Large Cap Value Portfolio
All-Cap Portfolio

Winter Update 2019

Davis Advisors

The Equity Specialists

Davis ADVISORS

Large Cap Value Portfolio Commentary

Market Perspectives

For the year 2018, the S&P 500 Index returned –4.38%.[1] U.S. economic fundamentals remain strong with historically low unemployment, robust gross domestic product (GDP) growth and modest inflation. The Federal Reserve has continued to normalize interest rates but is doing so in a measured pace thus far. In brief, the U.S. economic backdrop and fundamentals appear favorable overall.

Still, starting in mid-2018, investors have turned more cautious due to a confluence of factors including the U.S.–China trade dispute, rising interest rates and the economic outlook.

In the second half of the year, when volatility increased, it became a tale of two markets. A number of stocks and sectors that had contributed meaningfully to our strong results over the previous three to four years underperformed, as investors sought sectors with historically lower share price volatility. In our minds, the trade-off is clear: We can continue to own and purchase more shares of companies that in our estimation have a high probability of delivering competitive results over the *long term* but that are somewhat out of favor or more volatile than other groups in the near term. Or we could theoretically follow nervous investors into areas of the market that we regard as marginal long-term investment choices given their extremely low to negative topline growth, risky balance sheets where debt has increased considerably, and margins and dividend payout ratios that may be unsustainable over time. Hence while 2018 was a period in which we underperformed, we believe many of those companies that were detractors in the year will ultimately be among the long-term wealth builders in the Portfolio in the years ahead.

In our experience, the capital markets eventually tend to direct capital to those businesses that deliver evidence of strong long-term earnings power, and we recognize being selective about owning the right businesses is ultimately more important than trying to avoid short-term price fluctuations. As Peter Lynch famously said, "Far more money has been lost by investors trying to anticipate corrections, than lost in the corrections themselves." We absolutely agree having navigated markets for the last 50 years.

In brief, we believe investment success over the long term requires building a Portfolio that is superior to the broader market. We believe we hold above-average businesses trading at below-average prices that can reliably compound capital over the long term, which should allow the power of compounding to drive total returns for our clients. We remain steadfastly focused on ensuring our businesses continue to demonstrate the potential to deliver superior long-term results for shareholders, regardless of short-term price volatility, which is a normal part of the investment equation.

While we have seen only one side of the "valley" in terms of the market correction of the last six months, we encourage investors to keep in mind that the market is incredibly resilient and tends to march upward with corporate profit growth over time, that the backdrop and underpinnings of the overall economy are strong, and that this environment of uncertainty and low prices, in our opinion, makes this an especially attractive time to increase ownership in great long-term businesses, disconcerting as short-term price fluctuations can be.

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. **1. Past performance is not a guarantee of future results.**

Portfolio Review

In keeping with our philosophy of buying durable businesses at value prices and holding them for the long term, we are investing selectively in businesses with attractive valuations that meet our investment criteria of strong balance sheets, durable competitive moats, and the potential for earnings to expand over time.

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 investments[2]

Among the market leaders in the Portfolio is Wells Fargo, a financial services company that is attractively valued given its strong position across North America in banking, insurance, investments, mortgages, and consumer and commercial finance services.[3] While Wells Fargo continues to reestablish credibility with regulators and shareholders for past business practices that have been purged along with previous management, the company remains an earnings machine. Even amid controversy, the company generated more than $27 billion of pretax income in 2017, and we anticipate with an eventual reprieve from a temporary cap on its assets, Wells Fargo's true value and earnings power will become more evident to investors.

Loews Corp. is an example of an out-of-the-spotlight holding in the Portfolio. While the company's roots are in property casualty insurance, we consider Loews a diversified conglomerate with interests in insurance, energy and hotels. Cofounded in 1954 by the late Larry Tisch and still controlled by the shareholder-friendly Tisch family, Loews, in our view, is well managed, financially strong and a top-notch capital allocator.

In the contrarian or headline risk category is Encana, one of the most nimble and well-managed shale oil and gas companies in North America. By intensely focusing on high productivity, low cost and long-lived reserve basins in both the United States and Canada, we feel that Encana is in a position to increase production by double-digit rates for years to come. That said, the price of oil is now around $51, having declined in the second half of 2018 with other sectors perceived as more volatile than the market as a whole. In addition to the company's focus on owning the right acreage and wells, Encana's management has been buying back shares aggressively at extremely low prices, ultimately creating value for us as long-term shareholders while we wait for oil and gas prices to recover.

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 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 in similarly managed accounts and strategies remains a true sign of our commitment to and conviction in this enduring philosophy.[4] ▪

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 Large Cap Value model portfolio well as recent purchases and recent sales and are intended only as illustrations of the Davis Investment. They are not recommendations to buy, sell or hold any security. Individual account holdings may vary. **4.** As of December 31, 2018.

Davis ADVISORS

Large Cap Value SMA Portfolio Profile

December 31, 2018

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, *29 years with Davis Advisors*
Danton Goei, *20 years with Davis Advisors*

Our Investment Alongside Our Clients

We have more than $2 billion of our own money invested in similarly managed accounts and strategies.[1]

Top 10 Holdings[2]

Alphabet	7.0%
Berkshire Hathaway	7.0
Wells Fargo	7.0
Amazon.com	6.8
United Technologies	6.1
Bank of New York Mellon	6.0
Capital One Financial	6.0
JPMorgan Chase	5.4
Facebook	5.1
American Express	4.9

Industry Groups[3]

Diversified Financials	25.0%
Banks	15.6
Media & Entertainment	12.8
Capital Goods	12.0
Retailing	10.7
Information Technology	10.1
Energy	6.6
Consumer Services	3.0
Insurance	3.0
Automobiles & Components	1.2

Portfolio Characteristics

	Portfolio	S&P 500 Index
Number of Holdings	26	505
Turnover Rate (%)	24.8	3.8
Median Market Cap ($bn)	77.6	18.5
Weighted Average Market Cap ($bn)	240.7	194.4
Trailing Positive P/E Ratio	16.3	18.0
P/E Ratio FY1	12.2	15.6
P/B	2.4	3.8
Weighted Average Yield (%)	1.8	2.2
EPS Growth–Last 5 years (%)	18.8	14.6
Beta (3 years)	1.2	1.0
R-Squared	0.9	1.0

Portfolio characteristics, holdings and industry groups are subject to change. Davis Advisors classifies its Large Cap Value SMA 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.** As of December 31, 2018. Includes Davis Advisors, Davis Family and Foundation, our employees and Fund Directors. **2.** For information purposes only. Not a recommendation to buy or sell any security. **3.** Sources: Davis Advisors and Wilshire Atlas.

Large Cap Value SMA Portfolio Holdings

December 31, 2018

Ticker	Security Description	Percent
MULTI	Alphabet (Class A and C)	7.0%
BRK/B	Berkshire Hathaway	7.0
WFC	Wells Fargo	7.0
AMZN	Amazon.com	6.8
UTX	United Technologies	6.1
BK	Bank of NY Mellon	6.0
COF	Capital One Financial	6.0
JPM	JPMorgan Chase	5.4
FB	Facebook	5.1
AXP	American Express	4.9
APA	Apache	4.8
AMAT	Applied Materials	3.2
TXN	Texas Instruments	3.2
BABA	Alibaba Group Holding–ADR	3.0
JCI	Johnson Controls	2.9
EDU	New Oriental Education–ADR	2.8
GE	General Electric	2.3
USB	US Bancorp	2.3
MSFT	Microsoft	2.1
CB	Chubb	1.6
ECA	Encana	1.4
L	Loews	1.2
ADNT	Adient PLC	1.1
ORCL	Oracle	1.0
QRTEA	Qurate Retail Group	0.3
CASH		5.5
TOTAL		**100.0%**

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

All-Cap Portfolio Commentary

Market Perspectives

In 2018, the S&P 500 Index returned –4.38% and the S&P 1500 Index returned –4.96%.[1] The Davis All-Cap Portfolio trailed the broader market. Certain positions in energy, consumer discretionary and industrials were detractors during the period.

U.S. economic fundamentals remain strong with historically low unemployment, robust gross domestic product (GDP) growth and modest inflation. The Federal Reserve has continued to normalize interest rates but is doing so at a measured pace thus far. In brief, the U.S. economic backdrop and fundamentals appear favorable overall.

Still, starting in mid-2018, investors have turned more cautious due to a confluence of factors including the U.S.–China trade dispute, rising interest rates and the economic outlook.

In the second half of the year, when volatility increased, it became a tale of two markets. A number of stocks and sectors that had contributed meaningfully to our strong results over the previous three to four years underperformed, as investors sought sectors with historically lower share price volatility. In our minds, the trade-off is clear: we can continue to own and purchase more shares of companies that in our estimation have a high probability of delivering competitive results over the *long term* but that are somewhat out of favor or more volatile than other groups in the near term. Or we could theoretically follow nervous investors into areas of the market that we regard as marginal long-term investment choices given their extremely low to negative topline growth, risky balance sheets where debt has increased considerably, and margins and dividend payout ratios that may be unsustainable over time. Therefore, while 2018 was a period in which we underperformed, we believe many of those companies that were detractors in the year will ultimately be among the long-term wealth builders in the Portfolio in the years ahead.

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- Dominant market leaders
- Lesser-known, "out-of-the-spotlight" businesses
- Contrarian investments[2]

A representative market leader is UnitedHealth Group, the largest health care insurance company in the United States.[3] The company focuses solely on its core health care business through a diversified product line including underwriting health insurance plans for large employers, administering employer-funded plans on a non-risk basis, and offering Medicare Advantage plans to senior citizens as a competitive alternative to traditional Medicare. In addition, the company has successfully built an array of less regulated health care related noninsurance businesses, including the third largest pharmacy benefit management company, and also offers consulting and other services in the area of health care information technology. We view UnitedHealth Group as a well-managed and durable franchise with ample opportunity for continued growth.

Intel, a second example of a market leader, is a U.S.-based leader in microprocessors with a market capitalization of $170 billion. Intel is the second largest semiconductor chipmaker globally based on revenue and dominates the PC, Mac, and server markets with a vast installed user base of platforms that run on the company's design. We believe the company will continue to expand margins as its unit costs gradually decline while at the same time growing revenue in the high single digit range for years to come.

Facebook, which has quickly emerged as a market leader, is the largest social network in the world with 2.2 billion active monthly users and an array of offerings including Instagram, Messenger, WhatsApp, and Oculus. Given Facebook's enormous scale and expanding user base the company is in a unique position to offer advertisers extensive targeted data and analytics on consumer preferences as well as to interact with consumers directly in a large-scale, highly efficient manner. We expect Facebook's earnings power to increase dramatically as advertisers continue to devote more of their advertising budgets to online platforms, especially the burgeoning market for mobile devices.

Out-of-the-spotlight businesses include a wide range of mundane or niche businesses that span a wide range of industries from independent laboratory services to building heating, ventilation and air conditioning systems (HVAC), to fire protection and security companies.

In the contrarian or headline risk category is Apache Corporation, a shale oil company with the reserve base and operating expertise to increase production at double-digit rates into the future, especially as the Alpine High discovery in the Permian basin begins to contribute to cash flow. The price of oil has fallen recently as have the shares of energy companies. We believe the future for Apache could well be much better in terms of production and returns on capital spending than in many past years when the former leaders of the company focused on a much larger but low-return asset base. In our view the market has been slow to recognize this change in the company's prospects.

In addition to contrarian investments in energy, we have also invested in a number of headline risk companies on a case-by-case basis, such as a leading seat system manufacturer and services company that has experienced a number of operational challenges that the company's new management can correct, in our view. We also hold shares of a large industrial conglomerate that is trading at an attractive price even

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given near-term financial challenges. We understand owning shares in headline risk companies can be unsettling for investors. Our rationale for owning headline risk investments is based on both facts and assumptions. Should the facts change significantly our views of course would change, but we currently believe these contrarian investments are trading at steeply discounted valuations that can compensate us for the risks involved.

During the quarter, we added Owens Corning and sold Blackberry Limited.

Since our firm's inception 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 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, 2018.

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All-Cap SMA Portfolio Profile

December 31, 2018

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 SMA 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	5.9%
Mid Cap	17.2
Large Cap	76.9

Top 10 Holdings[2]

Alphabet	7.0%
United Technologies	7.0
Apache	6.5
Wells Fargo	6.2
Quest Diagnostics	6.0
Amazon.com	5.0
Johnson Controls	4.6
Encana	4.0
Berkshire Hathaway	3.5
Eaton PLC	3.3

Industry Groups[3]

Capital Goods	21.5%
Energy	13.1
Information Technology	13.1
Media & Entertainment	11.0
Health Care	10.8
Retailing	10.3
Banks	6.5
Diversified Financials	6.3
Automobiles & Components	5.3
Insurance	2.1

Portfolio Characteristics

	Portfolio	S&P 1500 Index
Number of Holdings	33	1,506
Turnover Rate (%)	34.0	4.5
Trailing Positive P/E Ratio	17.5	17.8
EPS Growth–Last 5 years (%)	15.0	14.6
Standard Deviation (5 years)[4]	13.1	11.0

Portfolio characteristics, holdings and industry groups are subject to change. Davis Advisors classifies its All-Cap SMA 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.** 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 SMA Portfolio Holdings

December 31, 2018

Ticker	Security Description	Percent
MULTI	Alphabet (Class A and C)	7.0%
UTX	United Technologies	7.0
APA	Apache	6.5
WFC	Wells Fargo	6.2
DGX	Quest Diagnostics	6.0
AMZN	Amazon.com	5.0
JCI	Johnson Controls	4.6
ECA	Encana	4.0
BRK/B	Berkshire Hathaway	3.5
ETN	Eaton PLC	3.3
ADNT	Adient PLC	2.9
GE	General Electric	2.9
QUOT	Quotient Technology	2.7
QRVO	Qorvo	2.6
FB	Facebook	2.5
COF	Capital One Financial	2.5
INTC	Intel	2.3
APTV	Aptiv PLC	2.2
JD	JD.com–ADR	2.1
MKL	Markel	2.0
COG	Cabot Oil & Gas	2.0
ORCL	Oracle	1.9
CI	Cigna	1.7
TXN	Texas Instruments	1.6
MSFT	Microsoft	1.5
FERGY	Ferguson PLC–ADR	1.5
AMAT	Applied Materials	1.4
UNH	UnitedHealth Group	1.3
CVS	CVS Health	1.3
OC	Owens Corning	1.3
SAP	SAP SE–ADR	1.2
IQ	IQIYI–ADR	1.0
CASH		4.5
TOTAL		**100.0%**

Investment Management Team

Christopher C. Davis joined Davis Advisors in 1989. He has more than 30 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. He is a portfolio manager for the Financial Portfolios and is a member of the research team for other portfolios. 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. Mr. Whitaker 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.

Davis ADVISORS

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Ed Snowden, Manager, Regional Representatives
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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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Jon Franke	Senior Regional Representative	800-717-3477 Ext. 2663	jfranke@dsaco.com
Central Arizona, Arkansas, Idaho, Iowa, Montana, Nebraska, Nevada, New Mexico, North Dakota, South Dakota, Utah, Wyoming			
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Great Lakes Illinois, Indiana, Kentucky, Minnesota, Southern Ohio, Wisconsin			
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Mark Giles	Regional Director	800-279-2279 Ext. 6908	mgiles@dsaco.com
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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 and 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. 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.

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 1500 Index** is comprised of the S&P 500, MidCap 400, and SmallCap 600, which together represent approximately 90% of the U.S. equity market. 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.

Davis Large Cap Value Portfolio

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 purchase 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.

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 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.

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 Large Cap Value accounts invest primarily in common stock of at least $10 billion. The principal risks are: stock market risk, manager risk, common stock risk, large-capitalization companies risk, mid- and small-capitalization risk, financial services risk, foreign country risk, emerging markets risk, foreign currency risk, depositary receipts risk, and fees and expenses risk. See the ADV Part 2 for a description of these principal risks.

Davis All-Cap Portfolio

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 purchase 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.

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. For 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.

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. The principal risks are: stock market risk, manager risk, common stock risk, large-capitalization companies risk, mid- and small-capitalization companies risk, headline risk, foreign country risk, emerging markets risk, foreign currency risk, depositary receipts risk, and fees and expenses 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.

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Item #3845 12/18