The Davenport Funds
Quarterly Update | Q2 2018

DAVENPORT
ASSET MANAGEMENT

Equity markets picked up steam in the second quarter. Volatility cooled following a first quarter spike and investors were generally encouraged by economic data and corporate earnings reports. The S&P 500 Index gained 3.43% while the small cap-oriented Russell 2000 Index advanced an impressive 7.75%. Year-to-date, the S&P and Russell finished the quarter up 2.65% and 7.66%, respectively.

Economic growth in the U.S. seems to be outpacing the rest of the world, causing investors to shun foreign markets and favor companies with a domestic bias. This helps explain the significant outperformance of the Russell 2000 Index, which houses a number of smaller U.S.-centric companies. We've also seen strength in the U.S. dollar, which has created a headwind for large U.S. multinational companies that generate much of their revenue from outside the U.S. and must translate foreign earnings back into dollars at less favorable exchange rates. All the while, protectionist talk from the Trump administration and ongoing fears surrounding trade wars have put a further damper on international markets as well as U.S. stocks with significant foreign exposure.

Dollar strength, slower growth abroad, cost pressures and trade fears have also prompted a case of "peakitis." In other words, investors seem to think economic growth may be close to peaking. This fear has been fueled further by the Federal Reserve's recent interest rate hikes. After years of ultra-loose monetary policy, some fear rising interest rates could crimp cyclical areas like construction and housing. These are valid fears and we are indeed many years into an economic expansion. On the other hand, we point out rates are still low by historical standards and corporate capital expenditures are finally beginning to accelerate. At the same time, the federal government is rolling out massive fiscal stimulus (both spending and tax cuts). This stimulus may be goosing near-term growth at the expense of long-term growth, but the market may be under-estimating how much gas is left in the tank. Lastly, we've already seen significant damage inflicted on shares of many cyclical companies, suggesting a great deal of worry has already been discounted.

Fears of slowing growth have also fueled ongoing outperformance for the technology sector. The tech-heavy NASDAQ Composite Index gained 6.61% in the second quarter. Put simply, worries about a growth scarcity brought about a renewed willingness to pay a premium for companies with above average growth. We own a number of tech names and appreciate their attributes, especially the seemingly unassailable dominance of the large cap tech leaders. However, we continue to think the group's leadership is a little long in the tooth and expect it could start to lose some momentum. Of note, technology now represents 25.96% of the S&P 500 Index versus 24.87% in the first quarter of 2018.

It's hard not to mention technology without also referencing the dramatic outperformance of "growth" versus "value" investing. This quarter alone, the Lipper Large Cap Growth Index was up 5.94% versus a meager 1.89% gain for the Lipper Large Cap Value Index. Including 2018, value investing has now lagged growth investing for 10 of the last 11 years. Investors' recent tendency to gravitate towards momentum has coincided with an unwillingness to look at businesses facing headwinds, even if they are short-lived in nature. As a result, some sectors/companies have been neglected and seem to offer favorable risk/reward profiles. There are many cases where businesses are being materially disrupted (oftentimes by the aforementioned technology juggernauts) and should be avoided. However, there are also cases where good businesses are underpriced and worth a look. Recently, we've pinpointed a couple opportunities in the downtrodden consumer staples sector.

Finally, we note valuations still look reasonable with the S&P 500 Index trading at 17.1x earnings estimates for this year. Although we continue to expect moderating returns following the heady returns of 2013-2017 (the S&P annualized at 15.80%), we don't think investors are overpaying for stocks right now barring a recession. It may be difficult for stock valuations to expand with a backdrop of tighter monetary policy; however, earnings growth, dividends and large corporate buyback programs could still produce decent results for investors. Thank you for your trust and please see our Fund letters for a discussion of specific ideas.

Market Returns	Q2 2018	YTD
U.S. Large Caps	3.43	2.65
U.S. Mid Caps	2.82	2.35
U.S. Small Caps	7.75	7.66
International Developed Markets	-1.24	-2.75
Emerging Markets	-7.96	-6.66
Intermediate Term Bonds	0.01	-0.97

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 had a strong second quarter, gaining 2.65% along with the S&P 500 Index, which was up 3.43%. The Fund is up 1.68% year-to-date, modestly behind the S&P 500 Index's 2.65% advance. Standout performers this quarter included CarMax (KMX), which beat lowered quarterly expectations, new position Monster Beverage (MNST), and technology names that have been consistent performers over recent quarters, including Visa (V), Adobe Systems (ADBE), MasterCard (MA) and Accenture (ACN). Notable detractors included Markel (MKL) and Capital One (COF), which struggled amid a sell-off in financial stocks. General Dynamics (GD), Anheuser-Busch InBev (BUD) and Starbucks (SBUX) were also key detractors.

We sold three positions that have been somewhat frustrating for shareholders: ExxonMobil (XOM), Amgen (AMGN) and Oracle (ORCL). XOM is a household name with long-lived assets and a strong balance sheet. Nevertheless, the total return performance has been disappointing over the last decade, hampered by the ill-timed $40bn acquisition of natural gas producer XTO in 2010 and the company's inability to grow oil volumes after major projects such as the Arctic venture in Russia fell through. AMGN was a standout performer during 2012-2015 but more recently has been hampered by generic competition and weaker industry drug pricing. ORCL is in the midst of a complex business transformation and poor disclosure has made it difficult for the investment community to gauge the temperature of net new business wins, a key metric for investor sentiment. Ultimately, we felt there was better risk-adjusted appreciation potential elsewhere in the market.

There were some notable additions to the Fund this quarter, including Microsoft (MSFT) and Monster Beverage (MNST). MSFT has been an impressive stock since CEO Satya Nadella took over the reigns in 2014. Formerly head of MSFT's cloud division, Mr. Nadella has enacted a profound strategic and cultural shift at the world's largest enterprise software provider, positioning the company to grow for decades to come. We are particularly excited about Azure, MSFT's cloud computing platform, which is a fast follower to Amazon's Web Services (AWS) business, enabling other companies to lease computing power and pay based on usage. Despite the run in the stock, we see sustained upside over the long-term and note that MSFT's valuation still looks attractive relative to its free cash flow generation, which it is sustainably growing at 10%+ per annum.

MNST has thus far proved to be a timely purchase we made midway through the quarter. Shares of the energy drink purveyor had fallen ~30% from their Q1 highs as investors fretted over margin pressure from higher aluminum, freight and labor costs. We felt this was an overreaction for a company that hadn't raised prices in five years, sports a net cash balance sheet, is steadily growing volumes 10%+, and offers takeout potential with Coca-Cola (KO) already owning 18% of the company. At MNST's June analyst day, management announced they would raise prices to offset cost pressures and the shares responded positively. We are pleased to see the position off to a nice start and expect continued value creation from MNST, which is harnessing a distribution agreement with KO to expand the product overseas.

While we didn't quite keep up with the S&P 500 Index's strong move in Q2, we are pleased to have captured the bulk of the gains. The transactions discussed above should further improve the risk-adjusted return potential of the Fund in the years to come.

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 June 30, 2018.

	Q2 2018	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* 1/15/98
Core Fund (DAVPX)	2.65	10.12	9.17	11.46	9.27	6.86
S&P 500 Index	3.43	14.37	11.93	13.42	10.17	7.27
30-Day SEC Yield: 0.22%; 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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ASSET MANAGEMENT

Recent Purchases

Becton Dickinson and Co (BDX) - Headquartered in Franklin Lakes, New Jersey, we initiated a position in this leading global medical technology company manufacturing and distributing a broad range of medical supplies, devices, laboratory equipment and diagnostic products.

Liberty Broadband Corp (LBRDK) – We took the opportunity to add to our position, as we felt the market was overreacting to reports of disappointing subscriber trends for the first quarter. The company's capital expenditures on network upgrades are set to decline substantially next year and we note CEO Tom Rutledge is an incredible operator, having successfully improved other cable systems.

Monster Beverage Corp (MNST) - Shares of MNST reached an attractive entry point during the quarter and we initiated a position in this quickly growing, highly profitable beverage company.

Microsoft Corp (MSFT) - We took an opportunity to initiate a position in this household name, as we have been extremely impressed with the strategic shift and corresponding execution under new CEO Satya Nadella, who previously ran MSFT's cloud division.

Recent Sales

Amgen Inc (AMGN) - While AMGN generates strong free cash flow and trades for an inexpensive valuation, we elected to reposition these funds into a name where we see a clearer path to capital appreciation: Monster Beverage Corp (MNST).

Oracle Corp (ORCL) - Though we continue to appreciate certain investment merits of the ORCL story, we elected to put funds into a situation where visibility for sustained growth is much higher.

Visa Inc (V) - While we continue to see this as one of the best business models we own with some of the strongest structural growth drivers (principally the conversion from cash and check to card and digital payments), we elected to chip the position given the position size had crept up from 2.9% to 3.8%.

Exxon Mobil Corp (XOM) – We sold our position as XOM's production growth has lagged peers in recent years and projections for future growth appear underwhelming in the context of this portfolio.

Top Ten Holdings* - % of Net Assets

as of 06/30/2018

Visa Inc	3.33
Markel Corp	3.31
Adobe Systems Inc	3.11
Berkshire Hathaway Inc	3.04
American Tower Corp	3.03
Accenture PLC**	3.01
Brookfield Asset Mgmt Inc**	3.00
Capital One Financial Corp	2.74
Danaher Corp	2.65
Citigroup, Inc	2.54

**Holdings subject to change without notice. **Foreign Holding*
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Davenport Value & Income Fund

DVIPX

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ASSET MANAGEMENT

The Value & Income Fund increased 0.18% in the second quarter, lagging the 1.18% increase for the Russell 1000 Value Index. Year to date, the Fund has declined -3.47%, compared to the Russell 1000 Value Index, which is down -1.69%. The S&P 500 Index increased 3.43% in the second quarter and is up 2.65% year to date. At risk of sounding like a broken record, growth stocks continued to outperform value stocks in the second quarter.

For the quarter, our energy stocks were the big winners alongside an increase in oil prices. Shares of Occidental Petroleum (OXY), Royal Dutch Shell (RDS.B), and Enbridge (ENB) were among our top five contributors. Nutrien (NTR) and Merck (MRK) were also standout performers as the former benefited from some likely investor bottom-fishing in agriculture names as well as investors warming to the recent Potash/Agrium combination. MRK received some positive data on Keytruda, its flagship immuno-oncology drug. Key detractors in the quarter were Philip Morris International (PM) and Bristol-Myers Squibb (BMY). Shares of PM were hit hard on news of slower iQOS (its smoke-free product) sales in Japan, as well as lower volumes in some Middle Eastern countries. BMY's stock declined due to lukewarm data surrounding its immuno-oncology pipeline. Investors seem to think it is a zero-sum game between BMY and MRK, but we believe there is ample space for both companies in this attractive market. We added to our position in BMY during the quarter.

Most of our transactions during the second quarter centered around what we believe are attractive relative valuations in the much maligned consumer staples sector. We added to our positions in Anheuser-Busch InBev (BUD) and CVS Health Corp (CVS - which has since been reclassified into the health care sector). BUD has been a laggard given the stronger dollar and emerging market exposure, but we remain confident in management's ability to extract synergies from the SABMiller deal and believe the company can grow earnings at a double-digit rate. For CVS, we view the pending combination with Aetna (AET) favorably and believe it will position the company well in an evolving healthcare market.

We also initiated a new position in Mondelez International (MDLZ). With 90% of sales derived from snacks, MDLZ is more "on trend" than many of its peers. In addition, only 20% of its sales come from the U.S., which has significantly more competition than international markets. MDLZ is coming out of a major restructuring effort where they have built new state-of-the-art manufacturing facilities to replace ~40 year old plants. As such, operating margins and free cash flow are inflecting higher as the large capital expenditure outlays are largely behind the company. MDLZ yields 2.2% and recently increased the dividend 16%. We see attractive value with the stock trading at 15x forward earnings.

Outside of the staples sector, we added to our position in TE Connectivity (TEL), which declined following an underwhelming earnings report. We continue to see this connectors/sensors company as a content growth story exposed to attractive long-term secular trends (electric vehicles, automation, commercial aerospace). We also reduced our cyclical exposure a bit with a chip of HVAC-distributor Watsco (WSO), and the sale of International Paper (IP), where we believe the containerboard industry is approaching peak profitability.

Lastly, we initiated a new position in Crown Castle International (CCI). CCI is a REIT that owns 40,000 wireless cellphone towers in the U.S. The company is also allocating capital towards fiber-optic cable and "small cell" sites, designed to serve urban environments with the pending roll out of 5G networks. We are attracted to the cell tower business due to its extremely low capital intensity and high barriers to entry in the form of zoning restrictions. CCI shares pulled back due to rising interest rates and we established a position at an attractive entry point. CCI pays a generous 4% dividend yield.

In summary, Q2 offered more of the same with the continued outperformance of growth vs. value stocks. We think this divergence has led to attractive relative valuations in certain areas of the market and have shifted capital where we see more favorable risk/reward profiles.

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 Index for the periods ended June 30, 2018.

	Q2 2018	1 Year	3 Years*	5 Years*	Since Inception* 12/31/10
Value & Income Fund (DVIPX)	0.18	7.30	7.90	10.10	11.93
Russell 1000® Value Index	1.18	6.77	8.26	10.34	11.33
S&P 500 Index	3.43	14.37	11.93	13.42	13.18
30-Day SEC Yield: 1.74%; 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

DVIPX

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Recent Purchases

Bristol-Myers Squibb Co (BMY) - With a solid dividend yield, an undemanding valuation and attractive long term growth opportunities in the emerging immune-oncology field, we added to our position on weakness during the quarter.

Anheuser-Busch InBev NV (BUD) - We added to this position during the quarter, as we remain confident in management's ability to extract synergies from the SABMiller deal and view BUD's relative valuation improvement vs. the market as attractive.

Crown Castle International Corp (CCI) - We initiated a position in this large REIT that owns 40,000 wireless cellphone towers, as we remain attracted to this business due to its low capital intensity and very high barriers to entry due to zoning restrictions.

CVS Health Corp (CVS) - With the stock trading at an attractive valuation and several near term catalysts, we decided to use recent weakness to add to our position.

Mondelez International Inc (MDLZ) – We initiated a position in this company during the quarter, as operating margins and free cash flow are inflecting higher and large capital expenditure outlays are largely in the rear view.

TE Connectivity Ltd (TEL) - With shares of TEL weak following what the Street viewed as an underwhelming second quarter earnings report, we decided to add to our position in the name.

Recent Sales

Diageo (DEO) - We elected to take some profits in the name as its valuation expanded to the high end of its historical range. That said, we retained the bulk of our position as we see favorable trends likely to continue, and have been impressed with management's recent execution.

International Paper Co (IP) - IP shares rebounded during the quarter as the company formally walked away from the potential acquisition of Smurfit Kappa. We took advantage of this strength and repositioned proceeds into higher conviction ideas with more attractive relative valuations.

Coca Cola Co (KO) - Given the company's limited growth prospects in what we view as a challenging sector, we elected to sell our position, which was trading at a significant premium relative to its peers.

Vanguard FTSE Emerging Markets ETF (VWO) - While we still like the emerging markets theme, we decided to sell our position and deploy the proceeds into attractive U.S. value stocks which better fit the portfolio's goals and offer attractive upside potential.

Watsco Inc (WSO) - WSO has been a great performer over the past few years, and as such, we elected to take some profits given the position had become a bit outsized.

Top Ten Holdings* - % of Net Assets

as of 06/30/2018

Fidelity National Financial Inc	3.08
JPMorgan Chase & Co	2.99
Royal Dutch Shell PLC**	2.91
Johnson & Johnson	2.82
Markel Corp	2.82
Occidental Petroleum Corp	2.63
Microsoft Corp	2.62
Citigroup Inc	2.60
Capital One Financial Corp	2.55
Bristol-Myers Squibb Co	2.46

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Davenport Equity Opportunities Fund

DEOPX

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The Equity Opportunities Fund advanced 1.52% during the second quarter, slightly behind the 2.82% return for the Russell Mid Cap Index. For the year, the Fund is down roughly -0.28% versus the 2.35% gain for the Russell Mid Cap Index.

It was refreshing to see patience pay off in a few names we added to, which fell under pressure for reasons we thought to be short-sighted or irrelevant to long term value. Martin Marietta Materials (MLM), Fairfax Financial (FRFHF) and O'Reilly Automotive (ORLY) each fit this description. However, chief among these positions was CarMax (KMX), which we added to during a period of same store sales weakness caused by near-term factors that hurt the relative value proposition of used cars versus new cars. Though we had to weather two painful quarters, the company's most recent report showed a normalization in unfavorable industry tends alongside strong execution from management. The shares responded by advancing to new all-time highs, at which point we elected to trim the position modestly. Another key contributor to results was the tech sector, where stock selection overcame our underweight positioning in the space. Holdings in Black Knight Inc (BKI) and Autodesk (ADSK) were solid contributors, but Intuit (INTU) was the standout performer; advancing roughly 18% in the quarter following strong results.

Unfortunately, we also had a few key stocks weigh on relative results during the period. Our biggest detractor was trucking technology manufacturer, Wabco (WBC), which felt the pain of a general rotation out of cyclical/industrial names amid concerns surrounding peaking cyclical conditions. Fears regarding the potential negative implications of trade wars on economic activity and input cost inflation also proved to be headwinds for the stock. Despite its exposure to cyclical end markets, we believe WBC's global diversification and secular content growth opportunity (company expects to outgrow end markets by 6-10% per year) will continue to deliver predictable earnings growth with high returns on capital. As such, we elected to add to the position during this period of weakness. Another key detractor was Liberty Broadband (LBRDK), a holding company that owns a position in cable concern Charter Communications (CHTR). The stock sold off alongside weakness in CHTR, which reported disappointing subscriber trends for the first quarter. We felt the market was overreacting to the news and note CHTR is in the midst of integrating the acquisitions of Time Warner Cable and Brighthouse. This is creating elevated customer churn, which we believe will abate over the course of the year. Furthermore, the company's capital expenditures on network upgrades are set to decline substantially next year and we see a path to $25/share of free cash flow (versus a quarter-end stock price of $293.21). We also note CEO Tom Rutledge is an incredible operator and has successfully improved other cable systems. Liberty represents an attractive way of owning CHTR as it trades at a discount to NAV.

We established a new position in leading kitchen cabinet manufacturer, American Woodmark Holdings (AMWD). This is a business we have followed for some time, which allowed us to act quickly and with conviction when the shares underwent a dramatic sell-off related to fears of "peak housing", slowing core growth and inflationary pressures (i.e. lumber and freight). With continued job growth, increasing household formation, and a lack of new home inventory (especially entry level), we think there is plenty of runway for growth to continue in the housing sector. On top of this, the company is in the early stages of integrating its transformative acquisition of RSI Home Products, which expands AMWD's product portfolio and should result in meaningful synergies through the end of the decade. Ultimately, we believe AMWD can produce EPS north of $10 in three years without making heroic assumptions about the organic growth of the housing industry. If we are correct, we are confident that our entry price in the mid-to-low $80 range will prove quite timely.

While we are somewhat disappointed to have not carried the momentum from a solid 2017 into the first half of this year, we remain enthusiastic about the timeliness and risk reward profile of the strategy. Furthermore, we are encouraged that recent opportunistic purchases have begun to bear fruit. Though our approach may require patience at times (especially when momentum is in favor), we continue to believe our long-term focus can produce results that are worth the wait.

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 June 30, 2018.

	Q2 2018	1 Year	3 Years*	5 Years*	Since Inception* 12/31/10
Equity Opportunities Fund (DEOPX)	1.52	10.96	4.53	9.88	11.94
Russell Midcap® Index	2.82	12.33	9.58	12.22	12.21
S&P 500 Index	3.43	14.37	11.93	13.42	13.18
30-Day SEC Yield: -0.22%; Expense Ratio in current prospectus: 0.92%					

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Davenport Equity Opportunities Fund Quarterly Transactions

DEOPX

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Recent Purchases

American Woodmark Corp (AMWD) - Headquartered in Winchester, VA, AMWD is one of the three largest manufacturers of kitchen cabinets and vanities in the U.S. Given the recent, dramatic selloff in AMWD shares, we elected to initiate a position in this name during the quarter.

Dish Network (DISH) - While DISH's core satellite TV business is in a slow state of decline, we think the company's trove of wireless spectrum is a valuable asset that is being under-appreciated by the market and we therefore added to this position on weakness during the quarter. We note that CEO, Charlie Ergen, has a history of taking big risks and creating significant value, and think he can ultimately maximize the value of this asset.

Liberty Broadband Corp (LBRDK) – We added to our position on weakness during the quarter, as we felt the market was overreacting to news surrounding elevated customer churn related to CHTR's integration of Time Warner Cable and Brighthouse. Additionally, the company's capital expenditures on network upgrades are set to decline substantially next year.

MercadoLibre Inc (MELI) - We added to this name on weakness during the quarter, believing the company is working to cement its position as the leading e-commerce platform in South America. Once MELI increases its market-leading position on Latin America e-commerce, it could be in a position to raise prices a bit and scale fix costs.

Martin Marietta Materials Inc (MLM) - With a noisy first quarter out of the way, we added to our position, as accelerating trends and reiterated fiscal year guidance should allow the stock to finally trade higher.

Wabco Holdings Inc (WBC) - We added to this name as we believe investor myopia regarding peaking North American truck build rates fails to give the company fair credit for the many secular revenue drivers that will likely fuel outsized earnings growth for years to come.

Recent Sales

Capital One Financial Corp (COF) - With COF shares appreciating nicely into the new year, we elected to use the recent strength to take some profits and reduce the position size.

Colfax Corp (CFX) - With a more balanced risk/reward profile, we felt it prudent to reduce the position size following recent strength in the shares.

Dollar Tree Inc (DLTR) - As an improving consumer backdrop and continued execution with the integration of Family Dollar have resulted in higher earnings estimates and a more favorable valuation, we elected to take some profits and chip our position.

Intuit Inc (INTU) - While we continue to hold management in high regard and remain confident in the growth outlook for both the QuickBooks and TurboTax franchises, we elected to use recent strength to pare back an oversized position to more normal levels.

LKQ Corp (LKQ) - We sold our position in this name, reducing our exposure to the automotive sector and freeing up cash to redeploy into opportunities with better risk/reward characteristics.

TripAdvisor Inc (TRIP) - We elected to take advantage of recent strength, selling our position and redeploying the funds into higher conviction opportunities.

Top Ten Holdings* - % of Net Assets

as of 06/30/2018

American Tower Corp	5.90
WABCO Holdings Inc	5.73
Martin Marietta Materials Inc	5.53
Brookfield Asset Management**	5.21
Live Nation Entertainment Inc	5.20
CarMax Inc	5.12
Sherwin-Williams Co	4.63
Capital One Financial Corp	4.42
DISH Network Corp	4.41
Markel Corp	4.34

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Davenport Small Cap Focus Fund

DSCPX

Davenport Asset Management

The Davenport Small Cap Focus Fund gained 5.47% during the second quarter, but failed to keep up with the red-hot 7.75% advance for the Russell 2000 Index. For the year, the Fund is up 2.25%, versus the 7.66% return for the Russell 2000 Index.

The animal health sector produced two of the Fund's top contributors during the quarter with diagnostics concern, Heska Corp (HSKA) and pet insurance leader, Trupanion (TRUP), each producing gains of roughly 30%. HSKA has risen nearly 100% since lows touched in February alongside a recovery in core growth trends, excitement around new product launches and heightened M&A activity in the space. TRUP has shown continued momentum in new subscriber additions through the year while also demonstrating impressive progress with their proprietary automatic claims processing solution, Trupanion Express. Specialty online retailer Etsy (ETSY), was the Fund's top performer for both the quarter and year-to-date period with advances north of 50% and 100%, for these periods, respectively. We feel this is a great example of how our value mindset and contrarian tendencies can pay off. We built a position during a period of transition for the company after a string of disappointing results. Ultimately, activist involvement and a new management team helped to unlock the value of ETSY's differentiated marketplace business model through cost reduction efforts and improvements to the user experience.

Fears of peaking cyclical conditions impacted holdings with exposure to the housing, transportation and infrastructure sectors. Following a strong start to the year, trucking concern Knight Transportation (KNX) was the Fund's largest detractor. In the near term, investors have chosen to ignore solid Q1 results and continued pricing momentum within the industry. Ultimately, we feel this skittishness around the cycle is misplaced given solid economic momentum in addition to structural factors that should keep pricing power in the hands of those who own capacity. Housing and construction related concerns such as American Woodmark (AMWD), Builder's Firstsource (BLDR) and Summit Materials (SUM) also suffered from continued "peak housing" sentiment. We continue to focus on the fact that the U.S. is structurally short housing supply at a time when demand is accelerating. Though rising interest rates and input costs are key headwinds to monitor, our assessment of fundamentals and discussions with management teams in the industry suggest this period of contracting valuations is a headwind to lean into, not run from.

Becoming experts in unknown and underfollowed situations is a key element of how we expect to differentiate the performance of the Fund over time. We believe we have found such an opportunity in a company called Drive Shack (DS). We have been building a position throughout the year and the stock has gotten off to a great start. DS currently owns and operates 74 golf properties and is in the midst of building a chain of golf entertainment facilities (similar to Topgolf). DS's core business includes glorified driving ranges that combine food, fun, drinks and games. The company opened its inaugural site in Orlando in April and has five other sites in development. The ultimate goal is to build five to ten sites per year across the U.S. with a target of 50+ markets. We think the demand for these entertainment venues is likely to be very strong, driven by millennials (e.g. a June 2017 survey by USA Today noted that 78% of millennials would choose to spend money on an experience vs. buying something). The facilities are very profitable (20%-25% earnings before interest, taxes and amortization [EBITDA] margins) and Drive Shack has ample capital to fulfill its plans. While difficult to value given the entertainment business is just getting started, our work suggests that if the company is successful in building out DS venues, we conservatively see upside to $12 per share.

Intensifying global trade concerns have caused many investors to seek shelter in the more domestically oriented small cap arena this year. We are pleased to have participated in this rotation; however, note our Fund concentration, value orientation and contrarian bent have caused us to deviate from market returns to start the year. Ultimately, we believe the seeds we have planted throughout this period will bear fruit as they have in the past.

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 June 30, 2018.

	Q2 2018	1 Year	3 Year*	Since Inception * 12/31/14
Small Cap Focus Fund (DSCPX)	5.47	14.94	10.59	10.38
Russell 2000® Index	7.75	17.57	10.96	10.79
30-Day SEC Yield: -0.05%; Expense Ratio in current prospectus: 1.06%				

Top Ten Holdings[1] - % of Net Assets

as of 06/30/2018

American Woodmark Corp	4.35
Cable ONE Inc	4.16
Trupanion Inc	3.85
Diamond Hill Investment Group Inc	3.29
Black Knight Inc	3.03
Monarch Casino & Resort	2.94
Marten Transport Ltd.	2.91
Towne Bank	2.89
Casella Waste Systems Inc	2.87
Kinsale Capital Group Inc	2.86

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.

Davenport Balanced Income Fund

DBALX

DAVENPORT
ASSET MANAGEMENT

The Davenport Balanced Income Fund increased 0.24% in the second quarter, lagging the 1.18% increase for the Russell 1000 Value Index and the 3.43% increase for the S&P 500 Index. The blended index of 60% Russell 1000 Value Index/ 40% Bloomberg Barclays Intermediate Government Credit Index was up 0.71% for the quarter. Year to date DBALX is trailing all three benchmarks at -3.20% compared to -1.69% for the Russell 1000 Value Index, 2.65% for the S&P 500 Index and -1.25% for the blended 60/40 index.

During the quarter, energy stocks were some of the biggest winners alongside an increase in oil prices. Occidental Petroleum (OXY), Royal Dutch Shell (RDS.B), and Enbridge (ENB) were among the top five contributors to the portfolio. Other standouts were Nutrien (NTR) and Merck (MRK), which both benefitted from good news during Q2. We focused most of our transactions in the second quarter in the downtrodden consumer staples space that we believe has relatively attractive valuations.

We added to our positions in Anheuser-Busch InBev (BUD) and CVS Health Corp (CVS), which both are stories of integrating either pending or recent acquisitions. We also initiated a new position in Mondelez International (MDLZ), a well-diversified snack producer that derives only 20% of its sales from the US, which is a very competitive market. With recent capital expenditures on new facilities behind them, they are increasing operating margins and free cash flow, which in turn has led them to announce a dividend increase of 16%.

The fixed income market took a bit of a breather in Q2 after the sharp repricing that we experienced in the first quarter of 2018. Treasury rates continued to trend upward but in a more muted fashion. The yield on the 2yr treasury rose 26 bps, while rates on the 10yr treasury and the 30yr treasury rose 12 bps and 2 bps respectively. During the quarter, the Fed continued their normalization process by raising the Fed Funds rate 25bps, the second hike in 2018, to a range of 1.75%-2.00%. Chairman Powell's comments suggested somewhat of a hawkish tilt within the committee citing robust economic activity that could warrant two more rate hikes this year. On the other hand, bonds continue to catch a bid as risks around global trade policies and potential European issues created volatility within markets leading to small gains for the quarter. The Bloomberg Barclays Intermediate Government/Credit index inched up 0.01% in Q2, finishing the first half of 2018 off -0.97%. Floating rate notes continued to outperform fixed rate bonds, as the Bloomberg Barclays US FRN <5yr index returned 0.71% in Q2 and 1.19% YTD.

The bond allocation of the balanced fund consists of 41 high-quality corporate issues across eight industry sectors with the top allocations to consumer discretionary at 29%, financials at 19%, and energy at 16%. The credit quality remains high (A-/A3) with an effective maturity of 3.9 years and a duration of 2.8 years. Similar to the first quarter, we continued to increase the defensive nature of the bond allocation during Q2 by trading up in credit quality, selling Capital One to buy General Dynamics, and adding to our floating rate positions. We increased our floating rate exposure to 37% from 33% at the end of Q1. Our floating rate notes have been our top performing positions on the year within our allocation and we continue to feel comfortable with this trade as front-end rates rise. The income levels for the floating rate notes change quarterly based on the level of LIBOR (London Inter-bank Offered Rate). This rate closed out the quarter at 2.34%, up from 2.31% at end of Q1.

Looking forward, global financial markets will continue to be volatile as trade negotiations continue with our trading partners, fears of the dissolution of the European Union persist, and our domestic economy responds to a higher rate environment. We believe the value based equity and defensive fixed portions of the balanced fund are allocated to high quality assets that will insulate investors. Accordingly, we believe investors in our balanced fund will be rewarded by high 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 June 30, 2018.

	Q2 2018	1 Year	Since Inception* 12/31/15
Balanced Income Fund (DBALX)	0.24	3.37	6.63
Russell 1000® Value	1.18	6.77	11.45
S&P 500	3.43	14.37	14.42
60% Russell 1000® Value/40% BBIGC	0.76	3.96	7.49
30-Day SEC Yield: 2.09% Expense Ratio in current prospectus: 1.13%			

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

as of 06/30/2018

Fidelity National Financial Inc	1.68
JPMorgan Chase & Co	1.64
Royal Dutch Shell PLC**	1.60
Johnson & Johnson	1.55
Markel Corp	1.55
Occidental Petroleum Corp	1.44
Microsoft Corp	1.44
Citigroup Inc	1.43
Capital One Financial Corp	1.40
Cisco Systems Inc	1.35

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 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.

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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**. Intermediate Term 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 **NASDAQ Composite Index** is a broad-based capitalization-weighted index of all common stocks listed on the Nasdaq. 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 **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 **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. **The Bloomberg Barclays Capital US FRN < 5 Years Index** is a subset of the US Floating-Rate Note (FRN) Index, which measures the performance of USD denominated, investment-grade, floating-rate notes across corporate and government-related sectors. This index has a maximum maturity of 4.9999 years and is not part of the US Aggregate Index, which is a fixed coupon index.

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