

# Selected American Shares

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## A Foundation for an Investor's Portfolio

In a period marked by economic uncertainty and market volatility, it is more crucial than ever to gain a deeper understanding of your investment managers. This evaluation should include the manager's depth of experience, the degree to which they put investor's goals first and their success in building long-term wealth.

### Sixty Years of Experience

For over sixty years and three generations, the Davis family has focused on identifying durable companies that we can purchase at attractive prices and hold for the long term.

We have successfully applied our discipline through many different market and economic environments, including 11 recessions, 13 bear markets, 5 wars, interest rates ranging between 2.1%–15.8%, oil prices ranging between \$10.25–\$133.60 per barrel, and inflation ranging between 0%–14.76%.<sup>1</sup>

Such a depth of experience should be reassuring to investors, especially during periods of uncertainty.

### A Culture of Stewardship

At Davis Advisors, we take our role as stewards of shareholders' savings very seriously.

As a sign of our commitment, **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 we manage.<sup>2</sup> We experience the same risks and rewards as our clients.

This commitment to serving shareholders has been cited by Morningstar, who assigned Selected American Shares their highest Stewardship Grade of "A"—a recognition earned by less than 10% of the graded funds.

### Long-Term Investment Results

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 11 of 13 rolling five year time periods since Davis Advisors began managing the Fund.**<sup>3</sup>

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, 2009 for Selected American Shares Class S: 1 year, 31.64%; 5 years, 1.12%; 10 years, 2.24%; 15 years, 10.26%. 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 0.92%. 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](http://selectedfunds.com) or call 800-243-1575.*

<sup>1</sup>Equity markets are volatile and an investor may lose money. **Past performance is not a guarantee of future results.** <sup>2</sup>As of December 31, 2009. <sup>3</sup>Class S shares. Davis Advisors began managing the Fund on May 1, 1993. **Past performance is not a guarantee of future results.** <sup>4</sup>There is no guarantee that an investor will build wealth by staying invested in a diversified portfolio over the long term. Equity markets are volatile and an investor may lose money.

# 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 1993–2009 delivered an average annualized return of 9.5%—outperforming the S&P 500® Index by an average of 1.7% per year.

A hypothetical \$10,000 investment in Selected American Shares in 1993 has compounded to \$45,350, while a hypothetical investment in the S&P 500® Index over that same time period has compounded into only \$34,928.

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.<sup>5</sup> At Selected, we believe that boring can be beautiful.

### Reliable Returns Over Time<sup>5</sup>

Year	Selected American Shares Class S	S&P 500® Index
1993 <sup>6</sup>	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
<b>Cumulative Total Return</b>	<b>354%</b>	<b>249%</b>
<b>Average Annual Rate of Return</b>	<b>9.5%</b>	<b>7.8%</b>
<b>Value of Hypothetical \$10,000 Initial Investment</b>	<b>\$45,350</b>	<b>\$34,928</b>

*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.*

<sup>5</sup>Past performance is not a guarantee of future results. Equity markets are volatile and an investor may lose money. <sup>6</sup>Inception date used is the date Davis Advisors took over management of the Fund, May 1, 1993.

# Morningstar's Highest Stewardship Grade

**1,022 Funds**

Received Stewardship Grades from Morningstar

**3 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 1,022 mutual funds to receive a Stewardship Grade from

Morningstar, Selected American Shares is one of *only* three 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.



“We know of no better way to build wealth over the long term than to stay invested with a diversified portfolio of equities.”<sup>4</sup>

Christopher C. Davis  
Portfolio Manager, Davis Advisors

*This material is authorized for use by existing shareholders. A current Selected Funds prospectus must accompany or precede this material if it is distributed to prospective shareholders. You should carefully consider the Fund's investment objectives, 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; company risk: the market value of a common stock varies with 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; and foreign country risk: companies operating, incorporated, or principally traded in foreign countries may have more fluctuation 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, 2009, Selected American Shares had approximately 15.5% of assets invested in foreign companies. See the prospectus for a complete listing of the principal risks.

**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 2009. 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, 2009.** 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.

The net expense ratio for Selected American Shares for the fiscal period ended December 31, 2009 was 0.94% and 0.61% for Class S and D, respectively.

Effective July 1, 2009, Davis Advisors voluntarily and permanently reduced any management fee breakpoints ABOVE 0.55% to 0.55% for Selected American Shares.

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.

A bear market is defined as the Dow Jones Industrial Average being down more than 15% from a previous high.

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, 2010, 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.**