

Davis Global ADR SMA Portfolio

Spring Update 2019

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THE EQUITY SPECIALISTS



Portfolio Commentary

Market Perspectives

During the first quarter of 2019, the MSCI ACWI (All Country World Index) returned 12.18%, offsetting 2018's performance of -9.42% to a meaningful degree. The Davis Global SMA strategy outperformed the MSCI ACWI during the period, led by consumer discretionary and communications services holdings while financial holdings lagged modestly on a relative basis.¹

With respect to last year's correction, we believe the pullback was long overdue based on historical experience. That said, we saw little indication the short-term volatility in stock prices reflected weakness in the underlying economy. In our view, while stocks entered correction territory in the second half of last year, the bear market in share prices was not driven by otherwise healthy business and economic fundamentals but rather by investor sentiment and macroeconomic concerns we believed would likely prove temporary. As a result, our conviction in the stocks we owned and the stocks we purchased during the period generally increased as prices declined given the strength of our strategy's companies' balance sheets, competitive moats, earnings drivers, and proven management teams, coupled with more attractive valuations. We believe our focus on selective, attractive growth and undervalued businesses should yield attractive results over the long term.

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 Global SMA strategy holds three categories of businesses including in order of proportion:

- Dominant market leaders
- Lesser-known, "out-of-the-spotlight" businesses
- Contrarian investments²

Facebook, a dominant social media company with more than two billion users worldwide, is an example of a market leader in the strategy.³ With a market capitalization of close to \$500 billion, we feel the company's growth potential remains underappreciated even though Facebook grew revenues more than 30% in 2018. In our view, Facebook has the potential to deliver attractive growth for years to come as the company implements strategies designed to generate increasing revenues from Instagram, Messenger and WhatsApp. The company is already adapting its services to better respond to privacy concerns. We assume Facebook will have to increase spending to address these issues but also believe organic growth from these holdings as well as other untapped revenue sources should put the company in a stronger position to absorb these costs and still generate growth for shareholders.

The core of the strategy consists not only of dominant market leaders but also includes a number of out-of-the-spotlight businesses in areas ranging from aerospace to conservatively managed financial companies to health care, among other industries. What these businesses have in common is they represent well-priced, growing businesses that are often overlooked by the market despite their ability to compound earnings over the long term.

A representative out-of-the-spotlight business in the strategy is New Oriental Education & Technology Group, the standout leader in the fast-growing sector

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.** Davis Advisors' Global SMA Equity Composite, net of fees. Inception was 9/23/14. **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 Global model portfolio as well as recent purchases and recent sales and are intended only as illustrations of the Davis Investment Discipline. They are not recommendations to buy, sell or hold any security. Individual account holdings may vary.

of professional after-school education in China, with well over 1,000 physical learning centers as well as distance learning programs currently serving more than six million students. Since New Oriental Education & Technology Group's inception in the 1990s, the company has enrolled more than 40 million Chinese students and we consider this burgeoning sector still in its infancy relative to its long-term potential.

A second out-of-the-spotlight investment in the strategy is Bermuda-based Bank of Butterfield, a local leader in community lending as well as trust services for reinsurers. A smaller, somewhat specialized bank with just under \$10 billion in loans, the company has what we believe to be an exceptionally strong balance sheet with a capital ratio of 20% and a less than 45% loan-to-deposit ratio. The bank has the opportunity to build on its strategy of serving as a natural consolidator in its region as other competitors exit the business.

Among our out-of-favor or contrarian investments is Bank Julius Baer, a premier private bank in Switzerland that is run extremely conservatively with the sole aim of serving ultrahigh net worth clients. Predominantly a wealth management institution, the bank's operations

involve what we believe to be far less risk than its chief competitors, some of whom have extremely capital-intensive and arguably riskier business lines such as investment banking. We favor conservatively run financial institutions, operating not just in the United States but abroad as well. Bank Julius Baer meets our investment criteria.

During the most recent quarter we sold our position in General Electric to reallocate capital to other investment opportunities.

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

Since our firm's inception more than 50 years ago, Davis Advisors has employed a time-tested investment discipline of buying durable businesses at attractive prices and holding them for the long term. The more than \$2 billion the Davis family and Foundation, Davis Advisors, and our employees have invested in similarly managed accounts and strategies remains a true sign of our commitment to and conviction in this enduring philosophy.⁴

4. As of 12/31/18.

Davis Global ADR SMA Portfolio Profile

March 31, 2019

Davis Global consists of portfolios 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.

► Why Invest in the Davis Global Strategy

■ Equity-Focused Research Firm:

Established in 1969, Davis is a leading specialist in equity investing.¹ Our primary focus on research and unique investment discipline has built wealth for our clients over the long term.

■ Portfolios of Best of Breed Businesses:

The strategy invests in businesses in the U.S. and abroad, from both developed and developing markets. 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.

■ We Are Among the Largest Investors:

We have a unique commitment to stewardship, generating attractive long-term results, managing risks and minimizing fees.

► Experienced Management

Danton Goei, 20 years with Davis Advisors

► Geographically Diverse Portfolio

United States	39.6%
Asia	34.1
Europe	14.9
Africa	6.9
North & Central America, ex. U.S.	4.5

► Top Countries

United States	Norway
China	Switzerland
South Africa	Bermuda
U.K.	Canada
Denmark	Singapore

► Selective, Attractive Growth, Undervalued Portfolio²

	Portfolio	MSCI ACWI
Holdings	32	2,770
EPS Growth (5 Year)	26.1%	14.0%
P/E (Forward)	11.7x	15.2x

► Attractive Businesses from Around the World (Top 10 Holdings)

Alibaba Group-ADR (China): The world's largest and most valuable retailer, with operations in over 200 countries, and a dominant position in the e-commerce market

New Oriental Education & Technology-ADR (China): Largest provider of private education services in China

Alphabet (U.S.): The dominant global online search and advertising company

Naspers, N-ADR (South Africa): A media conglomerate based in South Africa 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

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

► Sector Breakdown

	Portfolio	MSCI ACWI
Consumer Discretionary	35.7%	10.8%
Financials	26.4	17.1
Communication Services	15.0	8.7
Industrials	10.0	10.4
Information Technology	7.3	15.1
Energy	4.2	6.3
Materials	1.4	4.9
Consumer Staples	0.0	8.4
Health Care	0.0	11.7
Real Estate	0.0	3.3
Utilities	0.0	3.3

JD.com-ADR (China): One of the largest e-commerce businesses in mainland China offering a range of goods such as consumer electronics and appliances

Hollysys Automation Technology (China): Leading industrial automation company in China

Ferguson PLC (U.K.): The world's largest distributor of heating and plumbing supplies for professionals, predominantly in the United States

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

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

► Market Cap Breakdown

	Portfolio	MSCI ACWI
Less than \$3 Billion	15.6%	0.8%
\$3-10 Billion	8.6	9.9
Greater than \$10 Billion	75.8	89.3

► Portfolio Characteristics

	Portfolio	MSCI ACWI
Number of Holdings	32	2,770
Median Market Cap (\$bn)	29.7	9.5
Weighted Average Market Cap (\$bn)	206.9	146.0
Dividend Yield (%)	1.3	2.5

► Performance

	1Q19 ³	1 Year	3 Year	Inception 10/1/14
Global Equity SMA Composite (gross)	19.36%	-5.41%	11.89%	8.06%
Global Equity SMA Composite (with a 3% max. wrap fee)	18.52	-8.23	8.60	4.88
MSCI ACWI Index	12.18	2.60	10.67	6.32

The performance presented represents past performance and is not a guarantee of future results. Total return assumes reinvestment of dividends and capital gain distributions. Investment return and principal value will vary so that, when redeemed, an investor's shares may be worth more or less than their original cost. Current performance may be higher or lower. Total return updates are available quarterly. Please contact your Davis Advisors representative for most recent month-end returns.

1. Past performance is not a guarantee of future results. 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 performance will be positive as equity markets are volatile and an investor may lose money. **3.** Returns for periods less than one year are not annualized.

Davis Global ADR SMA Portfolio Holdings

March 31, 2019

Ticker	Security Description	Percent
BABA	Alibaba Group Holding-ADR	7.0%
EDU	New Oriental Education-ADR	7.0
MULTI	Alphabet (Class A and C)	6.9
NPSNY	Naspers-ADR	6.4
WFC	Wells Fargo	5.5
JD	JD.com-ADR	5.4
HOLI	Hollysys Automation Technology	5.0
FERGY	Ferguson PLC-ADR	4.9
AMZN	Amazon.com	4.7
FB	Facebook	4.3
COF	Capital One Financial	4.0
DNKEY	Danske Bank-ADR	3.0
IQ	IQIYI-ADR	2.9
UTX	United Technologies	2.9
BRK/B	Berkshire Hathaway	2.7
NTB	Bank of N.T. Butterfield & Son	2.3
DNHBY	DNB ASA-ADR	2.3
APA	Apache	2.0
AMAT	Applied Materials	2.0
ADNT	Adient PLC	1.7
DBSDY	DBS Group Holdings-ADR	1.7
SBGSY	Schneider Elect SE-ADR	1.7
NOAH	Noah Holdings-ADR	1.4
HCMLY	LafargeHolcim-ADR	1.3
YRD	Yirendai-ADR	1.3
SVRGF	Seven Generations Energy	1.2
QUOT	Quotient Technology	1.1
JBAXY	Julius Baer Group	1.0
TEDU	Tarena International-ADR	0.9
ECA	Encana	0.8
MCHOY	MultiChoice Group	0.2
CASH		4.5
TOTAL		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 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.

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.

Benjamin Betcher, CFA joined Davis Advisors in 2017. Previously, he worked as a research analyst at Sanford Bernstein and as head of finance at Ampush Media. Mr. Betcher received his B.S. from Tufts University and is a CFA charter holder.

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.

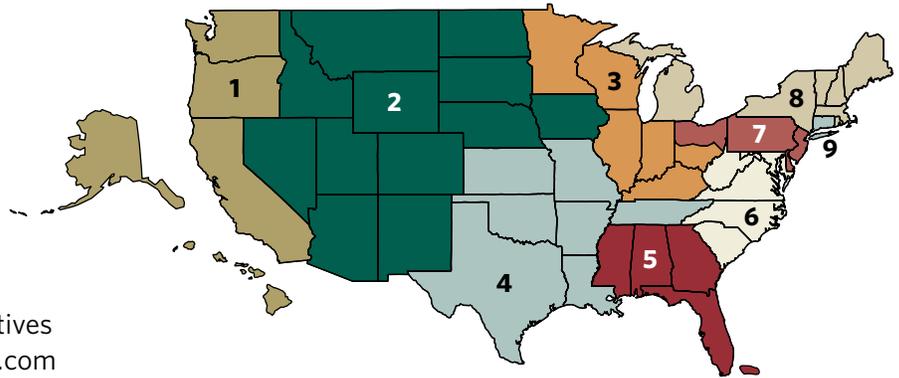
Edward Yen joined Davis Advisors in 2013. Previously, he worked at Dodge & Cox and Lehman Brothers. Mr. Yen received his B.S. from the University of California, Berkeley and his M.B.A. from Stanford University.

Contacts

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Contact Regional Directors or Regional Representatives to arrange meetings
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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.

Data provided herein is representative of a model account. Data provided is as of the date indicated and is subject to change. This material should not be considered a recommendation to buy, sell or hold any of the securities mentioned. We gather our index data from a combination of reputable sources, including, but not limited to, Thomson Financial, Wilshire Atlas, Lipper, and index websites.

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.

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 depository 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: common stock risk, depository receipts risk, emerging markets 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.

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 Global 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. Each of these holdings must come from a different country.); 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. If a holding to be discussed (excluding

the buys/sells) is no longer in the model portfolio as of quarter end, the next listed holding is selected and discussed.

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 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.

Historical 5 Year EPS Growth represents the annualized rate of net-income-per-share growth over the trailing five-year period for the stocks held.

The Forward P/E ratio is the aggregate of the Forward P/E ratios of the holdings. The ratio is not a forecast of performance and is calculated for each security by dividing the current ending price of the stock by a forecast of its projected Earnings Per Share (EPS).

After 7/31/19, this material must be accompanied by a supplement containing performance data for the most recent quarter end.