

Davis Global ADR SMA Portfolio

Winter Update 2024

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THE EQUITY SPECIALISTS

Portfolio Commentary

Key Takeaways

- The MSCI ACWI (All Country World Index) gained 22.20% in 2023, largely driven by U.S. equities which outperformed international stocks despite a number of domestic headwinds.
- The Davis Global ADR SMA portfolio is built around a highly selective list of well-researched businesses with very attractive characteristics based on bottom-up stock selection guided by some long-tailed themes in the global markets.
- Looking forward, we believe our overall portfolio positioning is advantaged given its low starting valuations, comparatively high earnings growth potential, and the competitive and financial strength of the underlying holdings.

Market Perspectives: Moving to Different Cycles

In 2023 the MSCI ACWI returned 22.20%. Its performance was driven by strong returns among U.S. equities while international shares lagged by comparison. The strength of the U.S. market reflects economic developments that are mostly positive. Gross domestic product continues to grow at approximately 3%, the unemployment rate is extremely low at 3.7%, and inflation appears to be tapering from recent highs. Still, it is worth noting that U.S. equities advanced in 2023 despite a number of headwinds and uncertainties that included fears of a potential near-term recession, the implications and impact of a regional banking crisis from early last year, and two major wars.

International markets have lagged the U.S. in recent years for reasons that are largely regional in nature. In Europe, inflation and interest rates remain elevated. As such, the European Central Bank has maintained its tightening stance with respect to interest rates, and there appear to be growing signs of a slowdown in some of the larger European economies. That said, we see numerous attractive opportunities in European markets, in which we are investing selectively.

In Asia-Pacific, China has been slow to find its economic footing after a very prolonged shutdown due to COVID, a fact that has weighed on the growth rate of the entire region. While China's recovery has required patience, we firmly believe its economic activity level and vibrancy will improve in the foreseeable future, and that this is a moment to consider owning Chinese equities. To put the present opportunity into perspective, Chinese equities today have rarely been cheaper in our estimation, both in absolute and relative terms. Given this, we have seen net purchasers of China-related stocks at the margin.

With country markets moving according to different cycles, different geographies are out of step with one another. In 2023 our U.S. holdings on balance were in bloom and we have pared some of the more successful investments in recent months. Meanwhile, we are taking advantage of low prices in foreign markets, particularly in Asia-Pacific. ■

This report includes candid statements and observations regarding investment strategies, individual securities, and economic and market conditions; however, there is no guarantee that these statements, opinions or forecasts will prove to be correct. Equity markets are volatile and an investor may lose money. **Past performance is not a guarantee of future results.** Unless otherwise noted, all performance information is gross and as of 12/31/23. 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 Davis Advisors 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.

Portfolio Review: Long-Tailed Themes, Best-of-Breed Stocks

In 2023 the Davis Global ADR SMA portfolio delivered double-digit positive results, trailing the benchmark somewhat but still representing progress in long-term wealth building.

In terms of overall positioning, the portfolio is built around a highly selective list of well-researched businesses and its characteristics are very attractive, in our view.

In the following table we compare the portfolio with the index with respect to three key metrics—the number of holdings, five-year trailing average annual earnings per share growth rate, and the average forward price-to-earnings (P/E) multiple.

Selective, Attractive Growth, Undervalued¹

	Portfolio	Index
Holdings	33	2,920
EPS Growth (5 Year) ²	14.2%	13.4%
P/E (Forward) ³	9.0x	18.2x

With 33 portfolio holdings, we are capitalizing on the opportunity as active managers to own only what we feel are best-of-breed companies with attractive future prospects. In contrast, the unmanaged index is rather indiscriminately allocated across thousands of names, most of which we consider less attractive. Within reason and subject to diversification considerations, we believe that owning fewer holdings and focusing on what we deem superior companies can be an advantage versus the passive alternative.

Our five-year earnings per share growth rate demonstrates the level of historical growth that our businesses have been able to achieve on balance. Relative to the benchmark, the portfolio has generated higher earnings per share growth rates even while its P/E is much lower than that of the index.

In our experience, this combination of selectivity, low starting valuations, and long-term earnings growth can provide an attractive balance of risk and reward and can combine to deliver powerful results over the long term.

50/50 Regional Mix

The portfolio is comprised of both U.S. and international stocks with the proportions of the two being roughly equal at 50% each.

The U.S. (at 50% of the portfolio) is by far our largest regional exposure. Asia-Pacific is the next largest allocation (23% of the total), followed by Europe (17%), and then finally the last 10% representing smaller allocations to other areas of the world. These allocations are driven primarily by stock selection and reflect, in general, where we are finding opportunities today.

In addition to stock selection, we are guided at the portfolio management level by long-tailed themes where we can concentrate our research efforts. In effect, this means that we seek to “fish where the fish are” in terms of broad areas of the global market. Three of the primary themes running through the Davis Global ADR SMA portfolio include: (1) high-grade financials, (2) a broad swath of technology companies, and (3) healthcare.

Within **financials**, we favor competitively advantaged, very durable financial institutions in multiple geographies, including the U.S., Asia-Pacific and Europe. One of our financial holdings in the U.S. is Wells Fargo which is slowly but surely building value for shareholders by generating healthy cash earnings and growing book value in solid fashion over time. While the company is still a contrarian name, it is one of the cheapest mega-banks in the U.S., with a strong balance sheet, reasonably high capital ratios, and proven management. This gives it a degree of optionality which could prove a significant boost to our thesis if the yield curve improves or regulators lift the asset cap they imposed on the bank in 2018.

1. The Attractive Growth and Undervalued reference in this material 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.**

2. 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 7.10% 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. **3.** 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.

“In the short term, ...share price declines... reflect the malaise in China’s economy... Longer-term, we expect the region’s general level of economic activity, e-commerce traffic and broader consumption trends to improve markedly...”

In Europe, we hold shares of Swiss bank Julius Baer which is going through somewhat of a transition. Despite some negative headlines in recent periods, we like Julius Baer’s core private banking franchise which is sticky and highly profitable, as well as its cheap valuation currently.

In Bermuda we sold our position in Bank of Butterfield on strength during the last quarter of 2023.

Technology, the second principal theme running through the Davis Global ADR SMA portfolio, spans multiple areas including: e-commerce, social media, online search, cloud computing, and semiconductor-related companies.

Two consumer-oriented technology holdings that we like today are JD.com and Coupang, both in Asia-Pacific. In the short term, both companies’ share price declines in the last year reflect the malaise in China’s economy post-COVID lockdowns, among other factors. Longer-term, we expect the region’s general level of economic activity, e-commerce traffic, and broader consumption trends to improve markedly, however unknowable the exact timing may be. In the meantime, we are very comfortable owning these types of businesses. They have strong competitive positions and extraordinarily cheap valuations for what are normally high-growth profit models, and we expect that their sectors should do well over time relative to other areas of the market.

Within **healthcare**, we are investing primarily in generics manufacturers as well as healthcare services and are focusing mostly on the U.S. market at this time. We recently added Quest Diagnostics, a leading

independent lab and testing company in the U.S. at what we feel is an attractive valuation. The base business is solid, in our view, given its nearly ubiquitous footprint across the U.S., its low cost of growth, the stickiness associated with mass scale delivery of lab services, and its comparative cost advantage versus the far more expensive hospital labs in this country.

In addition to the above themes, we have many individual positions that are rather unique and do not fall neatly into a broader theme per se. Whether grouped by theme or based on more stand-alone theses, note that we select *all* of our investments on a case-by-case, company-by-company basis according to a single, clear-minded investment philosophy and discipline. ■

Outlook: Advantaged Positioning

The global stock market is really a market of many individual stocks from which investors can pick and choose. We are exercising extreme selectivity to maximize what we believe are the most attractive opportunities across regions. In addition, we believe the overall positioning of the Davis Global ADR SMA portfolio is advantaged given a rare combination of low starting valuations (in absolute and relative terms), comparatively high earnings growth potential, and the overall competitive and financial strength of the underlying holdings.

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.⁴ This alignment with our clients is uncommon in our industry; our conviction in our portfolio of carefully selected companies is more than just words.

We are grateful for your trust and well-positioned for the future. ■

⁴. 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 Global ADR SMA Portfolio

Selective. Attractive Growth. Undervalued.



“What gives us confidence that Davis Global ADR 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 Global ADR SMA Portfolio have grown more than the companies in the index, yet are 51% 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.”

Danton Goei, Portfolio Manager



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 7.10% 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 Global ADR SMA Portfolio Holdings

December 31, 2023

High Conviction. Different from the Index.

Holding	Portfolio (%)	MSCI ACWI (%)
Danske Bank	7.0%	0.0%
Capital One Financial	6.4	0.1
Wells Fargo	6.0	0.3
Meta Platforms	5.8	1.2
Naspers	5.0	0.1
Amazon.com	4.6	2.1
DBS Group Holdings	4.4	0.1
Prosus	4.3	0.1
Ping An Insurance	4.2	0.1
Julius Baer Group	3.9	0.0
Teck Resources	3.8	0.0
Hollysys Automation Technologies	3.7	—
MGM Resorts International	3.4	0.0
Viatis	3.4	0.0
Berkshire Hathaway	3.1	0.7
Alphabet	2.7	2.3
AIA Group	2.6	0.2
KE Holdings	2.5	0.0
Applied Materials	2.3	0.2
JD.com	2.2	0.1
Liberty Media	2.0	0.0
Meituan	2.0	0.1
Cigna Group	1.6	0.1
Delivery Hero	1.5	0.0
Quest Diagnostics	1.4	0.0
AGCO	1.1	—
Darling Ingredients	1.1	0.0
IAC	1.1	—
Markel Group	1.1	0.0
Owens Corning	1.0	0.0
Coupang	0.9	—
Clear Secure	0.4	—
Noah Holdings	0.2	—
CASH	3.3	—
	100.0%	

The above listed securities are representative of a model Davis Global ADR 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 MSCI ACWI are not representative of the entire portfolio, which consists of 2,920 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 Global ADR SMA Portfolio

December 31, 2023

Davis Global ADR SMA is a portfolio of attractive businesses from around the world 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.

Unique Attributes of Davis Global ADR 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:**
 The portfolio invests in both developed and developing markets. We believe in a bottom-up stock selection process and in not mirroring the benchmark index. Active Share = 92%.
- 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.¹

		Portfolio
Undervalued	P/E (Forward)	9.0x
Attractive Growth	EPS Growth (5 Year)	14.2%
Selective	Holdings	33
	Total Countries	11

Experienced Management

Danton Goei, 25 years with Davis Advisors

Geographically Diverse Portfolio

United States	50.2%
Asia	23.4
Europe	17.3
Africa	5.2
North & Central America Ex U.S.	3.9

Top 10 Countries

United States	Netherlands
China	Switzerland
Denmark	Canada
South Africa	Hong Kong
Singapore	Germany

Sectors

	Portfolio	Index
Financials	40.3%	15.9%
Consumer Discretionary	24.7	11.1
Communication Services	12.0	7.3
Information Technology	6.6	23.0
Health Care	6.6	11.2
Materials	3.9	4.5
Real Estate	2.6	2.4
Industrials	2.2	10.7
Consumer Staples	1.1	6.8
Energy	0.0	4.5
Utilities	0.0	2.6

Performance

	1 Year	3 Year	5 Year	Inception 10/1/14
Global Equity SMA Composite (gross)	17.78%	-0.39%	9.89%	7.20%
Global Equity SMA Composite (with a 3% max. wrap fee)	14.33	-3.34	6.66	4.04
MSCI ACWI	22.20	5.75	11.71	8.16

Attractive Global Businesses (Top 10 Holdings)

Danske Bank (Denmark): Largest bank in Denmark serving more than 5 million retail customers

Capital One Financial (U.S.): Top 10 U.S. bank with \$240+ billion of deposits

Wells Fargo (U.S.): One of the largest banks in the U.S.

Meta Platforms (U.S.): The largest social media company in the world with more than 2 billion daily users

Naspers (South Africa): A media conglomerate that operates a leading pay television business in South and Sub-Saharan Africa and holds interests in a range of e-commerce businesses around the world

Amazon.com (U.S.): An e-commerce giant within the retail industry

DBS Group Holdings (Singapore): Largest bank in Singapore and among the largest in developed Asia—has a strong moat enabled by relatively inexpensive cost of funds, technology leadership, and high market share of retail deposits

Prosus (Netherlands): A global consumer internet company and spin-off of South African e-commerce group, Naspers

Ping An Insurance (China): A leader in retail financial services and the largest multi-line insurer in China

Julius Baer Group (Switzerland): A premier private bank serving ultrahigh net worth clients

The performance presented represents past performance and is not a guarantee of future results. 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 be 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.

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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.

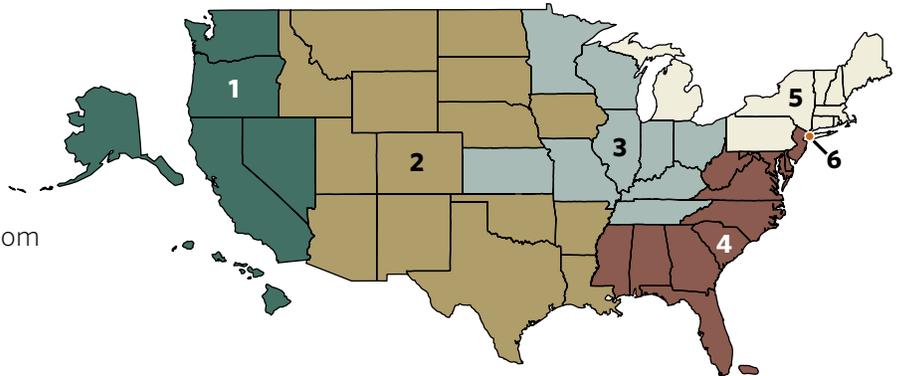
Sobby Arora, CFA joined Davis Advisors in 2017. Previously, he worked as a research analyst at Federated Global Investment Management and ING Investment Management. Mr. Arora received his B.A. from Colgate University, his M.B.A. from The Stern School of Business and is a CFA charter holder.

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This material may be shared with existing and potential clients to provide information concerning market conditions and the investment strategies and techniques used by Davis Advisors to manage its client accounts. Please refer to Davis Advisors Form ADV Part 2 for more information regarding investment strategies, risks, fees, and expenses. Clients should also review other relevant material, including a schedule of investments listing securities held in their account.

The performance of mutual funds is included in the Composite. The performance of the mutual funds and other Davis managed accounts may be materially different. For example, the Davis Global Fund may be significantly larger than another Davis managed account and may be managed with a view toward different client needs and considerations. The differences that may affect investment performance include, but are not limited to: the timing of cash deposits and withdrawals, the possibility that Davis Advisors may not buy or sell a given security on behalf of all clients pursuing similar strategies, the price and timing differences when buying or selling securities, the size of the account, the differences in expenses and other fees, and the clients pursuing similar investment strategies but imposing different investment restrictions. This is not a solicitation to invest in the Davis Global Fund or any other fund.

Effective 9/23/14, Davis Advisors created a Global Equity SMA Composite which excludes the institutional accounts and mutual funds. Performance shown from 10/1/14, through the date of this report, the Davis Advisors' Global Equity 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.

A time-weighted internal rate of return formula is used to calculate performance for the accounts included in the Composite. The net of fees rate of return formula is calculated based on a hypothetical 3% maximum wrap fee charged by the wrap account sponsor for all account services. For the gross performance results, custodian fees and advisory fees are treated as cash withdrawals.

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. 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 Global Companies 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. Each of these holdings must come from a different country. 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 report. If there were multiple purchases and/or sales, the purchase and sale discussed shall be the earliest to occur. 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 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 Global Equity 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 portfolio principally in common stocks (including indirect holdings of common stock through depositary receipts) issued by both United States and foreign companies, including countries with developed or emerging markets. The global companies strategy may invest in large, medium, or small companies without regard to market capitalization. The principal risks are: China risk, common stock risk, depositary receipts risk, emerging markets risk, exposure to industry or sector risk, fees and expenses 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 MSCI ACWI (All Country World Index) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets throughout the world. The index includes reinvestment of dividends, net foreign withholding taxes. Investments cannot be made directly in an index.