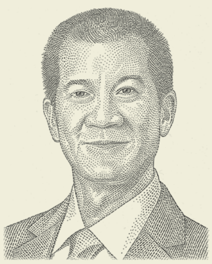

Davis Select International ETF

Update from Portfolio Manager

Danton Goei

Davis ETFs

The Equity Specialists

Davis Select International ETF

Semi-Annual Review 2018

Investment Results

Davis Select International ETF's (DINT) performance in the second quarter of 2018 was driven by our holdings in the consumer discretionary, industrials and technology sectors.

DINT returned –1.6% in the second quarter of 2018 compared with –2.6% for the MSCI ACWI (All Country World Index) ex US, an outperformance of 1.0%.[1] Alibaba drives the more than 30% growth of e-commerce in China.[2] The French aerospace company Safran is growing revenues on an organic basis by 10% by increasing output and sales internally and maintains a more than seven-year order backlog for jet engines. The Chinese education leader New Oriental Education and Technology Group is increasing market share in the rapidly growing for-profit education sector in China.

The leading detractor from performance in the second quarter of 2018 was Tarena International, the leader in Chinese information technology (IT) training, where a slowdown in the company's adult IT training business and continued losses in the company's rapidly expanding kindergarten to 12th grade (K–12) science and technology after-school education business led to a drop in earnings. Long-term demand for Tarena's classes, however, remains strong driven by the growing internet and technology sector in China. Assuming no value for the promising K–12 segment, Tarena's core adult IT business is trading at an attractive 12–13 times fiscal year 2018 owner earnings. ■

	Total Returns as of June 30, 2018 Inception (3/1/18)
Davis Select International ETF *NAV Price*	–3.00%
Davis Select International ETF *Market Price*	–2.78
MSCI All Country World Index ex US	–3.31

The performance presented represents past performance and is not a guarantee of future results. *Investment return and principal value will vary so that, when redeemed, an investor's shares may be worth more or less than their original cost. Returns of less than one year are not annualized. NAV prices are used to calculate market price performance prior to the date when the Fund first traded on NASDAQ. Market performance is determined using the bid/ask midpoint at 4:00 pm Eastern time, when the NAV is typically calculated. Market performance does not represent the returns you would receive if you traded shares at other times. For the Fund's most recent month end performance, please call 800-279-0279 or visit www.davisetfs.com. The total annual operating expense ratio as of the most recent prospectus was 0.75%. The Adviser is contractually committed to waive fees and/or reimburse the Fund's expenses to the extent necessary to cap total annual fund operating expenses at 0.75% until March 1, 2019. After that date, there is no assurance that Davis Selected Advisers, L.P. will continue to cap expenses. The expense cap cannot be terminated prior to that date, without the consent of the Board of Trustees. The expense ratio before the cap was 0.86%. The total annual operating expense ratio may vary in future years. Current performance may be higher or lower than the performance quoted.*

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. Past performance is not a guarantee of future results.** Investments cannot be made directly in an index. **2.** Individual securities are discussed in this piece. 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. The return of a security to the Fund will vary based on weighting and timing of purchase. This is not a recommendation to buy, sell or hold any specific security. **Past performance is not a guarantee of future results.**

Representative Holdings

We invest around the world in select businesses to take advantage of long-term international trends.[3]

Our goal is to identify long-term "compounding machines" for our capital and our investments span a range of business types and geographies.

In China, for instance, we hold Alibaba and its main competitor JD.com, among other online businesses. These two companies have pioneered the "new retail" concept where a single facility enables customers to shop, order online for home delivery or eat in the retail store. Alibaba started the year with more than 20 of these new retail stores with the brand name Hema, and the company's goal is to open 2,000 locations across China over the next three to five years.

Ferguson PLC is the largest plumbing and heating distributor in the U.S. with an 18% market share and just over $20 billion in sales, far larger than the company's closest competitor. As a distributor with 44,000 suppliers and more than one million customers, Ferguson has built a reputation for superior selection and service in a business where timely service and trusted brands matter (anyone who has experienced a burst pipe or a shower without hot water learns this lesson quickly). Despite the company's dominant market position, Ferguson is not well known to most U.S. investors. The company started under the name Wolseley in the United Kingdom 131 years ago and remains listed on the London Stock Exchange. Only last year did the company change its name to Ferguson, the name of its U.S. subsidiary, to reflect that the U.S. market now accounts for 85%–90% of earnings.

Ferguson generates attractive returns on tangible capital, has a strong balance sheet, and a history of returning cash to shareholders through dividends. A key risk would be a current rapid decline in U.S. commercial and residential construction. However, because Ferguson's business mix increasingly skews more to the renovation and retrofit business than in the past, we believe the company is better positioned to weather the next downturn than it did the last one. Ferguson now trades at 18 times fiscal year 2018 earnings and 16 times fiscal year 2019 earnings.

Naspers, founded in 1915, began as a South African media conglomerate and still owns major print media and pay-TV operations in Africa. However, over the last decade, the company has largely shifted its focus to investing in internet companies around the globe. Naspers' management's success has created what we believe to be an attractive portfolio of equity stakes in high-quality internet-enabled companies, primarily doing business in the emerging markets. Key holdings include Tencent, the social media and digital lifestyle giant in China; Delivery Hero, a food delivery service operating in Europe, Asia, Latin America, and the Middle East; and OLX Group, the leading online classifieds business in more than 35 countries including Russia, Brazil, India, and Indonesia.

Naspers' ownership stake in Tencent Holdings was acquired in 2001 for just $31 million and today has a market value of $149 billion. Tencent is the dominant social media and messaging platform in China and the largest video game operator in the world. In addition, the company owns promising video, music, payments, and cloud computing platforms in China. WeChat, Tencent's core messaging app, has more than

3. Foreign investments, particularly those in emerging markets, involve greater risk than U.S. investments. Some of these risks are foreign country risk, currency risk, market risk, and emerging market risk. See endnotes for a complete description of these risks.

one billion monthly active users. According to estimates from industry analysts, more than 50% of mobile time spent online in China takes place on Tencent products. Tencent's loyal user base and unmatched array of products and services creates a highly durable competitive moat, providing the company with outstanding opportunities for future growth.

We believe investing in Naspers is an attractive way to gain exposure to Tencent at a significant discount to its intrinsic value. Adding the market value of the company's stake in Tencent ($149 billion) to a conservative estimate of the value of the company's non-Tencent assets ($18 billion) yields a total gross asset value of $167 billion. At the same time, the company's total enterprise value today is just $96 billion, a 42% discount to total gross asset value. Although some discount should exist given liquidity, conglomerate and tax issues, we believe today's wide discount will likely narrow substantially over time. At the current discount, we are purchasing Tencent shares at a compelling 21 times the company's 2019 price-earnings ratio. The multiple would be even lower if we excluded losses generated by the company's aggressive investments in areas such as offline payments and video content. Even if the current discount persists, assuming we are proven right in our belief Naspers' underlying assets will compound value over the long term, Naspers' stock should still generate attractive returns going forward. ■

Conclusion

Much of the business news focuses on the macro-economic environment and understandably so as the latest trade war threat, cryptocurrency price spike and interest rate forecast are much more captivating than the daily activities of steady businesses such as Safran's jet engine segment or Ferguson's distribution of plumbing and heating supplies. Yet often a sign of a durable competitive advantage is a company's ability to continue generating steadily growing business results and dominate its industry for decades. This is the durable competitive advantage we seek at DINT and ultimately find captivating in its own right. We are enthusiastic about owning a portfolio of such companies with durable competitive advantages internationally. We thank you for your continued trust and interest in DINT. ■

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

Shares of DINT 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.

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. These comments may also include the expression of opinions that are speculative in nature and should not be relied on as statements of fact.

Objective and Risks. Davis Select International ETF's investment objective is long-term growth of capital. There can be no assurance that the Fund will achieve its objective. Some important risks of an investment in the Fund 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; cybersecurity risk; 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. As of June 30, 2018, Davis Select International ETF had approximately 49.7% of assets invested in emerging 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; foreign country risk; foreign currency risk; foreign market risk; headline risk; 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.

Davis Advisors is committed to communicating with our investment partners as candidly as possible because we believe our investors 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.

The information provided in this material should not be considered a recommendation to buy, sell or hold any particular security. As of June 30, 2018, the top ten holdings of Davis Select International ETF were: Alibaba Group Holding Ltd., ADR, 7.14%; Naspers Ltd.–N, 6.50%; Safran S.A., 5.32%; Hollysys Automation Technologies Ltd., 5.12%; Ferguson PLC, 4.70%; JD.com, Inc., Class A, ADR, 4.53%; Encana Corp., 4.41%; New Oriental Education & Technology ADR, 4.38%; DBS Group Holdings Ltd., 4.04%; Schneider Electric SE, 3.79%.

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.

We gather our index data from a combination of reputable sources, including, but not limited to, Thomson Financial, Lipper 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.

After October 31, 2018, this material must be accompanied by a supplement containing performance data for the most recent quarter end.

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.

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