

Davis Investment Group
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ANNUAL REPORT

FY 2021

The Davis Student Investment Management Group presents its annual performance review for the calendar year 2021. The Davis fund achieved a return of 17.57% compared to the 28.71% return of our benchmark, the S&P 500. As the business cycle continues to expand, the defensive-oriented Davis fund upheld its conservative stance. This report provides a qualitative and quantitative review and discussion of the Davis fund for 2021. We welcome any questions, comments, or suggestions regarding this report, or anything related to the Davis fund and its members.

THE DAVIS GROUP

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Performance Report

The year 2021 brought record highs in corporate profits and earnings and copious amounts of consumer spending during a time of continual supply chain issues and increased inflation. Our benchmark, the S&P 500 Index, experienced an impressive total return of 28.71% while our conservative portfolio had a return of 17.57% in 2021. Given our relatively low beta and more defensive investment strategy, a lower return is expected in a period of such high growth. We have strong confidence that our current investment strategy upholds the fund's objectives of capital preservation and growth. As shown in previous years, we will continue to adapt our portfolio and investment strategy for attainment of our objectives. Looking forward to 2022, the Davis Portfolio is well positioned to take on any advantages of possible investment strategies that might arise from increased interest rates and high inflation.

In 2021, the Davis group made several reallocations to our portfolio to better align our holdings in accordance with our portfolio's objectives. We added six new holdings during the year: iShares MSCI Emerging Markets ETF (EEM), CubeSmart (CUBE), JPMorgan Chase & Co (JPM), Delta Air Lines, Inc. (DAL), iShares Core MSCI Europe ETF (IEUR), and KKR & Co, Inc (KKR). We closed our positions in Philip Morris International, Inc. (PM), Vanguard Intermediate-Term Corp Bond (VCIT), Diversified Healthcare Trust (DHC), and New Residential Investment Corp (NRZ). We reduced our positions in Visa, Inc (V), Alibaba Group Holding Ltd - ADR (BABA), and iShares MSCI China ETF (MCHI). All the decisions to buy or sell our positions were presented to the group and were backed with in-depth fundamental analysis of the current and future outlook of the holdings.

Alongside our goals of managing the risk and capital of our portfolio, we also believe that it is in the best interest for Davis members to expand their investment knowledge through research presentations of various topics in finance and market trends affecting our holdings. These presentations provide valuable insight for relevant market movements and development of soft skills for our members. In addition to these presentations, activities such as the Financial Management Association Conference held in New York City and touring financial companies offer many opportunities that our members can build networking and leadership skills for their future. We hope to attend these conferences in the upcoming 2022-2023 academic school year to continue our mission of developing these important soft skills. Providing a unique learning experience for our members will allow them to further their future careers and continue the Vandal Legacy.

With a cumulative scholarship disbursement amounting to \$329,000 since our inception, we believe the success of our members and their peers will lead to our success in managing our portfolio. The Davis Investment Group will continue to use the most up-to-date research and investment methodology to accomplish better performance of the portfolio. We are excited to be mentoring current and future members of the Davis Group in the coming years while also applying lessons learned on the way to manage our portfolio effectively.

Simon Nguy
Portfolio Manager

Economic Review

In 2021, the Davis group experienced a year of expansion after a very volatile 2020 that was held down by COVID-19. There was very strong growth in GDP, easing of COVID restrictions, rising inflations, and rising consumer confidence. We experienced a great year of expansion and reaped the benefits with our portfolio holdings.

Gross domestic product performed extremely well after a rocky 2020. GDP expanded by nearly 5.7% this year and the economy performed very well. This was one of the fastest full year growths in the economy we have seen since 1984. This growth was kickstarted by a large amount of government spending. On top of this, we continually added new jobs and created a record number of 6.4 million jobs. Equity markets performed very well and returned nearly 29% on the year. This was exceptional growth after a volatile 2020. One of the biggest concerns of 2021 was the inflation. After a year full of economic stimulus, we began to feel the effects of rising inflation. Inflation rose by 6.7% for the year. This was the largest increase in the inflation rate that we have seen since the early 1980s. On top of this, almost all markets experienced supply chain complications due to the high consumer demand in markets. The consumer price index for all urban consumers rose by 7.5% for the year. Food prices rose by 7% and energy prices rose by a staggering 27%. Consumer confidence was one highlight of the year. By the end of 2021, consumer confidence ended on a high note. It finished the year at 115.8. This implies that the consumers view on our current economy is exceptional. We ended the year with great momentum but worries of inflation and the highly infectious omicron variant weighed in slightly on consumers outlooks. Consumer spending saw exceptional growth in the first two quarters but tapered off in the final two. Retail sales and e-commerce performed well.

After a very rocky year of 2020, we have begun to see great recovery in 2021. COVID-19 began to slowly fade out but concerns of new variants still had a slight impact on our economic growth. The large increases in consumer confidence, jobs, and gross domestic product were large drivers to our very successful year in 2021. After our extremely strong close to the year of 2021, we look poised to start 2022 on a strong note. The largest overshadowing concerns heading into this new year include rising inflation, supply chain issues and shortages, and the possibility of a new COVID variant.

Konner DeLeon

Sector Analyst Fall 2021

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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 \$329,000 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:

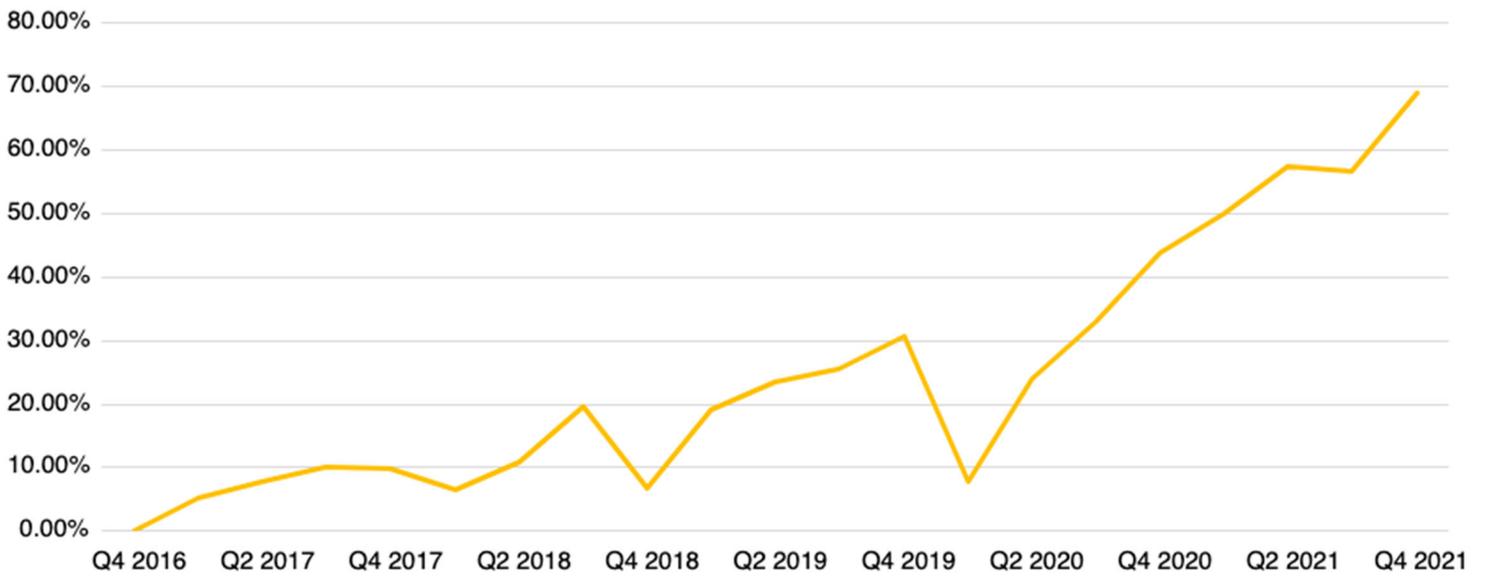
- **Growth of Capital.** The asset value of the portfolio should increase in the long term and earn a yearly rate of return similar to the return on the S&P 500.
- **Preservation of Capital.** Asset growth should exceed the rate of inflation given by the CPI in order to preserve the capital of the portfolio's assets.

The target asset allocation of the portfolio is 70% domestic equities, 10% international equities, 10% fixed income, 5% alternative investments, and 5% 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.

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Portfolio Returns

5 Year Cumulative Return *



*Returns include scholarships paid as of December 31st, 2021.

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Portfolio Holdings



Portfolio Value **\$913,010.89** (as of 12/31/2021)

EQUITIES										
Sector	Company	Ticker	Market Price	Quantity	Current Value	% of Portfolio	Purchase Date	Unit Cost	Annualized Return	
<u>Basic Materials</u>	Ecolab Inc	ECL	\$ 234.59	100	\$ 23,459.00	2.57%	2/11/13	\$ 75.66	13.57%	
	Compass Minerals International Inc	CMP	\$ 51.08	200	\$ 10,216.00	1.12%	4/24/20	\$ 43.53	9.92%	
<u>Consumer Discretionary</u>	Lowe's Companies Inc	LOW	\$ 258.48	150	\$ 38,772.00	4.25%	4/11/12	\$ 31.68	24.07%	
	Nike Inc	NKE	\$ 166.67	100	\$ 16,667.00	1.83%	10/11/19	\$ 92.76	30.09%	
	McDonald's Corp	MCD	\$ 268.07	60	\$ 16,084.20	1.76%	4/24/20	\$ 183.31	25.21%	
	The Walt Disney Co	DIS	\$ 154.89	110	\$ 17,037.90	1.87%	5/13/19	\$ 134.14	5.60%	
<u>Consumer Staples</u>	PepsiCo Inc	PEP	\$ 173.71	185	\$ 32,136.35	3.52%	11/3/08	\$ 58.06	8.68%	
	Costco Wholesale Corp	COST	\$ 567.70	50	\$ 28,385.00	3.11%	12/5/16	\$ 150.45	29.90%	
	Mondelez International Inc	MDLZ	\$ 66.31	500	\$ 33,155.00	3.63%	1/25/18	\$ 44.25	10.82%	
	Procter & Gamble Co	PG	\$ 163.58	100	\$ 16,358.00	1.79%	12/16/19	\$ 124.78	14.14%	
<u>Energy</u>	Atmos Energy Corp	ATO	\$ 104.77	150	\$ 15,715.50	1.72%	2/23/17	\$ 75.53	6.97%	
	SolarEdge Technologies Inc	SEDG	\$ 280.57	150	\$ 42,085.50	4.61%	2/28/20	\$ 134.77	48.84%	
	Chevron Corp	CVX	\$ 117.35	150	\$ 17,602.50	1.93%	12/2/10	\$ 83.72	3.09%	
<u>Financials</u>	Visa Inc	V	\$ 216.71	220	\$ 47,676.20	5.22%	4/20/12	\$ 30.71	22.30%	
	JPMorgan Chase & Co	JPM	\$ 158.35	150	\$ 23,752.50	2.60%	5/18/21	\$ 165.27	-4.19%	*
<u>Healthcare</u>	CVS Health Corp	CVS	\$ 103.16	400	\$ 41,264.00	4.52%	10/31/12	\$ 46.98	8.95%	
	Gilead Sciences Inc	GILD	\$ 72.61	150	\$ 10,891.50	1.19%	11/16/17	\$ 73.49	-0.29%	
<u>Technology</u>	International Business Machines Corp	IBM	\$ 133.66	60	\$ 8,019.60	0.88%	3/30/10	\$ 131.42	0.14%	
	Oracle Corp	ORCL	\$ 87.21	444	\$ 38,721.24	4.24%	2/23/11	\$ 33.46	9.22%	
	Avnet Inc	AVT	\$ 41.23	500	\$ 20,615.00	2.26%	4/19/11	\$ 33.74	1.89%	
	Microsoft Corp	MSFT	\$ 336.32	105	\$ 35,313.60	3.87%	10/24/18	\$ 109.84	41.99%	
	Intel Corp	INTC	\$ 51.50	200	\$ 10,300.00	1.13%	12/16/19	\$ 56.76	-4.64%	
<u>Industrials</u>	Snap-on Inc	SNA	\$ 215.38	100	\$ 21,538.00	2.36%	11/4/15	\$ 171.95	3.72%	
	Lockheed Martin Corp	LMT	\$ 355.41	45	\$ 15,993.45	1.75%	2/22/18	\$ 357.04	-0.12%	
	Caterpillar Inc	CAT	\$ 206.74	100	\$ 20,674.00	2.26%	11/12/20	\$ 169.66	18.99%	
	Delta Air Lines Inc	DAL	\$ 39.08	100	\$ 3,908.00	0.43%	5/18/21	\$ 48.04	-18.65%	*
	Kyndryl Holdings Inc	KD	\$ 18.10	12	\$ 217.20	0.02%	3/25/10	\$ 31.18	-4.51%	
<u>Utilities</u>	Ameren Corp	AEE	\$ 89.01	150	\$ 13,351.50	1.46%	11/13/08	\$ 33.19	7.80%	
	UGI Corp	UGI	\$ 45.91	247	\$ 11,339.77	1.24%	10/28/10	\$ 20.17	7.63%	
	Duke Energy Corp	DUK	\$ 104.90	300	\$ 31,470.00	3.45%	4/19/18	\$ 78.02	8.31%	
<u>International Markets</u>	Toyota Motor Corp	TM	\$ 185.30	100	\$ 18,530.00	2.03%	3/27/13	\$ 105.54	6.63%	
	Fresenius Medical Care AG & Co. KGaA	FMS	\$ 32.46	400	\$ 12,984.00	1.42%	2/28/19	\$ 39.17	-6.39%	
	Alibaba Group Holding Ltd	BABA	\$ 118.79	50	\$ 5,939.50	0.65%	12/12/19	\$ 206.43	-23.55%	
	iShares: MSCI China	MCHI	\$ 62.77	100	\$ 6,277.00	0.69%	10/25/17	\$ 65.23	-0.91%	
	iShares: Emerging Markets	EEM	\$ 48.85	200	\$ 9,770.00	1.07%	2/24/21	\$ 55.55	-12.06%	*
	iShares: Core MSCI Europe	IEUR	\$ 58.16	150	\$ 8,724.00	0.96%	11/16/21	\$ 60.39	-3.69%	*
FIXED INCOME										
Sector	Company	Ticker	Current Price	Quantity	Current Value	% of Portfolio	Purchase Date	Unit Cost	Annualized Return	
<u>Funds</u>	iShares: Pref and Inc Sec	PFF	\$ 39.43	262	\$ 10,330.66	1.13%	5/4/11	\$ 40.66	-0.29%	
ALTERNATIVE INVESTMENTS										
Sector	Company	Ticker	Current Price	Quantity	Current Value	% of Portfolio	Purchase Date	Unit Cost	Annualized Return	
<u>Private Equity</u>	Blackstone Group LP	BX	\$ 129.39	500	\$ 64,695.00	7.09%	11/15/18	\$ 37.33	48.73%	
	KKR & Co Inc	KKR	\$ 74.50	100	\$ 7,450.00	0.82%	12/8/21	\$ 78.55	-5.16%	*
<u>Real Estate</u>	CubeSmart	CUBE	\$ 56.91	415	\$ 23,617.65	2.59%	3/25/21	\$ 37.41	52.13%	*
CASH										
					Current Value	% of Portfolio				
Cash/Money Accounts					\$81,973.57	8.98%				

* Returns for a holding period of less than one year are not annualized.

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Energy

Analyst: Christopher Hoang

ENERGY SECTOR 2021 YEAR REVIEW

The energy sector had a massive jump and outperformed the rest of the market during 2021 due to the Russia and Ukraine conflict. Energy, specifically oil, is fundamentally driven by supply, demand, and cost of oil. Due to Russia being the largest producer of oil and countries putting trade sanctions against the country, the price of oil has skyrocketed. As a result, our benchmark (XLE) saw a growth of 53%.

The Davis portfolio hold three different companies within the industry sector, Atmos Energy (ATO), Solar Edge Technologies INC (SEDG), and Chevron (CVX). Atmos Energy and Chevron were our companies which saw a large growth during this past year with Atmos Energy having growth of 12.7% and Chevron having growth of 46.3%. On the downside, Solar Energy Technologies INC had a loss of 12% on the year. Some key take aways are how important conflict and sanctions can have on the price of oil and how oil prices affect the overall energy industry. If sanctions were to be introduced, the oil and energy companies will increase their prices, improving their profit margins. In addition, it shows us how reliant other countries are on oil and energy. Several European companies have struggled to run without their energy, (coming from oil), as a result, energy companies were able to benefit off this struggle. However, the price outlook for energy is uncertain given this time and date. Oil and energy may drop depending on whether the recent Russia Ukraine conflict resolves as oils current price movement has been caused by that conflict. However, if the conflict is to continue: some countries joining Russia, or sanctions were to be upheld, we could see the continued rise in oil prices, increasing the share price of companies within the energy sector.

Holdings

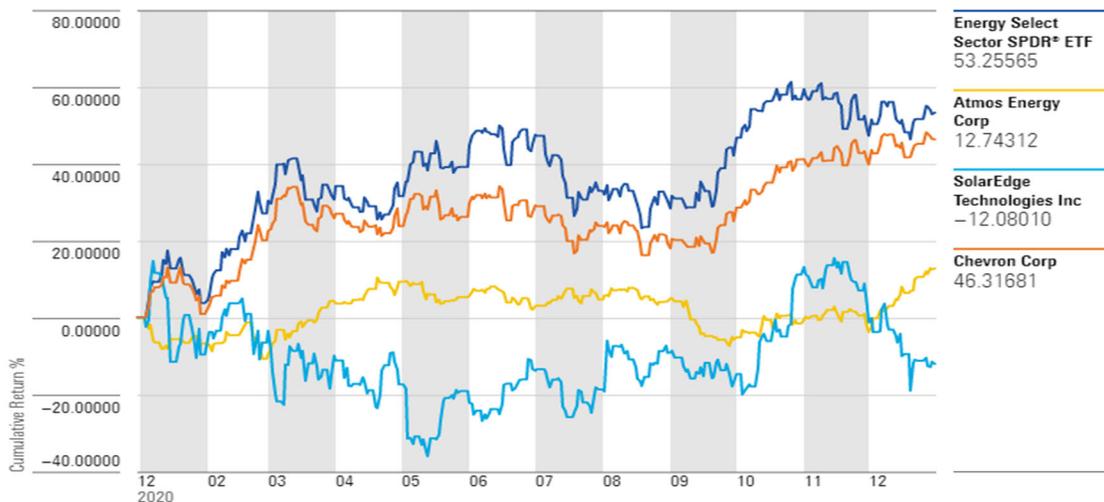
Atmos Energy (ATO): Atmos Energy is the nation's largest natural gas-only distributor of safe, clean, efficient, and affordable energy. They serve more than 3 million customers in over 1,400 communities within eight states, one being the largest intrastate pipeline systems in Texas.

SolarEdge Technologies INC (SEDG): SolarEdge is one of the largest solar companies with a 31% market share in the US. They developed a DC optimized inverter solution, changing the way power is managed and obtained in PV.

Chevron Corp (CVX): Chevron has an 18.05% market producing crude oil, natural gas, and other essential energy products. They are the second-largest integrated energy company in the US.

Benchmark

SPDR Select Sector Fund – Energy (XLE): XLE is an ETF that tracks the energy sector including companies like ExxonMobil, Chevron, etc.



Industrials

Analyst: Chase DeLeon

INDUSTRIALS SECTOR 2021 YEAR REVIEW

The industrials sector serves a pivotal role in the economy by being comprised of businesses that aid others in manufacturing, shipping, and the production of their products. Due to this, the industrial sector is often referred to as a secondary sector as their supply and demand depends heavily on performance of the surrounding economic sectors. Given the cyclical nature of Industrials and how closely they follow the overall market, this sector performed strongly in 2021 with the easing of Covid regulations and consumer sentiment improving.

Of our four holdings in the Industrial sector, Snap-on Inc saw the greatest return, yielding a 28.84% return in 2021. Caterpillar Inc followed closely behind with a modest return of 15.96%, while Lockheed Martin fell short of the pack, yielding a 3.18% return. Our only holding that did not have a positive return was Delta Air Lines Inc, who lost 2.8% in 2021. With the plans of President Biden to improve the infrastructure in the United States, Caterpillar and Snap-on are expected to perform well in the coming 2022 year, as well as Lockheed Martin since the defense spending portion of the United States budget saw an increase. With Covid fears dying down, we forecast that air lines will perform slightly better in the coming 2022 year, but with fears of inflation, the overall industrials sector may underperform our expectations in 2022.

HOLDINGS

Caterpillar Inc. (CAT): Caterpillar Inc. is an American corporation that is the world's largest manufacturer of construction and mining equipment, diesel and natural gas engines, and industrial turbines.

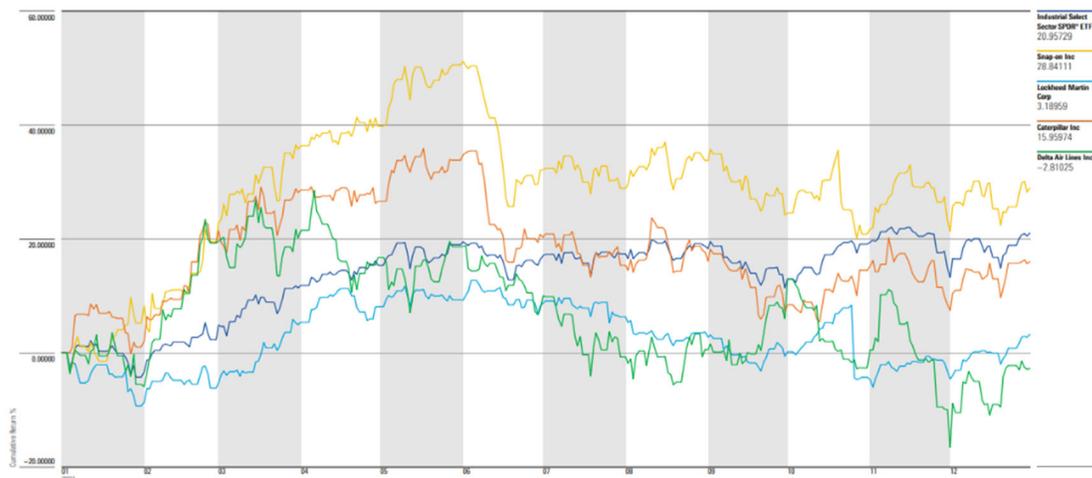
Lockheed Martin Corporation (LMT): Lockheed Martin is an American aerospace, arms, defense, information security, and technology corporation with worldwide interests.

Snap-On Incorporated (SNA): Snap-on Incorporated is an American designer, manufacturer, and marketer of high-end tools & equipment for professional use in the transportation industry including the automotive, heavy duty, equipment, marine, aviation, and railroad industries.

Delta Air Lines Inc (DAL): Delta Air Lines Inc is a major US airline that provides air transportation for passengers and cargo within the United States and internationally.

BENCHMARK

SPDR Select Sector Fund - Industrial (XLI): XLI is an ETF that tracks the industrial sector with major stakes in Honeywell International Inc., Union Pacific Corp., United Parcel Service Inc., and Caterpillar Inc.



Technology

Analyst: Brayden Brusseau

Technology 2021 Year Review

The technology sector includes companies that sell electronics, computers, software, hardware, cloud computing services, and IT services. 2021 was a bullish year for the tech sector, and our portfolio saw sturdy growth from our holdings after a similarly strong year in 2020. XLK, our benchmark index, had a growth of 34.55% in 2021. The shift to software as a service (SaaS), a strong demand of remote working tools, the advancement of clouding computing, and a strong demand for hardware such as microchips were all strong drivers of growth in the tech sector.

Leading our portfolio returns in the tech sector was Microsoft (MSFT), which closed the year at a 52.48% gain. Central to their growth was Azure, Microsoft's cloud computing service, which grew 50% in 2021. Oracle Corporation (ORCL) also had a strong 2021, growing 36.87%. As Oracle shifts from the best on-site database service provider to a cloud company, they will see intense competition from Azure and Amazon as they try to retain their database market share. Avnet (AVT) recorded a 20.17% growth in 2021, which was supported by strong demand for their electronic components and microchips. They are the third largest chip distributor in the world and hold the top market share in Europe. International Business Machines (IBM) grew 17.37% in 2021. IBM remains a dominant player in IT services and mainframes, retaining large clients in regulated industries that are unlikely to transition from IBM services. Intel (INTL) saw a 6.02% growth in 2021, with strong growth of its cloud-required server processors business.

HOLDINGS

Avnet Inc. (AVT): AVT is a world leader in the distribution of computer products and semiconductors, while providing technical services, engineering design, and supply-chain integration.

Intel Corporation (INTC): INTC is an American multinational company that produces semiconductor chips, microprocessors, and processors.

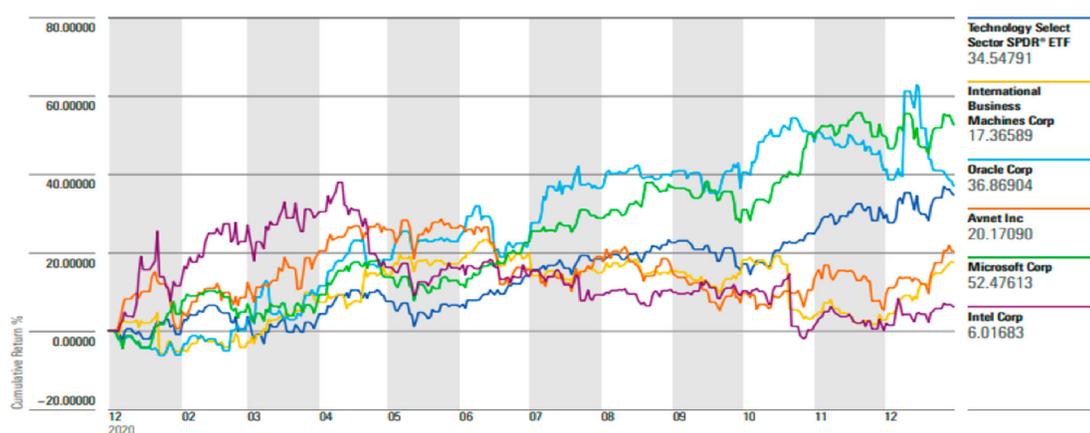
International Business Machines Corporation (IBM): IBM is a global tech company offering IT services, software, and hardware.

Microsoft Corporation (MSFT): MSFT is a multinational technology company that develops, licenses, supports, and manufactures computer software, personal computers, and consumer electronics.

Oracle Corporation (ORCL): ORCL is a leader in the market that provides IT solutions, software licenses, maintenance, support, and cloud technology.

BENCHMARK

Technology SPDR ETF (XLK): XLK is an index representing the technology sector of the S&P 500.



CONSUMER STAPLES SECTOR 2021 YEAR REVIEW

The consumer staples sector is comprised of companies that produce and sell items considered essential for everyday use. Consumer Staples products include household goods, foods, beverages, and other items that individuals are either unwilling or unable to eliminate from their budgets even in times of financial trouble. These companies are viewed as non-cyclical and can maintain stable growth regardless of the state of the economy. For this reason, the consumer staples sector rebounded faster than most sectors from the Covid-19 crash. However, in 2021 Consumer Staples did underperform the overall market.

In 2021, XLP continued its rally alongside the entire market following the recovery from the Covid recession. XLP delivers a conservative approach by only pulling its comprising stocks from the S&P 500 rather than the broader market. With stocks such as Proctor and Gamble and Coca Cola anchoring their portfolio, the ETF was able to rebound and eventually end the year off on a high note, marking an 18.04% growth over the course of the year. Out of our holdings, Costco saw the most growth over the year with a growth of 52.75%. Mondelez, P&G, and PepsiCo all saw steady growth in 2021 continuing their climb after the recession. The only stock that did not perform above the XLP was Mondelez international, who trailed by around one percent. PepsiCo and P&G were above the benchmark with each stock finishing the year up 21.35% and 21.75%, respectively.

HOLDINGS

Costco Wholesale Corporation (COST): Costco Wholesale is a membership-based retail warehouse with international operations in eight countries.

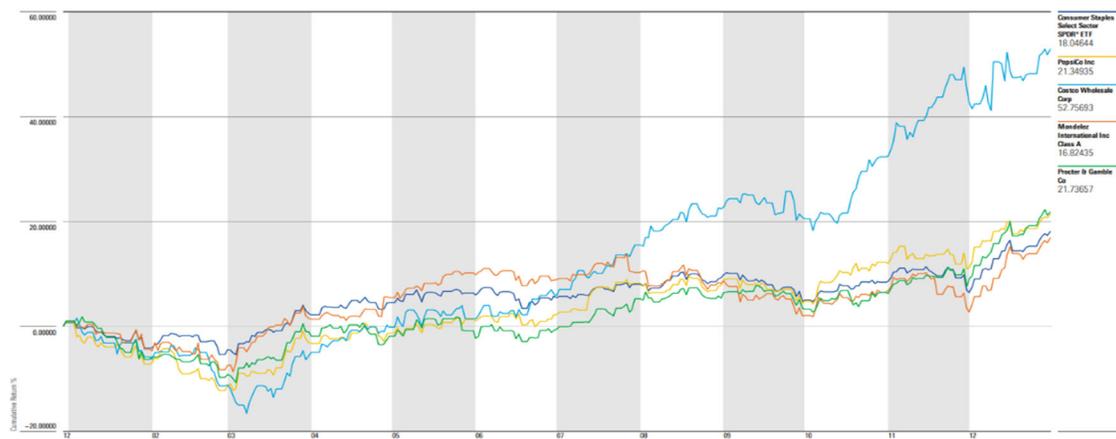
Mondelez International, INC. (MDLZ): Mondelez is one of the largest snack companies in the world who packages and markets a ton of snack products.

PepsiCo, INC (PEP): PepsiCo's products include a spectrum of foods and beverages, including 23 brands, and they span over 200 nations.

The Proctor & Gamble Company (PG): The Proctor & Gamble Company is an American based corporation who provide branded consumer packaged goods to consumers globally.

BENCHMARK

Consumer Staples Select Sector SPDR Fund (XLP): XLP is an exchange traded fund that tracks the consumer staples sector with major stakes in Proctor & Gamble, Coca-Cola, Walmart, PepsiCo, and many more. With these big market cap companies, the ETF gives us an accurate report of how the overall sector is performing.



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Healthcare

Analyst: Christopher Hoang

HEALTHCARE SECTOR 2021 YEAR REVIEW

The Healthcare sector within the Davis group includes two main groups. The first includes companies that manufacture healthcare equipment and supplies or provide healthcare related services. The second group focus on companies involved in research development, production, marketing of pharmaceuticals and biotechnology products.

For 2021, the healthcare benchmark, XLV, had a growth of 25.9%. Due to the COVID pandemic, the healthcare sector was able to provide well in 2021, especially the vaccine companies. The Davis portfolio holds two different companies within this sector to diversify its investments. These holdings are CVS Health Corp (CVS) and Gilead Sciences (GILD). CVS and GILD both outperformed its sector benchmark for 2021. CVS's growth rate was around 54.86% while GILD's growth rate was 29.96%. Some key takeaways for the Healthcare Sector include the push for vaccines and its ability to mass produce the vaccines to help protect people from the COVID pandemic. Meanwhile, it shows the strength of the Healthcare infrastructure, being able to excel in uncertain times. It also furthered the emphasis the government has on the Healthcare industry and their investment on public health infrastructure. The government invested \$900 million and spent large emphasis on setting up the healthcare companies to succeed. With the large influx of money and the renewed interest in healthcare, R&D health companies can be extremely profitable for the future.

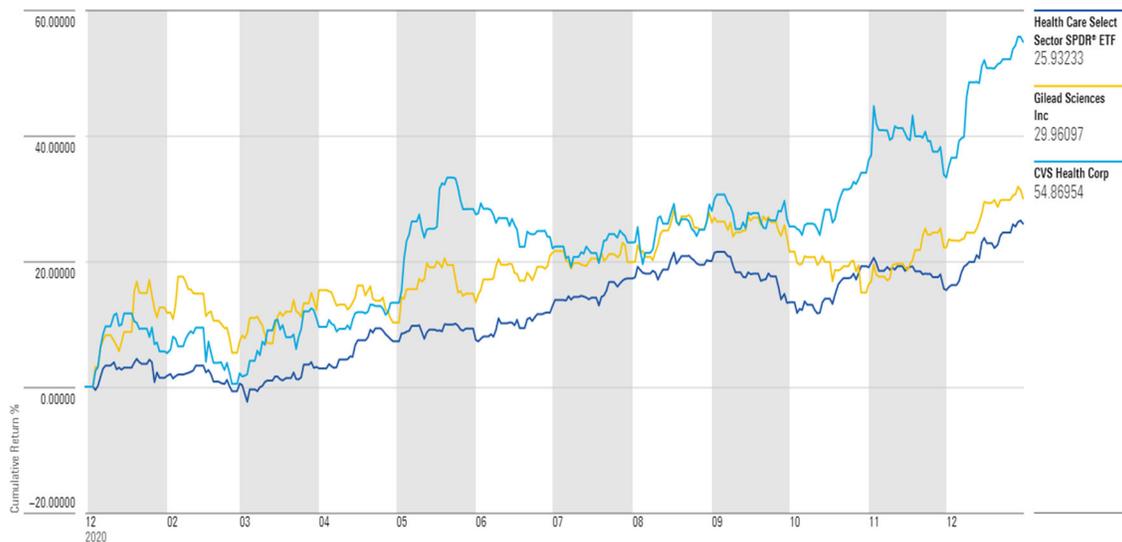
Holdings:

CVS Health Corp (CVS): CVS Health Corp is an integrated pharmacy health care provider that operates three different segments: pharmaceutical services, retail pharmacy, and corporate. CVS combines one of the largest retail pharmacy chains and pharmacy benefit managers in the United States.

Gilead Services (GILD): Gilead Services is a biopharmaceutical company that discovers, develops, and commercialize new medicines in the areas of unmet medical needs. Its products target several areas: liver disease, HIV, cardiovascular, and other diseases.

Benchmark:

Health Care SPDR ETF (XLV): XLV is an exchange-traded fund that tracks the performance of the Healthcare Sector includes companies like Pfizer, Johnson & Johnson, etc.



UTILITIES SECTOR 2021 YEAR REVIEW

The Utilities sector is considered defensive because of year-round demand from consumers for things like electricity, water, and natural gas. Dividends are one of the greatest benefits of the utilities sector since utilities securities do not have the same growth potential or volatility as securities in other sectors. The utilities sectors biggest risk over the next few years will be inflation and its effects on utility securities long term returns. Utilities is average at best when it comes to returns, finishing the year with an overall growth of .38%. This year the sector has been able to rebound from the pandemic very well as both the S&P 500 Utilities Index (SRUT) and the utilities ETF (XLU) are up .45% and 18.57% respectively. Our holdings each performed on par with our benchmark (XLU) with the most return coming from UGI Corp. Utilities companies are actively making the transition to renewable energy which gives companies in the sector a terrific opportunity for growth.

HOLDINGS

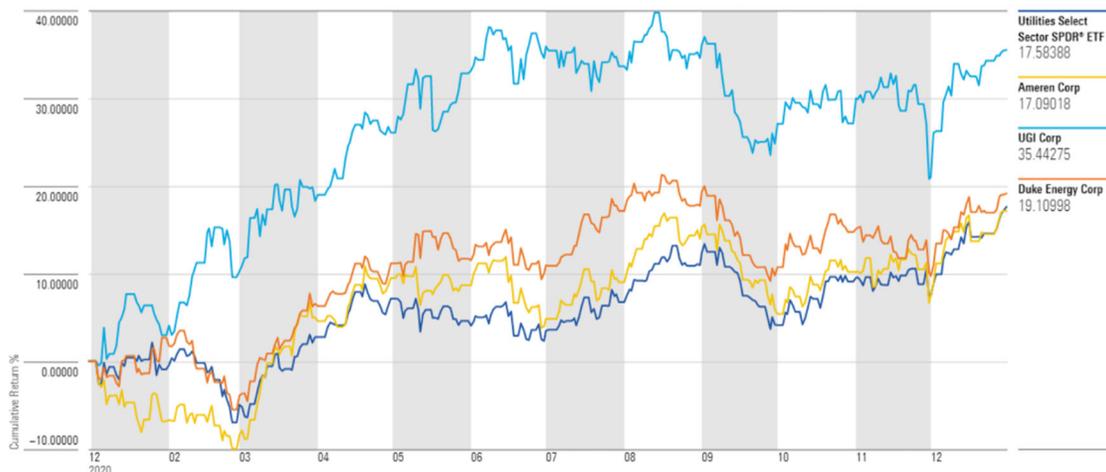
Ameren Corporation (AEE): Ameren is an American power company, with a roster of related subsidiaries like Union Electric that work to distribute electrical and natural gas power solutions. Their return was positive, having a 9.71% return on the year which is largely attributable to the progressive legislation that Illinois and Missouri are passing. Ameren has committed \$8.5 billion to projects in Missouri that will focus on renewable energy and upgrading old machinery.

UGI Corporation (UGI): UGI Corp is a natural gas and electrical power distributor who works through their subsidiaries to deliver power. In 2021 UGI grew their stock price 35.38% through growing their subsidiaries, AmeriGas and UGI International.

(DUK): Duke Energy is a utility holding company with subsidiaries in electricity/natural gas distribution and infrastructure. Duke grew their stock price by 18.97% in 2021. They have rebounded from the loss of Atlantic Coast Pipeline (2019) by focusing on developing their renewable energy production, wind and solar.

BENCHMARK

Utilities SPDR ETF (XLU): This fund intends to provide investment results that correspond to the price and yield performance of the Utilities Select Sector Index. At least 95% of the held securities must be from the index.



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Basic Materials

Analyst: Seth Carnahan

BASIC MATERIALS 2020 YEAR REVIEW

2020 has been a surprise for all of us and especially big companies, this year both of our holdings within the basic materials sector saw a fall of 40%. Both Compass Minerals International inc. (CMP) and Ecolab (ECL) are now just reaching the heights they were previously at before COVID struck. ECL has looked to have recovered earlier in the year due to an increased demand in sanitation supplies, which ECL produces but then saw a plateau of growth from June to November before seeing an upturn in its stock again. The plateau is believed to have been caused by the lack of outings to restaurants and hotels during the pandemic which ECL directly supplies cleaning and sanitation solutions to. ECL's current trading range is fairly valued by Morningstar. Next in our Basic Materials holdings is CMP which has seen a recovery since the start of COVID in April but because of plummeting salt prices CMP has reported disappointing 4th quarter results. Because of a reported disappoint 4th quarter CMP is currently undervalued at a 16% discount according to Morningstar.

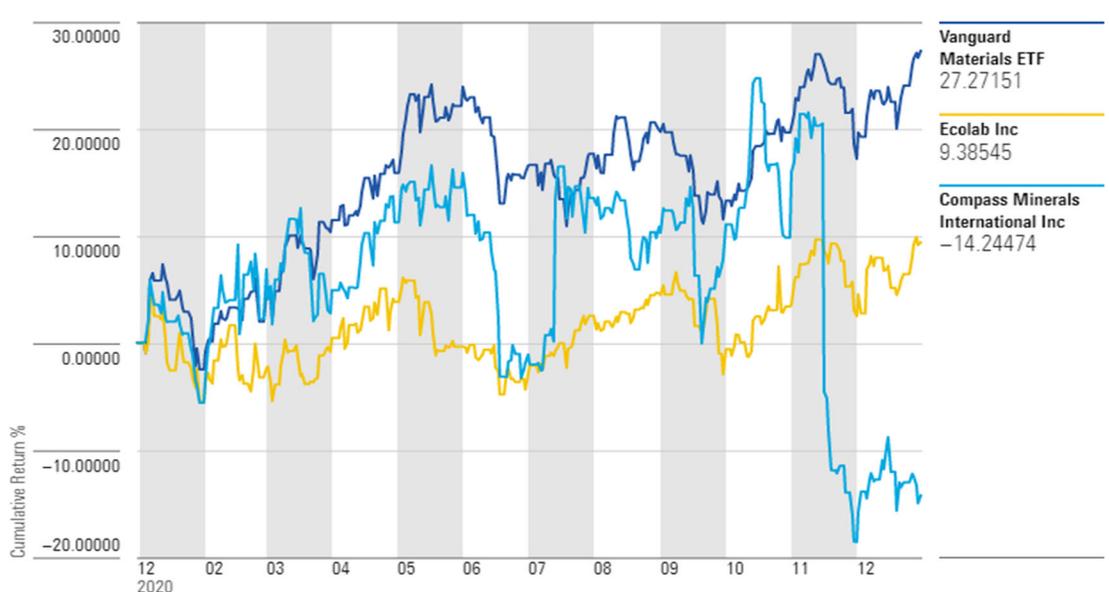
HOLDINGS

Ecolab (ECL): Ecolab is a global leader in the sanitation and cleaning industry controlling 9% of the global market. Purchased by Davis Group on February 11, 2013.

Compass Minerals International Inc (CMP): Compass Minerals is a large distributor of deicing salts, and worldwide distributor of fertilizers such as sulfur. Purchase by Davis Group on April 24, 2020.

BENCHMARK

Vanguard Materials Index Fund (VAW): VAW tracks an index composed of S&P 500 basic materials companies.



Consumer Discretionary

Analyst: Chase DeLeon

CONSUMER DISCRETIONARY SECTOR 2021 YEAR REVIEW

The consumer discretionary sector is part of consumer cyclicals, in which performance relies heavily on the economic conditions and overall consumer confidence. This category includes goods that are deemed luxury and are unnecessary such as entertainment, retail, automotive, housing, etc. The demand for the consumer discretionary sector is extremely elastic, seeing immense increase in booming economies and sharp declines in times of uncertainty and economic downturn. The consumer discretionary sector has a vital role in a diversified portfolio as it denotes greater potential for growth that comes with its distinguished higher volatility

In 2021, the Consumer Discretionary SPDR ETF (XLY) showed impressive growth alongside the overall market following the rally that came as Covid worries subsided and we returned to a stage of normalcy. The benchmark had growth of 28% for the year. Of our four holdings, two outperformed the sector ETF while two underperformed it. Both Lowe's and McDonalds were solid performers, yielding 63.3% and 29.6% returns, respectively. Alternatively, Nike and The Walt Disney Company underperformed the sector ETF with returns of 18.6% and -14.5%, respectively. The high growth from Lowe's and McDonalds can be attributed to by the easing of lockdowns and the overall strength of the economy in the 2021 year. The overall outlook for consumer spending and this sector in 2022 is weak as inflation runs rampant and the FED begins implementing contractionary policy.

HOLDINGS

Lowe's (LOW): Lowe's is a massive home improvement and hardware retailer that operates in the United States, Canada, and Mexico. It has over 2,200 stores and sells its products online.

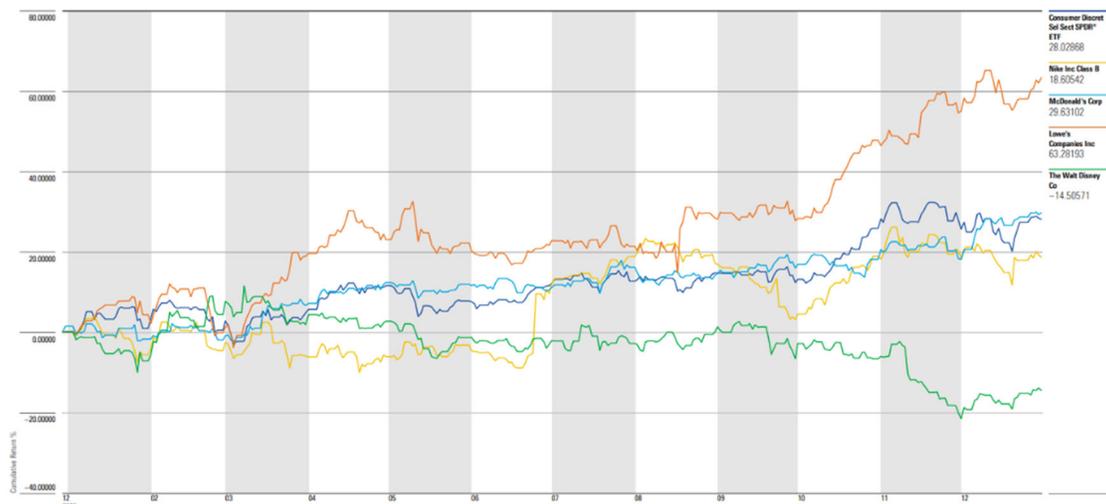
The Walt Disney Company (DIS): The Walt Disney Company is a diversified entertainment company with global operations in four business segments: Media Networks, Parks and Resorts, Studio Entertainment, and Consumer Products & Interactive Media.

Nike Inc B (NKE): Nike engages in the design, development, marketing, and sale of athletic clothing and equipment. Their reach is massive as they are in over 170 countries.

McDonald's Corporation (MCD): McDonald's Corporation is the largest restaurant company in the world, reaching 120 countries with over 37,000 locations.

BENCHMARK

Consumer Discretionary SPDR ETF (XLY): XLY is an exchange-traded fund that tracks the Consumer Discretionary sector with holdings such as Amazon, Tesla, Lowe's, Ford, and Target.



FINANCIALS SECTOR 2021 YEAR REVIEW

The Financial Sector contains companies involved in activities such as banking, mortgage finance, consumer finance, specialized finance, investment banking and brokerage, asset management and custody, corporate lending, insurance, financial investment, real estate investment trusts (REITs), as well as companies engaged in real estate management & development. Economists often tie the overall health of the economy with the health of the financial sector. If financial companies are weak, this is a detriment to the average consumer. Financial companies provide loans for businesses, mortgages to homeowners, and insurance to consumers. If these activities are restricted, it stunts growth in both small businesses and real estate.

Of our two holdings in the financial sector, JP Morgan saw the highest return, yielding a 27.73% return in 2021. However, Visa on the other hand had a turbulent year and struggled throughout the year. Posting over 10% gains midway through the year but ended up posting a -0.32% loss on the year. XLF saw a 34.83% return on the year, due to the overall growth of the sector and its largest holdings performing well over 20%. Although Visa did not perform well, we still hold a positive outlook for the company in 2022 due to the market share they control in their industry and the scalable nature of the business, which should allow Visa to improve its already impressive margins. JP Morgan has a strong outlook in 2022 as they are investing heavily in organic expansion opportunities and its own distribution platforms, which should not only drive additional share gains, but the most secure competitive position among its peers. With the prospect of higher interest rates on the table, we forecast the financial sector to outperform our expectations in 2022.

HOLDINGS

JP Morgan (JPM): “J.P. Morgan is a global leader in financial services, offering solutions to the world's most important corporations, governments and institutions in more than 100 countries.”

Visa INC. (V): “Visa Inc. (Visa) is a payments technology company that provides digital payments across more than 200 countries and territories” (Visa.com)

BENCHMARK

Select Sector SPDR Financial Fund (XLF): XLF is an ETF that tracks the financial sector of the stock market with a major stake in JP Morgan.



THE DAVIS GROUP

International

Analyst: Nathan Appell

International Sector 2021 YEAR REVIEW

The Davis Groups international sector is comprised of companies based outside of the United States. Our international holding included Alibaba, Fresenius Medical Care, iShares MSCI China, iShares Emerging Markets, iShares Core MSCI Europe, and Toyota. 2021 was another tough year for the international markets as they still faced difficulties due to supply chain shortages brought on by the COVID-19 pandemic. Despite the rest of the markets positivity, the international market has continued to struggle and has been the worst performing sector for the Davis Group in 2021. However, the Davis Group decided now was a good time to become fully allocated towards the international sector of the portfolio. The group added iShares Emerging Markets and iShares Core MSCI Europe to gain exposure to strong international markets as the world returns to back to “normal” after the pandemic. However, with the recent and disturbing Russian invasion of Ukraine, “normal” seems far off in the distance once again. In the early fall of 2021, we decided to sell half of our shares in both our positions exposed to China after Evergrande announced bankruptcy. With this unexpected news, we saw our positions in Alibaba and MSCI China fall by a combined rate of over 50 percent. The sector continues to monitor these positions in hopes of a rebound or to sell the remainder of our positions. On the contrary, Toyota has been our best position within the international sector. Up 75 percent from purchase price, the group has a positive outlook for Toyota as they enter the electric vehicle market.

HOLDINGS

Alibaba (BABA): engages in providing online and mobile marketplaces in retail and wholesale trade. It operates through the following business segments: Core Commerce; Cloud Computing; Digital Media and Entertainment; and Innovation Initiatives and Others.

Fresenius Medical Care (FMS): engages in the provision of products and services for patients with chronic kidney failure. It was founded in Bad Homburg, Germany

iShares MSCI China (MCHI): ETF comprised of mid-large cap companies operating in China.

iShares Emerging Markets (EEM): offers broad exposure to global emerging markets. Contains over 1,200 companies of which the top 10 make up 24% of its fund.

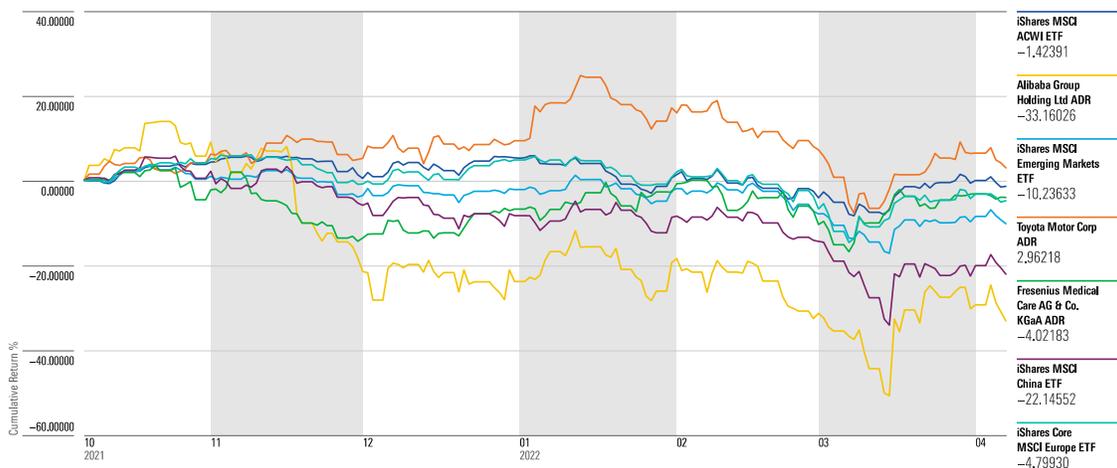
iShares Core MSCI Europe (IEUR): offers broad exposure to the European stock market. Contains over 1,000 companies of which the top 10 make up only 18% of its fund.

Toyota (TM): TM is a car manufacturer based in Japan. Their most popular vehicles include the Camry and the Corolla.

BENCHMARK

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FIXED INCOME SECTOR 2021 YEAR REVIEW

Last year was an interesting year for bond markets characterized by low rates, tightening of monetary policy, rising inflation, and a strengthening US Dollar. Namely, funds exposed to changes in interest rates posted losses while positions sensitive to credit fared much better. The Federal Reserve cut interest rates in 2020 in response to the pandemic and engaged in an emergency bond buying program which included acquisitions of US Treasuries, agency mortgage-backed securities and corporate debt.

Moving into quarter 4, we were met with rising inflation with the headline CPI figure finishing out the year above 7%. During that same period, the FOMC took a hawkish turn, which included discussions about rate hikes and the conclusion of the central bank’s emergency bond buying program. The Fed had previously characterized higher inflation as “transitory” before abandoning the term in November.

Other central banks took similar actions, albeit in different degrees. The Bank of England announced an unexpected rate 25 basis point hike in Q4 while others only committed to tapering emergency measures. Through the year, we saw a strong US Dollar against the currencies of other developed markets based on a relatively stronger economic outlook and a more hawkish Fed.

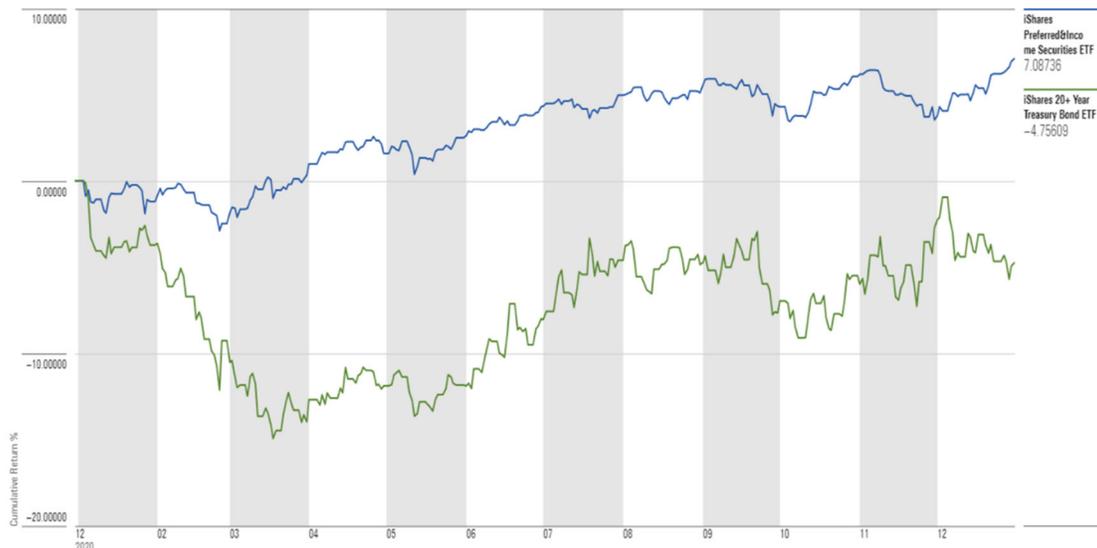
Lastly, given prevailing low rates, we saw a hunt for yield among investors. In 2021, sales of junk debt hit a new record based on that and an improving economic outlook. Additionally, there was a large appetite for municipal securities which was in line with 2020’s record figure at \$450 billion.

HOLDINGS

iShares Preferred and Income Securities ETF (PPF): The iShares Preferred, and Income Securities ETF is a fund that seek to track, before fees and expenses, the investment results of the ICE Exchange-Listed Preferred & Hybrid Securities Index.

BENCHMARK

iShares 20+ Year Treasury Bond ETF (TLT): The iShares 20+ Year Treasury Bond ETF is a fund comprised of 20-year US Treasury securities with remaining maturities greater than 20 years.



The 2021 Davis Group Members

SIMON NGUY – PORTFOLIO MANAGER

Simon Nguy is a senior at the University of Idaho majoring in Finance and Information Systems and minoring in Economics along with pursuing the Trading and Capital Management Trading and the Data Analytics academic certificate. He joined Davis in Fall of 2020 as a consumer discretionary sector analyst and was promoted to junior portfolio manager the following semester. He is currently serving as the Portfolio Manager in his last year at the University of Idaho. Outside of the Davis group, Simon is the lead author on an economic impact study for the Lewis-Clark Valley Wine Alliance for the Vandal Economic Impact Center and a funded-trader for the Barker Capital Management Group. He enjoys the real-world experience that these programs provide. In his free time, Simon likes to spend time with friends and girlfriend, snowboard, and experience unique cuisine when he travels. He has accepted a job offer at Goldman Sachs as a Management and Strategy Analyst in the Investment Banking Division and will be going to Salt Lake City, Utah at the end of his Spring 2022 semester.

NATHANIEL APPELL – PORTFOLIO MANAGER

Nathaniel Appell is currently a senior at the University of Idaho studying Finance. He joined the Davis Investment Group in the Fall of 2020. From there he worked as the sector analyst for the technology sector, the Sector Coordinator for the Fixed Income Sector, and is currently a Junior Portfolio Manager for the group. Nathan is also a member of the University of Idaho's Barker Capital Management Group and brings over five years of investing experience with him to the Davis Group. Upon graduation, Nathan will be shipping off for training to begin career in the United States Navy. Nathan is from Alaska and when he is not watching the markets, he is an avid outdoorsman who enjoys activities such as trail running, mountain climbing, and skiing.

MASON BARSTOW – PORTFOLIO MANAGER

Mason Barstow is currently a Junior at the University of Idaho majoring in Finance and Economics. This is Mason's fourth semester in the Davis Group, working as Junior Portfolio Manager and as an analyst for the Consumer Staples sector. At the University of Idaho, Mason has been active on campus serving as Vice President and new member educator for his fraternity. Mason has also been a part of Vandal Solutions as a coordinator for the college of business and economics outreach team and as vice president of services. In his free time he enjoys playing basketball and hanging out with his friends. He plans on graduating in spring of 2023.

KONNER DELEON

Konner DeLeon is currently a Senior at the University of Idaho majoring in Finance and Financial Economics. This is Konner's sixth semester in the Davis group, and he has been a portfolio manager, junior portfolio manager, sector coordinator, and analyst during this time. At the University of Idaho, Konner has been active on campus by serving as a Chapter President, Director of Academic Affairs, Treasurer, and Philanthropy Chairman for his fraternity. In his free time, he enjoys to hang out with friends, golf, and stay active. He plans on graduating in the Spring of 2022.

THE DAVIS GROUP

SETH CARNAHAN

Seth Carnahan is currently a Junior at the University of Idaho and pursuing a degree in Finance. He joined the Davis Investment Group in the Fall of 2020 working as a sector analyst and has since become a sector coordinator. Seth plans to continue taking advantage of the skills and knowledge acquired in the Davis group and eventually put it to good use in the broad career field of finance. Seth was born and raised in Idaho and loves to participate in any of the outdoor activities it has to offer like playing on the lake in the summer to pushing it to the extremes down the ski slopes in the winter.

CHRISTOPHER HOANG

Christopher Hoang is currently a senior at the University of Idaho majoring in Finance. he joined the Davis group of the 2021 fall semester working as a data analyst then became a sector coordinator in the following spring. Christopher plans on using the skills and experience he gained from the Davis Investment Group for his future jobs. His plan is to work at an investment bank/hedge fund. Christopher was born in Kirkland, Washington. He loves to swim and participate in outdoor activities.

TYLER HAND

Tyler Hand is currently a Senior at the University of Idaho and is pursuing a degree in Agricultural Economics. He joined Davis Group in Spring of 2021 as a sector analyst and is currently the alternatives sector leader. He will be to pursuing an MS in applied economics after graduating in May. He is originally from California, but his family currently resides in Idaho. Tyler plans to apply what he has learned in Davis Group and apply it to future jobs and projects within the graduate program at the U of I. In his spare time, Tyler likes to tinker with Python projects.

CHASE DELEON

Chase DeLeon is a Sophomore at the University of Idaho, double majoring in Finance and Economics with a minor in accounting. Additionally, he is a part of the Barker Capital Management group and is pursuing the Trading and Capital Management certificate. Chase joined the Davis Group in the Fall of 2021 as a sector analyst for the Healthcare sector of the economy. He is now the Sector Coordinator for the Cyclical group and conducts research on the Consumer Discretionary sector. He is extremely grateful for the opportunity to manage real funds, improve upon his soft skills, work in cohesive groups, and attain invaluable experience within the Davis Group. Chase is the youngest of three brothers, all of which have been members of the Davis Group, and looks forward to helping the Davis group grow and flourish until he graduates in the Spring of 2024.

JEREMY CLEMENS

Jeremy Clemens is currently a Sophomore at the University of Idaho and pursuing a degree in Finance. This is Jeremy's first semester in the Davis group working as a sector analyst. At the University of Idaho, Jeremy has been active on campus by serving as a intermural chairman and the current vice-president for his fraternity. Jeremy plans to continue taking advantage of the skills learned in the Davis group and one day he hopes to become a financial advisor. Jeremy was born in Idaho and loves to participate in all outdoor activities, including fishing, boating, and snowboarding.

THE DAVIS GROUP

BRAYDEN BRUSSEAU

Brayden Brusseau is a sophomore at the University of Idaho majoring in Finance and pursuing an academic certificate in Trading and Capital Management. He joined the Davis Group in Spring 2022 as an energy sector analyst. He is excited to improve his fundamental analysis skills and soft skills with the Davis Group. Outside of the Davis Group, Brayden is a member of the Barker Trading Program, the Economics Club, and the Vandal Economic Impact Center. He spends his free time enjoying the various outdoor activities North Idaho has to offer.

EVAN BERMENSOLO

Evan Bermensolo is currently a Junior at the University of Idaho majoring in Finance and minoring in accounting. This is Evan's second semester as an analyst in the Davis Group. At the University of Idaho Evan has served on the Interfraternity Council Judicial Board committee and is extremely active in philanthropy both in his fraternity and on campus. In his free time, he enjoys hanging out with friends, skiing, and golfing. Evan is currently looking for an internship and plans to graduate in the Spring of 2023.

JACK SCHAEFER

Jack Schaefer is currently a junior at the University of Idaho studying Finance. Jack joined the Davis Investment Group in Fall 2022. He is currently a sector analyst for the international sector. Jack is also pursuing the Trading and Capital Management certificate with the Barker Capital Management group. Jack has learned a lot and gained a lot of experience his first semester in the Davis Group. Outside of the Davis Group Jack is actively involved at the University of Idaho. Jack is in a Fraternity and is a Recruitment Specialist for the Interfraternity Council.

KELVIN COBBLEY

Kelvin is from Boise, Idaho and will be a Junior in Fall 2022. He is pursuing a double major in both Financial-Economics and Finance. He has just completed his first semester with the Davis Group working as a Sector Analyst. Kelvin is an active member of both his fraternity and campus, having served as recruitment chair and now treasure for Sigma Chi. Kelvin is continuing to seek opportunities and use the valuable skills the Davis Group has provided.

GAVIN LUNA

Gavin Luna is a Sophomore at the University of Idaho's college of business studying economics with an emphasis in finance and a minor in marketing. This is Gavin's first semester in the Davis group working as a sector analyst. Gavin is involved in other organizations on campus including serving as the House manager and current Risk Manager for his fraternity. He has seen an expedient amount of personal growth in his knowledge of the stock market in the short time being involved in the Davis group. Gavin joined the Davis group to increase his knowledge of the stock market and develop new skills in hopes of utilizing them in a career post college.

THE DAVIS GROUP

MICHAEL LYONS

Michael Lyons is currently a Junior at the University of Idaho majoring in Finance and Economics. He joined the Davis Investment group in in the fall of 2021 and from there has worked as an analyst of the financials sector. Along with the Davis Group, he is also a member of the Barker Capital Management Group working towards the Trading and Capital Management Certificate. He is grateful for the opportunities the Davis group provides for the improvement of soft and analytical skills along with the privilege of managing real funds. In his free time Michael enjoys spending time with friends and family and is an avid fisherman.

JACOB THOMANN

Jacob Thomann is a sophomore at the University of Idaho. Jacob Is planning in majoring in political science with a business minor. This is Jacob first semester of Davis group, working on the basic material sector. Jacob is the current risk manager of his fraternity and currently. Jacob plans to use the knowledge here to help him with his future investment in both short and long term holdings. Jacob was born and raised in Idaho, he loves to take long walks on the beach.

References

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THE DAVIS GROUP

Contact Information

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