DOF FALL REVIEW 2019

Davis Opportunity Fund

Update from Portfolio Managers

THE EQUITY SPECIALISTS

Davis Opportunity Fund

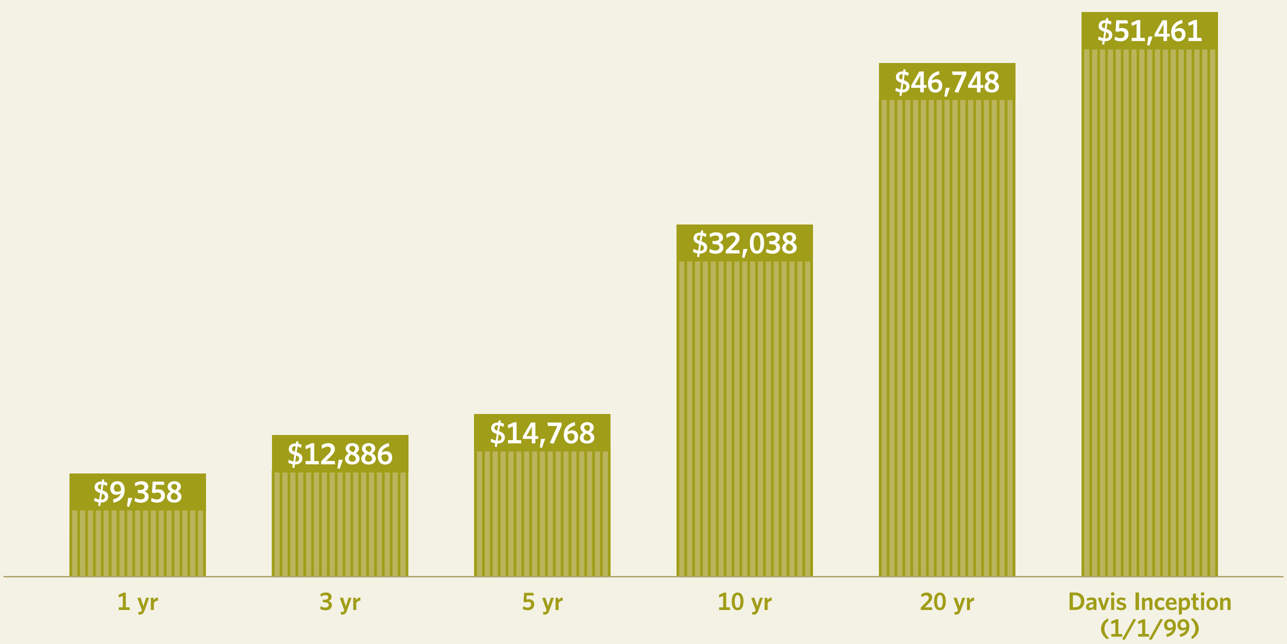
Fall Review 2019

Investment Results

In the year-to-date period, the Davis Opportunity Fund returned 13.9%, building further on our long-term record of growing wealth for our clients. Our investment approach seeks to add value over multi-year holding periods. It is important to us, therefore, historically, the longer clients have remained invested in the Fund the more likely they have realized positive wealth building. In the year-to-date period, the S&P 1500 Index returned 20.0%, by comparison. ■

DOF Has Grown Shareholder Wealth Over the Long Term[1]

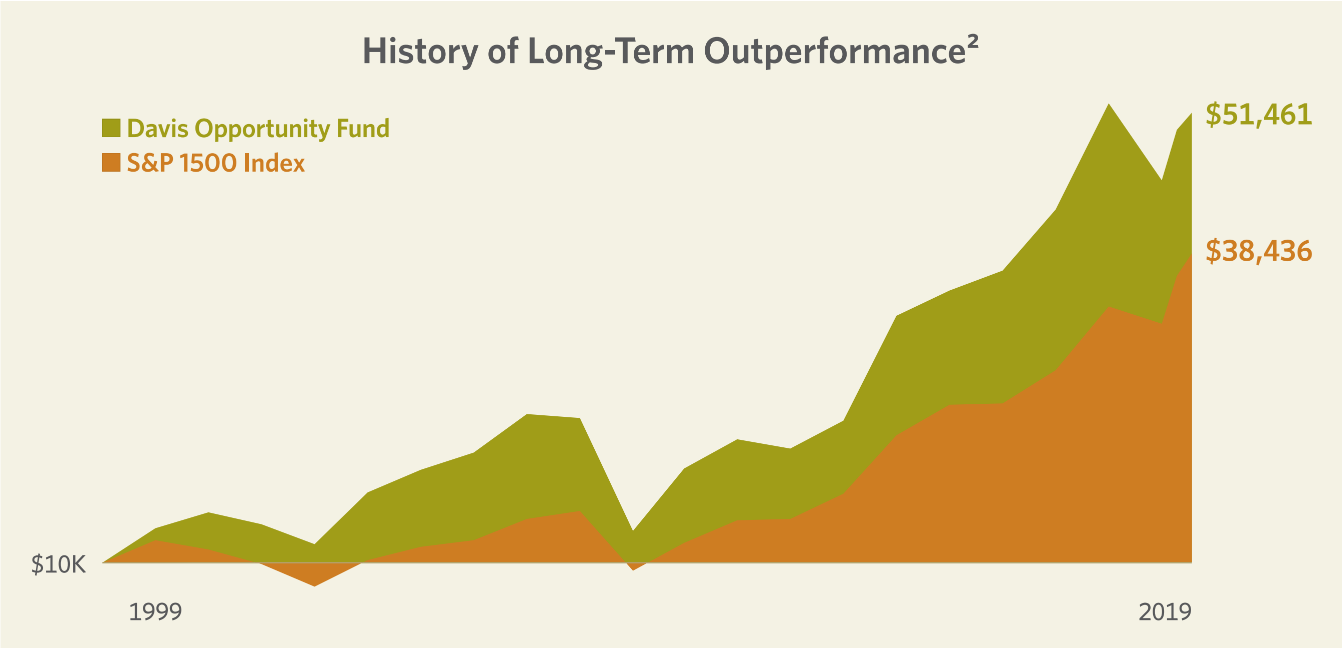
Growth of a $10,000 Investment



(Continued)

The average annual total returns for Davis Opportunity Fund's Class A shares for periods ending June 30, 2019, including a maximum 4.75% sales charge, are: 1 year, −9.25%; 5 years, 6.27%; and 10 years, 12.32%. 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 0.94%. 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 one year. **1.** Class A shares without a sales charge. **Past performance is not a guarantee of future results.** As of 7/31/19. Investments cannot be made directly in an index. Data shown in the chart is based on a hypothetical $10,000 investment in the Fund.



Fund Review

Our performance this year has been strongly influenced by our conscious positioning, which reflects our assessment of where true value resides in the broader market, and by where we feel risks have increased and should be avoided (the so-called "dividend darlings" being the notable example in our view).

On the first question of where we are positioned, we currently hold 47 high-conviction equity positions in what we believe are durable businesses that have delivered above-average earnings-per-share growth of close to 20% per year over the last five years. They are trading at only 14.9 times forward earnings, despite this compelling and attractive growth rate.

Undervalued, Attractive Growth, Selective[3]

	Fund	Index
P/E (Forward)	14.9x	18.1x
EPS Growth (5 Year)	19.9%	16.3%
Holdings	47	1,505

The S&P 1500 Index, by comparison, holds securities with an approximate average position size of 0.07%, which we believe is overly-diversified and not focused enough on a set of best ideas. The Index has grown earnings per share at a rate of about 16% over the trailing five years, below our companies' record. Despite this earnings growth difference, the S&P 1500 Index's underlying holdings actually trade at a much higher valuation of 18.1 times forward earnings than the underlying holdings of the Fund, whose average valuation is only a multiple of 14.9.

It is worth noting that many of the market's leading performers have relatively high valuations and should be avoided at this time, in our opinion. The corollary to this is that elsewhere in the market, stocks have lagged the broader average. It has come to the point where we believe the market is now presenting stockpickers with a rare opportunity to buy extremely robust earnings growth at discounted prices. Furthermore, most of our holdings have fortress balance sheets, and we always seek discernible competitive advantages—both of which are important buffers against many different types of risks.

2. As of 7/31/19. Class A shares without a sales charge. **Past performance is not a guarantee of future results. 3.** The Attractive Growth and Undervalued reference in this piece relates to underlying characteristics of the portfolio holdings. There is no guarantee that the Fund performance will be positive as equity markets are volatile and an investor may lose money.

However markets behave for a time, we must at all times remain singularly focused on pursuing investments that, at the business and industry level, represent acceptable and attractive long-term opportunities to us and our clients. Historically, the longer clients have remained invested in the Fund the more likely they have realized positive wealth building. We believe that an ability to look through the current market gyrations and recognize the confidence we have in businesses we own is critical to staying the course. For suitable clients, this may also be an attractive time to add further capital, given the opportunity set.

We believe this market setup is ideally suited for our approach of buying durable, growing businesses at value prices and holding them for the long term; we believe this may provide a powerful springboard from which to generate attractive future returns.

Based on the opportunity to purchase durable growth at discounted prices today, the areas where we are finding the most value are:

- **Financials—**a natural core part of the Fund, based on cash earnings generation, soundness of balance sheets, attractive returns on equity, and very cheap valuations, with many of our top holdings such as Capital One and Wells Fargo, trade at a modest 9–11 times owner earnings. Much of our thesis for financials is predicated on the belief that return of capital through rapidly rising dividends and large share buybacks will constitute a large portion, and in some instances the majority, of our expected total return. Wells Fargo, for instance, has a 3.8% dividend yield, earns more than $27 billion pre-tax, and returned more than $24 billion to shareholders in 2018 alone. Meanwhile, its multiple is roughly 10 times earnings. Other financial businesses in the Fund share similar attributes.

- **Consumer businesses—**companies that can benefit from strong consumption trends, both in the U.S. and internationally. The growth of the online dominant players is explained in no small part by the growing penetration of online versus offline businesses around the world. Taking retail as an example, within the U.S., only 10% of retail volume is online today, and this secular trend is still in its infancy. Globally, that share is even smaller but is growing at double-digit rates. In other words, the online theme has a long runway for stockpickers searching for selective companies that are natural beneficiaries of Internet-enabled business models; these opportunities touch multiple geographies and are creating disruption (and opportunities) in consumer-related industries ranging from retail to media to video gaming. Amazon.com is a representative holding in this category.

- **Technology—**With more than 50 years of history investing in technology, we are very comfortable owning many different segments of the sector. Our recent additions have primarily been in the semiconductor space, where we believe valuations are low, even on trough earnings. Other technology businesses possess strong cloud businesses, enterprise software cash cow businesses, leadership positions in artificial intelligence, dominant online video services, and video gaming. Intel, Applied Materials, Microsoft, and Oracle are examples of "workhorse" technology businesses in the Fund.

- **Industrials—**Our interest in this sector lies primarily in the aerospace industry, as evidenced by our positions in companies like United Technologies, a leader in the manufacturing and service of jet engines. Our thesis is based on the fact that the world supply of passenger and cargo jets is woefully behind demand. This is because global expansion of air travel linkages is running into a bottleneck on the assembly lines of Boeing and Airbus. The backlog of orders for both is measured in years, not months. As such, we feel the manufacturers who make the engines and provide high-margin maintenance parts and services over the life of planes are exceptionally well-positioned to grow with aerospace around the world.

- **Energy—**Our interest lies primarily in North American shale players today. There is a select list of companies with excellent, high-productivity acreage that should, within the very near future, begin producing oil and natural gas at increasing rates. Our observation is that the performance of this group has reflected widespread capitulation among investors in this sector, driving down valuations to bargain prices. We understand the contrarian posture this represents. We are invested in this sector because we do not believe the market's price accurately reflects the growth potential of our names, on the one hand; on the other hand, we believe the market under-appreciates the companies' staying power—as expressed in balance sheet liquidity. In addition, we own relatively mid-size companies; hence, we believe there are two ways to win—organically or by acquisition. Either way, we see real value in this extremely beaten-down sector. Encana and Apache are two representative energy holdings in the Fund.

- **Healthcare—**a contrarian investment currently, with insurers such as Cigna and Humana in particular out of favor. While uncertainty exists relative to potential healthcare policy proposals in the future, we believe current valuations are attractive enough to provide a margin of safety. ■

Conclusion

The following summarizes our views relative to today's markets and the Fund:

- Selectivity, earnings growth and value are a powerful combination that is possible to achieve in a single portfolio, based on today's excellent market opportunities.

Undervalued, Attractive Growth, Selective

	Fund	Index
P/E (Forward)	14.9x	18.1x
EPS Growth (5 Year)	19.9%	16.3%
Holdings	47	1,505

- Equities remain the most attractive asset class long-term versus bonds and cash.

- Current events such as the U.S.-China trade dispute, while a headwind to the market's advance, should eventually de-escalate, which we believe would be bullish for equities—and the market has successfully proven its resilience during much more serious tensions over the course of history.

- Economic and business fundamentals remain generally healthy in the U.S.

- The current market conditions are favorable to active stockpickers.

At Davis Advisors, we seek to purchase durable, growing businesses at value prices and hold them for the long term. Since our firm's inception 50 years ago, we have adhered to the same, time-tested investment philosophy and rigorous research process of buying durable businesses at attractive prices and holding them for the long term. The more than $2 billion Davis Advisors, the Davis family and Foundation, our employees, and Fund directors have invested in similarly managed accounts and strategies remains a true sign of our commitment to and conviction in this enduring philosophy.[4] ■

4. As of 6/30/19.

This report is authorized for use by existing shareholders. A current Davis Opportunity 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 Opportunity 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 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; **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. As of 7/31/19, the Fund had approximately 24.7% 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. See the prospectus for a complete description of the principal risks.

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.

Davis Advisors began active daily management of Davis Opportunity Fund on 1/1/99. From 12/1/94, until 12/31/98, Davis Advisors had a sub-advisor that handled the active daily management of the fund.

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. These comments may also include the expression of opinions that are speculative in nature and should not be relied on as statements of fact. 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 6/30/19, the top ten holdings of Davis Opportunity Fund were: Quest Diagnostics Inc., 5.93%; United Technologies Corp., 5.41%; Alphabet Inc., 5.23%; Grab Holdings Inc., 5.07%; Wells Fargo & Co., 4.72%; Amazon.com, Inc., 4.29%; Didi Chuxing Joint Co., 4.16%; UnitedHealth Group Inc., 3.28%; Apache Corp., 3.26%; Magnolia Oil & Gas Corp., 3.24%.

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.

Definitions: **The Forward P/E ratio** is the aggregate of the Forward P/E ratios of the holdings. The ratio is not a forecast of performance and is calculated for each security by dividing the current ending price of the stock by a forecast of its projected Earnings Per Share (EPS). **Historical 5 Year EPS Growth** represents the annualized rate of net-income-per-share growth over the trailing five-year period for the stocks held by the Portfolio.

The attractive growth reference in this piece relates to underlying characteristics of the portfolio holdings. There is no guarantee that the Fund performance will be positive as equity markets are volatile and an investor may lose money.

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

The S&P 1500 Index is comprised of the S&P 500, MidCap 400, and SmallCap 600, which together represent approximately 90% of the U.S. equity market. Investments cannot be made directly in an index.

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.

Davis Distributors, LLC
2949 East Elvira Road, Suite 101, Tucson, AZ 85756
800-279-0279, davisfunds.com

Item #4420 7/19