

# Is the Davenport Value & Income Fund (DVIPX) Doing its Job?





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Our Value & Income strategy was started years ago with a dual mandate of:

1. Value Investing
2. Providing a solid and growing income stream via dividends

The strategy began in 2001 as a separately managed account, with the Davenport Value & Income Fund (DVIPX) opening in 2010. The genesis was a periodic Davenport research piece titled “Incoming Ideas” that focused on stocks with high dividend yields for income-oriented and more conservative investors. Since inception, DVIPX has generated annualized returns of nearly 10% while demonstrating less volatility than the broader market or the Russell 1000 Value® Index (R1V).

Recently, during this “risk on” phase concentrated on all things AI infrastructure, we have stuck to our mandate. Although delivering on our promise, our returns look pedestrian versus the R1V benchmark during this time of rising speculation and risk taking. Understandably, this has caused some investors to develop benchmark envy, and we aren’t sure they realize the composition of our increasingly risky and irrelevant benchmark.

For further context, the Value & Income Fund now yields 2.6% versus 1.7% for the Russell 1000 Value. As the benchmark index has become “growthier” and led by low dividend payers, we have effectively been penalized for maintaining our income emphasis. The average dividend yield for the index’s top 20 performers this year (a list comprised almost exclusively semiconductor/AI infrastructure names) is a mere 0.08%.

Clearly, many of the hot names in the index don’t qualify for inclusion in our Fund given paltry dividend yields. We don’t ignore technology and have benefitted from tech stocks that offered both attractive valuations and solid dividends. As an aside, DVIPX’s price-to-earnings ratio (P/E) as of 4/30 was 17x versus 22x for the R1V, which now trades almost at parity with the S&P 500® Index.

Also, consider the following:

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- Technology now accounts for over 20% of the R1V versus 10% in 2016.
- The biggest position in the index (3%) is a hot semiconductor stock that is up 900%

