

Large Cap Value Portfolio

Spring Update 2018

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THE EQUITY SPECIALISTS

Portfolio Commentary

Market Perspectives

In first quarter of 2018 the U.S. stock market was volatile but ended the period relatively flat returning -0.76%. Making a distinction between stock prices and business values, the businesses we own continue to generate relatively robust earnings, a sign our companies are making progress in building intrinsic value even if share prices fluctuate. As Ben Graham noted, in the long run the stock market is a weighing machine for corporate earnings despite acting as a voting machine measuring changes in investor psychology in the short run. At Davis Advisors we remain focused on long-term earnings power and are confident the businesses we own have the potential to compound capital for shareholders at a competitive rate over the long term.

Looking ahead, we believe selective stock picking is the best way to navigate the current market environment. As a result, at Davis Advisors we focus on the durability, sustainable growth, competitive moats, and management of every company in the Portfolio and continue to exercise discipline regarding the share price of each company we own.

Portfolio Review

The Davis Large Cap Value Portfolio holds three categories of businesses including in order of proportion:

- Dominant market leaders
- Lesser-known, “out-of-the-spotlight” businesses
- Contrarian investments¹

Alphabet Inc., a representative example of a market leader in the Portfolio, is an innovative global technology holding company that dominates the business of online search.² By establishing a first mover advantage, the company has positioned itself as a prime beneficiary of the shift in advertising spending from traditional media channels to search-based, online advertising, a secular shift that is happening worldwide. In addition to its global core search business, the company owns YouTube, is quickly building a high operating margin cloud computing business and is a leader in artificial intelligence, which has implications not only for advertising and market research but also for other industries such as autonomous or self-driving cars. Financially strong, Alphabet is a cash flow machine

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. While we research companies subject to such contingencies, we cannot be correct every time, and a company's stock may never recover. 2. 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 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.

with 15% to 20% annual revenue and earnings growth, no net debt, and enormous global markets for the company's current and prospective business lines.

Alibaba Group, a global e-commerce giant based in China, is another example of a dominant market leader in this category. While the company has its roots in China, Alibaba connects businesses and consumers in almost 200 countries via its online platforms. The company is the largest e-commerce marketplace in the world with an estimated \$700 billion of gross merchandise volume in 2017. Given the company's enviable competitive position, increasing use as an advertising platform, and promising investments abroad, we expect Alibaba to grow e-commerce revenues at a faster rate than the e-commerce market overall.

Liberty Global, a major cable company with strong international operations, is controlled by John Malone, a pioneer in the U.S. cable industry with an outstanding record as a capital allocator. Liberty Global is dominant especially in Europe, where it is the largest cable company with more than 26 million customer relationships. During the past decade, the company has opportunistically acquired several European cable TV systems, most of which were inefficiently run. We expect Liberty Global to improve the efficiency of these

operations substantially over time. The company has an advantageous fixed-line infrastructure in all of its key markets and should benefit as users demand greater broadband speeds over the next five years, enabling Liberty Global to benefit from online user trends and ultimately grow value for shareholders.

Our contrarian investments include a number of North American shale companies that meet our investment criteria but are under-earning relative to their long-term potential in our estimation.

Among recent Portfolio changes, we sold Express Scripts during the first quarter of 2018.

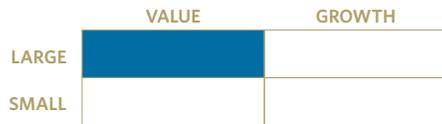
Overall, we believe our Portfolio is positioned to provide a diversified balance of durable, well-managed businesses with attractive growth prospects.

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 the Davis family and Foundation, Davis Advisors, and our employees have 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.³

Large Cap Value Portfolio Profile

March 31, 2018

Long-Term Capital Appreciation



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, 29 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 Holdings²

Alphabet	7.0%
Amazon.com	7.0
Berkshire Hathaway	7.0
JPMorgan Chase	6.7
Wells Fargo	6.5
Capital One Financial	5.8
Bank of New York Mellon	5.6
Apache	4.6
United Technologies	4.5
Aetna	4.2

► Portfolio Characteristics

	Portfolio	S&P 500 Index
Number of Holdings	28	505
Turnover Rate (%)	23.4	3.8
Median Market Cap (\$bn)	63.9	20.8
Weighted Average Market Cap (\$bn)	242.5	193.1
Trailing Positive P/E Ratio	22.4	22.4
P/E Ratio FY1	16.0	17.3
P/B	2.9	4.1
Weighted Average Yield (%)	1.3	2.0
EPS Growth-Last 5 years (%)	13.5	12.7
Beta (3 years)	1.1	1.0
R-Squared	0.8	1.0

► Industry Groups³

Diversified Financials	23.5%
Technology	20.1
Banks	13.9
Energy	9.4
Capital Goods	8.8
Retailing	7.8
Pharmaceuticals & Health Care	4.4
Automobiles & Components	2.3
Consumer Services	2.2
Transportation	2.2
Insurance	2.1
Media	1.7
Materials	1.6

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 Davis Advisors, the Davis family and Foundation, and our employees in similarly managed accounts and strategies. As of December 31, 2017. **2.** For information purposes only. Not a recommendation to buy or sell any security. **3.** Sources: Davis Advisors and Wilshire Atlas.

Large Cap Value Portfolio Holdings

March 31, 2018

Ticker	Security Description	Percent
MULTI	Alphabet (Class A and C)	7.0%
AMZN	Amazon.com	7.0
BRK/B	Berkshire Hathaway-Class B	7.0
JPM	JPMorgan Chase	6.7
WFC	Wells Fargo	6.5
COF	Capital One Financial	5.8
BK	Bank of NY Mellon	5.6
APA	Apache	4.6
UTX	United Technologies	4.5
AET	Aetna	4.2
AXP	American Express	3.9
JCI	Johnson Controls	3.9
FB	Facebook	3.3
TXN	Texas Instruments	3.2
BABA	Alibaba Group Holding-ADR	3.1
ECA	Encana	3.1
ADNT	Adient PLC	2.2
FDX	FedEx	2.1
EDU	New Oriental Education-ADR	2.1
MSFT	Microsoft	1.7
LBTYK	Liberty Global PLC-Series C	1.6
AXTA	Axalta Coating Systems	1.5
L	Loews	1.2
OXY	Occidental Petroleum	1.2
CB	Chubb	0.8
ORCL	Oracle	0.8
QRTEA	Liberty Interactive-Series A	0.4
CASH		5.0
TOTAL		100.0%

The above listed securities are representative of the Davis Large Cap Value 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.

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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Contact Regional Directors or Regional Representatives to arrange meetings or for information on our investment process, philosophy and performance.

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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.

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.

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. If there are multiple purchases and/or sales on the same day, the one that is the largest percentage of assets will be discussed. No holding can be discussed if it was discussed in the previous three quarters. As this is primarily a domestic equity strategy, no more than one foreign holding will be discussed in any report. If more than one foreign holding would be discussed based on the criteria above, the holding with the largest percent of assets in the model portfolio would be chosen. However, if the model portfolio has an aggregate foreign holding percentage that is greater than 15% the commentary would include a discussion of the largest foreign holding in the model portfolio that has not been discussed in the previous three quarters.

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.