

All-Cap Portfolio

Winter Update 2018

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THE EQUITY SPECIALISTS

Portfolio Commentary

Market Perspectives

In 2017 the U.S. stock markets delivered strong performance with the S&P 500 Index returning 21.83% and the Russell 3000 Index returning 21.13%. This progress occurred against a relatively favorable economic backdrop. The U.S. economy is growing gross domestic product (GDP) at an annualized rate of approximately 3% with relatively full employment while interest rates and inflation remain muted.

The Davis All-Cap Portfolio delivered strong results during the year as well, outperforming its benchmark, the Russell 3000 Index, and growing the wealth and savings of our shareholders at a double-digit rate through what we feel is a time-tested, reliable long-term investment approach.¹ The information technology and consumer discretionary sectors were particularly strong performers in 2017, while energy was the primary detractor.

We see reasons to be optimistic about many businesses today, but not all companies in the stock market represent equally good value. We believe selective stock picking is the best way to navigate the current environment and is a perennial approach to investing over full market cycles.

Portfolio Review

The Davis All-Cap Portfolio holds three categories of businesses including in order of proportion:

- Dominant market leaders
- Lesser-known, “out-of-the-spotlight” businesses
- Contrarian investments²

With more than \$2.5 trillion in assets, JPMorgan Chase is a representative market leader in the Portfolio.³ The company’s diversified operations include one of the top private banks in the country, one of the largest investment banks, the largest U.S. credit card company as measured by loans outstanding, and a retail bank ranked in the top three based on deposits. This well-diversified business mix provides some stability for the company’s cash flow through various economic cycles.

JD.com, a representative out-of-the-spotlight company in the Portfolio, is one of only a handful of businesses that has gained the critical size and scale to prosper in the Chinese e-commerce market. The company, whose shares are traded on NASDAQ in the United States, is the largest e-commerce retailer in mainland China, which is now the largest e-commerce market in the world. JD.com sells from its own stocked inventory while also

This report 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.** **1.** Davis Advisors’ Multi-Cap Equity SMA Composite, gross of fees. The Davis Multi-Cap Equity SMA Composite is a representation of Davis Advisors’ overall results employing this strategy. Individual account performance may vary. **Past performance is not a guarantee of future results.** **2.** While we research companies subject to such contingencies, we cannot be correct every time, and a company’s stock may never recover. **3.** Holdings discussed in this commentary are selected according to objective, non-performance-based criteria. They are chosen each quarter according to a consistent methodology based on their weight in the Davis Advisors Multi-Cap Equity Composite model portfolio as well as recent purchases and recent sales and are intended only as illustrations of the Davis Investment Discipline. They are not recommendations to buy, sell or hold any security. Individual account holdings may vary.

offering inventory from more than 160,000 merchants in its marketplace, and has a well-developed infrastructure of more than 405 warehouses across China. We believe JD.com will continue to grow rapidly both by taking market share from smaller rivals as well as from the overall growth of Chinese online commerce.

Encana and Cabot Oil & Gas, two energy companies focused on the exploration and production of oil and natural gas in North American shale, are current contrarian investments in the Portfolio.

Encana is a Canadian-based company with properties in both Canada and the United States. Since taking the helm in June 2013, Encana CEO Doug Suttles has radically altered the company's direction by divesting low value, low return assets and focusing on a slimmed down portfolio of high value, high return opportunities, including purchasing prime properties in the Eagle Ford shale formation. We expect meaningful production growth over the years to come and believe the company's stock is undervalued and offers patient investors attractive long-term returns.

Cabot Oil & Gas is a leading independent natural gas producer with the majority of its production coming from properties in the Marcellus Shale in northeast Pennsylvania. Extraction costs at the company's

Marcellus properties are among the lowest in the industry, providing an important competitive advantage in our view. In addition, Marcellus gas is near the large Boston and New York markets, which are easily accessible through an established pipeline network.

Among recent portfolio changes, Vipshop Holdings was sold during the fourth quarter of 2017.

Overall, we believe the durable balance sheets and long-term earnings power of the companies that make up the Davis All-Cap Portfolio strongly position us to continue building shareholder wealth over time.

Since our firm's inception nearly 50 years ago, we have adhered to the same, time-tested investment philosophy and rigorous research process of buying durable businesses at attractive prices and holding them for the long term. The more than \$2 billion from the Davis family and Foundation, Davis Advisors, and our employees invested side by side with our clients' savings in similarly managed accounts and strategies remains a true sign of our commitment to and conviction in this enduring philosophy.⁴

4. As of December 31, 2017.

All-Cap Portfolio Profile

December 31, 2017

► Investment Discipline

The Davis All-Cap Portfolio applies the firm's signature research process to a portfolio of small, medium and large size companies.

- The Davis All-Cap Portfolio is team managed. The managers collaborate, sharing ideas and responsibilities for selecting the Portfolio's investments.
- The investment management team of the Davis All-Cap Portfolio has significant co-investments alongside clients in the same strategy. In addition, the team's compensation is tied to long-term investment results. These facts help to ensure an appropriate alignment of interests with clients.
- The Davis All-Cap Portfolio is appropriate for: 1) Investors who understand opportunistic strategies that are not bound by market cap, sector or industry constraints may offer the potential for attractive long-term results;¹ 2) Investors who need a diversified equity solution that offers access to small, medium and large companies; 3) Investors who already have an appreciation for Davis Advisors' signature investment approach, firm history and culture of stewardship.

► Market Capitalization

Small Cap	4.0%
Mid Cap	10.7
Large Cap	85.3

► Top 10 Holdings²

Alphabet	7.0%
Amazon.com	6.5
Wells Fargo	6.1
Apache	5.8
Cabot Oil & Gas	5.5
Encana	5.0
Adient PLC	4.3
United Technologies	4.2
Aetna	3.8
Berkshire Hathaway	3.3

► Portfolio Characteristics

	Portfolio	Russell 3000 Index
Number of Holdings	37	2,956
Turnover Rate (%)	19.3	3.1
Trailing Positive P/E Ratio	22.3	23.4
EPS Growth-Last 5 years (%)	11.9	12.5
Standard Deviation (5 years) ⁴	11.3	9.8

► Industry Groups³

Technology	23.1%
Energy	20.1
Capital Goods	9.3
Pharmaceuticals & Health Care	9.3
Retailing	8.9
Banks	8.2
Automobiles & Components	6.9
Diversified Financials	6.4
Materials	2.2
Transportation	2.2
Insurance	1.8
Media	1.6

1. An investor must be willing to accept the increased volatility which accompanies the potential for attractive long-term results. See endnotes for a description of the principal risks. 2. For information purposes only. Not a recommendation to buy or sell any security. 3. Sources: Davis Advisors and Wilshire Atlas. 4. Source: Morningstar Direct.

All-Cap Portfolio Holdings

December 31, 2017

Ticker	Security Description	Percent
MULTI	Alphabet (Class A and C)	7.0%
AMZN	Amazon.com	6.5
WFC	Wells Fargo	6.1
APA	Apache	5.8
COG	Cabot Oil & Gas	5.5
ECA	Encana	5.0
ADNT	Adient PLC	4.3
UTX	United Technologies	4.2
AET	Aetna	3.8
BRK/B	Berkshire Hathaway-Class B	3.3
ANGI	ANGI Homeservices	2.6
COF	Capital One Financial	2.6
JCI	Johnson Controls	2.6
FB	Facebook	2.5
APTV	Aptiv PLC	2.1
AXTA	Axalta Coating Systems	2.0
FDX	FedEx	2.0
ETN	Eaton PLC	1.8
ESRX	Express Scripts Holding	1.8
JD	JD.com-ADR	1.7
MKL	Markel	1.7
JPM	JPMorgan Chase	1.5
LBTYK	Liberty Global PLC-Series C	1.5
DPLO	Diplomat Pharmacy	1.4
SFUN	Fang, Class A-ADR	1.4
TXN	Texas Instruments	1.4
CXO	Concho Resources	1.3
ORCL	Oracle	1.3
INTC	Intel	1.2
AMAT	Applied Materials	1.1
MSFT	Microsoft	1.1
EQM	EQT Midstream Partners	1.0
SAP	SAP SE-ADR	1.0
QUOT	Quotient Technology	0.9
DGX	Quest Diagnostics	0.8
UNH	UnitedHealth Group	0.8
CASH		7.4
TOTAL		100.0%

The above listed securities are representative of the Davis All-Cap 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 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.

Investment Management Team

Christopher C. Davis joined Davis Advisors in 1989. He has more than 29 years experience in investment management and securities research. He is a portfolio manager for the Davis Large Cap Value Portfolios and a member of the research team for other portfolios. Mr. Davis received his M.A. from the University of St. Andrews in Scotland.

Danton G. Goei joined Davis Advisors in 1998. He is a portfolio manager for the Davis Large Cap Value Portfolios and a member of the research team for other portfolios. 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. His research analysis has been shaped by working with Shelby M.C. Davis for more than five years. 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.

John Chen joined Davis Advisors in 2007. He previously was employed at Milbank, Tweed, Hadley & McCloy LLP. Mr. Chen received his B.A. from the University of Chicago and his J.D. from Georgetown University.

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

Kent Y. Whitaker joined Davis Advisors in 2014. Previously, he worked at Amoco Corporation, British Petroleum, Hunt Energy Corporation, and Asarco. Kent holds a B.A. from Dartmouth College, a M.S. from Miami University and a M.B.A. from the Amos Tuck Business School.

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.

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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.

The performance of mutual funds is included in the Composite. The performance of the mutual funds and other Davis managed accounts may be materially different. For example, the Davis Opportunity Fund may be significantly larger than another Davis managed account and may be managed with a view toward different client needs and considerations. The differences that may affect investment performance include, but are not limited to: the timing of cash deposits and withdrawals, the possibility that Davis Advisors may not buy or sell a given security on behalf of all clients pursuing similar strategies, the price and timing differences when buying or selling securities, the size of the account, the differences in expenses and other fees, and the clients pursuing similar investment strategies but imposing different investment restrictions. This is not a solicitation to invest in the Davis Opportunity Fund or any other fund.

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

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

Performance shown from January 1, 1999, through December 31, 2005, is the Davis Advisors' Multi-Cap Composite which includes all actual, fee-paying, discretionary Multi-Cap investing style institutional accounts, mutual funds, and wrap accounts under management including those accounts no longer managed. Effective January 1, 1998, a minimum account size of \$3,500,000 was established. Accounts below this minimum are deemed not to be representative of the Composite's intended strategy and as such are not included in the Composite. A time-weighted internal rate of return formula is used to calculate performance for the accounts included in the Composite. For the net of advisory fees performance results, custodian fees are treated as cash withdrawals and advisory fees are treated as a reduction in market value. For mutual funds,

the Composite uses the rate of return formula used by the open-end mutual funds calculated in accordance with the SEC guidelines adjusted to treat mutual fund expenses other than advisory fees as cash withdrawals; sales charges are not reflected.

Effective January 1 2011, Davis Advisors created a Multi-Cap (SMA) Composite which excludes institutional accounts and mutual funds. Performance shown from January 1, 2006, through December 31, 2010, the Davis Advisors' Multi-Cap SMA Composite includes all eligible wrap accounts with a minimum account size of \$3,500,000 from inception date for the first full month of account management and includes closed accounts through the last day of the month prior to the account's closing. For the performance shown from January 1, 2011, through the date of this report, the Davis Advisors' Multi-Cap SMA Composite includes all eligible wrap accounts with no account minimum from inception date for the first full month of account management and includes closed accounts through the last day of the month prior to the account's closing. Wrap account returns are computed net of a 3% maximum wrap fee. For the gross performance results, custodian fees and advisory fees are treated as cash withdrawals. A list of Davis Advisors' Composites is available upon request.

This report discusses companies in conformance with Rule 206(4)-1 of the Investment Advisers Act of 1940 and guidance published thereunder. The companies we discuss are chosen in the following manner: starting at the beginning of the year, the holdings from an All Cap Core 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, 11, 21, and 31 are selected and discussed. For the second quarter, holdings numbered 2, 12, 22, and 32 are selected and discussed. This pattern then repeats itself for the following quarters. No more than two of these holdings can come from the same sector per piece.); one recent purchase and one recent sale are also discussed. A sale is defined as a position that is completely eliminated from the portfolio before the end of the quarter in question. If there were no purchases or sales, the purchases and sales are omitted from the report. If there were multiple purchases and/or sales, the purchase and sale discussed shall be the earliest to occur; no holding can be discussed if it was discussed in the previous three quarters. The information provided in this report does not provide information reasonably sufficient upon which to base an investment decision and should not be considered a recommendation to 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 report is received or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of any account's portfolio holdings. It should not be assumed that any of the securities discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. It is possible that a security was profitable over the previous five year period of time

but was not profitable over the last year. In order to determine if a certain security added value to a specific portfolio, it is important to take into consideration at what time that security was added to that specific portfolio. A complete listing of all securities purchased or sold in an account, including the date and execution prices, is available upon request.

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

Small cap companies have market capitalizations less than \$3 billion. Mid cap companies have market capitalizations from \$3 billion to \$10 billion. Large cap companies have market capitalizations greater than \$10 billion. Under normal circumstances, the Multi-Cap Equity Composite invests the majority of its assets in equity securities issued by companies with market capitalizations of less than \$20 billion.

Broker-dealers and other financial intermediaries may charge Davis Advisors substantial fees for selling its products and providing continuing support to clients and shareholders. For example, broker-dealers and other financial intermediaries may charge: sales commissions; distribution and service fees; and record-keeping fees. In addition, payments or reimbursements may be requested for: marketing support concerning Davis Advisors' products; placement on a list of offered products; access to sales meetings, sales representatives and management representatives; and participation in conferences or seminars, sales or training programs for invited registered representatives and other employees, client and investor events and other dealer-sponsored events. Financial advisors should not consider Davis Advisors' payment(s) to a financial intermediary as a basis for recommending Davis Advisors.

The **Russell 3000 Index** measures the performance of the 3,000 largest companies incorporated in the United States and its territories and listed on the NYSE, AMEX, or NASDAQ. The companies are ranked by decreased total market capitalizations. The **S&P 500 Index** is an unmanaged index of 500 selected common stocks, most of which are listed on the New York Stock Exchange. The Index is adjusted for dividends, weighted towards stocks with large market capitalizations and represents approximately two-thirds of the total market value of all domestic common stocks. Investments cannot be made directly in an index.

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