



*Over 40 Years of Reliable Investing™*

# Davis Financial Portfolio

*A Portfolio of Davis Variable Account Fund, Inc.*

April 30, 2012

*Davis Financial Portfolio      Ticker: QDFPAX*

The Securities and Exchange Commission has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

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This Prospectus contains important information. Please read it carefully before investing and keep it for future reference.

This Fund is sold exclusively to insurance company separate accounts for variable annuity and variable life insurance contracts.

Shares of this Fund 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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# DAVIS FINANCIAL PORTFOLIO

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## Investment Objective

Davis Financial Portfolio's investment objective is long-term growth of capital.

## Fees and Expenses of Davis Financial Portfolio

This table describes the fees and expenses that you may pay if you buy and hold shares of Davis Financial Portfolio. OWNERS OF VARIABLE INSURANCE CONTRACTS THAT INVEST IN THE SHARES SHOULD REFER TO THE VARIABLE INSURANCE CONTRACT PROSPECTUS FOR A DESCRIPTION OF FEES AND EXPENSES, AS THE TABLE AND EXAMPLES DO NOT REFLECT DEDUCTIONS AT THE SEPARATE ACCOUNT LEVEL OR CONTRACT LEVEL. INCLUSION OF THESE CHARGES WOULD INCREASE THE FEES AND EXPENSES DESCRIBED BELOW.

### Annual Fund Operating Expenses

*(expenses that you pay each year as a percentage of the value of your investment)*

Management Fees	0.55%
Distribution and/or service (12b-1) Fees	0.00%
Other Expenses	0.14%
Less Fee Waiver or Expense Reimbursement	0.00%
Total Annual Fund Operating Expenses <sup>(1)</sup>	0.69%

<sup>(1)</sup> The Adviser is contractually committed to waive fees and/or reimburse the Fund's expenses to the extent necessary to cap total annual Fund operating expenses at 1.00% until May 1, 2013; after that date, there is no assurance that the Adviser will continue to cap expenses. The expense cap cannot be terminated prior to May 1, 2013, without the consent of the board of directors.

## Example

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds.

This Example assumes that you invest \$10,000 in Davis Financial Portfolio for the time periods indicated. This Example also assumes that your investment has a 5% return each year and the Fund's operating expenses remain the same. This Example does not reflect fees associated with the ownership of a variable annuity or variable life insurance contract. Although your actual costs may be higher or lower, based on these assumptions, your costs would be:

	1 Year	3 Years	5 Years	10 Years
Davis Financial Portfolio	\$70	\$221	\$384	\$859

## Portfolio Turnover

Davis Financial Portfolio pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs.

These costs, which are not reflected in annual fund operating expenses or in the example, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 11% of the average value of its portfolio.

### **Principal Investment Strategies**

Davis Selected Advisers, L.P., ("Davis Advisors" or the "Adviser") the Fund's investment adviser, uses the Davis Investment Discipline to invest at least 80% of the Fund's net assets, plus any borrowing for investment purposes, in securities issued by companies principally engaged in the financial services sector. The Fund invests primarily in equity securities (typically common stocks, but may also include preferred stocks, American Depository Receipts, Global Depository Receipts convertible bonds, and other forms of equity securities). Although the Fund invests primarily in U.S. companies, it may also invest in foreign companies.

A company is principally engaged in financial services if it owns financial services-related assets that constitute at least 50% of the value of all of its assets, or if it derives at least 50% of its revenues from providing financial services. Companies in the financial services sector include commercial banks, industrial banks, savings institutions, finance companies, diversified financial services companies, investment banking firms, securities brokerage houses, investment advisory companies, leasing companies, insurance companies and companies providing similar services.

***Davis Investment Discipline.*** Davis Advisors manages equity funds using the Davis Investment Discipline. Davis Advisors conducts extensive research to try to identify businesses that possess characteristics that Davis Advisors believes foster the creation of long-term value, such as proven management, a durable franchise and business model, and sustainable competitive advantages. Davis Advisors aims to invest in such businesses when they are trading at discounts to their intrinsic worth. Davis Advisors emphasizes individual stock selection and believes that the ability to evaluate management is critical. Davis Advisors routinely visits managers at their places of business in order to gain insight into the relative value of different businesses. Such research, however rigorous, involves predictions and forecasts that are inherently uncertain. After determining which companies Davis Advisors believes the Fund should own, Davis Advisors then turns its analysis to determine the intrinsic value of those companies' equity securities. Davis Advisors seeks equity securities which can be purchased at attractive valuations relative to their intrinsic value. Davis Advisors' goal is to invest in companies for the long term. Davis Advisors considers selling a company's equity securities if the securities' market price exceeds Davis Advisors' estimates of intrinsic value, or if the ratio of the risks and rewards of continuing to own the company's equity securities is no longer attractive.

### **Principal Risks of Investing in Davis Financial Portfolio**

*You may lose money by investing in Davis Financial Portfolio. Investors in the Fund should have a long-term perspective and be able to tolerate potentially sharp declines in value. The principal risks of investing in the Fund are:*

**Stock Market risk.** Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices, including the possibility of sharp declines.

**Manager risk.** Poor security selection or focus on securities in a particular sector, category, or group of companies may cause the Fund to underperform relevant benchmarks or other funds with a similar investment objective.

**Common Stock risk.** Common stock represents an ownership position in a company. An adverse event may have a negative impact on a company and could result in a decline in the price of its common stock. Common stock is generally subordinate to an issuer's other securities, including preferred, convertible, and debt securities.

**Concentrated Portfolio risk.** The Fund invests principally in a single market sector, and any fund that has a concentrated portfolio is particularly vulnerable to the risks of its target sector.

**Financial Services risk.** Investing in the financial services sector may cause the Fund to be more sensitive to problems affecting financial companies.

**Focused Portfolio risk.** Funds that invest in a limited number of companies may have more risk because changes in the value of a single security may have a more significant effect, either negative or positive, on the value of the Fund's total portfolio.

**Foreign Country risk.** Foreign companies may be subject to greater risk as foreign economies may not be as strong or diversified, foreign political systems may not be as stable, and foreign financial reporting standards may not be as rigorous as they are in the United States.

**Emerging Market risk.** The Fund invests in emerging or developing markets. Securities of issuers in emerging and developing markets may offer special investment opportunities, but present risks not found in more mature markets.

**Foreign Currency risk.** Securities issued by foreign companies are frequently denominated in foreign currencies. 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.** Foreign securities may trade in the form of depositary receipts, including American, European and Global Depositary Receipts. Although depositary receipts have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

**Under \$10 Billion Market Capitalization risk.** Small- and mid-size companies typically have more limited product lines, markets and financial resources than larger companies, and their securities may trade less frequently and in more limited volume than those of larger, more mature companies.

**Interest Rate Sensitivity risk.** Interest rates may have a powerful influence on the earnings of financial institutions.

**Credit risk.** Financial institutions are often highly leveraged and may not be able to make timely payments of interest and principal.

**Headline risk.** The Fund may invest in a company when the company becomes the center of controversy after receiving adverse media attention concerning its operations, long-term prospects, or management or for other reasons. While Davis Advisors researches companies subject to such contingencies, it cannot be correct every time, and the company's stock may never recover or may become worthless.

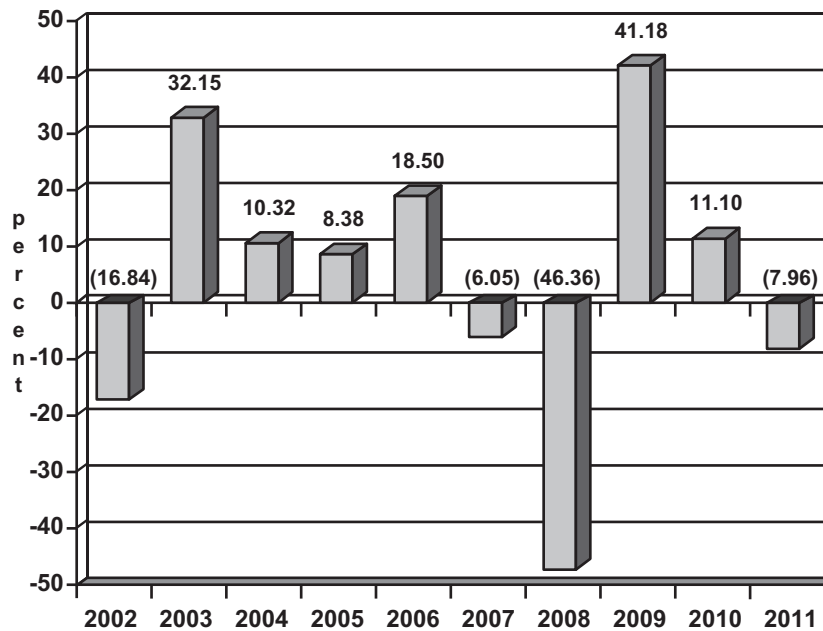
**Fees and Expenses risk.** The Fund may not earn enough through income and capital appreciation to offset the operating expenses of the Fund. All mutual funds incur operating fees and expenses. Fees and expenses reduce the return which a shareholder may earn by investing in a fund, even when a fund has favorable performance. A low return environment, or a bear market, increases the risk that a shareholder may lose money.

Your investment in the Fund is not a bank deposit and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency, entity or person.

**Performance Results**

The bar chart below provides some indication of the risks of investing in Davis Financial Portfolio by showing how the Fund’s investment results have varied from year to year. The bar chart depicts the change in performance from year to year during the periods indicated, but does not include charges or expenses attributable to any insurance product, which would lower the performance illustrated. The following table shows how the Fund’s average annual total returns for the periods indicated compare with those of the S&P 500® Index, a broad-based securities market index. In 2009, the Fund received a favorable class action settlement from a company which it no longer owns. This settlement had a material impact on the investment performance of the Fund in 2009. This was a one-time event that is unlikely to be repeated. The Fund’s past performance is not necessarily an indication of how the Fund will perform in the future. Updated information on the Fund’s results can be obtained by visiting [www.davisfunds.com](http://www.davisfunds.com) or by calling 1-800-279-0279.

*Davis Financial Portfolio  
Annual Total Returns  
for the years ended December 31*



Highest/Lowest quarterly results during this time period were:

**Highest** 25.67% for the quarter ended June 30, 2009

**Lowest** (28.13)% for the quarter ended December 31, 2008

Total return for the three months ended March 31, 2012 (not annualized) was 14.33%.

***Davis Financial Portfolio Average Annual Total Returns***  
*for the periods ended December 31, 2011*

	<b>Past 1 Year</b>	<b>Past 5 Years</b>	<b>Past 10 Years</b>
Davis Financial Portfolio	(7.96)%	(6.16)%	1.26%
S&P 500® Index	2.11%	(0.25)%	2.92%

## **Management**

### **Investment Adviser**

Davis Selected Advisers, L.P. serves as Davis Financial Portfolio's investment adviser.

### **Sub-Adviser**

Davis Selected Advisers-NY, Inc., a wholly owned subsidiary of the Adviser, serves as the Fund's sub-adviser.

### **Portfolio Manager**

<b>Portfolio Manager</b>	<b>Experience with this Fund</b>	<b>Primary Title with Investment Adviser or Sub-Adviser</b>
<b>Kenneth Feinberg</b>	Since July 1999	Vice President, Davis Selected Advisers-NY, Inc.

## **Purchase and Sale of Fund Shares**

Insurance companies offer variable annuity and variable life insurance products through separate accounts. Separate accounts, not variable product owners, are the shareholders of the Fund. Variable product owners hold interests in separate accounts. The terms of the offering of interests in separate accounts are included in the variable annuity or variable life insurance product prospectus. Only separate accounts of insurance companies that have signed the appropriate agreements with the Fund can buy or sell shares of the Fund. Redemptions, like purchases, may be effected only through the separate accounts of participating insurance companies or through qualified plans. Requests are duly processed at the net asset value next calculated after your order is received in good order by the Fund or its agents. Refer to the appropriate separate account prospectus or plan documents for details.

## **Tax Information**

Because an investment in Davis Financial Portfolio may only be made through variable insurance contracts and qualified plans, it is anticipated that any income dividends or net capital gains distributions made by the Fund will be exempt from current federal income taxation if left to accumulate within the variable insurance contract or qualified plan. The federal income tax status of your investment depends on the features of your qualified plan or variable insurance contract. Investors should look to the Contract Prospectus for additional tax information.

## **Payments to Broker-Dealers and Other Financial Intermediaries**

Davis Financial Portfolio and its distributor or its affiliates may make payments to the insurer and/or its related companies for distribution and/or other services; some of the payments may go to broker-dealers and other financial intermediaries. These payments may create a conflict of interest for an intermediary, or be a factor in the insurer's decision to include the Fund as an underlying investment option in a variable contract. Ask your financial advisor for more information.

## INVESTMENT OBJECTIVE, STRATEGIES, AND RISKS

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Davis Financial Portfolio's investment objective is long-term growth of capital.

The Fund's investment objective is not a fundamental policy and may be changed by the Board of Directors without a vote of shareholders. The Fund's prospectus would be amended prior to any change in investment objective and shareholders would be promptly notified of the change.

### Principal Investment Strategies

The principal investment strategies and risks for the Fund are described below. A number of investment strategies and risks which are not principal investment strategies or principal risks (and therefore are not included in this Prospectus) for the Fund are described in the Fund's Statement of Additional Information. The Statement of Additional Information also describes Davis Advisors' process for determining when the Fund may pursue a non-principal investment strategy.

Investment Strategy	Davis Financial Portfolio
Davis Investment Discipline	P*
Common Stock	P
Foreign Companies	P
Financial Services Companies	P
Under \$10 Billion Market Capitalization	P

\* (P indicates Principal Investment Strategy)

### The Davis Investment Discipline

Davis Advisors manages equity funds using the Davis Investment Discipline. Davis Advisors conducts extensive research to try to identify businesses that possess characteristics which Davis Advisors believes foster the creation of long-term value, such as proven management, a durable franchise and business model, and sustainable competitive advantages. Davis Advisors aims to invest in such businesses when they are trading at discounts to their intrinsic worth. Davis Advisors emphasizes individual stock selection and believes that the ability to evaluate management is critical. Davis Advisors routinely visits managers at their places of business in order to gain insight into the relative value of different businesses. Such research, however rigorous, involves predictions and forecasts that are inherently uncertain.

Over the years, Davis Advisors has developed a list of characteristics that it believes help companies to create shareholder value over the long term and manage risk. While few companies possess all of these characteristics at any given time, Davis Advisors searches for companies that demonstrate a majority or an appropriate mix of these characteristics.

### *First Class Management*

- Proven Track Record
- Significant Alignment of Interests in Business
- Intelligent Application of Capital

### ***Strong Financial Condition and Satisfactory Profitability***

- Strong Balance Sheet
- Low Cost Structure
- High Returns on Capital

### ***Strong Competitive Positioning***

- Non-Obsolescent Products / Services
- Dominant or Growing Market Share
- Global Presence and Brand Names

After determining which companies Davis Advisors believes that the Fund should own, it then turns its analysis to determine the intrinsic value of those companies' equity securities. Davis Advisors seeks equity securities which can be purchased at attractive valuations relative to their intrinsic value. Davis Advisors' goal is to invest in companies for the long term. Davis Advisors considers selling a company's equity securities if the securities' market price exceeds Davis Advisors' estimates of intrinsic value, or if the ratio of the risks and rewards of continuing to own the company's equity securities is no longer attractive.

**Common Stock.** Common stock represents ownership positions in companies. The prices of common stock fluctuate based on changes in the financial condition of their issuers and on market and economic conditions. Events that have a negative impact on a business probably will be reflected in a decline in the price of its common stock. Furthermore, when the total value of the stock market declines, most common stocks, even those issued by strong companies, likely will decline in value.

**Foreign Companies.** Foreign companies may issue both equity and fixed income securities. A company may be classified as either "domestic" or "foreign" depending upon which factors the Adviser considers most important for a given company. Factors which the Adviser considers in classifying a company as domestic or foreign include: (1) whether the company is organized under the laws of the United States or a foreign country; (2) whether the company's securities principally trade in securities markets outside of the United States; (3) the source of the majority of the company's revenues or profits; and (4) the location of the majority of the company's assets. The Adviser generally follows the country classification indicated by a third party service provider but may use a different country classification if the Adviser's analysis of the four factors provided above or other factors that the Adviser deems relevant indicates that a different country classification is more appropriate.

Investments in foreign securities may be made through the purchase of individual securities on recognized exchanges and developed over-the-counter markets, through Depositary Receipts (such types may include but are not limited to American Depositary Receipts "ADRs", Global Depositary Receipts "GDRs" or European Depositary Receipts "EDRs") covering such securities, and through U.S.-registered investment companies investing primarily in foreign securities.

Rather than investing directly in equity securities issued by foreign companies, the Fund may invest in these companies through depositary receipts. ADRs are receipts typically issued by an American bank or trust company which evidence ownership of underlying securities issued by a foreign corporation. GDRs are receipts that are generally issued by a foreign branch of an international bank which evidence a similar ownership arrangement. Generally, ADRs, which are issued in registered form, are designated for use in the United States securities markets, and GDRs are typically sold under exemptions from U.S. registration. The Fund may invest in both sponsored and unsponsored arrangements. In a sponsored arrangement, the foreign issuer assumes the obligation to pay some or all of the depository's transaction fees, whereas in an unsponsored arrangement the foreign issuer assumes no obligations and the depository's transaction fees are paid by the holders. Foreign issuers in respect of whose securities unsponsored depository receipts have been issued are not necessarily obligated to disclose material

information in the markets in which the unsponsored depositary receipts are traded and, therefore, such information may not be reflected in the prices of such securities in those markets.

**Under \$10 Billion Market Capitalizations.** Companies with less than \$10 billion in market capitalization are considered by the Adviser to be mid- or small-capitalization companies. Investing in mid- and small-capitalization companies may be more risky than investing in large-capitalization companies. Smaller companies typically have more limited product lines, markets and financial resources than larger companies, and their securities may trade less frequently and in more limited volume than those of larger, more mature companies. Securities of these companies may be subject to greater volatility in their prices than the securities of larger capitalization companies. They may have a limited trading market, which may adversely affect a fund's ability to dispose of them and can reduce the price a fund might be able to obtain for them. Other investors that own a security issued by a mid- or small-capitalization company for whom there is limited liquidity might trade the security when a fund is attempting to dispose of its holdings in that security. In that case, a fund might receive a lower price for its holdings than otherwise might be obtained. Small-capitalization companies also may be unseasoned. These include companies that have been in operation for less than three years, including the operations of any predecessors.

**Financial Services Companies.** A company is "principally engaged" in financial services if it owns financial services related assets constituting at least 50% of the total value of its assets, or if at least 50% of its revenues are derived from its provision of financial services. The financial services sector consists of several different industries that behave differently in different economic and market environments for example: banking, insurance, and securities brokerage houses. Companies in the financial services sector include: commercial banks, industrial banks, savings institutions, finance companies, diversified financial services companies, investment banking firms, securities brokerage houses, investment advisory companies, leasing companies, insurance companies and companies providing similar services.

Due to the wide variety of companies in the financial services sector, they may react in different ways to changes in economic and market conditions.

## Principal Risks of Investing in Davis Financial Portfolio

If you buy shares of the Fund, you may lose some or all of the money that you invest. The investment return and principal value of an investment in the Fund will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. The likelihood of loss may be greater if you invest for a shorter period of time. This section describes the principal risks (but not the only risks) that could cause the value of your investment in the Fund to decline, and which could prevent the Fund from achieving its stated investment objective.

	Davis Financial Portfolio
Stock Market Risk	P*
Manager Risk	P
Common Stock Risk	P
Foreign Country Risk	P
Emerging Market Risk	P
Foreign Currency Risk	P
Trading Markets and Depository Receipts Risk	P
Financial Services Risk	P
Concentrated Portfolio Risk	P
Focused Portfolio Risk	P
Under \$10 Billion Market Capitalization Risk	P
Interest Rate Sensitivity Risk	P
Credit Risk	P
Headline Risk	P
Fees and Expenses Risk	P

\* (P indicates Principal Risk)

**Stock Market risk.** Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices, including the possibility of sharp declines. In 2008 and 2009 the equity and debt capital markets in the United States and internationally experienced unprecedented volatility. This financial crisis has caused a significant decline in the value and liquidity of many securities. It is impossible to predict whether these conditions will continue, improve, or worsen. Because the situation is unprecedented and widespread, it may be unusually difficult to identify both risks and opportunities using past models of the interplay of market forces, or to predict the duration of these events.

**Manager risk.** Poor security selection or focus on securities in a particular sector, category, or group of companies may cause the Fund to underperform relevant benchmarks or other funds with a similar investment objective.

**Common Stock risk.** Common stock represents an ownership position in a company. An adverse event may have a negative impact on a company and could result in a decline in the price of its common stock. Common stock is generally subordinate to an issuer's other securities, including preferred, convertible and debt securities.

**Foreign Country risk.** The Fund may invest a significant portion of its assets in companies operating, incorporated, or principally traded in foreign countries. Investing in foreign countries involves risks that may cause the Fund's performance to be more volatile than it would be if the Fund invested solely in the United States. Foreign economies may not be as strong or as diversified, foreign political systems may not be as stable, and foreign financial reporting standards may not be as rigorous as they are in the United States. In addition, foreign capital markets may not be as well developed, so securities may be

less liquid, transaction costs may be higher, and investments may be subject to more government regulation. When the Funds invest in foreign securities, the Fund's operating expenses are likely to be higher than those of an investment company investing exclusively in U.S. securities, since the custodial and certain other expenses associated with foreign investments are expected to be higher.

**Emerging Market risk.** The Fund may invest in emerging or developing markets. Securities of issuers in emerging and developing markets may offer special investment opportunities, but present risks not found in more mature markets. Those securities may be more difficult to sell at an acceptable price and their prices may be more volatile than securities of issuers in more developed markets. Settlements of trades may be subject to greater delays so that the Fund might not receive the proceeds of a sale of a security on a timely basis. In unusual situations it may not be possible to repatriate sales proceeds in a timely fashion. These investments may be very speculative.

Emerging markets might have less-developed trading markets and exchanges. These countries may have less-developed legal and accounting systems and investments may be subject to greater risks of government restrictions on withdrawing the sale proceeds of securities from the country. Companies operating in emerging markets may not be subject to U.S. prohibitions against doing business with countries which are state sponsors of terrorism. Economies of developing countries may be more dependent on relatively few industries that may be highly vulnerable to local and global changes. Governments may be more unstable and present greater risks of nationalization, expropriation, or restrictions on foreign ownership of stocks of local companies.

**Foreign Currency risk.** Securities issued by foreign companies are frequently denominated in foreign currencies. 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. The Fund may, but generally does not, hedge its currency risk. When the value of a foreign currency declines against the U.S. dollar, the value of the Fund's shares will tend to decline.

**Trading Markets and Depositary Receipts risk.** Foreign securities may trade in the form of depositary receipts, including American ("ADR"), European ("EDR"), and Global ("GDR") Depositary Receipts. Although depositary receipts have risks similar to the securities that they represent, they may also involve higher expenses and may trade at a discount (or premium) to the underlying security. In addition, depositary receipts may not pass through voting and other shareholder rights, and may be less liquid than the underlying securities listed on an exchange.

ADRs are receipts issued by American bank or trust companies evidencing ownership of underlying securities issued by foreign issuers, and GDRs are bank receipts issued in more than one country evidencing ownership of underlying securities issued by foreign issuers. ADRs and GDRs may be "sponsored" or "unsponsored." In a sponsored arrangement, the foreign issuer assumes the obligation to pay some or all of the depositary's transaction fees. In an unsponsored arrangement, the foreign issuer assumes no obligation and the depositary's transaction fees are paid by the holders of the ADRs or GDRs. To the extent that the management fees paid to an investment company are for the same or similar services as the management fees paid by the Fund, there would be a layering of fees that would increase expenses and decrease returns. When the Fund invests in foreign securities, its operating expenses are likely to be higher than those of an investment company investing exclusively in U.S. securities, since the custodial and certain other expenses associated with foreign investments are expected to be higher.

**Financial Services risk.** Risks of investing in the financial services sector include: (i) Systemic risk: Factors outside the control of a particular financial institution—like the failure of another, significant financial institution or material disruptions to the credit markets—may adversely affect the ability of the financial institution to operate normally or may impair its financial condition; (ii) Regulatory actions:

financial services companies may suffer setbacks if regulators change the rules under which they operate; (iii) Changes in interest rates: unstable and/or rising interest rates may have a disproportionate effect on companies in the financial services sector; (iv) Non-diversified loan portfolios: financial services companies whose securities the Fund purchases may themselves have concentrated portfolios, such as a high level of loans to real estate developers, which makes them vulnerable to economic conditions that affect that industry; (v) Credit: financial services companies may have exposure to investments or agreements which under certain circumstances may lead to losses, for example sub-prime loans; and (vi) Competition: the financial services sector has become increasingly competitive.

*Banking.* Commercial banks (including “money center” regional and community banks), savings and loan associations and holding companies of the foregoing are especially subject to adverse effects of volatile interest rates, concentrations of loans in particular industries or classifications (such as real estate, energy, or sub-prime mortgages), and significant competition. The profitability of these businesses is to a significant degree dependent on the availability and cost of capital funds. Economic conditions in the real estate market may have a particularly strong effect on certain banks and savings associations. Commercial banks and savings associations are subject to extensive federal and, in many instances, state regulation. Neither such extensive regulation nor the federal insurance of deposits ensures the solvency or profitability of companies in this industry, and there is no assurance against losses in securities issued by such companies.

*Insurance.* Insurance companies are particularly subject to government regulation and rate setting, potential anti-trust and tax law changes, and industry-wide pricing and competition cycles. Property and casualty insurance companies also may be affected by weather, terrorism, long-term climate changes, and other catastrophes. Life and health insurance companies may be affected by mortality and morbidity rates, including the effects of epidemics. Individual insurance companies may be exposed to reserve inadequacies, problems in investment portfolios (for example, real estate or “junk” bond holdings) and failures of reinsurance carriers.

*Other Financial Services Companies.* Many of the investment considerations discussed in connection with banks and insurance companies also apply to other financial services companies. These companies are subject to extensive regulation, rapid business changes, and volatile performance dependent on the availability and cost of capital and prevailing interest rates and significant competition. General economic conditions significantly affect these companies. Credit and other losses resulting from the financial difficulty of borrowers or other third parties have a potentially adverse effect on companies in this industry. Investment banking, securities brokerage and investment advisory companies are particularly subject to government regulation and the risks inherent in securities trading and underwriting activities.

*Other Regulatory Limitations.* Regulations of the Securities and Exchange Commission (“SEC”) impose limits on: (1) investments in the securities of companies that derive more than 15% of their gross revenues from the securities or investment management business (although there are exceptions, the Fund is prohibited from investing more than 5% of its total assets in a single company that derives more than 15% of its gross revenues from the securities or investment management business); and (2) investments in insurance companies. The Fund generally is prohibited from owning more than 10% of the outstanding voting securities of an insurance company.

**Concentrated Portfolio risk.** The Fund invests principally in a single market sector, and any fund that has a concentrated portfolio is particularly vulnerable to the risks of its target sector.

**Focused Portfolio risk.** Funds that invest in a limited number of companies may have more risk because changes in the value of a single security may have a more significant effect, either negative or positive, on the value of the Fund’s total portfolio.

A fund may be classified as a “non-diversified” fund under the Investment Company Act of 1940 (the “1940 Act”), which means that it is permitted to invest its assets in a more limited number of issuers than “diversified” investment companies. A diversified investment company may not, with respect to 75% of its total assets, invest more than 5% of its total assets in the securities of any one issuer (other than U.S. Government securities and securities of other investment companies) and may not own more than 10% of the outstanding voting securities of any one issuer. While a fund may be a non-diversified investment company, and therefore is not subject to the statutory diversification requirements discussed above, the Fund may still intend to diversify its assets to the extent necessary to qualify for tax treatment as a regulated investment company under the Internal Revenue Code of 1986, as amended (the “Internal Revenue Code”).

At any given point in time, a diversified fund may not meet the diversification test outlined above due to appreciation in its portfolio holdings. In such case, the Fund is not required to sell portfolio holdings to meet the diversification test.

The diversification standards under the Internal Revenue Code require that a fund diversify its holdings so that, at the end of each fiscal quarter, (a) at least 50% of the market value of a fund’s assets is represented by cash, U.S. Government securities, securities of other regulated investment companies and other securities limited with respect to any one issuer to an amount not greater than 5% of a fund’s assets and 10% of the outstanding voting securities of such issuer, and (b) not more than 25% of the value of a fund’s assets is invested in the securities of any one issuer (other than U.S. Government securities and the securities of other regulated investment companies), or of two or more issuers which a fund controls (i.e., owns, directly or indirectly, 20% of the voting stock) and which are determined to be engaged in the same or similar trades or businesses or related trades or businesses.

**Under \$10 Billion Market Capitalization risk.** Companies with less than \$10 billion in market capitalization are considered by the Adviser to be mid- or small-capitalization companies. Investing in mid- and small-capitalization companies may be more risky than investing in large-capitalization companies. Smaller companies typically have more limited product lines, markets and financial resources than larger companies, and their securities may trade less frequently and in more limited volume than those of larger, more mature companies. Securities of these companies may be subject to volatility in their prices. They may have a limited trading market, which may adversely affect the Fund’s ability to dispose of them and can reduce the price the Fund might be able to obtain for them. Other investors that own a security issued by a mid- or small-capitalization company for whom there is limited liquidity might trade the security when the Fund is attempting to dispose of its holdings in that security. In that case, the Fund might receive a lower price for its holdings than otherwise might be obtained. Small-capitalization companies also may be unseasoned. These include companies that have been in operation for less than three years, including the operations of any predecessors.

**Interest Rate Sensitivity risk.** If a security pays a fixed interest rate, and market rates increase, the value of the fixed-rate security should decline. Interest rates may also have a powerful influence on the earnings of financial institutions.

**Credit risk.** Like any borrower, the issuer of a fixed income security may be unable to make timely payments of interest and principal. If the issuer is unable to make payments in a timely fashion the value of the security will decline and may become worthless. Financial institutions are often highly leveraged and may not be able to make timely payments of interest and principal. Even U.S. Government Securities are subject to credit risk.

**Headline risk.** Davis Advisors seeks to acquire companies with durable business models that can be purchased at attractive valuations relative to what Davis Advisors believes to be the companies’ intrinsic values. Davis Advisors may make such investments when a company becomes the center of controversy

after receiving adverse media attention. The company may be involved in litigation, the company's financial reports or corporate governance may be challenged, the company's public filings may disclose a weakness in internal controls, greater government regulation may be contemplated, or other adverse events may threaten the company's future. While Davis Advisors researches companies subject to such contingencies, Davis Advisors cannot be correct every time, and 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. All mutual funds incur operating fees and expenses. Fees and expenses reduce the return which a shareholder may earn by investing in a fund even when a fund has favorable performance. A low return environment, or a bear market, increases the risk that a shareholder may lose money.

The Fund's shares 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.

## NON-PRINCIPAL INVESTMENT STRATEGIES AND RELATED RISKS

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Davis Funds may implement investment strategies which are not principal investment strategies if, in the Adviser's professional judgment, the strategies are appropriate. Non-principal investment strategies are generally those investments which constitute less than 20% of the Fund's assets.

While the Adviser expects to pursue the Fund's investment objective by implementing the principal investment strategies described in the Fund's prospectus, the Fund may employ non-principal investment strategies or securities if, in Davis Advisors' professional judgment, the securities, trading, or investment strategies are appropriate. Factors that Davis Advisors considers in pursuing these other strategies include whether the strategy: (i) is likely to be consistent with shareholders' reasonable expectations; (ii) is likely to assist the Adviser in pursuing the Fund's investment objective; (iii) is consistent with the Fund's investment objective; (iv) will not cause the Fund to violate any of its fundamental or non-fundamental investment restrictions, and (v) will not materially change the Fund's risk profile from the risk profile that results from following the principal investment strategies as described in the Fund's prospectus and further explained in the Statement of Additional Information, as amended from time to time.

**Short-Term Investments.** The Fund uses short-term investments, such as treasury bills and repurchase agreements, to maintain flexibility while evaluating long-term opportunities.

**Temporary Defensive Investments.** The Fund may, but is not required to use short-term investments for temporary defensive purposes. In the event that Davis Advisors' Portfolio Managers anticipate a decline in the market values of the companies in which the Fund invests (due to economic, political or other factors), the Fund may reduce its risk by investing in short-term securities until market conditions improve. While the Fund is invested in short-term investments it will not be pursuing its long-term growth of capital investment objective. Unlike equity securities, these investments will not appreciate in value when the market advances and will not contribute to long-term growth of capital.

**Repurchase Agreements.** The Fund may enter into repurchase agreements. A repurchase agreement is an agreement to purchase a security and to sell that security back to the original owner at an agreed-on price. The resale price reflects the purchase price plus an agreed-on incremental amount which is unrelated to the coupon rate or maturity of the purchased security. The repurchase obligation of the seller is, in effect, secured by the underlying securities. In the event of a bankruptcy or other default of a seller of a repurchase agreement, the Fund could experience both delays in liquidating the underlying securities and losses, including: (a) possible decline in the value of the collateral during the period while the Fund seeks to enforce its rights thereto; (b) possible loss of all or a part of the income during this period; and (c) expenses of enforcing its rights.

The Fund will enter into repurchase agreements only when the seller agrees that the value of the underlying securities, including accrued interest (if any), will at all times be equal to or exceed the value of the repurchase agreement. The Fund may enter into tri-party repurchase agreements in which a third-party custodian bank ensures the timely and accurate exchange of cash and collateral. The majority of these transactions run from day to day, and delivery pursuant to the resale typically occurs within one to seven days of the purchase. The Fund normally will not enter into repurchase agreements maturing in more than seven days.

For more details concerning current investments and market outlook, please see the Fund's most recent shareholder report.

## MANAGEMENT AND ORGANIZATION

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Davis Selected Advisers, L.P. (“Davis Advisors”) serves as the investment adviser for each of the Davis Funds, including Davis Financial Portfolio. Davis Advisors’ offices are located at 2949 East Elvira Road, Suite 101, Tucson, Arizona 85756. Davis Advisors provides investment advice for the Davis Funds, manages their business affairs, and provides day-to-day administrative services. Davis Advisors also serves as investment adviser for other mutual funds and institutional and individual clients. For the fiscal year ended December 31, 2011, Davis Advisors’ net management fee paid by the Fund for its services (based on average net assets) was 0.55% for Davis Financial Portfolio. A discussion regarding the basis for the approval of the Fund’s investment advisory and service agreement by the Fund’s Board of Directors is contained in the Fund’s most recent Semi-Annual Report to shareholders.

Davis Selected Advisers—NY, Inc., serves as the sub-adviser for each of the Davis Funds, including Davis Financial Portfolio. Davis Selected Advisers—NY, Inc.’s offices are located at 620 Fifth Avenue, 3<sup>rd</sup> Floor, New York, New York 10020. Davis Selected Advisers—NY, Inc., provides investment management and research services for the Davis Funds and other institutional clients, and is a wholly owned subsidiary of Davis Advisors. Davis Selected Advisers—NY, Inc.’s fee is paid by Davis Advisors, not the Davis Funds.

**Execution of Portfolio Transactions.** Davis Advisors places orders with broker-dealers for Davis Funds’ portfolio transactions. Davis Advisors seeks to place portfolio transactions with brokers or dealers who will execute transactions as efficiently as possible and at the most favorable net price. In placing executions and paying brokerage commissions or dealer markups, Davis Advisors considers price, commission, timing, competent block trading coverage, capital strength and stability, research resources, and other factors. Subject to best price and execution, Davis Advisors may place orders for Davis Funds’ portfolio transactions with broker-dealers who have sold shares of Davis Funds. However, when Davis Advisors places orders for Davis Funds’ portfolio transactions, it does not give any consideration to whether a broker-dealer has sold shares of Davis Funds. In placing orders for Davis Funds’ portfolio transactions, the Adviser does not commit to any specific amount of business with any particular broker-dealer.

Over the last three years the Fund paid the following brokerage commissions:

	<i>For the Year ended December 31,</i>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Brokerage commissions paid:	\$21,391	\$ 9,138	\$20,395
Brokerage as a percentage of average net assets:	0.03%	0.01%	0.03%

### Portfolio Manager

- **Kenneth Feinberg** has served as Portfolio Manager of Davis Financial Portfolio since the inception of the Fund on July 1, 1999, and also manages other equity funds advised by Davis Advisors. He has served as Portfolio Manager of various equity funds managed by Davis Advisors since May 1997. Mr. Feinberg started with Davis Advisors as a Research Analyst in December 1994.

The Statement of Additional Information provides additional information about the Portfolio Managers’ compensation, other accounts managed by the Portfolio Manager, and the Portfolio Manager’s investments in the Fund.

## SHAREHOLDER INFORMATION

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### **Procedures and Shareholder Rights are Described by Current Prospectus and Other Disclosure Documents**

Investors should look to the most recent prospectus and statement of additional information for Davis Funds, as amended or supplemented from time to time, for information concerning the Funds –including information on how to purchase and redeem Fund shares and how to contact the Funds. The most recent prospectus and statement of information (including any supplements or amendments thereto) will be on file with the Securities and Exchange Commission as part of the Funds’ registration statement. Please also see the back cover of this prospectus for information on other ways to obtain information about the Funds.

### **How Your Shares are Valued**

Once you open your account, you may buy or sell shares on any day that the New York Stock Exchange is open for trading. The price of your shares is based upon the total value of the Fund’s investments. Your account balance may change daily because the share price may change daily.

The value of one share of the Fund, also known as the net asset value, or NAV, is calculated at 4 p.m. Eastern time, on each day the New York Stock Exchange is open or as of the time the Exchange closes, if earlier.

### ***Valuation of Portfolio Securities***

Davis Funds value securities for which market quotations are readily available at current market value other than certain short-term securities which are valued at amortized cost. Securities listed on the NYSE (and other national exchanges) are valued at the last reported sales price on the day of valuation. Securities traded in the over-the-counter market (e.g. NASDAQ) and listed securities for which no sale was reported on that date are valued at the average of closing bid and asked prices. Securities traded on foreign exchanges are valued based upon the last sales price on the principal exchange on which the security is traded prior to the time when the Fund’s assets are valued.

Securities (including restricted securities) for which market quotations are not readily available are valued at their fair value. Securities whose values have been materially affected by what Davis Advisors identifies as a significant event occurring before the Fund’s assets are valued but after the close of their respective exchanges will be fair valued. Fair value is determined in good faith using consistently applied procedures under the supervision of the Board of Directors. Fair valuation is based on subjective factors and, as a result, the fair value price of a security may differ from the security’s market price and may not be the price at which the security may be sold. Fair valuation could result in a different NAV than a NAV determined by using market quotes. The Board of Directors have delegated the determination of fair value of securities for which prices are either unavailable or unreliable to Davis Advisors. The Board of Directors reviews a summary of fair valued securities in quarterly board meetings.

In general, foreign securities are more likely to require a fair value determination than domestic securities because circumstances may arise between the close of the market on which the securities trade and the time as of which a Fund values its portfolio securities, which may affect the value of such securities. Securities denominated in foreign currencies and traded in foreign markets will have their values converted into U.S. dollar equivalents at the prevailing exchange rates as computed by State Street Bank and Trust Company. Fluctuation in the values of foreign currencies in relation to the U.S.

dollar may affect the net asset value of a Fund's shares even if there has not been any change in the foreign currency prices of that Fund's investments.

Securities of smaller companies are also generally more likely to require a fair value determination because they may be thinly traded and less liquid than traditional securities of larger companies.

To the extent that a Fund's portfolio investments trade in markets on days when the Fund is not open for business, the Fund's NAV may vary on those days. In addition, trading in certain portfolio investments may not occur on days the Fund is open for business because markets or exchanges other than the NYSE may be closed. If the exchange or market on which the Fund's underlying investments are primarily traded closes early, the NAV may be calculated prior to its normal market calculation time. For example, the primary trading markets for a Fund may close early on the day before certain holidays and the day after Thanksgiving.

Fixed income securities may be valued at prices supplied by Davis Funds' pricing agent based on broker or dealer supplied valuations or matrix pricing, a method of valuing securities by reference to the value of other securities with similar characteristics, such as rating, interest rate and maturity. Government, corporate, and asset-backed bonds and convertible securities, including high-yield or junk bonds, normally are valued on the basis of prices provided by independent pricing services. Prices provided by the pricing services may be determined without exclusive reliance on quoted prices, and may reflect appropriate factors such as institution-size trading in similar groups of securities, developments related to special securities, dividend rate, maturity and other market data. Prices for fixed income securities received from pricing services sometimes represent best estimates. In addition, if the prices provided by the pricing service and independent quoted prices are unreliable, Davis Funds will arrive at their own fair valuation using the Fund's fair value procedures.

Fair value is determined in good faith using consistently applied procedures under the supervision of the Board of Directors. Fair valuation is based on subjective factors and, as a result, the fair value price of a security may differ from the security's market price and may not be the price at which the security may be sold. Fair valuation could result in a different NAV than an NAV determined by using market quotations. The Board of Directors have delegated the determination of fair value of securities for which prices are either unavailable or unreliable to Davis Advisors. The Board of Directors review a summary of fair valued securities in quarterly board meetings.

### **Portfolio Holdings**

A description of Davis Funds' policies and procedures with respect to the disclosure of the Fund's portfolio holdings is available in the Statement of Additional Information.

Davis Funds' portfolio holdings are published twice a year in the Annual and Semi-Annual Reports which are mailed approximately 60 days after the end of the Fund's second and fourth fiscal quarters. In addition, each Fund publishes its portfolio holdings on the Davis Funds' website ([www.davisfunds.com](http://www.davisfunds.com)) and the SEC website ([www.sec.gov](http://www.sec.gov)) approximately 60 days after the end of each fiscal quarter. Other information concerning the Fund's portfolio holdings may also be published on the Davis Funds' website from time to time.

### **Dividends and Distributions**

Davis Financial Portfolio generally declares and pays dividends and short- and long-term capital gains, if any, annually. All dividends and capital gains are paid to separate accounts of participating insurance companies. At the election of these companies, dividends and distributions are automatically reinvested at net asset value in shares of the Fund.

## **Mixed and Shared Funding**

Shares of the Fund are offered in connection with mixed and shared funding, i.e., to separate accounts of insurance companies funding variable annuity and variable life insurance policies. Due to differences in tax treatment and other considerations the interests of various contract holders investing in separate accounts investing in the Fund may conflict. Mixed and shared funding may present certain conflicts of interest. For example, violation of the federal tax laws by one separate account investing in a Fund could cause owners of contracts and policies funded through another separate account to lose their tax-deferred status, unless remedial action were taken. The Board of Directors of the Fund will monitor for the existence of any material conflicts and determine what action, if any, should be taken. A fund's net asset value could decrease if it had to sell investment securities to pay redemption proceeds to a separate account withdrawing because of a conflict.

## **Federal Income Taxes**

Because Shares of the Fund may be purchased only through variable insurance contracts and qualified plans, it is anticipated that any income dividends or net capital gains distributions made by the Fund will be exempt from current federal income taxation if left to accumulate within the variable insurance contract or qualified plan. Generally, withdrawals from such contracts or plans may be subject to federal income tax at ordinary income rates and, if made before age 59½, a 10% penalty tax may be imposed. The federal income tax status of your investment depends on the features of your qualified plan or variable insurance contract. Further information may be found in your plan documents or in the prospectus of the separate account offering such contract. Variable product owners seeking to understand the tax consequences of their investment should consult with their tax advisers, the insurance company that issued their variable product, or refer to their variable annuity or variable life insurance product prospectus.

The Fund does not expect to pay any federal income or excise taxes because it intends to meet certain requirements of the Internal Revenue Code, including the distributions each year of all their net investment income and net capital gains. In addition, because the Shares of the Fund are sold in connection with variable insurance contracts, the Fund intends to satisfy the diversification requirements applicable to insurance company separate accounts under the Internal Revenue Code.

## **Fees and Expenses of the Fund**

The Fund must pay operating fees and expenses.

### ***Management Fee***

The management fee covers the normal expenses of managing the Fund, including compensation, research costs, corporate overhead expenses and related expenses.

### **Distribution Plans**

The Fund has adopted a plan under Rule 12b-1 allowing the payment of up to 0.25% for distribution expenses. Currently the Fund does not make, and does not intend to make, any payments under this plan. If, in the future, the Fund begins making payments under the plan, then these fees would be paid out of the Fund's assets on an ongoing basis. Over time, these fees would increase the cost of your investment and may cost you more than paying other types of sales charges.

### ***Other Expenses***

Other expenses include miscellaneous fees from affiliated and outside service providers. These fees may include legal, audit and custodial fees, the costs of printing and mailing of reports and statements, automatic reinvestment of distributions and other conveniences, and payments to third parties that provide recordkeeping services or administrative services for investors in the Fund.

### ***Total Fund Operating Expenses***

The total cost of operating a mutual fund is reflected in its expense ratio. A shareholder does not pay operating costs directly; instead, operating costs are deducted before the Fund's NAV is calculated and are expressed as a percentage of the Fund's average daily net assets. The effect of these fees is reflected in the performance results for that Class of shares. Investors should examine total operating expenses closely in the prospectus, especially when comparing one fund with another fund in the same investment category.

### **Fees Paid to Dealers and Other Financial Intermediaries**

In 2011, Davis Advisors and its affiliates were charged additional fees by the insurance companies listed below. The amount of the fee is negotiated with each insurance company. Such payments were for administrative services and investor support services, and do not constitute payment for investment advisory, distribution or other services. Payment of such fees by Davis Advisors or its affiliates does not increase the fees paid by the Fund or their respective shareholders. Insurance companies may be added or deleted at any time.

Allianz Life Insurance Company of New York; Allianz Life Insurance Company of North America; Annuity Investors Life Insurance Company; Great-West Life & Annuity Insurance Company; The Guardian Insurance & Annuity Company, Inc.; Horace Mann Life Insurance Company; Merrill Lynch Life Insurance Company; Merrill Lynch Life Insurance Company of New York; Nationwide Financial Services, Inc.; New York Life Insurance and Annuity Corporation; Pruco Life Insurance Company; Pruco Life Insurance Company of New Jersey; Prudential Annuities Life Assurance Corporation; Standard Insurance Company; and Transamerica Life Insurance Company, Transamerica Life Insurance Company of New York.

Investors should consult their financial intermediary regarding the details of the payments they receive in connection with the sale of fund shares.

### **Purchase and Redemption of Shares**

Insurance companies offer variable annuity and variable life insurance products through separate accounts. Separate accounts, not variable product owners, are the shareholders of the Fund. Variable product owners hold interests in separate accounts. The terms of the offering of interests in separate accounts are included in the variable annuity or variable life insurance product prospectus. Only separate accounts of insurance companies that have signed the appropriate agreements with the Fund can buy or sell shares of the Fund.

REFER TO THE PROSPECTUS FOR THE PARTICIPATING INSURANCE COMPANY'S SEPARATE ACCOUNT OR YOUR PLAN DOCUMENTS FOR INSTRUCTIONS ON PURCHASING OR SELLING OF VARIABLE INSURANCE CONTRACTS AND ON HOW TO SELECT SPECIFIC PORTFOLIOS AS INVESTMENT OPTIONS FOR A CONTRACT OR A QUALIFIED PLAN.

## **Right to Reject or Restrict Any Purchases or Exchange Orders**

Purchases and exchanges should be made primarily for investment purposes. The Fund may reject, restrict, or cancel, without any prior notice, any purchase orders for any reason. For example, the Fund does not allow market timing because short-term trading or other excessive trading into and out of the Fund may harm performance by disrupting portfolio management strategies and by increasing expenses. As described below, almost all of the Fund's shareholders invest in the Fund through omnibus accounts maintained by insurance companies. We request that the insurance companies offering variable annuity and variable life insurance products discourage frequent trading by contract owners. Although we do not allow market timing there can be no guarantee that the Fund will be successful in curbing abusive short-term transactions.

## **Frequent Purchases and Redemptions of Fund Shares**

The Davis Funds discourage short-term or excessive trading, does not accommodate short-term or excessive trading, and, if detected, intend to restrict or reject such trading or take other action if in the judgment of Davis Advisors such trading may be detrimental to the interest of a Fund. Such strategies may dilute the value of fund shares held by long-term shareholders, interfere with the efficient management of the Fund's portfolio, and increase brokerage and administrative costs.

The Davis Funds' Board of Directors has adopted a 30-day restriction policy with respect to the frequent purchase and redemption of fund shares. Under the 30-day restriction any shareholder redeeming shares from a fund will be precluded from investing in the same fund for 30 calendar days after the redemption transaction. This policy also applies to redemptions and purchases that are part of an exchange transaction. Certain financial intermediaries, such as 401(k) plan administrators, may apply purchase and exchange limitations which are different than the limitations discussed above. These limitations may be more or less restrictive than the limitations imposed by the Davis Funds, but are designed to detect and prevent excessive trading. Shareholders should consult their financial intermediaries to determine what purchase and exchange limitations may be applicable to their transactions in the Davis Funds through those financial intermediaries. To the extent reasonably feasible, the Fund's market timing procedures apply to all shareholder accounts and neither Davis Funds nor Davis Advisors have entered into agreements to exempt any shareholder from application of either the Davis Funds' or a financial intermediary's market-timing procedures, as applicable.

Davis Funds receive purchase, exchange and redemption orders from many financial intermediaries which maintain omnibus accounts with the Fund. Omnibus account arrangements permit financial intermediaries to aggregate their clients' transactions and ownership positions. If Davis Funds or the Distributor discovers evidence of material excessive trading in an omnibus account they may seek the assistance of the financial intermediary to prevent further excessive trading in the omnibus account. Shareholders seeking to engage in excessive trading practices may employ a variety of strategies to avoid detection and there can be no assurance that Davis Funds will successfully prevent all instances of market timing.

If the Davis Funds, at its discretion, identifies any activity that may constitute frequent trading, it reserves the right to restrict further trading activity regardless of whether the activity exceeds Davis Fund's written guidelines. In applying this policy, the Davis Funds reserves the right to consider the trading of multiple accounts under common ownership, control or influence to be trading out of a single account.

## **FINANCIAL HIGHLIGHTS**

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The following table is designed to show you the financial performance of Davis Financial Portfolio for the five years ended December 31, 2011, assuming that all dividends and capital gains have been reinvested. Some of the information reflects financial results for a single fund share. The total return represent the rate at which an investor would have earned (or lost) money on an investment in the Fund.

This information has been derived from the Fund's financial statements, which were audited by KPMG LLP. KPMG LLP's report, along with the Fund's financial statements, is included in the Annual Report, which is available upon request.

**DAVIS VARIABLE ACCOUNT FUND, INC.**  
**DAVIS FINANCIAL PORTFOLIO**

The following financial information represents selected data for each share of capital stock outstanding throughout each period:

	<b>Year ended December 31,</b>				
	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>Net Asset Value, Beginning of Period</b>	<u>\$11.00</u>	<u>\$ 9.98</u>	<u>\$7.12</u>	<u>\$14.27</u>	<u>\$16.29</u>
<b>Income (Loss) from Investment Operations:</b>					
Net Investment Income	0.14	0.12	0.05	0.08	0.17
Net Realized and Unrealized Gains (Losses)	<u>(1.01)</u>	<u>0.99</u>	<u>2.88</u>	<u>(6.76)</u>	<u>(1.12)</u>
Total from Investment Operations	(0.87)	1.11	2.93	(6.68)	(0.95)
<b>Dividends and Distributions:</b>					
Dividends from Net Investment Income	(0.15)	(0.09)	(0.07)	—	(0.17)
Distributions from Realized Gains	<u>—</u>	<u>—</u>	<u>—</u>	<u>(0.47)</u>	<u>(0.90)</u>
Total Dividends and Distributions	(0.15)	(0.09)	(0.07)	(0.47)	(1.07)
<b>Net Asset Value, End of Period</b>	<u>\$ 9.98</u>	<u>\$11.00</u>	<u>\$9.98</u>	<u>\$ 7.12</u>	<u>\$14.27</u>
<b>Total Return<sup>a</sup></b>	(7.96)%	11.10%	41.18% <sup>b</sup>	(46.36)%	(6.05)%
<b>Ratios/Supplemental Data:</b>					
Net Assets, End of Period (in thousands)	\$60,834	\$82,403	\$87,837	\$57,321	\$116,725
Ratio of Expenses to Average Net Assets:					
Gross	0.69%	0.69%	0.78%	0.88%	0.85%
Net <sup>c</sup>	0.69%	0.69%	0.78%	0.88%	0.85%
Ratio of Net Investment Income to Average Net Assets	0.99%	0.99%	0.67%	0.73%	0.97%
Portfolio Turnover Rate <sup>d</sup>	11%	2%	10%	16%	17%

<sup>a</sup> Assumes hypothetical initial investment on the business day before the first day of the fiscal period, with all dividends and distributions reinvested in additional shares on the reinvestment date, and redemption at the net asset value calculated on the last business day of the fiscal period. Total returns do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown.

<sup>b</sup> Davis Financial Portfolio received a favorable class action settlement from a company that it no longer owns. This settlement had an approximate impact of 0.4% on the investment performance of the Fund in 2009. This was a one-time event that is unlikely to be repeated.

<sup>c</sup> The Net Ratio of Expenses to Average Net Assets reflects the impact, if any, of the reduction of expenses paid indirectly and of certain reimbursements from the Adviser.

<sup>d</sup> The lesser of purchases or sales of portfolio securities for a period, divided by the monthly average of the market value of portfolio securities owned during the period. Securities with a maturity or expiration date at the time of acquisition of one year or less are excluded from the calculation.



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

## OBTAINING ADDITIONAL INFORMATION

Additional information about the Fund's investments is available in the Fund's **Annual and Semi-Annual Reports** to shareholders. In the Fund's Annual Report, you will find a discussion of the market conditions and investment strategies that significantly affected the Fund's performance during their last fiscal year. The **Statement of Additional Information** provides more detailed information about Davis Funds and their management and operations. The Statement of Additional Information and the Fund's Annual and Semi-Annual Reports are available, without charge, upon request.

The Davis Funds' Statement of Additional Information and Annual Report have been filed with the Securities and Exchange Commission, are incorporated into this prospectus by reference, and are legally a part of this prospectus.

### Where you can get these documents:

- **From your Insurance Company or your Account Representative.** Your insurance company or account representative can provide you with copies of these documents.
- **On the Internet.** [www.davisfunds.com](http://www.davisfunds.com).
- **By Telephone.** Call Davis Funds toll-free at **1-800-279-0279**, Monday through Friday, 9 a.m. to 6 p.m. Eastern time.
- **From the SEC.** Additional copies of the registration statement can be reviewed at the SEC's Public Reference Room, or obtained, for a duplicating fee, by writing the Public Reference Section of the SEC, Washington, DC 20549-1520, or by sending an electronic request to [publicinfo@sec.gov](mailto:publicinfo@sec.gov). Reports and other information about the Fund are also available by visiting the SEC website ([www.sec.gov](http://www.sec.gov)). For more information on the operations of the Public Reference Room, call 1-202-551-8090.



Over 40 Years of Reliable Investing  
Investment Company Act File No. 811-9293



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