

All-Star Fund Manager Chris Davis Has Own ETF Splash

January 12, 2017 at 4:32pm by Tom Lydon

The exchange traded fund industry is filled with index-based products, but indexing is not always exciting. There are not a lot of personalities in the ETF business, but the industry just got a rockstar.

Christopher Davis, Portfolio Manager and Chairman of Davis Advisors, who is also one of the mutual fund industry's most decorated managers and highly ranked among active fund players by Morningstar, has stepped into the ETF business with three new actively managed ETF offerings.

Davis' entry into the ETF space may be a way for the business to build on innovation, address clients' growing desire for the new fund structure and craft an ETF wrapper that brings their own discipline to market in another form.

"We are providing an investment solution that has not been widely available: proven active management in a traditional ETF," Davis said. "There's a false dichotomy that's been established in investors' minds that somehow an ETF has to be passive. Clearly, there are advantages to an ETF structure, but we think that there are also deep advantages to experienced active management. And our goal is to try to combine these together."

The ETF industry continues to expand and the actively managed segment still remains a small part of the business. However, with more prominent names entering the space, active ETFs could begin to expand and shine.

"There is an unmet need in today's marketplace for compelling actively-managed equity solutions in a traditional ETF format," Davis said. "So we are offering ETFs to give investors greater access and freedom of choice. We have heard from clients a desire to access our strategies in an ETF format. Investors want experienced active management and a proven investment discipline combined with the benefits of traditional ETFs, including low costs, tax efficiency, intra-day liquidity and transparency."

Many have extolled the cheap costs and transparent nature of ETFs, but the transparent nature of ETFs has caused many active managers to balk at launching their own ETFs for fear of revealing their secret sauce. Nevertheless, Davis is confident that their active ETFs could help investors better understand what they are getting themselves into.

"There's also a sense at our firm that transparency is a virtue. We think it's appropriate that clients understand what we're investing in," Davis added. "We think offering that transparency to our clients is part of our culture and we think that's also well suited to the world of a traditional ETF."

Davis Advisors launched the **Davis Select U.S. Equity ETF (NasdaqGM: DUSA)**, **Davis Select Financial ETF (NasdaqGM: DFNL)**, and **Davis Select Worldwide ETF (NasdaqGM: DWLD)**. DUSA has a 0.60% expense ratio, DFNL has a 0.65% expense ratio and DWLD has a 0.65% expense ratio.

DUSA will be managed by Christopher Davis and Danton Goei, a portfolio manager for the Davis Large Cap Value Portfolios and a member of the research team. Davis will also manage DFNL while Goei will manage DWLD.

Davis Advisors conducts extensive research to try to identify businesses that possess characteristics that they believe foster the creation of long-term value, like proven management, durable franchise and business model, and sustainable competitive advantages, along with targeting in those that are trading at discounts to their intrinsic value. According to the prospectus sheet, the Davis team will also identify fundamental characteristics, including cash flows assets and liabilities, and other criteria.

DUSA will track a portfolio of high-conviction U.S. large-cap stocks. The portfolio will include between 15 and 35 companies varying over time, with 21 components currently in the portfolio. Top holdings include Berkshire Hathaway 9.5%, Alphabet 7.3% and Amazon 7.3%. The portfolio leans towards financials at 38.4%, followed by industrials 15.4% and energy 14.2%.

DFNL includes the best-of-breed financial companies. The portfolio will include between 15 and 35 companies, it currently holds 24 positions. Top holdings include Market Corp 6.7%, Capital One Financial 6.1% and Loews Corp 6.1%, with a focus on diversified financials, insurers and banks.

Lastly, DWLD includes global exposure. The ETF currently has 41 positions, including top picks like Alphabet 6.5%, Encana 5.7% and Amazon 4.8%. The portfolio includes a large 57.4% position in U.S. companies, along with 29.8% emerging markets and 12.9% developed countries.



This reprint is authorized for use by existing shareholders. A current Davis Fundamental ETF Trust prospectus must accompany or precede this material if it is distributed to prospective shareholders. You should carefully consider the Fund's investment objective, risks, fees, and expenses before investing. Read the prospectus carefully before you invest or send money.

Davis Advisors paid ETFtrends.com their customary licensing fee to reprint this profile. ETFtrends.com is not affiliated with Davis Advisors, and Davis Advisors did not commission ETFtrends.com to create or publish this profile.

Shares of the Funds are bought and sold at market price (not NAV) and are not individually redeemed from the ETF. There can be no guarantee that an active trading market for ETF shares will develop or be maintained, or that their listing will continue or remain unchanged. Buying or selling ETF shares on an exchange may require the payment of brokerage commissions and frequent trading may incur brokerage costs that detract significantly from investment returns.

Objective and Risks. Davis Select U.S. Equity ETF's investment objective is long-term capital growth and capital preservation. The Fund invests primarily in equity securities issued by large companies with market capitalizations of at least \$10 billion. Davis Select Financial ETF's investment objective is long-term growth of capital. Under normal circumstances the Fund invests at least 80% of its net assets, plus any borrowing for investment purposes, in securities issued by companies principally engaged in the financial services sector. Davis Select Worldwide ETF's investment objective is long-term growth of capital. There can be no assurance that a Fund will achieve its objective. Some important risks of an investment in the Funds are: authorized participant concentration risk: to the extent that Authorized Participants exit the business or are unable or unwilling to proceed with creation and/or redemption orders with respect to the Fund and no other Authorized Participant is able to step forward to create or redeem Creation Units, Fund shares may trade at a discount to NAV and could face delisting; common stock risk; credit risk: the issuer of a fixed income security (potentially even the U.S. Government) may be unable to make timely payments of interest and principal; depositary receipts risk: depositary

receipts involve higher expenses and may trade at a discount (or premium) to the underlying security; emerging market risk: securities of issuers in emerging and developing markets may present risks not found in more mature markets; exchange-traded fund risk: the Fund is subject to the risks of owning the underlying securities as well as the risks of owning an exchange-traded fund generally; fees and expenses risk; financial services risk; focused portfolio risk: investing in a limited number of companies causes changes in the value of a single security to have a more significant effect on the value of the Fund's total portfolio; foreign country risk; foreign currency risk; headline risk; interest rate sensitivity risk: interest rates may have a powerful influence on the earnings of financial institutions; intraday indicative value risk: the Fund's INAV agent intends to disseminate the approximate per share value of the Fund's published basket of portfolio securities every 15 seconds. The IIV should not be viewed as a "real-time" update of the NAV per share of the Fund because the IIV may not be calculated in the same manner as the NAV, the calculation of NAV may be subject to fair valuation at different prices, the IIV does not take into account Fund expenses, and the IIV calculations are based on local market prices and may not reflect events that occur subsequent to the local market's close; large-capitalization companies risk; manager risk; market trading risk: includes the possibility of an inactive market for Fund shares, losses from trading in secondary markets, periods of high volatility, and disruptions in the creation/redemption process. **ONE OR MORE OF THESE FACTORS, AMONG OTHERS, COULD LEAD TO THE FUND'S SHARES TRADING AT A PREMIUM OR DISCOUNT TO NAV;** mid- and small-capitalization companies risk; and stock market risk. See the prospectus for a complete description of the principal risks.

The information provided in this material should not be considered a recommendation to buy, sell or hold any particular security. As of January 11, 2017, the top ten holdings of Davis Select U.S. Equity ETF were: Berkshire Hathaway Inc., Class B, 9.48%, Alphabet Inc., Class C, 7.26%, Amazon.com, Inc., 7.26%, United Technologies Corp., 6.94%, American Express Co., 6.38%, Apache Corp., 6.25%, Johnson Controls International PLC, 4.77%, Markel Corp., 4.75%, JPMorgan Chase & Co., 4.51%, Bank of New York Mellon Corp., 4.50%.

As of January 11, 2017, the top ten holdings of Davis Select Financial ETF were: Markel Corp., 6.70%, Capital One Financial Corp., 6.13%, Loews Corp., 6.06%, American Express Co., 5.99%, Berkshire Hathaway Inc., Class B, 5.79%, U.S. Bancorp, 5.53%, Chubb Ltd., 5.37%, Visa Inc., Class A, 5.21%, Goldman Sachs Group Inc., 4.54%, JPMorgan Chase & Co., 4.51%.

As of January 11, 2017, the top ten holdings of Davis Select Worldwide ETF were: Alphabet Inc., Class C, 6.47%, Encana Corp., 5.68%, Amazon.com, Inc., 4.83%, Apache Corp., 4.74%, Berkshire Hathaway Inc., Class B, 4.59%, Adient PLC, 4.49%, Wells Fargo & Co., 4.48%, Naspers Ltd.-N, 4.45%, JPMorgan Chase & Co., 4.00%, Sul America S.A., 3.71%.

Davis Fundamental ETF Trust has adopted a Portfolio Holdings Disclosure policy that governs the release of non-public portfolio holding information. This policy is described in the prospectus. Holding percentages are subject to change. Visit davisetfs.com or call 800-279-0279 for the most current public portfolio holdings information.

Past performance is not a guarantee of future results. There can be no guarantee that Davis Advisors will continue to deliver consistent investment performance.

Davis Selected Advisers, L.P. has contractually agreed to waive fees and/or reimburse the Funds' expenses to the extent necessary to cap total annual fund operating expenses as shown until March 1, 2018. After that date, there is no assurance that the Adviser will continue to cap expenses. Prior to the cap the gross expense ratios were: DUSA: 0.66%; DFNL: 0.66%; and DWLD: 0.68%. The expense cap cannot be terminated prior to that date, without the consent of the Board of Trustees.

Shares of the Davis Fundamental ETF Trust are not deposits or obligations of any bank, are not guaranteed by any bank, are not insured by the FDIC or any other agency, and involve investment risks, including possible loss of the principal amount invested.