

The attractiveness of high quality products is universal – for example, who wouldn't like something that exemplifies craftsmanship, durability, and excellence? Often, the best quality stands out when measured against similar products, while at other times quality is harder to find and requires more diligence and research. Likewise, in business, some companies are higher quality than others and, as investors, we seek to identify these companies through the exercise of our research-based investment process.



Jeffrey Omohundro, CFA

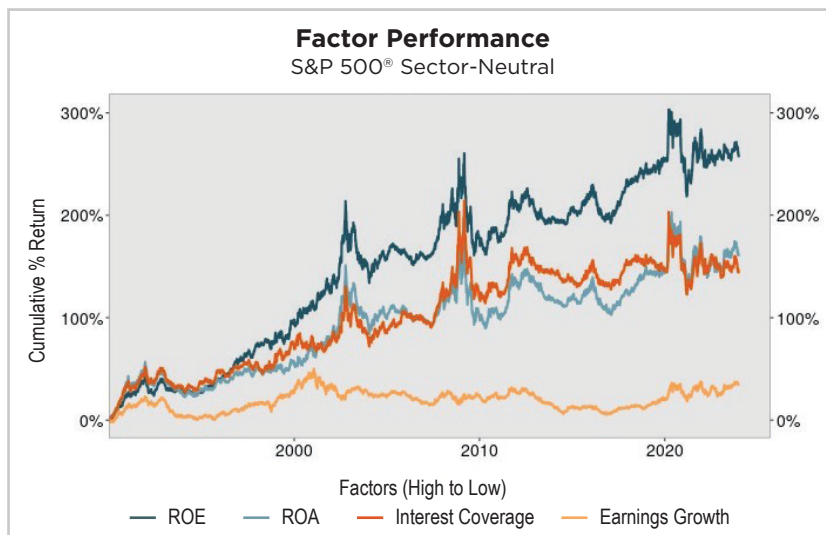
Senior Vice President
Member, Investment Policy Committee
Director of Research;
Co-Manager, Core Leaders Portfolio

804-780-2170
jomohundro@investdavenport.com

The Davenport Core Leaders Portfolio seeks to own high-quality companies with attractive structural growth characteristics. In keeping with the name of the strategy, the Portfolio companies tend to be leaders in their industries with long histories of creating shareholder value through growth fueled by innovation. Likewise, these companies generally possess many quality attributes such as high returns, high interest coverage and high earnings growth. The investment profession describes these attributes as quality factors, which are comprised of a group of individual financial metrics.

The merit of investing in high quality companies has been demonstrated as quality factors have outperformed the broader market over many years. The chart at right provides an example of the cumulative relative outperformance of a selection of quality factors over the past three plus decades relative to the S&P 500® Index.

Last year was no exception as markets rebounded, supported in large part by securities with demonstrated quality attributes. Several financial metrics considered quality factors such as Earnings Growth and Return on Assets, which are emphasized in the Core Leaders Portfolio relative to the S&P 500®, contributed to market performance for the year.



Source: Piper Sandler.

We believe that quality growth has attractive long-term investment merit through the majority of the business cycle. In managing the Core Leaders Portfolio, our investment approach has an inherent quality focus which is the result of a stock selection and portfolio construction process that targets growth leaders at reasonable prices. The quality focus is the result of stock selection founded on a collaborative process that benefits from decades of experience across our team of portfolio managers and analysts. The heart of our portfolio construction process is company research that informs decisions around security selection, position sizing, and timing of investments. As fundamental investors, research-driven stock selection of high-quality companies is the primary source of our differentiation. Although our efforts are built upon a bottoms up investment approach, our framework also incorporates identifying long-term trends that are represented in durable growth themes. Examples of these themes include: Artificial Intelligence, Cybersecurity, Clean Energy Transition, and Cell & Gene Therapy.

As we look to the future, we will continue to execute our process geared towards identifying and investing in high-quality companies with above average growth prospects. Over time, we believe these companies will produce solid investment performance as they deliver on results.

Important Disclosures:

Any opinions expressed here are statements of judgment on this date and are subject to future change without notice. This information may contain forward looking predictions that are subject to certain risks and uncertainties which could cause actual results to differ materially from those currently anticipated or projected. The information contained herein has been compiled from sources believed to be reliable; however, there is no guarantee of its accuracy or completeness. The information provided in this letter should not be considered a recommendation to purchase or sell any particular security. This illustration is for informational purposes only and is not intended to provide specific financial planning or investment advice. Individual circumstances may vary. Diversification and Asset Allocation does not ensure a profit or guarantee protection against a loss. 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.