer. I increased the fund's investment in the firm this period because I remain optimistic that these attributes should continue for the remainder of 2024. The stock was the fund's second-largest holding as of February 29.

Elsewhere, a notable underweight in integrated oil & gas company Chevron, a large index component, also meaningfully lifted the portfolio's relative result, given the stock's -2% return. The fund held a smaller-than-index stake because I viewed the stock as expensive, particularly relative to U.S. shale exploration & production firms. In the integrated oil & gas group, I favored other companies, including Exxon Mobil (-2%), which I viewed as the best-positioned among mega-cap U.S. energy stocks in an environment of elevated oil and gas prices, as well as strong refining margins. In fact, Exxon was our top position by far and the sixth-largest overweight as of February 29. In contrast, Chevron was the biggest underweight, but the fund's third-largest holding at period end.

Q: What hurt most?

The fund's positioning in the oil & gas storage & transportation industry weighed on the fund's relative result, as did outsized exposure to the weak-performing oil & gas drilling industry. Among individual investments, an underweight in Phillips 66 (+44%) proved most detrimental, as the firm began to execute on cost reduction and operational improvement plans under new management. Elsewhere, an out-of-index stake in Cenovus Energy (-4%) detracted. The Canadian oil producer underperformed due to wider discounts for Canadian crude and downtime in its refining division. I maintained an overweight, however, because I viewed these as transitory issues.

Q: Maurice, do you have any final thoughts?

The fund is positioned for a strong energy market, in my opinion. I remain positive on the outlook for oil prices, given favorable supply-and-demand conditions. On the supply side, investment in oil development has remained low since the 2014 downturn, which has constrained capacity from the Organization of the Petroleum Exporting Countries and other non-U.S. producers. Furthermore, I believe Russian oil supply is likely to remain flat, at best, in the years ahead, as the country continues to wage war in Ukraine. Increased geopolitical tensions in the Middle East also could disrupt supply from major producers. At the same time, production growth in domestic shale oil should be more limited going forward, given the maturity of shale regions and rising costs.

I expect global demand for oil to grow over the next several years, led by normalizing economic conditions in China and a recovery in air travel in 2024. Beyond this year, demand for oil should be driven by economic growth in developing markets, which likely will more than offset a modest decline in oil consumption by the Organization for Economic Co-operation and Development, a forum of 37 democracies.

Natural gas prices are more weather dependent. Given this, it's hard to have strong conviction about the direction of prices. Refining markets look fairly tight for the rest of 2024 but may loosen a bit in 2025 and beyond as new capacity comes online. My outlook for the oilfield services group is positive because upstream spending has increased in most regions of the world and capacity has tightened within many industries. This should allow many oilfield services firms to boost pricing and increase their profit margin. In contrast, I see less upside in the midstream/pipeline category for the next year or two, given its more-defensive nature. ■

Maurice FitzMaurice on stocks in the energy services industry:

"As of February 29, the fund's largest industry overweight is in oil & gas equipment & services, a group that I believe should benefit from multiple years of growing spending needed to support rising demand for oil and gas. Many investors are underestimating the capital investment needed to meet the world's growing demand for oil and gas, as well as the upside and duration of the upcoming business cycle for oilfield services firms. Moreover, there have been several years of low investment in international and offshore markets, which is only now beginning to reverse course. Generally speaking, it takes several years for longer-cycle international and offshore spending to recover, and I believe the industry is still in the early innings of this particular cycle.

"On the other hand, the shorter-cycle U.S. energy services outlook has weakened due to the recent pullback in oil and natural gas prices, leading to a typical decline in U.S. activity. Of course, a rebound in pricing for oil and gas in the next year would bolster short-cycle U.S. activity, so I think it's too early to write off U.S. onshore services. In the next several years, I expect continued growth in U.S. spending and even more so overseas, led by national oil companies in the Middle East. International and offshore oilfield spending takes longer to ramp up than in the U.S., given that projects often take three to five years to develop. As production growth from U.S. shale slows and supply from Russia remains at risk, other regions of the world, including the Middle East, Latin America and Africa, likely will need to ramp up production to meet global demand for oil and natural gas.

"Oilfield services firms have seen some of the best prospects for growth in a decade, as demand for their expertise ramps up. Meanwhile, these companies have largely reduced headcount and capacity, and are now experiencing solid pricing power. Overall, the oilfield services industry is known for its high profit margins, which means that when demand and pricing are strong, earnings can grow rapidly.

"As of the end of February, some of the fund's biggest individual overweight positions in energy equipment & services are TechnipFMC, Halliburton and SLB."

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Canadian Natural Resources Ltd.	Oil & Gas Exploration & Production	4.41%	96
Chevron Corp.	Integrated Oil & Gas	-8.90%	72
TechnipFMC PLC	Oil & Gas Equipment & Services	1.92%	61
Vistra Corp.	Independent Power Producers & Energy Traders	0.46%	45
Energy Transfer LP	Oil & Gas Storage & Transportation	1.73%	38

** 1 basis point = 0.01%.*

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Phillips 66 Co.	Oil & Gas Refining & Marketing	-1.32%	-57
Cenovus Energy, Inc.	Integrated Oil & Gas	3.96%	-55
The Williams Companies, Inc.	Oil & Gas Storage & Transportation	-2.13%	-38
ONEOK, Inc.	Oil & Gas Storage & Transportation	-1.77%	-33
Targa Resources Corp.	Oil & Gas Storage & Transportation	-0.92%	-25

** 1 basis point = 0.01%.*

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Domestic Equities	85.65%	100.00%	-14.35%	-2.40%
International Equities	13.99%	0.00%	13.99%	2.48%
Developed Markets	13.83%	0.00%	13.83%	2.47%
Emerging Markets	0.16%	0.00%	0.16%	0.01%
Tax-Advantaged Domiciles	0.00%	0.00%	0.00%	0.00%
Bonds	0.00%	0.00%	0.00%	0.00%
Cash & Net Other Assets	0.36%	0.00%	0.36%	-0.08%

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
Integrated Oil & Gas	41.15%	38.67%	2.48%	-0.93%
Oil & Gas Exploration & Production	24.04%	28.19%	-4.15%	-0.08%
Oil & Gas Equipment & Services	13.42%	9.67%	3.75%	-0.63%
Oil & Gas Refining & Marketing	9.82%	10.75%	-0.93%	0.14%
Oil & Gas Storage & Transportation	6.41%	11.12%	-4.71%	-0.49%
Oil & Gas Drilling	3.40%	1.16%	2.24%	1.17%
Industrial Machinery & Supplies & Components	0.75%	--	0.75%	0.75%
Independent Power Producers & Energy Traders	0.65%	--	0.65%	0.14%

10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
Exxon Mobil Corp.	Integrated Oil & Gas	24.10%	24.67%
Canadian Natural Resources Ltd.	Oil & Gas Exploration & Production	5.78%	4.28%
Chevron Corp.	Integrated Oil & Gas	5.22%	6.05%
Schlumberger Ltd.	Oil & Gas Equipment & Services	5.16%	4.74%
Cenovus Energy, Inc. (Canada)	Integrated Oil & Gas	5.05%	4.15%
Marathon Petroleum Corp.	Oil & Gas Refining & Marketing	4.81%	4.18%
Occidental Petroleum Corp.	Integrated Oil & Gas	4.16%	4.21%
Valero Energy Corp.	Oil & Gas Refining & Marketing	3.81%	3.80%
Hess Corp.	Oil & Gas Exploration & Production	3.69%	3.90%
ConocoPhillips Co.	Oil & Gas Exploration & Production	3.44%	3.87%
10 Largest Holdings as a % of Net Assets		**65.21%**	**64.09%**
Total Number of Holdings		**43**	**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.

FISCAL PERFORMANCE SUMMARY: Periods ending February 29, 2024

	Cumulative		Annualized			
	6 Month	YTD	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Select Energy Portfolio Gross Expense Ratio: 0.68%[2]	-1.89%	3.47%	6.66%	28.16%	11.60%	2.88%
S&P 500 Index	13.93%	7.11%	30.45%	11.91%	14.76%	12.70%
MSCI US IMI Energy 25/50	-2.04%	2.43%	6.64%	26.75%	10.93%	3.12%
Morningstar Fund Equity Energy	-4.30%	-0.73%	2.41%	20.03%	6.84%	-2.34%
% Rank in Morningstar Category (1% = Best)	--	--	36%	9%	24%	27%
# of Funds in Morningstar Category	--	--	75	69	68	60

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 07/14/1981.
[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

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The energy industries can be significantly affected by fluctuations in energy prices and supply and demand of energy fuels, energy conservation, the success of exploration projects, and tax and other government regulations. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. The fund may have additional volatility because of its narrow concentration in a specific industry. Non-diversified funds that focus on a relatively small number of stocks tend to be more volatile than diversified funds and the market as a whole.

IMPORTANT FUND INFORMATION

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

INDICES

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

MSCI U.S. IMI Energy 25/50 Index is a customized blend of the following unmanaged indices: MSCI US IM Energy 25/50 Index - 100%. The composition differed in periods prior to January 01 2010.

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

 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

Maurice FitzMaurice 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. FitzMaurice manages Fidelity Select Energy Portfolio, Fidelity Advisor Energy Fund, and VIP Energy Portfolio. In addition, he is responsible for researching companies in the energy and power sectors. He also collaborates with Fidelity's equity income portfolio managers to expand the firm's value-oriented coverage and works on the firm's portfolio management strategic objectives.

Prior to assuming his current position in January 2017, Mr. FitzMaurice served as managing director of research in Fidelity's High Income division. In this capacity, he managed a team of research analysts and research associates based in Boston and London. Previously, Mr. FitzMaurice was a research analyst in FMR Co.'s Equity division. During this time, he also managed Midcap Financials Pilot Fund, Fidelity Select Defense and Aerospace Portfolio, Fidelity Select Air Transportation Portfolio, and Fidelity Select Transportation Portfolio. Prior to that, Mr. FitzMaurice was a research analyst in the High Income division, during which time he also managed the high yield sub-portfolios of Fidelity Balanced Fund, Fidelity Advisor Balanced Fund, and VIP Balanced Fund, as well as the high yield sub-portfolio of Fidelity Total Bond Fund.

Before joining Fidelity in 1998, Mr. FitzMaurice was an investment banking analyst at Lehman Brothers. He has been in the financial industry since 1994.

Mr. FitzMaurice earned his bachelor of arts degree in economics from Cornell University and his master of business administration degree from the Tuck School of Business at Dartmouth College.

PERFORMANCE SUMMARY:
Quarter ending March 31, 2024

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Select Energy Portfolio Gross Expense Ratio: 0.68%[2]	20.82%	32.19%	13.54%	3.75%
% Rank in Morningstar Category (1% = Best)	42%	9%	21%	23%
# of Funds in Morningstar Category	75	70	68	60

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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.

Views expressed are through the end of the period stated and do not necessarily represent the views of Fidelity. Views are subject to change at any time based upon market or other conditions and Fidelity disclaims any responsibility to update such views. These views may not be relied on as investment advice and, because investment decisions for a Fidelity fund are based on numerous factors, may not be relied on as an indication of trading intent on behalf of any Fidelity fund. The securities mentioned are not necessarily holdings invested in by the portfolio manager(s) or FMR LLC. References to specific company securities should not be construed as recommendations or investment advice.

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

Information included on this page is as of the most recent calendar quarter.

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