

The Davenport Small Cap Focus Fund

Investing alongside our clients through nearly every market cycle America has encountered has taught us the virtues of patience and discipline. As we celebrate the 10-year anniversary of the Small Cap Focus Fund (DSCPX), we are proud of our long-term track record of higher returns with lower risk than the Russell 2000® Index.

We know that the small-cap market can be an inefficient one, and are aware that our concentration and quality focus has produced a higher tracking error. We are confident that our process, information edge, and long-term focus will help us take advantage of market inefficiencies over time.

Our Process:

- **Emphasis on Quality** - We like to invest in companies with defensible balance sheets and skilled management teams, focused on producing significant free cash flow.
- **Information Edge** - We seek to uncover ideas that are either underfollowed or misunderstood by our peers.
- **Contrarian** - We tend to “lean into the wind” with companies that are out of favor or facing temporary challenges.
- **Disciplined** - We are patient and opportunistic in building positions at attractive valuations.
- **Process Driven** - We analyze and underwrite ideas at every stage in order to constantly optimize our holdings for future success.
- **Risk Averse** - We look down before looking up and incorporate risk management throughout the investment cycle.
- **Patient** - We measure our success over years, not weeks or quarters, just like the companies and management teams we invest in.

If there is anything that we have learned from the more than 160 years that Davenport & Company has been in business, it is to stick to what we know works for the long-term success of our clients. We believe that the process we have developed and refined over the years will help us to continue to provide outperformance over full market cycles with less overall risk.



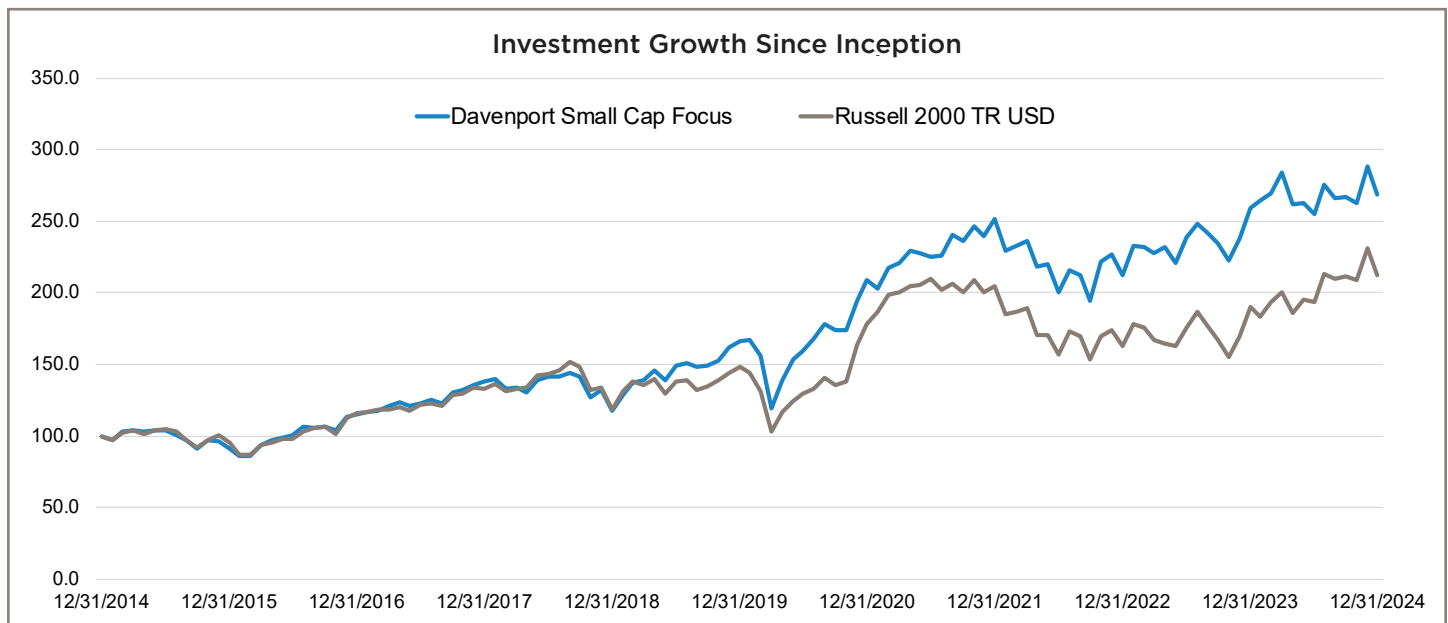
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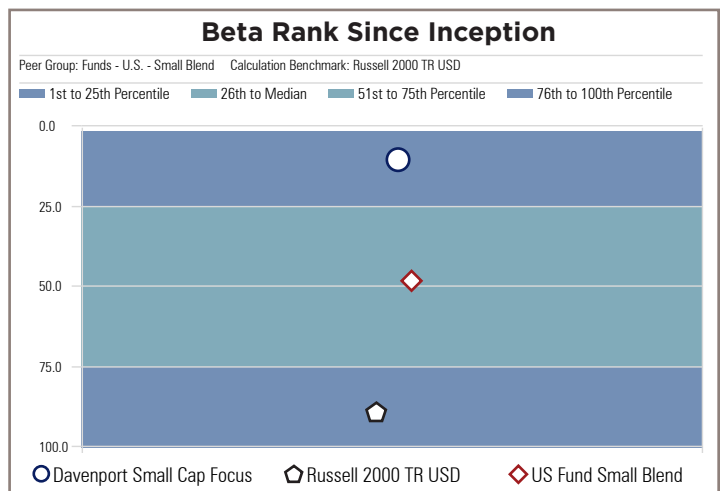
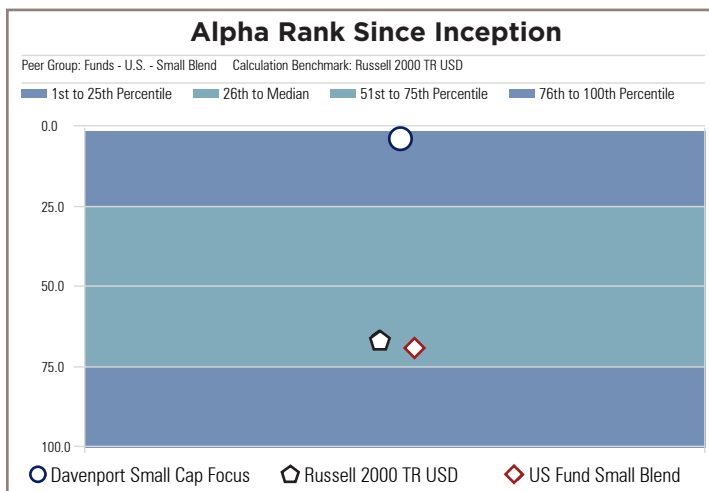
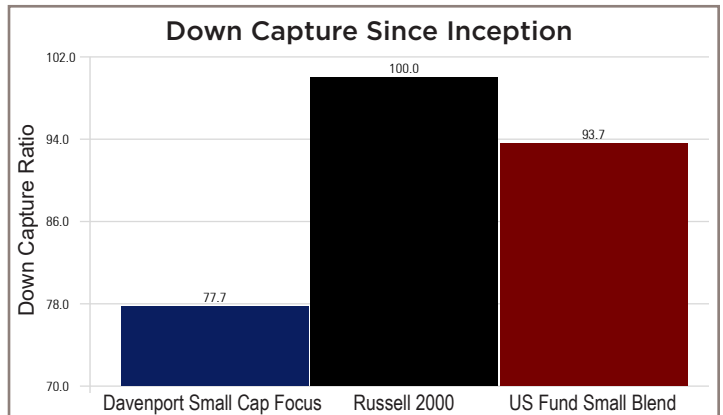
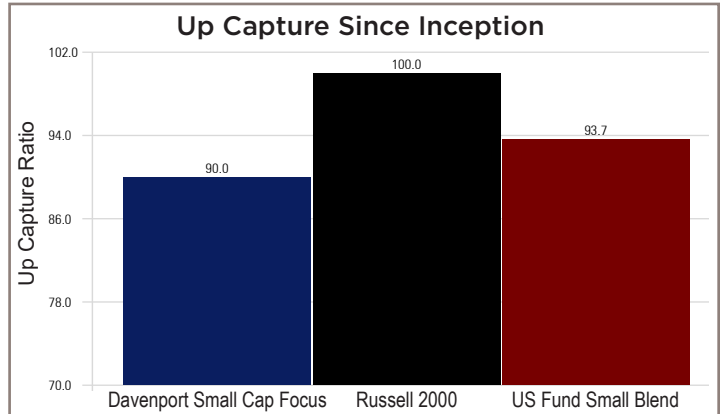
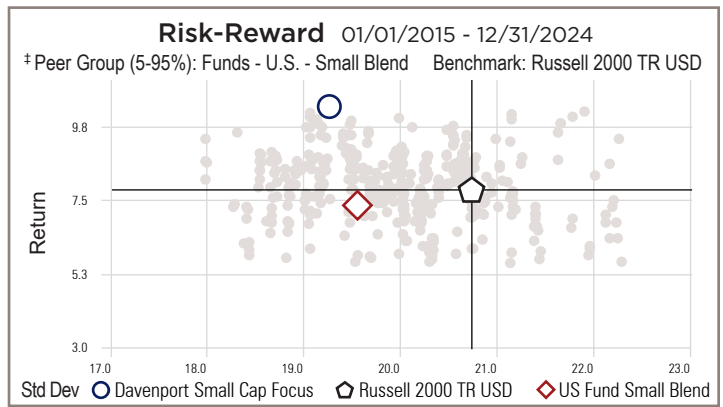
Source: Morningstar Direct

Here's how we optimized the Fund in 2024:

- We sold four names during the calendar year whose sudden poor performance we believed to be a result of deteriorating fundamentals and/or mismanagement, therefore invalidating our investment thesis (Envista Holdings Corp, Vestis Corp, DoubleVerify Holdings Inc, Leslie's Inc).
- We sold four names due to an incremental loss of conviction over time or stagnation at current valuation, electing to use that capital to fund other new ideas (Diamond Hill Investment Group Inc, Seaboard Corp, Peyto Exploration & Development Corp, Cannae Holdings Inc).
- We sold two positions on strength after rapid appreciation where our thesis was quickly validated and the stock reached a full/fair valuation (Advance Auto Parts Inc, SoFi Technologies Inc).
- We incrementally added to other underperforming names where we perceive temporary headwinds and are confident in the long-term viability of the business and its management (Alight Inc, Liberty Latin America Ltd, Janus International Group Inc, Enovis Corp).
- We added 10 new names in 2024 at what we believe to be attractive long-term valuations (CNX Resources Corp, Generac Holdings Inc, Chart Industries Inc, ETSY, Inc., Golden Entertainment Inc, Six Flags Entertainment Corp, Atlantic Union Bankshares Corp, Hexcel Corp, Kirby Corp, Caesars Entertainment Inc).

The Case for DSCPX

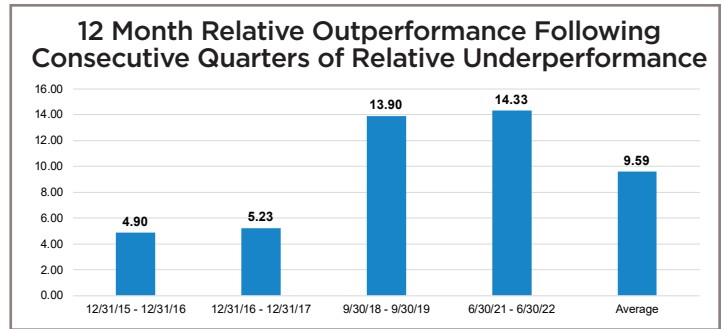
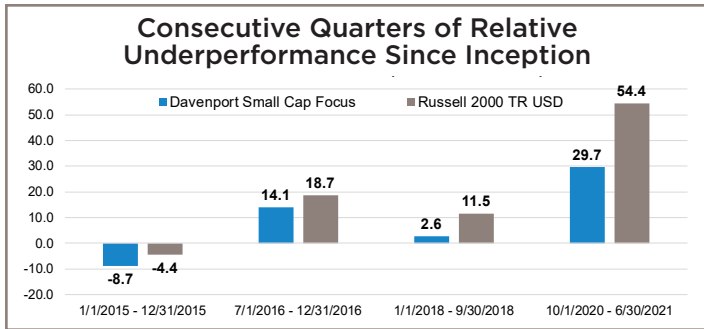
In the past, we have been able to weather stretches of relative underperformance and successfully rebound, leading to our strong long-term performance numbers. We believe that by sticking to our process, constantly re-underwriting our ideas, optimizing the Fund and leaning into temporary headwinds we can lay the foundations for long-term outperformance with less risk.



Source: Morningstar Direct

We Have Been Here Before

We have had periods of challenging performance in the past and, although each instance has had idiosyncratic differences, we adhered to our process and optimized the strategy for future outperformance.



Source: Morningstar Direct

Q1-Q4 2015 (Relative Underperformance 4.3%)

A challenging year for the launch of Small Cap Focus, performance in 2015 closely mimed the index through the first two quarters before falling off in the latter half of the year. Notably, performance likely would have fared better if it weren't for the significant cash drag in Q1 related to the launch of the Fund. We elected to use that time to add to many of our initial holdings at newly depressed valuations, and many of the seeds we planted in 2015 began to bear fruit in 2016. Subsequently we had an excellent Q1 and Q2 of 2016, which helped us to outperform the benchmark by approximately 4.9% in 2016.

Result: The Fund finished in the 12th percentile for 2016 and the 4th percentile for 2017 in the Small Blend peer group.

Q1-Q3 2018 (Relative Underperformance 8.9%)

What we didn't own influenced relative results nearly as much as what we did own during this period, as our underweight positions in technology and healthcare accounted for roughly half of our relative shortfall in the 1st quarter. This trend continued throughout Q3, where Industrial/Housing related names as well as holdings in the transportation sector continued to struggle amid fears of peaking cyclical conditions. At the time, we believed these headwinds to be temporary, doubled back on businesses that met our investment criteria, and remained confident that actions taken to optimize the portfolio would pay off after a change of market dynamics.

Result: In the 12 months following this three-quarter long downturn for the Fund, we outperformed the Russell 2000 by 13.9%. The Fund finished in the 1st percentile for 2019 and the 5th percentile for 2020.

Q4 2020 - Q2 2021 (Relative Underperformance 24.7%)

Our toughest period of relative quarterly underperformance in the Fund's history, DSCPX lagged a red-hot Russell 2000 fueled by momentum, Special Purpose Acquisition Companies (SPACs), and meme stocks. The powerful cocktail of low interest rates, fiscal stimulus and improving economic conditions seemed likely to continue to support risk assets, and we were a bit concerned that indiscriminate risk taking in certain pockets of the small cap universe would prove unsustainable. Though it was frustrating at times to see more speculative corners of the market outperform our holdings, we were encouraged by the strategy's resilience during pullbacks and remained confident that our commitment to quality would stand the test of time.

Result: We outperformed the Russell 2000 by 14.3% in the 12 months beginning July 2021. We beat the Russell on the downside by nearly 500 bps in 2022 and finished in the 7th percentile for 2023.

Q2-Q3 2024 (Relative Underperformance 12.5%)

Over time, our biggest positive differentiator has been stock selection rather than sector or factor allocation. Unfortunately, in 2024 it wasn't the case. Alongside several market trends that hurt relative performance (Tech/Artificial Intelligence/Semi stock, momentum leadership) through much of the year, there was a highly unusual level of idiosyncratic underperformance on a stock-by-stock basis. There was nothing different about our underwriting process, and incorrect theses on several companies were compounded by enhanced post-earnings volatility throughout the market. As part of our ongoing evaluation process, we re-underwrite all of our holdings and optimize the portfolio based on under or outperformance.

The performance data quoted represents past performance. Current performance may be lower or higher than the performance data quoted above. Past performance is no guarantee of future results. The investment return and principal value of an investment will fluctuate so that investor's shares, when redeemed, may be worth more or less than their original cost. For performance information current to the most recent month-end, please call toll-free (800) 846-6666.

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Important Definitions: The **up capture ratio** measures a manager's performance in up markets relative to the market (benchmark) itself. The **downside capture ratio** measures manager's performance in down markets relative to the market (benchmark) itself. The **Russell 2000® Index** measures the performance of the 2000 smallest companies in the Russell 3000® Index, representing approximately 8% of the total market capitalization of the Russell 3000. London Stock Exchange Group PLC and its group undertakings (collectively, the "LSE Group"). © LSE Group 2025. FTSE Russell is a trading name of certain LSE Group companies. "Russell®" is a trade mark of the relevant LSE Group companies and is used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote/ sponsor/endorse the content of this communication.

Investors should carefully consider the investment objectives, risks, and charges and expenses of the Fund before investing. The Fund's prospectus and summary prospectus contain this and other important information, should be read carefully before investing or sending money, and may be obtained from your Financial Advisor, www.investdavenport.com, or by calling (888) 285-1863.