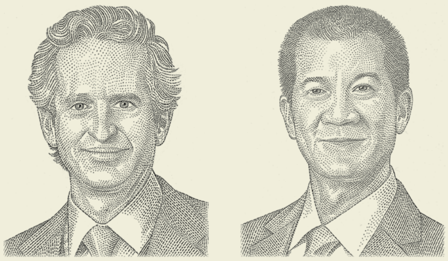
DNYVF ANNUAL REVIEW 2017



Davis New York Venture Fund

Update from Portfolio Managers

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Davis FUNDS

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Davis New York Venture Fund

Annual Review 2017

Summary

- In 2016, Davis New York Venture Fund returned 12.25% versus 11.96% for the S&P 500 Index.[1]
- Over the most recent one, three and five year periods, a $10,000 investment grew to $11,225, $12,316 and $18,681, respectively.[1]
- $1.97 million versus $932,077 is the value of a $10,000 investment in the Fund since inception versus the value of a $10,000 investment in the S&P 500 Index.[1]
- Opportunities in today's market include global leaders selling at bargain prices, dominant lesser-known businesses in necessary economic niches, blue chips of tomorrow and beneficiaries of short-term misperceptions.
- Risks in today's market include overvalued dividend darlings and companies with near peak profit margins.

The average annual total returns for Davis New York Venture Fund Class A shares for periods ending December 31, 2016, including a maximum 4.75% sales charge, are: 1 year, 6.92%; 5 years, 12.22%; and 10 years, 4.68%. 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 total annual operating expense ratio for Class A shares as of the most recent prospectus was 0.89%. 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.*

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.** Inception of the Fund was February 17, 1969. Investments cannot be made directly in an index.

Davis New York Venture Fund

Annual Review 2017

Results of Our Investment Discipline

Davis New York Venture Fund returned 12.25% versus 11.96% for the S&P 500 Index in 2016.[2]

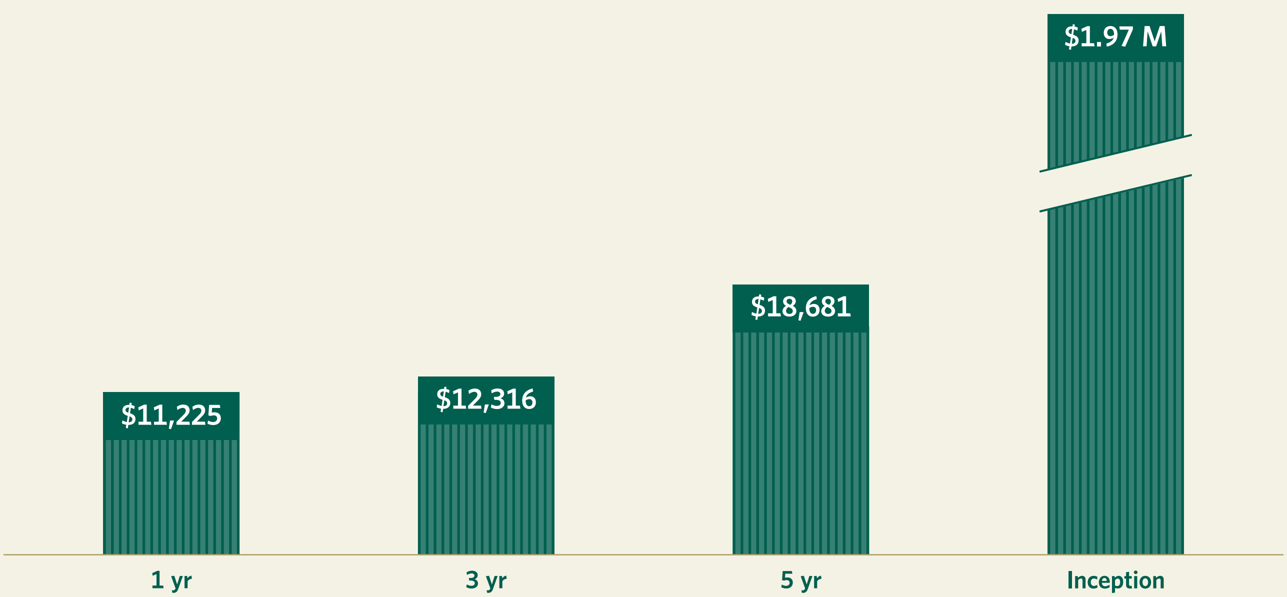
Davis New York Venture Fund continued its long record of building shareholder wealth. As shown in the chart below, the value of an initial $10,000 investment has increased in all periods shown.

On a relative basis, our results beat the market in 2016 as they have over the long term. Compounded over the long run, our advantage over the index has created enormous value for shareholders.

Just consider that an initial $10,000 invested in Davis New York Venture Fund at our inception would now be worth more than $1.9 million, more than twice as much as an equivalent investment in the S&P 500 Index.

While our disciplined investment approach has not always been rewarded by the market over shorter periods, this active management approach has created wealth for our shareholders in the long run. By standing apart from the crowd, keeping expenses low, investing alongside our shareholders, and ignoring short-term fads, we have built wealth for shareholders and beaten the index since 1969.

DNYVF Has Grown Shareholder Wealth Over the Long Term[2]



2. Class A shares without a sales charge. **Past performance is not a guarantee of future results.** Inception of the Fund was February 17, 1969. Investments cannot be made directly in an index.

Investment Outlook

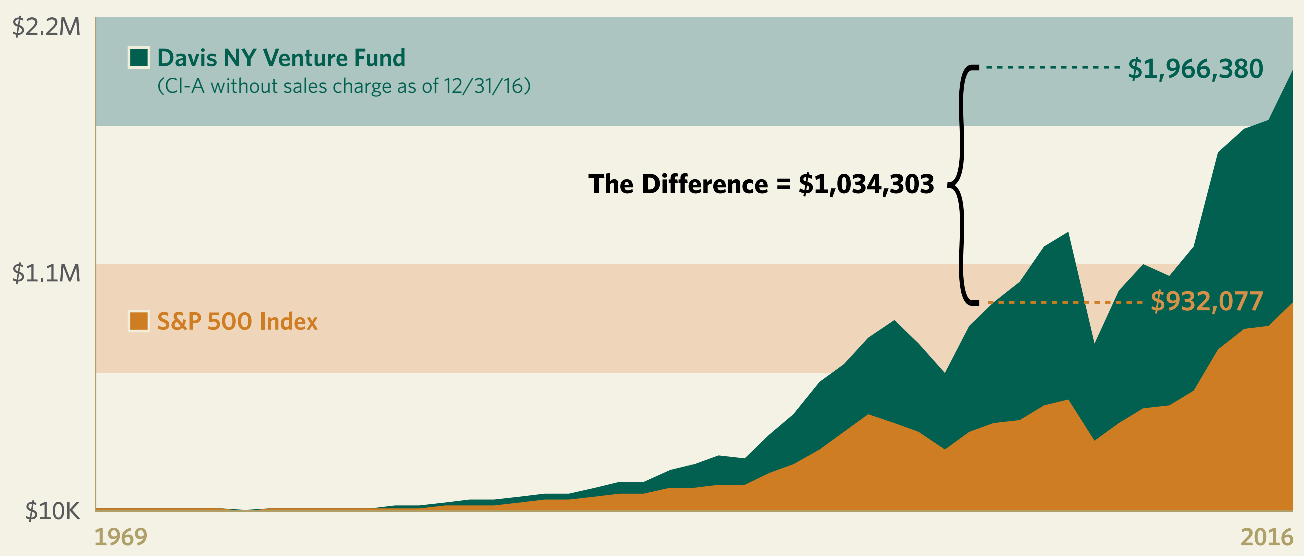
Equities should outperform bonds for the next decade.[3] Avoid overpriced dividend darlings. Focus on the important and knowable.

The last five years have been filled with the unexpected. Time and again professional forecasters and pundits have been proven wrong: from the rise of ISIS to the collapse in energy prices; from Facebook's poorly received initial public offering to the bankruptcy of Detroit; from Brexit to the election of Donald Trump. Yet through it all, Davis New York Venture Fund has grown the value of a dollar invested in that time period by more than 80%, showing that while short-term predictions may be worthless, long-term preparation is invaluable.[4]

The essence of our preparation is a relentless focus on what is both knowable and important. For example, while the short-term outlook for bond markets may not be predictable, we know today's historically low interest rates leave bondholders with less upside potential and more downside potential than at any other time in modern history. With the yield on long-term government bonds now comparable to the dividend yield on stocks, we expect stocks to outperform bonds handily in the decades ahead.

Another fact that is both knowable and important is market dips are inevitable. For example, since 1928 the market has experienced a 10% dip about every eight months and a 20% dip every two and a half years on average. Yet, when we experience such a dip, the media act as if the world is coming to an end. As a result, many investors panic and sell at low prices creating a buying opportunity for

$10,000 Investment in DNYVF Since Inception Grew to More than Twice the Value of the Index[4]



3. Common stocks and bonds represent different asset classes subject to different risks and rewards. Unlike bonds, the Fund does not offer a fixed rate of return if held to maturity, and the Fund has risks not associated with holding a bond. Bonds are considered to have less risk than equities. Future economic events may favor one asset class over another. **4.** Class A shares without a sales charge. **Past performance is not a guarantee of future results.** Inception of the Fund was February 17, 1969. Investments cannot be made directly in an index.

those who can keep their heads. Since stocks are one of the best ways to build long-term wealth, the years ahead are likely to reward those investors who have a long-term perspective, flexibility and steady nerves and to penalize those investors who are frozen by indecision, committed to passive investment strategies or likely to panic during market downturns.

A final important and knowable fact is investors often feel safest when risks are greatest. From internet mania to the housing boom, what looked like a sure thing in the rear view mirror ended up a speculative bubble. Two sectors where investors feel safe today have risen to levels that appear risky to us. First, many popular dividend-paying stocks, often referred to as dividend darlings, have been bid up to premium valuations that could spell trouble for investors who assume dividends are guaranteed. Second, with regulatory encouragement, roughly a trillion dollars has been switched from actively managed funds into passive index funds since 2007. Such huge fund flows create momentum, as more money is automatically invested in those stocks whose prices have already gone up. Unfortunately, momentum-based strategies lead to bubbles and bubbles eventually burst. Moreover, while passive investing may have beaten the average manager, a select few active managers, including Davis Advisors, have beaten the market over the long term. In fact, in addition to Davis New York Venture Fund, all five of the equity strategies managed by our firm, including Davis Global Fund, Davis Opportunity Fund, Davis International Fund, and Davis Financial Fund, have outperformed their peers since their inception.[5] Happily, as more money flows into passive index strategies that employ no securities analysis, more investment opportunities are available for investors like us who do. After all, finding undervalued companies is far easier when fewer investors are looking. ■

The Portfolio

Global leaders trading at bargain prices. Dominant lesser-known businesses. Blue chips of tomorrow. Beneficiaries of short-term misperceptions.[6]

Four portfolio themes have allowed us to create a powerful combination of growth and value in Davis New York Venture Fund:

Global Leaders Trading at Bargain Prices—Some of the strongest and best-known companies in the world make up the largest portion of the Portfolio. This fact is nothing new. What is unusual though is short-term economic concerns over the past year have reduced the share prices of a handful of global leaders such as Berkshire Hathaway, United Technologies, American Express, and Monsanto to bargain levels at a time of high valuations for the average company.[7] Buying top tier businesses at bargain prices is a value investor's dream.

Dominant Lesser-Known Businesses—Davis New York Venture Fund also invests in a group of lesser-known businesses that dominate dull but necessary niches in the global economy. Whether they participate in unglamorous industries or are headquartered in different countries, these businesses are not household names to U.S. investors. As a result, their shares often trade at a discount to better-known companies despite having the same qualities of market dominance and durability as the global leaders described above. Such companies include Johnson Control's leadership in fire and security, building controls, and car batteries; Liberty Global's strength in European cable TV and broadband; LafargeHolcim's dominance of the world cement industry, and Safran's leadership in jet engines (the company has been an equal but

5. Class A shares not including a sales charge. **Past performance is not a guarantee of future results.** See endnotes for a description of the peer groups. **6.** While we research companies subject to such contingencies, we cannot be correct every time, and a company's stock may never recover. **7.** 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.**

less well-known partner of General Electric for more than 30 years). These companies combine the relevance and resilience of blue chip companies with below-average valuations.

Blue Chips of Tomorrow—Another theme is fast-moving companies that use innovation to disrupt the economics of larger but less agile competitors. Similar to evolution, capitalism is a process of constant change that rewards businesses that can adapt. Over the decades, we have seen many examples of today's disrupters emerging as tomorrow's blue chips. Several of Davis New York Venture Fund's core holdings reflect this dynamic. Amazon has not only revolutionized the retail business, but also the information and technology industry through Amazon Web Services (AWS). Alphabet (the parent company of Google) began by making the world's information accessible through the internet and emerged as the largest and most profitable advertising firm in the world, the brains behind the vast majority of all smart phones, a leader in internet video, and the emerging leader in artificial intelligence and self-driving cars.

CarMax is another example of an innovator that has been just as disruptive in the auto sector, bringing trust, choice and quality to the murky but enormous used car industry. Investors in disruptive leaders stand to benefit not just from the growth in these companies' underlying businesses, but also from their gradual inclusion in the ranks of blue chip stocks.

Beneficiaries of Short-Term Misperceptions— Short-sighted investors avoid companies that face short-term misperceptions, creating an opportunity for long-term investors willing to look beyond today's headlines. In banking, for example, memories of the financial crisis of 2008–2009 combined with subsequent anti-banking rhetoric and media coverage have blinded investors to the fact carefully selected banks are both cheap and safe, in our opinion. Contrary to perception, many top tier banks are not only reporting record earnings but are also far better capitalized than at any time in the last 50 years. While unloved now, we believe the leading financial companies we own will be big contributors to Davis New York Venture Fund's future returns as the reality of their strong economic fundamentals and rising dividends eclipses current investor perceptions.

Similarly, over the past year, investors fled the energy sector in response to the dramatic (and unsustainable) collapse in oil prices. While oil prices are unknowable in the short term, they must exceed the cost of replacing reserves over time. This simple fact will eventually lead to higher energy prices and should drive future returns for the well-positioned, low-cost producers the Fund holds. As a result, we repositioned the energy portion of the Portfolio, adding to existing holdings and initiating new investments. We own a select group of innovative and well-positioned energy companies with the capital allocation discipline, management experience and low-cost, long-lived reserves that will allow them to increase production for decades to come. Our holdings include Occidental Petroleum, Apache, Cabot Oil & Gas, and Encana.

All in all, the carefully selected companies that make up Davis New York Venture Fund combine above-average resiliency and growth with below-average prices. ■

(please turn)

Conclusion

Today, as always, when confronted with background noise, investors benefit from tuning out the static of short-term market predictions and company forecasts and focusing instead on the long-term opportunities and risks. Today, we see significant opportunity in areas of the markets that are overlooked and risk in popular areas of the market where investors feel safest. This combination creates opportunity for those who can be flexible and independent. At a time when pundits and commentators are making the case that experience and judgment do not matter and that the best investors can hope for is an average result, we strongly disagree. We believe a carefully selected Portfolio of durable, well-managed businesses with competitive advantages, selling at a discount to true value and overseen by a seasoned team with proven results will lead to a better-than-average outcome. In investing, as in any other profession, skill matters. For more than 47 years, we have demonstrated the value of that skill by building wealth for our shareholders and generating results that have exceeded the market averages. With the vast majority of our net worth invested alongside our shareholders, we have every incentive and intention to build on this record in the years and decades ahead. ■

This report is authorized for use by existing shareholders. A current Davis 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. The investment of objective of Davis New York Venture Fund, Davis Opportunity Fund, Davis Financial Fund, Davis Global Fund, and Davis International Fund is long-term growth of capital. There can be no assurance that a Fund will achieve its objective. Davis New York Venture 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: 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; depositary receipts risk: depositary receipts may trade at a discount (or premium) to the underlying security and may be less liquid than the underlying securities listed on an exchange; 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, Davis Global Fund had approximately 28.1% of assets invested in emerging markets; As of December 31, 2016, Davis International Fund had approximately 48.3% of assets invested in emerging markets; fees and expenses risk: the Fund may not earn enough through income and capital appreciation to offset the operating expenses of the Fund; 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; foreign country risk: foreign companies may be subject to greater risk as foreign economies may not be as strong or diversified. As of December 31, 2016, Davis New York Venture Fund had approximately 11.7% of assets invested in foreign companies; As of December 31, 2016, Davis Opportunity Fund had approximately 20.9% of assets invested in foreign companies; As of December 31, 2016, Davis Financial Fund had approximately 7.3% of assets invested in foreign companies; 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; 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; 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; manager risk: poor security selection may cause the Fund to underperform relevant benchmarks; 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; and stock market risk: stock markets have periods of rising prices and periods of falling prices, including sharp declines. Additional risks of investing in the Davis Financial Fund include: focused portfolio risk: investing in a limited number of companies causes changes in the value of a single security to have a more significant effect on the value of the Fund's total portfolio; interest rate sensitivity risk: interest rates may have a powerful influence on the earnings of financial institutions; and credit risk. The issuer of a fixed income security (potentially even the U.S. Government) may be unable to make timely payments of interest and principal. See the prospectuses 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.

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 New York Venture Fund were: Alphabet, Inc., 6.98; JPMorgan Chase & Co., 6.59%; Amazon.Com, Inc., 6.14%; Wells Fargo & Co., 5.92%; Berkshire Hathaway, Inc., Class A, 5.40%; Apache Corporation, 5.24%; Bank of New York Mellon Corp., 4.20%; United Technologies Corp., 3.85%; American Express Co., 3.48%; Encana Corporation, 3.38%. As of December 31, 2016, the top ten holdings of Davis Opportunity Fund were: Alphabet, Inc., 6.13%; Apache Corporation, 5.63%; Wells Fargo & Co., 5.40%; Amazon.com, Inc., 4.94%; Encana Corporation, 4.65%; Cabot Oil & Gas Corp., 3.71%; United Technologies Corp., 3.52%; Adient PLC, 2.97%; Delphi Automotive PLC, 2.72%; UnitedHealth Group Inc., 2.65%. As of December 31, 2016, the top ten holdings of Davis Financial Fund were: Wells Fargo & Co., 5.63%; JPMorgan Chase & Co., 5.14%; Markel Corp., 5.06%; Bank of New York Mellon Corp., 4.71%; Goldman Sachs Group, Inc., 4.70%; Loews Corp., 4.70%; Capital One Financial Corp., 4.69%; American Express Co., 4.54%; Berkshire Hathaway, Inc., Class A, 4.48%; U.S. Bancorp, 4.22%. As of December 31, 2016, the top ten holdings of Davis Global Fund were: Alphabet, 6.66%; Encana, 5.68%; Wells Fargo, 5.16%; Amazon.com, 4.77%; Apache Corp., 4.47%; Berkshire Hathaway–Class B, 4.37%; Naspers–N, 3.56%; Adient PLC, 3.37%; Didi Chuxing Joint Co.–Series A, 3.29%; JPMorgan Chase, 3.21%. As of December 31, 2016, the top ten holdings of Davis International Fund were: Encana Corporation, 7.38%; Naspers Ltd.–Class N, 5.29%; Didi Chuxing Joint Co., Series A, 4.97%; Safran S.A., 4.77%; LafargeHolcim Ltd., 3.95%; Sul America SA, 3.85%; JD.com, Inc. ADR, 3.78%; Novartis AG ADR, 3.73%; Schneider Electric SE, 3.68%; Roche Holding AG, 3.62%.

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 Lipper peer group for each Fund is: **Davis New York Venture Fund:** Large-Cap Core funds invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) above Lipper's USDE large-cap floor. Large-cap core funds have more latitude in the companies in which they invest. These funds typically have an average characteristics compared to the S&P 500 Index. **Davis Opportunity Fund:** Multi-Cap Growth funds that, by portfolio practice, invest in a variety of market capitalization ranges without concentrating 75% of their equity assets in any one market capitalization range over an extended period of time. Multi-cap growth funds typically have above-average characteristics compared to the S&P SuperComposite 1500 Index. **Davis Financial Fund:** Financial Service funds invest primarily in equity securities of domestic companies engaged in providing financial services, including but not limited to banks, finance companies, insurance companies, and securities/brokerage firms. **Davis Global Fund:** Global Multi-Cap Growth funds invest in a variety of market capitalization ranges without concentrating 75% of their equity assets in any one market capitalization range over an extended period of time. Global multi-cap growth funds typically have above-average characteristics compared to the MSCI World Index. **Davis International Fund:** International Multi-Cap Growth funds invest in a variety of market capitalization ranges without concentrating 75% of their equity assets in any one market capitalization range over an extended period of time. International multi-cap growth funds typically have above-average characteristics compared to the MSCI EAFE Index.

The benchmark for each Fund is: **Davis New York Venture Fund** and **Davis Financial Fund:** 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. **Davis Opportunity Fund:** The Russell 3000 Index measures the performance of the 3,000 largest companies incorporated in the United States and its territories and listed on the NYSE, AMEX, or NASDAQ. The companies are ranked by decreased total market capitalizations. **Davis Global Fund:** 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. **Davis International Fund:** The MSCI ACWI (All Country World Index) ex U.S. is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets, excluding the United States. The Index includes reinvestment of dividends, net of foreign withholding taxes. 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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