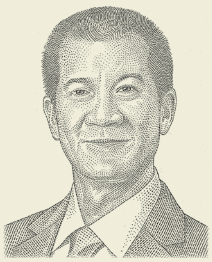

Davis Global Fund

Update from Portfolio Manager

Danton Goei

Davis FUNDS

THE EQUITY SPECIALISTS™

Davis Global Fund

Annual Review 2017

Investment Results

Davis Global Fund's strong outperformance in 2016 was driven by our holdings in the consumer discretionary, financial and energy sectors.

Davis Global Fund achieved strong results in 2016 rising 10.31% or 2.45% ahead of the Fund's benchmark Index, the MSCI ACWI (All Country World Index), which rose 7.86%.[1] The Fund's outperformance was driven by holdings in the consumer discretionary, financial and energy sectors. In the consumer discretionary area Amazon, the global leader in online retailing and cloud computing, followed its superlative 2015 performance with good results in 2016.[2] The Chinese car ride sharing leader Didi Chuxing and the auto retailer CarMax were also strong contributors. Among financial holdings JPMorgan Chase, the largest U.S. bank, and diversified stalwart Berkshire Hathaway were standouts as was Brazilian health insurer Sul America. In the energy sector Encana and Apache, both with large North American shale properties, made significant contributions to Fund performance. ■

Perspectives on the Global Investment Landscape and Portfolio Positioning

Investing around the world in leading U.S. businesses, European multinationals and select businesses in developing markets.

On the whole, 2016 was a relatively good year for world equity markets and the global economy. Global growth in gross domestic product (GDP) for 2016 is forecast to grow at 3.1%, roughly in line with last year's 3.2% rate. Economic growth in the developed world, however, slowed to an estimated 1.6%.

The United States continued the modest but consistent pattern in place since 2010 with estimated growth of 1.9%,[3] following a six-year period from 2010 to 2016 when annual GDP growth averaged 2.6% and unemployment fell below 5%. With relatively strong third quarter GDP growth of 3.2%[4] and fourth quarter GDP growth forecast at 2.6%,[5] the Federal Reserve raised the federal funds rate 25 basis points in December and expects another three rate increases in 2017, bringing the

The average annual total returns for Davis Global Fund's Class A shares for periods ending December 31, 2016, including a maximum 4.75% sales charge, are: 1 year, 5.07%; 5 years, 11.40%; and 10 years, 3.82%. The performance presented represents past performance and is not a guarantee of future results. *Total return assumes reinvestment of dividends and capital gain distributions. Investment return and principal value will vary so that, when redeemed, an investor's shares may be worth more or less than their original cost. The Fund is subject to a 2% short-term redemption fee for shares held for fewer than 30 days. The total annual operating expense ratio for Class A shares as of the most recent prospectus was 0.97%. The total annual operating expense ratio may vary in future years. Returns and expenses for other classes of shares will vary. Current performance may be higher or lower than the performance quoted. For most recent month-end performance, visit davisfunds.com or call 800-279-0279. The Fund's performance benefited from IPO purchases in 2013 and 2014. After purchase, the IPOs rapidly increased in value. Davis Advisors purchases shares intending to benefit from long-term growth of the underlying company; the rapid appreciation of the IPOs were unusual occurrences.*

This report includes candid statements and observations regarding investment strategies, individual securities, and economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. Equity markets are volatile and an investor may lose money. **Past performance is not a guarantee of future results. 1.** Class A shares without a sales charge. **Past performance is not a guarantee of future results. 2.** Individual securities are discussed in this piece. 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. The return of a security to the Fund will vary based on weighting and timing of purchase. This is not a recommendation to buy, sell or hold any specific security. **Past performance is not a guarantee of future results. 3.** U.S. Federal Reserve, Chair Janet Yellen press conference, 12/14/16. **4.** U.S. Bureau of Labor Statistics, 12/19/16. **5.** Trading Economics, 12/30/16.

federal funds rate to 1.4% at the end of that year.[6] While the U.S. economic recovery has not been particularly strong, averaging 2.5% annual growth since 2009, the seven-year recovery is the fourth longest growth streak on record[7] and has provided a satisfactory environment for the U.S. companies we hold, which in part explains the Fund's 50% to 55% weighting in U.S. companies.

Eurozone economic conditions remain quite weak with GDP growth of 1.7% and a stubbornly high unemployment rate of 10.0%.[8] Economic conditions, however, vary across the region. On balance, northern European countries such as Germany, Netherlands and Sweden have higher growth rates and lower unemployment than France, Italy and Portugal in the south. In addition to slower growth and higher unemployment, the rapidly aging population creates a challenging long-term outlook. As a result, when investing in European companies we are generally most interested in multinational corporations that can benefit mainly from growth outside the Eurozone. Currently we are finding opportunities in European multinational industrial companies such as Safran and Schneider Electric where global demand is the long-term driver of growth and valuations are reasonable.

Emerging markets as a whole continued to grow much faster than the developed world in 2016 with GDP for these countries as a group increasing 4.2%.[8] Vast differences among these countries, however, make the term emerging markets almost meaningless and require detailed analysis at the country level vital in our view. We focus on countries with stronger political stability, a sound legal system and accounting transparency in addition to good long-term economic growth prospects. As a result, we have invested in only five emerging markets: China, India, Mexico, Brazil, and South Africa. We own Naspers, which is headquartered in South Africa and is a true multinational company with minimal exposure to its home market.

China and India with forecasted 2016 GDP growth of 6.6% and 7.0%, respectively, are two of the largest, fastest-growing economies in the world. China, the world's second largest economy, is home to many consumer goods and services companies we find attractive. We expect consumer goods and services companies in China to benefit from strong growth for years to come as consumption of consumer goods and services accounted for only 37% of GDP in 2015 compared with 68% of GDP in the United States, 59% in Japan and 55% in the Eurozone.[9]

Turning to emerging markets, Mexico continues its steady growth with GDP expected to increase 2.0% in 2016 and unemployment only 4.1%.[9] Brazil differs from the other four emerging market countries in which the Fund invests as Brazil is experiencing the second year of a severe recession with GDP expected to shrink another 3.4% in 2016 following a 3.8% decline in 2015.[9] Following the ouster of President Dilma Rousseff after a Senate vote on August 31, 2016, the new government's policies are expected to be more friendly to businesses and focused on reigniting economic growth. We expect Brazil's economy to improve significantly over next two to three years. ■

Representative Holdings that Exemplify the Davis Approach to Ever-Changing Global Markets

Our focus is on companies with durable competitive advantages, capable management teams and attractive valuations.

In building our global portfolio, we seek companies with durable competitive advantages run by capable management teams that are trading at attractive valuations. We focus particularly on companies that

6. U.S. Federal Reserve, advance release of table 1 in the summary of economic projections to be released with the Federal Open Market Committee minutes, 12/14/16. **7.** *MarketWatch*, research report citation from High Frequency Economics, 7/18/16. **8**. International Monetary Fund *World Economic Outlook* database, October 2016. Some of these risks are foreign country risk, currency risk, market risk, and emerging market risk. See endnotes for a complete description of these risks. **9.** Global Economic Prospects, Highlights from Chapter 1 Global Outlook: Subdued Growth, Shifting Policies, Heightened Uncertainty—*Global Prospects January 2017*.

benefit from both reasonable current valuations as well as the opportunity to achieve even higher profitability as long-term trends work in their favor.

For example, JPMorgan Chase is the largest U.S. bank and earns a good return on tangible equity in the low teens, which management believes should increase to an even more attractive 15% in a higher interest rate environment. The key to JPMorgan Chase's high returns are its leading franchises in consumer banking, investment banking, credit cards, commercial banking, and wealth and investment management. Management has also increased capital levels over the past several years, giving JPMorgan Chase one of the strongest balance sheets in the industry. In addition, management has increased the share of earnings returned to shareholders to two-thirds, which is equivalent to an all-in-yield of 5% on dividends and share buybacks. Significantly since CEO Jamie Dimon assumed the helm 11 years ago, a period that includes the financial crisis of 2007–2008, JPMorgan Chase has significantly outperformed the S&P 500 Financials Index and even outperformed the broader S&P 500 Index by a cumulative 44%. Today the company is valued at just over 13 times estimated 2017 earnings, which does not fully reflect the financial benefit of higher interest rates.

Apache Corporation, a North American based energy exploration and production company, is an example of a company that earns attractive returns even at current oil price levels because of low production costs and that should become much more profitable over time if the price of oil rises in response to growing demand. When John Christmann became CEO of Apache in January 2015, he focused on improving company returns by concentrating capital spending on low-cost, high-return assets and selling low-return assets. Today the company is much smaller and far more profitable. About half of Apache's global oil and gas reserves are in the Permian Basin in West Texas, which contains some of the lowest cost and highest return properties globally in our view. Due mostly to the company's history of mediocre capital allocation prior to 2015, Apache's valuation was well below its peers in early 2016, giving us the opportunity to invest in a quality company with a quality management team and quality assets at a bargain price.

If we adjust our owner earnings estimate for what we believe are long-term sustainable oil prices, we consider Apache a bargain selling at 11 times estimated 2017 owner earnings. Based on our analysis, Apache should grow production at least 8% annually through 2020, with cash flow and owner earnings also growing accordingly. In addition, Apache announced a promising new discovery in the Permian Basin, which we believe could add materially to reserves and owner earnings at a very low cost.

Another company poised to benefit from favorable long-term trends is Didi Chuxing, China's leading car ride-hailing company with a more than 90% market share. While the private car ride-hailing business has grown rapidly in many countries over the past few years, growth in China has been significantly faster. Industrywide, total rides per day in China are already substantially greater than total rides per day in the United States. China is a particularly well-suited market for ride hailing given the size of its dense urban population, relatively poor public transportation, and low levels of car ownership and affordability. We believe the ride-hailing business in China is likely to be a "winner-take-most" situation given the self-perpetuating advantages that accrue to the dominant player. Owning the largest network of drivers results in shorter wait times for riders, higher use, and greater earnings for drivers. These advantages make it difficult for smaller companies to compete effectively, strengthening our conviction that Didi Chuxing will maintain its dominant market position while benefitting from years of rapid market growth.

In August 2016, Didi Chuxing acquired Uber's China operations, ending a fierce one-and-a-half-year battle between the two companies. While the combined operation is currently not profitable, we believe the company is likely to benefit from improving operating margins over the next few years as subsidies are scaled back and the company benefits from operating leverage on its largely fixed cost base. Didi Chuxing is currently valued at approximately $35 billion based on the proceeds from the company's latest round of fund raising. We consider this valuation attractive given the market's significant growth potential and our expectation the company will achieve a high level of profitability over the long term. Assuming local regulatory requirements are finalized over the next six months, we expect Didi Chuxing to make plans for an initial public offering (IPO) of its stock within the next two years. ■

Conclusion

With the Davis family and employees the largest shareholders in Davis Global Fund, we stand side by side with our investors as we seek to achieve both strong relative and absolute returns, which we have accomplished over the past year and since the Fund's inception in 2004. We thank you for your continued trust and interest in Davis Global Fund. ■

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

This report includes candid statements and observations regarding investment strategies, individual securities, and economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. These comments may also include the expression of opinions that are speculative in nature and should not be relied on as statements of fact.

Objective and Risks. Davis Global Fund's investment objective is long-term growth of capital. There can be no assurance that the Fund will achieve its objective. Some important risks of an investment in the Fund are: stock market risk: stock markets have periods of rising prices and periods of falling prices, including sharp declines; manager risk: poor security selection may cause the Fund to underperform relevant benchmarks; common stock risk: an adverse event may have a negative impact on a company and could result in a decline in the price of its common stock; foreign country risk: foreign companies may be subject to greater risk as foreign economies may not be as strong or diversified; emerging market risk: securities of issuers in emerging and developing markets may present risks not found in more mature markets. As of December 31, 2016, the Fund had approximately 28.1% of assets invested in securities from emerging markets; foreign currency risk: 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; depositary receipts risk: depositary receipts involve higher expenses and may trade at a discount (or premium) to the underlying security; large-capitalization companies risk: companies with $10 billion or more in market capitalization generally experience slower rates of growth in earnings per share than do mid- and small-capitalization companies; mid- and small-capitalization companies risk: companies with less than $10 billion in market capitalization typically have more limited product lines, markets and financial resources than larger companies, and may trade less frequently and in more limited volume; headline risk: the Fund may invest in a company when the company becomes the center of controversy. The company's stock may never recover or may become worthless; and fees and expenses risk: the Fund may not earn enough through income and capital appreciation to offset the operating expenses of the Fund. See the prospectus for a complete description of the principal risks.

The Fund is subject to a 2% short-term redemption fee for shares held for fewer than 30 days.

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.

The information provided in this material should not be considered a recommendation to buy, sell or hold any particular security. As of December 31, 2016, the top ten holdings of Davis Global Fund were: Alphabet, Inc., 6.66%; Encana Corp., 5.68%; Wells Fargo & Co., 5.16%; Amazon.com, Inc., 4.77%; Apache Corp., 4.47%; Berkshire Hathaway Inc., Class B, 4.37%; Naspers Ltd.–N, 3.56%; Adient PLC, 3.37%; Didi Chuxing Joint Co., Series A, 3.29%; JPMorgan Chase & Co., 3.21%.

Davis Funds has adopted a Portfolio Holdings Disclosure policy that governs the release of non-public portfolio holding information. This policy is described in the prospectus. Holding percentages are subject to change. Visit davisfunds.com or call 800-279-0279 for the most current public portfolio holdings information.

Broker-dealers and other financial intermediaries may charge Davis Advisors substantial fees for selling its funds 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.

We gather our index data from a combination of reputable sources, including, but not limited to, Thomson Financial, Lipper and index websites.

The **MSCI ACWI (All Country World Index)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets throughout the world. The Index includes reinvestment of dividends, net foreign withholding taxes. 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. The **S&P 500 Financials** is a capitalization-weighted index that tracks the companies in the financial sector as a subset of the S&P 500 Index. Investments cannot be made directly in an index.

After April 30, 2017, this material must be accompanied by a supplement containing performance data for the most recent quarter end.

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.

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