Davis International ADR SMA Portfolio

Summer Update 2023

Commentary

Holdings

Fact Sheet

Investment Professionals

Contacts

50 YEARS DAVIS ADVISORS

Davis ADVISORS

The Equity Specialists

Portfolio Commentary

Key Takeaways

- Following a strong relative year in 2022, the Davis International SMA Portfolio delivered a positive return in the first half of 2023, although trailing the 9.47% return on the MSCI ACWI (All Country World Index) ex US.
- Europe, like the U.S., may experience high inflation and interest rates for some time. However, the Asia-Pacific region offers some exceptional bargains for investors willing to go against the subdued near-term sentiment rooted in China's slow recovery from COVID.
- We continue to steer the portfolio to attractive multiples on good, growing businesses globally. This is reflected in the portfolio's low price-to-earnings multiple and high earnings per share growth rate relative to the unmanaged index.

Market Perspectives:
International Investors in a Multi-Speed World

The MSCI ACWI ex US returned 9.47% in the first six months of 2023, driven primarily by large-cap stocks in developed markets while emerging markets delivered mixed results.

In Europe, the war in Ukraine remains a considerable factor, especially insofar as inflation is concerned and, by extension, interest rates as well. The sudden collapse earlier this year of a well-known Swiss bank raised questions around financial stability which, as of this writing, have thankfully subsided.

We are working on the assumption that Europe, similar to the U.S., may experience higher-than-historical interest rates and inflation for some time. While the prospects for select individual businesses across the international markets appear attractive to us, that is not a universal observation, and we advise prudent caution with respect to chasing near-term returns in high-priced stocks in particular.

On the other side of the world, the Asia-Pacific region offers some exceptional bargains for investors willing to go against the grain of subdued near-term sentiment, a fact that appears rooted in China's relatively slow recovery from COVID. Like the U.S. and Europe, China in our estimation has at least comparable potential to see business vibrancy and earnings growth resume after a multi-year hiatus.

"There are some exceptional bargains, particularly in China whose future prospects seem quite attractive if one assumes even a modest lift to the economy this year."

A general observation is that the greater Asia-Pacific super-bloc is out of sync with other major economic blocs because the COVID pandemic suppressed economic activity for longer in China than elsewhere. It may take some time for the Chinese economy to deliver the level of output that we believe is possible on a normalized basis, but as a result the present moment still offers some exceptional bargains. China is a country of 1.4 billion people with a proven record of incredible economic resilience. We believe it is well-equipped to recover from its particular COVID experience, and with a force that may be rare on the international stage in terms of prospective growth rates for revenues and earnings of well-positioned companies.

Starting at today's multiples, we believe China and surrounding countries may be among the most attractive investment opportunities if one assumes even a modest lift to that region's economies this year. Business models that benefit from network effects, in particular in e-commerce and logistics management, rail and industrial automation, and mass-scale food delivery services, are areas that look especially appealing to us at the moment at current valuations.

Overall, international investors today are navigating a multi-speed world. It offers both high- and low-priced stocks, speculative situations as well as cheap, value-rich companies, and a choice between indexing—which currently subjects investors to a burgeoning valuation risk, in our mind—and selective, active management. We believe that the current environment is ideally suited for active management and stock-picking more specifically. ■

Portfolio Review:

Financials and Asian Technology Giants

In the most recent six-month period through June 30, 2023, the Davis International ADR SMA Portfolio delivered positive results that trailed ACWI ex US after beating the index by a wide margin in 2022. We are being selective in our investment choices which is reflected in our focused list of 21 portfolio holdings, a number that represents 0.91% of the Index's total membership, just to emphasize how selective our discipline has been.

We have consciously steered the portfolio to what we believe are attractive multiples on good, growing businesses. The relatively high five-year earnings per share growth for the portfolio is not a predictor per se but illustrates what has structurally been possible on an historical basis in the businesses we own. At the same time, we are consciously trying to buy companies at a discount to their worth. Our orientation and mindset are reflected in the fact that our portfolio has a much lower forward price-to-earnings multiple than the unmanaged index.

Selective, Attractive Growth, Undervalued[1]

	Portfolio	Index
Holdings	21	2,306
EPS Growth (5 Year)	13.8%	9.7%
P/E (Forward)	7.6x	13.5x

Financials are the largest group of holdings in the portfolio at the present time, and include international banks and insurers. These delivered mixed results in the first half of this year. Some were flat to slightly negative as of mid-year, including our investments in Switzerland and Singapore. Conversely, a Danish bank holding delivered a solid double-digit positive return. Representative international holdings in the financials segment of our portfolio include Singapore's DBS Group Holdings (DBSDY) and Norway's DNB Bank (DNBBY).

As the banking crises in the U.S. and Switzerland illustrated, it is important for investors in the international financial sector to focus on how these companies manage assets and liabilities as interest rates rise. However, we are also considering perennial risks such as capital adequacy, liquidity, stickiness of deposits (in banks), normalized margins, and the efficient use of capital in this slow period.

"We look for financials with true scale advantages (both in terms of cash flow and capital) and revenue streams diversified by business line."

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**. 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 19.70% 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 Advisors' data provider. Forward Price/Earnings (Forward P/E) Ratio is a stock's price at the date indicated divided by the company's forecasted earnings for the following 12 months based on estimates provided by the Advisor's data provider. These values for both the Portfolio and the Index are the weighted average of the stocks in the Portfolio or Index.

Overall, we believe our portfolio financial companies are among the best-managed in the world. Some are more than a century old yet still command nearly irreplicable brand power and enduring relevance on the global stage. Both the banking and insurance industries seem to be migrating towards larger-scale models. Therefore, we look for financials with true scale advantages (both in terms of cash flow and capital) and revenue streams diversified by business line.

Lastly, we expect that the Asia-Pacific financial names we own such as DBS Group Holdings in Singapore will see above-average growth in demand for their products and services. This is based on the natural growth rate of that region and a rising wealth effect among its more than 2.8 billion people (just counting China and India alone). Financial services aimed at the retail and household segments of these markets are just beginning to expand in force. Historically, countries like China and India have been underbanked—and, in our minds, underinsured—relative to a future where growth and protection of wealth will become increasingly important for such developing economies.

Recent laggards in the portfolio include consumer-facing technology companies, particularly in Asia-Pacific. Our China-related investments, which surged in fourth quarter 2022, are now facing a wall of skepticism as the pace of economic expansion in China remains sluggish after COVID restrictions were lifted. Having been to China recently, we believe that the level of on-the-ground activity and overall vibrancy should translate eventually into attractive revenue and earnings. These businesses are priced at single-digit price-to-earnings multiples but have expected long-term earnings growth rates in the mid-to-high teens. We feel that the risks are reflected in their valuations, but their future earnings growth potential is not. While this is our general stance on China, we are selective and have adjusted our Chinese exposure by selling Baidu (BIDU) in order to redeploy that capital in more attractive opportunities.

Outside of financials and select Asian technology companies we hold a diverse array of positions in other regions as well. For example, we own stakes in the global technology and media company Naspers (NPSNY) of South Africa, copper miner Teck Resources (TECK) based in Canada, and DNB Bank, the dominant bank in Norway. ■

Outlook:

Durable Businesses at Value Prices

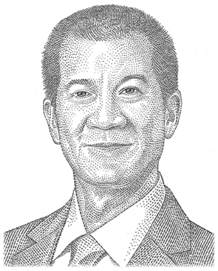
In the first half of 2023 we saw a fair degree of differentiated performance at the individual stock level by region and sector. This is why we often return to the axiom that investing is the "art of the specific." It also underscores the fact that the stock market is really a vast market of individual stocks. We believe that owning shares of highly durable, well-managed businesses at value prices and holding them for the long term is a core discipline that is highly relevant to the current market and current economic conditions.

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.[2] This alignment with our clients is uncommon in our industry; our conviction in our portfolio of carefully selected companies is more than just words. While we do not welcome the pessimism that has characterized markets recently, we are prepared for it, and importantly, we are well-positioned for the future. ■

2. As of 6/30/23 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 International ADR SMA Portfolio

Selective. Attractive Growth. Undervalued.



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

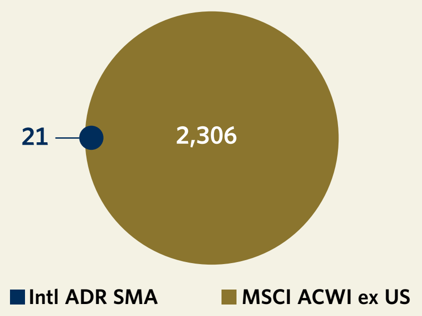
By being highly selective and rejecting the vast majority of companies in the index, the companies of Davis International ADR SMA Portfolio have grown more than the companies in the index, yet are 44% less expensive. In fact, this gap between price and value is among the widest we have ever seen. We believe this sets the stage for attractive returns in the years ahead."

Danton Goei, Portfolio Manager

Selective

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

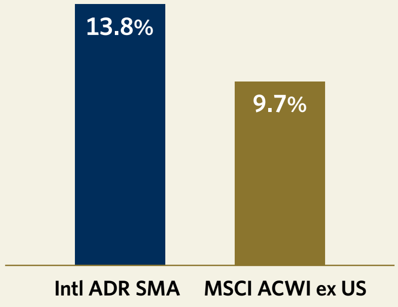
Holdings



Attractive Growth

Intl ADR SMA portfolio companies have grown faster than the index

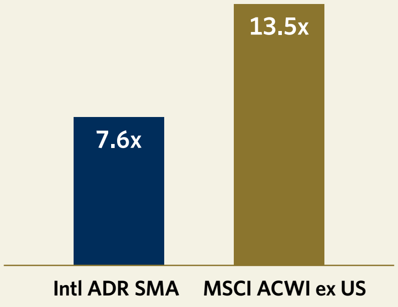
EPS Growth (5 Year)[1]



Undervalued

Intl ADR SMA portfolio companies are 44% less expensive than the index

P/E (Forward)[2]



As of 6/30/23. 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 19.70% 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.

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Davis International ADR SMA Portfolio Holdings

June 30, 2023

High Conviction. Different from the Index.

Holding	Portfolio (%)	MSCI ACWI ex US (%)
AIA Group	7.0%	0.5%
Danske Bank	7.0	0.1
DBS Group Holdings	7.0	0.2
Julius Baer Group	7.0	0.1
Ping An Insurance	7.0	0.2
Prosus	6.3	0.2
Meituan	6.0	0.3
Naspers	6.0	0.2
Schneider Electric	5.4	0.4
JD.com	5.1	0.2
Teck Resources	5.1	0.1
Hollysys Automation Technologies	5.0	—
Tokyo Electron	4.9	0.3
Bank of N.T. Butterfield & Son	4.3	—
Ferguson	2.9	—
Delivery Hero	2.4	0.0
Alibaba Group Holding	2.1	0.7
DNB Bank	1.9	0.1
Coupang	1.3	—
IQIYI	0.8	0.0
Noah Holdings	0.8	—
CASH	4.7	—
	100.0%	

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Davis International ADR SMA Portfolio

June 30, 2023

Davis International ADR SMA is a portfolio of attractive businesses from outside of the U.S. 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 International 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 97%.
- **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)	7.6x	13.5x
Attractive Growth	EPS Growth (5 Year)	13.8%	9.7%
Selective	Holdings	21	2,306
	Total Countries	15	46

Experienced Management

Danton Goei, *25 years with Davis Advisors*

Geographically Diverse Portfolio

Asia	49.3%
Europe	31.5
North & Central America	12.9
Africa	6.3

Top 10 Countries

China	Netherlands
Denmark	South Africa
Singapore	France
Hong Kong	Canada
Switzerland	Japan

Sectors

Sectors	Portfolio	Index
Financials	44.1%	20.6%
Consumer Discretionary	30.6	12.1
Information Technology	10.4	11.9
Industrials	8.7	13.2
Materials	5.4	7.9
Communication Services	0.8	5.5
Health Care	0.0	9.6
Consumer Staples	0.0	8.6
Energy	0.0	5.4
Utilities	0.0	3.2
Real Estate	0.0	2.0

Attractive International Businesses (Top 10 Holdings)

AIA Group (Hong Kong): Second largest and fast growing life insurer in China with customers throughout Asia-Pacific and a competitive advantage of a strong brand

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

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

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

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

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

Meituan (China): A web-based shopping platform for locally sourced consumer products and retail services in China

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

Schneider Electric (France): A global specialist in energy management

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

Performance

Performance	1 Year	3 Year	5 Year	Inception 10/1/14
International Equity SMA Composite (gross)	14.07%	2.21%	−1.12%	3.73%
International Equity SMA Composite (with a 3% max. wrap fee)	10.72	−0.81	−4.06	0.66
MSCI ACWI ex US	12.72	7.22	3.51	3.74

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.** 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. **Past performance is not a guarantee of future returns.** Five-year EPS Growth Rate (5-year EPS) is the average annualized earnings per share growth for a company over the past 5 years. The values shown are the weighted average of the 5-year EPS of the stocks in the portfolio or index. Approximately 19.70% 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 data provider. Forward Price/Earnings (Forward P/E) Ratio is a stock's price at the date indicated divided by the company's forecasted earnings for the following 12 months based on estimates provided by the data provider. These values for both the portfolio and the index are the weighted average of the stocks in the portfolio or index.

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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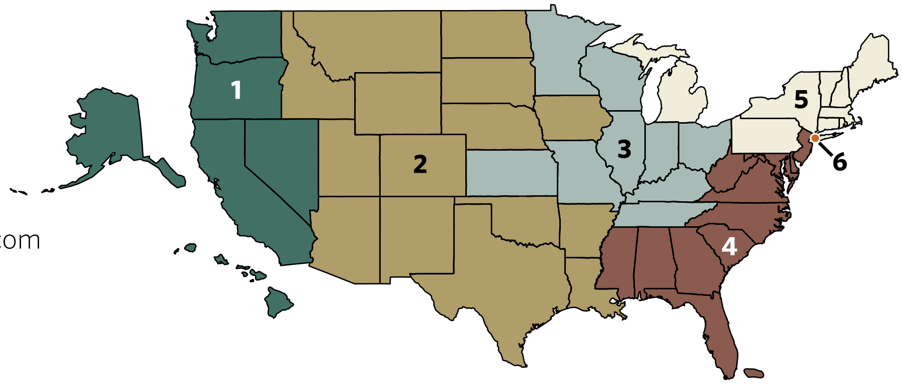

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This material may be shared with existing and potential clients to provide information concerning market conditions and the investment strategies and techniques used by Davis Advisors to manage its client accounts. Please refer to Davis Advisors Form 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 International 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 International Fund or any other fund.

Effective 9/23/14, Davis Advisors created an International Equity SMA Composite which excludes the institutional accounts and mutual funds. Performance shown from 10/1/14, through the date of this material, the Davis Advisors' International 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 material. We disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise. While we believe we have a reasonable basis for our appraisals and we have confidence in our opinions, actual results may differ materially from those we anticipate.

This material discusses companies in conformance with Rule 206(4)-1 of the Investment Advisers Act of 1940 and guidance published thereunder. Six companies are discussed and are chosen as follows: (1-4) current holdings based on December 31 holdings; (5) the first new position; and (6) the first position that is completely closed out. Starting at the beginning of the year, the holdings from an International 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 material. 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 material does not provide information reasonably sufficient upon which to base an investment decision and should not be considered a recommendation to buy or sell any particular security. There is no assurance that any of the securities discussed herein will remain in an account at the time this material is received or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of any account's portfolio holdings. It should not be assumed that any of the securities discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. It is possible that a security was profitable over the previous five-year period of time but was not profitable over the last year. In order to determine if a certain security added value to a specific portfolio, it is important to take into consideration at what time that security was added to that specific portfolio. A complete listing of all securities purchased or sold in an account, including the date and execution prices, is available upon request.

The investment objective of a Davis International 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 foreign companies, including countries with developed or emerging markets. The international 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) ex US is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets, excluding the United States. The index includes reinvestment of dividends, net of foreign withholding taxes. Investments cannot be made directly in an index.

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