

June 30, 2010

Portfolio of Davis Variable Account Fund, Inc.

For Variable Annuity Investors Who Are Looking For Long-Term Capital Appreciation From Banking and Financial Services Stocks¹

Investment Management Team



Kenneth C. Feinberg
Portfolio Manager



Charles A. Cavanaugh
Co-Portfolio Manager

"We think of ourselves as opportunistic buyers. We generally buy companies when they are under a cloud, that is, when some short-term disappointment has created an opportunity. We particularly search for companies with low valuations relative to the market averages."

Investment Strategy

The Portfolio seeks to purchase durable, well-managed businesses at value prices and hold them for the long term. Portfolio Managers Kenneth Feinberg and Charles Cavanaugh focus on managing risk.

We believe financial stocks offer attractive investment opportunities over the long term for four compelling reasons:²

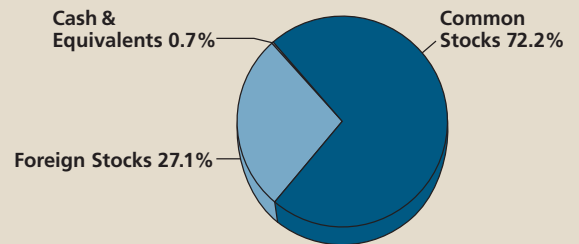
- Powerful demographic trends—not only in America where 76 million baby boomers are entering their peak earning and investing years, but also in Europe and Asia—should lead to greater demand for financial products worldwide.
- Companies with strong brand names are emerging in financial services that should increasingly gain market share from weaker competitors.
- Consolidation within financial services industries is a continuing trend that should result in improving profit margins for surviving companies.
- Many financial companies generate strong free cash flow that can be used to increase value for shareholders through share repurchases, acquisitions and higher dividends.

The Portfolio's overriding theme is looking for durable companies that are conservatively valued. It also may invest in companies outside the financial arena.

Portfolio Data

Inception Date	7/1/99
Total Net Assets	\$73,745,833
Number of Securities	30
Beta (3 years)	1.2
Turnover as of most recent audited financial statement	10% ³

Asset Allocation



Top 10 Holdings

American Express	10.1%
Transatlantic Holdings	9.2
State Bank of India GDR	6.9
Loews	6.7
Wells Fargo & Company	6.2
Oaktree Capital Group—Class A	5.9
Canadian Natural Resources	5.6
Markel	5.2
Bank of New York Mellon	4.9
Progressive Corporation	3.9

Top 5 Industries

Diversified Financials	43.1%
Insurance	33.1
Banks	14.8
Energy	5.6
Commercial & Professional Services	2.7

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¹There is no guarantee that the investment goals/objectives will be met. ²Our views and opinions regarding the investment prospects of our portfolio holdings include “forward looking statements” which may or may not be accurate over the long term. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate. ³Over the last five years, the high and low turnover ratio for Davis Financial Portfolio was 21% and 9%, respectively.

This material is authorized for distribution only when accompanied or preceded by a current Davis Financial Portfolio prospectus, which contains more information about investment objectives, risks, fees, and expenses. Please read the prospectus carefully before investing or sending money.

Davis Financial Portfolio’s investment objective is long-term growth of capital. There can be no assurance that the Portfolio will achieve its objective. Under normal circumstances the Portfolio invests at least 80% of its net assets, plus any borrowing for investment purposes, in securities issued by companies principally engaged in the financial services sector. Some important risks of an investment in the Portfolio are: market risk: the market value of shares of common stock can change rapidly and unpredictably; company risk: the market value of a common stock varies with the success or failure of the company issuing the stock; concentrated financial services portfolio risk: investing a significant portion of assets in the financial services sector may cause a portfolio to be more volatile as securities within the financial services sector are more prone to regulatory action in the financial services industry, more sensitive to interest rate fluctuations, and are the target of increased competition; and foreign country risk: companies operating, incorporated, or principally traded in foreign countries may have more fluctuation 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. As of June 30, 2010, Davis Financial Portfolio had approximately 27.1% of assets invested in foreign companies. 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.

Beta is a measure of a portfolio’s sensitivity to market movements in the last 36 months. The Portfolio’s index as identified 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.

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.

The Portfolio 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.

An investment in the Portfolio is not a deposit of any bank and is not insured or guaranteed by any bank, the Federal Deposit Insurance Corporation or any other government agency.

There is no guarantee that the Portfolio’s investments in these companies will be profitable.