

# Davis Global ADR SMA Portfolio

Fall Update 2024

Commentary

Selective. Attractive Growth. Undervalued.

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THE EQUITY SPECIALISTS

## Portfolio Commentary

### Key Takeaways

- The world's major regions show significant differences at the macro level, with U.S. still expanding although at a slower rate than before, Europe comparatively more sluggish, and Asia-Pacific under close watch for China's expected resurgence.
- The risk profiles of European and Asian companies can be quite different from their U.S. counterparts, but these businesses are generally trading at much lower multiples than large U.S. firms, creating real opportunity in those markets.
- Davis Global ADR SMA portfolio's strong performance year-to-date is being driven by an array of individually selected businesses across multiple geographies, supporting our view that attractive opportunities can be found across regions with vastly different economic dynamics and conditions today.

### Market Perspectives: Opportunities at the Micro Level

In the year-to-date period ended September 30, 2024, the MSCI ACWI (All Country World Index) returned 18.66%, reflecting primarily strong returns in U.S. stocks followed by attractive, but somewhat lower, performance in Europe and the emerging markets, on balance.

The U.S. economy continues to expand, albeit at a slower rate. Gross domestic product (GDP) grew 2.8% on an annualized basis in August. However, the rate of inflation has moderated dramatically from its recent peak in 2021 of over 9% to approximately 3% today. Meanwhile, the employment situation is still relatively healthy as evidenced by an unemployment rate of just over 4%. This is low compared to the historical average, indicating a tight labor market, which is overall desirable. The Federal Reserve responded by lowering its policy interest rate by 0.50% in September. This was the Fed's first rate cut in four years, in stark contrast to the 12 rate hikes that preceded it. More significant than the size of the cut is the Fed's policy shift towards lowering rates which reflects its expectation that the worst of the COVID-sparked inflation surge might be over.

In Europe, conditions have been more sluggish by and large, prompting the European Central Bank to take a more aggressive stance in favor of lowering interest rates. The unemployment rate for Eurozone is approximately 6% and GDP growth is under 1%. Inflation has been falling and is now under 2%. With rather anemic growth on the continent overall, it begs the question of whether deflation could take the place of inflation as a problem. Not all businesses are impacted the same way by the macro trends, and we have been advising clients that selectivity is key in Europe today.

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 9/30/24. 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.

Across the broad spectrum of the emerging markets, our interest has historically been mainly in Asia-Pacific. This super region has become the economic and population center of gravity for the world, with faster economic growth—in China, India and Singapore, most notably—expanding wealth among consumers, and somewhat better demographics than Europe in particular. We see the slow recovery of China following its extended COVID lockdowns as still in its early days and expect an eventual resurgence of the country, which would likely have knock-on effects on growth in the greater region.

In Asia-Pacific, like the United States and Europe, selectivity is essential to ferreting out the right opportunities at the individual business level. As the region recovers, not all businesses will re-emerge with the same economics or strength as they once had. Moreover, the competitive playing field in many of Asia’s industries is dynamically changing, posing issues for some longtime incumbents, and potentially share gains and higher growth for other, more entrepreneurial competitors.

These regional observations are broad. Despite differences at the macro level, our analysis shows that at the micro level of individual businesses, each of the major geographies offers many terrific investment opportunities.

In the U.S. we feel valuation risk is one factor that is necessary to watch and to carefully manage in one’s portfolio. In Europe, where growth is low overall, we would argue that certain tech-forward business models, including app-based food delivery companies and select banks that are dominant in their respective countries, are particularly attractive, even despite the weaker macro picture.

In China and the greater Asia-Pacific region, certain companies that are principally engaged in food delivery, e-commerce, multi-line insurance and cross-border banking look particularly attractive at this time.

While the risk profiles of European and Asian companies can be quite different from their U.S. counterparts, businesses in the non-U.S. regions of the globe are generally trading at much lower multiples than S&P 500 Index companies in the U.S. We see real opportunity in those markets partly for that reason. ■

## Portfolio Review: Tech-Forward Business Models

Davis Global ADR SMA portfolio represents our highest-conviction investment ideas from around the world. What makes it distinct is the selectivity we apply in our process, the low valuations currently represented in the portfolio, and the earnings growth potential of the businesses we own.

As an illustration, below we present the comparative number of holdings, price-to-earnings ratios, and 5-year earnings per share growth rates for the portfolio versus its benchmark, MSCI ACWI:

### Selective, Attractive Growth, Undervalued<sup>1</sup>

	Portfolio	Index
Holdings	34	2,687
EPS Growth (5 Year)	18.4%	15.8%
P/E (Forward)	8.1x	19.3x

Davis Global ADR SMA strategy has outperformed its benchmark by a wide margin this year.

<sup>1</sup> 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 13.10% 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 drivers of our performance include a broad array of individually selected businesses across multiple geographies including the U.S., Europe, and Asia, illustrating our belief that attractive opportunities can be found across regions with vastly different economic dynamics and conditions today.

How different our portfolio looks from the benchmark is an indication of the types of companies we own. While we own a number of very large U.S. businesses, particularly in technology and financial services, other areas of focus for us include: app-based food delivery in Asia-Pacific and in continental Europe; fast-growing e-commerce companies in South Korea, Singapore and China; very well-capitalized banks that are dominant in their home countries such as Denmark, Switzerland and Singapore; and tech-forward holding companies with interests in fintech, app-based food delivery, classified advertising on the Internet, and video gaming, respectively.

In the U.S. portion of the portfolio, we hold businesses ranging from Capital One Financial in the financial sector to technology leaders in social media and online search, among others. In Europe, our preference is for companies such as Julius Baer, a private bank in Switzerland, as well as a diversified holding company based in the Netherlands that owns a variety of internet-related businesses in different parts of the globe.

In Asia-Pacific, our largest holding is Meituan, which is a Chinese behemoth in app-based food delivery, cloud services and general consumer services such as bookings for travel and entertainment, among other businesses.

Regarding recent transactions, we sold our position in Owens Corning to allocate capital to other areas of interest that are trading at much lower multiples with higher potential growth rates.

We have initiated a position in Entain, a UK-based sports betting and gaming company, at what we feel is an extremely attractive valuation in a fast-growing yet still nascent sector of the global economy. ■

## Outlook: Market of Stocks

The global stock market is really an immense market of individual stocks. We believe that selectivity is always a key characteristic of our portfolio but that its importance has risen given the broad regional uncertainties of today.

Overall, we are very comfortable with the businesses we own in Davis Global ADR SMA portfolio, and believe that the portfolio overall represents an appropriate balance between low valuations and relatively attractive potential earnings growth looking ahead.

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.<sup>2</sup> 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 Global ADR SMA Portfolio

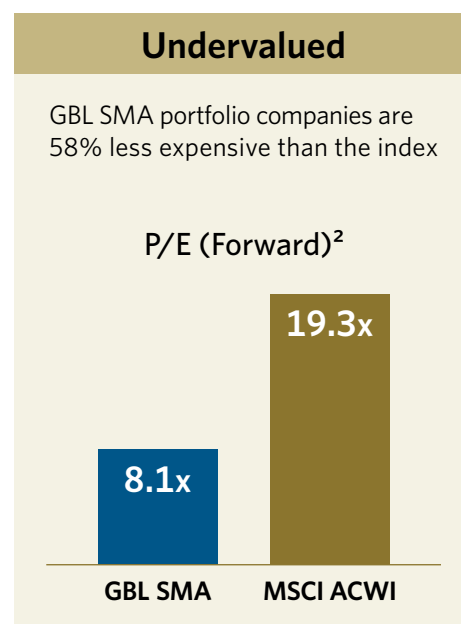
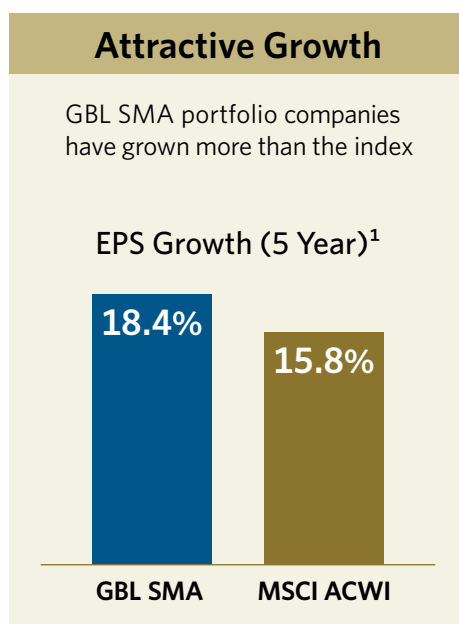
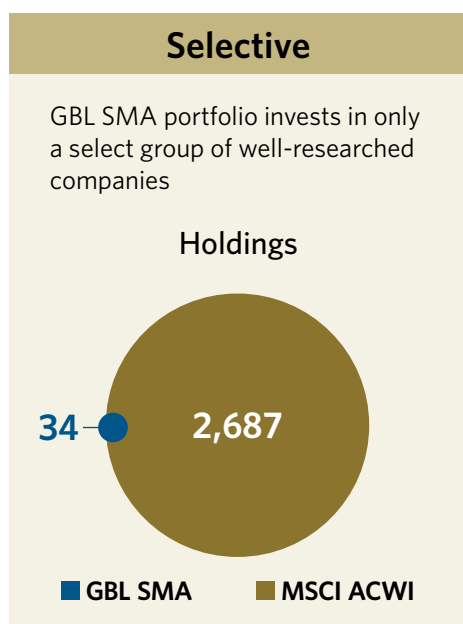
## Selective. Attractive Growth. Undervalued.



“What gives us confidence that Davis Global ADR SMA (GBL 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 index, the companies of Davis Global ADR SMA Portfolio have grown more than the index, yet are 58% 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.”

Danton Goei, Portfolio Manager



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. Approximately 13.10% 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.

## High Conviction. Different from the Index.

Holdings	Portfolio (%)	MSCI ACWI (%)
Meituan	7.0	0.1
Meta Platforms	6.5	1.6
Ping An Insurance Group	6.1	0.1
Naspers	6.1	0.1
Capital One Financial	6.0	0.1
Prosus	5.0	0.1
MGM Resorts	4.7	< 0.1
Danske Bank	4.5	< 0.1
Julius Baer Group	4.2	< 0.1
Viatis	3.8	< 0.1
Humana	3.6	0.1
KE Holdings	3.4	< 0.1
Trip.com Group	3.3	< 0.1
Solventum	3.2	< 0.1
Berkshire Hathaway	3.0	0.8
Amazon.com	2.8	2.2
Alphabet	2.7	1.3
Teck Resources	2.6	< 0.1
Entain	1.9	< 0.1
AIA Group	1.8	0.1
Delivery Hero	1.8	< 0.1
Cigna Group	1.7	0.1
Applied Materials	1.6	0.2
Quest Diagnostics	1.4	< 0.1
Markel Group	1.3	< 0.1
Sea	1.3	< 0.1
Coupang	1.3	—
Tyson Foods	1.1	< 0.1
AGCO	1.0	—
Intel	1.0	0.1
IAC	1.0	—
Darling Ingredients	0.7	—
Clear Secure	0.5	—
Noah Holdings	0.1	—
Cash	2.0	—
<b>Total</b>	<b>100%</b>	

The listed securities are representative of a model Davis Global ADR 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 MSCI ACWI are not representative of the entire portfolio, which consists of 2,687 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 Global ADR SMA is a portfolio of attractive businesses from around the world selected using the timetested Davis Investment Discipline. As one of the largest investors in the strategy, we have a unique commitment to client stewardship.\*

## Unique Attributes of Davis Global ADR 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 invests in both developed and developing markets. We believe in a bottom-up stock selection process and in not mirroring the benchmark index. Active Share = 92%.

### 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	Index
Undervalued	P/E (Forward)	8.1x	19.3x
Attractive Growth	EPS Growth (5 Year)	18.4%	15.8%
Selective	Holdings	34	2,687
	Total Countries	12	47

## Experienced Management

Danton G. Goei, 26 yrs with Davis Advisors

## Our Investment Alongside Our Clients

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

## Geographically Diverse Portfolio

	Portfolio (%)
United States	48.6
Asia	24.8
Europe	17.8
Africa	6.2
North & Central America Ex US	2.7

## Sectors\*\*

	Portfolio (%)	Index (%)
Consumer Discretionary	34.6	10.7
Financials	27.5	16.2
Health Care	14.0	10.9
Communication Services	11.7	7.8
Real Estate	3.5	2.2
Information Technology	3.2	24.5
Materials	2.7	4.1
Consumer Staples	1.8	6.4
Industrials	1.0	10.6
Energy	—	4.0
Utilities	—	2.7

## Performance (%)

	1 Year	3 Year	5 Year	Inception 10/1/14
Global ADR SMA Composite (gross)	40.83	9.96	12.12	9.59
Global ADR SMA Composite (with a 3% max. wrap fee)	36.77	6.72	8.83	6.37
MSCI ACWI	31.76	8.08	12.18	9.38

## Top 10 Holdings‡

	Portfolio (%)	Index (%)
Meituan	7.0	0.1
Meta Platforms	6.5	1.6
Ping An Insurance Group	6.1	0.1
Naspers	6.1	0.1
Capital One Financial	6.0	0.1
Prosus	5.0	0.1
MGM Resorts	4.7	< 0.1
Danske Bank	4.5	< 0.1
Julius Baer Group	4.2	< 0.1
Viatrix	3.8	< 0.1

## Top 10 Countries

1. United States	6. Switzerland
2. China	7. Canada
3. South Africa	8. United Kingdom
4. Netherlands	9. Hong Kong
5. Denmark	10. Germany

**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.

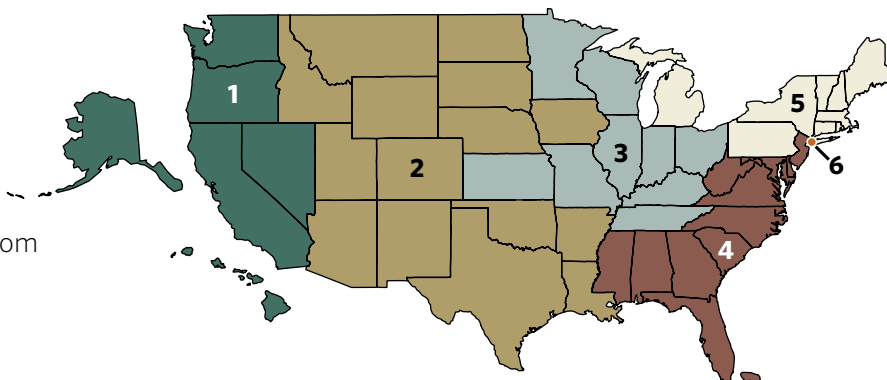


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*This material may be shared with existing and potential clients to provide information concerning market conditions and the investment strategies and techniques used by Davis Advisors to manage its client accounts. Please refer to Davis Advisors Form 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 13.10% 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 MSCI ACWI is 15.8%. 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 MSCI ACWI is 19.3x. ‡For information purposes only. Not a recommendation to buy or sell any security. \*\*Sources: Davis Advisors and Wilshire Atlas.

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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 Global 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 Global 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.

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 Global Companies 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. Each of these holdings must come from a different country. 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 Global 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) issued by both United States and foreign companies, including countries with developed or emerging markets. The global companies strategy may invest in large, medium, or small companies without regard to market capitalization. The principal risks are: China risk, common stock risk, depositary receipts risk, emerging markets risk, exposure to industry or sector 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.

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

The **MSCI ACWI (All Country World Index)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets throughout the world. The index includes reinvestment of dividends, net foreign withholding taxes. 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.