Davis
FUNDS

January 11, 2017

Dear Davis Funds Shareholder:

Mutual fund dividends derived from certain U.S. government obligations may be exempt from state income taxes. A portion of the dividend income you received in 2016 from your fund may qualify for this exemption.

Because tax laws vary among states, please consult with your tax advisor to determine whether some or all of the dividend income earned from below mutual fund(s) qualifies for aforementioned exemption in your state. If your state does allow this exclusion, please refer to the percentage(s) below to determine the amount of income derived from U.S. government obligations. If your Davis fund is not listed below, none of the distributions were derived from U.S. government obligations.

	Percentage of income from U.S. government obligations*
Davis Appreciation & Income Fund	1.50%
Davis Government Bond Fund	0.15%
Davis Government Money Market Fund	48.43%

Investments in U.S. government obligations may include U.S. Treasury bonds, certificates and many obligations issued by agencies of the U.S. government (such as the Federal Farm Credit Bank, Federal Home Loan Bank, and other federal agencies). The income on repurchase agreements and mortgage-backed securities (including Government National Mortgage Association "Ginnie Mae", Federal Home Loan Mortgage Corporation "Freddie Mac" and Federal National Mortgage Association "Fannie Mae") does not qualify for any state tax exemptions.

Thank you for choosing to invest with Davis Funds. If you have any questions, please contact your financial advisor, or call us at **1-800-279-0279** to speak with a customer service representative.

Sincerely,

Doug Haines
Treasurer

* The percentages provided apply only to income distributions (dividends); they do not apply to capital gains distributions (long-term or short-term).