

December 31, 2016

2016 proved the overwhelming resilience of the stock market and its ability to “climb a wall of worry”. First, the S&P 500 Index started the year with a 5-week decline of 9.2% (much worse for small cap stocks and developed international stocks). But from that low in the middle of February, the S&P 500 Index gained 23.3% through December 31st and finished the year up 12%. The summer again brought disruption abroad. The referendum for the UK to leave the European Union (Brexit) rocked the equity market – for two days. The S&P 500 Index gained 13.2% after that initial 2-day decline through the end of the year. Next, the election cycle had the nation divided more than it has been in a long time and had people fearful of what the outcome could mean for our country. Many had bleak views of what a Trump presidency could mean. As his win became apparent on election night, the futures market was showing a huge decline in the market. By the time it opened the next day, the market was up and it was off to the races. Finally, the much anticipated interest rate increase came from the Federal Reserve in December. Over the past several years, even a hint of possible rate increases has been enough to spook the market, but this one was absorbed relatively easily by the stock market.

Trump’s election has boosted optimism with the thought of lower taxes, more fiscal stimulus, and deregulation. This led to a massive rotation away from defensive areas like Utilities and Consumer Staples and into more cyclical areas like Industrials and Financials; areas that many investors have found themselves significantly underweight. Shares of domestic companies have benefited disproportionately given Trump’s protectionist rhetoric and the strength of the U.S. dollar. Small cap stocks gained 21.3% in 2016, while developed international markets lagged again with a 1% annual gain. The emerging markets had a wild ride, but ended the year up 11.2%. Most investors were predicting continued struggles for the emerging markets and falling energy prices, but both reversed course in 2016. Emerging market stocks gained over 30% from late January to September (full year gain was 11.2%) and Energy stocks were the top performing sector for the year.

So what are the potential threats to this rally? For one, the market has already discounted significant change well ahead of any true policy implementation. Any missteps could prompt a market setback. Also, many elements of Trump’s protectionist ideas could hurt global trade and impair certain industries, particularly those that rely on imported goods. And then there’s interest rates. So far, markets have managed to rally alongside rising rates as investors have chosen to emphasize the improved growth that should accompany higher rates (not to mention rates are still low by historical standards). However, if rates increase too much or too quickly, it could impact the economy and depress equity valuations. International markets have taken another step backward recently, however, we feel that the long and significant underperformance (as indicated by the 5 year return in the chart above) that has existed should at some point reverse itself and those markets may do better. There may be pent up return in those markets as economies have gotten themselves on better footing and corporate earnings have stabilized. Unfortunately, they will likely improve when you least expect it.

Overall, the mutual funds that you own have performed quite well both over the recent time period and over the long term. You can see on the next page that many of them had great years in 2016, including the FMI Large Cap, Diamond Hill Large Cap funds and John Hancock Small Cap Value fund. Although the international markets had a difficult year, the Dodge & Cox and FMI International funds provided significant outperformance versus the major index, the MSCI EAFE Index (Europe, Asia, and Far East) index. For bond accounts, the inclusion of the Hartford Floating Rate fund provided nice outperformance as the anticipation of rising rates benefitted bond securities whose interest payments can adjust higher with rising rates. Overall in bonds, we are keeping the interest rate sensitivity very low as rates are expected to rise further in 2017.

2016 was a really good year for investors. 2017 will likely be spent watching how and if the Trump administration will implement the changes he has talked about. As always, we appreciate your business and look forward to another prosperous year. Please don’t hesitate to contact your investment executive with any questions or concerns you may have.

Market Returns

	Q4 2016	YTD
U.S. Large Caps	3.8	12.0
U.S. Mid Caps	3.2	13.8
U.S. Small Caps	8.8	21.3
International Developed Markets	-0.7	1.0
Emerging Markets	-4.2	11.2
Intern. Term Bonds	-2.1	2.1

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

Returns

as of December 31, 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	9.11	11.72	11.98	99.74	95.02	9.27	9.27	7.43	14.55	7.82	0.47	0.47
Diamond Hill Large Cap I	8.12	10.15	10.53	98.20	96.45	14.63	14.63	7.97	14.13	7.16	0.69	0.69
FMI Large Cap	8.33	10.49	10.79	91.22	84.51	13.79	13.79	7.65	13.33	7.63	0.87	0.87
S&P 500 Index	8.13	10.52	11.02	100.00	100.00	11.96	11.96	8.87	14.66	6.95	-	-
Mid Cap and Small Cap												
Vanguard Mid Cap Index Adm	9.47	12.00	12.19	91.32	88.95	11.22	11.22	7.67	14.37	7.66	0.08	0.08
JHancock Small Cap Value I	16.32	15.02	15.09	-	-	22.20	22.20	8.72	14.61	-	1.26	1.26
Russell 2500 Index	9.03	11.63	12.00	100.00	100.00	17.59	17.59	6.93	14.54	7.69	-	-
International												
FMI International	10.64	11.94	10.46	-	-	10.00	10.00	5.91	11.84	-	0.98	0.98
Dodge & Cox Int'l Stock	3.63	5.41	5.34	110.63	105.05	8.26	8.26	-1.34	7.98	2.11	0.64	0.64
MFS Int'l New Discovery	6.32	8.10	8.46	94.29	80.74	0.50	0.50	0.16	8.51	4.16	1.12	1.08
MSCI EAFE Index	1.85	3.53	3.72	100.00	100.00	1.00	1.00	-1.60	6.53	0.75	-	-
Emerging Markets												
Touchstone Sands Cptl Emerg Mkts Gr Y	-5.14	N/A	N/A	-	-	1.72	1.72	-	-	-	1.60	1.50
Vanguard Emerging Mkts Stock Idx Adm	3.43	2.91	2.43	101.21	101.13	11.73	11.73	-1.64	1.44	1.87	0.15	0.15
MSCI Emerging Markets Index	3.42	2.96	2.54	100.00	100.00	11.19	11.19	-2.55	1.28	1.84	-	-
Intermediate Gov't/Credit												
Eaton Vance Glb Mcr Abs Rtn	3.85	3.53	3.23	62.89	-16.91	4.00	4.00	3.22	2.69	4.16	0.77	0.74
Hartford Floating Rate	3.96	5.29	5.44	58.88	-9.15	11.46	11.46	3.04	4.75	3.75	0.72	0.72
Vanguard Interm-Term Inv Grd	5.98	6.54	6.58	150.18	168.73	3.93	3.93	3.81	3.83	5.38	0.10	0.10
BarCap U.S. Intrm Govt/Credit	4.05	3.99	3.97	100.00	100.00	2.08	2.08	2.09	1.85	3.84	-	-
Short-Term Bond												
Vanguard Short-Term Inv Grd	3.42	3.62	3.52	143.31	169.86	2.82	2.82	1.94	2.29	3.34	0.10	0.10
Citigroup USBIG Gov/Corp 1-3 yr	2.36	2.09	1.96	100.00	100.00	1.25	1.25	0.85	0.88	2.42	-	-

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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