The Davenport Funds
Quarterly Update | Q4 2018

DAVENPORT ASSET MANAGEMENT

2018 brought investors a number of twists and turns. In the end, the S&P 500 finished the year down 4.38%. This was the first down year for the S&P since the sharp swoon we experienced in 2008. Losses were concentrated in the fourth quarter, when the Index dropped 13.52% and experienced its worst December since 1931. Meanwhile, the Russell 2000 declined 20.20% in the fourth quarter and ended the year down 11.01% as a "risk off" mindset disproportionately impacted shares of smaller companies.

First, let's take a look back at how the year progressed. We started the year still on a sugar high from the 2017 Trump tax cuts. Then, we finally saw volatility return to the market in February following an extended period of uninterrupted calm. Volatility persisted, but markets managed to climb higher through the year. The S&P's 7.71% gain in the third quarter was particularly impressive (and somewhat surprising), as it came in the face of numerous headwinds including trade tensions, rising interest rates and signs of cracks in a few areas of the economy. It seemed hopes for still-reasonable economic and corporate earnings growth were enough to keep investor optimism alive.

That changed in the fourth quarter, when we reached somewhat of a tipping point. Fears of moderating growth moved to center stage and were supported by evidence of weakness in economically sensitive areas such as housing and transportation. Concurrent with a pervasive bout of "peakitis," investors began to pay more attention to monetary policy, suddenly fearing the Federal Reserve may be raising interest rates too far in light of slowing growth. Equity markets swiftly rolled over and the S&P finished 14.46% off its intra-year high. Interestingly, a number of momentum-oriented stocks, particularly within technology, fully participated in the downside. We had noted this group's leadership was getting long in the tooth and this proved to be the case.

The forecast has certainly become cloudier. Investors need to consider a number of abating tailwinds as well as potential headwinds. In the category of abating tailwinds, bear in mind the following: 1) employment gains aren't likely to continue at recent levels with unemployment at a record low, 2) consumer credit quality can't get much better, 3) corporate borrowings are unlikely to expand much from already elevated levels and 4) corporate earnings growth will likely slow in 2019 given the waning impact of corporate tax reductions. Potential headwinds include: 1) pressure on profit margins from higher freight, labor and interest costs, 2) ongoing trade battles and 3) tighter Fed policy and rising interest rates after years of ultra-loose monetary policy.

However, we don't think the sky is falling. The economy still seems healthy, rates are still low in absolute terms and inflation remains subdued. Also, some areas of the market have already gone quite far in discounting a slowdown (albeit maybe not a full blown recession) and equity valuations broadly look reasonable. The S&P 500 now trades at 14.9x forward earnings estimates, down from 16.7x at mid-year and below an average of 16.5x over the last 25 years. Current levels seem to offer an attractive risk/reward proposition even if earnings estimates need to be revised downward a bit. In addition, negative investor sentiment could give way to a rally. As we write this, the CNN Fear & Greed Index has a reading of 12 versus 63 a year ago (scale of 0-100 with 0 representing extreme fear and 100 showing extreme greed).

All told, we continue to think investors need to be expecting worthwhile but more moderate returns. As a reminder, the S&P generated annualized returns of 15.8% from 2013-2017. Such returns are far above historical norms and indicate to us that the market borrowed from the future. It makes perfect sense to expect more subdued returns over the next five year period and results for 2018 seem to be a step in that direction (although the near-term outlook has certainly improved with stock prices now lower). We think this type of environment will make stock selection more important. Further, it could cause investors to place added emphasis on sound capital allocation by corporate management teams. In recent years, cheap money and rising asset values have coalesced to make even marginal corporate investment decisions look good. This could change in an environment with a rising cost of capital and increased risk aversion. Thank you for your trust and read on for a discussion of Fund themes and ideas.

Market Returns	Q4 2018	2018
U.S. Large Caps	-13.52	-4.38
U.S. Mid Caps	-15.37	-9.06
U.S. Small Caps	-20.20	-11.01
International Developed Markets	-12.54	-13.79
Emerging Markets	-7.47	-14.58
Intermediate Term Bonds	1.65	0.88

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 (DAVPX) fell 13.21% in the fourth quarter, dragging returns for the full year into negative territory with a 6.24% decline. This compares with the S&P 500 Index falling 13.52% in Q4 and finishing the year down 4.38%. This was certainly a disappointing finish to the year after being up 8.03% through the end of Q3. The bulk of the losses were concentrated in the final month of the year, as stocks had their worst December since 1931.

The Fund managed to hold up slightly better than the S&P's decline in Q4, but generally it wasn't spared in the marketwide selloff. Industrials and the new Communication Services sectors were the weakest spots. In Industrials, FedEx Corp. (FDX) cut its guidance, blaming slowing economic conditions in Europe and Southwest Airlines Co. (LUV) disappointed investors with a 2019 outlook that included higher costs. Electronic Arts Inc. (EA) hurt us in Communication Services, as video game stocks fell out of favor amid increasing competition and the company stubbed its toe on a delayed video game release.

On the positive side of the ledger, Starbucks Corp. (SBUX), CME Group Inc. (CME) and American Tower Corp. (AMT) all managed to climb significantly during the quarter. SBUX reported improving sales, CME benefited from increased trading activity during volatile times and AMT caught a safe haven bid. Our underweight position in Apple Inc. (AAPL), which fell 30% in Q4, also helped as the company elected to discontinue disclosing iPhone unit sales (perhaps foreshadowing its large profit warning in the first days of 2019).

In terms of transactions, we pared back our SBUX position on the aforementioned strength. We did the same early in the quarter with Nike Inc. (NKE), which had been a standout performer for us in the first nine months of the year. In Energy, we elected to take a loss in oil services bellwether Schlumberger Ltd. (SLB) and redeploy the proceeds into the domestic shale producer EOG Resources Inc. (EOG). SLB's strength lies in its technological prowess for drilling offshore deepwater fields, where activity has dried up with low oil prices. EOG is better positioned in the current environment, as a more nimble shale producer with low-cost assets in the Eagle Ford and Permian basins in Texas. EOG has a better balance sheet, a more predictable self-funded growth program and trades at a valuation discount to SLB. The switch also preserves our upside should oil prices recover, which we think could occur as OPEC cuts production.

We also bought a position in a relatively defensive stock with a very inexpensive valuation: CVS Health Corp (CVS). We like the strategic merit of the recent Aetna acquisition, and believe having an integrated model (insurer + pharmacy benefit manager + pharmacy) is a winning proposition in an evolving healthcare market. The combined company has compelling earnings power potential and has a successful blueprint to follow in UnitedHealth Group Inc. (UNH) and Optum, which rewarded shareholders nicely over time and trades at a significantly higher valuation.

In sum, we are obviously disappointed with the Fund's end to the year. We wrote last quarter that we wouldn't expect many quarters to be as strong as Q3's 6.25% advance. Likewise, we would not expect Q4's results to be indicative of long-term, forward-looking returns either. While the market's volatility has increased, we remain focused on owning high quality businesses that can withstand and thrive through the economic cycles.

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, 2018.

	Q4 2018	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* 1/15/98
Core Fund (DAVPX)	-13.21	-6.24	7.08	6.34	11.78	6.28
S&P 500 Index	-13.52	-4.38	9.26	8.49	13.12	6.73
30-Day SEC Yield: 0.31%; 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

CVS Health Corp. (CVS) – We initiated a position in CVS, a name we know well and a stock we view as one of the most attractive risk/reward opportunities in the Healthcare sector. We continue to view the Aetna (AET) combination favorably and believe having an integrated model (Insurer + PBM + pharmacy) should position the company well in an evolving healthcare market.

EOG Resources Inc. (EOG) – We initiated a position in EOG, a name we have owned in the past. EOG is a large, independent U.S. shale oil & gas producer with large acreage positions in the Eagle Ford and the Permian, as well as a sizable position in the emerging Powder River Basin. The stock has been a value creator over time and has a great set of low-cost, low-risk U.S. shale assets.

Recent Sales

Nike Inc. (NKE) – We continue to have a favorable view of this blue chip, growth stock but took advantage of strong performance and chipped our position this quarter.

Garrett Motion Inc. (GTX) – GTX was a recent spinoff from Honeywell International Inc. (HON) and has a market cap of just $1.2B. As such, it does not fit within the Fund and we elected to sell our position.

Resideo Tehcnologies Inc. (REZI) – REZI was the second recent spinoff from Honeywell International Inc. (HON). With a market cap of $2.7B, it does not fit within the Fund and we elected to sell our position.

Schlumberger Ltd. (SLB) – Though we continue to regard SLB as a best-in-class oil services provider and the leader in its field, the macro environment could continue to hamper SLB's recovery in profitability and therefore we sold our position.

Starbucks Corp. (SBUX) – We still believe SBUX is a high quality, durable franchise. With the recent run in the stock, we decided to chip our position and lock in some gains.

Top Ten Holdings* - % of Net Assets

as of 12/31/2018

American Tower Corp.	3.62
Berkshire Hathaway Inc. -B	3.60
Visa Inc.	3.56
Markel Corp.	3.44
Adobe Systems Inc.	3.11
Brookfield Asset Mgmt Inc.**	3.09
Danaher Corp.	3.01
Accenture PLC**	2.83
Johnson & Johnson	2.78
Union Pacific Corp.	2.48

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

DAVENPORT ASSET MANAGEMENT

The Value & Income Fund (DVIPX) declined 12.24% in the fourth quarter and finished 2018 with a decline of 10.67%. The Fund's primary benchmark, the Russell 1000 Value Index declined 11.72% in the fourth quarter and 8.27% for 2018. The S&P 500 declined 13.52% in the fourth quarter and 4.38% in 2018.

2018 was certainly a tough year and we are disappointed with relative results during a period of extreme market weakness. We discuss key performance items below, however, we feel it is worth remembering that 2017 was a year of very strong returns (DVIPX was +18.23%) in which we outperformed the Russell 1000 Value Index by 4.57%. We have written extensively this year about how we expected more moderate returns in the future given excess annualized returns from 2013-2017. Taking 2017 and 2018 together, the Value & Income Fund returned 2.77% compared to the Russell 1000 Value Index at +2.11%.

Several areas of the Fund that led to outperformance in 2017 went against us in 2018. First, we were too slow to reduce our overweight position in many cyclical stocks as the economic outlook began to slow. These stocks were strong performers in late 2017 in anticipation of the tax cuts, but Financials, Energy, and several Industrial stocks were key drags on performance this past year. Second, some of the perceived safer stocks we owned were not as defensive as we thought. Prime examples of this were Philip Morris International Inc. (PM) and Anheuser-Busch InBev SA/NV (BUD), two of our worst performing stocks in 2018. These Consumer Staples were hit by growth and currency headwinds as well as leverage concerns at BUD that led to a dividend cut. We are sticking with BUD as we view the growing international business, unrivaled distribution network, and stepped up deleveraging as positives. Additionally, we would note that the stock currently trades at an unprecedented 20%+ discount to peers. Lastly, we simply had some poor stock selection with two examples being DXC Technology Co. (DXC) and Invesco Ltd. (IVZ), the latter of which we sold. DXC had poor third quarter results as the revenue deterioration in its legacy business was worse than expected. As a reminder, we purchased IT consulting firm DXC in August as a classic value / turnaround story, knowing that it would take some time for management to reaccelerate growth. We continue to believe they are likely to get it right and think that patient stockholders should be rewarded.

In the fourth quarter (and for 2018), our top performer was Merck & Co. Inc. (MRK) as the company posted solid 3Q results driven by continued gains from its essential drug Keytruda. Additionally, concerns in Washington shifted from drug pricing to tariffs, alleviating a major investor concern in the pharmaceutical industry. Dividend paying stocks such as Verizon Communications Inc. (VZ) and W.P. Carey Inc. (WPC) were also positive contributors. As noted, key detractors were some of our more cyclical stocks such as Citigroup Inc. (C), Occidental Petroleum (OXY), and Marathon Petroleum Corp. (MPC), the latter two declining along with the price of crude oil.

During the quarter, we initiated a position in Bank of America Corp (BAC). The stock had declined precipitously amid concerns around the yield curve and credit cycle, but we thought the fears were overdone and the valuation offered an attractive entry point. In our view, BAC is making all of the right moves: investing in technology, expanding into new markets, returning cash to shareholders, and focusing on what the company deems "responsible revenue growth"-a straightforward business model underpinned by a sound capital structure and reduced risk.

In summary, while the fourth quarter and 2018 as a whole were difficult, our process remains unchanged. We seek to own good companies with strong cash flow and the ability to return cash to shareholders while growing over time. In a world of heightened uncertainty and slower growth, we are optimistic that value-oriented stocks are priced to perform better on both a relative and an absolute basis in the coming years.

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 December 31, 2018.

	Q4 2018	1 Year	3 Years*	5 Years*	Since Inception* 12/31/10
Value & Income Fund (DVIPX)	-12.24	-10.67	6.38	5.75	10.07
Russell 1000® Value Index	-11.72	-8.27	6.95	5.95	9.63
S&P 500 Index	-13.52	-4.38	9.26	8.49	11.32
30-Day SEC Yield: 2.02%; Expense Ratio in current prospectus: 0.90%					

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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

Altria Group Inc. (MO) – We believe MO could be well positioned to remain a market leader in an uncertain tobacco landscape and added to our position.

Bank of America Corp. (BAC) – We saw an attractive entry point amid broader market weakness and initiated a position in BAC. We believe the fears could be overdone and BAC is making the right moves with a straightforward business model underpinned by a sound capital structure and reduced risk.

Las Vegas Sands Corp. (LVS) – We started the quarter with a smaller position in LVS, acknowledging that our entry could be early. We added to the position later in the quarter to make it a more normal starting position.

Philip Morris International Inc. (PM) – We took advantage of some headwinds during the quarter to add to our position. As a reminder, PM has a leading market share, unparalleled pricing power due to the addictive nature of its products, an A-rated balance sheet and a capital allocation strategy that puts shareholders first with a significant dividend yield.

Royal Dutch Shell PLC (RDS.B) – RDS.B has a strong AA- balance sheet, a generous current yield and the potential for significant capital appreciation. A pullback in oil prices and RDS.B's share price presented an opportunity for us to add to our position.

Watsco Inc. (WSO) – Investors have been frustrated by relatively muted unit growth in addition to a lack of operating leverage due to continued investment in long-term technology initiatives. We feel this angst is misplaced and short sighted; hence, we took the opportunity to add to this quality compounder at an attractive price.

Recent Sales

DowDuPont Inc. (DWDP) – DWDP shares struggled since our initial purchase as investors fled the commodity space, given concerns about a slowdown in global growth. While we are not forecasting a recession, we do believe that growth is slowing and thus have a desire to reduce cyclicality and increase the defensive characteristics of the Fund. We sold our position.

Illinois Tool Works Inc. (ITW) – We continue to think that ITW is one of the highest quality stocks in the industrial sector; however, with the margin story largely complete and organic revenue growth poised to remain subdued, we think the stock is likely range bound for the foreseeable future. Additionally, we wanted to reduce our cyclical exposure a bit and thus have decided to sell our position.

Invesco Ltd. (IVZ) – We elected to part ways with the name this quarter as their flows have deteriorated and IVZ's competitive positioning appears more mixed (in an industry facing some headwinds such as fee compression).

Nutrien Ltd. (NTR) – While we bought the stock after it had already fallen out of favor, we were early to the name and the agricultural cycle has been very slow to turn. We elected to sell the position in an effort to take some risk out of the Fund, as NTR remains a commodity fertilizer producer.

Top Ten Holdings* - % of Net Assets

as of 12/31/2018

Johnson & Johnson	3.23
Royal Dutch Shell PLC**	3.11
JPMorgan Chase & Co.	3.02
Brookfield Asset Mgmt Inc.**	2.98
Markel Corp.	2.91
Microsoft Corp.	2.91
Merck & Co Inc.	2.89
Fidelity National Financial Inc.	2.77
Dominion Energy Inc.	2.67
Cisco Systems Inc.	2.66

Holdings subject to change without notice. Foreign Holding*
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Davenport Equity Opportunities Fund

DEOPX

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The Equity Opportunities Fund (DEOPX) was unable to avoid considerable market weakness during the fourth quarter; however, the 12.14% decline for the Fund proved more resilient than the 15.37% decline for the Russell Midcap Index. This allowed the Fund to surpass the Russell Midcap Index on a full year basis, with a decline of 8.01% relative to a 9.06% decline for the index. While painful to endure, we were pleased to see the quality of our holdings become more apparent amid a significant reversal in market momentum.

American Tower Corp. (AMT) was the Fund's top contributor during the quarter as renewed enthusiasm surrounding the company's outlook, cash return (20% dividend increase during the quarter) and long-term secular growth drivers sent the shares nearly 10% higher. We struggle to think of a better business model than that of a tower operator given its high returns on capital, contractual revenue visibility and exposure to tailwinds such as the global explosion in wireless connectivity. As such, we are comfortable with the stock remaining a top position following an impressive run. Dollar Tree Inc. (DLTR) was another holding that bucked the market's downtrend, rallying on earnings that simply met expectations – confirming our prior belief that sentiment was simply too dour. While we used strength in the name as an opportunity to reallocate funds toward more attractive opportunities, we think the stock looks cheap and management has multiple levers to create further value.

As is often the case with violent market pullbacks, selling pressure was indiscriminate at times, offering what we believed to be compelling opportunities to build positions in existing holdings we know well. To this end, we pressed positions Watsco Inc. (WSO), Fidelity National Financial Inc. (FNF) and Black Knight Inc. (BKI) on weakness. Each of these companies is an industry leader with dominant market share, skilled management and attractive growth opportunities. Given that we have discussed WSO and FNF more frequently over the years, we elect to use what space remains to highlight the opportunity we see in BKI.

BKI is a real estate technology company that provides mortgage-servicing platforms, origination services and data & analytics offerings to large lenders. We attended the company's investor day during the quarter and we believe management effectively allayed concerns about the transactional sensitivity of the business (less than 10% of revenues fluctuate with mortgage transaction activity) while also providing a detailed roadmap to highly visible double-digit EBITDA growth in the coming years. We believe BKI possesses one of the most attractive business models we own and note that it is one of 10 technology companies with a market cap over $1 billion that boasts revenue growth above 5% and EBITDA margins north of 45%. Given our confidence in and familiarity with the core business, we are comfortable looking through recent weakness caused by the announcement of an investment in corporate data and analytics company, Dunn and Bradstreet Corp (DNB). We understand the initial confusion surrounding the announcement given lack of overlap with the core business, but upon further diligence have come to appreciate the opportunity to re-invigorate a quality asset that has long been poorly managed. Furthermore, we like that the company is investing alongside a group of proven investors (Bill Foley, Chinh Chu and Thomas Lee Partners) and note that the amount of capital being deployed ($375 million) should not impede growth in the core business. Finally, we note that CEO Anthony Jabbour recently made a significant open market purchase, suggesting that insiders are also intrigued by the stock's discount to both its historical averages and peers.

While we did not anticipate the severity of the market's correction, we are pleased that our disciplined underwriting approach allowed us to avoid some of the market's frothiest participants. Furthermore, we feel opportunistic actions taken in the quarter have further enhanced the risk reward profile of the Fund. Ultimately, we feel this process of emphasizing quality and superior capital allocation practices will continue to pay dividends in a market environment that continues to transition away from momentum.

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, 2018.

	Q4 2018	1 Year	3 Years*	5 Years*	Since Inception* 12/31/10
Equity Opportunities Fund (DEOPX)	-12.14	-8.01	6.05	5.28	10.03
Russell Midcap® Index	-15.37	-9.06	7.04	6.26	9.77
S&P 500 Index	-13.52	-4.38	9.26	8.49	11.32
30-Day SEC Yield: -0.15%; Expense Ratio in current prospectus: 0.91%					

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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

DEOPX

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Recent Purchases

American Woodmark Corp. (AMWD) – While we acknowledge that recent housing data has shown some softening, we added to our position. We believe these are the situations where we have been rewarded in the past for having patience and taking advantage when others are fearful.

Black Knight Inc. (BKI) – We added to our position as we continue to believe BKI possesses one of the most attractive business models that we own. We note that it is one of 10 technology companies with a market cap over $1 billion that boasts revenue growth above 5% and earnings before interest, tax, depreciation and amortization (EBITDA) margins north of 45%.

Fidelity National Financial Inc. (FNF) – Shares of FNF were hit hard in the recent downdraft alongside other housing related names. We saw an opportunity to add to our position, as the valuation seemed to be giving little credit to many positive components of the story.

Markel Corp. (MKL) – We saw an opportunity to add to our position during the quarter, amid general market weakness and in addition to concerns related to recent "catastrophe" events.

Watsco Inc. (WSO) – Investors have been frustrated by relatively muted unit growth in addition to a lack of operating leverage due to continued investment in long term technology initiatives. We feel this angst is misplaced and short sighted; hence, we took the opportunity to add to this quality compounder at an attractive price.

Recent Sales

Church & Dwight Co. Inc. (CHD) – Despite the significant drawdown in the broader market, shares of CHD have gone on to make new highs. While we acknowledge the quality of the company's power brands, consistent track record of execution and takeout optionality, we feel the stock's significant premium to the market more than adequately reflects these attributes and sold our position.

Colfax Corp. (CFX) – The welding business is performing very well, but the air & gas handling segment has continued to struggle amid a very competitive market and waning demand. As such, we decided to sell our position and allocate our capital to what we view as better risk/reward opportunities.

Dollar Tree Inc. (DLTR) – The DLTR banner continues to perform well and management as been working to improve results at acquired Family Dollar stores (management noted re-modeled stores are exceeding expectations). We saw an opportunity as the stock rallied during the quarter due to near-term cost pressures and thought it made sense to pare back the position.

Zoetis Inc. (ZTS) – The stock has been a top performer this year, advancing nearly 30%. With the shares spiking to new highs on the heels of better than expected earnings, we elected to chip our position and take some profits.

Top Ten Holdings* - % of Net Assets

as of 12/31/2018

American Tower Corp.	7.01
Brookfield Asset Management**	6.41
WABCO Holdings Inc.	5.64
Markel Corp.	5.50
Live Nation Entertainment Inc.	4.93
CarMax Inc.	4.88
Sherwin-Williams Co.	4.86
Martin Marietta Materials Inc.	4.57
Autodesk Inc.	4.34
Capital One Financial Corp.	3.88

Holdings subject to change without notice. Foreign Holding*

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Davenport Small Cap Focus Fund

DSCPX

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ASSET MANAGEMENT

The Davenport Small Cap Focus Fund (DSCPX) declined 16.81% during the fourth quarter, faring better than the 20.20% decline for the Russell 2000 Index. However, given a slow start to the year, the Fund's 14.63% full year downdraft was behind the 11.01% decline for the index. On a since inception basis, the Fund's annualized return of 4.20% sits roughly in line with the 4.29% annual rate of the Russell 2000 Index.

Both stock selection and sector allocation aided relative results in the quarter. In terms of the former, avoidance of momentum names in the Technology and Biotechnology sectors finally paid off after hurting relative results for much of the year. The strategy's top performer during the period was regional cable and wireless systems operator Shenandoah Telecommunications Co. (SHEN) which advanced nearly 15% on strong new customer additions alongside heightened M&A speculation. Value asset manager Diamond Hill Investment Group (DHIL) also proved defensive during the quarter as management stepped in to take advantage of a historically cheap valuation with a meaningful share repurchase authorization. Unfortunately, the strategy's key detractor was once again American Woodmark Holdings Corp. (AMWD). This stock has been a weight all year, experiencing a near 50% contraction in its P/E multiple despite a mere 6% reduction in earnings estimates. While we acknowledge signs of slowing in the housing sector, we feel the stock is discounting an overly draconian scenario that is unlikely to occur. As such, we built our position throughout the year and feel outsized gains are possible as the company begins to show signs of the earnings power from the acquisition of RSI Home Products Inc.

As evidenced by ugly absolute results for the quarter and full year, several of our holdings suffered meaningful declines in 2018, with most of the weakness occurring in the fourth quarter. We elected to use broad based and indiscriminate selling as an opportunity to reduce the number of holdings in the strategy and build more meaningful positions in companies we know well that provided us with attractive entry points we have not seen in years. Two such situations include regional gaming operator Monarch Casino Inc. (MCRI) and pet insurance leader Trupanion Inc. (TRUP). MCRI was once our largest holding; however, we pared it back as the valuation became more reasonable. The stock's double digit decline during the quarter gave us an opportunity to build the position back up at what we believe to be an attractive valuation. After a meteoric first half of 2018, TRUP erased nearly all of its gains from the prior two years amid short attacks and general market weakness. While we could write a book on the saga, the bottom line is that many/most of the bear angles have been disproven and management continues to execute admirably as a leader in a market that is significantly underpenetrated. With the shares trading at our initial entry point, we elected to add to the position.

Another development we are pleased to report is that we have begun to uncover some exciting value stories where we believe our knowledge and backgrounds provide us with an edge. One such example is Cannae Holdings Inc. (CNNE). CNNE is a diversified holding company with several majority, minority and wholly owned stakes in entities spanning the Health Care Services, Data & Analytics and Restaurant industries. While the current corporate structure is relatively new, we have followed the entity for several years given its former ownership by Fidelity National Financial Inc. (FNF). Put simply, the company trades at a massive discount to the sum of its parts, the majority of which is dictated by holdings in public human resources software provider, Ceridian HCM Holdings Inc. (CDAY). While we are not excited by the investment in CDAY, we are encouraged that the company intends to monetize this stake over time and redeploy funds into value enhancing endeavors. The most recent example of this is the acquisition of corporate data and analytics company Dunn and Bradstreet Corp (DNB). After conversations with management and other industry participants, we believe chairman Bill Foley and other key investors have a clear roadmap for value creation at DNB that CNNE shares are getting zero credit for. By our calculations, the stock trades for a 25% discount to our fully taxed NAV estimate prior to giving any credit for this deal. Ultimately, we think this provides an attractive degree of downside cushion allowing us to invest alongside proven value creators that have treated us well in the past.

In sum, we leave 2018 a little bruised but feel incredibly excited about the Fund's positioning for the coming year. Historically, rocky periods like this have allowed us to plant the seeds for future gains. We look forward to reporting on our progress in coming quarters.

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, 2018.

	Q4 2018	1 Year	3 Year*	Since Inception * 12/31/14
Small Cap Focus Fund (DSCPX)	-16.81	-14.63	8.90	4.20
Russell 2000® Index	-20.20	-11.01	7.36	4.29
30-Day SEC Yield: 0.04%; Expense Ratio in current prospectus: 1.00%				

Top Ten Holdings[1] - % of Net Assets

as of 12/31/2018

American Woodmark Corp.	4.86
Diamond Hill Investment Group Inc.	4.67
WABCO Holdings Inc.	4.31
Eldorado Resorts Inc.	3.96
Kinsale Capital Group Inc.	3.58
Lamar Advertising Co.	3.48
Monarch Casino & Resort Inc.	3.45
Trupanion Inc.	3.45
Black Knight Inc.	3.34
Towne Bank	3.14

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 (DBALX) lost 7.86% in the fourth quarter, versus an 11.72% decline for the Russell 1000® Value Index and 13.52% for the S&P 500 Index. For the year, the Fund decreased 7.56%, compared to the Russell 1000 Values' 8.27% and the S&P's 4.38% declines. The Fund lagged the blended 60% Russell 1000® Value and 40% Bloomberg Barclays Intermediate Government/Credit Index returns of -6.41% and -4.45%, for the quarter and year, respectively.

We were disappointed with the relative performance of the equity portion of the Fund in 2018, particularly during the final quarter of a more volatile year. We do believe it is important to remember that in 2017, the equity portion outperformed on a relative basis. During the quarter, value stocks tended to underperform growth, creating a headwind for our value bias within the Fund. DXC Technology Co (DXC) was our worst performing stock during the quarter, after reporting weak third quarter results showing more revenue deterioration in its legacy business than expected. As a reminder, we purchased this position in August as it appeared to be a classic turnaround story. Shares have since been under pressure as investors fear the return to growth may take longer than initially expected. We believe management is taking all the right steps to improve the business, and the shares offer an attractive risk/reward opportunity. Our top performing stock during the quarter was Merck & Co Inc. (MRK), which posted strong third quarter results driven by persisting gains from its blockbuster drug, Keytruda. Furthermore, Washington appears to have shifted focus from drug pricing to tariffs, alleviating investor concerns in the pharmaceutical industry.

We took advantage of the market weakness during the quarter, and initiated a position in Bank of America Corp (BAC). BAC shares had been under pressure due to concerns around the yield curve and credit cycle, but we believe these fears are overdone. Additionally, we believe the company is taking the right steps by investing in technology, expanding into new markets, returning cash to shareholders, and focusing on what management coins "responsible revenue growth." We believe the company will succeed on these initiatives, and elected to initiate a position at an attractive valuation.

The US Treasury market caught a bid in Q4 as it benefited from equity market volatility, posting positive returns for various bond indices. The yield on the 2-yr Treasury fell 33bps, while the rates on the 10-yr Treasury and the 30-yr Treasury fell 38bps (2.68%) and 19bps (3.02%) respectively. The Bloomberg Barclays Intermediate Government/Credit Index returned 1.65% in Q4 bringing its YTD return to 0.88%. Floating rate notes took a bit of a breather due to markets reducing expectations of future Fed rate hikes. The Bloomberg Barclays US FRN <5-yr Index returned -0.13% in Q4 and 1.84% for 2018.

The bond allocation of the Balanced Fund consists of 35 high-quality bonds across eight sectors with the top allocations to Consumer Discretionary at 29%, US Governments at 18%, and Financials at 16%. The credit quality of the Fund remains high (A-/A2) and has an effective maturity of 3.61 years and a duration of 2.62 years. Similar to the first half of 2018, we continue to be defensive by trading up in credit quality and decreasing our duration. During the quarter, we exited our Southern Company and General Electric positions due to deteriorating credit fundamentals and sold Amazon, Deere, Home Depot, and United Technologies as spreads had tightened substantially. With these proceeds, we continued our theme of trading up in credit quality. As rates rose in the first month of Q4, we started opportunistically buying fixed and floating rate US Treasuries up to 18% from 7% of the bond allocation. We also increased our floating rate exposure to 39%, which was our top performing allocation for the year. The income levels for the floating rate notes change quarterly based on the level of 3 month LIBOR (London Inter-bank Offered Rate). This rate ended Q4 at 2.80 and we still feel comfortable with this trade, but going forward we may reduce our floating rate exposure due to global market forces.

We continue to see value in a balanced approach in a turbulent market with many negative headlines surrounding trade negotiations, rising interest rates and Washington policy uncertainty. We believe our allocation to value-based equities and defensive positioning in fixed income may 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, 2018.

	Q4 2018	1 Year	Since Inception* 12/31/15
Balanced Income Fund (DBALX)	-7.86	-7.56	3.89
Russell 1000® Value Index	-11.72	-8.27	6.95
S&P 500 Index	-13.52	-4.38	9.25
60% Russell 1000® Value/40% BBIGC Index	-6.41	-4.45	5.00
30-Day SEC Yield: 2.37% Expense Ratio in current prospectus: 0.97%			

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

as of 12/31/2018

Johnson & Johnson	1.73
Royal Dutch Shell PLC**	1.66
JPMorgan Chase & Co.	1.62
Brookfield Asset Management Inc.**	1.58
Markel Corp.	1.57
Microsoft Corp.	1.56
Merck & Co Inc.	1.55
Fidelity National Financial Inc.	1.47
Dominion Energy Inc.	1.47
Cisco Systems Inc.	1.42

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 **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.