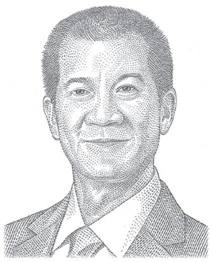


Update from Portfolio Manager

Danton Goei

Davis Select Worldwide ETF (DWLD)

Semi-Annual Review 2022

Market Perspectives

The Fund's biggest contributor for the first six months of the year was the health insurer Cigna. Insurers Ping An and AIA Group also outperformed. In addition, Chinese technology and industrial companies have rebounded from trough levels.

For the first six months of 2022, Davis Select Worldwide ETF (DWLD) returned −17.48%, ahead of the MSCI ACWI (All Country World Index) decline of −20.18% by 2.70%. While unpleasant, this down-market year comes after a decade of strong cumulative market returns. At Davis, after more than five decades of investing, we understand that crises and corrections are painful, but inevitable. Since 1928 in the U.S., a bear market (where the market declines by at least 20%) has occurred approximately once every three years. A market correction of at least 10% occurs on average once a year.

Yet despite numerous crises, including the Great Depression, World War II, the Korean War, the 1970s oil shock, the dot-com bust, the global financial crisis, the COVID-19 pandemic and the Ukraine War, the market has continued its upward march. If you had invested in the S&P 500 Index at the beginning of 1929 through June 2022 (over 93 years), your return would have been a satisfactory 9.16% a year, and adjusted for inflation, would have been 6.07%.[1] A long-term focus and holding period has been and will continue to be the path to building wealth.

The average annual total returns for Davis Select Worldwide ETF for periods ending June 30, 2022, are: NAV Return, 1 year, −28.38%; 5 years, 3.28%; Inception (1/11/17), 4.85%; Market Price Return, 1 year, −28.59%; 5 years, 3.22%; Inception, 4.85%. 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 0.62%. 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. All fund performance discussions within this piece are at NAV and are as of 6/30/22 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.** https://www.officialdata.org/us/stocks/s-p-500/1929#

Although inevitable, market downturns are never pleasant. Falling returns and the accompanying negative headlines are worrisome, but as legendary investor Shelby Cullom Davis said, "You make most of your money in a bear market, you just don't realize it at the time." The global financial crisis of 2008–2009 was a severe and destabilizing downturn, but starting in 2010, the MSCI ACWI returned 9.40% a year for a decade.[2] Historically, equity market returns have been strong in the period following a bear market. For example, in the year following a 20% market decline, on average, the S&P 500 Index return was a robust 23.9%.[3] The market can continue falling as it did in 2009 after being in bear market territory in 2008, but an average return of 23.9% in the following year speaks to how lower valuations may seed higher future returns.

The Fund's biggest contributor for the first six months of the year was the health insurer Cigna. Declining COVID-related costs and strong specialty pharma results contributed to strong profit growth aided by timely share repurchases. Insurers Ping An and AIA Group also outperformed, where, despite COVID-related disruptions, insurance sales remain resilient. Both insurance companies profile as good long-term compounders trading at attractive valuations. Finally, Chinese technology and industrial companies have rebounded from trough levels, as regulatory and economic concerns have abated. We will discuss the China outlook in further detail later in this update.

Detractors to performance included technology stalwarts Alphabet, Amazon and Meta (formerly Facebook), where the market focused on the short-term challenges of slower growth compared to the spike in demand during COVID and higher spending levels. Given their dominant market positions, strong balance sheets and cash generation, we took the opportunity to buy more shares of Meta and continue to see Amazon as a core holding. Online retailers, such as Vroom in autos encountered fierce competition and rising costs that led to declines in profitability. We reassessed the company's business prospects, and to take advantage of price declines in established businesses with strong outlooks, we sold our positions and redeployed the funds. Finally, global industrial leaders such as Samsung and Applied Materials were headwinds to performance, as supply chain challenges led to chip shortages and lower sales of tech devices; but their market positions and end demand remain strong, and their long-term outlook remains bright.

One area of the portfolio that has generated many investor questions over the past two years, and is also one with what we believe has a great deal of opportunity, is China. Over the past two-and-a-half years, however, our Chinese holdings have underperformed. In fact, owning Chinese companies has become a very emotional issue with many investors, who decry them as "uninvestable." Some investors fear that unpredictable Chinese government involvement in market regulation makes Chinese companies unanalyzable and thus uninvestable. While understanding any policy changes is important, we believe that three decades of nearly 10% compound annual growth in the economy—led by a dynamic private sector that has created many of the world's leading consumer, technology, industrial and financial companies—has not changed overnight.

The Chinese government's focus on a growing healthy economy that creates jobs and a growing standard of living remains the same. Regulating market competition and a desire to narrow income inequality are goals that most governments share. Regulating the large consumer technology companies has led to a number of government actions over the past two years designed to curb anti-competitive practices, such as exclusive supplier contracts, and to limit overly aggressive and wasteful marketing practices, such as selling goods and services below cost. Given the speed of such actions and the opaque decision process, the market reaction has been very fearful. We believe the market reaction, with some exceptions, has been overly negative, relative to the market

2. Gross return and does not include the effect of withholding taxes. **3.** https://www.wsj.com/livecoverage/stock-market-today-dow-jones-bitcoin-fed-rates-06-14-2022/card/how-the-s-p-500-performs-after-closing-in-a-bear-market-yBwgfJwW8HGSNJaKg6LB#:~:text=Since%201950%2C%20the%20S%26P%20500's,year%2C%20it%20was%2023.9%25 impact of these regulations. There have been, of course, other factors at work, such as the impact of COVID disruptions, supply chain issues and the Ukraine war. These other worries, however, are short-term challenges that are unlikely to have long-term effects on the business prospects of our portfolio companies.

There are also good reasons to believe that the regulatory cycle is nearing an end. In April and May 2022, President Xi, Premier Li Keqiang and Vice Premier Liu He all voiced their support for the economy and for the technology sector. Since the government's public support for leading technology companies, there have been a number of actions that have been promising. The months-long freeze on new video game approvals ended; online delivery companies are partnering with cities to solve the logistical challenges of supplying households during COVID lockdowns; negotiations with the SEC to avoid the delisting of Chinese companies from U.S. exchanges have made progress, and expectations are for trial audits to occur over the summer.

In addition to supporting private companies, the Chinese government is also lending support to the economy. The government is supporting economic growth by cutting the reserves that banks are required to hold, easing restrictions on lending to the property sector and announcing a robust infrastructure stimulus plan funded by issuing $220 billion of local government bonds. Given that China's central bank has maintained a more traditionally conservative approach and not pursued a zero-interest-rate policy (ZIRP) or quantitative easing (QE), it now has the ability to lower interest rates to support economic growth.

Current forecasts are for China's consumer demand and economic growth to be impacted by COVID lockdowns, but GDP growth is expected to still be 3–4% in 2022. Over the past 20 years,[4] the S&P 500 Index has performed well, with a cumulative return of 468.55%, but the MSCI China Index, even including the recent challenging two-and-a-half years, has generated a cumulative return of 630.98% for an outperformance of 162.43%. The foundations of this long-term outperformance remain in place with a well-educated workforce, continued rising urbanization,[5] a research-driven economy (as China is the country with the most international patent applications for the third year in a row)[6] and a strong entrepreneurial business culture.

While the regulatory cycle seems to be easing and the economic outlook looks reasonable, we know what matters for the value of our companies over the long run is how the businesses are executing. The four largest Chinese consumer internet firms in DWLD are Tencent (owned via Prosus and Naspers), JD.com, Alibaba and Meituan. On average, these four firms grew revenues 29.7% in 2021 and are forecast to continue to grow revenues in 2022.[7] Business was strong in 2021 despite regulatory concerns, and in 2022, while COVID lockdowns led to a slowdown in the economy, these businesses continue to grow revenues in the double digits. Moreover, company managements are taking advantage of the very low valuations and strong cash generation by repurchasing their own shares. In addition to buying its own stock, JD.com also issued a special cash dividend to shareholders. We view the return of cash to shareholders via share repurchases and dividends as a sign of the conviction management has in their businesses.

In DWLD, we continue to be highly selective in identifying companies that meet our criteria of well-managed, durable, cash-generative businesses trading at attractive valuations. Nearly 80% of DWLD is not in China, and among these companies, I would highlight our financial holdings as particularly attractive. Financials, including select banks in the United States and conservatively well-managed international banks, combine durability, potential profitability and low valuations. Wells Fargo, Capital One, DBS Group in Singapore, Danske Bank in Denmark, Julius Baer in Switzerland and Bank of

4. From 6/30/02 to 6/30/22. **5.** China's urbanization rate of 63% still lags the United States at 83%, the United Kingdom at 84% and Japan at 92%. **6.** https://www.natlawreview.com/article/china-remains-top-patent-cooperation-treaty-filer-2021#:~:text=Per%20statistics%20released%20February%2010,third%20year%20in%20a%20row **7.** Source: Company documents and Bloomberg.

Butterfield in Bermuda share strong balance sheets, high cash generation and what we believe are very attractive valuations. The pullback in the price of bank shares in the last several months reminds us of the early days of the pandemic, when bank shares dramatically underperformed, only to snap back to new highs as investors realized that they were well prepared for a recession. Today, banks are trading at or near their lowest relative valuation in history.

Market expectations of an impending recession are very high, but we should remember the words of the economist John Kenneth Galbraith: "The function of economic forecasting is to make astrology look respectable." What we can say is that while the timing is highly uncertain, we fully expect a recession to occur within the holding period of our portfolio companies. When a recession eventually unfolds and banks demonstrate their resilience and continue to pay dividends, we anticipate our bank holdings may become a powerful driver of future potential returns.

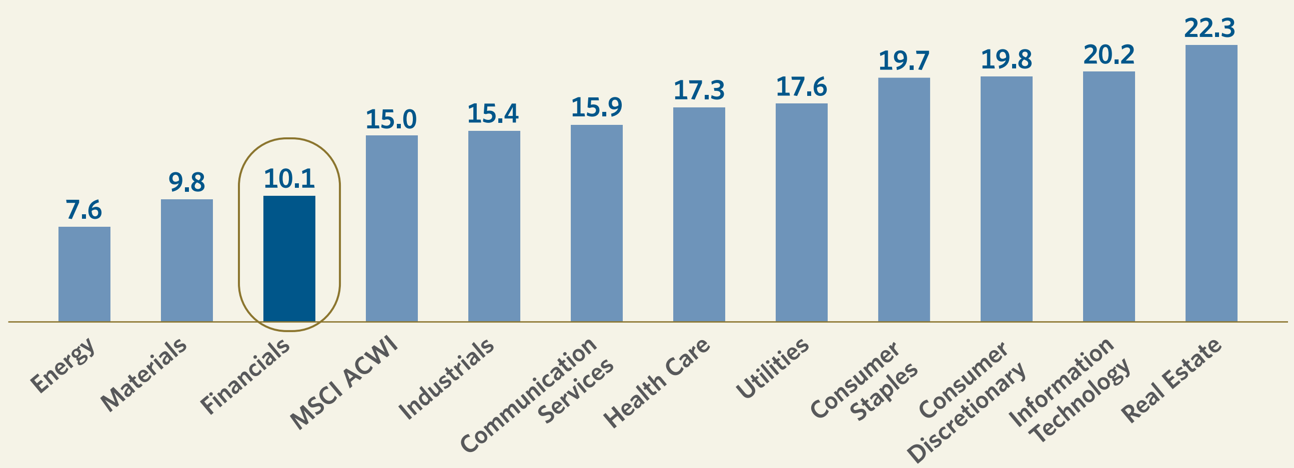
In contrast to our approach, panicked investors are selling banks and flocking to a small handful of companies and industries that have historically been recession-resistant. We consider such a strategy highly risky for two reasons. First, we believe it overvalues short-term earnings prospects over long-term cash generation. Earnings of $2 million this year, zero next year and $2 million the year after are more valuable than earnings of $1 million this year, $1.1 million next and $1.2 million the year after. Second, we also believe many companies that have historically been recession-resistant may face other challenges that make their futures bleaker than their past. In industries like consumer staples, the erosion of once-dominant consumer brands, when paired with increasingly leveraged balance sheets, may make companies that were once safe havens far riskier in the future.

Putting these two thoughts together, investors who fear a recession will often pay silly prices for smooth earnings from companies with competitively disadvantaged futures, while significantly undervaluing our durable and growing banks, simply because they happen to exhibit more short-term earnings volatility.

As we invest through a time of recession, the enormous valuation discount presented in the chart below should begin to close, creating a double play of rising earnings on rising valuations. In the meantime, high dividends and steady share repurchases, in our opinion, make select banks one of the best investment opportunities facing patient investors in today's market. ■

Financials Are Attractively Priced[8]

MSCI ACWI Forward P/Es by Sector



8. Source: MSCI.com. As of 7/29/22.

Portfolio Review

We have invested in attractively valued durable enterprises and have done so across diverse market segments. DWLD's holdings span across eight sectors and 13 countries and offers exposure to both leading global businesses and some less familiar names such as Teck Resources, a Canada-based mining company and Julius Baer in Switzerland, the leading pure-play private bank in the world.

Teck Resources has operations in Canada, Alaska, Chile and Peru. Its primary products include copper, metallurgical coal (met coal) and zinc, with a minority interest in an Alberta oil-sands operation.

Met coal—used for steel production—is the largest profit generator for Teck at the moment, aided by pricing that has been bolstered by various global supply disruptions. We assume pricing declines materially from current levels, but note that, unlike thermal coal, the type of coal Teck produces does not have any economic substitutes and is used to produce approximately 70% of global steel (the rest comes primarily from recycled steel). The high-quality seaborne met coal that Teck produces is likely to be an essential input to steelmaking for decades to come, possibly longer, if blast furnace carbon capture technologies are adopted.

Most of Teck's growth capital is being deployed on copper, and it has a handful of promising mine sites in development, including a large project in Chile (called QB2) that is nearing completion and will roughly double Teck's consolidated tonnage. Copper is an essential component of the decarbonization push we are seeing, given electrification is at the heart of most of the solutions and copper is a superior electrical conductor. Electric Vehicles (EVs) and renewables (wind/solar) are much more copper-intensive than their fossil alternatives, and demand for these applications is inflecting fast—faster than new mine supply is likely to be able to respond—given greenfield mines often take more than a decade from start to finish.

Teck trades for an attractive multiple—approximately 3–5x in 2022 and approximately 4–6x in 2023. Admittedly, this is being flattered by the rich margins in its met coal business at the moment, but we believe the multiple discount, compared with pure-play copper companies, ought to narrow over time, as copper increasingly dominates Teck's portfolio. We like the undemanding valuation and the shareholder-friendly capital return policies the company has adopted, which include returning excess capital to shareholders through dividends and buybacks.

Julius Baer is the leading pure-play private bank in the world, focusing exclusively on providing wealth management services to high and ultra-high net worth individuals. While the DNA of the 130-year-old private bank is Swiss, it serves clients globally through approximately 1,300 relationship managers in 25 countries and currently manages over $450 billion Swiss Francs in assets. It is a wide-moat, high-touch business driven by relationships and supplemented by technology and investment capabilities.

Julius Baer is a rare combination of a high-growth and high-return business. Over the last decade, revenue has compounded at 8% CAGR, and owner earnings at 11% CAGR. It does not operate in high-capital consumption businesses like investment banking, so the return on tangible equity has been north of 30%. Julius Baer has enough scale to be competitive, but it is not large enough to suffer from diminishing growth. Furthermore, it has a meaningful presence in high-growth markets like India, Brazil, China, Hong Kong and Singapore, where wealth creation has a long runway. On average and over time, we anticipate continued earnings growth for the foreseeable future.

Due to its sensitivity to equity markets, Julius Baer is currently trading at only 8x earnings and over 14% internal rate of return (IRR). Its high capital generation means that shareholder return is currently attractive; the cash dividend yield is 5.7%, and the company has been repurchasing 3–4% of shares outstanding, while still retaining excess capital for disciplined mergers and acquisitions. ■

Conclusion

While the market faces challenging headwinds—rising inflation, the Ukraine war and the global pandemic—we know full well that the market, like life, runs in cycles, and we are prepared for the market recalculation after this cycle terminates.

The crises that face us today seem so heightened because we are so uncertain how and when they will end. As we enter the third year of the global pandemic, witness rising inflation and are saddened by the mounting casualties from the war in Ukraine, we cannot help but be worried. And yet as we look back at previous crises such as Grexit, Brexit, 9/11, the two Iraq wars and the financial crisis, it is hard to remember that we were worried and concerned back then, as we are today, because we did not know how and when they would end.

With 20/20 hindsight, we can look back at these events and understand them as milestones, yet they all had a beginning and an end, and they soon became part of history. As we think of the current challenges of rising inflation, the Ukraine war and even the global pandemic, we all know that they too will come to an end, and as stewards of your capital, we need to ensure that the companies in our portfolio have the financial strength, business resilience and management teams in place to manage and sometimes even thrive in these uncertain times.

The fact that U.S. equities delivered compelling long-term results despite all the major crises experienced, should provide comfort for the long-term investor. For example, since 1929 the S&P 500 Index posted an average annual return of 9.16% per year. Of comfort as well are the characteristics of DWLD, where a highly selective group of companies grow much faster on average, yet also trade at a significant discount to the market. We believe such fund characteristics bode well for future returns.

Selective, Attractive Growth, Undervalued

	Fund	Index
Holdings	37	2,894
EPS Growth (5 Year)	23.6%	15.5%
P/E (Forward)	8.1x	14.5x

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.

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. The investment objective of Davis Select Worldwide ETF 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; **China risk - generally; 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; **depositary receipts risk:** depositary 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 6/30/22, the top ten holdings of Davis Select Worldwide ETF were: DBS Group, 6.25%; Wells Fargo, 5.88%; Berkshire Hathaway, 5.63%; JD.com, 5.13%; Danske Bank, 4.78%; Alphabet, 4.40%; AIA Group, 4.40%; Ping An Insurance Group, 4.34%; Julius Baer Group, 4.20%; and Prosus, 3.99%.

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.

CAGR stands for Compounded Annual Growth Rate.

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 10/31/22, this material must be accompanied by a supplement containing performance data for the most recent quarter end.

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