The Davenport Funds
Quarterly Update | Q4 2021

DAVENPORT ASSET MANAGEMENT 1863

Another year is in the books and what a wild year it was. Indeed, 2021 was quite an encore for 2020. We had a riot at the Capitol, vaccine introduction, economic "re-opening", meme stock rally, the special purpose acquisition company (SPAC) craze, supply chain snarls, widespread inflationary pressures, the Delta variant and more recently the Omicron variant. Many, including us, thought it would be difficult for investors' risk appetites to sustain levels reached in late 2020. While some speculative pockets of the market weakened, there was no broad-based let down and we saw surprising gains powered by improved economic growth, accommodative policy and abundant liquidity. The S&P 500® Index finished the year up a stunning 28.71% while the Russell 2000® Index advanced 14.82%. The Davenport Funds also enjoyed solid gains for the year.

Where to now? It seems 2022 could be a year of transition. First and foremost, markets may have to contend with a shift in monetary policy. Given economic strength and inflationary pressures, Federal Reserve officials plan to reign in stimulus. They have already announced their intention to begin raising interest rates, which have been held near zero most of the pandemic. Even if expectations for three rate hikes in 2022 are met, interest rates will remain low by historical standards. However, markets have become very accustomed to "easy" policy and it will be interesting to see how they adapt to this shift.

We will also see a shift in fiscal stimulus. The past 18 months have seen the government pass extraordinary spending measures aimed at supporting the economy, including a recent $1.2 trillion infrastructure bill. Such measures have been market catalysts that will likely abate going forward. Furthermore, we could see economic growth slow. This may result not only from the aforementioned policy shifts, but also a natural slowdown following the surge in demand that accompanied economic re-opening. Then there's COVID. Rising vaccination rates and the emergence of antiviral medications suggest an ongoing transition to the post-pandemic era and normalization of consumer behavior, work environments and supply chains. However, as seen with the emergence of the Omicron variant, the virus has the potential to surprise.

What do equity markets have in their favor? For starters, corporate profit growth looks to remain robust in an absolute sense, albeit down sharply from 2021 levels. The consensus calls for roughly 9% earnings growth in 2022 versus 51% for 2021. Also, interest rates will remain quite low by historical standards even if moving higher. This should continue to support the relative attractiveness of asset classes such as stocks. Finally, there's significant liquidity in the system that can be put to work. The Wall Street Journal recently noted that companies in the S&P 500 held $3.8 trillion of cash at the end of the third quarter, up from $2.2 trillion two years prior. This has enabled record levels of corporate share buyback activity. Along those same lines, Goldman Sachs recently wrote that households, mutual funds and pension funds hold $19 trillion of cash, up $4 trillion from pre-pandemic levels. It seems logical to expect some of this cash will find its way to stocks.

Market Returns	Q4 2021	YTD
U.S. Large Caps	11.03	28.71
U.S. Mid Caps	6.44	22.58
U.S. Small Caps	2.14	14.82
International Developed Markets	2.69	11.26
Emerging Markets	-1.31	-2.54
Intermediate Term Bonds	-0.57	-1.44

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

Shifting gears a bit, we note market gains have been "narrow" of late. That is, much of the return has been powered by a small group of behemoths. In fact, Dow Jones recently reported that, as of December 21st, half the S&P 500's gains since April have been driven by just five stocks - Microsoft Corp (MSFT), Nvidia Corp (NVDA), Apple Inc (AAPL), Alphabet Class C (GOOG) and Tesla Inc (TSLA). These and popular names have obscured the fact that many other stocks are well off their highs and may offer value. While many of the big winners are great companies and we own a few of them, it broadly seems the spread between the market's winners and losers has grown to an extreme. In other words, capital continues to flow into "stocks that have worked" and away from the market's laggards. We think this has created an opportunity in some stocks that have been out of favor and have been adjusting our portfolios accordingly.

In conclusion, we are dealing with fighting forces as the economy transitions. On one hand, many stocks remain reasonably valued in the context of interest rates and profit growth, and there remain few alternatives for abundant cash stockpiles. Moreover, pockets of the market seem overlooked, potentially setting up an opportunity for stock pickers. On the other hand, it would be foolish not to acknowledge that the powerful tailwinds of the COVID recovery, monetary stimulus and fiscal stimulus are fading somewhat. We think equities can produce attractive returns; however, continue to expect more moderate returns than the outsized results we've witnessed in recent years. As noted in our last letter, the S&P 500 is up over fivefold since the financial crisis, generating returns well above historical norms with the help of extremely supportive Fed policy. Hence, it seems logical to expect some reversion to the mean, especially with policy getting a little less supportive on the margin. Please refer to our fund letters for thoughts on individual investment ideas. Thank you for your trust and we wish you the best in 2022.

Davenport Core Fund

DAVPX

The Davenport Core Fund (DAVPX) closed out the year in solid fashion, gaining 8.49% in the fourth quarter. This wrapped up a strong year, with the Fund returning 22.97% in 2021. While we are pleased with the Fund's performance this year, returns lagged those of the S&P 500® Index, which gained 11.03% in the fourth quarter and 28.71% for the year.

Our top performer for both the fourth quarter and the full year was Advanced Micro Devices Inc. (AMD), which continues to benefit as a supplier of semiconductors to the fast growing data center industry. Other strong performers included Alphabet Inc. (GOOG/GOOGL), Accenture Plc (ACN), and Home Depot Inc. (HD)—all of which gained 60%+ during the year.

While we are disappointed to finish the year slightly behind the benchmark, we are pleased with our absolute performance given the makeup of the benchmark's returns this year. That is, much of the S&P 500's return has been driven by a handful of stocks. As a market cap-weighted index, the largest companies by market value have a disproportionate effect on the index's performance. In fact, the returns of just 5 companies of the more than 500 within the index accounted for nearly 40% of the index's performance in the fourth quarter and more than 30% of the index's performance for the year. Moreover, those same companies accounted for 50% of the S&P's performance since the end of May. While many of these winners are great companies and we have positions in some of them, our Fund most likely will never be that concentrated in individual names for the sake of risk management.

Market "narrowness" has also obscured the fact that many other stocks are well off their highs and offer attractive opportunities. To that point, we selectively transacted during the fourth quarter, adding to names that have been detractors but are solid businesses where we continue to have high conviction. For example, shares of Walt Disney Co (DIS) declined more than 15% after the company reported fiscal fourth quarter earnings that featured weaker than expected direct-to-consumer subscriber additions. Simultaneously, the emergence of the Omicron variant led investors to rotate away from re-opening themed plays—a category in which Disney falls given its exposure to areas such as theme parks and movies (theatrical releases). Despite these near-term headwinds, we elected to add to our position on the weakness as we believe the company is a blue chip business consisting of durable franchises and a leading portfolio of digital assets that should outperform as the economy reopens.

In a similar fashion, we added to our position in T-Mobile US Inc. (TMUS). During the quarter, the shares declined as worries emerged around the industry outlook for subscriber growth following record growth in 2021. While industry growth could decelerate in 2022, we believe T-Mobile should continue to take market share from the incumbents and offset some of the deceleration. Further, we expect free cash flow growth to reaccelerate in 2023 as synergies from the Sprint deal are achieved and customers are fully migrated over to the T-Mobile platform. Additionally, this growth in free cash flow could aid in the company's $60 billion share buyback (~41% of TMUS' market cap) program. With the shares trading well below historical valuations, we felt the near-term concerns were more than reflected in the stock price and offered an attractive risk/reward opportunity.

Late in the quarter, we elected to add to our position in Johnson & Johnson (JNJ), one of only two companies in the US with an AAA-rated balance sheet and a core health care holding in our view. The recent market volatility is a good reminder of the importance of balancing growth and defensiveness, and we believe JNJ's well diversified businesses provide just that. With the shares trading at just 16x 2022 earnings estimates that are expected to grow in the high-single-digits, we felt it an opportune time to add our position.

In sum, we continue to focus on optimizing the risk/reward profile of the Fund for the long-term and not chase the market's current "winners." We remain optimistic for the Fund as it owns an eclectic collection of high quality companies. The current spread between market winners and losers seems a bit extreme, and we wouldn't be surprised to see stock selection begin to matter more in the coming year.

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, 2021

	Q4 2021	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* 1/15/98
Core Fund (DAVPX)	8.49	22.97	22.97	15.88	14.52	8.23
S&P 500 Index	11.03	28.71	26.07	18.47	16.55	8.98
30-Day SEC Yield: -0.09%; Expense Ratio: 0.88% Current Expense Ratio†: 0.86%						

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.

*Returns greater 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. Standard & Poor's Financial Services LLC, a division of S&P Global, is the source and owner of the registered trademarks related to the S&P 500 Index. An investor cannot invest in an index and its returns are not indicative of the performance of any specific investment.

Davenport Core Fund Quarterly Transactions

DAVPX

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Recent Purchases

Air Products and Chemicals Inc. (APD) - APD has struggled amidst rising energy costs and uncertainty around some of its large projects. However, we believe much of the large project issues have been resolved, and the valuation appears quite attractive for a great business with a strong long-term growth outlook, thus we elected to add to our position.

Johnson & Johnson (JNJ) - JNJ remains a core health care holding in our view, one of only two companies in the US with a AAA rated balance sheet. The recent market volatility is a good reminder of the importance of balancing growth and defensiveness, and we believe JNJ's well diversified businesses provide just that. For this reason, we thought it was a very opportune time to add to our position.

T-Mobile US Inc (TMUS) - We added to our position in TMUS. TMUS has been a strong performer as the company continues to take market share from incumbents Verizon Communications Inc (VZ) and AT&T Inc (T). More recently however, the shares have materially underperformed as investors have become concerned that industry-wide postpaid phone subscriber growth could decelerate in 2022 following record net additions in 2021. Moreover, TMUS's valuation is even cheaper when adjusted to reflect the benefits of (and costs of achieving) full run-rate merger synergies. While the 2022 concerns could remain an overhang in the near-term, we believe this is fully reflected into the current stock price and believe that growth should reaccelerate in 2023 and drive significant free cash flow (FCF).

Walt Disney Co (DIS) - We added to our position in DIS. Shares have fallen more than 15% since the company reported fiscal Q4 results that featured weaker than expected direct-to-consumer (DTC) subscriber additions. While management reiterated its Fiscal Year 2024 DTC guidance for 245mn subscribers at the midpoint, the unexpected deceleration of DTC subscriber growth has left many wondering what exactly will help reaccelerate growth to reach management's target. Adding more fuel to the fire, the emergence of the Omicron variant has investors rotating away from re-opening themed plays-a category in which DIS falls given its exposure to areas such as theme parks and movies (theatrical releases). While we acknowledge that COVID fears could remain an overhang in the near-term, we believe the selloff is well over done and current prices offer an attractive buying opportunity for a blue chip business consisting of durable franchises and a leading portfolio of physical and digital assets.

Recent Sales

Sherwin-Williams Co. (SHW) - SHW has been an outstanding performer for the portfolio. What attracts us to the SHW story is its controlled distribution model through its 4,824 owned stores. This model allows SHW to push price to recover raw material cost increases and results in significant margin expansion when inflationary pressures ease, and thus we elect to take some profits.

Top Ten Holdings* - % of Net Assets

as of 12/31/2021

Microsoft Corp	4.69
Danaher Corp	3.72
Accenture PLC**	3.69
Brookfield Asset Mgmt Inc**	3.63
Amazon.com Inc	3.49
Apple, Inc	3.43
Adobe Inc	3.18
Mastercard Inc	2.93
Markel Corp	2.78
TJX Companies Inc	2.78

**Holdings subject to change without notice. **Foreign Holding. The recent transactions profiled above represent securities purchased and/or sold during the quarter. Current and future portfolio holdings are subject to risk. The securities identified and described do not represent all of the securities purchased, sold or recommended for advisory clients and the reader should not assume that investments in the securities identified and discussed were or will be profitable.*

Davenport Value & Income Fund

DVIPX

The Davenport Value & Income Fund (DVIPX) increased 8.30% in the fourth quarter and ended 2021 with a 23.35% gain. This compares to the Fund's primary benchmark, the Russell 1000® Value Index, which increased 7.77% in the fourth quarter and finished 2021 up 25.16%. The S&P 500® Index increased 11.03% in the fourth quarter and 28.71% for the year.

2021 was certainly a whirlwind for the market and DVIPX was no exception. Economic "reopening" in the first quarter drove impressive returns through mid-year. The Delta variant drove a pause during the third quarter before a return to solid gains to end the year. In the end was the fourth-best year this millennium for value stocks.

Fourth quarter performance was led by Qualcomm Inc. (QCOM), which increased over 40% on the heels of a very strong earnings report and upbeat investor day. QCOM continues to benefit from its technology leadership in 5G and is showing early signs of progress in diversifying its business away from smartphones. Other major contributors included Watsco Inc. (WSO), Brookfield Asset Management Inc. (BAM), and Norfolk Southern Corp (NSC). The key detractor during the quarter was Medtronic Plc (MDT), which suffered a couple of setbacks in new product development.

For the year, our financial stocks, including Brookfield and Capital One Financial Corp (COF), were key contributors to performance. Brookfield benefited from significant inflows of capital for future investment and strong performance in existing funds, while Capital One benefited from higher consumer spending, low credit losses, and higher interest rates. Other key winners include Lamar Advertising Co (LAMR), Watsco, and Bunge Ltd (BG). Lamar benefited from strong outdoor advertising as the economy reopened and people began traveling again. Watsco took advantage of a robust housing market and Bunge continued to profit from its recent turnaround and a very favorable agricultural market. On the other end of the spectrum, Anheuser-Busch InBev SA (BUD) was the key detractor as concern increased regarding rapidly increasing input costs. We exited our position in BUD in early December.

During the quarter, we initiated new positions in three unique out of favor value ideas:

- Perrigo Company Plc (PRGO) – Perrigo is a leading provider of store branded over-the-counter pharmaceuticals and self-care products (PRGO sells more acetaminophen than Tylenol). The company had struggled for several years and was saddled with outstanding legacy liabilities before CEO Murray Kessler took over in 2018 and began to effect a turnaround. Fast forward to now and the company has settled most of its legacy issues, fixed the balance sheet, and pivoted to offense (including a recent acquisition). We think the company can meet its medium term objective to double earnings, which should result in meaningful upside in the stock.
- Boeing Co (BA) – Boeing is one of the world's largest aerospace companies and we think we are nearing a point where recent headwinds (Boeing 737 MAX issues, COVID, etc.) could be meaningfully reduced. Key catalysts include a rebound in international and business travel, the recertification of the MAX in China, and a resumption of 787 deliveries (grounded due to several non-safety related issues). In the meantime, the company continues to have two other solid businesses in Defense & Space Systems and Boeing Global Services that are growing and profitable. Looking out to 2023, we think free cash flow can approach $20/share, which at its historical multiple would drive roughly 50% upside in the stock.
- Walmart Inc. (WMT) – As the largest retailer in the world, we think WMT is positioned to be a winner in the evolving omni-channel retail environment. While the company continues to battle with inflation and supply chain/logistics issues, it appears to be in a better inventory position than peers and growth and profitability should accelerate in 2022. We also think that there is hidden value in several of Walmart's investments (75% of Flipkart, 71% of WalMex, 10% of JD.com, 10% of Dada) that could be unlocked in the near future. Lastly, the defensive characteristics of WMT are attractive given its low price positioning with a significant customer base.

In sum, despite turbulence in the markets we continue to find attractive opportunities to deploy capital. We hold a combination of traditional value and dividend payers and some less cyclical names that we think offer attractive relative value. Looking ahead, we remain optimistic that value stocks can continue to perform well as the world enters the post-pandemic era.

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, 2021.

	Q4 2021	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* 12/31/10
Value & Income Fund (DVIPX)	8.30	23.35	16.30	10.69	12.12	11.74
Russell 1000® Value Index	7.77	25.16	17.64	11.16	12.97	11.76
S&P 500 Index	11.03	28.71	26.07	18.47	16.55	8.98
30-Day SEC Yield: 1.38%; Expense Ratio: 0.87% Current Expense Ratio†: 0.88%						

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. 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. Standard & Poor's Financial Services LLC, a division of S&P Global, is the source and owner of the registered trademarks related to the S&P 500 Index. An investor cannot invest in an index and its returns are not indicative of the performance of any specific investment.

Davenport Value & Income Fund Quarterly Transactions

DVIPX

Recent Purchases

Boeing Co (BA) - Boeing should need no introduction as one of the world's largest aerospace companies. While investor confidence is shaken given the plethora of negative events over the past three years (MAX issues, COVID, etc.), we take a contrarian view and believe that we are nearing a point where headwinds could be meaningfully reduced, so we initiated a position. Looking out to 2023, what we think will be the first year of "normalcy" for the company, we think free cash flow (FCF) can approach approximately $20/share. Should our thesis prove out the stock garner its pre-MAX multiple of 15x FCF, we think the shares can rise towards $300 over the next year or two.

Coterra Energy Inc. (CTRA) - CTRA was formed on Oct 1, 2021 through the merger of Cabot Oil & Gas (which we owned) and Cimarex Energy Co (CIMXP). CTRA is likely to follow other exploration & production (E&P) companies with a variable dividend structure and we expect the stock could yield approximately 9% at current prices. We'd also note that the company is largely unhedged, allowing it to take advantage of current high oil & gas prices, thus we elect to add to our position.

Johnson & Johnson (JNJ) - The company returns ample cash to shareholders through dividends (2.5% yield) and share repurchases. At just 16.4x 2022E that are expected to grow in the high-single-digits, we think this is a very opportune time to add to our position.

Perigo Company PLC (PRGO) - We have initiated a position in PRGO. PRGO is a consumer self-care products leader that we have long followed given our attraction to the company's dominance in store branded over-the-counter pharmaceuticals and self-care products (PRGO sells more acetaminophen than Tylenol). We also note that we have a lot of confidence in CEO Murray Kessler who has effected several successful turnarounds in the tobacco industry and deserves to be commended for the progress made to date at PRGO.

Top Ten Holdings* - % of Net Assets

as of 12/31/2021

Brookfield Asset Management Inc**	4.10
Johnson & Johnson	3.33
Watsco Inc	3.24
Fidelity National Financial Inc	3.18
Sony Group Corp**	3.05
United Parcel Service Inc	2.94
Bunge Ltd	2.87
Berkshire Hathaway Inc	2.72
TE Connectivity Ltd**	2.58
Lamar Advertising Co	2.58

SL Green Realty Corp (SLG) - As a reminder, SLG is an office real estate investment trusts (REITs) primarily exposed to New York City with approximately 94% office and 6% retail exposure. We expect a return to the office to prompt improved sentiment for NYC real estate and the stock still looks cheap. We were also pleased to see Google pay $2.1 billion for a Manhattan office building. This was one of the richest office building deals in U.S. history and validates our belief that SLG trades at a discount to its net asset value, so we elected to add to our position.

Walmart Inc. (WMT) - As the largest retailer in the world, we think WMT is positioned to be a winner in the evolving omni-channel retail environment. While the company continues to battle with inflation and supply chain/logistics issues, it appears to be in a better inventory position than peers and growth and profitability should accelerate in 4Q and into 2022. Lastly, the defensive characteristics of WMT are attractive given its low price positioning with a significant customer base, so we initiated a position.

Recent Sales

Bristol-Myers Squibb Co. (BMY) - Shares of Bristol Myers have had a tough go of late. We see no apparent near-term catalysts and increasing long-term risk given dependence on three key drugs. As such, we elect to sell our position.

Anheuser Busch InBev SA (BUD) - Despite a 3Q beat and raise in late October, BUD shares have since retreated with the recent news of another COVID variant. Additionally, there is limited visibility with regards to the challenging input cost environment the company faces. As such, we elect to take the loss in BUD and sell our position.

Microsoft Corp (MSFT) - We remain positive on the outlook for MSFT, which has undergone a significant rerating and business transformation since our initial purchase, when it was more of a value/out of favor stock. With the stock an above-average position size in VIP, we elect to take some profits.

Walgreens Boots Alliance Inc. (WBA) - When we initially bought WBA earlier this year, our thesis was twofold: 1) WBA would benefit from COVID-19 vaccine administration as customers were drawn into its stores and 2) WBA would use the $6.5B proceeds from the sale of its drug wholesale business to reward shareholders. The first part of our thesis played out, however, the second part did not. WBA decided to invest in several ancillary businesses that are likely to take time to pay off and are initially margin and earnings dilutive. As such, we decided to take the loss and sell the position.

Holdings subject to change without notice. Foreign Holding*

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Davenport Equity Opportunities Fund
DEOPX

The Davenport Equity Opportunities Fund (DEOPX) closed the year with a 9.35% advance during the fourth quarter, outpacing the 6.44% gain for the Russell Midcap® Index. For the year, the Fund produced a 26.43% gain, again nicely ahead of the 22.58% gain for the Russell Midcap.

Leading building products distributor Builder's FirstSource Inc. (BLDR) was a standout performer during the quarter, advancing north of 60%. Since initiating the position mid-year, the stock has nearly doubled on the heels of strong housing tailwinds, prudent capital allocation and upbeat long-term guidance at the company's recent analyst day. Despite the rapid ascent, we still think the stock is compelling given its discount valuation to peers, strong balance sheet and robust cash flow growth outlook. Evoqua Water Technologies Corp (AQUA) was another key contributor during the quarter, and a consistent top performer throughout the year. While we elected to trim the position into strength, we remain excited about the company's exposure to the secular water theme and leading position in the removal of emerging contaminants such as PFAs. Dish Network Corp (DISH), was the Fund's biggest detractor for the period, giving up much of it year-to-date gains. While difficult to point to any major incremental negatives of late, the company remains in the early stages of its network buildout and visibility is limited. Though frustrated, we continue to view the risk/reward skew favorably with DISH and look forward to network milestones this coming year.

In addition to AQUA, we also reduced positions in outperformers such as Etsy Inc. (ETSY) and Sherwin-Williams Co (SHW) during the quarter. Though we still like the prospects for these great businesses, we felt the stocks were fairly valued. These actions, along with several others highlighted throughout the year, are a continuation of our efforts to re-allocate funds towards the most "coiled" opportunities in the Fund, thus optimizing the risk/reward profile of the strategy as a whole. Global insurer Fairfax Financial Holdings Ltd (FRFHF) is a name we recently added to that we believe helps fulfill this objective. While the stock has bounced nicely off its lows, shares remain persistently cheap despite several favorable developments. For one, fundamental results have been strong and healthy underwriting momentum has accompanied solid investment returns. As such, the company has seen book value per share recover to an all-time high of $561 as of the end of the last quarter with line of sight to a number north of $600 by year end. At the time of our add, the stock traded for roughly 0.75 year end book value, a wide discount to its historical 1.0x average. Whereas this disconnect has persisted for some time, we are encouraged that management has finally put themselves in a position to do something about it – announcing and completing a large share buyback in the quarter that represented 7% of the shares outstanding and a much greater percentage of the float.

We initiated a position in Alight Inc. (ALIT) during the quarter. Alight is a leading health care, benefits and payroll solutions provider, with 70% of the Fortune 50 and 50% of the Fortune 500 as clients. We believe the shares offer an attractive risk/reward profile as the company is in the early stages of a transition to a cloud delivered business model. As the company leverages AI and data and analytics to transition clients to its business-process-as-a-service (BPaaS) platform, we anticipate a meaningful acceleration in organic growth and earnings before interest, taxes, depreciation, and amortization (EBITDA) margins. In the meantime, we like the durability of the company's cash flows that are supported by high client retention rates (97%) and a healthy recurring revenue mix (ALIT enters each year with roughly 80% of revenues contracted). Despite solid execution on key objectives, the shares continue to trade at a meaningful discount to Human Capital Management (HCM) peers, leaving runway for substantial upside from current levels assuming continued fundamental improvement and a modest re-rating.

In sum, we are pleased to deliver a solid close to a strong, yet unusual year. Though we expect it may be difficult to replicate the advances that we saw in 2021, we feel great about the positioning of the Fund. Finally, we note that we carry a slightly elevated cash balance into the new year, giving us optionality should volatility arise.

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, 2021.

	Q4 2021	1 Year	3 Years*	5 Years*	10 Years*	Since Inception* 12/31/10
Equity Opportunities Fund (DEOPX)	9.35	26.43	28.81	18.89	15.90	14.87
Russell Midcap® Index	6.44	22.58	23.29	15.10	14.91	13.30
S&P 500 Index	11.03	28.71	26.07	18.47	16.55	15.16
30-Day SEC Yield: -0.25%; Expense Ratio: 0.89% Current Expense Ratio†: 0.87%						

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. 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 **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. Standard & Poor's Financial Services LLC, a division of S&P Global, is the source and owner of the registered trademarks related to the S&P 500 Index. 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

Recent Purchases

Alight Inc (ALIT) - We purchased a position in Alight, which is a leading health care, benefits and payroll solutions provider, with 70% of the fortune 50 and 50% of the Fortune 500 as clients. We believe the shares offer an attractive risk/reward profile as the company is in the early stages of a transition to a cloud delivered business model. As the company leverages artificial intelligence and data and analytics to transition clients to its business process as a service (BPaaS) platform, we anticipate a meaningful acceleration in organic growth and earnings before interest, taxes, depreciation and amortization (EBITDA) margins.

Alight Inc (ALIT) - Early in the quarter, we added to our position in ALIT. Nothing has changed with respect to the thesis we espoused upon initiating a position. We simply elect to bolster our position with the stock continuing to trade in an attractive range.

Alight Inc (ALIT) - Midway through the quarter, the company reported results that showed continued momentum in net bookings, allowing management to increase near-term guidance and express confidence in the achievability of longer-term objectives and added to the position again.

Alight Inc (ALIT) - We added to our position for the third time this quarter. The current valuation represents a substantial discount to the overall market and Human Capital Management/Business Process Outsourcing (HCM/BPO) peers, and thus an attractive point to add to our position.

Fairfax Financial Holdings Ltd (FRFHF) - While the stock has bounced nicely off recent lows, shares remain persistently cheap despite several favorable developments. Fundamental results have been strong and healthy underwriting momentum has accompanied solid investment returns, thus we elect to add to our position.

Top Ten Holdings* - % of Net Assets

as of 12/31/2021

Brookfield Asset Management**	6.09
Fairfax Financial Holdings Ltd**	4.85
Markel Corp	4.84
O'Reilly Automotive Inc	4.83
Dish Network Corp	4.68
Take-Two Interactive Software Inc	4.43
Cannae Holdings Inc	4.40
American Tower Corp	4.12
Martin Marietta Materials Inc	3.85
Builders FirstSource Inc	3.46

Recent Sales

Evoqua Water Technologies Corp (AQUA) - We chipped our position in AQUA. AQUA has been a strong performer, advancing nearly 65% since we aggressively added to the position earlier this year. We are encouraged by recent progress in its ongoing transformation to a greater mix of digitally enabled recurring revenues and better cash generation.

Evoqua Water Technologies Corp (AQUA) - Following our chip earlier in the quarter, we elect to chip again. We remain excited about the company's exposure to the secular water theme and leading position in the removal of emerging contaminants such as per- and polyfluoroalkyl substances (PFAS).

Etsy Inc (ETSY) - ETSY has been a standout performer and a leading contributor to the portfolio's performance since our purchase roughly 2 years ago. Management remains focused on maintaining a sweet spot between growth and profitability, generating significant revenue and free cash flow growth. We continue to hold a significant position but elect to use the recent strength to take some profits and bring the position size down to a more comfortable level.

Etsy Inc (ETSY) - Since our recent chip to the position, shares have rallied more than 11% on the heels of a very strong Q3 earnings report that came in ahead of consensus expectations and against difficult comparisons. We elect to chip the stock on the sudden strength and bring the position size back down to a more comfortable level.

Etsy Inc (ETSY) - Shares of ETSY continue to rally, so we elect to chip the stock again on the continued strength and lock in some profits. We note that ETSY still remains one of our top ten weightings in the portfolio.

Etsy Inc (ETSY) - Similar to our recent chips, we elect to trim the position again as the stock hovers around all-time highs. We continue to believe the long term story for the company and see significant upside for the stock.

Sherwin-Williams Co (SHW) - SHW has been an outstanding performer for the portfolio including a 42% advance year-to-date (YTD), despite unprecedented inflationary headwinds. What attracts us to the SHW story is its controlled distribution model through its 4,824 owned stores. This model allows SHW to push price to recover raw material cost increases and results in significant margin expansion when inflationary pressures ease. However, the position had become a bit outsized so we elect to take some profits.

Holdings subject to change without notice. Foreign Holding*
The recent transactions profiled above represent securities purchased and/or sold during the quarter. Current and future portfolio holdings are subject to risk. 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 Small Cap Focus Fund

DSCPX

DAVENPORT 1863 ASSET MANAGEMENT

The Davenport Small Cap Focus Fund (DSCPX) had a strong close to the year, advancing 6.39% during the fourth quarter. This result nicely outpaced the 2.14% gain for the Russell 2000® Index. The quality of our holdings has helped relative results since mid-year. Specifically, our strategy was up 11.65% in the last 6 months of 2021 versus a 2.31% decline for the Russell 2000 as more speculative corners of the small cap arena began to deflate. As we have seen in the past, speculative fevers can be difficult to keep up with, but have a tendency to break. For the year, our strategy posted gains of 20.39%, exceeding the 14.82% gain for the Index. Since inception, we are pleased to have delivered annualized returns of 14.08%, versus the Russell 2000 at 10.76%. Just as important, we continue to believe the small cap space is rich with opportunity and remain excited about the setup for the future.

Performance was broad based during the quarter. Top performers included names such as Evoqua Water Technologies Corp (AQUA), Builder's FirstSource Inc. (BLDR), Stewart Information Services Corp (STC), Live Oak Bancshares Inc. (LOB) and Switch Inc. (SWCH), which have been consistent outperformers throughout the year. In fact, each of these names advanced north of 65% for the year and we have been reducing the positions as their risk/reward profiles have become more balanced. We have also exited a few positions entirely (namely Casella Waste Systems Inc. (CWST) and Bunge Ltd (BG)), which have been tremendous performers but appear fully valued. Key detractors during the period included Perrigo Company Plc (PRGO) and Shenandoah Telecommunications Co (SHEN). In each instance, we have elected to use weakness to increase exposure.

In addition to the names mentioned above, we were pleased to see strong contribution from a few holdings that were out of favor for much of the year, but have begun to reward our patience. Among these were Cannae Holdings Inc. (CNNE), Monarch Casino & Resort Inc. (MCRI), NewMarket Corp (NEU) and Kinsale Capital Group Inc. (KNSL). Cannae responded favorably to an upbeat investor day, headlined by a meaningful share repurchase announcement that illustrates management's commitment to closing the stock's persistent discount to intrinsic value. We highlighted longstanding holding Monarch as a name of emphasis last quarter. It is currently our top position, which we think is appropriate given near term business momentum and significant balance sheet optionality. We highlighted NewMarket two quarters ago as a victim of rising input costs and have since seen the shares rally on the heels of earnings and increased share buyback activity. Finally, we were aggressively buying shares of specialty insurer Kinsale Capital during the summer months following a pullback, and have since seen the shares snap back on the heels of strong results.

The emergence of new COVID variants has caused considerable disruption and volatility over the last several months. Throughout the quarter, we elected to use this volatility to add to quality businesses with above average "reopening exposure" that we believe can weather the storm and take advantage of pent up demand on the other side. Such names include rental car tolling company Verra Mobility Corp (VRRM), event foodservice provider J&J Snack Foods Corp (JJSF), and Manhattan commercial real estate REIT SL Green Realty Corp (SLG). In the case of SL Green, we acknowledge patience may be required, but believe the value of class A Manhattan real estate will endure. Encouragingly, we have seen several high profile transactions of late that support our optimism. In the meantime, we get to buy the stock at a discount to net asset value, while getting a solid 5% dividend yield to compensate us while we wait.

In closing, we are pleased to have produced strong results in another wild year. As we look ahead, we believe that value resides in various corners of the small cap complex (especially relative to the mega-cap dominated S&P 500® Index) and are extremely excited about the group of companies that we own. We continue to take incremental steps to take advantage of situations that optimize the risk/reward profile of the strategy as a whole. However, we also enter the year with an elevated cash balance (roughly 9%), giving us ample flexibility to take advantage of opportunities as they arise. As always, we appreciate your trust and confidence and wish you a happy new year.

Top Ten Holdings[1] - % of Net Assets

as of 12/31/2021

Monarch Casino & Resort Inc	6.50
Alight Inc	5.49
Cannae Holdings Inc	5.04
Stewart Information Services Corp	4.00
Kinsale Capital Group Inc	3.95
Janus International Group Inc	3.69
NewMarket Corp	3.55
Perrigo Company PLC**	3.46
Colfax Corp	3.37
Switch Inc	3.28

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, 2021.

	Q4 2021	1 Year	3 Year*	5 Year*	Since Inception* 12/31/14
Small Cap Focus Fund (DSCPX)	6.39	20.39	28.71	16.89	14.08
Russell 2000® Index	2.14	14.82	20.02	12.02	10.76
30-Day SEC Yield: -0.09%; Expense Ratio: 0.93% Current Expense Ratio†: 0.87%					

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. Current and future portfolio holdings are subject to risk.* *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, representing approximately 8% of the total market capitalization of the Russell 3000. 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 1863 ASSET MANAGEMENT

The Davenport Balanced Income Fund (DBALX) increased 5.18% during the fourth quarter of the year, ahead of the 4.46% increase for the blended 60% Russell 1000® Value and 40% Bloomberg Barclays Intermediate Government/Credit® Index. For the year, the Fund returned 14.18% compared to the blended benchmark's 14.03% return.

The fourth quarter capped off quite a roller coaster of a year for equity markets. As the vaccines rolled out and economies re-opened in early 2021, equity markets rallied through the first half of the year, only to be faltered by the emergence the Delta variant in the third quarter. September brought a whirlwind of volatility alongside inflation concerns and political squabbling over taxes, spending, and the debt ceiling. Despite these concerns, we witnessed a strong rally in the fourth quarter to end another year of above average gains. Importantly, these gains were shared by both growth and value stocks. In fact, 2021 proved to be the fourth-best year for value stocks this millennium, and our Fund certainly benefited from this strength.

Qualcomm Inc. (QCOM) was our top performer and biggest contributor to fourth quarter performance, with the shares increasing more than 40% following strong earnings and bullish commentary around the company's leadership in 5G technology. Other major contributors included Watsco Inc. (WSO), Brookfield Asset Management Inc. (BAM), and Norfolk Southern Corp (NSC). Our biggest detractors were Perrigo Co Plc (PRGO) and Medtronic Plc (MDT). Perrigo shares declined following disappointing third quarter results while Medtronic suffered temporary setbacks with some of its products. For the year, financial stocks including Brookfield Asset Management Inc. (BAM), Stewart Information Services Corp (STC), and Capital One Financial Corp (COF) were top contributors to performance, while Cannae Holdings Inc. (CNNE) and Anheuser-Busch InBev SA (BUD) were our biggest detractors. While Cannae's performance early in the year weighed on the Fund's full year return, fourth-quarter performance was strong with the shares up 13% after an upbeat investor day featuring a meaningful share repurchase announcement that illustrates management's commitment to closing the stock's persistent discount to intrinsic value. Anheuser-Busch has been plagued by supply chain disruptions and increasing input costs with no end in sight, and we elected to exit our position in December in favor of other opportunities.

One of these opportunities was Walmart Inc. (WMT), the world's largest retailer. While Walmart is also battling supply chain disruptions and rising costs, we believe the company is in a better inventory position than peers and growth and profitability should accelerate in 2022. Moreover, we also believe there is hidden value in several of the company's investments, such as Flipkart, WalMex, and JD.com, that could be unlocked in the near future. Lastly, the defensive characteristics of the Walmart are attractive given its low price positioning with a significant customer base.

The bond allocation consists of 28 high quality bonds across ten sectors with the top allocations to Consumer Discretionary at 18.59%, Energy at 15.64%, Communications at 14.59%, Financials at 13.02%, and U.S. Treasuries at 12.31%.

Our allocation to floating rate notes within the fixed portion of the Fund remains sub five-percent, at 4.54%. We are now taking a closer look at revisiting this trade and increasing our exposure as the Fed provided clearer guidance at their December meeting. We think the increase in the Federal Funds rate may come shortly after balance sheet reduction, but this time we will have to analyze the liquidity of SOFR (United States SOFR Secured Overnight Financing Rate) linked notes as they gain market share due to the Libor transition. We would rather be early to adding individual floating rate notes than later, so will be looking for buying opportunities in the first half of 2022.

Transactions this quarter were lighter as we were waiting for more clarity from the Fed as to their stance on increased balance sheet tapering and any hint at rate hikes. We did hold a little more cash, which helped performance. We also initiated positions in Public Storage (PSA), which is a REIT but also diversifies our financial exposure, and Canadian Pacific Railway (CP), a short duration high BBB credit with an attractive yield.

In closing, we are pleased to see the Fund outperform the blended benchmark during the quarter and full year. The volatility experienced throughout 2021 is a good reminder of the value of a balanced approach. As we enter 2022, we remain optimistic that value stocks can continue to perform well while our defensive positioning in fixed income should continue to provide a volatility buffer as we the world tries to emerge from the pandemic era.

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

as of 12/31/2021

Brookfield Asset Mgmt Inc**	2.18
Cannae Holdings Inc	1.77
Johnson & Johnson	1.76
Watsco Inc	1.75
Fidelity National Financial Inc	1.74
SL Green Realty Corp	1.73
Stewart Information Services Corp	1.72
Sony Group Corp**	1.64
United Parcel Service Inc	1.62
Bunge Ltd	1.56

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, 2021.

	Q4 2021	1 Year	3 Year*	5 Year*	Since Inception* 12/31/15
Balanced Income Fund (DBALX)	5.18	14.18	11.93	7.57	7.83
60% Russell 1000® Value/40% BBIGC Index	4.46	14.03	12.46	8.17	8.66
30-Day SEC Yield: 1.22%; Expense Ratio: 0.93% Current Expense Ratio†: 0.92%					

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. Current and future portfolio holdings are subject to risk.* *Returns greater than one year are annualized. 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. Equities are represented by the **Russell 1000® Value Index**, and fixed income is represented by the **Bloomberg Barclays Intermediate Government/Credit (BBIGC) Index**. 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 **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 investor cannot invest in an index and its returns are not indicative of the performance of any specific investment.

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†The Current Expense Ratio is the expense ratio as a percentage of the Fund's average daily net assets as of the date listed above. The Current Expense Ratio may fluctuate based upon a number of factors, including changes in the Fund's net assets.

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**.
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