Large Cap Value Portfolio

Fall Update 2018

Commentary

Profile

Holdings

Investment Management Team

Contacts

Davis Advisors

The Equity Specialists

Portfolio Commentary

Market Perspectives

As of the end of the third quarter, the U.S. stock market's year-to-date return was 10.6% as measured by the S&P 500 Index.[1] Although we have witnessed more volatility in recent periods, U.S. economic fundamentals remain strong with historically low unemployment, robust gross domestic product (GDP) growth and modest inflation. The Federal Reserve continues on its path to normalize interest rates now that the economy has clearly recovered from the last financial crisis, but is doing so in a gradual, measured and manageable fashion thus far. In brief, the U.S. economic backdrop and fundamentals appear favorable overall.

In terms of opportunities and risks, prospective growth rates and current valuations vary greatly by business and by industry at the moment. On average, the forward price-to-earnings ratio of the S&P 500 Index is approximately 18 times, which is neither inexpensive relative to history nor indicative of an overall market bubble. Today we see the greatest number of value opportunities in out-of-favor or out-of-the-spotlight businesses such as leading companies in the financial services industry, reasonably priced industrial companies and attractively priced North American shale companies as well as a focused list of technology companies whose long-term growth rates justify somewhat higher multiples.

At the same time, we are consciously avoiding certain risks with an eye to preserving capital. For example, we are not meaningfully invested at this time in consumer staples, telecommunication stocks or utilities stocks—groups normally associated with the so-called "dividend darlings." While currently offering above-market dividend yields, these sectors remain fairly expensive especially in light of their rather anemic (and in some cases *negative*) top-line growth and high payout ratios. Furthermore, they become even more expensive if operating margins, which are at the high end of their historical range, are normalized. In other words, as a truly active manager we will continue to focus on businesses that our analysis indicates are compelling risk/reward opportunities and avoid those that do not meet our standards.

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

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 investments[2]

Berkshire Hathaway is a diversified holding company with interests in insurance, reinsurance, railroads, utilities, manufacturing, retailing, and a host of other business lines.[3] Under the strong leadership of Warren Buffett and team, the company has compounded book value at 19% per year since 1965. During that time Berkshire Hathaway has quietly evolved from a textile manufacturer to a well-run insurance operation and more recently to a diversified business with almost

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. 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 as 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.

two-thirds of its earnings generated by nonfinancial operations. We believe Berkshire Hathaway is a financial powerhouse and well positioned for continued steady growth in intrinsic value well into the future.

Aetna, a representative out-of-the-spotlight holding in the Portfolio, is ranked among the five largest health insurers in the United States. The company has a strong negotiating position in most markets and has successfully branched into Medicare and Medicaid in addition to the company's commercial health insurance lines. We like Aetna's solid business model, good growth prospects and return on capital coupled with its fair valuation. Also worth noting is Aetna recently agreed to merge with CVS Health, a transaction that regulators are reviewing and that we expect may be approved in the coming months.

Our contrarian investments include General Electric, which we recently purchased in the Portfolio. General Electric is one of the largest and most diversified multinational corporations worldwide with products including aircraft engines, industrial products, oil and gas production equipment, power generation, and financial services. GE has presented compelling plans to resolve issues surrounding the company's pension, debt, and insurance practices and focus GE on its core industrial businesses. Despite current lackluster performance in the company's power and renewable energy units, GE's focus on strengthening these core industrial businesses is expected to increase margins over time.

Among other recent Portfolio changes, we sold our position in Occidental Petroleum during the most recent quarter.

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

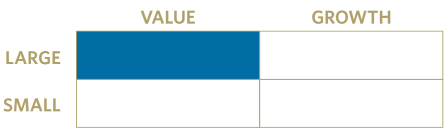
Since our firm's inception nearly 50 years ago, we have adhered to the same, time-tested investment philosophy and rigorous research process of buying durable businesses at attractive prices and holding them for the long term. The more than $2 billion the Davis family and Foundation, Davis Advisors, 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.[4]

4. As of June 30, 2018.

Large Cap Value Portfolio Profile

September 30, 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, *20 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	7.0%
Amazon.com	7.0
Wells Fargo	7.0
Berkshire Hathaway	6.9
Capital One Financial	5.9
United Technologies	5.4
Apache	5.2
Bank of New York Mellon	5.1
Aetna	4.9
JPMorgan Chase	4.9

Industry Groups[3]

Diversified Financials	22.7%
Banks	14.6
Capital Goods	12.6
Media & Entertainment	11.6
Retailing	10.4
Energy	8.0
Information Technology	8.0
Health Care	5.1
Insurance	2.5
Consumer Services	2.4
Automobiles & Components	2.1

Portfolio Characteristics

	Portfolio	S&P 500 Index
Number of Holdings	27	505
Turnover Rate (%)	29.6	3.8
Median Market Cap ($bn)	91.7	21.6
Weighted Average Market Cap ($bn)	274.5	240.2
Trailing Positive P/E Ratio	21.1	21.6
P/E Ratio FY1	14.9	18.3
P/B	2.4	3.9
Weighted Average Yield (%)	1.5	1.9
EPS Growth–Last 5 years (%)	16.1	14.3
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 Davis Advisors, the Davis family and Foundation, and our employees in similarly managed accounts and strategies. As of June 30, 2018. **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

September 30, 2018

Ticker	Security Description	Percent
MULTI	Alphabet (Class A and C)	7.0%
AMZN	Amazon.com	7.0
WFC	Wells Fargo	7.0
BRK/B	Berkshire Hathaway	6.9
COF	Capital One Financial	5.9
UTX	United Technologies	5.4
APA	Apache	5.2
BK	Bank of NY Mellon	5.1
AET	Aetna	4.9
JPM	JPMorgan Chase	4.9
FB	Facebook	4.1
AXP	American Express	3.9
GE	General Electric	3.9
TXN	Texas Instruments	3.0
JCI	Johnson Controls	2.7
BABA	Alibaba Group Holding–ADR	2.6
ECA	Encana	2.4
EDU	New Oriental Education–ADR	2.3
AMAT	Applied Materials	2.1
ADNT	Adient PLC	2.0
USB	US Bancorp	2.0
MSFT	Microsoft	1.7
CB	Chubb	1.3
L	Loews	1.1
ORCL	Oracle	0.8
QRTEA	Qurate Retail Group	0.3
CASH		4.5
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 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. 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.

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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