

March 31, 2008

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 stock's upside potential while providing a degree of downside risk.

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 more than decline, given an equal upward or downward move in the price of the underlying stock.

Top 10 Holdings

Nabors Industries, Conv. Sr. Note, 0.94%, 5/15/11	5.2%
Intel, Conv. Sr. Notes, 2.95%, 12/15/35	4.6
Lehman Brothers Holdings, Conv. Notes, 0.25%, 8/23/11 (Convertible into Devon Energy)	4.3
Whole Foods Market	3.8
Kohls	3.6
Vornado Realty Trust, Conv. Sr. Deb., 3.875%, 4/15/25	3.5
Avon Products	3.0
Universal Health Systems, Class B	2.9
School Specialty, Conv. Sub Notes, 3.75%/Zero Coupon, 8/1/23	2.7
Forest City Enterprises, Conv. Note, 3.625, 10/15/11	2.5

Total Returns – A Shares

Year	Without sales charge		With 4.75% maximum sales charge	
	Avg. Annual	Cumulative	Avg. Annual	Cumulative
Life	9.68%	335.32%	9.35%	314.71%
15	8.74	251.55	8.39	234.85
10	5.02	63.16	4.51	55.41
5	10.10	61.75	9.03	54.07
3	5.70	18.09	3.99	12.46
1	-7.76	-7.76	-12.14	-12.14

Fund Facts

Inception Date (Class A Shares)	5/1/92
Total Net Assets	\$771 million
Total Fund Holdings	61
CUSIP	Symbols
A Shares: 239103-880	A Shares: RPFXX
B Shares: 239103-872	B Shares: DCSBX
C Shares: 239103-732	C Shares: DCSCX
Y Shares: 239103-773	Y Shares: DCSYX
Dividend Paid	Quarterly
Last Distribution (A Shares) as of 12/31/07	\$0.1161

Portfolio Characteristics

Trailing P/E Ratio	17.8
Weighted Average Market Capitalization	\$33.1b
Beta	1.11
Standard Deviation (5 year, A Shares)	6.6
R-squared	0.6

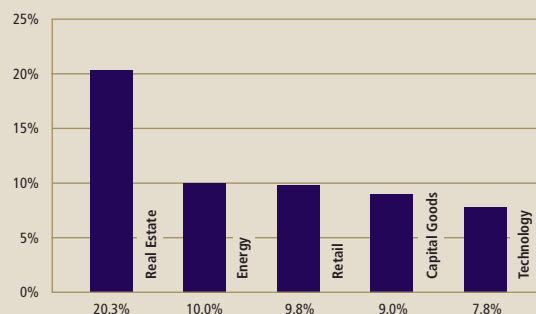
Turnover and Expenses

Turnover Rate as of most recent audited financial statement	23%
Expense Ratio (A Shares) as of most recent prospectus	1.01

Security Allocation

Common Stocks	42.9%
Preferred Stocks	7.2
Bonds	48.1
Foreign Stocks	1.0
Cash and Equivalents	0.8

Top 5 Industry Sectors



The data quoted represents past performance. **Past performance is not a guarantee of future success.** Fund performance changes over time and current performance may be higher or lower than stated. Investment return and principal value will vary so that an investor's shares, when redeemed, may be worth more or less than their original cost. For most recent month-end performance, visit davisfunds.com or call 800-279-0279. Returns and expenses for other share classes will vary.

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. Davis Appreciation and Income Fund is subject to both equity and debt risk. One of the most important risks of an investment in the Fund is small- and medium-capitalization risk. Small- and medium-capitalization companies' share prices tend to fluctuate more often as they tend to have limited product lines, markets and financial resources, and their securities may trade less frequently and in more limited volume than those of larger companies. Derivatives can be illiquid, may disproportionately increase losses and have a potentially large impact on the Fund's performance. See the prospectus for a complete listing of the principal risks.

This material is furnished to you by Davis Distributors, LLC, which acts as the distributor of Davis Appreciation and Income Fund. You should carefully consider the Fund's investment objectives, risks, charges, and expenses before investing. You may obtain a prospectus containing this and other information about the Fund by calling Davis Funds Shareholder Services at 800-279-0279. Read it carefully before you invest or send money.

Industry sectors are subject to change. Industry allocations provided are defined by Standard and Poor's® Global Industry Classification Standards (GICS). 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.

Average annual total returns as of March 31, 2008.

Davis Appreciation and Income Fund	1 Year	5 Years	10 Years	Inception
Class A (with 4.75% sales charge)	-12.14%	9.03%	4.51%	5/1/92
Class B (with deferred sales charge)	-11.97	8.84	4.35	2/3/95
Class C (with deferred sales charge)	-9.35	9.14	4.10	8/12/97
Class Y	-7.53	10.34	5.27	11/13/96

Total return assumes reinvestment of dividends and capital gain distributions. **Past performance is not a guarantee of future results.** 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.

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. Only the fund's equity securities are included in this calculation. 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 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.

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.

Individual security holdings and industry weightings are subject to change.

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 March 31, 2008. 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 risk, 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 July 31, 2008, this material must be accompanied by a supplement containing performance and ranking 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.