 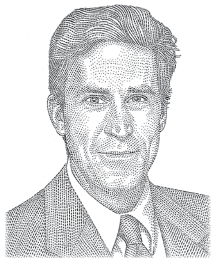

SPECIAL UPDATE

From Portfolio Managers
Andrew Davis and Chandler Spears

Davis Real Estate 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 today, the stock 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 Davis Real Estate Fund's Portfolio.

Portfolio Update

The world changed very quickly this year. What has not changed, however, is how we approach investing. We still endeavor to find real estate businesses trading at value prices that are imbued with a defendable strategy and governed by managers who think like owners. A hallmark of this approach is a keen focus on balance sheet strength. Fundamentals are not always even-keel and we want to ensure investments in Davis Real Estate Fund can weather rough seas.

Arguably we are enduring such a period now, and while absolute losses always hurt, we have been able to sustain a respectable performance during the recent sell-off. That is due mostly to our focus on companies with better balance sheets, but our focus on structural changes in the demand for commercial real estate is also important.

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. **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.** The Fund recently experienced significant negative short-term performance due to market volatility associated with COVID-19 pandemic.

We continue to believe omni-channel retailing will continue to grow. Social distancing measures are likely to accelerate adoption of e-commerce, and the resulting increase in demand is likely to favor last-mile distribution. The Fund has maintained an overweight position in that sector as well as the data center sector. After all, those "clicks" all flow through data centers before any deliveries are made.

The vast majority of public real estate companies appear to have balance sheet strength sufficient to deal with the evolving COVID-19 pandemic. We would characterize all of Davis Real Estate Fund's holdings that way. However, it is important to remember real estate is cyclical and lags broader economic activity. Year-to-date, the market seems to be penalizing more heavily those with shorter leases and favoring those with long leases, all other things being equal. While we don't yet know how an eventual rebound will evolve, Davis Real Estate Fund is balanced with regard to lease duration. Our hope is that investments with longer lease duration will provide lower volatility returns, and the shorter-duration investments will yield a robust recovery when the rebound finally emerges. Regardless, we stick with our long-term view that the Fund's holdings are well-positioned to consistently grow earnings over the long term.

Opportunity

We have not been shy in our belief that an omni-channel world includes well-located bricks-and-mortar real estate. The optics of that strategy seems to make little sense when the retail sector is its worst-performing year-to-date. Nevertheless, as investors shun real estate with any hint of retail, we have begun to take a modestly more aggressive stance. We have slowly begun to increase positions in retail real estate that by virtue of their locations and we believe quality should thrive in a post-COVID-19 world and benefit from growth in e-commerce. Simon Property Group and Brixmor Property Group are key examples. Integral to investing in such companies is ensuring they have a strong balance sheet and ample liquidity to meet necessary capital demands. Owning retail real estate will be a much more expensive endeavor in the years to come, but in some cases, the rents will follow, leading to great returns on invested capital. We want to make sure the Fund benefits when that time comes.

Most maligned year-to-date is the hotel sector. We have never held the business of hotels in high regard. Property is very expensive to maintain, suffers from high operating leverage, which is exceedingly punitive when occupancies are low, and often relies on ancillary income from food and beverage operations. That is a notoriously difficult thing to forecast. Despite our views, at some point, valuations reflect those issues. For a couple of hotel REITs, we would say valuations have become too depressed. There is no doubt in our minds that the U.S. will eventually get back to travelling. The trick is finding those companies with balance sheets than can weather protracted closure of their properties. Host Hotels and Sunstone Hotels are two REITs that are almost debt free. Current operating fundamentals are excruciatingly poor for both, but once the recovery begins, things should improve dramatically. Further, and this is perhaps most important, each may find their liquidity a huge advantage in a world where other great hotels have failed. It is not too difficult to envision a scenario where Host and Sunstone are able to pursue meaningful acquisitions in early 2020.

Conclusion

Over 50 years of successful investing, we at Davis Advisors have weathered many storms and crises by being rational when others were fearful. Whether it was the bear market of the 1970s, early 2000s, or the financial crisis, buying after significant price declines have historically rewarded long-term investors who could keep their emotions in check. Although each period differed in its peculiarities, all share a similar pattern to what we see today. Fearful investors sell after prices have gone down, waiting on the sidelines until 'things feel better.' Rational investors buy after prices have gone down, recognizing that prices have the potential to be higher when 'things feel better.' In every case, fearmongers argued that this time was different and that a recovery would never come. And, in every case, our society, our economy, the market, and our portfolios proved resilient, recovered, and went on to new heights. We believe today is no different. Investors who can keep their emotions in check may once again have the opportunity to buy durable and resilient businesses at a discount to their intrinsic value and pursue generational wealth over the long term.

As stewards of our clients' savings, our job is to make rational, long-term decisions and remain dispassionate at all times. However, we are also human beings who understand the stress that fear places on our families, friends and communities. While we know that a period of recovery and healing will follow this difficult stretch, we sincerely hope that, until then, you remain safe and healthy. We thank you for the trust you have placed with us.

This report is authorized for use by existing shareholders. A current Davis Real Estate 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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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 Real Estate Fund's investment objective is total return through a combination of growth and income. There can be no assurance that the Fund will achieve its objective. Under normal circumstances the Fund invests at least 80% of its net assets, plus any borrowing for investment purposes, in equity, convertible, and debt securities issued by companies principally engaged in the real estate industry. 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; **fees and expenses risk:** the Fund may not earn enough through income and capital appreciation to offset the operating expenses of the Fund; **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; **real estate risk:** real estate securities are susceptible to the many risks associated with the direct ownership of real estate, such as declines in property values and increases in property taxes; **stock market risk:** stock markets have periods of rising prices and periods of falling prices, including sharp declines; and **variable current income risk:** the income which the Fund pays to investors is not stable. See the prospectus for a complete description of the principal risks.

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 Real Estate Fund were: Prologis, 6.13%; Equinix, 5.63%; Public Storage, 4.48%; Alexandria Real Estate Equities, 4.14%; Rexford Industrial Realty, 4.12%; AvalonBay Communities, 4.11%; Simon Property Group, 4.06%; Terreno Realty 3.99%; Essex Property Trust, 3.72%; Camden Property Trust, 3.56%.

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 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. Investments cannot be made directly in an index.

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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