

# Davis International ADR SMA Portfolio

Summer Update 2024

Commentary

Selective. Attractive Growth. Undervalued.

Holdings

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THE EQUITY SPECIALISTS

## Portfolio Commentary

### Key Takeaways

- In Europe, economic growth is proving challenging, but inflation rates and interest rates are declining.
- Asia-Pacific economies have been mixed this year overall—while India’s growth continues, China’s recovery out of COVID lockdowns has been slow, with implications for the greater region’s growth prospects.
- Selectivity is key in today’s environment which favors active management in our opinion.
- Demonstrating our investment discipline, Davis International ADR SMA portfolio is focused on a relatively small number of individually selected positions with an overall earnings growth rate above the MSCI ACWI (All Country World Index) ex US but at a valuation substantially below that of the index.

### Market Perspectives: Structural Distortions

This year Europe’s economy expanded at a slow pace with very little growth year over year. EU countries delivered GDP growth of only 0.5%<sup>1</sup> on balance. Asia-Pacific is expanding with GDP touching 5% but expected to slow.

Across regions, high prices continue to act as a headwind to consumer spending and confidence. That said, the inflation rate has been moderating in Europe, most notably. This has led the European Central Bank to revise its former tightening policy, and it recently signaled its intention to adopt a more accommodative stance for interest rates.

Asia-Pacific presents a much more varied picture, with economic growth rates in different countries ranging from essentially flat, as in Japan and South Korea, to China, which is the region’s largest economy, growing at 4.7%, and India with a growth rate above 8% currently.

In regards to the markets, the MSCI ACWI ex US returned 5.69% in the first half of 2024, with most major regions rising on average.

International markets present a complex set of conditions. One path forward in our opinion is to use truly active management to parse through the broader opportunity set and establishing positions in select areas where one believes the risk and reward trade-off appears favorable. With the freedom and flexibility to own companies at more reasonable valuations and to weight them in a different manner than unmanaged indexes, we believe an actively managed portfolio may hold an advantage over the MSCI ACWI ex US portfolio as it is currently structured.

There is no need to own a market index exclusively. Active management, if approached truly independently from index constitution and structure, may offer ways to plot a different course from the benchmark. In our view, investors should exercise thoughtfulness and prudence in terms of what holdings they select and how an overall portfolio is shaped and structured. ■

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 gross and as of 6/30/24. 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. 1. <https://www.imf.org/en/Publications/REO/APAC/Issues/2024/04/30/regional-economic-outlook-for-asia-and-pacific-April-2024>.

## Portfolio Review:

### Investing on the Merits

Davis International ADR SMA portfolio reflects a very deliberate, research-driven and selective investment process that we have practiced since our founding in 1969.

The following statistics highlight the differences between our actively managed international equity portfolio and the MSCI ACWI ex US:

#### Selective, Attractive Growth, Undervalued<sup>2</sup>

	Portfolio	Index
Holdings	21	2,158
EPS Growth (5 Year)	17.0%	12.7%
P/E (Forward)	7.7x	14.2x

Presently, Davis International ADR SMA portfolio is allocated such that its largest sector weightings include technology-related businesses and financials, among others. ■

### Technology: Growing Ecosystems

Our technology-related investments rather surgically target companies in very large, still fast-growing ecosystems, including e-commerce, app-based food delivery businesses in both Europe and Asia, and semiconductor related companies. To the extent possible, given our valuation parameters and constraints, we have sought to own leaders in their respective fields but at what we believe represent justifiable valuations. In instances where we cannot justify the valuations of certain market darlings, those have been omitted from our portfolio.

Recently, we initiated a position in Sea Limited, a fast-growing Asian e-commerce business headquartered in Singapore.

### Financials: Diversified Earnings Power

Within financials, one of our longstanding investments is Bank of N.T. Butterfield & Son, a custody and trust business that serves among other client types global reinsurers, which maintain significant deposits at the bank. We also hold DBS Group Holdings, the largest bank in Singapore, as well as private and national champion banks in Europe. Finally, the portfolio holds investments in two multi-line insurers in China.

Overall, the financials we hold today are among our best and highest-conviction ideas in a sector that for a long time has offered appealing business choices trading at very attractive prices in general.

Other investments in the portfolio include businesses engaged primarily in copper production (Teck Resources of Canada) and industrials (Schneider Electric of France).

Recently, we sold our position in Ferguson on strength. ■

### Outlook:

#### Valuation Discipline

The stock market is in fact a large market of many individual stocks. Our goal is to build wealth for our investors and ideally to add value above and beyond market indexes over the long term. As such, we are utilizing our in-house research insights and flexibility to construct a portfolio that in our minds has a more favorable profile than the MSCI ACWI ex US based on selectivity, valuation discipline and demonstrated earnings growth.

In conclusion, as stewards of our clients' savings our most important job is growing the value of the funds entrusted to us. With more than \$2 billion of our own money invested alongside that of our clients, we are on this journey together.<sup>3</sup> This alignment with our clients is uncommon in our industry; our conviction in our portfolio of carefully selected companies is more than just words. ■

<sup>2</sup> 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 14.00% 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. <sup>3</sup> As of 6/30/24, 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 International ADR SMA Portfolio

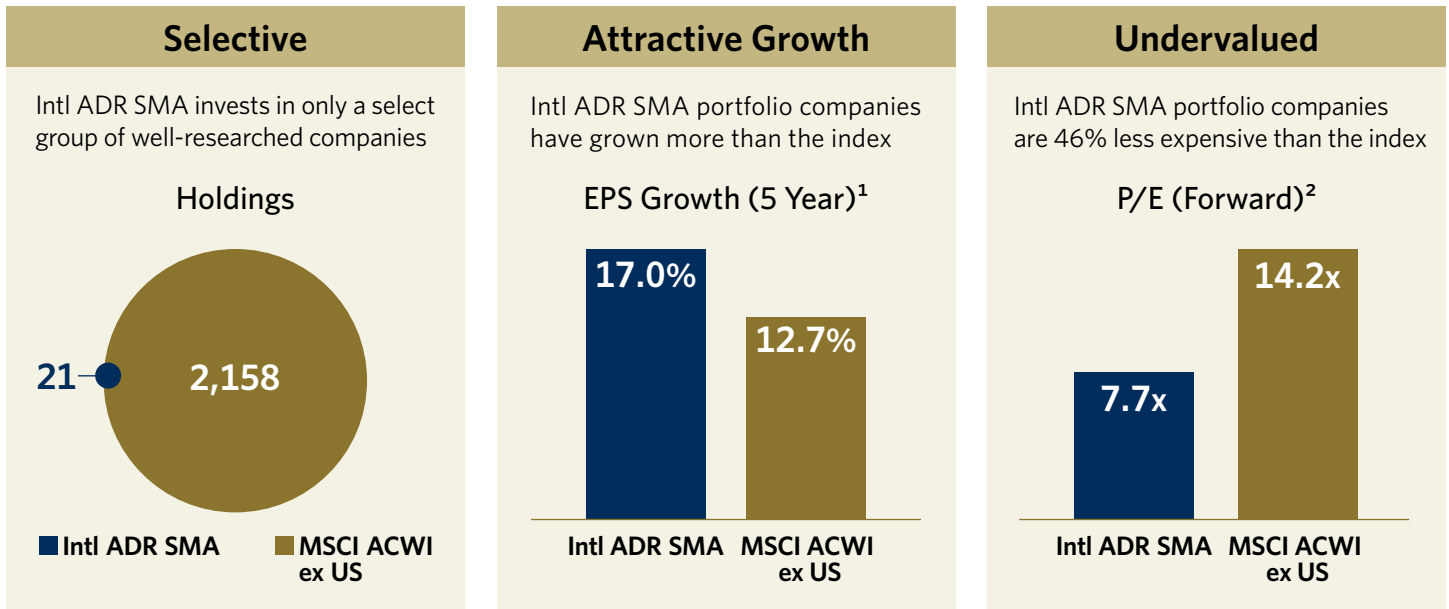
Selective. Attractive Growth. Undervalued.

“What gives us confidence that Davis International ADR 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 International ADR SMA Portfolio have grown more than the companies in the index, yet are 46% 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 6/30/24. 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 14.00% 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.

# Davis International ADR SMA Portfolio Holdings

June 30, 2024

High Conviction. Different from the Index.

Holding	Portfolio (%)	MSCI ACWI ex US (%)
DBS Group Holdings	7.0%	0.2%
Ping An Insurance	7.0	0.1
Danske Bank	7.0	0.1
Julius Baer Group	7.0	0.0
Meituan	7.0	0.3
Naspers	7.0	0.1
Prosus	7.0	0.2
Teck Resources	7.0	0.1
AIA Group	6.7	0.3
Schneider Electric	5.6	0.5
KE Holdings	4.7	0.0
JD.com	4.0	0.1
Itochu	3.9	0.2
SEA	2.7	0.1
Delivery Hero	2.3	0.0
Bank of N.T. Butterfield & Son	2.1	—
Coupang	2.0	—
Noah Holdings	2.0	—
Alibaba Group Holding	1.9	0.5
DNB Bank	1.5	0.1
Tokyo Electron	1.5	0.4
CASH	3.1	—
	<b>100.0%</b>	

The above listed securities are representative of a model Davis International 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 ex US are not representative of the entire portfolio, which consists of 2,158 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 International ADR SMA Portfolio

June 30, 2024

Davis International ADR SMA is a portfolio of attractive businesses from outside of the U.S. 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 International 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.
- 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.<sup>1</sup>

		Portfolio	Index
Undervalued	P/E (Forward)	7.7x	14.2x
Attractive Growth	EPS Growth (5 Year)	17.0%	12.7%
Selective	Holdings	21	2,158
	Total Countries	14	46

## Experienced Management

Danton Goei, 26 years with Davis Advisors

## Geographically Diverse Portfolio

Asia	52.0%
Europe	31.4
North & Central America	9.4
Africa	7.2

## Top 10 Countries

China	South Africa
Singapore	Canada
Denmark	Hong Kong
Switzerland	France
Netherlands	Japan

## Sectors

	Portfolio	Index
Financials	41.5%	21.7%
Consumer Discretionary	32.2	11.1
Industrials	9.8	13.7
Materials	7.2	7.1
Real Estate	4.9	1.8
Communication Services	2.8	5.3
Information Technology	1.6	14.0
Health Care	0.0	9.5
Consumer Staples	0.0	7.2
Energy	0.0	5.5
Utilities	0.0	3.1

## Performance

	1 Year	3 Year	5 Year	Inception 10/1/14
International Equity SMA Composite (gross)	2.80%	-5.23%	2.03%	3.63%
International Equity SMA Composite (with a 3% max. wrap fee)	-0.23	-8.05	-0.99	0.57
MSCI ACWI ex US	11.62	0.46	5.54	4.52

## Attractive International Businesses (Top 10 Holdings)

**DBS Group Holdings (Singapore):** Largest bank in Singapore and among the largest in developed Asia—has a strong moat enabled by relatively inexpensive cost of funds, technology leadership, and high market share of retail deposits

**Ping An Insurance (China):** A leader in retail financial services and the largest multi-line insurer in China

**Danske Bank (Denmark):** Largest bank in Denmark serving more than 5 million retail customers

**Julius Baer Group (Switzerland):** A premier private bank serving ultrahigh net worth clients

**Meituan (China):** A web-based shopping platform for locally sourced consumer products and retail services in China

**Naspers (South Africa):** A media conglomerate that operates a leading pay television business in South and Sub-Saharan Africa and holds interests in a range of e-commerce businesses around the world

**Prosus (Netherlands):** A global consumer internet company and spin-off of South African e-commerce group, Naspers

**Teck Resources (Canada):** A 100-year-old diversified Canadian mining company with a focus on materials used in decarbonization

**AIA Group (Hong Kong):** One of the largest life insurers in China with customers throughout Asia-Pacific and a competitive advantage of a strong brand

**Schneider Electric (France):** A global specialist in energy management

*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. **1.** The Attractive Growth and Undervalued reference in this piece 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. **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 14.00% 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 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 data provider. These values for both the portfolio and the index are the weighted average of the stocks in the portfolio or index.*

## 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.

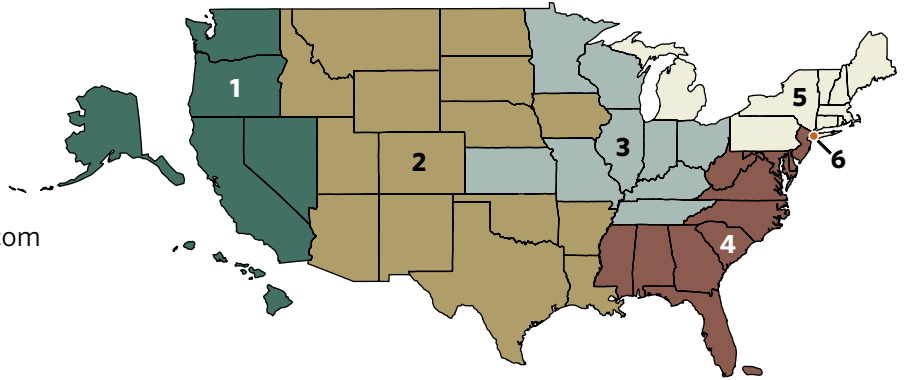


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The investment strategies described herein are those of Davis Advisors. These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be 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 International 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 International Fund or any other fund.

Effective 9/23/14, Davis Advisors created an International Equity SMA Composite which excludes the institutional accounts and mutual funds. Performance shown from 10/1/14, through the date of this material, the Davis Advisors' International Equity 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.

A time-weighted internal rate of return formula is used to calculate performance for the accounts included in the Composite. The net of fees rate of return formula is calculated based on a hypothetical 3% maximum wrap fee charged by the wrap account sponsor for all account services. For the gross performance results, custodian fees and advisory fees are treated as cash withdrawals.

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 an International 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

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The investment objective of a Davis International 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 foreign companies, including countries with developed or emerging markets. The international 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) ex U.S. is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets, excluding the United States. The index includes reinvestment of dividends, net of foreign withholding taxes. Investments cannot be made directly in an index.