Large Cap Value Portfolio

Spring Update 2017

Davis Advisors

The Equity Specialists™

Davis ADVISORS

Portfolio Commentary

Market Perspectives

In the first quarter of 2017 the U.S. stock market advanced with the S&P 500 Index returning 6.07%. The Davis Large Cap Value Portfolio also delivered positive results but trailed the Index in the first three months of the year, largely due to a decline in the energy sector.[1]

Among notable developments during the quarter, the U.S. economy showed relatively strong job growth and the Federal Reserve tightened monetary policy slightly by raising the federal funds rate another 25 basis points—only the third interest rate hike since the onset of the 2007–08 financial crisis and a reflection of growing confidence the U.S. economy has improved dramatically in recent years. Business fundamentals in a wide range of industries have also generally improved markedly since the financial crisis.

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. The 25 most commonly held stocks in the five largest dividend-focused, exchange-traded funds are valued at 25 times earnings, a P/E ratio significantly higher than the market's.[3]
- 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[4]

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 Composite gross of fees. See endnotes for a description of the composite. The performance of mutual funds and other Davis managed accounts may be materially different. **Past performance is not a guarantee of future results. 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 contingences, we cannot be correct every time, and a company's stock may never recover. **4.** As of December 31, 2016.

Amazon, an e-commerce giant that has profoundly reshaped the retail industry over the years, is an example of a market leader in the Portfolio.[5] Borrowing a concept from Costco, Amazon offers an optional membership-based business model through its Amazon Prime service. For a relatively small annual fee Amazon Prime members can benefit from faster, less expensive shipping on purchases, which may be an increasingly key differentiator for the company by encouraging customers to aggregate their purchases in an increasingly commoditized retail world as well as providing a source of recurring revenue. In addition to its retail business, Amazon has a state-of-the-art, rapidly growing web services business that enables companies and other organizations to outsource their computer systems to Amazon's electronic cloud. We expect this portion of Amazon's business to be a key profit generator in the years ahead. The primary driver of these innovations is Amazon's founder and CEO, Jeff Bezos, whom we regard as a true visionary leader. He is fanatical about efficiency and cost savings and has invested heavily to gain and maintain advantages over Amazon's competition. Based on our assessment of the company's normalized margins, competitive advantages and significant growth potential we believe Amazon's current intrinsic value is well above its stock price.

Johnson Controls, founded in 1885, was one of the first manufacturers of room thermostats. Today, 130 years later, the company is a global supplier of heating, ventilation and air conditioning systems for office buildings as well as a leading manufacturer of batteries and supplier of automobile seat components. Under the strong leadership of CEO Alex Molinaroli, we expect all of Johnson Controls' businesses to show steady growth over the years ahead offering increasing opportunities to return more cash to shareholders.

Among our out-of-the-spotlight businesses is Ecolab, a leading worldwide provider of industrial chemicals to the food, beverage and lodging industries as well as to companies operating in the industrial and energy sectors. Ecolab's products clean, sanitize, disinfect and purify, meeting ongoing needs in a variety of industries that are likely to increase over time. Moreover, the industrial cleaning chemicals business is highly fragmented and Ecolab has the largest market share at nearly four times the size of its nearest competitor. Key to the company's success is its market-leading, direct-to-customer sales and service team that works with customers to deliver efficient, effective cleaning and sanitizing solutions. Once a relationship is established with a fast food restaurant chain, hotel group, hospital, or other client, Ecolab's revenues tend to be recurring. Ably led by an experienced management team, the company is well positioned in our view for continued growth over the years ahead.

A representative contrarian investment in the Portfolio is Cabot Oil & Gas, a leading independent natural gas producer with the majority of its production coming from its properties in the Marcellus Shale in northeast Pennsylvania. Extraction costs at its 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.

A second example of a contrarian investment and a recent addition to the Portfolio is FedEx, one of the few U.S. conglomerates left that is still closely associated with its living founder, Fred Smith. Since the company was established in 1971, FedEx has become a leader in the integrated package delivery business, alongside United Parcel Service (UPS) and the U.S. Postal Service domestically and a more fragmented array of competitors internationally. We believe FedEx is an attractive business given the industry's high barriers to entry as well as the company's growth potential in e-commerce and its exceptional management team.

5. 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.

Notwithstanding the cloud FedEx faces given possible competition from Amazon's potential entry into the industry, we believe FedEx is currently trading at a below-average valuation with an above-average potential growth rate.

During the quarter, we sold our investment in EQT Corporation 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.[6] We look forward to continuing our investment journey together.

6. As of December 31, 2016.

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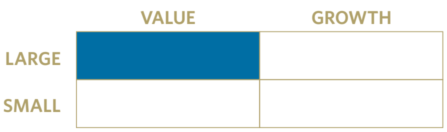
Large Cap Value Portfolio Profile

March 31, 2017

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, *28 years with Davis Advisors*
Danton Goei, *18 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	6.0
JPMorgan Chase	5.7
Berkshire Hathaway	5.5
Apache	5.1
Bank of New York Mellon	4.8
American Express	4.5
United Technologies	4.0
Costco Wholesale	3.4

Industry Groups[3]

Diversified Financials	18.6%
Technology	14.0
Banks	12.3
Energy	12.0
Retailing	9.7
Capital Goods	7.0
Materials	6.8
Pharmaceuticals & Health Care	6.1
Automobiles & Components	4.2
Food & Staples	3.6
Insurance	2.1
Media	1.8
Transportation	1.8

Portfolio Characteristics

	Portfolio	S&P 500 Index
Number of Holdings	37	505
Turnover Rate (%)	16.1	4.7
Median Market Cap ($bn)	49.6	20.3
Weighted Average Market Cap ($bn)	166.6	159.5
Trailing Positive P/E Ratio	21.9	21.7
P/E Ratio FY1	19.1	18.3
P/B	3.1	3.7
Weighted Average Yield (%)	1.3	2.0
EPS Growth–Last 5 years (%)	11.4	11.7
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 December 31, 2016. **2.** For information purposes only. Not a recommendation to buy or sell any security. **3.** Sources: Davis Advisors and Wilshire Atlas.

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Large Cap Value Portfolio Holdings

March 31, 2017

Ticker	Security Description	Percent
MULTI	Alphabet (Class A and C)	6.5%
AMZN	Amazon.com	6.0
WFC	Wells Fargo	6.0
JPM	JPMorgan Chase	5.7
BRK/B	Berkshire Hathaway-Class B	5.5
APA	Apache	5.1
BK	Bank of New York Mellon	4.8
AXP	American Express	4.5
UTX	United Technologies	4.0
COST	Costco Wholesale	3.4
ECA	Encana	2.7
JCI	Johnson Controls	2.7
FB	Facebook	2.6
ADNT	Adient PLC	2.5
AET	Aetna	2.5
MON	Monsanto	2.4
TXN	Texas Instruments	2.4
OXY	Occidental Petroleum	2.1
UNH	UnitedHealth Group	2.0
KMX	CarMax	1.7
FDX	Fedex	1.7
LBTYK	Liberty Global PLC-Series C	1.7
PX	Praxair	1.7
V	Visa-Class A	1.7
COG	Cabot Oil & Gas	1.6
DLPH	Delphi Automotive PLC	1.5
AXTA	Axalta Coating Systems	1.4
COF	Capital One Financial	1.3
ESRX	Express Scripts Holding	1.3
PCLN	Priceline Group	1.3
L	Loews	1.2
MSFT	Microsoft	1.1
ECL	Ecolab	1.0
CB	Chubb	0.8
ORCL	Oracle	0.8
QVCA	Liberty Interactive-Series A	0.3
CASH		4.5
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.

Davis Advisors' Large Cap Value Composite includes all actual, fee-paying, discretionary Large Cap Value investing style institutional accounts and mutual funds under management for each investment period from April 1, 1969, through the date of this report, 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. Prior to January 1, 2011, wrap accounts were 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. 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 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.

Trailing Price/Earnings (P/E) Ratio is the weighted average of the price/earnings ratios of the stocks in a portfolio. The P/E ratio of a stock is calculated by dividing the current price of the stock by its trailing 12 months earnings per share. Portfolio totals are computed using an inverse harmonic methodology.

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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