



ANNUAL REPORT

FY 2019

The Davis Student Investment Management Group presents its annual performance review for the calendar year 2019. The Davis fund achieved a return of 22.59% compared to the 31.49% return of our benchmark, the S&P 500. As the business cycle continues to expand, the defensive-oriented Davis fund took on a more conservative stance. This report provides a qualitative and quantitative review and discussion of the Davis fund for 2019. 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 MANAGER

After a rough end to 2018 that brought market returns down to negative growth, the stock market experienced a significant rebound in 2019, a year that saw stable and consistent growth throughout the majority of the year. Our portfolio's benchmark, the S&P 500 Total Index Return, experienced returns of 31.49%, while our more conservative portfolio returned 22.59% in 2019. While we did not perform as strongly as our benchmark in 2019, given our low beta and our more defensive investment strategy, these results were to be expected. Going into 2020 and into another year of the already longest business cycle expansion in modern history, we are going to remain defensive with our portfolio to ensure that we can adequately reserve and manage capital going forward. It is our hope that by taking a more sheltered approach to our portfolio we will be better positioned for any future slowdowns in the economy.

As a group, we made multiple adjustments to our portfolio throughout 2019. In February we trimmed our position in UGI by half, a move that proved to be prudent with the ensuing decline of natural gas prices. Over the rest of the spring semester, we also added positions in Fresenius Medical Care and The Walt Disney company. The first adjustments from the fall semester came in October, as we entered into a position in Nike, while also liquidating our MSCI European Financials ETF. Finally, December proved to be the busiest month of the year for adjustments in our portfolio. Because of the duration and success of our Visa holding, which we entered in 2012, we found it necessary to trim our exposure for allocation purposes as well as to take advantage of profits. We also exited our position in Allergan, as it was acquired by Abbvie earlier in the year. In addition to our December trimming, the group purchased shares of Alibaba, Procter and Gamble, and Intel Corporation, all three companies we think will be a perfect fit for the Davis portfolio.

While managing the risk and the capital of our portfolio has always been the highest priority for the Davis group, we also find time to participate in other experiential learning activities that we receive a great amount of benefit from. For example, in the Spring we attended the Financial Management Association Conference in New York. This event was a great networking event, and the participants also got to tour prestigious institutions, such as Bloomberg. The group plans to return to the conference in 2020. Along with travel opportunities, the different sector groups also deliver research presentations on a broad variety of financial topics ranging from an analysis of market risk premiums to a detailed look at market behavior during different phases of the business cycle. Not only do students gain invaluable presentation skills, but the group is also exposed to topics that are not always covered in formal class lectures.

After a successful 2019, we look to continue to pursue our fund objectives of growing and preserving capital in 2020.

Chad Robertson
Portfolio Manager

ECONOMIC REVIEW

The Davis group experienced a year of worry, cheers, and uncertainty while monitoring global market activities in 2019. Future FED policy, Chinese trade-war tensions, and an inverted Treasury yield curve were the main drivers for tension in the market and were constant talking points in Davis Group sessions. Despite all this uncertainty, 2019 was a year for the bulls as the S&P 500 grew almost a third year-over-year. We can attribute this flourishing growth to continuously decreasing Federal funds rates accompanied by widespread investor confidence in U.S. equities.

The first factor that receives recognition for the astounding growth experienced this last year was sheer timing. The stock market experienced an extreme sell-off from the middle of December 2018 and didn't experience recovery until a few days into the new year. This sell-off paved the way for the global market to rebound at an accelerated rate for the remaining 360 days of the year. This expansion could not have been possible however without the Federal Reserve's decision to lower lending rates on three separate occasions throughout the year. This policy was a shock because the Federal Reserve had not lowered rates in the previous 12 years. These decisions aggressively fluctuated more money into the market resulting in more buyer confidence seen in both investors and publicly traded companies. Almost every sector experienced substantial growth throughout 2019, with the energy sector being the only exception due to dropping oil prices and increasing interest in clean energy alternatives. These market-wide gains did not, however, come without prevalent geopolitical uncertainty and future speculation about a looming recession.

The equity market seemed to be resilient to obstacles it faced throughout the year. Brexit's extension and eventual "No Deal" standing seemed to have no effect overall on global market activities, but long-term effects have yet to be felt as the Post-Brexit U.K is still developing. The Chinese Trade War was another hindrance that seemed unmatched for the U.S. equity market, excluding the industrials sector. Manufacturing materials like steel were highly affected by these tariffs, resulting in slow expansion in this sector. This outcome seemed rather isolated though, as risk-sensitive sectors like the technology sector soared with value throughout the year. The increased buying power provided by the Fed mentioned above really compensated for the lack of natural growth the economy was producing. Lastly, the Treasury yield curve inverted in 2019, which has statistically shown to be a signal of recession. Despite this widely accepted beacon of financial contraction, the global market continued to grow throughout the year. Overall, the global economy had many difficulties in its path through 2019 and specific market conditions allowed it to hurdle these obstacles, for the time being.

The equity market may have closed 2019 with a happy ending but the new decade faces some serious economic uncertainty. The Chinese Trade War is still active and discussions for resolve are not predicted to occur soon. The Treasury yield curve has inverted yet again, and future Federal Reserve policy is in question since lending rates are nearing negative. There are prevalent indicators of oncoming recession and recent geopolitical events are only adding risk into the equation. The Davis group will recognize returns on recent market gains but continue to poise itself well against potential negative market outcomes

Jacob Stagge

Portfolio Manager Fall 2019

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.

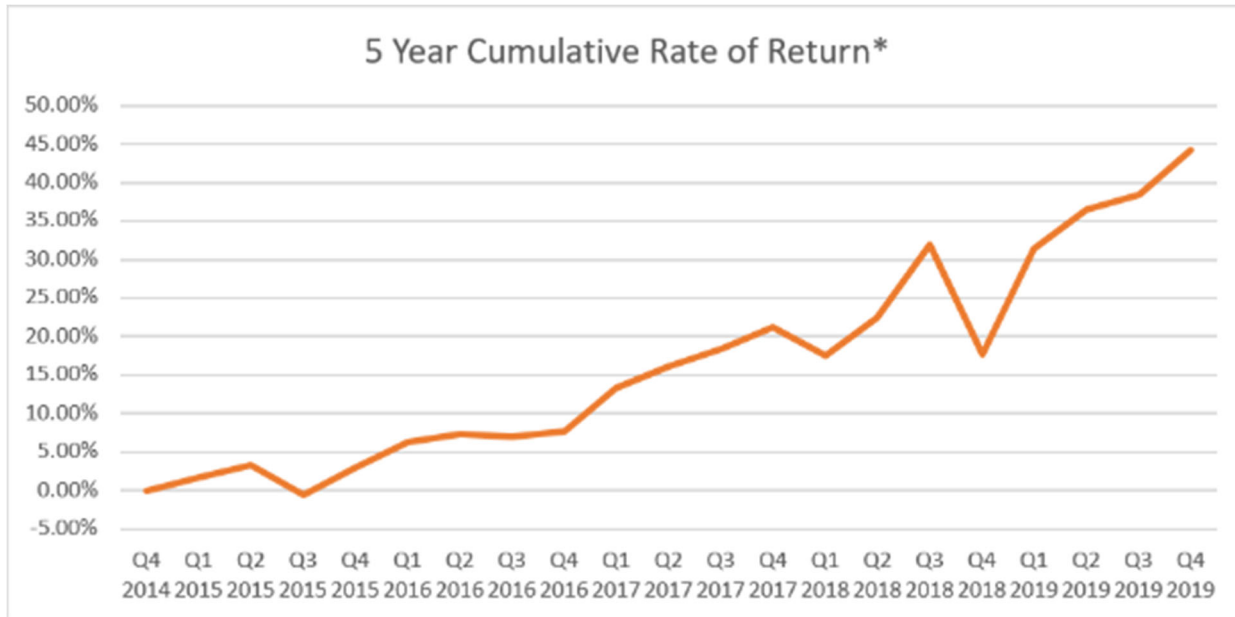
Students manage the fund with the following investment objectives:

- 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 70% domestic equities, 10% international 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.

DAVIS GROUP

Portfolio Returns



*Returns adjusted for scholarships as of December 31, 2019

DAVIS GROUP

Portfolio Snapshot

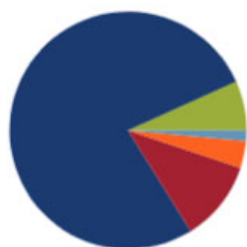
Portfolio Value
706,567.15

Benchmark
S&P 500 Composite TR USD

ASSET ALLOCATION

Analysis

Asset Allocation



- Cash
- US Stock
- Non US Stock
- Bond
- Other
- Not Classified

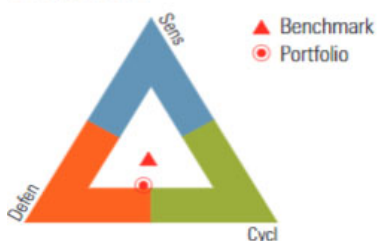
	Portfolio	B-mark
Cash	6.77	0.00
US Stock	77.10	98.72
Non US Stock	11.01	1.28
Bond	3.69	0.00
Other	1.43	0.00
Not Classified	0.00	0.00
Total	100.00	100.00

Equity Investment Style %

	Value	Core	Growth		Total Stock Holdings
27	33	24		Large	651
6	5	0		Mid	Not Classified %
5	1	0		Small	0.00
	0-10	10-25	25-50	>50	

SECTOR ALLOCATION

Stock Sectors



	Portfolio %	Bmark %
Defen	36.80	25.22
Cons Defensive	17.07	7.58
Healthcare	8.89	14.17
Utilities	10.84	3.47
Sens	27.42	44.75
Comm Svcs	3.01	10.71
Energy	5.59	3.58
Industrials	5.66	9.40
Technology	13.16	21.06
Cycl	35.78	30.03
Basic Matls	3.14	2.14
Cons Cyclical	10.71	9.73
Financial Svcs	18.20	15.09
Real Estate	3.73	3.07

As of December 31, 2019

DAVIS GROUP

Portfolio Holdings

Investment Performance as of 12/31/2019

Davis Portfolio Value: **\$706,587.15**

EQUITIES											
Sector	Company / Title	Tkr	Beta	Market Price	Shares	Current value	Percent of Portfolio	Purchase Date	Unit Cost	Unrealized G/L To-Date	Annualized G/L To-Date
Consumer Discretionary	Lowe's	LOW	1.08	\$ 119.76	150	\$17,964.00	2.5%	4/16/2012	\$ 31.68	278.03%	18.82%
	Nike	NKE	0.99	\$ 101.31	100	\$10,131.00	1.4%	10/11/2019	\$ 92.76	9.22%	48.78%
	Disney	DIS	0.94	\$ 144.63	110	\$15,909.30	2.3%	5/13/2019	\$ 134.14	7.82%	12.60%
Energy	Exxon Mobil Corp	XOM	0.98	\$ 69.78	235	\$16,398.30	2.3%	10/25/2006	\$ 71.30	-2.13%	-0.16%
	Alamos Energy	ATO	0.74	\$ 111.86	150	\$16,779.00	2.4%	2/23/2017	\$ 75.53	48.10%	14.76%
	Chevron Corp.	CVX	1.09	\$ 120.51	150	\$18,076.50	2.6%	12/2/2010	\$ 83.72	43.94%	4.09%
Financials	Visa, Inc.	V	1.07	\$ 187.90	420	\$78,918.00	11.2%	4/25/2012	\$ 30.71	511.85%	26.67%
Healthcare	CVS Caremark	CVS	0.91	\$ 74.29	400	\$29,716.00	4.2%	11/1/2012	\$ 46.98	58.13%	6.60%
	Gilead Sciences Inc	GILD	0.84	\$ 64.98	150	\$9,747.00	1.4%	11/16/2017	\$ 73.49	-11.58%	-5.63%
Technology	International Business Machines Corp.	IBM	0.99	\$ 134.04	60	\$8,042.40	1.1%	3/30/2010	\$ 131.42	1.99%	0.20%
	Oracle Corp.	ORCL	1.02	\$ 52.98	444	\$23,523.12	3.3%	2/23/2011	\$ 33.46	58.34%	6.33%
	Arista Inc.	AVT	1.07	\$ 42.44	500	\$21,220.00	3.0%	4/19/2011	\$ 33.74	25.79%	2.67%
	Microsoft Corp.	MSFT	1.11	\$ 157.70	105	\$16,558.50	2.3%	10/24/2018	\$ 109.84	43.57%	36.66%
	Intel	INTC	1.13	\$ 59.85	200	\$11,970.00	1.7%	12/16/2019	\$ 56.76	5.44%	0.61%
Industrials	Snap On Inc.	SNA	1.02	\$ 169.40	100	\$16,940.00	2.4%	11/4/2015	\$ 172.96	-2.06%	-0.60%
	Lockheed Martin Corp	LMT	0.90	\$ 389.38	45	\$17,522.10	2.5%	2/22/2018	\$ 357.04	9.06%	4.79%
Consumer Staples	PepsiCo	PEP	0.82	\$ 136.67	185	\$25,283.95	3.6%	11/3/2008	\$ 58.06	135.39%	7.07%
	Philip Morris	PM	0.82	\$ 85.09	300	\$25,527.00	3.6%	4/23/2014	\$ 83.86	1.47%	0.26%
	Costco	COST	0.80	\$ 293.92	50	\$14,696.00	2.1%	12/5/2016	\$150.45	95.36%	24.30%
	Mondelez International Inc	MDLZ	0.83	\$ 55.08	500	\$27,540.00	3.9%	1/25/2018	\$ 44.25	24.47%	12.00%
	Procter & Gamble Co	PG	0.77	\$ 124.90	100	\$12,490.00	1.8%	12/16/2019	\$ 124.78	0.10%	2.37%
Utilities	Ameren Corporation	AEE	0.75	\$ 76.80	150	\$11,520.00	1.6%	11/13/2008	\$ 33.19	131.39%	7.62%
	UGI Corp.	UGI	0.79	\$ 45.16	247	\$11,154.52	1.6%	11/17/2010	\$ 20.17	123.90%	9.23%
	Duke Energy Corporation	DUK	0.71	\$ 91.21	300	\$27,363.00	3.9%	4/19/2018	\$ 78.02	16.91%	9.62%
Basic Materials	Ecolab, Inc	ECL	1.00	\$ 192.99	100	\$19,299.00	2.7%	2/11/2013	\$ 75.66	155.08%	14.68%
International Markets	Toyota Motor Co.	TM	0.93	\$ 140.54	100	\$14,054.00	2.0%	3/27/2013	\$ 105.54	33.16%	4.32%
	Fresenius Medical Care	FMS	0.94	\$ 36.83	400	\$14,732.00	2.1%	3/4/2019	\$ 38.61	-4.61%	-5.54%
	UBS Group	UBS	1.29	\$ 12.58	1200	\$15,096.00	2.1%	12/6/2018	\$ 13.60	-7.50%	-7.04%
	Alibaba	BABA	1.01	\$ 212.10	100	\$21,210.00	3.0%	12/16/2019	\$ 203.43	4.26%	176.09%
	iShares MSCI China	MCHI	0.80	\$ 64.09	200	\$12,818.00	1.8%	10/25/2017	\$ 65.23	-1.75%	-0.60%
Other	New Residential Investment Corp	NRZ	1.40	\$ 16.11	600	\$9,666.00	1.4%	5/4/2017	\$ 16.67	-3.34%	-1.27%
	Five Star Senior Living Inc	FVE	1.24	\$ 3.71	60	\$506.40	0.1%	12/31/2019		NA	NA
	Senior Housing REIT	SNH		\$ 8.44	900	\$7,596.00	1.1%	5/5/2016	\$ 18.10	-53.38%	-18.83%
	Pebblebrook Hotel Trust	PEB	1.46	\$ 26.81	196	\$5,254.76	0.7%	12/3/2018	\$ 31.53	-14.97%	-13.98%
	Blackstone Group LP	BX	2.26	\$ 55.94	300	\$16,782.00	2.4%	11/19/2018	\$ 32.35	72.92%	63.42%
FIXED INCOME											
	Company / Title	Tkr		Current Price	Shares	Current value	Percent of Portfolio	Purchase Date	Purchase Price	Unrealized G/L To-Date	Annualized G/L To-Date
Funds	Vanguard Intermediate-Term Corp Bond	VCIT	1.03	\$ 91.33	300	\$27,399.00	3.9%	5/10/2016	\$ 87.87	3.94%	1.07%
	S&P US PFD stock Index	PFF	1.25	\$ 37.59	262	\$9,848.58	1.4%	5/4/2011	\$ 40.66	-7.55%	-0.90%
CASH											
						Current value	Percent of Portfolio				
				\$	1.00	\$47,315.72	6.7%				

ENERGY 2019 YEAR REVIEW

2019 proved to be another challenging year for the energy sector. Driven by oil, this sector underperformed the S&P 500 again for the third year in a row. Slowing global economic growth, international trade disputes, and recent sentiment change towards non-renewable energy are some of the factors supporting this downward pressure on prices as this sector finds stability after a volatile 2018.

For the first time on record, the United States posted its first full month as a net exporter of crude and petroleum products driven by a significant growth in shale oil production. This has caused the Organization of Petroleum Exporting Countries (OPEC) to take a more proactive stance as they attempt to buoy prices via production cuts. These actions paired with the lack of lasting implications from previous years' problems have allowed oil prices to stabilize, but, going forward, we expect that weaker oil demand will continue to challenge our holdings in this segment.

Despite falling natural gas prices, production remains steady which has benefited our holding in this segment, Atmos Energy Corp (ATO), due to the fact that ATO is primarily in distribution /transportation rather than in drilling and procurement. We will continue to monitor this holding closely to see if the overall industry will face similar troubles as oil has going forward.

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 2019 YEAR REVIEW

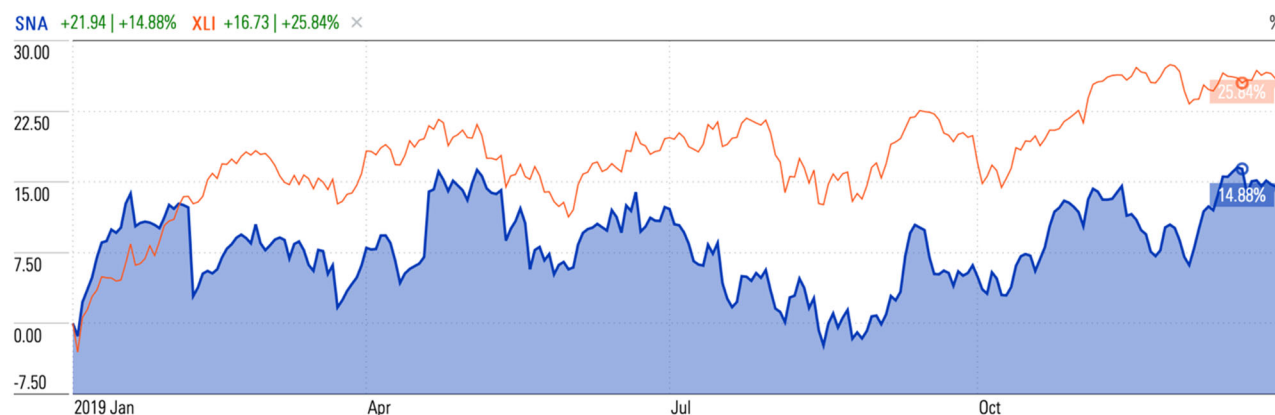
The Industrial Sector includes companies who specialize in manufacturing industries such as aerospace and defense, construction, building products, metal fabrication, and industrial machinery. The industrial sector is most sensitive to business cycle fluctuations and has high exposure to the cyclical nature of the economy. One of the biggest drivers for the industrial sector this year was the continuing of the trade war between China and the United States. Continuing trade talks ultimately continued to cause uncertainty with the impacts that tariffs could have on trade flows. This resulted in high volatility through the year, but with overall positive outlooks and reaching a phase one trade deal with China, it resulted in overall positive return for the sector. For the Industrial Select Sector SPDR ETF XLI we saw a 25.84% return and a 14.88% return for our one industrial holding Snap-On Incorporated (SNA). With Snap-On's growth in net profits, earnings, and cashflow in 2019, they saw favorable returns, and this was reflected in a dividend hike of 13.7%. The Davis Investment Group holds 2.3% of its portfolio in the industrial sector and has a target allocation rate of 7%. With concerns of economic slowdown and trade war issues, our under allocation was in line with overall sector uncertainty.

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. Snap-On's shares increased by 14.88% in 2019 and produced an EPS of \$12.41, which is up 4.55% from 2018.

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 2019 YEAR REVIEW

2019 was a strong year for technology and our portfolio saw significant growth from our tech holdings. For the year of 2019, the S&P's main contributor for their 30% return was the technology sector. New advancements in technology and the widespread growth in cloud computing were key drivers for the technology sectors growth, and our holdings reflect this. Our holdings (MFST, INTC, IBM, ORCL, AVT) each had growth of above 16%, with MSFT leading the charge at 55.95% growth. Microsoft had a huge year with their advancement in cloud computing capabilities and receiving the JEDI contract, a \$10 billion cloud computing contract with the Department of Defense that allows Microsoft to transform the US military's cloud computing systems. Additionally, Microsoft generates revenue year-to-year through their OS, Office Suite, subscription services and Xbox. AVT had the lowest growth at 16.05% due to a diminishing demand for electronic components. Technology as a whole steadily grew 29.65% as reflected by the XLK ETF.

HOLDINGS

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.

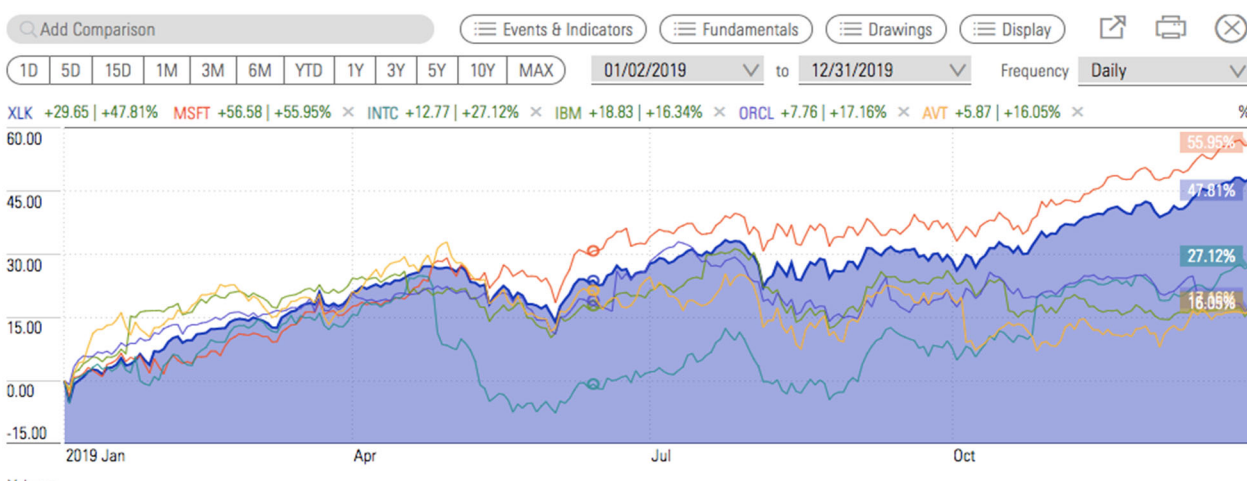
Intel Corp. (INTC): INTC is an American multinational company that produces semiconductor chips, microprocessors and processors found in many PC's.

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

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

BENCHMARK

Technology SPDR ETF (XLK): XLK tracks an index of S&P 500 technology stocks.



CONSUMER STAPLES 2018 YEAR REVIEW

The Consumer staples sector is made up of holding that are less sensitive to the economic cycle. Consumer staples tends to outperform in the late and recession cycle. This sector includes business that manufacturers and distributors, these companies include product like tobacco, food, personal products, and household goods. These items tend to be necessities for people even during hard economic times, and for this reason it is consider non-cyclical and tend to do well during these time periods.

Consumer staples losses can still be large during the late economic cycle, during the last two recession XLP dropped 11.4% compared to the SPY which has dropped more than 38%. Walmart has risen 42.4% on average during the past five recession, which is the 4th largest holding of XLP. XLP – holds slightly conservative stocks of consumer staples firm. Because XLP pulls their stock form the S&P 500, XLP tend to follow it. Nearly all the consumer staples ETF is large cap.

The fund outperformed the S7P 500 by .13% as of October 2019, annual total return for 2019 was 27.44. 2019 would be the ninth year of a continuous bull market. Consumer staples (XLP) had an outflow of 41.0 million-dollar outflows, which is .3% decrease week over week as of December 2019. The 52 weeks range low 48.33 and high was 63.28 per share. At the end of 2019 the market showed signs of late business cycle, XLP showed a moderately healthy growth which could have been interpreted as a sign of a slowdown.

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.

Mondelez International Inc (MDLZ): Mondelez is a food and beverages including brands like Oreo.

Procter & Gamble CO (PG): PG is a consumer goods corp. Consumer goods include products that include personal, household, and family products.

BENCHMARK

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



HEALTHCARE 2019 YEAR REVIEW

The Healthcare sector within the Davis Group encompasses two main industry groups. The first includes companies who manufacture health care equipment and supplies or provide health care related services. The second regroups companies primarily involved in the research development, production and marketing of pharmaceuticals and biotechnology products. There has been an increase in medical attention following the ongoing threat of Coronavirus which has growth and advancements in the healthcare sector. Presently, the Coronavirus has developed more attention in the healthcare sector leading to short term growth. However, the future implications depend on the intensity of the virus. The Healthcare sector remains flush with cash, increasing the possibility of higher dividend payments, share-enhancing buybacks, and mergers and acquisitions. On the other hand, healthcare reform has become a focus in the 2020 elections, prompting volatility to increase.

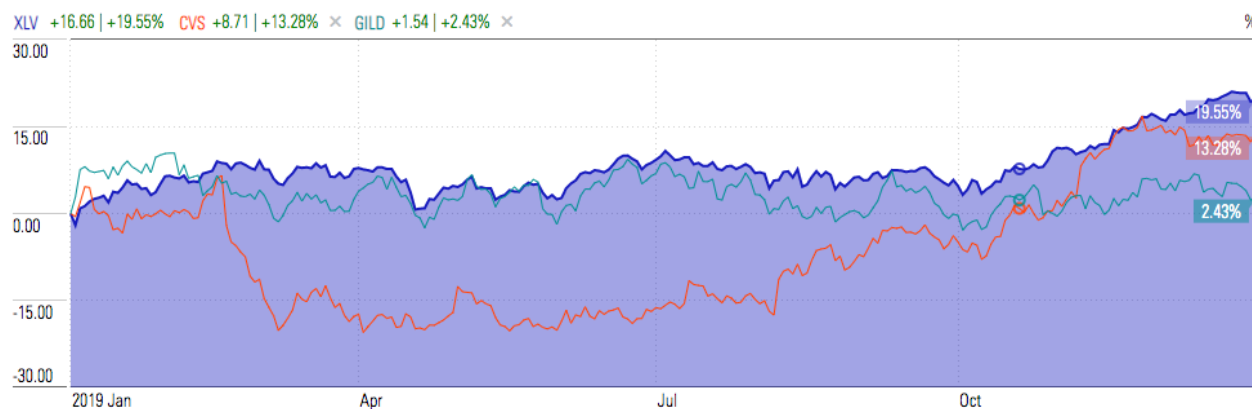
HOLDINGS

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.

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 2019 YEAR REVIEW

The Utilities sector is considered defensive because consumers need heat, water and electricity during all phases of the business cycle. The utilities sector generally pays higher dividends as well, since there are rarely extreme changes in the stock prices. The exception is within alternative energy companies. Solar and wind companies are making significant developments, making the alternative energy sources more viable. These alternative energy companies often act closer to the way a tech firm would, rather than a traditional utilities company.

Utilities was one of the worst performing sectors in 2019; only beating out materials, healthcare and energy. However, at 26.4% return on the sector it was still an excellent year.

In 2019, all of our utility holdings underperformed our benchmark. Our benchmark (XLU), returned 24.27%, Ameren returned 20.58%, Duke returned 7.72%, and UGI returned -14.65%. Compared to 2018, UGI went from our top performer to our worst. This is because of how closely it tracks with Nat gas futures prices. In 2018 Nat gas prices doubled after a cold weather scare. In 2019 Nat gas prices fell because of a warmer than normal climate.

HOLDINGS

Ameren Corporation (AEE): Ameren is a utility holding company, with subsidiaries in electrical distribution and Nat gas distribution. Their market capitalization at the end of 2019 was approximately 21 Billion Dollars.

UGI Corporation (UGI): UGI Corporations is a Nat gas distributor in Pennsylvania. In 2019 the shares underperformed, which they claim is due to climate change reducing the amount of heat consumers use. Legally, gas suppliers are not allowed to mark up their prices. Therefore, the stock price of UGI is positively correlated with the price of Nat gas futures.

Duke Energy Corporation (DUK): Duke Energy is a utility holding company with subsidiaries in electricity distribution, Nat gas distribution, electrical infrastructure and Nat gas infrastructure. Duke also works with solar and wind renewable energy sources.

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.



BASIC MATERIALS 2019 YEAR REVIEW

The Basic Materials sector consists of companies engaged in the extraction and primary refinement of chemicals, metals, construction materials, forest, wood, paper products, and packaging products. Within the S&P 500, basic materials stocks make up only about 3.5% of the total market capitalization, making it one of the smallest sectors of the U.S. large-cap stock market. We witnessed a relatively low level of volatility in the basic materials sector throughout the 2019 calendar year. The results from this sector have been mostly positive as the basic materials sector benchmark XLB had a return of 20.95%.

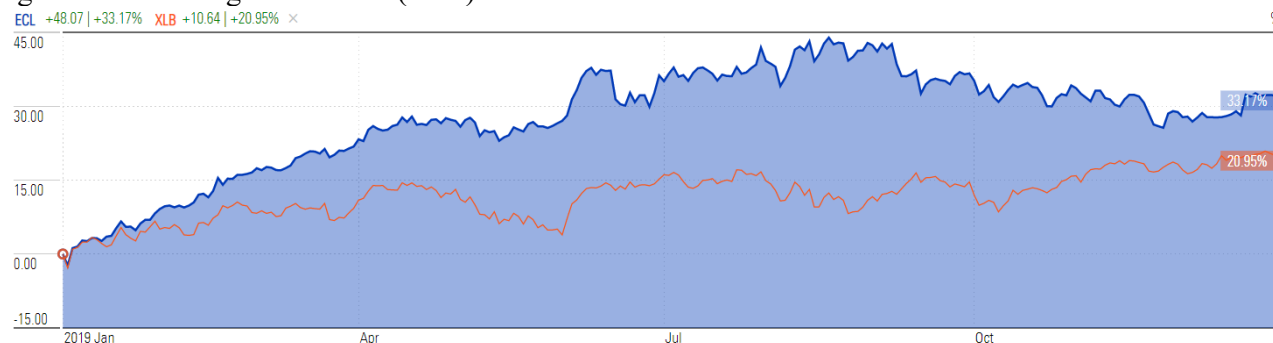
The basic materials sector has seen little action from the Davis Group this past year. We currently only hold shares in one company in this sector, that being Ecolab Inc. (ECL). Throughout 2019, we held onto all 100 shares of Ecolab Inc. (ECL), which we have owned for the last six years. Ecolab has proven to be a fundamentally sound equity with growing revenues, a profitable outlook, and fundamental ratios that indicate value in the future holding of this company. Ecolab outperformed its benchmark ETF (XLB) and is expected to continue growing going into 2020 as a leading company in the industry. The company issued a dividend amount in the most recent quarter valued at \$0.47 a share. Morningstar currently states the company is overvalued, so our analysts will monitor this holding carefully; however, 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. The firm is the global share leader in this category with a wide array of products and services, including dish and laundry washing systems, pest control, infection control products, and kitchen equipment repair services.

BENCHMARK

Materials Select Sector SPDR ETF (XLB): XLB is an ETF comprised of companies involved in the materials sector such as Linde plc, Air Products and Chemicals, Inc., Ecolab Inc., and Newmont Corporation. This index acts as a great benchmark for the basic materials sector and against our holding Ecolab Inc. (ECL).



CONSUMER DISCRETIONARY 2019 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.

2019 was a year of growth, as the S + P 500 showed impressive growth despite trade-war tensions, inverted yield curves, and future FED policy. The consumer discretionary sector performed well alongside the rest of the market. Lowe's came in right around, but nearly under the S + P 500 year return at 29.79%, while Nike and Walt Disney both outpaced the S + P 500, with returns of 36.79% and 32.72%, respectively. Both new holdings, Nike and Walt Disney performed impressively in comparison with the sector benchmark XLY, which brought a return of 25.72%. The overall outlook for American consumer spending in 2020 seems to be strong as unemployment rates reach all-time lows. However, economic uncertainty will surely stagger the sector's growth as we wait for the outcome of trade-war talks and the inverted yield curve, which has been known to signal upcoming recessions. We expect a softening in the sector due to these economic uncertainties and the upcoming political election.

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.

Nike Inc B (NKE): Nike is the largest athletic footwear brand in all major categories and in all major markets, dominates categories like running and basketball. Nike faces significant competition but has proved over a long period that it can maintain share and pricing. We added Nike to our portfolio 10/11/2019.

The Walt Disney Company (DIS): The Walt Disney Company, together with its subsidiaries, is a diversified worldwide entertainment company with operations in four business segments: Media Networks, Parks and Resorts, Studio Entertainment, and Consumer Products & Interactive Media. We added The Walt Disney Company to our portfolio 5/13/2019.

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 2019 YEAR REVIEW

The financial sector is made up of firms and institutions (brokers, financial institutions, and money markets) which provide financial services to commercial and retail customers. Industries include banks, investment funds, insurance companies, brokerages, mortgage finance companies, mortgage REITs. Services provided include loans for businesses, mortgages to homeowners, and insurance to individuals and businesses. Performance behavior is linked to extreme business cycle exposure during peaks and troughs. In addition, the financial market experienced four selloffs throughout 2019. Sell-offs occurred in January, March, May, July-August, and September. The December 2018 sell-off extended into January. US BLS data disappointed estimates with low job growth. Visa underperformed. March selloffs saw treasuries outperforming equities, showing signs of global GDP contraction. The Yield curve inverted for the first time since June 2007. Financial and material shares led Friday's decline. Visa beat XLF benchmark. May sell-offs have resulted after China struck US-based goods with heightened tariffs. US-China trade tensions continued into July and August, causing another selloff. The XLF underperformed in September due to the September effect, the month stocks underperform. However, there exist no strong correlation between the September effect and world events. Visa continued to outperform the XLF.

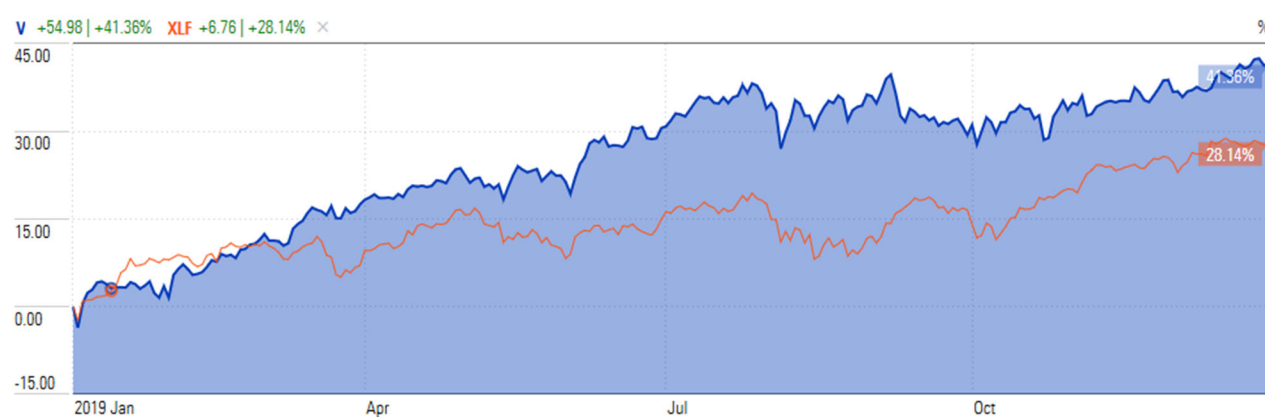
While the XLF performed poorly during specific sell-off periods, Visa maintained an upward trend. We will maintain our holding on Visa, given an upward trend for electronic payment processing systems. The fintech industry has disrupted financial services, changing the way financial institutions provide services and conduct processes for their clients. We expect innovation within this industry to continue for some years ahead.

HOLDINGS

Visa Inc. (V): Visa is a global e-payment processing company which uses innovative technologies and products to improve automation of financial services and processes. The firm is a global leader in providing customers and businesses a convenient payment experience.

BENCHMARK

Financial Select Sector SPDR Fund (XLF): The Financial Select Sector SPDR Fund is a US-based ETF which monitors the overall performance of large-cap financial stocks of the S&P 500.



INTERNATIONAL 2019 YEAR REVIEW

The international markets sector is comprised of companies based outside of the US. Our holdings in 2019 included Alibaba, Toyota, and iShares MSCI China for Emerging Markets; Fresenius Medical Care and UBS Group for Developed Markets. Our most recent addition was 100 shares of Alibaba on the 16th of December 2019 and 400 shares of Fresenius Medical Care on 4th of March 2019. We dropped the MSCI Europe due to the uncertainty of Brexit to reduce the risk exposure. The Trade War has been mitigated after multiple negotiations and small agreements in 2019. Although it underperformed its benchmark iShares MSCI ACWI ETF (ACWI) by 1.09%, compared to last year's difference of 9.92%, MCHI caught up rapidly. China is aiming to transform from a manufacture country to technology country. As a result, Government has a tend to stabilize market to raise fund for the transformation. China found Sci-Tech innovation board (Also called Star Board) this year. Alibaba (BABA) was recently added into our holding. It is one of the largest capitals in China. It has been performed well in 2019 by beating benchmark, ACWI, by 31.6%. During our holding period 12/16/2019-12/31-2019, it has been beating the benchmark by 3.04%. Toyota (TM) has encountered the difficulty of keeping its growth. Due to the attention to new energy car company, for example, Tesla, traditional ones are facing barrier to make another innovational breakthrough other than following what Tesla do. As a result, it underperformed ACWI by 2.7%. On the developed market aspect, due to the high risk of Brexit, iShares MSCI Europe has been removed from our holdings. The overall Europe is experiencing recession mood. Fresenius Medical Care (FMS) underperformed ACWI by 10.52% and UBS Group (UBS) underperformed by 23.32%. Part of the cause is the overall recession mood of Europe. For FMS, they are facing the economy slump in Germany as well as the health insurance policy in US. They could decline substantially from employer-based insurance. However, there could be a good opportunity for them, if increasing at-home treatment rates can increase the demand for the company's system. When the overall economy is downturn, companies like UBS are major victims. As a result, they will be entering an extremely struggling time if the recession happens.

HOLDINGS

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

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 and the Corolla.

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

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.



FIXED INCOME 2018 YEAR REVIEW

2019 was a year full of unknowns, paired with talks of trade wars, the beginning scares of the corona virus, and political unrest continuance in the middle east. Outside of these factors, 2019 was a strong year for the fixed income sector, and our portfolio saw significant growth from our private equity fund and Trust holdings. For the year of 2019, the fixed income sector saw some volatility. The FED lowered the target interest rate range three times. Along with this, short-term rates fell while intermediate & long-term rates increased. Long term outperformed the short term in both the Government and Corporate sectors. The global and emerging markets saw positive returns, beating expectations given global unrest currently.

HOLDINGS

Vanguard Intermediate-term Corporate Bond (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.

S&P US PFD stock Index (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

New Residential Investment Corp (NRZ) - NRZ is a REIT that revolves around residential real estate by managing residential securities and loans, and mediating consumer mortgage service rights.

Blackstone Group LP (Private Equity) (BX) - The Blackstone Group is large-scale asset management company with a diverse portfolio including real estate, private equity, hedge fund solutions, and credit.

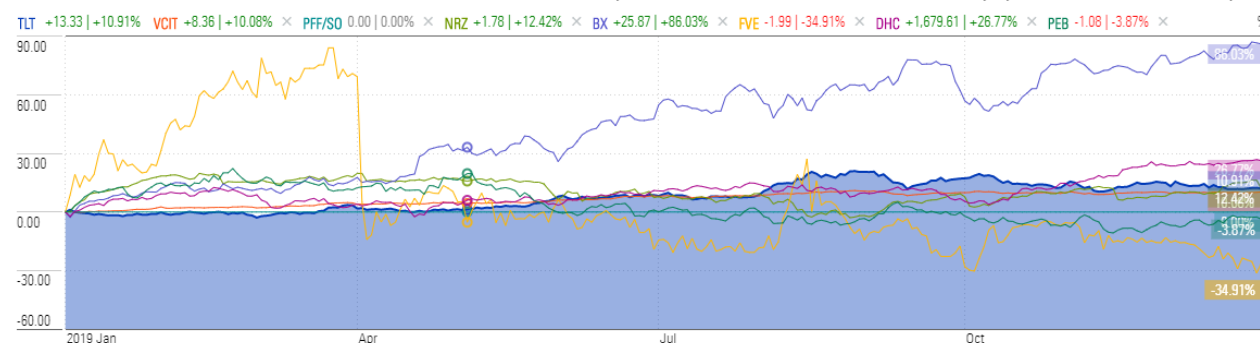
Five Star Senior Living Inc (FVE) – Five star living Inc. is a national senior living communities and services provider offering independent living, assistance living, memory care, etc. with the growing elderly population, they are a strong security within our portfolio.

Diversified Healthcare Trust (DHC) - DHC is focused on the diverse spectrum of health care services, while holding over an \$8.6 billion dollar investment portfolio. They are a healthcare Real estate Investment trust, or REit which owns office buildings, leased to medical providers for medical practice and other related business.

Pebblebrook Hotel Trust (PEB) - Pebblebrook is a REIT focused on independent hotel properties that are in luxury destinations and business sectors.

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 DAVIS GROUP

The 2019 Davis Group Members

JACOB STAGGE – PORTFOLIO MANAGER

Jacob Stagge is a graduating senior from Twin Falls, Idaho studying finance and accounting. He has been a Davis group member for four consecutive semesters while being on the executive team for two of those semesters. Jacob describes his experience as Portfolio Manager for the group as the most impactful role he's had at the University of Idaho, both academically and personally. Outside of the Davis group, Jacob spends his time working at the local Ace hardware or enjoying the Pacific Northwest with his friends. He plans on pursuing a career in portfolio management in Seattle or Portland after attaining necessary experience and licensing.

CHAD ROBERTSON – PORTFOLIO MANAGER

Chad Robertson is a senior at the University of Idaho pursuing majors in Finance and Economics. Chad joined the Davis Investment Group during his freshman year in 2016, and has served as an analyst, Sector Coordinator, Junior Portfolio Manager, and finally as the Portfolio Manager his senior year. Chad has previously been involved with the Economics Club and Vandal Solutions, and he also serves as a Portfolio Manager for the Barker Capital Management Group as well as sits on the Dean Student Advisory Board. Chad will graduate with a Trading and Capital Management Certificate as well as the Commodity Risk Management certificate, and upon graduation he will begin employment with Columbia Grain as a Grain Merchandiser. Along with a strong passion for the markets, Chad also enjoys hanging out with his brothers in Sigma Chi, real estate investing, following sports, and anything involving the outdoors.

MCKENZIE KENNEDY – PORTFOLIO MANAGER

McKenzie Kennedy is a senior at the University of Idaho studying Finance and Accounting. She joined the Davis Student Investment Group in Fall of 2019 and was promoted to Junior Portfolio Manager for Spring 2020. She covered the Consumer Discretionary sector as an analyst and currently works as a sector coordinator for the Defensive Sector. She looks forward to working in the Davis Student Investment Group throughout her graduate school in the Master of Accountancy program. After graduation, she plans to attend graduate school while working towards her J.D. at the University of Idaho. Her ultimate career goal is to get her CPA, J.D., and LL.M. and then practice as a tax attorney in her own law firm. In her free time, McKenzie enjoys working as a manager at the University of Idaho Swim Center, riding ATVs, playing tennis, skiing, and barbequing with friends.

REILLY DAHLQUIST – PORTFOLIO MANAGER

Reilly Dahlquist is a sophomore at the University of Idaho double majoring in finance and economics. He became a member of the group in the fall of 2019 and currently serves as junior portfolio manager and our consumer discretionary sector analyst. Outside of the Davis group, Reilly is an active member of his fraternity where he currently serves as chapter president as well as an ASUI student senator for the university. His passion for finance has also led him to become an active member in the Barker Capital Management Group where he can continue exploring topics in finance analysis. When not in school, Reilly enjoys traveling, backpacking, and skiing.

THE DAVIS GROUP

GLADYS HERNANDEZ

Gladys Hernandez is a senior at the University of Idaho from Nampa Idaho, pursuing a career in Finance. Graduating Fall of 2020 with the Trading & Capital Management certificate. Gladys joined the Davis Investment Group in her junior year in 2019, she is currently serving as a sector analyst. She is also a member of the Barker Capital Management Groups and has an individual funded account where she is gaining real-world experience. She is currently developing her own trading style by executing trades and developing risk management strategies. Gladys will be being interning for CME group over the summer, as an Agriculture BLM intern.

JOSEPH BRUEHER

Joseph Brueher is a junior at the University of Idaho majoring in Finance, Accounting, and Spanish. He recently joined the Davis Investment Group in the Spring semester of 2020 and has focused his market analysis on the basic materials sector for the group. During his time at the university he has been actively involved in his fraternity serving as the Chapter President as well as the Interfraternity Council serving as the IFC President. He will be studying abroad in Spain this summer and graduating in May 2021. Outside of school he enjoys playing basketball, skiing, and spending time with his family and friends.

KONNER DELEON

Konner DeLeon is a sophomore at the University of Idaho majoring in Finance and Business Economics-Financial Economics. He joined the Davis Investment Group in the Fall Semester of 2019 and became the analyst for Industrials in the Sensitive Sector. He plans on graduating in May of 2022. While at the University of Idaho he has been actively involved in his fraternity serving as the philanthropy chair and academics chair. Outside of school he enjoys spending time with his friends and family, going to the gym, skiing, and participating in intramurals.

MICHAEL SODEKE

Michael Sodeke is a junior at the University of Idaho studying Applied Mathematics (scientific modeling and computation). He was accepted into the Davis Group in Fall 2019 and served as sector analyst in spring 2020. He plans to work his way up to portfolio manager. During his time at the University of Idaho, Michael has been an active scholar: currently he participates in the Data Science Club and hangs out with Cyber Defense Club members in his computer science and math classes. After fall graduation next year, he plans to work for Citadel Securities as a software engineer. Given his interest and curiosity in finance, mathematics, and computer science, he plans to incorporate these skillsets on the job. As he improves in these areas, he plans to work his way up to a Quant working for either market-making firms like, 2-sigma, QMA, Citadel Securities, or working for investment banks like, JPMorgan, Nomura, or Goldman Sachs. The road is steep, but Michael is driven by curiosity; and that curiosity alone is enough to increase his dedication and make sure he reaches his goals.

THE DAVIS GROUP

ROSHAWN WALTERS

Roshawn Walters is a Senior at the University of Idaho, in the College of Business. He is currently studying Finance and Accounting. Roshawn joined the Davis Investment Group the Fall semester of his Senior year. Roshawn hobbies include market analysis, following sports, participating in friendly sports competition, and exploring the outdoors with his dog. Roshawn is a member of Beta Theta Pi and has enjoyed his time with his brothers. Roshawn is currently pursuing a career in management or financial advising/representation.

RYAN ZIMMERMAN

Ryan Zimmerman is a senior finance major at the University, graduating in May with certificates in Entrepreneurship and Risk Management. He joined the Davis Group in Fall semester 2019 as an analyst for the fixed income sector and is now the sector coordinator for the international sector. He is also the treasurer for the Hydroponics Club, the President of the Business Professionals of America Club, and a member of the Barker Capital Management Group. He will be sitting for his CFA level 1 exam in June 2020. Ryan is also studying vocal and piano performance. Ryan is from Olympia Washington and hopes to find a job in wealth management around the south sound after graduation. He is also interested in graduate school in the future. Specifically, University of Washington's Computational Finance and Risk Management Masters Program.

SEBASTIAN HOUK

Sebastian Houk is a junior at the University of Idaho majoring in finance and minoring in accounting. He joined Davis in the spring of 2020 as an analyst where he tracked the technology sector. While at the University of Idaho, Sebastian served as the Song Chairman and Scholarship Chairman of his fraternity and competes in cycling races with the Vandal Cycling Club. Outside of school, Sebastian enjoys video games, playing guitar, and spending time with friends. After graduation, Sebastian plans to join the United States Marine Corp and fly fixed-wing fighter jets.

SHUDAN HE

Shudan He is a graduate student in University of Idaho with a major in Architecture and minor in Business. She joined Davis Student Investment Group in the Fall of 2019 and became the analysts for Emerging Market in International Sector. Shudan is risk-averse and interested in High-dividend Companies for dividend reinvestment and International Asset Allocation. She likes to travel and learn different disciplines and cultures as design inspirations. Shudan has a goal of having her design studio in 10 years. In order to achieve the goal financially, she started to invest her income in 2017. She is aiming to get her architecture license in 5 years and form her startup in 9 years.

TYLER SIMONSON

Tyler Simonson is a junior at the University of Idaho in the College of Business. He is currently studying Finance and Marketing. Tyler joined the Davis Investment Group the fall semester of his Junior year. Tyler's hobbies include day trading, following sports, and anything involving the great outdoors. Additionally, Tyler is a member of Beta Theta Pi and enjoys being with his brothers. Tyler is pursuing a career in financial advising and or an agent for the NBA.

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Contact Information

Davis Investment Group

875 Perimeter Dr. Moscow, ID

Tel (208) 885-6478

www.uidaho.edu/cbe/enterprises/davis-investment-group

