Davis International ADR SMA Portfolio

Spring Update 2022

Commentary

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50 YEARS DAVIS ADVISORS

Davis ADVISORS

The Equity Specialists

Portfolio Commentary

Market Perspectives

The MSCI ACWI (All Country World Index) ex US declined modestly in the first quarter of 2022. We believe selectivity will be critical to successfully navigating the many uncertainties today, including the war in Ukraine, inflation in commodities, lingering effects of COVID on the economy and rising interest rates. We see value in today's market within financials, technology, communication services and select industrial businesses.

The near term is indeed obscured, and understandably, that can give investors pause. It is reminiscent of times past when the world faced unquantifiable unknowns such as the Russian default in 1998 and the emerging market crisis that ensued, the sudden eruption of the first Gulf War in 1990, the 9/11 attacks and the real estate and global financial crisis of 2008–2009. Those were times when risk seemed open-ended and certainly beyond any precise negative quantification—which the news headlines tend to highlight in the near term. One unwritten headline remains that the markets have a very long track record of proving their resilience in the face of challenges, however extreme, decade after decade, and that is a byproduct, in our view, of underlying resilient businesses.

Current issues include questions about how far and how fast inflation may rise and whether it can be tamed without the shock of much higher interest rates and an economic recession. Interest rates in most developed markets were on the rise prior to COVID, came down during the worst of the pandemic, and now are poised to continue rising—as is evident in the actions by central banks whose public guidance is towards higher rates still.

As investors, we are concentrating our capital in businesses and industries that are capable, in our estimation, of weathering potential headwind conditions in the near term, whether they pertain to inflation, the health of the overall economy coming out of COVID or rising interest rates. Overall, we believe the portfolio is composed of highly durable businesses that are positioned well to generate substantial profits over the long term and according to a wide range of scenarios.

On the question of inflation, the sources of upward price pressures are in no small measure related to COVID-driven disruptions to the global supply chain and to the knock-on effects of the Ukraine-Russia conflict (as far as energy and food prices are concerned, most notably). We do not know how quickly or when exactly the supply chain issues will begin to improve nor how or when the conflict in Eastern Europe will end, but we are cognizant of the reality that spikes in inflation can eventually moderate and commodity prices can fall, just as they have both risen dramatically in a short period of time. To the extent inflationary pressures persist, we continue to lean towards relatively capital-light industries.

Higher inflation is prompting central banks in multiple regions to raise interest rates. We do not believe that the current level of interest rates should unduly constrain the global economy. There is no rule that stocks and the economy cannot thrive in rising or even higher interest rate environments—within reason, of course.

The global economy may slow, given higher interest rates, but our system has demonstrated a capacity to expand in, and endure, significantly higher rates versus these still historically low levels. As rates rise, we must be ever more cautious on valuations we pay to own even best-in-class businesses in the portfolio. We are actively and consciously positioned such that the portfolio's earnings multiple is much lower than the MSCI ACWI ex US—with far higher earnings per share growth over the last five years.

Selective, Attractive Growth, Undervalued

	Portfolio	Index
Holdings	21	2,311
EPS Growth (5 Year)	23.1%	11.8%
P/E (Forward)	6.9x	13.8x

The war in Ukraine is thus far limited to one part of Eastern Europe, and we are watching developments closely and considering the potential direct and indirect impacts on other markets and our portfolio holdings. In addition to the human dimension of what is happening, this is a period during which investors must make assessments as to how specific companies and the world can adapt to a new era of tensions between Russia and the West. ■

Portfolio Review

The portfolio is designed to counter geographic risk through diversification, via investments in numerous industries and business types and across 13 countries, with a focus on Asia and Europe. Recently we included holdings in South Korea, Singapore and Japan.

At the portfolio level, we believe part of the solution to today's important but unknowable macro questions lies in diversifying geographic risk. Davis International ADR SMA Portfolio is positioned across many industries and business types and across 13 countries, with the primary regions being select countries in Asia (China, Singapore, Hong Kong and Japan) followed by Europe (primarily Denmark, Norway, France, Switzerland and the Netherlands). Our country breakdown is a byproduct of our conviction in specific businesses first and foremost, but also provides a degree of diversification, in our view.

While international equities performed well on balance in 2021, the first quarter of 2022 saw declines in the major stock indexes. Our holdings delivered competitive performance versus the broader market averages.

In contrast, Chinese shares have been very much out of favor over the last year as a group, owing to new government regulations that apply to some of China's domestic industry giants. The new regulations in the for-profit education space have changed the economics of that business, for instance, and in response, we exited our positions in that sector.

New regulations in China directed at the market leaders in e-commerce and food delivery, on the other hand, have been less severe, and we expect that those businesses will be required to adapt at the margin. However, their core businesses remain very much intact and incredibly strong overall, in our estimation.

It is important to put the new regulations in China in perspective. In the vast majority of cases that are directly relevant to our portfolio, the Chinese government's thrust has been designed to curb and deter some of the most egregious instances of what it views as anti-competitive business practices. Reducing the use of exclusivity agreements between certain e-commerce players and merchants, for instance, is a key part of the government's new policy direction.

We have incorporated developments in China's regulatory landscape into our capital allocation decisions, actively favoring companies with better-than-peer practices insofar as antitrust and anti-competitive considerations are concerned, yet which remain extremely viable, high-potential businesses, according to our research. We have not exited China, the second largest economy in the world, unilaterally, nor do we expect to. Rather, we have tried to be surgical in our selections in that market to navigate some new constraints for different industries. Studying a wide range of businesses in China, we believe the country offers extremely fertile ground for investment opportunities, many trading at distressed prices, but advocate selectivity in that market. Our exposures in China include companies in e-commerce, industrial automation, insurance and diversified holding companies such as China Index Holdings.[1]

Over the last year, we have gradually broadened out our exposure in the Asia-Pacific region into other markets such as South Korea, Singapore and Japan. Indeed we are interested in the greater Pan-Asian region—and not solely China—for its long-term growth potential, demographics, emerging stage of development and availability of cutting-edge companies.

From the perspective of the portfolio's sector breakdown, our largest allocation is financials, which includes companies across the globe, including DNB in Norway and Bank of NT Butterfield in Bermuda. We invest in financials based on each company's individual makeup and merits, meaning the sector's prominent weighting is a byproduct of a compelling risk-reward profile we see in numerous and fairly distinct financial companies.

Financials may potentially benefit from higher interest rates. Depending on the slope of the yield curve over time and the soundness of credit conditions, major banks could witness their margins and earnings expand with higher long-term rates. Our large banks are, by and large, very well-capitalized and can theoretically grow their fee- and interest-earning assets. In the event we experience a slower economic patch, on the other hand, our holdings have enough excess capital and ongoing cash earnings power to return significant amounts of capital to shareholders via dividends and share buybacks. Valuations, meanwhile, remain very reasonable, in our estimation.

Financials today are increasingly digital, virtual business models without many of the commodity-linked inflationary pressures associated with many other, hard asset-dependent companies and industries. The latter includes a number of consumer products companies, petroleum-sensitive plastics and chemicals manufacturers, food companies and certain energy-intensive industrial businesses, among others. This does not suggest that one not own such types of businesses outright, but instead argues in favor of paying lower valuations for them to compensate investors for the added risk.

In addition to financial services, we own shares in a range of companies in the information technology, communications and industrial sectors. Among changes to the portfolio, we recently established a position in Coupang, the leading e-commerce company in South Korea. Overall, we believe our positioning prepares us for a range of possibilities, even if the future is obscured by the various uncertainties we have highlighted. ■

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 International 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.

Outlook

The portfolio is prepared for a wide range of scenarios by investing in business models and sectors that can theoretically continue growing revenues and profits, even in the face of somewhat higher inflation, rising interest rates and geopolitics.

Whatever the future holds in the near term, it is inherently unpredictable. For this reason, we position our portfolio without making false precision point predictions, but rather by selecting and organizing investments such that we are *prepared* for a wide range of scenarios. That leads us to business models and sectors that can theoretically continue growing revenues and profits even in the face of somewhat higher inflation, rising interest rates and factors including overseas geopolitics.

At Davis Advisors, we seek to purchase durable, growing businesses at value prices and hold them for the long term. Since our firm's inception over 50 years ago, we have adhered to the same, time-tested investment philosophy and rigorous research process of buying durable businesses at attractive prices and holding them for the long term. The more than $2 billion Davis Advisors, the Davis family and Foundation, 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.[2]

Thank you for your continued support, and we look forward to continuing our investment journey together. ■

2. As of 12/31/21.

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.

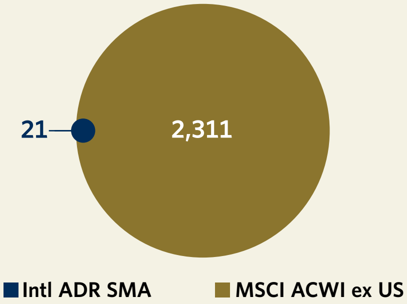
By being highly selective and rejecting the vast majority of companies in the index, the companies of Davis International ADR SMA Portfolio have grown almost twice as fast as the companies in the index, yet are 50% less expensive. In fact, this gap between price and value is among the widest we have 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

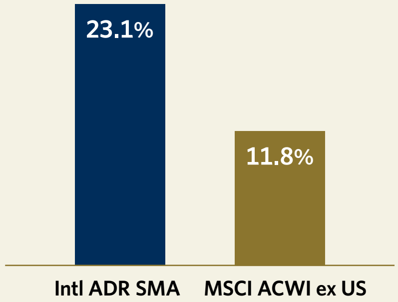
Holdings



Attractive Growth

Intl ADR SMA portfolio companies have grown faster than the index

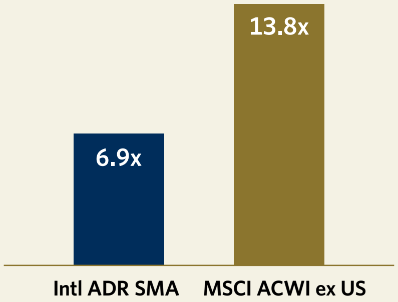
EPS Growth (5 Year)[1]



Undervalued

Intl ADR SMA portfolio companies are 50% 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.

Davis International ADR SMA Portfolio Holdings

March 31, 2022

High Conviction. Different from the Index.

Holding	Portfolio (%)	MSCI ACWI ex US (%)
Danske Bank	7.0%	0.1%
DBS Group Holdings	7.0	0.2
DNB Bank	7.0	0.1
JD.com	7.0	0.2
Alibaba Group Holding	6.8	0.9
Ping An Insurance	6.8	0.2
Tokyo Electron	6.8	0.3
AIA Group	6.6	0.5
Schneider Electric	6.1	0.4
Julius Baer Group	5.9	0.1
Bank of N.T. Butterfield & Son	5.2	—
Hollysys Automation Technologies	4.9	—
Baidu	3.8	0.1
Prosus	3.4	0.2
Naspers	3.0	0.1
Meituan	2.3	0.3
Teck Resources	1.9	0.1
IQIYI	1.5	0.0
Coupang	1.0	—
Noah Holdings	1.0	0.0
China Index	0.5	—
CASH	4.5	—
	100.0%	

The above listed securities are representative of a model Davis International 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 ex US are not representative of the entire portfolio, which consists of 2,311 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 ADVISORS

Davis International ADR SMA Portfolio

March 31, 2022

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 96%.
- **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)	6.9x	13.8x
Attractive Growth	EPS Growth (5 Year)	23.1%	11.8%
Selective	Holdings	21	2,311
	Total Countries	13	46

Experienced Management

Danton Goei, *23 years with Davis Advisors*

Geographically Diverse Portfolio

Asia	58.7%
Europe	30.8
North & Central America	7.4
Africa	3.1

Top 10 Countries

China	Hong Kong
Denmark	France
Singapore	Switzerland
Norway	Bermuda
Japan	Netherlands

Sectors	Portfolio	Index
Financials	48.6%	20.5%
Consumer Discretionary	24.6	11.1
Information Technology	12.3	12.2
Industrials	6.9	12.2
Communication Services	5.6	6.2
Materials	2.0	8.9
Health Care	0.0	9.4
Consumer Staples	0.0	8.4
Energy	0.0	5.4
Utilities	0.0	3.2
Real Estate	0.0	2.5

Attractive International Businesses (Top 10 Holdings)

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

DNB Bank (Norway): Largest financial institution and oldest private bank in Norway—digital leadership and economies of scale are leading drivers of strong and durable moat

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

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

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

Tokyo Electron (Japan): One of the world's largest manufacturers of semiconductor production equipment

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

Schneider Electric (France): Global specialist in energy management

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

Performance	1 Year	3 Year	5 Year	Inception 10/1/14
International Equity SMA Composite (gross)	−25.35%	0.06%	3.93%	3.65%
International Equity SMA Composite (with a 3% max. wrap fee)	−27.61	−2.91	0.86	0.58
MSCI ACWI ex US	−1.48	7.51	6.76	4.76

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.

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.

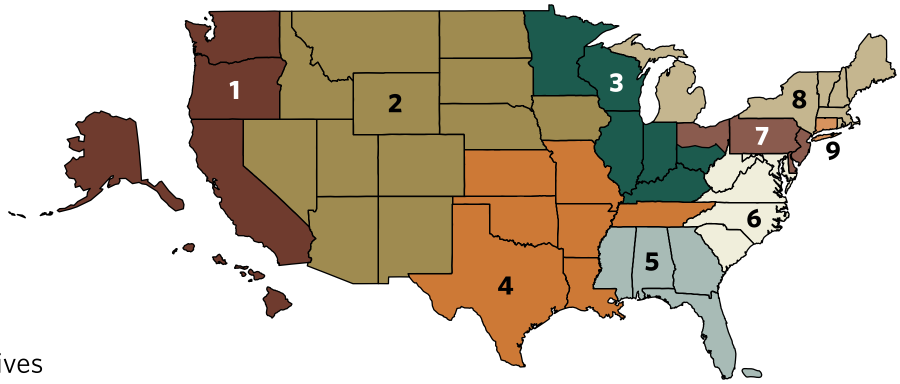
Darin Prozes joined Davis Advisors in 2004. He previously worked for the Parthenon Group, a strategy consulting firm. Mr. Prozes received his B.A. from Princeton University and his M.B.A. from Stanford University.

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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9	**New York City** Connecticut, Southern New York			
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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 report, 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 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 an International 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 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.

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 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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