

Fidelity® Select Health Care Portfolio

Investment Approach

- Fidelity® Select Health Care Portfolio is a sector-based, equity-focused strategy that seeks to outperform its benchmark through active management.
- Stock picking is the core of our investment process and relies on fundamental, bottom-up research. We look to leverage Fidelity's deep and experienced global health care team in building a diversified portfolio of health care companies, ranging from high-quality, stable earnings growers to opportunistic names producing innovative products that disrupt the marketplace.
- Our fundamental analysis focuses on free cash flow and capital allocation, which we believe are the biggest drivers of long-term shareholder value, and also examines market opportunity, sales growth and margin outlook.
- We seek to concentrate the portfolio in our best ideas, but carefully manage risk through position sizing.
- Sector strategies could be used by investors as alternatives to individual stocks for either tactical- or strategic-allocation purposes.

PERFORMANCE SUMMARY

	Cumulative		Annualized			
	3 Month	YTD	1 Year	3 Year	5 Year	10 Year/ LOF ¹
Select Health Care Portfolio Gross Expense Ratio: 0.69% ²	8.24%	4.13%	4.13%	0.41%	10.61%	10.81%
S&P 500 Index	11.69%	26.29%	26.29%	10.00%	15.69%	12.03%
MSCI US IMI Health Care 25/50	7.12%	2.56%	2.56%	5.37%	11.04%	11.10%
Morningstar Fund Health	9.77%	3.22%	3.22%	-2.35%	8.65%	8.95%
% Rank in Morningstar Category (1% = Best)	--	--	40%	48%	27%	24%
# of Funds in Morningstar Category	--	--	176	158	135	113

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 most recent prospectus and generally is based on amounts incurred during the most recent 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](https://www.fidelity.com/performance), [institutional.fidelity.com](https://www.institutional.fidelity.com), or [401k.com](https://www.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.

For definitions and other important information, please see the Definitions and Important Information section of this Fund Review.

FUND INFORMATION

Manager(s):
Eddie Yoon

Trading Symbol:
FSPHX

Start Date:
July 14, 1981

Size (in millions):
\$7,730.97

Morningstar Category:
Fund Health

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The health care industries are subject to government regulation and reimbursement rates, as well as government approval of products and services, which could have a significant effect on price and availability, and can be significantly affected by rapid obsolescence and patent expirations. 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.



Not FDIC Insured • May Lose Value • No Bank Guarantee

Market Review

Health care stocks advanced 7.12% in the fourth quarter of 2023, according to the MSCI U.S. IMI Health Care 25/50 Index, behind the 11.69% gain of the broad-based S&P 500® index. U.S. stocks, including health care shares, capped 2023 with a powerful rally driven by the U.S. Federal Reserve signaling that disinflationary trends were sufficient to project a shift to monetary easing in 2024. This news, along with resilient late-cycle expansion of the U.S. economy and a sharp decline in U.S. Treasury yields, provided a favorable backdrop for higher-risk assets. As a result, areas of the market considered defensive, such as health care, generally underperformed the S&P 500® this quarter.

Still, industries within the MSCI health care index benefited from several sector-specific trends. First, health care utilization continued to tick higher this quarter, as patients who delayed surgeries and treatment during the pandemic continued to seek services in hospitals, doctors' offices and ambulatory care centers in increased numbers. This boosted health care facilities (+11%), including stocks like hospital operator HCA Healthcare, which reported in October that it saw an increase in patient admissions and a higher number of surgeries in Q3. This trend also supported health care equipment (+11%) companies, who saw higher volumes in Q4. For instance, Abbott Laboratories achieved a better-than-expected Q3 profit and raised its earnings guidance for the full year.

The biotechnology industry also advanced about 11% the past three months. Here, structural improvements, higher levels of M&A activity and positive trial data supported the group. On the merger front, pharma giant Bristol-Myers Squibb reached a deal in December to acquire biotech firm Karuna Therapeutics to strengthen BMJ's neuroscience unit. Meanwhile, biotech giant Vertex Pharmaceuticals reported positive phase 2 data in December on its candidate to treat peripheral nerve damage in diabetes patients.

While all industry components of the sector index gained this quarter, pharmaceuticals (+3%) notably lagged the broader sector. Pharma was the index's largest industry weight in Q4, making up about 28% of assets, on average. Concerns around drug pricing regulations and looming patent cliffs weighed on the group. ■

Performance Review

For the final quarter of 2023, the fund gained 8.24%, outpacing the MSCI sector index.

Security selection within the biotechnology group contributed the most to the fund's performance versus the sector index the past three months. Here, the fund benefited from some of the tailwinds that boosted biotech stocks. Our top relative contributor was specialty cardiovascular pharmaceutical company Cytokinetics. The firm saw its shares gain roughly 183% in the fourth quarter. In early November, the company reported weaker-than-expected financial results. However, in the final days of the year the firm announced positive results from a phase 3 trial for Aficamten, its experimental treatment for hypertrophic cardiomyopathy. The drug significantly improved exercise capacity compared with a placebo. The stock was our 12th-largest holding at period end.

Historically, the fund has been underweight large-cap pharma stocks, which are typically viewed as defensive investments given their dividend protection and lack of cyclicality (sensitivity to economic conditions). This positioning was a positive this quarter, especially our decision to avoid large index component Pfizer because the stock returned -12% the past three months.

Conversely, stock picking in health care services dragged on relative results, most of all our overweight in agilon health. Shares of agilon health, which provides a value-based health care platform to primary care physicians in the U.S., returned roughly -29% the past three months. In early November, the company's shares fell sharply after it reported a Q3 net loss that exceeded the loss from the same quarter a year earlier, while at the same time reducing its revenue outlook for 2023. Part of the stock's underperformance may have been tied to agilon's sale of legacy asset MDX Hawaii in late October. On the brighter side, quarterly revenue grew to \$1.2 billion, up from \$695 million. We increased the fund's stake.

A non-index stake in Dutch biotech firm argenx SE (-23%) also hurt, and we reduced the fund's holdings in the stock. Agilon and argenx were both top-20 fund holdings at year-end. ■

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Cytokinetics, Inc.	Biotechnology	0.74%	120
Pfizer, Inc.	Pharmaceuticals	-3.12%	65
Karuna Therapeutics, Inc.	Biotechnology	0.58%	45
Bristol-Myers Squibb Co.	Pharmaceuticals	-2.01%	40
Johnson & Johnson	Pharmaceuticals	-6.74%	39

* 1 basis point = 0.01%.

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
agilon health, Inc.	Health Care Services	2.13%	-97
Argenx SE ADR	Biotechnology	2.22%	-66
Akero Therapeutics, Inc.	Biotechnology	0.10%	-59
Ventyx Biosciences, Inc.	Pharmaceuticals	0.09%	-37
Legend Biotech Corp. ADR	Biotechnology	1.29%	-23

* 1 basis point = 0.01%.

Outlook and Positioning

As 2024 begins, we're cautiously optimistic regarding our outlook for health care stocks. We shifted the fund's positioning this quarter to reflect this generally optimistic view. While managed care company UnitedHealth Group remains the largest holding in the fund at year-end. Instead, we've upped our positions in health care equipment names Boston Scientific and Penumbra; bioprocessing firm Danaher; biotech company Regeneron Pharmaceuticals; and CVS Health, the retail pharmacy and benefits giant. These were the fund's five-largest overweights versus the sector index.

Valuations in health care look interesting to us at year-end, especially among large-cap value names in the sector.

Health care equipment stocks benefited from the recovery in health care utilization in 2023, and we expect it to continue in 2024. In this industry, our largest positions are in Boston Scientific and Penumbra – the fund's second- and eighth-biggest holdings at the end of 2023. Boston Scientific is in the midst of two key product cycles; one going strong and the other launching next year. The fund is also invested on Glaukos, a maker of iDose TR, a small ophthalmic device to treat glaucoma that was approved by the FDA in December, and Procept BioRobotics, which produces a device to treat prostate cancer.

We're also interested in bioproduction stocks. Bioprocessing companies make the tools (e.g., bioreactors, fluid bags and cell-culture media) used to produce complex drugs, such as monoclonal antibodies (mAbs), and cell and gene therapy. The stocks of bioprocessing firms appeal to us, given their relatively stable business models and the multiple long-term tailwinds that could drive long-term sales growth. The industry is expected to hit the bottom of its COVID inventory in the first half of 2024. From there, the stocks should see better growth and a material cyclical snap back. Danaher is our largest position in this space and the fund's fourth-biggest holding at year-end.

We expect to see more M&A activity in the biotech space, as capital raising in the sector has increased and biotech companies have become more realistic about their valuations. As big pharma stocks face looming patent cliffs stretching out into the late-2020s, we think more of the large-cap pharma firms will try to fill these gaps by acquiring innovative biotechs. We're especially bullish on the small- to mid-cap area of the biotech market, where we are finding opportunities with attractive risk-reward dynamics.

Exuberance around the new-generation GLP-1 treatments for diabetes and obesity have created an environment of "have" and "have nots" regarding the innovative drugs. We think GLP-1 could be a large class of drugs for world for long period of time, with Novo Nordisk's Ozempic® and Wegovy®, and Eli Lilly's Mounjaro™ the clear leaders for the time being. Yet, at the end of 2023, the fund is underweight in Eli Lilly and we sold our non-index position in Novo-Nordisk, given high valuations, lack of clarity on how much optimism is already priced into the stocks, and our view on the high earnings momentum ahead.

Additionally, we expect that by next year we will see peak data on the effectiveness of GLP-1 drugs. Thus, we're leaning into some interesting opportunities in areas of the market that previously underperformed on GLP-1 exuberance. For instance, we continue to hold Insulet, maker of the Omnipod device for diabetes. We trimmed the position, which was a large relative contributor this quarter, although it remained a top-15 holding at year-end. We also hold Inspire Medical Systems, a maker of devices to treat sleep apnea during the third quarter.

In terms of risks, the upcoming elections in 2024 election may cause turbulence for the sector, especially as the rhetoric around drug pricing ramps up. It may also be a choppy environment for health care services stocks that provide of Medicare/Medicaid coverage. While we can't make explicit predictions on the potential election outcomes, we are keeping our eye on some of the prospective drug regulations making their way into Congress. ■

10 LARGEST HOLDINGS

Holding	Market Segment
UnitedHealth Group, Inc.	Managed Health Care
Boston Scientific Corp.	Health Care Equipment
Eli Lilly & Co.	Pharmaceuticals
Danaher Corp.	Life Sciences Tools & Services
CVS Health Corp.	Health Care Services
Regeneron Pharmaceuticals, Inc.	Biotechnology
Thermo Fisher Scientific, Inc.	Life Sciences Tools & Services
Penumbra, Inc.	Health Care Equipment
Cigna Group	Health Care Services
Merck & Co., Inc.	Pharmaceuticals
10 Largest Holdings as a % of Net Assets	56.24%
Total Number of Holdings	89

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.

CHARACTERISTICS

	Portfolio	Index
Valuation		
Price/Earnings Trailing	49.5x	26.7x
Price/Earnings (IBES 1-Year Forecast)	33.7x	20.0x
Price/Book	4.3x	4.6x
Price/Cash Flow	28.6x	19.6x
Return on Equity (5-Year Trailing)	9.4%	18.4%
Growth		
Sales/Share Growth 1-Year (Trailing)	9.3%	8.0%
Earnings/Share Growth 1-Year (Trailing)	-1.6%	-19.1%
Earnings/Share Growth 1-Year (IBES Forecast)	38.7%	17.1%
Earnings/Share Growth 5-Year (Trailing)	17.1%	24.7%
Size		
Weighted Average Market Cap (\$ Billions)	146.9	191.1
Weighted Median Market Cap (\$ Billions)	84.7	113.8
Median Market Cap (\$ Billions)	6.2	1.6

LARGEST OVERWEIGHTS BY MARKET SEGMENT

Market Segment	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
Health Care Services	12.04%	4.89%	7.16%	0.07%
Life Sciences Tools & Services	15.48%	11.27%	4.21%	-1.85%
Health Care Equipment	21.62%	18.61%	3.01%	2.08%
Managed Health Care	13.96%	12.56%	1.40%	-2.27%
Health Care Technology	1.91%	0.87%	1.04%	0.04%

LARGEST UNDERWEIGHTS BY MARKET SEGMENT

Market Segment	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
Pharmaceuticals	13.93%	27.27%	-13.34%	2.00%
Health Care Distributors	--	2.37%	-2.37%	-0.06%
Health Care Supplies	--	1.27%	-1.27%	-0.35%
Biotechnology	18.05%	19.15%	-1.10%	0.76%

LARGEST OVERWEIGHTS BY HOLDING

Holding	Market Segment	Relative Weight
Boston Scientific Corp.	Health Care Equipment	7.51%
Penumbra, Inc.	Health Care Equipment	3.88%
Danaher Corp.	Life Sciences Tools & Services	3.63%
Regeneron Pharmaceuticals, Inc.	Biotechnology	2.74%
CVS Health Corp.	Health Care Services	2.74%

LARGEST UNDERWEIGHTS BY HOLDING

Holding	Market Segment	Relative Weight
Johnson & Johnson	Pharmaceuticals	-6.52%
AbbVie, Inc.	Biotechnology	-4.73%
Abbott Laboratories	Health Care Equipment	-3.30%
Pfizer, Inc.	Pharmaceuticals	-2.81%
Amgen, Inc.	Biotechnology	-2.66%

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
Domestic Equities	92.85%	100.00%	-7.15%	2.67%
International Equities	6.59%	0.00%	6.59%	-2.65%
Developed Markets	5.60%	0.00%	5.60%	-2.10%
Emerging Markets	0.99%	0.00%	0.99%	-0.55%
Tax-Advantaged Domiciles	0.00%	0.00%	0.00%	0.00%
Bonds	0.00%	0.00%	0.00%	0.00%
Cash & Net Other Assets	0.56%	0.00%	0.56%	-0.02%

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.

3-YEAR RISK/RETURN STATISTICS

	Portfolio	Index
Beta	1.04	1.00
Standard Deviation	16.81%	14.57%
Sharpe Ratio	-0.11	0.21
Tracking Error	7.44%	--
Information Ratio	-0.67	--
R-Squared	0.81	--

Definitions and Important Information

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CHARACTERISTICS

Earnings-Per-Share Growth Trailing measures the growth in reported earnings per share over trailing one- and five-year periods.

Earnings-Per-Share Growth (IBES 1-Year Forecast) measures the growth in reported earnings per share as estimated by Wall Street analysts.

Median Market Cap identifies the median market capitalization of the portfolio or benchmark as determined by the underlying security market caps.

Price-to-Book (P/B) Ratio is the ratio of a company's current share price to reported accumulated profits and capital.

Price/Cash Flow is the ratio of a company's current share price to its trailing 12-months cash flow per share.

Price-to-Earnings (P/E) Ratio (IBES 1-Year Forecast) is the ratio of a company's current share price to Wall Street analysts' estimates of earnings.

Price-to-Earnings (P/E) Ratio Trailing is the ratio of a company's current share price to its trailing 12-months earnings per share.

Return on Equity (ROE) 5-Year Trailing is the ratio of a company's last five years historical profitability to its shareholders' equity. Preferred stock is included as part of each company's net worth.

Sales-Per-Share Growth measures the growth in reported sales over the specified past time period.

Weighted Average Market Cap identifies the market capitalization of the average equity holding as determined by the dollars invested in the portfolio or benchmark.

Weighted Median Market Cap identifies the market capitalization of the median equity holding as determined by the dollars invested in the portfolio or benchmark.

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 Health Care 25/50 Index represents the performance of the MSCI US IM Health Care 25/50 Index since January 1, 2010, and the MSCI US Investable Market Health Care Index prior to that date.

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.

Select Health Care Linked Index represents the performance of the MSCI US IM Health Care 25/50 Index since January 1, 2010, the MSCI US Investable Market Health Care Index from October 2, 2006 to December 31, 2009, and the Goldman Sachs Healthcare Index prior to that date.

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.

3-YEAR RISK/RETURN STATISTICS

Beta is a measure of the volatility of a fund relative to its benchmark index. A beta greater (less) than 1 is more (less) volatile than the index.

Information Ratio measures a fund's active return (fund's average monthly return minus the benchmark's average monthly return) in relation to the volatility of its active returns.

R-Squared measures how a fund's performance correlates with a benchmark index's performance and shows what portion of it can be explained by the performance of the overall market/index. R-Squared ranges from 0, meaning no correlation, to 1, meaning perfect correlation. An R-Squared value of less than 0.5 indicates that annualized alpha and beta are not reliable performance statistics.

Sharpe Ratio is a measure of historical risk-adjusted performance. It is calculated by dividing the fund's excess returns (the fund's average annual return for the period minus the 3-month "risk free" return rate) and dividing it by the standard deviation of the fund's returns. The higher the ratio, the better the fund's return per unit of risk. The three month "risk free" rate used is the 90-day Treasury Bill rate.

Standard Deviation is a statistical measurement of the dispersion of a fund's return over a specified time period. Fidelity calculates standard deviations by comparing a fund's monthly returns to its average monthly return over a 36-month period, and then annualizes the number. Investors may examine historical standard deviation in conjunction with historical returns to decide whether a fund's volatility would have been acceptable given the returns it would have produced. A higher standard deviation indicates a wider dispersion of past returns and thus greater historical volatility. Standard deviation does not indicate how the fund actually performed, but merely indicates the volatility of its returns over time.

Tracking Error is the divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark, creating an unexpected profit or loss.



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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