Davenport Funds Update – Q4 '14

DAVENPORT ASSET MANAGEMENT

December 31, 2014

Notes from the Fourth Quarter

- *Equity markets post solid gains for 2014*
- *Oil declines, spurring possible lift for other sectors*
- *Patient Fed continues easy monetary policy*
- *Longer-term, we expect returns may be more subdued*

Stocks capped off a solid year with an exceptional fourth quarter. Despite getting off to a rocky start in October, the S&P 500 Index ended the quarter up 4.9%. For the full year, the S&P 500 managed a solid 13.7% gain, which surpassed almost all forecasters' expectations. When we started the year, we noted the ingredients were in place for a solid year, but that returns may be more "normal" than the outsized returns of 2013. Those ingredients included modest economic improvement, easy monetary policy and room for investor sentiment to improve. Frankly, we were pleasantly surprised as returns were ultimately a little better than "normal".

What's changed? Among other things, this year brought renewed tensions with Russia, escalating violence in the Middle East and a Republican sweep in the mid-term elections. However, the biggest story has been the dramatic decline of oil prices. Since the end of June, oil has plunged from $105/barrel to $53/barrel as of year end.* The Organization of the Petroleum Exporting Countries' (OPEC) late-November decision not to cut production put the decline into high gear. While oil's weakness could be construed as evidence of softer demand and global economic malaise, we think it is primarily a supply-driven phenomenon fueled by rising U.S. production alongside the shale boom. Our country's march towards energy independence seems to be taking shape and could have many benefits.

For one, lower oil should be a boon to U.S. consumers in the form of lower gasoline prices. Gas has fallen from $3.67/gallon (national average) to $2.24/gallon at year end.* This yields more discretionary income to be spent on retail, restaurants, travel and entertainment. Consequently, lower oil should provide a lift to the U.S. Gross Domestic Product (GDP) growth. It will also provide further "cover" to the Federal Reserve System (Fed), which will face less pressure to raise interest rates with oil prices (a key inflation component) down sharply. Our funds have benefitted recently from an underweight stance in the energy sector. We continue to be biased towards areas like the consumer sector that could benefit from lower energy costs. However, we note the risk/reward profiles of many energy stocks have started to look more appealing after sharp declines.

What hasn't changed? One constant has been easy monetary policy and low interest rates. Most pundits expected rates to rise this year, yet a 10-year Treasury note currently yields 2.17% as compared to 3.03% at the start of the year. It seems every month brings new promises of accommodative policy as countries all over the world attempt to fight anemic economic growth and deflationary forces. To wit, European Central Bank President Mario Draghi recently alluded to more of a U.S.-like quantitative easing effort (buying government debt). This equates to printing money in an effort to stoke inflation. Too, China surprised markets with an interest rate cut aimed at propping up its slowing economy. Meanwhile, the Fed has pledged to remain patient and the presumed "liftoff" date for interest rate hikes has been consistently pushed back. Although our economy is showing signs of improvement and seems to have parted ways with other parts of the world, the Fed recognizes that tighter policy could threaten an already tenuous global macroeconomic environment.

Persistently low interest rates have clearly provided ongoing support for many asset classes. This includes stocks, which have seen their valuations steadily expand in recent years. While not overvalued with the S&P 500 trading at roughly 16.6x earnings estimates for 2015, we suspect the bulk of this "re-rating" process is behind us and further gains will need to be supported by earnings growth. We also think it is fair to assume domestic equities will have a hard time replicating the returns seen since the financial crisis, with the S&P 500 posting annualized returns of 17.2% from 2009-2014. This is well above historical norms in the high single-digits. It's hard to predict what any given year will bring, but we think returns should moderate in coming years. We continue to focus heavily on quality business models, attractive valuations and management teams with superior capital allocation skills. We think these considerations will become increasingly important in a more subdued return environment. We thank you for your trust and wish you all the best in 2015.

**Source: Bloomberg*

Market Returns

Market Returns	Q4 2014	YTD 2014
U.S. Large Caps	4.93%	13.69%
U.S. Mid Caps	5.94	13.22
U.S. Small Caps	9.73	4.89
Bonds	0.89	3.13
International Developed Markets	-3.57	-4.90
Emerging Markets	-4.50	-2.19

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

We are pleased to announce the launch of the new Davenport Small Cap Focus Fund (DSCPX). DSCPX will seek long-term capital appreciation via ownership of small cap stocks. Please contact your Account Executive for more information or to request a prospectus.

The Core Fund closed out the year on a strong note, advancing 6.46% in the fourth quarter relative to the S&P 500 Index's 4.93% gain. For the year, the fund was up 10.90% versus the 13.69% gain for the S&P 500.

CarMax (KMX) was the fund's top performer for both the fourth quarter and the full year. The combination of strong results, significant share repurchase activity and an improving consumer environment helped to send these shares up 42% on the year. Other top holdings such as Brookfield Asset Management (BAM), American Tower (AMT) and Markel (MKL) were also key contributors to results. Declining oil prices impacted relative results positively during the period, providing a boost to the Consumer Discretionary category in addition to American Airlines (AAL), which benefits from lower jet fuel prices. Another key contributing factor to relative gains was the strategy's underweight stance in the Energy sector, which suffered declines amid the aforementioned oil selloff. Below we discuss our positioning in the sector in more detail.

We have been underweight the Energy sector for some time now as we have questioned the sustainability of a $100 per barrel oil price given rapidly rising domestic supplies. While oil prices peaked over the summer, the selloff accelerated dramatically in October, and the fund proved well positioned, with 6.1% of the fund invested in the energy sector at the start of the quarter versus the S&P 500 weighting of 9.7%. In addition to a smaller weighting, we have positioned our holdings in the sector towards high quality companies that are better able to withstand a lower commodity price environment: majors Exxon Mobil (XOM) and Chevron (CVX) are well diversified and naturally hedged through their downstream refining operations. Though we still remain slightly underweight relative to the S&P 500, we elected to take advantage of recent weakness in the sector by adding to positions in Schlumberger (SLB) and Range Resources (RRC) during the quarter. SLB is a best-of-breed services provider in the midst of an internal efficiency program that should mitigate a potential decline in drilling revenues. RRC is one of the lowest cost oil and gas producers in the country with a conservative approach to growth that we believe will maximize the considerable value of its multi-decade drilling inventory in the Marcellus. Going forward, we see promising total return outlooks for these holdings with moderately less risk than the "average" energy stock.

Though it was difficult to keep pace with the market's advances on a full year basis, we were pleased to have navigated the increased volatility of the fourth quarter with solid results. As evidenced by our commentary above, we continue to focus on the risk profile of the fund while investing opportunistically and emphasizing quality.

Returns	DAVPX	S&P 500	Lipper Lg Cap Core
Q4 2014	6.46	4.93	4.16
YTD 2014	10.90	13.69	11.33
1 Year	10.90	13.69	11.33
3 Year*	19.40	20.41	19.17
5 Year*	14.70	15.45	13.82
10 Year*	7.88	7.67	7.01
Since Inception (1/15/98)*	6.52	6.61	5.83

30-Day SEC Yield: 0.4%

Gross Expense Ratio: 0.94%
*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

Monsanto Co (MON) We added to this well-run agricultural biotechnology leader that should benefit from the increased consumption needs of a growing global middle class.

Nestle SA (NSRGY) We added to this defensive global food giant with leading global brands, emerging market exposure, reasonable valuation and attractive dividend.

PVH Corp (PVH) We added to this position as earnings growth appears poised to accelerate as the management executes on the integration of additional Calvin Klein lines, and valuation is undemanding.

Range Resources Corp (RRC) We added to this domestic unconventional oil and gas producer on recent weakness due to the oil selloff as we continue to view the company as a preferred way to play a potential rebound in oil and gas prices.

Schlumberger NV (SLB) We added to this leader in oil services after a pullback in price due to lower oil prices.

Recent Sales

Amgen Inc (AMGN) We chipped our position following a tremendous run in this biotech stock, electing to take some profits as the benefit of cost cuts may be mitigated by generic competition over the next few years.

Activision Blizzard Inc (ATVI) We sold our position given the stock's disappointing reaction to new game launches and our lack of confidence in future catalysts to drive share prices higher.

CDK Global Inc (CDK) After receiving it via a spinoff of Automatic Data Processing (ADP), we sold this small position given the stock's small size and fair valuation.

Flowers Foods Inc (FLO) We sold our position in this packaged baked goods company given the shift away from packaged foods by consumers and subpar execution.

Fund Sector Weightings*†

Consumer Discretionary	16.5%
Consumer Staples	8.6
Energy	6.3
Financials	18.8
Health Care	15.5
Industrials	9.8
Information Technology	12.0
Materials	5.1
REITs	2.9
Telecommunications Services	0.0
Utilities	0.0
Cash & Equivalents	1.9

Top Ten Equity Holdings*†

CarMax Inc	3.4%
Brookfield Asset Management Inc**	3.3
American Tower Corp	2.9
Celgene Corp	2.8
Markel Corp	2.8
Capital One Financial Corp	2.7
Berkshire Hathaway Inc	2.7
Danaher Corp	2.5
AmerisourceBergen Corp	2.5
Nestle SA**	2.4

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, 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 gained 6.52% during the fourth quarter, nicely outpacing gains of 4.93% and 3.89%, respectively, for the S&P 500 Index and the Lipper Equity Income Index. For the year, the fund advanced 12.00%, relative to gains of 13.69% for the S&P 500 and 10.68% for the Lipper Equity Income Index. Global easing, deflationary concerns and a more dovishly cautious Federal Reserve System all combined to pressure interest rates during the quarter. This phenomenon, coupled with continued economic improvement provided a wind at the back of stocks with above-average yields.

The fund's top performer during the quarter was the Harvest CSI 300 China A-Share ETF (ASHR). The fund gained nearly 40% in the fourth quarter amid unexpected monetary easing and the announcement of a government program which will open up the Chinese A-share market to more foreign investment. Other key contributors were manufactured housing REITs Sun Communities (SUI) and Equity Lifestyle Properties (ELS). Each of these companies benefitted from solid occupancy gains, rate increases and much improved seasonal RV results. SUI got an added boost from a transformative acquisition that we believe greatly enhances the quality of the fund. The Energy and Industrial categories served as the biggest drags on absolute results in the quarter. Nucor (NUE), Occidental Petroleum (OXY) and Eastman Chemical (EMN) were among the bottom contributors. That said, our positioning within the Energy sector resulted in relative gains as holdings in Kinder Morgan (KMI) and Marathon Petroleum (MPC) remained resilient in the face of falling oil prices.

We initiated a position in Potash Corp (POT) during the quarter. POT is one of the world's largest fertilizer companies, producing potash, phosphate and nitrogen fertilizer nutrients. Nearly two-thirds of profits come from the production of potash, which is a very attractive, high margin business, and the company has generated strong returns on capital and created significant value for investors over time. More recently, the stock has sold off due to the breakup of a potash cartel and weakening crop prices. While we acknowledge the near-term challenges facing the company, we take a contrarian view and believe this selloff has created an attractive entry point into an industry leader that enjoys significant barriers to entry. Longer term, we feel POT is well positioned to take advantage of increasing global agricultural demand as crop yields will need to improve substantially to meet the consumption needs of a growing middle class. Furthermore, we note the company has a solid track record of capital allocation, maintains a strong balance sheet and pays a dividend yielding 4.0%.

As we have noted in prior communications, we sometimes look to "lean against the wind" in search of value situations. In keeping with this theme, we added to our position in the SPDR Euro Stoxx 50 ETF (FEZ). As a reminder, FEZ is an ETF owning the fifty largest companies in the Eurozone. While the fund is up from our initial purchase in 2012, the position has given back some of its gains as worries over economic growth in the region have resurfaced and investors have been unenthused by the European Central Bank's (ECB) response. While we agree that the outlook for the European economy remains tepid (the European Commission just cut its 2015 Gross Domestic Product (GDP) forecast to just over 1%), we are encouraged by some structural reforms enacted and believe Europe has already taken some of its pain through fiscal austerity measures. We see the government sector recovering from these lower levels and any increasing accommodation by the ECB could provide a catalyst. Regardless, we continue to like owning this basket of industry leaders. European companies have taken advantage of the economic climate just as U.S. ones have, growing margins and improving their balance sheets. With the bulk of sales coming from outside Europe for these multinationals (such as Total, Bayer, Siemens, BASF, Daimler and Allianz), an undemanding forward P/E below 14.2x, and a dividend yield of 3.8%, we continue to view FEZ as an attractive, contrarian investment.

In sum, we are pleased to have closed 2014 in strong fashion and remain confident in the fund's positioning. Though the market's advances are making "value" situations harder to come by, we continue to find quality ideas, with solid income streams at reasonable prices. More recently this has taken the form of industry leaders with compelling long term opportunities that are undergoing macro pressures (i.e., POT and FEZ).

Returns	DVIPX	S&P 500	Lipper Equity Income
Q4 2014	6.52	4.93	3.89
YTD 2014	12.00	13.69	10.68
1 Year	12.00	13.69	10.68
3 Year*	19.11	20.41	17.44
Since Inception (12/31/10)*	16.23	15.55	13.56

30-Day SEC Yield: 1.7%

Gross Expense Ratio: 1.07%
*Periods greater than one year are annualized.

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Recent Purchases

H&R Block Inc (HRB) We added to our position given recent weakness which presented an attractive opportunity to add to this highly cash generative, stable business that should benefit from more complex tax codes with the implementation of the Patient Protection and Affordable Care Act. Current yield: 2.4%

Potash Corp of Saskatchewan Inc (POT) We purchased a position in this high margin fertilizer producer given negative investor sentiment, a strong balance sheet and attractive yield. Current yield: 4.0%

SPDR EURO STOXX 50 ETF (FEZ) We added to this ETF owning the fifty largest companies in the Eurozone given our belief that quality isn't fully reflected in share prices after weakness in European markets. Current yield: 3.8%

Waddell & Reed Financial Inc (WDR) We added to this position given recent weakness as we believe this attractive business model with impressive long-term growth prospects and healthy returns to shareholders makes for an attractive risk/reward profile. Current yield: 3.5%

Watsco Inc (WSO) We added to our position after near-term headwinds had depressed the stock, providing an attractive opportunity to add to a high quality company we view as being in the early stages of capitalizing on a looming replacement cycle in the residential HVAC market. Current yield: 2.2%

Recent Sales

Archer Daniels Midland Co (ADM) We chipped our position given strong performance and the specter of continued volatility in agriculture-related businesses. Current yield: 1.8%

CDK Global Inc (CDK) After receiving it via a spinoff of Automatic Data Processing (ADP), we sold this small position given the stock's small size and fair valuation. Current yield: n/a

California Resources Corp (CRC) After receiving the shares via a spinoff of Occidental Petroleum (OXY), we elected to sell this position given our view that it was an unsuitable holding for the portfolio. Current yield: n/a

Fund Sector Weightings*†

Consumer Discretionary	5.5%
Consumer Staples	12.4
Energy	8.0
Financials	19.9
Health Care	7.9
Industrials	11.2
Information Technology	5.1
Materials	6.0
REITs	10.9
Telecommunications Services	3.0
Utilities	1.4
Other	5.6
Cash & Equivalents	2.6

Top Ten Equity Holdings*†

W.P. Carey Inc	3.1%
SPDR Euro Stoxx 50 ETF	2.8
Sun Communities Inc	2.8
Wells Fargo & Co	2.8
DB Harvest CSI 300 China A-Share Fund	2.8
Markel Corp	2.7
Johnson & Johnson	2.6
Hartford Financial Services Group Inc	2.6
Kinder Morgan Inc	2.5
Equity Lifestyle Properties Inc	2.4

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, 2014. They are subject to change on a daily basis. †Percent of net assets*
Individual account performance, fund sector weightings, and holding percentages may vary.

The Equity Opportunities Fund ended the year on a solid note. For the fourth quarter, the fund advanced 9.92% as compared to gains of 5.94% and 4.93%, respectively, for the Russell Midcap Index and S&P 500 Index. The quarter initially brought a dose of market turbulence and we were pleased to see the fund demonstrate less downside than the broader market during this time. Further, we were able to participate nicely when market gains resumed. For the full year, the fund gained 15.27% versus 13.22% for the Russell Midcap and 13.69% for the S&P 500. While pleased to enjoy a solid 2014, we place greater emphasis on longer-term results than those for any given year. Since inception, the fund has generated annualized gains of 17.64% as compared to 15.21% for the Russell Midcap and 15.55% for the S&P 500.

The fund has benefitted from an underweight stance in the Energy sector. We've had no exposure to oil stocks, which have suffered alongside lower oil prices. We've long suspected that rising U.S. oil production could pressure prices. Furthermore, we tend to generally be underweight in this area given our inability to forecast commodity prices. Fortunately, this deficiency has helped us recently. On the flipside, we've been helped by companies that could be beneficiaries of lower energy prices. The most obvious is American Airlines (AAL), which was a big contributor to performance for both the fourth quarter and full year. We originally purchased this stock due to renewed capacity and pricing discipline in the airline industry as well as the synergies we thought may accompany the merger with US Airways. Lower jet fuel costs have added a kicker to the story and could yield meaningfully higher earnings.

We've also gotten a lift from a few consumer stocks, which could be indirect beneficiaries of lower oil costs in the form of lower gasoline prices. Our overweight position in the sector is predicated squarely on our attraction to a handful of superior business models; however, it certainly won't hurt if consumers have more discretionary income in their pockets. Among our consumer stocks, CarMax (KMX) was our best performer for both the fourth quarter and full year. The potent combination of improving auto demand, market share gains, new store openings and a large share repurchase authorization has propelled the stock to new highs. The stock now appears more fairly valued than a few months ago, but we suspect it will remain a large position given the company's large market opportunity and talented management team.

We've been adding to a few positions that have lagged this year. Two examples are Colfax (CFX) and Discovery Communications (DISCK), which were highlighted in our last letter. CFX has been pressured by weaker demand from customers in the energy industry as well as currency headwinds associated with business in foreign markets. Such headwinds are likely to persist; however, management is very adept at both cutting costs and allocating capital. We think the company can generate solid earnings growth even in a difficult environment and note the stock's valuation has become more appealing after a significant decline. In the case of DISCK, currency headwinds and a weaker domestic advertising environment have hampered earnings growth. We think the company's international franchise is getting overlooked as investors suddenly panic about domestic trends. We also contend international growth combined with aggressive share repurchase activity can yield double-digit Earnings Per Share (EPS) growth for the foreseeable future. What's more, the stock's downside looks limited with the valuation being the lowest we've seen in years.

We initiated a position in WABCO Holdings (WBC) during the quarter. WBC is a leading global supplier of parts, technology and control systems for the safety and efficiency of commercial trucks and buses. Though the company's top market (Europe accounts for 60% of sales) is struggling, WBC continues to grow organically and expand margins due to increased safety regulations, stricter emissions standards and a growing regulatory emphasis on fuel efficiency. Over time, management believes it can outgrow the global trucking market, implying the potential for double-digit earnings growth. Should market conditions improve modestly, EPS growth rates well north of 20% are achievable. Management has a great track record of capital allocation, maintaining a nearly net-debt free balance sheet while funding significant share repurchases and accretive acquisitions. With the stock trading near a market multiple and 2015 expectations having been revised downward, we felt the risk/reward was attractive.

In summary, we are pleased with our 2014 performance and continue to plant seeds for the future. As evidenced by our additions to CFX and DISCK, we've been particularly focused on adding to high conviction names where the risk/reward setup has further tilted in our favor. We think such situations should be well represented among our top holdings. In a good scenario, we look for a holding that can compound earnings at a solid double-digit pace (say 12%-15%), with its shares following suit. In a great scenario, we can buy such a "compounder" at depressed prices and get the double whammy of earnings growth and valuation expansion. We hope our recent moves will represent great scenarios in the coming years.

Returns	DEOPX	Russell Midcap	S&P 500	Lipper Mid Cap Core
Q4 2014	9.92	5.94	4.93	5.22
YTD 2014	15.27	13.22	13.69	8.89
1 Year	15.27	13.22	13.69	8.89
3 Year*	22.18	21.40	20.41	19.58
Since Inception (12/31/10)*	17.64	15.21	15.55	12.70

Gross Expense Ratio: 0.98%
*Periods greater than one year are annualized.

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Recent Purchases

American Airlines Group Inc (AAL) We added to this name early in the quarter following a significant pullback and subsequently chipped the position following a rally in the shares, taking profits from what proved to be a timely add. We maintain a position as we believe AAL's synergy harvest and operational improvements will drive increased earnings and returns to shareholders in the years to come.

Colfax Corp (CFX) We added to this industrial company twice during the quarter following recent weakness due to near-term headwinds (such as energy) and continue to see compelling appreciation potential over the next several years.

Discovery Communications Inc (DISCK) We added to this media company three times during the quarter after a pullback in shares. We maintain a positive long-term outlook for this company given its strong brand, unique platform, and an increasing global scale.

Fairfax Financial Holdings Ltd (FRFHF) We added to our position in this Toronto, Canada-based property and casualty insurer as we like the company's defensive positioning and strong management led by CEO Prem Watsa.

Gaming and Leisure Properties Inc (GLPI) We added to this gaming REIT with an attractive dividend yield as we think the stock is bottoming, with results at its main tenant improving and the potential for a renegotiation on a recently announced deal.

WABCO Holdings Inc (WBC) We purchased a position as we believe there is a secular opportunity for this commercial vehicle supplier with impressive cash flow dynamics and returns on capital.

Recent Sales

Alcoa Inc (AA) We chipped our position following strong year-to-date performance. We maintain conviction in the position as we believe the company is well positioned to take advantage of an improving demand outlook for aluminum products.

American Airlines Group Inc (AAL) We added to this name early in the quarter following a significant pullback and subsequently chipped the position following a rally in the shares, taking profits from what proved to be a timely add. We maintain a position as we believe AAL's synergy harvest and operational improvements will drive increased earnings and returns to shareholders in the years to come.

CarMax Inc (KMX) We chipped our position, electing to take some profits at new highs and trim the position back after strong performance.

Krispy Kreme Doughnuts Inc (KKD) We chipped the position, electing to take some profits following a period of strong performance.

Ultra Petroleum Corp (UPL) We sold our position following a bounce in the stock as we believe near-term headwinds and elevated debt levels could result in continued volatility in the share price.

Fund Sector Weightings*†

Consumer Discretionary	27.3%
Consumer Staples	6.3
Energy	0.0
Financials	21.7
Health Care	2.2
Industrials	14.2
Information Technology	3.1
Materials	2.2
REITs	12.6
Telecommunications Services	0.0
Utilities	2.1
Other	3.7
Cash & Equivalents	2.8

Top Ten Equity Holdings*†

Penn National Gaming Inc	6.5%
CarMax Inc	5.5
Markel Corp	5.5
Brookfield Asset Management Inc**	5.2
Gaming and Leisure Properties Inc	4.6
American Tower Corp	4.5
Capital One Financial Corp	4.0
Colfax Corp	3.8
American Airlines Group Inc	3.8
Morgan Stanley China A-Share Fund	3.7

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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. Performance is shown net of fees.

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

The **Barclays Capital U.S. Aggregate Bond Index** is an unmanaged index considered representative of the U.S. investment-grade, fixed-rate bond market. The **Barclays Capital U.S. Corporate 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. Government/Credit Bond Index** measures the performance of U.S. dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year. The **Lipper Equity Income Funds Index** is an unmanaged index of the 30 largest funds in the Lipper Equity Income Fund category. 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**.