

Morningstar's Highest Stewardship Grade-A

Investment Management Team

Andrew A. Davis, *Portfolio Manager*
Keith Sabol, *Portfolio Manager*

Investment Strategy

The Fund is designed to combine the growth potential of stocks with the income of bonds. It may use a combination of convertible securities, stocks and bonds to provide investors with a way to participate in equity market total returns with a degree of downside protection.

Portfolio Managers Andrew Davis and Keith Sabol follow a three-step investment process:

- First, they carefully evaluate valuations, creating valuation models for each of the companies considered.
- Second, they analyze the investment potential of businesses using the time-tested Davis investment discipline, purchasing only those that are trading at a discount to their estimate of fair value.
- Third, having identified attractively priced convertible securities, stocks and bonds issued by durable businesses, they seek to structure a portfolio with the potential to participate in some of the upside potential of the stock while providing a degree of downside protection.

The Fund seeks to purchase durable, well-managed businesses at value prices and hold them for the long term. The portfolio managers seek to structure a portfolio that tends to increase in value more than decline, given an equal upward or downward move in the price of the underlying stock.

Top 10 Holdings

Forest City Enterprises, Conv. Sr. Notes, 3.625%, 10/15/14	5.4%
School Specialty, Inc., Conv. Sub. Notes, 3.75%/Zero Cpn, 8/1/23	5.2
Tyson Foods, Conv. Sr. Notes, 3.25%, 10/15/13	4.1
Quanta Services	3.8
Kohl's	3.7
Devon Energy	3.3
Citigroup	3.2
AES Trust III, 6.75%, Conv. Pfd.	3.1
Whole Foods Market	2.9
Allegheny Technologies, Conv. Sr. Notes, 4.25%, 6/1/14	2.9

Total Returns – A Shares

Year	Without sales charge		With 4.75% maximum sales charge	
	Avg. Annual	Cumulative	Avg. Annual	Cumulative
Life	8.01%	305.86%	7.73%	286.65%
15	7.22	184.61	6.87	171.03
10	2.68	30.25	2.18	24.09
5	1.12	5.72	0.14	0.70
1	25.00	25.00	19.09	19.09

Fund Facts

Inception Date (Class A Shares)	5/1/92
Total Net Assets	\$382.3 million
Total Fund Holdings	52
CUSIP	Symbols
A Shares: 239103-880	A Shares: RPF CX
B Shares: 239103-872	B Shares: DCS BX
C Shares: 239103-732	C Shares: DCSCX
Y Shares: 239103-773	Y Shares: DCS YX
Dividend Paid	Quarterly
Last Distribution (A Shares) as of 4/5/10	\$0.0900

Portfolio Characteristics

Trailing Positive P/E Ratio	15.2
Weighted Average Market Capitalization (\$bn)	25.8
Beta (3 year)	1.1
Standard Deviation (5 year, A Shares)	19.6
R-squared	0.9

Turnover and Expenses

Turnover Rate as of most recent audited financial statement	15%
Expense Ratio (A Shares) as of most recent prospectus	0.98%

Security Allocation

Common Stocks	48.8%
Bonds	38.9
Preferred Stocks	9.1
Cash and Equivalents	3.2

Top 5 Industries

Capital Goods	11.5%
Commercial & Professional Services	11.0
Real Estate	10.6
Energy	10.4
Diversified Financials	9.5

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 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.

Davis Appreciation and Income Fund's investment objective is total return through a combination of growth and income. There can be no assurance that the Fund will achieve its objective. The Fund is subject to both equity and debt risk. Some important risks of an investment in the Fund are: market risk, company risk, fees and expenses risk, and under \$10 billion market capitalization risk. See the prospectus for a complete listing of the principal risks. See endnotes for a discussion of these risks and additional disclosures.

This piece is authorized for use by existing shareholders. A current Davis Appreciation and Income Fund prospectus must accompany or precede this piece 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.

The Fund generally uses Global Industry Classification Standard ("GICS") as developed by Morgan Stanley Capital International and Standard & Poor's Corporation to determine industry classification. GICS presents industry classification as a series of levels (i.e. sector, industry group, industry, and sub-industry). Allocations shown are at the Industry Group level except for the following industry groups which have been combined as indicated: Technology: Software & Services, Technology Hardware & Equipment, Semiconductors & Semiconductor Equipment; Pharmaceutical & Health Care: Pharmaceuticals, Biotechnology & Life Sciences, Health Care Equipment & Services. The Advisor may reclassify a company into an entirely different industry if it believes that the GICS classification for a specific company does not accurately describe the company. Industry Group weightings are subject to change.

Average annual total returns as of June 30, 2010:

Davis Appreciation and Income Fund	1 Year	5 Years	10 Years	Inception
Class A (with 4.75% sales charge)	19.09%	0.14%	2.18%	5/1/92
Class B (with deferred sales charge)	19.84	-0.09	2.03	2/3/95
Class C (with deferred sales charge)	22.95	0.29	1.79	8/12/97
Class Y	25.25	1.38	2.91	11/13/96

As of the most recent prospectus the expense ratios were: Class A shares, 0.98%; Class B shares, 1.91%; Class C shares, 1.81%; Class Y shares, 0.72%.

Class B shares automatically convert to Class A shares after seven years. Class B shares' performance for the 10 year period includes the first seven years of Class B share performance and Class A share performance thereafter.

Davis Funds has adopted a Portfolio Holdings Disclosure policy that governs the release of non-public portfolio holding information. This policy is described in detail in the applicable prospectus. Visit davisfunds.com or call 800-279-0279 for the most current public portfolio holdings information.

Some important risks of an investment in the Fund are: market risk: the market value of shares of common stock can change rapidly and unpredictably and have the potential for loss; company risk: equity securities represent ownership positions in companies. Over time, the market value of a common stock should reflect the success or failure of the company issuing the stock; fees and expenses risk: fees and expenses reduce the return which a shareholder may earn by investing in a fund; and 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. Some of the risks of owning high-yield, high-risk debt securities are: many issuers only resort to offering high-yield, high-risk debt securities when they cannot get financing from more traditional sources, such as banks; issuers of high-yield, high-risk debt securities are likely to have a substantial amount of other debt that is more senior; high-risk debt securities may be difficult to sell; and prices of high-yield, high-risk debt securities are more volatile than prices of higher-rated securities. See the prospectus for a complete listing of the principal risks.

Broker-dealers and other financial intermediaries may charge Davis Advisors substantial fees for selling its products 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.

The maximum sales charge on a Class A share is 4.75%, on a Class B share the maximum contingent deferred sales charge is 4% and on a Class C share the maximum contingent deferred sales charge is 1%.

The purchase maximum for Class B shares is \$50,000 per transaction and for Class C shares is \$500,000 per transaction.

Beta is a measure of a fund's sensitivity to market movements in the last 36 months. The Fund's Index as indicated in the prospectus has a Beta of 1.00. While no single measurement can predict the future, a Beta of greater than 1.00 predicts greater volatility and a Beta of less than 1.00 predicts less volatility than the stock market as a whole.

R-squared is a statistical measure that represents the percentage of a fund's or security's movements that are explained by movements in a benchmark index. R-squared values range from 0 to 1. An R-squared of 1 means that all movements of a security are completely explained by movements in the index.

The Weighted Average Market Capitalization is the portfolio-weighted mean capitalizations of all equity securities.

The Trailing Positive P/E Ratio of a stock is calculated by dividing the current price of the stock by its trailing 12 months' earnings per share. Portfolio totals are computed using an inverse harmonic methodology. Stocks with negative P/E ratios are excluded from the portfolio totals.

Turnover Rate is a measure of the trading activity in a mutual fund's investment portfolio that reflects how often securities are bought and sold. These amounts are as of the most recent audited financial statement.

Expense Ratio is the cost of doing business for a mutual fund, expressed as a percentage of the fund's net assets. These amounts are as of the most recent prospectus.

Standard Deviation is a statistical measurement of dispersion about an average, which, for a mutual fund, depicts how widely the returns varied over a certain period of time. Investors use the standard deviation of historical performance to try to predict the range of returns that are most likely for a given fund. When a fund has a high standard deviation, the predicted range of performance is wide, implying greater volatility.

Morningstar assigns a stewardship grade to funds it covers. The overall stewardship grade is the sum of the following five components that are graded on a scale of A through F: Regulatory Issues, Board Quality, Manager Incentives, Fees, and Corporate Culture. The overall grade will range from an A to an F. Morningstar utilizes a fund's public filings, responses to a survey sent out by Morningstar to the fund company and the expertise of the Morningstar analysts to determine a fund grade.

The grades are subject to change and are as of June 30, 2010. The methodology for the Morningstar Stewardship grade is completely different from the performance-based Morningstar star rating and has no impact on the star rating.

While Davis Appreciation and Income Fund seeks to structure a portfolio with the potential to participate in some of the stock's upside potential while providing a degree of downside protection, there can be no assurance that the portfolio will actually perform in line with our expectations. There can be no assurance that securities we purchase will increase in value when the S&P 500® Index increases in value, or that they will provide downside protection when the S&P 500® Index declines in value.

After October 31, 2010, this material must be accompanied by a supplement containing performance data for the most recent calendar quarter.

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.