

# Fidelity® Select Utilities Portfolio

## Investment Approach

- Fidelity® Select Utilities Portfolio is a sector-based, equity-focused strategy that seeks to outperform the benchmark through active management.
- Within the utilities sector, we favor companies with superior business models that are growing their dividends and trading at discounts, as we believe they have potential to outperform the index over time. We perform bottom-up, fundamental research to form a view on utilities regulation and power prices to complement our stock selection process.
- Our investment approach focuses on stocks with lower valuations and that have the best total-return potential. This includes utilities stocks that have been overly discounted due to more-volatile and less-predictable earnings streams. We test our price assumptions through collaborations with Fidelity's experienced research team, while leveraging a network of industry contacts.
- 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 <sup>1</sup>
Select Utilities Portfolio Gross Expense Ratio: 0.69% <sup>2</sup>	6.24%	6.24%	8.50%	8.16%	7.86%	8.70%
S&P 500 Index	10.56%	10.56%	29.88%	11.49%	15.05%	12.96%
MSCI US IMI Utilities 25/50	4.87%	4.87%	0.21%	3.90%	5.30%	8.17%
Morningstar Fund Utilities	3.43%	3.43%	0.86%	3.09%	4.71%	6.95%
% Rank in Morningstar Category (1% = Best)	--	--	8%	5%	1%	1%
# of Funds in Morningstar Category	--	--	63	59	58	51

<sup>1</sup> Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 12/10/1981.

<sup>2</sup> 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):

Douglas Simmons

### Trading Symbol:

FSUTX

### Start Date:

December 10, 1981

### Size (in millions):

\$1,237.94

### Morningstar Category:

Fund Utilities

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 utilities industries can be significantly affected by government regulation, financing difficulties, supply and demand of services or fuel, and natural resource conservation.



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## Market Review

U.S. stocks, as measured by the S&P 500 index, posted solid gains in the first quarter, driven by resilient corporate profits, a frenzy over generative artificial intelligence and the Federal Reserve's likely pivot to cutting interest rates later this year. Amid this favorable backdrop for higher-risk assets, the S&P 500® index continued its late-2023 momentum and ended March at its all-time high – in fact, 22 new closing highs were set in the past three months alone. Growth stocks led the broad rally, with all but one of 11 market sectors advancing. For the full quarter, growth shares topped value, while large-cap stocks topped smaller-cap names.

Against this dynamic backdrop, the result for the utilities sector – whose companies are often perceived as defensive investments, due to their typically durable cash flows and dividends – was favorable but underperformed the broader market. For the three months, utilities posted the second-weakest return of the 11 sectors in the S&P 500® index, ahead of real estate, the only sector that fell into negative territory this quarter.

Looking more closely at the sector as represented by the MSCI index, electric utilities and multi-utilities, which together comprise roughly 88% of the index, returned roughly 6% and 3%, respectively. The high-growth independent power producers & energy traders subindustry (+38%) delivered the strongest result but comprised only about 3% of the index. Renewable electricity (-18%) had the weakest result, followed by water utilities (-6%). Gas utilities rose 4%, bolstered by rising fuel prices. ■

## Performance Review

For the quarter, the fund's Retail Class shares gained 6.24%, topping the 4.87% advance of the MSCI U.S. IMI Utilities 25/50 Index but lagging the 10.56% result of the broad-based S&P 500® Index. Favorable industry selection contributed most, by far, to the fund's performance versus the index. Specifically, a notable overweight in the strong-performing independent power producers & energy traders segment delivered the biggest boost to the fund's relative performance. Conversely, a non-index position in electrical components & equipment detracted most. Choices among multi-utilities also hurt, but a significant underweight in this segment offset most of that negative impact.

Looking at individual stocks, the fund's overweight position in Vistra Energy, a Texas-based independent power producer, gained 81%. In February, the company reported that net income from ongoing operations in 2023 was \$1.49 billion, a positive swing from a loss of \$1.06 billion a year earlier. Management said operating revenue for Q4 was \$14.78 billion, up from \$13.73 billion. Looking ahead, the firm expects net income of \$1.79 billion to \$2.09 billion for 2024, while analysts anticipate annual revenue of \$17.4 billion – a 17% increase from 2023. Vistra was a top-20 fund holding at quarter end.

Also contributing, the fund's overweight position in Constellation Energy gained about 59% the past quarter. In late February, the electricity producer reported 2023 financial results that topped analysts' consensus expectation. In addition, the Baltimore-based company provided better-than-expected financial guidance for 2024, citing base earnings and higher power prices. Management noted it is "targeting long-term base earnings per-share growth of at least 10% through the next decade, backstopped by the nuclear production tax credit in the Inflation Reduction Act." The firm also said it plans to repurchase \$1 billion in outstanding shares, as it did in 2023, along with growing its dividend by 25% in 2024. At quarter end, Constellation was the fund's third-largest position.

Conversely, shares of California-based multi-utility Sempra Energy returned -3%. Through its three business units – Sempra California, Sempra Texas and Sempra Infrastructure – the company delivers energy to more than 40 million consumers in some of the world's most significant economic markets. In January, Sempra reported earnings that met consensus expectations, but fell short in terms of revenue. Sempra was the fund's second-largest holding at quarter end, based on our conviction that the company was undervalued. We believe its efforts to decarbonize industries, homes, and energy and transportation systems will continue to power revenue and earnings growth over the long term. ■

### LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Vistra Corp.	Independent Power Producers & Energy Traders	1.33%	82
Constellation Energy Corp.	Electric Utilities	1.14%	59
Xcel Energy, Inc.	Electric Utilities	-2.66%	56
American Water Works Co., Inc.	Water Utilities	-2.26%	28
WEC Energy Group, Inc.	Multi-Utilities	-2.45%	16

\* 1 basis point = 0.01%.

### LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Sempra	Multi-Utilities	4.55%	-39
PG&E Corp.	Electric Utilities	2.83%	-37
Edison International	Electric Utilities	3.45%	-17
Sunrun, Inc.	Electrical Components & Equipment	0.17%	-17
NRG Energy, Inc.	Electric Utilities	-0.58%	-14

\* 1 basis point = 0.01%.

## Outlook and Positioning

We continue to favor companies that offer above-average dividend growth that is generated by what we think are solid business models. We believe this could lead to stock investments that earn better-than-average returns over time. Our ideal stocks trade at discounted valuations at the time of purchase.

As of March 31, the fund is overweight among independent power producers & energy traders, which represented about 7% of fund assets. Over time, we believe companies in this segment could benefit from higher power prices resulting from the shutdown of coal-fired plants, as well as proposed reforms we think benefit the economics of low-cost power generation.

We also like the dividend growth offered by certain electric utilities companies, and we maintained a notable overweight in this segment. Several of these companies are working to bring power generation via renewable-energy facilities to metropolitan areas. At quarter end, electric utilities represented about 67% of the fund's assets. Most of the growth in the industry, measured by megawatts produced, came from the renewables segment, a group that has benefited from federal subsidies and state mandates that promote more environmentally friendly electric power.

We believe renewable energy remains poised to succeed over the long term, as alternatives such as wind and solar become more economically viable. The fund owns shares of several companies we believe are well-positioned to benefit from this trend, including NextEra Energy, Sempra and Southern Company, which were all among the fund's top-10 holdings as of March 31.

As the U.S. continues to focus on electrifying the transportation sector and transitioning the country's power fleet toward renewable energy sources, fundamentals for most utility segments remain strong. These companies are at the epicenter of the shift away from fossil fuels, which could translate to faster earnings growth for U.S. utilities, as we view it. As such, we are cautiously optimistic about the long-term outlook for the sector.

Despite these solid business fundamentals, utilities is the most cheaply valued it has been – on a comparative price/earnings basis, relative to the S&P 500® – in the past 20 years. At the same time, the average earnings growth and dividend growth rates are the highest they've been in about two decades. So, we believe the resilience of utilities as a group is being underestimated and underappreciated by the market.

Given this dynamic, we believe utilities remain an attractive area for investment, given their stable earnings growth and low volatility when compared with the broader equity market. Due to the consistent – and rising – demand for energy, utilities have often, in recent years, grown in both up and down markets.

Regardless of the market environment, we will maintain our investment process of emphasizing stocks that offer stronger-than-average dividend growth. This approach typically leads us to purchase utilities stocks we think will benefit from higher power prices. As always, thank you for your confidence in Fidelity's investment-management capabilities. ■

## 10 LARGEST HOLDINGS

Holding	Market Segment
NextEra Energy, Inc.	Electric Utilities
Sempra	Multi-Utilities
Constellation Energy Corp.	Electric Utilities
Edison International	Electric Utilities
PG&E Corp.	Electric Utilities
FirstEnergy Corp.	Electric Utilities
Southern Co.	Electric Utilities
Entergy Corp.	Electric Utilities
American Electric Power Co., Inc.	Electric Utilities
Eversource Energy	Electric Utilities
<b>10 Largest Holdings as a % of Net Assets</b>	<b>65.21%</b>
<b>Total Number of Holdings</b>	<b>34</b>

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
<b>Valuation</b>		
Price/Earnings Trailing	17.8x	18.1x
Price/Earnings (IBES 1-Year Forecast)	15.4x	16.1x
Price/Book	2.1x	1.9x
Price/Cash Flow	9.6x	9.2x
Return on Equity (5-Year Trailing)	10.1%	10.2%
<b>Growth</b>		
Sales/Share Growth 1-Year (Trailing)	5.5%	1.6%
Earnings/Share Growth 1-Year (Trailing)	45.5%	23.6%
Earnings/Share Growth 1-Year (IBES Forecast)	13.5%	13.7%
Earnings/Share Growth 5-Year (Trailing)	2.2%	3.6%
<b>Size</b>		
Weighted Average Market Cap (\$ Billions)	47.3	46.9
Weighted Median Market Cap (\$ Billions)	33.3	33.3
Median Market Cap (\$ Billions)	20.9	8.5

### LARGEST OVERWEIGHTS BY MARKET SEGMENT

Market Segment	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
Electric Utilities	67.09%	62.32%	4.77%	-4.16%
Independent Power Producers & Energy Traders	7.08%	3.26%	3.82%	0.49%
Electrical Components & Equipment	1.26%	--	1.26%	1.03%
Aerospace & Defense	0.49%	--	0.49%	0.49%
Industrial Gases	0.30%	--	0.30%	0.30%

### LARGEST UNDERWEIGHTS BY MARKET SEGMENT

Market Segment	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
Multi-Utilities	17.95%	25.38%	-7.43%	-1.03%
Water Utilities	1.01%	3.83%	-2.82%	0.59%
Gas Utilities	1.79%	4.28%	-2.49%	1.24%

### LARGEST OVERWEIGHTS BY HOLDING

Holding	Market Segment	Relative Weight
Sempra	Multi-Utilities	4.37%
FirstEnergy Corp.	Electric Utilities	3.48%
Edison International	Electric Utilities	3.34%
Eversource Energy	Electric Utilities	2.71%
Entergy Corp.	Electric Utilities	2.70%

### LARGEST UNDERWEIGHTS BY HOLDING

Holding	Market Segment	Relative Weight
Duke Energy Corp.	Electric Utilities	-6.81%
Dominion Energy, Inc.	Multi-Utilities	-3.76%
Consolidated Edison, Inc.	Multi-Utilities	-2.86%
WEC Energy Group, Inc.	Multi-Utilities	-2.37%
Southern Co.	Electric Utilities	-2.29%

### ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Prior Quarter
Domestic Equities	97.97%	100.00%	-2.03%	-1.27%
International Equities	0.10%	0.00%	0.10%	-0.18%
Developed Markets	0.10%	0.00%	0.10%	-0.18%
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	1.93%	0.00%	1.93%	1.45%

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	0.98	1.00
Standard Deviation	16.93%	17.07%
Sharpe Ratio	0.32	0.07
Tracking Error	2.74%	--
Information Ratio	1.55	--
R-Squared	0.97	--

## 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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### 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 Utilities 25/50 Index** is a customized blend of the following unmanaged indices: MSCI US IM Utilities 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.

**Select Utilities Growth Linked Index** represents the performance of the MSCI US IM Utilities 25/50 Index since January 1st 2010, the MSCI US Investable Market Utilities Index from October 2nd, 2006 to December 31st, 2009, and the Goldman Sachs Utilities 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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