Selected FUNDS

*Selecting Quality Companies for the Long Term™*

# Selected American Shares

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# Our Experience, Stewardship and Long-Term Results

As investors prepare for the coming decade, it is crucial to have conviction in their manager's investment discipline, their level of experience navigating a wide range of market environments, the degree to which they are invested side by side with shareholders, and their history of generating attractive long-term results. Davis Advisors offers these unique attributes to investors.

## Over Sixty Years of Utilizing the Davis Investment Discipline

The Davis Investment Discipline that we follow today can be traced back more than 60 years, to Christopher Davis' grandfather Shelby Cullom Davis. In 1947, Shelby invested $100,000 in the stocks of various businesses and compounded it into over $800 million by the time of his death in 1994.[1] His discipline was straightforward: Invest in durable businesses at attractive prices and be patient as the market recognizes their true value.

Adhering to this discipline has historically allowed us to build wealth for shareholders through periods of inflation, recession, rising and falling energy prices, rising and falling interest rates, and bull and bear markets. This depth of experience enables Davis to uncover investment opportunities for the coming decade.

## Aligned with Shareholders

The Davis family, Davis Advisors, employees, and directors have more than $2 billion of their own money invested side by side with fellow shareholders in the various mutual funds our firm manages.[2] This degree of co-investment leads to a focus on generating attractive returns while seeking to minimize risk and fees. As an independent, privately held asset manager with no leverage or debt, Davis can remain committed to conducting intensive research rather than satisfying the revenue demands of a corporate parent.

## Building Long-Term Wealth for Shareholders

By maintaining a patient, disciplined, unemotional investment approach and steadfastly adhering to our investment discipline, **Selected American Shares outperformed the S&P 500® Index in eleven of fourteen rolling 5 year time periods since Davis Advisors began managing the Fund.**[3]

Because it is impossible to predict what the next decade will bring for investors, it is crucial to align yourself with managers who have delivered attractive long-term results over multiple market environments.

***Annualized Total Returns as of December 31, 2010 for Selected American Shares Class S: 1 year, 12.53%; 5 years, 1.60%; 10 years, 2.54%; 15 years, 8.76%. The performance presented represents past performance and is not a guarantee of future results.*** *Total return assumes reinvestment of dividends and capital gain distributions. Investment return and principal value will vary so that, when redeemed, an investor's shares may be worth more or less than their original cost. The total annual operating expense ratio for Class S shares as of the most recent prospectus was 0.94%. The total annual operating expense ratio may vary in future years. Returns and expenses for other classes of shares will vary. Current performance may be higher or lower than the performance quoted. For most recent month-end performance, visit selectedfunds.com or call 800-243-1575.*

[1] While Shelby Cullom Davis' success forms the basis of the Davis Investment Discipline, this was an extraordinary achievement and other investors may not enjoy the same success. [2] As of December 31, 2010. [3] Class S shares. Davis Advisors began managing the Fund on May 1, 1993. **Past performance is not a guarantee of future results.**

# Consistent Results Historically Over the Long Term

## Boring is Beautiful

To be one of the very best over the long term does not mean you have to be number one every year. Consider Selected American Shares. As the chart illustrates, Selected American Shares from 1993–2010 delivered an average annualized return of 9.7%—outperforming the S&P 500® Index by an average of 1.5% per year.

A hypothetical $10,000 investment in Selected American Shares in 1993 has compounded to $51,034, while a hypothetical investment in the S&P 500® Index over that same time period has compounded into only $40,189.

We have been able to create reliable long-term investment results, despite the inevitable and expected fact that other investments may have outperformed the Fund in any particular year.[4] At Selected, we believe that boring can be beautiful.

### Reliable Returns Over Time[4]

| Year | Selected American Shares Class S | S&P 500® Index |
|---|---|---|
| 1993[5] | 8.3% | 8.2% |
| 1994 | –3.2 | 1.3 |
| 1995 | 38.1 | 37.5 |
| 1996 | 30.7 | 22.9 |
| 1997 | 37.3 | 33.4 |
| 1998 | 16.3 | 28.6 |
| 1999 | 20.3 | 21.0 |
| 2000 | 9.3 | –9.1 |
| 2001 | –11.2 | –11.9 |
| 2002 | –17.1 | –22.1 |
| 2003 | 30.9 | 28.7 |
| 2004 | 12.0 | 10.9 |
| 2005 | 9.9 | 4.9 |
| 2006 | 15.2 | 15.8 |
| 2007 | 4.8 | 5.5 |
| 2008 | –39.4 | –37.0 |
| 2009 | 31.6 | 26.5 |
| **2010** | 12.5 | 15.1 |
| **Cumulative Total Return** | **410%** | **302%** |
| **Average Annual Rate of Return** | **9.7%** | **8.2%** |
| **Value of Hypothetical $10,000 Initial Investment** | **$51,034** | **$40,189** |

***The performance presented represents past performance and is not a guarantee of future results.*** *Total return assumes reinvestment of dividends and capital gain distributions. Investment return and principal value will vary so that, when redeemed, an investor's shares may be worth more or less than their original cost.*

[4]**Past performance is not a guarantee of future results.** Equity markets are volatile and an investor may lose money. [5]Inception date used is the date Davis Advisors took over management of the Fund, May 1, 1993.

# Morningstar's Highest Stewardship Grade

## 1,073 funds

Received Stewardship Grades from Morningstar

## 2 funds

Received the highest overall Stewardship Grade of "A" and also received "A" Grades in all five components of the score, including Quality of the Mutual Fund Board of Directors, Manager Incentives, Fees, Corporate Culture, and Regulatory Issues

## 1 of these funds is Selected American Shares

At the Selected Funds, we have worked hard to develop a culture that is built on the Principles of Stewardship. Morningstar provides the industry an independent, objective Stewardship Grading System, which is a qualitative analysis related to how mutual funds are run, including the quality of the mutual fund board of directors, manager incentives, fees, corporate culture, and regulatory issues. As illustrated above, of the 1,073 mutual funds to receive a Stewardship Grade from Morningstar, **Selected American Shares is one of *only* two funds** to receive both the highest overall Stewardship Grade of "A" and also receive "A" Grades in each individual component of the score. To us, this is a constant reminder of the responsibility we bear to clients and reinforces our determination to work hard each year to earn the right to manage clients' money, as we have done for more than 40 years.

"At Davis Advisors, we recognize that our shareholders have placed a tremendous amount of trust in us. We do not take this trust lightly. We are as positive as ever about long-term prospects for equities in general and, more specifically, Selected American Shares.

The Fund contains globally-dominant, durable, well-managed businesses that are selling at attractive valuations.

As one of the largest shareholders in Selected American Shares, we look forward to the coming decade with optimism"

**Christopher C. Davis**
Portfolio Manager, Davis Advisors

Selected FUNDS

*This material is authorized for use by existing shareholders. A current Selected American Shares prospectus must accompany or precede this material if it is distributed to prospective shareholders. You should carefully consider the Fund's investment objective, risks, fees, and expenses before investing. Read the prospectus carefully before you invest or send money.*

Selected American Shares' investment objective is capital growth and income. In the current market environment, we expect that income will be low. There can be no assurance that the Fund will achieve its objective. Selected American Shares invests primarily in equity securities issued by large companies with market capitalizations of at least $10 billion. Some important risks of an investment in the Fund are: market risk: the market value of shares of common stock can change rapidly and unpredictably and have the potential for loss; company risk: equity securities represent ownership positions in companies. Over time, the market value of a common stock should reflect the success or failure of the company issuing the stock; financial services risk: investing a significant portion of assets in the financial services sector may cause a fund to be more volatile as securities within the financial services sector are more prone to regulatory action in the financial services industry, more sensitive to interest rate fluctuations, and are the target of increased competition; fees and expenses risk: fees and expenses reduce the return which a shareholder may earn by investing in a fund; and foreign country risk: foreign companies may be subject to greater risk as foreign economies may not be as strong or diversified, foreign political systems may not be as stable, and foreign financial reporting standards may not be as rigorous as they are in the United States. As of December 31, 2010, the Fund had approximately 20.6% of assets invested in foreign companies. See the prospectus for a complete listing of the principal risks.

Davis Advisors is committed to communicating with our investment partners as candidly as possible because we believe our investors benefit from understanding our investment philosophy and approach. Our views and opinions include "forward-looking statements" which may or may not be accurate over the long term. Forward-looking statements can be identified by words like "believe," "expect," "anticipate," or similar expressions. You should not place undue reliance on forward-looking statements, which are current as of the date of this report. We disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate.

**Rolling 5 Year Returns.** The average annual total returns for Class S shares were compared against the returns earned by the S&P 500® Index as of December 31 of each year for all 5 year time periods from 1993 through 2010. The Fund's returns assume an investment in Class S shares on January 1 of each year with all dividends and capital gain distributions reinvested for a 5 year period. There can be no guarantee that the Fund will continue to deliver consistent investment performance. The performance presented includes periods of bear markets when performance was negative. Equity markets are volatile and an investor may lose money. Returns for other share classes will vary.

Morningstar assigns a stewardship grade to funds it covers. The overall stewardship grade is the sum of the following five components that are graded on a scale of A through F: Regulatory Issues, Board Quality, Manager Incentives, Fees, and Corporate Culture. The overall grade will range from an A to an F. Morningstar utilizes a fund's public filings, responses to a survey sent out by Morningstar to the fund company and the expertise of the Morningstar analysts to determine a fund grade. **The grades are subject to change and are as of December 31, 2010.** The methodology for the Morningstar Stewardship grade is completely different from the performance-based Morningstar star rating and has no impact on the star rating.

Broker-dealers and other financial intermediaries may charge Davis Advisors substantial fees for selling its products and providing continuing support to clients and shareholders. For example, broker-dealers and other financial intermediaries may charge: sales commissions; distribution and service fees; and record-keeping fees. In addition, payments or reimbursements may be requested for: marketing support concerning Davis Advisors' products; placement on a list of offered products; access to sales meetings, sales representatives and management representatives; and participation in conferences or seminars, sales or training programs for invited registered representatives and other employees, client and investor events, and other dealer-sponsored events. Financial advisors should not consider Davis Advisors' payment(s) to a financial intermediary as a basis for recommending Davis Advisors.

The **S&P 500® Index** is an unmanaged index of 500 selected common stocks, most of which are listed on the New York Stock Exchange. The Index is adjusted for dividends, weighted toward stocks with large market capitalizations and represents approximately two-thirds of the total market value of all domestic common stocks. Investments cannot be made directly in an index.

After April 30, 2011, this piece must be accompanied by a supplement containing performance information current to the most recent quarter end.

**Shares of the Selected Funds are not deposits or obligations of any bank, are not guaranteed by any bank, are not insured by the FDIC or any other agency, and involve investment risks, including possible loss of the principal amount invested.**

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