Large Cap Value Portfolio

Mid-Year Update 2017

Davis Advisors

The Equity Specialists™

Davis ADVISORS

Portfolio Commentary

Market Perspectives

In the first half of 2017 the U.S. stock market advanced with the S&P 500 Index returning 9.3%. The Davis Large Cap Value Portfolio also delivered positive results but trailed the Index in the period primarily due to energy.[1]

The U.S. economy continues to expand with relatively full employment, prompting the Federal Reserve to raise short-term interest rates earlier this year. Still, both interest rates and inflation remain subdued. At the same time, many U.S. businesses have generated what we consider rather robust earnings growth in recent periods. Market valuations reflect this healthy backdrop on balance. Given this fact, we believe it is perhaps more critical than at any other point in the current business cycle for investors to select companies individually using true active management as businesses differ widely in their growth rates and valuations and, as a result, in their risk and return profiles. We continue to find value on a company by company basis and are focusing heavily on areas of the market where operating margins have room to improve and where meaningful inefficiencies persist such as financial services, energy and industrial businesses. We have also made long-term investments in leading technology companies whose long-term growth is more durable than the market recognizes in our estimation.

When evaluating the investment landscape, we do not make investment decisions based on short-term forecasts, which history has shown can be unreliable. Instead, we focus on the important and knowable while maintaining a long-term perspective.

In today's market, our long-range assumptions include:

- Equities should outperform bonds over the next decade given bond yields are at low levels not seen for centuries.[2]
- Within the equity universe, selectivity is critical. Durable, well-managed businesses whose true value is not recognized by the market in the near term should ultimately outperform.
- Opportunities in today's market include global leaders selling at bargain prices, dominant lesser-known businesses in necessary economic niches, blue chips of tomorrow, and beneficiaries of short-term misperceptions.
- Risks in today's market include companies with near peak profit margins and overvalued dividend darlings that are riskier than they appear.
- Technology and globalization are reconfiguring industries at an unprecedented rate. Many longstanding brands and business moats that enable companies to maintain competitive advantages are being disrupted in unexpected ways. For example, in recent years, iconic companies in the newspaper, retailing and media industries have become obsolete. At the current rate of change, 75% of the companies in the S&P 500 Index could be replaced in the coming decade. To succeed, investors should avoid conventional thinking and remain flexible.

Portfolio Review

The Davis Large Cap Value Portfolio is built from the bottom up, company by company, with the goal of compounding our investors' capital at a satisfactory rate over a multiyear time horizon. In our experience, this patient, time-tested approach is a reliable method for growing shareholder wealth over the long term.

The Portfolio holds three categories of investments:

- Dominant market leaders
- Lesser-known, "out-of-the-spotlight" businesses
- Contrarian investments[3]

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' Large Cap Value SMA Composite, gross of fees. The Davis Large Cap Value SMA Composite is a representation of Davis Advisors' overall results employing this strategy. Individual account performance may vary. Inception of Composite is April 1, 1969. **2.** Common stocks and bonds represent different asset classes subject to different risks and rewards. Unlike bonds, the Portfolio does not offer a fixed rate of return if held to maturity, and the Portfolio has risks not associated with holding a bond. Bonds are considered to have less risk than equities. Future economic events may favor one asset class over another. **3.** While we research companies subject to such contingencies, we cannot be correct every time, and a company's stock may never recover.

With more than $2.5 trillion in assets, JPMorgan Chase is a representative market leader in the Portfolio.[4] Its diversified operations include one of the top private banks in the country, one of the largest investment banks, the largest credit card company as measured by loans outstanding, and one of the top five asset managers in terms of assets under management. This well-diversified business mix provides some stability for the company's cash flow through various economic cycles.

Current out-of-the-spotlight businesses in the Portfolio include CarMax, Liberty Interactive and Express Scripts.

CarMax is the leading nationwide used car dealership selling two and a half times more cars than its nearest competitor. Unlike new cars, which are a commodity, each used car is unique in terms of mileage and ownership history, offering CarMax the potential for solid profitability almost regardless of underlying economic conditions. The company continues to increase its dealership locations in a highly fragmented market with many years of growth ahead in our view.

Liberty Interactive is an e-commerce business controlled by John Malone that derives the majority of its current revenue from its ownership of QVC, the nation's largest home shopping network. QVC continues to grow both domestically and internationally and the company typically buys back about 5% of its shares each year. Liberty Interactive also owns an array of other e-commerce businesses as well as a 38% stake in its main rival, Home Shopping Network.

Express Scripts is a market-leading U.S.-based pharmaceutical benefits management firm. While the health care industry continues to undergo change, we believe Express Scripts maintains a highly durable competitive position and, trading at less than 13 times earnings, offers value to patient long-term shareholders.

Among the more contrarian investments in the Portfolio are select energy companies that, despite recent volatility in energy prices as well as share prices for the group as a whole, remain undervalued in our view based on their current and expected production growth per share.

During the quarter, we sold our investment in Monsanto in order to allocate capital to other investment opportunities.

Overall, we believe the durability and growth potential of the individually selected companies that make up the Davis Large Cap Value Portfolio position us strongly for the years and even decades to come.

At Davis Advisors we seek to own durable businesses at attractive prices that can be held for the long term. The Davis family, our firm and our employees have more than $2 billion invested side by side with clients.[5] We look forward to continuing our investment journey together.

4. Holdings discussed in this commentary are selected according to objective, nonperformance-based criteria. They are chosen each quarter according to a consistent methodology based on their weight in the Davis Advisors Large Cap Value 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. **5.** As of June 30, 2017.

Large Cap Value Portfolio Profile

June 30, 2017

Long-Term Capital Appreciation

	VALUE	GROWTH
LARGE	■	
SMALL		

Davis Large Cap Value is a portfolio of attractive businesses primarily in 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.

Why Invest in the Davis Large Cap Value Portfolio

- **Equity-Focused Research Firm:** Established in 1969, Davis is a leading specialist in equity investing.
- **Portfolio of Best of Breed Businesses:** The Portfolio invests in businesses in the U.S. 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.
- **We Are Among the Largest Investors in the Strategy:** We have a unique commitment to stewardship, generating attractive long-term results, managing risks and minimizing fees.

Experienced Management

Chris Davis, *28 years with Davis Advisors*
Danton Goei, *19 years with Davis Advisors*

Our Investment Alongside Our Clients

We have more than $2 billion of our own money invested side by side with clients.[1]

Top 10 Holdings[2]

Alphabet	6.5%
Amazon.com	6.0
Wells Fargo	5.9
Berkshire Hathaway	5.7
JPMorgan Chase	5.7
Bank of New York Mellon	5.2
Apache	4.9
American Express	4.7
United Technologies	4.3
Costco Wholesale	3.4

Industry Groups[3]

Diversified Financials	19.4%
Technology	15.6
Banks	12.2
Energy	11.2
Retailing	10.0
Capital Goods	7.5
Pharmaceuticals & Health Care	6.5
Materials	4.4
Automobiles & Components	4.1
Food & Staples	3.6
Insurance	2.1
Transportation	1.9
Media	1.5

Portfolio Characteristics

	Portfolio	S&P 500 Index
Number of Holdings	36	505
Turnover Rate (%)	14.1	4.7
Median Market Cap ($bn)	55.4	20.8
Weighted Average Market Cap ($bn)	178.1	163.6
Trailing Positive P/E Ratio	20.3	21.7
P/E Ratio FY1	19.1	18.6
P/B	3.3	3.8
Weighted Average Yield (%)	1.3	2.0
EPS Growth–Last 5 years (%)	12.2	11.9
Beta (3 years)	1.1	1.0
R-Squared	0.8	1.0

Portfolio characteristics, holdings and industry groups are subject to change. Davis Advisors classifies its Large Cap Value Portfolio as such based on its overall investment strategy. At the time of this report, this classification may or may not agree with classifications by other third party information services. **1.** Includes the Davis family, Davis Advisors, employees and directors. As of June 30, 2017. **2.** For information purposes only. Not a recommendation to buy or sell any security. **3.** Sources: Davis Advisors and Wilshire Atlas.

Davis ADVISORS

Large Cap Value Portfolio Holdings

June 30, 2017

Ticker	Security Description	Percent
MULTI	Alphabet (Class A and C)	6.5%
AMZN	Amazon.com	6.0
WFC	Wells Fargo	5.9
BRK/B	Berkshire Hathaway-Class B	5.7
JPM	JPMorgan Chase	5.7
BK	Bank of New York Mellon	5.2
APA	Apache	4.9
AXP	American Express	4.7
UTX	United Technologies	4.3
COST	Costco Wholesale	3.4
AET	Aetna	3.0
COF	Capital One Financial	2.9
FB	Facebook	2.9
JCI	Johnson Controls	2.8
TXN	Texas Instruments	2.4
ADNT	Adient PLC	2.3
ECA	Encana	2.1
OXY	Occidental Petroleum	2.1
KMX	CarMax	1.9
PX	Praxair	1.9
UNH	UnitedHealth Group	1.9
FDX	FedEx	1.8
DLPH	Delphi Automotive PLC	1.6
AXTA	Axalta Coating Systems	1.5
COG	Cabot Oil & Gas	1.5
LBTYK	Liberty Global PLC-Series C	1.4
ESRX	Express Scripts Holding	1.3
PCLN	Priceline Group	1.3
L	Loews	1.2
MSFT	Microsoft	1.2
V	Visa-Class A	1.0
CB	Chubb	0.8
ECL	Ecolab	0.8
ORCL	Oracle	0.8
QVCA	Liberty Interactive-Series A	0.3
CASH		5.0
TOTAL		**100.0%**

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 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 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.

Returns from inception (April 1, 1969) through December 31, 2001, were calculated from the Davis Large Cap Value Composite (see description below). Returns from January 1, 2002, through the date of this report 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 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.

Davis Advisors' Large Cap Value (SMA) Composite excludes institutional accounts and mutual funds. Performance shown from January 1, 2002, through December 31, 2010, 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' 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 January 1, 2006, 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 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 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, 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 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: common stock risk, depositary receipts risk, emerging markets risk, fees and expenses risk, financial services 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.

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 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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