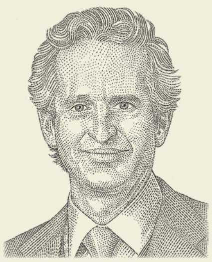
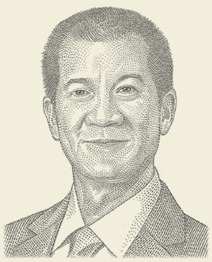




Selected American Shares

Update from Portfolio Managers

Chris Davis and Danton Goei

50 YEARS DAVIS ADVISORS

Selected FUNDS

SELECTING QUALITY COMPANIES FOR THE LONG TERM

Selected American Shares

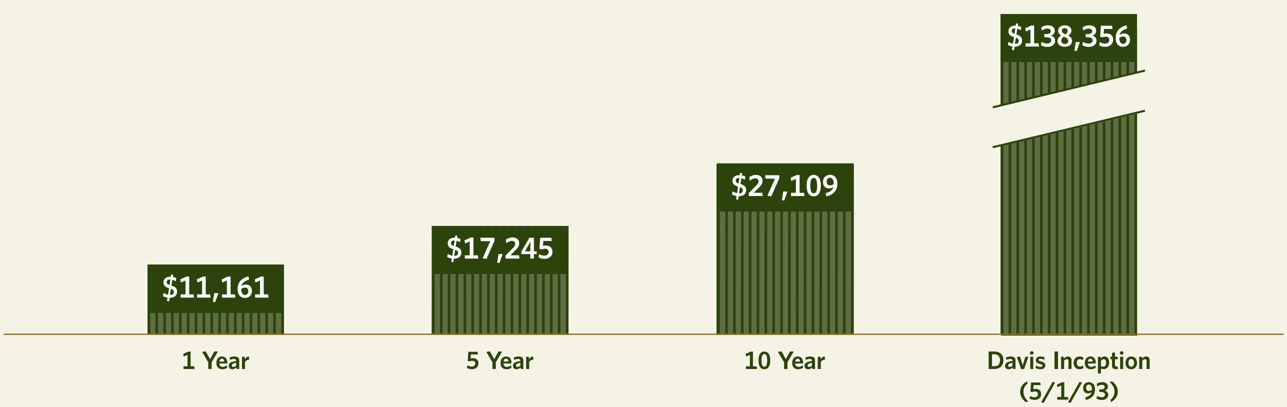
Annual Review 2021

Results

Since we took over management of Selected American Shares on May 1, 1993 and our firm's founding more than 50 years ago, we have built wealth through recessions and expansions, crashes and bubbles, fear and euphoria. In 2020, our decades of experience proved invaluable, allowing us to chart a steady course through a tumultuous year that included the culmination of a decade of economic expansion, followed by the worst economic contraction in a century. A year that began with the stock market surging to a record high, succeeded by the fastest 30% market drop ever. A year that witnessed the highest unemployment since the Great Depression and the biggest upside payroll surprise in history. A year that included home confinement and a global pandemic, as well as massive demonstrations and a contentious election. By remaining steadfastly focused on facts and data, rather than emotions and opinions, we successfully navigated these ups and downs, generating an 11% return and adding to our long record of building wealth for our shareholders.

The chart below shows the growth in the value of an initial $10,000 investment over different time periods. ■

SAS Has Grown Shareholder Wealth Over the Long Term



The average annual total returns for Selected American Shares Class S for periods ending December 31, 2020 are: 1 year, 11.61%; 5 years, 11.50%; and 10 years, 10.48%. 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 0.98%. 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 recently experienced significant negative short-term performance due to market volatility associated with the COVID-19* pandemic.

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. All fund performance discussed within this piece refers to Class S shares and are as of 12/31/20 unless otherwise noted. This is not a recommendation to buy, sell or hold any specific security. **Past performance is not a guarantee of future results. The Attractive Growth and Undervalued reference in this piece relates to underlying characteristics of the portfolio holdings. There is no guarantee that the Fund performance will be positive as equity markets are volatile and an investor may lose money.**

Portfolio Outlook

As investors, however, we know that the future matters more than the past. In 2020, the meteoric rise of a relatively small number of companies generated the vast majority of market returns. In fact, five companies alone explained about half of the total return of the S&P 500 Index last year. While our ownership of several of these companies contributed significantly to our decent 12-month returns, their huge price appreciation relative to the rest of the market has generated a record dispersion in relative valuations.

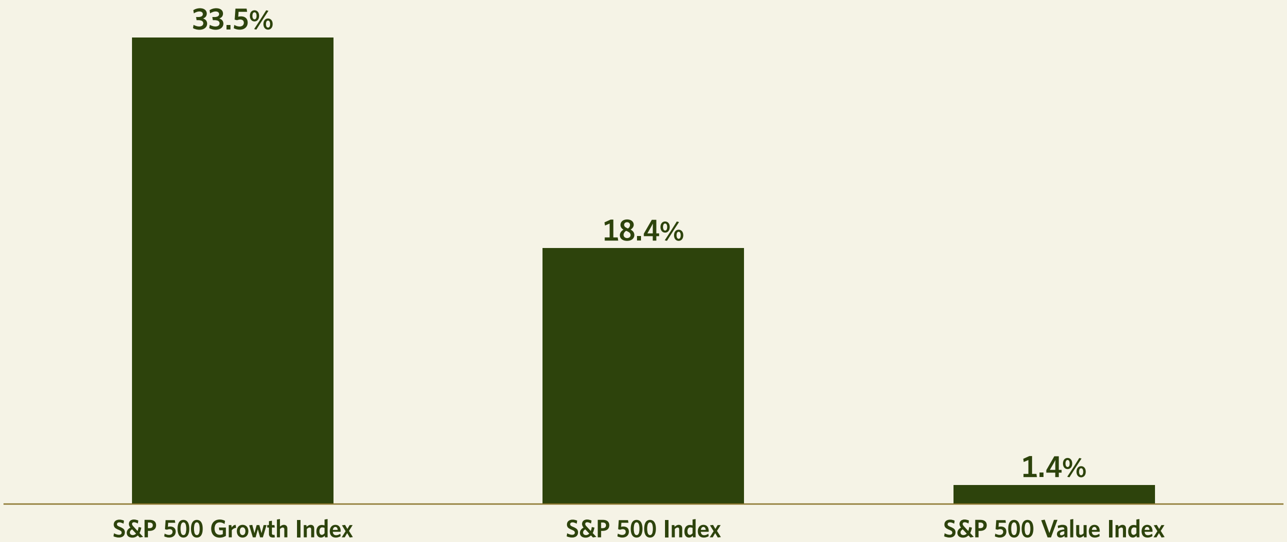
For active managers like us, valuation dispersions create opportunity for enhanced future returns. Specifically, this huge gap allowed us to trim positions in high fliers, while adding to durable growth businesses trading at bargain prices. By avoiding the speculative bubble of extreme valuations at one end of the market and instead owning resilient and proven growth businesses that can be purchased at bargain prices at the other end of the market, the portfolio is positioned with less risk and more relative upside than we have seen since the late 1990s. While the market's short-term direction is unknowable, this rare combination ideally positions us to build on our long-term record of wealth creation in the years and decades to come. ■

Dispersion Creates Opportunity

The extreme dispersion in returns and valuation makes today's investment landscape a tale of two markets, as reflected in the enormous gap between the performance of the so-called growth and value indices. As can be seen in the chart below, the S&P 500 Growth Index soared more than 33% last year, while the S&P 500 Value Index returned just over 1%.

Tale of Two Markets

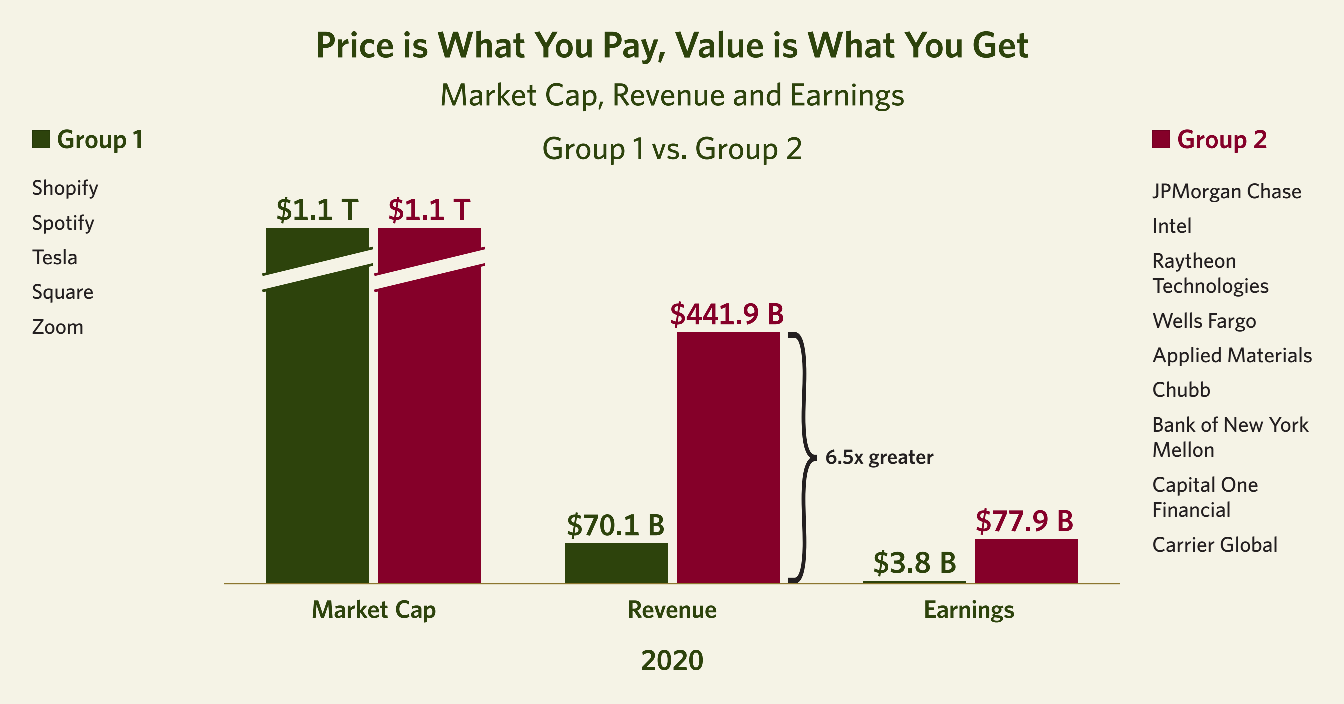
2020 Total Return



A one-year gap of more than 3,000 basis points between growth and value is one of the widest on record and creates opportunity for investors who recognize the important difference between price and value as summed up in the phrase, "Price is what you pay. Value is what you get." To understand why this extreme price dispersion creates a historic value opportunity, imagine if you had roughly $1 trillion to invest and were offered a choice of two different portfolios. Group 1 consists of 100% ownership of a small group of growth darlings, whose stock prices have soared in recent years, but possess short operating histories and uncertain long-term competitive advantages: Shopify, Spotify, Tesla, Square and Zoom. As of December 31, this portfolio could be purchased for a price of $1.1 trillion.

For the same price of $1.1 trillion you could instead buy Group 2, composed of 100% ownership of JPMorgan Chase, Intel, Raytheon Technologies, Wells Fargo, Applied Materials, Chubb, Bank of New York Mellon, Capital One Financial and Carrier Global (not coincidently a good cross section of Selected American Shares' core holdings). While these companies may be less glamorous than those in Group 1, few would deny that they are proven leaders in their industries with long records of profitability and growth.

While the prices of Group 1 and Group 2 are roughly the same, their value is staggeringly different. As illustrated in the chart below, investors in Group 2 are receiving 6.5 times the revenue and almost $75 billion more of annual earnings per year. In other words, if you owned 100% of Group 1, you would expect to earn about $3.8 billion in 2021, a paltry return of 0.37% on your $1.1 trillion. If you owned 100% of Group 2, you can expect to earn $77.9 billion in 2021, more than twenty times as much and a first year return of almost 8% on your investment.



Source: Davis Advisors. Bloomberg and company filings. Not a recommendation to buy, sell, or hold any particular security. The companies in Group 1 represent the five growth securities discussed in an independent, third-party article (https://theirrelevantinvestor.com/2020/06/18/market-cap-madness/) that was focused on the significant increase in market capitalization of these growth stocks. Group 2 represents current Selected American Shares holdings with a market value that was approximately equal to that of Group 1 as of 12/31/20.

Defenders of Group 1 will be quick to point out that these market darlings are growing quickly, to which we would offer two responses. First, even if they grow their revenue fivefold while growing their after-tax profit margin from 5% to a stellar 20%, they would still be earning less than Group 2 is earning today! Second, the companies in Group 2 are also growing. In fact, beyond their proven durability and resiliency, one of the most striking characteristics of these outstanding companies is their long-term record of growth. While there are few certainties in life, the leadership and durability of these companies gives us a high degree of conviction that their aggregate earnings will be substantially higher five years from now than today. The fact that the enormously greater value of Group 2 can be purchased at roughly the same price as Group 1 gives us great optimism about the relative and absolute returns of our portfolio in the years ahead. ■

Portfolio Positioning: Selective, Growing and Undervalued

At Davis Advisors, our research-intensive stock selection process looks beyond labels to build the portfolio one company at a time. While the growth/value categorization discussed above is helpful in illustrating both the mania and opportunity in today's market, the best way to build wealth is by finding those select few businesses that combine the best characteristics of both categories. After all, categories do not build wealth. Nor do average businesses. Instead, generational wealth is built by investing in those select few businesses that combine durable and resilient growth with attractive valuations. As can be seen in the table that follows, three words describe our portfolio today and capture the opportunity we see going forward: *selective, growing*, and *undervalued.*

Selective, Attractive Growth, Undervalued

	Fund	Index
Holdings	38	505
EPS Growth (5 Year)[1]	22.7%	19.8%
P/E (Forward)[2]	19.9x	24.9x

Selective

The portfolio's selectivity means that we invest in fewer than one out of every 10 companies included in the S&P 500 Index. Just as with the best universities or best companies, the ability to select from a large pool of applicants creates the opportunity to choose only the most exceptional candidates and reject those that are average or worse. Our research efforts comb through hundreds of potential investments, seeking those whose business and financial characteristics can turn long-term investments into compounding machines.

In particular, we look for durable, growing businesses that can be purchased at attractive valuations and reject businesses that generate low returns, are stagnant, overvalued, overleveraged or competitively disadvantaged. While funds that passively mirror the S&P 500 Index are forced to invest in all companies, including those that we view as significantly overvalued or competitively challenged, our selective approach allows us to reject such companies. In this environment of wide dispersions, the ability to selectively reject certain companies and sectors from our portfolio may prove just as valuable as the ability to selectively invest in others.

As shown in the table above, our selectivity has allowed us to build a portfolio of companies that has grown almost 3% per year faster than average, and yet can be purchased at a 23% discount to the average. To find such an attractive combination, our research goes beyond simplistic categories to identify growth businesses with attractive valuations, as well as value businesses with attractive growth rates.

1. Five-Year EPS Growth Rate is the average annualized earning per share growth for a company over the past five years. The values for the portfolio and index are the weighted average of the Five-Year EPS Growth Rates of the stocks in the portfolio or index. **2.** Forward Price/Earnings (Forward P/E) Ratio is a stock's current price divided by the company's forecasted earnings for the following 12 months. The values for the portfolio and index are the weighted average of the P/E ratios of the stocks in the portfolio or index.

Growth Businesses with Attractive Valuations

While some of the data shared on page 4 indicates that many growth companies are significantly overvalued (or at least unproven), our research focuses on a select handful of proven growth stalwarts whose shares still trade at reasonable valuations. For example, because of concerns about future litigation and regulation, several dominant Internet businesses, including Amazon, Google and Facebook, trade at steep discounts to the unproven and unprofitable growth darlings highlighted earlier. While we expect a continued barrage of negative headlines around these names, as well as increased regulation in the years ahead, we do not expect a significant decline in their long-term profitability.

We have also found opportunities to buy proven growth companies at attractive prices by looking overseas, particularly at companies such as Alibaba, New Oriental Education & Technology and Naspers that serve, educate and entertain the fast-growing and enormous Chinese middle class.

Finally, we have found bargain-priced growth companies in less glamorous parts of the technology ecosystem. Like the manufacturers of picks and shovels during the Gold Rush, outstanding companies such as Intel, Texas Instruments and Applied Materials generate wonderful profits manufacturing the underlying hardware that enables such exciting but speculative new fields as self-driving cars, cloud computing, artificial intelligence, machine learning, software as a service and the Internet of things.

Value Businesses with Attractive Growth Rates

In the same way our research focuses on durable growth companies that are not overvalued, we also seek out value companies capable of long-term growth. In doing so, we seek to avoid risks inherent in companies that we would classify as value traps or speculative value. While the shares of such companies may trade at cheap prices, their businesses are often fragile, impaired, prone to disruption or highly sensitive to the timing of an economic recovery. Decades of experience have taught us the dangers of owning weak businesses unable to withstand unexpected shocks, even if they sell at cheap prices. Although such speculative gambles may hit from time to time, poor businesses do not build generational wealth. Instead, our attention within the value part of the market remains steadfastly focused on companies that combine strength and resiliency with long-term growth, profitability and competitive advantages. In today's uncertain economy, we have found such businesses trading at bargain prices in two sectors: industrials and financials.

In the industrial space, concerns about the impact of the economic downturn on short-term profitability led to a wave of selling in a select group of leaders with durable competitive advantages, long records of profitability and bright long-term prospects. Companies like Raytheon Technologies, Carrier Global, and Berkshire Hathaway are all wonderful examples of attractive investments in this sector.

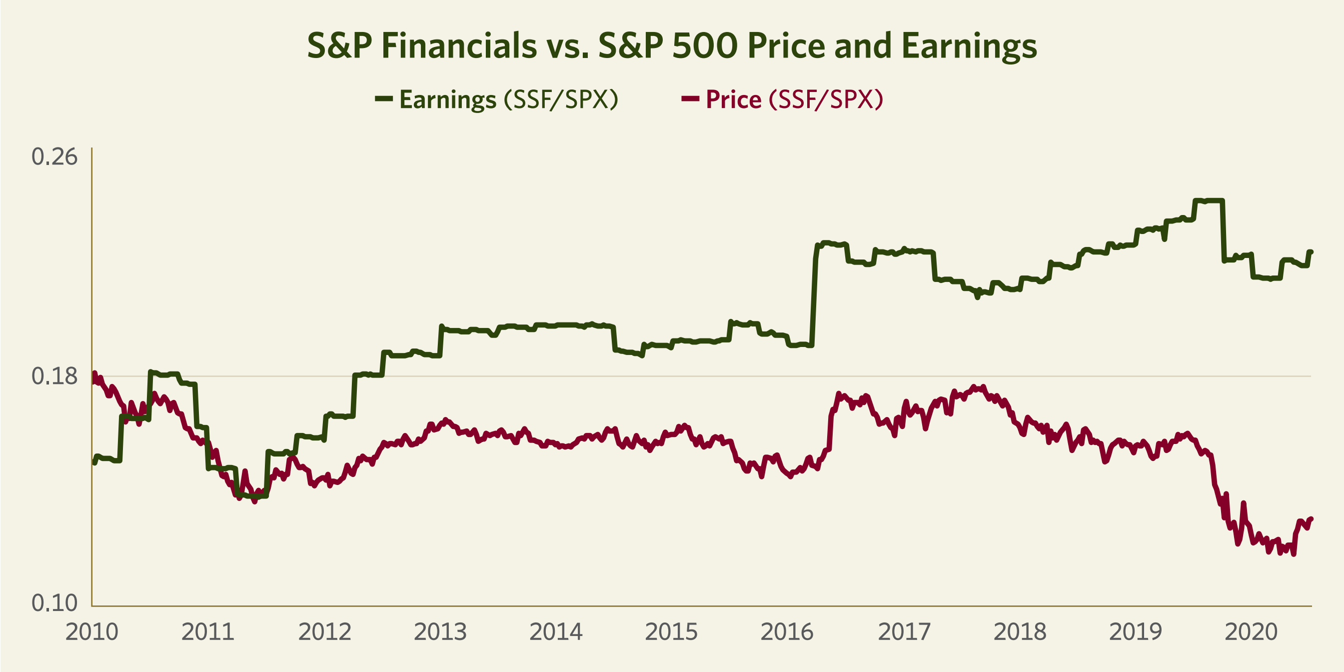
In the financials space, the opportunity set is even more attractive and the undervaluation more extreme, especially in the banking sector. It is here that we see the best opportunities in today's market.

As the pandemic unfolded in the first part of this year, panicked sellers abandoned the banking sector, making it one of the worst-performing areas of the market, despite the fact that banks entered this downturn with record high levels of capital and extremely conservative loan portfolios. As a result, we purchased or added to select well-capitalized financial leaders, such as Wells Fargo, Capital One Financial and U.S. Bancorp, at distressed prices.

Our confidence in their strong capital positions stems from the regulatory requirements enacted following the financial crisis. These requirements ensure that the nation's most important banks have more than enough capital and liquidity to withstand an even worse economic scenario than the financial crisis. Specifically, coming into this current pandemic-related crisis, all of our major bank holdings were subject to a stress test that included a multi-year recession where the stock market declines 50%, commercial real estate 35%, home values 25%, unemployment rises to 10% over a three-year period and GDP shrinks 8%. In the midst of 2020, the regulators made this test even more extreme, and yet, in mid-December, when the results of this more stringent stress test were released, all of our major holdings were shown to have more than enough capital.

While such facts and data should give investors enormous confidence, banks remained among the worst-performing sectors of the market in 2020, culminating more than a decade of underperformance in which the lagging prices of bank shares disconnected from the growing value of their underlying businesses. This disconnect between price and value creates the significant opportunity that we have positioned for today. As can be seen in the chart below, over the last decade, during which the earnings of financials grew from 15% to more than 20% of the index, their prices have fallen from roughly 18% to a record low 12% of the index.

As banks emerge on the other side of this current crisis with their balance sheets and earnings power intact, we anticipate that attitudes towards the sector could improve significantly, leading to a powerful increase in their relative valuation and a sharp closing of this enormous gap. In the meantime, we are delighted to be buying durable institutions, well-prepared for this turmoil, at distressed prices. By doing so, we are sowing the seeds for future performance.



Choosing to be highly selective and willing to look beyond simplistic definitions and categories, we have built a portfolio that includes growth companies at value prices and value companies with long-term growth. As a result, the portfolio is both growing and undervalued. This rare combination is a value investor's dream and positions us to build on our long-term record of wealth creation and outperformance in the years and decades ahead. ■

Conclusion

An old friend recently remarked that the single year of 2020 was the longest decade of his investment career. Given the extreme gyrations of the last year, it is easy to understand what he means. However, over more than five decades of successful investing, we have built wealth using a simple but powerful equation:

Volatility – Emotion = Opportunity

Looked at through this lens, 2020 was a year of opportunity. While there remains plenty of risk in the world, the disparity of returns that characterized the market in 2020 allowed us to generate decent returns, while strongly positioning the portfolio for the future. In fact, we have not seen such an extreme disconnect between price and value since the late 1990s at the height of the tech and telecom bubble. In the years following that last era of dispersion, we posted some of our best relative returns in decades.

Just over a year ago in our last annual report, we wrote that "2020 will be a year of incendiary rhetoric and sensational headlines." Little did we know how true that would be! However, we also advised that, "To navigate such 'noisy' times, successful investors must keep emotions in check and focus relentlessly on the underlying fundamentals of the businesses they own." Throughout 2020, we have heeded our own advice, always remembering that while prices can fluctuate with emotions, value is created by earnings.

Above all, our portfolio is built to last. Beyond the long-term attractive growth prospects and reasonable valuations of the carefully selected businesses we own, each is characterized by durability, resiliency and adaptability. Such attributes allow our companies and the portfolio as a whole to weather storms like 2020 and adapt to changing times.

With more than $2 billion of our own money invested alongside clients, our interests are aligned, and our conviction is more than just words.[3] This alignment is an uncommon advantage, given that 88% of all funds are overseen by managers who have less than $1 million invested alongside their clients.

Although our investment discipline may not be rewarded by the market over shorter periods, our proven active management approach has built wealth for our shareholders over many decades.

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

3. As of 12/31/20. Davis Advisors, the Davis family and Foundation, employees, and Fund directors have more than $2 billion invested alongside clients in similarly managed accounts and strategies.

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.

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.

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: **stock market risk:** stock markets have periods of rising prices and periods of falling prices, including sharp declines; **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; **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 12/31/20, the Fund had approximately 15.8% of net assets invested in foreign companies; **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; **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; **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; and **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. See the prospectus for a complete description of the principal risks.

The information provided in this material should not be considered a recommendation to buy, sell or hold any particular security. As of 12/31/20, the top ten holdings of Selected American Shares were: Alphabet, 9.37%; Applied Materials, 7.24%; Capital One Financial, 6.49%; Berkshire Hathaway, 5.95%; Amazon.com, 5.67%; Wells Fargo, 5.34%; Facebook, 4.52%; JPMorgan Chase, 4.48%; Carrier Global, 3.91%; and U.S. Bancorp, 3.59%.

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 5/1/93. Prior to that date, the Fund was managed by a different investment advisor.

Forward Price/Earnings (Forward P/E) Ratio is a stock's current price divided by the company's forecasted earnings for the following 12 months. The values for the portfolio and index are the weighted average of the p/e ratios of the stocks in the portfolio or index.

Five-Year EPS Growth Rate is the average annualized earning per share growth for a company over the past five years. The values for the portfolio and index are the weighted average of the five-year EPS Growth Rates of the stocks in the portfolio or index.

We gather our index data from a combination of reputable sources, including, but not limited to, Thomson Financial, Lipper, Wilshire, 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. The **S&P 500 Value Index** represents the value companies of the S&P 500 Index. The **S&P 500 Growth Index** represents the growth companies of the S&P 500 Index. Investments cannot be made directly in an index.

After 4/30/21, 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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