The Davis Student Investment Management Group presents its annual performance review for calendar year 2016. The Davis fund experienced an economic pullback and a rally, returning 3% compared to the S&P 500's 9.54%. The Davis fund was positioned well for a market dip, but not for a strong bull market. This report provides a qualitative and quantitative review and discussion of the Davis fund for 2016. We welcome any questions, comments, or suggestions regarding this report or anything related to the Davis fund and its members.
Contents

Performance Report ................................................................. 2
The Davis Group ........................................................................ 4
Portfolio Returns ....................................................................... 5
Allocations .................................................................................. 6
Energy Analyst: Russell Romney .................................................. 8
Industrials Analyst: Justin Marino ................................................. 9
Technology Analyst: Josh Rudolph .......................................... 10
Telecommunications Analyst: Justin Marino ......................... 11
Consumer Staples Analyst: Alexander Bergdorf .................. 12
Healthcare Analyst: Colton Gray ............................................... 13
Basic Materials Analyst: Timothy Delcourt .............................. 15
Consumer Discretionary Analyst: Justinian Pratt .................... 16
Financials Analyst: Gabe Kelley .................................................. 17
International Markets Analyst: Thomas Kirby ...................... 18
Fixed Income Analyst: Thomas Kirby ......................................... 19
The 2016 Davis Group Members ............................................... 20
References .................................................................................. 25
Contact Information .................................................................... 26
A LETTER FROM THE PORTFOLIO MANAGERS

This year was riddled with market shocks and uncertainty. We entered the 2016 calendar year with a near 11% pullback in the S&P 500, which then recovered and closed the year with a 9.54% return. Our portfolio maintained a more defensive position than our benchmark throughout the year, which led to a lower, more stable return of 3%. Our investments were well positioned for this year’s market dips; acquiring positive returns as the market was down from its beginning of the year values. Our portfolio beat our benchmark for our first two quarters, however, we did not adequately adjust our holdings to better capture returns from the incredible market rally for the second half of the year, which was influenced by oil prices, Fed activity, elections, and volatility reaching low levels. We also held a large cash position after selling six positions this year. Looking back five years, our portfolio has achieved an annualized rate of return of 8.06%. We have also been improving the class structure, portfolio composition, and marketing with the help of our advisor, Professor Young Park.

This year, we have altered our portfolio through closing six positions and investing into four new securities. During the first semester, we sold our positions in LOW, EWU, VCSH, and half of our position SJM. We bought shares in VCIT and SNH. The second semester we sold all our shares in MOS, ACM, and SJM. That semester we also purchased shares in TSO and COST.

Our group also continued to apply its investment knowledge while participating in a trade competition. In the competition, each sector team put together portfolios of securities with the goal of beating the performance of the sector benchmark. This allowed the group members to experiment and to take investment risks before exposing our own portfolio to those risks.

Our group held two very successful recruitment seasons, once each semester, adding a total of ten new members. With diverse backgrounds and skill sets, these new analysts could effectively contribute to the research, discussion, and decisions of the investment group. Going forward, we have plans to improve our group’s marketing and image, which should increase the pool size and competitiveness for the next recruitment season.

The Davis Student Investment Group continues to pursue our fund objectives of both growing and preserving of capital and providing scholarships for the University of Idaho. Over the past six years, we have donated about $50,000 to the university for scholarships. In 2017, the Davis Student Investment Group looks forward to utilizing more refined research and investment methodology which should lead to even better overall performance from the portfolio. We also look forward to mentoring new members and improving our ability to adapt to market conditions through an enhanced ability to make market investment decisions.

Thomas Kirby and Alexander Bergdorf

Portfolio Managers

February 20th, 2017
ECONOMIC REVIEW

The calendar year of 2016 can be easily summarized as “surreal,” the word chosen by the company Merriam-Webster. It was unpredictable, volatile, and full of events that turned out the opposite of common expectation. One such event that had been followed since 2015 was the controversial movement for England to leave the EU, referred to as “Brexit.” In June of 2016, England had voted to leave the EU, causing widespread panic and confusion over what would arise over the following months.

The US Presidential election was another significant event that had a powerful sway over domestic and global markets, stirring uncertainty and chaos in the months preceding November 8th. The election of Donald Trump and a Republican held Congress led to speculation of deregulatory action, and promises of healthcare reform. The markets soared to record highs, led by the financial sector, with expectations that there will be less regulation and that it would lead to higher business gains.

Early in the year, the Bank of Japan became one of the first national banks to introduce negative interest rates to their economy. Quickly thereafter Switzerland, Denmark, and Sweden followed suit to increase the flow of money supply to boost their economies. However, for the entire year leading into the month of December, the US Federal Reserve teased the idea of slowly raising interest rates. It finally started the process by the end of 2016 and is planning on continually raising rates over the course of the next few years.

Further excitement could be seen as the DJIA began the year at about 17425, and nearly overtook the 20000 mark by the end of 2016. With an initial decline in the month of January, many worried over the health of the economy but after several rallies the US ended 2016 in a strong fashion.

There is still plenty of uncertainty over how events in 2016 will fully pan out in the long term, but markets seem poised to confidently continue their trajectory into 2017. Key issues to follow into the new year are how extensively Trump’s administration will establish itself, how global markets and leaders respond to the rising Populist movement, and the finalization of England’s “Brexit.”

Alexander Bergdorf
Co-Portfolio Manager
February 20th, 2017
The Davis Group

FOUNDING

The Davis Student Investment Management Group is an exclusive program that gives students of all majors a unique opportunity to gain real-life investment experience by managing a portfolio of securities. Davis Group members gain valuable skills in security analysis, investment discipline, professional presentations, economic analysis, and portfolio allocation.

A donation of $100,000 from James E. and A. Darius Davis, the founders of the Winn-Dixie grocery chain, established the Davis Group in 1989. The College of Business and Economics matched this amount, and the fund has grown significantly since its start. The Group has helped provide funding for numerous scholarships and donations to the CBE and the University of Idaho’s General Scholarship Fund. Realized income and capital gains provide this funding. To date the Davis Group has donated $200,000 to the completion of the J.A. Albertson Building and awarded $100,000 to both the CBE and UI general scholarship funds.

FUND OBJECTIVES

The Davis Group provides students practice in their decision-making and presentation skills in the context of investment management. Monetary gains feed into a general scholarship fund for University of Idaho students. The Group’s goal is to prepare students for real-life investment and business decisions.

Students manage the fund with the following investment objectives:

- **Growth of Capital**: The asset value of the portfolio should increase in the long term and earn a yearly rate of return at least equaling the return on the S&P 500.

- **Preservation of Capital**: Asset growth should exceed the rate of inflation given by the CPI in order to preserve the capital of the portfolio’s assets.

The target asset allocation of the portfolio is 80% equities, 10% fixed income, and 10% cash or cash equivalents.

The Davis Group adopts a conservative approach to investing, taking into consideration long term rates of return, volatility, investment vehicles, and diversification among sectors. A maximum of 30% weight can be allocated to any one specific sector, a maximum of 5% weight can be allocated to any specific security, and the portfolio must represent at least half of the total number of sectors.
5 Year Cumulative Rate of Return*

*Returns adjusted for scholarships as of 12/31/2016
DAVIS GROUP

Allocations

ASSET ALLOCATION*

<table>
<thead>
<tr>
<th>Equity Investment Style %</th>
<th>Total Stock Holdings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value 25</td>
<td>Core 16</td>
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<tr>
<td>Growth 25</td>
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<td>0</td>
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Sector Allocation*

<table>
<thead>
<tr>
<th>Stock Analysis</th>
</tr>
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<tbody>
<tr>
<td>Stock Sectors</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Defen 32.48</td>
</tr>
<tr>
<td>Cons Defensive 12.94</td>
</tr>
<tr>
<td>Healthcare 12.32</td>
</tr>
<tr>
<td>Utilities 7.22</td>
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<tr>
<td>Sens 35.67</td>
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<tr>
<td>Comm Svcs 4.84</td>
</tr>
<tr>
<td>Energy 14.86</td>
</tr>
<tr>
<td>Industrials 4.21</td>
</tr>
<tr>
<td>Technology 11.96</td>
</tr>
<tr>
<td>Cycl 31.85</td>
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<tr>
<td>Basic Mtls 2.97</td>
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<tr>
<td>Cons Cyclical 14.22</td>
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<tr>
<td>Financial Svcs 10.61</td>
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<tr>
<td>Real Estate 4.05</td>
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<td>Not Classified 0.00</td>
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Fixed-Income Investment Style %

<table>
<thead>
<tr>
<th>Total Bond Holdings</th>
</tr>
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<tbody>
<tr>
<td>0</td>
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<tr>
<td>0</td>
</tr>
<tr>
<td>100</td>
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</table>

Portfolio Value

540,410.19

*As of December 31, 2016
<table>
<thead>
<tr>
<th>Sector Discretionary</th>
<th>Company / Title</th>
<th>Tkr</th>
<th>Current Price</th>
<th>Shares</th>
<th>Current value</th>
<th>Percent of Portfolio</th>
<th>Purchase Date</th>
<th>Unit Cost</th>
<th>Unrealized G/L To-Date</th>
<th>Annualized G/L To-Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer discretionary</td>
<td>Lowe's</td>
<td>LOW</td>
<td>$71.12</td>
<td>150</td>
<td>$10,668.00</td>
<td>2.0%</td>
<td>4/16/2012</td>
<td>$31.68</td>
<td>124.49%</td>
<td>18.04%</td>
</tr>
<tr>
<td>Pacera</td>
<td>PNRA</td>
<td>$205.09</td>
<td>125</td>
<td>25,636.25</td>
<td>4.7%</td>
<td>3/26/2015</td>
<td>$164.02</td>
<td>25.04%</td>
<td>12.25%</td>
<td></td>
</tr>
<tr>
<td>Gap Inc.</td>
<td>GPS</td>
<td>$22.44</td>
<td>550</td>
<td>12,342.00</td>
<td>2.3%</td>
<td>12/7/2015</td>
<td>$26.41</td>
<td>-12.03%</td>
<td>-12.38%</td>
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<tr>
<td>Energy</td>
<td>Exxon Mobil Corp</td>
<td>XOM</td>
<td>$90.26</td>
<td>235</td>
<td>21,211.10</td>
<td>3.9%</td>
<td>10/25/2006</td>
<td>$71.30</td>
<td>26.56%</td>
<td>2.30%</td>
</tr>
<tr>
<td>Cenovus Energy Inc.</td>
<td>CVE</td>
<td>$15.13</td>
<td>277</td>
<td>4,191.01</td>
<td>0.8%</td>
<td>12/10/2009</td>
<td>$27.43</td>
<td>-44.94%</td>
<td>-7.90%</td>
<td></td>
</tr>
<tr>
<td>Chevron Corp.</td>
<td>CVX</td>
<td>$117.70</td>
<td>150</td>
<td>17,665.00</td>
<td>3.3%</td>
<td>12/2/2010</td>
<td>$83.72</td>
<td>40.99%</td>
<td>5.60%</td>
<td></td>
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<tr>
<td>Telesco</td>
<td>TSO</td>
<td>$87.45</td>
<td>200</td>
<td>17,490.00</td>
<td>3.2%</td>
<td>1/14/2015</td>
<td>$80.25</td>
<td>8.97%</td>
<td>34.06%</td>
<td></td>
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<tr>
<td>Financials</td>
<td>Visa, Inc.</td>
<td>V</td>
<td>$78.02</td>
<td>520</td>
<td>40,570.40</td>
<td>7.5%</td>
<td>4/25/2012</td>
<td>$30.71</td>
<td>154.05%</td>
<td>21.19%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>CVS Caremark</td>
<td>CVS</td>
<td>$78.91</td>
<td>400</td>
<td>31,564.00</td>
<td>5.8%</td>
<td>11/1/2012</td>
<td>$46.98</td>
<td>67.97%</td>
<td>12.72%</td>
</tr>
<tr>
<td></td>
<td>Allergan Plc</td>
<td>AGN</td>
<td>$210.01</td>
<td>100</td>
<td>21,001.00</td>
<td>3.9%</td>
<td>5/12/2012</td>
<td>$292.55</td>
<td>-28.21%</td>
<td>-16.77%</td>
</tr>
<tr>
<td>Technology</td>
<td>International Business Machines Corp.</td>
<td>BM</td>
<td>$165.99</td>
<td>60</td>
<td>9,959.40</td>
<td>1.8%</td>
<td>3/30/2010</td>
<td>$131.42</td>
<td>26.30%</td>
<td>3.43%</td>
</tr>
<tr>
<td></td>
<td>Oracle Corp.</td>
<td>ORCL</td>
<td>$38.45</td>
<td>444</td>
<td>17,071.80</td>
<td>3.2%</td>
<td>2/23/2011</td>
<td>$33.46</td>
<td>14.91%</td>
<td>2.34%</td>
</tr>
<tr>
<td></td>
<td>Avnet Inc.</td>
<td>AVT</td>
<td>$47.61</td>
<td>500</td>
<td>23,805.00</td>
<td>4.4%</td>
<td>4/19/2011</td>
<td>$33.74</td>
<td>41.11%</td>
<td>6.04%</td>
</tr>
<tr>
<td>Industrials</td>
<td>Snap On Inc.</td>
<td>SNA</td>
<td>$171.27</td>
<td>100</td>
<td>17,127.00</td>
<td>3.2%</td>
<td>11/4/2015</td>
<td>$172.96</td>
<td>-0.98%</td>
<td>-0.74%</td>
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<tr>
<td>Consumer Staples</td>
<td>PepsiCo</td>
<td>PEP</td>
<td>$104.63</td>
<td>185</td>
<td>19,356.55</td>
<td>3.6%</td>
<td>11/3/2008</td>
<td>$58.06</td>
<td>80.21%</td>
<td>7.33%</td>
</tr>
<tr>
<td></td>
<td>Philip Morris</td>
<td>PM</td>
<td>$91.49</td>
<td>300</td>
<td>27,447.00</td>
<td>5.1%</td>
<td>4/23/2014</td>
<td>$83.86</td>
<td>9.10%</td>
<td>3.09%</td>
</tr>
<tr>
<td></td>
<td>Costco</td>
<td>COST</td>
<td>$160.11</td>
<td>50</td>
<td>8,005.50</td>
<td>1.5%</td>
<td>12/5/2016</td>
<td>$150.45</td>
<td>6.42%</td>
<td>30.23%</td>
</tr>
<tr>
<td>Utilities</td>
<td>Ameren Corporation</td>
<td>AEE</td>
<td>$52.46</td>
<td>150</td>
<td>7,869.00</td>
<td>1.5%</td>
<td>11/13/2008</td>
<td>$33.19</td>
<td>58.06%</td>
<td>5.67%</td>
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<td></td>
<td>UGI Corp.</td>
<td>UGI</td>
<td>$46.08</td>
<td>495</td>
<td>22,809.60</td>
<td>4.2%</td>
<td>10/28/2010</td>
<td>$20.17</td>
<td>128.46%</td>
<td>13.91%</td>
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<td>Telecommunications</td>
<td>Verizon</td>
<td>VZ</td>
<td>$53.38</td>
<td>245</td>
<td>13,078.10</td>
<td>2.4%</td>
<td>11/3/2010</td>
<td>$32.57</td>
<td>63.89%</td>
<td>8.22%</td>
</tr>
<tr>
<td>Basic Materials</td>
<td>Ecolab, Inc.</td>
<td>ECL</td>
<td>$117.22</td>
<td>100</td>
<td>11,722.00</td>
<td>2.2%</td>
<td>2/11/2013</td>
<td>$75.66</td>
<td>54.93%</td>
<td>11.41%</td>
</tr>
<tr>
<td>International Markets</td>
<td>iShares MCSI Canada ETF</td>
<td>EWC</td>
<td>$26.15</td>
<td>350</td>
<td>9,152.50</td>
<td>1.7%</td>
<td>11/4/2014</td>
<td>$29.57</td>
<td>-11.57%</td>
<td>-5.15%</td>
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<tr>
<td></td>
<td>Toyota Motor Co.</td>
<td>TM</td>
<td>$117.20</td>
<td>100</td>
<td>11,720.00</td>
<td>2.2%</td>
<td>3/27/2013</td>
<td>$105.54</td>
<td>11.05%</td>
<td>2.70%</td>
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<tr>
<td></td>
<td>Vodafone</td>
<td>VOD</td>
<td>$24.43</td>
<td>300</td>
<td>7,329.00</td>
<td>1.4%</td>
<td>3/6/2016</td>
<td>$34.58</td>
<td>-29.36%</td>
<td>-16.44%</td>
</tr>
<tr>
<td>Fixed income</td>
<td>Vanguard Intermediate-term Corporate Bond</td>
<td>VQT</td>
<td>$85.70</td>
<td>300</td>
<td>25,710.00</td>
<td>4.8%</td>
<td>5/10/2016</td>
<td>$87.87</td>
<td>-2.47%</td>
<td>-3.05%</td>
</tr>
<tr>
<td></td>
<td>S&amp;P US PFD stock Index</td>
<td>PFF</td>
<td>$37.21</td>
<td>262</td>
<td>9,749.02</td>
<td>1.8%</td>
<td>5/4/2011</td>
<td>$40.66</td>
<td>-8.48%</td>
<td>-1.51%</td>
</tr>
<tr>
<td></td>
<td>Senior Housing REIT</td>
<td>SNH</td>
<td>$18.93</td>
<td>900</td>
<td>17,037.00</td>
<td>3.2%</td>
<td>5/10/2016</td>
<td>$18.11</td>
<td>4.53%</td>
<td>5.63%</td>
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<tr>
<td>Cash</td>
<td></td>
<td></td>
<td>$79,057.00</td>
<td></td>
<td></td>
<td>14.6%</td>
<td></td>
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<tr>
<td>Totals</td>
<td></td>
<td></td>
<td>$540,334.23</td>
<td></td>
<td></td>
<td>100.0%</td>
<td></td>
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</tr>
</tbody>
</table>
ENERGY 2016 YEAR REVIEW

Tumult in the energy sector of 2015 continued in 2016. The portfolio held stakes in Chevron, ExxonMobil, and driller Cenovus throughout the year, and added Tesoro (oil refining and marketing) in early November. 2016 saw the energy sector adjust to a lower oil-price environment. As global oil supplies peaked, prices for Brent Crude hit a fourteen-year low of $27 in January and rebounded to trade between $40 and $56 the rest of the year. Until December, OPEC continued pumping large amounts of oil, adding to the supply glut and keeping prices low. Oil-drilling companies made cuts to capital spending and geological exploration to protect their balance sheets and maintain their income statements; oil refiners suffered from lower per-barrel refining margins and relatively pricier imports as refiners lost access to discounted midcontinent US oil from shale and oil sands. As oil prices recovered from $27, stock prices recovered somewhat from their 2015 lows. Integrated oil companies Chevron and Exxon saw their share prices increase by 32% and 17%, respectively, while Canadian oil sands driller Cenovus saw gains of 22%. Oil refiner and marketer Tesoro suffered along with its refining subsector, losing 18% this year, but gaining 9% after the group acquired it.

HOLDINGS

Chevron (CVX): Chevron is the second largest US petroleum company and is heavily involved in both upstream and downstream operations. Chevron’s upstream operations include the exploration, development, and production of crude oil and petroleum. Chevron’s downstream operations include refinement, transportation, and marketing of its crude oil and petroleum products.

ExxonMobil (XOM): ExxonMobil is the largest US oil company and is heavily involved in the production and exploration of crude oil and natural gas. Additionally, the company is a major transporter and seller of oil, natural gas, and petroleum.

Cenovus (CVE): Cenovus is an integrated Canadian energy company that produces and markets natural gas and crude oil. It is known for its oil sands projects, but also has conventional oil and gas operations. Cenovus remains the leading oil producer in Canada and stays dedicated to environmental stewardship.

Teso (TSO): Tesoro is an oil refiner and marketer. It operates seven refineries in the western US with total capacity of over 895,000 barrels per day. Its retail-marketing operations include over 2,400 retail stations under seven different brands including Tesoro, ARCO, Rebel, and USA Gasoline.

BENCHMARK

Energy Select Sector SPDR ETF (XLE): XLE holds a diversified portfolio of energy industry securities.
INDUSTRIALS 2016 YEAR REVIEW

The Industrials sector in our portfolio includes two companies based around manufacturing and infrastructure. At the year’s end industrials made up about 3% of the portfolio, which is under-allocated with our target being 7%. This was due to the liquidation of Aecom prior to the end of the year. 2016 was a volatile year for Industrials in our portfolio. The industrials sector as whole had stagnant growth and under-performed the S&P 500 until election day. Politics became the overwhelming power of influence for the industrial sector after Donald Trump was elected. He immediately pledged to vastly increase infrastructure government spending, which directly affected our holding Aecom (ACM). Our group had agreed to sell Aecom shortly before the election, due its lack of performance and annualized losses. A couple days before our trade had been confirmed, the election news jolted shares of Aecom upwards of 30%, eliminating our losses. Snap-On (SNA) remained mostly under the radar for the fiscal year and had been responsible for unrealized losses of over 10% since our purchase date in November 2015. A 3rd quarter earnings report detailed Snap-On beating the estimates by 7%. This created a bullish price momentum to finish out the rest of 2016.

HOLDINGS

Snap-On Corporation (SNA): Snap-on Corporation is a manufacturer of tools, equipment, and repair information. Their business serves a range of industrial and commercial consumers. The Davis group has maintained its position in Snap-On Inc since November of 2015 with unrealized gains of over 4%.

BENCHMARK

The Industrial Select Sector SPDR ETF (XLI): XLI is an exchange-traded fund that holds a diversified portfolio of Industrial Sector securities. This fund was created with the objective of tracking the performance of the overall sector, while minimizing risk from too much exposure to any one security. Some of its holdings include General Electric, 3M Co., Boeing, and Honeywell International.
2016 was a mixed year for many tech companies, but the sector performed well overall. The Technology Select Sector SPDR ETF (XLK) returned 15.6% and generally followed the broader market. Earlier in the year it fell 9.3%, which was followed by a gradual recovery. Tech was influenced by several macroeconomic factors, including a drop after the Brexit vote and sudden growth following the presidential election results. Many tech companies backed Hillary Clinton for President while Trump attacked them along his campaign trail. Following Trump’s victory many companies met with him to smooth things over, but concerns over free trade and immigration policies still remain. Companies such as IBM and Oracle continue to pursue advances in artificial intelligence and cloud applications. Others, like Avnet, focus on business solutions through IT services, software, and hardware. In 2017 and beyond, this sector can expect to see further developments in AI, cybersecurity, and cloud technology being put to commercial use.

**HOLDINGS**

**International Business Machines Corp. (IBM):** Priding itself in technological innovation, IBM operates through five segments: Global Technology Services, Global Business Services, Software, Systems Hardware, and Global Financing. IBM is well known for supercomputer Watson, their cognitive technology combination of AI and analytical software. The company provides its cloud integration and optimization services across all industries.

**Oracle Corporation (ORCL):** Oracle offers solutions for corporate IT environments, from its cloud services to its application and platform technologies. They also provide hardware and infrastructure products. Oracle’s business services extend into consulting, support, and education.

**Avnet Inc. (AVT):** Avnet’s business-to-business offerings include technology, marketing, and distribution services. They are one of the largest global distributors of electronic components, computer products, and embedded technology.

**BENCHMARK**

**Technology SPDR ETF (XLK):** XLK is an exchange-traded fund with the objective of tracking performance of the technology sector. Some of its holdings include, Apple, Microsoft, AT&T, and Alphabet.
Telecommunications

TELECOMMUNICATIONS 2016 YEAR REVIEW

The Telecommunications sector made up for 2.2% of our portfolio, with 2% being the target. The sector only has one holding, Verizon Communications (VZ). The telecommunications industry underperformed the S&P 500 by a substantial amount. Large companies within the sector like CenturyLink and AT&T both had strategic mergers to increase market share. CenturyLink merged with Level 3 and AT&T with Time Warner. This put pressure on Verizon to do the same. Verizon Communications (VZ) had been in serious merger negotiations with Yahoo(YHOO) for over 10 months. Yahoo experienced a data breach that left 500 million of its users exposed, Verizon ended up going through with the merger despite opposition. Regardless, strong quarterly earnings and high-yield dividends kept Verizon investors on board and the stock has remained stable, yielding annualized returns of 6% for our portfolio. The telecommunications industry as whole in 2016 was a time of intense competition. The industry leaders fought for market share with things like unlimited data options, improving networks, and mid-size merger acquisitions leaving the sector unpredictable for 2017.

HOLDINGS

Verizon Wireless (VZ): Verizon is a telecommunication holding company that offers wireless networks, data, and communication products to its users. Its an innovative and attractive company to investors with its high-yielding dividends. The Davis group has maintained its position in Verizon since November of 2010 with unrealized gains of over 50%.

BENCHMARK

SPDR S&P Telecom ETF (XTL): XTL is an exchange-traded fund with the objective of providing return from performance in the telecommunications sector. It's fund holds a diversified portfolio of telecommunications securities, including Arista Networks, Infinera Corporation, SBA Communications Corporation, Palo Alto Networks, and Cisco Systems.
CONSUMER STAPLES 2016 YEAR REVIEW

The Consumer Staples sector is made up of consumer items that are seen as household necessities, making it relatively defensive. These large brand names continue to see stable revenue and cash flows regardless of the uncertain economic environment. During the year, there was a change to our initial three holdings, PepsiCo, J.M. Smucker Company and Philip Morris, which provide a well-diversified group of securities across the main areas of the sector, consisting of food & beverage, tobacco, and household products. During the year, we decided to sell our shares in J.M. Smucker Company due to falling returns and a significant change in management, signaling uncertainty in the company, and purchased shares in Costco which has increased significantly in the short time we have held it. In 2016, the Consumer Staples Select SPDR ETF (XLP) saw a return of 3.73%, and all of our holding managed to beat this return, with the exception of Costco which recovered from initial losses in the beginning of 2016. With the vast uncertainty shrouding the US election, Brexit, and interest rates, the consumer staples sector was a fairly safe place for investors to watch these events unfold.

HOLDINGS

**PepsiCo (PEP):** PepsiCo Inc is a food, snack and beverage company. The Company manufactures, markets, distributes and sells convenient and enjoyable beverages, foods and snacks, serving customers and consumers in more than 200 countries and territories.

**Philip Morris (PM):** Philip Morris manufactures and sells cigarettes, as well as other tobacco products, in markets outside the United States through its held subsidiaries.

**Costco (COST):** Costco Wholesale Corp and its subsidiaries operates membership warehouses. The Company offers its members low prices on a limited selection of nationally branded and select private-label products in merchandise categories.

BENCHMARK

**Consumer Staples Select Sector SPDR ETF (XLP):** XLP is a diversified exchange-traded fund managed to track the performance of Consumer Staples sector securities. Some of its holdings include Phillip Morris, Coca-Cola Company, Altria Group Incorporated, and Wal-Mart Stores Incorporated.
HEALTHCARE 2016 YEAR REVIEW

Since the past year, the health care sector has increased by about 14% compared to the S&P’s 25% increase. The most success came from industries concerning health care equipment, health care providers, and life science tools. On the other hand, health care technology, pharmaceuticals, and biotechnology were the laggards in the booming stock market. Mergers and acquisitions have become common because of the need to have constant winning products and services. Political turmoil throughout the fall created chaos in the health care sector. Hillary Clinton’s opposition towards high drug prices infused a loss of confidence in drug companies. After Donald Trump won the election, health care along with many other sector stock prices flourished because of an encouraging economic outlook. Current views are mixed on what will happen with the Affordable Care Act and drug prices.

HOLDINGS

CVS (CVS): CVS Health Corp is an integrated pharmacy health care provider that operates three segments: pharmacy services, retail pharmacy, and corporate. CVS combines one of the largest retail pharmacy chains in the United States with one of the largest pharmacy benefit managers. The company processes approximately 1.3 billion prescriptions per year and operates more than 10,000 retail pharmacies across the U.S. Risks about its pharmacy benefit manager along with losing prescriptions to competitors resulted in a stock price decline of 18%.

Allergan (AGN): Headquarter in Dublin, Ireland, Allergan is a pharmaceutical company who specializes in aesthetics, ophthalmology, women’s health, gastrointestinal, and central nervous system products. Some of key products include Botox, Restasis, and Linzess. Allergan focuses on acquisitions for its broad and growing portfolio. Allergan’s share price over the year has diminished 14% due to declining revenues from pricing pressure. In April, Allergan’s merger attempt with pharmaceutical giant Pfizer failed. In August, Allergan sold its generics brand to Teva Pharmaceuticals for over $40 billion.

BENCHMARK

Health Care SPDR ETF (XLV): XLV is an exchange-traded fund with securities like Johnson & Johnson, Pfizer, and Merck & Co managed to track the performance of the Healthcare sector.
Utilities

UTILITIES 2016 YEAR REVIEW

This last year was extremely volatile for utilities. During the spring, utilities increased steadily in value. However, after the shocking UK vote on June 23rd to leave the European Union, the utilities sector of the S&P 500 registered enormous gains. Investors fearing financial uncertainty after “Brexit” fled to utilities, pushing the sector up to its highest value ever. Despite great uncertainty caused by the lead-up to the United States presidential election, utilities continued to fall after their “post-Brexit” peak. Although the surprise election of Donald Trump on November 8th undoubtedly increased political and regulatory uncertainty, the utilities sector only made small gains. This dichotomy can be attributed to the fact that investors, despite increased uncertainty, became bullish on the US economy after Trump’s victory. In fact, the S&P 500 as a whole made enormous gains after November 8th, with increases mainly concentrated in the “Sensitive” sector. Overall, the utilities sector of the S&P 500 had a weak 2016, beating only three other sectors. However, the outlook for utilities going forward into 2017 is positive. Trump’s administration has promised to eliminate deadlines for carbon emissions reductions that had threatened to disrupt power plant operations across the nation. Also, Trump’s vision of making America energy independent and his general belief in deregulation appear to make utilities poised to increase steadily in 2017.

HOLDINGS

Ameren Corporation (AEE): Ameren is the parent holding company of Ameren Illinois, Ameren Missouri, Ameren Services, and Ameren Transmission Company. Ameren employees, totaling 8,500, provide energy services to approximately 2.4 million electric customers and 900,000 natural gas customers. Operations include both generation and distribution of electricity and natural gas to customers. Ameren is the largest electric and third-largest natural gas provider in the state of Missouri.

UGI Corporation (UGI): UGI is a holding company with businesses focused on providing energy distribution, transportation, marketing, and storage services. The company is headquartered in King of Prussia, Pennsylvania and its products of natural gas, electricity, and propane are used extensively across the Eastern United States.

BENCHMARK

Utilities SPDR ETF (XLU): XLU tracks the performance of the utilities sector with diversified holdings.
BASIC MATERIALS 2016 YEAR REVIEW

The Basic Materials economic sector consists of companies engaged in the extraction and primary refinement of chemicals, metals, nonmetallic and construction materials; forest, wood and paper products; and containers and packaging products. During the year, we held positions in Mosaic and Ecolab. We witnessed underperformance most the year compared to the SPDR Materials Select Sector (XLB). The outlook for the basic materials sector was looking scarce in terms of demand and growth for most the year. The recent change in administration has reshaped the industry and corresponding outlook. The increased focus on domestic production of basic materials along with the proposed tax repatriation plan has brought increased value into these types of companies.

Our only current holding is Ecolab. We made a collective decision to exit Mosaic for a loss this year, due to the poor outlook in the potash industry as well as declining revenues, profit margins, key ratios and underperformance compared to direct competitors.

HOLDINGS

Ecolab Inc. (ECL): Ecolab produces and markets cleaning and sanitation products for the hospitality, health-care, and industrial markets. The firm is the global share leader in this category with a wide array of products and services, including dish and laundry washing systems, pest control, infection control products, and kitchen equipment repair services.

Ecolab continues to outperform competitors in their specific industry. The company’s value continued to bring us consistent returns along with their 1.21% dividend. Their growing revenues, profitable outlook and their key fundamental ratios are indicators that we see value in the future holding this position.

BENCHMARK

Materials Select Sector SPDR ETF (XLB): XLB is an exchange-traded fund with holdings that are managed to follow the Basic Materials sector’s performance. XLB holds securities like Avery Dennison Corporation, FMC Corporation, CF Industries Holdings, and Owens-Illinois Incorporated.
Consumer Discretionary 2016 Year Review

Consumer discretionary is the sector given to goods and services that are considered non-essential by consumers, but desirable if their available income is sufficient to purchase them. Consumer discretionary goods include durable goods, apparel, entertainment and leisure, and automobiles. This sector is very sensitive to the market because if the economy is strong they will purchase these items and the sector will outperform, but if the economy is not doing well and consumer sentiment is low then the sector will suffer. The sector composes 9.3% of our portfolio while our target allocation is 6%. The improving job market and wage growth in 2016 helped the sector improve, while fierce retail competition and a changing consumer hindered the sector. Overall, the sector performed with the market as a whole.

Holdings

Lowes (LOW): Lowes is a home improvement retailer. It operates approximated 1,860 home improvement and hardware stores with more than 200 million square feet of retail selling space. The company has evolved from a regional hardware store into a nationwide chain of home improvement superstores. Currently, it is the second largest home improvement store and continues to seek growth. Lowe’s represents 2% of our portfolio.

Panera (PNRA): Panera is a national bakery-cafe concept with approximately 1,970 Company-owned and franchise-operated bakery-cafe locations in over 45 states, the District of Columbia, and Ontario, Canada. The Company operates through three segments: Company Bakery-Cafe Operations, Franchise Operations, and Fresh Dough and Other Product Operations. Panera focused on all natural ingredients in 2016 and even brought up the idea of food delivery. Panera represents almost 5% of our portfolio.

Gap Inc (GPS): Gap is an apparel retail company. Gap offers apparel, accessories and personal care products for men, women and children under the Gap, Banana Republic, Old Navy, Athleta and Intermix brands. It makes up a little over 2% of our portfolio.

Benchmark

Consumer Discretionary SPDR ETF (XLY): The XLY exchange-traded fund tracks the Consumer Discretionary sector with holdings like Amazon, Home Depot, Comcast, Walt Disney, and McDonald’s.
FINANCIALS 2016 YEAR REVIEW

The financial sector is the category of equity that contains firms that provide financial services to commercial and retail customers. The sector includes banks, investment funds, insurance companies, real estate, and payments technology companies.

The financial sector comprises 7.8% of the portfolio. The sector as a whole outperformed the S&P 500 in 2016, due to investor expectations on rising interest rates and more relaxed regulation due to a change in government policies. Also, another added factor is the strength of the housing market. 2016 showed the highest monthly new home sales.

For our only holding in financials, Visa, the company has maintained its performance while still paying out its dividends to our portfolio. The company did have a change in leadership in 2016 but numbers wise Visa increased net operating revenue by 9% over prior year and increased processed transactions by 17% over prior year.

HOLDINGS

**Visa Inc. (V):** Visa Inc. is an American payments technology company that connects consumers, businesses, banks and governments in more than 200 countries and territories to fast, secure and reliable electronic payments, enabling the dependable use of digital currency.

BENCHMARK

**Financial Select Sector SPDR ETF (XLF):** XLF is an exchange-traded fund with the goal of tracking the performance of the Financials Sector. It has a variety of holdings, including JPMorgan Chase & Company, Wells Fargo & Company, Bank of America Corporation, and Citigroup.
INTERNATIONAL 2016 YEAR REVIEW
The International sector includes all our portfolio's foreign investments, including both American depository receipts (ADRs) and foreign exchange-traded funds (ETFs). At the year end, about 5.4% of our portfolio was our international sector holdings, compared to our target allocation of 10%.

2016 was an eventful year for international investment. In the United Kingdom, a vote to exit the European Union, Brexit, led to a decline in Europe markets and currency values as uncertainty caused speculators to react accordingly. Our group sold our position in an iShares MSCI United Kingdom ETF (EWU) at the beginning of May to dodge a rapid fall in the value of the security. Later this year, Italy had a significant political shift when its population did not support Prime Minister Matteo Renzi's December referendum with their votes and he stepped down. In India, the government began a war with its currency, rendering some physical forms of currency obsolete and placing limits on cash transaction amounts, to fight black market activity and tax evasion. Another significant political and economic shift came from the United States election. Talk about eliminating trade agreements and placing tariffs could be an issue for foreign holdings.

HOLDINGS
iShares MSCI Canada ETF (EWC): Seeks to track the investment results of an index of Canadian Equities. The underlying index consists of stocks traded on the Toronto Stock Exchange. Companies in the financial services and energy sectors compose 59% of the fund.

Toyota Motor Corporation (TM): Founded in 1937 in Japan, Toyota is the world's largest automaker. It designs and manufactures passenger and commercial cars and trucks under the Toyota, Lexus, Hino, and Daihatsu brand names in almost every country in the world. The firm also has a financing arm, holds ownership in the telecommunications firm KDDI, and manufactures homes.

Vodafone Group Plc (VOD): Vodafone is a British multinational telecommunications company offering internet connectivity, messaging, voice, and TV over fixed and mobile networks as well as cloud hosting services. It serves over 400 million customers in over fifty countries, including massive operations in India.

BENCHMARK
S&P 500 Index (SPX): The Standard and Poor's 500 Index holds 500 stocks with the goal of reflecting the performance of the United States stock market.
FIXED INCOME 2016 YEAR REVIEW

2016 was a roller coaster ride for fixed income. The year began with a rise in bond prices and a selloff in stocks, as investors moved their investments in a flight to quality. After months of stability at this higher level, Brexit sent bonds even higher as investors closed positions in Europe and moved their money in more stable places. Following Brexit, bond prices slid until the election of Donald J. Trump as president of the United States brought prices crashing down. With a new optimism in our markets, the end of the year revealed soaring stock prices and tumbling fixed income prices, as speculators and investors place bets on big changes that may occur next year.

The Fed raised rates the third week of December. This was the first and only time they would raise rates this year, however, they have stated that they plan to raise rates several times throughout the next year.

HOLDINGS

Vanguard Intermediate-Term Corporate Bond ETF (VCIT): The Vanguard Intermediate-Term Corporate Bond ETF is composed primarily of investment grade corporate bonds. The bonds for this fund have a dollar-weighted average of maturity of 5 to 10 years. Some of its holdings include corporate bonds from Anheuser Busch Inbev, Verizon, Apple, Diamond, and Actavis.

iShares US Preferred Stock (PFF): This holding is the largest preferred stock exchange-traded fund in the United States. It follows an index of preferred stocks traded on the New York Stock Exchange or the NASDAQ. Its top five holdings include preferred stock from Allergan, HSBC Holdings, Barclays, GMAC Capital, and Wells Fargo.

Senior Housing Properties Trust (SNH): Senior Housing Properties Trust is a real estate investment trust. This REIT owns and operates independent living and assistant living centers for senior citizens.

BENCHMARK

iShares Barclays 20+ Year Treasury Bond ETF (TLT): TLT is an exchange-traded fund that tracks the results of investment in United States Treasury bonds with more than twenty years until maturity.
The 2016 Davis Group Members

THOMAS KIRBY
Thomas Kirby is a senior studying Finance and Economics at the University of Idaho. After graduating this May, he will be taking his first CFA exam and will be starting a career in finance. He is an active member of the Pi Kappa Alpha Fraternity, a Portfolio Manager for the Barker Capital Management program, a member of the business college's Dean of Students Advisory Board, and a funded trader. During his college career, he was also an executive of a green energy startup company, a licensed Financial Representative, the Director of Finance executive for the university's Interfraternity Council, and an employee at a local retail store.

ALEXANDER BERGDORF
Alexander Bergdorf is a Junior studying Accounting and Finance at the University of Idaho. He has been involved in several organizations and groups throughout his 3 years, such as: an active member and past Treasurer of the Beta Theta Pi Fraternity, a sales associate with Vandal Solutions, an active member of the Honors Program, a member of the Dean of Students Advisory Board for the College of Business and Economics, and a member of the Davis Investment Group for 2 semesters. After graduation, he looks forward to working in a challenging yet rewarding environment where he can utilize the skills he has acquired through his time at the University. In his free time, he enjoys golfing, watching movies, or reading a good book.

ALEX FRENCH
Alex French is a junior at the University of Idaho, planning to graduate in May 2018 with a Bachelor's degree in Accounting. He is on the College of Business and Economics Dean's List. He started with Davis as an analyst in January 2017. This summer he will Intern in Finance for JP Morgan in the greater Philadelphia area. In his free time, Alex enjoys to spend time wife. His hobbies include golfing, farming, and yoga.

BRENAN ANTHONY
Brenan is a Junior at University of Idaho. He is an analyst for the Defensive Sector, and is currently double majoring in finance and marketing. His dream job would be to hold a position as a financial analyst with Deloitte. Brenan's hobbies include: playing table tennis, following politics, and cooking.
COLTON GRAY
Colton Gray is a junior at the University of Idaho studying accounting and finance. He has enjoyed the Davis Group for being able to learn the markets and see how companies gain competitive advantages. His long term professional goals are to make financial decisions for a company or to create his own business. In his free time, he enjoys hiking, camping, fishing, and watching baseball.

GABE KELLEY
Gabe Kelley is a senior majoring in Finance. He is an active member of Sigma Nu Fraternity and a former recruitment chairman of the chapter. He is also a member of the University of Idaho Honors program. Gabe is also a member of Barker Capital Management Group on Campus and hopes to pursue a career in finance and investing after graduating in May.

JOHN SIGRIST
John Sigrist is a Finance and Operations Management major who is currently a Junior. This is his first year in Davis Investment group and plans to be in the next two semesters until he graduates. He plans to work in the financial industry upon graduation. He enjoys paying intramural sports here on campus.

JOSH RUDOLPH
Josh Rudolph is a sophomore at the University of Idaho pursuing degrees in Finance and Accounting. He is actively involved in the Barker Capital Management Group, Beta Alpha Psi, Dean’s Student Advisory Board, Vandal Multicultural Connection, and UI honors program. He works as a TA for the Intro to Business Analytics class and is the chapter president of the Phi Eta Sigma Honors Society. Josh is a Graue Scholar, National Merit Scholar, and Moss Adams Diversity Scholar. Above all else, he enjoys traveling with the UI Club Ultimate Frisbee team to tournaments around the Northwest.

JUSTIN CHAPMAN
Justin Chapman is a sophomore at University of Idaho studying Finance and Economics with the College of Business and Economics. He's analyst for the financial sector with Davis Investment Group and holds his own personal investment portfolio. Justin is involved on campus in many ways, one of which is serving as Director of Scholarship for the Interfraternity Council at University of Idaho. After graduation, he hopes to find work in an investment firm, and one day, own his own hedge fund.
JUSTIN MARINO
Justin Marino is a junior studying Finance at the University of Idaho. He is currently the sector coordinator for the international sector in the Davis Group. He joined the group in the fall of 2016 as a sector analyst. Justin has been actively involved with other organizations on campus during his time at the university. He is currently the Manager of Finance for Vandal Solutions and a Standards Board Representative for the Beta Theta Pi Fraternity. After graduation, Justin hopes to work for an investment firm or in commercial real estate. He enjoys spending his free time reading and playing pick-up basketball.

JUSTIN PRATT
Justin Pratt is an analyst for the Consumer Discretionary sector that joined Davis Investment in January 2017. He is a junior in Finance with a minor in Statistics. He would love to be a part of an investment firm after he graduates. His interests include hanging out with his friends and playing basketball.

NATHAN BUSH
Nathan Bush is a sophomore Economics and Finance Major at the University of Idaho. He joined the Davis Group in January 2017 and is currently the energy sector analyst. In his free time Nate enjoys camping, biking, skiing, and playing baseball. He also hopes to become self-employed one day.

NICOLE SMITH
Nicole Smith is a junior at the University of Idaho studying Economics with emphases in Finance, Mathematics, and Spanish. This summer she will be interning with BP, trading energy futures on their Chicago trading floor. During her time at the University, she has been actively involved as a member of the University Honors Program, the Dean’s Student Advisory Board, and the Barker Capital Management Group, as well as serving as President of the Graue Scholars. Nicole also focuses on expanding her knowledge and experience with other countries, languages, and cultures, and has studied abroad in both Ecuador and Spain, and is planning to pursue her Masters in Mathematical Finance in the United Kingdom after graduation. When she isn’t pursuing her studies, Nicole enjoys drinking coffee, engaging with others, and exploring the great outdoors.
REECE WAYT
Reece Wayt is a junior studying finance at the University of Idaho. He joined the Davis Group in January of 2017 and is currently a sector analyst for the international sector. Reece is also a member of Beta Theta Pi here on campus. During his free time, you can find him participating in intramural sports or hanging out with friends.

RUSSELL ROMNEY
Russell Romney is a junior studying Economics and Mathematics – Applied Statistics with a minor in Computer Science. He serves as President of Economics Club, as a member of the CBE’s Dean-Student Advisory Board, as a member of the Honors Program, and as a volunteer DJ for KUOI 89.3 FM. In his free time enjoys reading, blogging, playing the tuba, mountain biking, and discussing economics and politics with fellow economics students. Russell plans on pursuing a career in data science after attending graduate school.

SAAD ALARIFI
Saad Alarifi is in his senior year of Finance. He is from Saudi Arabia, a world leader the oil market, that pushes it to move forward and be in G20. Today, his country moves to the world of investments to take off from oil dependence. He is trying to be a member of the group that has what it takes to lead the investment part and will capture any chance to learn and improve on his ability. The investment is new in his country and the government wants to learn from every experience in the world because that will help the country to walk with where the world arrives. This vision gives him a good start and clear goal to learn from everyone in class or outside of the classroom. Also, he works hard to get any new chance to build new experience. One of these chances is communicating with people from different diversity because that helps him learn new ways and new ideas, to work with new investment, or lead and work with different investment fields.

SCOTT FRENCH
Scott French is a senior pursuing a major in Accounting and a minor in International/Comparative Politics. He has maintained a 4.0 GPA and membership in the UI Honors Program throughout his college career. An active member of Sigma Nu Fraternity, he is the former Vice-President and Treasurer of the chapter on campus. Last summer, he gained valuable experience as an intern at Ernst and Young’s Los Angeles office. After graduation, this spring, Scott plans to attend law school at either USC or UCLA in the fall.
SURAJ THAPA
Suraj Thapa is a junior student at the University of Idaho studying Economics with a minor in Mathematics and Statistics. He serves as Vice President of Economics Club, and Vice President of Nepali Students’ Association. He enjoys reading, playing badminton, experiencing new things, and talking about the mechanics behind economics. He also enjoys researching about stocks and investing. He plans to go to graduate school and is planning on going back to his country, Nepal, and start his own research firm.

TIMOTHY DELCOURT
Timothy Delcourt is a senior at the University of Idaho, graduating in December 2017 with a Bachelor’s degree in Finance. Tim has been an active member of the Davis Investment Group since the fall of his senior year. He will graduate with 3 semesters of Davis Group experience. Tim also competes for the University on the varsity Cross Country and Track & Field teams. He looks forward to a career in finance with the end goal of owning his own company in the financial industry. He hopes to obtain invaluable work experience before taking on his own venture.
References

Contact Information

Davis Investment Group
875 Perimeter Dr. Moscow, ID
Tel (208) 885-6478
www.uidaho.edu/cbe