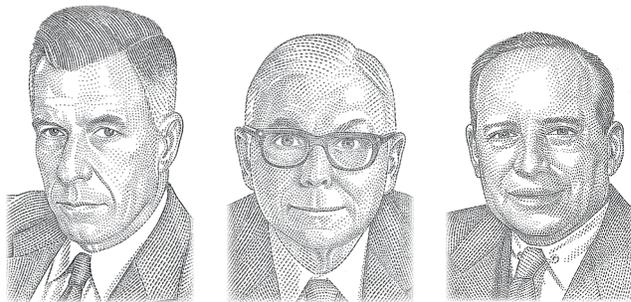


Timeless Wisdom for Creating Long-Term Wealth



Selected
FUNDS

SELECTING QUALITY COMPANIES FOR THE LONG TERM



“The function of economic forecasting is to make astrology look respectable.”

John Kenneth Galbraith
Economist and Author

Disregard Short-Term Forecasts

“Where is the market headed from here?”

While an important question, the short-term direction of the market is unknowable.

The folly of forecasting is shown in the chart below, which tracks Wall Street’s top strategists’ average

market prediction versus the actual return for the market.

The result? The forecast was wrong every year.

Making investment decisions based on market forecasts and predictions is a fool’s game.

Instead, base your investment decisions on variables that are knowable: your degree of diversification, your true time horizon and the amount of money you need to invest to reach your goals.

Wall Street’s Top Strategists’ Average Prediction vs. Actual Market Return

Yearly Percentage Return
1999–2018

— Strategists’ Prediction — Actual Market Return



Source: Barron's. From 1999 through 2005, numbers reflect Dow Jones Industrial Average forecasts. In 2006, Barron's began using the S&P 500 Index exclusively. **Past performance is not a guarantee of future results.**



“A lot of people with high IQs are terrible investors because they’ve got terrible temperaments. You need to keep raw irrational emotion under control.”

Charles Munger
Vice-Chairman, Berkshire Hathaway

Avoid Self-Destructive Investor Behavior

Most investors don't receive the returns they should. Why? Human emotions.

This phenomenon is illustrated below. The average stock fund returned 7.3% annually. The average investor in stock funds earned only 5.3%.

Investors sacrificed almost half of their potential return by engaging in self-destructive behaviors such as:

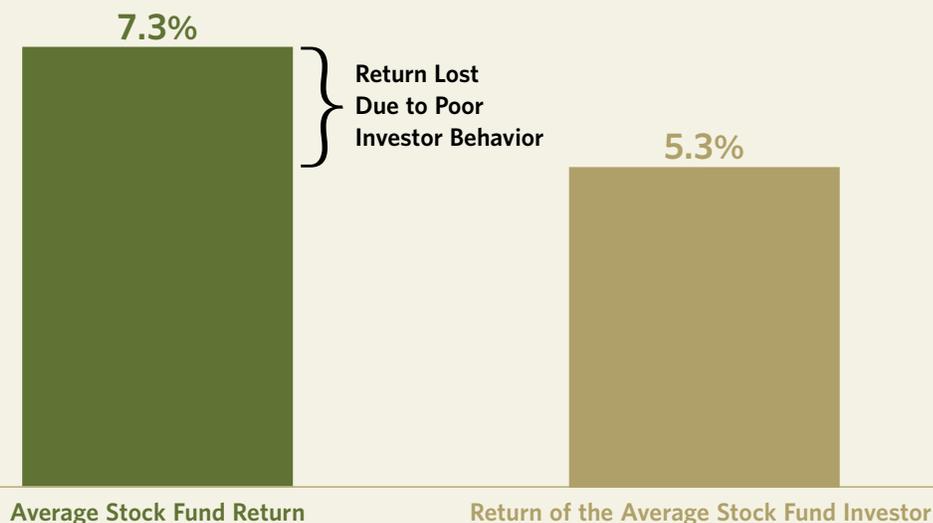
- Timing the market
- Chasing hot investments
- Abandoning investment plans
- Reflexively avoiding out-of-favor areas

Long-term wealth is built by controlling emotions and avoiding such costly mistakes.

One of the most important services a trusted financial advisor can provide is to help remain disciplined, unemotional and focused on long-term financial goals.

Average Stock Fund Return vs. Return of the Average Stock Fund Investor

Average Annual Return
1997-2017



Source: *Quantitative Analysis of Investor Behavior* by Dalbar, Inc. (March 2018) and Lipper. Dalbar computed the “Return of the Average Stock Fund Investor” by using industry cash flow reports from the Investment Company Institute. The “Average Stock Fund Return” figures represent the average return for all funds listed in Lipper’s U.S. Diversified Equity fund classification model. Dalbar also measured the behavior of an “asset allocation” investor that uses a mix of equity and fixed income investments. The annualized return for this investor type was 2.6% over the time frame measured. All Dalbar returns were computed using the S&P 500 Index. Returns assume reinvestment of dividends and capital gain distributions. The fact that buy and hold has been a successful strategy in the past does not guarantee that it will continue to be successful in the future. The performance shown is not indicative of any particular Davis investment. **Past performance is not a guarantee of future results.**



“Systematic investing will pay off ultimately, regardless of when it is begun, provided that it is adhered to conscientiously and courageously under all market conditions.”

Benjamin Graham
Father of Value Investing

Use a Systematic Investment Approach

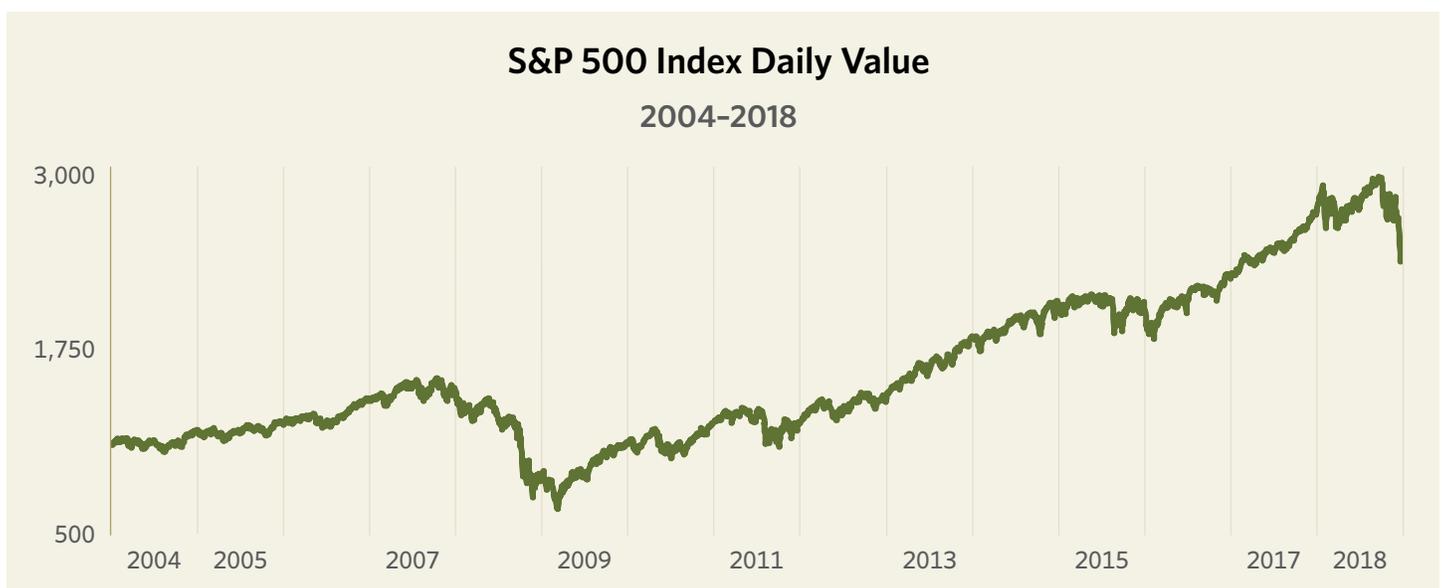
A systematic investment approach involves investing money in equal amounts at regular intervals, regardless of the market environment. It works because emotions are removed from the investment decision-making process.

One example of systematic investing is an investor with \$120,000 to allocate to stocks who invests \$30,000 every three months for a year. Should the market drop and stocks go “on sale” more shares would automatically be purchased—

precisely when many investors would be too fearful to invest.

The chart below shows the S&P 500 Index from January 1, 2004–December 31, 2018, a very challenging period for investors. A systematic investor who regularly committed money every three months would have outperformed the market over this entire 15 year period. Why? By automatically making purchases even when the market fell, they took advantage of buying more shares at low prices.

A systematic investment approach may also help investors avoid selling out of stocks during market downturns, when pessimism is pervasive. Over the time period shown below a nervous investor who sold out of stocks at the March 2009 low would have had a poor return over the entire period. The systematic investor however, may have been more likely to stay the course, recognizing that such periods are opportunities to acquire good businesses at attractive prices.



Source: Morningstar Direct, Bloomberg and Davis Advisors. Systematic investing does not assure a profit nor protect against losses in declining markets. Systematic investing involves continuous investment regardless of fluctuating prices. You should consider your financial ability to continue purchases through periods of high or low price levels. A hypothetical one-time “lump sum” investment in the market over this period would have had an average annual return of 7.76%. A hypothetical systematic investment of \$10,000 made each quarter would have had an average annual return of 9.07%. The total amount invested is \$610,000, the same amount as the “lump sum” and “nervous investor” amounts. A hypothetical “nervous investor” who went to cash at the market low in March 2009 would have had an average annual return of -1.95%. **Past performance is not a guarantee of future results.**

Fifty years of successfully investing in equities has taught us that to build wealth investors must remain unemotional, disciplined and focused on the long term.

With this in mind, we collected three essential insights of investment wisdom for all investors navigating today's markets.

We hope they serve as a valuable guide as you save for retirement, a child's education or some other important long-term goal.

Collection of Wisdom

Before investing in the Selected Funds, you should carefully consider the investment objectives, risks, fees, and expenses of the Funds. The prospectus and summary prospectus contains this and other information about the Funds. You can obtain performance information and a current prospectus and summary prospectus by visiting selectedfunds.com or calling 800-243-1575. Please read the prospectus or summary prospectus carefully before investing or sending money. Investing involves risks including possible loss of principal.

Davis Advisors investment professionals make candid statements and observations regarding economic conditions and current and historical market conditions. However, there is no guarantee that these statements, opinions or forecasts will prove to be correct. All investments involve some degree of risk, and there can be no assurance that Davis Advisors' investment strategies will be successful. The value of equity investments will vary so that, when sold, an investment could be worth more or less than its original cost.

Dalbar, a Boston-based financial research firm that is independent from Davis Advisors, researched the result of actively trading mutual funds in a report

entitled Quantitative Analysis of Investor Behavior (QAIB). The Dalbar report covered the time periods from 1997-2017. The Lipper Equity LIM Universe includes all U.S. registered equity and mixed-equity mutual funds with data available through Lipper. The fact that buy and hold has been a successful strategy in the past does not guarantee that it will continue to be successful in the future.

The graphs and charts in this report are used to illustrate specific points. No graph, chart, formula or other device can, by itself, guide an investor as to what securities should be bought or sold or when to buy or sell them. Although the facts in this report have been obtained from and are based on sources we believe to be reliable, we do not guarantee their accuracy, and such information is subject to change without notice.

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. The **Dow Jones Industrial Average** is a price-weighted average

of 30 actively traded blue chip stocks. The Dow Jones is calculated by adding the closing prices of the component stocks and using a divisor that is adjusted for splits and stock dividends equal to 10% or more of the market value of an issue as well as substitutions and mergers. The average is quoted in points, not in dollars. Investments cannot be made directly in an index.

John Kenneth Galbraith, Benjamin Graham, and Charles Munger are not associated in any way with Davis Selected Advisers, Davis Advisors or their affiliates.

Selecting Quality Companies for the Long Term is a service mark of Davis Selected Advisers, L.P.

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.