

The Davenport Multi-Asset Portfolios Quarterly Update



Third Quarter Update 2025

FundAdvisor & ETFAdvisor Summary

FUNDADVISOR & ETFADVISOR SUMMARY

THIRD QUARTER 2025

Market Returns (%)	Q3 2025 Return	YTD Return	4/9/25-9/30/25
Large Cap Stocks	8.1%	14.8%	35.1%
Small Cap Stocks	12.4%	10.4%	39.3%
Growth Stocks	9.0%	18.1%	44.9%
Dividend Stocks	8.1%	11.5%	22.5%
International Stocks	4.8%	25.1%	27.0%
Emerging Market Stocks	10.6%	27.5%	36.0%
Intermediate Bonds	1.5%	5.7%	3.3%
High Yield Corporate Bonds	2.5%	7.2%	9.2%

Source: Morningstar Direct. Please see last page for index definitions.

Market Review

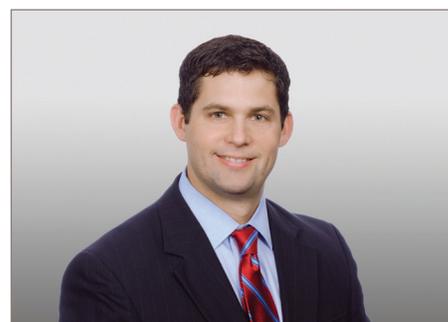
Since the market low and President Trump's tariff pause on April 9, the stock market has been off to the races. The S&P 500® Index has gained 35.1%, with growth stocks up 45%, small cap stocks up over 39%, and emerging markets gaining 36%. These were capped off with strong gains in the third quarter, led by double digit gains for small cap and emerging market stocks which have been relative laggards in recent years. Year-to-date returns have been surprisingly strong with double-digit gains for most equity asset classes, led by growth stocks and international markets, which make up a meaningful portion of our asset allocation models.

The primary catalyst was the anticipation of the Federal Reserve lowering interest rates, which came in mid-September with a 0.25% reduction in the Fed funds rate. The market expects two more similar cuts this year that will lower borrowing costs for consumers and businesses and potentially provide a boost to the economy. Investors are hoping this will ease the mild sluggishness we've seen in the housing and labor markets. Typically, reducing interest rates during an already strong economy is good for stocks and can entice money off the sidelines. Additionally, President Trump's "Big Beautiful Bill" is expected to provide tax cuts and other fiscal stimulus in 2026 that could add additional fuel to the fire.



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The Davenport Asset Management FundAdvisor and ETFAdvisor programs offer globally diversified portfolios of stock and bond funds or ETFs to help our clients meet their long term objectives, and includes varying levels of risk exposure and return expectations. Some of the features of FundAdvisor and ETFAdvisor include diversification among multiple asset classes, cost-efficiency, annual rebalancing, tax efficiency, and ongoing monitoring of the mutual fund or ETF positions.



Those that are concerned about the market will point to high valuations on stocks, political uncertainty, the delayed impact that higher tariffs could have on inflation, and possible irrational exuberance. Since the “Liberation Day” low in April, unprofitable tech stocks, Artificial Intelligence (AI) linked stocks and so-called meme stocks, which gain popularity through social media, have posted explosive moves higher. While we don’t question the utility or “coolness” of AI technology, it does feel like a gold rush mindset has commenced in certain corners of the market (especially more speculative stocks tied to the theme). We are clearly in the phase when investors are focused more on “stories” than actual intrinsic value, and they have flocked towards richly valued momentum stocks. Many of these perceived AI beneficiaries are prioritizing growth over profit and investors may begin to question the ultimate returns on this AI spending. If so, we could see a broadening out to other areas of the market that are less exposed to tech stocks, like small and mid-cap stocks and dividend paying stocks. However, often the momentum will go on much longer than anyone expects and the catalysts for a shift are impossible to predict. We have seen some short-lived momentum changes toward other areas of the market in the past couple of years, but none have lasted long.

We have been trying to be responsive to some of the large dislocations that we have seen in the market in the last few years. Therefore, in early April, we added to stocks after a more than 20% market decline and benefited from the ensuing bull market mentioned earlier. We, therefore, took the opportunity at the end of the third quarter to bring equities back down to their target allocations by reducing our overweight positions in smaller market cap and emerging market equities to add to bonds. This came on the heels of strong gains in those areas since April and we think the move will help to reduce risk if we have any type of disruption between now and the end of the year. It is hard to believe that we are heading to the busy fourth quarter, but we hope for a strong end of the year and look forward to reporting back in early 2026.

Sincerely,



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Diversification and Asset Allocation does not ensure a profit or guarantee protection against a loss. 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. The mutual fund categories are determined by Davenport using a combination of Morningstar categories and a returns-based style analysis provided by Morningstar Direct.

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Bonds are subject to market and interest risk; values expect to decline as interest rates rise. Bonds may not be suitable for all investors and you should consider specific risks such as credit risk, default risk and volatility prior to investing.

Index Definitions: Large Cap Stocks represented by the S&P 500 Total Return Index. Small Cap Stocks represented by the Russell 2000 Index. Growth Stocks represented by the NASDAQ 100 Index. Dividend Stocks represented by the DJ US Select Dividend Index. International Stocks represented by the MSCI EAFE Index. Emerging Market Stocks represented by MSCI EM Index. Intermediate Bonds represented by Bloomberg US Govt/Credit Intern Index. High Yield Corporate Bonds represented by Bloomberg High Yield Corporate Index.

Performance shown is historical and is no guarantee of future results. Investing in securities carries risk including the possible loss of principal.

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