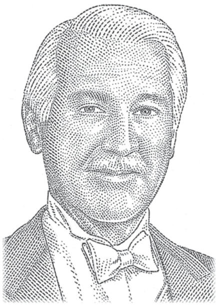

"History shows that even the most successful investors have encountered periods of poor performance. Such periods are inevitable and will measure whether an investor has the conviction, courage and discipline necessary to beat the market over the long term."

Shelby Cullom Davis
Legendary Investor, Davis Investment Discipline Founder

Understand That Short-Term Underperformance Is Inevitable

Most investors find periods of short-term underperformance frustrating. Yet such periods are inevitable when building long-term wealth.

To prove this point, we conducted a study to determine what percentage of top-performing investment managers from 2002–2011 experienced a period of short-term underperformance on their way to building an attractive long-term track record.

The results are eye-opening:

- 96% of the top-performing managers from 2002–2011 fell into the bottom half of their peer groups for at least one three year period
- Almost 70% fell into the bottom quarter of their peer groups for at least one three year period

Though each of the managers in this study delivered excellent long-term returns over the entire 10 year period, almost all experienced a difficult stretch along the way.

Investors who recognize and prepare for the fact that short-term underperformance is inevitable—even from the best managers—may be less likely to make unnecessary and often destructive changes in their investment plans.

Percentage of Top Quartile Large Cap Equity Managers Whose Performance Fell Into the Bottom Half or Quarter for at Least One Three Year Period

Source: Davis Advisors. 190 managers from eVestment Alliance's large cap universe whose 10 year average annualized performance ranked in the top quartile from January 1, 2002–December 31, 2011. **Past performance is not a guarantee of future results.**

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All investments contain risk and may lose value. There is no guarantee that these investment strategies will work under all market conditions, and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market.

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