Davenport Asset Management®

Fund*Advisor* Quarterly Update Q4

December 31, 2012

WHAT A YEAR! IT MAY NOT HAVE FELT LIKE IT, BUT THE GLOBAL EQUITY MARKETS GAINED MORE THAN 15% IN 2012, as represented by the MSCI World Index, overcoming a cascade of fears that included the European debt crisis, rumblings of a crash in the Chinese economy, leadership changes around the globe and specifically in the U.S., and now the fiscal cliff. But, the market has done a pretty good job of shaking off those fears and continuing to climb higher. Within Fund*Advisor*, the models posted returns anywhere from 8.5% to 14.4% depending on risk profile. Standout performers included Keeley Small Cap Value, Dodge & Cox International, and PIMCO Total Return (fund performance is on page 2).

The fourth quarter was particularly strong for the Fund*Advisor* program, as all 12 funds posted gains compared to a 0.4% decline for the S&P 500 Index and the international markets, as represented by the MSCI EAFE, gaining 6.6%. We believe that we have the best players on the field and that, over the long term, each fund manager will post solid outperformance. We continue to perform extensive due diligence on each manager and will act if something changes our conviction level in their long-term prospects.

Research Overview

We feel that the market's ability to continue climbing higher despite all the negativity of the past year, as well as the market's dramatic reversal in 2012 from what was a difficult 2011, provided further evidence and support for our three main tenets, which are:

Stay Diversified

We believe that it is virtually impossible to predict what will be the best performer in any given year and 2012 was no exception. After many investors fled more risky assets in 2011, those assets became the market leaders in 2012. Even the international markets, which came into the year as the biggest sore spot in most portfolios, managed to outperform the S&P 500, returning 17.3% for the year. The chart (bottom left) shows that stocks beat bonds by a wide margin, international markets outperformed the U.S., small/mid cap stocks beat large caps, financial stocks went from worst to first among sectors, and utilities became the worst performers.

2012: A Year of Reversals†

Source: Morningstar Direct; Please see Disclosures for index definitions and important information.

Focus on the long term and don't try to time the market.

Since 2008, many investors have maintained a more conservative allocation (i.e. - less stock exposure) than their time horizon would suggest, as evidenced by the massive inflows into bond funds and out of stock funds during that time. There have been several periods during which being more conservative has felt good – we experienced mid-year declines of 15%, 17%, and 9%, respectively, over the past three years. In each case, however, the market moved on to new highs within only a few months. Trying to time the market and predict the next big market decline has cost many investors dearly, as the S&P 500 has gained 36% over the past three years and 126% since the market bottomed in March of 2009.

Don't chase performance.

We know that at some point virtually every mutual fund will underperform for an extended period of time. Ideally, we will be able to predict when that might be, but sometimes we can't. That is when it is really important to have enough conviction to maintain positions so that you can reap the benefits of their eventual recovery. For example, the Keeley Small Cap Value Fund struggled mightily in 2008-2009, but we believe in the firm and the management team and made the decision to hold the fund. Over the past three years, it has gained over 13% per year and ranks in the top third of its peers. The Royce Value Fund has struggled a bit recently versus its peers (although still posted a double digit gain this year) but we believe it is run by the best small cap managers in the business and that it will post outsized gains when its recovery begins, so we are sticking with it.

We hope that this discussion helps remind you of how we think about investing and illustrates that, no matter what happens in the market, these core beliefs continue to ring true. 2012 was a great year for equity investors and 2013 appears to be off to a solid start with some additional clarity to the fiscal cliff. We won't attempt to predict how 2013 will finish, but we feel confident that a diverse portfolio will provide the best long-term returns.

We thank you, again, for your confidence and your relationship with Davenport & Company. We hope that each of you has a happy and prosperous 2013.

Returns *as of December 31, 2012* **Returns greater than 1 year are annualized*

Fund / Index Name	Rolling Returns					Fund / Index Performance at Net Asset Value**					Expense Ratio	
	Avg 1 Year	Avg 3 Year	Avg 5 Year	Up Capture	Down Capture	YTD	1 Year*	3 Years*	5 Years*	10 Years*	Gross	Net
Large Cap												
American Funds AMCAP F2	8.03	5.03	2.28	97.87	94.64	16.05	16.05	10.06	3.04	7.52	0.49	0.49
Diamond Hill Large Cap I	10.81	7.22	4.23	104.87	92.65	12.62	12.62	8.23	1.86	9.59	0.81	0.81
FMI Large Cap	10.24	7.46	5.06	95.07	78.48	14.86	14.86	9.11	4.25	9.69	0.97	0.97
S&P 500 Index	8.02	4.57	1.63	100.00	100.00	16.00	16.00	10.87	1.66	7.10	-	-
Mid Cap and Small Cap												
Munder Mid Cap Core	12.25	8.07	4.55	89.55	83.91	16.01	16.01	13.04	1.64	10.77	1.07	1.07
Royce Value Investment	14.44	10.62	7.31	101.53	89.93	9.88	9.88	8.56	4.12	13.40	1.17	1.17
Keeley Small Cap Value A	13.33	8.07	3.92	106.47	105.96	23.81	23.81	13.09	1.03	11.24	1.35	1.35
Russell 2500 Index	11.46	7.34	3.60	100.00	100.00	17.88	17.88	13.34	4.34	10.49	-	-
International												
Thornburg International	12.93	9.81	6.86	98.90	86.79	15.85	15.85	4.81	-2.38	10.93	0.88	0.88
Dodge & Cox International	14.12	9.04	4.94	117.71	108.69	21.03	21.03	4.96	-1.89	11.63	0.64	0.64
MSCI EAFE Index	9.94	6.13	2.65	100.00	100.00	17.32	17.32	3.56	-3.69	8.21	-	-
Emerging Markets												
T. Rowe Price Emerging Mkts	20.98	15.13	10.52	104.09	109.12	20.03	20.03	4.97	-3.32	15.64	1.26	1.26
MSCI Emerging Markets Index	20.49	16.02	12.13	100.00	100.00	18.22	18.22	4.66	-0.92	16.52	-	-
Intermediate Gov't/Credit												
Delaware Diversified Income	7.74	7.57	7.19	134.45	72.42	6.86	6.86	7.00	8.03	7.78	0.97	0.92 [1]
PIMCO Total Return A	6.40	6.61	6.75	124.59	101.76	9.93	9.93	7.31	7.88	6.34	0.85	0.85
BarCap US Govt/Credit	4.71	4.92	5.08	100.00	100.00	3.89	3.89	5.19	5.18	4.62	-	-
Short-Term Bond												
Vanguard Short-Term Inv Gr.	3.97	4.22	4.09	126.19	130.21	4.52	4.52	3.88	4.01	3.94	0.20	0.20
Citigroup USBIG Gov/Corp 1-3	3.26	3.73	4.03	100.00	100.00	1.21	1.21	1.84	2.86	3.13	-	-
Dynamic Allocation												
BlackRock Global Allocation I	10.37	8.87	7.53	76.87	53.56	10.33	10.33	5.48	2.66	10.35	0.89	0.89
IVA Worldwide I	-	-	-	-	-	6.89	6.89	7.20	-	-	1.04	1.04
Kinetics Paradigm No Load	11.99	7.32	3.20	117.54	110.93	21.78	21.78	7.01	-4.15	10.02	1.78	1.64 [2]
Wells Fargo Avtg Abs Rtn A	-	-	-	-	-	-	-	-	-	-	1.66	1.66
Wintergreen Investor	-	-	-	-	-	7.51	7.51	9.40	1.17	-	1.86	1.86
Ivy Asset Strategy I	12.40	12.08	11.09	85.82	62.84	19.60	19.60	6.78	2.33	10.98	0.75	0.75
MSCI World Index	8.70	5.24	2.11	100.00	100.00	15.83	15.83	6.93	-1.18	7.51	-	-

Performance data quoted represents past performance. Past performance is historical and not representative nor a guarantee of future results. Current performance may be lower or higher than the data quoted. To obtain performance data current to the most recent month-end, please call 1-800-853-2060.

Disclosures

It is important to note that short-term and trailing performance will fluctuate. We expect all of the funds at some point to experience underperformance versus their benchmarks and peer groups. However, we believe that our research process has helped us identify funds that are likely to perform well over the long-term. Our decision to remove a fund is not based on short-term performance, but on in-depth analysis using our Monitoring Criteria.

**Mutual funds are offered in the Fund*Advisor* program at net asset value, but are subject to an annual investment advisory fee of up to 1.25% with a minimum fee of $125 per quarter. The Davenport wrap fee includes investment advice and brokerage execution. In addition to the Fund*Advisor* fee, clients will bear a proportionate share of each mutual fund's management and administrative expenses, including advisory fees paid to the mutual fund's investment advisors. This chart shows the actual performance of the shares at net asset value, and does not represent individual account performance. Past performance is no guarantee of future results. Current performance may be lower or higher than the data quoted. To obtain performance data current to the most recent month-end, please visit the following web sites: www.americanfunds.com, www.blackrock.com, www.delawareinvestments.com, www.diamond-hill.com, www.dodgeandcox.com, www.fiduciarymgt.com, www.ivafunds.com, www.ivyfunds.com, www.keeleyfunds.com, www.kineticsfunds.com, www.munder.com, www.roycefunds.com, www.thornburginvestments.com, www.troweprice.com, www.vanguard.com, www.wellsfargo.com, www.wintergreenfund.com. The investment and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost. Mutual Fund and Index returns are provided by Morningstar.

You should consider each mutual fund's investment objectives, risks, charges and expenses carefully before investing. Each mutual fund's prospectus contains this and other important information, should be read carefully before investing or sending money, and can be obtained by contacting your Investment Executive, or by calling 1-800-853-2060. 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. Investing in securities carries risk including the possible loss of principal.

Downside Capture Ratio measures a manager's performance in down markets relative to the market (benchmark) itself. **Gross Expense Ratio:** The total annual operating expenses of a fund divided by its average net assets. **Net Expense Ratio:** The total annual operating expenses of a fund, less any fee waivers, divided by its average net assets. This is the expense ratio actually charged by the fund for the previous fiscal year. **Rolling Returns:** The annualized average return for a period ending with the listed year. **Upside Capture Ratio** measures a manager's performance in up markets relative to the market (benchmark) itself.

[1]The Fund's distributor, Delaware Distributors, L.P. (Distributor), has also contracted to limit the Class A 12b-1 fee from February 28, 2012 through February 28, 2013 to no more than 0.25% of its average daily net assets. These waivers and reimbursements may only be terminated by agreement of the Manager and the Distributor, as applicable, and the Fund. [2]The Investment Adviser to the Paradigm Portfolio has voluntarily agreed to waive management fees and reimburse Fund expenses so that Net Annual Fund Operating Expenses do not exceed 1.64%, excluding AFFE, through April 29, 2013. These waivers and reimbursements may be discontinued at any time by the Investment Adviser after April 29, 2013.

† Large Caps represented by the **S&P 500 Index**. Bonds represented by the **Barclays Capital U. S. Aggregate Index**. International stocks represented by the **MSCI EAFE Index**. Small/Mid Cap represented by the **Russell 2500 Index**. Financials represented by the **S&P 500 Financials Index**. Utilities represented by the **S&P 500 Utilities Index**.

INDEX DEFINITIONS: The **Barclays Capital Intermediate Government/Corporate Index** is an unmanaged index composed of debt securities with maturities from one to ten years issued or guaranteed by the U.S. Treasury, U.S. Government agencies, quasi-federal corporations and fixed rate dollar denominated SEC-registered corporate debt that are rated investment grade or higher by Moody's Investors Service and Standard and Poor's Corporation or Fitch Investor's Service, in that order. The **Barclays Capital U.S. Aggregate Index** is an unmanaged index considered representative of the U.S. investment-grade, fixed-rate bond market. The **Citigroup USBIG Government/Corporate 1-3 years Index** measures the performance of bonds issued in the U.S. investment-grade bond market. 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. and 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 **MSCI World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The **Russell 2500® Index** measures the performance of the small to mid cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500 Index is a trademark/service mark of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co. 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 **S&P 500 Financials Index** is an unmanaged index considered representative of the financial market. The **S&P 500 Utilities Index** is an unmanaged index considered representative of the utilities market. *An investor cannot invest in an index, and its returns are not indicative of the performance of any specific investment.*

RISK CONSIDERATIONS: International funds invest primarily in equity securities of issuers outside the United States. International investments are subject to additional risks such as currency fluctuations, political instability, and the potential for illiquid markets. Funds that invest in foreign securities may involve greater risks, including political and economic uncertainties, as well as risk of currency fluctuations. Small and mid cap company stocks may be more volatile than stocks of larger, more established companies. Investments in bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, while their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. An issuer suffering an adverse change in its financial condition could lower the credit quality of a security, leading to greater price volatility of the security. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

The mutual fund categories are determined by Davenport using a combination of Morningstar categories and a returns-based style analysis provided by Zephyr StyleADVISOR.

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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

Temp-Return Service Requested

Virginia and Regional Offices

Charlottesville, VA
600 East Water Street, Suite A
Charlottesville, VA 22902
(434) 296-9013

Danville, VA
2725 Franklin Turnpike, Suite G
Danville, VA 24540
(434) 836-5528

Farmville, VA
101 North Main Street
Farmville, VA 23901
(434) 392-9813

Franklin, VA
105 West Fourth Avenue
Franklin, VA 23851
(757) 562-0053

Fredericksburg, VA
904 Princess Anne Street, Suite 102
Fredericksburg, VA 22401
(540) 373-1863

Greensboro, NC
628 Green Valley Road
Suite 410
Greensboro, NC 27408
(336) 297-2800

Lynchburg, VA
1104 Commerce Street, Suite 100
Lynchburg, VA 24504
(434) 948-1100

Norfolk, VA
World Trade Center
101 W. Main Street, Suite 4000
Norfolk, VA 23510
(757) 314-3600

Raleigh, NC
3605 Glenwood Plaza, Suite 390
Raleigh, NC 27612
(919) 571-6550

Richmond, VA
One James Center
901 East Cary Street, Suite 1100
Richmond, VA 23219
(804) 780-2000

Roanoke, VA
10 Franklin Road SE
Suite 450
Roanoke, VA 24011
(540) 345-1909

Sanford, NC
503 Carthage Street, Suite 300
Sanford, NC 27330
(919) 777-9823

Suffolk, VA
330 West Constance Road, Suite 200
Suffolk, VA 23434
(757) 539-5355

Virginia Beach, VA
Pinehurst Centre
477 Viking Drive, Suite 200
Virginia, Beach 23452
(757) 498-4000

White Stone, VA
44 First Street
White Stone, VA 22578
(804) 435-7705

Williamsburg, VA
5400 Discovery Park Blvd
Suite 301
Williamsburg, VA 23188
(757) 258-2800