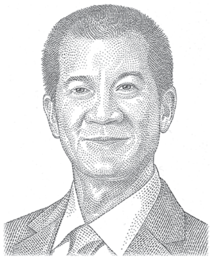

Update from Portfolio Manager

Danton Goei

Davis Select International ETF (DINT)

Annual Review 2020

Investment Results

Davis Select International ETF's (DINT) performance in 2019 was driven by our holdings in the consumer discretionary and industrial sectors.

DINT has had a very strong 2019 with a total return of 29.0%, outperforming the MSCI ACWI ex US (All Country World Index) ex US by 7.5%. Among the drivers of outperformance were several of our Chinese consumer holdings, including New Oriental Education & Technology, JD.com, Alibaba Group, and Meituan Dianping. Positive contributors also included electrical equipment supplier Schneider Electric, plumbing and heating supplies distributor Ferguson plc, Brazilian health insurer Sul America, and aerospace manufacturer Safran.

The energy sector and banking industries were detractors relative to the index in 2019. Although the environment for energy remains volatile, we believe our energy holdings remain attractive. In fact, while the price of West Texas Intermediate (WTI) oil has increased 26% in 2019 from $48.62 to $61.06, our energy holdings are down 18.98%, making them today, we believe, particularly inexpensive. We also believe the financials we own are attractively priced.

The average annual total returns for Davis Select International ETF for period ending December 31, 2019, are: NAV price: 1 year, 29.03%; since inception (3/1/18), −0.54%; Market price: 1 year, 29.36%; since inception, −0.41%. 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 has 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 3/1/19. 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 0.85%. 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. All fund performance discussions within this piece refer to Class A shares without a sales charge and are as of 12/31/19 unless otherwise noted. This is not a recommendation to buy, sell or hold any specific security. **Past performance is not a guarantee of future results. The Attractive Growth and Undervalued reference in this piece relates to underlying characteristics of the portfolio holdings. There is no guarantee that the Fund performance will be positive as equity markets are volatile and an investor may lose money.**

Names such as Development Bank of Singapore, DNB, Julius Baer, Bank of Butterfield, and Danske Bank have been negatively impacted in the short term by the drop in interest rates, but over the long term, we project them to have solid future returns.

The strong 2019 returns were in part a rebound from the difficult fourth quarter of 2018 when U.S.-China trade concerns and the direction of U.S. interest rates led to a sharp market downturn and the worst December performance in 72 years. As investors realized that the impact of the trade conflict was relatively muted, aided in part by three interest rate cuts by the U.S. Federal Reserve, the market started to recover so that by mid-year, it was up 16.2%. The limited U.S.-China phase one trade agreement announced in December this year has further calmed some of the macroeconomic market concerns and fueled additional market advances in the second half of 2019.

Throughout the often high market volatility of 2019, we knew that our decision to focus on Chinese consumer-facing companies, rather than export-driven or commodity-type sectors, was serving us well. Year-to-date revenue growth of 34% at New Oriental Education & Technology, 44% at Alibaba Group, 24% at JD.com, and 53% at Meituan Dianping demonstrated that whether parents in China continued to invest in their children's education, whether consumers continued to order goods online, or whether hungry workers and families continued to order food online, it was not being impacted by concerns surrounding U.S.-China trade relations. These companies' strong balance sheets (all four have net cash positions) and free cash flow generation also means they are well prepared for future economic dislocations or economic challenges.

Encouragingly, despite very strong returns in 2019, we believe our holdings continue to trade at attractive valuations. For example, over the past two years, a period that includes both the market downturn in 2018 and the strong market in 2019, the stock prices of our top 5 positions were up an average of 8.6%. Operating earnings for the five largest positions, however, grew at a much faster rate leading to their multiples actually falling because earnings were up even more than the stock price. As a result, we believe that these top 5 holdings, as well as the rest of the portfolio, remain attractively valued, and we remain optimistic about future returns. ■

Perspectives on Our Global Investment Approach and Portfolio Positioning

DINT invests around the world in select businesses to take advantage of long-term global trends.

The U.S. and China have agreed to complete an initial phase one trade agreement. While limited in scope, this trade agreement is a real positive because it lowers the likelihood of a rapidly worsening situation. Over time, however, we know the U.S.-China trade relationship will be a complex one, given their economic rivalry. At Davis, we understand that just like over the 50 years since our founding in 1969, the world remains an uncertain place. As a firm, we have managed our clients savings through the stagflation, oil crisis, and Vietnam War of the 1970's; deindustrialization and Black Monday in the 1980's; the dot.com boom and bust, 9/11, and Middle East conflicts of the 1990's and early 2000's; the Financial Crisis in 2008–09; and the recent global trade disputes. One constant during these periods of upheaval has been that the companies in our portfolios have been able to adapt. Relying on the durability of their proven business models and competitive advantages, the strength of their balance sheets and cash generation, and the experience of their management teams, our holdings have persevered and thrived over time. Durability of competitive advantages and ability to adapt are the key traits of the holdings in our portfolio.

One important perspective worth sharing is that international equities look quite attractive at this moment. At year-end, the domestic U.S. Standard & Poor's 500 (S&P 500) Index was trading at a forward price to earnings ratio (P/E) of 20.0x,[1] which is equivalent to an earnings yield of 5.4%. While this level is above long-term averages, it is quite attractive when compared to fixed income securities, such as the 10-year U.S. government bond with a yield of only 1.9%. Importantly, the S&P 500 Index earnings yield is also likely to grow over the long term, unlike a fixed coupon on a bond. The international equities index, the MSCI ACWI ex US, however, is trading at a much lower 14.4x forward P/E, a significant four multiple points lower. Moreover, segments of the international index are even cheaper, such as the MSCI China Index trading at 12.7x forward P/E.

While the U.S. market has far outpaced international indices over the last decade, this dominance has not always been the case. As Jason Zweig, in his Intelligent Investor article penned in The Wall Street Journal on September 28, 2018, insightfully shared, international equities have outperformed U.S. equities for long periods in the past. In the decade ending in December 2007, international equities outpaced U.S. ones by 3.1% a year, and in the decade ending in December 1986, international equities were ahead by 6.2% a year. The starting point matters. It matters a great deal, and in this case, we can see that international equities are starting significantly cheaper than U.S. equities, which are already quite attractive relative to fixed income.

Our portfolio of 30 to 40 companies held for the long term is designed to beat the index over the long term. The main way we achieve long-term outperformance is, of course, by focusing on competitively-advantaged companies run by able and honest management teams and trading at attractive valuations. Another way we can add value is weighting the portfolio towards regions where the long-term prospects are good and valuations are low. ■

1. Source: Wilshire.

Representative Holdings

AIA Group is a new addition to the portfolio in 2019. This former subsidiary of AIG Group is the second-largest life insurer in the world, with over 100 years of operating history in Asia. The two key long-term structural drivers for life insurance growth in Asia are 1) the desire to provide for the key earner's surviving family members and 2) the need to insure against rising uncovered healthcare costs. Insurance is still a product that has to be sold rather than bought and distribution is AIA's most formidable competitive advantage. Its tens of thousands of sales agents are the gold standard in the industry, providing professional face-to-face financial advice and building long-term relationships with customers to enhance their lives.

AIA is present in 18 countries across Asia, but the big prize remains its potential in China. AIA's agents in China have approximately 5x higher sales productivity compared to the industry. Because their current presence is limited to 1/3 of China, the long-term opportunity for AIA is substantial as the financial markets open up further for international insurers. The biggest overhang on the stock remains the unrest and lower sales in Hong Kong, but we believe this to be transitory, as potential consumers do not tend to put off life insurance indefinitely. AIA's management bench is deep, highly experienced, and focused on long-term value creation by investing in technology and people.

AIA's low, double-digit growth for the medium term is self-funded and its balance sheet is among the most conservatively levered in the industry. Unlike most U.S. life insurers, AIA also has very low sensitivity to interest rates and equity market swings due to the type of policies it writes and its risk management. AIA trades at just under 17x 2020 owner earnings for double-digit growth and adjusted operating return on equity (ROE) of close to 19%.

Schneider Electric is a global electrical equipment supplier based in France. It has leading positions in low/medium voltage electrical products for commercial buildings and homes, as well as data center equipment. It also has a separate, smaller business supplying industrial automation tools to process and manufacturing industries. The company enjoys strong local positions in growth markets like China and India and should benefit from the long-term trend towards electrification, as buildings layer in growing penetration of electronics, heat pumps, solar panels, battery storage, vehicle charging, distributed generation and micro grids. Schneider's brands (e.g., Square D) are well-loved by electrical contractors and engineers and offer reliability, safety and efficiency in a market niche where product failure can be catastrophic. Under the leadership of CEO Jean-Pascal Tricoire, the company has wisely de-emphasized equipment sold to centralized power plants/utilities and auto manufacturers in favor of high-margin products, services, and software. Schneider has a strong balance sheet, attractive return on invested capital (ROIC) and a history of returning capital to shareholders. The business has some cyclical risks due to its exposure to building and factory construction, but we believe its 16–17x owner earnings valuation continues to offer value given its market positions and long-term growth prospects. ■

Conclusion

Volatile markets and alarming headlines can be unnerving, which makes the fruits of a steady-as-you-go investment approach such as this year all the more enjoyable. The current economic environment is overall quite positive, with low inflation and a forecast by the International Monetary Fund (IMF) for global GDP growth of 3.2% in 2019 and 3.5% in 2020. As experienced investors with several decades of experience and as a firm with over half a century of history, however, we know that these periods can be accompanied by much more challenging environments. So rather than predict the next economic downturn, we prepare for it because we know it can appear when least expected. Hence, the perpetual focus on the strengths of the balance sheets and cash flow generation of our portfolio companies. 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; **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 12/31/19, the top ten holdings of Davis Select International ETF were: New Oriental Education & Technology, 11.05%; Alibaba Group Holding Ltd., 8.20%; Ferguson PLC, 5.18%; Naspers Ltd., 5.08%; JD.com Inc., 5.04%; Schneider Electric SE, 4.86%; Sul America S.A., 4.67%; DBS Group Holdings Ltd., 4.43%; Meituan Dianping, 3.87%; and AIA Group Ltd., 3.77%.

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.

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.

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.

We gather our index data from a combination of reputable sources, including, but not limited to, Thomson Financial, 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. The **S&P 500 Index** is an unmanaged index of 500 selected common stocks, most of which are listed on the New York Stock Exchange. The index is adjusted for dividends, weighted towards stocks with large market capitalizations and represents approximately two-thirds of the total market value of all domestic common stocks. The **MSCI China Index** is constructed based on the integrated China equity universe included in the MSCI Emerging Markets Index, providing a standardized definition of the China equity opportunity set. The index aims to represent the performance of large- and mid-cap segments with H shares, B shares, red chips, P chips and foreign listings (e.g., ADRs) of Chinese stocks. China A shares will be partially included in this index, making it the de facto index for all of China. It can be used as a China benchmark for investors who use the MSCI ACWI or MSCI EM Index as their policy benchmark. Investments cannot be made directly in an index.

After 4/30/20, 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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