Davenport Asset Management®

Davenport Mutual Funds

Q4
December 31, 2012

Notes from the Fourth Quarter

- *Stocks climbed a "wall of worry" in 2012.*
- *Domestic emphasis rewarded investors.*
- *Muted growth expected in 2013.*
- *Corporate revenue growth likely to be subdued.*
- *Corporate spending continues to be weak, in contrast to consumer spending.*
- *Many investors continue to be under-exposed to stocks.*

It may not have felt like it, but equity investors fared quite well during 2012.

While the S&P 500 Index lost 0.38% in the fourth quarter, the Index returned 16.00% for the full year as stocks overcame concerns regarding sluggish economic growth, debt woes in Europe, the U.S. presidential election, and the "fiscal cliff". Each of the Davenport funds posted solid absolute gains and performed well versus their respective benchmarks. As we started the year, many investors thought there was simply too much fear in the air for stocks to post meaningful gains. As it turns out, there was just enough fear for stocks to post meaningful gains, climbing the "wall of worry" we discussed in recent writings.

The U.S. was the place to be. Domestic banks were standouts as they shored up their balance sheets, witnessed moderating credit losses and started returning capital to shareholders. Housing-related stocks benefited from clear improvement in housing demand and a concurrent lift in home prices. Seeds we planted in both of these areas started to bear fruit and were important contributors to our performance. We still like the domestic theme, and it has certainly worked well over the past year, as evidenced by the outperformance of companies with heavy domestic exposure versus those with more of an international bias. This dynamic could begin to turn a little as economic momentum in other geographies improves (e.g. China and Europe); hence, we may shift our emphasis towards companies that are exposed to this potential trend.

We expect muted growth in 2013. On a positive note, interest rates remain very accommodative, unemployment continues to trend lower, and both housing and auto sales seem poised to keep moving higher. Furthermore, significant growth in domestic oil production should not only generate jobs, but also put downward pressure on prices for refined products such as gasoline. Paying less at the pump essentially amounts to a tax cut for consumers. Still, ongoing efforts to address fiscal issues (both tax increases and spending reductions) in the U.S. will likely somewhat offset these positives and put a damper on economic growth.

Most economists suspect GDP growth will fall in a range of 1.5%-2.0% in the absence of extreme policy missteps. Should this be the case, corporate revenue growth will likely be fairly subdued (low single digits). Earnings could advance a little more than revenue with the help of profitability improvement, but margins seem to be near peak levels when considering recent cost cuts and low interest rates (i.e. low financing costs). Hence, it seems optimistic to broadly expect much beyond 5% earnings growth. Such growth combined with a roughly 2% dividend yield would produce mid-to-high single digit returns, assuming steady valuations for stocks.

However, we all know it's not that simple. The P/E multiple investors are willing to pay for stocks will rise and fall alongside changing levels of fear. Our hope is that fear will continue to wane, thereby allowing for returns in excess of earnings growth. This is what happened in 2012, as stocks advanced strongly despite tepid economic improvement and declining growth expectations. While maybe not as extreme as a year ago, fear remains elevated and investors seem to be assigning an unusually high probability to acute negative outcomes. This is natural following the events of 2008 and appears to have resulted in somewhat of a "safe asset bubble". This may be best evidenced by the significant money flows into bonds in recent years and popularity of "alternative" investments. With many investors still doubtful and under-exposed to stocks, equity markets could continue to behave well as worry abates.

Improved confidence would also go a long way for corporate spending. Consumer spending has been fairly resilient over the past year and industries like auto and housing have supported GDP growth. Company spending, however, has been weak as corporate leaders have lacked clarity on tax changes. Credit Suisse

Index Returns	Q4 2012	YTD 2012
S&P 500 Index	-0.38%	16.00%
Russell 2000 Index	1.85	16.35
Russell Midcap Index	2.88	17.28
Lipper Equity Income Fund Index	0.65	13.70
MSCI EAFE	6.57	17.32
MSCI EM	5.58	18.22

Source: Morningstar Direct

recently noted that corporate confidence is near a 5-year low, while consumer confidence is near a 5-year high. Should government leaders put a more constructive tax and regulatory framework in place, we think companies may begin to more aggressively hire and/or put capital to work in new projects. With corporate balance sheets in healthy shape (leverage levels are near 20-year lows according to Credit Suisse), there's certainly a lot of firepower that could be unleashed.

In sum, it may be difficult to repeat the performance of 2012, but we think there's still gas in the tank barring significant deterioration in corporate earnings. Hopefully, we'll do without drama in Europe, fear of a "hard landing" in China, and media hype over the "fiscal cliff". Longer term, stocks are sure to encounter turbulence as we navigate cliffs, cracks, chasms, canyons, craters, ditches, pitches. etc.; however, shares of good businesses should remain an attractive alternative for growth of capital and income. Our job is to identify and pay a reasonable price for such businesses. We thank you for your trust and wish you all the best in the New Year.

{ Davenport Core Fund Commentary

The Davenport Core Fund ("Fund") posted a gain of 1.47% during the fourth quarter, nicely exceeding the 0.38% decline for the S&P 500 Index. For the year, the strategy enjoyed a gain of 16.67%, just ahead of the 16.00% advance for the S&P 500. We are pleased to have closed the year on such a strong note, especially when considering volatile market conditions.

The Consumer Discretionary sector was a key source of strength during the quarter. CarMax (KMX) outperformed amid analyst upgrades and strong results while General Motors (GM) hit fresh highs alongside improving sales trends and further clarity on the government's plans to unwind its stake in the company. Lowe's (LOW) was also a top performer as ongoing housing improvements alongside evidence of successes with the company's operational initiatives helped drive the shares to new highs. Despite serving as a headwind for much of the year, being underweight Apple (AAPL) contributed positively to relative performance as the shares pulled back. We feel the shares look much more reasonably valued at current levels, reflecting some of the challenges inherent in maintaining a high rate of profitability and revenue growth. Finally, we note that our energy holdings struggled during the quarter amid concerns of increasing supply and slowing global demand. Though we have been underweight the group in anticipation of these developments, we took the opportunity to add some exposure to high quality names in the sector that seemed to be unfairly punished.

We elected to add to positions in Occidental Petroleum (OXY) and National-Oilwell Varco (NOV) during the quarter. Each of these stocks had sold off meaningfully largely due to macro concerns. OXY is a bellwether Exploration & Production (E&P) company with a high quality asset base, a strong production growth outlook, and solid cash generation. NOV is an oilfield services company with lead market share in a business with high barriers to entry and a strong macro tailwind. Given each company's strong track record of value creation and cheap valuation, we thought it prudent to use weakness to add exposure to the names.

Elsewhere in the Energy sector, we initiated a position in the world's largest independent refiner, Valero Energy (VLO). We have been attracted to many of the domestic refiners whose ability to access cheap domestic crude oil has allowed them to generate excess profits in light of robust global prices for gasoline and other petroleum products. Though only 20% of VLO's capacity is located in the most cost-advantaged regions, the company continues to generate significant free cash flow and should ultimately have more access to cheap crudes as petroleum infrastructure is built out to its high quality Gulf Coast assets. Given VLO's improving balance sheet, attractive valuation, and ability to create value via restructuring efforts (spin off of retail assets and eventual conversion to a Master Limited Partnership - MLP), we thought the risk/reward profile was compelling.

We initiated a position in leading retail pharmacy operator, Walgreen Co (WAG). After getting an initial boost from the resolution of the company's dispute with Express Scripps (ESRX), shares of WAG had slumped in tandem with disappointing monthly sales numbers. Though results have been messy in recent quarters due to acquisitions and contract losses/renewals, earnings comparisons are getting easier and less complex. Longer term, we believe cash flows and the stock's multiple can improve as the company benefits from an

PERFORMANCE *As of 12/31/12*	DAVPX	S&P 500
Q4 2012	1.47%	-0.38%
YTD 2012	16.67	16.00
1 Year	16.67	16.00
*3 Year**	10.81	10.87
*5 Year**	1.84	1.66
*10 Year**	7.40	7.10
*Since Inception (1/15/98)**	4.75	4.64

Gross Expense Ratio: 0.96%

*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.

aging population whose consumption of prescription drugs is set to accelerate. Furthermore, though criticized for its timing, price and strategic fit, we believe the Alliance Boots acquisition could be value accretive beyond management's initial projections, providing incremental support to earnings down the road.

We also initiated a position in the iShares NASDAQ Biotechnology Index ETF (IBB) during the month. We have long been attracted to the biotechnology sector given its unique combination of above-average growth and below-average cyclicality. Though the group has had a great year in 2012, we note that valuations do not look unreasonable. Moreover, the potential for favorable structural developments (improvements to the FDA approval process), in addition to strong demand trends for new therapeutics, could continue to serve as tailwinds for the sector. In our experience, it has been very difficult to pick the "winners" in this sector given the highly technical nature of the products involved and the often-times binary impact of product approvals on results. In light of this fact, we felt an ETF was the best way to play some of the attractive themes mentioned above.

In conclusion, we are pleased to have capped off such a solid year with a strong finish. Though growth expectations have moderated to uninspiring levels, we believe a focus on quality large cap companies can perform well in this environment. We feel well positioned for the road that lies ahead and are in constant pursuit of new ideas that will enhance the Fund's return while taking less risk.

New Positions

iShares NASDAQ Biotechnology Index ETF (IBB) is an exchange-traded fund designed to track the iShares Nasdaq Biotech Index. We subsequently added to our position in IBB during the quarter.

Valero Energy Corp (VLO) is the world's largest independent refiner with 2.3 million barrels per day of refining capacity.

Walgreen Co (WAG) is a leading pharmacy retailer.

Increased Positions

Johnson & Johnson (JNJ) is a leading worldwide diversified health care corporation, operating over 250 companies in 57 different countries.

McDonald's Corp (MCD) franchises and operates over 33,700 McDonald's restaurants in 120 countries, serving more than 69 million customers per day throughout the world.

National-Oilwell Varco, Inc (NOV) is a leading oilfield services company that makes and sells systems and components used in oil and gas drilling and production.

Occidental Petroleum Corp (OXY) is a bellwether U.S.-based large cap Exploration & Production Company.

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	Weight
Consumer Discretionary	14.1%
Consumer Staples	13.3
Energy	11.2
Financials	19.2
Health Care	8.2
Industrials	8.3
Information Technology	17.8
Materials	3.2
REITS	1.9
Telecommunications Services	0.0
Utilities	0.0
Cash & Equivalents	2.3

Top Ten Equity Holdings*†

Holding	Weight
CarMax Inc	2.9%
Brookfield Asset Management Inc**	2.8
Johnson & Johnson	2.8
Exxon Mobil Corp	2.5
Berkshire Hathaway Inc	2.5
Wells Fargo & Co	2.4
Fiserv Inc	2.2
The J.M. Smucker Co	2.2
International Business Machines Corp	2.2
Capital One Financial Corp	2.1

** Sector Weightings and Holdings are as of December 31, 2012. They are subject to change on a daily basis. **Foreign Holdings †Percent of Net Assets*

Individual account performance, portfolio sector weightings, and holding percentages may vary.

The Value & Income Fund ("Fund") was up 0.16% for the fourth quarter, slightly lagging the 0.65% gain for the Lipper Equity Income Index. More importantly, the Fund produced a 15.38% gain for the full year, exceeding the 13.70% gain for the Lipper Equity Income Index. At year end, the Fund provided a yield of 2.18%. The surge of funds into dividend paying stocks certainly slowed in the quarter. While much of this can be attributed to concerns over taxation, valuation also seemed to play a part, as low-growth/high-yielding stocks seemed to be hit the hardest. As you will read below, we have continued to shift emphasis to dividend growth from absolute yield throughout the year; however, more recently have found some value in higher yielding names as they pulled back.

"Regardless of higher taxes, we continue to believe dividends will be an important component of investor return for some time..."

Early in the quarter, we initiated a position in a leading global agriculture firm, Archer Daniels Midland Co (ADM). As a procurer, transporter, processor and merchandiser of agricultural commodities and products, we believe ADM is well positioned to benefit from the strong global theme of increased food consumption among a growing emerging market middle class. Though recent results have been disappointing due to rising input costs and deteriorating fundamentals in the company's ethanol business, we feel as though expectations and sentiment surrounding the shares are close to rock bottom. Given the stock's cheap valuation, attractive dividend (yields 2.6%), and compelling long-term prospects, we think the risk/reward in ADM is attractive.

We purchased a position in multi-line insurer Hartford Financial Services (HIG). The HIG story has a lot of moving parts; however, we believe the stock's valuation appears to reflect this complexity, trading at roughly 50% of book value. Moreover, we feel the company's restructuring efforts will refocus operations on higher returning businesses while freeing up capital to make strategic investments and significantly increase the $0.40 dividend (yields 1.8%). While losses from Hurricane Sandy will impact fourth quarter results, we feel HIG offers strong appreciation potential over the next several years as the impact from the restructuring becomes more visible and industry trends continue to improve.

We also added to our position in McDonald's (MCD). The stock had weakened in response to slowing monthly sales trends. Though same-store sales may struggle in the near term amid difficult comparisons, a renewed focus on value via the dollar menu seems to be helping to revive traffic trends domestically. As such, we felt weakness in the stock provided a great opportunity to add exposure to a strong global franchise with a solid balance sheet, robust cash flows, and an attractive dividend that has grown every year since 1976 (dividend yields 3.5%).

As noted above, many low-growth defensive dividend payers fell under pressure during the quarter as the surge of fund flows subsided. The REIT and Utility sectors were primary victims as the "yield-bid" waned. Though we had contended for some time that valuations looked quite expensive across these sectors, we feel the mass exodus from these stocks created some opportunities in high quality companies with solid total return potential. In keeping with this theme, we added to our positions in Dominion Resources (D) and W.P. Carey (WPC). In terms of D, we think the company's expectation of 5%-6% earnings growth coupled with its approximately 4% dividend yield can result in approximately 9% total return annually. WPC could have solid upside as it grows its high-quality portfolio of real estate assets alongside its dividend yielding over 5%.

In sum, we are pleased to be reporting back to you after another solid year of returns. Regardless of higher taxes, we continue to believe dividends will be an important component of investor returns for some time given a dearth of high-quality, income-producing alternatives. As you can see from our recent activity, we continue to seek a balance between higher yielding defensive stocks and those who have the ability to grow their dividends over time.

PERFORMANCE *As of 12/31/12*	DVIPX	S&P 500	Lipper Eq. In.
Q4 2012	0.16%	-0.38%	0.65%
YTD 2012	15.38	16.00	13.70
1 Year	15.38	16.00	13.70
*Since Inception (12/31/10)**	11.63	8.85	8.05

Gross Expense Ratio: 1.24%

*Periods greater than one year are annualized.

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New Positions

Archer Daniels Midland Co (ADM) is a leading global agriculture firm. Current yield: 2.6%.

Hartford Financial Services Group Inc (HIG) is a multi-line insurer. Current yield: 1.8%.

LinnCo LLC (LNCO) is a C-Corp formed for the sole purpose to invest in the units of upstream oil and gas Master Limited Partnership (MLP) Linn Energy (LINE). Current yield: 7.9%.

Increased Positions

Dominion Resources Inc (D) is a Richmond, VA-based regulated utility. 4.1%.

McDonald's Corp (MCD) franchises and operates over 33,700 McDonald's restaurants in 120 countries, serving more than 69 million customers per day throughout the world. Current yield: 3.5%.

W.P. Carey Inc (WPC) is a global real estate advisory and investment firm. Current yield: 5.1%.

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Portfolio Sector Weightings*

Sector	%
Consumer Discretionary	4.6%
Consumer Staples	20.8
Energy	13.3
Financials	18.9
Health Care	8.0
Industrials	12.3
Information Technology	5.1
Materials	3.3
REITS	6.4
Telecommunications Services	1.7
Utilities	2.0
Cash & Equivalents	2.9

Top Ten Equity Holdings*†

Holding	%
Fidelity National Financial Inc	3.1%
SPDR Euro Stoxx 50 ETF	2.9
JPMorgan Chase & Co	2.9
Wells Fargo & Co	2.5
Johnson & Johnson	2.5
The Travelers Companies Inc	2.5
Royal Dutch Shell PLC**	2.4
Marathon Petroleum Corp	2.3
Walgreen Co	2.3
Sun Communities Inc	2.2

** Sector Weightings and Holdings are as of December 31, 2012. They are subject to change on a daily basis. **Foreign Holdings †Percent of Net Assets*
Individual account performance, portfolio sector weightings, and holding percentages may vary.

The Equity Opportunities Fund ("Fund") closed 2012 on a strong note and managed above-average gains for the full year. For the fourth quarter, the Fund advanced 5.63% versus 2.88% for the Russell Midcap Index and a 0.38% decline for the S&P 500 Index. For the full year, the Fund gained 21.99%, which was nicely ahead of the Russell Midcap at 17.28% and the S&P 500 at 16.00%. As another point of reference, the small-cap oriented Russell 2000 was up 16.35% in 2012. While our primary focus is superior multi-year returns, we are pleased to have logged a solid 12 months relative to the broader market and peers.

Through 2012, the Fund benefited from the domestic recovery thesis we highlighted a year ago. Banking and housing-related names such as Brookfield Residential (BRP), Fidelity National (FNF), and SunTrust (STI) were among our top performers, as they benefited from nascent signs of a housing recovery. We think housing momentum will persist, but have reduced our exposure to the aforementioned names given their outsized gains. Large Consumer Discretionary holdings such as CarMax (KMX) and casino operator Penn National (PENN) were also top contributors to performance. KMX benefited from strong same-store sales trends, which have firmed as the availability of used cars has improved. The stock is now more fully valued, but we think there's still significant runway for growth as the company opens new stores and gains market share.

PENN, which we bought more of in Q4, recently jumped after the company announced plans to split its real estate and operating assets into two separate companies. One entity will be structured as a REIT, which will pay an attractive dividend, while the other entity will be a smaller casino company that could grow significantly. This pioneering structure is tax efficient and will allow for new growth opportunities for both companies. We added to our holdings once more post the announcement given potential value creation associated with the split.

"...the smartest thing we can do is latch onto...talented managers and let them go to work for us for as long as possible."

Another of our top holdings, Markel (MKL), has been a drag on performance, lately. The stock declined sharply after the company announced its intent to acquire insurer Alterra Capital Holdings (ALTE). The size of the deal, which may take a while to digest, and ALTE's exposure to the competitive reinsurance market seem to trouble investors. From our perspective, MKL paid a fair price for the company and should be able to create value by both cutting costs and re-positioning ALTE's investment portfolio. Given the negative reaction to the news, we added to our position in the stock at just a hair over pro forma book value for the combined entity. We continue to view MKL as a miniature Berkshire Hathaway and this deal doesn't change our belief that the company will be able to grow book value at a double-digit pace well into the future.

"We remain steadfast in our belief that a collection of superior business models run by superior managers will yield above-average returns over time."

As evidenced by our additions to both PENN and MKL, which were already meaningful holdings, we think it makes sense to prioritize businesses we really like and are comfortable taking concentrated positions when we see unique opportunities. We have a long history with both companies, and their management teams are among the sharpest value creators we've encountered. In our view, the smartest thing we can do is latch onto such talented managers and let them go to work for us for as long as possible. This may sound ridiculously simple, but is somewhat of a lost art form in a world of multiple asset classes, ETFs, traders, fast money, "alternative" investments, derivatives, etc. In fact, our odds of success may have actually improved in recent years with this basic approach to investing having become less crowded.

We're still on the hunt for new opportunities. To that end, we recently established a position in Dollar Tree Inc (DLTR), a Chesapeake, VA-based discount retailer. DLTR has a unique ability to adjust its merchandise in order to optimize profitability and has grown increasingly efficient in recent years. After peaking in mid-2012, the stock fell from grace as management signaled softer near-term sales trends. While same-store sales growth will likely moderate, we believe the

PERFORMANCE *As of 12/31/12*	DEOPX	Russell Midcap	S&P 500
Q4 2012	5.63%	2.88%	-0.38%
YTD 2012	21.99	17.28	16.00
1 Year	21.99	17.28	16.00
*Since Inception (12/31/10)**	13.18	7.46	8.85

Gross Expense Ratio: 1.10%

*Periods greater than one year are annualized.

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company can achieve 15% Earnings Per Share (EPS) growth via a combination of modest organic growth, store openings, expanding operating margins and share repurchase activity. With the stock roughly 30% off its highs, we thought weakness represented an opportunity.

We also purchased a new position in Pall Corp. (PLL). PLL is a leading supplier of filtration, separation and purification technologies for numerous industries. The company is exposed to attractive growth markets such as biopharmaceutical production, and its substantial sales of replacement filters provide a steady revenue base. Industrial end markets remain somewhat of a drag on results, but could ultimately provide an earnings kicker as economic conditions improve. Meanwhile, recently appointed CEO Larry Kingsley has undertaken a significant restructuring program that we believe can produce meaningful margin expansion even in a difficult environment. After lagging a bit in 2012 as investors shied away from global growth stories (PLL generates roughly 70% of sales overseas), we think names like PLL could enjoy a better 2013.

In sum, we are very pleased with our 2012 results. It may be difficult to replicate this outcome in 2013 as some of our holdings seem to have borrowed a little from future performance. However, we are still finding good deals and feel very positive about the Fund's current makeup. We remain steadfast in our belief that a collection of superior business models run by superior managers will yield above-average returns over time.

New Positions

Consol Energy Inc (CNX) is a well-run, low-cost coal producer in the Northeast United States.

Dollar Tree Inc (DLTR) is a leading discount retailer based in Chesapeake, VA. We subsequently added to our position in DLTR during the quarter.

Pall Corp (PLL) is a leading supplier of filtration, separation and purification technologies serving a range of industries.

Walgreen Co (WAG) is a leading pharmacy retailer.

Increased Positions

Albemarle Corp (ALB) is a specialty chemical company producing polymer additives and fine chemicals used by various industries.

Brookfield Asset Management Inc (BAM) is a specialty asset manager with a focus on real estate, power and infrastructure assets.

Markel Corp (MKL) is a Richmond, VA-based specialty insurer.

Penn National Gaming Inc (PENN) is a regional casino operator with an attractive portfolio of 19 casinos throughout the United States.

Sun Communities Inc (SUI) is a REIT that owns, operates and develops manufactured housing communities.

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Portfolio Sector Weightings*

Sector	Weight
Consumer Discretionary	26.7%
Consumer Staples	6.9
Energy	1.9
Financials	25.0
Health Care	2.0
Industrials	12.8
Information Technology	6.6
Materials	3.7
REITS	6.2
Telecommunications Services	0.0
Utilities	2.9
Cash & Equivalents	2.9

Top Ten Equity Holdings*†

Holding	Weight
Penn National Gaming Inc	6.0%
CarMax Inc	5.4
Markel Corp	5.3
Brookfield Asset Management Inc**	4.4
Aon PLC**	4.0
O'Reilly Automotive Inc	3.9
Colfax Corp	3.9
Capital One Financial Corp	3.8
Albemarle Corp	3.7
Sun Communities Inc	3.4

** Sector Weightings and Holdings are as of December 31, 2012. They are subject to change on a daily basis. **Foreign Holdings †Percent of Net Assets*

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Past performance is no guarantee of future results. Investing in securities carries risk including the possible loss of principal.

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 Russell 2000 Index is a trademark/service mark of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co. 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 Russell Midcap Index is a trademark/service mark of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co. 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 Emerging Markets Index (MSCI EM)** 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. **An investor cannot invest in these indices and their returns are not indicative of the performance of any specific investment**. The **P/E Ratio** is a valuation ratio of a company's current share price compared to its per share earnings.