

The Wisdom of Great Investors

Insights from Some of History's Greatest Investment Minds

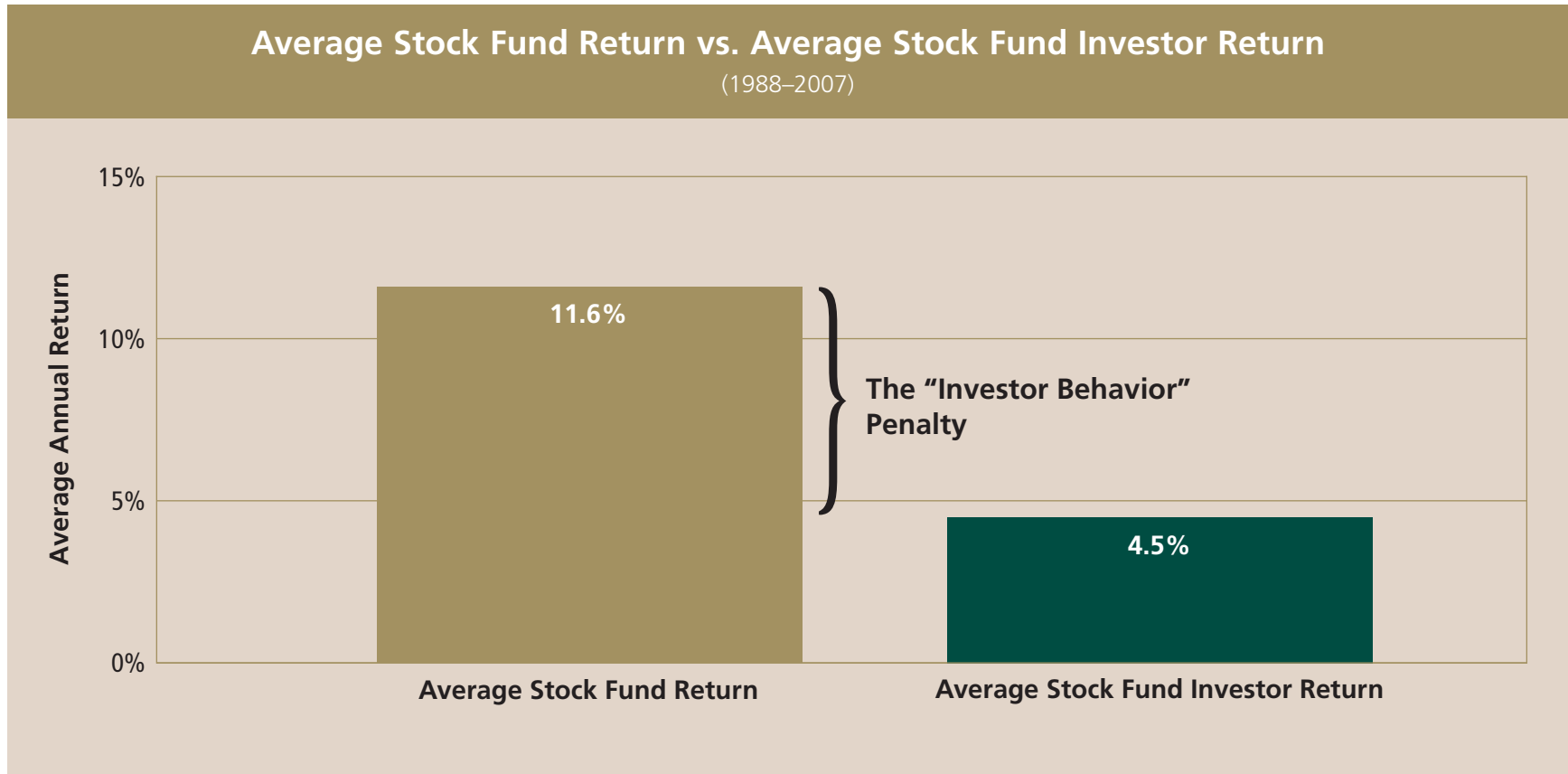
During this presentation and subsequent questions and answers, Davis Advisors' investment professionals may make candid statements and observations regarding investment strategies, individual securities and economic and market conditions. However, there is no guarantee that these statements, opinions 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.

The Wisdom of Great Investors



“Individuals who cannot master their emotions are ill-suited to profit from the investment process.”

Benjamin Graham
Father of Value Investing



Source: *Quantitative Analysis of Investor Behavior* by Dalbar, Inc. (July 2008) and Lipper. Dalbar computed the “average stock fund investor” returns by using industry cash flow reports from the Investment Company Institute. The “average stock fund return” figures represent the average return for all funds listed in Lipper’s U.S. Diversified Equity fund classification model. Dalbar also measured the behavior of a “systematic investor” and “asset allocation investor.” The annualized return for these investor types was 5.8% and 3.5% respectively over the time frame measured. All Dalbar returns were computed using the S&P 500® Index. Returns assume reinvestment of dividends and capital gain distributions. **Past performance is not a guarantee of future results.**

Understand That Crises Are Inevitable

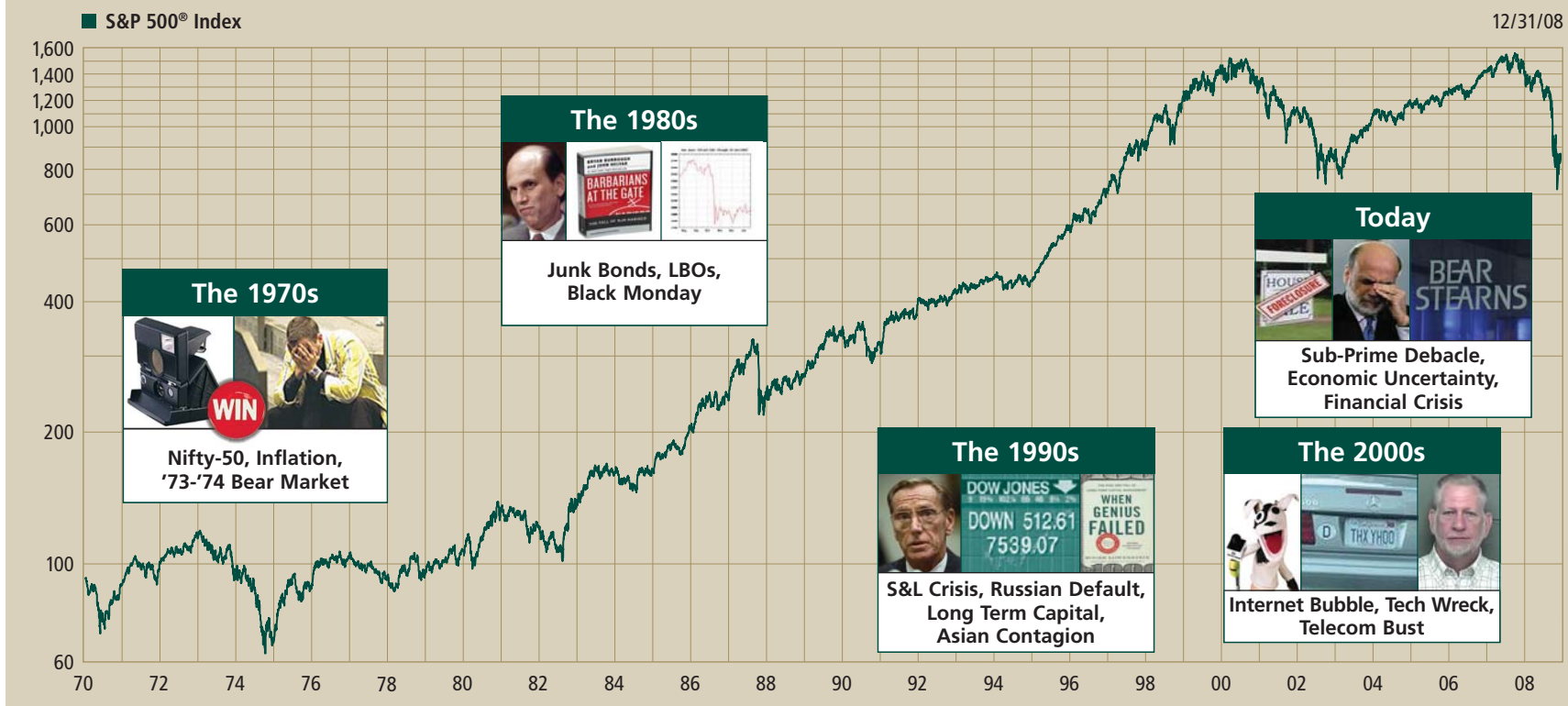


“History provides a crucial insight regarding market crises: They are inevitable, painful and ultimately surmountable.”

Shelby M.C. Davis
Legendary Investor

Understand That Crises Are Inevitable

Despite Decades of Uncertainty, the Historical Trend of the Stock Market Has Been Positive

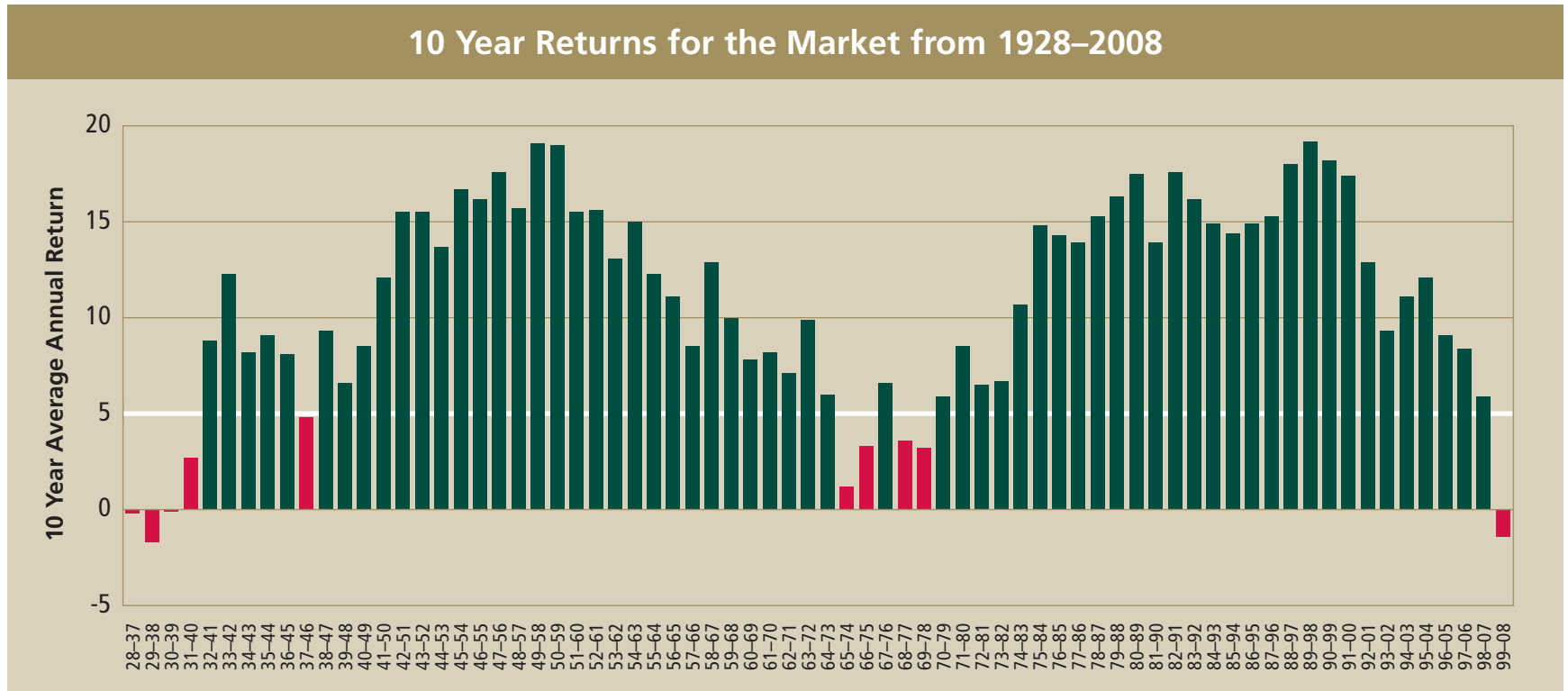


Source: Yahoo Finance. Graph represents the S&P 500® Index from January 1, 1970 through December 31, 2008. **Past performance is not a guarantee of future results.**



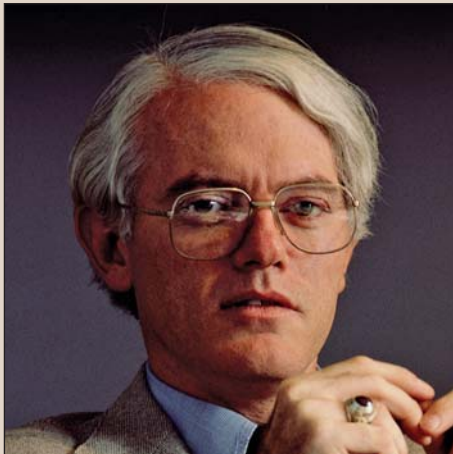
“Despite inevitable periods of uncertainty, stocks have rewarded patient, long-term investors.”

Christopher C. Davis
Portfolio Manager, Davis Advisors



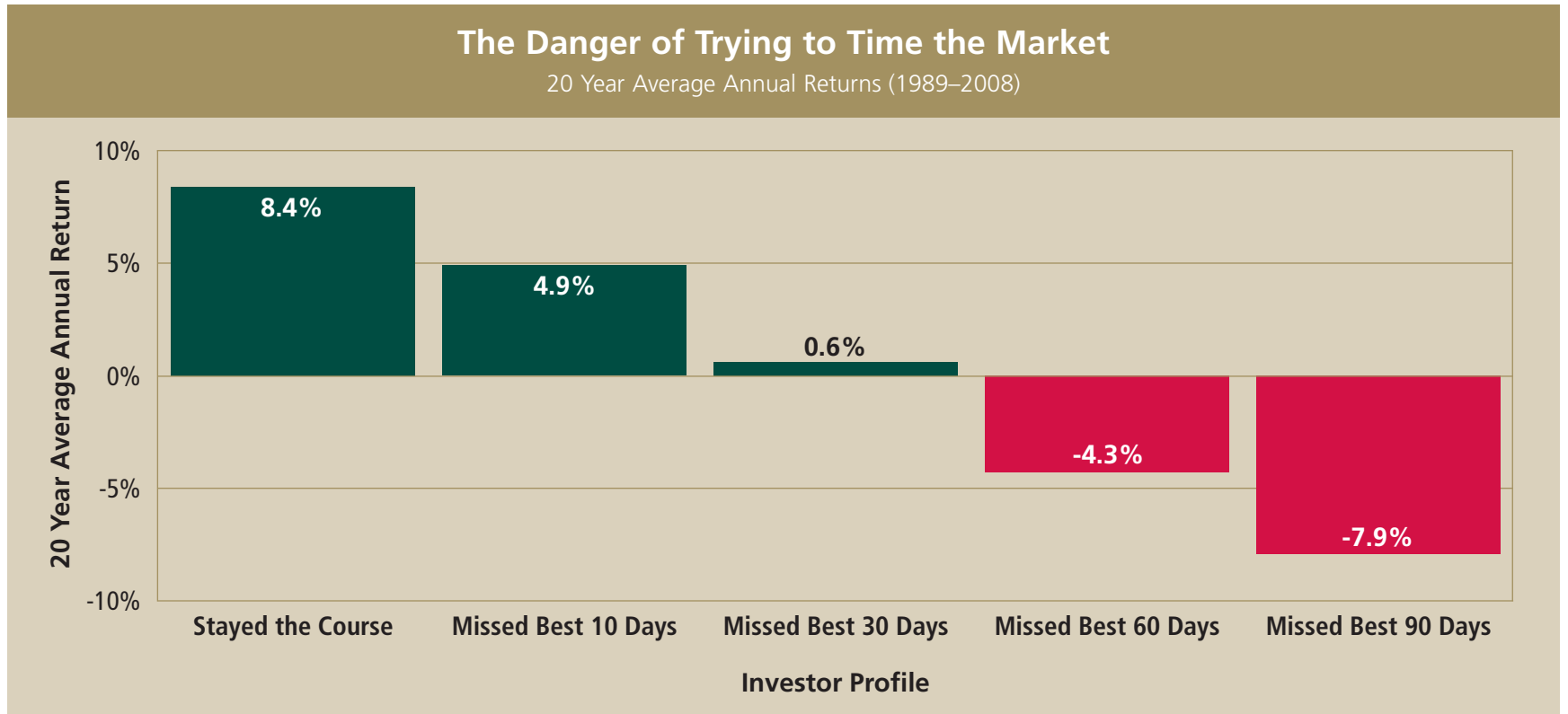
Source: Thomson Financial, Lipper and Bloomberg. Graph represents the S&P 500® Index from 1958 through 2008. Periods before 1958 are represented by the Dow Jones Industrial Average. **Past performance is not a guarantee of future results.**

- Following a period of disappointing returns, periods of recovery averaged 13% per year and ranged from a low of 7% per year to a high of 18% per year.



“Far more money has been lost by investors preparing for corrections or trying to anticipate corrections than has been lost in the corrections themselves.”

Peter Lynch
Legendary Investor and Author



Source: Bloomberg and Davis Advisors. The market is represented by the S&P 500® Index. **Past performance is not a guarantee of future results.**

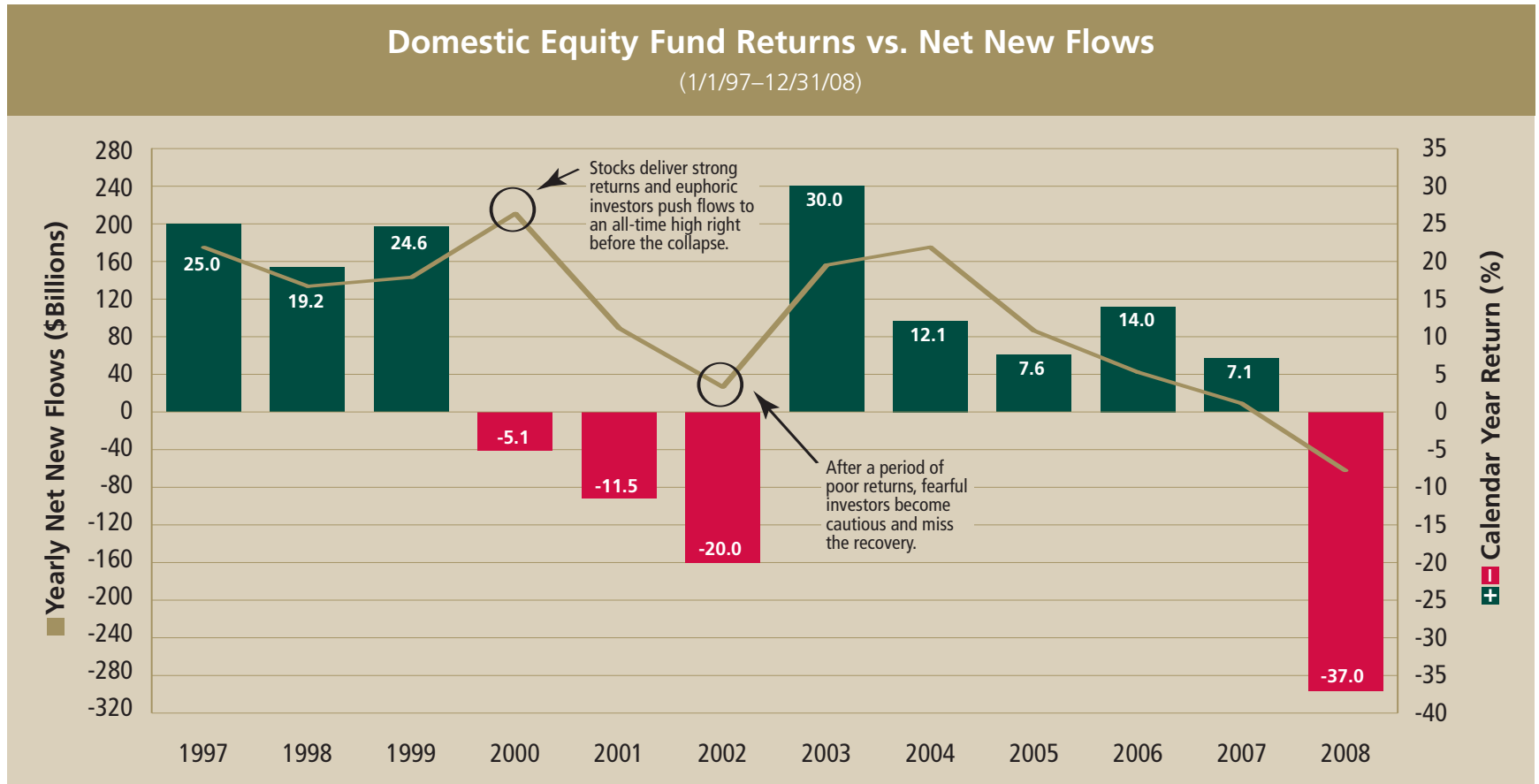
Don't Let Emotions Guide Your Investment Decisions



*“Be fearful when others are greedy.
Be greedy when others are fearful.”*

Warren Buffett
Chairman, Berkshire Hathaway

Don't Let Emotions Guide Your Investment Decisions



Source: Morningstar and Strategic Research Institute as of December 31, 2008. **Past performance is not a guarantee of future results.**

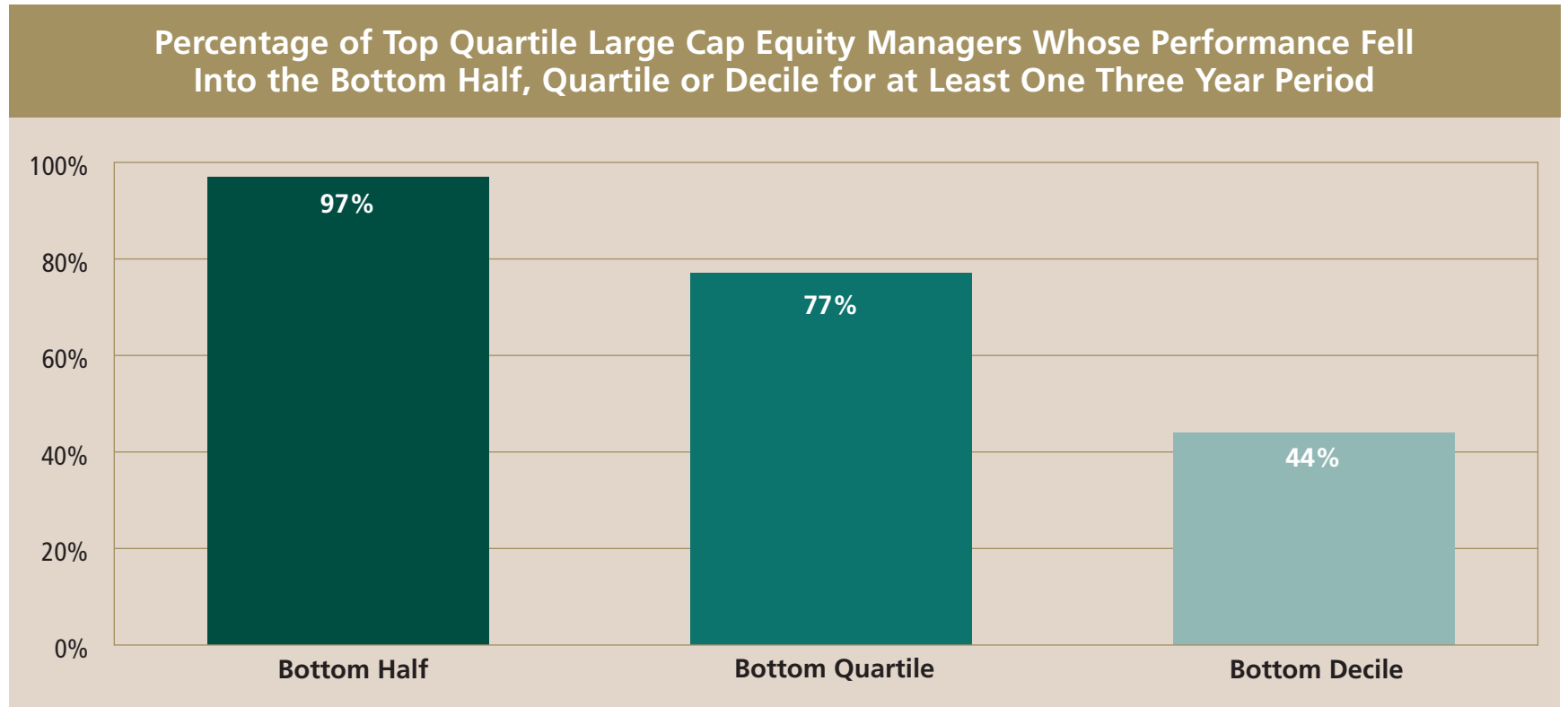
Recognize That Short-Term Underperformance Is Inevitable



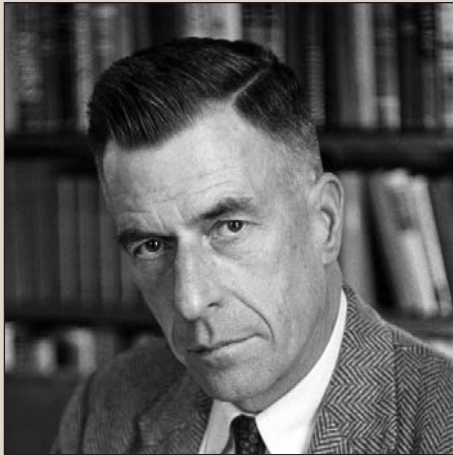
“The basic question facing us is whether it’s possible for a superior investment manager to underperform.... The assumption widely held is ‘no.’ And yet if you look at the records, it’s not only possible, it’s inevitable.”

Robert Kirby
Founder, Capital Guardian Trust Company

Recognize That Short-Term Underperformance Is Inevitable



Source: Davis Advisors. 163 managers from eVestment Alliance's large cap universe whose 10 year average annualized performance ranked in the top quartile from January 1, 1999–December 31, 2008. **Past performance is not a guarantee of future results.**



“The function of economic forecasting is to make astrology look respectable.”

John Kenneth Galbraith
Economist and Author

Disregard Short-Term Forecasts and Predictions

Six Month Average Forecasted Direction vs. Actual Direction of Interest Rates

The Wall Street Journal Survey of Economists (12/82–12/08)

Date	Forecast	Actual	Result
12/82	↓	↓	Right
6/83	↓	↑	Wrong
12/83	↓	↑	Wrong
6/84	↓	↑	Wrong
12/84	↑	↓	Wrong
6/85	↑	↓	Wrong
12/85	↑	↓	Wrong
6/86	↑	↓	Wrong
12/86	↑	↑	Right
6/87	↓	↑	Wrong
12/87	↓	↑	Wrong
6/88	↓	↓	Right
12/88	↑	↑	Right
6/89	↑	↓	Wrong
12/89	↑	↓	Wrong
6/90	↓	↑	Wrong
12/90	↓	↓	Right
6/91	↓	↑	Wrong

Date	Forecast	Actual	Result
12/91	↓	↓	Right
6/92	↓	↑	Wrong
12/92	↓	↓	Right
6/93	↑	↓	Wrong
12/93	↑	↓	Wrong
6/94	↓	↑	Wrong
12/94	↓	↑	Wrong
6/95	↑	↓	Wrong
12/95	↓	↓	Right
6/96	↑	↑	Right
12/96	↓	↓	Right
6/97	↓	↑	Wrong
12/97	↑	↓	Wrong
6/98	↑	↓	Wrong
12/98	↑	↓	Wrong
6/99	↓	↑	Wrong
12/99	↓	↑	Wrong
6/00	↓	↓	Right

Date	Forecast	Actual	Result
12/00	↑	↓	Wrong
6/01	↓	↑	Wrong
12/01	↓	↓	Right
6/02*	↑	↑	Right
12/02	↑	↓	Wrong
6/03	↑	↓	Wrong
12/03	↑	↑	Right
6/04	↑	↑	Right
12/04	↑	↓	Wrong
6/05	↑	↓	Wrong
12/05	↑	↑	Right
6/06	↑	↑	Right
12/06	↑	↓	Wrong
6/07	↓	↑	Wrong
12/07	↑	↓	Wrong
6/08	↑	↓	Wrong
12/08	↑	↓	Wrong

Source: Legg Mason and *The Wall Street Journal* Survey of Economists. This is a semi-annual survey by *The Wall Street Journal* last updated December 31, 2008.

*Benchmark changed to 10 Year Treasury. **Past performance is not a guarantee of future results.**

- The forecasters got the direction wrong 68% of the time.



“You make most of your money in a bear market, you just don’t realize it at the time.”

Shelby Cullom Davis

Diplomat, Legendary Investor and
Founder of the Davis Investment Discipline

- Avoid Self-Destructive Investor Behavior.
- Understand That Crises Are Inevitable.
- Understand While Painful, Crisis Creates Opportunity.
- Don't Attempt to Time the Market.
- Don't Let Emotions Guide Your Investment Decisions.
- Recognize That Short-Term Underperformance Is Inevitable.
- Disregard Short-Term Forecasts and Predictions.
- Realize That You Make Most of Your Money in a Bear Market.

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Dalbar, a Boston-based financial research firm that is independent from Davis Advisors, researched the result of actively trading mutual funds in a report entitled *Quantitative Analysis of Investor Behavior (QAIB)*. The Dalbar report covered the time periods from 1988–2007. The Lipper Equity LANA Universe includes all U.S. registered equity and mixed-equity mutual funds with data available through Lipper. The fact that buy and hold has been a successful strategy in the past does not guarantee that it will continue to be successful in the future.

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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.

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