Davis Large Cap Value SMA Portfolio

Winter Update 2024

Davis ADVISORS

The Equity Specialists

Davis ADVISORS

Portfolio Commentary

Key Takeaways

- The S&P 500 Index gained 26.29% in 2023 despite headwinds that included rising interest rates, high equity valuations and geopolitical uncertainty.
- Mega-cap tech companies created valuation distortions in the index, but there were many attractive opportunities elsewhere for active managers willing to depart from the benchmarks.
- Our portfolio of companies remains significantly undervalued even after last year's strong market performance, and we point out that value can be its own performance catalyst as long as investors are patient.

Market Perspectives:
Climbing the Wall of Worry

In 2023 the S&P 500 Index returned 26.29%. This was a strong result given the number of material headwinds and uncertainties investors faced during the year. These included the regional bank crisis in the early part of the year, rising interest rates, two overseas wars, and relatively elevated valuations for major stock indexes.

While there were indeed challenges, there have been favorable factors at work as well. These include a rather full employment picture with the unemployment rate down to historic lows (3.7%), the economy still expanding at a rate of about 5% on an annualized basis, and immensely greater financial stability than in past decades owing to strict regulations, more disciplined underwriting practices by the largest financial institutions in the country, and relatively low leverage.

While the so-called Magnificent Seven mega-cap tech companies dominated the financial headlines last year, contributing an outsized portion of index performance, many stocks traded at much more reasonable valuations than those particular technology giants. The Seven represent a very large percentage of the index's total value today which means that they lend their high valuations to the overall index as well. They have caused distortions such that the weighted average price-to-earnings (P/E) multiple on the S&P 500 Index is over 20x while the average valuation excluding the Magnificent Seven is much lower in our estimation. Davis Large Cap Value SMA portfolio is truly actively managed—we handpick the companies in the portfolio, and set the weightings of each position based on its risk and reward profile—the portfolio has a P/E multiple of only 13x.

In short, despite all predictions to the contrary, the U.S. stock market managed to climb the "wall of worry" standing in its way and delivered returns in 2023 that were far above the long-term average return for equities and on par with a number of record historical years. ■

Portfolio Review:
Cross-Sectional Drivers

Davis Large Cap Value SMA had a strong year performance-wise, and its results were driven by a broad cross-section of holdings. Companies as far-ranging as Capital One Financial (consumer finance), Teck Resources (copper production), and Amazon.com (e-commerce and cloud) delivered double-digit returns in the period. As such, despite a high market multiple due to weightings distortions within the index, there were many attractive opportunities available across a wide swath of stocks and sectors to active managers willing to depart from benchmarks.

The portfolio holds 26 different investments with the largest sector exposures being financial services, technology and healthcare.

Financials: The Strong Versus the Weak

Financial services surprised many on Wall Street last year, not least because the group defied the notion that the sector must underperform in periods of potential or real economic slowdowns. What was perhaps the most remarkable feature of last year's financial stock performance is that the market appeared to make fairly stark distinctions between the stronger and weaker institutions, in sharp contrast to 2008–2009 when we saw a unilateral sell-off across the entire group.

We do not have a monolithic view of the financial sector. The performance and drivers that make up our financials allocation are very distinct. What they have in common for the time being is that the market has accorded them a low multiple of earnings and book value, suggesting widespread skepticism.

Capital One Financial, best known for its credit card products, was one of our top performers, up over 40% in 2023. This was the case even though consumer finance—particularly companies that engage with mid- and lower-tier FICO-score customers—is casually thought of as an epicenter of crises. Capital One Financial has a strong, extremely data-driven underwriting operation, in our opinion, and is greatly underestimated in both its profitability and its risk profile. The company raised provisions for potential credit costs in 2023, but that is appropriate at this point in the cycle and prudent risk management. Meanwhile, net charge-offs remain very manageable thus far, and we believe the company's cumulative reserves plus ongoing earnings streams should be able to absorb net realized credit losses even if they rise somewhat. At the end of the year, the stock was still trading at or slightly below book value, meaning it remains very attractively priced relative to our expectations.

Technology: Five Key Themes

Our investments in the broad technology sector span five main areas currently—e-commerce, social media, online search, cloud computing and semiconductors. This portion of the portfolio generally fared well, with social media contributing outsized investment results in the period.

Our belief is that these industries, while well-established and enormous in size already, are still in the early stages of realizing their full global potential. In e-commerce, the opportunity set has grown beyond the business of selling products ubiquitously around the globe to include, in addition, revenue-generating opportunities in online advertising and third-party fulfillment and distribution services.

Social media is not always appreciated for its global reach, but the worldwide leader in the space has about 2 billion monthly average users, 90% of which are outside of North America. An opportunity for the company is not only to continue growing its platform and user base, but also to ramp up advertising revenues generated in non-U.S. markets where typical advertising revenue per user is still less than 1/10 of the level in the U.S.

Online search is still dominated today by a major global technology company which we own. Its hegemony could, in theory, be challenged by new advances in artificial intelligence (AI). That stated, AI is generally smarter and more robust when applied to larger populations of information and data, and this company, by dominating search, boasts more than a 90% market share in many regions of the world. This gives it significantly more data to utilize and process, and a significant competitive advantage over AI newcomers.

Cloud computing is the new paradigm for computational data and storage and makes for a seamless experience for end users. The addition of new cloud services has been somewhat more challenging for the three technology giants that dominate the space, both in terms of new subscriptions and price negotiations. However, the fact remains that cloud is a business with a remarkable margin structure and, based on the amount of capital and technological know-how it requires, a high barrier to entry.

Semiconductors offer a way for investors to access the technology sector, especially if they are seeking to gain exposure to very long-tailed opportunities such as electrification of vehicles, industrial Internet-of-Things (IoT), communications, consumer electronics, and computational processing.

Overall, we believe that the businesses we own in technology are an important facet of the portfolio. We are being disciplined about managing the weightings of companies in this sector as well as the valuations we are willing to pay.

Healthcare: Cost Efficiency in a High-Cost System

Healthcare was a relative laggard in the portfolio. Still, we are excited about our investments in the sector, each of which we believe plays an important role in bringing efficiencies to a system burdened with high costs. Healthcare spending now represents roughly 20% of U.S. gross domestic product, and the U.S. population is only getting older on average. In our minds, this means that demographics and budgetary considerations will drive efforts to curb the rate of healthcare inflation in this country.

Our healthcare investments deliver drugs and services with comparatively greater cost efficiency. We are avoiding companies that may be perceived as overcharging the system, meaning branded pharmaceuticals manufacturers as well as certain biotech companies. This is reflected in the margins of such businesses. The largest branded pharmaceuticals companies in America have gross profit margins of more than 60%. That is effectively their "mark-up" on the products they manufacture. While we want to invest in companies that enjoy attractive margins, in this instance such high margins can make those businesses very vulnerable, especially as we are entering a period of price negotiations between the drug manufacturers and the U.S. government.

"Our top healthcare holding is both underestimated and misunderstood, partly because its management strategy of 'shrinking to greatness' is very rare among large corporations."

Thematically, our healthcare investments share in common the fact that they aim to drive cost efficiencies through the system relative to the alternatives. In addition, they have margin structures that we feel are more sustainable than the peak margins we see in the more expensive pharma companies.

One of our largest positions in the portfolio manufactures mostly generic pharmaceuticals, which is an important way to contain healthcare costs. This company is one of the cheapest in our universe on a free cash flow basis and is both underestimated and misunderstood, partly because its management's strategy for creating value is very rare among large corporations. The approach in this case involves

effectively "shrinking to greatness"—that is, seeking to achieve better per-share economics by shedding certain assets, paying down debt, and returning capital. It is a highly management-intensive strategy and depends very much on the effectiveness of capital allocation decisions. We believe the right conditions are in place and that the value in the company can be effectively unlocked.

Other healthcare investments in the portfolio include independent lab and diagnostics company Quest Diagnostics as well as managed insurers.

Outside of the above areas, the portfolio's performance last year benefited from businesses whose principal activities include roofing and insulation, copper production, gaming and hospitality, and biofuel, respectively. Meanwhile, and despite strong performance in 2023, these businesses continue to trade at cheap valuations.

During the period we initiated a position in AGCO, a major manufacturer of agricultural machinery.

Overall, we believe the portfolio is both quantitatively and qualitatively well-positioned. We have invested across 26 holdings, each of which in our view represents attractive opportunities at today's prices. The combined forward P/E multiple for the portfolio is a mere 13x versus a much higher 22x for the benchmark. We believe this positions us well, especially because, as we have highlighted in this review, we think the market underestimates the future earnings power of many of these companies. Last but not least, we believe that competitive moats often dictate winners versus losers in business, and competitive advantage is a key, albeit intangible, feature of our portfolio's holdings. ■

Outlook:
Building Value Over Time

A key takeaway from 2023's strong stock performance is that what matters is not whether the news flow is positive or negative but what the market is *discounting* in prices. Our portfolio of companies remains significantly undervalued even after last year's strong performance, in many cases because these investments by and large started at very depressed valuations. If asked what the catalyst is for those securities, we would point out that value can be its own catalyst as long as investors are patient.

Whatever the market environment, our goal is to have a portfolio that we believe is well-prepared and resilient through inevitable challenges. We maintain our discipline of looking at the changing landscape of businesses and valuations as objectively as possible, and with fresh eyes each day, in order to build value over time.

In conclusion, as stewards of our clients' savings our most important job is growing the value of the funds entrusted to us. With more than $2 billion of our own money invested alongside that of our clients, we are on this journey together.[1] This alignment with our clients is uncommon in our industry; our conviction in our portfolio of carefully selected companies is more than just words. ■

1. As of 12/31/23, Davis Advisors, the Davis family and Foundation, and our employees have more than $2 billion invested alongside clients in similarly managed accounts and strategies.

Davis Large Cap Value SMA Portfolio

Selective. Attractive Growth. Undervalued.

"What gives us confidence that Davis Large Cap Value SMA will build wealth for our shareholders in the years and decades to come? The compelling attributes of our businesses.

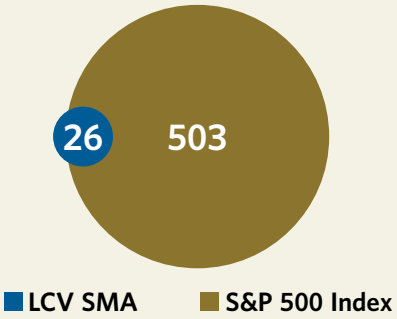
By being highly selective and rejecting the vast majority of companies in the index, the companies of Davis Large Cap Value SMA Portfolio have solid earnings, yet are 43% less expensive. In fact, this gap between price and value is among the widest we have ever seen. We believe this sets the stage for attractive returns in the years ahead."

Chris Davis, Portfolio Manager

Selective

LCV SMA invests in only a select group of well-researched companies

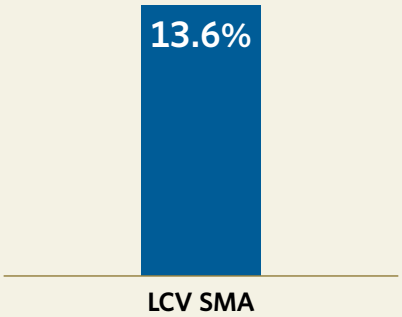
Holdings



Attractive Growth

LCV SMA portfolio companies have solid earnings

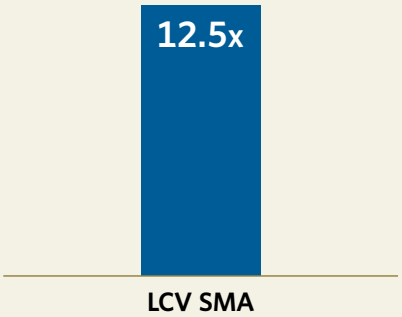
EPS Growth (5 Year)[1]



Undervalued

LCV SMA portfolio companies are 43% less expensive than the index

P/E (Forward)[2]



As of 12/31/23. The Attractive Growth and Undervalued reference in this piece relates to underlying characteristics of the portfolio holdings. There is no guarantee that the Portfolio's performance will be positive as equity markets are volatile and an investor may lose money. **Past performance is not a guarantee of future returns.** Performance may vary. **1.** Five-year EPS Growth Rate (5-year EPS) is the average annualized earnings per share growth for a company over the past 5 years. The values shown are the weighted average of the 5-year EPS of the stocks in the Portfolio or Index. Approximately 0.40% of the assets of the Portfolio are not accounted for in the calculation of 5-year EPS as relevant information on certain companies is not available to the Advisor's data provider. **2.** Forward Price/Earnings (Forward P/E) Ratio is a stock's current price divided by the company's forecasted earnings for the following 12 months. The values for the portfolio and index are the weighted average of the P/E ratios of the stocks in the portfolio or index.

Davis ADVISORS

Davis Large Cap Value SMA Portfolio Holdings

December 31, 2023

High Conviction. Different from the Index.

Holding	Portfolio (%)	S&P 500 Index (%)
Amazon.com	7.0%	3.5%
Applied Materials	7.0	0.3
Berkshire Hathaway	7.0	1.6
Capital One Financial	7.0	0.1
Meta Platforms	7.0	2.0
Wells Fargo	7.0	0.5
JPMorgan Chase	5.2	1.2
Viatris	5.0	0.0
Bank of New York Mellon	4.7	0.1
Alphabet	4.3	3.8
Texas Instruments	4.0	0.4
U.S. Bancorp	3.8	0.2
Cigna Group	3.4	0.2
MGM Resorts International	3.3	0.0
Intel	3.1	0.5
Teck Resources	3.1	—
Owens Corning	2.7	—
Markel Group	2.6	—
Chubb	2.1	0.2
Quest Diagnostics	1.9	0.0
Microsoft	1.7	7.0
AGCO	1.4	—
IAC	1.1	—
American Express	1.0	0.3
Darling Ingredients	1.0	—
Loews	0.4	0.0
CASH	2.2	—
	100.0%	

The above listed securities are representative of a model 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 securities listed for the S&P 500 Index are not representative of the entire portfolio, which consists of 503 securities. 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.

Davis ADVISORS

Davis Large Cap Value SMA Portfolio

December 31, 2023

Davis Large Cap Value is a portfolio of attractive businesses selected using the time-tested Davis Investment Discipline. The portfolio has outperformed its benchmark since inception. As one of the largest investors in the strategy, we have a unique commitment to client stewardship.[1]

Unique Attributes of Davis Large Cap Value SMA Portfolio

- **Equity-Focused Research Firm:** Established in 1969, Davis is a leading specialist in equity investing. Our primary focus on research and unique investment discipline has built wealth for our clients over the long term.
- **Portfolio of Best of Breed Businesses:** 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.
- **Flexible, Opportunistic Approach:** We believe a bottom-up stock selection process and not mirroring the benchmark index are keys to long-term outperformance. Active Share = 83%.
- **We Are One of the Largest Investors:** We have a unique commitment to stewardship, generating attractive long-term results and managing risks.

Undervalued. Attractive Growth. Selective.[2]		Portfolio
Undervalued	P/E (Forward)	12.5x
Attractive Growth	EPS Growth (5 Year)	13.6%
Selective	Holdings	26

Experienced Management

Chris Davis, *34 years with Davis Advisors*
Danton Goei, *25 years with Davis Advisors*

Our Investment Alongside Our Clients

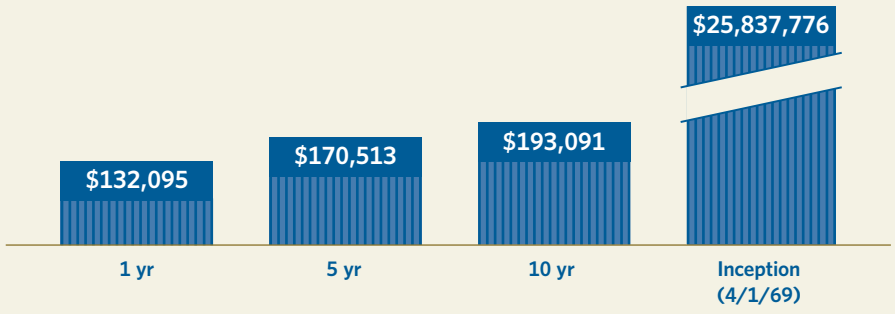
We have more than $2 billion of our own money invested in Davis strategies and funds.[1]

Top 10 Holdings[3]	Portfolio	Index
Amazon.com	7.0%	3.5%
Applied Materials	7.0	0.3
Berkshire Hathaway	7.0	1.6
Capital One Financial	7.0	0.1
Meta Platforms	7.0	2.0
Wells Fargo	7.0	0.5
JPMorgan Chase	5.2	1.2
Viatris	5.0	0.0
Bank of New York Mellon	4.7	0.1
Alphabet	4.3	3.8

Sectors[4]	Portfolio	Index
Financials	41.7%	13.0%
Information Technology	16.2	28.8
Communication Services	12.7	8.6
Consumer Discretionary	10.5	10.9
Health Care	10.5	12.6
Industrials	4.2	8.8
Materials	3.2	2.4
Consumer Staples	1.0	6.2
Energy	—	3.9
Real Estate	—	2.5
Utilities	—	2.3

Wealth Over the Long Term[5]

$100,000 Hypothetical Investment



Net average annual total returns as of December 31, 2023 for Davis Large Cap Value SMA Composite with a 3% maximum wrap fee: 1 year, 32.10%; 5 years, 11.26%; 10 years, 6.80%. *Total return assumes reinvestment of dividends. Investment return and principal value will vary so that an investor may lose money. For current, quarterly returns, please ask your financial advisor to contact Davis Advisors. Current performance may be higher or lower.* The investment strategies described herein are those of Davis Advisors. These materials are being provided for illustrative and informational purposes only. The information contained herein is obtained from multiple sources that are believed to be reliable. However, such information has not been verified, and may be different from the information included in documents and materials created by the sponsor firm in whose investment program a client participates. Some sponsor firms may require that these materials are preceded or accompanied by investment profiles or other documents or materials prepared by such sponsor firms, which will be provided upon a client's request. For additional information, documents and/or materials, please speak to your Financial Advisor. **1.** As of 12/31/23. This includes Davis Advisors, the Davis family and Foundation, and our employees. **2.** The Attractive Growth and Undervalued reference in this piece relates to underlying characteristics of the portfolio holdings. There is no guarantee that the Portfolio's performance will be positive as equity markets are volatile and an investor may lose money. **Past performance is not a guarantee of future returns.** Five-year EPS Growth Rate (5-year EPS) is the average annualized earnings per share growth for a company over the past 5 years. The values shown are the weighted average of the 5-year EPS of the stocks in the Portfolio or Index. Approximately 0.40% of the assets of the Portfolio are not accounted for in the calculation of 5-year EPS as relevant information on certain companies is not available to the Advisor's data provider. Forward Price/Earnings (Forward P/E) Ratio is a stock's price at the date indicated divided by the company's forecasted earnings for the following 12 months based on estimates provided by the Advisor's data provider. These values for both the Portfolio and the Index are the weighted average of the stocks in the Portfolio or Index. **3.** For information purposes only. Not a recommendation to buy or sell any security. **4.** Sources: Davis Advisors and Wilshire Atlas. **5.** Net of fees. As of 12/31/23.

Investment Professionals

Christopher C. Davis joined Davis Advisors in 1989. He has 35 years experience in investment management and securities research. Mr. Davis received his M.A. from the University of St. Andrews in Scotland.

Danton G. Goei joined Davis Advisors in 1998. 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. 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, CFA joined Davis Advisors in 2008. Previously, he worked as a research analyst at Davidson Kempner Capital Management and in mergers and acquisitions at RBC Capital Markets. Mr. Crosbie received his B.A. from McGill University, his M.B.A. from the Harvard Business School and is a CFA charter holder.

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.

Sobby Arora, CFA joined Davis Advisors in 2017. Previously, he worked as a research analyst at Federated Global Investment Management and ING Investment Management. Mr. Arora received his B.A. from Colgate University, his M.B.A. from The Stern School of Business and is a CFA charter holder.

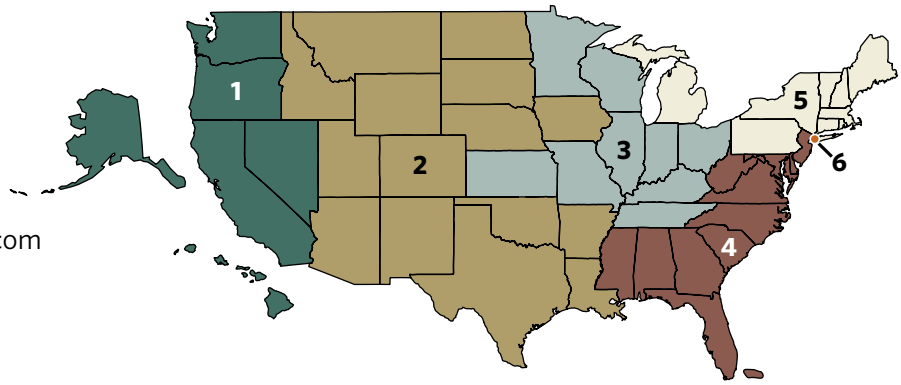
Davis ADVISORS

Financial Advisor Relationship Team

Dodd Kittsley, CFA®
National Director
212-891-5578, dkittsley@dsaco.com

Ed Snowden
Manager, Regional Representatives
800-717-3477 Ext. 2267, esnowden@dsaco.com

Peter J. Sackmann, CFA®
Institutional Director
212-891-5505, psackmann@dsaco.com



Literature Requests: 800-717-3477, davisfunds.com

1	**West Coast** Alaska, California, Hawaii, Nevada, Oregon, Washington			
	Joe Emhof	Regional Director	800-717-3477 Ext. 3786	jemhof@dsaco.com
	Jon Franke	Senior Regional Representative	800-717-3477 Ext. 2663	jfranke@dsaco.com
	Laurel Hardy	Senior Regional Representative	800-717-3477 Ext. 2683	lhardy@dsaco.com
2	**Central** Arizona, Arkansas, Colorado, Idaho, Iowa, Louisiana, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, Utah, Wyoming			
	Dan Steichen	Regional Director	800-717-3477 Ext. 2262	dsteichen@dsaco.com
	Marty Smith	Senior Regional Representative	800-717-3477 Ext. 2674	martysmith@dsaco.com
	Sean Lynch	Senior Regional Representative	800-717-3477 Ext. 2675	slynch@dsaco.com
3	**Mid-West** Illinois, Indiana, Kansas, Kentucky, Minnesota, Missouri, Ohio, Tennessee, Wisconsin			
	Bill Coughlin	Regional Director	800-717-3477 Ext. 3783	bcoughlin@dsaco.com
	Nancy Brennan	Senior Regional Representative	800-717-3477 Ext. 2679	nbrennan@dsaco.com
	Danny Hardy	Senior Regional Representative	800-717-3477 Ext. 2677	dhardy@dsaco.com
4	**East Coast** Alabama, Delaware, Florida, Georgia, Maryland, Mississippi, New Jersey, North Carolina, Puerto Rico, South Carolina, Virginia, Washington DC, West Virginia			
	Reed Finley	Regional Director	800-717-3477 Ext. 6906	rfinley@dsaco.com
	Mike Longoni	Senior Regional Representative	800-717-3477 Ext. 2261	mlongoni@dsaco.com
	Mari Downey	Senior Regional Representative	800-717-3477 Ext. 2665	mdowney@dsaco.com
5	**Northeast** Connecticut, Maine, Massachusetts, Michigan, New Hampshire, Northern New York, Pennsylvania, Rhode Island, Vermont			
	Steve Coyle	Regional Director	800-717-3477 Ext. 3790	coyle@dsaco.com
	Danielle Irwin	Senior Regional Representative	800-717-3477 Ext. 2682	dirwin@dsaco.com
	Danny Hardy	Senior Regional Representative	800-717-3477 Ext. 2677	dhardy@dsaco.com
6	**New York City**			
	Dodd Kittsley	National Director	800-717-3477 Ext. 3787	dkittsley@dsaco.com
	Laurel Hardy	Senior Regional Representative	800-717-3477 Ext. 2683	lhardy@dsaco.com

Davis ADVISORS

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 material. 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 material discusses companies in conformance with Rule 206(4)-1 of the Investment Advisers Act of 1940 and guidance published thereunder. Six companies are discussed and are chosen as follows: (1–4) current holdings based on December 31 holdings; (5) the first new position; and (6) the first position that is completely closed out. 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, 6, 11, and 16 are selected and discussed. For the second quarter, holdings numbered 2, 7, 12, and 17 are selected and discussed. This pattern then repeats itself for the following quarters. If a holding is no longer in the portfolio then the next holding listed is discussed. No more than two of these holdings can come from the same sector per piece. None of these holdings can be discussed if they were discussed in the previous three quarters. If there were no purchases or sales, the purchases and sales are omitted from the material. If there were multiple purchases and/or sales, the purchase and sale discussed shall be the earliest to occur. As this is primarily a domestic equity strategy, no more than one foreign holding will be discussed in any material. 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. Other than the recent buy and sell, any company discussed must constitute at least 1% of the portfolio as of December 31.

The information provided in this material 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 material 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: China risk, common stock risk, depositary receipts risk, emerging market risk, fees and expenses risk, financial services risk, focused portfolio 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.

We gather our index data from a combination of reputable sources, including, but not limited to, Lipper, Wilshire, and index websites.

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 Advisors
2949 East Elvira Road, Suite 101, Tucson, AZ 85756
800-717-3477

Item #3894 12/23