

The Davis New York Venture Fund

Experience, Stewardship and Long-Term Results



“We know of no better way to build wealth over the long term than to stay invested with a diversified portfolio of equities.”²

Christopher C. Davis
Portfolio Manager, Davis Advisors

Historically, Disappointing Periods for Stocks Have Been Followed by Periods of Recovery

After suffering through a painful period for stocks, investors often reduce their exposure to equities or abandon them altogether. Such activity often occurs at precisely the wrong time. Though challenging to do, history has shown that investors should feel *confident* about the long-term potential of equities after a prolonged period of disappointment.¹

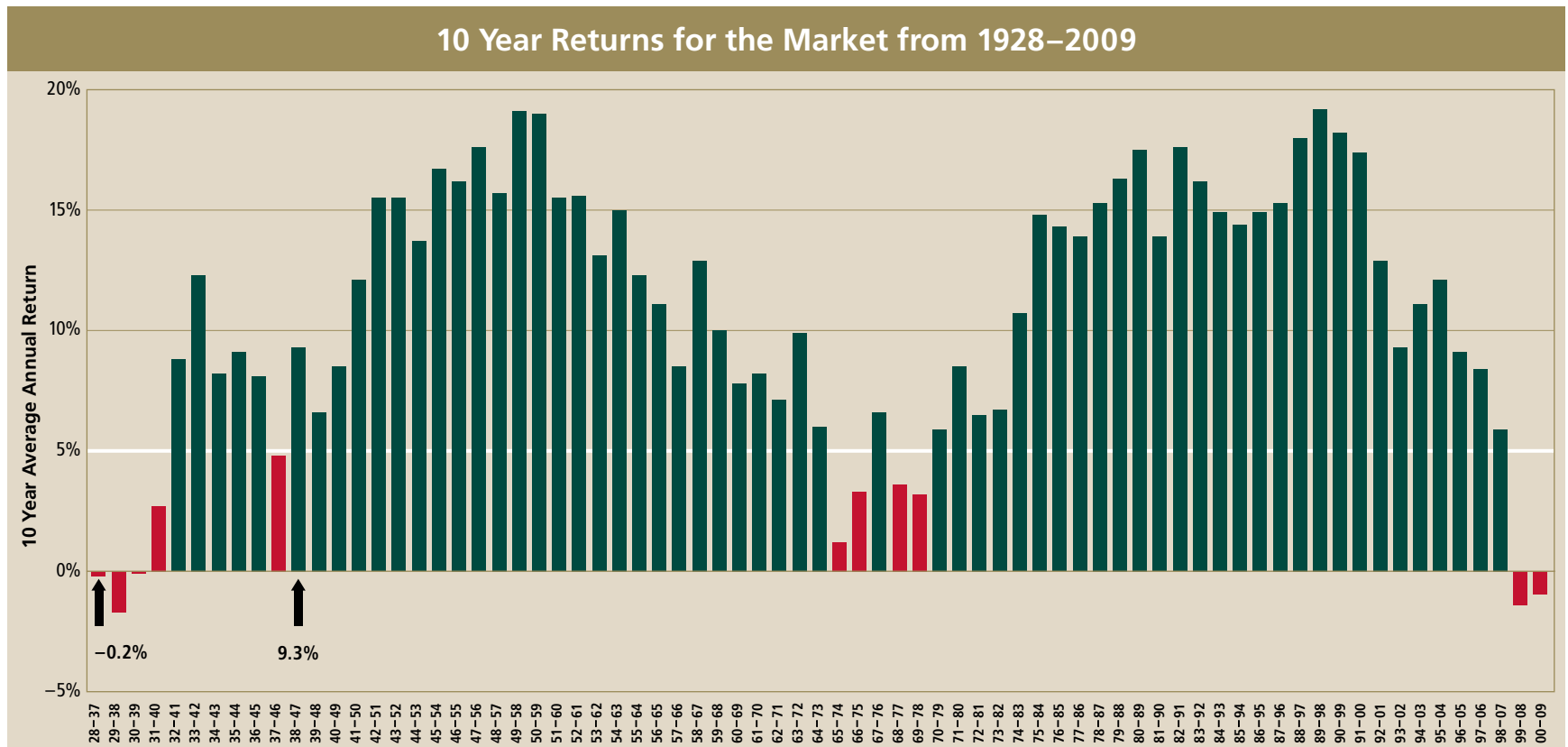
Why? Consider the chart below, which illustrates the 10 year returns for the market from 1928–2009. Returns of at least 5% are represented by the green bars and returns under 5% are represented by the red bars. The following points are worth highlighting:

- There have been eleven 10 year periods where the market returned less than 5%.

- In every past case, the 10 year period following each disappointing period produced satisfactory returns. For example, the -0.2% average annual return from 1928–1937 was followed by a 9.3% average annual return from 1938–1947. (See arrows below.)

- These periods of recovery averaged 13% per year and ranged from a low of 7% per year to a high of 18% per year.

While we cannot know for sure what the next decade will hold, it may be far better than what investors have suffered through in the last 10 years. Understanding this may allow investors to endure hard times and be positioned to benefit from subsequent periods of recovery.



Source: Thompson Financial, Lipper and Bloomberg. Graph represents the S&P 500® Index from 1958 through 2009. Periods before 1958 are represented by the Dow Jones Industrial Average. **Past performance is not a guarantee of future results.**

Past performance is not a guarantee of future results. Equity markets are volatile and an investor may lose money. ²There is no guarantee that an investor will build wealth by staying invested in a diversified portfolio over the long term. Equity markets are volatile and an investor may lose money.

Over the Long Term, the Davis New York Venture Fund Has Outperformed the Market and Its Peers

At Davis Advisors, we have been able to build wealth for shareholders by being patient and taking a generational view of investing. We avoid chasing short-term performance and make no attempt to optimize our portfolio for any specific economic, political or market environment. Instead, we focus intently on the long-term fundamentals of individual companies. While this approach may lead to other investments outperforming us in any particular year, it has allowed the Davis New York Venture Fund to deliver superior long-term results.

As illustrated here, the Fund has **outperformed the S&P 500® Index and the Average Large-Cap Fund by an average of 2.5% per year** since its inception in 1969.³ In dollar terms, a hypothetical **\$10,000 invested in the Davis New York Venture Fund in 1969 compounded to \$984,495 vs. \$400,311 for the S&P 500® Index.**⁴ Building wealth for shareholders does not require outperforming the market every single year. It requires a patient, disciplined investment approach focused on the long term.

Annualized Returns as of December 31, 2009 for Davis New York Venture Fund Class A including a maximum 4.75% sales charge: 1 year, 25.78%; 5 years, 0.18%; 10 years, 1.93%. The performance presented represents past performance and is not a guarantee of future results. Total return assumes reinvestment of dividends and capital gain distributions. Investment return and principal value will vary so that, when redeemed, an investor's shares may be worth more or less than their original cost. The total annual operating expense ratio for Class A shares as of the most recent prospectus was 0.92%. 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.

³The average of the S&P 500® Index and the Average Large-Cap Fund is 9.45%. **Past performance is not a guarantee of future results.** ⁴Returns for other share classes will vary. ⁵Inception date is 2/17/69.

⁶Lipper will not calculate returns with inceptions in the middle of the month. Inception date used is 2/28/69. The Average Large-Cap Fund is represented by the equities in the Lipper Large-Cap peer group. As of 12/31/09, Davis New York Venture Fund was classified by Lipper as a Large-Cap Core Fund.

A Hypothetical \$10,000 Invested in Davis New York Venture Fund in 1969 Compounded to \$984,495 vs. \$400,311 for the Market

Year	DNYVF ⁵ (Class A, without a sales charge)	S&P 500® Index	Average Large-Cap Fund
1969	20.3% ⁶	-7.1% ⁶	-4.0% ⁷
1970	-26.1	4.0	-4.3
1971	28.0	14.3	19.5
1972	22.2	19.0	15.4
1973	-24.1	-14.7	-19.1
1974	-20.1	-26.5	-23.5
1975	23.2	37.2	35.0
1976	20.8	23.9	26.8
1977	4.5	-7.2	0.8
1978	19.5	6.6	11.9
1979	38.9	18.6	28.0
1980	44.0	32.5	33.1
1981	1.1	-4.9	-0.8
1982	25.4	21.6	26.9
1983	23.0	22.6	21.6
1984	4.8	6.3	1.4
1985	37.5	31.7	29.5
1986	22.0	18.7	16.5
1987	-1.5	5.3	2.6
1988	21.4	16.6	15.2
1989	34.6	31.6	27.3
1990	-2.9	-3.1	-3.6
1991	40.6	30.4	34.0
1992	12.2	7.6	8.2
1993	16.1	10.1	11.9
1994	-1.9	1.3	-0.8
1995	40.6	37.5	32.7
1996	26.5	22.9	20.8
1997	33.7	33.4	27.9
1998	14.7	28.6	23.6
1999	17.6	21.0	21.4
2000	9.9	-9.1	-3.0
2001	-11.4	-11.9	-13.3
2002	-17.2	-22.1	-22.6
2003	32.3	28.7	27.5
2004	12.4	10.9	10.0
2005	10.7	4.9	6.3
2006	15.1	15.8	12.3
2007	5.0	5.5	8.4
2008	-40.0	-37.0	-38.1
2009	32.1	26.5	29.1
Cumulative Total Return	9,745%	3,903%	3,985%
Average Annual Rate of Return	11.9%	9.4%	9.5%
Value of a Hypothetical \$10,000 Initial Investment	\$984,495	\$400,311	\$408,547

Davis Advisors Offers Investors Experience, Stewardship and Results

In a period marked by economic uncertainty and market volatility, it is more crucial than ever to gain a deeper understanding of your investment managers. This evaluation should include the manager's depth of experience, the degree to which they put investor's goals first and their success in building long-term wealth.

Sixty Years of Experience

For over sixty years and three generations, the Davis family has focused on identifying durable companies that we can purchase at attractive prices and hold for the long term.

We have successfully applied our discipline through many different market and economic environments, including 11 recessions, 13 bear markets, 5 wars, interest rates ranging between 2.1%–15.8%, oil prices ranging between \$10.25–\$133.60 per barrel, and inflation ranging between 0%–14.76%.⁸

Such a depth of experience should be reassuring to investors, especially during periods of uncertainty.

A Culture of Stewardship

At Davis Advisors, we take our role as stewards of shareholders' savings very seriously.

As a sign of our commitment, **the Davis family, Davis Advisors, employees, and directors have more than \$2 billion of their own money invested side by side with fellow shareholders** in the various mutual funds we manage.⁹ We experience the same risks and rewards as our clients.

This commitment to serving shareholders has been cited by Morningstar, who assigned Davis New York Venture Fund their highest Stewardship Grade of "A"—a recognition earned by less than 10% of the graded funds.

Long-Term Investment Results

The Davis New York Venture Fund is the only mutual fund to have outperformed the S&P 500® Index over every rolling 10 year period since 1969.¹⁰

A hypothetical \$10,000 invested in Davis New York Venture Fund Class A Shares in 1969 compounded to \$984,495 vs. just \$400,311 for the S&P 500® Index.¹⁰

Because it is impossible to predict what the next decade will bring for investors, it is crucial to align yourself with managers who have delivered attractive long-term results over multiple market environments.

⁸Equity markets are volatile and an investor may lose money. **Past performance is not a guarantee of future results.** ⁹As of December 31, 2009. ¹⁰Class A shares, not including a sales charge. Returns are from 2/17/69–12/31/09. Returns would be lower if a sales charge were included. See endnotes for a description of our rolling 10 year performance and a definition of the S&P 500® Index. **Past performance is not a guarantee of future results.**

This material is authorized for use by existing shareholders. A current Davis New York Venture Fund prospectus must accompany or precede this piece if it is distributed to prospective shareholders. You should carefully consider the Fund's investment objectives, risks, charges, and expenses before investing. Read the prospectus carefully before you invest or send money.

This material includes candid statements and observations regarding investment strategies, and economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. These comments may also include the expression of opinions that are speculative in nature and should not be relied on as statements of fact. Davis New York Venture Fund's investment objective is long-term growth of capital. There can be no assurance that the Fund will achieve its objective. Davis New York Venture Fund invests primarily in equity securities issued by large companies with market capitalizations of at least \$10 billion. Some important risks of an investment in the Fund are: 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; financial services risk: investing a significant portion of assets in the financial services sector may cause a fund 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 December 31, 2009, Davis New York Venture Fund had approximately 14.6% 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.

Rolling 10 Year Performance. Davis New York Venture Fund's average annual total returns for Class A shares were compared against the returns earned by the S&P 500® Index as of December 31 of each year for all 10 year time periods from 1969 through 2009. The Fund's returns assume an investment in Class A shares on January 1 of each year with all dividends and capital gain distributions reinvested for a 10 year period. The figures are not adjusted for any sales charge that may be imposed. If a sales charge were imposed, the reported figures would be lower. The figures shown reflect past results; past performance is not a guarantee of future results. There can be no guarantee that the Fund will continue to deliver consistent investment performance. The performance presented includes periods of bear markets when performance was negative. Equity markets are volatile and an investor may lose money. Returns for other share classes will vary.

The Lipper Average Large-Cap peer group is a combined category including the Lipper Large-Cap Growth, Core, and Value peer groups. Lipper Large-Cap peer groups are funds that, by portfolio practice, invest at least 75% of their equity assets in companies with market capitalizations (on a three-year weighted basis) above Lipper's USDE large-cap floor. Funds are categorized as Growth, Core, or Value based on their portfolio characteristics; price to earnings ratio; price to book ratio; and three year sales per share growth value. Growth funds typically have above-average characteristics, Core funds typically have average characteristics, and Value funds typically have below-average characteristics, compared to the S&P 500® Index.

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 December 31, 2009.** 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.

Lipper Rankings. Davis New York Venture Fund is categorized by Lipper as Large-Cap Core. The rankings show where the Fund would place within an all Large-Cap universe. Total return rankings are based on total return performance without accounting for a sales charge. The maximum sales charge for a Class A share of Davis New York Venture Fund is 4.75%. **Past performance is not a guarantee of future results.**

Over the last five years, the high and low turnover ratio for Davis New York Venture Fund was 16% and 3%, respectively.

Effective July 1, 2009, Davis Advisors voluntarily and permanently reduced any management fee breakpoints ABOVE 0.55% to 0.55% for Davis New York Venture Fund.

The **S&P 500® Index** is an unmanaged index of 500 selected common stocks, most of which are listed on the New York Stock Exchange. The Index is adjusted for dividends, weighted towards stocks with large market capitalizations and represents approximately two-thirds of the total market value of all domestic common stocks. The **Dow Jones Industrial Average** is a price-weighted average of 30 actively traded blue chip stocks. The Dow Jones is calculated by adding the closing prices of the component stocks and using a divisor that is adjusted for splits and stock dividends equal to 10% or more of the market value of an issue as well as substitutions and mergers. The average is quoted in points, not in dollars. Investments cannot be made directly in an index.

A bear market is defined as the Dow Jones Industrial Average being down more than 15% from a previous high.

After April 30, 2010, this material must be accompanied by a supplement containing performance and ranking data for the most recent quarter end.

Shares of the Davis Funds are not deposits or obligations of any bank, are not guaranteed by any bank, are not insured by the FDIC or any other agency, and involve investment risks, including possible loss of the principal amount invested.