Davenport Asset Management®

Davenport Mutual Funds

Q2

June 30, 2012

THE SECOND QUARTER BROUGHT CHOPPY WATERS FOR EQUITY INVESTORS. Following a tremendous first quarter, the S&P 500 and Russell 2000 declined 2.75% and 3.47%, respectively. Sovereign debt woes were front and center and investors were spooked by signs that U.S. economic momentum is stalling. Furthermore, Facebook's botched IPO did little to bolster investor confidence. The old adage "sell in May and go away" seemed too obvious to be true, but indeed took hold for the third straight year. We expected a setback was likely following sizeable gains to start the year; still, we have been a bit caught off guard by the magnitude and velocity of the pullback. Fortunately, stocks have still been relatively good to us in 2012, as evidenced by a year-to-date gain of 9.49% for the S&P through quarter end and solid performance from each of our funds.

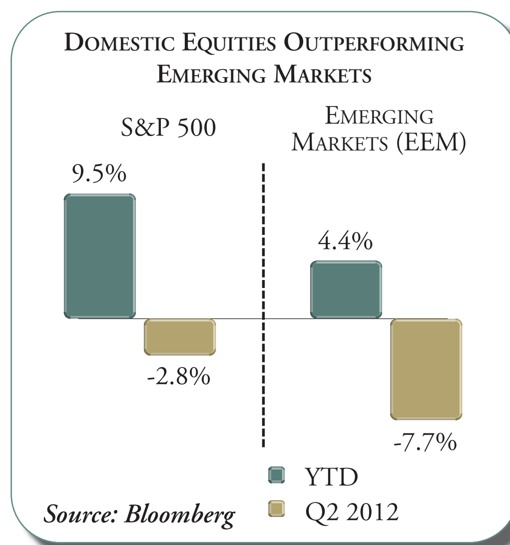
Europe is front and center once again. Country leaders, all with differing interests, are still struggling to find an answer for the region's debt crisis, and investors fear the woes of troubled countries like Greece could infect other nations if not "ring-fenced". Ultimately, this situation may require a coordinated global response in order to prevent a worldwide slowdown. We've also seen clear evidence that emerging markets, such as China, are slowing. With the MSCI Emerging Markets Index off 8.77% for the quarter, these markets have clearly underperformed. To that end, our emphasis on domestic stocks has generally been a good thing. Although our economy has recently shown signs of strain (namely weaker employment growth), we still like the U.S. story. Corporate balance sheets are in fantastic shape, the banking system is on solid footing, housing demand appears to have bottomed, and consumer credit has room to expand. Now, we need a quick shot of confidence to get people borrowing and spending. A departure from gridlock and squabbling in Washington D.C. would certainly help.

As you can imagine, current events are weighing on investor sentiment. We've been around numerous fund managers recently and many seem to feel either hopeless or indifferent. With market predictability appearing to be at an all time low, many are managing money with a very short-term bias, and almost seem to think active management (i.e. picking stocks) doesn't matter anymore. Not surprisingly, risk premiums have shot up and investors are willing to tolerate a 10-year Treasury yield of 1.6% if it means staying out of harm's way. We read the same headlines as everyone else and admit we are very uncomfortable with much of what we see. We don't have answers to the world's problems; we simply emphasize good companies and try to remain patient. While we may not have an "information edge", we are hopeful that, over time, we have an "approach edge" that manifests itself in the form of superior long-term returns.

There are a couple of themes that excite us. For one, energy costs have been declining and could remain subdued for a while. After almost 40 years of production declines, the U.S. is entering a phase of significant growth in oil production. Such growth is mainly a byproduct of new drilling technologies that allow extraction of previously unrecoverable oil reserves. This incremental supply, coupled with relatively tepid growth in global demand, could pressure oil prices over time, in the absence of any geopolitical strife. Moreover, we have massive supplies of natural gas and a society that has generally become more fuel efficient. With this backdrop, we have reduced exposure to energy stocks in recent months and have been underweighted in the sector. This has served us well, given significant declines in energy stocks. While energy stocks could bounce as the "risk-off" trade unwinds, we think lower oil prices could remain a headwind for the group. Conversely, lower energy costs would benefit companies with oil-based input costs and would represent the equivalent of a tax cut for U.S. consumers. As you will read in our fund letters, we have a number of holdings that could stand to benefit.

In terms of the bigger picture, we also don't expect commodity stocks in general to repeat the performance of the prior decade. Looking into the past, one could observe that each recent decade seems to have had its own theme; the 1970s: inflation/gold, the 1980s: Japanese equities, the 1990s: tech mania, and the 2000s: emerging markets and commodities. These mega themes came to abrupt ends and the associated investments underperformed quite substantially in following years. Now, some believe commodities are following this pattern. We aren't making a bold "anti-commodity" call, but we do not expect the group to provide the leadership it once did.

The return of cash to shareholders represents another significant theme. Such activity reflects not only cash rich balance sheets, but also a more shareholder friendly attitude among corporate leaders. This year, dividends for the S&P 500 are up roughly 11% and over 180 S&P constituents have raised their dividends. With dividend payout ratios still below historical norms, there is room for further increases. Buyback activity has also remained brisk, following a surge in 2011. As we have noted in the past, good companies can create shareholder value even in a low growth environment by intelligently allocating capital. This has been particularly evident among large cap bellwethers. Take Wal-Mart (WMT) for example.



While many stocks have whipsawed investors this year, WMT has managed a 18.2% gain. This was partly a byproduct of the company's relatively defensive earnings stream, but a 9% dividend hike and more efficient capital spending also helped. Having highlighted the allure of such boring names in recent years, it has been gratifying to see them have their day in the sun.

To close, we'd like to quote "Chauncey Gardiner" (aka Chance the Gardener) from the famous movie *Being There* (1979): "As long as the roots are not severed, all is well – and all will be well – in the garden". In the movie, Chauncey is a simpleton gardener whose every word is misconstrued as economic genius by an American public desperately seeking answers in uncertain times. We think investors could benefit from Chauncey's way of thinking. Rather than overanalyze and be ruled by fear, perhaps we should operate under the assumption that the roots of the market have not been severed; challenges will come and go, but ultimately our economy will grow and good businesses will prosper.

The Core Fund ("Fund") stumbled a bit more than the market in the second quarter, sliding 4.02% versus the 2.75% decline for the S&P 500. Q2 results were disappointing in light of such a strong start to the year; however, the Fund's 8.85% year-to-date gain is still within close proximity to the 9.49% advance for the S&P 500.

Weakness across a few key holdings led to underperformance during the quarter. After posting nice gains to start the year, technology holdings Qualcomm (QCOM) and Check Point (CHKP) came under significant pressure. CarMax (KMX) was another source of weakness, as the shares reacted to disappointing results and a more tepid growth outlook. In addition to these stock specific issues, the Fund found itself under-represented in a couple of slower growth/defensive areas, such as telecom and utilities, that performed well during the quarter. On the positive side, we had quite a few bright spots that offset some of the disappointments. Anheuser-Busch (BUD), American Tower (AMT), and Disney (DIS) posted solid gains during the period. Most refreshing, however, was the leading performance of Wal-Mart (WMT) on the heels of strong sales results, falling gas prices, and a strengthening U.S. dollar. After decades of flattish returns, the shares are up over 18% year-to-date and are near highs. Though it would be excessive to interpret the performance of WMT as a harbinger for the revival of all dormant large cap stocks, we are pleased to see "vanilla" large cap stocks shake off the cobwebs.

Speaking of shaking off the cobwebs, we recently added to our position in Johnson & Johnson (JNJ). The stock has basically gone nowhere over the last decade, as slowing top line growth, intensifying competition/regulation, execution issues, and product recalls have hurt results and caused the price-to-earnings multiple to compress. At current levels, we believe the shares offer an attractive risk/reward profile, given the company's strong balance sheet, attractive dividend (yields 3.6%) and increasing earnings visibility. New product launches should drive mid single digit organic sales growth through the end of 2012, while the Synthes acquisition should provide incremental revenue and EPS growth into 2013 and beyond. Furthermore, we think recent successes of newly launched drugs, alongside a promising development pipeline, add a newfound element of excitement to a name that has bored investors to sleep over the last few years.

We continued to take steps to reduce our energy exposure during the quarter with the sales of Transocean (RIG) and EOG Resources (EOG). To be clear, we believe Energy is still an important component of a diversified fund and continue to hold meaningful positions in well run companies with proven track records in the sector. Though each of these companies fits this description, both are a bit more volatile than our other holdings and could exhibit more downside should oil prices weaken further. On the other hand, we have added exposure to the Consumer Staples arena by buying Dr Pepper Snapple (DPS) and adding to our position in J.M. Smucker (SJM). Both of these companies have strong brands and domestic orientations that should benefit from a consumer recovery, in addition to declining commodity costs. Finally, in each case management is committed to returning cash to shareholders via buybacks and dividends.

In conclusion, we are pleased to be up nicely on the year, especially given the renewed sense of panic that plagued most of the second quarter. While a few company specific setbacks held back relative performance to some extent, we were pleased to see general strength amongst the large cap bellwethers we own.

Performance *As of June 30, 2012*

	DAVPX	S&P 500
Quarter To Date	-4.02	-2.75
Year To Date	8.85	9.49
One Year*	4.70	5.45
Three Years*	15.37	16.40
Five Years*	1.26	0.22
Ten Year*	5.52	5.33
Since Inception (1/15/98)*	4.42	4.38

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

Dr Pepper Snapple Group Inc (DPS) is a leading North American refreshment business whose brand portfolio consists of Dr Pepper, 7UP, Sunkist, A&W, Hawaiian Punch, Mott's, and Canada Dry. In addition to solid brands, the company has a well respected management team, a healthy balance sheet, and is actively returning capital to shareholders.

Increased Positions

Amazon.com Inc (AMZN) has evolved into one of the most trafficked internet retail sites in the world, since opening for business as the "World's Largest Bookstore" in 1995. Today the company directly sells, or acts as a platform for the sale of a wide range of products including books, music, videos, consumer electronics, clothing and household products. AMZN's vast, scalable retail platform allows it to offer the lowest prices around, add new features, and pump incremental sales through at very little cost.

Brookfield Asset Management Inc (BAM) is a specialty asset manager with a concentration in property, power and infrastructure assets. Within these categories the company has significant investments in commercial real estate, hydroelectric power and timber assets; all of which have high barriers to entry, long asset lives, and stable, predictable cash flows.

CarMax Inc (KMX) is the largest retailer of used cars in the U.S., with between 2% and 3% of market share for 1-6 year old vehicles. We believe this company's disruptive business model can generate immense earnings power as the company grows market share and increases its store count.

The J.M. Smucker Co (SJM) has grown into a leading manufacturer and marketer of fruit spreads, peanut butter, dessert toppings and natural beverages such as coffee since its founding in 1897 as an apple butter company. Within these categories, the company's brand portfolio boasts household names such as Jif, Folgers, Crisco, Pillsbury and, of course, Smucker's. In addition to strong brands and leading share, this company has a top quality management team, a solid balance sheet and generates strong cash flows.

Johnson & Johnson (JNJ) is a leading worldwide diversified health care corporation, operating over 250 companies in 57 different countries. The firm manufactures and markets over the counter consumer products, branded pharmaceuticals, and medical device and diagnostic products. Following a long period of underperformance, we believe the shares offer an attractive risk/reward profile, given the company's strong balance sheet and increasing earnings visibility.

Wells Fargo & Co (WFC) is one of the highest quality banking franchises in the U.S. with a strong and relatively recurring income stream.

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Portfolio Sector Weightings*

Sector	Weighting %
Consumer Discretionary	13.3
Consumer Staples	12.0
Energy	9.0
Financials	17.3
Health Care	7.5
Industrials	8.2
Information Technology	21.7
Materials	3.4
REITs	2.6
Telecom Services	1.7
Utilities	0.0
Cash & Equivalents	4.6

Top Ten Holdings*

Holding	% of Net Assets
Apple Inc	3.2
Brookfield Asset Management Inc**	2.8
Exxon Mobil Corp	2.6
American Tower Corp	2.6
Lowe's Companies Inc	2.5
Wells Fargo & Co	2.5
Berkshire Hathaway Inc Cl B	2.5
International Business Machines Corp	2.4
Johnson & Johnson	2.4
Markel Corp	2.3

**Sector Weightings and Holdings are as of June 30, 2012. They are subject to change on a daily basis.*
***Foreign Holdings*
Individual account performance, portfolio sector weightings, and holding percentages may vary.

The Equity Opportunities Fund ("Fund") declined 4.01% for the second quarter. This compared to a 4.40% decline for the Russell Midcap Index and a 2.75% drop for the S&P 500. As evidenced by these index numbers, shares of larger companies fared better as risk aversion increased. Year-to-date, the Fund was up 9.75% at quarter end relative to gains of 7.97% and 9.49%, respectively for the Russell Midcap and S&P. While it would have been nice, we knew Q1 gains were unlikely to continue and are pleased to have held our own in a challenging environment.

A handful of our stocks managed respectable gains for the quarter. American Tower (AMT) set new highs and was our leading contributor. As wireless devices proliferate and data traffic continues to rise, demand for space on the company's towers continues to grow. Investors have been attracted to the company's steady results and prospects for the significant dividend growth that should accompany AMT's conversion to REIT status. Cooper Industries (CBE) was also a standout. In May, Eaton Corp announced a takeout offer that equated to $72/share, which was a 29% premium to the prior day's close. We decided to sell the position shortly after the deal was announced. We also sold our position in Plains Exploration (PXP), which proved to be a good decision as energy stocks declined. We currently have no overt exposure to oil/gas exploration and production. Among our worst performers were Colfax (CFX), Check Point Software (CHKP) and Millicom (MIICF). These are three very different companies with unique risks, but exposure to international markets seemed to be partly to blame for the underperformance of each.

We opportunistically added to a couple of core positions plagued by issues we view as temporary. One of these was CarMax (KMX), which was our biggest detractor during the quarter. KMX shares have been pressured by weaker same-store sales, declining supplies of 1-6 year old used cars and higher costs associated with store expansion efforts. These challenges may persist near-term, but we think supply issues will abate next year and are very confident that investments in new stores will pay off nicely. We were able to pay 13x earnings for a company with a disruptive business model, large market opportunity (118 stores with a goal of growing to 300) and a very talented management team. Elsewhere, we added to our position in O'Reilly Automotive (ORLY). Late in the quarter, ORLY sold off dramatically following a slight revision to sales and earnings guidance, which some investors took as a sign of a longer-term slowdown. The company is still poised to grow earnings per share at a 20% clip via a combination of solid same-store sales growth, gross margin expansion, and aggressive share buyback activity. Moreover, lower gas prices should benefit miles driven and we remind investors that the average age of U.S. autos is at an all time high (i.e. demand for parts at ORLY stores is unlikely slow significantly).

We have added a couple of new names to the Fund. One of these is Aon (AON). AON is a leading provider of insurance brokerage services and human resources consulting. The company is well positioned to benefit from firmer insurance pricing and growing complexities in the management of employee health care issues. The stock has been weak, given concerns that investment initiatives will pressure near-term margins and earnings. We think these initiatives will ultimately yield higher returns on capital and are inclined to give this management team the benefit of the doubt. CEO Greg Case and his team have an enviable track record of both improving margins and returning cash to shareholders via stock buybacks. Management thinks it can ultimately improve operating margins by another five percentage points; furthermore, the company recently announced a $5 billion share repurchase authorization, which represents roughly 30% of the outstanding shares. Over time, rising profitability and a shrinking share base could yield material value per share and, at less than 10x cash EPS estimates for next year, the risk/reward profile looks extremely compelling.

We also purchased a position in Delta Air Lines (DAL). We understand if you are beginning to become nauseated, as airlines have historically been horrible investments. They have required a lot of capital and have generated very poor returns on capital. This is the antithesis of what we typically seek in investments, and stands in stark contrast to most of our current holdings. So what gives? In short, we believe this overlooked industry, banned by many investors, could be poised for better days. The airline industry has endured numerous bankruptcies, skyrocketing fuel prices, and significant consolidation. All of this has given way to an oligopoly with operating discipline and a newfound emphasis on returns on capital. Capacity has been coming down, pricing is rising, and costs are being contained. Why DAL? DAL is one of the largest and most financially sound airlines in the U.S., and we have been impressed with its cost cuts, capacity reductions, balance sheet improvement, and above industry average yield improvements. Declining prices for jet fuel, which is by far the company's biggest cost, could represent a cherry on top of the story. We acknowledge this position carries more risk than our average holding, but the upside could be significant.

"...we are focused on planting the seeds for future outperformance."

While the past quarter was frustrating, we are pleased with our year-to-date performance and hope this setback will prove temporary. In the meantime, we are focused on planting the seeds for future outperformance. We feel our recent purchases are a step in the right direction and we continue to hold a little cash should other opportunities arise. As our comments may have suggested, we continue to emphasize financial and consumer discretionary stocks. While these investments are driven mainly by company specific fundamentals, a domestic recovery and easing energy prices may benefit us.

Performance *As of June 30, 2012*

	DEOPX	Russell Midcap	S&P 500
Quarter To Date	-4.01	-4.40	-2.75
Year To Date	9.75	7.97	9.49
One Year*	4.86	-1.65	5.45
Since Inception (12/31/10)*	9.95	4.17	7.75

Gross Expense Ratio: 1.25%

*Periods greater than one year are annualized.

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DEOPX Recent Purchases

New Positions

Aon PLC (AON) is a leading global provider of risk management services, insurance and reinsurance brokerage, and human resources consulting and outsourcing. The company has a strong commitment to returning cash to shareholders, and seems well positioned with solid franchises and defensible market shares that should benefit from firmer insurance/reinsurance pricing, in addition to the growing complexities in the management of employee health care issues.

Delta Air Lines Inc (DAL) is currently the largest and most financially sound airline in the U.S., with operating hubs in Atlanta, GA, Cincinnati, OH, Detroit, MI, Memphis, TN, and Salt Lake City, UT. Internationally, DAL is the largest transatlantic carrier. We believe this overlooked industry could be poised for better days, and have been impressed with DAL's cost cuts, capacity reductions, balance sheet improvement, and above industry average yield improvements.

Increased Positions

CarMax Inc (KMX) is the largest retailer of used cars in the U.S., with between 2% and 3% of market share for 1-6 year old vehicles. We believe this company's disruptive business model can generate immense earnings power as the company grows market share and increases its store count.

The J.M. Smucker Co (SJM) has grown into a leading manufacturer and marketer of fruit spreads, peanut butter, dessert toppings and natural beverages such as coffee since its founding in 1897 as an apple butter company. Within these categories, the company's brand portfolio boasts household names such as Jif, Folgers, Crisco, Pillsbury and, of course, Smucker's. In addition to strong brands and leading share, this company has a top quality management team, a solid balance sheet and generates strong cash flows.

O'Reilly Automotive Inc (ORLY) sells auto parts and accessories to both mechanics and "do-it-yourself" customers. Though recent results have been a bit softer than expected, we believe earnings are still poised to grow at an attractive pace via a combination of solid same-store sales growth, gross margin expansion, and aggressive share buyback activity.

Sun Communities Inc (SUI) is a REIT that owns, operates and develops manufactured housing communities. In addition to manufactured housing developments, the company also owns and operates Recreational Vehicle (RV) facilities. All told, the company's portfolio consists of 159 communities (54,800 developed sites) located in the Midwest and Southeastern U.S.

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.

Fund Sector Weightings*

Sector	Weighting %
Consumer Discretionary	20.3
Consumer Staples	5.1
Energy	0.0
Financials	23.3
Health Care	3.8
Industrials	11.5
Information Technology	13.0
Materials	4.4
REITs	6.5
Telecom Services	3.0
Utilities	1.9
Cash & Equivalents	2.5

Top Ten Holdings*

Holding	% of Net Assets
Markel Corp	4.9
CarMax Inc	4.2
O'Reilly Automotive Inc	4.1
Capital One Financial Corp	4.0
SunTrust Banks Inc	3.8
Penn National Gaming Inc	3.8
Brookfield Asset Management Inc**	3.5
NCR Corp	3.4
American Tower Corp	3.4
Sun Communities Inc	3.1

**Sector Weightings and Holdings are as of June 30, 2012. They are subject to change on a daily basis.*
***Foreign Holdings*
Individual account performance, portfolio sector weightings, and holding percentages may vary.

The Value & Income Fund ("Fund") had an impressive second quarter on both a relative and absolute basis. The Fund was up 0.06% for the quarter, compared to the Lipper Equity Income Index's 2.12% decline and a host of other indices that found themselves decidedly in the red. For the year, the Fund is up approximately 9.54%, again nicely ahead of the Lipper Equity Income Index's 6.97% advance. Clearly, investor thirst for yield has remained in style. We are happy to be beneficiaries of this trend and feel our focus on not only dividend payers, but also dividend growers has helped set us apart from the rest of the pack. The Fund had a yield of 2.20% for the 30 days ended June 30, 2012.

In a reversal from last quarter, Consumer Staples names led performance as markets got choppier. Our top performers were Wal-Mart (WMT), Anheuser-Busch (BUD) and Altria (MO). While credit-sensitive Financials were weak during the quarter, non-bank financial holdings, such as Fidelity National Financial (FNF), Travelers (TRV) and Sun Communities (SUI), helped to offset some of the weakness. JPMorgan Chase (JPM) fared the worst during the quarter, following its highly publicized trading loss. Despite being a huge reputational "black eye", we feel the financial ramifications of the loss have been reflected in the shares and that further downside risk is limited. Health Care was another area of weakness, as slight gains from various pharmaceutical holdings were offset by material weakness in WellPoint (WLP) following the U.S. Supreme Court's decision to uphold provisions of the Patient Protection and Affordable Care Act whose constitutionality had been challenged. Though there was clearly hope that the Act would be declared unconstitutional in its entirety, we struggle to find reasons to be incrementally negative on WLP. Most analysts had already reflected the passage of the legislation in their earnings estimates and the stock still looks cheap relative to its cash generating abilities.

"Clearly, investor thirst for yield has remained in style. We are happy to be beneficiaries of this trend and feel our focus on not only dividend payers, but also dividend growers has helped set us apart from the rest of the pack."

As we have communicated in the past, we tend to gravitate toward situations that not only have attractive absolute dividend yields, but where management has shown a willingness to increase the dividend over time. In keeping with this theme, we initiated a position in Cracker Barrel Old Country Store (CBRL) during the quarter. CBRL is a restaurant owner and operator with a unique country store concept. With approximately 40% of sales linked to the traveling customer and nearly 85% of locations in close proximity to major highways, CBRL is a prime beneficiary of the recent decline in gasoline prices. We believe cheaper gas alongside declines in other key commodity inputs, such as protein and grain, should help to augment the impacts of management's operational improvement strategy. Ultimately, this could render management's goal of $6.00 in EPS by 2015 conservative. Finally, we note that the company raised the dividend 60% in April of this year (yields 2.6%). Given the company's solid balance sheet and accelerating cash generation, we believe the dividend can grow at least 20% next year with further increases on the horizon.

In late May, we initiated a position in W.P. Carey (WPC), a real estate owner and manager that is in the process of converting to a REIT. Starting in 1979 when it introduced its first separately managed REIT fund, the company has built an impressive track record of dividend growth and shareholder value creation. Much of this stability is due to the company's focus on acquiring mission critical properties (headquarters, key distribution centers, etc.) that are integral to their tenants' operations. Currently, the dividend stands at $2.26 (yields 4.9%), having been increased every year since the company went public and for each of the last 43 quarters. We believe that this focus on shareholder returns will continue over time. Furthermore, we think the company's recent decision to convert to a REIT (from an LLC) will create additional value in coming years as the dividend increases, trading liquidity expands, and the stock's valuation aligns itself with peers. As these developments transpire, we believe the stock should work higher while offering a nice payout along the way.

In sum, we are pleased to report a solid quarter and strong year-to-date gains. The broad based trend of companies returning more cash to shareholders has been exciting and rewarding for shareholders. Fortunately, we expect this trend to continue given cash rich balance sheets and relatively low payout ratios. Plain vanilla large caps, which were neglected for much of the last decade, should be a beneficiary of this trend.

Performance *As of June 30, 2012*

	DVIPX	S&P 500	Lipper Equity In.
Quarter To Date	0.06	-2.75	-2.12
Year To Date	9.54	9.49	6.97
One Year*	10.80	5.45	3.21
Since Inception (12/31/10)*	11.89	7.75	6.46

Gross Expense Ratio: 1.41%

*Periods greater than one year are annualized.

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DVIPX Recent Purchases

New Positions

Cracker Barrel Old Country Store Inc (CBRL) owns and operates over 600 full service, country store themed restaurants in more than 40 states. The company is well known for its unique model that includes both a full service restaurant and a gift shop with a wide range of affordable items. Currently yields 2.5%.

Dr Pepper Snapple Group Inc (DPS) is a leading North American refreshment business whose brand portfolio consists of Dr Pepper, 7UP, Sunkist, A&W, Hawaiian Punch, Mott's, and Canada Dry. In addition to solid brands, the company has a well respected management team, a healthy balance sheet, and is actively returning capital to shareholders. Currently yields 3.1%.

W.P. Carey & Co LLC (WPC) is a high quality real estate advisory and investment firm. Starting in 1979 when it introduced its first separately managed REIT fund, the company has built an impressive track record of dividend growth and shareholder value creation. Currently yields 4.9%.

Increased Positions

SPDR Euro Stoxx 50 ETF (FEZ) FEZ is an ETF designed to track the Euro Stoxx 50 Index, which includes 50 of the largest companies in the Eurozone. By using an ETF of the largest companies in the region, we believe we are diversifying away much of the company specific risk inherent in this strategy. Currently yields 4.7%.

Sun Communities Inc (SUI) is a REIT that owns, operates and develops manufactured housing communities. In addition to manufactured housing developments, the company also owns and operates Recreational Vehicle (RV) facilities. All told, the company's portfolio consists of 159 communities (54,800 developed sites) located in the Midwest and Southeastern U.S. Currently yields 5.7%.

Teekay Corp (TK) is a diversified midstream energy company with interests in offshore, liquid natural gas (LNG) and conventional tanker sectors. TK acts as a parent holding company, owning General Partner interests in two Master Limited Partnerships : Teekay LNG Partners (TGP) and Teekay Offshore Partners (TOO). In addition, TK has a third C-Corp subsidiary called Teekay Tankers (TNK). Currently yields 4.3%.

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Portfolio Sector Weightings*

Sector	Weighting %
Consumer Discretionary	6.0
Consumer Staples	19.2
Energy	12.1
Financials	15.4
Health Care	9.5
Industrials	12.2
Information Technology	6.0
Materials	3.6
REITs	7.8
Telecom Services	2.0
Utilities	2.8
Cash & Equivalents	2.7

Top Ten Holdings*

Holding	% of Net Assets
Fidelity National Financial Inc	2.7
Wells Fargo & Co	2.6
Sun Communities Inc	2.6
Royal Dutch Shell PLC**	2.5
SPDR EURO STOXX 50 ETF	2.5
Anheuser-Busch InBev NV**	2.5
GlaxoSmithKline PLC**	2.4
The Travelers Companies Inc	2.4
Weyerhaeuser Co	2.3
Marathon Petroleum Corp	2.3

**Sector Weightings and Holdings are as of June 30, 2012. They are subject to change on a daily basis.*
***Foreign Holdings*
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