PORTFOLIO MANAGER Q&A | AS OF AUGUST 31, 2023

Fidelity® Environment and Alternative Energy Fund

Key Takeaways

- For the semiannual reporting period August 31, 2023, the fund gained 11.67%, versus 11.77% for the FTSE EO & Alternative Energy Index and 14.50% for the broad-based S&P 500® index.
- The industry performed well the past six months, partly due to two U. S.-based technology companies, Microsoft and Tesla, which together accounted for about 21% of the FTSE industry index and outperformed on expectations of heightened spending on generative artificial intelligence.
- However, the industry's performance versus the broad-market S&P 500® index was challenged by elevated and still-rising interest rates, which had a negative impact on solar and wind stocks, according to Portfolio Manager Julia Pei.
- Positioning in semiconductor materials & equipment detracted from the fund's performance versus the FTSE industry index.
- The largest individual relative detractors were SolarEdge Technologies (-49%), a manufacturer of inverters used in solar systems, and not owning industrials conglomerate and index component General Electric (+35%).
- Conversely, security selection contributed to the fund's relative performance, especially in the electric utilities, semiconductors, and electrical components & equipment groups. Notable individual contributors included software firm Microsoft (+32%) and electrical equipment manufacturer Eaton (+34%).
- As of August 31, Julia thinks tax incentives and government spending will continue to be tailwinds that drive secular growth in decarbonization spending, including the world's long-term green transition. She says short-term choppiness amid macroeconomic headwinds have caused valuations to contract, presenting interesting opportunities for investment.

MARKET RECAP

U.S. equities gained 14.50% for the six months ending August 31, 2023, according to the S&P 500® index, as continued global economic expansion, falling commodity prices and a slowing in the pace of inflation provided a favorable backdrop for higher-risk assets. Large-cap stocks spearheaded the rally, which was driven by the shares of a narrow set of mega-cap companies in the information technology and communication services sectors, largely due to exuberance related to generative artificial intelligence. Aggressive monetary tightening by the U.S. Federal Reserve continued amid consistent pressure on core inflation, a measure that excludes food and energy. Since March 2022, the Fed has hiked its benchmark interest rate 11 times. The latest bump came in late July, a fourth consecutive raise of a stepped-down 25 basis points. The S&P 500® gained 3.21% in July but snapped a five-month rally in August (-1.59%), held back by softness in manufacturing and jobs. Still, U.S. stocks ended August up 18.73% year to date. For the full six months, growth (+20%) handily topped value (+9%) within the index. By sector, information technology and communication services (+33% each) led, whereas utilities (-2%) lagged most, as climbing yields offered investors better returns elsewhere. Real estate returned -1%, hampered by high borrowing costs and low home inventory.

Julia Pei
Portfolio Manager

Fund Facts

Trading Symbol:	FSLEX
Start Date:	June 29, 1989
Size (in millions):	$506.56

Investment Approach

- Fidelity® Environment and Alternative Energy Fund is an industry-based, equity-focused strategy that seeks to outperform its benchmark through active management.
- Our investment philosophy is based on the reasonable premise that human beings cannot predict the future. This leads us to rely on statistics over stories in our quest to own better businesses with stronger balance sheets at cheaper prices and lower expectations relative to the benchmark.
- We focus on estimating underlying intrinsic business value and comparing such value to the price being paid for that company in the marketplace. If the margin of safety is large enough to compensate for the risks inherent in the underlying business, relative to other opportunities, we are likely to purchase shares of that company for the fund's shareholders.
- We believe that intensive fundamental, bottom-up research, supported by Fidelity's deep and experienced global cyclicals and energy teams, is key to identifying these disconnects between price and value.
- 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 Julia Pei

Q: Julia, how did the fund perform for the six months ending August 31, 2023?

The fund gained 11.67%, versus 11.77% for the FTSE EO & Alternative Energy Index and 14.50% for the broad-based S&P 500® index. The fund outpaced its peer group average, which represents a broad group of industrials funds.

Looking slightly longer term, the fund gained 10.95% the past 12 months, underperforming the industry index, the S&P 500® index and the peer group average.

Q: Could you characterize the backdrop for environment and alternative energy stocks the past six months?

The industry performed well, in part because the index held large positions in two U.S.-based technology companies, Microsoft and Tesla, which outperformed and together accounted for nearly 21% of the FTSE industry index. The stocks prices of these firms were supported by improved corporate earnings estimates amid cost-cutting measures and investor expectations of heightened spending on generative artificial intelligence applications.

However, the industry's performance versus the broad-market S&P 500® index was challenged by elevated and still-rising interest rates. This had a negative impact on solar stocks, as the residential solar market slowed due to higher financing costs, as well as a regulatory change in California, which makes up a large portion of the U.S. market. The development of wind projects was also adversely affected by higher rates, in addition to permitting challenges.

On the other hand, the FTSE industry index had more exposure to the strong-performing industrials sector, which benefited from ongoing investment in the industrial economy during the past six months.

Q: What was behind the fund's performance versus the FTSE industry index this period?

Security selection contributed to relative performance, especially in the electric utilities, semiconductors, and electrical components & equipment groups. Conversely, positioning in semiconductor materials & equipment and life sciences & tools & services detracted, as did having no exposure to the strong industrial conglomerates subindustry.

The largest individual relative detractor was an overweight in SolarEdge Technologies, a manufacturer of inverters used in solar systems. I expect to see continued – and likely accelerated – investment in renewable energy sources, such as wind and solar, because the European Union has pledged to reduce 100% of its consumption of Russian natural gas by 2030. Shares of SolarEdge returned -49% the past six months amid the slowdown in U.S. residential solar demand as well as rising inventories in Europe.

It also hurt to avoid or underweight some sizable index positions that didn't align with my investment approach and that outperformed this period. This included not owning industrials conglomerate General Electric (+35%). The company's persistent strength in the aerospace market drove outperformance. Elsewhere, untimely positioning in railway Union Pacific notably detracted, as our shares of the company returned -7%, compared with an 8% gain as part of the industry index. The railroad operator benefited from a recent management change. The fund also did not own tech giant Cisco Systems (+20%), which benefited from the AI boom and the company's move to a software-subscription model, giving Cisco a recurring revenue stream.

Lastly, the fund was underweight electric vehicle maker Tesla, which gained about 25% the past six months, despite weakening fundamentals, including pricing cuts and profit-margin degradation. I reduced the fund's exposure to the stock given these risks, in addition to an unattractive valuation, but Tesla remained the fund's fourth-largest holding at the end of August.

Q: Which stocks contributed the most?

A large overweight in Microsoft (+32%) was the fund's top contributor versus the industry index the past six months. Microsoft's strong stock performance was driven by the market's expectation the company would benefit from AI monetization. The firm's cloud infrastructure and, to a lesser degree, AI capabilities, enable decarbonization by providing carbon emissions analytics to companies and the real-time monitoring capabilities that enable a connected grid. Although I reduced the fund's exposure to Microsoft this period, it was our largest holding as of August 31.

Elsewhere, Eaton (+34%) is an electrical equipment manufacturer that should continue to experience an acceleration in demand for its equipment, due largely to increased electrification requiring upgrades to the existing grid across the U.S. and globally. I trimmed our stake in Eaton, but it was the fund's sixth-biggest stock position at the end of August. I'll also mention my preference for non-index chipmaker onsemi (formerly On Semiconductor, +27%) over index component Texas Instruments (-1%), which I avoided, as two additional key contributors. Overall, I favor power semis exposed to increased content on electric vehicles relative to traditional internal combustion vehicles. In particular, I think onsemi's more-energy-efficient silicon carbide-based semiconductors should be accretive to the company's profit margin. Texas Instruments has less exposure to these secular growth themes and is potentially overearning as it enters a capital investment cycle. I'll note that I reduced the fund's exposure to onsemi this period to lock in some profit and manage the portfolio's risk profile.

Q: Julia, what's your outlook as of August 31?

Tax incentives and government spending continue to be tailwinds driving secular growth in decarbonization spending. It's been more than a year now since the passage of the Inflation Reduction Act, Creating Helpful Initiatives to Produce Semiconductors and the Tax Cuts and Jobs Act, and companies have been accelerating their spending on clean energy solutions, as well as infrastructure megaprojects and the near/reshoring of manufacturing and supply chains to support new business. Despite billions of dollars awarded and the announcements of projects, the vast majority of the investment dollars still have not been spent. Thus, I expect these tailwinds should continue to drive faster-than-historical growth within the industrial economy.

Additionally, in the near term, expected clarity on certain IRA provisions by the Internal Revenue Service should further spur investment because some industry participants are still waiting for guidelines.

Overall, I remain optimistic about the long-term potential of the world's green transition. In the short term, I continue to expect choppiness as macroeconomic factors continue to present headwinds. Current interest rate levels will continue to dampen renewables development, as well as residential solar investment. That said, valuations have contracted, presenting interesting opportunities for investment. ■

Julia Pei on her strategy of investing in the electricity grid of the future:

"Decarbonizing the economy necessitates decarbonizing the U.S. power grid, which accounts for a large percentage of carbon emissions. I believe traditional beneficiaries such as solar and wind component manufacturers, as well as developers, should continue to benefit from investment in clean energy. The fund owns names exposed to the potential growth within this subindustry, including solar panel manufacturer First Solar.

"In addition, investment in a more resilient and lower carbon-emitting grid has even broader implications across the economy, offering opportunities for investment outside of just renewables components.

"For example, an increase in renewables within the supply mix of the grid can introduce increased unpredictability and lower grid reliability. These challenges can be solved by adding more reliable assets in the grid, such as nuclear and battery storage. In terms of investments, this period I established a position in Southern, an electric utility that owns nuclear-generation assets. The fund also owns a non-index stake in Fluence Energy – a relative contributor this period given the stock's 41% gain – which provides battery storage.

"Lastly, as greater electricity demand is added to the grid, driven by electrification within industries such as transportation and building products, transmission and distribution will need to be upgraded or added. Companies like electrical equipment manufacturer Eaton (+34%) and Quanta Services (+30%), a contractor that provides construction services, should benefit from this infrastructure spending, in my view. Notably, both stocks contributed to the fund's performance versus the FTSE industry index the past six months."

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Microsoft Corp.	Systems Software	3.36%	69
Eaton Corp. PLC	Electrical Components & Equipment	2.62%	53
Waste Management, Inc.	Environmental & Facilities Services	0.24%	53
Texas Instruments, Inc.	Semiconductors	-3.72%	48
ON Semiconductor Corp.	Semiconductors	2.21%	33

** 1 basis point = 0.01%.*

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
SolarEdge Technologies, Inc.	Semiconductor Materials & Equipment	0.98%	-77
General Electric Co.	Industrial Conglomerates	-2.63%	-53
Cisco Systems, Inc.	Communications Equipment	-4.90%	-45
Union Pacific Corp.	Rail Transportation	-0.60%	-42
Tesla, Inc.	Automobile Manufacturers	-2.31%	-39

** 1 basis point = 0.01%.*

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Domestic Equities	94.49%	94.71%	-0.22%	0.56%
International Equities	5.26%	5.29%	-0.03%	-0.27%
Developed Markets	4.98%	3.87%	1.11%	-0.31%
Emerging Markets	0.28%	1.42%	-1.14%	0.04%
Tax-Advantaged Domiciles	0.00%	0.00%	0.00%	0.00%
Bonds	0.00%	0.00%	0.00%	0.00%
Cash & Net Other Assets	0.25%	0.00%	0.25%	-0.29%

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
Systems Software	12.55%	10.52%	2.03%	-0.61%
Life Sciences Tools & Services	8.21%	4.13%	4.08%	-0.52%
Semiconductors	8.11%	8.09%	0.02%	-0.93%
Industrial Gases	8.04%	4.49%	3.55%	-0.38%
Electrical Components & Equipment	6.99%	4.58%	2.41%	0.09%
Automobile Manufacturers	6.89%	10.31%	-3.42%	-1.24%
It Consulting & Other Services	6.19%	3.41%	2.78%	0.88%
Electric Utilities	5.59%	2.71%	2.88%	5.74%
Building Products	4.46%	4.55%	-0.09%	-0.56%
Industrial Reits	4.43%	2.71%	1.72%	-0.32%
Other	28.29%	28.73%	-0.44%	-8.85%

10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
Microsoft Corp.	Systems Software	12.55%	13.24%
Linde PLC	Industrial Gases	8.04%	--
Danaher Corp.	Life Sciences Tools & Services	7.47%	7.19%
Tesla, Inc.	Automobile Manufacturers	6.89%	9.33%
IBM Corp.	It Consulting & Other Services	5.40%	4.90%
Eaton Corp. PLC	Electrical Components & Equipment	4.94%	4.29%
Prologis (REIT), Inc.	Industrial REITs	4.43%	4.72%
Union Pacific Corp.	Rail Transportation	4.00%	--
Analog Devices, Inc.	Semiconductors	2.94%	4.93%
Republic Services, Inc.	Environmental & Facilities Services	2.80%	--
10 Largest Holdings as a % of Net Assets		**59.47%**	**63.07%**
Total Number of Holdings		**52**	**53**

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, 2023

	Cumulative		Annualized			
	6 Month	YTD	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Fidelity Environment and Alternative Energy Fund Gross Expense Ratio: 0.79%[2]	11.67%	18.66%	10.95%	10.66%	8.85%	10.00%
S&P 500 Index	14.50%	18.73%	15.94%	10.52%	11.12%	12.81%
FTSE EO & Alternative Energy Index	11.77%	19.99%	14.37%	12.98%	16.23%	14.29%
Morningstar Fund Industrials	6.56%	14.76%	14.14%	11.63%	7.89%	10.60%
% Rank in Morningstar Category (1% = Best)	--	--	70%	64%	39%	72%
# of Funds in Morningstar Category	--	--	47	41	37	29

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 06/29/1989.
[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. Application of FMR's ESG ratings process and/or its sustainable investing exclusion criteria may affect the fund's exposure to certain issuers, sectors, regions, and countries and may affect the fund's performance depending on whether certain investments are in or out of favor. This process may result in the fund forgoing opportunities to buy certain securities when it might otherwise be advantageous to do so, or selling securities for ESG reasons when it might be otherwise disadvantageous for it to do so. Sector funds can be more volatile because of their narrow concentration in a specific industry. The environment and alternative energy industries can be significantly affected by government regulations and subsidies, changing supply and demand for traditional energy sources, and availability of funding for remedial cleanup efforts or development of new technologies, and can be subject to risks associated with hazardous materials. Foreign securities are subject to interest-rate, currency-exchange-rate, economic, and political risks. 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.

FTSE EO & Alternative Energy Index is a modified market-capitalization-weighted index designed to measure the performance of the equity markets of securities derived from the FTSE Environmental Opportunities USA Index and the largest 50 non-U.S. companies in the FTSE Environmental Opportunities Renewable & Alternative Energy 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

 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

Julia Pei is a portfolio manager and 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, Ms. Pei manages Fidelity Environment and Alternative Energy Fund. She is also responsible for equity research coverage of environmentally thematic industrial, technology, and energy stocks.

Prior to joining Fidelity in 2018, Ms. Pei was an associate at Equity Group Investments, the Zell family office. She has been in the financial industry since 2012.

Ms. Pei earned her bachelor of arts degree in economics from The University of Chicago and her master of business administration from The Wharton School of the University of Pennsylvania.

PERFORMANCE SUMMARY:
Quarter ending December 31, 2023

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Fidelity Environment and Alternative Energy Fund Gross Expense Ratio: 0.79%[2]	26.29%	6.80%	13.36%	9.07%
% Rank in Morningstar Category (1% = Best)	19%	62%	45%	66%
# of Funds in Morningstar Category	48	42	40	31

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 06/29/1989.

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Fidelity INVESTMENTS

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.

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

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