Large Cap Value Portfolio

Winter Update 2019

Davis ADVISORS

The Equity Specialists

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.

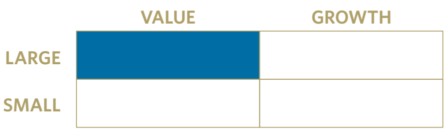
Since our firm's inception 50 years ago, we have adhered to the same, time-tested investment philosophy and rigorous research process of buying durable businesses at attractive prices and holding them for the long term. The more than $2 billion the Davis family and Foundation, Davis Advisors, and our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

Large Cap Value SMA Portfolio Profile

December 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, *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%**

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.

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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.

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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