

March 31, 2016

It seems to have become pretty common in recent quarters that we talk about a market “correction” and an ensuing recovery that has been remarkably strong. The first quarter of 2016 is no different. During the quarter, the Dow Jones Industrial average moved more than 4,100 points from 17,425 at the beginning of the year to a low of 15,503 on February 11 (down 11%) and then back to 17,685 (a 14% recovery) by the end of the quarter. It was another see-saw that ended with a 1.5% gain, but brought about a lot of gloom and doom commentary and predictions in the middle of the quarter. However, the strong recovery was more support for the old adages that say: 1.) you want to buy stocks when others are selling and 2.) the most uncomfortable times often provide the best buying opportunities. Those that bought stocks in mid-February have experienced double digit gains in just a few short weeks. Smaller cap stocks, as defined by the Russell 2000 index, gained nearly 16% since February 11 to end the quarter down only 1.5%. Emerging markets had the most dramatic turnaround, having gained nearly 18% from the lows in January to the end of the quarter. For the quarter, emerging markets gained 5.8% and were the best performing stock region after a very difficult 2015. (See chart.) There were a couple of sharp reversals to note in the first quarter: 1) Last year’s high fliers, like the now famous FANG stocks – Facebook, Amazon, Netflix & Google - sold off sharply and market leadership rotated to more defensive sectors: utilities, telecoms and consumer staples which all performed well.

areas that may be providing the best opportunities for long-term growth are the areas that have been the most volatile over the past several years, namely small cap stocks and international and emerging market stocks. Hence, these are areas we are considering for increased exposure in the portfolios.

## Uncertainty and Volatility will remain – Review your Allocations

We remain in a dynamic, uncertain macroeconomic landscape, and this year’s presidential election certainly isn’t reassuring nervous investors. While we continue to reiterate our view that we have entered a lower-return period for stocks after the uninterrupted gains of 2009-2014, the violent selloff and subsequent rally of the first quarter support our belief that developing a comfortable asset allocation and risk-return profile for your situation is the best way to invest for the long term. Our models are designed to provide you with multiple levels of global market exposure to suit your investment time horizon and your ability to sustain short-term periods of volatility. If you wish to review your allocation or have any additional questions, please do not hesitate to contact your Investment Executive. Thank you for your confidence and your business.

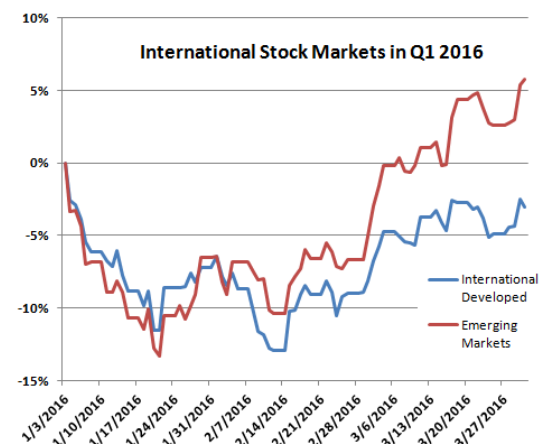
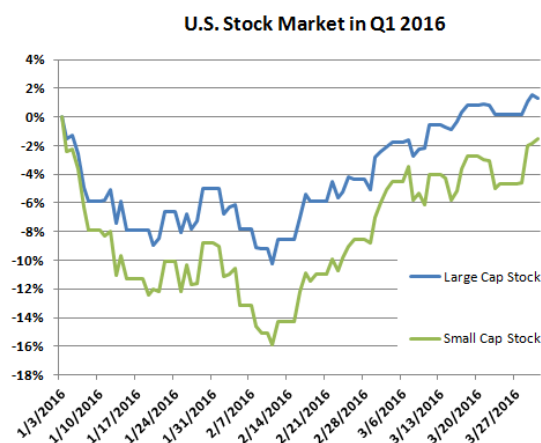
Market Returns	YTD	Q1 2016
U.S. Large Caps	1.35%	1.35%
U.S. Mid Caps	2.24%	2.24%
U.S. Small Caps	-1.52%	-1.52%
International Developed Markets	-3.01%	-3.01%
Emerging Markets	5.71%	5.71%
Interm. Term Bonds	2.45%	2.45%

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

2) Industrials and commodity-related names reversed course with a strong improvement in the price of oil which helped lead the bounce higher in the second half of the quarter.

## Indexes Have Been Flat to Down for a While

After the incredibly strong returns of 2013 and 2014, Davenport’s take was that we had borrowed some returns from the future, which has certainly played out over the past couple of years. Even with the strong recovery in Q1, the market (S&P 500) remains in roughly the same place it was in November of 2014. Smaller cap stocks, while more volatile than large caps, are currently near the same level as in October of 2013. As we have discussed on many occasions in the past, the international markets have been worse. Developed international stocks (Europe, Japan, Australia, etc.) have been essentially flat since mid 2013, while the emerging markets have returned to levels seen in 2011 after a -15% year in 2015. With this in mind, the



\*Performance discussed is historical and is no guarantee of future results. No graph, chart, formula or indicator can guarantee profit of any nature in the stock market and should not be relied upon solely in making investment decisions. Investing in stocks always carries risk, including the possible loss of principal.

# Returns

as of March 31, 2016 \*Returns greater than 1 year are annualized (All returns are net of fees)

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
<b>Large Cap</b>												
American Funds AMCAP F2	9.91	10.05	10.44	98.08	95.02	0.50	-0.93	12.30	11.60	7.46	0.47	0.47
Diamond Hill Large Cap I	8.71	8.57	8.95	96.90	96.23	1.16	0.21	10.79	10.73	6.93	0.70	0.70
FMI Large Cap	9.06	9.26	9.62	90.35	82.65	3.39	-0.91	9.90	10.48	7.82	0.87	0.87
S&P 500 Index	8.79	8.57	9.25	100.00	100.00	1.35	1.78	11.82	11.58	7.01	-	-
<b>Mid Cap and Small Cap</b>												
Vctry Munder Mid Cap Core Growth Y	10.06	9.28	10.25	93.40	88.73	1.08	-8.84	8.08	8.72	6.52	1.07	1.07
Vanguard Mid Cap Index Adm	10.39	10.05	10.84	87.69	84.59	1.17	-4.29	10.78	10.03	7.24	0.09	0.09
JHancock Small Cap Value I	17.35	16.21	16.02	-	-	3.81	-1.46	9.19	9.87	-	1.29	1.29
Russell 2500 Index	9.63	9.91	10.73	100.00	100.00	0.39	-7.31	8.16	8.58	6.47	-	-
<b>International</b>												
FMI International	11.66	13.44	9.16	-	-	1.67	-2.78	7.48	9.53	-	0.98	0.98
Dodge & Cox Int'l Stock	6.13	4.70	4.86	109.07	136.49	-3.76	-18.12	1.34	1.36	2.46	0.64	0.64
MFS Int'l New Discovery	8.36	7.21	8.08	100.44	107.94	0.60	0.36	4.17	5.85	5.63	1.12	1.08 <sup>1</sup>
MSCI EAFE Index	4.14	2.68	3.03	100.00	100.00	-3.01	-8.27	2.23	2.29	1.80	-	-
<b>Emerging Markets</b>												
American Funds New World F2	7.54	5.05	5.52	77.85	70.86	0.24	-8.21	-0.25	0.62	4.78	0.76	0.76
MSCI Emerging Markets Index	7.22	3.46	3.99	100.00	100.00	5.71	-12.03	-4.50	-4.13	3.02	-	-
<b>Intermediate Gov't/Credit</b>												
Eaton Vance Glb Mcr Abs Rtn	4.41	4.05	3.88	63.84	-11.31	0.19	0.92	1.36	1.78	4.25	0.77	0.74 <sup>2</sup>
Hartford Floating Rate	4.02	4.83	5.31	53.01	2.85	1.54	-2.36	0.88	2.75	3.27	0.72	0.72
Vanguard Interm-Term Inv Grd	6.05	6.55	6.95	147.43	172.93	3.57	2.90	3.12	5.08	5.91	0.10	0.10
BarCap U.S. Intrm Govt/Credit	4.32	4.37	4.49	100.00	100.00	2.45	2.06	1.83	3.01	4.34	-	-
<b>Short-Term Bond</b>												
Vanguard Short-Term Inv Grd	3.68	3.83	3.88	138.98	174.88	1.76	1.86	1.79	2.36	3.69	0.10	0.10
Citigroup USBIG Gov/Corp 1-3 yr	2.75	2.57	2.45	100.00	100.00	0.92	0.99	0.90	1.10	2.77	-	-
<b>Dynamic Allocation</b>												
BlackRock Global Allocation I	6.30	5.90	6.14	66.67	55.16	-0.45	-3.93	3.52	3.55	5.38	0.87	0.87
IVA Worldwide I	9.87	8.79	9.08	-	-	0.98	-2.76	4.09	3.96	-	1.00	1.00
Kinetics Paradigm No Load	7.60	6.13	6.46	110.95	115.10	-0.22	-13.42	5.22	5.31	3.78	1.68	1.64 <sup>3</sup>
Wells Fargo Avtg Abs Rtn A	5.51	6.01	6.28	46.75	33.27	0.00	-5.98	0.56	3.23	4.91	1.43	1.42 <sup>4</sup>
Wintergreen Investor	6.47	5.78	6.79	79.94	75.13	-0.13	-3.79	-0.68	2.39	4.53	1.89	1.89
Ivy Asset Strategy I	8.06	7.17	7.34	76.76	65.47	-5.01	-14.17	-0.35	1.90	5.75	0.74	0.74
MSCI World Index	6.26	5.42	5.95	100.00	100.00	-0.35	-3.45	6.82	6.51	4.27	-	-

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](http://www.americanfunds.com), [www.blackrock.com](http://www.blackrock.com), [www.diamond-hill.com](http://www.diamond-hill.com), [www.dodgeandcox.com](http://www.dodgeandcox.com), [www.eatonvance.com](http://www.eatonvance.com), [www.fiduciarymgt.com](http://www.fiduciarymgt.com), [www.hartfordinvestor.com](http://www.hartfordinvestor.com), [www.ivafunds.com](http://www.ivafunds.com), [www.ivyinvestments.com](http://www.ivyinvestments.com), [www.jhinvestments.com](http://www.jhinvestments.com), [www.kineticsfunds.com](http://www.kineticsfunds.com), [www.mfs.com](http://www.mfs.com), [www.munder.com](http://www.munder.com), [www.vanguard.com](http://www.vanguard.com), [www.wellsfargo.com](http://www.wellsfargo.com), [www.wintergreenfund.com](http://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.***

<sup>1</sup>U.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.

<sup>1</sup>Massachusetts Financial Services Company has agreed in writing to reduce its management fee to 0.90% of the fund's average daily net assets annually in excess of \$1 billion to \$3 billion, 0.85% of the fund's average daily net assets annually in excess of \$3 billion to \$5 billion, 0.80% of the fund's average daily net assets annually in excess of \$5 billion to \$10 billion, and 0.75% of the fund's average daily net assets annually in excess of \$10 billion. This written agreement will remain in effect until modified by the fund's Board of Trustees, but such agreement will continue until at least January 31, 2017. MFS Fund Distributors, Inc., has agreed in writing to waive the program management fee for each of the fund's Class 529A, Class 529B, and Class 529C shares to 0.05% of the fund's average daily net assets attributable to each share class annually. This written agreement will expire on January 31, 2017, unless MFS Fund Distributors, Inc., elects to extend the waiver.

<sup>2</sup>Total annual Fund operating expense ratio is as stated in the Fund's most recent prospectus. Net expense ratio is not a result of a fee waiver or expense reimbursement. Net expense ratio excludes interest expense associated with certain investment transactions.

<sup>3</sup>The Fund's adviser has voluntarily agreed to waive management fees and reimburse fund expenses so that net annual fund operating expenses do not exceed certain levels through May 1, 2016 and may be discontinued at any time by the Fund's adviser after May 1, 2016.

<sup>4</sup>The Manager has contractually committed through August 31, 2016, to waive fees and/or reimburse expenses to the extent necessary to cap the Fund's Total Annual Fund Operating Expenses After Fee Waiver at 0.71% for Class A and 1.46% for Class C. Brokerage commissions, stamp duty fees, interest, taxes, acquired fund fees and expenses (including the expenses of GMO Benchmark-Free Allocation Fund), and extraordinary expenses are excluded from the cap. After this time, the cap may be increased or the commitment to maintain the cap may be terminated only with the approval of the Board of Trustees.

**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 **CRSP US Large Cap Index** includes U.S. companies that comprise the top 85% of investable market capitalization. The **CRSP US Mid Cap Index** targets inclusion of the U.S. companies that fall between the top 70%-85% of investable market capitalization. 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.

# DAVENPORT

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