



# Clipper Fund

December 31, 2011

Long-Term Capital Appreciation

## Investment Management Team

Christopher C. Davis, *Portfolio Manager*

Kenneth C. Feinberg, *Portfolio Manager*

## Investment Strategy

The Fund uses the Davis Investment Discipline to invest the Fund's assets in a concentrated equity portfolio of large companies that are trading at prices below estimated intrinsic values.

The Fund has developed a list of characteristics that it believes help companies create shareholder value over the long term and manage risk. Among those characteristics are first-class management, proven track record, management ownership, innovative users of technology, strong balance sheet, low cost structure, high returns on capital, products and services that do not become obsolete, dominant or growing market share, and successful international operations.

## Total Returns

Year	Clipper Fund		S&P 500® Index	
	Avg. Annual	Cumulative	Avg. Annual	Cumulative
10	1.13%	11.89%	2.92%	33.35%
5	-4.01	-18.50	-0.25	-1.24
1	2.29	2.29	2.11	2.11

## Top 5 Industries

Diversified Financials	30.8%
Insurance	20.2
Food & Staples Retailing	17.7
Energy	8.7
Technology	5.1

## Morningstar's Highest Stewardship Grade—A

### Fund Facts

Davis Advisors Management Date	1/1/06
Inception Date	2/29/84
Total Net Assets	\$1.0 billion
Total Fund Holdings	27
Minimum Initial Investment	\$2,500
Minimum Subsequent Investment	\$25
CUSIP: 188850101	Symbol: CFIMX

### Portfolio Characteristics

Trailing Positive P/E Ratio	18.0
Weighted Average Market Capitalization (\$bn)	41.8
Weighted Median Market Capitalization (\$bn)	36.1
Trailing 5 Year EPS Growth Rate	4.5

### Turnover and Expenses

Turnover Rate as of most recent audited financial statement	3%
Expense Ratio as of most recent prospectus	0.76%

### Top 10 Holdings

American Express	10.4%
Costco Wholesale	10.3
Oaktree Capital Group—Class A	9.6
Canadian Natural Resources	8.7
Berkshire Hathaway—Class A	7.8
CVS Caremark	6.7
Loews	6.3
Bank of New York Mellon	4.9
Iron Mountain	4.9
Transatlantic Holdings	4.9

*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 may vary in future years. Current performance may be higher or lower than the performance data quoted. For most recent month-end returns, visit [clipperfund.com](http://clipperfund.com) or call 800-432-2504. The Fund received favorable class action settlements from companies which it no longer owns. These settlements had a material impact on the investment performance of the Fund in 2009. This was a one time event that is unlikely to be repeated. Clipper Fund was managed from inception, February 29, 1984, until January 1, 2006 by another Advisor. Davis Selected Advisers, L.P. took over management of the Fund on January 1, 2006. Data for periods prior to January 1, 2006 were accumulated under the prior Advisor.*

**Objective and risks.** Clipper Fund's investment objective is long-term capital growth and capital preservation. There can be no assurance that the Fund will achieve its objective. The Fund 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; 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; focused portfolio risk: investing in a limited number of companies causes changes in the value of a single security may have a more significant effect on the value of the Fund's total portfolio; financial services risk: investing a significant portion of assets in the financial services sector may cause the Fund to be more sensitive to problem affecting financial companies; under \$10 billion market capitalization risk: small- and mid-size companies typically involve more risk than larger, more mature 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; fees and expenses risk: the Fund may not earn enough through income and capital appreciation to offset the operating expenses of the Fund; and foreign country risk: foreign companies may be subject to greater risk as foreign economies may not be as strong or diversified. As of December 31, 2011, the Fund had approximately 14.8% of assets invested in foreign companies. See the prospectus for a complete description of the principal risks.



*This material is furnished to you by Davis Distributors, LLC, which acts as the distributor of Clipper Fund. This material is authorized for use by existing shareholders. A current Clipper Fund prospectus must accompany or precede this piece 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.*

The Fund generally uses Global Industry Classification Standard ("GICS") as developed by Morgan Stanley Capital International and Standard & Poor's Corporation to determine industry classification. GICS presents industry classification as a series of levels (i.e. sector, industry group, industry, and sub-industry). Allocations shown are at the Industry Group level except for the following industry groups which have been combined as indicated: Technology: Software & Services, Technology Hardware & Equipment, Semiconductors & Semiconductor Equipment; Pharmaceutical & Health Care: Pharmaceuticals, Biotechnology & Life Sciences, Health Care Equipment & Services. The Advisor may reclassify a company into an entirely different industry if it believes that the GICS classification for a specific company does not accurately describe the company. Industry Group weightings are subject to change.

Clipper Fund has adopted a Portfolio Holdings Disclosure policy that governs the release of non-public portfolio holding information. This policy is described in the prospectus. Visit [clipperfund.com](http://clipperfund.com) or call 800-432-2504 for the most current public portfolio holdings information.

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.

The Trailing Positive P/E Ratio of a stock is calculated by dividing the current price of the stock by its trailing 12 months' earnings per share. Portfolio totals are computed using an inverse harmonic methodology. Stocks with negative P/E ratios are excluded from the portfolio totals.

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.

Weighted Average Market Capitalization is the portfolio-weighted mean capitalizations of all equity securities.

Weighted Median Market Capitalization is the portfolio weighted statistical median of all the securities capitalizations in a portfolio.

Trailing 5 Year Historical EPS Growth Rate: this market value weighted figure represents the average annualized earnings per share growth for a company over the past five years. The number is calculated by measuring the slope of a least squares

curve fit to the logarithm of the reported earnings and is expressed as a percent. Zero and negative observations are excluded from the calculations.

Turnover Rate is a measure of the trading activity in a mutual fund's investment portfolio that reflects how often securities are bought and sold. Over the last five years, the high and low turnover rate for Clipper Fund was 63% and 3% respectively.

Expense Ratio is the cost of doing business for a mutual fund, expressed as a percentage of the fund's net assets.

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, 2011.** 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.

After April 30, 2012, this piece must be accompanied by a supplement containing performance data for the most recent calendar quarter.

**Shares of the Clipper Fund 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.**