

September 30, 2014

Market Review

On the surface, the third quarter appears to have been pretty good since the S&P 500 Index gained 1.13%; however, mid and small cap stocks and international markets posted quarterly declines while the bond market was essentially flat. It seems the market's advance has become increasingly "narrow". In other words, it's been driven by a few pockets of strength that create a misleading façade. In fact, even within the S&P 500, there has been a wide dispersion between individual sectors and it could be that a "stealth" correction is already underway. It seems to be happening stock by stock, sector by sector, and country by country. Thus far, the pain has been most acute in more cyclical areas such as Energy and Industrial stocks, which are most sensitive to slowing global growth, in small-cap stocks, and in emerging markets. As we write this letter, the Russell 2000 Index has declined over 10% from its high, thereby officially qualifying as a "correction". In addition, the emerging markets have also entered correction territory having lost over 10% since early September. This relatively "narrow" advance has created a very challenging environment for "active" money managers and has created the worst relative performance for stock mutual funds since 1998, when the technology bubble was still inflating and expensive tech stocks gained 78% (i.e., another narrow market rally). The table below shows the percentage of equity mutual funds that have been able to beat their primary prospectus benchmark this year:

Category	% Funds Beating Prospectus Benchmark
U.S. Large Caps	19.7
U.S. Mid Caps	19.6
U.S. Small Caps	50.1
Int'l — Large Cap Developed	32.3

Source: Morningstar Direct

That said, absolute returns have been pretty strong this year — the world stock market, as represented by the MSCI All Country World Index, has gained 3.73% and the S&P 500 has gained 8.34%. Developed international markets, including Europe, Japan, and others, have remained sluggish as concerns over slowing economic growth and potential deflation have plagued several large economies. Emerging market stocks got a strong bounce in the first half of 2014 after a terrible year last year. But that has begun to fade and they finished the quarter up only 2.43% for the year, as represented by the MSCI Emerging Markets Index. Recently, the emerging markets have acted as a leveraged play on

what is happening with the economies in Europe and the U.S., and are therefore unlikely to do well independently of those other markets. The table below shows the performance of various segments of the global market this year:

Market Returns	Q3 2014	YTD 2014
U.S. Large Caps	1.13%	8.34%
U.S. Mid Caps	-1.66	6.87
U.S. Small Caps	-7.36	-4.41
International Developed Markets	-5.88	-1.38
Emerging Markets	-3.49	2.43
Bonds	-0.03	2.22

Source: Morningstar Direct. Please see Disclosures section for index definitions.

FundAdvisor Update

- 1) FMI International was down only 1.38% in Q3, compared to -5.88% for the MSCI EAFE, and has gained 4.11% this year.
- 2) Dodge & Cox International is the top performing international mutual fund this year according to Morningstar, gaining 4.97% compared to the MSCI EAFE index down 1.38%.
- 3) Eaton Vance Global Macro Absolute Return gained 1.70% in the third quarter, compared to -0.03% for the Barclays Intermediate Govt/Credit Index.
- 4) American Funds AMCAP has gained 8.56% this year, slightly ahead of the S&P 500.
- 5) Given the difficulties of actively managed mutual funds described above, the addition of the Vanguard Extended Markets Index Fund earlier this year has been a good one.

While we hope that the corrections in small cap and emerging markets stocks do not carry over to the broader market, it would not come as a huge surprise given that the U.S. equity market has not experienced a 10%+ decline in more than three years. History shows such declines to be a normal and healthy part of the stock market's course and that they are typically very difficult to predict consistently. As always, we thank you for your trust and will continue our rigorous monitoring and research in an effort to identify best-in-class investment managers for your portfolios.

Returns

as of September 30, 2014 *Returns greater than 1 year are annualized

Fund / Index Name	Rolling Returns					Fund / Index Performance at Net Asset Value**					Expense Ratio	
	Avg 1 Year	Avg 3 Year	Avg 5 Year	Up Capture	Down Capture	YTD	1 Year	3 Years*	5 Years*	10 Years*	Gross	Net
Large Cap												
American Funds AMCAP F2	10.34	6.58	6.64	98.43	93.36	8.56	19.24	23.87	16.13	8.88	0.49	0.49
Diamond Hill Large Cap I	10.54	6.32	5.97	101.57	95.21	4.82	14.61	22.43	14.31	9.35	0.80	0.80
FMI Large Cap	10.30	7.21	7.20	92.28	79.95	6.47	15.77	20.89	14.25	9.67	0.96	0.96
S&P 500 Index	9.32	5.62	5.23	100.00	100.00	8.34	19.73	22.99	15.70	8.11	-	-
Mid Cap and Small Cap												
Munder Mid Cap Core Growth Y	11.70	7.37	7.02	89.34	83.24	4.23	13.10	21.43	16.28	9.94	1.15	1.15
Vanguard Extended Market Idx	12.20	7.58	7.76	100.54	98.43	1.06	9.70	23.45	16.46	10.00	0.10	0.10
Keeley Small Cap Value A	11.85	5.89	4.95	106.74	111.60	-5.38	2.36	21.87	14.11	8.88	1.12	1.12
Russell 2500 Index	11.55	7.16	7.36	100.00	100.00	0.28	8.97	22.80	15.99	9.45	-	-
International												
FMI International	-	-	-	-	-	4.11	11.74	18.60	-	-	1.15	1.00 ¹
Dodge & Cox Int'l Stock	11.24	4.29	4.37	112.15	104.07	4.97	13.19	18.70	9.38	8.86	0.64	0.64
MFS Int'l New Discovery	12.70	7.22	7.39	103.27	88.59	-2.27	2.19	14.99	11.14	9.92	1.14	1.14
MSCI EAFE Index	8.50	2.58	2.17	100.00	100.00	-1.38	4.25	13.65	6.56	6.32	-	-
Emerging Markets												
American Funds New World F2	13.13	7.89	7.70	77.33	70.85	0.15	4.25	11.58	7.23	10.37	0.76	0.76
MSCI Emerging Markets Index	14.36	7.86	8.07	100.00	100.00	2.43	4.30	7.19	4.42	10.68	-	-
Intermediate Gov't/Credit												
Eaton Vance Glb Mcr Abs Rtn	4.95	5.24	5.48	75.38	-18.63	2.61	3.68	2.41	2.54	5.14	1.02	0.71 ²
Hartford Floating Rate	-	-	-	-	-	1.31	3.16	6.60	6.48	-	0.71	0.71
BarCap U.S. Intrm Govt/Credit	4.33	4.98	5.19	100.00	100.00	2.22	2.20	2.01	3.42	4.05	-	-
Short-Term Bond												
Vanguard Short-Term Inv Gr.	4.00	4.22	4.57	134.95	160.81	1.64	2.26	2.60	3.19	3.70	0.10	0.10
Citigroup USBIG Gov/Corp 1-3 yr	3.08	3.40	3.45	100.00	100.00	0.52	0.71	0.88	1.40	2.84	-	-
Dynamic Allocation												
BlackRock Global Allocation I	8.66	6.62	6.58	70.93	54.78	2.72	7.90	10.76	7.40	8.26	0.88	0.88
IVA Worldwide I	-	-	-	-	-	4.21	8.25	10.80	8.71	-	1.02	1.02
Kinetics Paradigm No Load	12.10	4.97	4.18	119.38	114.48	2.33	11.99	23.73	13.22	9.35	1.72	1.64 ³
Wells Fargo Avtg Abs Rtn A	-	-	-	-	-	1.52	4.91	-	-	-	1.41	1.41
Wintergreen Investor	-	-	-	-	-	-0.40	4.70	11.02	9.73	-	1.85	1.85
Ivy Asset Strategy I	13.20	9.84	8.97	89.56	64.01	-4.55	4.66	15.03	8.41	11.46	0.73	0.73
MSCI World Index	8.68	3.98	3.62	100.00	100.00	3.89	12.20	17.93	10.86	7.12	-	-

Performance shown is historical and is no guarantee of future results. Current performance may be lower or higher than the data quoted. To obtain performance data current to the most recent month end, please call (800) 853-2060.

Important Disclosures

It is important to note that short-term and trailing performance will fluctuate. We expect all of the funds at some point to experience underperformance versus their benchmarks and peer groups. However, we believe that our research process has helped us identify funds that are likely to perform well over the long term. Our decision to remove a fund is not based on short-term performance, but on in-depth analysis using our Monitoring Criteria.

"Mutual funds are offered in the FundAdvisor program at net asset value, but are subject to an annual investment advisory fee of up to 1.25% with a minimum fee of \$125 per quarter. The Davenport wrap fee includes investment advice and brokerage execution. In addition to the FundAdvisor fee, clients will bear a proportionate share of each mutual fund's management and administrative expenses, including advisory fees paid to the mutual fund's investment advisors. The performance shows the actual performance of the shares at net asset value, and does not represent individual account performance. Past performance is no guarantee of future results. Current performance may be lower or higher than the data quoted. To obtain performance data current to the most recent month-end, please visit the following web sites: www.americanfunds.com, www.blackrock.com, www.diamond-hill.com, www.dodgeandcox.com, www.eatonvance.com, www.fiduciarymgt.com, www.hartfordinvestor.com, www.ivafunds.com, www.ivyfund.com, www.keeleyfund.com, www.kineticsfund.com, www.mfs.com, www.munder.com, www.vanguard.com, www.wellsfargo.com, www.wintergreenfund.com. The investment and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost. Mutual Fund and Index returns are provided by Morningstar and Zephyr StyleADVISOR.

You should consider each mutual fund's investment objectives, risks, charges and expenses carefully before investing. Each mutual fund's prospectus contains this and other important information, should be read carefully before investing or sending money, and can be obtained by contacting your Investment Executive, or by calling (800) 853-2060. The investment return and principal value of an investment will fluctuate. An investor's shares, when redeemed, may be worth more or less than their original cost. Investing in securities carries risk including the possible loss of principal.

¹U.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**. Bonds represented by the **Barclays Capital Intermediate Government/Credit Index**. International Developed Markets represented by the **MSCI EAFE Index**. Emerging Markets represented by the **MSCI EM Index**.

Downside Capture Ratio measures a manager's performance in down markets relative to the market (benchmark) itself over the preceding 10-year period. **Gross Expense Ratio**: The total annual operating expenses of a fund divided by its average net assets. **Net Expense Ratio**: The total annual operating expenses of a fund, less any fee waivers, divided by its average net assets. This is the expense ratio actually charged by the fund for the previous fiscal year. **Rolling Returns**: The annualized average return for a period ending with the listed year. **Upside Capture Ratio** measures a manager's performance in up markets relative to the market (benchmark) itself over the preceding 10-year period.

¹The investment adviser has voluntarily agreed to reimburse the Fund to the extent necessary to ensure that total annual fund operating expenses do not exceed 1.00% at least through January 31, 2015.

²Reflects net interest expense.

³The Investment Adviser to the Paradigm Portfolio has voluntarily agreed to waive management fees and reimburse Fund expenses so that Total Annual Fund Operating Expenses do not exceed the net expense ratio listed for the particular class. These waivers and reimbursements may be discontinued at any time.

Index Definitions: The **Barclays Capital Intermediate Government/Credit Index** is an unmanaged index composed of debt securities with maturities from one to ten years issued or guaranteed by the U.S. Treasury, U.S. Government agencies, quasi-federal corporations and fixed rate dollar denominated SEC-registered corporate debt that are rated investment grade or higher by Moody's Investors Service and Standard and Poor's Corporation or Fitch Investor's Service, in that order. The **Citigroup USBIG Government/Corporate 1-3 years Index** measures the performance of bonds issued in the U.S. investment-grade bond market. The **Morgan Stanley Capital International Europe, Australia and Far East (MSCI EAFE) Index** is an unmanaged index composed of the stocks of approximately 1,000 companies traded on 20 stock exchanges from around the world, excluding the U.S., Canada, and Latin America. The **MSCI Emerging Markets Index** is a capitalization-weighted index of stocks from 26 emerging markets that only includes issues that may be traded by foreign investors. The reported returns reflect equities priced in US dollars and do not include the effects of reinvested dividends. The **MSCI World Index** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The **Russell 2000® Index** measures the performance of the 2000 smallest companies in the Russell 3000 Index, which represents approximately 8% of the total market. The Russell 2000 Index is a trademark/service mark of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co. The **Russell 2500® Index** measures the performance of the small to mid cap segment of the U.S. equity universe, commonly referred to as "smid" cap. The Russell 2500 is a subset of the Russell 3000® Index. It includes approximately 2500 of the smallest securities based on a combination of their market cap and current index membership. The Russell 2500 Index is a trademark/service mark of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co. 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 Russell Midcap Index is a trademark/service mark of the Frank Russell Co. Russell® is a trademark of the Frank Russell Co. The **Russell Top 200 Index** is an unmanaged index comprising the largest 200 securities by U.S. market cap. 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. *An investor cannot invest in an index, and its returns are not indicative of the performance of any specific investment.*

Risk Considerations: International funds invest primarily in equity securities of issuers outside the United States. International investments are subject to additional risks such as currency fluctuations, political instability, and the potential for illiquid markets. Funds that invest in foreign securities may involve greater risks, including political and economic uncertainties, as well as risk of currency fluctuations. Small and mid cap company stocks may be more volatile than stocks of larger, more established companies. Investments in bonds and other fixed income securities may fall in value if interest rates change. Generally, the prices of debt securities rise when interest rates fall, while their prices fall when interest rates rise. Longer term debt securities are usually more sensitive to interest rate changes. An issuer suffering an adverse change in its financial condition could see the credit quality of its securities deteriorate, leading to greater price volatility of the security. Funds investing in lower quality debt securities are more susceptible to these problems and their value may be more volatile.

The mutual fund categories are determined by Davenport using a combination of Morningstar categories and a returns-based style analysis provided by Zephyr StyleADVISOR.

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