PORTFOLIO MANAGER Q&A | AS OF FEBRUARY 28, 2021

Fidelity® Select Health Care Portfolio

Key Takeaways

- For the fiscal year ending February 28, 2021, the fund gained 36.00%, topping the 30.05% advance of the MSCI U.S. IMI Health Care 25/50 Index and the 31.29% result of the broad-market S&P 500® index.
- Health care companies generally benefited from high demand the past year due to their involvement in addressing the COVID-19 pandemic. Secular trends, including an aging population, also supported many health care companies, as did solid business fundamentals, continued innovation and accelerating growth.
- Versus the sector index, security selection drove the fund's outperformance, as a combination of names Portfolio Manager Eddie Yoon owned and index components he chose to avoid contributed.
- His stock choices in pharmaceuticals helped most, followed by picks in health care services, biotechnology and health care technology.
- Avoiding several underperforming index components, including drugmakers Merck and Pfizer, made a notable contribution to relative performance, as these and other legacy U.S. manufacturers continued to struggle to deliver new drugs.
- Meanwhile, an overweighting in Regeneron Pharmaceuticals and an out-of-index position in Roche Holdings detracted more than any other holdings.
- At period end, Eddie says attractive valuations for health care stocks, accelerating fundamentals and a relatively benign policy environment make him optimistic about the prospects for the sector over the next few years.
- The fund maintains a sizable overweighting in managed care stocks, as Eddie believes payers are likely to be the largest long-term beneficiaries of deflationary forces coming down on medical costs.

MARKET RECAP

The S&P 500® index gained 31.29% for the 12 months ending February 28, 2021, a volatile but productive period for U.S. risk assets. The early-2020 outbreak and spread of COVID-19 resulted in stocks suffering one of the quickest declines on record, through March 23, followed by a historic rebound that included the index closing 2020 at an all-time high and gaining modest ground in the first two months of the new year. The crisis and containment efforts caused broad contraction in economic activity, along with extreme uncertainty and dislocation in financial markets. A rapid and expansive U.S. monetary/fiscal-policy response partially offset the economic disruption and fueled the market surge, as did resilient corporate earnings. The rally slowed in September, when stocks began a two-month retreat amid Congress's inability to reach a deal on additional fiscal stimulus, as well as concerns about election uncertainty, indications the U.S. economic recovery could be slowing and a new wave of COVID-19 cases. A shift in momentum began in October and accelerated following the U.S. elections, with the approval of three breakthrough COVID-19 vaccines and prospects for additional government stimulus fueling the "reflation trade" through February 28. By sector for the full 12 months, information technology (+50%) and consumer discretionary (+43%) led all gainers. Materials (+42%) and communication services (+37%) also stood out. In contrast, the defensive utilities (-3%) and real estate sectors (+5%) notably lagged.

Eddie Yoon
Portfolio Manager

Fund Facts

Trading Symbol:	FSPHX
Start Date:	July 14, 1981
Size (in millions):	$10,353.08

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.

Q&A

An interview with Portfolio Manager Eddie Yoon

Q: Eddie, how did the fund and sector perform for the fiscal year ending February 28, 2021?

The fund gained 36.00% the past 12 months, topping the 30.05% advance of the MSCI U.S. IMI Health Care 25/50 Index and the 31.29% result of the broad-market S&P 500® index. However, the fund underperformed its peer group average.

Health care companies generally benefited from high demand the past 12 months due to their involvement in addressing the COVID-19 pandemic. Secular trends, including an aging population, also supported many health care companies, as did solid business fundamentals, continued innovation and accelerating growth. The health care supplies (+65%) industry led all groups within the index this period. These stocks performed well amid the resumption of elective surgeries and other delayed care, such as dentistry. Another industry standout was health care technology (+63%), as health care providers increasingly turned to telemedicine as the coronavirus outbreak escalated. The life sciences, tools & services (+61%) segment also outperformed, as many firms assisted in the production of COVID-19 vaccines and testing.

Q: What was behind the fund's outperformance of the MSCI sector index the past 12 months?

The fund's holdings range from high-quality, stable earnings producers to opportunistic companies offering innovative products. This broad mix gives me flexibility to play both offense and defense, depending on my market outlook. This period, security selection drove the fund's outperformance, as the combination of stocks we owned in the fund and more-defensive index components we chose to avoid strongly contributed. By industry, choices in pharmaceuticals – one of the fund's largest areas of investment this period – helped most. An underweighting in this industry also contributed. Picks in health care services, biotechnology and health care technology also notably added value.

Q: Which stocks contributed most to the fund's relative performance this period?

Avoiding several underperforming pharma stocks that were a sizable part of the index provided a significant boost to our relative result. Specifically, the fund didn't own pharma giants Merck (-2%) and Pfizer (+10%), which lagged the sector benchmark, largely because some legacy U.S. manufacturers struggled to deliver their drug pipelines to the marketplace, while companies with emerging pipelines became more appreciated by investors. Merck's drug business also was hurt by the pandemic and increased competition. Historically, I have tended to avoid mega-cap biotech/pharma companies, such as Merck and Pfizer, partly due to "patent cliffs," in which leading manufacturers stand to lose market exclusivity for highly profitable drugs.

Owning some pharma names with emerging pipelines, including MyoKardia, that became more appreciated by investors was helpful. The fund's position in MyoKardia, which specializes in cardiovascular diseases, was a key individual contributor, as it gained about 253% in the fund. In mid-November, Bristol-Myers Squibb (BMY) completed its acquisition of MyoKardia for roughly $13.1 billion, at which point the stock ceased trading and MyoKardia formally became a wholly owned subsidiary of BMY. The fund no longer held MyoKardia at period end, but it did own BMY.

Q: What else boosted relative performance?

Among biotech names, an out-of-index stake in Argenx (+134%) contributed. In biotechnology, I focus on the most innovative assets in gene therapy, cell therapy, rare disease and immunoncology. Shares of Netherlands-based biotech firm Argenx were boosted by positive trial results for the firm's candidate to treat a rare immune disorder. Argenx acquired a priority review voucher to potentially expedite U.S. Food and Drug Administration (FDA) review and approval of the drug. We modestly increased our stake this period.

Elsewhere, I established a position in 10x Genomics this year. The company designs and manufactures a promising new approach to gene-sequencing technology. The fund's shares of 10x gained about 125%, as investors became increasingly excited about gene-testing stocks. At the end of February, 10x was a sizable fund holding.

In health care services, an out-of-index stake in Oak Street Health (+50%), a Chicago-based network of low-cost primary care centers for adults on Medicare in medically underserved communities, fared well. The firm employs a value-based care model, which is where I believe the health care economy is headed. Oak Street closed its initial public offering in early August, when I established a position. Shares of Oak Street subsequently rallied because the firm benefited from expected growth in Medicare spending and the expansion of its presence by adding new centers. I sold our stake by period end to lock in a profit.

I also built a position in Inspire Medical Systems (+181%), which makes the only medical device to treat obtrusive sleep apnea approved by the FDA. The stock rose after the firm announced better-than-expected quarterly financial results, including an increase in revenue, and raised its guidance.

Q: What hurt the fund's relative result?

A sizable position in Regeneron Pharmaceuticals detracted more than any other stock choice. Regeneron's stock returned roughly 1% for the period, despite strong third-quarter financial results boosted by solid sales of the firm's blockbuster Eylea®, an injection to treat the wet form of age-related macular degeneration. The company also garnered headlines in early October when President Trump was treated with an antibody cocktail to combat COVID-19 developed by Regeneron and pharma firm Roche Holdings (+4%) – another relative detractor and a non-index position. In addition, on January 8, the FDA accepted the firm's application for approval for its antibody treatment for rheumatoid arthritis – a partnership with Sanofi. However, shares of Regeneron struggled amid concerns that vaccine success could limit the need for Regeneron's antibody treatment in the battle against COVID-19.

The fund's foreign holdings detracted overall, despite the tailwind of broad U.S.-dollar weakness. Included here was the fund's position in Switzerland-based Roche Holdings. Within pharma, I prefer Europe-based pharma companies like Roche because the largest U.S. companies are also the largest index components that I have avoided for some time. However, our large non-index position in Roche underperformed this period, even amid the strong market for its coronavirus diagnostics tests and treatments. In October, the firm reported disappointing third-quarter sales due to some of its aging prescription drugs, although the company lifted its 2021 sales and profit outlook in January, given continued strong sales of COVID-19 tests. Despite their underperformance, I held on to positions in both Regeneron and Roche, believing in their longer-term growth prospects.

Q: What's your outlook as of February 28?

I remain confident and hopeful in the fund's positioning. This period, I stuck to my investment process, seeking the highest risk-adjusted return opportunities. I try to steer the fund away from areas where fundamental headwinds are rising, and instead choose to invest in firms I think will deliver solutions. This meant I did not chase some of the stocks that advanced on speculation without the empirical data to back it up.

As of period end, health care stocks look relatively inexpensive to me, as a lot of bad news appears to still be priced into many stocks, but I'm optimistic about the sector's prospects over the next few years. Along with attractive stock valuations, corporate fundamentals have accelerated. I also believe the policy environment is likely to remain somewhat benign, with mid-term elections in 2022 being a potential check in the event the Biden administration's policies swing too progressive. ■

Eddie Yoon provides insight on long-term trends and investment opportunities in health care:

"I expect the U.S. health care economy to be transformed in the coming decades. As the U.S. moves to a payment model that incentivizes value over utilization, this should create huge winners and losers. As an active fund manager supported by a world-class global research team, I believe I should be able to successfully navigate these dynamics and identify attractive long-term candidates that could become the growth companies of the future. I will consistently look to position the fund in the fastest-growing areas of health care. I prefer strong management teams that emphasize return on invested capital as a key metric, and I plan to selectively invest in restructuring stories where I sense the potential reward outweighs the risk.

"In the U.S., I expect the health care delivery network to become more industrialized and focused on value-based care. While most of these productivity enhancements will likely be offset through reimbursement pressure, the companies driving these changes could be great investments for the fund. In the long run, this is a material positive for the U.S. economy – and corporate profits – given that unchecked health care inflation is one of the most pressing issues for corporate profit-and-loss statements.

"Managed care remains by far the fund's largest industry overweight at period end. I continue to believe payers are the largest beneficiaries of deflationary forces coming down on medical costs. These companies are working to align incentives to provide consumers a better health care experience at lower costs. Here, I'm interested in companies with strong value-based payment models, including UnitedHealth Group and Humana – the fund's two-largest positions as of February 28.

"UnitedHealth is most well known as the largest health plan in our country, and it also owns an incredibly unique asset in Optum. Optum is at the core of changing health care delivery models in the U.S. and offers analytical tools to help providers and plans operate more effectively. I believe this marriage of a health plan, data analytics and new value-based delivery models highlights where our health care ecosystem is headed and UnitedHealth is the clear market leader, in my view."

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Merck & Co., Inc.	Pharmaceuticals	-4.30%	152
10X Genomics, Inc.	Life Sciences Tools & Services	2.06%	134
MyoKardia, Inc.	Pharmaceuticals	0.40%	128
Argenx SE ADR	Biotechnology	1.56%	120
Oak Street Health, Inc.	Health Care Services	0.75%	118

** 1 basis point = 0.01%.*

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Regeneron Pharmaceuticals, Inc.	Biotechnology	2.79%	-154
Roche Holding AG (participation certificate)	Pharmaceuticals	5.64%	-146
Thermo Fisher Scientific, Inc.	Life Sciences Tools & Services	-2.98%	-100
Abbott Laboratories	Health Care Equipment	-3.75%	-95
Boston Scientific Corp.	Health Care Equipment	2.78%	-84

** 1 basis point = 0.01%.*

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Domestic Equities	85.93%	99.97%	-14.04%	6.74%
International Equities	13.64%	0.03%	13.61%	-6.73%
Developed Markets	11.85%	0.01%	11.84%	-8.04%
Emerging Markets	1.79%	0.02%	1.77%	1.31%
Tax-Advantaged Domiciles	0.00%	0.00%	0.00%	0.00%
Bonds	0.00%	0.00%	0.00%	0.00%
Cash & Net Other Assets	0.43%	0.00%	0.43%	-0.01%

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
Biotechnology	24.71%	19.47%	5.24%	2.47%
Health Care Equipment	21.67%	23.79%	-2.12%	-1.48%
Managed Health Care	16.32%	9.41%	6.91%	-1.95%
Pharmaceuticals	16.00%	24.64%	-8.64%	-3.92%
Health Care Services	8.35%	5.12%	3.23%	1.29%
Life Sciences Tools & Services	7.35%	9.56%	-2.21%	1.67%
Health Care Technology	2.26%	2.32%	-0.06%	0.73%
Health Care Facilities	1.91%	1.67%	0.24%	0.24%
Application Software	0.65%	--	0.65%	0.29%
Research & Consulting Services	0.20%	--	0.20%	-0.12%
Other	0.14%	0.00%	0.14%	0.14%

10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
UnitedHealth Group, Inc.	Managed Health Care	7.63%	8.42%
Humana, Inc.	Managed Health Care	5.51%	5.06%
Cigna Corp.	Health Care Services	5.07%	4.59%
Eli Lilly & Co.	Pharmaceuticals	4.76%	4.00%
Danaher Corp.	Health Care Equipment	4.67%	4.01%
Boston Scientific Corp.	Health Care Equipment	4.54%	3.54%
Regeneron Pharmaceuticals, Inc.	Biotechnology	3.42%	4.81%
Roche Holding AG (participation certificate)	Pharmaceuticals	3.17%	6.03%
Penumbra, Inc.	Health Care Equipment	3.14%	2.46%
Centene Corp.	Managed Health Care	2.83%	3.37%
10 Largest Holdings as a % of Net Assets		**44.74%**	**49.57%**
Total Number of Holdings		**118**	**99**

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 28, 2021

	Cumulative		Annualized			
	6 Month	YTD	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Select Health Care Portfolio Gross Expense Ratio: 0.70%[2]	11.10%	1.39%	36.00%	19.17%	17.88%	18.19%
S&P 500 Index	9.74%	1.72%	31.29%	14.14%	16.82%	13.43%
MSCI US IMI Health Care 25/50	9.07%	0.50%	30.05%	14.39%	15.19%	16.10%
Morningstar Fund Health	17.23%	1.98%	40.22%	15.42%	16.29%	15.68%
% Rank in Morningstar Category (1% = Best)	--	--	45%	15%	26%	23%
# of Funds in Morningstar Category	--	--	158	134	126	104

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

[2] This expense ratio is from the prospectus in effect as of the date shown above and generally is based on amounts incurred during that fiscal year. 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 this document is for informational and educational purposes only. To the extent any investment information in this material is deemed to be a recommendation, it is not meant to be impartial investment advice or advice in a fiduciary capacity and is not intended to be used as a primary basis for you or your client's investment decisions. Fidelity, and its representatives may have a conflict of interest in the products or services mentioned in this material because they have a financial interest in, and receive compensation, directly or indirectly, in connection with the management, distribution and/or servicing of these products or services including Fidelity funds, certain third-party funds and products, and certain investment services.

FUND RISKS

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The 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.

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 is a modified market-capitalization-weighted index of stocks designed to measure the performance of Health Care 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 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

% 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

Eddie Yoon is a sector leader 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. Yoon is responsible for the coverage of health care equipment and supplies stocks, and serves as the health care sector leader. Additionally, he manages several funds including Fidelity Advisor Health Care Fund, Fidelity and Fidelity Advisor Stock Selector Mid Cap Fund, Fidelity and Fidelity Advisor All Cap Fund, Fidelity Select Health Care Portfolio, and Fidelity Select Medical Technology and Devices Portfolio.

Prior to joining Fidelity in 2006, Mr. Yoon held multiple positions at JPMorgan Asset Management, including analyst and co-portfolio manager. He has been in the financial industry since 2002.

Mr. Yoon earned his bachelor of arts degree in business economics from Brown University.

PERFORMANCE SUMMARY:
Quarter ending March 31, 2021

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Select Health Care Portfolio Gross Expense Ratio: 0.70%[2]	42.23%	19.30%	17.68%	17.90%

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

[2] This expense ratio is from the prospectus in effect as of the date shown above and generally is based on amounts incurred during that fiscal year. 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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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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