Davenport Funds Update – Q2 2014

DAVENPORT
ASSET MANAGEMENT

June 30, 2014

Notes from the Second Quarter

- *Equity markets continue to post gains despite headwinds*
- *Fed policy continues to provide support*
- *Volatility remains subdued*
- *We remain constructive, but watchful for "animal spirits"*

Equity markets remained resilient during the second quarter. The S&P 500 Index advanced 5.23% to new highs as investors brushed off weak economic readings, political tensions with Russia, slowing growth in Europe and heightened turmoil in Iraq. Year-to-date, the S&P 500 is now up 7.14% despite these headwinds and ongoing predictions for a 10% pullback. While this gain doesn't rival the pace of last year's outsized advance, it is still impressive as many hoped we could muster a high-single digit gain for the S&P 500 for the full year. We noted in our year-end letter that "great" years are often followed by "good" years. Thus far, this certainly appears to be the case.

The market's buoyancy is largely a function of easy monetary policy and all eyes remain on the Federal Reserve System (Fed). Many appear to be betting that muted economic growth will allow easy policy to persist. The bond market seems to agree with this story. As evidenced by this year's strength in the bond market, which has confounded those calling for higher interest rates as the Fed begins to "taper" its bond buying program, many believe we are stuck in a period of moderate growth and low rates. This seems to have emboldened equity investors, who suspect the cheap money wave that has encouraged risk taking and benefitted stocks for the past few years may not crest anytime soon. In other words, it appears the Fed still "has our back."

At its June 18 meeting, the Fed maintained the status quo by reiterating the need for accommodative policy. This defused any risk of near-term policy tightening and markets responded favorably once again. Fed Chairwoman Janet Yellen clearly seems willing to run the risk of overshooting (i.e., staying "easy" too long and stoking too much inflation) for the sake of generating economic momentum. This has been the story for years now and, at some point, the Fed will surprise investors by changing its tune. This inflection point could disrupt gains in many asset classes, including stocks. In fact, economic readings that portend such an inflection point (e.g., a pickup in inflation) will likely prompt volatility well before the Fed changes course.

Recently, however, volatility has been very subdued. The Chicago Board Options Exchange Volatility Index (VIX), which is a popular measure of market volatility (and fear levels), remains at very depressed levels and market action has verged on boring at times. One media report recently noted there's "so little to fear it's scary." Indeed, unprecedented monetary stimulus and moderate economic growth seem to have created nirvana for equity investors. Low volatility could also be partly a function of the Fed's unprecedented transparency, which thus far has left room for little in the way of surprises.

Hopefully, this extended period of low interest rates and subdued volatility won't yield a false sense of security that prompts aggressive risk taking. Animal spirits could manifest themselves in both corporate and investor behavior. In the corporate world, we are closely monitoring capital allocation decisions and leverage levels (especially for our holdings). While Merger & Acquisition (M&A) activity has increased notably, it doesn't appear to be in bubble territory and corporate balance sheets remain very healthy. We also have a close eye on equity market valuation levels. While P/E multiples have clearly expanded and the market is more "full," multiples are by no means absurd with the S&P 500 at 16.6x earnings estimates for this year. This valuation level is modestly above long-term averages, but seems reasonable in light of interest rates that are well below normal.

For many, market strength continues to be met with disdain and skepticism. This includes numerous pensions, endowments and individual investors, who have missed much of the rally and continue to be under-invested in equities. Broader adoption of equities by these constituents could provide an ongoing tailwind to markets. However, we need to remain watchful for a euphoric environment where everyone has "bought in." In the meantime, we remain reasonably constructive on stocks and don't plan on fighting the rally. We realize the world is floating on cheap money and are certainly less bullish than in prior years. However, any effort to time market weakness would likely prove futile and stocks still seem attractive versus other alternatives. Please review our fund letters for specific themes and ideas. We thank you for your trust and look forward to writing you in a few months.

Market Returns	Q2 2014	YTD 2014
U.S. Large Caps	5.23%	7.14%
U.S. Mid Caps	4.97	8.67
U.S. Small Caps	2.05	3.19
Bonds	1.23	2.25
International Developed Markets	4.09	4.78
Emerging Markets	6.60	6.14

Source: Morningstar Direct. Please see Disclosures section for index definitions.

The Core Fund was up 4.37% during the second quarter, as compared to the 5.23% gain for the S&P 500 Index. Year-to-date, the fund is up 5.24% versus the 7.14% advance for the S&P 500.

Stock selection in the technology and energy categories weighed on relative performance during the quarter. Within energy, a lack of exposure to "oily" exploration and production companies created a headwind as oil prices marched higher alongside geopolitical fears. Elsewhere within the category, refining stocks, such as Valero Energy (VLO), took a hit from heightened speculation that the U.S. Congress may lift the export ban on domestic crude. We think congressional action on this topic is unlikely in the near term and will continue to monitor the situation carefully. Our technology holdings also fell behind as index constituents we do not own, such as Microsoft (MSFT) and Intel (INTC), rallied sharply. Though we remain underweight in "old tech," we initiated a position in Cisco Systems (CSCO) during the quarter due to its ability to benefit from a rebound in the IT spending cycle. We discuss this action in further detail below.

In our last communication, we noted that broad based weakness in growth stocks provided the opportunity to add to high quality franchises at discounted prices. Celgene (CELG), which we added to at the beginning of the quarter, was a prime example as it rallied almost 25% during the period. We also added to American Tower (AMT) and Brookfield Asset Management (BAM), both of which were top performers for the period. Express Scripts (ESRX) and CME Group (CME) were among the laggards during the quarter. We elected to add to these positions on weakness given a continued belief in the long-term earnings power at each company.

We initiated a position in leading enterprise networking company, CSCO, during the quarter. As mentioned above, we have been underweight in "old tech" for some time given concerns surrounding newer disruptive technologies and sluggish revenue growth. Though we acknowledge the many competitive headwinds facing the company, we feel the risk/reward profile is attractive at current levels. CSCO has commanding market shares, a strong balance sheet, generates large amounts of cash and boasts an attractive dividend yield of 3.1%. Furthermore, after running well below trend for several years following the great recession, we believe IT spending is poised to rebound in coming years. Given CSCO's breadth of product and market leadership across many categories, we feel the company will be a prime beneficiary of this development.

We also elected to purchase a position in Liberty Media Corporation (LMCA) during the quarter. LMCA is a media holding company with key assets including Sirius XM holdings (SIRI) and Charter Communications (CHTR). Over the years, founder and lead shareholder Dr. John Malone, alongside well respected CEO Greg Maffei, have created enormous value for shareholders via their wealth of industry knowledge, creative approach to financing and prudent capital allocation. It is because of this track record that we have elected to purchase a position in LMCA rather than build positions in the underlying publicly traded assets. While it is structured as a holding company, we liken LMCA to a media mutual fund run by two of the best managers in the business.

In closing, we are pleased to be reporting strong absolute results through the first half of the year. As evidenced by the discussion above, we remain focused on generating new high-quality ideas while optimizing the fund through opportunistic management of existing holdings. As always, this process is administered with a continuous and vigilant assessment of risk.

Returns	DAVPX	S&P 500	Lipper Lg Cap Core
Q2 2014	4.37	5.23	4.51
YTD 2014	5.24	7.14	6.58
1 Year	22.76	24.61	23.38
3 Year*	15.82	16.58	15.47
5 Year*	17.90	18.83	17.34
10 Year*	8.14	7.78	7.16
Since Inception (1/15/98)*	6.39	6.43	5.74

30-Day SEC Yield: 0.8%

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

Accenture plc (ACN) We added to this position after the stock underperformed over the past year amidst sluggish IT spending. We continue to like ACN's position as a beneficiary of technological change and the company generates an attractive cash flow stream.

American Tower Corp (AMT) We added to this position as results look poised to move higher at this wireless tower operator as previous investments in international towers looks set to pay off.

Baxter International Inc (BAX) We purchased a position as we were attracted to this non-cyclical, wide-moat business with demographic tailwinds and a strong management team.

CME Group Inc (CME) We added to this high quality futures exchange after short-term concerns (e.g., lower interest rates, high frequency trading noise) prompted a pullback in the stock.

Celgene Corp (CELG) We added to this high-quality biotech company after a market selloff in growth-oriented stocks provided an attractive entry point.

Cisco Systems Inc (CSCO) We purchased a position in this market leader in enterprise networking as we were attracted to CSCO's inexpensive valuation, 3.1% dividend yield, strong cash generation and commanding market share position. CSCO would benefit from any improvement in corporate IT spending, which has been in the doldrums the past few years.

Express Scripts Holding Co (ESRX) We took the opportunity to add to this highly cash generative company with strong demographic tailwinds at an inexpensive valuation after it sold off relating to short-term concerns (1% cut to 2014 guidance).

Liberty Media Corp (LMCA) We purchased a position, electing to invest in this company for its strong management team and shareholder focus, and the attractive industry structure where consolidation is currently presenting opportunities.

Recent Sales

NOW Inc (DNOW) After receiving the shares via a spinoff of National Oilwell Varco (NOV), we elected to sell this small position in this distributor of oilfield services equipment given our view that it isn't well suited for the fund.

eBay Inc (EBAY) We sold our position as lackluster operating results and a failed bid to split up the company seem to limit near-term upside.

Facebook Inc (FB) We sold our position, electing to take profits in this volatile name after a strong run that left it trading at expensive levels.

Goldman Sachs Group Inc (GS) We elected to sell our position. We've taken significant profits in this name as the economy has improved; however, we are concerned that the onerous regulatory environment will constrain GS's profitability potential in the future.

Johnson & Johnson (JNJ) After our overweight position paid off, we chipped it, electing to take the outsized gains it provided.

Fund Sector Weightings*

Sector	%
Consumer Discretionary	14.1%
Consumer Staples	9.7
Energy	7.9
Financials	17.0
Health Care	14.6
Industrials	11.6
Information Technology	13.3
Materials	4.8
REITs	2.7
Telecommunications Services	0.0
Utilities	0.0
Cash & Equivalents	1.9

Top Ten Equity Holdings*†

Holding	%
Brookfield Asset Management Inc**	3.1%
Capital One Financial Corp	2.9
Markel Corp	2.8
CarMax Inc	2.8
American Tower Corp	2.7
Wells Fargo & Co	2.6
Danaher Corp	2.4
Berkshire Hathaway Inc	2.4
Celgene Corp	2.3
Accenture plc**	2.2

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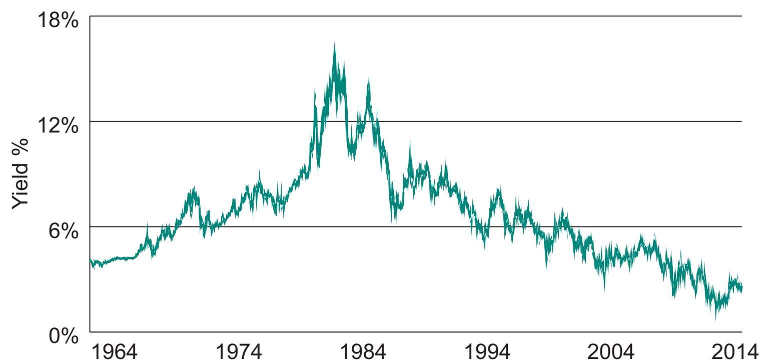
**Sector Weightings and Holdings are as of June 30, 2014. They are subject to change on a daily basis. **Foreign Holdings †Percent of Net Assets*
Individual account performance, fund sector weightings, and holding percentages may vary.

The Value & Income Fund advanced 3.82% during the second quarter, versus the 5.23% gain for the S&P 500 Index and the 5.06% gain for the Lipper Equity Income Index. Year-to-date, the fund has generated returns of 5.72%, compared to the 7.14% and 7.21% return for the S&P 500 and Lipper Equity Income, respectively. After rising through most of the year, interest rates actually declined through the first half of 2014 amid sluggish economic growth, subdued inflation readings and more dovish Federal Reserve System (Fed) commentary on interest rate policy. This paved the way for continued appreciation of yield-oriented securities.

10 Year Treasury Yield



Source: Bloomberg. Data shown weekly from 1/12/1962-7/4/2014.

Our holdings in the Energy sector underperformed in the second quarter, driven by two primary factors: 1) independent refiners sold off sharply as an action by the Commerce Department renewed fears that the government might lift the nationwide ban on crude exports, and 2) pure-play oil producers rallied aggressively alongside higher oil prices, driven by geopolitical concerns in Iraq and elsewhere. Although our holding Marathon Petroleum (MPC) wasn't spared in the refining selloff, we continue to think the outlook remains bright for domestic refiners as increasing amounts of crude supply should continue to drive down refiners' input costs. The balance of our Energy holdings are defensive companies that generate strong cash flow and pay attractive dividends. In this volatile, commodity-driven sector, we find it more prudent to own companies with strong balance sheets and a proven track record of returns to shareholders, even if we miss out on some upside in a rising oil-price environment, as we did this quarter.

Real Estate Investment Trust (REIT) holdings such as Sun Communities (SUI), Equity Lifestyle Properties (ELS) and W.P. Carey (WPC) managed to sustain their momentum from the start of the year. Our decision to add to our position in WPC earlier in the quarter helped to bolster returns within the category. Though Financial holdings such as Markel Corp (MKL), Capital One (COF) and Wells Fargo (WFC) produced solid gains during the quarter, JPMorgan (JPM) served as a drag on results. We elected to chip our position in JPMorgan during the quarter as it had grown to become a large position following strong performance in recent years. With the funds, we initiated a position in Citigroup (C), which we discuss in further detail below.

C is a well known diversified financial services company based in the United States, but with significant operations overseas. The company has been in the spotlight recently for failing the Fed's 2014 stress test ("CCAR"), due to qualitative factors. This pushed out C's plans to return capital to shareholders and the stock sold off sharply, presenting an attractive entry point. Among the major U.S. banks, C's stock is trading the cheapest and is the only large bank trading at a discount to tangible book value. Furthermore, C's capital ratios are among the strongest of banks and held up well in the recent CCAR test. Since management was barred from returning capital to shareholders in 2014, this abundant level of capital will grow until management can appease regulators. While the company does not pay a meaningful dividend and will take awhile to ramp up to one, we believe the stock presents a compelling value proposition given its attractive risk/reward profile.

We elected to add to our position in the Harvest CSI 300 China A-Share Fund (ASHR) during the period. In past communications, we have discussed our willingness to "lean against the wind" and add to or initiate positions in stocks with well publicized headwinds. While ASHR is somewhat of an atypical holding in an otherwise "vanilla" fund, we have had success playing similar regional themes in the past through holdings in the Eurozone ETF (FEZ, currently a 2.6% position) and a currency-hedged Japanese ETF (DXJ, a holding we exited in August 2013). ASHR is not lacking in the headwind category; however, we feel many concerns are priced in at current levels. Given such a heightened level of pessimism, we believe the shares could benefit in the near term should the economic outlook become less dour. Longer term, we remain encouraged by the many structural factors that are likely to bring incremental demand into what has historically been an isolated and opaque market. At the moment, the Chinese equity market trades less than ten times forward earnings despite having the highest growth rate (by far) among major economies. The new government leadership is making a number of structural economic reforms in order to facilitate sustainable growth. Importantly, they are opening up the domestic A-share market to foreign investors, which could provide a strong multiyear technical driver for ASHR. While the shares have struggled since our initial purchase, we feel the risk reward/profile remains attractive.

In sum, we are pleased with year-to-date results and continue to see value in certain areas of the market. Though "lower for longer" has certainly been the theme of interest rate rhetoric the first half of the year, we remain focused on finding situations where the capacity for value creation and return of shareholder capital can withstand a higher interest rate environment.

Returns	DVIPX	S&P 500	Lipper Equity Income
Q2 2014	3.82	5.23	5.06
YTD 2014	5.72	7.14	7.21
1 Year	19.70	24.61	21.68
3 Year*	17.29	16.58	14.82
Since Inception (12/31/10)*	16.83	16.00	14.61

30-Day SEC Yield: 1.8%

Gross Expense Ratio: 1.18%
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Recent Purchases

Cisco Systems Inc (CSCO) We purchased a position in this market leader in enterprise networking as we were attracted to CSCO's inexpensive valuation, 3.1% dividend yield, strong cash generation and commanding market share position. CSCO would benefit from any improvement in corporate IT spending, which has been in the doldrums the past few years. Current yield: 3.1%

Citigroup Inc (C) We purchased a position. The only large bank trading at a discount to tangible book value, we find C's risk/reward attractive as a contrarian play. Current yield: 0.1%

db X-Trackers Harvest CSI 300 China A-Shares Fund (ASHR) We added to our position, as we continue to view China as an 'extreme value' situation with substantial upside potential, electing to make our position more meaningful. Current yield: n/a

Hewlett-Packard Co (HPQ) We purchased a position as this out-of-favor diversified technology provider attracted us due to its plethora of free cash flow, inexpensive multiple, and new highly respected CEO Meg Whitman. Current yield: 1.9%

W.P. Carey Inc (WPC) We added to our position as we remain impressed with this management team continually adding value (e.g., buying in its privately-traded REITs) and steady business model. Current yield: 5.6%

Recent Sales

Goldcorp Inc (GG) We sold our position. We continue to view GG as the "best-in-class" senior gold producer, but elected to sell in light of volatile gold prices and redeployed the funds into a situation with greater visibility. Current yield: 0.7%

JPMorgan Chase & Co (JPM) We chipped our position in this bellwether given our view of less potential upside. Current yield: 2.8%

Teva Pharmaceutical Industries Ltd (TEVA) We chipped our position. TEVA has given us a great deal of outperformance in a short period of time as a turnaround story has emerged, and we elected to take some profits. Current yield: 3.2%

Fund Sector Weightings*

Sector	%
Consumer Discretionary	5.2%
Consumer Staples	13.4
Energy	10.7
Financials	17.8
Health Care	10.9
Industrials	10.9
Information Technology	4.9
Materials	4.4
REITs	10.6
Telecommunications Services	1.4
Utilities	1.4
Other	4.4
Cash & Equivalents	3.0

Top Ten Equity Holdings*†

Holding	%
W.P. Carey Inc	3.0%
Wells Fargo & Co	2.8
Markel Corp	2.7
Johnson & Johnson	2.7
SPDR Euro Stoxx 50 ETF	2.6
Archer Daniels Midland Co	2.6
Capital One Financial Corp	2.4
Sun Communities Inc	2.4
General Electric Co	2.4
GlaxoSmithKline plc**	2.4

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The Equity Opportunities Fund enjoyed solid returns in the second quarter. The fund advanced 4.33% as compared to gains of 4.97% for the Russell Midcap Index and 5.23% for the S&P 500 Index. Year-to-date, the fund ended the period up 8.85% versus gains of 8.67% and 7.14%, respectively, for the Russell Midcap and the S&P 500. As another point of reference, the smaller cap-oriented Russell 2000 Index was up 3.2% year-to-date at quarter-end. As our investors know, we have a flexible approach to investing and aren't constrained by stringent market cap or style parameters. Hence, we elect to show numerous benchmarks for the purposes of judging our performance. Our primary objective is above-average long-term capital appreciation and we hope to outpace each of these indices over the long term.

A number of positions have posted standout performance recently. The most notable is apparel maker Hanesbrands (HBI), which announced another acquisition that could prove highly accretive to earnings. Frankly, this stock has surpassed our wildest expectations and is a prime example of the compounding machine that is created when a cash generative business meets savvy capital allocators. All too often, investors outsmart themselves and abandon ship far too early in the ride. We, too, have been guilty of this in the past. In hindsight, we mistakenly trimmed our HBI position a couple of times, but feel fortunate to have held onto most of our stake. American Airlines (AAL) was another bright spot. The stock's first quarter momentum spilled into Q2 as the airline company's earnings exceeded expectations and analysts continued to revise estimates higher. Lastly, it's worth noting that Real Estate Investment Trusts (REITs) like American Tower (AMT) and Sun Communities (SUI) have perked up this year. Despite their attractive business models, these stocks languished in the second half of 2013 as rising interest rates pressured REITs in general. Not only has the asset class stabilized, but investors appear to have re-focused on the growth prospects of these companies.

Alcoa (AA) is a recent purchase that is off to a strong start. Though the stock has perked up recently, AA has been a laggard for over a decade and was essentially left out of the 2000's commodity "super cycle". Its long period of underperformance is tied mainly to weak aluminum prices, which have been a function of both lackluster demand and excess production capacity in China. We think supply/demand dynamics for the metal are beginning to turn, with unprofitable production being shuttered and improving demand from both the aerospace and automotive industries. Auto demand could be particularly noteworthy as mandated fuel efficiency standards prompt manufacturers to switch from steel to aluminum, reducing vehicle weight. At the company level, we've been impressed with management's cost reduction efforts as well as the growth of its Engineered Products business, which doesn't seem fully recognized in the current share price. Ultimately, the company could consider separating this unit from its more commoditized businesses. Recent share price performance shows that investor sentiment towards the stock has improved a bit, but it still seems somewhat "under-owned."

While most of our holdings have acted well so far this year, we've also had a few stragglers. Chief among these are large positions in Gaming & Leisure Properties (GLPI) and Penn National Gaming (PENN), where our enthusiasm clearly hasn't been shared by others as of late. You may recall the "old" PENN, which was a regional casino operator, split into two pieces with GLPI holding the real estate and PENN operating the properties as a tenant. We think GLPI has an interesting opportunity to grow by acquisition (i.e., sale/leaseback transactions with other casino operators), but the business model is unproven and the stock's 7% slide during the quarter shows investors remain skeptical. In the case of PENN, which declined 3.5% during the quarter, new competition and soft consumer spending has led to disappointing earnings trends. We acknowledge the company's headwinds, but think results will stabilize and note the company has a promising development pipeline. All told, each of these stocks is void of momentum and unloved, but their risk/reward profiles look attractive. Hopefully, they have some pent-up outperformance that will benefit us in the second half of this year and beyond.

In sum, we are pleased to have posted solid year-to-date performance despite the weight of a few laggards. The market's low volatility and slow grind higher have made it harder to seize new opportunities, but we love the composition of the fund and continue to identify new ideas. Should volatility increase, we plan to build or initiate positions on a timely basis.

Returns	DEOPX	Russell Midcap	S&P 500	Lipper Mid Cap Core
Q2 2014	4.33	4.97	5.23	4.07
YTD 2014	8.85	8.67	7.14	7.05
1 Year	24.38	26.85	24.61	26.11
3 Year*	18.07	16.09	16.58	13.89
Since Inception (12/31/10)*	18.47	16.21	16.00	14.10

Gross Expense Ratio: 1.01%

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Recent Purchases

Alcoa Inc (AA) We purchased a position and subsequently added to it as we believe the supply/demand outlook is turning for aluminum and AA owns a very attractive engineered products business that could be under-appreciated.

Amazon.com Inc (AMZN) We added to our position as we continue to believe AMZN's disruptive business model (across multiple business lines) positions it well for profitable long-term growth.

Cabela's Inc (CAB) We added to CAB after weakness related to earnings disappointments from competitors and suppliers. At this point, CAB appears past the bulk of its same-store sales declines (due to lapping a one-time surge in gun and ammo sales in 2012-2013) and is well positioned for the future.

Morgan Stanley China A Share Fund (CAF) We added to our position as the Chinese market is trading at less than 10x earnings despite having the fastest growth rate among major economies.

Penn National Gaming Inc (PENN) We added to our position in this highly cash generative business after near-term weakness in operating results drove the stock lower.

Recent Sales

Delta Air Lines Inc (DAL) We sold our position in this airline after a great run and redeployed the proceeds.

Hanesbrands Inc (HBI) We chipped our position after a threefold increase since our initial purchase. The company still sports a reasonable valuation, rising margins, strong cash flow generation and opportunity for further acquisitions.

Pinnacle Entertainment Inc (PNK) We sold our position given a tough environment for regional gaming and the threat of new competition. We retain exposure to the sector through another holding.

Sun Communities Inc (SUI) We chipped our position following gains in the REIT sector, taking advantage of higher liquidity to lock in gains.

Teva Pharmaceutical Industries Ltd (TEVA) We chipped and subsequently sold our position after the stock performed very well in a short period of time and we elected to harvest the gain.

Ultra Petroleum Corp (UPL) We chipped our position in this company which has benefitted greatly from the cold winter weather pushing up natural gas prices, electing to take a little off the table as the seasonal trade winds down.

Fund Sector Weightings*

Consumer Discretionary	26.0%
Consumer Staples	6.5
Energy	4.1
Financials	20.9
Health Care	2.0
Industrials	12.4
Information Technology	2.9
Materials	3.7
REITs	13.4
Telecommunications Services	0.0
Utilities	0.0
Other	2.8
Cash & Equivalents	2.9

Top Ten Equity Holdings*†

Markel Corp	5.6%
Penn National Gaming Inc	5.6
CarMax Inc	5.3
Gaming and Leisure Properties Inc	5.1
Brookfield Asset Management Inc**	4.9
American Tower Corp	4.9
Cabela's Inc	3.9
Capital One Financial Corp	3.8
Alcoa Inc	3.7
The J.M. Smucker Co	3.5

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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 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 **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 **Lipper Large Cap Core Funds Index** is an unmanaged index considered representative of large-cap core funds tracked by Lipper. The **Lipper Mid Cap Core Funds Index** is an unmanaged index considered representative of mid-cap core funds tracked by Lipper. 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**.

The **P/E Ratio** is a valuation ratio of a company's current share price compared to its per share earnings.