



Over 40 Years of Reliable Investing

Davis Advisors

For further information, contact Client Services at 800-717-3477.

Consistency

We have remained steadfastly dedicated to the same patient, long-term investment discipline for over 40 years. We seek to invest in durable, well-managed businesses that can be purchased at value prices and held for the long term.

Commitment

The Davis family, Davis Advisors, employees, and directors are among the largest shareholders in the Davis Funds. This group also has more than \$2 billion of their own money invested side by side with fellow shareholders in the various mutual funds our firm manages,¹ which ensures that our interests are closely aligned with those of our clients.

Results

Davis Advisors has a history of delivering strong and consistent investment results through full market cycles. Our Large Cap Value Portfolio has outperformed the S&P 500® Index over every rolling 10 year period since our firm's inception in 1969.²

¹As of December 31, 2009. ²Based on Davis Advisors' Large Cap Value Composite, net of fees. Rolling 10 year returns are from the first calendar year after inception of the Composite (January 1, 1970). 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.**



The Davis investment discipline is based on a reliable, long-term, value-oriented approach that has proven highly successful for more than 60 years.³

Davis Advisors is an independent money management firm that offers investment advisory services to individual and institutional clients worldwide. The Davis investment discipline is based on a reliable, long-term, value-oriented approach that has proven highly successful for more than 60 years.

Our firm traces its roots to legendary Wall Street investor Shelby Cullom Davis, a leading financial advisor to governors and U.S. Presidents. Through careful and sensible investment practices, Mr. Davis compounded an initial investment of \$100,000 in the late 1940s into more than \$800 million by the early 1990s.⁴

With the aim of offering his father's investment discipline to a greater diversity of investors, Shelby M.C. Davis founded Davis Advisors in 1969. Mr. Davis had already built an auspicious career at The Bank of New York, where he rose to become the head of research, and was named the youngest Vice President in the history of the Bank since Alexander Hamilton.

During his tenure as principal Portfolio Manager for Davis Advisors, Shelby M.C. Davis created one of the most distinguished track records of any manager on Wall Street. Leveraging his intimate knowledge of diverse industries, gained through multi-sector research experience at The Bank of New York, Mr. Davis successfully combined his father's "bottom-up" stock selection process with a thematic "top-down" approach.

³All equity investments involve risk. No investor is guaranteed a profit. ⁴While Shelby Cullom Davis' success forms the basis of the Davis investment discipline, this was an extraordinary achievement and other investors may not enjoy the same success.

In the early 1990s, Davis Advisors expanded its portfolios to include financial stock, real estate securities and convertible bonds. This expansion was the contribution of Christopher C. Davis and Andrew A. Davis, who have been steeped in the family investment principles from a young age. Christopher Davis joined the firm in 1989 and directs the portfolio management of our firm's Large Cap Value Portfolio along with Co-Portfolio Manager, Kenneth C. Feinberg. Andrew Davis, who was previously the head of convertible bond research at PaineWebber, Inc., joined the firm in 1993 and is the principal portfolio manager for our real estate securities and convertible securities portfolios.

Today, Davis Advisors manages portfolios across several different asset classes. Our investment discipline has been honed over 60 years and three generations of talented portfolio management. We offer investors a timeless, sensible investment approach that has provided consistent performance through several full market cycles.³

Our investment discipline has been honed over 60 years and three generations of talented portfolio management.



The Davis Family: Shelby M.C. Davis, Left; Christopher C. Davis, Center; Andrew A. Davis, Right.
Opposite Page: Shelby Cullom Davis

*"As we like to say,
'Nothing focuses
the mind more on
researching compa-
nies than having
one's own money
on the line.'"*

Christopher C. Davis and
Kenneth Charles Feinberg

We recognize that our success is determined by our ability to both build and preserve wealth. Therefore, managing risk is the key to delivering attractive long-term investment results. Before we consider how much we might earn on a new investment, we always consider how much we might lose.

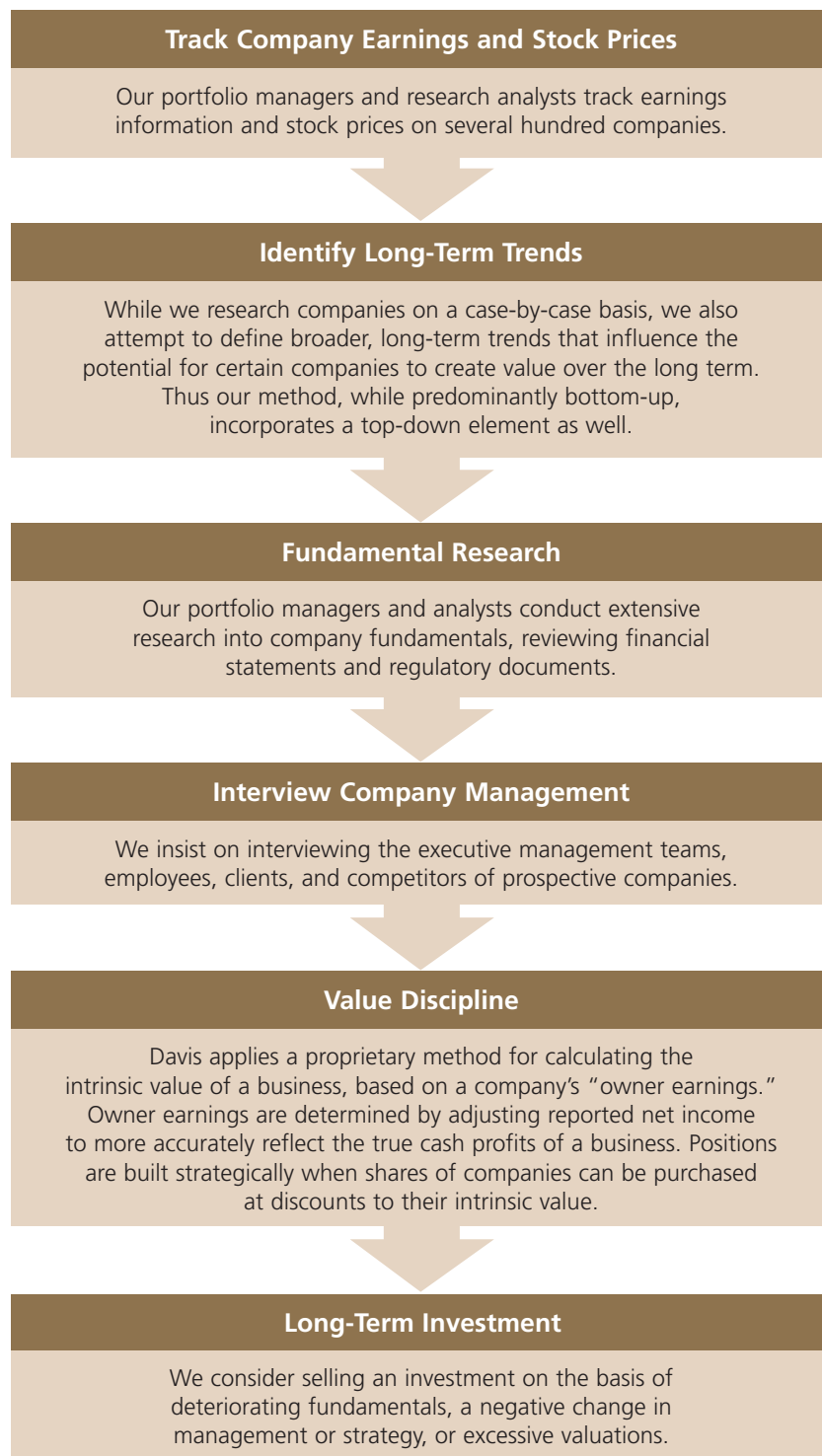
We seek durable, well-managed businesses that can be purchased at value prices and held for the long term.

We adhere to a rigorous price discipline, and pay careful attention to the valuations and earnings multiples of every company we own or consider for investment.

We believe in patient, long-term investment practices, and are wary of investment "fads." For this reason, we concentrate on the underlying economic and business fundamentals of each investment, and maintain an old-fashioned emphasis on rigorous research.

Our Investment Process

Stocks represent fractional ownership in real businesses. We do not regard them as mere pieces of paper or speculative wagers. Our investment process emphasizes fundamental research, using both quantitative and qualitative techniques.



"Our investment process is founded on two essential questions: 'What kind of businesses do we want to own?' and 'How much should we pay for them?'"

Christopher C. Davis

“We seek companies that wisely invest their capital and reap superior returns on that investment.”

Christopher C. Davis

We have developed a list of characteristics that we believe foster the long-term creation of value in businesses. While few companies will exhibit all of these qualities, nearly every company in which we invest has a majority of these traits.

First Class Management — A business’ ability to grow is directly related to the ability of the company management to envision and implement appropriate strategies in the face of changing economic and competitive environments.

Significant Alignment of Interests in Business — Just as we invest in our own products, we seek companies that compensate their managers with ownership and performance incentives.

High Returns on Capital — We want companies that wisely invest their capital and reap superior returns on their investment.

Low Cost Structure — Companies that can keep costs low are better able to compete in difficult periods.

Dominant or Growing Market Share — Greater or increasing pricing power yields superior long-term results.

Proven Track Record — Ability to capitalize on strategic and synergistic acquisitions is critical to long-term survivability.

Strong Balance Sheet — Strong finances give a company staying power to weather difficult economic cycles.

Non-Obsolescent Products/Services — Many investors are unsuccessful because they invest in firms with products that eventually are surpassed by competitors.

Global Presence and Brand Names — A proven ability to expand internationally reduces the risk of being tied too closely to the U.S. business cycle.

Smart Application of Technology to Improve Business and Lower Costs — Savvy use of technology in any business can help reduce costs, increase efficiency and improve sales.

How Durable Companies Become Misvalued

As active investors for over 60 years, the Davis family has cultivated an uncommon wisdom about recurring market trends and patterns. Our firm has identified several reasons why durable companies with strong growth prospects may fall in price and become “misvalued.”

An industry crisis may create tremendous opportunity if the market does not distinguish between companies that might fail and those that might actually get stronger.

Broad demographic shifts can dramatically alter demand trends of an industry.

Changes in management may significantly alter the growth prospects of a business.

Positive change or secular recovery after a prolonged downturn is often slow to gain market recognition.

Changes in Wall Street analyst recommendations cause short-term volatility in stock prices, creating buying or selling opportunities.

Expansion of U.S. capitalism overseas has opened new markets to companies that were perceived as fully mature, often warranting new valuations.

“The challenge is finding companies before the market understands their real worth.”

Andrew A. Davis

Christopher C. Davis has over 21 years experience in investment management and securities research. He is a Portfolio Manager of the Davis Large Cap Value portfolios and a member of the research team of other portfolios. Mr. Davis joined the firm in 1989. He received his M.A. from the University of St. Andrews in Scotland.

Kenneth C. Feinberg is a Portfolio Manager of the Davis Large Cap Value portfolios and a member of the research team of other portfolios. He joined Davis Advisors in 1994. Mr. Feinberg received his M.B.A. from Columbia University and his B.A. from Johns Hopkins University.

Andrew A. Davis joined Davis Advisors in 1993, and is a Portfolio Manager of the Davis Appreciation and Income Fund, as well as the Davis Real Estate Fund. He has over 21 years of investment management experience. Previously, he was employed at PaineWebber, Inc. as Vice President, managing both its Convertible Security Research and Closed-End Bond Fund Research departments. He received his B.A. from Colby College.

Dwight C. Blazin joined Davis Advisors in 1997. Previously he was a Consultant for IT Consulting and Systems Design. Mr. Blazin's research analysis has been shaped by working with Shelby M.C. Davis for over five years. He received a Ph.D. and M.A. from New York University and holds a B.A. from Brigham Young University.

Charles A. Cavanaugh has served as Co-Portfolio Manager of Davis Financial Fund since May 2007, and conducts research for other equity funds managed by Davis Advisors. Prior to joining Davis Advisors in 2001, Mr. Cavanaugh worked at ING Pilgrim as an Institutional Trader trading Domestic Equity Mutual Funds in excess of \$7 billion dollars. He received his B.A. from the University of Notre Dame.

Stephen A.Y. Chen, CFA joined Davis Advisors in 2002. Previously, Mr. Chen was a Research Analyst at Ulysses Partners. Mr. Chen's prior experience includes equity derivatives at JPMorgan and business assurance at PriceWaterhouseCoopers. He received a B.A. from Indiana University School of Business in 1995 and is a Certified Public Accountant.

Danton G. Goei joined Davis Advisors in 1998. Previously, he was employed at Bain & Company, Morgan Stanley Asia Ltd. and Citicorp. Mr. Goei received his B.A. from Georgetown University and an M.B.A. from The Wharton School.

Todd M. Heysse joined Davis Advisors in 2002. Previously, he was employed by US WEST Communications as a network planning engineer. Mr. Heysse earned a B.S. in Electrical Engineering from Stanford University and an M.B.A. from Columbia Business School.

Creston A. King III, CFA joined Davis Advisors in 1999 and is the Portfolio Manager of Davis Government Bond Fund and Davis Government Money Market Fund. Mr. King also manages other government bond and money market funds advised by Davis Advisors. Prior to joining, Mr. King was a Trader, Analyst and Portfolio Manager for U.S. Global Investors, Inc., where he managed various money market funds and bond funds. He received his B.A. from Duke University.

Dreyfus Neenan joined Davis Advisors in 2006. Mr. Neenan formerly led an Insurance Equity Research Team, and served as a Management Consultant with Accenture. He holds a Bachelor of Economics from Monash University and an M.B.A. from The University of Chicago.

Tania B. Pouschine, prior to joining Davis Advisors in 2003, worked for 10 years as a Research Analyst at Ruane, Cunniff (Sequoia Fund). Previously, Ms. Pouschine had worked for *Forbes* Magazine as an Associate Editor and at Bankers Trust as a Lending Officer. Ms. Pouschine received a B.A. from Middlebury College.

Darin Prozes joined Davis Advisors in 2004. Previously, he worked for the Parthenon Group, a strategy consulting firm. Mr. Prozes received his B.A. from Princeton University and an M.B.A. from Stanford University.

Keith J. Sabol, CFA joined Davis Advisors in 2005, and is a Portfolio Manager of the Davis Appreciation and Income Fund. Mr. Sabol was previously a Principal at Quantanium, LLC and a Portfolio Manager for Federated Investors. He is a graduate of The United States Military Academy at West Point, served as Captain for the U.S. Army during Operation Desert Storm and has an M.S. from Carnegie Mellon University.

Chandler Spears joined Davis Advisors in November 2000, and is a Portfolio Manager of the Davis Real Estate Fund. He brings to the Fund the perspective and experience of working previously in the real estate industry. He received his B.B.A. from James Madison University and his M.S. from the University of Virginia.

This brochure may be shared with existing and potential clients to provide information concerning market conditions and the investment strategies and techniques used by Davis Advisors to manage its client accounts. Please refer to Davis Advisors Form ADV Part II for more information regarding investment strategies, risks, fees, and expenses. Clients should also review other relevant material, including a schedule of investments listing securities held in their account.

The performance of mutual funds is included in the Composite. The performance of the mutual funds and other Davis managed accounts may be materially different. For example, the Davis New York Venture Fund may be significantly larger than another Davis managed account and may be managed with a view toward different client needs and considerations. The differences that may affect investment performance include, but are not limited to: the timing of cash deposits and withdrawals, the possibility that Davis Advisors may not purchase or sell a given security on behalf of all clients pursuing similar strategies, the price and timing differences when buying or selling securities, the size of the account, the differences in expenses and other fees, and the clients pursuing similar investment strategies but imposing different investment restrictions. This is not a solicitation to invest in the Davis New York Venture Fund or any other fund.

Davis Advisors' Large Cap Value Composite includes all actual, fee-paying, discretionary Large Cap Value investing style institutional accounts, mutual funds and wrap accounts under management for each investment period from April 1, 1969, through the date of this report, including those accounts no longer managed. Effective January 1, 1998, a minimum account size of \$3,500,000 was established. Accounts below this minimum are deemed not to be representative of the Composite's intended strategy and as such are not included in the Composite. A time-weighted internal rate of return formula is used to calculate performance for the accounts included in the Composite. For the net of advisory fees performance results, custodian fees are treated as cash withdrawals and advisory fees are treated as a reduction in market value. For mutual funds, the Composite uses the rate of return formula used by the open-end mutual funds calculated in accordance with the SEC guidelines adjusted to treat mutual fund expenses other than advisory fees as cash withdrawals; sales charges are not reflected. Wrap account returns are computed net of a 3% maximum wrap fee. A list of Davis Advisors' Composites is available upon request.

Davis Advisors' Large Cap Value Composite Rolling 10 Year Performance. Davis Advisors' Large Cap Value Composite's 10 year average annual total return has beaten the S&P 500® Index for all rolling 10 year time periods since the first full calendar year after inception of the Composite (January 1, 1970) through December 31, 2009. The average annual total return earned by Davis Advisors' Large Cap Value Composite (net of advisory fees actually paid by clients, except for wrap accounts which are computed net of a 3% maximum wrap fee) was compared against the return earned by the S&P 500® Index for rolling 10 year time periods ending December 31 of each year. The Composite's returns assume an investment in the Composite on January 1 each year, with all dividends and capital gains reinvested for a 10 year period. The Composite's returns are presented net of advisory fees but do not include other expenses, such as custody or sales loads on mutual fund shares included in the Composite. If those other expenses were included, the reported figures would be lower. There can be no guarantee that Davis Advisors' Large Cap Value strategy will continue to deliver consistent investment performance. The performance presented includes periods of bear markets when performance was negative. Equity markets are volatile. An investor may experience a loss.

The investment objective of a Davis Large Cap Value account is long-term growth of capital. There can be no assurance that Davis will achieve its objective. Davis Large Cap Value accounts invest primarily in common stock of large companies with market capitalizations of at least \$10 billion. The primary risks of a Davis Large Cap Value account are: market risk; company risk; financial services risk; foreign country risk; headline risk; and selection risk. See the ADV Part II for a description of these 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 **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. Investments cannot be made directly in an index.

