

June 30, 2016

It seems that every summer we have some event or topic that takes over the media and the markets, causing a lot of volatility. This year it was Brexit, the referendum on whether the U.K. should withdraw from the European Union. Leading up to the vote, very few people expected the U.K. to leave and we heard a lot of dire predictions if they did. The “leave” vote came as a huge surprise, and given how markets hate surprises, the S&P 500 Index fell over 5% in the two subsequent days of trading. The index then rebounded strongly, gaining back nearly all that was lost, to finish the quarter up 2.5%. International markets declined over 10% in the two days following the vote, but also quickly rebounded, finishing the quarter down a modest 1.5%. To us, the strong recovery in the days following the initial shock, represent a very resilient equity market somewhat misrepresented by the backdrop of overwhelmingly negative sentiment.

The biggest change during the quarter came in the bond market, where the 10-year Treasury rate declined from 1.8% to 1.5% (and has continued to fall below 1.4%), which is even below the lows we saw during the last round of European economic turmoil in 2012. This is a function of the fear trade, otherwise known as a “flight to safety” and the incredibly low rates in the rest of the world. Although historically low, our 1.4% yield is relatively attractive when you look around the globe where so many countries now have negative interest rates.

One of the big surprises so far this year has been the Emerging Markets, which have gained 6.6% this year and even held up relatively well during the recent turmoil in Europe. This may have been a simple bounce back after a terrible 15% decline in 2015, but could also be the result of cheaper valuations as emerging market stocks remain 15% below their 2007 highs while the S&P 500 Index is nearly 70% higher.

A Look At Asset Allocation

From an asset allocation perspective, we are in an interesting time when some of the riskier areas of the market are starting to look attractive at a time when many feel that the market has run too far and may be due for a correction. Much of the run-up, however, has been focused in areas that have historically done well in difficult times for the market (gold, bonds, utilities stocks, REITs, etc.). Therefore, one could argue that the “riskier” assets might actually be less risky. In other words, maybe much of the “high risk” has already been discounted and much of the “low risk” has already been paid for, which could lead to unexpected behavior in the future. Investor sentiment has generally remained dour, with many bracing for the next crisis and few seeming to bet on improving global growth. According to a recent edition of *Barron's*, the average Wall Street strategist's recommended stock allocation fell to its lowest level in 15 months at the end of May. The reading of 51.6% was even lower than it was at the market bottom following the financial crisis in March 2009. The article went on to note that markets have generally been higher 12 months later when this indicator slips to these levels. In other words, it has traditionally been a positive sign when Wall Street strategists are bearish.

Uncertainty and Volatility Will Remain – Review Your Allocations

We remain in a dynamic, uncertain macroeconomic landscape, and this year's presidential election certainly isn't reassuring nervous investors. We believe that violent selloffs and subsequent rallies of the first and second quarters support our belief that developing a comfortable asset allocation and a comfortable risk-return profile for your situation is the best way to invest for the long term. Trying to make tactical, reactionary bets is a losing game and one that many investment managers have struggled with in recent years. Our models are designed to provide you with multiple levels of global market exposure to suit your investment time horizon and your ability to sustain short-term periods of volatility. If you wish to review your allocation or have any additional questions, please don't hesitate to contact your Investment Executive.

Thank you for your confidence and your business.

Market Returns	YTD	Q2 2016
U.S. Large Caps	3.84%	2.46%
U.S. Mid Caps	5.50%	3.18%
U.S. Small Caps	2.22%	3.79%
International Developed Markets	-4.42%	-1.46%
International Small/Mid	-3.63%	-2.96%
Emerging Markets	6.60%	0.80%
Interm. Term Bonds	4.07%	1.59%

Source: Morningstar Direct. Please see Disclosures for index definitions.[†]

Returns

as of June 30, 2016 *Returns greater than 1 year are annualized (All returns are net of fees)

Fund / Index Name	Rolling Returns					Fund / Index Performance at Net Asset Value**					Expense Ratio	
	Avg 1 Year	Avg 3 Year	Avg 5 Year	Up Capture	Down Capture	YTD	1 Year	3 Years*	5 Years*	10 Years*	Gross	Net
Large Cap												
American Funds AMCAP F2	9.55	10.79	10.82	98.05	94.63	2.21	-1.16	11.74	11.78	7.93	0.47	0.47
Diamond Hill Large Cap I	8.32	9.24	9.30	95.68	96.68	2.27	-0.47	9.01	10.83	6.94	0.70	0.70
FMI Large Cap	8.59	9.78	9.85	90.61	84.05	5.32	0.76	9.46	10.49	7.99	0.87	0.87
S&P 500 Index	8.40	9.35	9.68	100.00	100.00	3.84	3.99	11.66	12.10	7.42	-	-
Mid Cap and Small Cap												
Vctry Munder Mid Cap Core Growth Y	9.90	10.87	11.09	92.90	88.97	3.52	-0.89	10.77	10.56	7.80	0.08	0.08
Vanguard Mid Cap Index Adm	9.47	9.93	10.42	87.15	84.72	1.60	-7.71	7.65	8.56	7.06	1.07	1.07
JHancock Small Cap Value I	16.75	15.84	15.43	-	-	4.73	-1.22	8.84	9.99	-	1.29	1.29
Russell 2500 Index	9.16	10.65	10.92	100.00	100.00	3.98	-3.67	8.61	9.48	7.32	-	-
International												
FMI International	10.93	12.84	9.17	-	-	3.23	0.76	7.67	9.43		0.98	0.98
Dodge & Cox Int'l Stock	4.99	5.13	4.73	109.59	107.18	-4.91	-18.86	0.37	1.02	2.22	0.64	0.64
MFS Int'l New Discovery	7.64	7.72	8.03	96.65	79.42	0.21	-2.54	4.58	5.15	5.86	1.12	1.08 ¹
MSCI EAFE Index	3.26	3.15	3.04	100.00	100.00	-4.42	-10.16	2.06	1.68	1.58	-	-
Emerging Markets												
American Funds New World F2	6.53	5.15	5.08	77.67	70.03	2.39	-6.12	1.47	0.84	5.33	0.76	0.76
MSCI Emerging Markets Index	6.08	3.45	3.24	100.00	100.00	6.41	-12.06	-1.56	-3.78	3.54	-	-
Intermediate Gov't/Credit												
Eaton Vance Glb Mcr Abs Rtn	4.23	3.87	3.62	64.68	-14.87	1.50	2.17	2.23	1.90	4.47	0.77	0.74 ²
Hartford Floating Rate	3.80	5.05	5.28	53.48	-1.10	4.55	-0.19	1.92	3.33	3.46	0.72	0.72
Vanguard Interm-Term Inv Grd	5.98	6.59	6.84	148.38	172.15	6.12	7.11	5.12	5.11	6.20	0.10	0.10
BarCap U.S. Intrm Govt/Credit	4.23	4.25	4.34	100.00	100.00	4.07	4.33	2.95	2.90	4.48	-	-
Short-Term Bond												
Vanguard Short-Term Inv Grd	3.58	3.79	3.74	139.83	170.28	3.09	3.26	2.55	2.42	3.74	0.10	0.10
Citigroup USBIG Gov/Corp 1-3 yr	2.64	2.41	2.28	100.00	100.00	1.59	1.52	1.16	1.06	2.77	-	-
Dynamic Allocation												
BlackRock Global Allocation I	5.80	6.00	5.94	66.02	54.63	0.28	-3.46	3.72	3.69	5.40	0.87	0.87
IVA Worldwide I	9.41	8.54	8.60	-	-	2.02	-0.92	4.26	3.89		1.00	1.00
Kinetics Paradigm No Load	6.80	6.73	6.65	112.35	114.76	4.51	-7.19	4.34	7.10	4.38	1.71	1.64 ³
Wells Fargo Avtg Abs Rtn A	5.09	6.00	6.14	46.01	31.76	0.69	-4.90	0.76	3.00	5.07	1.43	1.42 ⁴
Wintergreen Investor	5.78	5.98	6.53	79.33	73.18	2.26	1.33	0.83	2.23	4.89	1.92	1.92
Ivy Asset Strategy I	7.41	7.00	6.92	75.08	65.25	-4.33	-12.29	0.19	1.50	5.47	0.74	0.74
MSCI World Index	5.64	6.04	6.14	100.00	100.00	0.66	-2.78	6.95	6.63	4.43	-	-

Performance shown is historical and is no guarantee of future results. Current performance may be lower or higher than the data quoted. To obtain performance data current to the most recent month end, please call (800) 853-2060.

Important Disclosures

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

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

You should consider each mutual fund's investment objectives, risks, charges and expenses carefully before investing. Each mutual fund's prospectus contains this and other important information, should be read carefully before investing or sending money, and can be obtained by contacting your Investment Executive, or by calling (800) 853-2060. The investment return and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost. Investing in securities carries risk including the possible loss of principal.

¹U.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**.

Downside Capture Ratio measures a manager's performance in down markets relative to the market (benchmark) itself over the preceding 10-year period. **Gross Expense Ratio:** The total annual operating expenses of a fund divided by its average net assets. **Net Expense Ratio:** The total annual operating expenses of a fund, less any fee waivers, divided by its average net assets. This is the expense ratio actually charged by the fund for the previous fiscal year. **Rolling Returns:** The annualized average return for a period ending with the listed year. **Upside Capture Ratio** measures a manager's performance in up markets relative to the market (benchmark) itself over the preceding 10-year period.

¹Massachusetts Financial Services Company has agreed in writing to reduce its management fee to 0.90% of the fund's average daily net assets annually in excess of \$1 billion to \$3 billion, 0.85% of the fund's average daily net assets annually in excess of \$3 billion to \$5 billion, 0.80% of the fund's average daily net assets annually in excess of \$5 billion to \$10 billion, and 0.75% of the fund's average daily net assets annually in excess of \$10 billion. This written agreement will remain in effect until modified by the fund's Board of Trustees, but such agreement will continue until at least January 31, 2017. MFS Fund Distributors, Inc., has agreed in writing to waive the program management fee for each of the fund's Class 529A, Class 529B, and Class 529C shares to 0.05% of the fund's average daily net assets attributable to each share class annually. This written agreement will expire on January 31, 2017, unless MFS Fund Distributors, Inc., elects to extend the waiver.

²Total annual Fund operating expense ratio is as stated in the Fund's most recent prospectus. Net expense ratio is not a result of a fee waiver or expense reimbursement. Net expense ratio excludes interest expense associated with certain investment transactions.

³The Fund's adviser has voluntarily agreed to waive management fees and reimburse fund expenses so that net annual fund operating expenses do not exceed certain levels through May 1, 2016 and may be discontinued at any time by the Fund's adviser after May 1, 2016.

⁴The Manager has contractually committed through August 31, 2016, to waive fees and/or reimburse expenses to the extent necessary to cap the Fund's Total Annual Fund Operating Expenses After Fee Waiver at 0.71% for Class A and 1.46% for Class C. Brokerage commissions, stamp duty fees, interest, taxes, acquired fund fees and expenses (including the expenses of GMO Benchmark-Free Allocation Fund), and extraordinary expenses are excluded from the cap. After this time, the cap may be increased or the commitment to maintain the cap may be terminated only with the approval of the Board of Trustees.

Index Definitions: 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 **CRSP US Large Cap Index** includes U.S. companies that comprise the top 85% of investable market capitalization. The **CRSP US Mid Cap Index** targets inclusion of the U.S. companies that fall between the top 70%-85% of investable market capitalization. The **Citigroup USBIG Government/Corporate 1-3 years Index** measures the performance of bonds issued in the U.S. investment-grade bond market. 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 **MSCI Emerging Markets Index** is a capitalization-weighted index of stocks from 26 emerging markets that only includes issues that may be traded by foreign investors. The reported returns reflect equities priced in US dollars and do not include the effects of reinvested dividends. The **MSCI World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The **Russell 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 2500® Index** measures the performance of the small to mid cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500 Index is a trademark/service mark of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co. The **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 **Russell Top 200 Index** is an unmanaged index comprising the largest 200 securities by U.S. market cap. 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 an index, and its returns are not indicative of the performance of any specific investment.*

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

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

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