



SPECIAL UPDATE

From Portfolio Manager **Danton Goei**

Davis Global Fund

Because the COVID-19 outbreak and market volatility have created fear and uncertainty, we wanted to provide you with an update through this period.

What advice do you have for investors and what are your thoughts on the market?

Our thoughts are with advisors and their clients during this challenging time. News of both the health and economic effects of COVID-19 are understandably unsettling and has led to a rapid drop in the equity markets. However, as an investment firm with over 50 years of history, we at Davis Advisors have experienced investing in numerous challenging circumstances. It is remarkable to think that over the 50 year period from 1969 through 2019, the market has returned a very healthy 10.6% per year, despite challenging periods such as the Vietnam War, the Oil Crisis, 9/11, and the Financial Crisis, to name a few.¹

Businesses, importantly, have historically persevered, adapted, and eventually thrived as each crisis receded, as we expect the COVID-19 outbreak will as well. While we do not know the future, it is encouraging that we have already seen certain countries succeed at bringing the outbreak under control, and innovative healthcare companies are hard at work developing a long-term solution.

In fact, our founder Shelby Davis famously said, "You make most of your money in a bear market. You just don't realize it at the time." This has proven true over and over again. You succeed both by owning the right companies heading into a bear market and by taking advantage of the opportunities presented. We at Davis Advisors are convinced that on both fronts, investors are being well-served by the Davis Global Fund's Portfolio of leading businesses from around the globe.

The average annual total returns for Davis Global Fund's Class A shares for periods ending March 31, 2020, including a maximum 4.75% sales charge, are: 1 year, -15.66%; 5 years, 2.65%; and 10 years, 6.07%. 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 0.98%. 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. The Fund recently experienced significant negative short-term performance due to market volatility associated with COVID-19 pandemic.

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. This is not a recommendation to buy, sell or hold any specific security. **Past performance is not a guarantee of future results. There is no guarantee that the Fund performance will be positive as equity markets are volatile and an investor may lose money.** 1. Performance is of the S&P 500 Index from 12/31/69 to 12/31/19. **Past performance is not a guarantee of future results.**

Could you provide an update on the Portfolio?

Whether in a bull or bear market, the three key areas of focus for our Portfolio companies remain the same:

- Companies with durable competitive advantages
- Excellent, experienced, and honest management teams
- Attractive valuations

The focus on companies with durable competitive advantages served us very well as we navigated the market concerns surrounding the trade war in 2019 when we outperformed the MSCI ACWI Index by a robust 4.98%.² The strong balance sheets and cash generation of Davis Global Fund's companies are outpacing the Index so far in 2020. Our top holdings, including New Oriental Education, Alibaba Group, Alphabet, JD.com, Amazon, and Applied Materials all have extremely strong balance sheets and competitive positions that may help them not only to ride out an economic downturn, but also to thrive when growth resumes.

While the market downturn over the past few weeks is certainly unpleasant, we believe it also means future returns from this point may have the opportunity for improvement. Valuations for our Portfolio companies at the end of 2019 were already attractive, which was particularly evident relative to both the market index and fixed income yields. Today, these same companies, as well as the ones we have been adding to in the market downturn, are particularly attractive, and we believe future returns will be good.

Putting aside how challenging things are for people on many levels, where do you see the best investment opportunities?

Two areas of meaningful outperformance in the Davis Global Fund Portfolio year-to-date have been the Chinese consumer companies we own such as

New Oriental Education, Alibaba Group, JD.com, and Miss Fresh. Miss Fresh, a Chinese online grocery business, in fact, has experienced a major uptick in its business as households rapidly changed their grocery shopping habits and moved online. The large U.S. online internet companies—Alphabet, Amazon, and Facebook—that we think of as the “Blue Chips of Tomorrow” have also outperformed. Encouragingly, the valuations of both the Chinese consumer companies and the U.S. internet leaders remain attractive both on a relative and absolute basis.

The one large sector in the Portfolio that has underperformed is financials, and we believe it is well-poised to make up ground and outperform in the future. Our two U.S. bank holdings, Wells Fargo and Capital One, are entering the next recession with much higher levels of capital, stronger loan books, and very profitable businesses, despite the low interest rate environment. Select international financials including DNB (a leading bank in Norway), Development Bank of Singapore, AIA Group (an Asia-focused life insurer), Danske Bank (a leading bank in Denmark) and Julius Baer (a Swiss wealth manager) are proven businesses trading at very attractive valuations. We believe both our U.S. and international financials are among the best-capitalized financials globally and all have strong franchises. We have been adding to all of them in the latest market downturn.

Market distress is also a potential market opportunity, as long as you are invested in well-run durable franchises trading at attractive valuations. We believe this is an accurate description of Davis Global Fund's companies. We thank you for your trust and interest. If we can answer any questions about the Davis Global Fund, please do not hesitate to reach out and contact us: 800-717-3477.

² Class A shares without a sales charge. **Past performance is not a guarantee of future results.** The outbreak of COVID-19 has negatively affected the worldwide economy, individual countries, individual companies and the market in general. The future impact of COVID-19 is currently unknown, and it may exacerbate other risks that apply to the 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.

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.

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; **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; **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; **depository receipts risk:** depository receipts involve higher expenses and may trade at a discount (or premium) to the underlying security; **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; **exposure to industry or sector risk:** significant exposure to a particular industry or sector may cause the Fund to be more impacted by risks relating to and developments affecting the industry or sector; **emerging market risk:** securities of issuers in emerging and developing markets may present risks not found in more mature markets. As of 3/31/20, the Fund had

approximately 39.9% of net assets invested in securities from emerging markets; **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; **fees and expenses risk:** the Fund may not earn enough through income and capital appreciation to offset the operating expenses of the Fund; and **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; 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.

The information provided in this material should not be considered a recommendation to buy, sell or hold any particular security. As of 3/31/20, the top ten holdings of Davis Global Fund were: Alibaba Group Holding, 7.85%; Missfresh Pvt, 6.44%; Alphabet, 5.81%; New Oriental Education & Technology, 5.41%; United Technologies, 4.73%; Applied Materials, 4.41%; Wells Fargo, 4.35%; JD.com, 4.24%; Amazon.com, 4.01%; Naspers, 3.88%.

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.

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

After 7/31/20, 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.