

DBALX The Virtues of Vanilla





Davenport Balanced Income Fund (DBALX)



The Virtues of Vanilla

October 2025

Who likes vanilla? If we're talking about ice cream, vanilla is among the world's most-loved flavors. If we're talking about investments, so-called "plain vanilla" securities often get a "bah, humbug" reaction. Maybe they shouldn't.

Using the graph to the right, we can make a case for a humble, plain-vanilla investment strategy: a portfolio with roughly 60% invested in stocks and 40% in bonds. Such a 60/40 portfolio (shown in the gray bars of the accompanying chart) has generated approximately a 9% compounded annual return for the past 74 years, and hasn't endured a negative return in any 5-year period since 1950.

The Davenport Balanced Income Fund (DBALX) is built on this 60/40 chassis, with approximately 60% of the strategy invested in the stocks owned by our Value & Income Fund and 40% of the strategy invested by Davenport's fixed-income team with a high-quality, intermediate-term bias. The goal of DBALX is to deliver competitive returns, while exhibiting a below-average level of volatility. We believe the second part of that equation is almost as important as the first part, insofar as extreme volatility often causes investors to become fearful at the most inopportune times. We seek to avoid "Rocky Roads." With a smoother, less-volatile ride, investors may be more apt to stay invested, enabling the magic of compounding to do its work.

