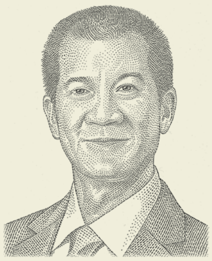

Davis Global Fund

Update from Portfolio Manager

Danton Goei

Davis FUNDS

THE EQUITY SPECIALISTS

Davis Global Fund

Fall Review 2019

Investment Results

The Davis Global Fund's performance in the first seven months of 2019 was driven by our holdings in the consumer discretionary, industrials and communication services sectors.

The Davis Global Fund increased 19.2% in the first seven months of 2019, compared with an increase of 16.6% for the MSCI ACWI (All Country World Index), an outperformance of 2.6%. Generally speaking, the companies and sectors that declined the most at the end of 2018, when worries about the U.S. trade situation were the most acute, led the outperformance in the first seven months of 2019. However, most of these companies, such as our holdings of leading Chinese consumer companies including Alibaba Group, JD.com and Hollysys Automation Technologies, are still down significantly from where they were just 12 months ago as U.S. trade relations remain a source of friction.

Crucially, while stock prices have been impacted by macro concerns, the company results continue to be very strong. In the latest quarter results, for example, Chinese e-commerce leader Alibaba's revenues grew 51%, and operating profits in the core e-commerce business were up 38%. JD.com is the #2 Chinese e-commerce player, and its revenues rose 21%, even as profit margins jumped significantly. Hollysys Automation, a leader in industrial automation in China, enjoyed a 28% increase in earnings per share (EPS). These companies focused on the Chinese domestic market have little exposure to export markets, and our long-term outlook for consumer demand in China remains very positive. Strong business results coupled with low valuations is in our view a very favorable investment environment.

The energy sector was a detractor and the only sector with negative returns in the first seven months of 2019. While persistently low oil prices have impacted Apache, Encana and Seven Generations Energy, we continue to like their production and reserve profiles. Their North American shale positions continue to be low-cost and productive. ■

The average annual total returns for Davis Global Fund's Class A shares for periods ending June 30, 2019, including a maximum 4.75% sales charge, are: 1 year, −10.87%; 5 years, 5.08%; and 10 years, 10.38%. 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 0.96%. 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. All fund performance discussions within this piece refer to Class A shares without a sales charge and are as of 7/31/19 unless otherwise noted. This is not a recommendation to buy, sell or hold any specific security. **Past performance is not a guarantee of future results.** Total returns are not annualized for periods of less than a year.

Representative Holdings

We invest around the world in select businesses to take advantage of long-term global trends.

While we believe certain emerging markets can be the home to world-class businesses, we also think selectivity is critical in reducing risks. As a result, we are in only four (China, Brazil, India, and South Africa) of the 25 emerging markets listed in the benchmark index. One such world-class business is SulAmerica SA, an over 100-year-old Brazilian health and auto insurer. Its primary focus is health insurance, where it has a 10% share, with a skew to higher-end plans. With a history of disciplined underwriting, the company has a long track record of success. Brazil is underpenetrated from a health insurance perspective, with only 23% of the population insured, and the rest relying on a public system that is widely considered inferior to private alternatives. SulAmerica has been gaining share in recent years, aided by the distress and in some cases outright failure of competitors, many of which are doctor-owned cooperatives, known as Unimeds, that have been struggling in a tough economic environment.

Investing in Brazil comes with risks: the country's economy remains fragile, and new president Bolsonaro faces challenges in pushing through a critical pension reform package. That said, though, jobs and car sales are starting to grow again, and SulAmerica is well-positioned to take advantage of a return to normalcy in the economy. The company today trades for just under 13x 2019 price/levered owner earnings (P/LOE), which we believe is attractive, as is the large ownership stake that the founding family continues to maintain in the business.

JD.com is another company that is well-positioned as a leading e-commerce platform in China. The company differentiates itself from its major China e-commerce peers by operating a first-party business that sells from its own stocked inventory, in addition to a marketplace business connecting third-party merchants with customers. As a result, despite being smaller than Alibaba, JD.com is actually the largest *retailer*, either online or offline, in China, which has become the world's largest e-commerce market in the world. Similar to Amazon in the U.S., JD.com has built China's most advanced e-commerce fulfillment and logistics infrastructure, encompassing more than 550 warehouses across the country and enabling same-day and next-day delivery. JD.com's reputation for quality, authenticity and convenience has given its first-party business strong competitive positions in categories such as electronics and home appliances, while enabling the company to invest in expansion into newer categories such as fast-moving consumer goods.

We believe that JD.com will continue to be a key beneficiary of China's increasing adoption of online shopping and that the company will leverage the scale of its first-party business and logistics operations to continue to take share from fragmented offline competitors. Sustained growth will increase the company's bargaining power over suppliers, which should help to drive an increase in profitability over the long term. In addition, the company could see significant margin benefits from improvements in its high-margin advertising and marketplace businesses. Therefore, despite being marginally profitable today due to significant reinvestment through the income statement, we believe that over the long term, the company should be able to achieve a mid-single-digit normalized operating margin.

We also continue to find attractive opportunities in the U.S., and in Q3 of 2018, we started a position in Applied Materials, the largest supplier of production equipment and services to the semiconductor and panel display markets. The company provides tools to the vast $450 billion semiconductor device and $150 billion display markets that both are entirely dependent on a small number of production tool vendors like Applied Materials. Both markets are cyclical and capital-intensive, but while Applied Materials' market *is* cyclical, it is *not* capital-intensive, meaning that the company tends to generate significantly more cash than it requires to run the business. This rare confluence of volatility and cyclically-resilient cash flow enables the company to take advantage of a volatile stock price during periods of episodic market contraction. Over the last five years, the company returned 88% of its free cash flow to shareholders via share repurchase and reduced its outstanding shares by nearly 25%. The company's opportunistic return of excess capital reflects its strong, shareholder-focused management team.

The market for semiconductors is embarking on a period of significant end-market *diversification* and *expansion*. The PC drove the market during the 1990s, and mobile devices powered it in the 2000s, but new markets are emerging, and traditional markets are rapidly evolving by adopting semiconductor technology: cloud computing, artificial intelligence, machine learning, electric/driver-assisted cars, factory automation, robotics, so-called 5G wireless and the Internet-of-things (IoT). But at a time when the opportunities for the semiconductor industry have never been larger, the technical challenges of continuing to improve chip performance and reduce costs are becoming more and more daunting. An expanding market coupled with vastly more complex technical challenges is a very promising scenario for Applied Materials—a scenario that should inevitably result in an addressable market that is structurally much larger than it is today.

2019 is likely a cyclical bottom for the semiconductor market, and we forecast that Applied Materials' revenue and owner earnings per share will be down about 15% and 25%, respectively. With the shares at around $40, Applied Materials is trading at 12.5x cyclically-depressed 2019 owner earnings, meaning that this multiple likely falls precipitously once the cyclical downturn runs its course and the semiconductor industry's prevailing mid-single-digit long-term growth rate reasserts itself. ■

Conclusion

Market volatility over the last 12 months largely driven by macroeconomic concerns, such as U.S. trade relations, can be unnerving. As long-term value-focused investors, however, we take advantage of temporary dislocations by adding to our positions in these world-class businesses, much like Applied Materials' management has. While we continue to closely monitor macroeconomic trends and potential scenarios, we have used recent market volatility to add to names such as Ferguson PLC, Bank of Butterfield, Wells Fargo, and Adient, as well as build new positions in Applied Materials and Danske Bank.

At Davis, we always want to ensure we follow the teachings of Warren Buffett's mentor, Ben Graham, who memorably stated in a 1987 Berkshire Hathaway shareholder letter: "Mr. Market is there to serve you, not to guide you. It is his pocketbook, not his wisdom, that you will find useful." We remain enthusiastic about owning a portfolio of world-class companies with durable competitive advantages around the globe trading at attractive valuations. We thank you for your continued trust and interest in the 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: **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 7/31/19, the Fund had approximately 44.9% 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 Advisor is contractually committed through 3/1/20, to waive fees and/or reimburse the Fund's expenses to the extent necessary to cap total annual fund operating expenses of Class A shares at 1.15%.

Davis Funds 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," "forecast," "estimate," 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.

Owner Earnings are the excess cash a business generates after reinvesting enough to maintain current capacity and competitive advantages but before investing for growth.

The information provided in this material should not be considered a recommendation to buy, sell or hold any particular security. As of 6/30/19, the top ten holdings of Davis Global Fund were: New Oriental Education & Technology, 9.31%; Alibaba Group Holding Ltd., 5.93%; Naspers Ltd., 5.55%; Alphabet Inc., 5.07%; Wells Fargo & Co., 4.64%; Amazon.com, Inc., 4.18%; Ferguson PLC, 4.05%; Missfresh, Ltd., 4.03%; Capital One Financial Corp., 3.47%; Hollysys Automation Technologies Ltd., 3.44%.

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 Statement of Additional Information. 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 and/or Davis Distributors, LLC 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; 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' and/or Davis Distributors, LLC's payment(s) to a financial intermediary as a basis for recommending the Fund.

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. Investments cannot be made directly in an index.

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.

After 10/31/19, 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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