The Davenport Funds
Quarterly Update | Q4 2017

DAVENPORT ASSET MANAGEMENT

What a year! To call 2017 a pleasant surprise for equity investors would be an understatement. The current bull market completed its ninth year with astonishing gains. The S&P 500 Index gained 21.83% while the Russell 2000 Index advanced 14.65%. The Nasdaq was even more impressive, setting a record 72 new closing highs during the year and finishing with a 29.64% gain. In addition, the rally was largely uninterrupted and characterized by very subdued volatility. On a total return basis, the S&P 500 Index didn't have a single down month during the calendar year for the first time since 1927.

What drove these gains? A number of ingredients created the perfect cocktail for equity markets. Perhaps most important, we started to witness synchronized global growth for the first time in a decade. Here in the U.S., we averaged roughly 2% GDP growth from the end of the recession through the first quarter. We saw an acceleration to 3% growth in both the second and third quarters and many economists think this persisted in Q4. This led to improved earnings growth for corporate America. This year the S&P 500 Index is expected to generate roughly 10% earnings growth as compared to flat results in both 2015 and 2016. All the while, tame inflation has allowed for interest rates to remain low, thereby making stocks look relatively attractive versus fixed income assets.

More recently, the market got a jolt from sweeping tax reform here in the U.S. In a victory for the Trump administration, Congress passed new law that dramatically lowers corporate tax rates. Not surprisingly, this provided a disproportionate lift to companies with a domestic bias. For some companies, especially full taxpayers, this could yield a 15-20% lift to earnings. Much of the lift has clearly been discounted already as evidenced by the S&P 500 Index's 6.64% gain in the fourth quarter. Still, rising earnings estimates could provide further support to stocks. We are also hopeful it will incent companies to not only return more capital to shareholders, but also more aggressively invest in their businesses for growth.

One of the more interesting market dynamics in 2017 was the dramatic outperformance of "growth" versus "value." To put it in perspective, the Lipper Large Cap Growth Index was up 31.85% for the year as compared to 16.06% for the Lipper Large Cap Value Index. Much of this can be attributed to the strong performance of the technology sector, which gained 38.83% for the year. Of note, technology and internet retail (e.g. Amazon) accounted for more than 40% of the S&P's 500 Index return. Such robust performance has been a function of both outsized earnings growth for tech leaders like the oft-discussed FAANGs (Facebook, Amazon, Apple, Netflix and Google) and a relative scarcity of growth in other sectors. We suspect the spread between growth and value may have gone too far and would not be surprised to see the relative performance of momentum-oriented stocks cool somewhat. Improved economic growth should lead to better performance for more cyclical and/or value-oriented investments.

We also suspect equity returns in general should be more subdued in the near-to-intermediate term. The S&P 500 Index has generated annualized returns of 15.79% over the last five years and seems like it may have borrowed gains from the future. Along the same lines, we would not be surprised to see volatility increase after a period of unprecedented calm. All that said, it typically proves futile to try to time markets and it's worth remembering there are many positives to consider. Perhaps most notable, growth is improving and traditional indicators of a recession (labor markets, manufacturing activity, housing, credit markets, etc.) are not flashing any warning signals. Concurrently, valuations are above historical norms, but aren't outlandish (18.2x 2018 earnings estimates for the S&P 500 Index) in the context of accelerating growth and low interest rates. These move lower if you factor in a further lift to earnings from corporate tax reform. Finally, we don't sense we've reached a state of investor euphoria that typically characterizes market peaks. Bottom line: we think it's reasonable to expect more modest returns, but wouldn't try to time a market pullback. We hope you enjoyed the holidays and wish you all the best in 2018!

Market Returns	Q4 2017	YTD
U.S. Large Caps	6.64	21.83
U.S. Mid Caps	6.07	18.52
U.S. Small Caps	3.34	14.65
International Developed Markets	4.23	25.03
Emerging Markets	7.44	37.28
Intermediate Term Bonds	-0.20	2.14

Source: Morningstar Direct. Please see Important Disclosures on last page for index definitions.

Please refer to page 10 for important disclosures, risk considerations, and index definitions.

Davenport Core Fund

DAVPX

The Core Fund ended the year on a high note, returning 4.89% for the quarter and 19.87% for the full year. This compares with the S&P 500 Index's 6.64% advance in Q4 and 21.83% full year return. It was a great year for stocks and we were pleased to see the Core Fund produce strong absolute returns. Although we didn't fully capture the S&P 500 Index's return, this is consistent with historical patterns as we have tended to lag a bit in strong markets with a goal of being more resilient in bear markets.

Some of the Q4 performance drivers were continuations of the first nine months: Marathon Petroleum (MPC) and Adobe Systems (ADBE) were in our top five attributors for both Q4 and for the full year, as MPC benefitted from improving refinery fundamentals and ADBE capitalized on its monopoly on digital content creation. On the other side of the ledger CarMax (KMX) and Celgene (CELG) weighed us down in Q4 and for the year as CarMax's growth rate disappointed and Celgene failed to deliver on a couple new drug launches. Capital One Financial (COF) was a name that had lagged much of the year but showed significant strength in Q4, catching up to the financials rally.

During the quarter we purchased Starbucks (SBUX), a name we know quite well having owned it from 2013-2016. Our sale in 2016 proved timely as same-store sales growth decelerated meaningfully from 7% to 3% and SBUX's valuation contracted commensurately. Expectations have been lowered as management cut long-term growth targets and SBUX's price-earnings -ratio (P/E multiple) is the lowest we have seen in several years. We think SBUX's premium brand remains relevant domestically with its leading digital investments and are particularly excited about the long-term growth potential in China, its highest-margin geography.

In addition, we purchased Vulcan Materials (VMC), a competitor (in select markets) to existing holding Martin Marietta (MLM). VMC offers many of the same attributes that originally attracted us to MLM. Owning both gives us greater, diversified exposure to the growing domestic construction sector, where we see ample runway for growth. VMC operates in different markets and could grow faster as its key market in California bounces back from depressed state spending levels. Ultimately, we like these business models, characterized by high barriers to entry, strong pricing power driven by limited competition, and a fixed cost structure leading to significant operating leverage in a growing market.

To fund these purchases, we sold General Electric (GE) and Allergan (AGN). GE has been a frustrating holding as management has failed to deliver on key targets. While we continue to see GE as an interesting value play, its weakened growth outlook made it less suitable for this Fund. AGN was another example where management credibility has come under question, as the company was unable to protect its Restasis patents from generic competition. We sold these two positions to focus on names where we have higher conviction.

All told, the Core Fund had a strong year in 2017. Relative weakness was primarily concentrated in the Healthcare sector, where we had a few company-specific disappointments. While performance was hurt by our underweight stance in large cap tech, we made this up with our stock selection in Technology. We continue to own a number of high growth tech companies (e.g. Apple (AAPL), Facebook (FB), Google (GOOG), Amazon (AMZN)), but our overall weighting remains a bit smaller than the index. We think this is prudent given the large moves in 2017 and we aren't inclined to further chase the high fliers. In fact, our most recent Tech addition in Q4 was Oracle (ORCL), a cheap "legacy" tech stock that is improving revenues via new cloud-based software offerings. We continue to execute on our disciplined approach to find differentiated ideas for the years ahead, and look forward to reporting back throughout 2018.

The following chart represents Davenport Core Fund (DAVPX) performance and the performance of the S&P 500 Index, the Core Fund's primary benchmark, for the periods ended December 31, 2017.

	Q4 2017	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* 1/15/98
Core Fund (DAVPX)	4.89	19.87	9.36	13.79	7.65	6.94
S&P 500 Index	6.64	21.83	11.41	15.79	8.50	7.17
30-Day SEC Yield: 0.29%; Expense Ratio in current prospectus: 0.90%						

Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Performance data, current to the most recent month end, may be obtained by calling 1-800-281-3217.

*Returns great than one year are annualized. *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.

Davenport Core Fund Quarterly Transactions

DAVPX

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Recent Purchases

Oracle Corp (ORCL) – We elected to initiate a position in ORCL, a leading enterprise software provider with an extremely profitable business and strong free cash flow generation.

Schlumberger N.V. (SLB) – As the oil & gas markets are gradually healing, we added to our position in SLB- with its best-in-class balance sheet, returns and record of accomplishment in the oil-services arena.

Starbucks Corp (SBUX) – We elected to initiate a position in SBUX. We think U.S. traffic has started to turn, the company has worked through several execution issues with its digital initiatives, and the brand/products appear to be resonating well in China.

Vulcan Materials Co (VMC) – We initiated a position in VMC, the nation's largest producer of construction aggregates and a significant supplier of ready-mixed concrete and asphalt mix.

Recent Sales

Allergan PLC (AGN) – Our investment thesis on the stock has changed, and we have decided to sell our position, as we think it could take some time for management to regain credibility and for earnings to start growing again.

General Electric Co (GE) - The primary issue for GE is its Power business. While we can see the potential of GE becoming a turnaround story under the new CEO, we think that it will take some time. We ultimately decided that there are alternatives with higher visibility for the Core Portfolio.

iShares Nasdaq Biotechnology ETF (IBB) - Though the approval process remains quite favorable for developers of new therapeutics, the pricing environment has deteriorated dramatically over the past couple of years. We do not see pricing improving anytime soon and view our sale as a risk-reduction move for the portfolio.

Top Ten Holdings* - % of Net Assets

as of 12/31/2017

Markel Corp	3.60
Capital One Financial Corp	3.54
Visa Inc	3.38
Brookfield Asset Management**	3.34
American Tower Corp	3.11
Citigroup Inc	2.93
Accenture PLC**	2.93
Johnson & Johnson	2.87
Adobe Systems Inc	2.83
Berkshire Hathaway Inc	2.80

**Holdings subject to change without notice. **Foreign Holding*
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.

Davenport Value & Income Fund

DVIPX

The Value & Income Fund finished 2017 on a high note with a 6.59% gain in the fourth quarter, bringing the overall 2017 gain to 18.23%. This compares favorably to the fund's primary benchmark, the Russell 1000 Value Index, which was up 5.33% in Q4 and 13.66% in 2017. The S&P 500 Index was up 6.64% in Q4 and 21.83% for 2017.

For the quarter, our top two contributors were Capital One Financial (COF) and Synchrony Financial (SYF). Our patience in these credit card names was rewarded as they both put up solid Q3 earnings reports. Both stocks also benefited from benign charge offs, which relieved some investor concerns about the credit cycle, as well as a year-end rotation into value stocks. COF remains one of our largest positions as we continue to see additional upside in the stock. Industrials was our best relative sector driven by continued gains from Boeing (BA), 3M (MMM), and Illinois Tool Works (ITW). As the economy continues to improve, we remain positive on cyclicals.

The two key detractors in the quarter were General Electric (GE) and Merck (MRK). Shares of GE struggled in 2017 as the company cut its earnings forecast several times, mostly due to significant declines in its power business. New management has initiated a major restructuring program and cut the dividend to conserve cash. While obviously a disappointment, we think most of the bad news is behind us and we continue to see value in GE's aerospace and healthcare businesses. The stock yields 2.7% and we think patience could be rewarded. MRK shares suffered a precipitous decline during Q4 as the company faced increased competitive pressures and withdrew its accelerated approval in Europe. We continue to believe that MRK's immune-oncology cancer drugs are promising and should drive solid earnings growth over time.

Given the significant appreciation in the market, it is becoming increasingly difficult to find value situations that we believe offer attractive upside. That said, during the fourth quarter we initiated new positions in Comcast (CMCSA) and Medtronic (MDT). In CMCSA, the nation's leading cable TV provider, we see a dominant franchise with consistent capital returns. The stock came under pressure given concerns about video subscriber losses. However, we think investors are missing the strength of CMCSA'S higher-margin broadband franchise as it is on track to add over one million net new broadband customers for the 12th year in a row. We also see CMCSA as a play on 5G, the next iteration of wireless communication technology. Fiber is a critical component of 5G and CMCSA should be in an advantageous position given its significant operations. We decided to take advantage of weakness in the stock to initiate a position. We'd also note that CMCSA is a full cash taxpayer and could see substantial benefits from tax reform.

MDT is a global leader in medical devices with products such as pacemakers, monitors, stents, insulin pumps, and restorative therapies. In addition to a full pipeline of new products, we think there is a significant opportunity for MDT in emerging markets. Additionally, synergies from the 2015 Covidien acquisition as well as other cost reductions and operating leverage are expected to drive operating margin expansion and result in double-digit earnings-per-share (EPS) growth through 2020. MDT generates significant free cash flow, of which it plans to return 50% to shareholders. The company has increased its dividend for 40 straight years and is a member of the S&P 500 Index Dividend Aristocrats.

We remain pleased with the Value & Income Fund's results, especially in a year where growth stocks have dramatically outperformed value stocks. As noted above, towards the end of 2017 we saw the beginnings of a rotation from growth to value, and we should be well positioned, should this trend continue.

The following chart represents Davenport Value & Income Fund (DVIPX) performance and the performance of the Russell 1000® Value Index, the Fund's primary benchmark, and the S&P 500 Indices for the periods ended December 31, 2017.

	Q4 2017	1 Year	3 Years*	5 Years*	Since Inception* 12/31/10
Value & Income Fund (DVIPX)	6.59	18.23	9.74	14.12	13.40
Russell 1000® Value Index	5.33	13.66	8.65	14.04	12.46
S&P 500 Index	6.64	21.83	11.41	15.79	13.76
30-Day SEC Yield: 1.63%; Expense Ratio in current prospectus: 0.89%					

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*Returns greater than one year are annualized. The **Russell 1000® Value Index** measures the performance of the Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company. 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.

Davenport Value & Income Fund Quarterly Transactions

DAVENPORT ASSET MANAGEMENT

DVIPX

Recent Purchases

AmerisourceBergen (ABC) – We added to ABC, as we believe the company can return to sustained organic revenue growth and improve margins as it focuses on its higher-margin specialty pharma business.

Brookfield Asset Management Inc (BAM) – We maintain our belief in the management team, which has created significant value for shareholders by leveraging its financial scale and operating expertise to purchase mission critical assets in periods of significant distress.

Comcast Corp (CMCSA) – We see a dominant franchise with a visionary leader, solid growth opportunities, and consistent capital returns. We believe the recent pullback represents an attractive entry point and have elected to initiate a position in CMCSA.

CVS Health Corp (CVS) – We decided to take advantage of recent weakness to add to our position in CVS. We think the stock price reflected recent fears and believe CVS has attractive, long-term prospects.

Enbridge Inc (ENB) – We added to our position in ENB, which recently became North America's largest oil & gas transportation company after purchasing Spectra Energy (formerly SE) earlier this year.

Medtronic PLC (MDT) – We elected to initiate a position in MDT, a global leader in medical devices headquartered in Ireland. In addition to a full pipeline of new products, we think the emerging market opportunity is significant.

Philip Morris International Inc (PM) – We like the international exposure that PM has and believe that its new iQOS product may be a significant growth driver over the next few years. We decided to use recent weakness to increase our position in the name.

Top Ten Holdings* - % of Net Assets

as of 12/31/2017

Capital One Financial Corp	3.17
Johnson & Johnson	3.10
JPMorgan Chase & Co	2.92
Markel Corp	2.83
Citigroup Inc	2.76
Royal Dutch Shell PLC**	2.66
Watsco Inc	2.63
Fidelity National Financial Inc	2.51
Diageo PLC**	2.51
Occidental Petroleum Corp	2.21

Recent Sales

3M Co (MMM) - While we think you get what you pay for in terms of quality and stability, we have some incremental concerns around pricing power. We think the risk/reward has evened at current levels, and we elected to chip our position during the quarter.

Black Knight Inc (BKI) – We had received shares of BKI through our position in Fidelity National Financial (FNF); however, the stock is simply not a good fit for this strategy, due to its premium valuation, lack of a dividend and limited trading liquidity. We elected to treat the spin as a special dividend and sell the shares on strength.

Boeing Co (BA) – One of the portfolio's best stocks since our purchase a year and a half ago, and more than doubling in that short period, BA has continued to work higher. We have elected to sell a bit more of the position.

Gilead Sciences Inc (GILD) - We have elected to sell our position in GILD for a modest loss, due to declining revenue trends in its HCV franchise, and repurpose the funds in a higher-conviction name.

Illinois Tool Works Inc (ITW) - ITW remains a high-quality franchise with a premium valuation. We think the stock can continue to grind higher but given the recent run, decided to book some profits.

iShares MSCI Europe Financials ETF (EUF) – We have seen domestic banks ramp up profits as rates have risen and think Europe is on a similar path. We elected to add to EUFN during the quarter and as the European economy improves, and rates rise, banks should be major beneficiaries. As their returns on capital ramp, they should command a premium to book valuation.

McDonald's Corp (MCD) - We continue to believe in the long-term opportunity for MCD and have great confidence in the leadership of CEO Steve Easterbrook. We thought it prudent to take some profits in the stock.

VF Corp (VFC) - While we remain attracted to the company's quality brands, strong management team, and solid dividend, the shares appear much more reasonable from a risk/reward perspective, and we have chipped the position.

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Davenport Equity Opportunities Fund

DEOPX

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The Equity Opportunities Fund closed the year with a 3.67% advance in the fourth quarter. While this result fell short of the 6.07% gain for the Russell Mid Cap Index for the period, the fund's 2017 return of 20.79% was nicely ahead of the Russell Mid Cap Index's 18.52% gain. Despite giving back some relative performance during the quarter, we are pleased to have delivered solid returns in a year where index returns were heavily influenced by momentum-driven situations that we typically avoid.

Fortunately, our patience and value mindset paid off during the quarter, with strong performance from holdings in O'Reilly Automotive (ORLY) and Capital One Financial (COF). While we consider these entities to be "growth" companies, both experienced investor pushback and/or near term business headwinds that allowed us to build positions at attractive prices. Last quarter, we highlighted ORLY as a best-in-class auto parts retailer suffering from short-term cyclical headwinds in addition to what we perceived to be an over-hyped threat from Amazon (AMZN). We were able to add to this position earlier in the quarter, prior to the company's positive earnings announcement that sent the shares much higher. Since then, favorable weather and more encouraging industry data points have allowed the shares to climb further and we have elected to trim the position modestly. COF came to life during the quarter as concerns over the credit cycle began to abate alongside further evidence of economic improvement and consumer health. Moving forward, we remain optimistic that the company's strong earnings power should emerge alongside a more measured pace of loan growth and a lower need for reserve building.

Key detractors during the quarter included Liberty Broadband (LBRDK), Dish Networks (DISH) and CarMax (KMX). LBRDK, which derives its value from its stake in cable company Charter Communications (CHTR), and DISH languished as some of the Mergers & Acquisitions (M&A) enthusiasm seeped out of the media sector. CarMax (KMX) reported results that fell short of investor expectations and the stock corrected sharply. While it was disappointing to see these high conviction ideas lose steam into year-end, we remain enthusiastic about the value creation prospects for each company and feel that their underperformance makes them timely. More specifically, we believe LBRDK can continue to participate in the value creation at CHTR, whether it is through operational improvements or M&A. While DISH share price has been weak lately, we are reminded almost daily of the ongoing capacity constraints in the wireless industry that only serve to make DISH spectrum assets more valuable. Lastly, we believe KMX continues to execute well in a difficult environment for used car sales and that the shares fail to reflect the company's massive market share opportunity, nor is there much attention being paid to the significant earnings uplift the company could receive from tax reform.

We added to our position in leading aggregates producer, Martin Marietta Materials (MLM) during the quarter. We have long been attracted to this company's market leadership, barriers to entry, strong pricing power and long-term demand profile. With a noisy 2017 out of the way, we believe investor focus could soon shift to 2018 and the potential for 20 - 30% growth in earnings before interest, taxes, depreciation and amortization (EBITDA). In addition to the pending acquisition of Bluegrass Materials, organic growth should be strong as public construction spending returns. We think the underlying fundamentals of the construction industry remain positive, and any movement on a federal infrastructure bill would be icing on the cake. Encouragingly, the shares began to perk up at year-end; however, we believe there is more upside to come.

In sum, we are pleased with 2017 results, especially in light of momentum-driven market conditions that typically do not favor our opportunistic approach. While we would have liked to close out the year on a stronger note, we believe the Fund has an element of timeliness and are optimistic that a shift in market leadership could favor our strategy.

The following chart represents Davenport Equity Opportunities Fund (DEOPX) performance and the performance of the Russell Midcap® Index, the Fund's primary benchmark, and the S&P 500 Index for the periods ended December 31, 2017.

	Q4 2017	1 Year	3 Years*	5 Years*	Since Inception* 12/31/10
Equity Opportunities Fund (DEOPX)	3.67	20.79	6.84	12.77	12.89
Russell Midcap® Index	6.07	18.52	9.58	14.96	12.76
S&P 500 Index	6.64	21.83	11.41	15.79	13.76
30-Day SEC Yield: -0.28%; Expense Ratio in current prospectus: 0.92%					

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*Returns greater than one year are annualized. 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®. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company. 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.

Davenport Equity Opportunities Fund Quarterly Transactions

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DEOPX

Recent Purchases

Martin Marietta Materials Inc (MLM) – We think the underlying fundamentals of the construction industry remain positive. Any movement on a federal infrastructure bill would be icing on the cake.

Recent Sales

Colfax Corp (CFX) – With the stock well off its lows from last year and given the Merger & Acquisition dependent nature of the story right now, we thought it prudent to reduce our position.

Dollar Tree Inc (DLTR) – Though we continue to believe in the resiliency of the DLTR format and are pleased to see early signs of success with the Family Dollar integration, we decided to trim the position with the risk/reward profile seemingly more balanced at current levels.

O'Reilly Automotive Inc (ORLY) – We had added to our position during the quarter after weak results at a competitor caused the shares to sell-off; however, we recently elected to take some profits, as the stock received a nice pop from a more recent fund flow rotation.

Top Ten Holdings* - % of Net Assets

as of 12/31/2017

American Tower Corp	5.78
Capital One Financial Corp	5.69
Brookfield Asset Management Inc**	5.54
WABCO Holdings Inc	5.37
Dollar Tree Inc	5.16
CarMax Inc	4.90
Colfax Inc	4.81
Martin Marietta Materials Inc	4.61
Sherwin Williams Co	4.61
Live Nation Entertainment Inc	4.51

Davenport Small Cap Focus Fund

DSCPX

The Davenport Small Cap Focus Fund (DSCPX) closed the year on a strong note, advancing 5.79% in the fourth quarter versus the 3.34% gain for the Russell 2000 Index. For the year, the Fund was up 19.88%, nicely exceeding the 14.65% gain for the Russell 2000 Index. Despite the passage of favorable tax legislation alongside encouraging domestic economic data, small cap stocks underperformed large caps by more than 3% during the quarter, and lagged the S&P 500 Index by roughly 7% for the full year. By this measure, small caps have underperformed large caps on a 1, 3 and 5-year basis. Ultimately, we think these trends can reverse as fiscal policy and economic developments may favor the more domestically focused small cap arena.

After being key drivers of performance throughout the entire year, we got another strong push of returns from top holdings Monarch Casino (MCRI) and American Woodmark Holdings (AMWD) during the quarter. MCRI was the beneficiary of continued investor enthusiasm towards the regional gaming space, fueled more recently by several Mergers & Acquisitions (M&A) transactions. We have chosen to use strength in the name to reduce our position; however, it remains a top holding. After putting together a strong year alongside improving housing fundamentals and solid execution, shares of AMWD surged nearly 30% following the announcement of a major transaction that we believe could be significantly accretive to shareholder value. As a reminder, capital allocation optionality resulting from the company's significant balance sheet flexibility was a key reason we became interested in the stock. Following more than a year of thoughtful deliberation, management announced the transformative acquisition of RSI Home Products, which diversifies the company's mix, allows for manufacturing scale and is immediately accretive to AMWD margins and Earnings Per Share Growth (EPS). Though we have elected to take profits in the name following the spike, we remain confident in the longer-term outlook for AMWD given the potential for $10+ of EPS by the end of the decade (does not consider the uplift from taxes).

As a final note on performance, we were pleased to have benefited from the announced takeover of Snyders-Lance (LNCE) by Campbell Soup (CBP). We have long thought that LNCE's portfolio of popular snacks and better-for-you items would be attractive

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to a larger player. Fortunately, we were able to add to the position earlier in the year following operational missteps that resulted in a CEO change. Though we never rely solely on takeout potential as a driver of a purchase decision, we do anticipate M&A to serve as a catalyst for performance from time to time in a strategy that focuses on smaller companies that often lack the scale larger buyers can provide. Ultimately, the fund benefited from three takeovers of meaningful positons during 2017; VCA Inc (WOOF), VWR Corp (VWR) and Snyders- Lance (LNCE).

As a result of profit taking mentioned above in addition to deal related events, the cash position of the fund is a bit elevated relative to historical levels. Though the market continues to march higher, we are pleased to have some flexibility and continue to put money to work opportunistically. Broadly, we have been more focused on seeking more value-oriented opportunities that have been overlooked or left behind by the market's rally.

One such situation we have been adding to recently is Diamond Hill Asset Management (DHIL). While under-followed by investors, DHIL is a well-regarded asset manager with a strong track record of fund performance, heavy insider ownership and a cash rich balance sheet. Despite solid performance across its funds and asset gathering momentum, the shares underperformed the market in 2017. We think the stock looks cheap at less than 14x trailing 12 months Earnings Per Share (EPS), especially when considering the company's penchant for returning capital to shareholders. In fact, 2017 is the 10th consecutive year the company has paid a special dividend to shareholders ($7 dividend represents a 3.4% yield at the year-end stock price).

In sum, we are pleased to have closed the year on a strong note. We remain encouraged by the outlook for small cap equities and look forward to continuing to redeploy assets where risk/reward profiles look attractive.

Top Ten Holdings[1] - % of Net Assets

as of 12/31/2017

Monarch Casino & Resort	3.51
American Woodmark Corp	3.37
Cable ONE Inc	3.19
Knight-Swift Transport. Holdings Inc	2.99
Genessee & Wyoming Inc	2.88
Black Knight Inc	2.83
Cohen & Steers Inc	2.72
Builders FirstSource Inc	2.64
Lamar Advertising Inc	2.59
Trupanion Inc	2.56

This chart represents Davenport Small Cap Focus Fund (DSCPX) performance and the performance of the Russell 2000® Index, the Small Cap Focus Fund's primary benchmark, for the periods ended December 31, 2017.

	Q4 2017	1 Year	3 Year*	Since Inception * 12/31/14
Small Cap Focus Fund (DSCPX)	5.79	19.88	11.36	11.36
Russell 2000® Index	3.34	14.65	9.96	9.96
30-Day SEC Yield: 0.04%; Expense Ratio in current prospectus: 1.06%				

Davenport Balanced Income Fund

DBALX

The Davenport Balanced Income Fund gained 3.87% in the quarter, versus a 5.33% increase for the Russell 1000® Value Index and 6.64% for the S&P 500 Index. For the year, the fund increased 11.11%, compared to the Russell's 1000® Value Index 13.66% and the S&P 500 Index's 21.83%. The Fund performed very well relative to the blended 60% Russell 1000® Value and 40% Bloomberg Barclays Intermediate Government/Credit Index returns of 3.09% and 8.99%, for the quarter and year, respectively.

The equity portion of the fund performed well during the quarter. Financials lead sector performance with

Past performance is no guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Performance data, current to the most recent month end, may be obtained by calling 1-800-281-3217.

[1]*Holdings subject to change without notice.* *Returns greater than one year are annualized. The **Russell 2000® Index** measures the performance of the 2,000 smallest companies in the Russell 3000 Index, measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company. An investor cannot invest in an index and its returns are not indicative of the performance of any specific investment.

positive momentum on the heels of tax reform, regulatory reform, and rising interest rates. Following impressive earnings reports, Capital One Financial (COF) and Synchrony Financial (SYF) were our leading contributors to performance during the quarter. Industrials were our best relative sector driven by continued gains from Boeing (BA), 3M (MMM), and Illinois Tool Works (ITW). General Electric (GE) was our biggest detractor during the quarter as the stock struggled throughout 2017 and the company cut earnings forecasts several times, cut its dividend and instituted a major restructuring program. We believe most of the bad news is behind us and continue to see value in the aerospace and healthcare businesses.

During the quarter, we initiated a position in Medtronic (MDT), a global leader in medical devices with products such as pacemakers, monitors, stents, insulin pumps, and restorative therapies. In addition to a full pipeline of new products, we think there is a significant opportunity for MDT in emerging markets. The company has a strong balance sheet, generates significant free cash flow (6% yield) of which it plans to return ~50% to shareholders, and has increased its dividend for 40 straight years (2.2% yield).

The rate environment of the fourth quarter changed significantly as short rates rose and rates on longer-dated securities actually dropped a bit. The yield on the 2 year Treasury rose 33 basis points, directly related to actions by the Federal Reserve, while the yield on the 30 year Treasury fell 12 basis points. In a year where equities were the asset of choice, fixed income assets performed relatively well given the rising rates. In the 4th quarter of 2017 the Bloomberg Barclays Intermediate Government/Credit Index returned -0.20%, ending the year up 2.14%.

Looking to 2018, the Fed is expected to continue to raise the Fed Funds rate 2-4 times and we continue to believe a defensive structure is warranted, given expectations that the rise in rates will continue. Structurally, we like a barbell portfolio utilizing floating rate notes in the front end and adding to 7-10 year fixed rate securities to increase portfolio income. The duration of our Fund's fixed income assets reflects this defensive view by being shorter than the respective benchmark index.

The bond assets of the Balanced Fund consists of 40 high-quality corporate issues spread across ten economic sectors with the top allocation to consumer discretionary at 26.4%, financials at 24.4%, and telecommunications at 10.3%. The credit quality is high with an average overall credit rating of "A," an effective maturity of 4.5 years, and a duration of 3.5 years. The structure is defensive with duration allocations of 26.2% in floating rate notes with effective durations of 0.3 years and 32.9% in securities with durations of five years and longer. The income levels for floating rate notes change quarterly based on the level of an international lending rate (LIBOR). This rate was 1.69% at the close of 2017 versus 0.99% at the end of 2016.

We are pleased with our performance this quarter given the continued outperformance of growth strategies, and see value in a balanced approach as we continue through uncertain market conditions. Our allocation to value stocks and defensive positioning in the bond portion of the fund may continue to provide a volatility buffer in the near future, while focusing on current income and long-term capital appreciation.

The following chart represents Davenport Balanced Income Fund (DBALX) performance and performance of the Fund's primary benchmark, the Russell 1000® Value Index, along with the S&P 500 Index for the period ended December 31, 2017.

	Q4 2017	1 Year	Since Inception* 12/31/15
Balanced Income Fund (DBALX)	3.87	11.11	10.13
Russell 1000® Value	5.33	13.66	15.47
S&P 500	6.64	21.83	16.77
60% Russell 1000® Value/40% BBIGC	3.12	9.05	10.13
30-Day SEC Yield: 1.76% Expense Ratio in current prospectus: 1.13%			

Top Ten Equity Holdings[1] - % of Net Assets

as of 12/31/2017

Capital One Financial Corp	1.69
Johnson & Johnson	1.65
JPMorgan Chase & Co	1.56
Markel Corp	1.52
Citigroup Inc	1.48
Watsco Inc	1.40
Royal Dutch Shell PLC**	1.40
FNF Group	1.34
Diageo PLC**	1.33
Occidental Petroleum Corp	1.18

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*Returns greater than one year are annualized. [1]*Holdings subject to change without notice.* **Foreign Holding. The Russell 1000® Value Index measures the performance of the Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values. 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. The blended 60% Russell 1000 Value/40% Bloomberg Barclay's Intermediate Government/Credit (BBIGC) Index is included as an additional comparative index because it is representative of a balanced portfolio consisting of 60% equity and 40% fixed income securities. The BBIGC measures the non-securitized component of the U.S. Aggregate Index. It includes investment grade, U.S. dollar-denominated, fixed-rate Treasuries, government-related and corporate securities. Intermediate maturity bonds include bonds with maturities of 1 to 9.999 years. An index is not available for direct investment; therefore its performance does not reflect the expenses, fees and taxes generally paid with the active management of an actual portfolio.

Important Disclosures

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Disclosures: Any opinions expressed here are statements of judgment on this date and are subject to future change without notice. This information may contain forward looking predictions that are subject to certain risks and uncertainties which could cause actual results to differ materially from those currently anticipated or projected. The information contained herein has been compiled from sources believed to be reliable; however, there is no guarantee of its accuracy or completeness.

Mutual Fund investing involves risk, principal loss is possible. An investor should consider the fund's investment objectives, risks and charges and expenses carefully before investing. The fund's prospectus contains this and other important information. You may obtain a copy of the fund's prospectus by calling (888) 285-1863. Investors should read the prospectus carefully and discuss their goals with a qualified investment professional before deciding to invest.

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Risk disclosures:
DAVPX - The fund may not achieve its objective and/or you could lose money on your investment in the fund. Stock markets and investments in individual stocks are volatile and can decline significantly in response to market, foreign securities, small company, exchange traded fund, investment style and management risks.
DVIPX - The fund may not achieve its objective and/or you could lose money on your investment in the fund. Stock markets and investments in individual stocks are volatile and can decline significantly in response to market, foreign securities, small company, exchange traded fund, investment style and management risks. There is no guarantee that a company will continue to pay a dividend.
DEOPX - The fund may not achieve its objective and/or you could lose money on your investment in the fund. Stock markets and investments in individual stocks are volatile and can decline significantly in response to market, foreign securities, small company, exchange traded fund, investment style and management risks. Small and mid cap company stocks may be more volatile than stocks of larger, more established companies.
DSCPX - The fund may not achieve its objective and/ or you could lose money on your investment in the fund. Stock markets and investments in individual stocks are volatile and can decline significantly in response to market, foreign securities, small company, exchange traded fund, investment style and management risks. Small and mid cap company stocks may be more volatile than stocks of larger, more established companies.
DBALX - Investments in debt instruments may decline in value as the result of declines in the credit quality of the issuer, borrower, counterparty, or other entity responsible for payment, underlying collateral, or changes in economic, political, issuer-specific, or other conditions. Certain types of debt instruments can be more sensitive to these factors and therefore more volatile. In addition, debt instruments entail interest rate risk (as interest rates rise, prices usually fall), therefore the Fund's share price may decline during rising rates. Funds that consist of debt instruments with longer durations are generally more sensitive to a rise in interest rates than those with shorter durations. Investments in below investment grade quality debt instruments can be more volatile and have greater risk of default, or already be in default, than higher-quality debt instruments. Investments in municipal instruments can be volatile and significantly affected. Please see the prospectus for further information on these and other risk considerations.

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.

Index Definitions: 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**. International Developed Markets represented by the **MSCI EAFE Index**. Emerging Markets represented by the **MSCI EM Index**. Bonds represented by the **Bloomberg Barclays Intermediate Government/Credit Index**.

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. 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 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 2000® Index and Russell Midcap® Index are trademark/service marks of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co. The **Lipper Large Cap Growth Funds Index** is an unmanaged index of the 30 largest funds in the Lipper Large Cap Growth Fund category. The **Lipper Large Cap Value Funds Index** is an unmanaged index of the 30 largest funds in the Lipper Large Cap Value Fund category. The **MSCI 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 (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 **Bloomberg Barclays 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.

An investor cannot invest in these indices and their returns are not indicative of the performance of any specific investment.