Davis Large Cap Value SMA Portfolio

Fall Update 2026

Commentary

Selective. Attractive Growth. Undervalued.

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Portfolio Commentary

Key Takeaways

- Large technology stocks have powered U.S. market indexes to double-digit gains this year, further increasing concentration risk. The S&P 500 Index had a 40% weight in the information technology sector as of the end of September.
- The Russell 1000 Value Index is not immune from this concentration risk. Under its rules of reconstitution, it included large technology stocks this year, morphing what was considered a classic large-cap value benchmark into a closet growth index.
- The Davis Large Cap Value SMA (DLCV SMA) portfolio is distinct from style indexes (growth, core, or value) and peers and can therefore serve as a highly effective way to restore diversification in asset allocation models.
- For example, a 50/50 blend of the Davis Large Cap Value SMA with the S&P 500 Index or either of the Russell 1000 Value or Growth indexes should result in a far more diversified equities portfolio with a lower valuation than any of these indexes on their own.

Market Perspectives:
Complementary and Differentiated

In the year-to-date period through September 30, 2026, the major stock market indexes were up by double-digit percentages, powered by gains in mega-cap technology shares. The S&P 500 Index rose +12.75% while the Russell 1000 Value Index gained +19.27%. Davis Large Cap Value SMA portfolio delivered a solid return of +10.90%.

Net Average Annual Total returns as of September 30, 2026, for Davis Large Cap Value SMA Composite with a 3% maximum wrap fee: 1 year, 16.50%; 5 years, 8.56%; 10 years, 10.00%. 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. Davis Advisors fee schedules are described in Part 2 of its Form ADV. The strategies herein may not be suitable or appropriate for all investors depending on their specific investment objectives and financial situation. Potential investors should consult with their financial professional before determining whether to invest in a strategy.*

This material includes candid statements and observations regarding investment strategies, individual securities, and economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. Equity markets are volatile and an investor may lose money. **Past performance is not a guarantee of future results.** Unless otherwise noted, all performance information is as of September 30, 2026. 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 Davis Advisors 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.

The reason the DLCV SMA portfolio lagged its benchmark, the Russell 1000 Value Index, had mainly to do with the index's inclusion this year of high-growth, momentum-fueled technology stocks. In Figure 1 below we list the top 10 information technology drivers of the Russell 1000 Value Index's year-to-date returns in descending contribution order. It illustrates just how far what is considered a classic large-cap value index has morphed into a closet growth index this year due to its rules of construction.

The concern is that now all three large-cap style boxes—value, core and growth—have converged around a highly concentrated, highly correlated group of technology stocks. This means the major benchmark indexes as they are currently constituted, all skewed towards the technology sector, do not represent distinct styles in the way they have done in the past.

It means investors must once again figure out how to re-diversify their holdings by sector or factor in the spirit of fiduciary prudence.

Fig. 1: **Top-Heavy in Tech**

Leading information technology contributors to the Russell 1000 Value Index YTD 2026, as of 9/30/26

	YTD Return	Contribution (%)	Forward P/E (x)
Micron Technologies	297%	3.2	7
Microsoft	38%	1.7	25
Intel	226%	1.3	63
Apple	17%	1.1	35
Sandisk	781%	0.9	8
Applied Materials	145%	0.7	23
Advanced Micro Devices	144%	0.7	40
Marvell Technology	214%	0.5	62
Western Digital Corp.	241%	0.5	23
Dell Technologies	331%	0.4	21
		11 (out of 19.27% total YTD return)	

Source: Clearwater, Wilshire Atlas, and Bloomberg

In Figure 2 below we can see the vastly different sector weightings of the Davis Large Cap Value SMA portfolio relative to the S&P 500 Index as of September 30, 2026.

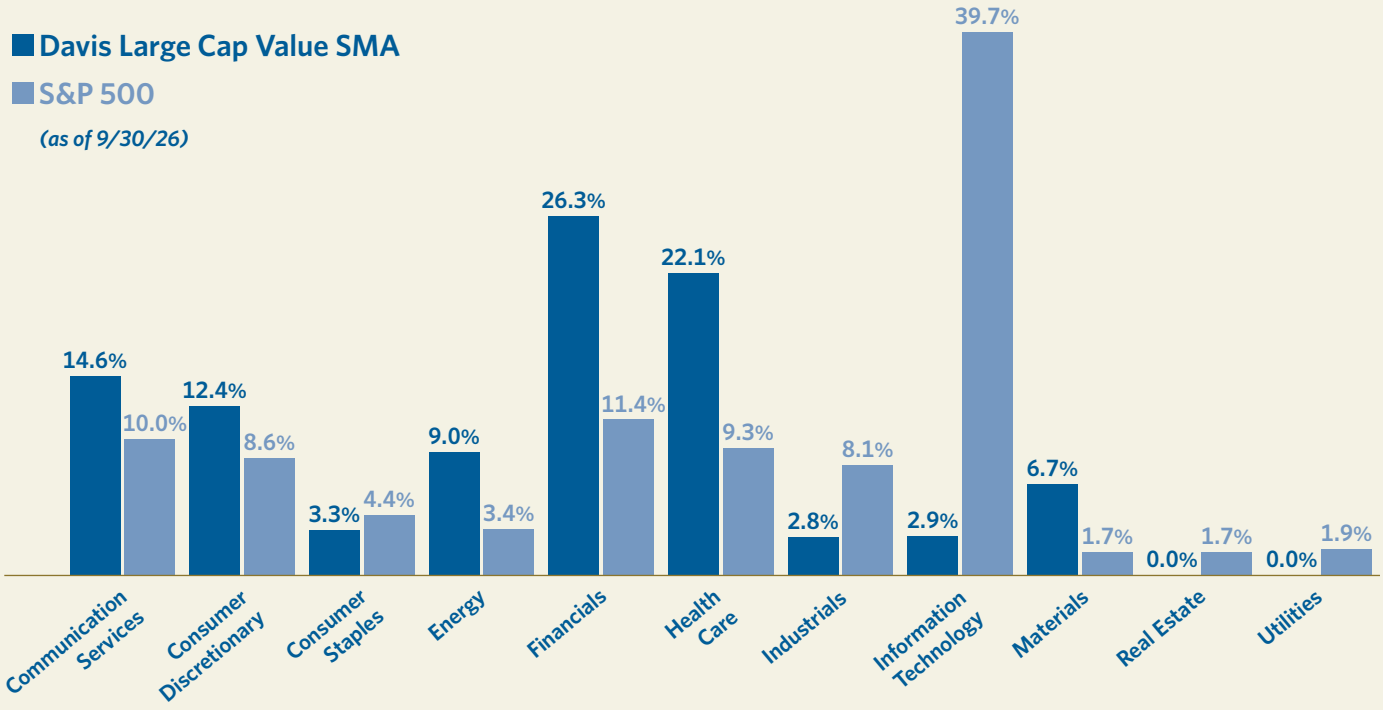
The S&P 500 Index had a 40% weighting in information technology stocks while all other 10 sectors represented 12% or less. This is an extreme imbalance representing concentration and valuation risk that we have not witnessed in the market index since the late 1990s. If the technology surge proves to be a bubble in the classic historical sense, and the information technology group in the index sees a substantial decline, there are no other sectors within the index with sufficient weight to offset the blow.

By contrast, the Davis Large Cap Value SMA provided diversification in sectors weighted over 10% across four major areas—Communication Services, Consumer Discretionary, Financials and Healthcare—and had a growing weight in Energy at 9%.

For investors to restore a semblance of prudent diversification and balance, they would need to add other complementary and differentiated portfolios to their S&P 500 Index exposure.

Fig. 2: **Concentration vs. Diversification**

Davis Large Cap Value SMA and S&P 500 Index Differentiated Sector Weightings



Source: Clearwater, Davis Advisors, and Wilshire Atlas

Hypothetically, if we merged the two portfolios, Davis Large Cap Value SMA and the S&P 500 Index in a 50/50 blend, it should result in a far more diversified equity portfolio than the S&P 500 Index on its own, as we see in Figure 3.

The fundamental drivers underpinning vast economic sectors like financials and healthcare are completely distinct from those that power AI, semiconductors, memory and other technology groups. Hence having more weight in healthy financials and under-earning but durable healthcare companies, and less weight in technology names, could produce a smoother experience for investors when capital next rotates among sectors.

Furthermore, our DLCV SMA portfolio has a forward P/E of only around 12x versus 22x for the S&P 500 Index so the blended multiple would come down to about 17x, the midpoint between the two.

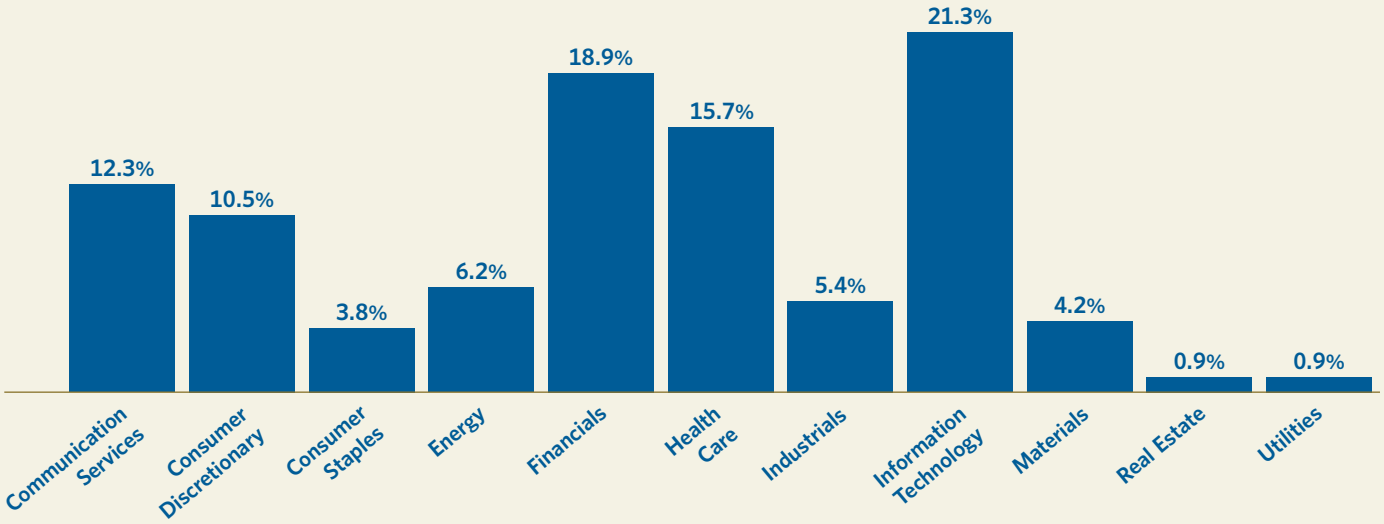
Blending the Davis Large Cap Value SMA portfolio with the S&P 500 Index is just one use case that we present here for illustrative purposes. An investor could perform a similar diversification exercise by combining the Davis Large Cap Value SMA portfolio with either the Russell 1000 Growth or Value indexes as well.

As investment managers and fiduciaries our job is to construct portfolios in a professional manner on behalf of individual investors whose hard-earned savings warrant diversification and effective risk controls. We are not in the business of aiming for the highest possible return at any cost or asset-gathering based on expedient stories while the game of risk-taking musical chairs goes on.

We caution investors that a market tilted to technology stocks and the top of the major large cap indexes is one that appears to be assuming that what can go right will go right. However, it is prudent to consider what could go wrong.

Fig. 3: **Blended Portfolio**

Sector Weights of Hypothetical 50/50 Davis Large Cap Value SMA/S&P 500 Index Portfolio as of 9/30/26



Source: Clearwater, Davis Advisors, and Wilshire Atlas

There are some obvious risk factors. For example, interest rates are rising due to inflation and the state of our national debt. Past bubbles have been pricked more than once by rising rates, which can choke off financing for capital-intensive growth sectors. Employment is steady but could deteriorate for cyclical or secular reasons. The geopolitical picture is anything but stable. Any number of these things could lead to interruptions in the path of progress for growth stocks, and it is by no means an exhaustive list. As in 2022 or the dot-com bubble in 1999/2000, tech could turn suddenly and sharply.

This is why diversification should never go out of style. The antidote to a concentrated market is breadth and diversification not tied to a single factor (like momentum). You need a spread of drivers to make a portfolio more resilient in this unpredictable world. ■

Portfolio Review:
Growth and Durability

The Davis Large Cap Value SMA portfolio returned +10.90% in the first nine months of 2026. We achieved this positive result in a volatile market environment without having an overweight position in the parts of the market that we consider the riskiest, most over-valued and potentially the most prone to be in a bubble.

A central tenet of our investment approach is that we do not look like the indexes. By being highly selective, we have constructed a portfolio of companies that combine strong earnings growth rates with attractive valuations relative to the benchmark (see Figure 4).

Fig. 4 **Selective, Attractive Growth, Undervalued**

Key characteristics of Davis Large Cap Value SMA portfolio vs. major indexes[1]

	Portfolio	Russell 1000 Value Index	S&P 500 Index
Holdings	30	869	503
EPS Growth (5 Year)	15.9%	15.1%	27.3%
P/E (Forward)	12.4x	18.8x	22.0x

Source: Davis Advisors and Wilshire Atlas

The low valuation is key because it reduces risk. Our portfolio trades at a dramatic discount to the Russell 1000 Value Index (and even more so to the S&P 500 Index) despite having attractive growth characteristics and benefiting from the durability of the underlying businesses. This combination of attractive growth at bargain prices underpins our conviction in the portfolio despite the hype and volatility in the market overall.

Financial stocks represent approximately a quarter of our portfolio. These are select, high-grade businesses with certain unifying attributes, including their durability, resilience and low valuations. By design these are not excessively high-growth companies but very attractive compounding machines starting at low valuations in an otherwise rich market due to being somewhat overlooked.

One example is U.S. Bancorp, a super-regional bank with an unusually high share of fee income from its large Elavon payments business. With its integration of Union Bank complete, it should see the benefits in increased operating leverage. Wells Fargo is another representative holding. It is one of the biggest domestic banks by assets and highly diversified across consumer

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. Approximately 2.20% 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 Portfolio's data provider. These values for both the Portfolio and the Index are the weighted average of the stocks in the portfolio or Index.

and commercial business lines. The asset cap on the bank imposed by the U.S. Federal Reserve was lifted in 2025, and we expect to see it grow its balance sheet after years of constraint and raise return on equity toward peer levels.

Healthcare stocks constitute about 20% of our portfolio. We hold a diversity of names ranging from massive managed care insurers to drug manufacturers and distributors and lab and diagnostics companies. All our holdings in this sector have in common that they are embedded in the inexorably rising expenditure footprint of the U.S. healthcare industry. One example is a global generics and specialty pharmaceutical company with over 1,400 approved therapeutics in its portfolio. This stock has had stellar performance year-to-date, but we believe it has further to run, given its multiple opportunities to monetize a very large patent portfolio, including the possibility of entering the weight-loss drug category.

Elsewhere in this sector we own CVS Health, a diversified healthcare juggernaut that combines one of the largest U.S. retail pharmacy chains with Aetna, its health insurance arm, and CVS Caremark, a major pharmacy benefit manager, as well as running primary-care and health services businesses. Its vertical integration means it captures value at several points in each healthcare dollar spent, and we expect to see margin recovery at Aetna after a period of elevated medical costs, giving earnings room to rebound from a depressed base.

Solventum, another of our healthcare holdings, makes medical-surgical supplies such as wound care and infection prevention products, dental and orthodontic products, and health information software. This gives it a highly durable and defensive cash flow profile while it also has room to benefit from increased efficiencies, including possible divestitures.

We also have a meaningful weight in **technology-related stocks** which constitute about 17% of the portfolio. Our holdings include hyperscaler and semiconductor businesses as well as niche applications with high-growth characteristics. During the quarter we initiated a new position in AppLovin, an advertising technology company whose AI-powered AXON engine matches advertisers with users, mainly in mobile games. We believe it can generate high-margin AI-driven growth as it expands its proven machine-learning platform beyond mobile gaming into e-commerce advertising.

Finally, around 9% of the portfolio is in **energy stocks**, with a tilt towards natural gas. We think natural gas producers in the U.S. will benefit from new demand vectors, mainly (but not exclusively) due to data center power needs. For a long time, the demand side was unpredictable and weak but now a sea change has occurred that the market may not have fully recognized. It is an attractive time to be investing in power generation given the steepening demand curve, the limited number of existing natural gas producers and an industry trend towards further consolidation.

Our high selectivity allows us to identify that handful of companies that can be combined into a portfolio that offers truly attractive earnings growth and durability alongside discounted valuations. In our view, it is key to organizing an effective investment strategy in today's uncertain world. This is why, despite concern and caution about the volatile market environment, we continue to have confidence in how we are positioned for 2026 and beyond.

Together on This Journey

For more than 50 years, Davis Advisors has 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 invested in our portfolios, 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 9/30/26, 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 Large Cap Value SMA Portfolio

Selective. Attractive Growth. Undervalued.



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

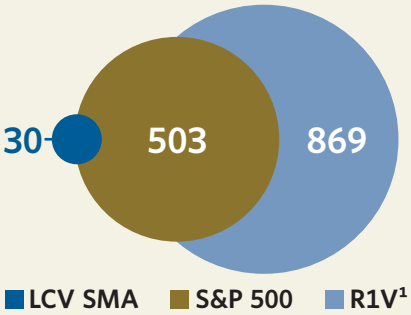
By being highly selective and rejecting the vast majority of companies in the indices, the companies of Davis Large Cap Value SMA Portfolio have solid earnings, yet are less expensive. We believe the gap between price and value sets the stage for attractive returns in the years ahead."

Chris Davis, Portfolio Manager

Selective

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

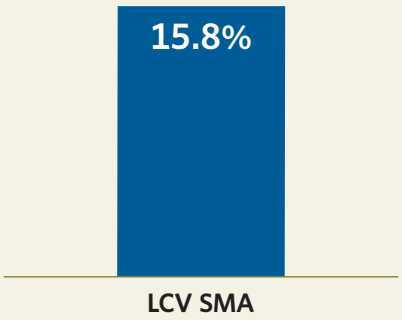
Holdings



Attractive Growth

LCV SMA portfolio companies have solid earnings

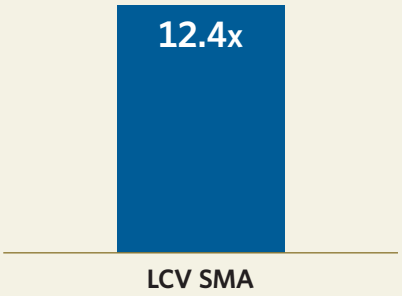
5-Year EPS Growth²



Undervalued

LCV SMA portfolio companies are less expensive than their EPS growth

P/E (Forward)³



As of 9/30/26. 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.** Russell 1000 Value Index. **2.** 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 2.30% 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 500 is 27.3%. **3.** 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 500 is 22.0x.

Davis Large Cap Value SMA Holdings

September 30, 2026

High Conviction. Different from the Index.

Holdings	Portfolio (%)	S&P 500 (%)
Capital One Financial	7.0	0.2
Alphabet	6.5	5.5
U.S. Bancorp	6.5	0.1
Viatris	6.3	< 0.1
Amazon.com	5.9	3.7
Devon Energy	5.9	0.1
CVS Health	5.1	0.2
MGM Resorts	4.9	< 0.1
Meta Platforms	4.7	2.4
Berkshire Hathaway	4.6	1.4
LyondellBasell Industries	3.8	< 0.1
Wells Fargo	3.3	0.4
Tyson Foods	3.2	< 0.1
Cigna Group	3.2	0.1
Teck Resources	2.8	—
Texas Instruments	2.8	0.4
Markel Group	2.6	—
UnitedHealth Group	2.5	0.5
Solventum	2.3	< 0.1
ConocoPhillips	1.9	0.2
Chubb	1.8	0.2
Owens Corning	1.4	—
AGCO	1.3	—
Pinterest	1.3	—
Restaurant Brands International	1.3	—
Zoetis	1.3	< 0.1
AppLovin	1.2	0.1
Quest Diagnostics	1.0	< 0.1
Expand Energy	1.0	< 0.1
People	0.6	—
CASH	2.0	—
	100%	

The listed securities are representative of a model Davis Large Cap Value 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 500 are not representative of the entire portfolio, which consists of 503 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 Large Cap Value SMA

September 30, 2026

Davis Large Cap Value is a portfolio of attractive businesses selected using the time-tested Davis Investment Discipline. The portfolio has outperformed its benchmark since inception. As one of the largest investors in the strategy, we have a unique commitment to client stewardship.*

Unique Attributes of Davis Large Cap Value 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:

We believe a bottom-up stock selection process and not mirroring the benchmark index are keys to long-term outperformance. Active Share = 84%.

We Are One of the Largest Investors:

We have a unique commitment to stewardship, generating attractive long-term results and managing risks.

Our Investment Alongside Our Clients

We have more than $2 billion invested in Davis Strategies and Funds.*

Selective, Attractive Growth, Undervalued†

		Portfolio
Selective	Holdings	30
Attractive Growth	EPS Growth (5 Year)	15.8%
Undervalued	P/E (Forward)	12.4x

Experienced Management

Chris C. Davis, *37 yrs with Davis Advisors*

Danton G. Goei, *28 yrs with Davis Advisors*

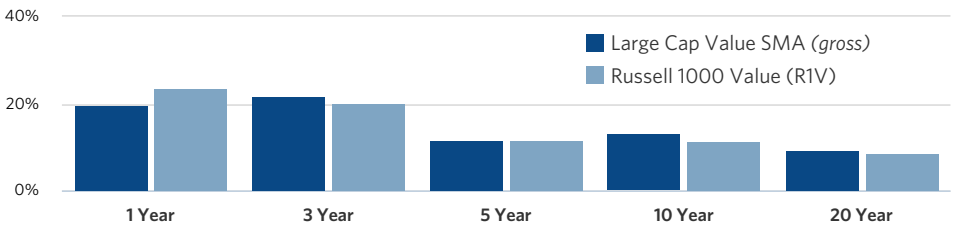
Sectors**

	Portfolio (%)	S&P 500 (%)
Financials	26.3	11.4
Health Care	22.2	9.3
Communication Services	14.6	10.0
Consumer Discretionary	12.4	8.6
Energy	9.0	3.4
Materials	6.7	1.7
Consumer Staples	3.3	4.4
Information Technology	2.9	39.7
Industrials	2.8	8.1
Utilities	—	1.9
Real Estate	—	1.7

Top 10 Holdings‡

	Portfolio (%)	S&P 500 (%)
Capital One Financial	7.0	0.2
Alphabet	6.5	5.5
U.S. Bancorp	6.5	0.1
Viatris	6.3	< 0.1
Amazon.com	5.9	3.7
Devon Energy	5.9	0.1
CVS Health	5.1	0.2
MGM Resorts	4.9	< 0.1
Meta Platforms	4.7	2.4
Berkshire Hathaway	4.6	1.4

Attractive Average Returns (%)



Performance (%)

	1 Year	3 Year	5 Year	10 Year	20 Year
Large Cap Value SMA *(gross)*	20.00	21.92	11.84	13.32	9.52
Large Cap Value SMA *(net 3%)*	16.50	18.37	8.56	10.00	6.30
Russell 1000 Value	23.81	20.05	11.91	11.42	8.60
S&P 500	15.74	22.87	13.78	15.32	11.20

Net average annual total returns as of September 30, 2026, for Davis Large Cap Value SMA Portfolio Composite with a 3% maximum wrap fee: 1 year, 16.50%; 5 years, 8.56%; 10 years, 10.00%; and since 1/1/02, 6.39%. *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.*

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Investment Professionals

Christopher C. Davis joined Davis Advisors in 1989. He has 37 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.

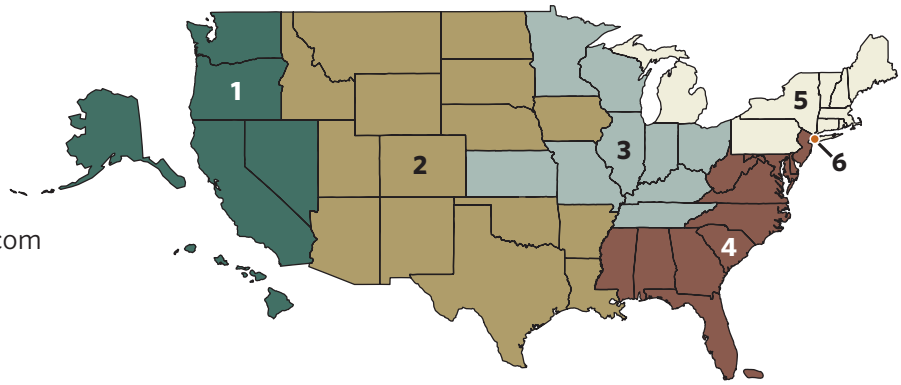
Ian Gorman, CFA joined Davis Advisors in 2023. Previously, he worked at Scotiabank and Barclays. Mr. Gorman received his B.B.A. from Villanova University and his M.B.A. from Columbia Business School and is a CFA charter holder.

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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 9/30/26. 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 (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 500 is 27.3%. Approximately 2.30% 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. 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 500 is 22.0x. ‡For information purposes only. Not a recommendation to buy or sell any security. **Sources: Davis Advisors and Clearwater Wilshire Atlas.

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.

The performance of mutual funds is included in the Composite. The performance of the mutual funds and other Davis managed accounts may be materially different. For example, the Davis New York Venture Fund may be significantly larger than another Davis managed account and may be managed with a view toward different client needs and considerations. The differences that may affect investment performance include, but are not limited to: the timing of cash deposits and withdrawals, the possibility that Davis Advisors may not 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 New York Venture 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.

Returns from inception (4/1/69) through 12/31/01, were calculated from the Davis Large Cap Value Composite (see description below). Returns from 1/1/02, through the date of this material were calculated from the Large Cap Value (SMA) Composite.

Davis Advisors' Large Cap Value Composite includes all actual, fee-paying, discretionary Large Cap Value investing style institutional accounts, mutual funds, and wrap accounts under management 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.

Davis Advisors' Large Cap Value (SMA) Composite excludes institutional accounts and mutual funds. Performance shown from 1/1/02, through 12/31/10, 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' Large Cap Value 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. The net of fees rate of return formula used by the wrap-fee style accounts is calculated based on a hypothetical 3% maximum wrap fee charged by the wrap account sponsor for all account service, including advisory fees for the period 1/1/06, and thereafter. 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 Large-Cap Value 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.

As this is primarily a domestic equity strategy, no more than one foreign holding will be discussed in any material. If more than one foreign holding would be discussed based on the criteria above, the holding with the largest percent of assets in the model portfolio would be chosen. However, if the model portfolio has an aggregate foreign holding percentage that is greater than 15% the commentary would include a discussion of the largest foreign holding in the model portfolio that has not been discussed in the previous three quarters. 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 Large Cap Value 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 assets principally in common stocks (including indirect holdings of common stock through depositary receipts) issued by large companies with market capitalizations of at least $10 billion. Historically, the Large-Cap Value strategy has invested a significant portion of its assets in financial services companies and in foreign companies, and may also invest in mid- and small-capitalization companies. The principal risks are: China risk, common stock risk, depositary receipts risk, emerging market risk, fees and expenses risk, financial services risk, focused portfolio 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 attractive growth reference in this material relates to underlying characteristics of the portfolio holdings. There is no guarantee that the portfolio performance will be positive as equity markets are volatile and an investor may lose money.

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

The **S&P 500 Index** is an unmanaged index that covers 500 leading companies and captures approximately 80% coverage of available market capitalization. The **Russell 1000 Value Index** measures the performance of the large-cap value segment of the U.S. equity universe. It includes those Russell 1000 companies with lower price-to-book ratios and lower expected growth values. The Russell 1000 Value Index is constructed to provide a comprehensive and unbiased barometer for the large-cap value segment. Investments cannot be made directly in an index.

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