

The Davis Investment Discipline

For further information, contact your Davis Representative at 800-279-0279.

Consistency

We have remained steadfastly dedicated to the same patient, long-term investment discipline for over 40 years. We seek to invest in durable, well-managed businesses that can be purchased at value prices and held for the long term.

Commitment

The Davis family, Davis Advisors, employees, and directors are among the largest shareholders in the Davis Funds. This group also has more than \$2 billion of their own money invested side by side with fellow shareholders in the various mutual funds our firm manages,¹ which ensures that our interests are closely aligned with those of our clients.

Results

Davis Advisors has a history of delivering strong and consistent investment results through full market cycles. The Davis New York Venture Fund has outperformed the S&P 500® Index over every 10 year period since our firm's inception in 1969.²

¹As of December 31, 2011. ²Class A shares, not including a sales charge, as of December 31, 2011. Returns would be lower in some periods if a sales charge were included. See endnotes for a description of our rolling 10 year performance and a definition of the S&P 500® Index. **Past performance is not a guarantee of future results.**



The Davis Investment Discipline is based on a reliable, long-term, value-oriented approach that has proven highly successful for more than 60 years.³

Davis Advisors is an independent money management firm that offers investment advisory services to individual and institutional clients worldwide. The Davis Investment Discipline is based on a reliable, long-term, value-oriented approach that has proven highly successful for more than 60 years.

Our firm traces its roots to legendary Wall Street investor Shelby Cullom Davis, a leading financial advisor to governors and U.S. Presidents. Through careful and sensible investment practices, Mr. Davis compounded an initial investment of \$100,000 in the late 1940s into more than \$800 million by the early 1990s.⁴

With the aim of offering his father's investment discipline to a greater diversity of investors, Shelby M.C. Davis founded Davis Advisors in 1969. Mr. Davis had already built an auspicious career at The Bank of New York, where he rose to become the Head of Research, and was named the youngest Vice President in the history of the Bank since Alexander Hamilton.

During his tenure as principal Portfolio Manager for Davis Advisors, Shelby M.C. Davis created one of the most distinguished track records of any manager on Wall Street. Leveraging his intimate knowledge of diverse industries, gained through multi-sector research experience at The Bank of New York, Mr. Davis successfully combined his father's "bottom-up" stock selection process with a thematic "top-down" approach.

³All equity investments involve risk. No investor is guaranteed a profit. ⁴While Shelby Cullom Davis' success forms the basis of the Davis Investment Discipline, this was an extraordinary achievement and other investors may not enjoy the same success.

In the early 1990s, Davis Advisors expanded its portfolios to include financial stock, real estate securities and convertible bonds. This expansion was the contribution of Christopher C. Davis and Andrew A. Davis, who have been steeped in the family investment principles from a young age. Christopher Davis joined the firm in 1989 and directs the portfolio management of our firm's Large Cap Value Portfolio along with Co-Portfolio Manager, Kenneth C. Feinberg. Andrew Davis, who was previously the head of convertible bond research at PaineWebber, Inc., joined the firm in 1993 and is the principal Portfolio Manager for our real estate securities and convertible securities portfolios.

Today, Davis Advisors manages portfolios across several different asset classes. Our investment discipline has been honed over 60 years and three generations of talented portfolio management. We offer investors a timeless, sensible investment approach that has provided consistent performance through several full market cycles.³

Our investment discipline has been honed over 60 years and three generations of talented portfolio management.



The Davis Family: Shelby M.C. Davis, Left; Christopher C. Davis, Center; Andrew A. Davis, Right.
Opposite Page: Shelby Cullom Davis

*“As we like to say,
‘Nothing focuses
the mind more on
researching compa-
nies than having
one’s own money
on the line.’”*

Christopher C. Davis and
Kenneth Charles Feinberg

We recognize that our success is determined by our ability to both build and preserve wealth. Therefore, managing risk is the key to delivering attractive long-term investment results. Before we consider how much we might earn on a new investment, we always consider how much we might lose.

We seek durable, well-managed businesses that can be purchased at value prices and held for the long term.

We adhere to a rigorous price discipline, and pay careful attention to the valuations and earnings multiples of every company we own or consider for investment.

We believe in patient, long-term investment practices, and are wary of investment “fads.” For this reason, we concentrate on the underlying economic and business fundamentals of each investment, and maintain an old-fashioned emphasis on rigorous research.

Our Investment Process

Stocks represent fractional ownership in real businesses. We do not regard them as mere pieces of paper or speculative wagers. Our investment process emphasizes fundamental research, using both quantitative and qualitative techniques.



"Our investment process is founded on two essential questions: 'What kind of businesses do we want to own?' and 'How much should we pay for them?'"

Christopher C. Davis

“We seek companies that wisely invest their capital and reap superior returns on that investment.”

Christopher C. Davis

We have developed a list of characteristics that we believe foster the long-term creation of value in businesses. While few companies will exhibit all of these qualities, nearly every company in which we invest has a majority of these traits.

First Class Management — A business’ ability to grow is directly related to the ability of the company management to envision and implement appropriate strategies in the face of changing economic and competitive environments.

Significant Alignment of Interests in Business — Just as we invest in our own products, we seek companies that compensate their managers with ownership and performance incentives.

High Returns on Capital — We want companies that wisely invest their capital and reap superior returns on their investment.

Low Cost Structure — Companies that can keep costs low are better able to compete in difficult periods.

Dominant or Growing Market Share — Greater or increasing pricing power yields superior long-term results.

Proven Track Record — Ability to capitalize on strategic and synergistic acquisitions is critical to long-term survivability.

Strong Balance Sheet — Strong finances give a company staying power to weather difficult economic cycles.

Non-Obsolescent Products/Services — Many investors are unsuccessful because they invest in firms with products that eventually are surpassed by competitors.

Global Presence and Brand Names — A proven ability to expand internationally reduces the risk of being tied too closely to the U.S. business cycle.

Smart Application of Technology to Improve Business and Lower Costs — Savvy use of technology in any business can help reduce costs, increase efficiency and improve sales.

How Durable Companies Become Misvalued

As active investors for more than 60 years, the Davis family has cultivated an uncommon wisdom about recurring market trends and patterns. Our firm has identified several reasons why durable companies with strong growth prospects may fall in price and become “misvalued.”

An industry crisis may create tremendous opportunity if the market does not distinguish between companies that might fail and those that might actually get stronger.

Broad demographic shifts can dramatically alter demand trends of an industry.

Changes in management may significantly alter the growth prospects of a business.

Positive change or secular recovery after a prolonged downturn is often slow to gain market recognition.

Changes in Wall Street analyst recommendations cause short-term volatility in stock prices, creating buying or selling opportunities.

Expansion of U.S. capitalism overseas has opened new markets to companies that were perceived as fully mature, often warranting new valuations.

“The challenge is finding companies before the market understands their real worth.”

Andrew A. Davis

Christopher C. Davis joined Davis Advisors in 1989. He has more than 23 years experience in investment management and securities research. He is a portfolio manager for the Davis Large Cap Value Portfolios and a member of the research team for other portfolios. Mr. Davis received his M.A. from the University of St. Andrews in Scotland.

Andrew A. Davis joined Davis Advisors in 1993. He has more than 23 years experience in investment management. He is a portfolio manager for the Davis Appreciation and Income Fund and the Davis Real Estate Fund. He was previously employed at PaineWebber, Inc. managing its convertible security research and closed-end bond fund research departments. Mr. Davis received his B.A. from Colby College.

Kenneth C. Feinberg joined Davis Advisors in 1994. He is a portfolio manager for the Davis Large Cap Value Portfolios and a member of the research team for other portfolios. Mr. Feinberg received his B.A. from Johns Hopkins University and his M.B.A. from Columbia University.

Dwight C. Blazin joined Davis Advisors in 1997. He was previously a consultant for IT Consulting and Systems Design. His research analysis has been shaped by working with Shelby M.C. Davis for more than five years. Mr. Blazin received his B.A. from Brigham Young University and his M.A. and Ph.D. from New York University.

Danton G. Goei joined Davis Advisors in 1998. He was previously employed at Bain & Company, Morgan Stanley Asia Ltd. and Citicorp. Mr. Goei received his B.A. from Georgetown University and his M.B.A. from The Wharton School.

Creston A. King III, CFA joined Davis Advisors in 1999. He is the portfolio manager for the Davis Government Bond Fund and Davis Government Money Market Fund. He also manages other government bond and money market funds advised by Davis Advisors. He was previously a trader, analyst and portfolio manager at U.S. Global Investors, Inc., where he managed various money market funds and bond funds. Mr. King received his B.A. from Duke University.

Chandler Spears joined Davis Advisors in 2000. He is a portfolio manager for the Davis Real Estate Fund. He brings to the Fund his perspective and experience from previously working in the real estate industry. Mr. Spears received his B.B.A. from James Madison University and his M.S. from the University of Virginia.

Charles A. Cavanaugh joined Davis Advisors in 2001. He has been co-portfolio manager for the Davis Financial Fund since May 2007 and conducts research for other equity funds managed by Davis Advisors. He previously worked at ING Pilgrim as an institutional trader in domestic equity mutual funds. Mr. Cavanaugh received his B.A. from the University of Notre Dame.

Stephen A.Y. Chen, CFA joined Davis Advisors in 2002. He was previously a research analyst at Ulysses Partners. His experience prior to that includes equity derivatives at JPMorgan and business assurance at PriceWaterhouseCoopers. Mr. Chen received his B.A. from the Indiana University School of Business in 1995 and is a Certified Public Accountant.

Tania B. Pouschine joined Davis Advisors in 2003. She previously worked for 10 years as a research analyst at Ruane, Cunniff (Sequoia Fund). Prior to that, she worked at *Forbes* magazine as an associate editor and at Bankers Trust as a lending officer. Ms. Pouschine received her B.A. from Middlebury College.

Darin Prozes joined Davis Advisors in 2004. He previously worked for the Parthenon Group, a strategy consulting firm. Mr. Prozes received his B.A. from Princeton University and his M.B.A. from Stanford University.

Keith J. Sabol, CFA joined Davis Advisors in 2006. He is a portfolio manager for the Davis Appreciation and Income Fund. He was previously a principal at Quantanium LLC and a portfolio manager at Federated Investors. He is a graduate of The United States Military Academy at West Point and served as a captain in the U.S. Army during Operation Desert Storm. Mr. Sabol received his M.S. from Carnegie Mellon University.

Dreyfus Neenan joined Davis Advisors in 2006. He previously led an insurance equity research team and served as a management consultant at Accenture. Mr. Neenan received his Bachelor of Economics from Monash University and his M.B.A. from the University of Chicago.

Michael White joined Davis Advisors in 2007. He previously worked in asset-backed securitization at several financial institutions. Mr. White received his B.A. from Tulane University and his J.D. from The George Washington University Law School.

John Chen joined Davis Advisors in 2007. He previously was employed at Milbank, Tweed, Hadley & McCloy LLP. Mr. Chen received his B.A. from the University of Chicago and his J.D. from Georgetown University.

John Hill joined Davis Advisors in 2009. He was previously employed at Quadrangle Group, SoundView Technology Group and LaSalle Advisors. He received his B.A. from Princeton University.

Ryan Brown, CFA joined Davis Advisors in 2009. He previously worked at Quadrangle Group and Merrill Lynch. Mr. Brown received his B.S. from the University of Florida.

Jack Liebau joined Davis Advisors in 2011. His previous experience in investment research includes positions at Liebau Asset Management Co., The Capital Group and Primecap Management Company. Mr. Liebau received his B.A. from Stanford University.

This material is authorized for use by existing shareholders. A current Davis Funds prospectus must accompany or precede this piece if it is distributed to prospective shareholders. You should carefully consider the Fund's investment objectives, risks, charges, and expenses before investing. Read the prospectus carefully before you invest or send money.

Objective and risks. Davis New York Venture Fund's investment objective is long-term growth of capital. There can be no assurance that the Fund will achieve its objective. The Fund invests primarily in equity securities issued by large companies with market capitalizations of at least \$10 billion. Some important risks of an investment in the Fund are: stock market risk: stock markets tend to move in cycles, with periods of rising prices and periods of falling prices, including the possibility of sharp declines; manager risk: poor security selection or focus on securities in a particular sector, category, or group of companies may cause the Fund to underperform relevant benchmarks or other funds with a similar investment objective; common stock risk: common stock represents an ownership position in a company. An adverse event may have a negative impact on a company and could result in a decline in the price of its common stock; financial services risk: investing a significant portion of assets in the financial services sector may cause the Fund to be more sensitive to problems affecting financial companies; headline risk: the Fund may invest in a company when the company becomes the center of controversy after receiving adverse media attention concerning its operations, long-term prospects, or management or for other reasons. While Davis Advisors researches companies subject to such contingencies, it cannot be correct every time, and the company's stock may never recover or may become worthless; fees and expenses risk: the Fund may not earn enough through income and capital appreciation to offset the operating expenses of the Fund. All mutual funds incur operating fees and expenses. Fees and expenses reduce the return which a shareholder may earn by investing in a fund, even when a fund has favorable performance; 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; emerging market risk: the Fund invests in emerging or developing markets. Securities of issuers in emerging and developing markets may offer special investment opportunities, but present risks not found in more mature markets; foreign currency risk: securities issued by foreign companies are frequently denominated in foreign currencies. The change in value of a foreign currency against the U.S. dollar will result in a change in the U.S. dollar value of securities denominated in that foreign currency; trading markets and depositary receipts risk: foreign securities may trade in the form of depositary receipts. Although depositary receipts have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange. As of December 31, 2011, the Fund had approximately 17.5% of assets invested in foreign companies. See the prospectus for a complete description of the principal risks.

Davis Advisors is committed to communicating with our investment partners as candidly as possible because we believe our investors benefit from understanding our investment philosophy and approach. Our views and opinions include "forward-looking statements" which may or may not be accurate over the long term. Forward-looking statements can be identified by words like "believe," "expect," "anticipate," or similar expressions. You should not place undue reliance on forward-looking statements, which are current as of the date of this report. We disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate.

Davis New York Venture Fund Rolling 10 Year Performance. Davis New York Venture Fund's average annual total returns for Class A shares were compared against the returns earned by the S&P 500® Index as of December 31 of each year for all 10 year time periods from 1969 through 2011. The Fund's returns assume an investment in Class A shares on January 1 of each year with all dividends and capital gain distributions reinvested for a 10 year period. The figures are not adjusted for any sales charge that may be imposed. If a sales charge were imposed, the reported figures would be lower. The figures shown reflect past results; past performance is not a guarantee of future results. There can be no guarantee that the Fund will continue to deliver consistent investment performance. The performance presented includes periods of bear markets when performance was negative. Equity markets are volatile. An investor may experience a loss. Returns for other share classes will vary.

The **S&P 500® Index** is an unmanaged index of 500 selected common stocks, most of which are listed on the New York Stock Exchange. The Index is adjusted for dividends, weighted towards stocks with large market capitalizations and represents approximately two-thirds of the total market value of all domestic common stocks. Investments cannot typically be made directly in an index.

Broker-dealers and other financial intermediaries may charge Davis Advisors substantial fees for selling its products and providing continuing support to clients and shareholders. For example, broker-dealers and other financial intermediaries may charge: sales commissions; distribution and service fees; and record-keeping fees. In addition, payments or reimbursements may be requested for: marketing support concerning Davis Advisors' products; placement on a list of offered products; access to sales meetings, sales representatives and management representatives; and participation in conferences or seminars, sales or training programs for invited registered representatives and other employees, client and investor events, and other dealer-sponsored events. Financial advisors should not consider Davis Advisors' payment(s) to a financial intermediary as a basis for recommending Davis Advisors.

Shares of the Davis Funds are not deposits or obligations of any bank, are not guaranteed by any bank, are not insured by the FDIC or any other agency, and involve investment risks, including possible loss of the principal amount invested.

