



Update from Portfolio Manager
Danton Goei



Portfolio Manager
VIDEO

Davis Select Worldwide ETF (DWLD)

Annual Review 2022

Executive Summary

- After outperforming in 2020, Davis Select Worldwide ETF underperforming in 2021 was disappointing.
- Concerns around the Chinese government's stricter oversight of the internet sector led to falling valuations, despite resilient operating performance of the underlying businesses.
- Our research-intensive, highly selective investment process allows us to identify companies that can withstand unexpected shocks and crises, yet also possess the ability to innovate, adapt and build wealth in an ever-changing world.
- As a result, the earnings of Davis Select Worldwide ETF portfolio companies have grown at 22.2% compared to the index at 16.8%, yet are currently selling at a significant discount, 9.4x vs. 18.9x. This gives us conviction the Fund will help investors build wealth in the years ahead.
- Areas of opportunity include dominant global internet companies (Alphabet, Meta and Amazon), Chinese internet leaders trading at historic discounts (JD.com, Alibaba, Tencent [via Naspers/Prosus] and Meituan), historically profitable manufacturers (Intel, Samsung and Applied Materials) and select well-capitalized financial companies (Wells Fargo, Development Bank of Singapore, Danske Bank and Capital One).
- With more than \$2 billion of our own money invested alongside clients, our interests are aligned, and our conviction is more than just words.¹

The average annual total returns for Davis Select Worldwide ETF for periods ending December 31, 2021 are: NAV Return, 1 year, -4.01%; Inception (1/11/17), 9.50%; Market Price Return, 1 year, -4.02%; Inception, 9.43%. 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. For the Fund's most recent month end performance, visit www.davisetfs.com or call 800-279-0279. Current performance may be lower or higher than the performance quoted. NAV prices are used to calculate market price performance prior to the date when the Fund was first publicly traded. Market performance is determined using the closing price 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. The total annual operating expense ratio as of the most recent prospectus was 0.63%. The total annual operating expense ratio may vary in future years.

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 are at NAV and are as of 12/31/21 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.** 1. As of 12/31/21, Davis Advisors, the Davis family and Foundation, our employees, and Fund directors have more than \$2 billion invested alongside clients in similarly managed accounts and strategies.

Update on the Fund's current positioning, long-term performance and more recent results:

For the year 2021, Davis Select Worldwide ETF returned -4.01%, compared with an 18.54% return for the MSCI ACWI (All Country World Index), an underperformance of 22.55%. Entering the year, Davis Select Worldwide ETF had generated solid outperformance relative to the MSCI ACWI (All Country World Index) last year, but 2021 was a disappointment. While, in the first half of 2021, Davis Select Worldwide ETF's return slightly lagged the index, it was principally in the last six months of the year that the gap in performance occurred.

The principal headwinds to fund performance were linked to the regulatory actions taken by the Chinese government in 2021. In the first half of 2021, the government undertook major antitrust reviews of large Chinese internet companies, including Alibaba and Meituan. These reviews were performed in a pragmatic manner designed to eliminate and punish anticompetitive behavior. The fines of \$2.8 billion for Alibaba and \$530 million for Meituan were substantial, but also equal to less than 4% of the cash and investments on their balance sheets, so clearly, it was not designed to permanently handicap the companies. While the speed of the antitrust reviews was different than what we have seen in the West, the motivation of ensuring a competitive marketplace and the remedies employed were quite similar.

In the second half of 2021, however, the Chinese government undertook two regulatory actions with greater impacts on fund performance. In late July, the Chinese government declared that elementary and middle school after-school tutoring services must be performed on a not-for-profit basis, significantly impairing the earnings power of our two holdings in the education sector, New Oriental Education & Technology Group and TAL Education Group. While these two education leaders in China

have adapted and actually benefited from past regulatory actions designed to improve the quality and limit the advertising of after-school tutoring, the new policies led us to reassess the future of the for-profit education industry and sell our positions in both names.

The second regulatory action took place shortly after the initial public offering of Didi Global, China's ride-sharing leader, on the New York Stock Exchange (NYSE). In early July, the Cybersecurity Administration of China (CAC), implementing provisions from the new Data Security Law issued on June 10, announced that Didi will undergo a cybersecurity review, and further downloading of its app was suspended. Didi's data privacy and collection policies, as well as data security considerations stemming from the company's U.S. listing, were the focus of the review. On December 3, Didi announced that it planned to delist from the NYSE and relist in Hong Kong. The market understandably dislikes uncertainty, and it will take several months for the relisting process to be finalized. Over the long run, however, we believe a Hong Kong listing will resolve the CAC's concerns around national data security, and it will provide a globally recognized primary listing venue, as it already does for other large Chinese internet companies such as Tencent and Meituan. Over time, the value of Didi, like any other company, will be determined by its business prospects and profitability rather than the location of its primary exchange listing.

As we look back at 2021, we do not believe it is a coincidence that the Chinese government decided to undertake a number of difficult and potentially disruptive regulatory actions following a year when it was seen by its people as having successfully managed the COVID crisis and was the only large economy to grow in 2020. Taking advantage of high levels of popular support entering 2021, the government tackled internet

marketplace competition, data privacy and security concerns, income inequality and weak family formation, which included education, property and gaming sector reforms. Its stated goal is to create a more balanced and self-sufficient economy and put the country on the path for long-term sustainable growth. We expect that as these new policies become standard practice, the pace of regulatory reform will slow down. A more routine environment will be positive for companies and for investors' outlooks.

While near-term underperformance driven by regulatory concerns in China is unpleasant, we believe it has created a large investment opportunity. The MSCI China Index is at approximately a 40% discount to the S&P 500 Index on a price-to-earnings (P/E) basis, and our Chinese holdings are trading at extremely attractive valuations. Companies such as JD.com, Meituan, Alibaba, Baidu and Tencent (which we own via Naspers and Prosus) continue to have strong balance sheets, generate large amounts of cash and have strong growth outlooks. For example, JD.com, a leader in e-commerce and the internet company with the largest logistics network, is currently trading at 12x 2022 normalized earnings with a trailing three-year revenue compound annual growth rate (CAGR) of 27%, and over the next three years, it has expectations of 20% revenue growth. Alibaba, the leader in both e-commerce and cloud computing, is currently trading at 14.5x 2022 normalized earnings, while the trailing three-year revenue CAGR is 42%, and over the next three years, expectations are for 30% revenue growth. As concerns of future regulatory actions abate, we believe the market will refocus on the fundamentals, which for these companies are very promising.

China remains a very attractive market for long-term investors due to its economic track record, size, growth potential, quality of companies and level of innovation. Since China pivoted toward a market-based economy in 1978, GDP growth has been nearly 10% a year for over 40 years, lifting 800 million people out of poverty.² The unprecedented success of the economic track record has created strong public support for the Chinese government and the market-driven economic model. The private sector has been the engine of the economic growth and job creation, accounting for a majority of exports and nearly 90% of urban employment,³ and we believe it will continue to be the key driver of future growth.

Today, China is the world's second-largest economy, accounting for 18% of global GDP,⁴ and it is already over 3x the size of the next largest economy, Japan, which it surpassed in 2010. Just like a global investor cannot ignore the United States, which accounts for 25%⁵ of the global GDP, we believe it is impossible to ignore China, especially as it accounts for such a large percentage of global GDP growth. In the 10 years through 2019, China accounted for one-third of global economic growth—larger than the combined share of global growth from the U.S., Europe and Japan.⁶ In 2020, retail spending in China was equal to 88% of retail sales in the U.S. In the decade through 2019, it was growing at 8.5% compared to 1.9% in the U.S., and it is poised to eventually become the world's largest retail market.⁶

China's large rapidly growing economy has created a large number of highly innovative and world-class companies. Alibaba and JD.com are leaders in the world's largest and most vibrant e-commerce market, Alicloud is now a top five

2. <https://www.worldbank.org/en/country/china/overview#1>

3. <https://www.mckinsey.com/featured-insights/china/reskilling-china-transforming-the-worlds-largest-workforce-into-lifelong-learners#>, p.12

4. <https://statisticstimes.com/economy/projected-world-gdp-ranking.php> 5. Ibid.

6. <https://fortune.com/2021/05/03/china-investor-perspective-global-growth-consumer-story/>

global cloud computing provider, Tencent is the world's largest video game company and has built the world's most comprehensive and innovative messaging ecosystem in WeChat and Meituan is the world's largest food delivery company. With, on an annual basis, the world's largest number of patents issued and graduates in the STEM field, the quality of doctoral PhD education in China rapidly rising⁷ and strong-growing capital markets to support entrepreneurship, we believe the country will continue to create innovative and world-class companies. With close to 1 billion internet users,⁸ China has pioneered innovations such as livestream shopping, social commerce and short-form video and is also a leader in technologies such as artificial intelligence and quantum computing. We expect China to remain an attractive market for long-term investors for a long time.

Of course, more than 75% of the Portfolio is not in China, and a number of companies have performed well. Our significant financial sector weighting was a positive in 2021, as companies such as Wells Fargo (+61%), Capital One (+49%), Development Bank of Singapore (+32%) and Bank of Butterfield (+28%) performed well, as investors realized that despite economic uncertainties such as the COVID-19 pandemic, the banks' earnings were solid and credit losses minimal. The banks started the year at such low valuations, that even after this year's outperformance, their valuations continue to be attractive. For example, Capital One is trading at 7x trailing earnings, and even if we assume meaningfully higher credit losses in the future, it is still only trading at 9x estimated 2023 earnings.

Additional positive contributors to results include the U.S. technology companies Alphabet, Meta (formerly known as Facebook) and Applied Materials, along with the sports entertainment company Liberty Media Formula One.

In addition to our Chinese holdings, detractors to performance included the pharmaceutical company Viatrix, which is actually performing in line with expectations and systematically paying down its debt and strengthening its balance sheet. In today's growth-focused stock market, low-growth but steady businesses such as Viatrix are out of favor, but trading at 4-5x earnings with a 3.6% dividend yield, it is a clear value.

Current perspective on global markets:

Despite a challenging environment, global economic growth was very strong in 2021, following the contraction seen in 2020. U.S. real GDP growth is expected to be a robust 5.6% in 2021,⁹ and global GDP is similarly forecast to rise a strong 5.7%.¹⁰ S&P 500 earnings are forecast to have grown 14% in 2021, and U.S. retail sales in November were up an unprecedented 18.2% year-over-year,¹¹ JP Morgan shared that credit card swipes were up 50% over Cyber Weekend,¹² The New York Empire State Manufacturing Index in December reached its highest level in over two decades.¹³ China's economy is expected to have grown at 7.8% in 2021,¹⁴ a healthy level of growth, especially after it outperformed global averages in 2020. Forecasts for global GDP in 2022 are for a robust 4.5% growth, as activity further recovered from the declines seen in 2020. The impact from the rapid spread of the Omicron variant, however, will bear watching.

7. <https://cset.georgetown.edu/publication/china-is-fast-outpacing-u-s-stem-phd-growth/>; <https://www.scmp.com/tech/policy/article/3149818/china-wants-be-powerful-intellectual-property-nation-2035-amid-tech>

8. <https://www.statista.com/statistics/273973/number-of-mobile-internet-users-in-china/>

9. <https://www.conference-board.org/research/us-forecast> 10. <https://www.euromonitor.com/article/global-economic-outlook-q4-2021>

11. <https://www.reuters.com/markets/us/us-retail-sales-miss-expectations-november-2021-12-15/>

12. <https://www.jpmorgan.com/solutions/treasury-payments/insights/record-volumes-on-cyber-weekend>

13. <https://tradingeconomics.com/united-states/ny-empire-state-manufacturing-index#:text=Further%20in%20December,-The%20New%20York%20Empire%20State%20Manufacturing%20Index%20rose%20to%2031.9,in%20the%20New%20York%20State>

14. <https://www.reuters.com/world/china/jpmorgan-raises-china-q4-2022-gdp-forecast-2021-12-15/>

A growing concern among investors is inflation. In December, U.S. CPI inflation reached 7% year-over-year, which was the highest in nearly four decades.¹⁵ Global inflation is also on the rise, with Eurozone inflation up 4.1%, the highest in 13 years.¹⁶

As we look back, the current inflation levels in the developed world argue that the long-dormant inflationary pressures have returned. Whether a high level of inflation persists or is transitory will depend in large part whether wages, which are less volatile than commodity prices, start rising. If U.S. business expectations are any indication, wages look set to see significant increases. Businesses are expected to increase pay an average of 3.9% in 2022, according to the Conference Board report. That's the fastest rate of growth since 2008. Such high wage increase expectations follow already high wage increases in 2021. In November 2021, average hourly wages were up a strong 4.8% year-over-year.¹⁷

Also supporting the idea that inflation will be sticky is the fact that the Federal Reserve's balance sheet rose an unprecedented 77% in 2020, followed by another 20% increase in 2021. Similarly, the M2 money supply rose 24% in 2020, followed by a 13% increase in 2021. In response to the higher CPI figures, rising wage pressures and falling unemployment forecasts, the Federal Reserve tapered its monthly bond purchases in November 2021 and will accelerate the reduction in January 2022. The Fed also indicated it sees as many as three interest rate hikes in 2022, followed by two in 2023 and two more in 2024.¹⁸ The risk exists that just as the Fed is forced to rapidly adjust its

monetary policies as inflationary pressures build, it will have to be even more aggressive if wage increases lead to a wage-price spiral developing.

To adapt to an inflationary environment, companies must have pricing power. Davis Select Worldwide ETF holdings, such as the internet leaders Alphabet, Meta, Meituan, Alibaba and Tencent, all have the ability to raise their prices and maintain profitability. Auction-based advertising businesses, such as Google and YouTube at Alphabet, Instagram at Meta and WeChat at Tencent, should see their rates automatically increase, as advertisers bid up ad rates while they increase the price of their goods and services. The banks should also be beneficiaries of rising interest rates as their net interest margin will increase, leading to higher profitability. Internet leaders, along with well-capitalized financials trading at discounted valuations, are the two overweight sectors in Davis Select Worldwide ETF, and as such, we believe our Portfolio will manage to adapt, should inflationary pressures persist and interest rates rise faster than expected.

By being highly selective and rejecting the vast majority of companies in the index, we have built a portfolio that has grown faster than the companies in the index, yet is significantly less expensive. In fact, the 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.

Selective, Attractive Growth, Undervalued

	Fund	Index
Holdings	39	2,964
EPS Growth (5 Year)	22.2%	16.8%
P/E (Forward)	9.4x	18.9x

15. <https://www.wsj.com/articles/us-inflation-consumer-price-index-december-2021-11641940760>

16. <https://www.vox.com/2021/11/24/22799217/global-inflation-us-eu-germany-uk>

17. <https://tradingeconomics.com/united-states/average-hourly-earnings>

18. <https://www.cnbc.com/2021/12/15/fed-will-aggressively-dial-back-its-monthly-bond-buying-sees-three-rate-hikes-next-year.html>

**Discuss some of the businesses
Davis Select Worldwide ETF owns and
any notable changes during this period:**

Davis Select Worldwide ETF added several new positions over the past year, including the industrial company Darling Ingredients and the pharmaceutical Viatris.

Darling Ingredients is the largest global processor of animal parts, repurposing fats and proteins sourced from slaughterhouses, grocers and restaurant chains into higher and better uses, including pet/livestock feed, fertilizer, soap, gelatin, collagen, and increasingly fuel. Through a 50/50 joint venture (JV) with Valero, Darling is the largest U.S. producer of renewable diesel, using its advantaged access to low-carbon feedstocks (primarily animal fats and waste oils) to produce fuel that is 70-80% less carbon-intensive than fossil-fuel-derived diesel. This fuel can be sold at a premium, due to the increasing demand and incentives from buyers and jurisdictions looking to decarbonize their fuel supply. The production of renewable diesel is forecast to grow fourfold by 2024, which should result in meaningful earnings growth in coming years. Darling is an out-of-the-spotlight business that trades for only 10x owner earnings, a significant discount to its peers.

Viatris is an unloved global pharmaceutical manufacturer created through the merger of Mylan and Upjohn (Pfizer's off-patent drugs business). The company is highly diversified, with leading positions across a wide span of generic and specialty/partnered drugs in many countries around the world. While growth for the Portfolio overall is moderated by pricing pressures in traditional generics, Viatris has an attractive pipeline of complex drugs (e.g., inhaled drugs, injectables, etc.) and biosimilars, the latter of which are poised to see growth in the years ahead after a long period of regulatory and legal deadlock in the U.S.

Near-term, Viatris is committed to using free cash flow to pay down debt, but we believe its extremely cheap valuation (4-5x owner earnings)

and growing cash generation offers a compelling risk/reward proposition that should eventually be recognized by the market.

Bank of Butterfield is a financial holding we purchased nearly four years ago, and while it is not a household name, it is quite unique. Butterfield is the largest community bank in Bermuda and the Cayman Islands (just under \$2 billion market capitalization), providing retail banking and mortgage services to the domestic population. It is also one of the largest private trust companies, with over \$140 billion in assets under administration and custody. Its balance sheet is extremely liquid; it has \$14 billion in very low-cost and relatively sticky deposits that support a loan book of only \$5 billion. The majority of its excess liquidity is deployed in AAA-rated U.S. government agency bonds that allows it to earn a nearly risk-free spread in excess of 150 basis points (bps). While Butterfield's organic growth is low, its business model results in a bank that is highly profitable. In a near-zero-rate environment, Butterfield earns a mid-to-high teens return on tangible equity, and at normalized interest rates, it earns a mid-20s return on tangible equity.

The bank is very conservatively managed, with low leverage and high core capital ratios. The management has historically paid a steady cash dividend that currently yields 4.7%, while the majority of the remaining excess capital generation is deployed towards buybacks in the absence of inorganic growth. For acquisitions, Butterfield has mostly been focusing on trust assets that pass its high standards and bring a steady fee income and more low-cost deposits.

Bank of Butterfield currently trades on 10x 2022 owner earnings and an attractive 11% internal rate of return (IRR). We like Butterfield for its high sensitivity to rising rates (because of its bond portfolio) and attractive shareholder returns. Over our nearly four-year holding period, Butterfield has returned approximately a third of its current market cap to shareholders in the form of buybacks and dividends.

Looking ahead, what is your outlook for Davis Select Worldwide ETF?

The underperformance of the Fund seen over the last six months of 2021 has been driven by a significant drop in the multiples that investors have assigned to the businesses of the large Chinese consumer internet companies, rather than a dramatic drop in their earnings power. The revenue and earnings generation of Tencent, JD.com, Alibaba and Meituan have remained good, and their outlooks continue to look promising. Rapid regulatory actions by the Chinese government can, of course, be disconcerting, but we believe regulation of the internet sector is an inevitable global trend, and if performed in a pragmatic manner, it is desirable for the long-term stability and growth of the industry. Other industries such as financial services, healthcare and media have all undergone at different moments intense regulation, and over time, we have seen the industry leaders flourish. Given the strategic importance of the internet industry and the Chinese government's focus on growing the domestic consumer sector, we believe that these industry leaders, over time, will flourish as well.

Potential economic risks on the horizon include the evolving difficulties of the COVID pandemic, rising inflation and the accompanying higher interest rates. As we think of the different investment options for investors, including fixed income securities, commercial or residential real estate, commodities or even cryptocurrencies, we continue to believe a global diversified portfolio of well-capitalized cash-producing companies trading at attractive valuations is the best option to both grow capital over time and adapt to an uncertain future.

We understand that in uncertain times such as these, it is more important than ever to be able to entrust your savings to an experienced and reliable investment manager with a strong long-term record. Over the 50 years since the firm's founding, the Davis investment discipline has demonstrated an ability to generate above-average returns, based on in-depth fundamental analysis, a long-term investment horizon and a strong value discipline. While the times have changed, these fundamental principles are timeless and proven. We thank you for your continued trust and interest in Davis Select Worldwide ETF.

This report is authorized for use by existing shareholders. A current Davis Select Worldwide 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 DWLD 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.

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.

Objective and Risks. Davis Select Worldwide 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: **stock market risk; common stock 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; 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; **foreign country risk; exposure to industry or sector risk:** significant exposure to a particular industry or sector may cause the Fund to be more impacted by risks relating to and developments affecting the industry or sector; **headline risk; foreign market risk; large-capitalization companies risk; manager risk; 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; **cybersecurity risk; emerging market risk:** securities of issuers in emerging and developing markets may present risks not found in more mature markets; **depository receipts risk:** depository receipts involve higher expenses and may trade at a discount (or premium) to the underlying security; **fees and expenses risk; foreign currency risk; and mid- and small-capitalization companies 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 12/31/21, the top ten holdings of Davis Select Worldwide ETF were: Wells Fargo, 7.16%; DBS Group, 6.19%; Berkshire Hathaway, 5.39%; Danske Bank, 5.03%; Alphabet, 4.92%; JD.com, 4.45%; Prosus, 4.32%; Meta Platforms, 4.27%; Alibaba Group, 4.08%; and Intel, 3.80%.

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.

Internal Rate of Return (IRR) is a metric used in financial analysis to estimate the profitability of potential investments. IRR is a discount rate that makes the net present value (NPV) of all cash flows equal to zero in a discounted cash flow analysis.

Real GDP Growth is measures economic growth, as expressed by gross domestic product (GDP), from one period to another, adjusted for inflation or deflation. It reveals changes in the value of all goods and services produced by an economy—the economic output of a country—while accounting for price fluctuations.

The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services, such as transportation, food, and medical care. It is calculated by taking price changes for each item in the predetermined basket of goods and averaging them. Changes in the CPI are used to assess price changes associated with the cost of living.

M2 Money Supply is a calculation of the money supply that includes all elements of M1 as well as "near money." M1 includes cash and checking deposits, while near money refers to savings deposits, money market securities, and other time deposits (in amounts less than \$100,000). These assets are less liquid than M1 and not as suitable as exchange mediums, but they can be quickly converted into cash or checking deposits.

One **Basis Point** = 0.01%.

Compound Annual Growth Rate (CAGR) is the rate of return that would be required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each period of the investment's life span.

New York Empire State Index is the result of a monthly survey of manufacturers in New York state. Known as the Empire State Manufacturing Survey, it is conducted by the Federal Reserve Bank of New York. The headline number for the NY Empire State Index refers to the main index of the survey, which summarizes general business conditions in New York state.

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)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets throughout the world. The index includes reinvestment of dividends, net foreign withholding taxes. The **MSCI China Index** captures large- and mid-cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs). With 698 constituents, the index covers about 85% of this China equity universe. Currently, the index includes Large Cap A and Mid Cap A shares represented at 20% of their free float adjusted market capitalization. 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. Investments cannot be made directly in an index.

After 4/30/22, 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.