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SELECTED CAPITAL PRESERVATION TRUST

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Mailing Address
*124 EAST MARCY STREET
P O BOX 1688
SANTA FE NM 87504*

Business Address
*124 EAST MARCY ST
P O BOX 1688
SANTA FE NM 87504
5059834335*

Selected Funds
P.O. Box 1688, 124 East Marcy Street
Santa Fe, New Mexico 87501

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Dear Shareholder:

Selected American Shares

The past year was marked by considerable short-term volatility in the markets but ultimately proved to be very favorable to stocks and below average for bonds. The markets' results were due in large part to mixed signals about the health of the U.S. economy. Certain economic indicators argued for an acceleration of growth and a step-up in inflation that could hurt corporate profits. Others suggested that the economy was stable and that profits would remain strong. In the end, we saw full employment with low inflation, steady growth and a shrinking budget deficit. The net result was a so-called "Goldilocks" economy - neither too fast nor too slow.

The final quarter of 1996 was exceptionally strong for U.S. stocks. The Dow Jones Industrial Average of blue-chip stocks, which had achieved record highs in the second quarter, did so again in the fourth quarter and ended the year with a gain of 28.86%, including reinvested dividends.

However, as happened generally throughout 1996, investors continued to punish the stock of any company that reported disappointing earnings, creating considerable volatility and a dichotomous market of substantial winners and losers. The uncertainty in the marketplace also drove investors to favor large-capitalization stocks, which fared better than smaller-capitalization issues. The Standard & Poor's 500 Index of large-company common stocks advanced 22.94%, compared to a rise of 14.76% for the Russell 2000 Index of small-company stocks.

Despite the markets' gyrations, we steadfastly held to our investment approach, which stresses long-term investments and creating wealth over time. As a result, Selected American Shares generated a total return of 30.74% for the twelve months ended December 31, 1996, well ahead of the 20.69% total return for the Lipper Growth and Income Fund Index. We are proud that the fund ranked in the top 3% of the 520 growth and income funds tracked by Lipper Analytical Services for the year, and the top 4% of the 329 tracked for the past three years. The Lipper Growth and Income Fund Index comprises 30 growth and income funds. An investor may not invest in this index, nor in the unmanaged S&P 500 Index. The fund ranked 11th of 520 growth and income funds for the 12-month period; 12th of 329 similar funds for the three-year period; 90th out of 212 funds for five years; and 16th of 123 funds for the 10 years ended December 31, 1996.

Investing for the Long Run

Since assuming the investment management of Selected American Shares in 1993, we have applied our distinctive investment approach to the fund. Over many years and three generations of experience in the markets, we have come to believe that the keys to successful investing, particularly in larger-capitalization stocks, include in-depth, old-fashioned research to find overlooked, undervalued companies with superior management teams; actively managing risk throughout the process; and personal commitment. The members and associates of Davis Selected Advisers are among the largest shareholders in the Selected Funds. This is one reason we ask, "How much can you lose?" before we even consider "How much can you make?" on a particular stock.

A correlation of our long-term perspective on investing is that we do not chase the quarter's fastest-rising (and often priciest) stocks and sectors. We have always been wary of such fads. Although certain industries may be more attractive than others, we believe that many great companies have come out of industries not generally considered attractive at the time of purchase. So we focus most on the company and the underlying economics and basic characteristics that will drive its price in the long run.

We also believe that great companies are created by great managers. We are less interested in quarter-to-quarter minutiae and more concerned about the fundamental dynamics of the business and the vision, drive and discipline of its management team.

Once we identify a good company, the question is: "At what price does it make sense to own this stock?" Only if the valuation makes sense will we add it to the portfolio. For Selected American Shares, we generally focus on businesses growing moderately -- between 10% and 15% per year -- that can be purchased at a price/earnings ratio of 8 to 15.

Sticking to this price discipline may prevent us from buying some "hot" stocks that may do very well. On the other hand, it should help us avoid the type of calamitous losses that, in a bear market, can wipe out an investor's hard-won gains. Our investment record has been built as much by avoiding big losses as by picking big long-term winners.

Investment Themes for This Decade and Beyond

One way we find such companies to buy is by identifying long-term investment themes that will drive the price of a stock for not just weeks or months, but many years. In 1996, our emphasis on one of these themes - the growth of financial services - contributed greatly to the fund's outstanding results.

Financial stocks have been a major investment theme at Davis Selected Advisers for most of this decade, though in truth we have been developing our competency and knowledge of this sector for decades. We view financial companies as "growth stocks in disguise" because of their potential for growth and relatively low price/earnings multiples.

Financial companies are the beneficiaries of two long-term trends: the aging of America's baby-boomers and the expansion of financial services around the world. The 76 million baby-boomers in this country have entered their peak earnings and savings years. As they prepare for retirement, this huge group is changing from consumers to savers.

One result of this turbulence in the financial sector was that the strong companies have grown stronger. We particularly like financial

companies that have succeeded in establishing strong brand identities, such as American Express, the fund's largest holding at year-end; and Travelers Inc. In addition to the strong brand name of its Smith Barney brokerage subsidiary and the well-known "red umbrella" identity of its insurance operations, Travelers has an exceptionally strong management team led by entrepreneur Sanford Weill.

Elsewhere, we think the spread of capitalism and a burgeoning middle-class are creating and will continue to create new markets and growth opportunities for financial and other companies. Among our top ten holdings at year-end was Morgan Stanley, a leading international investment banking and brokerage firm with 37 principal offices around the world.

We also own McDonald's Corp., which generates 57% of its earnings from international operations and is positioned to increase overseas business 15% to 20% per year.

In addition to financial services, we have positioned the fund to take advantage of two other areas of opportunity in underpriced stocks. The first is technology. We added several high-quality growth stocks - such as semiconductor manufacturer Intel.

The second is the resurgence of energy-related companies. After declining for more than a decade, worldwide demand and prices for oil have returned to levels that make additional exploration worthwhile. Americans are trading their compact cars for sport utility vehicles while Chinese are exchanging their bicycles for mopeds.

During the past year, we have invested about 8% of the fund's assets in energy and oil and gas stocks, stressing those of companies that survived and grew stronger during the downturn. One of our largest energy holdings is the world-class firm of Schlumberger, a provider of oil rigs and other energy exploration and development equipment. While exploration itself is a high-risk business, providing equipment and services for exploration can be a fairly stable enterprise with significant cash flows.

We remain confident that our "all-weather" investment approach will continue to serve the fund well. As shareholders of the fund ourselves, we look forward to the future with optimism, albeit tempered with the realization that the markets will rarely be as generous as they have been in the last several years.

Selected Special Shares

Large capitalization stocks outperformed smaller capitalization stocks in 1996, particularly the largest twenty-five stocks in the S & P 500 Index. With an unweighted median market capitalization of \$1.0 billion at the end of the year, Selected Special's comparative performance lagged. Fourth quarter tax selling also impacted less liquid small- and mid-cap stocks over the short-term; several have already bounced back in January. Positive contributions to the fund's performance during the year came from companies benefiting from outsourcing (Computer Sciences, Robert Half), differentiated consumer (Tiffany) and productivity-enhancing (Seachange) products, and financial services (Northern Trust, Washington Mutual). Backup in demand for electronics hurt the first half but helped the second half. Disappointing sales of satellite-delivered direct broadcasting services and a preannounced shortfall in European sales by Computer Associates in late December hurt performance in the fourth quarter. On the positive side, the fund benefitted from gains in selected initial public offerings (IPOs) such as Acceler8 Technology, Biacore, Ingram Micro and Seachange and acquisitions of Continuum by Computer Sciences, Red Lion Hotels by Doubletree, Eckerd by J.C. Penney and MFS Communications by WorldCom.

Outlook

During the fourth quarter of 1996, we laid the groundwork for positioning the portfolio for 1997. In general, we expect the overall market strength to expand to mid- and small-cap stocks as large growth companies are beginning to sell at historically high premium P/E ratios of 1.8 to 2.0 times that of both the S & P 500 Index and their own future growth rates. At the end of December, we had 82% of the dollar value of the portfolio invested in market capitalizations below \$5 billion (36% below \$1 billion). We try to buy companies at attractive valuations relative to individual company growth rates and to the overall market. Over time, we expect stock prices to move with earnings growth and we aim to structure the portfolio to have potential multiple expansion as well.

Going forward, we are focusing on companies that can benefit from globalization and brand identity. We have continued to increase our exposure to financial services and technology and are on the hunt across industries for effective users of technology. The financial services industry is an example of an industry where technology encourages economies of scale by facilitating cross-selling across massive databases which reduce processing costs. Product upgrades are driving demand for richer and faster forms of computing and new methods of communications such as the Internet are creating new operating procedures, distribution channels and businesses. Updating databases for the year 2000 is stimulating job creation as well as improved information systems. We live in an age of accelerating change which should provide numerous investment opportunities.

We look for moderate 2 to 3% economic growth in the United States in 1997 with expanding employment and continued corporate profit gains as new products and markets come on stream and companies benefit from streamlined cost structures. We expect inflation to stay in the 2 to 3% range as technology drives costs down and competition restrains price increases. Even global inflation has come down to low single digits as countries around the world move to noninflationary government policies and privatizations and benefit from the same technology- and communications- driven productivity advances and restructurings that have been occurring in the United States. With little inflation, the quality of earnings is historically high and arguably should be valued at a higher multiple. We anticipate interest rates staying in a narrow band with the 3-month U.S. Treasury bill yielding some 5%. U.S. interest rates are high compared to Germany and Japan where the economies are persistently sluggish and we expect reluctance to widen the interest spread further by raising U.S. rates.

Investment Approach

Selected Special Shares seeks to achieve long-term capital appreciation by investing in companies with above-average growth

potential as the result of such factors as growth in existing and new products and markets and opportunities for improving returns on sales and capital. Favorable fundamentals from investment spending may not be efficiently reflected in stock prices in a given one-year period, creating potentially enhanced returns. The fund invests in a diversified portfolio of companies in various industries and with various market capitalizations but with a focus on small and medium companies so that the median unweighted market capitalization of the portfolio approximates \$1 billion. Up to 25% of the fund's assets may be invested in foreign securities and, although the fund will normally be invested in equities, it may hold short-term money market or United States Government securities if market conditions warrant. Portfolio selection is largely based on primary research and is company-specific within the context of a macroeconomic and political framework.

Selected U.S. Government Income Fund

At Davis Selected Advisers, we take a middle-of-the-road, long-term approach to managing fixed-income funds that stresses risk-adjusted performance. Put another way, we look to deliver competitive results with less risk or volatility than our competitors. During the past year we continued to work to bring the Selected U.S. Government Income Fund in line with this philosophy. In the tough bond environment of 1996 it proved to be a good move. A more defensive positioning of the fund helped to generate a one-year total return of 2.85% (see page 17), well ahead of the 1.72% average total return for the 170 government bond funds tracked by Lipper Analytical Services.

Our cautious approach, which may underperform in a bull market for bonds, also offers downside protection in periods of volatility, such as the year just past. During the first half of 1996, fears of an accelerated rate of inflation drove interest rates up, forcing down bond prices. Yields on the benchmark 30-year U.S. Treasury bond rose from 5.9% to a high of 7.2% in July. During the second half, rates for long-term Treasury bonds subsided, ending the year at 6.6% as investors embraced a more benign picture of the economy and inflation.

In light of the persistent volatility in the market, we made a concerted effort to increase the variety of securities in the fund's portfolio and limit changes in the fund's net asset value. In particular, we reduced the fund's proportion of collateralized mortgage obligations (CMOs) to 28% of assets. Using CMOs served the fund well in the first half of the year. However, some CMOs are more volatile than other government bonds and may not participate in bond market rallies.

We bought callable U.S. agency notes, which accounted for 24% of net assets at the end of the period. These securities offer substantial income and may capture a greater share of the gains in a rising bond market. We also purchased a variety of mortgage pass-through certificates which tend to be more price-stable. At year-end, these represented 32% of the portfolio. This move in the long run should result in the portfolio being better insulated against bond market fluctuations and may provide more stable, predictable results.

Looking forward, we do not anticipate any major changes to the composition of the portfolio, provided the economy maintains the delicate balance of the past year or so. Absent an extraordinarily positive event (such as progress toward a balanced budget) or a negative one (perhaps a change in foreign activities that affect the purchase of U.S. bonds), we look for steady results and a continuation of our defensive posture.

Sincerely,

Robert J. Greenebaum
Chairman

Shelby M. C. Davis
President

February 10, 1997

SELECTED AMERICAN SHARES, INC.
Portfolio Holdings - At December 31, 1996
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Chart omitted. Details of chart are as follows:

Portfolio Makeup -----	% of Fund Assets -----
Common Stocks	95.9%
Preferred Stocks	2.2%
Bonds	0.7%
Cash & Cash Equivalents	1.2%

Chart omitted. Details of chart are as follows:

Sector Weightings -----	% of Portfolio -----
Manufacturing	6.2%
Transportation	3.4%
Insurance	15.1%
Real Estate	7.6%
Diversified Financial Services	15.9%
Banking	12.8%
Pharmaceuticals	4.1%
Consumer Products	4.8%
Technology	10.4%
Retail	2.8%

Energy	8.8%
Other	8.1%

<TABLE>

<CAPTION>

Top 10 Holdings

Stock	Sector	% of Fund Assets
<S>	<C>	<C>
American Express Co.	Financial	3.51%
Intel Corp.	Technology	3.18%
Travelers Group Inc.	Financial	2.90%
Wells Fargo & Co.	Bank & Savings & Loans	2.78%
Centerpoint Properties Corporation	Real Estate	2.53%
SunAmerica, Inc.	Insurance	2.51%
Philip Morris Companies	Consumer Products	2.49%
The Allstate Corp.	Insurance	2.48%
Morgan Stanley Group, Inc.	Financial	2.46%
First Bank Systems, Inc.	Bank & Savings & Loans	2.45%

</TABLE>

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SELECTED AMERICAN SHARES, INC.

Portfolio Activity - January 1, 1996 through December 31, 1996

New Positions Added (1/1/96-12/31/96)

(Highlighted Positions are those greater than 0.99% of Total Assets)

<CAPTION>

Security	Sector	Date of 1st Purchase	% of 12/31/96 Fund Assets
<S>	<C>	<C>	<C>
360 (Degree) Communications Company	Telecommunications	12/96/96	0.08%
Adobe Systems, Inc.	Technology	4/12/96	-
Airtouch Pfd C 4.25%	Telecommunications	9/12/96	0.07%
Alliance Capital	Financial	1/29/96	-
Applied Materials, Inc.	Technology	1/19/96	0.81%
Archer-Daniels-Midland Co.	Agriculture	4/30/96	0.94%
Avalon Properties, Inc.	Real Estate	1/12/96	0.20%
BankAmerica Corp.	Banks and Savings and Loans	9/12/96	1.88%
Barnett Banks, Inc.	Banks and Savings and Loans	4/15/96	0.56%
Boeing Co.	Aerospace	6/16/96	1.85%
Burlington Northern	Railroad	8/15/96	1.25%
Cali Realty Corp.	Real Estate	8/7/96	0.25%
Citicorp	Banks and Savings and Loans	1/9/96	2.28%
Cooper Cameron Corp.	Energy	10/17/96	0.97%
Delta Air Lines, Inc.	Airlines	7/11/96	-
Devon Financing Trust	Oil & Gas	12/2/96	0.71%
Eli Lilly & Co.	Pharmaceutical and Health Care	10/14/96	0.55%
Falcon Drilling Company	Energy	12/10/96	0.13%
General Motors Class H	Automobiles	9/20/96	0.61%
Guinness PLC	Beverages	3/6/96	-
Halliburton Co.	Energy	7/2/96	1.72%
Host Marriott Services Corp.	Real Estate	1/2/96	-
International Business Machines	Technology	10/2/96	2.29%
Kimberly-Clark Corporation	Paper Products	4/16/96	0.48%
Komag Inc.	Technology	8/27/96	0.82%
Martin Marietta Material	Building Materials	10/7/96	1.18%
Masco Corporation	Building Materials	11/20/96	0.86%
Merck & Co., Inc.	Pharmaceutical and Health Care	2/22/96	0.46%
NAC Re Corp.	Insurance	4/22/96	-
Noble Affiliates, Inc.	Energy	1/19/96	0.71%
Noble Affiliates, Inc., Conv. Sub. Note, 4.25%, 11/1/03	Energy	2/5/96	-
Noble DrillingEnergy6/26/960.54%			
Novellus Systems, Inc.	Technology	3/25/96	0.84%
NUI Corp.	Utilities	5/20/96	-
Patriot American Hospitality	Real Estate	7/23/96	0.09%
Philip Morris Companies	Consumer Products	10/28/96	2.44%
Schlumberger Ltd.	Energy	2/29/96	1.52%
Signet Banking Corp.	Banks and Savings and Loans	3/21/96	-
Sizeler Property Investors Inc.	Real Estate	3/20/96	0.19%
Smith International	Energy	9/12/96	0.32%

<TABLE>

SELECTED AMERICAN SHARES, INC.

Portfolio Activity - January 1, 1996 through December 31, 1996

New Positions Added (1/1/96-12/31/96) - Continued

(Highlighted Positions are those greater than 0.99% of Total Assets)

<CAPTION>

Security	Sector	Date of 1st Purchase	% of 12/31/96 Fund Assets
<S>	<C>	<C>	<C>
State Street Boston Corp.	Banks and Savings and Loans	7/17/96	0.84%
Transatlantic Holdings	Insurance	10/28/96	0.76%
Travelers/Aetna Property Casualty Corp. Class A	Insurance	4/22/96	-
Union Pacific Corp.	RailRoad	2/6/96	0.83%
Union Pacific Resources	Energy	10/16/96	0.18%
Unocal Corp.	Energy	5/16/96	-

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<TABLE>

Positions Closed (1/1/96-12/31/96) (Gains and losses greater than \$3 million are highlighted)

<CAPTION>

Security	Sector	Date of Final Sale	Gain/(Loss)
<S>	<C>	<C>	<C>
Adobe Systems, Inc.	Technology	7/24/96	(2,038,617)
Alliance Capital	Financial	5/15/96	71,893
Amerada Hess Corp.	Energy	7/11/96	712,074

Amoco Corp.	Energy	3/1/96	137,843
AMR Corp.	Airlines	6/25/96	733,658
Coca Cola Company	Food/Beverage & Restaurant	12/20/96	15,497,027
Delta Air Lines, Inc., Depository Shares, \$3.50, Ser. C Conv. Pfd.	Airlines	9/11/96	280,507
Equifax, Inc.	Financial	4/16/96	1,323,083
Guinness PLC ORD	Beverages	12/16/96	10,328
Home Depot, Inc.	Retail	10/2/96	998,775
Host Marriott Corp.	Real Estate	11/20/96	4,912,314
Host Marriott Services Corp.	Real Estate	3/21/96	31,663
MCI Communications Corp.	Telecommunications	11/12/96	5,125,935
Merry Land & Investment Co., Inc.	Real Estate	6/24/96	31,776
Mid-America Apartment Communities, Inc.	Real Estate	9/16/96	(37,330)
MidAmerica Energy Co.	Utilities	3/14/96	1,051,413
Mitsubishi Bank Ltd., 3.00%, 11/30/02	Banks and Savings and Loans	12/16/96	48,875
NAC Re Corp.	Insurance	10/7/96	124,726
National Re Corp.	Insurance	9/20/96	8,647,625
Northern Trust Corp.	Banks and Savings and Loans	5/8/96	2,295,292
Norwest Corp.	Banks and Savings and Loans	1/15/96	122,885
NUI Corp.	Utilities	8/8/96	(10,705)
Panenergy Corp.	Energy	11/27/96	5,678,444
Risk Captial Holdings, Inc.	Insurance	11/19/96	(1,235,000)
Salomon Inc. - Hewlett-Packard Company, ELK, 5.25%, 01/01/97	Electronics	5/1/96	2,091,737
The Segrams Co. Ltd.	Consumer Products	12/2/96	489,525
Security Capital Industrial Trust, 7.00%, Ser. B Cum. Conv. Pfd.	Real Estate	11/20/96	11,785

SELECTED AMERICAN SHARES, INC.

Portfolio Activity - January 1, 1996 through December 31, 1996

Positions Closed (1/1/96-12/31/96) (Gains and losses greater than \$3 million are highlighted) - Continued

Security	Sector	Date of Final Sale	Gain/(Loss)
Signet Banking Corp.	Banks and Savings and Loans	6/27/96	(100,822)
Sovran Self Storage Inc.	Real Estate	7/26/96	80,995
Storage USA, Inc.	Real Estate	8/16/96	283,859
Tandy Corp.	Retail	4/17/96	5,849
Texaco Inc.	Energy	3/1/96	811,201
Texas Instruments, Inc.	Electronics	6/5/96	4,802,496
Transport Holdings, Inc., Class A	Insurance	11/20/96	101,596
Travelers/Aetna Property Casualty Corp. Class A	Insurance	5/7/96	62,020
Tyson Foods, Inc., Class A	Food/Beverage & Restaurant	11/15/96	2,009,336
Union Camp Corp.	Paper Products	3/18/96	(1,991,067)
Unocal Corp.	Energy	10/22/96	169,524
Unocal Corp., 3.50%, Conv. Pfd.	Energy	10/22/96	199,600
UNUM Corp.	Insurance	12/16/96	1,418,632
Weyerhaeuser Co.	Timber Products	3/4/96	(18,137)

SELECTED AMERICAN SHARES, INC.

Comparison of Selected American Shares, Inc. and Standard & Poor's 500 Stock Index

Average Annual Total Return For the Periods ended December 31, 1996.

One Year.....	30.74%
Five Years.....	14.26%
Ten Years.....	14.92%

\$10,000 invested over ten years. Let's say you invested \$10,000 in Selected American Shares ("SAS") on December 31, 1986. As the chart below shows, by December 31, 1996 the value of your investment would have grown to \$40,229 - a 302.29% increase on your initial investment. For comparison, the Standard & Poor's 500 Stock Index is also presented on the chart below.

Graph omitted- details of graph are as follows:

Measurement period	Selected American Shares, Inc.	S&P 500 Index
FYE 12/31/86	10,000	10,000
FYE 12/31/87	10,023	10,518
FYE 12/31/88	12,230	12,254
FYE 12/31/89	14,685	16,123
FYE 12/31/90	14,112	15,622
FYE 12/31/91	20,640	20,361
FYE 12/31/92	21,835	21,910
FYE 12/31/93	23,019	24,104
FYE 12/31/94	22,283	24,431
FYE 12/31/95	30,771	33,580
FYE 12/31/96	40,229	41,269

Standard & Poor's is an unmanaged index which has no specific investment objective. Investments cannot be made directly into the index. The index used includes net dividends reinvested.

The performance data for Selected American Shares contained in this report represents past performance and assumes that all distributions were reinvested, and should not be considered as an indication of future performance from an investment of the Fund today. The investment return and principal value will fluctuate so that shares may be worth more or less than their original cost when redeemed.

SELECTED SPECIAL SHARES, INC.

Portfolio Holdings - At December 31, 1996

Chart omitted. Details of chart are as follows:

Portfolio Makeup	% of Fund Assets
-----	-----

Common Stocks 98.0%
Cash & Cash Equivalents 2.0%

Chart omitted. Details of chart are as follows:

Sector Weightings	% of Portfolio
Electronics	6.7%
Insurance	4.2%
Communications	6.0%
Healthcare	5.4%
Diversified Financial Services	13.9%
Industrial Products	6.9%
Services	10.9%
Energy	3.6%
Information Processing	16.8%
Entertainment/Leisure Time	4.8%
Retail	11.9%
Other	8.9%

<TABLE>
<CAPTION>

Top 10 Holdings	Sector	% of Fund Assets
Stock		
<S>	<C>	<C>
Computer Sciences Corporation	Information Processing - Services	3.95%
Washington Mutual, Inc.	Financial Services	3.12%
Regal Cinemas, Inc.	Entertainment/Leisure Time	2.98%
Tiffany & Co.	Retailing	2.93%
Northern Trust Company	Financial Services	2.90%
Interim Services, Inc.	Services - Temporary Help	2.56%
Robert Half International, Inc.	Services - Temporary Help	2.53%
W.R. Berkley Corporation	Insurance	2.48%
Computer Associates International, Inc.	Information Processing -Software	2.39%
MFS Communications Company, Inc.	Communications	2.18%

</TABLE>

<TABLE>
SELECTED SPECIAL SHARES, INC.
Portfolio Activity - January 1, 1996 through December 31, 1996

New Positions Added (1/1/96-12/31/96)
(Highlighted Positions are those greater than 0.99% of Total Assets)

Security	Sector	Date of 1st Purchase	% of 12/31/96 Fund Assets
<S>	<C>	<C>	<C>
Acceler8 Technology Processing -Software11/19/96.33%	Information		
Affinity Technology Group, Inc.	Information Processing -Software	4/25/96	0.22%
Alkermes, Inc.	Healthcare	10/30/96	0.74%
Allstate Corporation	Insurance	1/18/96	-
America Online, Inc.	Technology	1/23/96	-
American Express Co.	Financial Services	11/6/96	1.81%
APAC Teleservices, Inc.	Information Processing -Services	12/13/96	1.23%
Automatic Data Processing, Inc.	Information Processing -Services	3/14/96	0.69%
Barnett Business Systems, Inc.	Services - Temporary Help	7/2/96	0.98%
Biacore International, AB - ADS	Healthcare	11/26/96	1.25%
Billing Information Concepts Corporation	Information Processing -Services	9/24/96	0.92%
BioChem Pharmaceuticals, Inc.	Healthcare	5/21/96	1.21%
Black Box Corporation	Electronics	12/12/96	0.99%
C-Cube Microsystems, Inc.	Technology	5/13/96	-
Carbo Ceramics, Inc.	Energy	4/22/96	0.50%
Cardiothoractic Systems, Inc.	Healthcare	4/18/96	0.44%
Children's Comprehensive Services, Inc.	Services -Education	8/15/96	0.53%
Claremont Technology Group, Inc.	Information Processing -Services	11/12/96	1.26%
Computer Associates International, Inc.	Information Processing -Software	10/10/96	2.39%
Computer Sciences Corporation	Information Processing -Services	7/23/96	3.95%
Conducts, Inc.	Communications	5/3/96	0.10%
Continuum Company, Inc.	Information Processing -Services	1/11/96	-
CYTC Corporation	Healthcare	12/16/96	0.65%
Data Processing	Information Technology Specialty Staffing Services	3/5/96	-
Dell Computer Corporation	Information Processing - Office Equipment	12/20/96	1.11%
Diamond Offshore Drilling, Inc.	Energy	5/20/96	1.42%
Donna Karan International, Inc.	Apparel	7/1/96	-
Doubletree Corp.	Lodging	11/11/96	-
Employee Solutions, Inc.	Services - Temporary Help	7/9/96	0.66%
Engineering Animation	Technology	2/28/96	-
Fastenal Company	Industrial Products	10/16/96	1.10%
Garden Botanika, Inc.	Retailing	5/21/96	-
Gargoyles, Inc.	Apparel	9/26/96	-
Global Marine, Inc.	Energy	12/20/96	0.66%
Guidant Corp.	Healthcare	10/14/96	-
Harmen International Industries	Entertainment	5/15/96	-
Hyperion Software Corp.	Information Processing -Services	2/7/96	-
Informix Corp.	Information Processing - Software	1/30/96	-
Ingram Micro, Inc.	Electronics	10/31/96	0.92%

SELECTED SPECIAL SHARES, INC.
Portfolio Activity - January 1, 1996 through December 31, 1996

New Positions Added (1/1/96-12/31/96) - Continued
(Highlighted Positions are those greater than 0.99% of Total Assets)

Security	Sector	Date of 1st Purchase	% of 12/31/96 Fund Assets
Input/Output, Inc.	Energy	7/23/96	0.44%
Intel Corporation	Electronics	10/24/96	2.10%

Company Name	Industry	Date	Gain/(Loss)
International Business Machines	Information Processing - Office Equipment	11/12/96	1.69%
Kent Electronics Corporation	Electronics	12/10/96	1.24%
Labor Ready, Inc.	Services - Temporary Help	6/13/96	0.76%
Landry's Seafood Restaurants, Inc.	Restaurants	5/29/96	1.03%
Lear Corporation	Automotive/Heavy Equipment	7/9/96	1.64%
Loehmann's, Inc.	Retailing	9/12/96	1.11%
Loral Space & Communications Ltd.	Communications	4/25/96	1.18%
Lucent Technologies, Inc.	Communications	11/14/96	0.74%
Manpower, Inc.	Services - Temporary Help	7/10/96	-
MFS Communications Company, Inc.	Communications	4/29/96	2.18%
MSB Bancorp, Inc.	Financial Services	1/5/96	0.47%
Mycogen Corporation	Biotechnology	2/12/96	-
Neurex Corporation	Healthcare	4/30/96	0.97%
Nike Inc.	Apparel	11/1/96	0.48%
Office Depot Inc.	Retailing	1/24/96	-
OzEmail Ltd. - ADS	Communications	5/28/96	0.61%
Park Electrochemical Corp.	Industrial Products	4/12/96	-
Paychex, Inc.	Information Processing - Services	6/27/96	1.24%
PFTsMart, Inc.	Retailing	6/27/96	1.23%
Premier Parks Inc.	Resorts/Theme parks	5/29/96	-
Quality Dining, Inc.	Restaurants	6/21/96	-
The Registry, Inc.	Services - Temporary Help	6/5/96	0.78%
RMH Teleservices	Outbound Teleservices	9/18/96	-
Rockshox, Inc.	Entertainment/Leisure Time	12/2/96	0.81%
Rowan Companies, Inc.	Energy	12/24/96	0.54%
Sak's Holdings, Inc.	Retailing	7/8/96	0.86%
SAP AG	Information Processing	8/9/96	-
Seachange International, Inc.	Information Processing -Software	11/4/96	1.02%
Solectron Corporation	Electronics	12/10/96	1.32%
Staples, Inc.	Retailing	9/5/96	-
Steinway Musical Instruments	Household Products	8/1/96	-
Studio Plus Hotels, Inc.	Lodging	11/5/96	0.25%
Suburban Lodges of America	Lodging	5/22/96	-
ThermoLase Corporation	Technology	3/15/96	-
ThermoQuest Corporation	Industrial Products	3/19/96	1.05%
U.S. Satellite Broadcasting Company	Communications	1/31/96	-
UroCor, Inc.	Healthcare	5/16/96	-
USCS International, Inc.	Information Processing -Services	6/20/96	0.41%
Viking Office Products, Inc.	Retailing	9/11/96	0.43%

<TABLE>

SELECTED SPECIAL SHARES, INC.

Portfolio Activity - January 1, 1996 through December 31, 1996

Positions Closed (1/1/96-12/31/96)
(Gains and losses greater than \$500,000 are highlighted)

Company Name	Sector	Date of Final Sale	Gain/(Loss)
Alex Brown, Inc.	Financial Services	2/29/96	465,419
Allstate Corporation	Insurance	3/28/96	27,420
America Online, Inc.	Technology	2/27/96	85,236
Analog Devices, Inc.	Technology -Semiconductors/Equipment	3/25/96	220,925
Applied Materials, Inc.	Technology -Semiconductors/Equipment	3/28/96	280,438
AVX Corp.	Industrial Products	6/17/96	(543,057)
Ballard Medical Products	Healthcare Products	7/31/96	61,459
C-Cube Microsystems, Inc.	Technology	10/22/96	(452,444)
C.P. Clare Corporation	Industrial Products	9/10/96	(192,244)
Case Corporation	Automotive/Heavy Equipment	6/27/96	(23,426)
Ciber, Inc.	Information Processing - Services	1/23/96	83
Danka Business Systems PLC - ADR	Information Processing - Office Equipment	1/3/96	15,885
Data Processing	Information Technology Specialty Staffing Services	3/8/96	6,250
Donna Karan International, Inc.	Apparel	9/19/96	(216,959)
Doubletree Corp.	Lodging	12/3/96	5,808
Dow Jones & Company, Inc.	Financial Services	5/16/96	(8,663)
DST Systems, Inc.	Information Processing - Services	11/7/96	121,301
Engineering Animation	Technology	2/29/96	3,750
First Data Corporation	Information Processing - Services	3/28/96	154,928
Fritz Companies, Inc.	Transportation	2/6/96	875,756
Fusion Systems Corporation	Technology -Semiconductors/Equipment	7/29/96	(350,833)
Garden Botanika, Inc.	Retailing	5/22/96	12,000
Gargoyles, Inc.	Apparel	10/8/96	2,188
Gaylord Entertainment Company	Entertainment	11/29/96	59,715
General Motors Corporation, Class E	Information Processing -Services	3/28/96	120,031
Guidant Corp.	Healthcare	11/12/96	56,534
Harmen International Industries	Entertainment	12/19/96	122,852
Heathsource, Inc.	Healthcare Services	1/15/96	116,102
Hyperion Software Corp.	Information Processing - Services	3/1/96	17,344
Infinity Broadcasting Corporation	Communications	6/10/96	160,036
Informix Corp.	Information Processing - Software	10/18/96	(112,344)
Kansas City Southern Industries, Inc.	Transportation	7/17/96	(46,812)
KEMET Corporation	Industrial Products	6/13/96	(347,793)
Kennametal, Inc.	Industrial Products	11/4/96	1,219
KLA Instruments Corporation	Technology -Semiconductors/Equipment	1/3/96	(33,750)
Lam Research Corporation	Technology -Semiconductors/Equipment	6/12/96	(89,199)
Loral Corporation	Technology - Other	4/25/96	1,293,713
LSI Logic Corporation	Technology -Semiconductors/Equipment	3/7/96	(83,132)
Manpower, Inc.	Services - Temporary Help	10/23/96	(150,153)
Markel Corporation	Insurance	2/5/96	360,813
Merck & Company, Inc.	Healthcare Products	3/28/96	236,469

<TABLE>

SELECTED SPECIAL SHARES, INC.

Portfolio Activity - January 1, 1996 through December 31, 1996

Positions Closed (1/1/96-12/31/96)
(Gains and losses greater than \$500,000 are highlighted)

Company Name	Sector	Date of Final Sale	Gain/(Loss)
Micros Systems, Inc.	Lodging	12/5/96	(222,809)
Microwave Power Devices, Inc.	Communications	2/16/96	1,250

Mineral Technologies, Inc.	Industrial Products	3/4/96	(85,488)
Mycogen Corporation	Biotechnology	3/25/96	(9,375)
Nokia Corp. - ADR	Communications	1/18/96	(11,212)
Oakley, Inc.	Apparel	11/18/96	44,064
Office Depot Inc.	Retailing	2/13/96	(23,754)
OfficeMax, Inc.	Retailing	11/21/96	150,458
PairGain Technologies, Inc.	Communications	3/13/96	570,530
Park Electrochemical Corp.	Industrial Products	6/18/96	(135,430)
Pepsi Cola Puerto Rico Bottling Company	Food & Beverage	5/23/96	(29,767)
Pixar, Inc.	Entertainment	11/25/96	(171,460)
Premier Parks Inc.	Resorts/Theme parks	6/18/96	7,200
Quality Dining, Inc.	Restaurants	7/31/96	1,000
Red Lion Hotels, Inc.	Lodging	11/11/96	1,000,983
RMH Teleservices	Outbound Teleservices	9/30/96	3,250
SAP AG	Information Processing	12/11/96	(33,750)
Sola International, Inc.	Apparel	12/5/96	404,257
Sonoco Products Company	Packaging	11/5/96	160,388
Staples, Inc.	Retailing	10/28/96	4,413
Steinway Musical Instruments	Household Products	10/3/96	(25,189)
StrataCom, Inc.	Communications	3/13/96	178,374
Suburban Lodges of America	Lodging	6/10/96	4,375
Sunglass Hut International	Retailing	11/15/96	(414,344)
Talbots, Inc.	(The)Retailing	3/13/96	(39,291)
Tencor Instruments	Technology-Semiconductors/Equipment	6/12/96	(25,974)
Thermo Electron Corporation	Technology - Other	11/26/96	1,006,391
ThermoLase Corporation	Technology	10/23/96	(109,817)
U.S. Satellite Broadcasting Company	Communications	12/19/96	(736,963)
Universal Stainless & Alloy Products, Inc.	Metals	1/29/96	65,125
UroCor, Inc.	Healthcare	10/22/96	13,000
Vishay Intertechnology Group, Inc.	Industrial Products	3/25/96	(218,120)
Waters Corporation	Industrial Products	8/12/96	495,906
Worldcom, Inc.	Communications	7/16/96	450,312

</TABLE>

SELECTED SPECIAL SHARES, INC.
Comparison of Selected Special Shares, Inc. and
Standard & Poor's 500 Stock Index

Average Annual Total Return For the Periods ended December 31, 1996.

One Year.....	11.86%
Five Years.....	11.95%
Ten Years.....	12.27%

\$10,000 invested over ten years. Let's say you invested \$10,000 in Selected Special Shares ("SSS") on December 31, 1986. As the chart below shows, by December 31, 1996 the value of your investment would have grown to \$31,837 - a 218.37% increase on your initial investment. For comparison, the Standard & Poor's 500 Stock Index is also presented on the chart below.

Graph omitted- details of graph are as follows:

Measurement period	Selected Special Shares, Inc.	S&P 500 Index
FYE 12/31/86	10,000	10,000
FYE 12/31/87	10,045	10,518
FYE 12/31/88	12,010	12,254
FYE 12/31/89	15,483	16,123
FYE 12/31/90	14,419	15,622
FYE 12/31/91	18,101	20,361
FYE 12/31/92	19,627	21,910
FYE 12/31/93	21,737	24,104
FYE 12/31/94	21,202	24,431
FYE 12/31/95	28,461	33,580
FYE 12/31/96	31,837	41,269

Standard & Poor's is an unmanaged index which has no specific investment objective. Investments cannot be made directly into the index. The index used includes net dividends reinvested.

The performance data for Selected Special Shares contained in this report represents past performance and assumes that all distributions were reinvested, and should not be considered as an indication of future performance from an investment of the Fund today. The investment return and principal value will fluctuate so that shares may be worth more or less than their original cost when redeemed.

Selected U.S. Government Income Fund
Comparison of U.S. Government Income Fund and the Lehman Brothers Intermediate Term U.S. Treasury Securities Index

Average Annual Total Return For the Periods ended December 31, 1996.

One Year.....	2.85%
Five Years.....	5.66%
Life of Fund.....	6.83%

\$10,000 invested over the life of the Fund. Let's say you invested \$10,000 in U.S. Government Income Fund ("SUSGIF") on November 24, 1987 (inception of the Fund). As the chart below shows, by December 31, 1996 the value of your investment would have grown to \$18,218 - an 82.18% increase on your initial investment. For comparison, the Lehman Brothers Intermediate Term U.S. Treasury Securities Index is also presented on the chart below.

Graph omitted- details of graph are as follows:

Measurement period	Selected U.S. Government Income Fund	Lehman Brothers Treasury Securities Intermediate Term U.S. Index
FYE 11/24/87	10,000	10,000

FYE 12/31/87	10,104	10,132
FYE 12/31/88	10,407	10,781
FYE 12/31/89	11,291	12,148
FYE 12/31/90	12,253	13,309
FYE 12/31/91	13,856	15,191
FYE 12/31/92	14,580	16,250
FYE 12/31/93	15,773	17,592
FYE 12/31/94	15,340	17,231
FYE 12/31/95	17,796	19,727
FYE 12/31/96	18,218	20,510

The Lehman Brothers Intermediate Term U.S. Treasury Securities Index is an unmanaged index which has no specific investment objective. Investments cannot be made directly into the index.

The performance data for Selected U.S. Government Income Fund contained in this report represents past performance and assumes that all distributions were reinvested, and should not be considered as an indication of future performance from an investment of the Fund today. The investment return and principal value will fluctuate so that shares may be worth more or less than their original cost when redeemed.

<TABLE>
 SELECTED FUNDS
 SCHEDULE OF INVESTMENTS At December 31, 1996
 SELECTED AMERICAN SHARES, INC.

<CAPTION>

SHARES		VALUE (NOTE 1)
=====		
COMMON STOCK - (95.85%)		
AEROSPACE - (1.85%)		
<S>	<C>	<C>
240,000	Boeing Co.....	\$ 25,530,000

AGRICULTURE - (0.95%)		
592,500	Archer-Daniels-Midland Co.....	13,035,000

AUTOMOBILES - (2.53%)		
475,000	General Motors Corp.....	26,481,250
150,000	General Motors Class H.....	8,437,500

34,918,750		

BANKS AND SAVING AND LOAN ASSOCIATIONS - (12.26%)		
217,500	Banc One Corp.....	9,352,500
260,000	Bankamerica Corp.....	25,935,000
188,680	Barnett Banks, Inc.....	7,759,465
305,465	Citicorp.....	31,462,895
488,434	First Bank Systems, Inc.....	33,335,621
183,800	Golden West Financial Corp.....	11,602,375
179,700	State Street Boston Corp.....	11,590,650
140,000	Wells Fargo & Co.....	37,765,000

168,803,506		

BUILDING MATERIALS - (2.06%)		
700,600	Martin Marietta Material.....	16,288,950
330,000	Masco Corporation.....	11,880,000

28,168,950		

CONSUMER PRODUCTS - (3.30%)		
150,000	The Gillette Co.....	11,662,500
300,000	Phillip Morris Companies.....	33,787,500

45,450,000		

ENERGY - (8.41%)		
625,000	Burlington Resources, Inc.....	31,484,375
175,000	Cooper Cameron Corp.<Fl>.....	13,387,500
45,900	Falcon Drilling Company<Fl>.....	1,801,575
395,000	Halliburton Co.....	23,798,750
205,985	Noble Affiliates, Inc.....	9,861,532
375,000	Noble Drilling Corp.<Fl>.....	7,453,125
210,000	Schlumberger Ltd.....	20,973,750
100,000	Smith International<Fl>.....	4,487,500
84,694	Union Pacific Resources.....	2,477,300

115,725,407		

ENTERTAINMENT - (0.89%)		
175,000	The Walt Disney Co.....	12,184,375

SELECTED FUNDS
 SCHEDULE OF INVESTMENTS At December 31, 1996
 SELECTED AMERICAN SHARES, INC. - Continued

SHARES		VALUE (NOTE 1)
=====		
COMMON STOCK - Continued		
FINANCIAL - (15.24%)		
845,000	American Express Co.....	\$ 47,742,500
329,831	Dean Witter, Discover & Co.....	21,851,304
390,700	Donaldson, Lufkin & Jenrette, Inc.....	14,065,200

275,000	Federal Home Loan Mortgage Corp.....	30,284,375
235,000	J.P. Morgan & Co., Inc.....	22,941,875
585,800	Morgan Stanley Group Inc.....	33,463,825
867,889	Travelers Group Inc.....	39,380,463

209,729,542		

FOOD/BEVERAGE & RESTAURANT _ (1.95%)		
595,000	McDonald's Corp.....	26,923,750

INSURANCE - (14.45%)		
582,514	The Allstate Corp.....	33,712,998
225,000	American International Group, Inc.....	24,356,250

348,000	W.R. Berkley Corp.....	17,661,000
450,400	Chubb Corp.....	24,209,000
500,000	Equitable Companies Inc.....	12,312,500
170,200	General Re Corp.....	26,849,050
225,000	Progressive Corp. (Ohio).....	15,159,375
769,904	SunAmerica, Inc.....	34,164,490
130,000	Transatlantic Holdings.....	10,465,000

		198,889,663

PAPER PRODUCTS - (1.63%)		
415,200	Fort Howard Corp.<F1>.....	11,495,850
264,500	Jefferson Smurfit Corporation<F1>.....	4,248,531
70,000	Kimberly-Clark Corp.....	6,667,500

		22,411,881

PHARMACEUTICAL AND HEALTH CARE - (3.91%)		
300,000	Johnson & Johnson.....	14,925,000
105,000	Lilly Eli & Co.....	7,665,000
80,000	Merck & Co., Inc.....	6,340,000
300,000	Pfizer Inc.....	24,862,500

		53,792,500

PHOTOGRAPHIC - (1.32%)		
227,000	Eastman Kodak Co.....	18,216,750

PUBLISHING - (2.72%)		
236,200	Gannett Co., Inc.....	17,685,475
250,000	Tribune Co.....	19,718,750

		37,404,225

SELECTED FUNDS		
SCHEDULE OF INVESTMENTS At December 31, 1996		
SELECTED AMERICAN SHARES, INC. - Continued		
		VALUE
		(NOTE 1)
=====		
SHARES		
=====		
COMMON STOCK - Continued		
=====		
RAILROAD - (3.24%)		
200,000	Burlington Northern.....	\$ 17,275,000
500,400	Illinois Central Corp.....	16,012,800
190,000	Union Pacific Corp.....	11,423,750

		44,711,550

REAL ESTATE - (7.24%)		
94,100	Avalon Properties, Inc.....	2,705,375
77,000	Bay Apartment Communities, Inc.....	2,772,000
110,000	Cali Realty Corp.....	3,396,250
112,500	Capstead Mortgage Corp.....	2,700,000
1,051,194	Centerpoint Properties Corporation.....	34,426,604
91,500	Federal Realty Investment Trust.....	2,481,938
150,000	Kimco Realty Corp.....	5,231,250
27,300	Patriot American Hospitality.....	1,177,313
157,500	Public Storage, Inc.....	4,882,500
272,500	Saul Centers, Inc.....	4,325,938
270,500	Sizeler Property Investors Inc.....	2,603,563
406,900	Vornado Realty Trust.....	21,362,250
287,300	Weingarten Realty Investors.....	11,671,563

		99,736,544

RETAIL - (0.69%)		
205,000	Harcourt General, Inc.....	9,455,625

TECHNOLOGY - (9.93%)		
310,000	Applied Materials, Inc.<F1>.....	11,140,625
548,000	Hewlett-Packard Co.....	27,537,000
330,000	Intel Corp.....	43,209,375
210,000	International Business Machines.....	31,710,000
420,000	Komag Inc.<F1>.....	11,392,500
215,000	Novellus Systems, Inc.<F1>.....	11,650,313

		136,639,813

TELECOMMUNICATIONS - (1.28%)		
653,000	AirTouch Communications, Inc.<F1>.....	16,488,250
50,000	360 (Degree) Communications Company<F1>.....	1,156,250

		17,644,500

	Total Common Stock - (identified cost \$883,379,397).....	1,319,372,331

SELECTED FUNDS
SCHEDULE OF INVESTMENTS At December 31, 1996
SELECTED AMERICAN SHARES, INC. - Continued

		VALUE
		(NOTE 1)
=====		
SHARES/PRINCIPAL		
=====		
CONVERTIBLE PREFERRED STOCK - (2.24%)		
20,600	AirTouch Communications, Inc.....	\$ 932,150
50,000	0Banc One Pfd., \$3.50, Ser. C Conv. Pfd.....	4,150,000
150,000	Devon Financing Trust.....	9,881,250
899,000	The News Corp. Ltd., Sponsored ADR Pfd.....	15,844,871

	Total Convertible Preferred Stock - (identified cost \$28,900,860).....	30,808,271

CONVERTIBLE BONDS - (0.69%)		
\$ 4,000,000	Chevron Corp., Exchangeable Sr. Deb., 6.50%, 01/15/03.....	6,020,000
3,000,000	Equitable Companies Inc., 6.125%, 12/15/24.....	3,420,000

	Total Convertible Bonds - (identified cost \$8,115,000).....	9,440,000

SHORT TERM - (0.91%)		
12,605,000	State Street Bank and Trust Company Repurchase Agreement, 5.50%, 01/02/97, dated 12/31/96, repurchased value of \$12,608,852 (collateralized by \$12,860,000)	

par value U.S. Treasury Notes, 4.75%, 08/31/98, market value \$12,860,917)
 - (identified cost \$12,605,000)..... 12,605,000

TOTAL INVESTMENTS - (99.69%) - (identified cost \$933,000,257) - <F2>..... 1,372,225,602
 OTHER ASSETS LESS LIABILITIES_ (0.31%)..... 4,240,536
 NET ASSETS _ (100%)..... \$1,376,466,138

<FN>
 <F1> Non-Income Producing Security
 <F2> Aggregate cost for Federal Income Tax purposes is \$933,000,257. At December 31, 1996
 unrealized appreciation (depreciation) of securities for Federal Income Tax purposes
 is as follows:

Unrealized appreciation..... \$ 442,517,076
 Unrealized depreciation..... (3,291,731)
 Net unrealized appreciation..... \$ 439,225,345

</FN>
 </TABLE>

See Notes to Financial Statements.

<TABLE>
 SELECTED FUNDS
 SCHEDULE OF INVESTMENTS At December 31, 1996
 SELECTED SPECIAL SHARES, INC.

<CAPTION>

SHARES	VALUE (NOTE 1)
=====	
COMMON STOCK - (97.97%)	
APPAREL - (1.13%)	
<S>	<C>
35,000 Cutter & Buck, Inc.<F1>.....	\$ 406,875
5,000 Nike Inc.....	298,750

	705,625
AUTOMOTIVE/HEAVY EQUIPMENT - (1.64%)	
30,000 Lear Corporation<F1>.....	1,023,750
CHEMICALS - (2.08%)	
48,000 OM Group, Inc.....	1,296,000
COMMUNICATIONS - (5.84%)	
10,000 Cisco Systems, Inc.<F1>.....	636,250
10,000 Conductus, Inc.<F1>.....	65,000
40,000 Loral Space & Communications Ltd.<F1>.....	735,000
10,000 Lucent Technologies, Inc.....	462,500
25,000 MFS Communications Company, Inc.<F1>.....	1,362,500
45,000 OzEmail Ltd. <F1> - ADS.....	382,500

	3,643,750
ELECTRONICS - (6.56%)	
15,000 Black Box Corporation<F1>.....	618,750
25,000 Ingram Micro, Inc.<F1>.....	575,000
10,000 Intel Corporation.....	1,309,375
30,000 Kent Electronics Corporation <F1>.....	772,500
15,400 Selectron Corporation<F1>.....	821,975

	4,097,600
ENERGY - (3.57%)	
15,000 Carbo Ceramics, Inc.....	315,000
15,500 Diamond Offshore Drilling, Inc. <F1>.....	883,500
20,000 Global Marine, Inc.<F1>.....	412,500
15,000 Input/Output, Inc.<F1>.....	277,500
15,000 Rowan Companies, Inc.<F1>.....	339,375

	2,227,875
ENTERTAINMENT/LEISURE TIME - (4.71%)	
22,000 Cinar Films, Inc., Class B<F1>.....	572,000
60,500 Regal Cinemas, Inc.<F1>.....	1,860,375
35,000 Rockshox, Inc.<F1>.....	507,500

	2,939,875
FINANCIAL SERVICES - (13.60%)	
20,000 American Express Co.....	1,130,000
35,000 The Charles Schwab Corporation.....	1,120,000
25,000 Collective Bancorp, Inc.....	878,125
15,000 MSB Bancorp, Inc.294,375	

SELECTED FUNDS
 SCHEDULE OF INVESTMENTS At December 31, 1996
 SELECTED SPECIAL SHARES, INC. - Continued

SHARES	VALUE (NOTE 1)
=====	
COMMON STOCK - Continued	
FINANCIAL SERVICES - Continued	
50,000 Northern Trust Company.....	\$ 1,812,500
30,000 TCF Financial Corporation.....	1,305,000
45,000 Washington Mutual, Inc.....	1,949,065

		8,489,065
HEALTHCARE - (5.26%)		
20,000	Alkermes, Inc.<Fl>.....	465,000
35,500	Biacore International, AB - ADS<Fl>.....	781,000
15,000	BioChem Pharmaceuticals, Inc. <Fl> -ADR.....	753,750
15,000	Cardiothoracic Systems, Inc.<Fl>.....	277,500
15,000	CYTTC Corporation<Fl>.....	405,000
35,500	Neurex Corporation <Fl>.....	603,500

		3,285,750
INDUSTRIAL PRODUCTS - (6.79%)		
15,000	Fastenal Company.....	686,250
10,300	Illinois Tool Works, Inc.....	822,712
34,500	Method Electronics, Inc. - A.....	698,625
22,500	Molex Inc., Class A.....	801,562
50,700	ThermoQuest Corporation<Fl>.....	652,762
35,000	X-Rite, Inc.....	577,500

		4,239,411
INFORMATION PROCESSING - OFFICE EQUIPMENT _ (2.80%)		
13,000	Dell Computer Corporation<Fl>.....	690,625
7,000	International Business Machines, Inc.....	1,057,000

		1,747,625
INFORMATION PROCESSING - SERVICES _ (9.69%)		
20,000	APAC TeleServices, Inc.<Fl>.....	767,500
10,000	Automatic Data Processing.....	428,750
20,000	Billing Information Concepts Corporation<Fl>.....	575,000
30,000	Claremont Technology Group, Inc.<Fl>.....	787,500
30,000	Computer Sciences Corporation<Fl>.....	2,463,750
15,000	Paychex, Inc.....	771,562
15,000	USCS International, Inc.<Fl>.....	253,125

		6,047,187
INFORMATION PROCESSING - SOFTWARE - (3.96%)		
10,500	Acceler8 Technology<Fl>.....	205,406
21,500	Affinity Technology Group, Inc.<Fl>.....	139,750
30,000	Computer Associates International, Inc.....	1,492,500
25,000	Seachange International, Inc.<Fl>.....	637,500

		2,475,156
INSURANCE - (4.10%)		
30,500	W.R. Berkley Corporation.....	1,547,875
SELECTED FUNDS		
SCHEDULE OF INVESTMENTS At December 31, 1996		
SELECTED SPECIAL SHARES, INC. - Continued		
		VALUE
		(NOTE 1)
=====		
SHARES		
=====		
COMMON STOCK - Continued		
INSURANCE - Continued		
25,000	Horace Mann Educators Corporation.....	\$ 1,009,375

		2,557,250
LODGING - (0.25%)		
10,000	Studio Plus Hotels, Inc.<Fl>.....	157,500

PACKAGING - (1.00%)		
15,000	Sealed Air Corporation<Fl>.....	624,375

RESTAURANTS - (2.33%)		
30,000	Landry's Seafood Restaurants, Inc.<Fl>.....	641,250
30,500	Lone Star Steakhouse and Saloon, Inc.<Fl>.....	815,875

		1,457,125
RETAILING - (11.67%)		
39,273	Eckerd Corporation <Fl>.....	1,256,736
43,500	Just For Feet, Inc.<Fl>.....	1,141,875
20,200	Kohl's Corporation<Fl>.....	792,850
30,000	Loehmann's, Inc.<Fl>.....	690,000
35,000	PETsMart, Inc. <Fl>.....	765,625
20,000	Sak's Holding, Inc.<Fl>.....	540,000
50,000	Tiffany & Co.....	1,831,250
10,000	Viking Office Products, Inc.<Fl>.....	266,875

		7,285,211
SERVICES - EDUCATION - (0.52%)		
25,000	Children's Comprehensive Services, Inc.<Fl>.....	328,125

SERVICES - TEMPORARY HELP _ (10.18%)		
40,000	Barrett Business Services, Inc.<Fl>.....	610,000
20,000	Employee Solutions, Inc.<Fl>.....	410,000
45,000	Interim Services, Inc.<Fl>.....	1,597,500
35,350	Labor Ready, Inc. <Fl>.....	477,225
40,500	On Assignment, Inc.<Fl>.....	1,194,750
10,500	The Registry, Inc. <Fl>.....	484,312
46,000	Robert Half International, Inc.<Fl>.....	1,581,250

		6,355,037
TRANSPORTATION - (0.29%)		
10,000	Bombardier, Inc. Class B.....	183,807

		183,807

	Total Common Stock - (identified cost \$48,668,438).....	61,167,099

SELECTED FUNDS
SCHEDULE OF INVESTMENTS At December 31, 1996
SELECTED SPECIAL SHARES, INC. - Continued

PRINCIPAL VALUE
(NOTE 1)

SHORT TERM - (1.93%)

\$ 1,205,000	State Street Bank and Trust Company Repurchase Agreement, 5.50%, 01/02/97, dated 12/31/96, repurchased value of \$1,205,368 (collateralized by \$1,230,000 par value U.S. Treasury Notes, 4.75%, 08/31/98, market value \$1,230,088) - (identified cost \$1,205,000)	\$ 1,205,000
TOTAL INVESTMENTS - (99.90%) - (identified cost \$49,873,438) -<F2>		62,372,099
OTHER ASSETS LESS LIABILITIES _ (0.10%)		63,394
NET ASSETS - (100%)		\$ 62,435,493

<FN>

<F1> Non-Income Producing Security.

<F2> Aggregate cost for Federal Income Tax purposes is \$49,873,438. At December 31, 1996 unrealized appreciation (depreciation) of securities for Federal Income Tax purposes is as follows:

Unrealized appreciation	\$ 14,767,886
Unrealized depreciation	(2,269,225)
Net unrealized appreciation	\$ 12,498,661

</FN>

</TABLE>

See Notes to Financial Statements.

<TABLE>

SELECTED FUNDS
SCHEDULE OF INVESTMENTS At December 31, 1996
SELECTED CAPITAL PRESERVATION TRUST -
SELECTED U.S. GOVERNMENT INCOME FUND

<CAPTION>

PRINCIPAL		VALUE (NOTE 1)
ADJUSTABLE RATE MORTGAGES - (0.75%)		
<S>	<C>	<C>
\$ 24,970	Government National Mortgage Association, Pool No. 008299, 7.125%, 09/20/23	\$ 25,528
26,092	Government National Mortgage Association, Pool No. 008360, 6.50%, 01/20/24	26,626
Total ARM - (identified cost \$47,068)		52,154
FEDERAL HOME LOAN MORTGAGE CORPORATION _ (15.06%)		
404,000	6.50%, 01/01/04, Pool No. 97289	400,283
198,561	8.00%, 09/01/21, Pool No. D2-7906	204,020
273,925	8.00%, 10/01/21, Pool No. D2-7334	281,713
154,208	8.00%, 06/01/22, Pool No. D2-0670	158,448
Total FHLMC - (identified cost \$1,034,376)		1,044,464
FEDERAL NATIONAL MORTGAGE ASSOCIATION _ (0.68%)		
3,815	10.00%, 07/01/05, Pool No. 98835	4,057
15,780	10.00%, 08/01/05, Pool No. 99903	16,777
15,104	8.50%, 07/01/17, Pool No. 51539	15,808
9,844	8.50%, 04/01/21, Pool No. 117725	10,289
Total FNMA - (identified cost \$45,695)		46,931
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION - (15.21%)		
44,593	10.00%, 09/15/01, Pool No. 265854	47,079
67,427	9.00%, 04/15/16, Pool No. 147297	72,297
70,815	9.00%, 05/15/16, Pool No. 161091	75,930
175,636	9.00%, 06/15/16, Pool No. 157698	188,423
11,106	9.00%, 07/15/16, Pool No. 162087	11,915
121,759	9.00%, 07/15/16, Pool No. 162605	130,553
106,493	9.00%, 11/15/16, Pool No. 179412	114,247
74,992	9.00%, 08/15/17, Pool No. 209243	80,296
32,096	9.00%, 05/15/18, Pool No. 235263	34,299
63,216	9.00%, 08/15/18, Pool No. 258776	67,687
217,695	9.00%, 08/15/19, Pool No. 227430	232,183
Total GNMA - (identified cost \$985,968)		1,054,909
MEDIUM TERM NOTES - (24.30%)		
200,000	Federal Home Loan Bank, 7.24%, 11/09/10	197,151
500,000	Federal Home Loan Mortgage Corporation, 6.615%, 03/03/04	488,905
500,000	Federal Home Loan Mortgage Corporation, 8.00%, 06/20/11	514,060
500,000	Federal National Mortgage Association, 6.42%, 12/01/08	484,340
Total Medium Term Notes - (identified cost \$1,653,594)		1,684,456

SELECTED FUNDS
SCHEDULE OF INVESTMENTS At December 31, 1996
SELECTED CAPITAL PRESERVATION TRUST -
SELECTED U.S. GOVERNMENT INCOME FUND - Continued

PRINCIPAL		VALUE (NOTE 1)
-----------	--	-------------------

COLLATERALIZED MORTGAGE OBLIGATIONS & REAL ESTATE MORTGAGE
INVESTMENT CONDUITS - (28.18%)

\$ 400,000	Federal Home Loan Mortgage Corporation, FHG-32 E, 7.50%, 03/25/05.....	\$ 407,220
500,000	Federal Home Loan Mortgage Corporation, 1992 - 1340 H, 7.50%, 08/15/07.....	516,405
500,000	Federal National Mortgage Association, 92-152M, 7.75%, 08/25/07.....	526,250
500,000	United States Department of Veteran Affairs, Mortgage Trust 1992-1, 7.75%, 07/15/17.....	504,215
	Total CMOs & REMICs - (identified cost \$1,871,109).....	1,954,090

SHORT TERM - (14.42%)

1,000,000	Federal National Mortgage Association Discount Note, 5.625%, 01/02/97 (identified cost \$999,844).....	999,844
	TOTAL INVESTMENTS - (98.60%) - (identified cost \$6,637,654) - <F1>.....	6,836,848
	OTHER ASSETS LESS LIABILITIES - (1.40%).....	96,826
	NET ASSETS - (100%).....	\$ 6,933,674

<FN>

<F1> Aggregate cost for Federal Income Tax purposes is \$6,637,654. At December 31, 1996
unrealized appreciation (depreciation) of securities for Federal Income
Tax purposes is as follows:

Unrealized appreciation.....	\$ 205,683
Unrealized depreciation.....	(6,489)
Net unrealized appreciation.....	\$ 199,194

</FN>

</TABLE>

See Notes to Financial Statements.

<TABLE>

SELECTED FUNDS
SCHEDULE OF INVESTMENTS At December 31, 1996
SELECTED CAPITAL PRESERVATION TRUST -
SELECTED DAILY GOVERNMENT FUND
<CAPTION>

PRINCIPAL	VALUE (NOTE 1)
FEDERAL FARM CREDIT BANK- (11.96%)	
<S> <C>	<C>
\$ 4,995,000 5.30%, 01/03/97 Discount Note.....	\$ 4,993,529
8,510,000 5.24%, 01/27/97 Discount Note.....	8,477,794
Total Federal Farm Credit Bank - (identified cost \$13,471,323).....	13,471,323
FEDERAL HOME LOAN BANK - (7.90%)	
4,760,000 5.215%, 01/02/97 Discount Note.....	4,759,311
4,170,000 5.37%, 02/20/97 Discount Note.....	4,138,899
Total Federal Home Loan Bank - (identified cost \$8,898,210).....	8,898,210
FEDERAL HOME LOAN MORTGAGE CORPORATION _ (44.75%)	
5,640,000 5.27%, 01/14/97 Discount Note.....	5,629,267
4,880,000 5.32%, 01/16/97 Discount Note.....	4,869,183
3,160,000 5.25%, 01/21/97 Discount Note.....	3,150,783
8,375,000 5.42%, 01/22/97 Discount Note.....	8,348,521
5,120,000 5.39%, 01/30/97 Discount Note.....	5,097,769
3,975,000 5.42%, 01/31/97 Discount Note.....	3,957,046
5,175,000 5.285%, 01/31/97 Discount Note.....	5,152,209
2,195,000 5.37%, 02/24/97 Discount Note.....	2,177,319
1,205,000 5.36%, 03/21/97 Discount Note.....	1,190,827
10,985,000 5.37%, 03/25/97 Discount Note.....	10,848,997
Total Federal Home Loan Mortgage Corporation - (identified cost \$50,421,921).....	50,421,921
FEDERAL NATIONAL MORTGAGE ASSOCIATION - (35.73%)	
6,010,000 5.29%, 01/09/97 Discount Note.....	6,002,935
3,145,000 5.26%, 01/10/97 Discount Note.....	3,140,864
275,000 5.31%, 01/13/97 Discount Note.....	274,513
7,730,000 5.36%, 01/15/97 Discount Note.....	7,713,887
9,265,000 5.22%, 01/22/97 Discount Note.....	9,236,788
5,765,000 5.21%, 01/28/97 Discount Note.....	5,742,473
6,505,000 5.22%, 02/03/97 Discount Note.....	6,473,874
1,695,000 5.38%, 02/27/97 Discount Note.....	1,680,561
Total Federal National Mortgage Association - (identified cost \$40,265,895).....	40,265,895
TOTAL INVESTMENTS - (100.34%) - (identified cost \$113,057,349) - <F1>.....	113,057,349
LIABILITIES LESS OTHER ASSETS - (0.34%).....	(383,115)
NET ASSETS - (100%).....	\$ 112,674,234

<FN>

<F1> Aggregate cost for Federal income tax purposes is \$113,057,349.

</FN>

</TABLE>

See Notes to Financial Statements.

<TABLE>
SELECTED FUNDS
STATEMENT OF ASSETS AND LIABILITIES
At December 31, 1996

<CAPTION>

	SELECTED AMERICAN SHARES INC.	SELECTED SPECIAL SHARES, INC.	U.S. GOVERNMENT INCOME FUND	DAILY GOVERNMENT Fund
<S>	<C>	<C>	<C>	<C>
ASSETS:				
Investments in securities, at value (see schedules of investments).....	\$1,372,225,602	\$ 62,372,099	\$ 6,836,848	\$ 113,057,349
Cash.....	997	2,476	61,477	17,899
Receivables:				
Dividends and interest.....	2,259,320	25,069	44,295	-
Capital stock sold.....	7,587,886	12,400	-	54,966
Investment securities sold.....	-	734,500	-	-
Due from adviser.....	-	-	16,402	-
Total assets.....	1,382,073,805	63,146,544	6,959,022	113,130,214
LIABILITIES:				
Payables:				
Capital stock reacquired.....	4,310,473	27,583	-	63,731
Investment securities purchased.....	-	588,490	-	-
Accrued expenses.....	1,297,194	194,978	9,169	93,928
Payable to adviser.....	-	-	-	73,348
Distributions payable.....	-	-	16,179	224,973
Total liabilities.....	5,607,667	711,051	25,348	455,980
NET ASSETS.....	\$1,376,466,138	\$ 62,435,493	\$ 6,933,674	\$ 112,674,234
SHARES OUTSTANDING (NOTE 5).....	63,941,445	5,732,164	788,923	112,674,234
NET ASSET VALUE, offering and redemption price per share (Net assets / shares outstanding).....	\$ 21.53	\$ 10.89	\$ 8.90	\$ 1.00
NET ASSETS CONSIST OF:				
Paid-in capital.....	\$ 915,293,288	\$ 46,902,659	\$ 6,809,596	\$ 112,674,234
Accumulated net realized gain(loss).....	21,947,505	3,034,173	(75,116)	-
Unrealized appreciation on investments.....	439,225,345	12,498,661	199,194	-
	\$1,376,466,138	\$ 62,435,493	\$ 6,933,674	\$ 112,674,234

</TABLE>

See Notes to Financial Statements.

<TABLE>
SELECTED FUNDS
STATEMENT OF OPERATIONS
For the year ended December 31, 1996

<CAPTION>

	SELECTED AMERICAN SHARES	SELECTED SPECIAL SHARES	U.S. GOVERNMENT INCOME FUND	DAILY GOVERNMENT FUND
<S>	<C>	<C>	<C>	<C>
INVESTMENT INCOME:				
Income:				
Dividends.....	\$ 19,864,511	\$ 298,751	\$ -	\$ -
Interest.....	919,477	112,212	540,038	7,853,793
Total income.....	20,783,988	410,963	540,038	7,853,793
Expenses:				
Management fees (Note 2).....	6,770,841	426,980	36,483	438,932
Custodian fees.....	329,596	41,209	24,880	63,586
Transfer agent fees.....	683,503	106,314	11,375	84,865
Audit fees.....	28,100	14,006	7,058	11,963
Legal fees.....	138,570	8,125	615	18,706
Reports to shareholders.....	118,702	24,123	2,138	7,508
Directors fees and expenses.....	272,304	18,567	2,053	42,534
Registration and filing fees.....	86,964	23,425	16,535	50,090
Miscellaneous.....	104,859	2,556	2,137	16,344
Commissions paid under distribution plan (Note 3).....	2,738,904	153,511	18,242	363,777
Total expenses.....	11,272,343	818,816	121,513	1,100,305
Reimbursement of expenses by adviser (Note 2).....	-	-	(16,402)	-
Net expenses.....	11,272,343	818,816	105,111	1,100,305
Investment income (loss) - net.....	9,511,645	(407,853)	434,927	6,753,488
REALIZED AND UNREALIZED GAIN (LOSS) ON INVESTMENTS:				

Net realized gain (loss) from investment transactions.....	83,894,963	7,632,828	(75,100)	-
Net increase (decrease) in unrealized appreciation of investments during the period.....	212,458,746	(390,261)	(162,807)	-
Net realized and unrealized gain (loss) on investments.....	296,353,709	7,242,567	(237,907)	-
Net increase in net assets resulting from operations.....	\$ 305,865,354	\$ 6,834,714	\$ 197,020	\$ 6,753,488

See Notes to Financial Statements
</TABLE>

<TABLE>
SELECTED FUNDS
STATEMENT OF CHANGES IN NET ASSETS
For the year ended December 31, 1996

<CAPTION>

	SELECTED AMERICAN SHARES	SELECTED SPECIAL SHARES	U. S. GOVERNMENT INCOME FUND	DAILY GOVERNMENT FUND
<S>	<C>	<C>	<C>	<C>
OPERATIONS:				
Investment income (loss) - net	\$ 9,511,645	\$ (407,853)	\$ 434,927	\$ 6,753,488
Net realized gain (loss) from investment transactions.....	83,894,963	7,632,828	(75,100)	-
Net increase (decrease) in unrealized appreciation of investments.....	212,458,746	(390,261)	(162,807)	-
Net increase in net assets resulting from operations.....	305,865,354	6,834,714	197,020	6,753,488
DISTRIBUTIONS TO SHAREHOLDERS FROM:				
Net investment income.....	(9,661,781)	-	(434,927)	(6,753,488)
Realized gains from investment transactions.....	(77,556,567)	(6,390,679)	(13,355)	-
CAPITAL SHARE TRANSACTIONS (NOTE 5).....				
	232,307,432	3,016,674	(626,116)	(71,928,943)
Total increase (decrease) in net assets.....	450,954,438	3,460,709	(877,378)	(71,928,943)
NET ASSETS:				
Beginning of period.....	925,511,700	58,974,784	7,811,052	184,603,177
End of period.....	\$ 1,376,466,138	\$ 62,435,493	\$ 6,933,674	\$ 112,674,234

</TABLE>

See Notes to Financial Statements.

<TABLE>
SELECTED FUNDS
STATEMENT OF CHANGES IN NET ASSETS
For the year ended December 31, 1995

<CAPTION>

	SELECTED AMERICAN SHARES	SELECTED SPECIAL SHARES	U. S. GOVERNMENT INCOME FUND	DAILY GOVERNMENT FUND
<S>	<C>	<C>	<C>	<C>
OPERATIONS:				
Investment income (loss)-net.....	\$ 10,611,177	\$ (314,261)	\$ 485,202	\$ 6,765,755
Net realized gain from investment transactions.....	23,827,346	7,761,984	22,157	-
Net increase in unrealized appreciation of investments.....	195,166,050	8,178,588	707,952	-
Net increase in net assets resulting from operations.....	229,604,573	15,626,311	1,215,311	6,765,755
DISTRIBUTIONS TO SHAREHOLDERS FROM:				
Net investment income.....	10,461,040	-	(485,202)	(6,765,755)
Realized gains from investment transactions.....	7,784,550	(6,343,274)	(28,252)	-
CAPITAL SHARE TRANSACTIONS (NOTE 5).....				
	184,748,738	2,417,083	(3,153,715)	62,717,354

Total increase (decrease) in net assets.....	396,107,721	11,700,120	(2,451,858)	62,717,354
NET ASSETS:				
Beginning of period.....	529,403,979	47,274,664	10,262,910	121,885,823
End of period (including accumulated net investment income for American Shares of \$150,136.....	\$ 925,511,700	\$ 58,974,784	\$ 7,811,052	\$ 184,603,177

</TABLE>

See Notes to Financial Statements.

SELECTED FUNDS
notes to financial statements
December 31, 1996

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Selected Funds consist of Selected American Shares, Inc., Selected Special Shares, Inc. and the Selected Capital Preservation Trust. The Companies and Trust are registered under the Investment Company Act of 1940, as amended, as diversified, open-end management investment companies. The Selected Capital Preservation Trust operates as a series fund, consisting of the U.S. Government Income Fund and Daily Government Fund. The Trust accounts separately for the assets, liabilities and operations of each series. Davis Selected Advisers, L.P. (formerly, Selected/Venture Advisers, L.P.) became investment adviser effective May 1, 1993. Prior to May 1, 1993, Selected Financial Services, Inc. was the investment manager. The following is a summary of significant accounting policies followed by the Funds in the preparation of financial statements.

Selected American Shares, Inc. and Selected Special Shares, Inc. are diversified, professionally managed stock-oriented funds.

Selected U.S. Government Income Fund seeks to obtain current income consistent with preservation of capital by investing primarily in debt obligations of the U.S. Government, its agencies or instrumentalities.

Selected Daily Government Fund seeks to provide a high level of current income from short-term money market securities consistent with prudent investment management, preservation of capital and maintenance of liquidity. It invests in U.S. Government Securities and repurchase agreements in respect thereto.

An investment in any of the Funds, as with any mutual fund, includes risks that vary depending upon the Fund's investment objectives and policies. There is no assurance that the investment objective of any Fund will be achieved. A Fund's return and net asset value will fluctuate, although Selected Daily Government seeks to maintain a net asset value of \$1.00 per share.

A. VALUATION OF SECURITIES - Securities listed on national securities exchanges are valued at the last reported sales price on the day of valuation. Securities traded in the over the counter market and listed securities for which no sale was reported on that date are stated at the last quoted bid price. Securities for which market quotations are not readily available are valued at fair value as determined by the Boards of Directors/Trustees. The Daily Government Fund uses the amortized cost method of valuing investment securities which represents fair value as determined by the Board of Trustees.

B. FEDERAL INCOME TAXES - It is each Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies and to distribute substantially all of its income to shareholders. At December 31, 1996 the U.S. Government Income Fund had capital loss carryovers of \$75,116 available to offset future capital gains, if any, which expire in 2004.

C. USE OF ESTIMATES IN FINANCIAL STATEMENTS - In preparing financial statements in conformity with generally accepted accounting principles, management makes estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates.

SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
December 31, 1996 - (Continued)

D. Other - Securities transactions are accounted for on the trade date (date the order to buy or sell is executed) with gain or loss on the sale of securities being determined based upon identified cost. Interest income is recorded on the accrual basis. Dividends and distributions to shareholders are recorded on the ex-dividend date. Discounts and premiums on securities (excluding convertible bonds) purchased are amortized over the life of the respective securities.

Note 2 - Investment Advisory Fees

Advisory fees are paid monthly to the investment adviser. The rate for American Shares, Inc. is .65% on the first \$500 million of average daily net assets, .60% on the next \$500 million and .55% of average daily net assets in excess of \$1 billion. The rate for Special Shares, Inc. is .70%

on the first \$50 million of average daily net assets, .675% on the next \$100 million, .65% on the next \$100 million and .60% of average daily net assets in excess of \$250 million. The rate for the U.S. Government Income Fund is .50% of 1% of average daily net assets. The rate for the Daily Government Fund is based upon daily net assets at an annual rate of .30%. The Adviser has voluntarily agreed to reimburse the U.S. Government Income Fund and the Daily Government Fund for any expenses in excess of 1.44% and .75%, respectively, of average net assets.

Each Fund has adopted procedures to treat Shelby Cullom Davis & Co. ("SCD") as an affiliate of the Adviser. SCD received \$10,800 in commissions on the purchases/sales of portfolio securities.

Note 3 - Distribution

For services under the distribution agreement, the Funds pay a fee of .25% of average daily net assets. For the year ended December 31, 1996, for American Shares, Special Shares, U.S. Government Income and Daily Government Funds, the Funds incurred distribution services fees totaling \$2,738,904, \$153,511, \$18,242, and \$365,777, respectively.

Note 4 - Purchases and Sales of Securities

Purchases and sales of investment securities (excluding short-term securities) during the year ended December 31, 1996 for American Shares, Special Shares and U.S. Government Income Fund were as follows:

	SELECTED AMERICAN SHARES	SELECTED SPECIAL SHARES	U.S. GOVERNMENT INCOME FUND
Cost of purchases.....	\$ 475,052,597	\$ 58,483,022	\$ 1,778,324
Proceeds of sales.....	\$ 322,134,798	\$ 61,509,791	\$ 2,922,518

SELECTED FUNDS
NOTES TO FINANCIAL STATEMENTS
December 31, 1996 - (Continued)

Note 5 - Capital Stock

At December 31, 1996, there were 100 million shares of capital stock of Selected American Shares (\$1.25 par value per share) authorized. At December 31, 1996, there were 100 million shares of capital stock of Selected Special Shares (\$0.25 par value per share) authorized. At December 31, 1996, there were unlimited shares of capital stock of Selected Capital Preservation Trust (\$0.10 par value per share) authorized. Transactions in capital stock were as follows:

<TABLE>

Year ended
December 31, 1996

<CAPTION>

	AMERICAN SHARES INC.	SPECIAL SHARES INC.	U.S. GOVERNMENT INCOME FUND	DAILY GOVERNMENT FUND
<S>	<C>	<C>	<C>	<C>
Shares sold.....	15,567,086	625,367	24,347	124,374,970
Shares issued in reinvestment of distributions.....	3,980,585	536,003	42,111	6,823,075
Shares redeemed.....	19,547,671 (7,951,322)	1,161,370 (889,193)	66,458 (136,618)	31,198,045 (103,126,988)
Net increase (decrease).....	11,596,349	272,177	(70,160)	(71,928,943)
Proceeds from shares sold.....	\$ 307,057,971	\$ 7,008,830	\$ 216,118	\$ 24,374,970
Proceeds from shares issued in reinvestment of distributions.....	81,960,295	5,908,372	373,713	6,823,075
Cost of shares redeeme.....	389,018,266 (156,710,834)	12,917,202 (9,900,528)	589,831 (1,215,947)	31,198,045 (103,126,988)
Net increase (decrease).....	\$ 232,307,432	\$ 3,016,674	\$ (626,116)	\$ 71,928,943

</TABLE>

<TABLE>

Year ended
December 31, 1995

<CAPTION>

	AMERICAN SHARES INC.	SPECIAL SHARES INC.	U.S. GOVERNMENT INCOME FUND	DAILY GOVERNMENT FUND
<S>	<C>	<C>	<C>	<C>
Shares sold.....	16,050,736	652,908	57,950	176,384,445
Shares issued in reinvestment of distributions.....	1,007,620	552,9454	7,783	6,595,015
Shares redeemed.....	17,058,356 (5,166,217)	1,205,853 (988,505)	105,733 (471,173)	182,979,460 (120,262,106)
Net increase (decrease).....	11,892,139	217,348	(365,440)	62,717,354
Proceeds from shares sold.....	\$ 248,521,260	\$ 7,243,689	\$ 519,478	\$ 176,384,445
Proceeds from shares issued in reinvestment of distributions.....	16,843,614	5,824,570	424,317	6,595,015
	265,364,874	13,068,259	943,795	182,979,460

Cost of shares redeemed.....	(80,616,136)	(10,651,176)	(4,097,510)	(120,262,106)
Net increase (decrease).....	\$ 184,748,738	\$ 2,417,083	\$ (3,153,715)	\$ 62,717,354

</TABLE>

<TABLE>
SELECTED FUNDS
FINANCIAL HIGHLIGHTS
SELECTED AMERICAN SHARES, INC.

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

<CAPTION>	Year ended December 31,				
	1996	1995	1994	1993<F2>	1992
<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of Period.....	\$ 17.68	\$ 13.09	\$ 14.59	\$ 17.13	\$ 18.43
Income From Investment Operations					
Net Investment Income.....	.18	.22	.20	.24	.19
Net Gains or Losses on Securities (both realized and unrealized).....	5.15	4.74	(.66)	.70	.89
Total From Investment Operations.....	5.33	4.96	(.46)	.94	1.08
Less Distributions					
Dividends (from net investment income).....	(.17)	(.22)	(.20)	(.24)	(.19)
Distributions (from capital gains).....	(1.31)	(.15)	(.83)	(3.24)	(2.19)
Distributions in Excess of Net Investment Income.....	-	-	(.01)	-	-
Total Distributions.....	(1.48)	(.37)	(1.04)	(3.48)	(2.38)
Net Asset Value, End of Period.....	\$ 21.53	\$ 17.68	\$ 13.09	\$ 14.59	\$ 17.13
Total Return.....	30.74%	38.09%	(3.20)%	5.42%	5.78%
Ratios/Supplemental Data					
Net Assets, End of Period (000 omitted).....	1,376,466	925,512	529,404	451,392	580,889
Ratio of Expenses to Average Net Assets.....	1.03%	1.09%	1.26%	1.01<F1>%	1.17%
Ratio of Net Income to Average Net Assets.....	.87%	1.42%	1.42%	1.37%	.95%
Portfolio Turnover Rate.....	29%	27%	23%	79%	50%
Average Commission Rate per Share.....	\$.058	-	-	-	-

<FN>

<F1> Had the Adviser not absorbed certain expenses, the ratio of expenses for the year ended December 31, 1993 would have been 1.22%.

<F2> Effective May 1, 1993, Davis Selected Advisers, became the investment adviser. Until May 1, 1993, Selected Financial Services, Inc. was the investment adviser.

</FN>
</TABLE>

<TABLE>
SELECTED FUNDS
FINANCIAL HIGHLIGHTS
SELECTED SPECIAL SHARES, INC.

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

<CAPTION>	Year ended December 31,				
	1996	1995	1994<F2><F3>	1993<F3>	1992<F3>
<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of Period.....	\$ 10.80	9.02	\$ 10.20	\$ 10.40	\$ 10.16
Income From Investment Operations					
Net Investment Income.....	-	-	(.03)	-	.07
Net Gains or Losses on Securities (both realized and unrealized).....	1.27	3.04	(.22)	1.10	.782
Total From Investment Operations.....	1.27	3.04	(.25)	1.10	.852
Less Distributions					
Dividends (from net investment income).....	-	-	-	-	(.07)
Distributions (from capital gains).....	(1.18)	(1.26)	(.93)	(1.30)	(.54)
Total Distributions.....	(1.18)	(1.26)	(.93)	(1.30)	(.61)
Net Asset Value, End of Period.....	\$ 10.89	\$ 10.80	\$ 9.02	\$ 10.20	\$ 10.40
Total Return.....	11.86%	34.24%	(2.56)%	10.81%	8.43%
Ratios/Supplemental Data					
Net Assets, End of Period (000 omitted).....	62,435	58,975	47,275	53,257	57,605
Ratio of Expenses to Average Net Assets.....	1.33%	1.48%	1.41<F1>	1.24<F1>	1.41<F1>
Ratio of Net Income to Average Net Assets.....	(.66)%	(.58)%	(.27)%	(.07)%	.56%

Portfolio Turnover Rate.....	98%	127%	99%	100%	41%
Average Commission Rate per Share.....	\$.060	-	-	-	-

<FN>

<F1> Had the former manager not absorbed certain expenses, the ratio of expenses for the year ended December 31, 1992 would have been 1.47%. Had the Adviser not absorbed certain expenses, the ratio of expenses for the years ended December 31, 1993 and 1994 would have been 1.51% and 1.62%, respectively.

<F2> Effective May 1, 1993, Davis Selected Advisers became the investment adviser. Until May 1, 1993, Selected Financial Services, Inc. was the investment adviser.

<F3> Per share data has been restated to give effect to a 2 for 1 stock split to shareholders of record as of the close of January 4, 1994.

</FN>

</TABLE>

<TABLE>
 SELECTED FUNDS
 FINANCIAL HIGHLIGHTS
 SELECTED U.S. GOVERNMENT INCOME FUND

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

<CAPTION>	Year ended December 31,				
	1996	1995	1994	1993<F2>	1992
<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of Period.....	\$ 9.20	\$ 8.45	\$ 9.20	\$ 9.31	\$ 9.70
Income From Investment Operations					
Net Investment Income.....	.53	.54	.50	.56	.61
Net Gains or Losses on Securities (both realized and unrealized).....	(.28)	.78	(.75)	.21	(.13)
Total From Investment Operations.....	.25	1.32	(.25)	.77	.48
Less Distributions					
Dividends (from net investment income).....	(.53)	(.54)	(.50)	(.56)	(.61)
Distributions (from capital gains).....	(.02)	(.03)	-	(.32)	(.26)
Distributions in Excess of Net Investment Income.....	-	-	-	-	-
Total Distributions.....	(.55)	(.57)	(.50)	(.88)	(.87)
Net Asset Value, End of Period.....	\$ 8.90	\$ 9.20	\$ 8.45	\$ 9.20	\$ 9.31
Total Return.....	2.85%	15.97%	(2.71)%	7.99%	5.11%
Ratios/Supplemental Data					
Net Assets, End of Period (000 omitted).....	6,934	7,811	10,263	10,336	13,945
Ratio of Expenses to Average Net Assets.....	1.44%	1.44%<F1>	11.42%<F1>	1.34%<F1>	11.44%<F1>
Ratio of Net Income to Average Net Assets.....	5.96%	6.09%	5.70%	5.85%	6.26%<F1>
Portfolio Turnover Rate.....	26%	76%	65%	29%	53%

<FN>

<F1> Had the former manager not absorbed certain expenses, the ratio of expenses would have been 1.72% for the year ended December 31, 1992. Had the Adviser not absorbed certain expenses, the ratio of expenses for the years ended December 31, 1993, 1994 and 1995 would have been 1.88%, 1.69% and 1.58%, respectively.

<F2> Effective May 1, 1993, Davis Selected Advisers became the investment adviser. Until May 1, 1993, Selected Financial Services, Inc. was the investment adviser.

</FN>

</TABLE>

<TABLE>
 SELECTED FUNDS
 FINANCIAL HIGHLIGHTS
 SELECTED DAILY GOVERNMENT FUND

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

<CAPTION>	Year ended December 31,				
	1996	1995	1994	1993<F2>	1992
<S>	<C>	<C>	<C>	<C>	<C>
Net Asset Value, Beginning of Period.....	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000
Income From Investment Operations					
Net Investment Income.....	.046	.051	.034	.023	.030
Less Distributions					
Dividends (from net investment income).....	(.046)	(.051)	(.034)	(.023)	(.030)

	----- \$ 1.000 -----	----- \$ 1.000 -----	----- \$ 1.000 -----	----- \$ 1.000 -----	----- \$ 1.000 -----
Net Asset Value, End of Period.....					
Total Return.....	4.70%	5.23%	3.51%	2.34%	3.07%
Ratios/Supplemental Data					

Net Assets, End of Period (000 omitted).....	112,674	184,603	121,886	8,732	6,626
Ratio of Expenses to Average Net Assets.....	.75%	.75%<F1>	1.75%<F1>	1.75%<F1>	1.75%<F1>
Ratio of Net Income to Average Net Assets.....	4.62%	5.13%	3.44%	2.31%	3.02%<F1>

<FN>

<F1> Had the former manager not absorbed certain expenses, the ratio of expenses for the year ended December 31, 1992 would have been 1.23%. Had the Adviser not absorbed certain expenses, the ratio of expenses for the years ended December 31, 1993, 1994 and 1995 would have been 2.29%, 1.07% and 0.78%, respectively.

<F2> Effective May 1, 1993, Davis Selected Advisers became the investment adviser. Until May 1, 1993, Selected Financial Services, Inc. was the investment adviser.

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Shareholders and Board of Directors/Trustees
of Selected American Shares, Inc., Selected Special Shares, Inc. and
Selected Capital Preservation Trust.

We have audited the accompanying statement of assets and liabilities of Selected American Shares, Inc., Selected Special Shares, Inc. and Selected Capital Preservation Trust, (comprising, respectively, the U.S. Government Income Fund and Daily Government Fund) including the schedules of portfolio investments as of December 31, 1996 and the related statement of operations for the year then ended, the statement of changes in net assets for each of the two years then ended and the financial highlights for each of the five years then ended. These financial statements and financial highlights are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of December 31, 1996, by correspondence with the custodian and brokers. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements and financial highlights referred to above present fairly, in all material respects, the financial position of Selected American Shares, Inc., Selected Special Shares, Inc., U.S. Government Income Fund and Daily Government Fund as of December 31, 1996, the results of operations for the year then ended, the changes in net assets for each of the two years then ended and the financial highlights for each of the five years then ended, in conformity with generally accepted accounting principles.

Tait, Weller & Baker

Philadelphia, Pennsylvania
January 31, 1997