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

Fidelity® Select Construction and Housing Portfolio

Key Takeaways

- For the fiscal year ending February 29, 2024, the fund gained 31.93%, modestly lagging the 33.49% advance of the MSCI U.S. IMI Construction & Housing 25/50 Index, but slightly outpacing the 30.45% result of the broad-based S&P 500® index.
- Construction and housing stocks outpaced the broader equity market the past 12 months amid dynamic industry conditions that created a favorable backdrop, according to Portfolio Manager Jordan Michaels.
- Notably, the lack of inventory for existing homes was a boon for the new-home market, supporting the strong outperformance of construction-related subindustries, including homebuilding (+69%), construction materials (+59%) and building products (+43%).
- Security selection in construction & engineering, multifamily residential REITs, and home improvement retail, along with an underweight in homebuilding, detracted from the fund's performance relative to the MSCI industry index this period.
- The fund's largest individual relative detractors were multifamily residential REIT Elme Communities (-28%) and modular space and portable storage provider Willscot Mobile Mini Holdings (-7%).
- Conversely, many of the fund's top relative contributors for the six months benefited from the positive backdrop for construction-related subindustries, including sizable positions in Builders FirstSource (+128%), a distributor of lumber and building products, and homebuilder PulteGroup (+99%).
- Despite the industry's strong rally this period, at the end of February Jordan thinks stocks here stand to benefit from lower interest rates and moderating inflation, along with several secular factors supporting the need for home maintenance, including an aging housing stock.
- Jordan is still seeing many opportunities among quality, underappreciated businesses in areas such as home furnishing and home improvement retail.

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%).

Jordan Michaels
Portfolio Manager

Fund Facts

Trading Symbol:	FSHOX
Start Date:	September 29, 1986
Size (in millions):	$742.43

Investment Approach

- Fidelity® Select Construction and Housing Portfolio is an industry-based, equity-focused strategy that seeks to outperform its benchmark through active management.
- We believe that the market is inherently inefficient and often too short-term-focused, which affords opportunities to generate excess returns with fundamental research utilizing a long-term investment horizon.
- We prefer companies where business quality or forward prospects seem underappreciated by the market and focus on identifying attractive relative value, including considering opportunities created by temporary issues or turnarounds. Stock selection and idea generation come from bottom-up research that leverages Fidelity's deep and experienced global team. We also consider attractive construction/housing-related stocks outside of the benchmark that offer the potential for favorable risk-adjusted returns.
- Position sizing is based on conviction in the fundamental thesis and assessment of risk/reward.
- 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 Jordan Michaels

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

The fund gained 31.93% the past 12 months, modestly lagging the 33.49% advance of the MSCI U.S. IMI Construction & Housing 25/50 Index, but slightly outpacing the 30.45% result of the broad-based S&P 500® index. The fund handily topped the peer group average, which tracks a broader group of consumer cyclical stocks.

Security selection in construction & engineering, multifamily residential REITs, and home improvement retail, along with an underweight in homebuilding, detracted from the fund's performance relative to the MSCI industry index this period. These negative implications more than offset positive stock choices in homebuilding and home furnishing retail, along with an underweight in multifamily residential REITs.

Q: What was the backdrop for construction and housing stocks the past 12 months?

Construction and housing stocks surpassed the broader equity market this period, as dynamic business and economic conditions provided support for the industry. After a period of challenges – particularly in 2022 – mortgage rates increased the past 12 months. In early November, the U.S. Federal Reserve signaled that disinflationary trends were sufficient to project a shift to monetary easing in 2024.

This news, along with resilient late-cycle expansion of the domestic economy and, starting in November, a sharp decline in medium- and long-term U.S. Treasury yields, provided a favorable backdrop for stocks in the construction and housing industry. In addition, home prices held up better than many had feared, and were partially supported by low supply. These dynamics were largely a function of most homeowners' reluctance to sell, after having purchased their homes at a lower price and with a long-term mortgage rate well below prevailing levels.

The lack of inventory for existing homes was a boon for the new-home market, supporting the significant outperformance of construction-related subindustries, including homebuilding (+69%), construction materials (+59%) and building products (+43%). Among other notable areas of the industry index, home improvement retailers gained roughly 28% but slightly lagged the industry index amid some softness among the do-it-yourself business segments. Meanwhile, the REIT components of the index underperformed amid higher interest rates and concerns about slowing rental growth, as well as expense pressure. The multi- and single-family residential REIT industry groups returned about -6% and 7%, respectively.

Q: What notably influenced the fund's performance versus the MSCI industry index?

I continued to evaluate the business prospects of companies one by one, relying on Fidelity's proprietary research and insight. I believe the market is inherently inefficient and often too short-term-focused, which gives me an opportunity to create value for the fund by relying on fundamental research and emphasizing a longer-term investment horizon. The stocks held in the fund were reflective of this approach, even if they underperformed.

For instance, the fund's sizable overweight in Elme Communities (-28%) was the largest individual relative detractor. Elme serves middle-market renters. I thought the stock was fairly inexpensive and the company's assets were attractive, so I significantly increased our holdings, but the stock fell amid the challenging backdrop for multifamily REITs and worries about decelerating growth.

Willscot Mobile Mini Holdings returned -7%, as investors worried high interest rates would negatively impact the firm's construction business, while lower-than-anticipated modular unit rental volume weighed on the firm's quarterly financial results. Notably, the stock rose in early 2024, after the firm announced its deal to acquire McGrath RentCorp in an effort to expand its North American footprint, and then reported record Q4 and full-year 2023 financial results.

I remain bullish on Willscot, which is positioned as the clear leader within modular space/storage, with considerable scale advantages over a mostly fragmented competitive peer set. Importantly, the company's business scope extends beyond traditional construction applications. Willscot was the 12th-largest holding and No. 2 overweight at the end of February.

Q: What else hurt?

Johnson Controls International (-3%), a provider of air conditioning and heating systems, was another notable relative detractor. Supply-chain challenges, investor concerns about the effects of higher rates on the construction cycle and a difficult backdrop for new commercial construction were some of the headwinds that weighed on the stock the past 12 months.

However, the company carries a strong backlog at favorable pricing and, on a longer-term view, it operates in a well-structured and rational industry with robust growth prospects. I added to the fund's stake on its attractive valuation, and Johnson Controls was the fund's fourth-largest position and a sizable overweight at period end.

Q: What meaningfully helped the fund?

Many of the fund's top individual contributors versus the MSCI industry index benefited from the positive backdrop for construction-related subindustries, including Builders FirstSource (+128%), a distributor of lumber and building products, and homebuilders PulteGroup (+99%), Toll Brothers (+93%) and KB Home (+90%).

Builders FirstSource benefited from scale advantages and added value through mergers and acquisitions, and provides a robust value proposition to its customers, primarily builders. The company generated a lot of excess cash on higher prices this period and used a portion of this cash to buy back stock. I'll note that Builders FirstSource, PulteGroup and Toll Brothers were among the fund's top-20 holdings as of February 29, even though we reduced exposure to all three this period. We also trimmed our stake in KB Home.

It also helped to own an out-of-index position in Williams-Sonoma (+93%), which sells kitchenware and home furnishings. Despite a challenging consumer backdrop, the stock benefited from an improving profit margin for the company and its solid e-commerce business. Given my conviction in the company, I boosted our stake in Williams-Sonoma this period.

Q: What's your outlook at the end of February?

It appears the market has progressed through the early months of 2024 on a more optimistic note than it did at the start of 2023. Consumer confidence is up, gasoline prices are in check and investors seem to anticipate the economic cycle's direction will veer toward a "soft landing" (slowing growth) rather than a "hard landing" (recession). Still, I remain cognizant of the upcoming election cycle in 2024, and any rhetoric could impact consumers and stock prices.

Despite the strong rally in construction & housing stocks and the market at large this period, the housing market still stands to benefit from lower interest rates, which should encourage housing turnover. Housing should also benefit from lower inflation, which could open up consumer spending. Additionally, home prices and equity are at record levels. There are also several secular factors supporting the need for home maintenance, including an aging housing stock, government incentives toward energy efficiency and an increased need for HVAC equipment due to severe weather events. Fortunately, I'm still seeing many opportunities among quality, underappreciated businesses, especially considering a longer-term view. Overall, the portfolio's holdings strike a good balance of risk and reward, with stocks that I think can perform well in a range of market environments. ■

Jordan Michaels on opportunities among homefurnishing and home improvement stocks:

"Homefurnishing and home improvement retailers are areas related to the housing industry I believe are poised for further growth.

"After a period of strong demand for home-related purchases during the height of pandemic lockdowns, the inflation, high interest rates and soaring home prices of recent years were notable headwinds for these stocks. Specifically, stagnant home sales due to climbing mortgage rates crimped demand for homefurnishings and do-it-yourself projects, which are inherently linked to the housing market. However, interest rates, including mortgage rates, are expected to come down in the second half of 2024, which should boost home sales and spur demand for furnishings and improvements.

"Among homefurnishing companies, I favor those that are well-positioned and are positioned to take market share from competitors. For instance, the fund owns a non-index stake in Tempur Sealy International – the leading mattress producer in the United States. Tempur Sealy's main competitor, Serta Simmons Bedding, struggled through a bankruptcy and restructuring, while Tempur added to its product line and marketing efforts, all amid weak industry demand the past couple of years.

"As mentioned earlier, I also like Williams-Sonoma, which has keen oversight of its supply chain – an increasingly prominent issue for many consumers – and carries many on-trend designs in its brands. Roughly two-thirds of the firm's business is online, a space less-penetrated by furnishing companies.

"In the home improvement space, Lowe's has made good progress on operational improvement under the leadership of a CEO, who, along with others on the senior management team, were previously involved with the successful turnaround of Home Depot some years back. I also think Floor & Decor offers a superior customer value proposition relative to its competitors (primarily smaller specialty flooring retailers). Floor & Decor is still in the early stages of rapidly growing its store footprint, which should drive higher sales and profitability, in my view. All these stocks were held in the fund as of February 29."

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Builders FirstSource, Inc.	Building Products	1.27%	99
PulteGroup, Inc.	Homebuilding	1.22%	68
Williams-Sonoma, Inc.	Homefurnishing Retail	1.15%	62
Toll Brothers, Inc.	Homebuilding	1.17%	56
AvalonBay Communities, Inc.	Multi-Family Residential REITs	-1.96%	55

** 1 basis point = 0.01%.*

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Elme Communities (SBI)	Multi-Family Residential REITs	1.49%	-119
Willscot Mobile Mini Holdings	Construction & Engineering	1.92%	-92
Johnson Controls International PLC	Building Products	1.83%	-78
Lowe's Companies, Inc.	Home Improvement Retail	4.43%	-61
Lennar Corp. Class A	Homebuilding	-1.96%	-60

** 1 basis point = 0.01%.*

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Domestic Equities	98.84%	100.00%	-1.16%	0.32%
International Equities	0.53%	0.00%	0.53%	0.08%
Developed Markets	0.53%	0.00%	0.53%	0.08%
Emerging Markets	0.00%	0.00%	0.00%	0.00%
Tax-Advantaged Domiciles	0.00%	0.00%	0.00%	0.00%
Bonds	0.00%	0.00%	0.00%	0.00%
Cash & Net Other Assets	0.63%	0.00%	0.63%	-0.40%

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
Home Improvement Retail	34.24%	33.21%	1.03%	-0.57%
Building Products	22.87%	24.96%	-2.09%	-1.17%
Homebuilding	13.06%	14.64%	-1.58%	-0.26%
Construction & Engineering	8.78%	9.27%	-0.49%	0.06%
Construction Materials	5.74%	5.99%	-0.25%	0.98%
Multi-Family Residential Reits	5.28%	7.16%	-1.88%	0.28%
Single-Family Residential Reits	4.47%	4.01%	0.46%	0.51%
Homefurnishing Retail	1.56%	--	1.56%	0.57%
Home Furnishings	1.55%	--	1.55%	-0.16%
Real Estate Services	0.39%	--	0.39%	-0.03%
Other	1.42%	0.21%	1.21%	0.03%

10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
The Home Depot, Inc.	Home Improvement Retail	18.23%	18.17%
Lowe's Companies, Inc.	Home Improvement Retail	13.60%	14.79%
Trane Technologies PLC	Building Products	4.64%	3.99%
Johnson Controls International PLC	Building Products	4.24%	4.90%
Martin Marietta Materials, Inc.	Construction Materials	3.26%	--
Builders FirstSource, Inc.	Building Products	2.75%	2.72%
Invitation Homes, Inc.	Single-Family Residential REITs	2.57%	2.87%
PulteGroup, Inc.	Homebuilding	2.56%	2.60%
NVR, Inc.	Homebuilding	2.48%	2.45%
Quanta Services, Inc.	Construction & Engineering	2.45%	1.87%
10 Largest Holdings as a % of Net Assets		**56.79%**	**58.58%**
Total Number of Holdings		**53**	**49**

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 Construction and Housing Portfolio Gross Expense Ratio: 0.71%[2]	16.23%	7.76%	31.93%	17.22%	21.73%	14.85%
S&P 500 Index	13.93%	7.11%	30.45%	11.91%	14.76%	12.70%
MSCI US IMI Construction & Housing 25/50	15.42%	7.23%	33.49%	16.67%	19.04%	15.10%
Morningstar Fund Consumer Cyclical	13.07%	5.22%	23.46%	1.54%	11.58%	9.77%
% Rank in Morningstar Category (1% = Best)	--	--	19%	7%	7%	4%
# of Funds in Morningstar Category	--	--	50	45	43	37

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 09/29/1986.
[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

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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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 construction and housing industry can be significantly affected by changes in government spending, interest rates, consumer confidence and spending, taxation, demographic patterns, housing starts, and the level of new and existing home sales.

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 Construction & Housing 25/50 Index is a modified market-capitalization-weighted index of stocks designed to measure the performance of Construction & Housing companies in the MSCI U.S. Investable Market 2500 Index. The MSCI U.S. Investable Market 2500 Index is the aggregation of the MSCI U.S. Large Cap 300, Mid Cap 450, and Small Cap 1750 Indices.

S&P 500 Index is a market capitalization-weighted index of 500 common stocks chosen for market size, liquidity, and industry group representation to represent U.S. equity performance.

MARKET-SEGMENT WEIGHTS

Market-segment weights illustrate examples of sectors or industries in which the fund may invest, and may not be representative of the fund's current or future investments. They should not be construed or used as a recommendation for any sector or industry.

RANKING INFORMATION

 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

Jordan Michaels 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. Michaels manages Fidelity Select Construction and Housing Portfolio, the consumer discretionary sleeve of Fidelity and Fidelity Advisor Stock Selector Large Cap Value Funds and covers specialty retail. He is also manages Fidelity Select Consumer Discretionary Portfolio, Fidelity Advisor Consumer Discretionary Fund, and Fidelity VIP Consumer Discretionary Portfolio.

Previously, he was a high yield research analyst covering building materials, retail, automobiles, and metals/mining.

Prior to joining Fidelity in 2008, Mr. Michaels was an intern at GID Securities. He has been in the financial industry since 2006.

Mr. Michaels earned his bachelor of arts in economics from Brandeis University. He is also a CFA® charterholder.

PERFORMANCE SUMMARY:
Quarter ending March 31, 2024

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Select Construction and Housing Portfolio Gross Expense Ratio: 0.71%[2]	42.05%	15.08%	22.20%	15.76%
% Rank in Morningstar Category (1% = Best)	6%	7%	7%	4%
# of Funds in Morningstar Category	50	45	43	37

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 09/29/1986.

[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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