The Davis Student Investment Management Group presents its annual performance review for the calendar year 2018. The Davis fund achieved a return of -2.89% compared to the -4.38% return of our benchmark, the S&P 500. The defensive-oriented Davis fund was positioned well for high volatility and a pullback late in the year. This report provides a qualitative and quantitative review and discussion of the Davis fund for 2018. We welcome any questions, comments, or suggestions regarding this report, or anything related to the Davis fund and its members.
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Performance Report

A LETTER FROM THE PORTFOLIO MANAGERS

The stock market experienced significant volatility during 2018. Our benchmark, the S&P 500, had a return of -4.38%, while our defensive-oriented portfolio achieved a return of -2.89%. Although the market saw significant corrections in sectors such as energy, our holdings proved to withstand large losses due to their strong fundamentals and healthy dividends. Corporate tax cuts, trade war uncertainties, and interest rate hikes all had visible impacts on the portfolio. However, our strategy remains strong into 2019 since we have enough cash to take advantage of possible investment opportunities as well as enough diversification to take advantage of leading sectors such as industrials in the coming months. Looking forward into 2019, the Davis Portfolio is well positioned for a market recovery. Our high dividend stocks will continue to provide a healthy source of cash flow while other equities look to rebound from the lows of December 24th.

In 2018, the portfolio was modified by selling 3 positions and investing in 6 new securities. For the spring semester, we bought Mondelez International (MDLZ), Lockheed Martin (LMT), and Duke Energy Corp (DUK). Our only sell during this period was iShares MSCI Canada ETF (EWC). During the fall semester, the Davis Group sold Andeavor (ANDV) and USG Corp (USG). The group also purchased Microsoft (MSFT), Blackstone Group (BX), and UBS Group (UBS).

Along with managing the portfolio, sector groups performed presentations on any financial topic of their choice to peers in the class. Examples in the previous year included artificial intelligence in finance, high speed trading, and impact investing. Presentations have encouraged teams to be creative and research new areas of finance that they may find applicable for the future. Additionally, these have improved presentation skills within the group and encourage class discussions on topics outside of our portfolio. Trips have also been a new addition to the group in 2018 as the Davis Group visited Chicago in the spring of 2018 and plans to visit New York in 2019 to attend the Financial Management Association conference in order to network with financial professionals and tour finance companies, such as Bloomberg.

The Davis Investment Group pursues fund objectives of growing and preserving capital while providing scholarships for the University of Idaho. Over the past several years, we have donated over $100,000 to university scholarships. In 2018, the Davis Investment Group will continue to use more refined research and investment methodology to accomplish better performance from the portfolio. We look forward to mentoring new members and improving our ability to make wise investment decisions in an ever-changing market.

Tim Skinner
Portfolio Manager
After a booming bull run in 2017, the U.S. and global economy ran into choppier waters in 2018. Concerns of increased market volatility and waning investor confidence led many analysts to believe that the consistent growth of the past few years was peaking. However, in 2018 there was a surprising lack of financial imbalances and inflationary pressures typically seen at the top of the business cycle, which made for a mixed, yet strong, year economically.

On February 5, 2018, Jerome Powell assumed office as Chair of the Federal Reserve. As a supporter of the current financial regulation of the Dodd-Frank Wall Street Reform and Consumer Protection Act, he reported that higher capital/liquidity requirements and stress tests have made the financial system safer. In the U.S. and Europe, central banks continued the multi-year long process of “quantitative easing,” which involves selling bonds and incrementally increasing interest rates to slow economic growth, taking enough money out of the economy to prevent it from overheating. Although historically Powell was a skeptic of round 3 of this quantitative easing, he did vote in favor of implementation. Over 2018, there were four rate hike increases of 25 basis points each, increasing the federal funds rate 1.5% to 2.5%. This pace of rate hikes will likely slow in 2019.

There were several upside surprises of 2018. The U.S. had surprising growth and economic strength in three main areas: the labor market, capital expenditures, and inflation. In the labor market, job creation stayed above the trendline and layoffs remained near an all-time low. Unemployment was low and wages increased to a 3.2% annualized growth rate, slowing at the end of the year. Tax relief from the prior year’s tax cuts helped to drive capital investment, which led to a national growth rate of 3% for the year. The lower tax burdens did not lead to inflation, as some analysts worried would happen at the top of the business cycle.

These surprises allowed the economic recovery from the Great Recession to hold the status of the longest in modern history. Although stock market had a mixed year, it does not appear overvalued when compared to average P/E ratios historically. The expansion certainly has momentum as it goes into its tenth year. It is still unclear whether the current expansion is the beginning of what some have dubbed the “Great Moderation,” which in theory is a time of low economic volatility from low and steady inflation, stable monetary policy, and milder recessions.

All said, with no apparent red flags in the economy, we can expect continued steady growth and favorable business conditions in 2019.

Josh Rudolph
Portfolio Manager Fall 2018
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.
*Returns adjusted for scholarships as of December 31, 2018
ASSET ALLOCATION

SECTOR ALLOCATION

As of December 31, 2018
### Portfolio Holdings

#### Portfolio Snapshot

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<thead>
<tr>
<th>Non-Load Adjustment Returns</th>
<th>Held Date</th>
<th>% of Assets</th>
<th>Holding Value</th>
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<tr>
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<td>Visa Inc Class A</td>
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As of December 31, 2018
ENERGY 2018 YEAR REVIEW

Our energy sector holdings had a tumultuous year in 2018. We were negatively affected by foreign policy and actions taken by some members of OPEC. After oil started strong and hit a 4-year high, it quickly fell to new lows and ended in a bear market. As a result, our holdings took quite a hit to end the year.

Oil started the year positive with many analysts predicting that oil would rise to $100 a barrel by the end of the year. The Trump Administration's weakening of EPA regulations caused oil to soar in August through September. However, after hitting a 4-year high, oil began to fall. The Trump Administration discussed plans to reinstate sanctions against Iran and completely stop Iranian oil imports. As a result, Saudi Arabia and Russia began to ramp up their oil production. The sanctions turned out to be far less severe, and the increased production from OPEC resulted in a market oversaturated with oil. With supply far higher than demand, oil prices plummeted near the end of the year. Our holdings took a hard hit at the end of 2018; however, we expect a rebound. In the Fall of 2018, we liquidated our shares of Andeavor after Marathon Petroleum completed the acquisition of Andeavor.

HOLDINGS

**Atmos Energy (ATO):** Atmos is one of the largest natural-gas-only distributors in the US.

**Chevron (CVX):** Chevron is the second largest US oil and gas company. It is active in oil, natural gas, geothermal energy, and other services related to the refining and the production of energy.

**Exxon Mobil (XOM):** Exxon is the largest US oil and gas company. It is the world's 9th largest company by revenue. Its products include crude oil, natural gas, power generation, and more.

BENCHMARK

**Energy Select Sector SPDR ETF (XLE):** XLE holds a diversified portfolio of energy industry securities.
INDUSTRIALS 2018 YEAR REVIEW

The Industrials Sector involves companies who specialize in manufacturing industries such as transportation, machinery, defense, metal fabrication, construction, and waste management. The industrial sector has high exposure to the cyclicality of the economy. A main driver for industrials in 2018 was the ongoing trade war between the United States and China. The rising number of tariffs between the two countries lifted input costs and trading costs for many industrial companies, reducing profit margins. The trade war, combined with slowing emerging market economies in 2018, did not bode well for the sector. Overall, the industrial sector returned –15.4%. The Davis Investment Group portfolio holds 2.6% of its portfolio in the industrial sector, with the sole holding of Snap-On, Inc. The target allocation for industrials in the portfolio is 7%. Our under-allocation proved to be favorable in 2018.

HOLDINGS

Snap-On Corporation (SNA): Snap-On manufactures and markets tools, equipment, and diagnostics and repair systems to customers worldwide. Snap-On serves customers in a wide range of industries including aviation and aerospace, agriculture, construction, military, mining, natural resources, and technical education. The S&P500's value decreased by 7%, and the industrial sector decreased by 15.4%. Snap-On's shares decreased by 17.9% for 2018; however, it produced an EPS of $11.82, up 24.68% from 2017.

BENCHMARK

The Industrial Select Sector SPDR ETF (XLI): XLI is an exchange-traded fund that holds a diversified portfolio of Industrial Sector securities. Some of its holdings include General Electric, 3M Co., Boeing, and Honeywell International.
TECHNOLOGY 2018 YEAR REVIEW

Our technology sector's growth was affected by the significant pullback in the months of February and December following news of increasing wages, increasing inflation, and increasing interest rates by Jerome Powell. Investors reacted by taking a risk-on position creating a technology stock rout that the sector did not recover from by the end of the year. Companies participated in recent trends of stock buybacks with their excess money from Trump’s tax bill. Our holdings ended the year bearish losing all 2018-year gains. A prime example is IBM, which is our technology holdings worst performer at a 25.91% loss this year. The best performer was Oracle at -4.51% return. Oracle experienced flat revenue for 2018 as sales in software licenses, support and maintenance decreased because many companies are switching to cloud-based databases. While Oracle has just invested in cloud database technology, market share has been lost. Avnet is struggling with obtaining suppliers which, along with the trade war, caused revenue to suffer slightly. We expect the cost advantage and the Internet of Things to be the major driver of growth and sales for Avnet. Seeking to gain exposure and growth, we purchased shares of Microsoft on October 2018 with expectations to generate portfolio growth with this diverse company. Microsoft outperformed the benchmark and other holdings in 2018 with a growth of 18.74% gain but lost 6.52% from the time we purchased it. We expect the advancement in AI, cloud computing, and growing demand to cause growth in this sector for the next year.

HOLDINGS

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

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

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

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

BENCHMARK

Technology SPDR ETF (XLK): XLK tracks an index of S&P 500 technology stocks.
CONSUMER STAPLES 2018 YEAR REVIEW

The consumer staples sector contains holdings which provide goods that sell during all economic cycles. These investments tend to overperform the U.S. equity market in times of recession and underperform the market during periods of expansion. These holdings add stability to a portfolio. The group added Five-hundred shares of Mondelez International, Inc. to the portfolio in January.

In early 2018, consumer staples took a sizeable hit down 13 percent in May, the largest decline since 2008 (based on the XLP consumer staples ETF). This sector decline was encouraged by interest rate hikes, competitive pricing, and increasing transportation costs reducing profit margins. Things were looking up as consumer staples holdings received earnings estimate increases from the Trump regime's tax plan later in the year. In the end of 2018, the market selloff hit staples particularly hard. Consumer spending waned on fears of an upcoming trade war and a possible end to economic expansion. Potential Chinese tariffs would have a large negative effect on consumer staples holdings that rely on exportation.

PepsiCo (PEP) fell by 7.49% in 2018. Philip Morris International (PM) fell by 36.71%. It is worth noting that PM has one of the most consistent dividend yields, averaging over 4%. Costco Wholesale Corporation (COST) increased by 7.94%. Finally, Mondelez International fell by 7.4%.

HOLDINGS

**PepsiCo (PEP):** Pepsi is a food, snack, and beverage company with dozens of popular brands under its portfolio. It is a multicontinental company operating in over 200 countries.

**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 Corporation operates and manages membership-based wholesale warehouses where its members may purchase household goods and groceries for a relative discount. Costco also has its own successful brand, named Kirkland.

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 Philip Morris, Coca-Cola Company, Altria Group Incorporated, and Wal-Mart.
HEALTHCARE 2018 YEAR REVIEW

Healthcare experienced a lot of internal activity from M&A activity to legislative regulations in 2018. However, the uncertainty of regulations did not slow down growth and efficiency for the sector because the cost structure seemed to have improved from 2017. On top of better bottom line growth, there was an increase in medical attention to the aging generation of the baby boomers giving healthcare companies stronger balance sheets and even strong earnings results. With these positive financial results, the companies have more cash which they have been giving back to the investors through rising dividends and stock buybacks. Growth has been relatively easy for the sector with interest rates still low, and money is cheap and abundant in their balance sheets making M&A a popular theme in 2018 to grow pipelines and expand revenue sources. Healthcare has been all over the news since President Donald Trump plans to reduce drug prices. Our analysts see little risk in substantial pricing changes and believe that the risk was overdone providing a good opportunity to reassess our sector outlook. The Healthcare sector is notorious for excess volatility because companies rely heavily on success in the pipeline and limited government control. Going forward, we see healthcare being an outperformer and will maintain our allocation in the sector with 3 of the most active companies in our benchmarks holdings.

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.

**Allergan (AGN):** Headquartered in Dublin, Ireland, Allergan is a pharmaceutical company that specializes in aesthetics, ophthalmology, women’s health, gastrointestinal, and central nervous system products. Allergan focuses on acquisitions for its broad and growing portfolio.

**Gilead Sciences (GILD):** Gilead Sciences, Inc is a biopharmaceutical company that discovers, develops, and commercializes new medicines in areas of unmet medical need. Its products target a number of areas, such as HIV, liver diseases, cardiovascular, and other diseases.

BENCHMARK

**Health Care SPDR ETF (XLV):** XLV is an exchange-traded fund that tracks the performance of the healthcare sector and includes securities such as Johnson & Johnson, Pfizer, and Merck & Co.
Utilities

UTILITIES 2018 YEAR REVIEW

The utilities sector is typically considered a “flight to safety” sector where in economic downturns, investors find utilities as an attractive investment due to high dividend yields. For the year of 2018, the utilities sector benchmark XLU had a return of 1.40%. From the beginning of the year, we saw negative returns for the broad market and each of our core holdings however made large gains in May. Each of the Davis holdings in the sector outperformed the XLU benchmark by a great deal with the exception of Duke Energy Corp. Turmoil from hurricane season in the east (primarily hurricane Florence) is to blame as the weather had impacted many of Duke’s energy plants; many energy plants were located in states where state of emergency measures were in place and were temporarily shut down due to flooding. Towards the end of the year, Duke Energy still managed to outperform our benchmark.

Davis utility returns for 2018 were UGI +12.36%, AEE 11.71%, and DUK 3.69%. UGI had the largest return for the year due to acquisitions and adding 14,000 new clients that both residential and business related. AEE had great returns as on the year as well taking strong initiative in their Corporate Social Responsibility Report (CSRR). AEE is one of the leading utility companies looking to provide safe, clean, alternative energy solutions and using this model to expand.

HOLDINGS

Ameren Corporation (AEE): Ameren is an American power company that provides reliable energy, reduces outages, and restores power faster than ever before.

UGI Corporation (UGI): UGI Corporation is a holding company that, through subsidiaries, distributes, stores, transports, and markets energy products and related services. They are a domestic and international retail distributor of propane and butane (forms of liquefied petroleum gasses “LPG”), and they provide natural gas and electric service through regulated local distribution utilities.

Duke Energy Corporation (DUK): Duke Energy is an American power company that provides energy to residential houses and business’s in the southeastern region of the United States.

BENCHMARK

Utilities SPDR ETF (XLU): XLU tracks the performance of the utilities sector with diversified holdings.
BASIC MATERIALS 2018 YEAR REVIEW
The Basic Materials sector is comprised of organizations that specialize in the extraction, refinement and processing of raw, natural materials found around the globe. These materials include construction materials like wood, stone, and metals, as well as chemical refinement used for multiple types of applications for businesses and households. Throughout 2018, we held onto all 100 shares of EcoLab (ECL) that we have owned for the past five years and made a full sale of 400 shares of USG Corp. (USG) in late September. Our team decided to make this sale based on the acquisition of USG by Knauf, a German drywall company in early June 2018 for about $43 a share. This acquisition made the price action completely stagnant for USG, with the value of the equity varying in cents on the dollar over months of conducting business. With this information, our team decided to complete a full sale of all USG equity we owned, which resulted in a profit of about $4,000 for the Davis group to be reinvested into the fund. We only held USG for a little over a year, making this trade very profitable for the group. The Basic Materials sector saw some downward volatility throughout the year and performed poorly as a whole with most of the concerns rising at the end of the year, especially during the December 2018 sell-off. This is accounted for by the Trump administrations implementation of tariffs and the overall nature of the cyclical sector to take these dives.

EcoLab Inc. outperformed its benchmark ETF (XLB) with a price growth rate of 7.59% and is expected to continue growing going into 2019 as a dominant member of its industry. The company issued a higher dividend amount in the most recent quarter valued at $0.44 a share. Morningstar currently states the company is overvalued, so our analysts will keep an eye on this holding but due to its increasing dividend, large growth style, and wide economic moat, the Davis group will be holding our shares until further notice.

HOLDINGS
**EcoLab Inc. (ECL):** EcoLab Inc. produces energy, hygiene, and water technology for a large variety of customers on a global scale. These business-to-business customers specialize in healthcare/hospitality services, energy production, food and water services and industrial manufacturing markets.

BENCHMARK
**Materials Select Sector SPDR ETF (XLB):** XLB is an ETF comprised of a small, core group of dominant companies involved in the basic materials sector in the S&P 500. This index acts as a great benchmark for the basic materials sector and against our holding Ecolab Inc. (ECL).
CONSUMER DISCRETIONARY 2018 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 as luxury items like travelling, entertainment, retail, automotive, housing, and most goods and services that are not considered necessities. The performance of the consumer discretionary sector is directly linked to the nation’s state of the economy and business cycle. During recessions or contractions, the demand for lavish goods/services decreases enormously and during a booming economy, the demand in these industries rises tremendously, given consumers have more disposable income accessible. The consumer discretionary sector has a very vital role in a diversified portfolio since it denotes greater potential for growth that comes with its distinguished higher volatility. 2018 was a year where the US monetary policy was tightened, along with weakened global forecasts that caused a significant market decline at the end of the year. However, consumer discretionary was one of the few sectors that finished up, with a positive return of 0.8%. The Consumer discretionary sector outperformed the S&P500 in 2018, which ended with a negative return of -4.38%. The overall outlook for American consumer spending in 2019 appears to be strong, with consumer confidence still solid, and wages trending higher. However, spending on traditional retail items has slowed and competition among retailers may limit profitability, while recent softening in auto sales and housing is worth paying attention to moving forward. Lowe’s is our one holding for consumer discretionary.

HOLDINGS

Lowe’s (LOW): Lowe’s is the second largest home improvement retailer and operates in the United States, Canada, and Mexico. Lowe’s offers products and services for home maintenance, repair, remodeling, and decorating. It has over 2,300 stores, and the company also sells its products through online sites.

BENCHMARK

Consumer Discretionary SPDR ETF (XLY): The XLY exchange-traded fund tracks the Consumer Discretionary sector with holdings such as Amazon, Home Depot, Comcast, Walt Disney, and McDonald’s.
FINANCIALS 2018 YEAR REVIEW

The financial sector consists of organizations involved in asset and fund allocation in the financial system including asset management, investment banking, mortgage financing, insurance and more. Throughout 2018, the Davis group continued to hold its Visa Inc. (V) equity, its various REIT’s (real-estate investment trusts) and purchased 300 shares of private equity in the Blackstone Group LP (BX) in November 2018. Around the same time, our holding LaSalle Hotel Properties concluded a merger with Pebblebrook Hotel Trust, resulting in our private equity in LaSalle to be converted into Pebblebrook equity.

The financial sector as whole experienced some bearish behavior and volatility throughout the year accompanied by a large nosedive during the December sell-off. Our holdings in this sector still performed very well over the year with Visa Inc. still dominating the industry and proving to be the best holding in our portfolio. Pairing Visa’s constant growth with the high-yield fixed income we receive by holding our REITs and BX has been very beneficial in this sector for the Davis Group.

HOLDINGS

**Visa Inc. (V):** Visa provides customers with new and innovative ways to conduct transactions on a global scale for businesses of all sizes. Visa also acquires revenue by issuing credit to customers and accumulating interest on those purchases.

**Senior Housing Properties Trust (SNH):** SNH is a REIT that owns almost 400 health-care real estate assets that revolve around the housing, treatment, and hospice of the elderly. SNH’s dividend yield increased from 8.15% to 13.31% over the year.

**New Residential Investment Corps. (NRZ):** NRZ is a REIT that revolves around residential real-estate by managing residential securities and loans, and mediating consumer mortgage service rights. NRZ’s dividend yield decreased over the year from 11.07% to 10.56%.

**Pebblebrook Hotel Trust (PEB):** Pebblebrook is a REIT focused on independent hotel properties that are in luxury destinations and business sectors. PEB’s dividend yield increased to 5.37%.

**Blackstone Group LP (BX):** The Blackstone Group is large-scale asset management company with a diverse portfolio including real-estate, private equity, hedge fund solutions, and credit. BX’s dividend yield is at a strong 8.12%.

BENCHMARK

**Financial Select Sector SPDR Fund (XLF):** XLF is an equity-traded fund that tracks the performance of the financial sector of the S&P 500.
INTERNATIONAL 2018 YEAR REVIEW

The international markets sector is comprised of companies based outside of the US. Our holdings in 2018 included Toyota, iShares MSCI China, iShares MSCI Europe, and UBS Group AG. Our most recent addition was 1200 shares of UBS Group AG on the 6th of December 2018. We felt exposure to a European bank in Switzerland would provide the portfolio with diversification into European markets, while limiting our exposure to some of Europe’s uncertain current events such as Brexit. Trade tensions, especially those between the US and Chinese governments had some negative impacts in the foreign markets, along with Brexit in Europe.

iShares MSCI China underperformed its benchmark iShares MSCI ACWI ETF (ACWI) by 9.92%. We believe this underperformance is most likely due to severe trade tensions between the US and Chinese governments. iShares MSCI Europe underperformed our benchmark iShares MSCI ACWI ETF (ACWI) by 6.62%. Brexit in Europe has caused some fear as some believe it will negatively affect trade within Europe. Also, it is predicted that in the event of the UK removing itself from the EU may cause a decrease in the UK’s per-capita income. UBS Group AG outperformed our benchmark by 4% for the holding period of 12/06/2018-12/31/2018. An increase of regulations and pressure both from the Swiss government and foreign government has taken a negative toll on the company’s margins. Looking forward, we expect UBS to recover as they adjust themselves to a new, more transparent environment. Toyota underperformed the benchmark by 2.89%. Toyota sees continued growth with the adoption of inter-connected vehicles and battery powered cars.

HOLDINGS

**iShares MSCI China (MCHI):** MCHI is an ETF comprised of mid-large cap companies operating in China. MCHI provides targeted exposure to the overall Chinese market.

**iShares MSCI Europe (IEUR):** IEUR is an ETF comprised of mid-large cap companies operating in Europe. MCHI provides targeted exposure to the developed markets within Europe.

**UBS Group AG (UBS):** UBS is a Swiss multinational bank and financial services company. It is the largest bank in Switzerland with about 3.2 trillion in assets.

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

BENCHMARK

**iShares MSCI ACWI ETF (ACWI):** ACWI tracks the investment results of an index composed of large and mid-cap developed and emerging market equities.
The Fixed Income sector saw a fair amount of volatility in 2018 amid interest rate hikes from the FED and a selloff in the stock market at the end of the year. The US Federal Reserve worked to tighten and raise rates and we saw four rate hikes over the course of the year for a total of nine since the normalization of rate hikes in 2015. The Bank of Canada saw three rate hikes. Between the rising short-term rates (in conjunction with the rate hikes) and the tapering long-term rates (due to muted inflation expectations), the yield curve continued to flatten. Furthermore, the spread between short and long-term interest rates tightened from .54 to .11 in the 10-year bonds. Although we saw a flattening of the yield curve throughout the year, bond prices increased from a low of 137 in October to a year high of 146 in December. This move was fueled by higher uncertainty in equities amid rate hikes and trade tensions, pushing investors to allocate more heavily in the safety of bonds. Moving forward in 2019 we anticipate a pause in the normalization in the Fixed Income sector as Jerome Powell and the Federal Reserve deliver dovish sentiments on the economy and lower expectations for further interest rate hikes.

**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.

**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 2018 Davis Group Members

TIM SKINNER – PORTFOLIO MANAGER
Tim Skinner is a senior at the University of Idaho majoring in Finance and Marketing Analytics, with a minor in statistics. He joined the Davis Investment group in the spring of 2017 and currently serves as the portfolio manager after being a sector coordinator and sector analyst. During his time at the university, he has been actively involved as a Graue Scholar, a member of the Dean’s Student Advisory Board, the VP of Finance for Vandal Solutions, an analyst in the Barker Capital Management Group, and the VP of Finance for the Inter-fraternity Council. After interning at Clearwater Analytics this past summer as an Accounting Analyst in the Client Services division, Tim hopes to pursue a career in money management. Outside of school, he enjoys basketball, golf, Xbox, and reading.

COLLIN LONG – PORTFOLIO MANAGER
Collin Long is a senior at the University of Idaho double majoring in Finance and Marketing Analytics, with a Minor in Statistics. He joined the Davis Group in the Spring of 2018 and followed the Energy sector during his first semester. He is currently one of the Junior Portfolio Managers and the Sector Coordinator of the International Sector. During his time at the university, he has served as the Treasurer and the President of his fraternity and served on multiple University committees. He is interested in a career in management consulting or venture capitalism. He will be graduating in the Spring and taking a few months to travel the world. Outside of school, he enjoys reading, gaming, outdoor activities, a variety of sports, and going to the gym.

JACOB STAGGE – PORTFOLIO MANAGER
Jacob Stagge is a junior at the University of Idaho studying Business-Finance. He became a member of the Davis Student Investment Management Fund in the Fall of 2018 and was promoted to Junior Portfolio Manager for the Spring 2019 semester. He has closely covered the financial sector and the basic materials sector as an analyst for the group and is currently directing the defensive sector as a sector coordinator alongside his duties as Junior Portfolio Manager. He looks forward to continue working for the Davis Group until his graduation in the Fall of 2019. After college, he plans to pursue a career in corporate finance, portfolio management, or banking. In his free-time Jacob enjoys playing soccer, snowboarding, and working part-time at a local Ace Hardware.
ALEJANDRA MOJICA
Alejandra Mojica is a Junior at the University of Idaho, majoring in Finance and Accounting, with a Trading and Capital Management certification. Since Fall 2018, Alejandra has been involved with analyzing the technology and the consumer staples sector. Outside of Davis, she is a consumer staples sector analyst with the Barkers Capital Management Group, secretary of Lambda Theta Alpha Latin Sorority Incorporated and served as the President of the Association of Latino Professionals for America. This summer she will be interning with JPMorgan Chase in New York supporting the Corporate Investment Bank Global Treasury Services as a summer analyst. In the future she aspires to be a financial advisor and own her own financial services company. Meanwhile, she enjoys spending time with her family, playing soccer and dancing to Latin music.

BRETT BECIA
Brett Becia is a senior at the University of Idaho majoring in Management Information Systems. As a new member of the group as of 2019, he has monitored consumer discretionary stocks within the cyclical sector. Brett transferred to Idaho from the United States Military Academy, West Point, where he played division one soccer in the Patriot League. He continues to enjoy soccer on the U of I club team while participating in rock climbing and other intramural sports as well. Brett recently completed an internship at Micron in the summer of 2018 in which he worked in Datacenter Product Marketing in their Compute and Network business unit. After graduation, he looks to become a database developer and continue his education in the business environment.

CHRIS BAKER
Chris Baker is a Senior double majoring in Finance and Financial Economics. Chris joined the Davis Group in Fall of 2018 as an analyst but since then has a sector coordinator position within the group leading the sensitive sector (consisting of oil, industrials, and technology). Chris is also a portfolio manager in the Barker Capital Management Group on campus and is looking to use his knowledge from both groups in his place of work upon graduation. He particularly likes observing current portfolio holdings and making the necessary adjustment given current or future market conditions. Chris thinks being able to properly manage your own portfolio is a crucial skill everyone should have especially when looking at retirement.

HAYDEN FRASIER
Hayden Frasier is in his first semester of the Master of Accounting program at the University of Idaho. He graduated with a Bachelor of Science in Accounting in the fall of 2018. Hayden has been a member of the Davis Investment Group since the Spring of 2018. As an undergraduate student Hayden played as a forward on the University of Idaho’s rugby club. This Summer, Hayden will be interning at Lallman, Felton, Peterson, and Pierce, P.A. in Ketchum, ID. He aspires to be a tax accountant with knowledge for managing client’s wealth between generations. Hayden loves to lift weights, barbecue, and go fishing.
HENRY BOTTELS
Henry Bottels is an international exchange student from the Leuphana University in Lueneburg, Germany and has joined the Davis Investment Group for Spring Semester 2019. He is responsible for the international sector – especially in regard to the developed markets in Europe. At the Leuphana University, Henry is a senior majoring in Business Administration. He already successfully completed an apprenticeship at a local German Bank before university and additionally interned at a German audit firm in 2018. After school, he strives towards a career in the field of Finance and Accounting. Outside of school, Henry enjoys soccer, skiing, and fishing.

HENRY HILL
Henry Hill is a senior studying computer science at the University of Idaho. Henry joined Davis in the spring of 2016 and has since covered a wide variety of sectors. He is now a sector coordinator for the cyclical sector. Henry is interested in pursuing a career in data analytics/science and would possibly like to gain further education in finance. Henry will be graduating in May 2019 and hopes to take a little time off to travel and do some whitewater rafting.

JOHN BILLINGTON
John is a Junior at the University studying Finance. Joining the group in the spring of his freshman year, he is a Sector Coordinator for the Fixed-Income sector focused on investment grade bonds. In finance, he likes to follow and trade actively in the markets. He has found a passion for valuing companies, creating spreadsheets, and following deal flow in the private markets. On top of Davis, John is a funded trader for the Barker Capital Group. Outside of school, John likes to travel, backpacking, and weekend trips to San Francisco. After college, John looks to work on deal flow and continue his passion of being an analyst.

JOHN RYDEN
John Ryden is a junior at the University of Idaho majoring in Finance and Accounting. He recently joined the Davis Investment Group in the Spring semester of 2019. He has focused his market analysis on the industrials sector for the group. During his time at the university, he has been actively involved in the Barker Capital Management Group as an analyst, his fraternity as the Scholarship Chairman, and served a term for IFC as the Service Chairman. John will be working at PwC this summer as a risk and assurance intern. In the future, he aspires to get his CPA and go into public accounting. Outside of school, he enjoys golfing, skiing, and spending time with his family.
JOSH RUDOLPH
Josh Rudolph is a senior at the University of Idaho graduating with degrees in Finance and Accounting. He joined the Davis Group in Fall 2016 and served as the Portfolio Manager in Fall 2018. Josh is also involved in several other groups including the Barker Capital Management Group, Dean’s Student Advisory Board, Graue Scholars, and the UI Honors Program. He is a captain on the UI Club Ultimate Frisbee team and loves to travel to compete against other colleges in the PNW. After graduation, Josh will be studying for CPA exams and returning to Seattle to work for Moss Adams.

JUSTIN CHAPMAN
Justin Chapman is a senior at University of Idaho studying Finance with a minor in Economics. He joined the Davis Investment Group in the fall of 2017 and has served as the Junior Portfolio Manager to the group. During his time at the University, Justin has been an active scholar and leader. He currently serves as Chief Investment Officer of Barker Capital Management Group and is an active Dean's Student Advisory Board member. Justin has also served a past term as Director of Scholarship for the University of Idaho Interfraternity Council. After graduation this spring, he will join Archer Daniels Midland as a grain merchandiser and commodities trader. In the future, he hopes to continue learning about various topics in financial and commodity markets to build his career as a trader. Outside of school, Justin enjoys skiing, bike riding, and cooking.

LOGAN ROWLEY
Logan Rowley is a junior at the University of Idaho studying finance with a minor in Economics. He joined the Davis Group in the spring of 2019 and followed Emerging markets under the International sector for his first semester. While in school, Logan has served as the house manager for his fraternity as well as a member of many clubs around campus. He is interested in becoming a financial representative in the future. Outside of school, Logan loves fishing, camping, play sports, and spending time with friends and family.

MAXIMILLIAN BARB
Maximillian Barb is a Masters student at University of Idaho studying Accounting and Finance. He joined the Davis Investment Group in the fall of 2018 and has served as a sector analyst to the group. During his time at the University, Max has been an active scholar and leader. He currently serves as an analyst of Barker Capital Management Group and is an active Beta Alpha Psi member. After graduation next fall, he plans to join a CPA firm in the greater Spokane-Washington area as an audit associate. In the future, he hopes to continue learning about various topics in financial markets to augment his skills in both the professional and personal investing environment. Outside of school, Max enjoys singing and ballroom dancing.
REBECA GONCALVES ROCHA DA SILVA

Rebeca is a senior at the University of Idaho, who is an international student from Brazil majoring in Finance and Business Economics. She joined the Davis Investment group in the Fall of 2018 and has followed the consumer discretionary sector as well as overall markets, providing weekly reports and personal recommendations. During her time at this institution, she has been involved with numerous investment groups/programs. Her passion for financial markets has inspired her to pursue a career in wealth management or equity analysis. She is currently applying to Finance master’s programs all over the country and intends on pursuing her professional career in the United States after getting her masters. Outside of school she enjoys the outdoors, travelling, salsa dancing, cooking South American delicacies, biking, and reading.
References

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