

September 30, 2016

The stock market continues to surprise investors with solidly positive returns. The S&P 500 Index gained 3.9% during the third quarter, yet still trailed the other 4 equity categories that we typically write about each quarter (see chart below). International markets were particularly strong as the developed markets (Europe, Japan, Australia, U.K., etc.) gained 6.4% and the emerging markets (China, India, Russia, Brazil, Mexico, etc.) gained over 9%. Strong returns continue despite the negative sentiment that many investors seem to share as they await the next major bear market. However, many have shared that sentiment for several years, as the market has produced double-digit annualized returns. In fact, the S&P 500 has risen 16.4% per year for the past five years for a cumulative total of over 113%.

All eyes remain on the Federal Reserve, whose decisions seem to be the driving force behind the market's direction. Volatility seems to creep into the market before each Federal Reserve meeting, then the market rallies after rates are left unchanged. We expect this may continue until the Federal Reserve finally follows through on raising short-term interest rates and gives some clearer view on where they intend to go. The market simply doesn't like uncertainty and surprises. Expect volatility in the fourth quarter as investors keep a keen eye on the election and then turn their attention to the December Fed meeting.

A Few Portfolio Changes

During the quarter, we met with the Investment Policy Committee to discuss the FundAdvisor models and recommended changes to the portfolios. Broadly speaking, the mix of stocks and bonds will remain at the level that you and your investment executive determined to be appropriate at the time that you opened your account, however we made changes to both asset allocations and the mutual funds. Keep in mind that these changes are intended to position portfolios for the long-term and are not intended to be short-term tactical decisions. Here are the changes made to the portfolios together with the rationales for the movements:

- Increase emerging markets by slightly reducing US large cap funds and Developed International**
 Emerging markets (EM) have dramatically underperformed developed markets over the past 5 years despite stronger economic growth forecasts, and we believe that EM stocks appear attractive based on valuation and on analysis of long-term trends. To fund this increase, we reduced positions in our best performing International and Large Cap funds.
- Replace low volatility emerging markets fund with direct emerging market exposure**
 For the past few years, we have used a lower volatility emerging market fund that has performed quite well as emerging markets have struggled. We are replacing it with two EM funds that will give us better emerging market exposure for a recovery in those markets.
- Move entire mid cap allocation to passive indexing**
 While we are still strong believers in active management, there are certain areas of the market that have proven difficult for active managers to beat passive indexes. It is our opinion that midcap mutual funds have struggled to consistently outperform their benchmarks, therefore, we are increasing the position in a mid-cap index mutual fund. This has also helped to reduce the overall fund expenses in all portfolios.
- Replace global absolute return bond fund with lower cost, more plain-vanilla bond fund**
 While expenses are important across the board, we think they are even more important for bonds in this low-yielding environment. The Vanguard Intermediate Term Investment Grade bond fund is an active corporate bond fund with expenses at 0.08% and a solid long-term track record. Overall, the bond allocation remains well positioned for a possible rising rate environment with a yield similar to the bond index (SEC Yield of 2.9% according to Morningstar) and interest rate sensitivity well below the index.

We believe that these changes are consistent with our approach of attempting to shift assets out of areas of the portfolio that have done really well in order to buy more of undervalued areas. History shows that over the long term, buying undervalued assets will provide increased returns. We appreciate your business and encourage you to contact your investment executive if you have any questions.

Market Returns

	Q3 2016	YTD
U.S. Large Caps	3.9	7.8
U.S. Mid Caps	4.5	10.3
U.S. Small Caps	9.1	11.5
International Developed Markets	6.4	1.7
Emerging Markets	9.0	16.0
Intern. Term Bonds	0.2	4.2

Source: Morningstar Direct. Please see Important Disclosures at the back of this document for index definitions.

Returns

as of September 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	9.29	11.33	11.35	99.78	94.63	7.33	13.29	10.18	16.35	8.19	0.47	0.47
Diamond Hill Large Cap I	8.20	9.76	9.88	98.18	96.68	8.21	14.67	9.12	15.78	7.40	0.69	0.69
FMI Large Cap	8.33	10.18	10.27	90.20	84.05	8.54	12.36	8.97	14.57	7.71	0.87	0.87
S&P 500 Index	8.23	9.99	10.30	100.00	100.00	7.84	15.43	11.16	16.37	7.24		
Mid Cap and Small Cap												
Vanguard Mid Cap Index Adm	9.60	11.51	11.58	92.54	89.20	8.89	12.64	9.90	16.52	8.20	0.08	0.08
JHancock Small Cap Value I	16.52	15.46	15.25	-	-	8.87	14.46	7.50	15.66	-	1.29	1.29
Russell 2500 Index	8.94	11.19	11.39	100.00	100.00	10.80	14.44	7.77	16.30	7.95	-	-
International												
FMI International	10.81	12.44	10.11	-	-	8.80	13.07	8.04	13.49	-	0.98	0.98
Dodge & Cox Int'l Stock	4.25	5.35	4.91	111.11	107.18	4.74	5.62	0.06	8.17	2.88	0.64	0.64
MFS Int'l New Discovery	7.02	8.01	8.15	96.62	79.42	6.38	11.18	3.61	10.60	6.10	1.12	1.08 ¹
MSCI EAFE Index	2.61	3.43	3.28	100.00	100.00	1.73	6.52	0.48	7.39	1.82	-	-
Emerging Markets												
Touchstone Sands Cptl Emerg Mkts Gr Y	-6.52	N/A	N/A	-	-	12.72	19.00	-	-	-	1.60	1.50
Vanguard Emerging Mkts Stock Idx Adm	5.06	3.19	2.61	101.03	101.24	16.20	15.84	0.19	3.44	3.91	0.15	0.15
MSCI Emerging Markets Index	5.06	3.28	2.74	100.00	100.00	16.02	16.78	-0.56	3.03	3.95	-	-
Intermediate Gov't/Credit												
Eaton Vance Glb Mcr Abs Rtn	4.08	3.70	3.40	63.81	-21.63	3.68	6.22	3.47	2.79	4.38	0.77	0.74 ²
Hartford Floating Rate	3.78	5.18	5.34	57.12	-6.01	8.24	5.49	2.65	4.90	3.64	0.72	0.72
Vanguard Interm-Term Inv Grd	6.01	6.60	6.71	149.84	170.15	7.11	6.90	5.04	4.84	5.86	0.10	0.10
BarCap U.S. Intrm Govt/Credit	4.18	4.13	4.16	100.00	100.00	4.24	3.52	2.80	2.45	4.17	-	-
Short-Term Bond												
Vanguard Short-Term Inv Grd	3.52	3.72	3.62	142.89	167.29	3.67	3.39	2.42	2.56	3.56	0.10	0.10
Citigroup USBIG Gov/Corp 1-3 yr	2.53	2.25	2.11	100.00	100.00	1.63	1.28	1.05	1.01	2.57	-	-

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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