Davis Large Cap Value SMA Portfolio

Summer Update 2022

50 YEARS DAVIS ADVISORS

Davis ADVISORS

THE EQUITY SPECIALISTS

Portfolio Commentary

Market Perspectives

In the first half of 2022, the U.S. stock market declined –19.96%. Inflation and interest rates, the war in Ukraine and the potential for a near-term recession are key factors impacting markets presently. We believe bottom-line fundamentals will drive shareholder returns in the long run.

In the year-to-date period through June 30, 2022, the S&P 500 Index declined –19.96%. During this period, the Federal Reserve explicitly guided towards and instituted a series of interest rate increases in response to signs of inflation in the U.S. The key concerns in our conversations with clients include inflation and interest rates, the war in Ukraine and the potential for a near-term recession.

We do not have a precise expectation or view relative to how long above-historic inflation can continue nor when prices will stabilize. We believe, therefore, that we should be prepared for a range of scenarios. We are focused on balance sheet strength, product longevity, valuation and competitive advantages, as well as the resiliency and profitability of individual business models—each of which can be an indicator of durability under a wide range of conditions. We are exercising vigilance with respect to potential risks, but we also look to capitalize on market price dislocations intelligently where and when they may occur.

Interest rates have risen by the largest extent we have seen since the mid-1990s in response to upward price pressures, which tend to slow economic momentum. While rates are elevated, it is an open question whether that will merely blunt inflation or cause the economy to slow to the point of recession.

We cannot rule out the recession possibility in the near term, but believe it is not a certainty nor is it necessarily a setback of permanent nature should it occur. Interest rates generally are brought back down in economic slowdowns, which may be bullish on the other side of the cycle. In the interim, we are above all focused on what specific impact higher financing costs will have on the businesses and industries to which we have meaningful exposure in the portfolio. As things stand, and despite an obscured economic picture in the short term, we are adhering to our discipline of selectively investing in equities for the long term that can weather adversity but should, in our estimation, participate in eventual expansion as well.

Lastly, an end to the war in Ukraine would be welcome, but for the foreseeable future, we must manage with the expectation that the conflict could be protracted. In terms of direct economic impacts, two stand out: First, energy prices, especially for Europe, have surged and represent one of the key reasons we are witnessing inflation rates as high as they are presently. Second, disruption of trade in agricultural products originating from Ukraine means that food prices globally have increased. Without a conclusion to the war and absent a ramp up of oil and natural gas production in other regions, we believe we must manage with the possibility of sticky commodity inflation for a time as a probable scenario.

From an investment standpoint, we believe it is advisable to stay invested in shares of strong businesses but that a healthy dose of caution and selectivity will be keys to navigating these times. ■

Portfolio Review

From a portfolio-level view, our capital is spread in selective fashion across 28 distinct holdings, covering a significant number of different business types and an even greater number of business lines within companies. Our expectation for these businesses is that on balance, they will generate attractive returns on capital—providing growth over a full cycle—and they are currently trading at below-market multiples on average.

From a high level, the portfolio is invested in what we believe are durable leaders in a wide range of business types spanning multiple sectors.

Demonstrating the breadth and contrast between individual businesses we study, the largest sectors represented in the portfolio as of quarter end are financials, information technology, communication services and healthcare—in other words, very well-established, massive and enduring sectors based on history as well as current earnings power.

Within financials, we are invested in what we believe are some of the most durable and profitable companies in the sector, all while the sector is trading at relatively low valuations. We also believe that fairly dynamic capital allocation decisions will be a decisive advantage for those financial businesses that can intelligently deploy capital into offense, when profit margins justify such an approach, while building capital and reserving where credit costs and/or capital ratio requirements warrant. It is, in other words, a balancing act within the financial sector right now as to how capital should be directed, to higher areas of potential income generation or to the balance sheet. The most important fact is that our financial holdings have built significant capital strength to weather even adverse scenarios and can continue generating, in some cases, tens of billions of dollars of pre-tax income, however variable; this comes in stark contrast to some sectors that tend to be more fragile in poor economic times. In a word, there is a reason why a number of our financial holdings have been in existence for more than a century, in our view.

We also own a number of information technology leaders primarily in the semiconductor space, technology-centric communication services and enterprises engaged in e-commerce and cloud computing.

In healthcare, we have chosen to own primarily healthcare services, generic pharmaceuticals and health insurance companies in leading industry positions. Generally speaking, there may be some effects from inflation, interest rates and wars on domestic healthcare players at the margin, but relatively speaking, the forces underpinning demand for healthcare goods and services tend to be steadier than vacillating stock prices sometimes reflect. Between COVID, an aging population and the expansion of treatments in other areas, based on innovation and strong research and development budgets, we believe that our healthcare holdings are a very durable group of companies whose long-term prospects are not entirely driven by the same factors as many other areas of the market.

The total portfolio goes beyond these three sectors, and as a whole, offers investors what we believe are attractive investments from a risk and potential reward standpoint.

From a portfolio-level view, our capital is spread in a selective fashion across 28 distinct holdings, covering a significant number of different business types and an even greater number of business lines within companies. Our expectation for these businesses is that on balance, they will generate attractive returns on capital—providing growth over a full cycle—and they are currently trading at below-market multiples on average.

Shown on the next page are the number of select holdings in the portfolio versus the S&P 500 Index. The portfolio held 28 positions as of the most recent quarter end. At the same time, the portfolio's five-year trailing EPS growth rate and forward P/E multiple appear to us more attractive than the alternatives available in the broader market today.

Selective, Attractive Growth, Undervalued

	Portfolio	Index
Holdings	28	503
EPS Growth (5 Year)	24.2%	17.6%
P/E (Forward)	9.2x	16.7x

The business types that we favor in our selective approach to investing include:

- Major financial institutions—large, well-capitalized banks, select property casualty and reinsurance companies and the financial elements of diversified conglomerates such as Loews
- Workhorse technology companies—businesses that specialize in vast, global end markets such as semiconductor-related technologies, including Applied Materials, a leading producer of manufacturing tools for semiconductor fabrication and advanced flat-panel display screens[1]
- Dominant e-commerce, cloud computing, social media and videogame companies
- Leaders in healthcare services, insurance and pharmaceuticals—companies with significant market share in generics and businesses that possess strong competitive advantages such as Cigna, a global health services and insurance company

Voids or underweighted sectors in the portfolio include energy, which surged in the first quarter 2022, but reversed somewhat in the most recent quarter. We believe the range of possible outcomes—given new and increasingly stringent regulations and an eventual end to the supply shock associated with the Ukraine conflict—constitute a high-risk proposition at this time. We also sold out of our position in Vroom, as the company did not make the operational progress we had expected and faces new and less favorable financing headwinds, which will impede its ability to grow market share within an otherwise attractive online used car industry. ■

Conclusion

We have high conviction in the portfolio's long-term investments, which represent a selective list of extremely durable companies and industries, all while acknowledging near-term headwinds.

Looking ahead, we would encourage clients to look through the current headlines at what may occur on the other side of our present challenges and to derive conviction from the sheer power and profit potential of the businesses found within Davis Large Cap Value SMA Portfolio. While the near term presents headwinds ranging from the political and geopolitical to economic implications from COVID and the war in Ukraine, our view for the long-term attractiveness of equities over other asset classes has not diminished. In fact, valuations have come down to a level where we perceive there to be, purely based on valuation, more attractive risk and reward characteristics in certain areas of the market than just a year ago.

In terms of what can be gleaned from recent price volatility, we would argue that in periods of heightened uncertainty and even dislocation, it is important to bear in mind that historically, the nature of such headwinds is that they ebb and flow. Near-term conditions are mixed, but our portfolio of businesses have overall stood the test of time, and in our view, offer attractive long-term economics for shareholders, based on their ongoing relevance and profit generation.

At Davis Advisors, we seek to purchase durable businesses at value prices and to hold them for the long term. The Davis family, its foundation, our company, and our employees have more than $2 billion invested alongside clients in similarly managed portfolios—a testament to our commitment to, and alignment with, shareholders.[2]

We are grateful for your confidence and trust, and we look forward to continuing our investment journey together. ■

1. Holdings discussed in this commentary are selected according to objective, non-performance-based criteria. They are chosen each quarter according to a consistent methodology based on their weight in the Davis Advisors Large Cap Value model portfolio as well as recent purchases and recent sales and are intended only as illustrations of the Davis Investment Discipline. They are not recommendations to buy, sell or hold any security. Individual account holdings may vary. **2.** As of 6/30/22.

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.

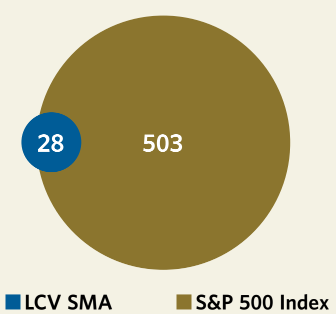
By being highly selective and rejecting the vast majority of companies in the index, the companies of Davis Large Cap Value SMA Portfolio have grown faster than the companies in the index, yet are 45% less expensive. In fact, this gap between price and value is among the widest we have ever seen. We 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

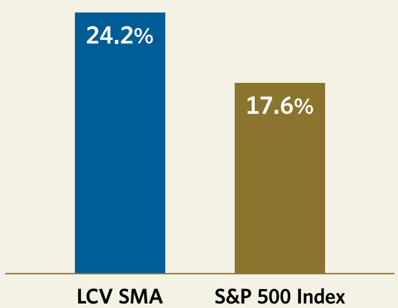
Holdings



Attractive Growth

LCV SMA portfolio companies have grown faster than the index

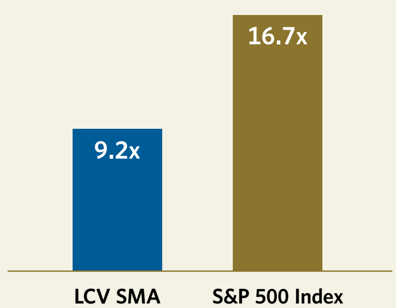
EPS Growth (5 Year)[1]



Undervalued

LCV SMA portfolio companies are 45% less expensive than the index

P/E (Forward)[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.** Performance may vary. **1.** Five-Year EPS Growth Rate is the average annualized earning per share growth for a company over the past five years. The values for the portfolio and index are the weighted average of the five-year EPS Growth Rates of the stocks in the portfolio or index. **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.

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Davis Large Cap Value SMA Portfolio Holdings

June 30, 2022

High Conviction. Different from the Index.

Holding	Portfolio (%)	S&P 500 Index (%)
Alphabet	7.0%	3.9%
Applied Materials	7.0	0.3
Berkshire Hathaway	7.0	1.6
Capital One Financial	7.0	0.1
Wells Fargo	7.0	0.5
Cigna	6.0	0.3
Amazon.com	5.5	2.9
U.S. Bancorp	5.0	0.2
Bank of New York Mellon	4.7	0.1
Intel	4.7	0.5
Texas Instruments	4.4	0.4
JPMorgan Chase	4.3	1.0
Meta Platforms	4.3	1.2
Viatris	4.0	0.0
JD.com	2.7	—
Teck Resources	2.4	—
Chubb	2.1	0.3
Quest Diagnostics	1.8	0.1
Microsoft	1.5	6.0
Owens Corning	1.5	—
Darling Ingredients	1.4	—
IAC	1.2	—
American Express	0.9	0.3
Loews	0.9	0.0
Coupang	0.8	—
Alibaba Group Holding	0.7	—
Vimeo	0.2	—
CASH	4.0	—
	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 Large Cap Value SMA Portfolio

June 30, 2022

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 85%.
- **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	Index
Undervalued	P/E (Forward)	9.2x	16.7x
Attractive Growth	EPS Growth (5 Year)	24.2%	17.6%
Selective	Holdings	28	503

Experienced Management

Chris Davis, *33 years with Davis Advisors*
Danton Goei, *24 years with Davis Advisors*

Our Investment Alongside Our Clients

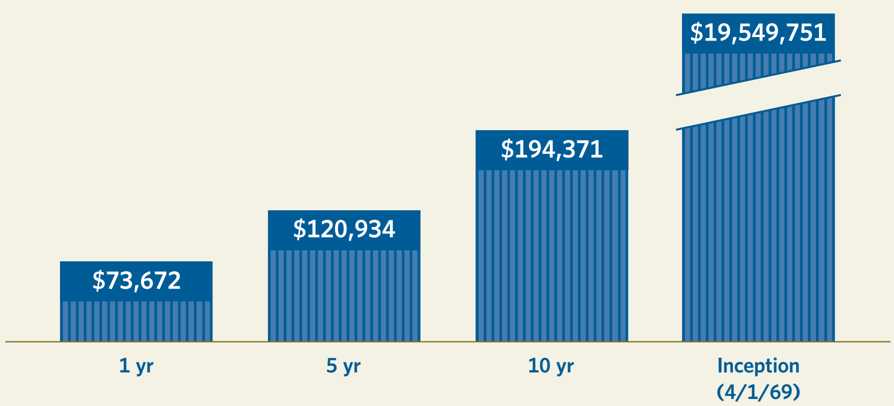
We have more than $2 billion of our own money invested in Davis strategies and funds.[1]

Top 10 Holdings[3]	Portfolio	Index
Alphabet	7.0%	3.9%
Applied Materials	7.0	0.3
Berkshire Hathaway	7.0	1.6
Capital One Financial	7.0	0.1
Wells Fargo	7.0	0.5
Cigna	6.0	0.3
Amazon.com	5.5	2.9
U.S. Bancorp	5.0	0.2
Bank of New York Mellon	4.7	0.1
Intel	4.7	0.5

Sectors[4]	Portfolio	Index
Financials	40.5%	11.9%
Information Technology	18.3	25.8
Communication Services	13.2	8.9
Health Care	12.3	15.1
Consumer Discretionary	10.1	10.5
Materials	2.5	2.6
Industrials	1.6	7.8
Consumer Staples	1.5	7.0
Energy	—	4.4
Utilities	—	3.1
Real Estate	—	2.9

Wealth Over the Long Term[5]

$100,000 Hypothetical Investment



Net average annual total returns as of June 30, 2022, for Davis Large Cap Value SMA Composite with a 3% maximum wrap fee: 1 year, −26.33%; 5 years, 3.88%; and 10 years, 6.87%. 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 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 6/30/22. 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. **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 6/30/22.

Investment Professionals

Christopher C. Davis joined Davis Advisors in 1989. He has almost 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.

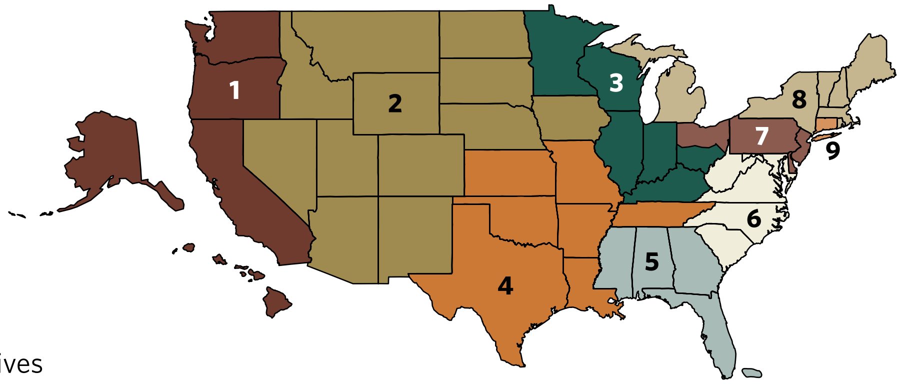
Darin Prozes joined Davis Advisors in 2004. He previously worked for the Parthenon Group, a strategy consulting firm. Mr. Prozes received his B.A. from Princeton University and his M.B.A. from Stanford University.

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.

Contacts



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Contact Regional Directors or Regional Representatives to arrange meetings or for information on our investment process, philosophy and performance.

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

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 New York Venture 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 New York Venture Fund or any other fund.

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.

Returns from inception (4/1/69) through 12/31/01, were calculated from the Davis Large Cap Value Composite (see description below). Returns from 1/1/02, through the date of this report were calculated from the Large Cap Value (SMA) Composite.

Davis Advisors' Large Cap Value Composite includes all actual, fee-paying, discretionary Large Cap Value investing style institutional accounts, mutual funds, and wrap accounts under management including those accounts no longer managed. Effective 1/1/98, a minimum account size of $3,500,000 was established. Accounts below this minimum are deemed not to be representative of the Composite's intended strategy and as such are not included in the Composite. A time-weighted internal rate of return formula is used to calculate performance for the accounts included in the Composite.

Davis Advisors' Large Cap Value (SMA) Composite excludes institutional accounts and mutual funds. Performance shown from 1/1/02, through 12/31/10, includes all eligible wrap accounts with a minimum account size of $3,500,000 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. For the performance shown from 1/1/11, through the date of this report, the Davis Advisors' Large Cap Value 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. The net of fees rate of return formula used by the wrap-fee style accounts is calculated based on a hypothetical 3% maximum wrap fee charged by the wrap account sponsor for all account service, including advisory fees for the period 1/1/06, and thereafter. For the gross performance results, custodian fees and advisory fees are treated as cash withdrawals. A list of Davis Advisors' Composites is available upon request.

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: 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.

The attractive growth 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.

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.

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Item #3894 6/22