



# Clipper Fund

May 1, 2010

## PROSPECTUS

*Ticker:*  
**CFIMX**

The Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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This prospectus contains important information. Please read it carefully before investing and keep it for future reference.

No financial adviser, dealer, salesperson or any other person has been authorized to give any information or to make any representations, other than those contained in this prospectus, in connection with the offer contained in this prospectus and, if given or made, such other information or representations must not be relied on as having been authorized by the fund, the fund's investment adviser or the fund's distributor.

This prospectus does not constitute an offer by the fund or by the fund's distributor to sell or a solicitation of an offer to buy any of the securities offered hereby in any jurisdiction to any person to whom it is unlawful for the fund to make such an offer.

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## **CLIPPER FUND**

### **Investment Objective**

Clipper Fund's investment objective is long-term capital growth and capital preservation.

### **Fees and Expenses of the Clipper Fund**

This table describes the fees and expenses that you may pay if you buy and hold shares of the Clipper Fund.

#### ***Shareholder Fees***

*(fees paid directly from your investment)*

Maximum sales charge (load) imposed on purchases <i>(as a percentage of offering price)</i>	None
Maximum deferred sales charge (load) imposed on redemptions <i>(as a percentage of the lesser of the net asset value of the shares redeemed or the total cost of such shares)</i>	None
Maximum sales charge (load) imposed on reinvested dividends	None

#### ***Annual Fund Operating Expenses***

*(expenses that you pay each year as a percentage of the value of your investment)*

Management Fees <sup>(1)</sup>	0.55%
Distribution and/or service (12b-1) Fees	0.00%
Other Expenses	0.21%
Total Annual Operating Expenses	0.76%

<sup>(1)</sup> Management fees have been revised because on July 1, 2009, management fees were reduced by eliminating all management fee breakpoints in excess of 0.55%.

### **Example**

This Example is intended to help you compare the cost of investing in the fund with the cost of investing in other mutual funds.

This Example assumes that you invest \$10,000 in the Clipper Fund for the time periods indicated and then redeem all of your shares at the end of those periods. This Example also assumes that your investment has a 5% return each year and the fund's operating expenses remain the same. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:

<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 years</b>
\$78	\$243	\$422	\$942

### **Portfolio Turnover**

The Clipper Fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the fund's performance. During the most recent fiscal year, the fund's portfolio turnover rate was 15% of the average value of its portfolio.

## Principal Investment Strategies

Davis Selected Advisers, L.P., (“Davis Advisors” or the “Adviser”) the fund’s investment adviser, uses the Davis Investment Discipline to invest the majority of the fund’s assets in common stock issued by companies with market capitalizations of at least \$10 billion. The fund is non-diversified and, therefore, is allowed to focus its investments in fewer companies than a fund that is required to diversify its portfolio.

***Davis Investment Discipline.*** Davis Advisors manages equity funds using the Davis Investment Discipline. Davis Advisors conducts extensive research to try to identify businesses that possess characteristics that Davis Advisors believes foster the creation of long-term value, such as proven management, a durable franchise and business model, and sustainable competitive advantages. Davis Advisors aims to invest in such businesses when they are trading at discounts to their intrinsic worth. Davis Advisors emphasizes individual stock selection and believe that the ability to evaluate management is critical. Davis Advisors routinely visits managers at their places of business in order to gain insight into the relative value of different businesses. Such research, however rigorous, involves predictions and forecasts that are inherently uncertain. After determining which companies Davis Advisors believes the fund should own, Davis Advisors then turns its analysis to determining the intrinsic value of those companies’ equity securities. Davis Advisors seeks equity securities which can be purchased at attractive valuations relative to their intrinsic value. Davis Advisors’ goal is to invest in companies for the long term. Davis Advisors considers selling a company’s equity securities if the securities’ market price exceeds Davis Advisors’ estimates of intrinsic value, or if the ratio of the risks and rewards of continuing to own the company’s equity securities is no longer attractive.

## Principal Risks of Investing in the Clipper Fund

Investors in the Clipper Fund should have a long-term perspective and, for example, be able to tolerate potentially sharp declines in value. The principal risks of investing in the fund are:

**Market risk:** The market value of shares of common stock can change rapidly and unpredictably and have the potential for loss.

**Company risk:** Common stock represents ownership positions in companies. Over time, the market value of a common stock should reflect the success or failure of the company issuing the stock.

**Focused Portfolio risk:** Funds that invest in a limited number of companies may have more risk because changes in the value of a single security may have a more significant effect, either negative or positive, 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 problems effecting financial companies.

**Foreign Country risk:** Foreign companies may be subject to greater risk 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.

**Under \$10 billion Market Capitalization:** Small- and mid-size companies typically have more limited product lines, markets and financial resources than larger companies, and their securities may trade less frequently and in more limited volume than those of larger, more mature companies.

**Fees and Expenses risk:** All mutual funds incur operating fees and expenses. Fees and expenses reduce the return which a shareholder may earn by investing in a fund. A low return environment, or a bear market, increases the risk that a shareholder may lose money.

**Headline risk:** The fund may make such investments when a company becomes the center of controversy after receiving adverse media attention. While Davis Advisors researches companies subject to such contingencies, they cannot be correct every time, and the company's stock may never recover.

Your investment in the fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency, entity or person.

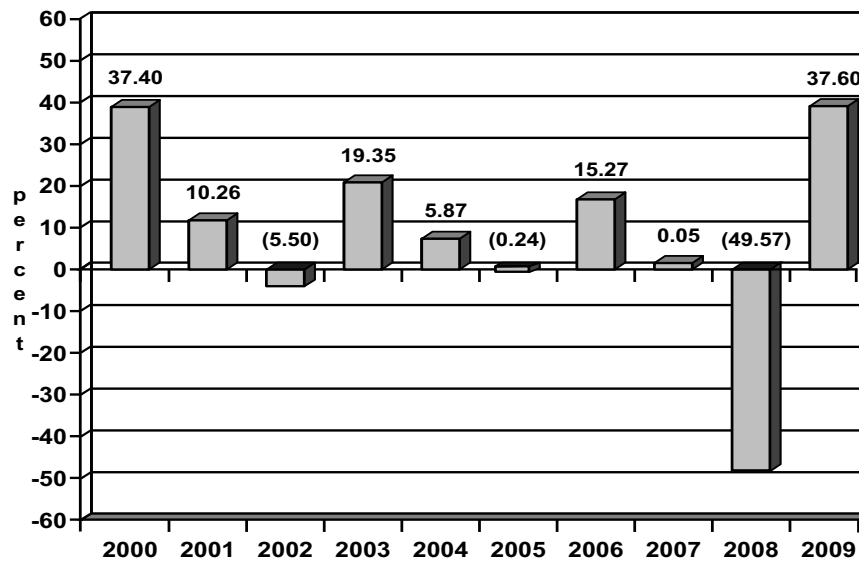
### Performance Results

The bar chart below provides some indication of the risks of investing in the Clipper Fund by showing how the fund's investment results have varied from year to year. The following table shows how the fund's average annual total returns for various periods compare with those of the S&P 500® Index. The fund's past performance (before and after taxes) is not necessarily an indication of how the fund will perform in the future. Updated information on the fund's results can be obtained by visiting [www.clipperfund.com](http://www.clipperfund.com) or by calling 1-800-432-2504.

After-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown, and after-tax returns shown are not relevant to investors who hold their fund shares through a tax-deferred arrangement, such as a 401(k) plan or individual retirement accounts.

#### Calendar year total returns

*Clipper Fund  
Annual Total Returns  
for the years ended December 31*



Highest/Lowest quarterly results during this time period were:

**Highest** 20.62% for the quarter ended June 30, 2009

**Lowest** (26.77)% for the quarter ended December 31, 2008

***Clipper Fund Average Annual Total Returns***  
for the periods ended December 31, 2009

	<b>Past 1 Year</b>	<b>Past 5 Years</b>	<b>Past 10 Years</b>
Return Before Taxes	37.60%	(4.40)%	3.74%
Return After Taxes on Distributions	37.43%	(5.15)%	2.60%
Return After Taxes on Distributions and Sale of Fund Shares	24.67%	(3.49)%	3.04%
S&P 500 <sup>®</sup> Index <i>reflects no deduction for fees, expenses or taxes</i>	26.46%	0.42%	(0.95)%

**Investment Adviser**

Davis Selected Advisers, L.P., serves as Clipper Fund’s investment adviser.

**Sub-Adviser**

Davis Selected Advisers-NY, Inc., a wholly owned subsidiary of the Adviser, serves as the fund’s sub-adviser.

**Portfolio Managers**

<b>Portfolio Managers</b>	<b>Experience with this Fund</b>	<b>Primary Title with Investment Adviser or Sub-Adviser</b>
<b>Christopher Davis</b>	Since January 2006	Chairman Davis Selected Advisers, L.P.
<b>Kenneth Feinberg</b>	Since January 2006	Vice President Davis Selected Advisers-NY, Inc.

**Purchase and Sale of Fund Shares**

Minimum Initial Investment	\$2,500
Minimum Additional Investment	\$25

You may sell (redeem) shares each day the New York Stock Exchange is open. Your transaction may be placed through your dealer or financial adviser, by writing to Clipper Fund c/o State Street Bank and Trust Company, P.O. Box 55468, Boston, MA 02205-5468 or telephoning 1-800-432-2504.

**Tax Information**

Distributions may be taxed as ordinary income or capital gains by federal, state and local authorities.

**Payments to Broker-Dealers and Other Financial Intermediaries**

If you purchase the Clipper Fund through a broker-dealer or other financial intermediary (such as a bank), the fund and its related companies may pay the intermediary for the sale of fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the fund over another investment. Ask your salesperson or visit your financial intermediary’s website for more information.

## **INVESTMENT OBJECTIVE, PRINCIPAL STRATEGIES, AND PRINCIPAL RISKS**

### **Investment Objective**

Clipper Fund's investment objective is long-term capital growth and capital preservation. The fund's investment objective is a fundamental policy, which means that it may not be changed by the fund's Board of Directors without shareholder approval.

### **Principal Investment Strategies**

Davis Selected Advisers, L.P. ("Davis Advisors" or the "Adviser"), the fund's investment adviser, uses the Davis Investment Discipline to invest the majority of the fund's assets in common stock issued by companies with market capitalizations of at least \$10 billion.

### **The Davis Investment Discipline**

Davis Advisors manages equity funds using the Davis Investment Discipline. Davis Advisors conducts extensive research to try to identify businesses that possess characteristics which Davis Advisors believes foster the creation of long-term value, such as proven management, a durable franchise and business model, and sustainable competitive advantages. Davis Advisors aims to invest in such businesses when they are trading at discounts to their intrinsic worth. Davis Advisors emphasizes individual stock selection and believes that the ability to evaluate management is critical. Davis Advisors routinely visits managers at their places of business in order to gain insight into the relative value of different businesses. Such research, however rigorous, involves predictions and forecasts that are inherently uncertain.

Over the years, Davis Advisors has developed a list of characteristics that it believes help companies to create shareholder value over the long term and manage risk. While few companies possess all of these characteristics at any given time, Davis Advisors searches for companies that demonstrate a majority or an appropriate mix of these characteristics.

#### ***First Class Management***

- Proven Track Record
- Significant Alignment of Interests in Business
- Intelligent Application of Capital

#### ***Strong Financial Condition and Satisfactory Profitability***

- Strong Balance Sheet
- Low Cost Structure
- High Returns on Capital

#### ***Strong Competitive Positioning***

- Non-Obsolescent Products/Services
- Dominant or Growing Market Share
- Global Presence and Brand Names

After determining which companies Davis Advisors believes that the fund should own, it then turns its analysis to determining the intrinsic value of those companies' equity securities. Davis Advisors seeks equity securities which can be purchased at attractive valuations relative to their intrinsic value. Davis Advisors' goal is to invest in companies for the long term. Davis Advisors considers selling a company's equity securities if the securities' market price exceeds Davis Advisors' estimates of intrinsic value, or if the ratio of the risks and rewards of continuing to own the company's equity securities is no longer attractive.

**Common Stock.** Common stock represents ownership positions in companies. The prices of common stock fluctuate based on changes in the financial condition of their issuers and on market and economic conditions. Events that have a negative impact on a business probably will be reflected in a decline in the price of its common stock. Furthermore, when the total value of the stock market declines, most common stock, even those issued by strong companies, likely will decline in value.

**Focused Fund.** The fund is non-diversified and, therefore, is allowed to focus its investments in fewer companies than a fund that is required to diversify its portfolio. Davis Advisors believes that concentrating the fund's portfolio in a select, limited number of securities allows its best ideas to have a meaningful impact on the fund's performance. Therefore, the fund's portfolio generally contains between 15 and 35 securities rather than hundreds of securities; however, it may contain fewer than 15 securities or more than 35 securities if considered prudent and desirable by Davis Advisors. Investors should be aware that a non-diversified portfolio may experience greater price volatility than would a diversified portfolio.

**Foreign Companies.** The fund may invest up to 15% of its assets in foreign companies. Foreign companies may issue both equity and fixed income securities. Sometimes a company may be classified as either "domestic" or "foreign" depending upon which factors the Adviser considers most important for a given company. Factors which the Adviser considers in classifying a company as domestic or foreign include: (1) whether the company is organized under the laws of the United States or a foreign country; (2) whether the company's securities principally trade in securities markets outside of the United States; (3) the source of the majority of the company's revenues or profits; and (4) the location of the majority of the company's assets. The Adviser generally follows the country classification indicated by a third party service provider but may use a different country classification if the Adviser's analysis of the four factors provided above indicates that a different country classification is more appropriate.

When the fund invests in foreign securities, its operating expenses are likely to be higher than those of an investment company investing exclusively in U.S. securities, since the custodial and certain other expenses associated with foreign investments are expected to be higher.

Investments in foreign securities may be made through the purchase of individual securities on recognized exchanges and developed over-the-counter markets, through Depositary Receipts (such types may include but are not limited to American Depositary Receipts "ADRs", Global Depositary Receipts "GDRs" or European Depositary Receipts "EDRs") covering such securities, and through U.S.-registered investment companies investing primarily in foreign securities.

Rather than investing directly in equity securities issued by foreign companies, the fund may invest in these companies through depositary receipts. ADRs are receipts typically issued by an American bank or trust company which evidence ownership of underlying securities issued by a foreign corporation. GDRs are receipts that are generally issued by a foreign branch of an international bank which evidence a similar ownership arrangement. Generally, ADRs, which are issued in registered form, are designated for use in the United States securities markets, and GDRs are typically sold under exemptions from U.S. registration. The fund may invest in both sponsored and unsponsored arrangements. In a sponsored arrangement, the foreign issuer assumes the obligation to pay some or all of the depository's transaction fees, whereas in an

unsponsored arrangement the foreign issuer assumes no obligations and the depository's transaction fees are paid by the holders. Foreign issuers in respect of whose securities unsponsored depository receipts have been issued are not necessarily obligated to disclose material information in the markets in which the unsponsored depository receipts are traded and, therefore, there may not be a correlation between such information and the market value of such securities.

## **ADDITIONAL INFORMATION ABOUT PERFORMANCE**

In 2009, Clipper 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.

A different investment adviser served as the manager of the fund from inception through December 31, 2005. Davis Advisors became the manager of the fund on January 1, 2006.

### **Principal Risks**

If you buy shares of Clipper Fund, you may lose some or all of the money that you invest. The investment return and principal value of an investment in the fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The likelihood of loss may be greater if you invest for a shorter period of time. This section describes the principal risks (but not the only risks) that could cause the value of your investment in the fund to decline, and which could prevent the fund from achieving its stated investment objective.

**Market risk.** The market value of shares of equity securities can change rapidly and unpredictably as a result of political or economic events having little or nothing to do with the performance of the companies in which the fund invests.

**Company risk.** Common stock is a form of equity security which represents ownership positions in companies. The prices of most equity securities fluctuate based on changes in the financial condition of their issuers and on market and economic conditions. Events that have a negative impact on a business probably will be reflected in a decline in the price of its equity securities. Furthermore, when the total value of the stock market declines, most equity securities, even those issued by strong companies, will likely decline in value. There is also the inherent risk that holders of common stock generally are behind creditors and holders of preferred stock for payments in the event of the bankruptcy of a stock issuer.

**Focused portfolio risk.** Funds that invest in a limited number of companies may have more risk because changes in the value of a single security may have a more significant effect, either negative or positive, on the value of the fund's total portfolio.

The fund is classified as a "non-diversified" fund under the Investment Company Act of 1940 (the "1940 Act"), which means that it is permitted to invest its assets in a more limited number of issuers than "diversified" investment companies. A diversified investment company may not, with respect to 75% of its total assets, invest more than 5% of its total assets in the securities of any one issuer (other than U.S. Government securities and securities of other investment companies) and may not own more than 10% of the outstanding voting securities of any one issuer. While the fund is a non-diversified investment company, and therefore is not subject to the statutory diversification requirements discussed above, the fund intends to diversify its assets to the extent necessary to qualify for tax treatment as a regulated investment company under the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code").

The diversification standards under the Internal Revenue Code require that the fund diversify its holdings so that, at the end of each fiscal quarter, (a) at least 50% of the market value of the fund's assets is represented by cash, U.S. Government securities, securities of other regulated investment companies and other securities limited with respect to any one issuer to an amount not greater than 5% of the fund's assets

and 10% of the outstanding voting securities of such issuer, and (b) not more than 25% of the value of the fund's assets is invested in the securities of any one issuer (other than U.S. Government securities and the securities of other regulated investment companies), or of two or more issuers which the fund controls (i.e., owns, directly or indirectly, 20% of the voting stock) and which are determined to be engaged in the same or similar trades or businesses or related trades or businesses.

**Financial services risk.** Risks of investing in the financial services sector include: (i) *Regulatory actions:* financial services companies may suffer setbacks if regulators change the rules under which they operate; (ii) *Changes in interest rates:* unstable and/or rising interest rates may have a disproportionate effect on companies in the financial services sector; (iii) *Non-diversified loan portfolios:* financial services companies whose securities the fund purchases may themselves have concentrated portfolios, such as a high level of loans to real estate developers, which makes them vulnerable to economic conditions that affect that industry; (iv) *Credit:* financial services companies may have exposure to investments or agreements which under certain circumstances may lead to losses, for example sub-prime loans; and (v) *Competition:* the financial services sector has become increasingly competitive.

*Banking.* Commercial banks (including “money center” regional and community banks), savings and loan associations and holding companies of the foregoing are especially subject to adverse effects of volatile interest rates, concentrations of loans in particular industries or classifications (such as real estate, energy, or sub-prime mortgages), and significant competition. The profitability of these businesses is to a significant degree dependent on the availability and cost of capital funds. Economic conditions in the real estate market may have a particularly strong effect on certain banks and savings associations. Commercial banks and savings associations are subject to extensive federal and, in many instances, state regulation. Neither such extensive regulation nor the federal insurance of deposits ensures the solvency or profitability of companies in this industry, and there is no assurance against losses in securities issued by such companies.

*Insurance.* Insurance companies are particularly subject to government regulation and rate setting, potential anti-trust and tax law changes, and industry-wide pricing and competition cycles. Property and casualty insurance companies also may be affected by weather, terrorism and other catastrophes. Life and health insurance companies may be affected by mortality and morbidity rates, including the effects of epidemics. Individual insurance companies may be exposed to reserve inadequacies, problems in investment portfolios (for example, due to real estate or “junk” bond holdings) and failures of reinsurance carriers.

*Other Financial Services Companies.* Many of the investment considerations discussed in connection with banks and insurance companies also apply to other financial services companies. These companies are all subject to extensive regulation, rapid business changes, and volatile performance dependent on the availability and cost of capital and prevailing interest rates and significant competition. General economic conditions significantly affect these companies. Credit and other losses resulting from the financial difficulty of borrowers or other third parties have a potentially adverse effect on companies in this industry. Investment banking, securities brokerage and investment advisory companies are particularly subject to government regulation and the risks inherent in securities trading and underwriting activities.

*Other Regulatory Limitations.* Regulations of the Securities and Exchange Commission (“SEC”) impose limits on: (1) investments in the securities of companies that derive more than 15% of their gross revenues from the securities or investment management business (although there are exceptions, the Fund is prohibited from investing more than 5% of its total assets in a single company that derives more than 15% of its gross revenues from the securities or investment management business); and (2) investments in insurance companies. The Fund generally is prohibited from owning more than 10% of the outstanding voting securities of an insurance company.

**Foreign country risk.** The fund may invest up to 15% of its assets in companies operating, incorporated, or principally traded in foreign countries. Investing in foreign countries involves risks that may cause the fund's performance to be more volatile than it would be if the fund invested solely in the United States. Foreign economies may not be as strong or as 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. In addition, foreign capital markets may not be as well developed, so securities may be less liquid, transaction costs may be higher, and investments may be subject to more government regulation.

Investments in foreign securities may involve a higher degree of risk than investments in domestic issuers. Foreign securities are often denominated in foreign currencies, which means that their values will be affected by changes in exchange rates, as well as other factors that affect securities prices. There generally is less information publicly available about foreign securities and securities markets, and there may be less government regulation and supervision of foreign issuers and securities markets. Foreign securities and markets also may be affected by political and economic instabilities and may be more volatile and less liquid than domestic securities and markets. Investment risks may include expropriation or nationalization of assets, confiscatory taxation, exchange controls and limitations on the use or transfer of assets and significant withholding taxes. Foreign economies may differ from the economy of the United States favorably or unfavorably with respect to inflation rates, balance of payments, capital reinvestment, gross national product expansion and other relevant indicators.

*Passive Foreign Investment Companies.* Some securities of companies domiciled outside the U.S. in which the fund may invest may be considered passive foreign investment companies ("PFICs") under U.S. tax laws. PFICs are foreign corporations which generate primarily passive income, and are typically "growth" or "start-up" companies. For federal tax purposes, a corporation is deemed a PFIC if 75% or more of the foreign corporation's gross income for the income year is passive income or if 50% or more of its assets are assets that produce or are held to produce passive income. Passive income is further defined as any income to be considered foreign personal holding company income within the subpart F provisions defined by Section 954 of the Internal Revenue Code.

Investing in PFICs involves the risks associated with investing in foreign securities, as described above. There is also the risk that the fund may not realize that a foreign corporation it invests in is a PFIC for federal tax purposes. Federal tax laws impose severe tax penalties for failure to properly report investment income from PFICs. The fund makes efforts to ensure compliance with federal tax reporting of these investments, however, there can be no guarantee that the fund's efforts will always be successful.

**Under \$10 Billion Market Capitalization.** Investing in small- and medium-capitalization companies with market capitalizations of under \$10 billion may be more risky than investing in large-capitalization companies. Small and mid-size companies typically have more limited product lines, markets and financial resources than larger companies, and their securities may trade less frequently and in more limited volume than those of larger, more mature companies. Securities of these companies may be subject to greater volatility in their prices than the securities of larger capitalization companies. They may have a limited trading market, which may adversely affect the fund's ability to dispose of them and can reduce the price the fund might be able to obtain for them. Other investors that own a security issued by a mid- or small-capitalization company for whom there is limited liquidity might trade the security when the fund is attempting to dispose of its holdings in that security. In that case, the fund might receive a lower price for its holdings than otherwise might be obtained. Small-capitalization companies also may be unseasoned. These include companies that have been in operation for less than three years, including the operations of any predecessors.

**Fees and Expenses risk.** All mutual funds incur operating fees and expenses. Fees and expenses reduce the return which a shareholder may earn by investing in a fund. A low return environment, or a bear market, increases the risk that a shareholder may lose money.

**Headline risk.** Davis Advisors seeks to acquire companies with durable business models that can be purchased at attractive valuations relative to what Davis Advisors believes to be the companies' intrinsic values. Davis Advisors may make such investments when a company becomes the center of controversy after receiving adverse media attention. The company may be involved in litigation, the company's financial reports or corporate governance may be challenged, the company's public filings may disclose a weakness in internal controls, greater government regulation may be contemplated, or other adverse events may threaten the company's future. While Davis Advisors researches companies subject to such contingencies, Davis Advisors cannot be correct every time, and the company's stock may never recover or may become worthless.

The fund's shares 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.

### **NON-PRINCIPAL INVESTMENT STRATEGIES**

Clipper Fund may implement investment strategies which are not principal investment strategies if, in the Adviser's professional judgment, the strategies are appropriate. Non-principal investment strategies are generally those investments which constitute less than 20% of the fund's assets.

While the Adviser expects to pursue the fund's investment objective by implementing the principal investment strategies described in the fund's prospectus, the Adviser may pursue different investment strategies or make other investments for the fund if it determines that doing so: (i) is likely to be consistent with shareholders' reasonable expectations; (ii) is likely to assist the Adviser in pursuing the fund's investment objective; (iii) will not cause the fund to violate any of its fundamental or non-fundamental investment restrictions; and (iv) will not materially change the fund's risk profile from the risk profile that results from following the principal investment strategies as described in the fund's prospectus and further explained in the Statement of Additional Information, as amended from time to time.

**Short-Term Investments.** The fund uses short-term investments, such as treasury bills and repurchase agreements, to maintain flexibility while evaluating long-term opportunities.

**Temporary Defensive Investments.** The fund may, but is not required, to use short-term investments for temporary defensive purposes. In the event that Davis Advisors' Portfolio Managers anticipate a decline in the market values of the companies in which the fund invests (due to economic, political or other factors), the fund may reduce its risk by investing in short-term securities until market conditions improve. While the fund is invested in short-term investments it will not be pursuing the long-term growth of capital portion of its investment objective, although it will be pursuing the capital preservation portion of its investment objective.

Unlike equity securities, these investments will not appreciate in value when the market advances and will not contribute to long-term growth of capital.

For more details concerning current investments and market outlook, please see the fund's most recent shareholder report.

### **Portfolio Holdings**

A description of Clipper Fund's policies and procedures with respect to the disclosure of the fund's portfolio holdings is available in the Statement of Additional Information.

Clipper Fund’s portfolio holdings are published twice a year in the Annual and Semi-Annual Reports which are mailed approximately 60 days after the end of the fund’s second and fourth fiscal quarters. In addition, the fund publishes its portfolio holdings on the Clipper Fund’s website ([www.clipperfund.com](http://www.clipperfund.com)) and the SEC website ([www.sec.gov](http://www.sec.gov)) approximately 60 days after the end of each fiscal quarter. Other information concerning the fund’s portfolio holdings may also be published on the Clipper Fund’s website from time to time.

## MANAGEMENT AND ORGANIZATION

Davis Selected Advisers, L.P. (“Davis Advisors”) serves as the investment adviser for Clipper Fund. Davis Advisors’ offices are located at 2949 East Elvira Road, Suite 101, Tucson, Arizona 85756. Davis Advisors provides investment advice to Clipper Fund, manages its business affairs, and provides day-to-day administrative services. Davis Advisors also serves as investment adviser for other mutual funds and institutional and individual clients. For the fiscal year ended December 31, 2009, Davis Advisors’ net management fee paid by the fund for its services (based on average net assets) was 0.58%. A discussion regarding the basis for the approval of the fund’s investment advisory and service agreement by the fund’s Board of Directors is contained in the fund’s most recent Semi-Annual Report to shareholders.

Davis Selected Advisers–NY, Inc., serves as the sub-adviser for Clipper Fund. Davis Selected Advisers–NY, Inc.’s offices are located at 609 Fifth Avenue, New York, New York 10017. Davis Selected Advisers–NY, Inc., provides investment management and research services for Clipper Fund and other institutional clients, and is a wholly owned subsidiary of Davis Advisors. Davis Selected Advisers–NY, Inc.’s fee is paid by Davis Advisors, not Clipper Fund.

**Execution of Portfolio Transactions.** Davis Advisors places orders with broker-dealers for Clipper Fund’s portfolio transactions. Davis Advisors seeks to place portfolio transactions with brokers or dealers who will execute transactions as efficiently as possible and at the most favorable net price. In placing executions and paying brokerage commissions or dealer markups, Davis Advisors considers price, commission, timing, competent block trading coverage, capital strength and stability, research resources, and other factors. Subject to best price and execution, Davis Advisors may place orders for Clipper Fund’s portfolio transactions with broker-dealers who have sold shares of Clipper Fund. However, when Davis Advisors places orders for the fund’s portfolio transactions, it does not give any consideration to whether a broker-dealer has sold shares of Clipper Fund. In placing orders for Clipper Fund’s portfolio transactions, the Adviser does not commit to any specific amount of business with any particular broker-dealer.

Over the last three years Clipper Fund paid the following brokerage commissions:

<u>Clipper Fund</u>	<i>For the Year ended December 31,</i>		
	<u>2009</u>	<u>2008</u>	<u>2007</u>
Brokerage commissions paid:	\$588,370	\$638,319	\$1,405,494
Brokerage as a percentage of average net assets:	0.06%	0.03%	0.04%

## **Portfolio Managers**

- **Christopher Davis** has served as a Portfolio Manager of Clipper Fund since January 2006, and also manages other equity funds advised by Davis Advisors. Mr. Davis has served as an analyst and portfolio manager for Davis Advisors since 1989.
- **Kenneth Feinberg** has served as a Portfolio Manager of Clipper Fund since January 2006, and also manages other equity funds advised by Davis Advisors. Mr. Feinberg has served as an analyst and portfolio manager for Davis Advisors since 1994.

The Statement of Additional Information provides additional information about the Portfolio Managers' compensation, other accounts managed by the Portfolio Managers and the Portfolio Managers' investments in the fund.

## **SHAREHOLDER INFORMATION**

### **Procedures and Shareholder Rights are Described by Current Prospectus and Other Disclosure Documents**

For information concerning the procedures for interacting with Clipper Fund, as well as for other information concerning the fund, shareholders should look to the current prospectus and Statement of Additional Information, rather than any previous versions of those documents. All previous versions have been superseded by the current prospectus and Statement of Additional Information.

### **How Your Shares Are Valued**

Once you open your Clipper Fund account, you may purchase or sell shares at the net asset value ("NAV") next determined after Clipper Fund's transfer agent or other "qualified financial intermediary" (a financial institution which has entered into a contract with Davis Advisors or its affiliates to offer, sell, and redeem shares of the fund) receives your request to purchase or sell shares in "good order", including all documents which are required to constitute a legal purchase or sale of shares. If your purchase or sale order is received in good order prior to the close of trading on the New York Stock Exchange ("NYSE"), your transaction will be executed that day at that day's NAV. If your purchase or sale order is received in good order after the close of the NYSE, your transaction will be processed the next day at the next day's NAV.

Clipper Fund calculates its NAV as of the close of trading on the NYSE, normally 4:00 p.m., Eastern time, on each day when the NYSE is open. The time as of which the NAV is calculated may change in case of an emergency if deemed appropriate by the fund's officers. The NAV of the fund is determined by taking the market value of the fund's total assets, subtracting the fund's liabilities, and then dividing the result (net assets) by the number of outstanding shares of the fund. Since the fund invests in securities that may trade in foreign markets on days other than when the fund calculates its NAV, the value of the fund's portfolio may change on days that shareholders will not be able to purchase or redeem shares in the fund.

If you have access to the Internet, you can also check the net asset value on the fund's website ([www.clipperfund.com](http://www.clipperfund.com)).

### *Valuation of Portfolio Securities*

Clipper Fund values securities for which market quotations are readily available at current market value other than certain short-term securities which are valued at amortized cost. Securities listed on the NYSE (and other national exchanges) are valued at the last reported sales price on the day of valuation. Securities traded in the over-the-counter market (e.g. NASDAQ) and listed securities for which no sale was reported on that date are stated at the closing bid price. Securities traded on foreign exchanges are valued based upon the last sales price on the principal exchange on which the security is traded prior to the time when the fund's assets are valued. Securities (including restricted securities) for which market quotations are not readily available are valued at their fair value. Securities whose values have been materially affected by what the Adviser identifies as a significant event occurring before the fund's assets are valued but after the close of their respective exchanges will be fair valued.

In general, foreign securities are more likely to require a fair value determination than domestic securities because circumstances may arise between the close of the market on which the securities trade and the time as of which the fund values its portfolio securities, which may effect the value of such securities. Securities denominated in foreign currencies and traded in foreign markets will have their values converted into U.S. dollar equivalents at the prevailing exchange rates as computed by State Street Bank and Trust Company. Fluctuation in the values of foreign currencies in relation to the U.S. dollar may affect the net asset value of a fund's shares even if there has not been any change in the foreign currency prices of that fund's investments.

Securities of smaller companies are also generally more likely to require a fair value determination because they may be thinly traded and less liquid than traditional securities of larger companies.

To the extent that a fund's portfolio investments trade in markets on days when the fund is not open for business, the fund's NAV may vary on those days. In addition, trading in certain portfolio investments may not occur on days the fund is open for business because markets or exchanges other than the NYSE may be closed. If the exchange or market on which the fund's underlying investments are primarily traded closes early, the NAV may be calculated prior to its normal market calculation time. For example, the primary trading markets for a fund may close early on the day before certain holidays and the day after Thanksgiving.

Fixed income securities may be valued at prices supplied by Clipper Fund's pricing agent based on broker or dealer supplied valuations or matrix pricing, a method of valuing securities by reference to the value of other securities with similar characteristics, such as rating, interest rate and maturity. Government, corporate, and asset-backed bonds and convertible securities, including high-yield or junk bonds, normally are valued on the basis of prices provided by independent pricing services. Prices provided by the pricing services may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to special securities, dividend rate, maturity and other market data. Prices received from pricing services are fair value prices. In addition, if the prices provided by the pricing service and independent quoted prices are unreliable, Clipper Fund will fair value the security using the fund's fair value procedures.

Fair value is determined in good faith using consistently applied procedures subject to the oversight under the supervision of the Board of Directors. Fair valuation is based on subjective factors and, as a result, the fair value price of a security may differ from the security's market price and may not be the price at which the security may be sold. Fair valuation could result in a different NAV than a NAV determined by using market quotes.

## How the Fund Pays Earnings

There are two ways you can receive payments from Clipper Fund:

- **Dividends.** Dividends are distributions to shareholders of net investment income and short-term capital gains on investments.
- **Capital Gains.** Capital gains are profits received by the fund from the sale of securities held for the long term, which are then distributed to shareholders.

If you would like information about when Clipper Fund pays dividends and distributes capital gains, please call 1-800-432-2504. Unless you choose otherwise, the Clipper Fund will automatically reinvest your dividends and capital gains in additional fund shares.

You can request to have your dividends and capital gains paid to you by check or deposited directly into your bank account. Dividends and capital gains of \$50 or less will not be sent by check but will be reinvested in additional fund shares.

You will receive a statement each year detailing the amount of all dividends and capital gains paid to you during the previous year. To ensure that these distributions are reported properly to the U.S. Treasury, you must certify on your Clipper Fund Application Form or on IRS Form W-9 that your Taxpayer Identification Number is correct and you are not subject to backup withholding. If you are subject to backup withholding, or you did not certify your Taxpayer Identification Number, the IRS requires Clipper Fund to withhold a percentage of any dividends paid and redemption proceeds received.

## Dividends and Distributions

- Clipper Fund ordinarily distributes dividends and capital gains, if any, in December.
- When a dividend or capital gain is distributed, the net asset value per share is reduced by the amount of the payment.
- You may elect to reinvest dividend and/or capital gain distributions to purchase additional shares of Clipper Fund, or you may elect to receive them in cash. Many shareholders do not elect to take capital gain distributions in cash because these distributions reduce principal value.
- If a dividend or capital gain distribution is for an amount less than \$50, the fund will not issue a check. Instead, the dividend or capital gain distribution will be automatically reinvested in additional shares of the fund.
- If a dividend or capital gain distribution check remains uncashed for six months or is undeliverable by the United States Postal Service, the fund will reinvest the dividend or distribution in additional shares of the fund promptly after making this determination; and future dividends and capital gains distributions will be automatically reinvested in additional shares of the fund.

## Federal Income Taxes

### *Taxes on Distributions*

Distributions you receive from the fund may be subject to income tax and may also be subject to state or local taxes unless you are exempt from taxation.

For federal tax purposes, any taxable dividends and distributions of short-term capital gains are treated as ordinary income. The fund's distributions of net long-term capital gains are taxable to you as long-term capital gains. Any taxable distributions you receive from the fund will normally be taxable to you when made, regardless of whether you reinvest distributions or receive them in cash.

Clipper Fund will send you a statement each year showing the tax status of your fund distributions.

### ***Taxes on Transactions***

Your redemptions may result in a capital gain or loss for federal tax purposes. A capital gain or loss on your investment is the difference between the cost of your shares and the price you receive when you sell them.

More information concerning federal taxes is available in the Statement of Additional Information. Davis Advisors recommends that you consult with a tax advisor about dividends and capital gains that you may receive from Clipper Fund.

### **Fees and Expenses of the Fund**

The fund must pay operating fees and expenses.

#### ***Management Fee***

The management fee covers the normal expenses of managing the fund, including compensation, research costs, corporate overhead expenses and related expenses.

#### ***12b-1 Fees***

Clipper Fund does not charge any Rule 12b-1 distribution fees.

#### ***Other Expenses***

Other expenses include miscellaneous fees from affiliated and outside service providers. These fees may include legal, audit and custodial fees, the costs of printing and mailing of reports and statements, automatic reinvestment of distributions and other conveniences, and payments to third parties that provide recordkeeping services or administrative services for investors in the fund.

#### ***Total Fund Operating Expenses***

The total cost of operating a mutual fund is reflected in its expense ratio. A shareholder does not pay operating costs directly; instead, operating costs are deducted before the fund's NAV is calculated and are expressed as a percentage of the fund's average daily net assets. The effect of these fees is reflected in the performance results for the fund. Investors should examine total operating expenses closely in the prospectus, especially when comparing one fund with another fund in the same investment category.

### **Fees Paid to Dealers and Other Financial Intermediaries**

Broker-dealers and other financial intermediaries ("Qualifying dealers") may charge Davis Distributors, LLC (the "Distributor") or the Adviser substantial fees for selling Clipper Fund's shares and providing continuing support to shareholders. Qualifying dealers may charge: (i) record-keeping fees from the fund for providing record-keeping services to investors who hold fund shares through dealer-controlled omnibus accounts; and (ii) other fees, described below, paid by Davis Advisors or the Distributor from their own resources.

Qualifying dealers may, as a condition to distributing shares of the fund, request that the Distributor, or the Adviser, pay or reimburse the Qualifying dealer for: (i) marketing support payments including business planning assistance, educating personnel about Clipper Fund, and shareholder financial planning needs, placement on the Qualifying dealer's list of offered funds, and access to sales meetings, sales representatives and management representatives of the Qualifying dealer; and (ii) financial assistance charged to allow the Distributor to participate in and/or present at conferences or seminars, sales or training programs for invited registered representatives and other employees, client and investor events and other

dealer-sponsored events. These additional fees are sometimes referred to as “revenue sharing” payments. A number of factors are considered in determining fees paid to Qualifying dealers, including the dealer’s sales and assets, and the quality of the dealer’s relationship with the Distributor. Fees are generally based on the value of shares of the fund held by the Qualifying dealer for its customers or based on sales of fund shares by the dealer, or a combination thereof. Davis Advisors may use its profits from the advisory fee it receives from the fund to pay some or all of these fees. Some Qualifying dealers may also choose to pay additional compensation to their registered representatives who sell the fund. Such payments may be associated with the status of the fund on a Qualifying dealer’s preferred list of funds or otherwise associated with the dealer’s marketing and other support activities. The foregoing arrangements may create an incentive for the Qualifying dealers, as well as their registered representatives, to sell Clipper Fund rather than other funds.

In 2009, the Distributor, or the Adviser, was charged additional fees by the Qualifying dealers listed below. The Distributor paid these fees from its own resources. These Qualifying dealers may provide Clipper Fund enhanced sales and marketing support and financial advisers employed by the Qualifying dealers may recommend Clipper Fund rather than other funds. Qualifying dealers may be added or deleted at any time.

Charles Schwab & Co., Inc; Fidelity Brokerage Services, LLC; Fidelity Investments Institutional Services Company, Inc.; Edward Jones; Marshall & Ilsley Trust Co.; Mid-Atlantic Capital; Pershing, LLC; Prudential Investment Management Services; UBS Financial Services, Inc.; Vanguard Marketing Corporation; Wells Fargo Investments, LLC.

In addition, the Distributor may, from time to time, pay additional cash compensation or other promotional incentives to authorized dealers or agents who sell shares of Clipper Fund. In some instances, such cash compensation or other incentives may be offered only to certain dealers or agents who employ registered representatives who have sold or may sell significant amounts of shares of Clipper Fund during specified periods of time.

Although Clipper Fund may use brokers who sell shares of the fund to execute portfolio transactions, the fund does not consider the sale of fund shares as a factor when selecting brokers to execute portfolio transactions.

Investors should consult their financial intermediaries regarding the details of payments they may receive in connection with the sale of fund shares.

**Due Diligence Meetings.** The Distributor routinely sponsors due diligence meetings for registered representatives (“financial professionals”) during which they receive updates on Clipper Fund and are afforded the opportunity to speak with the Adviser’s Portfolio Managers. Invitation to these meetings is not conditioned on selling a specific number of shares. Those who have shown an interest in Clipper Fund, however, are more likely to be considered. To the extent permitted by their firm’s policies and procedures, registered representatives’ expenses in attending these meetings may be covered by the Distributor.

**Seminars and Educational Meetings.** The Distributor may defray certain expenses of Qualifying dealers incurred in connection with seminars and other educational efforts subject to the Distributor’s policies and procedures governing payments for such seminars. The Distributor may share expenses with Qualifying dealers for costs incurred in conducting training and educational meetings about various aspects of the fund for the employees of Qualifying dealers. In addition, the Distributor may share expenses with Qualifying dealers for costs incurred in hosting client seminars at which the fund is discussed.

**Recordkeeping Fees.** Certain Qualifying dealers have chosen to maintain “omnibus accounts” with Clipper Fund. In an omnibus account, the fund maintains a single account in the name of the Qualifying dealer and the dealer maintains all of its clients’ individual shareholder accounts. Likewise, for many retirement plans, a third party administrator may open an omnibus account with Clipper Fund and the administrator will then maintain all of the participant accounts. Davis Advisors, on behalf of the fund,

enters into agreements whereby the fund is charged by the Qualifying dealer or administrator for such recordkeeping services.

Recordkeeping services typically include: (i) establishing and maintaining shareholder accounts and records; (ii) recording shareholder account balances and changes thereto; (iii) arranging for the wiring of funds; (iv) providing statements to shareholders; (v) furnishing proxy materials, periodic Clipper Fund reports, prospectuses and other communications to shareholders as required; (vi) transmitting shareholder transaction information; and (vii) providing information in order to assist Clipper Fund in its compliance with state securities laws. Clipper Fund typically would be paying these shareholder servicing fees directly if a Qualifying dealer did not hold all customer accounts in a single omnibus account with Clipper Fund.

**Other Compensation.** The Distributor may, from its own resources and not the fund's, pay additional fees to the extent not prohibited by state or federal laws, the Securities and Exchange Commission (SEC), or any self-regulatory agency, such as the Financial Industry Regulatory Authority (FINRA).

## HOW TO OPEN AN ACCOUNT

To open an account with Clipper Fund you must initially invest at least \$2,500 in a regular or IRA account.

At the Distributor's discretion, the minimum may be waived for an account established under a "wrap account" or other fee-based program that is sponsored and maintained by a registered broker-dealer approved by the Distributor.

### Two Ways You Can Open an Account

- **By Mail.** Complete and sign the Application Form and mail it to the fund's service provider, State Street Bank and Trust Company. Include a check made payable to **Clipper Fund**. All purchases by check should be in U.S. dollars. **Clipper Fund will not accept third-party checks, starter checks, traveler's checks or money orders.**
- **By Dealer.** You may have your dealer order and pay for the shares. In this case, you must pay your dealer directly. Your dealer will then order the shares from the Distributor. Please note that your dealer may charge a service fee or commission for these transactions.

### Anti-Money Laundering Compliance

Clipper Fund and the Distributor are required to comply with various anti-money laundering laws and regulations. Consequently, the fund or the Distributor may request additional information from you to verify your identity and the source of your funds. If you do not provide the requested information, Clipper Fund may not be able to open your account. If at any time the fund believes an investor may be involved in suspicious activity or if certain account information matches information on government lists of suspicious persons, the fund and the Distributor may choose not to establish a new account or may be required to "freeze" a shareholder's account. They may also be required to provide a government agency or another financial institution with information about transactions that have occurred in a shareholder's account or to transfer monies received to establish a new account, transfer an existing account or transfer the proceeds of an existing account to a governmental agency. In some circumstances, the law may not permit the fund or the Distributor to inform the shareholder that it has taken the actions described above.

## Retirement Plan Accounts

You can invest in Clipper Fund using any of these types of retirement plan accounts:

- IRAs
- Roth IRAs
- Simplified Employee Pension (SEP) IRAs

State Street Bank and Trust Company acts as custodian for these retirement plans and charges each participant a \$10 custodial fee each year per Social Security Number. This custodial fee is automatically deducted from each account unless you elect to pay the fee directly. There is also a \$10 fee for closing retirement plan accounts. To open a retirement plan account, you must fill out a special application form. You can request this form by calling Investor Services or by visiting Clipper Fund's website ([www.clipperfund.com](http://www.clipperfund.com)).

## BUYING AND SELLING SHARES

Once you have established an account with Clipper Fund, you can add to or withdraw from your investment. This statutory prospectus describes the types of transactions you can perform as a Clipper Fund shareholder including how to initiate these transactions and the charges that you may incur (if any) when buying or selling shares. A transaction will not be executed until all required documents have been received in a form meeting all legal requirements. Legal requirements vary depending upon the type of transaction and the type of account. Call Investor Services for instructions. These procedures and charges may change over time and the prospectus in effect at the time a transaction is initiated will describe the procedures and charges which will apply to the transaction.

## Right to Reject or Restrict any Purchase Order

Purchases should be made for long-term investment purposes only. Clipper Fund and the Distributor reserve the right to reject or restrict any purchase order for any reason prior to the end of the first business day after the date that a purchase order was processed. Clipper Fund is not designed to serve as a vehicle for frequent trading in response to short-term fluctuations in the securities markets. Accordingly, purchases that are part of activity that Clipper Fund or the Distributor have determined may involve actual or potential harm to the fund may be rejected.

## Three Ways to Buy and Sell Shares

- **By Telephone.** Call 1-800-432-2504. You can speak directly with an Investor Services Professional, Monday through Friday, from 9 a.m. to 6 p.m. Eastern time.
- **By Mail.** Send the request to the fund's service provider, State Street Bank and Trust Company.

*Regular mail:*

Clipper Fund  
c/o State Street Bank and Trust Company  
P.O. Box 55468  
Boston, MA 02205

*Express shipping:*

Clipper Fund  
c/o State Street Bank and Trust Company  
30 Dan Road  
Canton, MA 02021

- **By Dealer.** Contact a dealer who will execute the transaction through the Distributor. Please note that your dealer may charge service fees or commissions for these transactions.

Clipper Fund does not issue certificates for its shares. Instead, shares purchased are automatically credited to an account maintained for you on the books of Clipper Fund by State Street Bank and Trust Company. Transactions in the account, such as additional investments, will be reflected on regular confirmation statements from Clipper Fund. Dividend and capital gain distributions, purchases through automatic investment plans and certain retirement plans, and withdrawals will be confirmed at least quarterly.

### **When Your Transactions Are Processed**

Purchases and sales will be processed at 4 p.m. Eastern time after Clipper Fund's transfer agent or other qualified financial intermediary receives your request to purchase or sell shares in good order, including all documents which are required to constitute a legal purchase or sale of shares.

### **Buying More Shares**

You may buy more shares at any time, by mail, through a dealer, by telephone, or by wire. The minimum purchase amount is \$25.

- **By Mail.** When you purchase shares by mail
  - Make the check payable to Clipper Fund.
  - If you have the investment slip from your most recent statement, include it with the check. If you do not have an investment slip, include a letter with your check that includes your account number.
  - Mail the check to:

*Regular Mail:*  
Clipper Fund  
c/o State Street Bank and Trust Company  
P.O. Box 55468  
Boston, MA 02205

*Express shipping:*  
Clipper Fund  
c/o State Street Bank and Trust Company  
30 Dan Rd  
Canton, MA 02021

- **Through a Dealer.** When you buy shares through a dealer, you may be charged service fees or commissions for these transactions.
- **By Telephone.** If you have a bank account listed on your account you may purchase shares via ACH (Automated Clearing House) and the funds will be pulled directly from your bank account to purchase shares. Call 1-800-432-2504 to speak to an Investor Services Professional, Monday through Friday, from 9 a.m. to 6 p.m. Eastern time.
- **By Wire.** You may wire federal funds directly to the fund's service provider, State Street Bank and Trust Company. To ensure that the purchase is credited properly, follow these wire instructions:

State Street Bank and Trust Company  
Boston, MA 02210  
Attn: Mutual Fund Services

## **Clipper Fund**

*Shareholder Name*

*Shareholder Account Number*

Federal Routing Number 011000028

DDA Number 9905-370-4

### ***Making Automatic Investments***

An easy way to increase your investment in Clipper Fund is to sign up for the Automatic Investment Plan. Under this plan, you arrange for a predetermined amount of money to be withdrawn from your bank account and invested in fund shares. The minimum amount you can invest under the plan each month is \$25. The account minimum of \$2,500 must be met prior to establishing an automatic investment plan.

Purchases can be processed electronically on any day of the month if the institution that services your bank account is a member of the Automated Clearing House (ACH) system. Each debit should be reflected on your next bank statement.

To sign up for the Automatic Investment Plan, complete the appropriate section of the Application Form or complete an Account Service Form. You can modify your Automatic Investment Plan at any time by calling Investor Services.

### **Selling Shares**

You may sell back all or part of your shares in Clipper Fund (also known as redeeming your shares) on any day that the fund is open at net asset value. You can sell the shares by mail, through a dealer, or by telephone. The minimum redemption amount is \$50, unless your account is less than \$50; in which case you must redeem the entire account.

You may sell shares in any of the following ways:

- **By Mail.** To sell shares by mail, send the request to one of the addresses below. All registered shareholders must sign the request. Redemption proceeds are usually paid to you by check within seven days after State Street Bank and Trust Company receives your proper redemption request.
  - Mail the request to:
    - Regular mail:*  
Clipper Fund  
c/o State Street Bank and Trust Company  
PO Box 55468  
Boston, MA 02205
    - Express shipping:*  
Clipper Fund  
c/o State Street Bank and Trust Company  
30 Dan Rd  
Canton, MA 02021
  - A medallion signature guarantee is required if the redemption request is:
    - for a check greater than \$100,000;
    - made payable to someone other than the registered shareholder(s);
    - sent to an address other than to the address of record or to an address of record that has been changed in the last 30 days; or
    - to a bank account not on record.

- **Through a Dealer.** When you sell shares through a dealer, you may be charged service fees or commissions for these transactions.
- **By Telephone.** Call 1-800-432-2504. You can speak directly with an Investor Services Professional, Monday through Friday, from 9 a.m. to 6 p.m. Eastern time.
  - Redemptions by check:
    - are limited to \$100,000;
    - must be mailed to the address of record that has been on the account for at least 30 days; and
    - must be made payable to the registered shareholder.
  - Redemptions via wire or ACH can only be done to a bank currently on the account.

You may redeem shares on any day that the fund is open. Redemption proceeds may be withheld until a sufficient period of time has passed for State Street Bank and Trust Company to be reasonably sure that all checks or drafts (including certified or cashier's checks) for shares purchased have cleared, normally not exceeding fifteen calendar days.

#### ***What You Need to Know Before You Sell Your Shares***

- You will always receive cash for sales that total less than \$250,000 or one percent of a fund's net asset value during any ninety-day period. Any sales above the cash limit may be paid in securities and would mean you would have to pay brokerage fees if you sold the securities.
- In certain circumstances, such as death of a shareholder or acting as power of attorney, additional documentation may be required. Please contact Investor Services at 1-800-432-2504 to determine if your situation requires such documentation.
- In the past, Clipper Fund issued certificates for its shares. If a certificate was issued for the shares you wish to sell, the certificate must be sent by certified mail to State Street Bank and Trust Company and accompanied by a letter of instruction signed by the owner(s).
- A sale may produce a gain or loss. Gains may be subject to tax.
- The Securities and Exchange Commission may suspend redemption of shares under certain emergency circumstances if the New York Stock Exchange is closed for reasons other than customary closings and holidays.

#### ***Medallion Signature Guarantee***

To protect you and Clipper Fund against fraud, certain redemption requests must be made in writing with your signature guaranteed. A medallion signature guarantee is a written endorsement from an eligible guarantor institution that the signature(s) on the written request is (are) valid. Certain commercial banks, trust companies, savings associations, credit unions and members of a United States stock exchange participate in the medallion signature guarantee program. No other form of signature verification will be accepted.

#### ***Stock Power***

This is a letter of instruction signed by the owner of fund shares that gives State Street Bank and Trust Company permission to transfer ownership of the shares to another person or group. Any transfer of ownership requires that all shareholders have their signatures medallion-guaranteed.

### ***Involuntary Redemption***

If your fund/account balance declines to less than \$2,500 as a result of a redemption or transfer, the fund will redeem your remaining shares in the fund at net asset value. You will be notified before your account is involuntarily redeemed. Telephone redemptions will receive immediate notice that the redemption will result in the entire account being redeemed upon execution of the transaction. All other redemptions will receive a letter notifying account holders that their accounts will be involuntarily redeemed unless the account balance is increased to at least \$2,500 within 30 days.

### ***Making Systematic Withdrawals***

If your fund/account balance is more than \$10,000, you can sell a predetermined dollar or percentage amount each month or quarter (for retirement accounts or IRAs, withdrawals may be established on an annual basis). Because withdrawals are sales, they may produce a gain or loss. If you purchase additional fund shares at around the same time that you make a withdrawal, you may have to pay taxes. When you participate in this plan, known as the **Systematic Withdrawal Plan**, shares are sold so that you will receive payment by one of three methods:

- You may receive a check at the address of record provided that this address has not changed for a period of at least 30 days.
- You may also choose to receive funds by ACH by completing an account service form. If you wish to execute a Systematic Withdrawal Plan by ACH after your account has been established, please complete an account service form and have your signature medallion guaranteed.
- You may have funds sent by check to a third party at an address other than the address of record. In order to do so, you must complete the appropriate section of the Application Form. If you wish to designate a third-party payee after your account has been established, you must submit a letter of instruction with a medallion signature guarantee.

You may stop systematic withdrawals at any time without charge or penalty by calling Investor Services.

### ***Wiring Sale Proceeds to Your Bank Account***

You may be eligible to have your redemption proceeds electronically transferred to a commercial bank account by federal funds wire. There is a \$5 charge by State Street Bank and Trust Company for wire service and receiving banks may also charge for this service. Proceeds of redemption by federal funds wire are usually credited to your bank account on the next business day after the sale. Alternatively, redemption through ACH will usually arrive at your bank two banking days after the sale. To have redemption proceeds sent by federal funds wire to your bank, you must first fill out the Banking Instructions section on the account application form and attach a voided check or deposit slip. If the account has already been established, an Account Service Form must be submitted with a medallion guarantee and a voided check.

### ***Frequent Purchases and Redemptions of Fund Shares***

The Clipper Fund discourages short-term or excessive trading, does not accommodate short-term or excessive trading, and intends to restrict or reject such trading or take other action if in the judgment of Davis Advisors such trading may be detrimental to the interest of a fund. Such strategies may dilute the value of fund shares held by long-term shareholders, interfere with the efficient management of the fund's portfolio, and increase brokerage and administrative costs.

The Clipper Fund's Board of Directors has adopted a 30 day restriction policy with respect to the frequent purchase and redemption of fund shares. Under the 30 day restriction any shareholder redeeming shares from a fund will be precluded from investing in the fund for 30 calendar days after the redemption

transaction. Transactions that are part of a systematic plan are excluded from this restriction. Certain financial intermediaries, such as 401(k) plan administrators, may apply purchase limitations which are different than the limitations discussed above. These limitations may be more or less restrictive than the limitations imposed by the Clipper Fund, but are designed to detect and prevent excessive trading. Shareholders should consult their financial intermediaries to determine what purchase limitations may be applicable to their transactions in the Clipper Fund through those financial intermediaries. To the extent reasonably feasible, the fund's market timing procedures apply to all shareholder accounts and neither Clipper Fund nor Davis Advisors have entered into agreements to exempt any shareholder from application of either the Clipper Fund's or a financial intermediary's market-timing procedures, as applicable.

Clipper Fund receives purchase and redemption orders from many financial intermediaries which maintain omnibus accounts with the funds. Omnibus account arrangements permit financial intermediaries to aggregate their clients' transactions and ownership positions. Shareholders seeking to engage in excessive trading practices may employ a variety of strategies to avoid detection and there can be no assurance that Clipper Fund will successfully prevent all instances of market timing.

If the Clipper Fund, at its discretion, identifies any activity that may constitute frequent trading, it reserves the right to restrict further trading activity regardless of whether the activity exceeds the fund's written guidelines. In applying this policy, the Clipper Fund reserves the right to consider the trading of multiple accounts under common ownership, control or influence to be trading out of a single account.

### **Telephone Transactions**

When you call Clipper Fund you can perform a transaction by speaking to an Investor Services Professional. You may reach an Investor Services Professional, Monday through Friday, from 9 a.m. to 6 p.m. Eastern time.

When you buy or sell shares by telephone instruction, you agree that Clipper Fund is not liable for following telephone instructions believed to be genuine (that is, directed by the account holder, registered representative or authorized trader, whose name is on file). The fund uses certain procedures to confirm that your instructions are genuine, including a request for personal identification and a tape recording of the conversation. If these procedures are not used, the fund may be liable for any loss from unauthorized instructions.

Be aware that during unusual market conditions Clipper Fund may not be able to accept all requests by telephone.

### **Internet Access**

You can use the fund's website—[www.clipperfund.com](http://www.clipperfund.com)—to review your account balance and recent transactions. Please review the fund's website for more complete information. If you do not wish to have this option activated for your account, please contact an Investor Services Professional at 1-800-432-2504, Monday through Friday, from 9 a.m. to 6 p.m.

To access your accounts, you will need your account number and your Social Security Number. You must also establish a unique and confidential Personal Identification Number (PIN). This PIN is required each time you access your Clipper Fund account online.

## **FINANCIAL HIGHLIGHTS**

This table is designed to show you the financial performance of the fund for the past five years, assuming that all dividends and capital gains have been reinvested. Some of the information reflects financial results for a single fund share. The total returns represent the rate at which an investor would have earned (or lost) money on an investment in the fund.

This information has been audited by KPMG LLP. KPMG LLP's report, along with the fund's financial statements, is included in the Annual Report, which is available upon request.

**CLIPPER FUND**  
**FINANCIAL HIGHLIGHTS**

The following financial information represents selected data for each share of capital stock outstanding throughout each period:

	<b>Year ended December 31,</b>				
	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006<sup>a</sup></b>	<b>2005</b>
Net Asset Value, Beginning of Period.....	\$ 39.98	\$ 81.00	\$ 91.98	\$ 88.18	\$ 89.68
<b><u>Income (Loss) from Investment Operations:</u></b>					
Net Investment Income .....	0.46	0.83	0.88	1.07	1.31
Net Realized and Unrealized Gains (Losses) ....	14.58	(40.99)	(0.84)	11.84	(1.52)
Total from Investment Operations.....	15.04	(40.16)	0.04	12.91	(0.21)
<b><u>Dividends and Distributions:</u></b>					
Dividends from Net Investment Income .....	(0.46)	(0.83)	(0.87)	(1.10)	(1.29)
Distributions from Realized Gains .....	-	(0.02)	(10.15)	(8.01)	-
Return of Capital.....	-	(0.01)	-	-	-
Total Dividends and Distributions.....	(0.46)	(0.86)	(11.02)	(9.11)	(1.29)
Net Asset Value, End of Period.....	<u>\$ 54.56</u>	<u>\$ 39.98</u>	<u>\$ 81.00</u>	<u>\$ 91.98</u>	<u>\$ 88.18</u>
Total Return <sup>b</sup> .....	37.60% <sup>c</sup>	(49.57)%	0.05%	15.27%	(0.24)%
<b><u>Ratios/Supplemental Data:</u></b>					
Net Assets, End of Period (in millions).....	\$ 1,162	\$ 1,084	\$ 2,781	\$ 3,428	\$ 4,006
Ratio of Expenses to Average Net Assets:					
Gross .....	0.80%	0.76%	0.69%	0.70%	1.12%
Net <sup>d</sup> .....	0.80%	0.76%	0.69%	0.62%	1.11%
Ratio of Net Investment Income to Average					
Net Assets.....	0.96%	1.21%	0.85%	1.11%	0.97%
Portfolio Turnover Rate <sup>e</sup> .....	15%	7%	25%	63%	13%

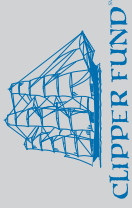
a Effective January 1, 2006, Davis Selected Advisers, L.P., assumed management of the Fund. A different investment adviser managed the Fund from inception through December 31, 2005.

b Assumes hypothetical initial investment on the business day before the first day of the fiscal period, with all dividends and distributions reinvested in additional shares on the reinvestment date, and redemption at the net asset value calculated on the last business day of the fiscal period.

c Clipper Fund received favorable class action settlements from companies that it no longer owns. These settlements contributed roughly 5% to the Fund's total return in 2009. This was a one-time event that is unlikely to be repeated.

d The Net Ratio of Expenses to Average Net Assets reflects the impact, if any, of the reduction of expenses paid indirectly and of certain reimbursements from the Adviser.

e The lesser of purchases or sales of portfolio securities for a period, divided by the monthly average of the market value of portfolio securities owned during the period. Securities with a maturity or expiration date at the time of acquisition of one year or less are excluded from the calculation.



## OBTAINING ADDITIONAL INFORMATION

Additional information about the fund's investments is available in the fund's **Annual and Semi-Annual Reports** to shareholders. In the fund's Annual Report, you will find a discussion of the market conditions and investment strategies that significantly affected the fund's performance during its last fiscal year. The **Statement of Additional Information** provides more detailed information about Clipper Fund and its management and operations. The Statement of Additional Information and the fund's Annual and Semi-Annual Reports are available, without charge, upon request.

The Clipper Fund's Statement of Additional Information and Annual Report have been filed with the Securities and Exchange Commission, are incorporated into this prospectus by reference, and are legally a part of this prospectus.

## HOW TO GET MORE INFORMATION

(Including Annual Report, Semi-Annual Report and Statement of Additional Information)

- **By Telephone.** Call Clipper Fund toll-free at **1-800-432-2504**, Monday through Friday, from 9 a.m. to 6 p.m. Eastern time. You may also call this number for account inquiries.
- **By Mail.** Write to Clipper Fund c/o State Street Bank and Trust Company, P.O. Box 55468, Boston, MA 02205-5468.
- **On the Internet.** [www.clipperfund.com](http://www.clipperfund.com).
- **From the SEC.** Additional copies of the registration statement can be obtained, for a duplicating fee, by visiting the Public Reference Room or writing the Public Reference Section of the SEC, Washington, DC 20549-1520, or by sending an electronic request to [publicinfo@sec.gov](mailto:publicinfo@sec.gov). Reports and other information about the fund are also available on the EDGAR database on the SEC website ([www.sec.gov](http://www.sec.gov)). For more information on the operations of the Public Reference Room, call 1-202-551-8090.

