

Davis Global ADR SMA Portfolio

Spring Update 2020

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THE EQUITY SPECIALISTS

Portfolio Commentary

Special Update from Portfolio Manager Danton Goei

Because the COVID-19 outbreak and market volatility have created fear and uncertainty, we wanted to provide you with an update through this period.

What advice do you have for investors and what are your thoughts on the market?

Our thoughts are with advisors and their clients during this challenging time. News of both the health and economic effects of COVID-19 are understandably unsettling and has led to a rapid drop in the equity markets. However, as an investment firm with over 50 years of history, we at Davis Advisors have experienced investing in numerous challenging circumstances. It is remarkable to think that over the 50 year period from 1969 through 2019, the market has returned a very healthy 10.6% per year, despite challenging periods such as the Vietnam War, the Oil Crisis, 9/11, and the Financial Crisis, to name a few.¹

Businesses, importantly, have historically persevered, adapted, and eventually thrived as each crisis receded, as we expect the COVID-19 outbreak will as well. While we do not know the future, it is encouraging that we have already seen certain countries succeed at bringing the outbreak under control, and innovative healthcare companies are hard at work developing a long-term solution.

In fact, our founder Shelby Davis famously said, “You make most of your money in a bear market. You just don’t realize it at the time.” This has proven true over and over again. You succeed both by owning the right companies heading into a bear market and by

taking advantage of the opportunities presented. We at Davis Advisors are convinced that on both fronts, investors are being well-served by the Davis Global ADR SMA’s Portfolio of leading businesses from around the globe. ■

Could you provide an update on the Portfolio?

Whether in a bull or bear market, the three key areas of focus for our Portfolio companies remain the same:

- Companies with durable competitive advantages
- Excellent, experienced, and honest management teams
- Attractive valuations

The focus on companies with durable competitive advantages served us very well as we navigated the market concerns surrounding the trade war in 2019 when we outperformed the MSCI ACWI Index by a wide margin.² The strong balance sheets and cash generation of Davis Global ADR SMA Portfolio’s companies are outpacing the Index so far in 2020. Our top holdings, all have extremely strong balance sheets and competitive positions that may help them not only to ride out an economic downturn, but also to thrive when growth resumes.

While the market downturn over the past few weeks is certainly unpleasant, we believe it also means future returns from this point may have the opportunity for improvement. Valuations for our Portfolio companies at the end of 2019 were already attractive, which was particularly evident relative to both the market index and fixed income yields. Today, these same companies, as well as the ones we have been adding to in the market downturn, are particularly attractive, and we believe future returns will be good. ■

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.** 1. Performance is of the S&P 500 Index from 12/31/69 to 12/31/19. **Past performance is not a guarantee of future results.** 2. Davis Advisor’s Global Equity SMA Composite. **Past performance is not a guarantee of future results.** The outbreak of COVID-19 has negatively affected the worldwide economy, individual countries, individual companies and the market in general. The future impact of COVID-19 is currently unknown, and it may exacerbate other risks that apply to the Fund.

Putting aside how challenging things are for people on many levels, where do you see the best investment opportunities?

Two areas of meaningful outperformance in the Davis Global ADR SMA Portfolio year-to-date have been the Chinese consumer companies we own. For example, our largest holding, New Oriental Education adapted efficiently to the challenge of closed schools by shifting all their classes online. New Oriental Education had already been using its scale and profitability to invest \$150 million a year in building the best online education offering and was well-prepared for the current health challenge and we believe it will be in an even stronger competitive position once the crisis has passed. Similarly, another holding in a Chinese online grocery business, in fact, has experienced a major uptick in its business as households rapidly changed their grocery shopping habits and moved online. The large U.S. online internet companies—such as Facebook—that we think of as the “Blue Chips of Tomorrow” have also outperformed. Encouragingly, the valuations of both the Chinese consumer companies and the U.S. internet leaders remain attractive both on a relative and absolute basis. Other individual investments in the portfolio that we regard as extremely durable are Raytheon Technologies and Prosus in the Netherlands. To fund new purchases, we sold our position in Adient.

The one large sector in the Portfolio that has underperformed is financials, and we believe it is well-poised to make up ground and outperform in the future. Our two U.S. bank holdings, are entering the next recession with much higher levels of capital, stronger loan books, and very profitable businesses, despite the low interest rate environment. Select international financials are proven businesses trading at very attractive valuations. We believe both our U.S. and international financials are among the best-capitalized financials globally and all have strong franchises. We have been adding to all of them in the latest market downturn.

Market distress is also a potential market opportunity, as long as you are invested in well-run durable franchises trading at attractive valuations. We believe this is an accurate description of Davis Global ADR SMA Portfolio's companies. We thank you for your trust and interest. If we can answer any questions about the Davis Global ADR SMA Portfolio, please do not hesitate to reach out and contact us: 800-717-3477. ■

Davis Global ADR SMA Portfolio

Selective. Attractive Growth. Undervalued.

Today, the Davis Global ADR SMA Portfolio holdings can be characterized by three characteristics: selective, attractive growth potential and undervalued. Selectivity allows us to reject the vast majority of companies that make up the index and instead build a portfolio of

those few companies that have above-average growth and below-average valuations. This combination of higher growth at below average valuations should create wealth for our shareholders in the years and decades to come.

		Davis Global ADR SMA Portfolio	MSCI ACWI
Selective	Holdings	32	3,047
Attractive Growth	EPS Growth (5 Year) ¹	29.2%	15.7%
Undervalued	P/E (Forward) ²	8.9x	13.9x

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.

Davis Global ADR SMA Portfolio Holdings

March 31, 2020

High Conviction. Different from the Index.

Holding	Portfolio (%)	MSCI ACWI (%)
Alibaba Group Holding	7.0%	0.9%
Alphabet	7.0	1.8
New Oriental Education & Technology	7.0	0.0
United Technologies	5.5	0.2
Wells Fargo	5.5	0.3
JD.com	5.1	0.1
Applied Materials	5.0	0.1
Amazon.com	4.8	2.1
Naspers	4.5	0.2
Capital One Financial	4.0	0.1
DNB	4.0	0.0
DBS Group Holdings	3.7	0.1
Danske Bank	3.5	0.0
Facebook	3.5	1.0
Hollysys Automation Technology	3.4	—
AIA Group	3.1	0.3
Ferguson	3.1	0.0
Berkshire Hathaway	3.0	0.6
Julius Baer Group	2.2	0.0
Schneider Electric	2.2	0.1
Prosus	2.1	0.1
Bank of N.T. Butterfield & Son	1.6	—
Intel	1.6	0.6
Raytheon	1.2	0.1
58.com	1.1	0.0
Quotient Technology	0.9	—
Noah Holdings	0.7	0.0
Seven Generations Energy	0.6	—
Apache	0.4	0.0
Ovintiv	0.4	0.0
Yiren Digital	0.3	—
CASH	2.0	—
	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 3,047 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

March 31, 2020

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 a bottom-up stock selection process and not mirroring the benchmark index are keys to long-term outperformance. Active Share 91%.
- **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	Index
Undervalued	P/E (Forward)	8.9x	13.9x
Attractive Growth	EPS Growth (5 Year)	29.2%	15.7%
Selective	Holdings	32	3,047
	Total Countries	13	48

► Experienced Management

Danton Goei, 21 years with Davis Advisors

► Geographically Diverse Portfolio

United States	43.7%
Asia	32.0
Europe	17.5
Africa	4.6
North & Central America ex U.S.	2.2

► Top 10 Countries

United States	Denmark
China	U.K.
South Africa	Hong Kong
Norway	France
Singapore	Switzerland

► Sectors

	Portfolio	Index
Financials	32.4%	15.1%
Consumer Discretionary	32.0	10.8
Industrials	12.2	9.6
Communication Services	11.8	9.3
Information Technology	10.2	18.2
Energy	1.4	3.7
Health Care	0.0	13.3
Consumer Staples	0.0	8.8
Materials	0.0	4.4
Utilities	0.0	3.6
Real Estate	0.0	3.2

► Performance

	1 Year	3 Year	5 Year	Inception 10/1/14
Global Equity SMA Composite (gross)	-13.76%	0.03%	3.43%	3.72%
Global Equity SMA Composite (with a 3% max. wrap fee)	-16.35	-2.94	0.38	0.65
MSCI ACWI	-11.26	1.50	2.85	3.09

► Attractive Global Businesses (Top 10 Holdings)

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

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

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

United Technologies (U.S.): Global conglomerate. World's largest global aerospace manufacturer

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

JD.com (China): One of the largest e-commerce businesses in mainland China offering consumer electronics and appliances

Applied Materials (U.S.): An industry-leading producer of semiconductor fabrication tools

Amazon.com (U.S.): An e-commerce giant within the retail industry and leader in cloud computing

Naspers (South Africa): Media conglomerate that holds interests in a range of e-commerce businesses around the world, including Tencent

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

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. Current performance may be higher or lower. Total return updates are available quarterly. Please ask your financial advisor to contact Davis Advisors. 1. 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.

Investment Professionals

Christopher C. Davis joined Davis Advisors in 1989. He has more than 30 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.

Kent Y. Whitaker first joined Davis Advisors in 2000. 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.

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.

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.

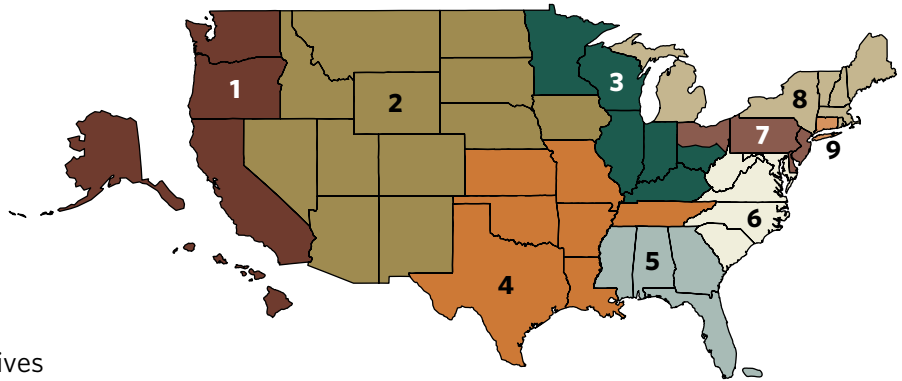
Sobby Arora, CFA joined Davis Advisors in 2017. Previously, he worked as a research analyst at Federated Global Investment Management and ING Investment Management. Mr. Arora received his B.A. from Colgate University, his M.B.A. from The Stern School of Business and is a CFA charter holder.

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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.

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," "feel," or similar expressions. You should not place undue reliance on forward-looking statements, which are current as of the date of this report. We disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate.

This report discusses companies in conformance with Rule 206(4)-1 of the Investment Advisers Act of 1940 and guidance published thereunder. The companies we discuss are chosen in the following manner: starting at the beginning of the year, the holdings from a 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 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: common stock risk, depositary 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.