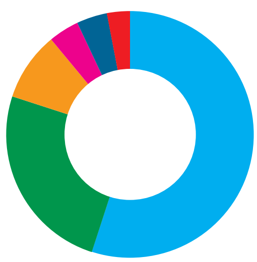
Danton G. Goei

Davis Global Fund

TICKER	DGFYX
ASSETS	$557 million
PERFORMANCE	YTD **3.35%** · 1 yr. **23.01%** · 3 yr. **7.20%** · 5 yr. **12.06%** · 10 yr. **4.83%**

As of 1/31/17. Three-year, five, and 10-year figures are annualized.
Source: Morningstar

TOP FIVE HOLDINGS	Alphabet Inc., Encana, Wells Fargo, Amazon.com, Apache Corp.
CONTACT INFO	800-279-0279 davisfunds.com



GEOGRAPHIC DISTRIBUTION
(As a % of assets)

United States	**54.80%**
Asia	**25.10%**
North America, ex-U.S.	**8.80%**
Europe	**4.50%**
Africa	**3.90%**
South America	**2.90%**

As of 12/31/16. Source: Davis Funds

All In The Family

Danton Goei adds a global bent to a multi-generation investment tradition.

By Marla Brill

WITH OVER $25 BILLION IN ASSETS UNder management, including a stable of eight mutual funds, Davis Advisors has all the trappings of a successful boutique New York investment management firm. But a unique investment philosophy, and the fact that it's been honed by three generations of one family, makes it far from typical.

Back in the 1950s, Shelby Cullom Davis made his fortune by buying the stocks of reasonably priced growing companies. His son, Shelby Davis, carried on that tradition when he founded Manhattan-based Davis New York Venture in 1969. Christopher Davis, his son, manages several of the firm's equity funds, while his brother Andrew has the helm of its real estate fund.

In contrast Danton Goei, who runs the $557 million Davis Global Fund, has little in his lineage to suggest his eventual career path. Born in Germany, raised in France with a father who was a physician and a mother in the fashion industry, he had little indoctrination into the world of investing during his childhood. But his interest in both topics accelerated when he was chosen to represent his high school in a regional economics competition, and later when he attended the University of Pennsylvania's Wharton School.

By the time he met Davis at a job interview at Davis Advisors in 1998, he had worked in several positions with larger firms as an investment analyst. "What drew me to Davis was an ability to look at an industry on a global basis," he recalls. "No other money managers were taking that kind of world view."

He also liked the fact that the firm paid attention to value and held stocks for several years at a time when rapid-fire trading and sky-high valuations were the rage. And he was encouraged that managers and employees had a lot of their own money in the funds, and that their compensation was based partly on how well those funds performed over the long term.

Goei rose quickly through the analyst ranks on the strength of his recommendations. Early on he made some propitious calls, to sell out of the Portfolio's position in newspaper stocks before the industry was completely disrupted.

Goei has co-managed the Davis Global Fund, which invests in a mix of U.S. and foreign stocks, since 2004, the year it was launched. In 2016 he took the reins as its sole portfolio manager. He also manages the Davis International Fund, and co-manages the firm's flagship $11 billion Davis New York Venture Fund.

Over the years, several analysts ran sleeves of the portfolio under Davis's oversight, and Goei's slice of the pie proved to be the most profitable.

"There used to be more cooks in the kitchen here," noted Morningstar analyst Dan Culloton in a report. "Now there is one top chef."

Even with a crowded kitchen, Davis Global has managed to beat its world stock peers over numerous time periods, and has outperformed its benchmark (the MSCI ACWI Index) since inception. While it's also been a bit more volatile than both its category average and the index over short-term periods, it has beaten both its peers and benchmark in 100% of the rolling 10-year periods, observed Culloton.

Like other Davis funds, this one takes a highly active approach and has little regard for benchmark parameters. It owns just 55 stocks while the index holds 2,470, and its country and market cap weightings are markedly different.

Once a stock is added to the portfolio, it typically remains there for several years as its manager waits for his long-term investment thesis to pan out. "We're not just interested in the next quarter's earnings numbers," he says. "When we talk to management we want to find out things like how they plan to allocate capital and what their plans are for the future."

The fund defies easy categorization as a growth or value investment; it contains a broad mix of companies ranging from staid value stocks such as J.P. Morgan Chase to stakes in a privately held Chinese ride-sharing upstart. That's because the fund eschews traditional metrics such as price-to-earnings ratios, which Goei says can be easily manipulated and do not reflect obligations such as unfunded pension liabilities. Instead, the firm uses as its key metric "owner earnings," which measure the excess cash a business generates after reinvesting enough to maintain current capacity and competitive advantages, and which adjust cash flow for items such as depreciation and stock options. Other considerations are enterprise value, or the price someone would realistically have to pay to own the business, and growth rate assumptions. Companies in the fund must also have proven management, financially strong business models and a sustainable competitive advantage.

Although Goei is a bottom-up stock picker who focuses on company-specific metrics, he also considers long-term trends when deciding what to buy, and just as important, what to sell. He learned how important both disciplines are back in the early 2000s when several of the firm's funds owned stocks of three newspaper companies whose advertising revenues were in sharp decline.

"The investment team had to decide whether the problem was due to the cyclicality of the recession, or because of more lasting secular trends brought about by the internet," he says. They decided on the latter, sold the newspaper stocks, and bought internet upstarts such as Google. The move paid off as stocks of old media companies sank and their new-era replacements rose, even though having internet stocks in a fund that wasn't classified "growth" raised some eyebrows.

These days, three secular tailwinds, the emergence of a global middle class, aging populations in the U.S., Europe and Japan, and ongoing technological advances provide the backdrop for the fund's investment decisions. In line with the first theme, most of the fund's China holdings are in consumer-related companies. This represents a marked shift from the fund's strategy several years ago, when the migration of rural populations to cities drew the focus to stocks related to commodities and infrastructure build-out.

With much of that migration slowing down, the country's growing urban consumer base and its buying power is now driving the selection process. "Only 37% of GDP in China is consumer-driven, versus 68% in the U.S., so there is still a lot of growth potential," he says. "And even though annual economic growth has settled in the 5% to

Sector Weightings
(As a % of assets)

Retailing	17.22
Information Technology	14.91
Energy	13.22
Banks	8.37
Diversified Financials	7.02
Capital Goods	6.18
Media	5.72
Automobiles & Components	4.22
Transportation	3.88
Materials	3.05

As of 12/31/2016. Source: Davis Funds

Market Capitalization
(As a % of assets)

Companies over $10B	67.11
Companies from $3B to $10B	14.03
Companies under $3B	9.80

As of 12/31/16. Source: Davis Funds

Fees and Expenses
(Y Shares)

Expense Ratio	0.72%
Deferred Load	None
Minimum Investment	$5 million

Source: Morningstar

Fund Facts

Inception Date	12/22/04
Number of Holdings	55

As of 12/31/16. Source: Davis Funds

Manager
Danton G. Goei

Age
47

Education
Bachelor's degree, Georgetown University; Master's degree, The Wharton School.

Professional Background
Previously employed by Bain & Company, Morgan Stanley Asia Ltd. Joined Davis Advisors in 1998 and has co-managed or managed several of its funds.

Outside Interests
Skiing, tennis, traveling.

7% range, that's still a growth rate we'd love to have in the U.S."

In line with that consumer theme is fund holding Didi Chuxing, which has a share of more than 90% of China's nascent ride-sharing industry. Founded in 2012, the privately held company is now a top 10 holding in the fund. Goei believes that investors in the company, which include Apple, Tencent and Alibaba, will want to monetize through an IPO within the next couple of years. "With a sizable urban population, poor public transportation and [a] low level of car ownership, China is particularly well suited for this type of business," he says.

Even though Japan represents a sizable chunk of the benchmark index, the fund has no holdings in that country. Goei believes company practices in the country aren't friendly enough to shareholders, although he says he's keeping an open mind about investing there should that change. On the other hand, U.S. companies represent a sizable portion of the fund at 54% of assets, while those based in Asia account for another 27%.

Stocks from other areas include South African multinational Naspers. The company, which has a massive $70 billion market capitalization but is virtually unheard of to most investors, owns a diverse array of media and internet holdings in emerging markets. Its satellite TV business is the largest in Africa, and its online classified ad business operates in 31 countries including Brazil, Russia and India. In 2010, Naspers became an early investor in China internet portal Tencent Holdings, and today the company's 33% stake alone is worth $80 billion.

In the U.S. sleeve, United Technologies is a holding with a durable business, innovative culture and attractive price based on owner earnings. Its business segments have highly familiar brand names such as Pratt & Whitney jet engines and aerospace parts, Otis Elevator and Carrier heating and ventilation systems. Its innovative products include a jet engine that significantly reduces fuel consumption, environmental emissions and noise levels during takeoff and landing.

Energy companies make up around 13% of the portfolio. At almost 6% of assets, Canadian oil and gas producer Encana is by far the largest holding in the group. Goei usually avoids commodity producers because they are capital intensive and driven by commodity prices, but he's impressed by Encana's low-cost production, ample reserves and management focus on shareholder returns. The company should benefit from an increase in energy prices, which Goei believes is likely to continue as global demand grows. FA

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 reprint 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.

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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: 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 involve higher expenses and may trade at a discount (or premium) to the underlying security; 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 28.14% of assets invested in securities from 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; foreign country risk: foreign companies may be subject to greater risk as foreign economies may not be as strong or diversified; 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; 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.

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. 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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