PORTFOLIO MANAGER Q&A | AS OF JANUARY 31, 2025

Fidelity Advisor® Health Care Fund

Key Takeaways

- For the semiannual reporting period ending January 31, 2025, the fund's Class I shares gained 3.75%, outpacing the -0.61% result of the MSCI U.S. IMI Consumer Discretionary 25/50 Index and lagging the 10.12% advance of the broad-based S&P 500® index.
- According to Portfolio Manager Eddie Yoon, health care stocks widely lagged the broader U.S. equity market the past six months, as many investors flocked to stocks that offer a potential play on artificial intelligence and some health care segments struggled as the sector continued to work through supply-and-demand imbalance left over from the COVID-19 pandemic.
- The fund's outperformance of the MSCI sector index the past six months was due largely to security selection and an overweight in the outperforming health care equipment group, whereas positioning in the biotechnology industry detracted from the fund's relative result.
- A sizable overweight in health care equipment maker Boston Scientific (+38%) was the top individual relative contributor by far, followed by an overweight in device maker Penumbra (+60%),
- Avoiding index component Abbott Laboratories (+22%) and an out-of-index position in Legend Biotech (-32%) were the biggest individual relative detractors for the period.
- As of January 31, Eddie says he's optimistic because headwinds that held back the sector the past year may be poised to fade, including the unexpected acceleration in health care utilization. Additionally, he thinks the conclusion of U.S. election season should dampen concerns regarding health care policy.
- Looking across the health care sector, Eddie is bullish about recent breakthroughs in the biotechnology industry, which he believes could lead to game-changing outcomes in the coming years.

MARKET RECAP

U.S. equities gained 10.12% for the six months ending January 31, 2025, according to the S&P 500® index, driven by strong corporate profits, enthusiasm for artificial intelligence and the Federal Reserve's pivot to cutting interest rates. Amid this favorable backdrop, the U.S. economy remained resilient, inflation ticked lower and the S&P 500® ended January a bit shy of its all-time closing high. The shift toward global monetary easing gained steam when the U.S. Federal Reserve lowered its benchmark federal funds rate – in September by a half percentage point and again in November and December by 0.25 percentage points – after a historic hiking cycle that began in 2022. But the December 18 rate cut was accompanied by news that the Fed was penciling in just two reductions for 2025, dampening post-election momentum. The index began the new year with a gain of 2.78% in January, as the Fed paused as part of its new wait-and-see phase. Growth stocks led for the full six months, as market breadth expanded. By sector, communication services (+26%) continued to reflect the influence of AI. Consumer discretionary (+27%) was driven by big tech, with Tesla (+74%) and Amazon.com (+27%) providing outsized contributions. Financials (+19%) surged following the election and expectations for easing regulation. Conversely, energy (-5%) and materials (-3%) lagged most amid a dip in oil prices and worries about the outlook for global demand, respectively.

Eddie Yoon
Portfolio Manager

Fund Facts

Trading Symbol:	FHCIX
Start Date:	September 03, 1996
Size (in millions):	$4,189.86

Investment Approach

- Fidelity Advisor® Health Care Fund 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 broad 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 perform for the six months ending January 31, 2025?

The fund's Class I shares gained 3.75%, outpacing the -0.61% result of the MSCI U.S. IMI Consumer Discretionary 25/50 Index and lagging the 10.12% advance of the broad-based S&P 500® index. The fund topped its peer group average.

Looking slightly longer term, the fund gained 9.81% for the trailing 12 months, again outpacing the MSCI sector index and peer average but widely trailing the S&P 500® index.

Q: Why did health care stocks trail the broader U.S. stock market the past six months?

It was a bumpy period. The sector took a backseat to information technology and communication services, where investors flocked to stocks that offer a potential play on artificial intelligence. Although health care stocks began to improve late in the period as the market rally broadened, some health care segments struggled because the sector continued to work through supply-and-demand imbalance left over from the COVID-19 pandemic.

Specifically, health care utilization increased, as Americans who delayed procedures during the pandemic sought services in hospitals, doctor offices and ambulatory care centers in higher numbers. While this increase in utilization was a benefit for some parts of the sector, such as medical device makers, it weighed heavily on managed care and health care services stocks.

Government health care policy posed another headwind. Health insurers that administer Medicare Advantage policies, a type of Medicare health plan offered by a private company that contracts with Medicare, were hit by inadequate reimbursement rates – the payments the federal government makes to these insurers. In addition, policy uncertainty in an election year likely weighed on the sector. Lastly, life sciences tools & services firms experienced declining demand because people used fewer COVID tests and companies worked through pandemic-related inventory.

Q: What contributed to the fund's performance versus the MSCI health care index?

My stock choices in the health care equipment industry helped. Specifically, a sizable overweight stake in Boston

Scientific (+38%) was by far the top individual relative contributor. Boston Scientific exhibited robust growth throughout the period, with particularly strong demand for its heart devices, including pacemakers and stents, which represent most of Boston Scientific's revenue. In October, the company reported better-than-expected Q3 profit and sales, boosted by strong results in its cardiovascular and MedSurg segments. Also, Boston Scientific provided robust full-year earnings guidance. I reduced the fund's holdings in the stock to lock in some profit. Still, at the end of January Boston Scientific was the second-largest holding, at about 11% of assets, and top overweight.

Also in the health care equipment industry, larger-than-index positions in Penumbra (+60%), Insulet (+43%) and Masimo (+63%) were helpful. Penumbra is a maker of thrombectomy devices to mechanically remove blood clots. Its shares were supported by strong sales of its Lightning Flash and Bolt products. The company showed strong momentum with new product development and international expansion. All three stocks were top-10 holdings at the end of January. I trimmed Penumbra and Insulet this period to lock in some profit, but increased exposure to Masimo.

Q: What other decisions helped the fund's relative performance this period?

I had some successful stock picks in biotech, even though positioning here detracted. Within the industry, I focus on the most innovative assets in cell therapy, rare disease and immuno-oncology.

One name that fit this description is biotech firm Argenx. The company primarily develops antibody-based therapies for autoimmune diseases, including diseases that cause muscle weakness. The fund's non-index position gained about 27% the past six months, as the company benefited from robust sales growth for Vyvgart, Argenx's flagship treatment for a rare autoimmune disorder in which a body's immune system attacks muscle cells.

Also, Argenx released positive phase 2 trial results for Alkivia, its candidate for severe autoimmune diseases, and boasts a promising pipeline. Though I trimmed our stake in Argenx, it was the fund's No. 9 position as of the end of January.

Also in biotech, it helped to avoid several underperforming index components. I tend to avoid biotech companies facing an ever-increasing number of fundamental headwinds, such as growing reimbursement pressure, patent expirations, pricing pressure and a poor internal product pipeline. This period, not owning Moderna (-67%) was a notable positive because the firm saw a decline in its COVID vaccine business. Another plus was sidestepping Amgen (-13%), which was hurt by disappointing results for its experimental weight-loss drug MariTide, and concerns about competition.

Q: What notably detracted?

I thought Abbott Laboratories – a large index component – was overvalued, so I chose to underweight the stock. This decision weighed on the fund's relative result because the stock gained 22%. Despite Abbott posting lower-than-expected quarterly sales in January, the stock surged that month after Abbott guided strong earnings growth for 2025, boosted in part by the global market for its continuous glucose monitoring devices.

In biotech, an out-of-index position in Legend Biotech (-32%) and overweights in Regeneron Pharmaceuticals (-38%) and Keros Therapeutics (-78%) detracted from relative performance. Legend is a developer of cell therapies treating blood cancer. The stock was hurt by a few factors this period, including concerns about production delays.

Meanwhile, Regeneron's stock was hampered by disappointing sales of the company's Eylea drug used to treat various eye conditions, as well as legal challenges and increased competition, while shares of Keros fell sharply in December after the company said it had paused a mid-stage study of its experimental drug for pulmonary arterial hypertension due to a safety issue. Legend and Regeneron were top-20 holdings at period end, given my still-positive view of their potential long-term growth. However, I reduced exposure to Regeneron and exited the position in Keros.

Q: Eddie, what's your outlook for the health care sector as of the end of January?

For this year and beyond, I believe many health care industries are well-positioned. Some headwinds that held back the sector the past six months may be poised to fade. For example, unexpected acceleration in health care utilization is likely to eventually reverse. Any indication that we've reached the peak of utilization could be positive for managed-care providers.

Additionally, the conclusion of the U.S. election season should dampen concerns about health care policy. The incoming administration could favor policies that are more advantageous for the sector – particularly for managed care companies – such as allowing for greater flexibility over Medicare Advantage policy prices and risk coding, and by potentially pausing or even reversing some of the previous administration's policies.

Moreover, I've been seeing a lot of green shoots in terms of novel, viable drug candidates in biotechnology, which gives me optimism about growth prospects for this innovative industry. ■

Portfolio Manager Eddie Yoon on specialty drugmakers:

"Anti-obesity drugs may have taken center stage the past year, but recent, meaningful breakthroughs in the biotechnology industry could lead to game-changing outcomes in the coming years, in my view.

"Biotech firms have been supported by a decrease in the cost of genome sequencing, the expansion of cell-based therapies and the accelerated pace of drug discovery. Recently, biotech firms have reported interesting clinical data in blockbuster categories, which could move the needle for industry sales. In particular, so-called specialty drugs, which typically are new drug categories that start at a higher price point, have recently seen sales expanding by 15% to 17% per year.

"Two of the stocks I'm particularly bullish on are Alnylam Pharmaceuticals and Argenx, based in the Netherlands. These two companies are potential examples of investing plays on this specialty drug manufacturing theme.

"Alnylam is a leader in RNA interference, a type of therapeutic that can 'silence,' or turn off, the production of specific genes that contribute to or cause a disease. The company focuses on treating rare diseases and those with unmet medical needs, such as transthyretin amyloid cardiomyopathy, a potentially fatal heart disease that occurs when faulty proteins build up in the heart.

"Meanwhile, Argenx primarily develops antibody-based therapies for autoimmune diseases, including diseases causing muscle weaknesses.

"Importantly, both companies have drug candidates that are fully funded into approval. Argenx and Alnylam are the fund's No 9. and No. 11 fund holdings, respectively, at the end of January."

LARGEST CONTRIBUTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Boston Scientific Corp	Health Care Equipment	8.03%	272
Penumbra Inc	Health Care Equipment	3.88%	181
Insulet Corp	Health Care Equipment	2.79%	106
Masimo Corp	Health Care Equipment	2.32%	104
Argenx SE ADR	Biotechnology	2.27%	57

** 1 basis point = 0.01%.*

LARGEST DETRACTORS VS. BENCHMARK

Holding	Market Segment	Average Relative Weight	Relative Contribution (basis points)*
Abbott Laboratories	Health Care Equipment	-3.20%	-68
Legend Biotech Corp ADR	Biotechnology	1.55%	-62
Danaher Corp	Life Sciences Tools & Services	3.02%	-56
Regeneron Pharmaceuticals Inc	Biotechnology	1.38%	-50
Keros Therapeutics Inc	Biotechnology	0.40%	-45

** 1 basis point = 0.01%.*

ASSET ALLOCATION

Asset Class	Portfolio Weight	Index Weight	Relative Weight	Relative Change From Six Months Ago
Domestic Equities	91.25%	100.00%	-8.75%	0.41%
International Equities	8.47%	0.00%	8.47%	-0.42%
Developed Markets	6.67%	0.00%	6.67%	-0.29%
Emerging Markets	1.80%	0.00%	1.80%	-0.13%
Tax-Advantaged Domiciles	0.00%	0.00%	0.00%	0.00%
Bonds	0.33%	0.00%	0.33%	0.09%
Cash & Net Other Assets	-0.05%	0.00%	-0.05%	-0.08%

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
Health Care Equipment	31.13%	20.72%	10.41%	4.35%
Biotechnology	24.92%	19.11%	5.81%	1.42%
Managed Health Care	13.10%	11.17%	1.93%	2.63%
Pharmaceuticals	10.13%	27.63%	-17.50%	-6.21%
Life Sciences Tools & Services	9.58%	10.43%	-0.85%	-0.54%
Health Care Services	6.32%	4.15%	2.17%	-0.76%
Health Care Technology	2.83%	0.87%	1.96%	0.59%
Health Care Distributors	1.06%	2.68%	-1.62%	-0.71%
Health Care Facilities	0.61%	1.95%	-1.34%	-0.71%
Health Care Supplies	0.19%	1.29%	-1.10%	0.04%
Other	0.18%	0.00%	0.18%	0.06%

10 LARGEST HOLDINGS

Holding	Market Segment	Portfolio Weight	Portfolio Weight Six Months Ago
UnitedHealth Group Inc	Managed Health Care	11.59%	7.80%
Boston Scientific Corp	Health Care Equipment	11.46%	9.49%
Eli Lilly & Co	Pharmaceuticals	5.03%	8.23%
Penumbra Inc	Health Care Equipment	4.79%	3.04%
Danaher Corp	Life Sciences Tools & Services	4.52%	6.37%
Masimo Corp	Health Care Equipment	3.33%	1.28%
Insulet Corp	Health Care Equipment	3.29%	2.19%
Stryker Corp	Health Care Equipment	3.27%	2.34%
Argenx SE ADR	Biotechnology	2.58%	2.06%
Thermo Fisher Scientific Inc	Life Sciences Tools & Services	2.46%	1.36%
10 Largest Holdings as a % of Net Assets		**52.31%**	**51.17%**
Total Number of Holdings		**115**	**103**

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 January 31, 2025

	Cumulative		Annualized			
	6 Month	YTD	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Fidelity Advisor Health Care Fund - Class I Gross Expense Ratio: 0.69%[2]	3.75%	5.96%	9.81%	4.97%	6.67%	8.08%
S&P 500 Index	10.12%	2.78%	26.38%	11.91%	15.17%	13.76%
MSCI US IMI Health Care 25/50	-0.61%	6.77%	7.17%	4.92%	9.27%	9.44%
Morningstar Fund Health	-1.52%	5.75%	6.43%	1.93%	5.68%	6.78%
% Rank in Morningstar Category (1% = Best)	--	--	22%	28%	58%	39%
# of Funds in Morningstar Category	--	--	176	165	149	118

[1] *Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 09/03/1996.*
[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 Class I shares. Class I shares are sold to eligible investors without a sales charge or 12b-1 fee as defined in the fund's Class I prospectus. Other share classes with these fees would have had lower performance. To learn more or to obtain the most recent month-end or other share-class performance, visit 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 document for most-recent calendar-quarter performance.**

Definitions and Important Information

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FUND RISKS

Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Focus funds can be more volatile because of their narrow concentration in a specific industry. 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 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.

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.

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, 2025

	Annualized			
	1 Year	3 Year	5 Year	10 Year/ LOF[1]
Fidelity Advisor Health Care Fund - Class I Gross Expense Ratio: 0.69%[2]	-3.29%	0.84%	7.32%	6.38%
% Rank in Morningstar Category (1% = Best)	42%	45%	61%	46%
# of Funds in Morningstar Category	175	165	149	117

[1] Life of Fund (LOF) if performance is less than 10 years. Fund inception date: 09/03/1996.

[2] This expense ratio is from the prospectus in effect as of the date shown above and generally is based on amounts incurred during that fiscal year, or estimated amounts for the current fiscal year in the case of a newly launched fund. It does not include any fee waivers or reimbursements, which would be reflected in the fund's net expense ratio.

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Before investing in any mutual fund, please carefully consider the investment objectives, risks, charges, and expenses. For this and other information, call or write Fidelity for a free prospectus or, if available, a summary prospectus. Read it carefully before you invest.

Past performance is no guarantee of future results.

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

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