Over 40 Years of Reliable Investing™

Davis New York Venture Fund

2012 Portfolio Manager Annual Commentary

What's Inside

AN UPDATE FROM

Christopher C. Davis and Kenneth C. Feinberg Portfolio Managers

"In short, adjusted for the durability and quality of the underlying businesses, Ken and I continue to feel that the gap between the prices of companies held in the Davis New York Venture Fund and their relative value is as wide as we have ever seen. This gap gives us great confidence the Fund's relative results over the next five years should be more than satisfactory.[1]"

The chart below summarizes results through December 31, 2011 for the Davis New York Venture Fund compared with the S&P 500® Index against which my co-manager Ken Charles Feinberg, our colleagues and I judge ourselves. Our goal is to outperform this Index after fees over the long term, as we have done in every rolling 10 year period since our inception in 1969.[2]

However, our results over shorter periods have fallen short of our goal. While this shortfall is both disappointing and frustrating, we have gone through such periods before and consider them a necessary though difficult part of building a successful long-term investment track record. Furthermore, over our own 40 year history, such periods have always been followed by periods of improved results.[3] In the pages that follow, we will explain why we are convinced that stocks in general and our results in particular should be more than satisfactory in the decade ahead.

Before turning to the future, however, it may be worth spending a bit more time on our past results.

Average Annual Total Returns as of 12/31/11	1 Year	3 Years	5 Years	7 Years	10 Years	15 Years	20 Years	25 Years	30 Years	35 Years	40 Years	Inception (2/17/69)
DNYVF Class A												
w/o a sales charge	–4.78%	12.13%	–2.36%	1.77%	3.37%	6.15%	8.95%	10.53%	12.37%	13.48%	11.98%	11.47%
with a max. 4.75% sales charge	–9.30	10.32	–3.30	1.07	2.87	5.80	8.69	10.31	12.19	13.32	11.84	11.34
S&P 500® Index	2.11	14.11	–0.25	2.64	2.92	5.45	7.81	9.28	10.98	10.57	9.84	9.39

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 0.89%. 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.*

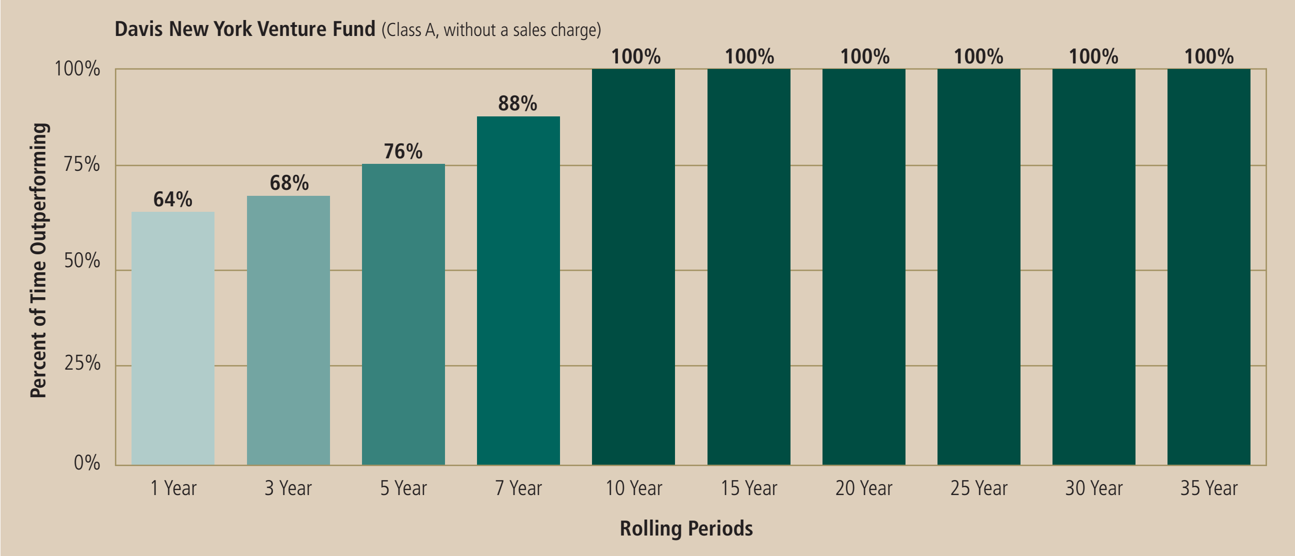
This report includes candid statements and observations regarding investment strategies, individual securities, and economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. Equity markets are volatile and an investor may lose money. **Past performance is not a guarantee of future results.**

[1]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. [2]Class A shares, without a sales charge. See endnotes for a description of rolling returns. **Past performance is not a guarantee of future results.** [3]Periods discussed are five year periods of underperformance followed by a five year period of outperformance. See charts and discussion on pages 3 and 4 for details.

Because no manager can outperform over all periods, an important objective of our firm is to increase the probability of outperformance the longer an investor stays with us. If we are successful, an investor who invests with us for 10 years should be more likely to outperform than an investor who invests with us for only three years. Indeed, that has been the case. As shown in the chart below, *the longer clients have stayed with us, the more likely they have earned above-average returns.*

The strength of these "batting averages" gives us confidence in our underlying investment discipline while also making it clear that periods such as this are to be expected from time to time. For example, the chart indicates we have outperformed in more than three-quarters of all rolling five year periods since 1969, a result that we consider more than satisfactory and that compares favorably with other managers.[4] Looked at another way, however, this same data implies we have underperformed in about one-quarter of these periods. Importantly, just as in baseball, a strong batting average may be reassuring, but it does not make a slump less painful. Given that we have just been through such a period, it may be worth delving a bit more into characteristics of our past five year slumps to see if they have implications for today.

Percent of Time Davis New York Venture Fund Has Outperformed the Market
(2/17/69 – 12/31/11)



Source: Thomson Financial, Lipper and Bloomberg. The "market" is represented by the S&P 500® Index. **Past performance is not a guarantee of future results.** See endnotes for a description of the S&P 500® Index and rolling returns.

[4]Class A shares, without a sales charge. See endnotes for a description of rolling returns. **Past performance is not a guarantee of future results.** Other managers are represented by the Lipper Average Large Cap peer group.

In the chart below, the dark green bars indicate rolling five year periods in which Fund results exceeded the S&P 500® Index return and the light green bars indicate periods in which results lagged.

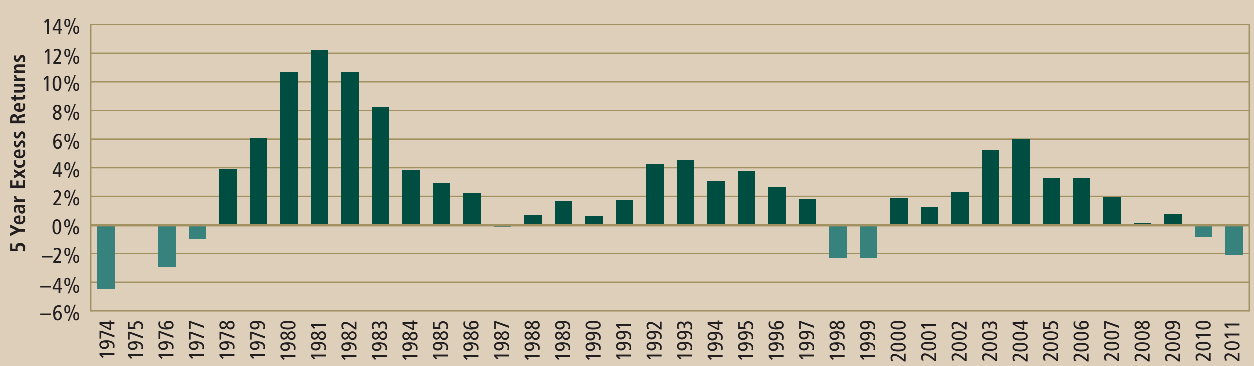
The first thing to note is that the light green bars have tended to cluster rather than be evenly spread throughout. The first of these clusters occurred in the latter part of the 1970s, the second in the latter part of the 1990s and the third in the most recent five year periods ending in 2010 and 2011. Superficially, these periods have little in common. In the late 1970s, stock markets were depressed, the mood pessimistic, world affairs unsettled, and unemployment high. Conversely, in the late 1990s, stock markets were at all-time highs, investors wildly optimistic, the world relatively peaceful, the economy booming, and unemployment near record lows. Today, once again we are in a time of gloom and fear.

Despite the apparent differences, these periods do share one important characteristic. Specifically, in both the depths of a bear market *and* the heights of a bull market, prices tend to diverge from value. The nature of this divergence is rooted in the fact that price and value, which are often treated as synonyms especially in the world of finance, are in fact quite different. This difference is best captured in the wise saying, "Price is what you pay. Value is what you get."

Starting with value, the simplest definition of an asset's financial value is the total amount of cash it will generate over its life discounted to the present. This amount is determined by reality not emotion. The price of an asset, on the other hand, is whatever people are willing to buy and sell it for at a given instant. Because price is set by people, who are necessarily fallible and emotional, it can be subject to all sorts of influences beyond the pure economic characteristics of the underlying asset. In extreme times, the influence of emotions like euphoria and panic can become so dominant that prices become irrational.

Rather than trying to predict prices, our investment discipline focuses primarily on assessing the value of the businesses in which we invest. Our rationale for this focus rests on the fact that though price and value can diverge for long periods of time, they should eventually converge. As Ben Graham famously said, "In the short run, the market is a voting machine [reflecting the mood

Davis New York Venture Fund vs. S&P 500® Index
Annualized 5 Year Excess Returns
(1974 – 2011)



Class A shares, without a sales charge. **Past performance is not a guarantee of future results.** There is no guarantee that periods of underperformance will be followed by outperformance.

and psychology of investors]. In the long run, it is a weighing machine [reflecting the value of the underlying businesses].”

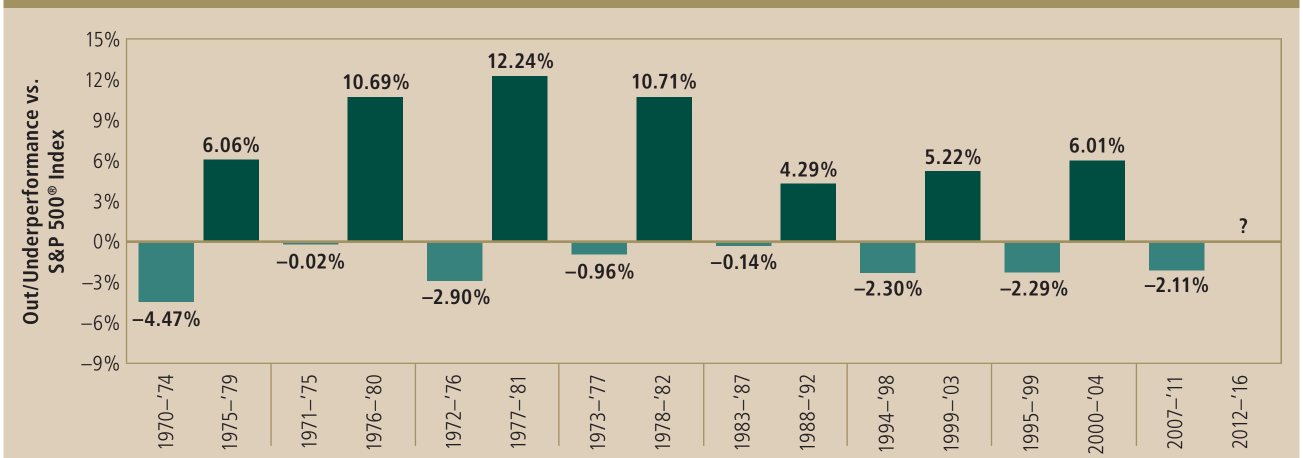
Since emotion can cause prices to diverge from value, it seems reasonable to suppose that at those rare times when emotions are at their most extreme, such as during the depressed 1970s, the euphoric late 1990s or in the fearful aftermath of the recent financial crisis, stock prices will tend to reflect more emotion and less reason. As a result, it is not surprising that an investment style such as ours based on the rational assessment of value would be out of sync when emotion takes over. This is not to say that we have not made investment mistakes. We have and, as always, will recount them later in this report. But rather our point is that the inevitable periods of underperformance should not weaken the conviction we have in our underlying investment discipline nor cause us to change our focus on value rather than price.

One way to reinforce this conviction is to review what happened in years following our past stretches of underperformance. In other words, if both our assessment of value and our belief that markets eventually reflect value are correct, we would expect the gap between price and value that contributed to past periods of lagging results would have eventually closed, leading to much improved results in the following periods. For a more in-depth discussion on price versus value, please view our recent webcast at davisfunds.com.

In the chart below, we have extracted the light green bars from the previous chart, each of which indicates a five year stretch of lagging results. The dark green bars measure our relative results in the five years that followed each period. As the chart shows, *in every period in which our five year results lagged, the results in the subsequent five years were more than satisfactory.*[5]

Although we cannot know for sure what the next five years hold, this chart reinforces our commitment to our investment discipline and

5 Year Periods of Underperformance of Davis New York Venture Fund and Subsequent 5 Year Outperformance[5]
(1974 – 2011)



[5]Class A shares, without a sales charge. There is no guarantee that periods of underperformance will be followed by outperformance. Periods where there is not a subsequent 5 year period are not shown. See endnotes for a description of rolling returns. **Past performance is not a guarantee of future results.**

our focus on value rather than price by showing that over our entire history stretches of under-performance have always been followed by stretches of stronger outperformance.[6]

Portfolio Review

More than past results, our optimism about the future is based on our Portfolio today. In other words, while history presents a positive statistical picture, the most important basis for our optimism is the strong fundamentals and attractive valuations of the individual companies that make up the Davis New York Venture Fund now.

As equity investors, we never forget that stocks represent ownership interests in real businesses like Wells Fargo, Costco, American Express, CVS Caremark, Google, and Merck.[7] Over the long term, the growing value of these businesses will determine our success, not the fluctuating prices of their stocks. As a result, while we recognize that the prices of the stocks we own have been disappointing in recent years, we are optimistic because the value of the underlying businesses has increased and continues to make progress. This is the most important reason we believe that patient investors who can stay the course should be rewarded in the years ahead.

This critical point may be most easily understood by analogy. If instead of stocks, the Portfolio were made up of a broadly diversified array of rental apartment buildings, one useful metric we might report to clients would be the cash flow generated by collecting the rent on these properties relative to the price we paid for them. If, for example, one year ago we paid $100 million for a group of properties and since then these properties generated $7 million of cash flow after expenses, we would think of the Portfolio as earning a 7% return on our investment. If next year, the cash flow grows to $8 million, we would report that the return on the Portfolio had increased to 8%. In this example, the discussion of results would be based on the reality of cash flow, not estimates of what the Portfolio could be sold for on any given day.

Similarly, although our Portfolio is not made up of real estate, it is made up of ownership interests in businesses that like apartment buildings generate real cash flow and earnings every day. At the beginning of 2011, the trailing earnings of the companies that make up the Portfolio represented about 7% of the price at which they were trading. Over the course of the year, the price of the Portfolio declined approximately 5%. However, during that same period, the earnings of the companies we own increased approximately 10%. As a result, the earnings yield of the Portfolio has risen to about 8%. Moreover, just three years from now, we estimate this earnings yield should be 10%–13% with about half of this being returned to shareholders annually through dividends and share repurchases, a particularly attractive return in a world of record low interest rates. While we cannot deny that last year's price decline is disappointing, the combination of lower prices and higher values bodes well for future returns.

Beyond these quantitative statistics, Ken, our colleagues and I have a great deal of qualitative evidence from our company visits and research that convinces us the companies in the Portfolio

[6]There is no guarantee that periods of underperformance will be followed by outperformance. [7]Individual securities are discussed in this piece. 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 return of a security to the Fund will vary based on weighting and timing of purchase. This is not a recommendation to buy or sell any specific security. **Past performance is not a guarantee of future results.**

today are among the most resilient, durable and highest quality businesses we have ever owned. Many represent what we feel are the best-of-breed across a range of different industries. Think of Wells Fargo and American Express in financial services; Costco and Bed Bath & Beyond in retailing; Nestlé and Philip Morris International in consumer products; Merck and Roche in health care; Heineken, Diageo and Coca-Cola in beverages; EOG, Devon, Occidental, and Canadian Natural Resources in energy; Progressive and Berkshire Hathaway in insurance; and Microsoft, Google and Texas Instruments in technology. These companies tend to have deeper moats, stronger balance sheets and often more pricing power or lower costs than their competitors. Many also have broad product portfolios and wide geographic diversity that gives them exposure to higher growth economies around the world, allowing them to deliver strong business results straight through these weak economic times.

At today's depressed prices, our Portfolio exhibits a rare combination of 1) lower than average risk, as measured by our companies' balance sheet strength, competitive position and low risk of obsolescence;[8] 2) durable, long-term growth prospects as indicated by their product portfolios, geographic diversity and attractive returns on retained equity; and 3) low valuations as indicated by the fact they are priced at a substantial discount to the market averages and to our estimated range of fair value. In our view, this is the perfect combination in an uncertain environment that may include anything from a strengthening recovery to another economic or financial crisis.

In short, adjusted for the durability and quality of the underlying businesses, Ken and I continue to feel that the gap between the prices of companies held in the Davis New York Venture Fund and their relative value is as wide as we have ever seen. This gap gives us great confidence the Fund's relative results over the next five years should be more than satisfactory.[9]

Holdings and Mistakes

While the information above speaks to our view of the overall Portfolio, we always remember that the Portfolio is made up of specific, individual investments. With each investment, we determine a reasonable estimate of fair value based on our own, independent research and analysis. We shared our investment rationale for some of our larger holdings, including Costco, Wells Fargo, Johnson & Johnson, CVS Caremark, Devon, EOG, Canadian Natural Resources, and Microsoft, in our midyear 2011 report. Because we have not meaningfully changed our investment theses for these companies in the intervening months, we commend our midyear report to those looking for additional details about these individual holdings. (Please see the Commentaries section of davisfunds.com to read this report.)

However, to paraphrase Tolstoy, while each of these "happy" investments is alike in that they all tend to be durable, well-run and well-regarded companies, each of our investment mistakes is unique and requires further explanation. As stewards of our clients' savings, we firmly believe in the discipline of providing a review of our most significant mistakes and it is to these that we now turn.

[8]While Davis Advisors attempts to manage risk there is no guarantee that an investor will not lose money. Equity markets are volatile and the investment return and principal value of an investment will vary. [9]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.

Although the vast majority of the companies in our Portfolio made progress last year, developments at two of our companies led us to reduce meaningfully our estimate of their intrinsic value. The reduction in our estimate of a company's value is what makes us label an investment a mistake, not the fact that its stock price has declined. Unless investors make every purchase at the lowest price, their portfolios will likely show an unrealized loss on every position at some point. Mistakes occur in those cases where the lower stock price reflects a lower business value. In the worst cases, usually caused by some combination of leverage (e.g., Lehman Brothers, Fannie Mae, Freddie Mac), low-cost competition (e.g., General Motors), obsolescence (e.g., Kodak), or fraud (e.g., WorldCom, Enron), the company is unable to ever return to profitability and equity investors are essentially wiped out. While we avoided all the examples mentioned above we, like all investors, have our scars.

One of the largest detractors from last year's results was our holding in Bank of New York Mellon, which we count as a mistake because we have meaningfully lowered our appraisal of the company's fair value. However, unlike some of the examples mentioned above, we have no doubt about the bank's durability or the fact that it will remain profitable. After all, this 233-year-old institution has endured despite panics, depressions, civil war, world wars, and more. More important, we believe that the stock price has declined more than the business value and thus we expect to earn back some of this loss in the years ahead.

The immediate cause of the stock's decline was earnings' shortfalls, which in turn were caused by a combination of factors. Some of the factors are likely to be permanent. For example, for many years the company made a considerable profit executing foreign exchange trades on behalf of custody clients in a manner that does not appear to have been clearly disclosed to clients. In addition to harming the bank's reputation, this practice is now the subject of significant litigation led by several state attorneys general. Beyond the cost of litigation and settlements, it is likely that the foreign exchange profit pool has been significantly and permanently reduced. Other factors, such as today's record low interest rates and clients' preference for bonds over stocks, should eventually reverse and add to profits. But some, such as a competitive pricing environment in which steep discounting is the norm, may or may not reverse. This last factor is unexpected as the industry is an oligopoly with the top three institutions accounting for about 50% of a very slow growing market, which typically makes discounting unnecessary. Profits lost by price cuts are unlikely to be regained even by meaningful changes in market share.

In our estimation, this combination of short-term and long-term factors has reduced earnings by some 20%–25%. Because we expect at least a portion of these factors to eventually reverse, we have reduced our estimate of Bank of New York Mellon's value somewhat less. Bank of New York Mellon's stock price, however, fell more than 30% indicating a widespread belief that all of these factors represent permanent changes. While we think this pessimism is understandable given the bank's poor record of execution in recent years, considerable evidence also indicates that the bank's core businesses remain quite strong. For example, in 2011 the bank increased its assets under custody by 3%, its assets under management 8%, its deposits 37%, its loans 18%, and its capital by 10%.

At today's price, the company's shares are valued at less than 10 times depressed profits that incorporate all the negative factors described above. We find this a particularly low valuation given that the company's business model entails relatively little credit risk, obsolescence risk or balance sheet risk and that it can grow with relatively little incremental capital required. If some of the negative factors such as current interest rate spreads or today's competitive environment improve, the stock could benefit not just from growing profitability but also from an upward revision of the company's multiple to better reflect the durability and profitability of the underlying business. Although we recognize our mistake and have lowered our assessment of fair value, the fact that the shares now trade at a low multiple on depressed earnings leaves us optimistic that Bank of New York Mellon will add to our future returns and that we will earn back some of this loss in the years ahead.

While similarly costly to last year's results, our second mistake may be permanent as the company's future existence is an open question. Trading in shares of Sino-Forest, a Canadian-based timber company with virtually all of its assets and operations in mainland China, was suspended in late August and has not been reopened. In our midyear report, we detailed the history of our investment in Sino-Forest and the allegations leveled against the company, first by a short seller and then by the Ontario Securities Commission. We also said we would keep shareholders informed of subsequent developments. For those interested in that background, please see our earlier report, which is posted in the Commentaries section of davisfunds.com.

Since our last report, two dramatic and seemingly contradictory developments have occurred. First, in November, an independent committee of the company's board of directors released a 104-page report that "verifies the Company's stated cash balances [of $571.1 million], confirms registered title or contractual rights to the Company's stated timber assets, as well as the book value of these assets, [and] reconciles reported total revenue…." Then, in seeming contradiction of the report's findings, the company failed to release its quarterly results and breached its debt covenants. That a board of directors could simultaneously confirm a cash balance of more than $570 million and then fail to make a $9.8 million interest payment leaving the company on the brink of bankruptcy and ceding control to debt holders is inexplicable to us.

Because the shares are not trading, we are unable to take any action based on these developments. While we still believe the equity could have substantial value, the actions of the board of directors forced us to recognize there is a considerable chance that this value will not accrue to stockholders. As a result, we have marked the share price down to zero. Although the position was sized at a relatively modest 1.5% of assets and while the last chapter has not yet been written, we certainly did not foresee these events and will continue to keep Fund shareholders updated in future reports.

Long-Term Developments

Beyond the specifics of our investment in Sino-Forest, it may also be worth addressing the question of why we would even consider researching and investing in a company that does virtually all of its business in China. Implicit in this question is the idea that the value-based investment discipline that we have employed for more than 40 years should be confined to a specific geography. In our view, such a parochial bias is dangerously backward looking. To understand why, it may be best to start with an analogy. For decades, many investors have simply ruled out studying technology. They argue that such an "emerging" industry is too new and volatile to analyze and is thus not an appropriate area of study for long-term, value investors.

Because we have long recognized that an understanding of technology is a vital consideration for all investors, we disagree. At the most superficial level, the idea that technology companies cannot be durable or cannot be analyzed is simply untrue. Companies like IBM and Hewlett-Packard have been leaders for decades. Companies like Microsoft, Intel and Google enjoy such strong market positions that they have been accused of being monopolies. To ignore such large and profitable companies seems shortsighted to us. At a secondary level, an understanding of technology can help investors better anticipate the risks facing seemingly invulnerable traditional businesses. Just consider what technology has done to newspaper, encyclopedia and film companies. Finally, the intelligent use of technology can change the competitive dynamics within seemingly mundane businesses that operate far from Silicon Valley. Geico's brilliant and early embrace of the Internet, for example, has been a huge driver of growth while Colgate's early implementation of SAP's enterprise software gave it a huge cost advantage over competitors.

By analogy we believe investors who do not develop a deep understanding of emerging markets like China could be making the same mistake as those who ignored emerging industries like technology.[10] That is not to say that there will not be volatility or the risk of adverse headlines just as in technology, but rather that like technology the inexorable and powerful growth of these economies has huge economic implications that long-term investors would be foolish to ignore. To start with the most obvious point, China is now the second largest economy in the world. Its economy is 50% larger than Germany's, double the United Kingdom's and almost four times India's.

Furthermore, just as in technology, although developing markets are considered fast-changing, they are home to companies with long records of success and entrenched positions that have allowed them to reshape global industries. Interestingly, for example, America's two largest and most iconic beer brands were sold to companies that trace their roots to emerging markets: Budweiser to Brazilian-controlled InBev and Miller to SAB, which stands for South African Breweries. Also, like technology, traditional companies that understand how to operate in emerging markets can greatly increase their growth (Heineken, for example, makes more money in Nigeria than in the United States) or reduce their costs (Walmart's early success in sourcing goods from China gave the company a huge cost advantage compared with other retailers).

For these reasons a firsthand understanding of the changing global landscape is critical. Analysts like Stephen Chen, himself a Taiwanese immigrant and fluent in Mandarin, have led our research efforts in first-class companies like China Merchants Holdings, a 100-year-old dividend paying company that operates a number of China's most valuable shipping ports, and Hang Lung Group, a Hong Kong based real estate company that owns and operates the most valuable shopping malls in Beijing and Shanghai. In addition, as part of our investigative research, more than half our research team has visited Asia to study both the operations of multinational companies that we own or are reviewing as well as to identify emerging competitors.

This does not mean we have become or will ever be emerging market investors any more than we are technology investors. We think such labels are dangerously narrow. Instead, our goal is to be *successful* investors and success requires adaptation. As Charles Darwin stated, "In the

[10]Companies operating, incorporated or principally traded in emerging markets may have more fluctuation as their economies may not be as strong or diversified, their political systems may not be as stable and their financial reporting standards may not be as rigorous as they are in the United States.

struggle for survival, the fittest win out…*because they succeed in adapting themselves best to their environment*" [emphasis added]. After more than 40 years of successful investing, we could not agree more.

Conclusion

The requirement that successful investors adapt to a changing world does not mean that there are not unchanging investment principles. In fact, in 1934, Ben Graham and David Dodd compiled these core principles in a textbook called *Security Analysis.* This seminal work is now in its sixth edition and is still considered to be among the most important investment books ever written. One of its central concepts is the essential distinction between price and value, a distinction that is still overlooked by the public, the press, the pundits, and even the professionals. The proof of this lies in the fact that after more than a decade of falling stock prices, investors are more pessimistic than ever and continue to shift out of stocks. However, during this same decade, rising revenue, earnings, cash flow, and dividends have increased the value of the vast majority of companies. While investors remain glum, the combination of lower prices and higher value should lead to improved stock returns in the years ahead. It is no wonder that John Templeton famously observed that "Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria." While it may not be clear whether we are in a time of skepticism or pessimism, it is certain we are far from optimism or euphoria.

In addition to the prospect of higher market returns, the quality, valuation and growth prospects of the specific companies we own gives us confidence that our relative returns should also improve in the years ahead. If our confidence proves justified, then returns in the decade ahead should be more than satisfactory. While we cannot promise this outcome, we can promise that we will do all in our power to achieve it.

As a final note, *Security Analysis* begins with a quote from the Roman poet Horace who wrote more than 2000 years ago, "Many shall be restored that now are fallen, and many shall fall that now are in honor." At a time when our results have fallen below our standards and expectations, this simple epigram reminds us that such periods are inevitable and that by sticking to our investment discipline, learning from mistakes and adapting to changing times, we can look forward to better days ahead.

As always, I would like to end by thanking my colleagues. Ken and I have never worked with a better team. Once again, though, we must single out Danton Goei whose contribution to our returns has increased every year since the happy day he joined our firm more than a decade ago. Finally, we want to acknowledge and thank our colleague Charles Cavanaugh who after deep and prayerful consideration has decided to dedicate his life to the church. Words cannot express the profound respect, trust and affection that all of us feel for Charles. For more than a decade, he has worked tirelessly to improve our analysis and understanding of financial companies. But even more, he has worked to strengthen our process and reinforce our culture. We are unquestionably a better firm for his example and his contribution. We wish him the very best as he starts this new journey in early March.

All of us at Davis Advisors remain mindful of our responsibility and grateful for the trust placed in us by our clients. ■

This report is authorized for use by existing shareholders. A current Davis New York Venture 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 New York Venture Fund's investment objective is long-term growth of capital. There can be no assurance that the Fund will achieve its objective. The Fund invests primarily in equity securities issued by large companies with market capitalizations of at least $10 billion. 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; manager risk: poor security selection may cause the Fund to underperform relevant benchmarks; 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; financial services risk: investing a significant portion of assets in the financial services sector may cause the Fund to be more sensitive to problem affecting financial companies; 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; 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; emerging market risk: securities of issuers in emerging and developing markets may present risks not found in more mature markets; 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; trading markets and depositary receipts risk: depositary receipts involve higher expenses and may trade at a discount (or premium) to the underlying security. As of December 31, 2011, the Fund had approximately 17.5% of assets invested in foreign companies. See the prospectus for a complete description of the principal risks.

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.

The information provided in this material should not be considered a recommendation to buy, sell or hold any particular security. As of December 31, 2011, Davis New York Venture Fund had invested the following percentages of its assets in the companies listed: American Express, 5.13%; Bank of New York Mellon, 4.42%; Bed Bath & Beyond, 2.93%; Berkshire Hathaway, 2.64%; Canadian Natural Resources, 3.05%; China Merchants Holdings, 1.10%; Coca-Cola, 2.11%; Costco, 4.55%; CVS Caremark, 5.34%; Devon, 1.16%; Diageo, 1.10%; EOG, 3.19%; Google, 3.37%; Hang Lung Group, 0.87%; Heineken, 1.05%; Hewlett-Packard, 0.79%; Intel, 0.34%; Johnson & Johnson, 1.86%; Merck, 2.14%; Microsoft, 1.20%; Nestlé, 0.22%; Occidental, 3.18%; Philip Morris International, 0.77%; Progressive, 2.54%; Roche, 1.67%; Sino-Forest, 0.13%; Texas Instruments, 1.44%; Wells Fargo, 5.71%.

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.

Broker-dealers and other financial intermediaries may charge Davis Advisors 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 concerning Davis Advisors' products; 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' payment(s) to a financial intermediary as a basis for recommending Davis Advisors.

Outperforming the Market. Davis New York Venture Fund's average annual total returns for Class A shares were compared against the returns earned by the S&P 500® Index as of the end of each quarter for all time periods shown from February 17, 1969 through December 31, 2011. The Fund's returns assume an investment in Class A shares on the first day of each quarter with all dividends and capital gain distributions reinvested for the period. The returns are not adjusted for any sales charge that may be imposed. If a sales charge was imposed, the reported figures would be lower. The figures shown reflect past results; past performance is not a guarantee of future results. There can be no guarantee that the Fund will continue to deliver consistent investment performance. The performance presented includes periods of bear markets when performance was negative. Equity markets are volatile and an investor may lose money. Returns for other share classes will vary.

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 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. **The Lipper Average Large Cap peer group is a combined category including the Lipper Large Cap Growth, Core and Value peer groups.** Lipper Large Cap peer groups are funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three year weighted basis) above Lipper's USDE large cap floor. Funds are categorized as Growth, Core or Value based on their portfolio characteristics; price to earnings ratio; price to book ratio; and three year sales per share growth value. Growth funds typically have above-average characteristics, Core funds typically have average characteristics, and Value funds typically have below-average characteristics, compared to the S&P 500® Index. Investments cannot be made directly in an index.

After April 30, 2012, 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.