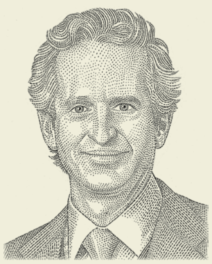
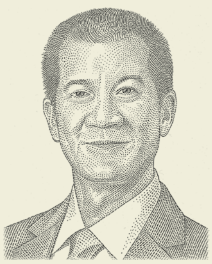
SAS FALL REVIEW 2018

Selected American Shares

Update from Portfolio Managers

Christopher Davis and Danton Goei

Selected FUNDS

SELECTING QUALITY COMPANIES FOR THE LONG TERM

Selected American Shares

Fall Review 2018

Summary

- For the year ended July 31, 2018, Selected American Shares slightly underperformed the S&P 500 Index returning 15.6% versus 16.2% for the index.[1]
- Over the most recent one, three, five and 10 year periods, a $10,000 investment grew to $11,560, $14,092, $17,430, and $23,555, respectively.[1]
- Since Davis Advisors began managing the Fund in 1993, a $10,000 investment in the Fund grew to $115,699.[1]
- While money continues to pour into passive index funds and exchange-traded funds (ETFs), historical data indicates actively managed funds may be poised for a rebound.
- Our Portfolio is positioned to take advantage of select opportunities in today's market including global leaders selling at bargain prices, dominant lesser known businesses in necessary economic niches, blue chips of tomorrow, and beneficiaries of short-term misperceptions.
- Our Portfolio is also positioned to avoid potential losses facing the index if the prices of an overvalued but widely owned group of companies we refer to as dividend darlings continue to decline in the years ahead.

Average Annual Total Returns as of June 30, 2018

	1 Year	5 Years	10 Years
Class S	14.11%	12.24%	8.28%

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 0.97%. 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.*

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.** Class S shares. **Past performance is not a guarantee of future results.** As of July 31, 2018. Investments cannot be made directly in an index. Davis Selected Advisers, L.P., began managing the Fund on May 1, 1993. Prior to that date, the Fund was managed by a different investment adviser.

Selected American Shares

Fall Review 2018

Results of Our Investment Discipline

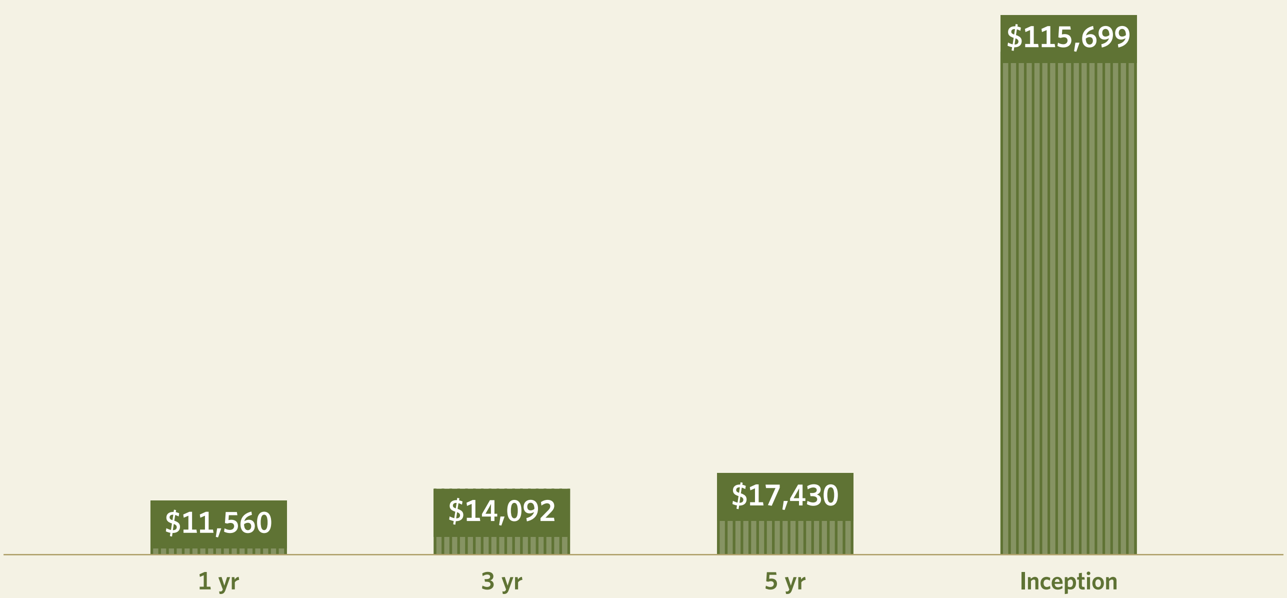
For the year ended July 31, 2018, Selected American Shares slightly underperformed the S&P 500 Index and generated cumulative returns of 15.6%, 40.9%, 74.3%, and 135.6% over the one, three, five, and 10 year periods.[2]

Through the first seven months of 2018, Selected American Shares continued its long record of building shareholder wealth. As the chart below indicates, the value of an initial $10,000 investment has increased in all periods shown.[2]

On a relative basis, our results have also beaten the market over the long term. Compounded over decades, our advantage over the index has created enormous value for shareholders. Just consider an initial $10,000 invested in Selected American Shares when Davis Advisors began managing the Fund in 1993 would now be worth $115,699, versus $105,489 for an equivalent investment in the S&P 500 Index.[2]

While our investment discipline has not always been rewarded by the market over shorter periods, this active management approach has created wealth for our shareholders in the long run. By standing apart from the crowd, keeping expenses low, investing alongside our shareholders, and ignoring short-term fads, we have built wealth for shareholders and beaten the S&P 500 Index since we began managing the Fund in 1993.[2]

SAS Has Grown Shareholder Wealth Over the Long Term[2]



2. Class S shares. **Past performance is not a guarantee of future results.** As of July 31, 2018. Investments cannot be made directly in an index. Davis Selected Advisers, L.P., began managing the Fund on May 1, 1993. Prior to that date, the Fund was managed by a different investment adviser.

Why Now May Be a Good Time to Invest in an Actively Managed Fund like Selected American Shares

Successful long-term investing requires a willingness to look beyond conventional thinking. Today, conventional wisdom argues passive investing is superior to active management. As a result, money has drained out of actively managed funds and poured into passive index funds and ETFs.

While the data showing the S&P 500 Index has outperformed the average active manager over the long term is true, we believe the results are misleading in three important ways.

First, active and passive strategies have historically moved in a cycle. During parts of this cycle such as in the last decade or so, passive strategies tend to outperform. However, during other parts of the cycle, even the average active manager has outperformed the index over long periods of time. For example, the chart below tracks the percentage of large cap active managers that outperformed the S&P 500 Index over five-year time periods since 1975. The gold circles represent inflection points where the number of active managers outperforming the market began to increase. Underperformance of active strategies is near an all-time high. If the cycle were to continue, this may point to potential wisdom of moving toward active management.

Active vs. Passive Has Been Cyclical[3]

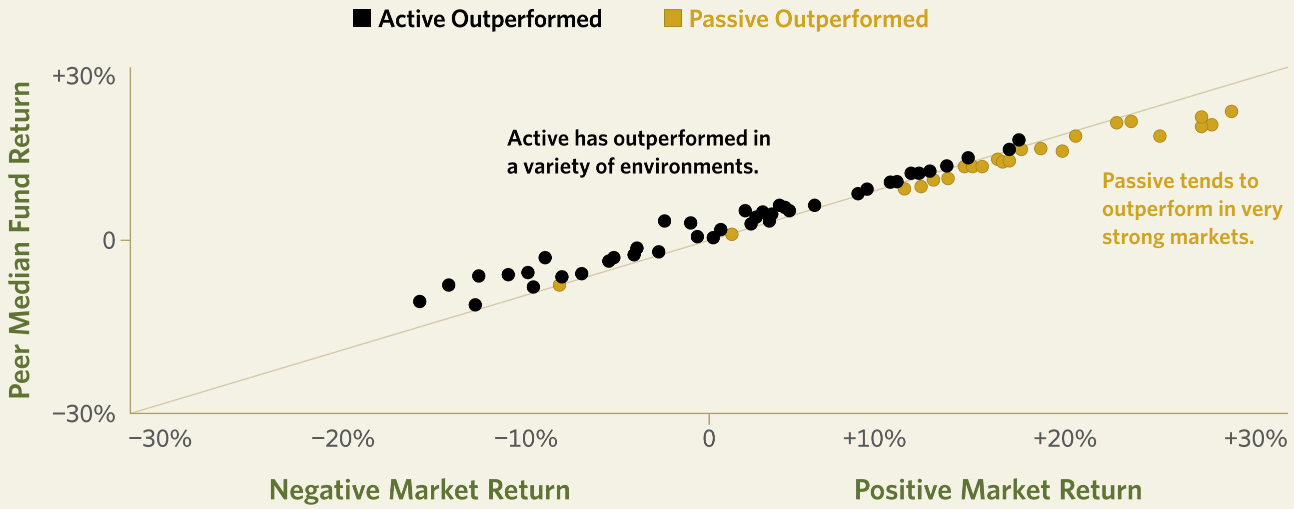
Percentage of Large Cap Funds that Outperform S&P 500 Index

Second, while active managers tend to underperform when the S&P 500 Index gallops ahead, they tend to outperform when market returns moderate. In the chart on the top of page 4, each dot above the line represents a period in which the average manager outperformed the index. As is clearly shown, the lower the market return, the more active managers outperform. While the direction of the market is unknowable in the short term, the fact the index has almost doubled in the last five years and the market has gone more than eight years without a 20% correction versus a historical average of two-and-a-half years leads us to expect more moderate returns in the years ahead.

Finally, certain active funds including Selected American Shares have outperformed in the vast majority of rolling 10 year periods. As a result, while

3. Source: Morningstar Direct. Universe: Large Value, Large Blend and Large Growth. There is no guarantee that the number of active managers outperforming the market will continue to increase or that active and passive managers will continue to move in cycles.

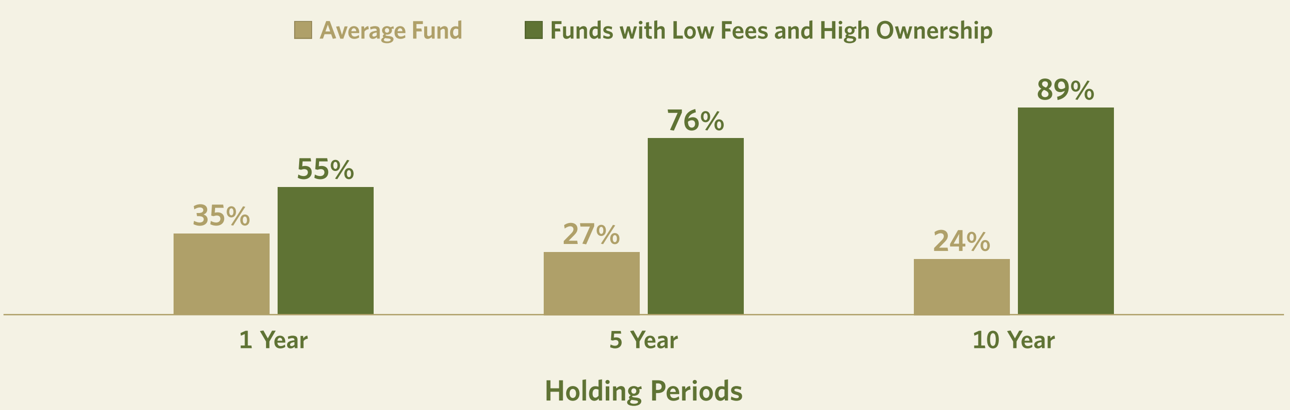
Active and Passive Outperform in Different Environments[4]



the data shows the *average* active manager has underperformed, investors need not choose an average manager. In fact, increasing evidence suggests active managers with certain identifiable characteristics such as low fees, low turnover, proper incentives, an experienced team, and a differentiated portfolio are far more likely to outperform both the index and the average active manager. For example, the chart below shows managers with low fees and a high investment in their own funds have outperformed in 89% of all rolling 10 year periods.[5]

Funds with Low Fees and High Ownership Outperform the Index[5]

Percentage of Time Outperformed the S&P 500 Index



4. Sources: AMG Funds, Morningstar. Chart plots median actively managed large-cap funds, with manager tenure of greater than 10 years (longest-tenured portfolio manager), annualized three-year rolling returns (with a quarterly frequency) over the 20 year period ending March 31, 2016 against the S&P 500 Index returns. Black plot points indicate periods of outperformance and gold plot points represent underperformance. The distance of the points from the diagonal line indicates the degree of over- or underperformance. The fund category used is the Morningstar large-cap fund universe, including growth, value and blend categories. Performance is net of fees. **Past performance is no guarantee of future results.** **5.** Source: Capital Group, based on Morningstar data. Based on monthly rolling periods from July 1996 to June 2016. Funds in the "Average Fund" group are those U.S. domestic equity funds in the Morningstar Large Value, Large Blend and Large Growth categories. Funds with "Low Fees and High Ownership" are those U.S. domestic equity funds in the Morningstar Large Value, Large Blend and Large Growth categories filtered for the quartile with the lowest net expense ratios (NER) and the quartile with the highest manager ownership. U.S. index is S&P 500 Index. The index is unmanaged and, therefore, has no expenses. Investors cannot invest directly in an index. For live funds, only the oldest share class was used. For dead funds with multiple share classes, the median monthly returns were used. **Past performance is not a guarantee of future results.**

Putting these thoughts together, we believe the headwinds active managers have faced in recent years could well become tailwinds in the years ahead. Howard Marks, the widely admired Chairman of Oaktree Capital Management, recently asked, "…what happens when the majority of equity investment comes to be managed passively? Then prices will be freer to diverge from "fair," and bargains…should become more commonplace…. Can you picture a world in which nobody's studying companies or assessing their stocks' fair value? I'd gladly be the only active investor working in that world."

While the investor herd continues to stampede into passive funds and ETFs, we are encouraged by the data shown illustrating that identifiable factors such as relatively low expenses, alignment of interest and a willingness to look different from other investment managers, all of which are central to our firm's investment culture, have proven to be durable hallmarks of long-term outperformance. ■

How is Selected American Shares Positioned to Take Advantage of Select Opportunities in Today's Market?

Long-term investment returns result from capitalizing on opportunities as well as avoiding risks. As a result, our success in building wealth and outperforming the averages over the long term is driven both by the securities we own as well those we choose to avoid.

Starting with the positive side of the ledger, we group the opportunities into four categories: select global leaders selling at bargain prices, dominant lesser-known businesses in necessary economic niches, blue chips of tomorrow, and beneficiaries of short-term misperceptions.

Global Leaders Trading at Bargain Prices—Some of the strongest and best-known companies in the world make up the largest portion of the Portfolio. This fact is nothing new. What is unusual though is the opportunity created when short-term concerns depress the share prices of these companies allowing us to purchase shares at below-average prices. For example, United Technologies holds a preeminent position in three attractive industries: jet engines and other aerospace equipment through its Pratt & Whitney division, elevator manufacturing and servicing through its Otis division, and heating, ventilation and air conditioning and refrigeration systems through its Carrier division.[6] Each of these businesses generates a high return on equity and possesses durable competitive advantages. Yet, the entire company trades at a discount valuation as the market frets about short-term concerns. The opportunity to own such a global leader at a discount price is a value investor's dream.

Dominant Lesser-Known Businesses—Selected American Shares also invests in a group of lesser-known businesses that dominate dull but necessary niches in the global economy. Whether these companies participate in unglamorous industries or are headquartered in different countries, these businesses are not household names to U.S. investors. As a result, their shares often trade at a discount to better-known companies despite having the same qualities of market dominance and durability as the global leaders described above. Such companies include LafargeHolcim's dominance of the world cement industry, Safran's leadership in jet engines (the company has been an equal but less well-known partner of General Electric for more than 30 years), and Ferguson PLC's dominance of U.S. plumbing supplies.

6. 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.**

These companies combine the relevance and resilience of blue chip businesses with below-average valuations.

Blue Chips of Tomorrow—Another theme is fast-moving companies that use innovation to disrupt the economics of larger but less agile competitors. Similar to evolution, capitalism is a process of constant change that rewards businesses that can adapt. Over the decades, we have seen many examples of today's disrupters emerge as tomorrow's blue chips. Several of Selected American Shares core holdings reflect this dynamic. Amazon has not only revolutionized the retail business, but also the information and technology industry through Amazon Web Services (AWS). Alphabet (the parent company of Google) began by making the world's information accessible through the internet and emerged as the largest and most profitable advertising firm in the world, the brains behind the vast majority of all smart phones, a leader in internet video, and an emerging leader in artificial intelligence and self-driving cars.

Chubb Limited is another example of an innovator that has been just as disruptive in the insurance industry. Seizing on an underappreciated tax advantage in the early 1990s, a group of leading executives started a company named Ace Limited that practically created the offshore reinsurance industry. Building on this foundation, the company grew into the world's most highly valued property and casualty insurance company culminating in its 2016 acquisition of blue chip Chubb Limited whose name the company retained.

Beneficiaries of Short-Term Misperceptions—
Short-sighted investors often avoid companies that face short-term problems, creating an opportunity for long-term investors willing to look beyond today's headlines. In banking, for example, memories of the financial crisis of 2008–2009 combined with subsequent anti-banking rhetoric and media coverage have blinded investors to the fact carefully selected banks are both cheap and safe, in our opinion. Contrary to popular perception, many top tier banks are not only reporting record earnings but are also far better capitalized than at any time in the last 50 years. While unloved now, we believe the leading financial companies we own will be big contributors to Selected American Shares' future returns as the reality of their strong economic fundamentals and rising dividends eclipse current investor perceptions.

Similarly, although oil prices have risen more than 50% over the past year, the shares of many energy companies remain depressed as investors still recall the dramatic and unsustainable collapse in oil prices that occurred from 2014 through 2016. Taking advantage of this opportunity, we own shares in innovative, well-positioned companies such as Apache Corporation and Encana that should benefit as investor perceptions catch up with reality.

Finally, we have purchased shares in two previously well-regarded companies tainted by recent scandals. At such times, our research focuses not on the past but on the future, asking whether the problems that have come to light can be fixed and if so whether the decline in share price presents a buying opportunity. Buying when a company is in the headlines for unfavorable reasons is never easy and in no way reflects a minimizing of a company's past bad actions. But organizations like people can learn from their mistakes and often emerge stronger. We describe such situations as "headline risk" investments and believe our willingness to look beyond the headlines can lead to fantastic opportunities. Although there are no certainties, we believe both Facebook and Wells Fargo will emerge from their recent scandals as better companies. As a result, we established a position in Facebook this year and added to our position in Wells Fargo when the headlines were unfavorable.

All in all, the carefully selected businesses that make up Selected American Shares combine above-average resiliency and growth with below-average prices. ■

Where Do We See the Biggest Risks?

Being selective when choosing which companies to own can be a big driver of performance over the long term. However, choosing which companies not to own can be equally important. For example, in the early 2000s, we trounced the market both by owning companies that did well and by avoiding most of the overvalued tech and telecom darlings that collapsed when the internet bubble burst. Although these bubbles seem obvious in retrospect, investing in such companies at the time often seems safe because their prices have gone up for so long and the press is filled with flattering reports. In other words, investors often feel safest when risks are greatest. In our year-end report, we wrote about the bubble emerging in many popular dividend-paying stocks. We highlighted our concern that prices of many of these well-known and substantial companies have been bid up to bubble valuations by investors whose thirst for short-term income has blinded them to these companies' deteriorating fundamentals. Since then the stocks of many of these companies have fallen 20% or more. While this decline has gone some distance to deflating the bubble, we believe many of these dividend darlings still face further corrections.

Similarly, with memories of the last recession fading, the market has bid up the shares of low quality companies with high leverage to levels that seem risky to us. As shown in the chart below, disciplined investors like us who avoid low quality companies were penalized during this unusual period. However, our years of experience have taught us paying high prices for low quality is ultimately a loser's game. While our choice to avoid such companies has detracted in the short term, we expect our decision to contribute to relative returns in the years ahead. ■

Low Quality Outperformed High Quality[7]

7. Source: Ford Equity Research. 1/1/09–6/30/18. Quality Rating is based upon a number of factors that indicate a company's overall financial strength and earnings predictability. Company size, debt level, earnings history, revenue history and industry stability are all factors used to determine a firm's quality rating. As expected, higher quality stocks have lower average levels of earnings variability and debt as a percent of equity, in addition to higher average earnings and revenue growth persistence ratings, and market capitalizations. High quality stocks also tend to have lower standard deviations of annual returns. Accordingly, a firm's quality rating may be used to gauge the risk associated with a particular stock.

Conclusion

So far in 2018 and indeed in all periods shown, Selected American Shares added to its long-term record of building wealth for investors. Over long periods, Selected American Shares has also outperformed the passive indexes. A $10,000 investment since Davis Advisors began managing the Fund would now be worth $115,699 versus $105,489 for an equivalent investment in the S&P 500 Index.[8]

While the consensus wisdom currently favors passive investing, significant data shows active and passive strategies move in cycles. A review of these cycles indicates active investing strategies may be poised for a period of relatively stronger returns particularly if market returns moderate in the years ahead. In our view, our outperformance of the index over the last two years may be the beginning of this cyclical reversal. Furthermore, contrary to consensus thinking, a select group of active funds, including Selected American Shares, with characteristics such as low costs, an alignment of interests with their shareholders and portfolios constructed differently than the index have outperformed in the vast majority of all rolling 10 year periods.

Turning from active management in general to the prospects for Selected American Shares in particular, the Fund's holdings of global leaders, dominant but lesser known companies, blue chips of tomorrow, and beneficiaries of short-term misperceptions offer a powerful combination of strong, attractively priced businesses that should add to our long-term record of building shareholder wealth in the years ahead. In addition to the returns generated by these companies, Selected American Shares' relative returns may also benefit from our decision to avoid widely held but overvalued segments of the index such as dividend darlings and over-priced low quality companies.

As always, we recognize and expect the years ahead will include times of market corrections and disruptions. While unpleasant, such periods are inevitable and generally create opportunities for investors with the judgment and experience to take advantage of them. In short, at a time when pundits and commentators are making the case experience and judgment do not matter and the best investors can hope for is an average result, we strongly disagree. We believe a carefully selected portfolio of durable, well-managed businesses with competitive advantages, selling at a discount to true value and overseen by a seasoned team with a long track record of generating proven results will produce a better-than-average outcome.

In investing, as in any other profession, skill matters. Since we assumed management of Selected American Shares in 1993, we have demonstrated the value of that skill by building wealth for our shareholders and generating results that exceeded the market averages. With the vast majority of our net worth invested alongside our shareholders, we have every incentive and intention to build on this record in the years and decades ahead.

We value the trust you have placed in us and look forward to continuing our investment journey together. ■

8. Class S shares. **Past performance is not a guarantee of future results.** As of July 31, 2018. Investments cannot be made directly in an index. Davis Selected Advisers, L.P., began managing the Fund on May 1, 1993. Prior to that date, the Fund was managed by a different investment adviser.

Selected FUNDS

This report 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.

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 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: **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; **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; **emerging market risk:** securities of issuers in emerging and developing markets may present risks not found in more mature markets; **fees and expenses risk:** the Fund may not earn enough through income and capital appreciation to offset the operating expenses of the Fund; **financial services risk:** investing a significant portion of assets in the financial services sector may cause the Fund to be more sensitive to systemic risk, regulatory actions, changes in interest rates, non-diversified loan portfolios, credit, and competition; **foreign country risk:** foreign companies may be subject to greater risk as foreign economies may not be as strong or diversified. As of July 31, 2018, the Fund had approximately 19.9% of assets invested in foreign companies; **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; **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; **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; **manager risk:** poor security selection may cause the Fund to underperform relevant benchmarks; **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; and **stock market risk:** stock markets have periods of rising prices and periods of falling prices, including sharp declines. See the prospectus for a complete description 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.

The information provided in this material should not be considered a recommendation to buy, sell or hold any particular security. As of July 31, 2018, the top ten holdings of Selected American Shares were: Alphabet, 8.58%; Wells Fargo, 5.65%; Amazon.com, 5.48%; Berkshire Hathaway, Class A, 5.29%; JPMorgan Chase, 5.08%; Capital One Financial, 4.54%; Apache, 4.53%; United Technologies, 4.43%; Bank of New York Mellon, 4.26%; Johnson Controls International, 4.12%.

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.

Davis Selected Advisers, L.P., began managing Selected American Shares on May 1, 1993. Prior to that date, the Fund was managed by a different investment advisor.

Over the last five years, the high and low turnover rate for Selected American Shares was 27% and 12%, respectively.

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

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 towards 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 October 31, 2018, 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.

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