

Selected International Fund

Semi-Annual Update 2015

The Davis approach to international investing

Performance review

Update on Portfolio positioning

Why we are optimistic about Fund prospects



Selecting Quality Companies for the Long Term™

Selected International Fund Semi-Annual Update

Q: Please describe Davis Advisors' approach to international investing.

A: Davis Advisors has a long history of investing in businesses headquartered outside the United States. Today, we have more than \$4 billion invested in shares of non-U.S. companies in the various portfolios we manage. Our philosophy and approach to international investing is the same as with all our Funds: We use robust, proprietary fundamental research to evaluate the broad spectrum of international companies and identify durable businesses trading at attractive prices with solid prospects for above-average, long-term returns. What makes Selected International Fund distinct within our family of funds is its flexibility to invest opportunistically in equity securities of companies

located outside the United States in both developed and emerging markets. The Davis family, Davis Advisors, employees and directors are the largest shareholders of Selected International Fund.¹ We believe this co-investment is a critical factor that helps ensure an appropriate alignment of interests with our shareholders.

Q: Please discuss the Fund's performance.

A: Selected International Fund outperformed its benchmark, the MSCI ACWI® (All Country World Index) ex US, over the year-to-date and one year periods ending June 30, 2015 and since the Fund began investing primarily outside the United States on May 1, 2011.² We believe this track record demonstrates that an effective, consistently applied

investment discipline can add significant value relative to passive investment alternatives over time and anchors our conviction in our investment process.

For the 12 months ending June 30, 2015, the performance of Selected International Fund reflected weak stock market returns outside the United States. The Fund generated a 0.80% return during this period, outperforming the MSCI ACWI® (All Country World Index) ex US, which returned -5.26%.¹

Over the past 12 months, the Fund's holdings in China, India, Sweden, and the Netherlands on balance contributed to overall performance while holdings in Canada, Brazil and France lagged. On a sector basis, information technology, industrial and health care holdings contributed

Average Annual Total Returns as of June 30, 2015

| | 1 Years | 5 Years | 10 Years | Since 5/1/11 |
|--|---------|---------|----------|--------------|
| Selected International Fund Class S | 0.80% | 8.77% | 3.19% | 2.78% |
| MSCI ACWI® (All Country World Index) ex US | -5.26% | 7.76% | 5.54% | 1.68% |

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 Fund is subject to a 2% short term redemption fee for shares held for fewer than 30 days. The total annual operating expense ratio for Class S shares as of the most recent prospectus was 1.30%. (The Adviser is contractually committed to waive fees and/or reimburse the Fund's expenses to the extent necessary to cap total annual fund operating expenses of Class S shares at 1.30%. The expense cap expires May 1, 2016. The expense ratio prior to the cap was 1.38%). 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. The Fund's performance benefited from an IPO purchase in 2014. After purchase, the IPO rapidly increased in value. Davis Advisors purchases shares intending to benefit from long-term growth of the underlying company; the rapid appreciation of the IPO was an unusual occurrence. From the date that Davis Advisors first began managing the Fund (May 1, 1993) until May 1, 2011, Selected International Fund was named Selected Special Shares and invested primarily in domestic equity securities. The Fund invests primarily in foreign equity securities and the past performance of the Fund is unlikely to be relevant to future performance.

This report includes candid statements and observations regarding investment strategies, individual securities, and economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. Equity markets are volatile and an investor may lose money. **Past performance is not a guarantee of future results.** 1. As of June 30, 2015. 2. Class S shares. **Past performance is not a guarantee of future results.**

to performance while energy and financials lagged. Our allocations to particular sectors and countries are a by-product of bottom-up stock selection.³

Notable individual contributors to performance included NetEase (Chinese video game company), China Auto Rental (largest car rental company in China), Valeant Pharmaceuticals (Canadian-based health care company), Vipshop Holdings and JD.com (China-based online retailers), United Spirits (largest alcoholic beverage company in India and majority owned by U.K.-based Diageo), Experian (U.K.-based global consumer credit bureau), and Essilor (France-based manufacturer of corrective lenses).⁴ Detractors included the Canadian energy companies Encana and Canadian Natural Resources, Compagnie Financière Richemont (Switzerland-based luxury goods group), France-based Schneider Electric (an energy management company), and LafargeHolcim (global cement and aggregates business based in Switzerland and France).

Q: In what types of businesses does Selected International Fund typically invest?

A: Davis Advisors uses bottom-up, fundamental research to invest in durable businesses at value prices that we believe have favorable prospects over the long term.

Selected International Fund owns three primary categories of businesses. The first and typically largest category is global market leaders. These are often businesses with universally known brands, operations that span the globe and strong or even fortress balance sheets. Holdings in this category provide a core foundation for the Portfolio. The next largest category of businesses is “out-of-the-spotlight” holdings. These are often less well-known companies that operate behind the scenes in mundane industries such as energy exploration and production, manufacturing or industrial services. The final and smallest category of holdings is headline risk or contrarian investments that are often out of favor with investors or involve controversy.⁵ We make these investments on a selective basis only when we believe the market has overly discounted a company’s shares given the probable economic risk to the business’s long-term fundamentals. As with all our investments, underpinning these positions is our internal assessment the overall risk/reward trade-off is favorable.

The investments we have made in market leaders, out-of-the-spotlight companies and headline risk businesses combine to create a Portfolio we believe is well diversified with a balance of offensive and defensive characteristics that can produce satisfactory compound returns over full market cycles.

Q: What are examples of businesses Selected International Fund owns?

A: An example of a global market leader in the Portfolio is Heineken, one of the world’s top beer brewers. Founded in Amsterdam in 1864 the company today operates globally selling beer in more than 70 countries and has more than 200 brands including Amstel, Dos Equis, Kingfisher, and Newcastle as well as its namesake. Although headquartered in a relatively small country, Heineken became a leading exporter of beer to other countries starting as early as the 1920s, and today the company’s reach is truly global. For example, Heineken sells more beer in Africa than it does in the United States. As beer sales growth has been flat in most developed economies over the past decade, we believe Heineken’s established position in developing and frontier markets may be a key to the company’s continued success.

Another representative global market leader in the Portfolio is Swiss-based Compagnie Financière Richemont, one of the world’s leading luxury goods groups. Richemont’s array of ultra-luxury brands includes jewelers Cartier and Van Cleef & Arpels; watchmakers Piaget, Vacheron Constantin, Jaeger-LeCoultre, Officine Panerai, and IWC; makers of fine writing instruments such as Montblanc; and clothing and accessory companies such as Alfred Dunhill, Alaïa, Chloé, and Lancel

3. Foreign investments, particularly those in emerging markets, involve greater risk than U.S. investments. Some of these risks are foreign country risk, currency risk, market risk, and emerging market risk. See endnotes for a complete description of these risks. **4.** Individual securities are discussed in this piece. 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. The return of a security to the Fund will vary based on weighting and timing of purchase. This is not a recommendation to buy, sell or hold any specific security. **Past performance is not a guarantee of future results.** **5.** While we research companies subject to such contingencies, we cannot be correct every time, and a company’s stock may never recover.

among others. The company has above-average profit margins and a conservative balance sheet with excellent liquidity and no net debt. Long term we believe Richemont and its luxury brands are well positioned to benefit from the tailwind of increasing global wealth.

Another example of a market leader is Essilor, the world leader for corrective lenses. Based in France, the company operates globally with a presence in more than 100 countries. Essilor is also an innovator with a strong global research and development effort and regularly adds to its large base of patents. Essilor estimates as much as two-thirds of the world's population could be helped by corrective lenses but only about a quarter so far have corrected vision, offering the company significant growth opportunities in the years ahead.

A final representative global market leader in the Portfolio is Swiss-based Nestlé. The company's portfolio of brands, mostly serving the global food and beverage markets, include Gerber baby food products, Poland Spring water and Purina pet food, among many others. Nestlé sales show broad geographic diversification with revenues spread almost evenly among the United States, Europe and emerging economies. The company

has a long history of disciplined capital allocation and regularly returns cash to shareholders through share buybacks and annual dividends.

An example of an out-of-the-spotlight company in the Portfolio is Brenntag. Based in Germany but operating globally, Brenntag has been in business for 140 years yet the company is largely unknown outside its own industry. As a leader in chemical distribution, Brenntag buys chemicals such as solvents from numerous manufacturers and sells them to end users. The company often buys in bulk and repackages the chemicals into smaller shipments to meet the needs of specific customers and environmental shipping regulations. Brenntag has proven adept at the key components of a successful chemical distribution business—inventory control, packaging and logistics.

Q: What are the prospects for the Fund going forward?

A: The future prospects for Selected International Fund are based on numerous strengths:

- The Portfolio is managed according to the same time-tested investment philosophy of buying durable businesses at value prices and holding them for the

long term that Davis Advisors, an independent equity research firm, has successfully employed for more than 45 years.

- The Fund possesses greater flexibility than most funds in its category to pursue investment opportunities in both developed and developing international markets. This means our skilled investment team can draw on ideas in which we have a high degree of conviction from an extensive array of opportunities, using firsthand, rigorous bottom-up research to guide decisions.
- We are intensely focused on achieving above-average performance over the long term while keeping expenses low relative to the industry average for international stock funds, which is a core part of the value we offer our shareholders.

The Davis family, Davis Advisors, employees, and directors are the largest investors in Selected International Fund.⁶

6. As of June 30, 2015.

This report is authorized for use by existing shareholders. A current Selected International Fund 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.

This report includes candid statements and observations regarding investment strategies, individual securities, and economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. These comments may also include the expression of opinions that are speculative in nature and should not be relied on as statements of fact.

Objective and Risks. Selected International Fund's investment objective is capital growth. There can be no assurance that the Fund will achieve its objective. Some important risks of an investment in the Fund are: stock market risk: stock markets have periods of rising prices and periods of falling prices, including sharp declines; manager risk: poor security selection may cause the Fund to underperform relevant benchmarks; common stock risk: an adverse event may have a negative impact on a company and could result in a decline in the price of its common stock; foreign country risk: foreign companies may be subject to greater risk as foreign economies may not be as strong or diversified; emerging market risk: securities of issuers in emerging and developing markets may present risks not found in more mature markets. As of June 30, 2015, the Fund had approximately 47.5% of assets invested in emerging markets; foreign currency risk: the change in value of a foreign currency against the U.S. dollar will result in a change in the U.S. dollar value of securities denominated in that foreign currency; depositary receipts risk: depositary receipts may trade at a discount (or premium) to the underlying security and may be less liquid than the underlying securities listed on an exchange; large-capitalization companies risk: companies with \$10 billion or more in market capitalization generally experience slower rates of growth in earnings per share than do mid- and small-capitalization companies; mid- and small-capitalization companies risk: companies with less than \$10 billion in market capitalization typically

have more limited product lines, markets and financial resources than larger companies, and may trade less frequently and in more limited volume; headline risk: the Fund may invest in a company when the company becomes the center of controversy. The company's stock may never recover or may become worthless; and fees and expenses risk: the Fund may not earn enough through income and capital appreciation to offset the operating expenses of the Fund. See the prospectus for a complete description of the principal risks.

The Fund is subject to a 2% short-term redemption fee for shares held for fewer than 30 days.

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.

The information provided in this material should not be considered a recommendation to buy, sell, or hold any particular security. As of June 30, 2015, the top 10 holdings of Selected International Fund were: Qihoo 360 Technology Co. Ltd., ADR-A, 4.10%; SouFun Holdings Ltd., Class A, ADR, 4.03%; Lindt & Spruengli AG-PC, 3.71%; CAR Inc., 3.61%; NetEase, Inc., ADR, 3.60%; Kuehne+Nagel International AG, 3.44%; Compagnie Financière Richemont S.A.-A, 3.31%; Heineken Holding N.V., 3.30%; JD.com Inc., Class A, ADR, 3.24%; Schneider Electric SE, 3.15%.

Selected Funds has adopted a Portfolio Holdings Disclosure policy that governs the release of non-public portfolio holding information. This policy is described in the prospectus. Holding percentages are subject to change.

Visit selectedfunds.com or call 800-243-1575 for the most current public portfolio holdings information.

Broker-dealers and other financial intermediaries may charge Davis Advisors substantial fees for selling its funds 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.

Davis Advisors began active daily management of Selected International Fund on June 1, 2001. From May 1, 1993 until May 31, 2001, Davis Advisors had a subadvisor that handled the active daily management of the Fund.

We gather our index data from a combination of reputable sources, including, but not limited to, Thomson Financial, Lipper and index websites.

The MSCI ACWI® (All Country World Index) ex US is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets, excluding the United States. The Index includes reinvestment of dividends, net of foreign withholding taxes. Investments cannot be made directly in an index.

After October 31, 2015, this material must be accompanied by a supplement containing performance data for 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.