Davenport Asset Management®

Davenport Mutual Funds

Q4
December 31, 2011

Many investors traveled a long way to get nowhere this year. After a number of wild twists and turns, the S&P 500 finished the year about flat. Candidly, this isn't such a bad outcome considering all we've been through (debt ceiling fights, crisis in Europe, a U.S. debt downgrade and renewed fears of recession). The small cap oriented Russell 2000 did worse with a 4.18% decline. Investors clearly favored bigger and better known companies as the world shifted into "risk-off" mode. Foreign stocks performed even more poorly, with the MSCI EAFE Index slipping 14.82% and the MSCI Emerging Markets Index declining 18.17%. Apparently, some investors are putting on their ruby slippers.

Although it was clearly a frustrating year, our funds performed relatively well. All three funds finished the year in positive territory and two of the three nicely outperformed their respective benchmarks. We are pleased to have hung in relatively well during a year when "smart money" was generally humbled. In the end, our vanilla approach fared better than more exotic strategies.

Europe dominated headlines for much of the year. Many nations in the Eurozone are plagued by excess debt burdens, and concerns about budget crises are spreading from country to country like a virus. Further, the vastly different ideologies and fiscal situations of member nations are making it difficult to find a broad based solution. Bear in mind, Europe's budget woes are not much different from the U.S., but they lack a central monetary authority with the ability to print money. As conditions continue to deteriorate, we suspect leaders will be forced to consider some form of coordinated monetary easing. This will probably be combined with ongoing austerity measures aimed at curbing government spending. We know we're repeating ourselves, but this situation seems destined to persist for a while.

The combination of fiscal restraint and monetary easing is likely to stretch far beyond Europe. In fact, it could be a global phenomenon. There's no doubt that the need to reduce government spending will weigh on the global economy and certain industries will be pinched (defense and health care, for example). It will also make for a very contentious political climate both here and abroad. On the other hand, efforts to lower interest rates should generally be supportive of equity valuations and there are a number of companies that should still be able to grow even in a no growth or slow growth environment. Additionally, some of those same companies are enhancing value at the per share level via more aggressive dividends and share buybacks, and depressed equity valuations suggest lower growth is somewhat discounted.

Meanwhile, domestic economic data points have been relatively encouraging and have provided a crutch to a market bombarded by global macro concerns. Recently, figures on employment, manufacturing, and consumer confidence came in a little better than expected, just as investors began to assume we were slipping into a "double dip" recession. On a related note, "Black Friday" sales increased a much better than expected 6.6% to a record $11.4 billion. Shoppers were clearly in a spending mood despite the media's efforts to alarm them with global economic woes (hopefully they don't watch CNBC). Also, many of the companies we own continue to report improving earnings and are growing even during this challenging time. This is partly a function of owning companies that aren't overly dependent on dramatic economic improvement.

Cynics say it's only a matter of time before domestic conditions start slipping again. We, however, think many domestic-oriented companies are operating near trough levels and are generally attracted to companies with a domestic exposure. Remember, our economy has taken a lot of lumps and many industries are still operating far below peak levels. Therefore, the magnitude of any decline should not rival 2008. Also, many companies have been in a period of repair and conservative behavior for roughly three years. Leaner cost structures and reduced debt burdens should help us avoid a corporate earnings decline akin to 2008, which followed a period of irrational behavior that left many companies unprepared for a downturn.

Who knows? Perhaps we'll see an ongoing return to "old fashioned" investing. We've already seen a glimpse of this, with boring blue chip companies having handily outperformed fancier corners of the investment world. In our view, companies with clean balance sheets and high dividend yields will continue to attract investor attention. Credit Suisse recently referred to these companies as "the new gold standard", referring to their under-appreciated safety and stability. While shares of such companies started to act better recently on a relative basis, they have been somewhat neglected in recent years as investors were attracted to areas like emerging markets and commodities. We still believe in the global growth story and appreciate companies with global exposure, but think the appeal of these areas could wane somewhat. Much of the emerging market/commodity boom was driven by China, where we think growth could cool. Or, at a minimum, we may see China's growth story shift from infrastructure development to consumer spending, which is less positive for commodities or commodity related companies.

We can also make a case that shares of large domestic companies are somewhat "due". The S&P 500 is basically flat since 1999. The market has experienced many wild gyrations, but this measure of broad market performance has gone nowhere from beginning to end. Twelve years of no returns is a long time by historical standards. Hopefully, this suggests better days are ahead. Slicing it differently, stocks (as measured by the S&P) are below 2000 levels, yet earnings are up nicely (S&P earnings have increased roughly 75% since 2000, according to Bloomberg). With prices down and earnings up, the P/E multiple investors are willing to pay for stocks has clearly compressed. This is a byproduct of rising risk premiums. In other words, investors are assigning more risk to stocks alongside fears surrounding slowing growth, policy missteps, massive budget deficits and instability in Europe. Should leaders start to more constructively address these issues, risk premiums would decline and stocks would be accorded higher valuations. Remember the old saying: "stocks climb a wall of worry".

Fortunately, it's rare for things to be this tumultuous. We'd like to think this period will ultimately prove to have been a great opportunity to be an accumulator of assets, including quality stocks. Perhaps one day we'll see a sustained period of good returns after this prolonged period of stocks being out of favor. In our fund letters, we discuss a few specific themes and ideas that we believe make sense for investors right now. We thank you for your trust and look forward to reporting back to you in a few months.

THE CORE FUND ("FUND") FINISHED THE YEAR ON A strong note, advancing 11.92% during the fourth quarter which slightly outpaced the 11.82% gain for the S&P 500. The Fund finished the year up 1.24%, which modestly lagged the 2.11% increase for the S&P 500. We noted domestic large caps should garner more attention as 2011 began, and while we didn't necessarily like the circumstances, this did indeed come to fruition. Interestingly, the Dow Jones Industrial Average, which is comprised of some of the largest U.S. companies, was up 8.31% during the year, a full 6.2 percentage points ahead of the S&P 500 and 12.5 percentage points ahead of the Russell 2000. Though we always seek to outperform the S&P 500, the Fund's results were respectable during a period in which money managers struggled.

As one might expect from the market's sharp rally during the quarter, cyclical industries such as Consumer Discretionary, Energy, Industrials and Materials yielded many of the Fund's top performers. Standouts in these industries included CarMax, Inc (KMX), Lowe's Companies, Inc. (LOW), Stanley Black & Decker, Inc. (SWK), Albemarle Corporation (ALB) and Exxon Mobil Corporation (XOM). We have recently been balanced between cyclical and defensive stocks. Moreover, we have shifted emphasis toward lighter cyclicals with a more defensive bias. To that end, we elected to sell our position in Caterpillar Inc. (CAT) and establish a position in Union Pacific Corporation (UNP). CAT had been a great stock; however, we were concerned that a slowing infrastructure boom in China could hurt companies tied to construction and commodity extraction. UNP, though clearly cyclical, has a more domestic bias and enjoys strong barriers to entry. Over time, we think this company has the ability to generate strong returns as it takes share from the trucking industry and benefits from domestic tailwinds such as mid-continent shale oil production.

The Financial sector was a notable laggard during the quarter. This allowed us to establish a position in The Charles Schwab Corporation (SCHW). SCHW is a leading provider of investment services direct to the mass affluent channel, with roughly $1.65 trillion in total assets. We have always had high regard for the company's asset gathering abilities and earnings potential, but have never had the opportunity to buy the stock cheaply. While the impact of persistently low interest rates on fees in the company's large money market business may obscure the earnings power of the franchise for some time, the stock was trading at lows not seen since 2009. We thought this was a great opportunity to gain exposure to one of the highest quality franchises in the business with a consistent track record of innovation and adaptability in any market environment. Though we acknowledge it may take some time for the market and or interest rates to go up, we think earnings could potentially exceed $1.50, more than double the 2012 consensus EPS expectation of $0.73.

We have frequently discussed our intent to identify companies that can not only survive a slow growth environment, but create value at the per share level in the face of one. We recently added to two existing positions that we believe can accomplish this. LOW and WellPoint, Inc. (WLP) generate immense amounts of cash and are fervently committed to returning cash to shareholders. Just as we think housing is at a bottom and the company's execution is improving, LOW management has also announced a buyback authorization that represents over 15% of the shares outstanding and has room to go higher. Despite negative headlines surrounding health care reform, WLP's margins have actually been improving. While we wait for covered lives and or revenues to improve, WLP has authorized a share buyback that equates to over 20% of the company's market cap at current levels. Put simply, each business has obvious headwinds but should be able to create value in a muted growth environment while exhibiting impressive earnings power in the event of a recovery.

In closing, we are encouraged by the Fund's durability in such a choppy year. Though nauseating at times, the market's gyrations allowed us to make some key adjustments. As such, we enter 2012 confident in the attractiveness of large cap equities given their strong balance sheets, resilient earnings and the ability to return cash to shareholders.

PERFORMANCE*

For Period Ending	12/31/2011	
	DAVPX	S&P 500
Quarter To Date	11.92	11.82
Year To Date	1.24	2.11
One Year	1.24	2.11
Three Years	13.41	14.11
Five Years	1.21	-0.25
Ten Year	3.90	2.92
Since Inception (1/15/98)	3.94	3.86

Gross Expense Ratio: 1.00%

*Periods greater than one year are annualized.

Past performance is historical and not representative nor a guarantee of future results. Current performance may be lower or higher than the data quoted. Performance current to the most recent month end may be obtained by calling 1-800-281-3217. The investment return and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost.

DAVPX Recent Purchases

New Positions

Charles Schwab Corp (SCHW) is a leading provider of investment services directly to the mass affluent channel and through RIAs and 401K plans. The company controls roughly $1.65 trillion in total client assets, has 8.2 million brokerage accounts, 765,000 banking accounts and 1.5 million retirement plan participants. Though we have always had high regard for the company's asset gathering abilities and earnings potential, we have never had an opportunity to buy the shares as cheaply as we are able to now. Since the beginning of June, the stock has lost nearly a third of its value and currently trades at lows not seen since March of 2009. While uncertain equity markets and a persistent low interest rate environment may obscure the earnings power of the franchise for some time, we think these factors are priced in art current levels. Furthermore, we believe the company will continue to successfully navigate the current environment through innovation, acquisitions and new business wins.

Union Pacific Corporation (UNP) is the largest North American railroad, operating 32,000 miles of track in the western two thirds of the U.S. In general, we are attracted to the domestic rails given strong barriers to entry, improving operating metrics, competitiveness with other modes of transportation (trucks) and overall leverage to a domestic economic recovery. UNP's expansive presence in the western U.S. gives the company meaningful exposure to profitable long haul cargos while it also benefits from strong domestic tailwinds such as agriculture, Powder River basin coal, and mid-western shale oil production. Though clearly cyclical, we note that the business stayed significantly profitable throughout the recent severe economic downturn and should show strong leverage to any cyclical recovery.

Increased Positions

Lowe's Companies, Inc. (LOW) is a high quality retailer, whose strong cash flows and aggressive approach to capital allocation are capable of driving attractive returns in a slow growth environment. With roughly 1,750 stores and 200 million square feet of selling space, LOW is one of North America's leading home improvement retailers. After outperforming its key competitor on a same store sales basis for much of the last decade, LOW has fallen behind in recent years. This, in tandem with general weakness in the home improvement category has led to depressed results and a contraction in the stock's multiple. Though the stock has bounced off its lows, we feel the shares are attractively valued in light of management's intentions to return all free cash flow after dividends to shareholders in the form of stock buybacks. The company's current authorization of $5 billion represents over 15% of the shares outstanding and has significant room to grow given management's goal of $18 billion in repurchases by 2015 (announced in 2010). Though market conditions may remain difficult for some time, we feel the worst of the housing downturn is over, which should allow for some stability, if not improvement, in results moving forward. Assuming this can occur alongside operational improvements (which we do), the shares look very compelling at current levels.

WellPoint, Inc. (WLP) is one of the largest managed care companies in the U.S., operating the Blue Cross & Blue Shield plans in 14 states and covering roughly 34 million medical members in total. Though the stock is trading above where we initiated a position, we point out that our thesis remains intact, and in many cases has strengthened. Since then, margins have improved and share repurchases have exceeded our expectations. As such, EPS estimates have risen substantially and have room to go higher in our opinion.

The recent purchases profiled above represent securities purchased during the quarter. The securities identified and described do not represent all of the securities purchased, sold or recommended for advisory clients and the reader should not assume that investments in the securities identified and discussed were or will be profitable.

Portfolio Sector Weightings*

Sector	Weighting %
Consumer Discretionary	14.4
Consumer Staples	8.5
Energy	11.2
Financials	15.7
Health Care	8.7
Industrials	8.3
Information Technology	21.5
Materials	4.9
Telecom Services	4.5
Utilities	0.0
Cash & Equivalents	2.3

Top Ten Holdings*

Holding	% of Net Assets
Exxon Mobil Corp	2.9
QUALCOMM Inc	2.5
Berkshire Hathaway Inc Cl B	2.5
Lowe's Companies Inc	2.5
International Business Machines Corp	2.5
Apple Inc	2.5
American Tower Corp	2.5
Markel Corp	2.4
Chevron Corp	2.4
CarMax Inc	2.3

**Sector Weightings and Holdings are as of December 31, 2011. They are subject to change on a daily basis.*
***Foreign Holdings*

The Equity Opportunities Fund ("Fund") performed admirably in 2011. For the year, the Fund advanced 5.00% as compared to a 1.55% decline for the Russell Midcap Index and a 2.11% gain for the S&P 500. As another point of reference, the small cap-oriented Russell 2000 declined 4.18% for the year. We are pleased to have delivered solid absolute and relative results in the face of challenging market conditions. Indeed, we have convinced ourselves this was the hardest fought 5% return in the history of investing. Like many managers, we had our fair share of mistakes along the way, but ultimately some of our top holdings allowed us to do better than the broader market.

Generally speaking, shares of companies that executed well were rewarded. O'Reilly Automotive, Inc. (ORLY) is a good example. The company posted consistent growth, beat expectations and used excess cash flow to aggressively repurchase its own stock. Fortunately, the company's defensive business model and the ongoing integration of acquired stores provided growth that wasn't entirely dependent on a robust economic recovery. The stock was nicely rewarded with a 32% gain on the year. Richmond-based NewMarket Corporation (NEU) is another example. This company also exceeded consensus expectations and seems on track to report 20% earnings per share growth for 2011. The shares enjoyed a 63% advance for the year. Here again, return of capital to shareholders was an important theme with the company repurchasing stock and dramatically increasing its dividend. Last but not least, Acacia Research Corporation (ACTG) is worth mentioning. The company, which owns and licenses patent portfolios, continued to sign new customers and acquire more intellectual property. The stock gained roughly 41% and was a top contributor.

In each of the previously mentioned cases, stomach churning volatility tested investors' spirits as we progressed through the year. However, patience paid off when all was said and done. In the end, we made volatility an ally, rather than an enemy. Following price declines, we opportunistically added to each of the aforementioned stocks and a handful of others as we progressed through the year. Most of these moves worked nicely. More recently, we decided to use "good volatility" to lighten up on a few positions that have done well, including both ORLY and NEU. We are still very positive on their growth outlooks and plans to return capital to shareholders, but investors are paying much more of a premium for these stories than they were just a few months ago. The same goes for Watsco, Incorporated (WSO), which had a 30% run in the fourth quarter. We still like this HVAC distributor's growth story (pent up demand for new heating and cooling units), hefty insider ownership and lean operating model, but the valuation by year end was looking full at 20 times projected earnings.

As we take a little money out of some winners, we have been rotating it into some stocks that struggled in 2011 in an effort to enhance the Fund's risk/reward profile. For instance, we recently added a couple new names to the mix. We recently spent time with management of Colfax Corporation (CFX) and are convinced the company's acquisition of Charter PLC will generate substantial synergies. We also think the company will expand Charter's business platforms with additional acquisitions. Hopefully, CFX will be the type of multi-year compounding growth story that should be at the core of this portfolio. More recently, we purchased a new position in SunTrust Banks, Inc. (STI), which represents more of a contrarian situation. STI is one of the largest commercial banks in the U.S. The stock declined sharply last year with a banking sector that struggled under the weight of lower net interest margins, muted loan growth, heightened regulation and fears surrounding Europe. We were able to establish a position near the stock's low for the year and at a sizeable discount to tangible book value. While STI clearly faces some headwinds, this is a very attractive franchise (domestic focus concentrated in the Southeast) that should have earnings power far beyond current levels. The company has been doing an enviable job of growing its loan portfolio, shedding problem assets and addressing its cost structure. We acknowledge that STI carries more business risk than our average position, but the stock seems oversold in our opinion.

We also continue to like Brookfield Asset Management Inc. (BAM). BAM owns hard assets that have substantial barriers to entry, long lives and stable cash flows. Think in terms of hydroelectric power facilities, timber, electric transmission lines, ports, rails and commercial real estate. It also operates an asset management business that invests third party money in similar assets and generates high returns on capital. We have followed this company for a long time and are very familiar with its management team. We believe its intrinsic value increased in 2011 with the timely purchase of some new assets and ongoing momentum in its asset management business, yet the stock was down 16% for the year.

In summary, we are happy to have survived 2011 and feel like the Fund is in good shape for 2012. We are fully invested and reasonably positive on the outlook for domestic stocks as evidenced by our exposure to the U.S. consumer (the Consumer Discretionary sector currently comprises about 25% of the Fund) and recent foray into a U.S. bank. We suspect volatility will continue, but believe we will ultimately be amply paid for the risk we are taking.

Performance

For Period Ending	12/31/2011		
	DEOPX	Russell Midcap	S&P 500
Quarter To Date	12.59	12.31	11.82
Year To Date	5.00	-1.55	2.11
One Year	5.00	-1.55	2.11
Since Inception (12/31/10)	5.00	-1.55	2.11

Gross Expense Ratio: 1.25%

Past performance is historical and not representative nor a guarantee of future results. Current performance may be lower or higher than the data quoted. Performance current to the most recent month end may be obtained by calling 1-800-281-3217. The investment return and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost.

DEOPX Recent Purchases

New Positions

CVR Energy (CVI) is an independent refiner and marketer of petroleum products that also has meaningful exposure to strong fundamentals of global fertilizer demand. The company's refinery assets (includes one refinery in addition to gathering and logistical assets) are attractively positioned in the Mid-Continent U.S., allowing CVI to exploit the wide differential that has arisen from infrastructure deficiencies in the region. While a feedstock advantage of this magnitude will not last forever, the company should generate unprecedented levels of cash over the next few years from its refining operations. Given a net debt free balance sheet and a solid operating outlook for the company's majority-owned fertilizer business, we believe CVI's cash flow profile could support significant stock buybacks and/or a special dividend. As such, we feel the shares are undervalued and that the stock could see upside into the high $30's.

SunTrust Banks, Inc. (STI) is based in Atlanta, GA, and is one of the nation's largest commercial banking organizations, offering a full line of consumer and commercial banking solutions across the Southeast and Mid-Atlantic. We have benefited from being under-exposed to banks, as the group has been out of favor for some time (STI included). With the stock down and sentiment decidedly negative, we believe the shares could be well positioned for a rebound. The risk reward profile appears to be very compelling at current levels given tangible book value of $25.60/share and earnings power north of $2.00 per share.

Increased Positions

Colfax Inc (CFX) is principally a pump manufacturer serving a variety of end markets including commercial marine, oil and gas, power generation, global navies and general industry. The company has a strong global presence with roughly 70% of sales outside of the U.S. The company is in the process of acquiring Charter PLC which operates through two segments. The company's ESAB segment supplies welding and cutting equipment and consumables. The company's Howden segment designs and supplies air and gas handling equipment, particularly for the power generation industry.

The recent purchases profiled above represent securities purchased during the quarter. The reader should not assume that investments in the securities identified and discussed were or will be profitable.

Fund Sector Weightings*

Sector	Weighting %
Consumer Discretionary	24.8
Consumer Staples	2.0
Energy	3.4
Financials	16.0
Health Care	3.6
Industrials	15.1
Information Technology	17.3
Materials	5.4
REITs	2.4
Telecom Services	6.8
Utilities	2.3
Cash & Equivalents	2.7

Top Ten Holdings*

Holding	% of Net Assets
CarMax Inc	4.6
Penn National Gaming Inc	4.5
Lamar Advertising Company	4.1
Markel Corp	3.9
Millicom International Cellular SA**	3.6
Watsco Incorporated	3.6
O'Reilly Automotive Inc	3.5
Colfax Corporation	3.4
Acacia Research Corp	3.3
American Tower Corp	3.2

**Sector Weightings and Holdings are as of December 31, 2011. They are subject to change on a daily basis.*
***Foreign Holdings*

THE VALUE & INCOME FUND ("FUND") ENDED A SOLID YEAR with a strong fourth quarter. The Fund advanced 13.48% during the quarter, and was up 8.00% on a full year basis. While respectable in absolute terms, these figures compare even more favorably to quarterly and annual gains of 12.32% and 2.66%, respectively, for the Lipper Equity Income Index. Expectations for a prolonged low interest rate environment have clearly made dividend paying stocks more attractive to investors; therefore, funds with a dividend focus have performed well. Though we realize our Fund fits squarely into this so called "sweet spot" we are pleased to have clearly outperformed our benchmark.

After proving defensive amid the market's Q3 downturn, we were pleased to see the Fund participate fully as stocks rallied. Cyclical companies such as Watsco, Incorporated (WSO), Royal Dutch Shell PLC (RDSB) and recently purchased The Dow Chemical Company (DOW) were among the Fund's top performers. Philip Morris International Inc. (PM) was also a high flyer during the month as solid results propelled the shares upward. Our Health Care stocks underperformed for both the quarter and the full year. Though our stock selection was solid as we enjoyed 20%+ full year gains out of GlaxoSmithKline PLC (GSK) and Abbott Laboratories (ABT), our underweighting in the sector was a relative drag. Though we understand the attractiveness of the sector given juicy yields, we continue to search for instances where we can get excited about earnings growth as well.

For much of the year, the Fund benefited from a defensive bias; however, as we discussed last quarter, we have begun to find some better bargains in cyclical names. In keeping with this theme, we initiated a position in one of the world's largest integrated forest product companies, Weyerhaeuser Company (WY). Though somewhat contrarian, we believe WY is a "value vehicle" to play an ultimate recovery in housing. Earnings in the company's wood products and homebuilding segments remain severely depressed; however, we believe the stock's valuation fails to consider the immense earnings power of these businesses in the event of even a modest recovery. Furthermore, WY owns some of the most valuable timberlands in the U.S. (6.2 million acres in total); the value of which should keep pace with inflation at a minimum while producing solid income over time. We believe cash flows from this business, in addition to solid results from the company's cellulose fibers operations, should support the dividend, limiting downside while the rest of the business recovers. Ultimately, our sum of the parts analysis suggests upside into the mid $20 range.

Though we have benefited from being light credit sensitive Financials, we recently added to this area by pressing our position in JPMorgan Chase & Co. (JPM). Though we are respectful of the challenges the industry faces, we believe significant weakness across the group created an attractive risk/reward opportunity in quality names such as JPM. It is well managed, nicely profitable, has a strong balance sheet, and looks compellingly cheap on a wide variety of valuation metrics. Furthermore, the company pays a solid dividend that should continue to grow.

During the 4th quarter, we added new positions in BP PLC (BP) and Marathon Petroleum Corp (MPC) in the Energy sector. While each stock is a bit further up the cyclical spectrum, we feel we paid attractive prices for strong franchises that are committed to raising their dividends in years to come. BP has obvious headwinds related to the unknown liability from the Macondo oil spill. Despite this uncertainty, we believe the company has reserved adequately for a wide range of outcomes and that the valuation reflects these challenges. Beyond Macondo, BP has one of the highest quality asset mixes among the major integrateds. Moreover, management has promised to grow cash flow by 50% by 2014 and is firmly committed to raising the dividend, which is currently half of what it was pre-Macondo. MPC is the second largest independent refiner in the U.S. We are attracted to its positioning in the Mid-Continent and Gulf Coast regions of the U.S. due to its versatile asset base access to cheap feedstocks. Given the company's cost advantage and declining capex profile, we believe MPC should see a significant ramp in cash flow in coming years. Management has already increased the dividend 25% since our purchase and has stated that it is committed to being a 'dividend leader' in the industry.

It feels great to have performed so well in such a hard fought year for stocks. Though we believe yield will remain at the top of investors' wish list, we are mindful that ultra low interest rates that have supported income oriented equity strategies could rise one day. As such, we continue to focus on companies that not only have attractive dividends, but can grow earnings and dividends as the economy recovers.

PERFORMANCE

For Period Ending	6/30/2011	
	DVIPX	S&P 500
Quarter To Date	13.48	11.82
Year To Date	8.00	2.11
One Year	8.00	2.11
Since Inception (12/31/10)	8.00	2.11

Gross Expense Ratio: 1.41%

Past performance is historical and not representative nor a guarantee of future results. Current performance may be lower or higher than the data quoted. Performance current to the most recent month end may be obtained by calling 1-800-281-3217. The investment return and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost.

New Positions

BP PLC (BP) is trading at a discount to peer integrated oil companies, largely as a result of implications from the Gulf of Mexico oil spill at BP's Macondo well in April 2010. Despite the ongoing litigation risks associated with the spill, we believe that BP has reached a turning point and now provides an attractive risk/reward profile due to quality high-margin assets that provide ample room for return of cash to shareholders. Management has promised to grow cash flow by 50% by 2014, and is firmly committed to increasing the dividend. Currently yields 3.9%

Eaton Corp (ETN) has diversified its operations to cover an attractive mix of early, mid and late cycle businesses in the electrical, hydraulics, aerospace, trucking and automotive industries over the years. While results are clearly sensitive to cyclical swings, most of ETN's businesses are growing faster than their end markets, reflecting the company's quality product offering and solid execution by management. ETN has a strong balance sheet and generates solid cash flows which should enable the company to reinvest in the business, expand into new geographies and grow the dividend. Since 1983, the company has grown its dividend at a 12% Compound Annual Growth Rate. We expect this to continue as the company targets 20% annual earnings and dividend growth over the next five years. In addition to the aforementioned factors, we note the stock trades at a meaningful discount to peers, setting the stage for significant capital appreciation in addition to dividend growth over the next several years. Currently yields 3.1%.

Marathon Petroleum Corp. (MPC) is the second-largest independent refiner and fifth-largest refiner in the U.S., with 1.1million barrels per day of crude oil refining capacity. MPC operates six refineries in the Mid-Continent and Gulf Coast regions, allowing it to capitalize on the recent dislocation of U.S. regional crude markets versus global seaborne barrels. We believe this ability, in addition to declining capital expenditures, will lead to a period of significant cash flow growth. MPC has a very strong balance sheet which provides upside potential to the dividend. Currently yields 3.0%.

Weyerhauser Company (WY) is one of the world's largest integrated forest products companies, with annual sales of roughly $6.2 billion. The company is structured as a Real Estate Investment Trust (REIT), allowing it to pass through the majority of income generated from harvesting activities in its timberland segment. In total, the company owns 6.2 million acres of timberlands in the Northwestern and Southeastern U.S. The company is one of the largest domestic producers of wood products and among the largest global producers of cellulose fibers. WY also has a homebuilding and real estate arm called WRECO. Currently yields 3.2%.

Increased Positions

JPMorgan Chase & Co (JPM) Concerns surrounding a slowing global economy, instability in Europe, problem assets and a flattening yield curve have caused significant weakness across the financial sector as of late; with banks being hit the hardest. Though we are respectful of the challenges the industry faces, we believe significant weakness across the group has created an attractive risk/reward opportunity in quality names such as JP Morgan. JPM is well managed, nicely profitable, has a strong balance sheet, and looks compellingly cheap on a wide variety of valuation metrics. Furthermore, the company pays a solid dividend (yields about 3.0%) that should continue to grow. Currently yields 3.0%.

The recent purchases profiled above represent securities purchased during the quarter. The securities identified and described do not represent all of the securities purchased, sold or recommended for advisory clients and the reader should not assume that investments in the securities identified and discussed were or will be profitable.

Portfolio Sector Weightings*

Sector	Weighting %
Consumer Discretionary	7.1
Consumer Staples	18.2
Energy	15.9
Financials	11.2
Health Care	7.9
Industrials	14.8
Information Technology	6.0
Materials	3.6
REITs	4.0
Telecom Services	3.5
Utilities	3.0
Cash & Equivalents	2.9

Top Ten Holdings*

Holding	% of Net Assets
Royal Dutch Shell PLC**	3.0
Watsco Incorporated	2.7
Tortoise Energy Infrastructure Corp**	2.7
GlaxoSmithKline PLC**	2.6
Philip Morris International Inc	2.5
Altria Group Inc	2.5
Chevron Corp	2.5
Fidelity National Financial Inc	2.4
The Travelers Companies Inc	2.4
Wells Fargo & Co	2.3

**Sector Weightings and Holdings are as of December 31, 2011. They are subject to change on a daily basis.*
***Foreign Holdings*

Disclosures: Any opinions expressed here are statements of judgment on this date and are subject to future change without notice. This information may contain forward looking predictions that are subject to certain risks and uncertainties which could cause actual results to differ materially from those currently anticipated or projected. The information contained herein has been compiled from sources believed to be reliable; however, there is no guarantee of its accuracy or completeness. There is no guarantee that a company will continue to pay dividends. The investment return and principal value of an investment will fluctuate. An investor's shares when redeemed, may be worth more or less than their original cost. Small and mid cap company stocks may be more volatile than stocks of larger, more established companies. The portfolio may invest in foreign securities which are subject to additional risks such as currency fluctuations, political instability, differing financial standards and the potential for illiquid markets.
Past performance is no guarantee of future results.
The **S&P 500 Index** is comprised of 500 U.S. stocks and is an indicator of the performance of the overall U.S. stock market. The **Russell 2000 Index** measures the performance of the 2000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market. The **Lipper Equity Income Fund Index** is an unmanaged index of the 30 largest funds, based on total year-end net asset value, in the Lipper Equity Income Fund Index. An investor cannot invest in these indices and its returns are not indicative of the performance of any specific investment. There is no guarantee that a company will continue paying dividends. The **Russell Midcap Index** measures the performance of the 800 smallest companies in the Russell 1000, which represent approximately 25% of the total market capitalization of the Russell 1000. The **MSCI EAFE (Europe, Australasia, Far East) Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the U.S. & Canada. The **MSCI EM (Emerging Markets) Index** is a capitalization-weighted index of stocks from 26 emerging markets that only includes issues that may be traded by foreign investors. The reported returns reflect equities priced in U.S. dollars and do not include the effects of reinvested dividends. The **Dow Jones Industrial Average** is an unmanaged price-weighted average based on the "price only" performance of 30 blue chip stocks. **An investor cannot invest in these indices and their returns are not indicative of the performance of any specific investment.**

Too much mail? Enroll in Davenport Online and opt out of receiving paper documents.
View statements, trade confirms and other notices online.
Easy to enroll: Visit our website www.investdavenport.com,
or call your Investment Executive for more information.

Davenport & Company LLC
One James Center
901 East Cary Street
Richmond, VA 23219

Member: NYSE • FINRA • SIPC

Toll Free: (800) 846-6666
www.investdavenport.com

Davenport & Company
SINCE 1863

PRESORTED
FIRST-CLASS MAIL
U.S.POSTAGE
PAID
RICHMOND, VA
PERMIT NO. 929