Davenport Funds Update Q4 2013

from **Davenport** Asset Management December 31, 2013

Notes from the Fourth Quarter

- *Equity markets posted outstanding returns for 2013*
- *Returns may moderate, but good years can follow great years*
- *Economy showing signs of improvement*
- *Money flows may favor equities*

Equity investors enjoyed outstanding returns in 2013. The S&P 500 Index advanced 32.39% for the year while the Russell 2000 Index was up 38.82%. Early in the year, we thought we might see more subdued returns following a strong 2012. Much to our delight, we were pleasantly surprised as the ingredients of modest economic growth, easy monetary policy and shifting money flows created the perfect recipe to fuel outsized gains. Obstacles like the "taper tantrum", government shutdown and debt ceiling fight proved to be short-lived hiccups in the midst of a largely uninterrupted rally. Some have described this as the "trick or treat" market, where the headlines have been the "trick" and the market has been the "treat". Indeed, it paid to stay the course with stocks rather than react to media hype.

Recent returns are clearly well above historical norms and appear a bit frothy. The S&P 500 has now gone 565 trading days without a 10%+ correction. There have been even longer streaks in the past, but this suggests we may see some weakness before too long. At a minimum, we suspect the pace of gains will moderate near term, especially if monetary policy starts to shift and we see upward pressure on the ultra-low interest rates that have supported many asset classes. Should we experience a setback, it will no doubt feel uncomfortable. However, we think it will prove temporary and note stocks have often enjoyed "good" years on the heels of "great" years. S&P Capital IQ recently noted there have been 21 instances since 1945 when the S&P 500 has gained more than 20%. In the following year, the index gained an average of 10%. We aren't necessarily predicting such gains, but there are reasons to be optimistic.

For one, it seems the economy is beginning to pick up steam. The unemployment rate recently fell to 7.0%, which is a new low for the cycle, and most corporations are surpassing analysts' earnings forecasts. Impressively, economic and earnings improvement has come in the face of fiscal headwinds (i.e., higher taxes and reduced government spending). Fortunately, we will soon anniversary items like the payroll tax increase and such headwinds won't represent an incremental drag in 2014; hence, Gross Domestic Product (GDP) growth could accelerate. A rebound in corporate capital spending and consumer borrowing, which have been subdued ever since the financial crisis, could add fuel to the fire. All the while, inflation remains relatively tame and provides cover for the Federal Reserve System to keep interest rates low, even as it begins to "taper" quantitative easing. Lastly, there are signs of promise in some foreign markets. Europe appears to be bottoming and China's economy could benefit from new structural reform initiatives.

Sentiment and money flows may also continue to favor equities. In a recent presentation, Nuveen strategist Bob Doll cited a survey showing that only 10% of individual investors have regained trust in equities while only 1% of investors were "highly bullish". Many remain skeptical and seem to be waiting for an anvil to fall from the sky. This could change with a period of prosperity void of European crises, fiscal cliffs and government shutdowns. Institutional investors also appear under-invested in stocks. Jason Trennert of Strategas Research Partners recently pointed out that university endowments' allocation to equities fell from 50% of assets to 31% from 2002 to 2012, while their allocation to "alternatives" rose from 24% to 54%. With some of those "alternatives" generating sub-par returns, we may be in the early stages of seeing money move back in the other direction.

In sum, we are pleased to have delivered a solid year across our funds. We recognize the market is levitated by cheap money and may have borrowed from the future with such outsized gains this year. While some caution is warranted near term, the factors cited above lead us to believe equities will continue to generate returns that compare favorably to other asset classes. As such, we think we'll be amply rewarded for sticking with our straightforward approach of buying good businesses run by talented managers. Please refer to our fund letters for discussion of some specific themes and ideas. We thank you for your trust and look forward to reporting back to you in 2014.

Market Returns	Q4 2013	YTD 2013
U.S. Large Caps	10.51%	32.39%
U.S. Mid Caps	8.39	34.76
U.S. Small Caps	8.72	38.82
Bonds	-0.02	-0.86
International Developed Markets	5.71	22.78
Emerging Markets	1.83	-2.60

Source: Morningstar Direct. See Disclosures for index definitions.

The Davenport Core Fund advanced 9.51% in the fourth quarter, nearly keeping pace with the explosive 10.51% gain for the S&P 500 Index. The fund finished the year up 31.55% versus the 32.39% gain for the S&P 500. We are pleased to have kept pace with such a relentlessly strong market.

Quarterly results were most dramatically impacted by a spike in the shares of Valero Energy (VLO). The company is a key beneficiary of rising domestic oil production, which has lowered input costs and improved profitability. Recent efforts to reallocate funds from old technology into new technology have paid off nicely to date as high-growth tech stocks cruised into the new year. This was evident in key holdings such as Amazon (AMZN), Google (GOOG) and Facebook (FB), all of which outperformed the market. Key underperformers included names such as Brookfield Asset Management (BAM) and American Tower (AMT), which faced headwinds due to fears of rising interest rates. We continue to view these as core holdings given talented management, significant cash flow and visible growth. While both stocks took some time off in 2013, we think each is due for better performance in the coming year.

Throughout the year, the fund benefitted from our exposure to biotechnology stocks such as Amgen (AMGN), Celgene (CELG) and the iShares NASDAQ Biotechnology Index ETF (IBB). While we continue to like the industry due to its above-average growth and below-average cyclicality, we elected to trim our exposure via the sale of IBB. With the funds, we chose to purchase Express Scripts (ESRX), the nation's largest pharmacy benefit management company. Given its industry leadership and high client retention rates (mid-to-upper 90% range), ESRX appears poised to benefit from various secular developments such as an aging population, increased mail order penetration, growth in the delivery of specialty drugs and increased participation in the healthcare system due to implementation of the Patient Protection & Affordable Care Act. While low margin, the company's toll booth model generates high returns and produces significant free cash flow. At its current valuation, we feel the market is under-appreciating the company's ability to produce highly visible mid-teens earnings growth while returning significant capital to shareholders.

"...we feel recent actions to reallocate funds into better risk/reward situations leave us well positioned for the future."

We also initiated a position in Cummins (CMI), the leading global manufacturer and distributor of diesel and natural gas powered engines and related power and emission components. The firm has an estimated roughly 40% global market share, leaving it well positioned to capitalize on multiyear structural factors such as tightening emissions standards and an increased emphasis on fuel efficiency. From a cyclical perspective, CMI should also benefit from expanding capital budgets as global trucking firms look to invest in an aging and inefficient fleet. Given the company's strong management team, solid balance sheet and track record of prudent capital allocation, we feel CMI is a high-quality way to play the next leg of a global industrial recovery.

We are encouraged by recent results; furthermore, we feel recent actions to reallocate funds into better risk/reward situations leave us well positioned for the future. Our mission remains to capture as much of the market's upside as possible while attempting to reduce downside risk. This strategy can sometimes lead to modest relative underperformance in strong markets, but can also contribute to outperformance in a bearish phase. Over time, we feel this combination should yield superior returns with less volatility.

Performance as of 12/31/13	DAVPX	S&P 500
Q4 2013	9.51%	10.51%
YTD 2013	31.55	32.39
1 Year	31.55	32.39
3 Year*	15.82	16.18
5 Year*	17.49	17.94
10 Year*	7.94	7.41
Since Inception (1/15/98)*	6.26	6.18

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.

Recent Purchases

Cummins Inc (CMI) We purchased a position in this leading global manufacturer of diesel and natural gas powered engines and related power and emission components. We are attracted to this company given its well-regarded management team, leading market position, solid balance sheet and a positive demand outlook for new engines driven by increased regulatory emission standards.

Express Scripts Holding Co (ESRX) We purchased a position in this leading pharmacy benefit manager as the company's leading market share, stable client base and strong cash generation could enable it to produce highly visible earnings growth while returning significant capital to shareholders.

Flowers Foods Inc (FLO) We purchased a position in this leading producer and marketer of bakery products such as Nature's Own and Wonder Bread. We feel the company is well positioned to meet long-term growth objectives.

Valeant Pharmaceuticals International Inc (VRX) We purchased a position in this specialty pharmaceutical company given the company's diversified income stream, strong cash flow characteristics and management's impressive track record of creating value through acquisitions.

Recent Sales

Aon plc (AON) Following strong recent performance, we chipped our position in this insurance brokerage and human resources outsourcing firm in light of recent evidence of a more difficult pricing environment.

iShares NASDAQ Biotechnology Index ETF (IBB) We sold our position during the quarter given a willingness to reduce exposure to the sector following a period of significant outperformance.

Stanley Black & Decker Inc (SWK) We sold our position in this diversified industrial tool maker following disappointing results and guidance that reduced our confidence in management's ability to execute.

Twenty-First Century Fox Inc (FOXA) We sold our position in this media giant following strong performance that left the shares looking fairly valued.

Fund Sector Weightings*

Sector	Weight
Consumer Discretionary	15.5%
Consumer Staples	11.6
Energy	9.5
Financials	17.3
Health Care	12.8
Industrials	10.6
Information Technology	12.0
Materials	4.6
REITs	2.1
Telecommunications Services	0.0
Utilities	0.0
Cash & Equivalents	1.9

Top Ten Equity Holdings*†

Holding	Weight
Capital One Financial Corp	2.9%
Johnson & Johnson	2.8
CarMax Inc	2.7
Markel Corp	2.7
Google Inc	2.6
Danaher Corp	2.6
Berkshire Hathaway Inc	2.4
Valero Energy Corp	2.4
Wells Fargo & Co	2.4
Amazon.com Inc	2.3

The recent transactions profiled above represent securities purchased and/or sold 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.

**Sector Weightings and Holdings are as of December 31, 2013. They are subject to change on a daily basis. †Percent of Net Assets*

The Davenport Value & Income Fund gained 9.52% during the fourth quarter versus the 10.51% and 8.97% advance in the S&P 500 Index and Lipper Equity Income Index, respectively. This resulted in an annual return of 30.76% for the fund, ahead of the 28.70% gain for the Lipper Equity Income Index and slightly behind the 32.39% gain for the S&P 500. After a fast start to 2013, increasing uncertainty regarding the interest rate impact of a reduction in the Federal Reserve System's bond purchasing program served as a headwind for much of the year. Still, the strategy managed impressive absolute returns, with those companies exhibiting a strong capacity and willingness to increase their distributions to shareholders performing best. Our top 15 contributors increased their dividends at a median rate of 18% during 2013 compared to the S&P 500 increase of 12%. At year end, the fund had a 30-day SEC yield of 1.6%.

"...recent actions...demonstrate the flexibility we have to look across a variety of areas in search of value."

Marathon Petroleum (MPC) and Archer Daniels Midland (ADM) were top performers on both a quarterly and year-to-date basis. Each company benefitted from favorable lower input costs during the year (lower domestic crude for the former and lower corn prices for the latter); however, an increased focus on returns on capital and shareholder returns proved to be the icing on the cake for both. Walgreen (WAG) was another top performer on the heels of solid earnings, increases to the dividend and more investor comfort with ongoing strategic initiatives. Given that the stock has nearly doubled since our initial purchase, we elected to chip the position and lock in some profits. REITs and other high yielding securities such as Sun Communities (SUI), W.P. Carey (WPC) and TransCanada (TRP) underperformed during the year. While we elected to exit our position in TRP during the quarter, we feel broad based pressure across the REIT universe has created some opportunities in strong companies with great business models.

In keeping with the aforementioned theme, we initiated a position in Equity Lifestyle Properties (ELS), the largest manufactured housing REIT in the country. As we have noted in prior communications regarding SUI, we are attracted to the manufactured housing industry given its stable cash flows, low capital intensity and good visibility. We feel ELS's strong balance sheet, low payout ratio, "age restricted" focus and higher exposure to RV communities are key differentiating factors that merit adding exposure. Though the current dividend is stated at $1.00, management has indicated its intention to raise it to $1.30 in the coming year (implies an approximately 3.5% yield), marking the tenth straight year of dividend increases. Over time, we expect the company to generate solid growth in Funds From Operations (FFO) via rent increases, acquisitions and cyclical improvements in RV operations while continuing to raise the dividend.

We increased exposure to two "deep value" situations during the quarter by adding to our position in Teva Pharmaceutical (TEVA) and initiating a position in the Harvest CSI 300 China A-Shares ETF (ASHR). After coming under pressure following a surprise CEO departure, we felt sentiment had reached a nadir for TEVA with the stock trading at roughly 10x trough 2015 Earnings Per Share (EPS) (EPS should bottom around $3.50). ASHR is a new ETF created to track the domestic A-share Chinese equity market, which has historically been closed to foreign investors. Sentiment regarding the Chinese economy has turned dramatically negative and the Shanghai Composite Index, the most comprehensive equity index for shares traded in mainland China, has lost nearly two-thirds of its value from its peak in 2007. As a result, the Chinese equity market now trades for less than 10x forward earnings despite having the highest growth rate by far among major economies. Though the country faces many serious challenges, new government leadership is making a number of positive economic reforms in order to facilitate sustainable growth. Importantly, they are abolishing the one child rule and opening up the domestic A-share market to foreign investors, which should provide a strong multiyear technical driver for ASHR. Clearly this is an 'outlier' in what is largely a vanilla fund. However, the evolution of ETFs has allowed us to participate in themes that would have been difficult to access in the past. Examples of similar investments we have made in this fund include a Eurozone ETF (FEZ, currently a 2.8% position) and a currency-hedged Japanese ETF (DXJ, a holding we exited in August).

In sum, we are pleased with recent results and remain comfortable with the fund's positioning. Moreover, we feel the recent actions described above demonstrate the flexibility we have to look across a variety of areas in search of value. Ultimately, we are confident in the strategy's ability to navigate changing market conditions, including rising interest rates.

Performance as of 12/31/13	DVIPX	S&P 500	Lipper Eq. Inc.
Q4 2013	9.52%	10.51%	8.97%
YTD 2013	30.76	32.39	28.70
1 Year	30.76	32.39	28.70
3 Year*	17.68	16.18	14.53
Since Inception (12/31/10)*	17.68	16.18	14.53

Gross Expense Ratio: 1.18%

*Periods greater than one year are annualized.

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Davenport Value & Income Fund Q4 2013

Recent Purchases

Archer Daniels Midland Co (ADM) We added to our position in this agricultural processing and logistics company given increased conviction in management's ability to generate increased returns on capital. Current yield: 2.2%

db X-trackers Harvest CSI 300 China A-Shares ETF (ASHR) We purchased a position in this Chinese A Share ETF. Current yield: n/a

Equity Lifestyle Properties Inc (ELS) We purchased a position in the largest U.S. manufactured housing REIT, attracted by stable cash flows, low capital intensity and good visibility. Current yield: 2.8%

H & R Block Inc (HRB) We purchased a position in this leading provider of tax services in the U.S. We believe the increasing complexity of the tax code will help the company retain and grow its customer based, while opportunities resulting from the implementation of the Patient Protection & Affordable Care Act could be meaningful contributors to results down the road. Current yield: 2.8%

Markel Corp (MKL) We added to our position in this specialty insurer given our faith in management and considering the stock's valuation is a cheap as we have seen in some time. Current yield: n/a

Occidental Petroleum Corp (OXY) We purchased a position in this integrated oil and gas company. We believe the shares are attractively valued in light of the stock's growing dividend and considering the company's potential to unlock value via asset sales and other strategic alternatives. Current yield: 2.7%

Teva Pharmaceutical Industries Ltd (TEVA) We added to our position in this generic pharmaceutical manufacturer as recent weakness left the shares trading at a very depressed multiple of estimated 2015 trough earnings. Current yield: 3.2%

Recent Sales

Darden Restaurants Inc (DRI) We sold our position in this restaurant operator given the stock's recent strength, fairly full valuation and uninspiring growth outlook.

Norfolk Southern Corp (NSC) We sold our position in this East Coast rail as the decline in its high margin coal transportation segment somewhat offsets other positives, such as growing intermodal volumes.

TransCanada Corp (TRP) We sold our position in this Canadian energy infrastructure company given a full valuation and below average near-term dividend growth due to the ongoing delay of its key Keystone XL project.

Travelers Companies Inc (TRV) We sold our position in this well-run insurance company, reducing our exposure to the Property & Casualty group following a great run that has left the stock looking fairly expensive.

Walgreen Co (WAG) We chipped our position as our initial turnaround/value situation thesis has largely played out, with the company now trading at a more reasonable valuation. Current yield: 2.2%

Fund Sector Weightings*

Sector	%
Consumer Discretionary	5.1%
Consumer Staples	15.9
Energy	12.1
Financials	17.2
Health Care	11.1
Industrials	12.4
Information Technology	2.1
Materials	3.1
REITs	9.6
Telecommunications Services	1.4
Utilities	1.9
Other	4.1
Cash & Equivalents	2.9

Top Ten Equity Holdings*†

Holding	%
JPMorgan Chase & Co	2.9%
General Electric Co	2.7
SPDR Euro Stoxx 50 ETF	2.7
Archer Daniels Midland Co	2.7
Wells Fargo & Co	2.6
Markel Corp	2.6
Johnson & Johnson	2.5
Teva Pharmaceutical Industries Ltd**	2.5
GlaxoSmithKline plc**	2.5
Hartford Financial Services Group Inc	2.5

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**Sector Weightings and Holdings are as of December 31, 2013. They are subject to change on a daily basis. **Foreign Holdings †Percent of Net Assets*

The Davenport Equity Opportunities Fund closed the year on a strong note. For the fourth quarter, the fund advanced 7.36% versus gains of 8.39% and 10.51%, respectively, for the Russell Midcap Index and the S&P 500 Index. Starting the quarter, we thought it may be difficult for the fund to sustain its momentum, but our skepticism proved unfounded. For the full year, the fund gained 29.72% as compared to 34.76% and 32.39% for the Russell Midcap and S&P 500. While a fantastic year in terms of absolute performance, our relative performance wasn't as good as the prior two years.

Delta Air Lines (DAL) was our top performer in 2013 with a 133% gain. Understandably, some probably winced when we first bought this stock in 2012 given the airline industry's long history of poor returns on capital. We were hopeful that consolidation, capacity reductions, pricing discipline, balance sheet improvement and more subdued fuel prices would usher in a new era of better performance. This thesis is bearing fruit thus far. We've added to airline exposure with the recent purchase of American Airlines (AAL), which is the result of the merger between US Airways and AMR Corp. In addition to the aforementioned industry tailwinds, we think there's a substantial opportunity for US Airways management to improve operations at AMR. On top of $1 billion of traditional cost savings, there's a chance to cull unprofitable routes and optimize marketing spend (AMR's operating margins last year were just one-third of US Airways' margins). We also note CEO Doug Parker has done this before, having taken over then-bankrupt US Airways in 2005 and subsequently achieving top tier industry margins.

Consumer stocks were also leaders for the quarter and much of the year. Core holdings such as CarMax (KMX), Hanesbrands (HBI), O'Reilly Automotive (ORLY) and Penn National (PENN) aided results. We thought it made sense to revisit PENN given the company's recent split into two entities. We now own a Real Estate Investment Trust (REIT) (ticker GLPI), which will own the company's casino real estate, and an operating company (ticker PENN), which will operate the casinos and pay rent to the REIT. We think both pieces are interesting. GLPI's management team, which is among the best we've encountered in any industry, will have an opportunity to consolidate the industry and substantially grow the company's dividend. PENN, on the other hand, appears to be the more unloved of the two situations; hence, we added to our position. The shares trade at a discount to other regional casino operators, thereby failing to reflect a superior balance sheet and the opportunity to be the operator of choice as the REIT buys new properties. Of note, PENN will generate close to $2/share in free cash flow, which implies nearly a 15% yield on the current share price of $13.70.

REITs and real estate-related names have underperformed as income-oriented investments struggled alongside rising interest rates. Major holdings such as American Tower (AMT), Brookfield Asset Management (BAM) and Sun Communities (SUI) were notable laggards. It sometimes feels like we're swimming upstream, but we feel these stocks currently offer compelling values. As a reminder, we are more focused on these companies' attractive business models and talented management teams than their REIT structures. After a period of indiscriminate selling associated with outflows from REIT funds, we think investors will start to differentiate and reward those names with superior growth potential.

Along those lines, we recently added to our position in SUI. The shares have declined nearly 30% from their May highs and look cheap relative to cash flow and net asset value; moreover, SUI now yields 5.9% (a level that would seem to somewhat discount the threat of higher interest rates). As a reminder, SUI specializes in manufactured housing and RV communities. These communities generate stable cash flows and have limited capital requirements. We think investors are underestimating management's ability to improve results and believe the dividend could soon be raised for the first time since 2005. Also, we've been pleased to see some "smart money" (in this case, a well known private equity player) recently express an interest in the industry, thereby making us feel less lonely.

In addition to a dose of REITs, a few "big picture" factors weighed on us. For one, we consistently carried a modest cash balance. While not a big weighting, any cash is certainly a drag in a hot market. Not to mention, there were fewer chances to put this cash to work when compared to prior years, when market turbulence created more in the way of special opportunities. Lastly, investors' rising risk appetites favored small cap stocks as well as high flying growth stocks, which went from being expensive to more expensive. The fund has market cap and style flexibility, but was generally light in these two areas. Should we see a more modest return environment in 2014, we think investors will become more discriminating and place added emphasis on stories of superior capital allocation, especially if interest rates (i.e., the cost of capital) are moving higher. We feel the fund is loaded with such stories and are confident in its positioning for 2014 and beyond.

Performance as of 12/31/13	DEOPX	Russell Midcap	S&P 500
Q4 2013	7.36%	8.39%	10.51%
YTD 2013	29.72	34.76	32.39
1 Year	29.72	34.76	32.39
3 Year*	18.45	15.88	16.18
Since Inception (12/31/10)*	18.45	15.88	16.18

Gross Expense Ratio: 1.01%
*Periods greater than one year are annualized.

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Recent Purchases

American Airlines (AAL) We bought a position in the world's largest airline as we believe new management has substantial opportunity to improve returns on capital in a changed industry landscape brought about by consolidation.

Cabela's Inc (CAB) We added to our position in this leading outdoor retailer with above-average growth opportunities and rising returns on capital.

Fairfax Financial Holdings Ltd (FRFHF) We purchased a position in this Canadian-based Property & Casualty insurer given our belief in management's ability to continue its impressive track record of shareholder returns.

Morgan Stanley China A Share Fund (CAF) We purchased a position in this Chinese A share closed-end fund.

Penn National Gaming Inc (PENN) We added to our position in this regional gaming operator given the company's attractive free cash flow yield, top quality management and ability to make meaningful acquisitions.

Portfolio Recovery Associates Inc (PRAA) On the heels of weakness caused by Q3 results, we purchased a position in this debt collection company given its dominance in the category and many growth opportunities stemming from both cyclical and secular developments.

Sun Communities Inc (SUI) We added to our position in this manufactured housing REIT as weakness in the stock provided an opportunity to gain exposure to a stable cash flow generator that could be able to increase the dividend over the next year.

Teva Pharmaceutical Industries Ltd (TEVA) We purchased a position in this generic pharmaceutical manufacturer as recent weakness left the shares trading at a very depressed multiple of estimated 2015 trough earnings.

Recent Sales

Albemarle (ALB) We sold our position after recent strength and a subdued near-term earnings outlook driven by weak macro and overinvestment in capacity.

American International Group Inc (AIG) We sold our position in this Property & Casualty insurer following strong performance over a short period.

Aon plc (AON) Following strong recent performance, we chipped our position in this insurance brokerage and human resources outsourcing firm in light of recent evidence of a more difficult pricing environment.

Brookfield Property Partners LP (BPY) After receiving the shares via a spin off from Brookfield Asset Management (BAM), we sold our position in this commercial property REIT, deciding to exit the small position rather than making it more meaningful.

CST Brands Inc (CST) We sold our position in this convenience store operator amid concerns regarding fuel and merchandise margins.

Dollar Tree Inc (DLTR) We chipped our position in this discount retailer following strong recent performance.

Intuit (INTU) Having added to the stock amid a sharp selloff related to a disappointing earnings pre-announcement, we chipped the stock after strong recent outperformance.

National Oilwell Varco Inc (NOV) We sold our position in this high-quality oilfield equipment provider as near-term concerns have surfaced regarding the deepwater rig market and the stock no longer is the deep value it once was.

O'Reilly Automotive Inc (ORLY) We chipped our position in this auto parts retailer following strong performance that left the shares fairly priced.

Safety Insurance (SAFT) We sold this insurer as shares have traded up and we identified better opportunities elsewhere.

Walgreen Co (WAG) We sold our position as our initial turnaround/value situation thesis has largely played out, with the company now trading at a more reasonable valuation.

Fund Sector Weightings*

Sector	Weight
Consumer Discretionary	26.3%
Consumer Staples	8.1
Energy	4.5
Financials	22.5
Health Care	4.4
Industrials	11.2
Information Technology	3.1
Materials	0.0
REITs	14.4
Telecommunications Services	0.0
Utilities	2.8
Other	1.9
Cash & Equivalents	0.5

Top Ten Equity Holdings*†

Holding	Weight
Gaming and Leisure Properties Inc	6.6%
Markel Corp	5.7
CarMax Inc	5.4
Brookfield Asset Management Inc**	4.9
Penn National Gaming Inc	4.5
Capital One Financial Corp	4.0
American Tower Corp	3.9
Sun Communities Inc	3.8
Hanesbrands Inc	3.7
O'Reilly Automotive Inc	3.4

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**Sector Weightings and Holdings are as of December 31, 2013. They are subject to change on a daily basis. **Foreign Holdings †Percent of Net Assets*

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Performance shown is historical and is no guarantee of future results. Investing in securities carries risk including the possible loss of principal.

U.S. Large Caps represented by the **S&P 500 Index**. U.S. Mid Caps represented by the **Russell Midcap Index**. U.S. Small Caps represented by the **Russell 2000 Index**. Bonds represented by the **Barclays Capital Intermediate Government/Credit Index**. International Developed Markets represented by the **MSCI EAFE Index**. Emerging Markets represented by the **MSCI EM Index**.

The **Barclays Capital High Yield Index** covers the universe of fixed rate, non-investment grade debt, including corporate and non-corporate sectors. Pay-in-kind (PIK) bonds, Eurobonds, and debt issues from countries designated as emerging markets are excluded, but Canadian and global bonds (SEC registered) of issuers in non-emerging market countries are included. Original issue zero coupon bonds, step-up coupon structures, and 144-As are also included.The reported returns reflect equities priced in U.S. dollars and do not include the effects of reinvested dividends. The **Barclays Capital Intermediate Government/Credit 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 Municipal Bond Index** is a market value weighted index of investment grade municipal bonds with maturities of one year or more. The **Barclays Capital U.S. 20+ Year Treasury Index** measures the performance of U.S. Treasury securities that have a remaining maturity of at least 20 years. The **Lipper Equity Income Funds 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. The **Morgan Stanley Capital International Europe, Australia and Far East (MSCI EAFE) Index** is an unmanaged index composed of the stocks of approximately 1,000 companies traded on 20 stock exchanges from around the world, excluding the U.S., Canada, and Latin America. The **Morgan Stanley Capital International Emerging Markets (MSCI EM) 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 US dollars and do not include the effects of reinvested dividends. 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 **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 **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. **An investor cannot invest in these indices and their returns are not indicative of the performance of any specific investment**.

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