

# Davis Value Portfolio

(Portfolio of Davis Variable Account Fund, Inc.)

June 30, 2009

Semi-Annual Report

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**Performance Overview**

Davis Value Portfolio delivered a return on net asset value of 5.57% for the six-month period ended June 30, 2009<sup>1</sup>. Over the same time period, the Standard & Poor's 500<sup>®</sup> Index<sup>2</sup> ("Index") returned 3.16%. The sectors<sup>3</sup> within the Index delivering the strongest performance for the period were information technology, materials, and consumer discretionary. The sectors delivering the weakest performance for the period were industrials, telecommunication services, and financials.

**Factors Impacting the Portfolio's Performance**

The Portfolio's investment in industrial companies was an important contributor<sup>4</sup> to performance. While the Index's industrial companies lost 6%, the Portfolio's industrial companies gained 17%. China Merchants Holdings<sup>5</sup> was among the most important contributors to performance.

Information technology companies were the most important contributor to the absolute performance of both the Portfolio and the Index (up 23% versus up 25% for the Index) over the six-month period. A lower relative average weighting in this strongly performing sector (9% versus 17% for the Index) detracted from performance. Texas Instruments, Microsoft, and Google were among the most important contributors to performance.

The Portfolio had more invested in financial companies than in any other sector (26% versus 12% for the Index). The Portfolio's financial companies out-performed the corresponding sector within the Index (up 2% versus down 3% for the Index). American Express and Julius Baer were among the most important contributors to performance while Wells Fargo, Berkshire Hathaway, and Bank of America were among the most important detractors from performance. The Portfolio no longer owns Bank of America.

Health care companies also made important contributions to performance. The Portfolio's health care companies out-performed the corresponding sector within the Index (up 12% versus roughly flat for the Index). Schering-Plough was among the most important contributors to performance.

Consumer staple companies detracted from performance. The Portfolio's consumer staple companies under-performed the corresponding sector within the Index (down 4% versus down 2% for the Index). Costco Wholesale and Philip Morris were among the most important detractors from performance.

Energy companies included two of the most important contributors to performance, Canadian Natural Resources and Occidental Petroleum, and two of the most important detractors from performance, ConocoPhillips and Devon Energy. The Portfolio had more invested in energy companies than the Index (17% versus 13% for the Index) and the Portfolio's energy companies out-performed the corresponding sector within the Index (up 3% versus down 2% for the Index).

The Portfolio ended the six-month period with approximately 14% of its net assets in foreign companies. As a whole these companies out-performed the domestic companies held by the Portfolio.

This Semi-Annual Report is authorized for use by existing shareholders. Prospective shareholders must receive a current Davis Value Portfolio prospectus, which contains more information about investment strategies, risks, charges, and expenses. Please read the prospectus carefully before investing or sending money.

Davis Value Portfolio's investment objective is long-term growth of capital. There can be no assurance that the Portfolio will achieve its objective. The primary risks of an investment in Davis Value Portfolio are: (1) market risk, (2) company risk, (3) financial services risk, (4) foreign country risk, (5) headline risk, and (6) selection risk. See the prospectus for a full description of each risk.

<sup>1</sup> Total return assumes reinvestment of dividends and capital gain distributions. Past performance is not a guarantee of future results. Investment return and principal value will vary, so that when redeemed, an investor's shares may be worth more or less than when purchased. The total annualized operating expense ratio for the six months ended June 30, 2009 was 0.85%. Below are the average annual total returns for the periods ended June 30, 2009:

	<b>1-YEAR</b>	<b>5-YEAR</b>	<b>SINCE PORTFOLIO'S INCEPTION (July 1, 1999)</b>
Davis Value Portfolio	(28.95)%	(2.25)%	0.18%
Standard & Poor's 500 <sup>®</sup> Index	(26.21)%	(2.24)%	(2.28)%

Portfolio performance numbers are net of all portfolio operating expenses, but do not include any insurance charges imposed by your insurance company's separate account. If performance information included the effect of these additional charges, the total return would be lower.

Portfolio performance changes over time and current performance may be higher or lower than stated. The operating expense ratio may vary in future years. For more current information please call Davis Funds Investor Services at 1-800-279-0279.

<sup>2</sup> The Standard & Poor's 500<sup>®</sup> 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 the Index.

<sup>3</sup> The companies included in the Standard & Poor's 500<sup>®</sup> Index are divided into ten sectors. One or more industry groups make up a sector.

<sup>4</sup> A company's or sector's contribution to or detraction from the Portfolio's performance is a product both of its appreciation or depreciation and its weighting within the portfolio. For example, a 5% holding that rises 20% has twice as much impact as a 1% holding that rises 50%.

<sup>5</sup> This Management Discussion and Analysis discusses a number of individual companies. The information provided in this report does not provide information reasonably sufficient upon which to base an investment decision and should not be considered a recommendation to purchase or sell any particular security. The Schedule of Investments lists the Portfolio's holdings of each company discussed.

Shares of the Davis Value Portfolio 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.

# DAVIS VALUE PORTFOLIO

**Fund Overview**  
At June 30, 2009 *(Unaudited)*

<b>Portfolio Composition</b> (% of Fund's Net Assets)		<b>Industry Weightings</b> (% of Long Term Portfolio)		
			<b>Fund</b>	<b>S&amp;P 500®</b>
Common Stock (U.S.)	82.69%	Energy	16.57%	12.42%
Common Stock (Foreign)	13.36%	Diversified Financials	12.29%	7.41%
Convertible Bonds (U.S.)	0.53%	Insurance	11.92%	2.35%
Convertible Bonds (Foreign)	0.16%	Information Technology	9.20%	18.40%
Corporate Bonds	0.55%	Health Care	9.15%	13.97%
Stock Rights (Foreign)	0.10%	Food & Staples Retailing	6.62%	3.05%
Short Term Investments	2.39%	Materials	5.82%	3.23%
Other Assets & Liabilities	0.22%	Media	5.01%	2.58%
	100.00%	Banks	4.33%	2.83%
		Food, Beverage & Tobacco	4.04%	6.08%
		Commercial & Professional Services	3.41%	0.71%
		Transportation	2.59%	2.03%
		Other	2.39%	11.32%
		Retailing	2.37%	3.21%
		Household & Personal Products	1.48%	2.84%
		Capital Goods	1.43%	7.09%
		Automobiles & Components	1.38%	0.48%
			100.00%	100.00%

### Top 10 Holdings (% of Fund's Net Assets)

Berkshire Hathaway Inc., Class A	Property & Casualty Insurance	4.83%
Occidental Petroleum Corp.	Energy	4.73%
Wells Fargo & Co.	Commercial Banks	4.22%
Costco Wholesale Corp.	Food & Staples Retailing	4.00%
Devon Energy Corp.	Energy	2.87%
EOG Resources, Inc.	Energy	2.86%
American Express Co.	Consumer Finance	2.68%
JPMorgan Chase & Co.	Diversified Financial Services	2.63%
CVS Caremark Corp.	Food & Staples Retailing	2.45%
Loews Corp.	Multi-line Insurance	2.28%

**Example**

As a shareholder of the Fund, you incur ongoing costs only, including advisory and administrative fees and other Fund expenses. The Expense Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds. The Expense Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period indicated, which for the Fund is for the six-month period ended June 30, 2009. Please note that the Expense Example is general and does not reflect charges imposed by your insurance company’s separate account or account specific costs, which may increase your total costs of investing in the Fund. If these charges or account specific costs were included in the Expense Example, the expenses would have been higher.

**Actual Expenses**

The information represented in the row entitled “Actual” provides information about actual account values and actual expenses. You may use the information in this row, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then, multiply the result by the number under the heading “Expenses Paid During Period” to estimate the expenses you paid on your account during this period.

**Hypothetical Example for Comparison Purposes**

The information represented in the row entitled “Hypothetical” provides information about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only. Therefore, the information in the row entitled “Hypothetical” is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds.

	<b>Beginning Account Value <u>(01/01/09)</u></b>	<b>Ending Account Value <u>(06/30/09)</u></b>	<b>Expenses Paid During Period* <u>(01/01/09-06/30/09)</u></b>
Actual .....	\$1,000.00	\$1,055.69	\$4.33
Hypothetical .....	\$1,000.00	\$1,020.58	\$4.26

Hypothetical assumes 5% annual return before expenses.

\* Expenses are equal to the Fund’s annualized operating expense ratio (0.85%\*\*), multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).

\*\* The expense ratio reflects the impact, if any, of the reduction of expenses paid indirectly and of certain reimbursements from the Adviser.

**DAVIS VALUE PORTFOLIO**

**Schedule of Investments  
June 30, 2009 (Unaudited)**

Shares	Security	Value (Note 1)
<b>COMMON STOCK – (96.05%)</b>		
<b>CONSUMER DISCRETIONARY – (8.98%)</b>		
<b>Automobiles &amp; Components – (0.79%)</b>		
187,000	Harley-Davidson, Inc. ....	\$ 3,031,270
<b>Consumer Durables &amp; Apparel – (0.35%)</b>		
24,735	Garmin Ltd. ....	589,064
17,799	Hunter Douglas NV (Netherlands) .....	726,607
		1,315,671
<b>Consumer Services – (0.65%)</b>		
143,763	H&R Block, Inc. ....	2,477,037
<b>Media – (4.88%)</b>		
452,541	Comcast Corp., Special Class A .....	6,374,040
192,170	Grupo Televisa S.A., ADR (Mexico) .....	3,266,890
75,360	Liberty Media Corp. - Entertainment, Series A * .....	2,013,242
461,300	News Corp., Class A .....	4,204,750
119,600	Walt Disney Co. ....	2,790,268
		18,649,190
<b>Retailing – (2.31%)</b>		
22,800	Amazon.com, Inc. * .....	1,908,018
143,015	Bed Bath & Beyond Inc. * .....	4,392,705
143,000	CarMax, Inc. * .....	2,102,100
84,450	Liberty Media Corp. - Interactive, Series A * .....	423,517
		8,826,340
<b>TOTAL CONSUMER DISCRETIONARY .....</b>		<b>34,299,508</b>
<b>CONSUMER STAPLES – (11.83%)</b>		
<b>Food &amp; Staples Retailing – (6.45%)</b>		
334,700	Costco Wholesale Corp. ....	15,295,790
293,498	CVS Caremark Corp. ....	9,353,781
		24,649,571
<b>Food, Beverage &amp; Tobacco – (3.94%)</b>		
26,700	Coca-Cola Co. ....	1,281,333
97,833	Diageo PLC, ADR (United Kingdom) .....	5,600,939
113,871	Heineken Holding NV (Netherlands) .....	3,616,601
28,160	Hershey Co. ....	1,013,760
80,790	Philip Morris International Inc. ....	3,524,060
		15,036,693
<b>Household &amp; Personal Products – (1.44%)</b>		
108,020	Procter & Gamble Co. ....	5,519,822
<b>TOTAL CONSUMER STAPLES .....</b>		<b>45,206,086</b>
<b>ENERGY – (16.13%)</b>		
135,600	Canadian Natural Resources Ltd. (Canada) .....	7,117,644
2,659,900	China Coal Energy Co. - H (China) .....	3,171,267
169,822	ConocoPhillips .....	7,142,713
201,330	Devon Energy Corp. ....	10,972,485
160,830	EOG Resources, Inc. ....	10,923,574
274,560	Occidental Petroleum Corp. ....	18,068,794
1,800	OGX Petroleo e Gas Participacoes S.A. (Brazil) .....	917,848
44,904	Transocean Ltd. * .....	3,335,918
<b>TOTAL ENERGY .....</b>		<b>61,650,243</b>

DAVIS VALUE PORTFOLIO

Schedule of Investments – (Continued)  
June 30, 2009 (Unaudited)

Shares	Security	Value (Note 1)
<b>COMMON STOCK – (CONTINUED)</b>		
<b><u>FINANCIALS – (28.42%)</u></b>		
<b>Banks – (4.22%)</b>		
<b>Commercial Banks – (4.22%)</b>		
663,924	Wells Fargo & Co. ....	\$ 16,106,796
<b>Diversified Financials – (11.97%)</b>		
<b>Capital Markets – (5.56%)</b>		
90,370	Ameriprise Financial, Inc. ....	2,193,280
264,800	Bank of New York Mellon Corp. ....	7,761,288
96,700	Brookfield Asset Management Inc., Class A (Canada) .....	1,650,669
15,740	Goldman Sachs Group, Inc. ....	2,320,705
188,960	Julius Baer Holding AG (Switzerland) .....	7,335,450
		21,261,392
<b>Consumer Finance – (2.68%)</b>		
440,430	American Express Co. ....	10,235,593
<b>Diversified Financial Services – (3.73%)</b>		
294,568	JPMorgan Chase & Co. ....	10,047,714
122,530	Moody's Corp. ....	3,228,666
15,700	Visa Inc., Class A ....	977,482
		14,253,862
		45,750,847
<b>Insurance – (11.61%)</b>		
<b>Life &amp; Health Insurance – (0.30%)</b>		
29,980	Principal Financial Group, Inc. ....	564,823
21,700	Sun Life Financial Inc. (Canada) .....	584,164
		1,148,987
<b>Multi-line Insurance – (2.60%)</b>		
207,611	American International Group, Inc. * .....	240,829
83,200	Hartford Financial Services Group, Inc. ....	987,584
317,790	Loews Corp. ....	8,707,446
		9,935,859
<b>Property &amp; Casualty Insurance – (7.57%)</b>		
205	Berkshire Hathaway Inc., Class A * .....	18,450,000
530	Berkshire Hathaway Inc., Class B * .....	1,534,737
1,180	Markel Corp. * .....	332,406
81,700	NIPPONKOA Insurance Co., Ltd. (Japan) .....	476,622
538,360	Progressive Corp. (Ohio) * .....	8,134,620
		28,928,385
<b>Reinsurance – (1.14%)</b>		
100,407	Transatlantic Holdings, Inc. ....	4,350,635
		44,363,866
<b>Real Estate – (0.62%)</b>		
503,000	Hang Lung Group Ltd. (Hong Kong) .....	2,381,933
	<b>TOTAL FINANCIALS .....</b>	<b>108,603,442</b>
<b><u>HEALTH CARE – (8.91%)</u></b>		
<b>Health Care Equipment &amp; Services – (3.69%)</b>		
40,200	Becton, Dickinson and Co. ....	2,866,662
87,100	Cardinal Health, Inc. ....	2,660,905
66,880	Express Scripts, Inc. * .....	4,596,997
15,400	Laboratory Corp. of America Holdings * .....	1,043,966

DAVIS VALUE PORTFOLIO

Schedule of Investments – (Continued)  
June 30, 2009 (Unaudited)

Shares	Security	Value (Note 1)
<b>COMMON STOCK – (CONTINUED)</b>		
<b>HEALTH CARE – (CONTINUED)</b>		
<b>Health Care Equipment &amp; Services – (Continued)</b>		
116,400	UnitedHealth Group Inc. ....	\$ 2,907,672
		14,076,202
<b>Pharmaceuticals, Biotechnology &amp; Life Sciences – (5.22%)</b>		
108,600	Johnson & Johnson .....	6,168,480
123,100	Merck & Co., Inc. ....	3,441,876
219,200	Pfizer Inc. ....	3,288,000
281,000	Schering-Plough Corp. ....	7,058,720
		19,957,076
	<b>TOTAL HEALTH CARE.....</b>	<b>34,033,278</b>
<b>INDUSTRIALS – (7.23%)</b>		
<b>Capital Goods – (1.39%)</b>		
88,080	ABB Ltd., ADR (Switzerland) .....	1,389,903
32,330	PACCAR Inc. ....	1,052,018
110,034	Tyco International Ltd. ....	2,858,683
		5,300,604
<b>Commercial &amp; Professional Services – (3.32%)</b>		
53,500	D&B Corp. ....	4,344,735
290,197	Iron Mountain Inc. * .....	8,343,164
		12,687,899
<b>Transportation – (2.52%)</b>		
1,258,247	China Merchants Holdings International Co., Ltd. (China) .....	3,604,245
882,000	China Shipping Development Co. Ltd. - H (China) .....	1,135,781
939,200	Cosco Pacific Ltd. (China) .....	1,054,321
23,400	Kuehne & Nagel International AG, Registered (Switzerland) .....	1,832,718
40,310	United Parcel Service, Inc., Class B .....	2,015,097
		9,642,162
	<b>TOTAL INDUSTRIALS .....</b>	<b>27,630,665</b>
<b>INFORMATION TECHNOLOGY – (8.96%)</b>		
<b>Semiconductors &amp; Semiconductor Equipment – (1.96%)</b>		
352,200	Texas Instruments Inc. ....	7,501,860
<b>Software &amp; Services – (3.94%)</b>		
184,000	Activision Blizzard, Inc. * .....	2,324,840
13,190	Google Inc., Class A * .....	5,563,938
301,310	Microsoft Corp. ....	7,168,165
		15,056,943
<b>Technology Hardware &amp; Equipment – (3.06%)</b>		
188,250	Agilent Technologies, Inc. * .....	3,823,358
135,400	Cisco Systems, Inc. * .....	2,524,533
137,770	Hewlett-Packard Co. ....	5,324,810
		11,672,701
	<b>TOTAL INFORMATION TECHNOLOGY .....</b>	<b>34,231,504</b>
<b>MATERIALS – (5.41%)</b>		
61,300	BHP Billiton PLC (United Kingdom) .....	1,375,604
42,380	Martin Marietta Materials, Inc. ....	3,342,934
28,200	Monsanto Co. ....	2,096,388
9,954	Potash Corp. of Saskatchewan Inc. (Canada) .....	926,220
21,800	Rio Tinto PLC (United Kingdom) .....	754,966

**DAVIS VALUE PORTFOLIO**

Schedule of Investments – (Continued)  
June 30, 2009 (Unaudited)

Shares/Principal	Security	Value (Note 1)
<b>COMMON STOCK – (CONTINUED)</b>		
<b><u>MATERIALS – (CONTINUED)</u></b>		
426,510	Sealed Air Corp. ....	\$ 7,869,109
199,850	Sino-Forest Corp. (Canada)* .....	2,130,542
50,290	Vulcan Materials Co. ....	2,167,499
	<b>TOTAL MATERIALS .....</b>	<b>20,663,262</b>
<b><u>UTILITIES – (0.18%)</u></b>		
60,800	AES Corp. * .....	705,888
	<b>TOTAL UTILITIES .....</b>	<b>705,888</b>
	<b>TOTAL COMMON STOCK – (Identified cost \$331,043,154).....</b>	<b>367,023,876</b>
<b>STOCK RIGHTS – (0.10%)</b>		
<b><u>MATERIALS – (0.10%)</u></b>		
11,445	Rio Tinto PLC - FPR (United Kingdom) .....	386,001
	<b>TOTAL STOCK RIGHTS – (Identified cost \$455,858).....</b>	<b>386,001</b>
<b>CONVERTIBLE BONDS – (0.69%)</b>		
<b><u>MATERIALS – (0.16%)</u></b>		
\$ 736,000	Sino-Forest Corp., Conv. Sr. Notes, 5.00%, 08/01/13 (Canada) (a) .....	618,240
	<b>TOTAL MATERIALS .....</b>	<b>618,240</b>
<b><u>TELECOMMUNICATION SERVICES – (0.53%)</u></b>		
1,600,000	Level 3 Communications, Inc., Conv. Sr. Notes, 10.00%, 05/01/11 .....	1,542,000
400,000	Level 3 Communications, Inc., Conv. Sr. Notes, 15.00%, 01/15/13 (a) .....	476,500
	<b>TOTAL TELECOMMUNICATION SERVICES.....</b>	<b>2,018,500</b>
	<b>TOTAL CONVERTIBLE BONDS – (Identified cost \$2,736,000).....</b>	<b>2,636,740</b>
<b>CORPORATE BONDS – (0.55%)</b>		
<b><u>CONSUMER DISCRETIONARY – (0.55%)</u></b>		
<b><u>Automobiles &amp; Components – (0.55%)</u></b>		
2,000,000	Harley-Davidson, Inc., Sr. Notes, 15.00%, 02/01/14 (a).....	2,108,522
	<b>TOTAL CORPORATE BONDS – (Identified cost \$2,000,000).....</b>	<b>2,108,522</b>
<b>SHORT TERM INVESTMENTS – (2.39%)</b>		
2,818,000	Banc of America Securities LLC Joint Repurchase Agreement, 0.07%, 07/01/09, dated 06/30/09, repurchase value of \$2,818,005 (collateralized by: U.S. Government agency mortgages in a pooled cash account, 3.309%-6.462%, 03/01/29-01/01/39, total market value \$2,874,360) ..	2,818,000
1,806,000	Goldman, Sachs & Co. Joint Repurchase Agreement, 0.03%, 07/01/09, dated 06/30/09, repurchase value of \$1,806,002 (collateralized by: U.S. Government agency mortgages in a pooled cash account, 5.00%-6.153%, 06/01/36-09/01/38, total market value \$1,842,120) ....	1,806,000
4,515,000	Mizuho Securities USA Inc. Joint Repurchase Agreement, 0.11%, 07/01/09, dated 06/30/09, repurchase value of \$4,515,014 (collateralized by: U.S. Government agency mortgages and obligations in a pooled cash account, 0.00%-6.50%, 07/17/09-11/01/47, total market value \$4,605,300) .....	4,515,000
	<b>TOTAL SHORT TERM INVESTMENTS – (Identified cost \$9,139,000) .....</b>	<b>9,139,000</b>

**DAVIS VALUE PORTFOLIO****Schedule of Investments – (Continued)  
June 30, 2009 (Unaudited)**

Total Investments – (99.78%) – (Identified cost \$345,374,012) – (b) .....	\$	381,294,139
Other Assets Less Liabilities – (0.22%) .....		846,685
Net Assets – (100.00%) .....	\$	382,140,824

ADR: American Depositary Receipt

\* Non-Income producing security.

(a) Illiquid Security – See Note 7 of the Notes to Financial Statements.

(b) Aggregate cost for federal income tax purposes is \$345,536,022. At June 30, 2009 unrealized appreciation (depreciation) of securities for federal income tax purposes is as follows:

Unrealized appreciation .....	\$	77,113,296
Unrealized depreciation .....		(41,355,179)
Net unrealized appreciation .....	\$	35,758,117

*See Notes to Financial Statements*

**DAVIS VALUE PORTFOLIO**

**Statements of Assets and Liabilities  
At June 30, 2009 (Unaudited)**

**ASSETS:**

Investments in securities at value* (see accompanying Schedule of Investments).....	\$	381,294,139
Cash .....		210,160
Cash - foreign currencies** .....		21,224
Receivables:		
Capital stock sold.....		357,245
Dividends and interest.....		607,018
Investment securities sold.....		2,277,359
Prepaid expenses.....		2,645
Total assets.....		<u>384,769,790</u>

**LIABILITIES:**

Payables:		
Investment securities purchased.....		1,765,979
Capital stock redeemed.....		563,270
Accrued management fees .....		261,799
Other accrued expenses .....		37,918
Total liabilities .....		<u>2,628,966</u>

**NET ASSETS** ..... \$ 382,140,824

**SHARES OUTSTANDING**..... 43,835,402

**NET ASSET VALUE**, offering, and redemption price per share (Net assets ÷ Shares outstanding).... \$ 8.72

**NET ASSETS CONSIST OF:**

Par value of shares of capital stock.....	\$	43,835
Additional paid-in capital .....		375,038,647
Undistributed net investment income .....		2,410,917
Accumulated net realized losses from investments and foreign currency transactions .....		(31,277,096)
Net unrealized appreciation on investments and foreign currency transactions .....		35,924,521
Net Assets .....	\$	<u>382,140,824</u>

**\*Including:**

    Cost of investments..... \$ 345,374,012

\*\*Cost of cash - foreign currencies ..... 21,302

*See Notes to Financial Statements*

**DAVIS VALUE PORTFOLIO****Statements of Operations  
For the six months ended June 30, 2009 (Unaudited)****INVESTMENT INCOME:**

## Income:

Dividends* .....	\$	3,245,631
Interest .....		270,241
Total income .....		<u>3,515,872</u>

## Expenses:

Management fees (Note 3).....	\$	1,233,340
Custodian fees.....		38,623
Transfer agent fees.....		7,961
Audit fees.....		10,200
Legal fees.....		7,440
Accounting fees (Note 3).....		3,000
Reports to shareholders.....		26,225
Directors' fees and expenses.....		54,430
Registration and filing fees.....		180
Miscellaneous .....		<u>8,608</u>
Total expenses.....		<u>1,390,007</u>
Net investment income.....		<u>2,125,865</u>

**REALIZED & UNREALIZED GAIN (LOSS) ON INVESTMENTS AND FOREIGN CURRENCY  
TRANSACTIONS:**

## Net realized gain (loss) from:

Investment transactions.....	(30,890,014)
Foreign currency transactions .....	2,987
Net change in unrealized appreciation (depreciation).....	<u>51,882,262</u>
Net realized and unrealized gain on investments and foreign currency transactions .....	<u>20,995,235</u>
Net increase in net assets resulting from operations .....	<u>\$ 23,121,100</u>

\*Net of foreign taxes withheld as follows ..... \$ 56,024

*See Notes to Financial Statements*

**DAVIS VALUE PORTFOLIO**

**Statements of Changes in Net Assets**

	<b>Six months ended June 30, 2009 (Unaudited)</b>	<b>Year ended December 31, 2008</b>
<b>OPERATIONS:</b>		
Net investment income .....	\$ 2,125,865	\$ 4,955,792
Net realized gain (loss) from investments and foreign currency transactions.....	(30,887,027)	605,679
Net change in appreciation (depreciation) on investments and foreign currency transactions .....	51,882,262	(246,836,174)
Net increase (decrease) in net assets resulting from operations.....	<u>23,121,100</u>	<u>(241,274,703)</u>
<b>DIVIDENDS AND DISTRIBUTIONS TO SHAREHOLDERS FROM:</b>		
Net investment income .....	-	(4,909,074)
Realized gains from investment transactions.....	-	(8,550,201)
<b>CAPITAL SHARE TRANSACTIONS:</b>		
Net increase (decrease) in net assets resulting from capital share transactions (Note 5) .....	25,867,917	(70,813,149)
Total increase (decrease) in net assets .....	<u>48,989,017</u>	<u>(325,547,127)</u>
<b>NET ASSETS:</b>		
Beginning of period .....	333,151,807	658,698,934
End of period* .....	<u>\$ 382,140,824</u>	<u>\$ 333,151,807</u>
*Including undistributed net investment income of.....	\$ 2,410,917	\$ 285,052

*See Notes to Financial Statements*

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Fund is a separate series of Davis Variable Account Fund, Inc. (a Maryland corporation), which is registered under the Investment Company Act of 1940, as amended, as a diversified, open-end management investment company. Insurance companies, for the purpose of funding variable annuity or variable life insurance contracts, may only purchase shares of the Fund. The following is a summary of significant accounting policies followed by the Fund in the preparation of financial statements.

**Security Valuation** - The Fund calculates the net asset value of their shares as of the close of the New York Stock Exchange (“Exchange”), normally 4:00 P.M. Eastern time, on each day the Exchange is open for business. Securities listed on the Exchange (and other national exchanges) are valued at the last reported sales price on the day of valuation. Securities traded in the over-the-counter market (e.g. NASDAQ) and listed securities for which no sale was reported on that date are stated at the average of closing bid and asked prices. Securities traded on foreign exchanges are valued based upon the last sales price on the principal exchange on which the security is traded prior to the time when the Fund’s assets are valued. Securities (including restricted securities) for which market quotations are not readily available are valued at their fair value. Securities whose values have been materially affected by what Davis Selected Advisers, L.P. (“Davis Advisors” or “Adviser”), the Fund’s investment adviser, identifies as a significant event occurring before the Fund’s assets are valued but after the close of their respective exchanges will be fair valued. Fair value is determined in good faith using consistently applied procedures under the supervision of the Board of Directors. Short-term securities purchased within 60 days to maturity are valued at amortized cost, which approximates market value. These valuation procedures are reviewed and subject to approval by the Board of Directors.

**Fair Value Measurements** - The Fund adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 157, Fair Value Measurements (“FAS 157”), effective January 1, 2008. In accordance with FAS 157, fair value is defined as the price that the Fund would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. FAS 157 established a three-tier hierarchy for measuring fair value of assets and liabilities. The three-tier hierarchy of inputs is summarized in the three broad levels listed below.

- Level 1 – quoted prices in active markets for identical securities
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including Fund’s own assumptions in determining the fair value of investments)

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)

## Fair Value Measurements – (Continued)

The following is a summary of the inputs used as of June 30, 2009 in valuing the Fund's investments carried at value:

	Investments in Securities at Value			Total
	Valuation Inputs			
	Level 1 Quoted Prices	Level 2 Other Significant Observable Inputs	Level 3 Significant Unobservable Inputs	
<u>Equity securities:</u>				
Consumer discretionary	\$ 34,299,508	\$ –	\$ –	\$ 34,299,508
Consumer staples	45,206,086	–	–	45,206,086
Energy	61,650,243	–	–	61,650,243
Financials	108,603,442	–	–	108,603,442
Health care	34,033,278	–	–	34,033,278
Industrials	27,630,665	–	–	27,630,665
Information technology	34,231,504	–	–	34,231,504
Materials	21,049,263	–	–	21,049,263
Utilities	705,888	–	–	705,888
<u>Convertible debt securities</u>	–	2,636,740	–	2,636,740
<u>Corporate debt securities</u>	–	2,108,522	–	2,108,522
<u>Short-term securities</u>	–	9,139,000	–	9,139,000
<b>Total</b>	<b>\$ 367,409,877</b>	<b>\$ 13,884,262</b>	<b>\$ –</b>	<b>\$ 381,294,139</b>

**Master Repurchase Agreements** - The Fund, along with other affiliated funds, may transfer uninvested cash balances into one or more master repurchase agreement accounts. These balances are invested in one or more repurchase agreements, secured by U.S. Government securities. A custodian bank holds securities pledged as collateral for repurchase agreements until the agreements mature. Each agreement requires that the market value of the collateral be sufficient to cover payments of interest and principal; however, in the event of default by the other party to the agreement, retention of the collateral may be subject to legal proceedings.

**Currency Translation** - The market values of all assets and liabilities denominated in foreign currencies are recorded in the financial statements after translation to the U.S. Dollar based upon the mean between the bid and offered quotations of the currencies against U.S. Dollars on the date of valuation. The cost basis of such assets and liabilities is determined based upon historical exchange rates. Income and expenses are translated at average exchange rates in effect as accrued or incurred.

**Foreign Currency** - The Fund may enter into forward purchases or sales of foreign currencies to hedge certain foreign currency denominated assets and liabilities against declines in market value relative to the U.S. Dollar. Forward currency contracts are marked-to-market daily and the change in market value is recorded by the Fund as an unrealized gain or loss. When the forward currency contract is closed, the Fund records a realized gain or loss equal to the difference between the value of the forward currency contract at the time it was opened and value at the time it was closed. Investments in forward currency contracts may expose the Fund to risks resulting from unanticipated movements in foreign currency exchange rates or failure of the counter-party to the agreement to perform in accordance with the terms of the contract.

Reported net realized foreign exchange gains or losses arise from the sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions, the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books, and the U.S. Dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in the value of assets and liabilities other than investments in securities at fiscal year end, resulting from changes in the exchange rate. The Fund includes foreign currency gains and losses realized on the sale of investments together with market gains and losses on such investments in the Statement of Operations.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (CONTINUED)**

**Federal Income Taxes** - It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies, and to distribute substantially all of its taxable income, including any net realized gains on investments not offset by loss carryovers, to shareholders. Therefore, no provision for federal income or excise tax is required. The Adviser has analyzed the Fund's tax positions taken on federal income tax returns for all open tax years and has concluded that as of June 30, 2009, no provision for income tax would be required in the Fund's financial statements. The Fund's federal and state (Arizona and Maryland) income and federal excise tax returns for tax years for which the applicable statutes of limitations have not expired are subject to examination by the Internal Revenue Service and state departments of revenue. The earliest tax year that remains subject to examination by these jurisdictions is 2005. At June 30, 2009 the Fund had post October 2008 losses of \$227,000 available to offset future capital gains, if any, which expire in 2017.

**Securities Transactions and Related Investment Income** - Securities transactions are accounted for on the trade date (date the order to buy or sell is executed) with realized gain or loss on the sale of securities being determined based upon identified cost. Dividend income is recorded on the ex-dividend date. Interest income, which includes accretion of discount and amortization of premium, is accrued as earned.

**Dividends and Distributions to Shareholders** - Dividends and distributions to shareholders are recorded on the ex-dividend date. Net investment income (loss), net realized gains (losses), and net unrealized appreciation (depreciation) on investments may differ for financial statement and tax purposes primarily due to differing treatments of wash sales and foreign currency transactions. The character of dividends and distributions made during the fiscal year from net investment income and net realized securities gains may differ from their ultimate characterization for federal income tax purposes. Also, due to the timing of dividends and distributions, the fiscal year in which amounts are distributed may differ from the fiscal year in which income or realized gain was recorded by the Fund. The Fund adjusts the classification of distributions to shareholders to reflect the differences between financial statement amounts and distributions determined in accordance with income tax regulations.

**Indemnification** - Under the Fund's organizational documents, officers and directors are indemnified against certain liabilities arising out of the performance of their duties to the Fund. In addition, some of the Fund's contracts with its service providers contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown since the amount of any future claims that may be made against the Fund cannot be determined and the Fund has no historical basis for predicting the likelihood of any such claims.

**Use of Estimates in Financial Statements** - In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of income and expenses during the reporting period. Actual results may differ from these estimates.

**NOTE 2 - PURCHASES AND SALES OF SECURITIES**

Purchases and sales of investment securities (excluding short-term securities) for the six months ended June 30, 2009 were \$80,250,298 and \$38,047,907, respectively.

**NOTE 3 - INVESTMENT ADVISORY FEES AND OTHER TRANSACTIONS WITH AFFILIATES**

Advisory fees were paid monthly to the Adviser at an annual rate of 0.75% of the Fund's average net assets. Effective July 1, 2009, the annual rate is 0.55% of the Fund's average net assets.

Boston Financial Data Services, Inc. ("BFDS") is the Fund's primary transfer agent. State Street Bank and Trust Company ("State Street Bank") is the Fund's primary accounting provider. Fees for such services are included in the custodian fee as State Street Bank also serves as the Fund's custodian. The Adviser is also paid for certain accounting services. The fee for the six months ended June 30, 2009 amounted to \$3,000. Certain directors and officers of the Fund are also directors and officers of the general partner of the Adviser.

Davis Selected Advisers-NY, Inc. ("DSA-NY"), a wholly-owned subsidiary of the Adviser, acts as sub-adviser to the Fund. DSA-NY performs research and portfolio management services for the Fund under a Sub-Advisory Agreement with the Adviser. The Fund pays no fees directly to DSA-NY.

**NOTE 4 - EXPENSES PAID INDIRECTLY**

Under an agreement with State Street Bank, custodian fees are reduced for earnings on cash balances maintained at the custodian by the Fund. There were no reductions made during the six months ended June 30, 2009.

**NOTE 5 - CAPITAL STOCK**

At June 30, 2009, there were 500 million shares of capital stock (\$0.001 par value per share) authorized. Transactions in capital stock were as follows:

	<b>Six months ended</b>		<b>Year ended</b>	
	<b>June 30, 2009 (Unaudited)</b>		<b>December 31, 2008</b>	
	Shares	Amount	Shares	Amount
Shares sold	8,455,902	\$ 65,276,569	5,699,870	\$ 61,188,955
Shares issued in reinvestment of distributions	–	–	1,734,051	13,459,275
	8,455,902	65,276,569	7,433,921	74,648,230
Shares redeemed	(4,936,730)	(39,408,652)	(12,622,781)	(145,461,379)
Net increase (decrease)	<u>3,519,172</u>	<u>\$ 25,867,917</u>	<u>(5,188,860)</u>	<u>\$ (70,813,149)</u>

**NOTE 6 - BANK BORROWINGS**

The Fund may borrow up to 5% of its assets from a bank to purchase portfolio securities, or for temporary and emergency purposes. The purchase of securities with borrowed funds creates leverage in the Fund. The Fund has entered into an agreement, which enables it to participate with certain other funds managed by the Adviser in an unsecured line of credit with a bank, which permits borrowings up to \$50 million, collectively. Interest is charged based on its borrowings, at a rate equal to the overnight Federal Funds Rate plus 0.75%. The Fund had no borrowings outstanding for the six months ended June 30, 2009.

**NOTE 7 - ILLIQUID SECURITIES**

Securities may be considered illiquid if they lack a readily available market or if valuation has not changed for a certain period of time. The aggregate value of illiquid securities amounted to \$3,203,262 or 0.84% of the Fund’s net assets as of June 30, 2009. Information regarding illiquid securities is as follows:

<u>Security</u>	<u>Acquisition Date</u>	<u>Principal</u>	<u>Units</u>	<u>Cost per Unit</u>	<u>Valuation per Unit as of June 30, 2009</u>
Harley-Davidson, Inc., Sr. Notes, 15.00%, 02/01/14	02/03/09	\$ 2,000,000	20,000	\$ 100.00	\$ 105.43
Level 3 Communications, Inc., Conv. Sr. Notes, 15.00%, 01/15/13	12/23/08	\$ 400,000	4,000	\$ 100.00	\$ 119.13
Sino-Forest Corp., Conv. Sr. Notes, 5.00%, 08/01/13	07/17/08	\$ 736,000	7,360	\$ 100.00	\$ 84.00

# DAVIS VALUE PORTFOLIO

## Financial Highlights

The following financial information represents selected data for each share of capital stock outstanding throughout each period:

	Six months ended June 30, 2009 (Unaudited)	Year ended December 31,				
		2008	2007	2006	2005	2004
Net Asset Value, Beginning of Period.....	\$ 8.26	\$ 14.48	\$ 14.58	\$ 12.77	\$ 11.78	\$ 10.57
<b>Income (Loss) from Investment Operations:</b>						
Net Investment Income .....	0.05	0.13	0.17	0.11	0.12	0.09
Net Realized and Unrealized Gains (Losses) ...	0.41	(6.00)	0.51	1.81	0.99	1.21
Total from Investment Operations.....	0.46	(5.87)	0.68	1.92	1.11	1.30
<b>Dividends and Distributions:</b>						
Dividends from Net Investment Income .....	–	(0.12)	(0.17)	(0.11)	(0.11)	(0.09)
Distributions from Realized Gains .....	–	(0.23)	(0.61)	–	–	–
Distributions in Excess of Net Investment Income .....	–	–	–	–	(0.01)	–
Return of Capital .....	–	–	–	–	–	– <sup>a</sup>
Total Dividends and Distributions.....	–	(0.35)	(0.78)	(0.11)	(0.12)	(0.09)
Net Asset Value, End of Period.....	\$ 8.72	\$ 8.26	\$ 14.48	\$ 14.58	\$ 12.77	\$ 11.78
Total Return <sup>b</sup> .....	5.57%	(40.32)%	4.64%	15.00%	9.44%	12.33%
<b>Ratios/Supplemental Data:</b>						
Net Assets, End of Period (in thousands).....	\$ 382,141	\$ 333,152	\$ 658,699	\$ 771,828	\$ 620,369	\$ 684,723
Ratio of Expenses to Average Net Assets:						
Gross .....	0.85% <sup>c</sup>	0.82%	0.81%	0.81%	0.81%	0.81%
Net <sup>d</sup> .....	0.85% <sup>c</sup>	0.82%	0.81%	0.81%	0.81%	0.81%
Ratio of Net Investment Income to Average Net Assets.....						
Portfolio Turnover Rate <sup>e</sup> .....	1.29% <sup>c</sup>	0.98%	1.11%	0.83%	0.87%	0.87%
	12%	17%	9%	19%	14%	4%

a Less than \$0.005 per share.

b Assumes hypothetical initial investment on the business day before the first day of the fiscal period, with all dividends and distributions reinvested in additional shares on the reinvestment date, and redemption at the net asset value calculated on the last business day of the fiscal period. Total returns are not annualized for periods of less than one year and do not reflect charges attributable to your insurance company's separate account. Inclusion of these charges would reduce the total returns shown.

c Annualized.

d The Net Ratio of Expenses to Average Net Assets reflects the impact, if any, of the reduction of expenses paid indirectly and of certain reimbursements from the Adviser.

e The lesser of purchases or sales of portfolio securities for a period, divided by the monthly average of the market value of portfolio securities owned during the period. Securities with a maturity or expiration date at the time of acquisition of one year or less are excluded from the calculation.

*See Notes to Financial Statements*

**Portfolio Proxy Voting Policies and Procedures**

The Fund has adopted Portfolio Proxy Voting Policies and Procedures under which the Fund votes proxies relating to securities held by the Fund. A description of the Fund's Portfolio Proxy Voting Policies and Procedures is available (i) without charge, upon request, by calling the Fund toll-free at 1-800-279-0279, (ii) on the Fund's website at [www.davisfunds.com](http://www.davisfunds.com), and (iii) on the SEC's website at [www.sec.gov](http://www.sec.gov).

In addition, the Fund is required to file Form N-PX, with its complete proxy voting record for the 12 months ended June 30<sup>th</sup>, no later than August 31<sup>st</sup> of each year. The Fund's Form N-PX filing is available (i) without charge, upon request, by calling the Fund toll-free at 1-800-279-0279, (ii) on the Fund's website at [www.davisfunds.com](http://www.davisfunds.com), and (iii) on the SEC's website at [www.sec.gov](http://www.sec.gov).

**Form N-Q**

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Form N-Q is available without charge, upon request, by calling 1-800-279-0279 or on the Fund's website at [www.davisfunds.com](http://www.davisfunds.com) or on the SEC's website at [www.sec.gov](http://www.sec.gov). The Fund's Form N-Q may be reviewed and copied at the SEC's Public Reference Room in Washington, DC, and that information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

**Process of Annual Review**

The Board of Directors of the Davis Funds oversees the management of each Davis Fund and, as required by law, determines annually whether to approve the continuance of each Davis Fund's advisory agreement with Davis Selected Advisers, L.P. and sub-advisory agreement with Davis Selected Advisers-NY, Inc. (jointly "Davis Advisors" and "Advisory Agreements").

As a part of this process the Independent Directors, with the assistance of counsel for the Independent Directors, prepared questions submitted to Davis Advisors in anticipation of the annual contract review. The Independent Directors were provided with responsive background material (including recent investment performance data), and their counsel provided guidance, prior to a separate contract review meeting held in March 2009 where the Independent Directors reviewed and evaluated all information which they deemed reasonably necessary in the circumstances. Upon completion of this review, the Independent Directors found that the terms of the Advisory Agreements are fair and reasonable and that continuation of the Advisory Agreements was in the best interest of Davis Value Portfolio and its shareholders.

**Reasons the Independent Directors Approved Continuation of the Advisory Agreements**

The Independent Directors' determinations were based upon a comprehensive consideration of all information provided to the Independent Directors and were not the result of any single factor. The following facts and conclusions were important, but not exclusive, in the Independent Directors' recommendation to renew the Advisory Agreements.

The Independent Directors considered not only the investment performance of each Fund, but also the full range and quality of services provided by Davis Advisors to each Fund and their shareholders, including whether it:

1. Achieves satisfactory investment results over the long-term after all costs;
2. Handles shareholder transactions, inquiries, requests, and records efficiently and effectively, and provides quality accounting, legal, and compliance services, and oversight of third party service providers; and
3. Fosters healthy investor behavior.

Davis Advisors is reimbursed a portion of its costs in providing some, but not all, of these services.

A shareholder's ultimate return is the product of a fund's results, as well as the shareholder's behavior, specifically in selecting when to invest or redeem. The Independent Directors concluded that through its actions and communications, Davis Advisors has attempted to have a meaningful, positive impact on investor behavior.

The Independent Directors noted the importance of reviewing quantitative measures, but also recognized that qualitative factors are also important in assessing whether Davis Fund shareholders are likely to be well served by the renewal of the Advisory Agreements. They noted both the value and shortcomings of purely quantitative measures, including the data provided by independent service providers, and concluded that while such measures and data may be informative, the judgment of the Independent Directors must take many factors, including those listed below, into consideration in representing the shareholders of the Davis Funds. In connection with reviewing comparative performance information, the Independent Directors generally give weight to longer-term measurements.

The Independent Directors expect Davis Advisors to employ a disciplined, company-specific, research-driven, businesslike, long-term investment philosophy.

The Independent Directors recognized Davis Advisors' (a) efforts to minimize transaction costs by generally having a long-term time horizon and low portfolio turnover; (b) record of generally producing satisfactory results over longer-term periods; (c) efforts towards fostering healthy investor behavior by, among other things, providing informative and substantial educational material; and (d) efforts to promote shareholder interests by actively speaking out on corporate governance issues.

The Independent Directors reviewed (a) comparative fee and expense information for other funds, as selected and analyzed by a nationally recognized independent service provider; (b) information regarding fees charged by Davis Advisors to other advisory clients, including funds which it sub-advises and private accounts, as well as the differences in the services provided to such other clients; and (c) the fee schedule of Davis Value Portfolio, including an assessment of competitive fee schedules.

**Reasons the Independent Directors Approved Continuation of the Advisory Agreements – (Continued)**

The Independent Directors reviewed the management fee schedule for Davis Value Portfolio and the profitability of the Fund to Davis Advisors, the extent to which economies of scale might be realized if the Fund's net assets increased, and whether the fixed fee schedule reflected those potential economies of scale. The Independent Directors considered the nature, quality and extent of the services being provided to the Fund and the costs incurred by Davis Advisors in providing such services. The Independent Directors considered various potential benefits that Davis Advisors may receive in connection with the services it provides under the Advisory Agreements with the Fund, including a review of portfolio brokerage practices. The Independent Directors noted that Davis Advisors does not use client commissions to pay for publications that are available to the general public or for third-party research services.

The Independent Directors noted that Davis Value Portfolio had under-performed its benchmark, the Standard & Poor's 500<sup>®</sup> Index, over the one-, three-, and five-year time periods ended February 28, 2009. A report produced by an independent service provider indicated that the Fund under-performed its peer group over the one- and three-year time periods and out-performed over the five-year time period, all ended December 31, 2008. The Independent Directors noted the Fund's strong performance versus both the S&P 500<sup>®</sup> Index and its peer group for 4 of the 5 rolling five calendar year time frames ended December 31, 2004 through December 31, 2008.

The Independent Directors considered the management fee and total expense ratio for Davis Value Portfolio. The management fee and total expense ratio were both above the average but within the range of its peer group.

**Approval of Advisory Arrangements**

The Independent Directors concluded that Davis Advisors had provided Davis Value Portfolio and their shareholders a reasonable level of both investment and non-investment services. The Independent Directors further concluded that shareholders have received a significant benefit from Davis Advisors' shareholder-oriented approach, as well as the execution of its investment discipline.

The Independent Directors determined that the advisory fee for Davis Value Portfolio was reasonable in light of the nature, quality and extent of the services being provided to the Fund, the costs incurred by Davis Advisors in providing such service, and in comparison to the range of the average advisory fees of its peer group as determined by an independent service provider. The Independent Directors found that the terms of the Advisory Agreements are fair and reasonable and that continuation of the Advisory Agreements is in the best interest of the Fund and its shareholders. The Independent Directors and the full Board of Directors therefore voted to continue the Advisory Agreements.

**Important Developments Following Approval of the Advisory Agreement**

In the June 2009 Board of Directors' meeting Davis Advisors notified the Directors that it was voluntarily reducing the Fund's management fee by reducing the fixed fee of 75 basis points to a fixed fee of 55 basis points effective July 1, 2009.

For the purposes of their service as directors to the Davis Funds, the business address for each of the directors is 2949 E. Elvira Road, Suite 101, Tucson, AZ 85756. Each Director serves until their retirement, resignation, death or removal. Subject to exceptions and exemptions, which may be granted by the Independent Directors, Directors must retire at the close of business on the last day of the calendar year in which the Director attains age seventy-four (74).

<b>Name</b> (birthdate)	<b>Position(s)</b> <b>Held With</b> <b>Fund</b>	<b>Term of</b> <b>Office and</b> <b>Length of</b> <b>Time</b> <b>Served</b>	<b>Principal Occupation(s)</b> <b>During Past Five Years</b>	<b>Number of</b> <b>Portfolios in</b> <b>Fund</b> <b>Complex</b> <b>Overseen by</b> <b>Director</b>	<b>Other Directorships</b> <b>Held by Director</b>
<i>Independent Directors</i>					
<b>Marc P. Blum</b> (09/09/42)	Director	Director since 1986	Chief Executive Officer, World Total Return Fund, LLLP; of Counsel to Gordon, Feinblatt, Rothman, Hoffberger and Hollander, LLC (law firm).	13	Director, Legg Mason Investment Counsel & Trust Company N.A. (asset management company) and Rodney Trust Company (Delaware).
<b>John S. Gates, Jr.</b> (08/02/53)	Director	Director since 2007	Chairman and Chief Executive Officer of PortaeCo LLC, a private investment company (beginning in 2006); Co-founder of Centerpoint Properties Trust (a REIT); former Co-chairman and Chief Executive Officer for 22 years (until 2006).	13	Director, DCT Industrial Trust (a REIT).
<b>Thomas S. Gayner</b> (12/16/61)	Director	Director since 2004	Executive Vice President and Chief Investment Officer, Markel Corporation (insurance company).	13	Director, First Market Bank; Director, Washington Post Co. (newspaper publisher); Director, Colfax Corp. (engineering and manufacturer of pumps and fluid handling equipment).
<b>G. Bernard Hamilton</b> (03/18/37)	Director	Director since 1978	Managing General Partner, Avanti Partners, L.P. (investment partnership), retired 2005.	13	none
<b>Samuel H. Iapalucci</b> (07/19/52)	Director	Director since 2006	Former Executive Vice President and Chief Financial Officer, CH2M-Hill, Inc. (engineering).	13	none
<b>Robert P. Morgenthau</b> (03/22/57)	Director	Director since 2002	Chairman, NorthRoad Capital Management, LLC (an investment management firm) since June 2002.	13	none
<b>Christian R. Sonne</b> (05/06/36)	Director	Director since 1990	General Partner, Tuxedo Park Associates (land holding and development firm).	13	none
<b>Marsha Williams</b> (03/28/51)	Director	Director since 1999	Senior Vice President and Chief Financial Officer, Orbitz Worldwide, Inc. (travel-services provider) since 2007; former Executive Vice President and Chief Financial Officer, Equity Office Properties Trust (a REIT).	13	Director, Modine Manufacturing, Inc. (heat transfer technology); Director, Chicago Bridge & Iron Company, N.V. (industrial construction and engineering); Director, Fifth Third Bancorp (diversified financial services).

**DAVIS VALUE PORTFOLIO**

**Directors and Officers – (Continued)**

<b>Name</b> (birthdate)	<b>Position(s)</b> <b>Held With</b> <b>Fund</b>	<b>Term of</b> <b>Office and</b> <b>Length of</b> <b>Time</b> <b>Served</b>	<b>Principal Occupation(s)</b> <b>During Past Five Years</b>	<b>Number of</b> <b>Portfolios in</b> <b>Fund</b> <b>Complex</b> <b>Overseen by</b> <b>Director</b>	<b>Other Directorships</b> <b>Held by Director</b>
<i>Inside Directors*</i>					
<b>Jeremy H. Biggs</b> (08/16/35)	Director/ Chairman	Director since 1994	Vice Chairman, Member of the Audit Committee and Member of the International Investment Committee, former Chief Investment Officer (1980 through 2005), all for Fiduciary Trust Company International (money management firm); Consultant to Davis Selected Advisers, L.P.	13	none
<b>Christopher C. Davis</b> (07/13/65)	Director	Director since 1997	President or Vice President of each Davis Fund, Selected Fund, and Clipper Fund; Chairman, Davis Selected Advisers, L.P., and also serves as an executive officer in certain companies affiliated with the Adviser, including sole member of the Adviser's general partner, Davis Investments, LLC; Employee of Shelby Cullom Davis & Co. (registered broker/dealer).	10	Director, Davis New York Venture Fund, Inc. (consisting of four portfolios); Director, the Selected Funds (consisting of three portfolios) since 1998; Director, Washington Post Co. (newspaper publisher).

\* Jeremy H. Biggs and Christopher C. Davis own partnership units (directly, indirectly, or both) of the Adviser and are considered to be "interested persons" of the Funds as defined in the Investment Company Act of 1940.

*Officers*

**Christopher C. Davis (born 07/13/65, Davis Funds officer since 1997).** See description in the section on Inside Directors.

**Andrew A. Davis (born 06/25/63, Davis Funds officer since 1997).** President or Vice President of each of the Davis Funds (consisting of 13 portfolios) and Selected Funds (consisting of three portfolios); President, Davis Selected Advisers, L.P., serves as an executive officer in certain companies affiliated with the Adviser; Director of Davis Series, Inc. (consisting of six portfolios) and the Selected Funds (consisting of three portfolios).

**Kenneth C. Eich (born 08/14/53, Davis Funds officer since 1997).** Executive Vice President and Principal Executive Officer of each of the Davis Funds (consisting of 13 portfolios), Selected Funds (consisting of three portfolios), and Clipper Fund, Inc. (consisting of one portfolio); Chief Operating Officer, Davis Selected Advisers, L.P., and also serves as an executive officer in certain companies affiliated with the Adviser.

**Douglas A. Haines (born 03/04/71, Davis Funds officer since 2004).** Vice President, Treasurer, Chief Financial Officer, Principal Financial Officer, and Principal Accounting Officer of each of the Davis Funds (consisting of 13 portfolios), Selected Funds (consisting of three portfolios), and Clipper Fund, Inc. (consisting of one portfolio); Vice President and Director of Fund Accounting, Davis Selected Advisers, L.P.

**Sharra L. Haynes (born 09/25/66, Davis Funds officer since 1997).** Vice President, Chief Compliance Officer of each of the Davis Funds (consisting of 13 portfolios), Selected Funds (consisting of three portfolios), and Clipper Fund, Inc. (consisting of one portfolio); Vice President and Chief Compliance Officer, Davis Selected Advisers, L.P., and also serves as an executive officer in certain companies affiliated with the Adviser.

**Thomas D. Tays (born 03/07/57, Davis Funds officer since 1997).** Vice President and Secretary of each of the Davis Funds (consisting of 13 portfolios), Selected Funds (consisting of three portfolios), and Clipper Fund, Inc. (consisting of one portfolio); Vice President, Chief Legal Officer and Secretary, Davis Selected Advisers, L.P., and also serves as an executive officer in certain companies affiliated with the Adviser.

**Arthur Don (born 09/24/53, Davis Funds officer since 1991).** Assistant Secretary (for clerical purposes only) of each of the Davis Funds and Selected Funds; Partner, Seyfarth Shaw LLP (a law firm); counsel to the Independent Directors and the Davis Funds.

## **DAVIS VALUE PORTFOLIO**

### **Investment Adviser**

Davis Selected Advisers, L.P. (Doing business as “Davis Advisors”)  
2949 East Elvira Road, Suite 101  
Tucson, Arizona 85756  
(800) 279-0279

### **Distributor**

Davis Distributors, LLC  
2949 East Elvira Road, Suite 101  
Tucson, Arizona 85756

### **Transfer Agent**

Boston Financial Data Services, Inc.  
c/o The Davis Funds  
P.O. Box 8406  
Boston, Massachusetts 02266-8406

### **Custodian**

State Street Bank and Trust Co.  
One Lincoln Street  
Boston, Massachusetts 02111

### **Counsel**

Seyfarth Shaw LLP  
131 South Dearborn Street, Suite 2400  
Chicago, Illinois 60603-5577

### **Independent Registered Public Accounting Firm**

KPMG LLP  
707 Seventeenth Street, Suite 2700  
Denver, Colorado 80202

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*For more information about Davis Value Portfolio, including management fee, charges, and expenses, see the current prospectus, which must precede or accompany this report. The Fund’s Statement of Additional Information contains additional information about the Fund’s Directors and is available without charge upon request by calling 1-800-279-0279 and on the Fund’s website at [www.davisfunds.com](http://www.davisfunds.com). Quarterly Fact sheets are available on the Fund’s website at [www.davisfunds.com](http://www.davisfunds.com).*

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Davis Advisors  
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Tucson, AZ 85756  
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