

September 30, 2008

Morningstar's Highest Stewardship Grade—A

Investment Management Team

Andrew A. Davis, *Portfolio Manager*
Chandler Spears, *Portfolio Manager*

Investment Strategy

Consistent with the signature Davis investment discipline, the Fund seeks companies with first-class management teams who view real estate as a means of producing steadily increasing income and strong returns on capital.

Portfolio Managers Andrew Davis and Chandler Spears view REITs as a significant asset class because they have historically lower price volatility than stocks and strong balance sheets.

The Fund provides investors with a good way to increase the diversification of their portfolios. Real estate securities have shown a lower sensitivity to price movements (beta) than the broad stock market averages, and real estate returns over the long term have been comparable to those of equities, but are not correlated with them (R-squared).

Andrew Davis and Chandler Spears carefully select investments company by company. They concentrate heavily on valuation—looking for companies selling at a discount to their expected cash flow growth rate over the next several years. The Fund is focusing on finding attractive companies in many different real estate sectors.

Top 10 Holdings

Digital Realty Trust	8.7%
Forest City Enterprises—Class A	8.6
Alexandria Real Estate Equities	8.5
Ventas	5.7
Corporate Office Properties Trust	5.7
Cousins Properties	5.7
American Campus Communities	5.6
Boston Properties	5.6
Essex Property Trust	4.5
Taubman Centers	4.1

Total Returns – A Shares

Year	Without sales charge		With 4.75% maximum sales charge	
	Avg. Annual	Cumulative	Avg. Annual	Cumulative
Life	11.87%	422.45%	11.50%	397.73%
10	11.12	187.08	10.58	173.45
5	11.76	74.38	10.68	66.09
3	2.73	8.42	1.08	3.27
1	-17.49	-17.49	-21.40	-21.40

Fund Facts

Inception Date	1/3/94
Total Net Assets	\$516 million
Total Fund Holdings	29
CUSIP	Symbols
A Shares: 239103-302	A Shares: RPRFX
B Shares: 239103-401	B Shares: DREBX
C Shares: 239103-724	C Shares: DRECX
Y Shares: 239103-823	Y Shares: DREYX
Dividend Paid	Quarterly
Last Distribution (A Shares) as of 7/2/08	\$0.14

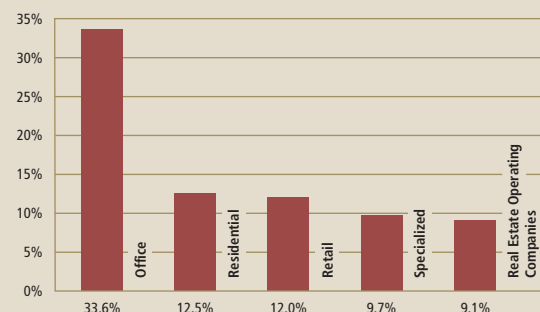
Portfolio Characteristics

Trailing P/E Ratio	55.4
Weighted Average Market Capitalization	\$4.6b
Beta ¹	0.9
Standard Deviation (5 year, A Shares)	16.2
R-squared ¹	0.9

Turnover and Expenses

Turnover Rate as of most recent audited financial statement	46%
Expense Ratio (A Shares) as of most recent prospectus	1.08

Top 5 Industries



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 Real Estate 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 Real Estate Fund primarily invests in securities in the real estate sector. The Fund's performance, both good and bad, is expected to reflect the economic performance of the real estate sector more than a fund that does not concentrate its portfolio. Because the Fund is allowed to focus its investments in fewer companies it may be subject to greater risks than a more diversified fund, which is not allowed to focus its investments in a few companies. As of September 30, 2008, Davis Real Estate Fund had approximately 10.4% of assets invested in foreign companies. 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. See the prospectus for a complete listing of the principal risks.

¹Beta and R-squared vs. Dow Jones Wilshire Real Estate Securities Index.

This piece is authorized for use by existing shareholders. A current Davis Real Estate 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.

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 sub-industry level for Real Estate securities. Non-Real Estate securities are shown at the industry group level. 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 September 30, 2008.

Davis Real Estate Fund	1 Year	5 Years	10 Years	Inception
Class A (with 4.75% sales charge)	-21.40%	10.68%	10.58%	1/3/94
Class B (with deferred sales charge)	-20.71	10.66	10.50	12/27/94
Class C (with deferred sales charge)	-18.77	10.95	10.26	8/13/97
Class Y	-17.24	12.18	11.54	11/8/96

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. 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.

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 September 30, 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.

After January 31, 2009, 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.