# Davis All-Cap SMA Portfolio

Fall Update 2024



50 YEARS DAVIS ADVISORS

Davis ADVISORS

THE EQUITY SPECIALISTS

# Portfolio Commentary

## Key Takeaways

- Despite negative headlines about the economy, corporate America has made significant progress in the post-COVID period.
- As long-term investors our view is constructive, based on the fact that we are still finding attractive opportunities for capital while explicitly paying much lower price multiples than those on the major market indexes.
- The select holdings that make up Davis All-Cap portfolio today are among the most compelling ideas we have seen in a long time, businesses that have delivered real value in the form of earnings per share growth over the past half-decade yet trade at a low forward P/E relative to the S&P 1500 Index.

## Market Perspectives:
### Economic Resilience

In the year-to-date period ended September 30, 2024 the U.S. stock market delivered double-digit gains, with the S&P 1500 returning 21.26%.

The stock market's meaningful advance occurred despite ongoing uncertainties about the U.S. economy's health, geopolitical conflicts overseas and a transitioning interest rate environment.

The stock market may or may not behave in a way that reflects the macro backdrop and, in our view, the unwritten headline among negative ones is that corporate America has made significant progress, in particular since the COVID period.

As a general proxy for the health of the corporate sector, earnings for many of the most substantial, bellwether companies in the market are up considerably. The companies in the S&P 500—the largest component of the S&P 1500 on a market cap-weighted basis—have seen their earnings per share rise by close to 70% since the end of 2020. In other words, in a span of three-and-a-half years, the corporate sector of America on balance should be worth far more in intrinsic value based on the earnings its constituent units are producing.

In part, this reflects the inherent resilience of the U.S. economy. With unemployment hovering around only 4%, which is low historically, consumers are managing to spend at a reasonable rate.

The financial stability of the country, as measured by the relatively low leverage ratio among the major banks, is far sounder than when the 2008–2009 crisis occurred. Gross domestic product (GDP) grew a modest 2.8% in August meaning that we are still in expansion mode, however slow the expansion may be for now. The Federal Reserve's new posture aimed at lowering interest rates may support both spend and credit among consumers at the margin. Significantly, the Fed's pivot to lowering rates reflects a view among policymakers that the inflation surge which was caused by COVID and global supply chain issues has abated dramatically from its level just a few years ago.

However, prices, once higher, tend rarely to slide back and revert to former levels, excluding explicit discounting or outright deflation. Inflation has clearly proven difficult for most people and in this context it is to be expected that certain social tensions might emerge. Highly unionized workforces in some areas have begun pushing for higher wages by organizing strikes, for instance. This introduces uncertainty about the normal and smooth functioning of specific companies and industries. It is also a reminder that real wages—nominal wages adjusted for inflation—are and will continue to be an important factor in how comfortable and confident people feel, which can have second-order implications for the economy.

We believe that investors should focus on being prepared while not trying to predict the unpredictable. Preparation in our minds today means taking stock of how durable and resilient one's businesses are over the course of a long cycle, and maintaining the realist's view that proverbial trees do not grow to the sky.

In summary, we are proceeding not as optimists or pessimists, but as realists. We maintain a very constructive view as long-term investors based on the fact that we are still finding what we feel are many attractive opportunities for capital. At the same time, we are balancing considerations by consciously and explicitly paying much lower multiples than is currently the case with the major market indexes such as the S&P 1500. ■

## Portfolio Review:
### Structural Earnings Growth

Davis All-Cap portfolio holds a select list of individually chosen holdings representing businesses that we believe have the potential to compound at attractive returns over the long term.

In the following table, we show the number of holdings in the portfolio at the end of third quarter 2024 as well as the portfolio's 5-year earnings per share growth and its forward P/E multiple versus the S&P 1500.

**Selective, Attractive Growth, Undervalued**[1]

| | Portfolio | Index |
|---|---|---|
| Holdings | 30 | 1,507 |
| EPS Growth (5 Year) | 14.7% | 16.9% |
| P/E (Forward) | 14.0x | 23.2x |

What should be apparent is that we are being extremely selective and prefer owning businesses which on balance have demonstrated a structural ability to grow earnings over a meaningful time horizon but which can be purchased at value prices.

While we research and purchase each company on its own merits, there are a few major themes at work as well, namely highly durable financials, leaders in various areas of technology (both online and offline), healthcare services and generic pharmaceuticals.

The **financial stocks** in the portfolio span a wide array of companies from traditional banks to consumer finance companies such as Capital One Financial to rather untraditional, multi-industry financial companies such as Berkshire Hathaway.

What all of our financial businesses have in common is that they have a long history of being tested by economic and market forces and have proven exceptionally durable over full cycles. A further intangible distinguishing feature of our holdings is that they are led by highly skillful management teams whom we have known for decades and whose vision and operating discipline set them apart from most managements in the sector.

**1.** The Attractive Growth and Undervalued reference in this material relates to underlying characteristics of the portfolio holdings. There is no guarantee that the Portfolio's performance will be positive as equity markets are volatile and an investor may lose money. **Past performance is not a guarantee of future returns.** Five-year EPS Growth Rate (5-year EPS) is the average annualized earnings per share growth for a company over the past 5 years. The values shown are the weighted average of the 5-year EPS of the stocks in the Portfolio or Index. Approximately 3.50% of the assets of the Portfolio are not accounted for in the calculation of 5-year EPS as relevant information on certain companies is not available to the Advisors' data provider. Forward Price/Earnings (Forward P/E) Ratio is a stock's price at the date indicated divided by the company's forecasted earnings for the following 12 months based on estimates provided by the Fund's data provider. These values for both the Fund and the Index are the weighted average of the stocks in the portfolio or Index.

The media and public often think of financial stocks as being a monolithic group, virtually uniform in makeup and tied mainly to interest rates or other such factors. In reality our companies generate their core earnings power from many different sources and in different ways that make them highly individualized as investment cases.

The common feature that can be said to cut across our financial holdings today is that they are trading at exceptionally reasonable or low valuations yet have a long history of delivering attractive returns on capital over full cycles.

In **technology**, we own shares of strong players in e-commerce, social media and advertising, online search, cloud computing, semiconductor-related industries and enterprise software. These areas of technology continue to grow at a very fast pace, and apart from semiconductors, most of our portfolio holdings in this sector have the potential in our view to expand operating margins over time which would by definition translate into higher operating income. This is the nature of the dominant online businesses today which in our experience tend to earn a much higher return on capital spending than old-line brick-and-mortar businesses. In addition, we expect every one of our technology holdings to participate in, or at least benefit indirectly from, the rise of artificial intelligence (AI) in terms of both revenue generation and cost efficiencies.

**Healthcare** is a large segment of the portfolio today. Here we own primarily healthcare service providers specializing in managed care insurance, lab testing and diagnostics, and generic pharmaceuticals.

UnitedHealth is a representative example of what we look for in the managed care insurance sector. It is a leader among what has become a very small number of megacap healthcare insurers that manage plans not only for individuals and their families but throughout much of the corporate and government sectors as well. One of the company's most underestimated facets, in our opinion, is the Medicare Advantage business which is effectively a white-label private market option for recipients of Medicare where UnitedHealth serves as the administrator. Results have been strong as evidenced by the fact that the company's revenues are approaching $400 billion in annualized terms versus slightly more than $250 billion in 2020. Finally, healthcare insurance has quickly become a scale business, partly because government reimbursement rates are relatively tepid and the technology requirements of running an insurer continue to climb. Having the scale to spend billions of dollars on front- and back-office technologies for operating efficiencies will be a key advantage of the major players in this space, in our view.

Other businesses in the portfolio deal in more specialized products and services. Johnson Controls, an industrial company that specializes in providing building solutions such as heating, ventilation, air conditioning, refrigeration and security systems to all major regions of the world, is a representative example of such niche investment cases. In addition to Johnson Controls, we also own shares of numerous other "out of the spotlight" businesses, variously dealing in roofing and insulation and biofuel to copper and oil production, among other areas.

Finally, while we are a low-turnover manager, that does not mean the portfolio is expected to have no turnover and we have made a few adjustments. In the most recent quarter, for instance, we sold our position in MasterBrand on the basis of valuation. Selectively recycling capital from higher valuation names into lower-priced opportunities is an important facet of our investment discipline. ■

## **Outlook:**
## Market of Stocks

At Davis Advisors, we believe having a constructive view on the market starts with whether or not it offers a significant number of attractive investments that we can purchase at reasonable to low valuations. The U.S. stock market is vast and is truly a market of stocks rather than a monolithic entity, and we believe many opportunities to grow capital starting at fair to very cheap prices are available to the watchful investor.

The 30 holdings that make up Davis All-Cap portfolio today are among the most compelling ideas we have seen in a long time. On balance, these businesses have delivered real value in the form of earnings per share growth over the past half-decade yet trade at a forward P/E of only 14.0x. The portfolio's narrow focus and attractive valuation are the result of a deliberate and systematic process by the Davis research team as we continue to seek an appropriate balance of risk and reward for the benefit of our clients.

For more than 50 years we have navigated a constantly changing investment landscape guided by one north star—to grow the value of the funds entrusted to us. We are pleased to have achieved strong results thus far and look forward to the decades ahead. With more than $2 billion of our own money, we stand shoulder to shoulder with our clients on this long journey.[2] We are grateful for your trust and are well-positioned for the future. ■

**2.** As of 9/30/24, Davis Advisors, the Davis family and Foundation, and our employees have more than $2 billion invested alongside clients in similarly managed accounts and strategies.

# Davis All-Cap SMA Portfolio

## Selective. Attractive Growth. Undervalued.

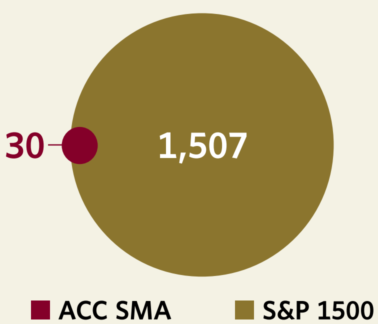
What gives us confidence that Davis All-Cap Value SMA (ACC SMA) Portfolio may build wealth for our shareholders in the years and decades to come? The compelling attributes of our businesses.

By being highly selective and rejecting the vast majority of companies in the index, the companies of Davis All-Cap SMA Portfolio have solid earnings, yet are 40% less expensive. In fact, this gap between price and value is among the widest we have ever seen. We believe this sets the stage for attractive returns in the years ahead.

### Selective

ACC SMA invests in only a select group of well-researched companies

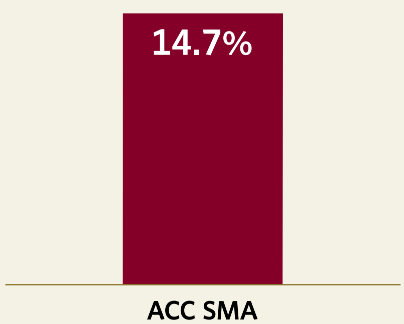
Holdings




### Attractive Growth

ACC SMA portfolio companies have solid earnings

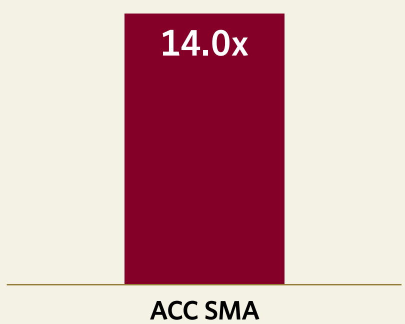
EPS Growth (5 Year)[1]




### Undervalued

ACC SMA portfolio companies are 40% less expensive than the index

P/E (Forward)[2]




As of 9/30/24. The Attractive Growth and Undervalued reference in this piece relates to underlying characteristics of the portfolio holdings. There is no guarantee that the Portfolio's performance will be positive as equity markets are volatile and an investor may lose money. **Past performance is not a guarantee of future returns.** Performance may vary. **1.** Five-year EPS Growth Rate (5-year EPS) is the average annualized earnings per share growth for a company over the past 5 years. The values shown are the weighted average of the 5-year EPS of the stocks in the Portfolio or Index. The 5-year EPS of the S&P 1500 Index is 16.9%. Approximately 3.50% of the assets of the Portfolio are not accounted for in the calculation of 5-year EPS as relevant information on certain companies is not available to the Advisor's data provider. **2.** Forward Price/Earnings (Forward P/E) Ratio is a stock's current price divided by the company's forecasted earnings for the following 12 months. The values for the portfolio and index are the weighted average of the P/E ratios of the stocks in the portfolio or index. The Forward P/E of the index is 23.2x.

# Davis All-Cap SMA Portfolio Holdings

September 30, 2024

Davis ADVISORS

## High Conviction. Different from the Index.

| Holdings | Portfolio (%) | S&P 1500 (%) |
|---|---|---|
| Quest Diagnostics | 6.9 | < 0.1 |
| Capital One Financial | 6.5 | 0.1 |
| Viatris | 6.3 | < 0.1 |
| Meta Platforms | 6.1 | 2.4 |
| Humana | 5.1 | 0.1 |
| Teck Resources | 5.1 | — |
| Applied Materials | 5.0 | 0.3 |
| Cigna Group | 4.8 | 0.2 |
| Owens Corning | 4.4 | < 0.1 |
| U.S. Bancorp | 4.0 | 0.1 |
| Markel Group | 3.8 | — |
| Wells Fargo | 3.8 | 0.4 |
| Berkshire Hathaway | 3.6 | 1.6 |
| Wesco International | 3.3 | < 0.1 |
| Amazon.com | 3.0 | 3.3 |
| Solventum | 2.9 | < 0.1 |
| Johnson Controls International | 2.5 | 0.1 |
| UnitedHealth Group | 2.3 | 1.0 |
| Texas Instruments | 1.9 | 0.4 |
| Darling Ingredients | 1.9 | < 0.1 |
| CVS Health | 1.8 | 0.2 |
| AGCO | 1.7 | < 0.1 |
| Alphabet | 1.7 | 3.4 |
| SAP | 1.5 | — |
| Oracle | 1.4 | 0.5 |
| Microsoft | 1.3 | 6.0 |
| Intel | 1.3 | 0.2 |
| Tyson Foods | 1.2 | < 0.1 |
| IAC | 0.8 | < 0.1 |
| Clear Secure | 0.6 | < 0.1 |
| Cash | 3.5 | — |
| **Total** | **100%** | |

The listed securities are representative of a model Davis All-Cap SMA Portfolio as of the indicated date. Portfolio holdings may change over time. Individual accounts may contain different securities. There is no assurance that any securities listed herein will remain in an individual account at the time you receive this report. The securities listed for the S&P 1500 are not representative of the entire portfolio, which consists of 1,507 securities. The information provided should not be considered a recommendation to buy or sell any particular security. There can be no assurance that an investor will earn a profit and not lose money.

# Davis All-Cap SMA Portfolio

September 30, 2024

Davis All-Cap SMA is a portfolio of small, medium and large companies selected using the time-tested Davis Investment Discipline. As one of the largest investors in the strategy, we have a unique commitment to client stewardship.*

## Unique Attributes of Davis All-Cap SMA Portfolio

**Equity-Focused Research Firm:**
Established in 1969, Davis is a leading specialist in equity investing. Our primary focus on research and unique investment discipline has built wealth for our clients over the long term.

**Portfolio of Best of Breed Businesses:**
Utilizing rigorous independent research, we invest in durable, well-managed businesses with sustainable competitive advantages and attractive long-term growth prospects selling at a discount to their true value.

**Flexible, Opportunistic Approach:**
The portfolio can opportunistically invest across all market caps, sectors and industries. We believe in a bottom-up stock selection process and in not mirroring the benchmark index. Active Share = 87%.

**We Are One of the Largest Investors:**
We have a unique commitment to stewardship, generating attractive long-term results and managing risks.

## Undervalued. Attractive Growth. Selective.[†]

| | | Portfolio |
|---|---|---|
| Undervalued | P/E (Forward) | 14.0x |
| Attractive Growth | EPS Growth (5 Year) | 14.7% |
| Selective | Holdings | 30 |

## Experienced Management

The research team has an average of 25 years investment experience.

## Sectors**

| | Portfolio (%) | Index (%) |
|---|---|---|
| Health Care | 31.2 | 11.5 |
| Financials | 22.5 | 13.3 |
| Information Technology | 13.5 | 29.9 |
| Industrials | 12.3 | 9.5 |
| Communication Services | 8.9 | 8.3 |
| Materials | 5.3 | 2.6 |
| Consumer Staples | 3.2 | 5.7 |
| Consumer Discretionary | 3.1 | 10.5 |
| Energy | — | 3.4 |
| Real Estate | — | 2.8 |
| Utilities | — | 2.5 |

## Market Capitalization *(% of Equities)*

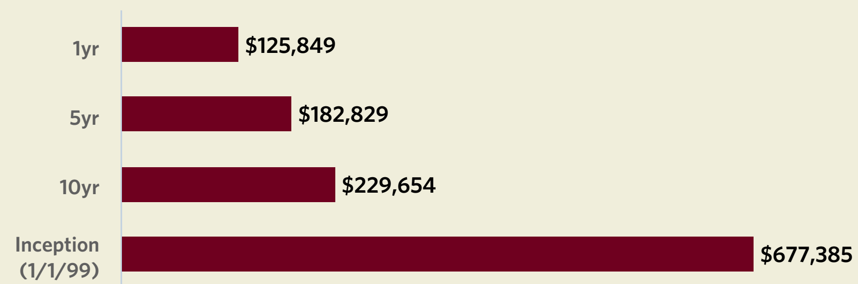
| | |
|---|---|
| Large | 68.9 |
| Mid | 27.7 |
| Small | 3.4 |

## Top 10 Holdings[‡]

| | Portfolio (%) | Index (%) |
|---|---|---|
| Quest Diagnostics | 6.9 | < 0.1 |
| Capital One Financial | 6.5 | 0.1 |
| Viatris | 6.3 | < 0.1 |
| Meta Platforms | 6.1 | 2.4 |
| Humana | 5.1 | 0.1 |
| Teck Resources | 5.1 | — |
| Applied Materials | 5.0 | 0.3 |
| Cigna Group | 4.8 | 0.2 |
| Owens Corning | 4.4 | < 0.1 |
| U.S. Bancorp | 4.0 | 0.1 |

## Wealth Over the Long Term

$10,000 Hypothetical Investment[§]




***Net average annual total returns as of September 30, 2024, for Davis Multi-Cap Equity SMA Composite with a 3% maximum wrap fee: 1 year, 25.85%; 5 years, 12.83%; 10 years, 8.67%; and Inception, 7.71%. The performance presented represents past performance and is not a guarantee of future results.*** *Total return assumes reinvestment of dividends. Investment return and principal value will vary so that an investor may lose money. For current, quarterly returns, please ask your financial advisor to contact Davis Advisors. Current performance may be higher or lower.*

The investment strategies described herein are those of Davis Advisors. These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these materials are preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon a client's request. For additional information, documents and/or materials, please speak to your Financial Advisor.

# Investment Professionals

**Christopher C. Davis** joined Davis Advisors in 1989. He has 36 years experience in investment management and securities research. Mr. Davis received his M.A. from the University of St. Andrews in Scotland.

**Danton G. Goei** joined Davis Advisors in 1998. Mr. Goei received his B.A. from Georgetown University and his M.B.A. from The Wharton School. He was previously employed at Bain & Company, Morgan Stanley Asia Ltd. and Citicorp. Mr. Goei speaks multiple languages and has lived in Europe, Asia and currently resides in New York City.

**Dwight C. Blazin** joined Davis Advisors in 1995. He was previously a consultant for IT Consulting and Systems Design. Mr. Blazin received his B.A. from Brigham Young University and his M.A. and Ph.D. from New York University.

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

**Pierce B.T. Crosbie, CFA** joined Davis Advisors in 2008. Previously, he worked as a research analyst at Davidson Kempner Capital Management and in mergers and acquisitions at RBC Capital Markets. Mr. Crosbie received his B.A. from McGill University, his M.B.A. from the Harvard Business School and is a CFA charter holder.

**Edward Yen** joined Davis Advisors in 2013. Previously, he worked at Dodge & Cox and Lehman Brothers. Mr. Yen received his B.S. from the University of California, Berkeley and his M.B.A. from Stanford University.

**Sobby Arora, CFA** joined Davis Advisors in 2017. Previously, he worked as a research analyst at Federated Global Investment Management and ING Investment Management. Mr. Arora received his B.A. from Colgate University, his M.B.A. from The Stern School of Business and is a CFA charter holder.

# Financial Advisor Relationship Team

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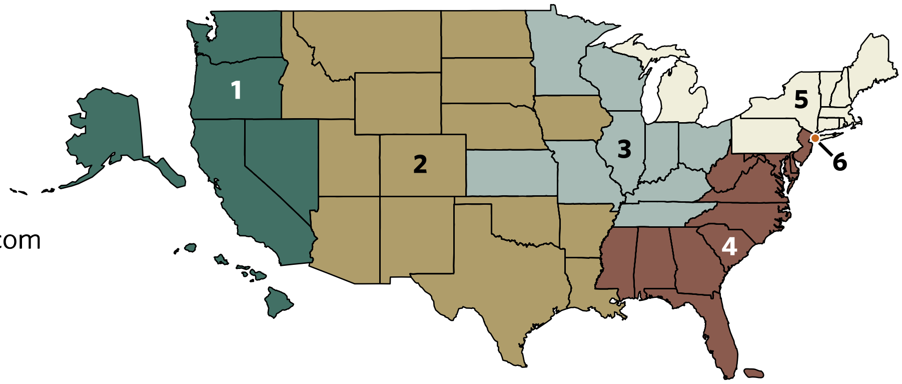


**Literature Requests: 800-717-3477, davisfunds.com**

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*This material 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 2 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.*

*As of 9/30/24. Includes Davis Advisors, Davis family and Foundation, and our employees. †The Attractive Growth and Undervalued reference in this piece relates to underlying characteristics of the portfolio holdings. There is no guarantee that the Portfolio's performance will be positive as equity markets are volatile and an investor may lose money. **Past performance is not a guarantee of future returns.** Five-Year EPS Growth Rate is the average annualized earning per share growth for a company over the past five years. The value for the portfolio is the weighted average of the five-year EPS Growth Rates of the stocks in the portfolio. Approximately 3.50% of the assets of the Portfolio are not accounted for in the calculation of 5-year EPS as relevant information on certain companies is not available to the Portfolio's data provider. The 5-year EPS of the S&P 1500 is 16.9%. Forward Price/Earnings (Forward P/E) Ratio is a stock's price at the date indicated divided by the company's forecasted earnings for the following 12 months based on estimates provided by the Advisor's data provider. These values for both the Portfolio and the Index are the weighted average of the stocks in the Portfolio or Index. The Forward P/E of the S&P 1500 is 23.2x. ‡For information purposes only. Not a recommendation to buy or sell any security. **Sources: Davis Advisors and Wilshire Atlas. §Net of fees. As of 9/30/24.

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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 Opportunity 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 buy 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 Opportunity Fund or any other fund.

Davis Advisors is committed to communicating with our investment partners as candidly as possible because we believe our clients benefit from understanding our investment philosophy and approach. Our views and opinions include "forward-looking statements" which may or may not be accurate over the long term. Forward-looking statements can be identified by words like "believe," "expect," "anticipate," or similar expressions. You should not place undue reliance on forward-looking statements, which are current as of the date of this material. We disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate.

The Davis All-Cap Equity is represented by Davis Advisors' Multi-Cap Equity Composite.

Performance shown from 1/1/99, through 12/31/05, is the Davis Advisors' Multi-Cap Composite which includes all actual, fee-paying, discretionary Multi-Cap investing style institutional accounts, mutual funds, and wrap accounts under management including those accounts no longer managed. Effective 1/1/98, 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.

Effective 1/1/11, Davis Advisors created a Multi-Cap (SMA) Composite which excludes institutional accounts and mutual funds. Performance shown from 1/1/06, through 12/31/10, the Davis Advisors' Multi-Cap SMA Composite includes all eligible wrap accounts with a minimum account size of $3,500,000 from inception date for the first full month of account management and includes closed accounts through the last day of the month prior to the account's closing. For the performance shown from 1/1/11, through the date of this material, the Davis Advisors' Multi-Cap SMA Composite includes all eligible wrap accounts with no account minimum from inception date for the first full month of account management and includes closed accounts through the last day of the month prior to the account's closing. Wrap account returns are computed net of a 3% maximum wrap fee. For the gross performance results, custodian fees and advisory fees are treated as cash withdrawals. A list of Davis Advisors' Composites is available upon request.

This material discusses companies in conformance with Rule 206(4)-1 of the Investment Advisers Act of 1940 and guidance published thereunder. Six companies are discussed and are chosen as follows: (1–4) current holdings based on December 31 holdings; (5) the first new position; and (6) the first position that is completely closed out. Starting at the beginning of the year, the holdings from a Multi-Cap Equity model portfolio are listed in descending order based on percentage owned. Companies that reflect different weights are then selected. For the first quarter, holdings numbered 1, 6, 11, and 16 are selected and discussed. For the second quarter, holdings numbered 2, 7, 12, and 17 are selected and discussed. This pattern then repeats itself for the following quarters. If a holding is no longer in the portfolio then the next holding listed is discussed. No more than two of these holdings can come from the same sector per piece. None of these holdings can be discussed if they were discussed in the previous three quarters. If there were no purchases or sales, the purchases and sales are omitted from the material. If there were multiple purchases and/or sales, the purchase and sale discussed shall be the earliest to occur. Other than the recent buy and sell, any company discussed must constitute at least 1% of the portfolio as of December 31.

The information provided in this material does not provide information reasonably sufficient upon which to base an investment decision and should not be considered a recommendation to buy or sell any particular security. There is no assurance that any of the securities discussed herein will remain in an account at the time this material is received or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of any account's portfolio holdings. It should not be assumed that any of the securities discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. It is possible that a security was profitable over the previous five year period of time but was not profitable over the last year. In order to determine if a certain security added value to a specific portfolio, it is important to take into consideration at what time that security was added to that specific portfolio. A complete listing of all securities purchased or sold in an account, including the date and execution prices, is available upon request.

The investment objective of a Davis Multi-Cap Equity account is long-term growth of capital. There can be no assurance that Davis will achieve its objective. Davis Advisors uses the Davis Investment Discipline to invest a client's portfolio principally in common stocks (including indirect holdings of common stock through depositary receipts). The Multi-Cap Equity strategy may invest in large, medium, or small companies without regard to market capitalization and may invest in issuers in foreign countries, including countries with developed or emerging markets. The principal risks are: common stock risk, depositary receipts risk, emerging markets risk, fees and expenses risk, foreign country risk, foreign currency risk, headline risk, large-capitalization companies risk, manager risk, mid- and small-capitalization companies risk, and stock market risk. See the ADV Part 2 for a description of these principal risks.

The ranges reflected for large, mid, and small cap reflect the current ranges utilized by the S&P Composite 1500 Market Cap Guidelines, as may be amended from time to time. The current ranges are: large-capitalization, over $18 billion; mid-capitalization, between $6.7 billion and $18 billion; small-capitalization, under $6.7 billion.

We gather our index data from a combination of reputable sources, including, but not limited to, Lipper, Wilshire, and index websites.

The **S&P 1500 Index** is comprised of the S&P 500, MidCap 400, and SmallCap 600, which together represent approximately 90% of the U.S. equity market. 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.

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