

## Davenport & Company LLC

### Firm Brochure: Part 2 of Form ADV: Uniform Application for Investment Advisor Registration

**October 28, 2021**

This brochure is required by regulation and is designed to provide information about the qualifications and business practices of Davenport & Company LLC (“Davenport”). If you have any questions about the contents of this brochure, please contact us at 804-780-2000 or [info@investdavenport.com](mailto:info@investdavenport.com). The issuance of this brochure is required by the United States Securities and Exchange Commission (SEC); however, the information in this brochure has not been approved or verified by the SEC or by any other regulatory body or state securities authority. Davenport is a SEC Registered Investment Adviser; however, registration does not imply a certain level of skill or training.

Davenport & Company LLC  
901 East Cary Street, Suite 1100  
Richmond, Virginia 23219  
Phone: 804-780-2000  
Email: [info@investdavenport.com](mailto:info@investdavenport.com)  
[www.investdavenport.com](http://www.investdavenport.com)

Our Brochure may be requested by contacting [info@investdavenport.com](mailto:info@investdavenport.com). Our Brochure is available, free of charge, on our web site, [www.investdavenport.com](http://www.investdavenport.com).

Additional information about Davenport is available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site provides information about any persons affiliated with Davenport who are registered, or are required to be registered, as investment advisor representatives of Davenport.



Davenport & Company LLC Member: NYSE | FINRA | SIPC

## 2. Material Changes

This item discusses material changes since the last update of Davenport’s Brochure and provides clients with a summary of such changes.

- Davenport has no material matters to disclose.

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***Note: All investments involve the risk of loss, including but not limited to; loss of principal, a reduction in earnings (including interest, dividends and other distributions) and the loss of future earnings. These risks include, but are not limited to; market risk, interest rate risk, issuer risk, liquidity risk, and general economic risk. Although we manage client assets in a manner consistent with risk tolerances, there can be no guarantee our efforts will be successful. Investors should be prepared to bear the risk of loss.***

## 4. Advisory Business

Davenport is a privately held investment firm established in 1863 and headquartered in Richmond, Virginia. The firm is an independent, employee owned, limited liability company, with no employee owning more than 10% of the firm. Davenport offers Asset Management, Retail Brokerage, Investment Research, Public Finance, and Investment Banking and Advisory Services. The Investment Advisory Division of Davenport offers Davenport Asset Management (“DAM”) programs and Financial Advisor Managed programs described below.

Davenport manages separate accounts for individuals, institutions, ERISA plans, trusts, estates, corporations, and other types of entities. DAM is also the Advisor to five mutual funds. The various managed account programs we offer can each be tailored to individual investors’ needs. You may impose restrictions on investing in certain securities or types of securities in your account. Davenport’s managed programs are available with several cost structures. Each program is managed in accordance with its program guidelines, regardless of the cost structure you choose – Wrap Fee (see #5, below), Fee and/or Commission or Commission Only (existing accounts only, commission only is no longer offered). Details about the cost structure options available for each program are discussed in Section 5 – Fees and Compensation.

### **Davenport Asset Management Programs (“DAM”)**

DAM offers a variety of investment strategies.

#### **Separately managed accounts:**

- Core Portfolio (“Core”), which has the goal of outperforming the S&P 500® Index while taking less risk;
- Value & Income Portfolio (“Value & Income”), which seeks to provide income and long-term growth of capital;
- Equity Opportunities Portfolio (“Equity Opportunities”), which has the goal of identifying small-to-medium sized companies with the potential for above average, long-term results;

#### **Davenport Mutual Fund strategies:**

- Davenport Core Mutual Fund (“DAVPX”)
- Davenport Value & Income Mutual Fund (“DVIPX”)
- Davenport Equity Opportunities Mutual Fund (“DEOPX”)

There are no separately managed accounts offered with the following strategies:

- Davenport Small Cap Focus Fund (“DSCPX”). The fund has an investment objective of long-term capital appreciation.
- Davenport Balanced Income Fund (“DBALX”). The fund has an investment objective of current income and the opportunity for long term growth.

#### **Exchange Traded Fund strategies:**

- *ETFAdvisor* (“*ETFAdvisor*”), the strategy has an investment objective to deliver well diversified portfolios of ETFs.

#### **Fixed Income strategies:**

- Individual investment-grade bonds
- A combination of individual investment-grade bonds and fixed income Exchange Traded Funds (ETFs) utilized in the management of Fixed Income

#### **Mutual Fund strategies:**

- *FundAdvisor* (“*FundAdvisor*”), the strategies have a goal to deliver well diversified portfolios of mutual funds

#### **Blended strategies:**

- Blended Allocation\*\* (“Blended Allocation”), the portfolio will combine either the Core or the Value & Income stock strategies with select *FundAdvisor* mutual funds

#### **ManagerSelect (“DMS”)**

- Offers clients access to outside money manager strategies through a third-party agreement between Davenport & Vestmark. Davenport receives a feed from Vestmark, with trading activity undertaken by the managers (“models”). This activity is then implemented in client accounts, which mirror the applicable model.

\*\*Currently, this program is not offered to new clients.

### **Financial Advisor Managed Programs**

#### **Flexible Managed Account (“FMA”)**

- Offers the client a tailored portfolio in which the Financial Advisor manages your investments on either a discretionary or non-discretionary basis. The program’s flexibility allows the Financial Advisor and you to structure portfolios in a manner deemed suitable for you.

#### **Portfolio Management Account (“PMA”)**

- Offers the client an account in which the Financial Advisor manages your investments according to your individual needs and objectives on a discretionary basis. The Portfolio Review Committee formally reviews your portfolio on a quarterly basis and makes suggestions as appropriate. Additional reviews by the Committee are available by request from either you or the Financial Advisor and are conducted at no extra charge.

#### **Portfolio Review (“PR”)**

- Offers the client a non-discretionary account in which the Financial Advisor monitors your investments and recommends securities transactions according to your individual needs and objectives. The Portfolio Review Committee formally reviews each client’s portfolio on a quarterly basis and makes suggestions as appropriate.

### **Other Programs**

#### **Flexible Retirement Account Consulting**

- A discretionary or non-discretionary service, in which Davenport Financial Advisors provide consulting services to public and private participant directed retirement plans, such as 401(k) plans. The Plan Sponsor or participant will direct the portfolio selection. Generally custody and execution services are provided by a non-affiliated third party of the Plan Sponsor’s choosing.

#### **RetirementAdvisor\*\***

- A qualified retirement plan platform that offers companies, and their employees, access to the same expertise and investment processes available through FundAdvisor. Generally, custody and execution services are provided by a non-affiliated third party of the Plan Sponsor’s choosing.

The services offered include:

- Investment Policy Statement Review, Performance Reports – periodic reports showing historical performance, asset allocation and the performance of each holding compared to benchmarks and market segments, Asset Allocation, Mutual Fund Research, Asset Classification
- Participant Education

\*\*Currently, this program is not offered to new clients.

### **Investment Consulting Services**

- Individualized investment consulting services are provided to clients regarding securities that are not custodied or otherwise managed by Davenport. Specific services will vary by client. Consulting services may include recommending asset allocation and/or security selection within a client’s employer sponsored retirement plan, preparing customized reports of investment holdings and results, assisting clients’ tax advisors in gathering information needed to prepare tax returns, reconciling client’s cash flows, or other services that may be reasonably requested.

### **Financial Planning**

- Davenport offers personal financial planning services that may include, but are not limited to, advice on education funding, asset allocation, budgeting and cash-flow analysis, retirement planning, estate planning, and insurance

planning. This service generally involves an initial meeting to gather data, and at least one subsequent meeting to discuss the recommendations.

As of 12/31/20, Davenport's Investment Advisory programs totaled \$14,778,104,048 managed on a discretionary basis.  
As of 12/31/20, Davenport's Investment Advisory programs totaled \$1,302,752,374 managed on a non-discretionary basis.

## 5. Fees and Compensation

Davenport's fees and compensation vary, depending upon on the type of account and cost option you choose. In general, wrap and fee and/or commission account fees are charged quarterly. Intra-quarter deposits of \$50,000 or more, that also generate a minimum fee of \$40, will be assessed a pro-rated fee and intra-quarter withdrawals of \$50,000 or more, that also generate a minimum rebate of \$40, will receive a pro-rated refund. Program changes within an account during the quarter will generate a pro-rated refund and a new pro-rated fee will be charged on the billable market value at the time of the change.

In some instances, fees and commissions may be discounted or negotiated. Various accounts are subject to minimum fees. On rare occasions fees may be waived, with Executive Management's approval, for a specified period of time.

In order to recommend or receive compensation for an Investment Advisory Account, the Davenport Financial Advisor ("IE") and/or Portfolio Manager ("PM") must be licensed under the Uniform Investment Advisor Law (Series 65) and registered as an "Investment Advisory Representative" with the appropriate State Securities Board, unless the individual is exempt by law.

Davenport Asset Management (Core, Value & Income, Equity Opportunities, Fixed Income and Blended Allocation) clients can choose from different cost options: Wrap Fee only, Fee and/or Commission (billed in advance), or Fee and/or Commission (billed in arrears). *ETFAdvisor* and *FundAdvisor* are available only with a Wrap Fee cost structure. Fees will either be deducted directly from your account or, if you prefer, you may be billed. If your account has insufficient funds to cover the fee due for the account, we will sell securities in the account to cover the fee. If you chose, you will be notified of these sale transactions by way of the Quarterly Trade Confirmation Report when the securities have been liquidated. You also have the ability to receive a trade confirmation when the transaction occurs by informing your Financial Advisor.

The investment advisory agreement may be canceled at any time, by either you or us, with written notice. If an account is terminated, you will receive a pro-rata refund of any fees paid in advance, as of the effective date of termination. If the account pays in arrears and the contract is terminated during the calendar quarter, any fee due may be prorated as of the effective date of cancellation and billed to you or deducted from the account.

If you choose to fund a Davenport Asset Management account with securities that do not fit the established, or agreed upon criteria, those securities will be sold and the proceeds reinvested accordingly, in the strategy model. If the account is set up as a Fee and/or Commission account there will be commission charges to sell those securities, as well as commissions charged on the purchases. Generally, there is no charge to sell assets transferred into a Wrap Fee account; however, there could be deferred-sales charges imposed by the investment company when liquidating mutual fund or annuity positions. DAM may not take into consideration any costs associated with switching, such as deferred-sales charges, surrender charges, or tax consequences when selling securities that have been used to establish the account. You should discuss any tax consequences with your tax advisor before depositing securities into the managed account.

If you select a Fee and/or Commission cost structure the account will be charged commissions for purchase and sales transactions. More details about our brokerage practices can be found in Section 12 – Brokerage Practices.

**Wrap Fee** - You will pay one "wrap" or bundled fee that includes investment advice, custody of assets and brokerage execution services. A nominal fee (SEC or Transaction Fee) is an additional transaction cost attached to the selling of exchange-listed securities. Certain foreign securities have a financial transaction tax which is an additional service charge. These fees/charges are independent of the wrap fee. Core, Value & Income, Equity Opportunities, Blended Allocation Portfolios, *ETFAdvisor*, *FundAdvisor*, Portfolio Management Account, *ManagerSelect*, *DavenportOne*, and Flexible Managed Account are available as Wrap Fee programs. No separate commissions are charged to the accounts selecting this cost structure.

Fees are billed in advance at the beginning of each calendar quarter. The initial fee is calculated as of the date the agreement is accepted by Davenport. The fee is based on the initial value of the account and covers the remainder of the calendar quarter. Subsequent quarterly fees will be calculated on the basis of the market value of the securities and cash held in the account on the last business day of the prior calendar quarter. If cash and/or securities of \$50,000 or more, are deposited into the account between billing periods, a proportionate fee will be charged on the value added as of the date of the addition. If cash and /or securities of \$50,000 or more, are withdrawn from the account between billing periods, a proportionate fee will be refunded on the value as of the date of the withdrawal. Respective fees will be assessed and charged on a weekly basis.

**Fee and/or Commission (Advance)** - You will pay investment management fees based on assets under management and/or commissions and/or mark-ups or mark-downs on each securities transaction as total compensation for this service.

Fees are billed in advance at the beginning of each calendar quarter. The initial fee is calculated as of the date the agreement is accepted by Davenport. The fee is based on the initial value of the account and covers the remainder of the calendar quarter. Subsequent quarterly fees will be calculated on the basis of the market value of the securities and cash held in the account on the last business day of the prior calendar quarter. If cash and/or securities of \$50,000 or more, are deposited into the account between billing periods, a proportionate fee will be charged on the value added as of the date of the addition. If cash and /or securities of \$50,000 or more, are withdrawn from the account between billing periods, a proportionate fee will be refunded on the value as of the date of the withdrawal. Respective fees will be assessed and charged on a weekly basis.

**Fee and/or Commission (Arrears)** - You will pay investment management fees based on assets under management and/or commissions and/or mark-ups or mark-downs on each securities transaction as total compensation for this service. Fees are billed at the end of each quarter. The fee is based on the average market value of securities and cash in an account as of the last business day of the preceding three months.

Fees and/or Commission accounts offer you and your Financial Advisors the flexibility to negotiate a fair and reasonable compensation for services. Either the fee or the commission, or both, may be negotiated to fit your needs and desired cost structure. You should keep in mind that Fee and/or Commission options are likely to incur higher overall expenses if there is a high volume of trades in the account, than would be the case if you selected the Wrap Fee cost option.

***Maximum annual asset-based fees are as follows:***

**Core, Value & Income, Equity Opportunities, Fixed Income and Blended Allocation\*\***

Wrap Fee:

- 1.50% of the first \$1 million or portion thereof in market value
- 1.25% of market value between \$1 million and \$5 million
- 1.00% of market value above \$5 million

Fixed-Income Only Accounts:

- .40% of first \$1 million or portion thereof in market value
- .30% of market value between \$1 million and \$5 million
- .20% of market value above \$5 million

Fee and/or Commission:

- .75% of first \$1 million or portion thereof in market value
- .50% of market value between \$1 million and \$5 million
- .30% of market value above \$5 million

\*\*Currently, this program is not offered to new clients.

**ETFAdvisor and FundAdvisor**

Wrap Fee:

- 1.25% of the first \$1 million or portion thereof in market value
- 1.00% of market value between \$1 million and \$5 million
- 0.75% of market value above \$5 million

Note: *ETFAdvisor* and *FundAdvisor* are not available as a Fee and/or Commission-based option.

In addition to the fees stated herein, clients whose assets are invested in mutual funds (including money market funds), ETFs, UITs, managed futures funds or other similar types of pooled investment vehicles will bear a proportionate share of the investment product's management and administrative fees and sales charges, including advisory fees paid to the mutual funds' investment advisors.

**DavenportOne**

Wrap Fee:

- 2.00% of the first \$1 million or portion thereof in market value
- 1.50% of market value between \$1 million and \$5 million
- 1.35% of all market value above \$5 million

**Flexible Managed Account**

FMA I – Fee only:

- Equities, Fixed Income Instruments, Cash and Money Market Funds:
  - 2.50% of the first \$1 million or portion thereof in market value
  - 2.50% of market value between \$1 million and \$5 million
  - 2.00% of market value above \$5 million

- Open End Mutual Funds and Unit Investment Trusts:
  - 2.00% of the first \$1 million or portion thereof in market value
  - 2.00% of market value between \$1 million and \$5 million
  - 2.00% of market value above \$5 million

FMA II – Fee and/or Commission:

Traditional brokerage commissions and/or markups or markdowns apply to equities and fixed income instruments.

- Equities, Fixed Income Instruments, Cash and Money Market Funds:
  - 2.00% of the first \$1 million or portion thereof in market value
  - 2.00% of market value between \$1 million and \$5 million
  - 2.00% of market value above \$5 million

- Open End Mutual Funds and Unit Investment Trusts:
  - 2.00% of the first \$1 million or portion thereof in market value
  - 2.00% of market value between \$1 million and \$5 million
  - 2.00% of market value above \$5 million

In addition to the fees stated herein, clients whose assets are invested in mutual funds (including money market funds), Unit Investment Trusts (“UITs”), Exchange Traded Funds (“ETFs”), managed futures funds or other similar types of pooled investment vehicles will bear a proportionate share of the investment product's management and administrative fees and sales charges, including advisory fees paid to the mutual fund's investment advisors.

**Commission Only (no longer offered to new accounts)**

You will pay traditional brokerage commissions and/or mark-ups or markdowns on each security transaction. There is no separate asset-based investment advisory fee. The normal minimum commission is \$85. In some instances the minimum may be waived.

**ManagerSelect**

Wrap Fee:

- 2.00% of the first \$1 million or portion thereof in market value
- 1.50% of market value between \$1 million and \$5 million

1.35% of all market value above \$5 million

Note: a portion of the wrap fee includes a manager model fee

**Portfolio Management Account**

Wrap

- 1.50% of market value up to \$250,000
- 1.25% of market value between \$250,000 and \$1 million
- 1.00% of market value between \$1 million and \$2 million
- 0.75% of market value above \$2 million

Fee and/or Commission:

- 1.25% of market value up to \$250,000
- 1.00% of market value between \$250,000 and \$1 million
- 0.75% of market value between \$1 million and \$2 million
- 0.50% of market value above \$2 million

Note: this fee option is for billed in advance at the beginning of each quarter only.

**Portfolio Review**

Fee and/or Commission:

- 0.50% of the first \$200,000
- 0.25% of all value between \$200,000 and \$1 million
- 0.10% of all value over \$1 million

Note: the Portfolio Review Program is not available as a Wrap Fee option.

**RetirementAdvisor\*\***

In some cases a flat fee may be negotiated. There is no required minimum account size for the RetirementAdvisor Account services. The fees are negotiable and vary based upon a number of factors, including, but not limited to:

- type and size of the account,
- historical or projected nature of trading for the account,
- number and range of advisory and client-related services to be provided.

Education & Service:

- 0.50% for Plan Assets with a total value up to \$1 million
- 0.35% for Plan Assets with a total value between \$1 million and \$5 million
- 0.25% for Plan Assets with a total value above \$5 million

Investment Advisory:

- 0.50% for Plan Assets with a total value up to \$1 million
- 0.35% for Plan Assets with a total value between \$1 million and \$5 million
- 0.25% for Plan Assets with a total value above \$5 million

\*\*Currently, this program is not offered to new clients.

**Flexible Retirement Account Consulting**

Fees may be charged quarterly in advance or in arrears, but are usually charged in advance. In some cases a flat fee may be negotiated. There is no required minimum account size for the Flexible Retirement Account Consulting services. The fees are negotiable and vary based upon a number of factors, including, but not limited to:

- type and size of the account,
- historical or projected nature of trading for the account,
- number and range of advisory and client-related services to be provided.

The standard asset based fee schedule for participant directed retirement plans is as follows:

Account Asset Value	Annual Davenport Fee Charged to Client
On the first \$2,000,000	1.00%



On the next \$2,000,000	0.75
On the next \$1,000,000	0.60
On the next \$5,000,000	0.40

### **Investment Consulting Services**

Fees for consulting services depend upon the level of service requested and will be negotiated. We may negotiate an hourly fee, a fixed fee, a percentage of assets under consultation, or a combination of the three. Certain services may result in compensation to us in the form of commissions and/or fees. ERISA and IRA assets are not eligible for this service.

### **Financial Planning**

The fee for a Financial Plan is \$1,000. An update to a previously issued Financial Plan is \$500. Under certain circumstances, fees may be negotiated.

Minimum account size varies by type of account. Minimums required by specific types of investments (e.g. mutual funds) must also be met. In some cases initial account value minimums may be negotiated or waived. In some instances minimum quarterly fees may be reduced or waived.

### **Separate Account Minimums**

<u>Strategy</u>	<b>Fee Only</b>		<b>Fee and/or Commission</b>	
	<u>Minimum Account Size</u>	<u>Minimum Quarterly Fee</u>	<u>Minimum Account Size</u>	<u>Minimum Quarterly Fee</u>
Blended Allocation Portfolios**	\$500,000	\$1,250	\$5,000,000	\$6,000
Blended Allocation Portfolios**				
Customized or w/Fixed Income	1,000,000	1,250	5,000,000	6,000
Core Equity	250,000	625	5,000,000	6,000
Core Balanced	400,000	625	5,000,000	6,000
Equity Opportunities	250,000	625	5,000,000	6,000
ETFAdvisor	25,000	0	N/A	0
Fixed Income	500,000	500	N/A	0
FundAdvisor	35,000	0	N/A	0
Value & Income Equity	250,000	625	5,000,000	6,000
Value & Income Balanced	400,000	625	5,000,000	6,000

\*\*Currently, this program is not offered to new clients.

<u>Other Programs</u>	<u>Minimum Initial Amount</u>	<u>Minimum Quarterly Fee</u>
DavenportOne	\$500,000	\$1,250
Flexible Managed Account I	50,000	0
Flexible Managed Account II	50,000	0
Flexible Managed Account III*	N/A	0
<i>*Existing accounts only, no longer offered</i>		
ManagerSelect	150,000	375
Portfolio Management Account	100,000	125
Portfolio Review	60,000	75
RetirementAdvisor**	N/A	0
Flexible Retirement Account Consulting	N/A	0
Donor Advised Program:		
• Predefined Allocation Models	50,000	0
• Charitable - Custom Allocation Models	50,000	0

<ul style="list-style-type: none"> <li>Separately Managed Account Models (Core, Core Balanced, Equity Opportunities, Value &amp; Income, Value &amp; Income Balanced and Fixed Income)</li> </ul>	1,000,000	0
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\*\* Currently, this program is not offered to new clients.

*In some instances, fees and minimums may be negotiated.*

In addition to the fees stated herein, clients whose assets are invested in mutual funds (including money market funds), Unit Investment Trusts (“UITs”), Exchange Traded Funds (“ETFs”), managed futures funds or other similar types of pooled investment vehicles will bear a proportionate share of the investment product’s management and administrative fees and sales charges, including advisory fees paid to the mutual fund’s investment advisors.

In addition to the fees stated above, there is a \$150 annual account fee. In some cases, this fee may be negotiated or waived.

Like many firms, Davenport & Company LLC receives payments from third parties whose products we distribute. These payments are from mutual fund companies, money market funds, and insurance companies and may include:

- sales loads;
- Rule 12b-1 fees:
- sub-transfer agent fees and fees for other administrative services:
- shareholder accounting fees and networking fees:
- reimbursements for education and training-related expenses: and
- reimbursements for marketing support and client seminars.

Under certain circumstances, Financial Advisors receive a percentage of these types of fees. Such payments create a conflict of interest by giving the Financial Advisor an incentive to recommend one investment company, product or share class over another. Davenport employs policies and procedures to ensure a share class without such fees is selected. As a regular practice, Davenport attempts to identify the lowest share class available to the client. Davenport is committed to reducing conflicts of interest and provides education to its Financial Advisors and conducts periodic reviews of investment selection, including share class. Davenport also rebates all 12b-1 fees in advisory accounts.

In addition, we have entered into a revenue sharing arrangement with the adviser and distributor of the money-market funds used for our cash management services. We believe that all payments are in accordance with industry rules and regulations as currently in effect. The maximum aggregate payment that we receive from money-market funds ranges from 0.00% to 0.88% annually, depending on fund type and share class.

In addition to asset-based fees, clients also pay transaction fees that are assessed to Davenport by the New York Stock Exchange (“NYSE”), Nasdaq, or any other national securities exchange or association on which the transaction is executed, or through which it clears. These fees are either; in relation to Section 31 which requires national securities exchanges or associations (such as the NYSE or Nasdaq) to pay a fee to the Securities and Exchange Commission; or in the case of options trades the fee is set by the CBOE. The amount of the fee changes periodically. Davenport will pass on these fees to customers for each qualifying transaction.

Other fees that may be charged to you in these programs include the standard costs associated with opening, maintaining or closing an account with us. This information is noted in the Fee Schedule & Other Important Information document found on our website.

You have the option to purchase investment products that we recommend through other Broker/Dealers not affiliated with us, or to purchase investment products directly from the investment company, in some cases at a lower cost than available from us. Davenport’s programs may cost you more or less than purchasing investment advice, custody and brokerage services separately or outside of Davenport, or Davenport’s custodian, Pershing LLC. In some cases fund companies allow investors to purchase the same fund shares selected for our program accounts directly from the fund company, in which case you would not incur a program fee.

Fixed income instruments purchased for your account from other firms may include a mark-up or a mark-down which is paid to the outside seller. Likewise, fixed income securities sold from your account to other firms may include a mark-up

or a mark-down which is paid to the outside purchaser. Davenport and Davenport's Financial Advisors do not receive any portion of these mark-ups or mark-downs, as described above.

Fee-and/or-commission accounts will pay us investment management fees based on assets under management plus commissions and/or mark-ups or mark-downs on each securities transaction as total compensation for this service. Commission-only accounts will pay us commissions and/or mark-ups or mark-downs on each securities transaction as total compensation for this service.

Occasionally accounts needing to sell a position in fixed income securities and accounts needing to add a position in fixed income will be identified. If and when appropriate, the securities will be crossed from one account to another. A fair price determination will be made by averaging the bid/ask price from two or more sources. If there are no price indications we will use Trade Reporting and Compliance Engine (TRACE) as the pricing source. TRACE is a system developed by the Financial Services Regulatory Authority (FINRA) to facilitate the mandatory reporting of over the counter secondary market transactions in eligible taxable fixed income securities. If we cross municipal securities and cannot determine a bid/ask price from two or more sources, we will use the Municipal Securities Rulemaking Board's trade reporting system for reference of recent trades of the security or trades of similar securities.

Financial Advisors that recommend Davenport's managed programs to their clients receive a percentage of the client's fee as a result of the client's participation in the program. This compensation may be greater than what a Financial Advisor would earn if a client participated in other programs or was paid separately for investment advice, brokerage and other services. In addition, Financial Advisors recommending programs may receive their portion of the clients' estimated annual fees in advance. Therefore, the Financial Advisor may have a financial incentive to recommend the program.

Clients invested in Wrap-fee programs that request temporary full liquidations of their account will be accommodated; however, an account that has not reinvested the proceeds within a reasonable amount of time may be suspended from the program or, if determined appropriate, the program relationship may be terminated. Billing will be suspended and the account may be converted to a non-advisory account. Following such termination, new paperwork, including a new contract, to reinstate the advisory relationship, will normally be required to reinvest the account.

The Board of Trustees for the Davenport mutual funds (the "Funds") has contracted Davenport to serve as the Advisor ("Advisor") to each of the Funds. Financial Advisors who invest client assets in Davenport Funds are compensated from the advisory fee Davenport receives as the Advisor to the funds. This represents a conflict of interest by giving the Financial Advisor an incentive to recommend these investment products based on the compensation received, rather than on your needs. Davenport strives to educate and inform Financial Advisors regarding selection of appropriate investments. In addition, Davenport recognizes that there are certain advantages Financial Advisors can offer clients of the Funds, such as; direct access to Portfolio Managers, in-depth knowledge of the background and experience of the decision makers and insight into the reasoning for specific investment selection.

Davenport & Company LLC does not encourage the use of margin in advisory accounts; however, the use of margin may be permitted, by prior approval, in certain instances where margin capabilities are in the client's best interest. Per the terms and conditions of the margin account agreement, margin interest will be charged on the entire debit balance. The margin debit balance is not excluded from the accounts' assets in calculating the annual advisory fee. This represents a conflict of interest by giving the Financial Advisor an incentive to recommend margin in an advisory account. Please refer to the Margin Disclosure Statement as well as the Client Account Agreement for more details on the risk of margin use.

### **Relationship with Pershing LLC**

Pershing is the clearing firm for our securities business. Due to this business relationship, Pershing shares with us a portion of the transaction costs and fees you pay to Pershing for certain transactions and services. The compensation we receive is an additional source of revenue to Davenport, and it defrays our costs associated with maintaining and servicing client accounts.

Your advisory fee is not reduced or offset as a result of any revenue that Pershing shares with Davenport. The following is a brief description of some of the revenue and other items.

Pershing pays Davenport an Annual Project & Technology and Recruitment Payment during the seven-year term of its Clearing Agreement with Davenport.

- Pershing also pays us an Open Account Rebate per account each quarter which is computed based on the number of open Davenport client accounts held on the Pershing platform.
- Pershing also provides consulting and other assistance to us from time to time.
- Davenport does not receive revenues from Pershing on any investor free credit balances. Instead, Davenport pays Pershing a percentage on any margin debits funded at Pershing by investor free credit balances.
- Davenport determines the margin debit interest rate and receives any amounts paid by customers in excess of the Upper Fed Funds Target Rate plus a spread.
- Pershing pays us a placement fee for each CD purchased through Pershing by a Davenport' client.
- Pershing provides a financial incentive for any net new assets from transitioning advisors.

Where Davenport receives compensation from Pershing, this presents a conflict of interest because Davenport and your Financial Consultant have a greater incentive to make available, recommend, or make investment decisions regarding investments and services that provide additional compensation over those investments and services that do not.

The Clearing Agreement between Davenport and Pershing and its affiliates is for an initial term of seven years, and it provides for a substantial termination penalty in the event Davenport terminates the Clearing Agreement prior to the end of the initial term. The termination penalty serves as a disincentive for Davenport to terminate the Clearing Agreement in the event Davenport or its clients have a negative experience with Pershing or if Davenport believes another firm offers superior service. This creates a conflict of interest in that it could influence Davenport' decision to remain with Pershing even though it may be in the best interest of Davenport or its clients to terminate the Clearing Agreement.

You should only use the cost basis information provided on your custodial account statements for tax reporting purposes.

Pershing's mailing address: Pershing LLC; One Pershing Plaza; Jersey City, New Jersey 07399.

For IRA and other retirement accounts, Pershing may charge termination fees pursuant to an adoption agreement you enter into with Pershing, which authorizes Pershing to act as the IRA custodian for Internal Revenue Service purposes. Pershing may resign at any time as the IRA custodian and then you have the right to appoint a successor IRA custodian (Successor).

Where an unaffiliated third party acts as custodian of account assets, Davenport does not have discretion to select where cash reserves will be held. The client and/or custodian will make the selection.

## **6. Performance-Based Fees and Side-by-Side Management**

Davenport currently has formed, and may form additional, limited liability companies or other types of companies for private investment purposes ("Private Funds"). Davenport employees currently serve as the managing member and investment advisor to these Private Funds. These Private Funds currently pay a performance based incentive fee. The day-to-day investment decisions for the Private Funds will be made by Davenport Portfolio Managers and/or management committees. This includes some of the same employees primarily responsible for managing individual client portfolios and the Davenport Mutual Funds. The Portfolio Managers may follow similar or different investment strategies for the Private Funds as they follow for other client portfolios, including the Davenport Funds. Davenport and eligible employees may invest in these Private Funds. As such, there may be an incentive to favor the Private Funds over other accounts. Davenport has processes in place to monitor trading and allocation of investment ideas across these accounts and believes the conflict of interest is addressed in a manner consistent with Davenport's fiduciary duties and Code of Ethics guidelines.

Davenport Portfolio Managers manage multiple accounts for different groups of clients, with different investment objectives, risk tolerances and fee or cost structures. While Davenport seeks to manage all accounts in the client's best

interests, it is possible that some clients could be placed at a disadvantage with respect to the timing of trading decisions and/or the price of securities bought or sold. It may appear that the Private Funds' Portfolio Managers have an incentive to favor the Private Funds over other client portfolios because the Private Funds pay a performance-based incentive fee to Davenport. Other accounts managed by the same persons do not pay incentive fees. Davenport does not believe that such conflict of interest is material because the investment objectives and strategies of the Private Funds are substantially different from those of most client portfolios. Nevertheless, Davenport and the Portfolio Managers will attempt to resolve any actual or perceived conflicts of interest that arise, particularly with respect to trade allocation and pricing, in a manner consistent with Davenport's fiduciary duties and Code of Ethics guidelines.

Portfolio Managers will use their best efforts to provide the Private Funds and other client portfolios with suitable investment opportunities. Portfolio Managers might not present the Private Funds and other client portfolios with the same investment opportunities even if such opportunities are consistent with the Private Funds and other clients' investment objectives. Portfolio Managers will use their best judgment and specific knowledge of the individual Private Funds and client accounts when deciding which securities to recommend or invest in specific instances.

## 7. Types of Clients

Davenport provides investment management services to individuals and institutional investors, including, but not limited to, banks, investment companies, pension and profit sharing plans, trusts, estates, non-profit organizations, and corporations.

Beginning in 2014 Davenport has negotiated arrangements with other financial services firms, such as Merrill Lynch, Charles Schwab and Pershing, among others, to offer Davenport's mutual funds for purchase or sale. These arrangements allow other Registered Investment Advisors and others to purchase and sell Davenport funds for their clients.

The minimum account size varies by the type of account. Minimums required by specific types of investments (e.g. mutual funds) must also be met. In some instances the minimum initial account value may be waived. For more detail see Section 5 – Fees and Compensation.

<b>Program</b>	<b>Wrap Fee Minimum Initial Amount</b>	<b>Fee and/or Commission Minimum Initial Amount</b>
Blended Allocation Portfolio**	\$500,000	\$5,000,000
Blended Allocation Portfolio** – Customized or w/individual Bonds	1,000,000	5,000,000
Core Equity	250,000	5,000,000
Core Balanced	400,000	5,000,000
Equity Opportunities	250,000	5,000,000
<i>ETFAdvisor</i>	25,000	N/A
Fixed Income	500,000	5,000,000
<i>FundAdvisor</i>	35,000	N/A
Value & Income Equity	250,000	5,000,000
Value & Income Balanced	400,000	5,000,000
DavenportOne	500,000	N/A
Flexible Managed Account I	50,000	N/A
Flexible Managed Account II	50,000	10,000
Flexible Managed Account III* (commission only)	N/A	N/A
<i>*Existing accounts only, no longer offered as of June 12, 2018</i>		
ManagerSelect	150,000	N/A
Portfolio Management Account	100,000	100,000
Portfolio Review	N/A	60,000

\*\*Currently, this program is not offered to new clients.

<b>Other Programs</b>	<b>Minimum Initial Amount</b>	<b>Minimum Initial Amount</b>
RetirementAdvisor**	N/A	N/A
Flexible Retirement Account Consulting	N/A	N/A
Donor Advised Program:		
Predefined Allocation Models	50,000	N/A
Charitable Custom Allocation Models	50,000	N/A
Separately Managed Account Models (Core, Core Balanced, Equity Opportunities, Value & Income, Value & Income Balanced and Fixed Income)	1,000,000	N/A

\*\* Currently, this program is not offered to new clients.

## 8. Methods of Analysis, Investment Strategies and Risk of Loss

### Methods of Analysis:

- Fundamental Analysis
- Technical Analysis
- Cyclical
- Charting

### The main sources of information used are:

- Davenport's internal research
- Research material prepared by others
- Inspections of corporate activities
- Financial newspapers, magazines and websites
- Corporate rating services
- Annual Reports, prospectuses and filings with the U.S. Securities and Exchange Commission
- Company press releases and websites

### Investment strategies used to implement investment advice given to clients include:

- Long-term purchases
- Short-term purchases
- Trading (securities sold within 30 days)
- Short sales
- Margin transactions
- Option writing, including covered options, uncovered options or spreading strategies
- Exchange-traded and OTC derivatives, including interest rate, currency and equity swaps; interest rate caps, collars and floors; equity and currency options; futures and options on futures; forward foreign currency exchange contracts; and structured notes.

Davenport Asset Management uses a team approach - the Investment Policy Committee - to analyze and select investment ideas for the Core and Value & Income strategies and oversee other Davenport Asset Management strategies. The Investment Policy Committee consists of seven senior investment professionals. The Committee meets weekly, or more often if necessary, to discuss investment ideas and strategies. Investment decisions are made by a majority vote of the Committee. When an investment decision is made, the DAM Trading Team reviews respective client accounts and executes the decision in suitable accounts. Other strategies, such as Equity Opportunities, FundAdvisor, ETFAdvisor, and Fixed Income, are managed by members of DAM with oversight by the Investment Policy Committee. Each of the Davenport Asset Management program strategies is an investment option within the Davenport Profit Sharing Plan.

Management of accounts is a shared responsibility of the Portfolio Managers, Relationship Managers, and the DAM Trading Team. The Investment Policy Committee is responsible for security selection. Relationship Managers are available to work with the Financial Advisors by meeting with clients to review accounts and performance, and to discuss trades and thematic ideas of the Portfolio Managers. The DAM Trading Team is responsible for implementing trade decisions,

monitoring for drift and cash needs, and rebalancing accounts on an as-needed basis. They also assist with tax-loss harvesting on an as-requested basis.

DAM also offers the option of including fixed income investments in Core, Value & Income and Blended Allocation accounts. In general, Davenport's fixed-income philosophy includes buying investment- and intermediate-grade bonds. At the same time, we recognize the diversification limitations and utilize fixed income ETFs to provide diversification in the fixed income sector, where appropriate. Accordingly, accounts having a fixed income allocation greater than \$200,000 in market value will be invested in individual bonds or a combination of individual bonds and ETFs. Accounts with fixed income allocations of less than \$200,000 will be managed using fixed income ETFs.

### **Core**

The goal of the Core strategy is to outperform the S&P 500 Index while taking less risk than the overall market through investment in a diversified portfolio of common stocks. The IPC looks for companies with strong management, low price-earnings ratios and a history of earnings and dividends. This strategy can be combined with an allocation to fixed income. The fixed income portion may be invested in individual bonds, income-oriented ETFs or a combination of these. Core is a large cap equities strategy. As such, the stocks and other assets in the account are subject to various risks, including, but not limited to market risk. If the account includes fixed income, the bonds or other fixed-income assets are subject to risks including, but not limited to, interest rate risk and default risk.

### **Value & Income**

This strategy focuses on achieving solid returns by emphasizing value and dividends. The objective is to provide attractive total returns while buying stock in companies with lower than average risk characteristics. Companies in Value & Income portfolios will typically have above average dividends, below average price-to-earnings ratios (P/Es), strong track records of increasing dividends and solid balance sheets. We invest the portfolio in the common stocks of companies in a variety of industries. Convertible securities and closed-end funds may be used to increase diversification. No single position, other than cash or money market, will exceed 10% of an accounts holding, unless the account owner directs us to hold a large position. Due to the emphasis on income, this investment portfolio will not be a fully diversified equity portfolio. This strategy can be combined with an allocation to fixed income. The fixed income portion may be invested in individual bonds, income oriented ETFs or a combination of these.

The emphasis of the Value & Income strategies is on large-cap stocks. As such the stocks and other assets in the account are subject to various risks, including but not limited to, market risk. If the account includes fixed income, the bonds or other fixed-income assets are subject to risks including, but not limited to, interest-rate risk and default risk. In addition, there is no guarantee that the companies held in the strategy will continue to pay dividends. Small and mid-cap company stocks may be more volatile than stocks of larger, more established companies. The strategy may invest in foreign securities which are subject to additional risks such as currency fluctuations, political instability, differing financial standards and the potential for illiquid markets.

### **Equity Opportunities**

A majority of the portfolio's assets will be invested in companies with a market capitalization below \$10 billion. Investment considerations include, but are not limited to: quality and depth of management, business strength, valuation level, historical earnings record, prospects for the future growth and balance sheet strength. While the emphasis is on companies with attractive free cash flow and return on invested capital characteristics, the Equity Opportunities Team also has the latitude to consider "special situations" such as spin-offs or turnarounds.

The Equity Opportunities strategy is primarily invested in small and mid-cap companies that may not have a long track record, nor may management have extensive experience. Small and mid-cap stocks tend to be more volatile than large-cap stocks and the risk of loss of value is greater. The strategy may invest in foreign securities which are subject to additional risks such as currency fluctuations, political instability, differing financial standards and the potential for illiquid markets.

### **Davenport Small Cap Focus Fund**

The fund has an investment objective of long-term capital appreciation. There are no separately managed accounts offered with this strategy. See prospectus for details.

### **Davenport Balanced Income Fund**

The fund has an investment objective of balanced equities and fixed income. The fund will generally have a target of 60% equities and 40% fixed income. There will likely be periods of time when the holdings vary significantly from the target allocation. There are no separately managed accounts offered with this strategy. See prospectus for details.

### **ETFAdvisor**

The Manager Research Team, the “Team” manages the model portfolios and directs the investments for the individual client accounts, with guidance from Davenport’s Investment Policy Committee. The three model portfolios are named according to their respective investment objectives. Each model portfolio consists of different target asset allocations to achieve its objectives. The three models are: Growth, Moderate Growth, and Growth & Income.

The *ETFAdvisor* accounts are invested in a portfolio of Exchange Traded Funds (“ETFs”). Each account is rebalanced to its model portfolio on an annual basis and may include changes to asset allocation. Changes in ETF holdings will be made to portfolios when the short or long-term prospects of an ETF no longer appear to meet the *ETFAdvisor* standards (e.g. new management, chronic underperformance, excessive risk, activity that is inconsistent with the objectives of the ETF), a better alternative is identified, or there is a change in the desired investment outcome.

The Team screens a broad universe of ETFs for investment objectives, portfolio construction, size, years in existence, performance, and a number of other criteria to identify quality ETFs for inclusion in the model portfolios. For each of the three models, DAM has created asset allocation models that we believe are well suited to the model portfolios’ stated objectives. Finally, the Team constructs individual client portfolios and monitors the holdings and the asset allocations on an ongoing basis.

Davenport uses complex databases and other specialized resources to evaluate and monitor a broad universe of ETFs and investment managers. Davenport expects to hold the chosen ETFs long-term, so long as they continue to meet the *ETFAdvisor* criteria.

### **Fixed Income**

The Fixed Income Portfolio Managers manages the model portfolios and directs the investments for the individual client accounts with guidance from Davenport’s Investment Policy Committee. A majority of the portfolio’s assets will be invested in individual investment grade taxable bonds, investment grade municipal bonds, or fixed income ETFs appropriate to client specific investment guidelines. Investment considerations include, but are not limited to, interest rate risk, credit risk, liquidity risk, and client income requirements. All portfolios are diversified by maturity, sector, and issuer to minimize the impact of any single risk consideration. Portfolio characteristics are matched to client defined risk parameters. The strategy is to structure client portfolios based on developing economic trends. Portfolio structures and sector allocations will change based on the outlook for interest rates and return profiles of different sectors of the domestic fixed income markets.

Fixed income is generally considered to be a more conservative investment than stocks, but bonds and other fixed income investments still carry a variety of risks of which investors need to be aware. Interest rate risk: When interest rates rise, bond prices usually decline. Credit risk: Bonds carry the risk of default by the issuer. Inflation risk: Inflation reduces purchasing power of a fixed income investment. There are other risks, including but not limited to: call risk, prepayment risk, liquidity risk and price fluctuations.

### **FundAdvisor**

The Manager Research Team, the “Team” manages the model portfolios and directs the investments for the individual client accounts, with guidance from Davenport’s Investment Policy Committee. The five model portfolios are named according to their respective investment objectives. Each model portfolio consists of different target asset allocations to achieve its objectives. The five models are: Aggressive Growth, Growth, Moderate Growth, Growth & Income and Conservative Income.

The *FundAdvisor* accounts are invested in a combination of no-load and/or the most beneficial share class available. Each account is rebalanced to its model portfolio on, no less than, an annual basis. Changes other than the annual rebalancing will be made to portfolios when the short or long-term prospects of a mutual fund no longer appear to meet the *FundAdvisor* standards (e.g. new management, chronic underperformance, excessive risk, activity that is inconsistent with the objectives of the fund), or a better alternative is identified.

The Team screens a broad universe of mutual funds for investment objectives, size, manager tenure, years in existence, performance, and a number of other criteria to identify quality mutual funds for inclusion in the model portfolios. For



each of the five models, Davenport has created asset allocation models that we believe are well suited to the model portfolios' stated objectives. Finally, the Team constructs individual client portfolios and monitors the funds and the asset allocations on an ongoing basis.

Davenport uses complex databases and other specialized resources to evaluate and monitor a broad universe of mutual funds and investment managers. In addition, the Team communicates with representatives of the mutual-fund families under consideration to gather insight about their mutual funds. Davenport expects to hold the chosen mutual funds long-term, so long as the fund continues to meet the *FundAdvisor* criteria.

### **Blended Allocation Portfolio\*\***

The Blended Allocation Portfolio programs are a combination of equities and mutual funds using either the Core strategy or Value & Income strategy for the equities portion, and a mutual fund asset-allocation strategy similar to the *FundAdvisor* model for the portfolio selected. Each model portfolio consists of different target asset allocations to reach their various objectives. The Blended Allocation Portfolio accounts will be invested in a combination of individual securities and no-load and/or the most beneficial share class available. Each account is rebalanced to its model portfolio on an annual basis.

Blended Allocation investments are subject to all of the risks associated with all of the incorporated strategies.

Mutual funds can lose value. An investor's shares when redeemed may be worth more or less than the original investment amount. The *FundAdvisor* models are designed to give investors a range of risk options. The more growth oriented the model, the higher the assumed risk.

Clients establish the asset-allocation guidelines for their DAM account by specifying the stock, bond, and cash percentage distribution and/or program selection.

\*\*Currently, this program is not offered to new clients.

### **ManagerSelect**

*ManagerSelect* offers clients access to outside manager strategies through a third party agreement between Davenport & Vestmark. Davenport's Manager Research Team analyzes the various third party portfolio manager strategies available through the Vestmark platform and selects those strategies Davenport believes to be the best choices. These managers' strategies are included in Davenport's *ManagerSelect* Recommended List. There may be additional managers available within the program that are not on the Recommended List. Vestmark reports the investment activity of the selected third-party portfolio manager(s) to Davenport; via an electronic feed, and Davenport then implements that same action in client *ManagerSelect* accounts following that strategy.

With Davenport *ManagerSelect*, you and your Financial Advisor select an investment strategy based on your personal objectives, time horizon, and risk tolerance. Then together, you select a professional portfolio manager (or managers, depending on your needs) from the *ManagerSelect* Recommended List prepared by our Manager Research Team. The *ManagerSelect* accounts are custodied at Pershing LLC and traded by Davenport. In certain circumstances, other third-party managers, not on the Recommended List, may be utilized.

The Manager Research Team will monitor the portfolio managers on the Recommended List to ensure they continue to meet their standards and adhere to the investment philosophy for which they were originally selected. If a particular manager strays from its stated strategy and/or performance is not to the expected standard, a portfolio manager may be removed from the Recommended List. The Manager Research Team will monitor portfolio managers on the Recommended List on at least a quarterly basis.

The strategies are typically invested in stocks, bonds, ETFs or other common investment vehicles. As such the stocks and other assets in the account are subject to market risk. If the account includes fixed income, the bonds or other fixed-income assets are subject to risks including, but not limited to, interest-rate risk and default risk. In addition, as there will normally be a delay in the relaying the portfolio manager's investment activity; therefore, the prices received may be adversely affected and individual account performance may differ from the composite performance reported by the portfolio manager.

Davenport reserves the right to discontinue following a portfolio manager should the strategy be deemed to be no longer suitable for the program. It is possible that your account could be adversely affected if this should happen, as Davenport would no longer follow the trading activity of the portfolio manager. You would have the option to have your account

invested in the new replacement manager and transactions would be made accordingly, or you could choose to hold the current securities in a non-managed account.

### **DavenportOne**

Davenport has engaged Vestmark to offer the ability to aggregate various investment strategies including the *ManagerSelect* third-party portfolio strategies and Davenport strategies, as well as certain mutual funds and ETFs in one account. Davenport's Manager Research Team has designed a range of models for various risk tolerances and time horizons Vestmark provides the ability for Davenport to report the holdings in the account by strategy and/or manager.

With *DavenportOne*, you and your Financial Advisor select strategies based on your personal objectives, time horizon, and risk tolerance. Then, together select from the models made available by our Manager Research Team. The assets in the accounts are custodied at Pershing LLC and traded by Davenport.

The available strategies are typically invested in stocks, bonds, ETFs or other common investment vehicles. As such the stocks and other assets in the account are subject to market risk. If the account includes fixed income, the bonds or other fixed-income assets are subject to risks including, but not limited to, interest-rate risk and default risk. In addition, if you include any of the *ManagerSelect* strategies (see below) generally, there will be a delay in the relaying the portfolio manager's investment activity; therefore, the prices received may be adversely affected and individual account performance may differ from the composite performance reported by the portfolio manager.

### **Flexible Managed Account**

Accounts in this program are managed by the client's Financial Advisor. The programs offer you and your Financial Advisor the flexibility to structure portfolios in any manner deemed suitable for you. Allowable investments include, but are not limited to, equities, fixed income securities, mutual funds, certain unit investment trusts ("UITs"), managed futures funds, Exchange Traded Funds ("ETFs"), covered options, or any combination thereof. Securities deemed unsuitable for wrap-fee programs may not be purchased in the Flexible Managed Account Wrap Fee option. The Financial Advisor may engage in short selling, margin, and uncovered option purchasing or writing on a non-discretionary basis, if deemed appropriate by us and you and to the extent consistent with the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and Section 4975 of the Internal Revenue Code of 1986, as amended (the "Code"). Additional information is required before trading options is allowed.

Flexible Managed Accounts can include many tailored combinations of securities and strategies. As such it is important for you to discuss the specific risks associated with your account holdings and/or strategy with your Financial Advisor. You should ensure you understand each asset and/or technique used to manage the account.

The Portfolio Management Account and Flexible Managed Account wrap-fee programs are managed by individual Financial Advisors serving as the portfolio manager. These portfolios are constructed based on the investment goals established by you. Prior to opening an account, you and your Financial Advisor will discuss your investment objectives and risk tolerances. From that information, the Financial Advisor will construct a portfolio that best matches your individual needs. You may impose restrictions on investing in certain securities or types of securities.

In addition to equities, it is possible that any of the portfolios may include fixed income securities, certain wrap approved unit investment trusts and closed-end mutual funds, managed futures funds, ETFs, or any combination thereof. You may establish the asset allocation guidelines for your portfolio by specifying the stock, bond and cash percentage allocations.

### **Portfolio Review and Portfolio Management Accounts**

Each account in the PR and PMA program is reviewed on a quarterly basis by Davenport's Portfolio Review Committee, a group of four senior executives of Davenport, a rotating member of Davenport Asset Management, and a rotating member of Research. Additional reviews by the Committee are available upon the request of either the client or the Financial Advisor, and are conducted at no extra charge.

The Committee and the Financial Advisor meet to evaluate the portfolio holdings, investment strategy and performance results. The Committee may make investment recommendations; however, the Financial Advisor and/or the client will ultimately make the investment decisions regarding which securities to be bought and sold and the timing of transactions. Investment ideas generally come from sources approved by Davenport.

The accounts are typically invested in a variety of stocks and the account may not be fully diversified. The equities are subject to market risk and bonds held in the account are subject to interest rate and default risk.

### **RetirementAdvisor\*\***

Davenport offers the RetirementAdvisor program to Qualified Plans (“Plans”). Davenport recommends mutual funds and manages the mutual funds in the model portfolios using a defined methodology. Plan trustees (“Sponsors”) electing to use the program appoint us to select and monitor the investment options for the Plans. Each year, after research and analysis, we maintain and/or adjust the five asset-allocation models that we believe are best suited to meet each model portfolios’ stated objectives. Every quarter, Davenport’s Manager Research Team screens a broad universe of mutual funds for investment objectives, size, manager tenure, years in existence, performance, and a number of other criteria to identify quality mutual funds for inclusion in the model portfolios. Based on their research and monitoring, with oversight from the Investment Policy Committee the Manager Research Team makes asset-allocation changes as necessary in the RetirementAdvisor model portfolios, and following acceptance by the Plan Sponsor, changes will be executed in individual Participant accounts.

Each model portfolio consists of different targeted asset allocations to achieve its objectives. The five models are: Aggressive Growth, Growth, Moderate Growth, Growth & Income and Conservative Income. We will recommend and, at the direction of the Sponsor, will implement changes other than the annual rebalancing to the models when the short or long-term prospects of a mutual fund no longer appear to meet the RetirementAdvisor standards (e.g. new management, chronic underperformance, excessive risk, activity that is inconsistent with the objectives of the fund), or a better alternative is identified.

The RetirementAdvisor accounts will be invested in a combination of no-load, and/or the most beneficial share class available. Each participating account is rebalanced to its model portfolio on an annual basis. We anticipate that mutual funds will be held for the long term if the fund continues to meet the RetirementAdvisor criteria and the investment goals and objectives of the Plan.

Mutual funds can lose value. An investor’s shares when redeemed may be worth more or less than the original investment amount. The RetirementAdvisor models are designed to give investors a range of risk options. The more growth oriented the model, the higher the assumed risk.

\*\* Currently, this program is not offered to new clients.

### **Flexible Retirement Account Consulting**

The Flexible Retirement program is a consulting service where Davenport Financial Advisors provide consulting services to public and private participant directed retirement plans. These plans include 401(k) plans and similar benefits programs with respect to the development of investment policy, asset allocation, mutual fund selection and evaluation, performance measurement, and portfolio analysis and attribution. If desired, Davenport will also provide information and advice regarding mutual fund selection. The services provided are tailored to the specific needs of individual Plan Sponsors.

### **Donor Advised Program (DDAP)**

The Donor Advised program is a donor advised fund that serves as a charitable giving vehicle which allows donors to contribute as frequently as they like and recommend grants to charities of their choice. DDAP is a program of Renaissance Charitable Foundation (RCF).

Investment options for DDAP include the Core, Core Balanced, Equity Opportunities, Value & Income, Value & Income Balanced, and Fixed Income portfolios, FundAdvisor and ETFAdvisor, DavenportOne, Charitable Allocation Models. The Predefined Allocation Models and Charitable Custom Allocation Models contain Davenport Mutual Funds.

### **Predefined Allocation and Charitable Allocation Models**

This strategy has the goal to deliver strategic models of mutual funds. If the custom option is selected, the asset allocation is tailored to your investment objective. If the model is predefined by Davenport, Davenport is responsible for setting the asset allocation of the model and adjusting the asset allocation from time to time, as Davenport deems appropriate. This may include adding asset classes to any model at any time Davenport determines it is appropriate to do so with an appropriate investment product.

***Note: All investments involve the risk of loss, including but not limited to; loss of principal, a reduction in earnings (including interest, dividends and other distributions) and the loss of future earnings. These risks include, but are not limited to, market risk, interest rate risk, issuer risk and general economic risk. Although we manage the assets in a manner consistent with risk tolerances, there can be no guarantee our efforts will be successful. The investor should be prepared to bear the risk of loss.***

***S&P 500 Index is comprised of 500 US stocks and is an indicator of the performance of the overall US stock market. An index is not available for direct investment, therefore its performance does not reflect the expenses, fees and taxes generally paid with the active management of an actual portfolio. Standard & Poor's Financial Services LLL, a division of S&P Global, is the source and owner of the registered trademarks related to the S&P 500 index.***

## **9. Disciplinary Information**

Davenport Asset Management has had no material disciplinary events over the past ten years and the investment advisory division of Davenport does not have any regulatory actions to report.

In 2015, the broker dealer division of Davenport and Company LLC participated in an industry wide initiative and reports the following update:

After voluntarily self-reporting certain information to the Securities and Exchange Commission (SEC) and, without admitting or denying the findings, Davenport consented to the entry of an order by the SEC of administrative and cease and desist proceedings pursuant to Section 8A of the Securities Act of 1933 and Section 15(B) of the Securities Act of 1934. The order concerned only two (2) municipal offerings underwritten by Davenport, and involved alleged violations of Section 17(A)(2) of the Securities Act.

A monetary fine of \$80,000 was levied against Davenport and was paid to the SEC on June 26, 2015. Davenport consented to the entry of the SEC order on 6/18/2015 and retained an independent consultant to conduct a review of the firm's municipal securities underwriting due diligence policies and procedures.

In 2017, FINRA alleged that the broker dealer division of Davenport and Company LLC, did not establish a system reasonably designed to fully comply with FINRA Rule 3110 and 2010 related to supervision of consolidated reports; and it was alleged that Davenport did not fully comply with section 15 (C)(3) of the SEC Act of 1934 and Exchange Rule Act 15c3-5, FINRA Rule 2010 and MSRB Rule G-27 related to automated controls for alternative trading systems for municipal securities transactions. Without admitting or denying the allegations or findings, Davenport executed a letter of acceptance, waiver and consent and paid a fine of \$115,000.

## **10. Other Financial Industry Activities and Affiliations**

Davenport is a Securities and Exchange Commission ("SEC") Registered Investment Advisor and a SEC registered Broker/Dealer. Davenport is a member of the New York Stock Exchange ("NYSE") and the Financial Industry Regulatory Authority ("FINRA"). We provide a full range of traditional brokerage services. We also provide:

- Equity research services
- Financial planning services
- Insurance products – life insurance, variable and fixed annuities, and long-term care
- Investment advice
- Investment consulting services
- Portfolio management
- Public and Corporate Finance
- Stock and Bond brokerage services

Other than the instances described herein, we do not have arrangements that are material to our advisory business with a related person who is a Broker/Dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser, futures commission merchant, bank or thrift institution, accounting firm, law

firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited liability companies. Davenport uses the execution and custody services of Pershing LLC and its affiliates. We also have an affiliated trust company which provides non-depository trust services for our IRA accounts. Davenport Trust Company is the trustee of your IRA under Section 408 of the Internal Revenue Code. Pershing LLC maintains custody of the assets in your individual retirement trust account (IRA).

Some of Davenport's Financial Advisors are licensed insurance agents. As such, they sell insurance products, primarily variable and fixed annuities and life insurance, to clients. Insurance products and variable annuities are not normally considered part of the investment advisory account and they are not assessed an advisory fee. However, as a convenience to you, variable annuities may appear on your investment advisory account statement for consolidation purposes.

Davenport serves as investment advisor to the Davenport Core Fund ("DAVPX"), the Davenport Value & Income Fund ("DVIPX"), the Davenport Equity Opportunities Fund ("DEOPX"), the Davenport Small Cap Focus Fund ("DSCPX") and the Davenport Balanced Income Fund ("DBALX"), (the "Funds") and manages the first three Funds in a similar manner as the corresponding separately managed accounts described herein and the Davenport Employee Profit Sharing Plan ("PSP"). The other two Funds, DSCPX and DBALX are not offered as separately managed accounts. They are however offered in Davenport's PSP. The Funds are a no-load, open-end series of the Williamsburg Investment Trust, a registered management investment company. Each Fund is a diversified series of the Trust, except the Equity Opportunities Fund which is a non-diversified series. Davenport receives an annual investment management fee of 0.75% of the average daily net assets of the Funds. Financial Advisors that recommend the Funds receive a portion of the investment management fee as sales compensation. Principals of Davenport are officers of the Funds and may also be on the Board of Trustees for the Funds. The Funds execute all securities transactions through Davenport and they pay no commissions.

We manage the five Funds in a similar manner as the investment choices available in Davenport's PSP and accounts in the DAM programs. We generally purchase and/or sell the same securities for the Funds that we do for individual advisory clients and the PSP. For more details on trade allocation see Section 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

John P. Ackerly IV is a member of the IPC, President of the Davenport Funds and has also been appointed to the Board of Trustees for the Williamsburg Investment Trust. The Trust has governance responsibility for the Davenport Funds.

Financial Advisors or clients may choose to use the Funds for a portion of the assets in your investment advisory account. The decision to use the Funds is based in part on the amount of assets under management and whether you are benefited with respect to taxes and management fees. You will not be charged any investment advisory fees on the portion of the portfolio that is invested in the Funds. You may revoke your consent to our use of the Funds in your account at any time.

The Core, Value & Income and Equity Opportunities Funds hold substantially the same securities as the separately managed account ("SMA") strategies Core, Value & Income and Equity Opportunities. You need to consider the cost to invest in the Funds versus separately managed accounts. It is possible, based upon the dollar value to be invested, that the Funds may be less expensive than the same strategy in a separately managed account. Other considerations may be that the SMA offers the advantage of more control over harvesting gains and losses for tax purposes, among other things. The Funds offer a lower initial investment amount, among other considerations.

We currently have, and may form in the future, limited-liability companies created for private investment purposes. We currently serve as the managing member and investment advisor for several such Companies. Interests in the Companies will not be registered under the U.S. Securities Act of 1933 ("Securities Act") or the securities laws of any state or other jurisdiction. Interests will be offered and sold in the United States to sophisticated or accredited investors under the exemptions provided by Section 4(2) of the Securities Act and Regulation D. The Companies will not be registered under the Investment Company Act of 1940 in reliance upon the exemption provided by Section 3(c) (1) and 3(c) (7) of that Act. For more details see Section 6 - Performance-Based Fees and Side-by-Side Management.

We may act as a principal in selling and buying securities to or from our investment advisory clients, particularly with respect to fixed-income securities. When we engage in a principal transaction it is because we believe it is in the best interest of our clients and we believe it to be consistent with our fiduciary duty. We will inform our advisory clients, prior to settlement date, when we propose to act as a principal. We will obtain your written consent to such a transaction. You may pay a concession, mark-up or mark-down on principal transactions in addition to the advisory fee you pay us. You have the right to decline the trade.

Davenport may recommend that you buy or sell securities in which the firm or a related person may have some financial interest. For example, we may recommend that you buy or sell securities of companies in which we are seeking to engage in corporate finance business, or in which we have in the past acted as a manager or co-manager of an underwriting of the companies' securities. However, such transactions will generally occur after the offering period and in the secondary market. We may also invest portions of your assets in certain public companies for which Davenport's related persons serve as directors. There may be an inherent conflict of interest in Davenport's directing client assets to be invested in companies in which Davenport or its related persons have some financial interest. However, our policy is to put our clients' interests above our own and to recommend only investments that are suitable for each client's individual needs and objectives.

With the exception of FMA III – Commission-only accounts – and the private investment companies managed by Davenport, investment advisory accounts are restricted from participating in initial public offerings (“IPOs”) or secondary offerings where Davenport is involved in the underwriting, regardless of whether the security may be suitable for investment. This policy is meant to prevent allocation concerns and other conflicts of interest that could result from recommending securities for which we would receive additional compensation in addition to investment advisory fees. When Davenport is involved in an initial or secondary offering, Davenport receives underwriting compensation from companies whose securities are being offered. We believe there is a conflict when we recommend securities where Davenport is compensated both by investment advisory fees and underwriting fees. This policy may result in a loss of investment opportunity for advisory clients that may otherwise have been suited to invest in such securities. FMA III accounts are exempted from this policy because no separate investment advisory fees are charged to those accounts.

Davenport’s philosophy is that we invest for our clients in the same manner that we invest for ourselves. Therefore, the officers, directors and employees of Davenport may often purchase and sell securities for their personal and related accounts that they also recommend to you. The Davenport Employee Profit Sharing Plan serves as a guide for many of Davenport's investment advisory programs, including the Davenport Funds; therefore, the securities purchased and sold for you, as well as the timing of such transactions, may be similar to the securities purchased and sold for the PSP. Please see below for policies and procedures related to this practice.

## **11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Davenport has adopted a Code of Ethics that establishes standards of business conduct for all of its officers, directors, and employees. It is based on the principle that Davenport and its employees have a fiduciary duty to place the clients’ interests above their own. Employees are expected to maintain the highest standards of ethics and conduct in all of their business relationships.

In general, the code requires all employees to:

- Always place the interests of Davenport’s clients ahead of their own personal interests
- Ensure that all personal securities transactions are conducted in such a manner as to avoid any actual or potential conflict of interest or any abuse of an employee’s position of trust and responsibility
- Not take inappropriate advantage of information obtained as a result of their positions.

More specifically, employees must disclose personal securities transactions in any account that they have a beneficial ownership. Employees must also follow specific rules for buying and selling securities. Davenport monitors its employees’ personal securities trading activity on an ongoing basis. Employees who violate the code may be; reprimanded, fined, suspended or terminated.

In addition to its Code of Ethics, Davenport has adopted a policy regarding the giving or receipt of gifts, gratuities, or other forms of compensation. This policy is intended to address conflicts of interest. Generally, neither Davenport nor its employees may give or allow to be given anything of significant value, even if it is business related. This includes gifts or gratuities in excess of \$100 per year to any person not employed by Davenport. Davenport limits its employees from accepting or soliciting cash or other forms of compensation, payments, gifts or reimbursement from third parties as that could create a conflict of interest.

The entire Davenport Code of Ethics is available by contacting the client’s Financial Advisor, or the Davenport Compliance Department at (804) 780-2000.

## **Aggregating Orders**

Davenport's Code of Ethics does allow Financial Advisors to aggregate orders for their personal accounts with client orders, if they wish to buy or sell the same securities at the same time as their clients. When investment decisions are suitable for a group of advisory clients, and the client accounts are discretionary, the orders may be aggregated. If more than one price is paid for securities in an aggregated transaction throughout the day, each participating account will receive the average price paid for the block of securities traded on that day.

The Best Execution Committee meets quarterly and is assigned oversight responsibilities with regard to Davenport's trading-related activities including its obligation to provide best execution for its clients' orders

If a client has directed brokerage to another firm, he will not participate in aggregated orders. Therefore, the execution price will most likely be different for those clients and may be more or less than the price obtained by the aggregated order. Directed client orders are generally placed after the aggregated. As a result the directed-brokerage client may not receive "best execution" for the trade.

When an aggregated order can be only partially filled on a given business day, trade allocation decisions are made on a fair and equitable basis. For the Davenport Asset Management programs, Davenport will allocate shares to or from client accounts, including Davenport's PSP and the Funds, on a random basis that is generated by trade order management software. Therefore, no account will be favored over another account, and all client accounts that participate in the day's allocation will receive the same average share price.

Davenport's Profit Sharing Plan or any other personal or proprietary account will not be any more, or less, favored than any other client account. These accounts will participate in the random allocation in the same manner as all Davenport Asset Management accounts and the Davenport Funds.

Aggregated orders for the Financial Advisor managed programs, if only partially completed on a given business day, will be allocated to client accounts on a fair and equitable basis. The preferred method is a pro-rata allocation; however, other methods for allocating partially filled orders are acceptable if they are fair and equitable and applied consistently over time.

## **12. Brokerage Practices**

Davenport does not maintain any soft dollar relationships.

We do not recommend other Broker/Dealers for client transactions for our managed accounts. We do permit you to direct brokerage to another Broker/Dealer of your choice. Directing brokerage to a Broker/Dealer other than Davenport may cost you more money in transaction costs and may result in less favorable execution prices. The investment advisory division of Davenport relies upon Davenport's broker/dealer services for best execution.

The Retirement *Advisor*\*\* and Flexible Retirement Account Consulting program accounts are not custodied at Davenport or our clearing firm, Pershing LLC. The platform third-party record-keepers have relationships with other Broker/Dealers who custody the assets for these programs. Plan Sponsors are not limited to the Broker/Dealers listed, and may select a Broker/Dealer of their choice.

\*\*Currently, this program is not offered to new clients.

We are a full-service brokerage firm. As such, we effect securities transactions for our advisory clients, for compensation. For Fee and/or Commission and Commission Only accounts the commissions and other charges on transactions executed by us will be charged according to our standard retail commission schedule. The standard commission schedule is approximately 1.5% - 3.0% of the principal amount of the transaction, subject to a minimum commission of \$85 per transaction. However, many clients have negotiated discounted rates. There are accounts that differ significantly from the usual Fee and/or Commission arrangement. You should be aware that there may be an incentive to execute transactions more frequently in accounts where commissions are charged.

Some Asset Management employees and some members of the Investment Policy Committee share in the commissions generated by their Fee and/or Commission accounts. The employees and Committee members are equity owners of Davenport and they participate in the employee profit-sharing plan; therefore, there may be an incentive to recommend frequent trading in the accounts to generate more revenue for the firm. We do not believe this is a material conflict of interest because the main investment strategy is to make prudent investments for our own profit-sharing plan and by extension our clients. We have therefore, aligned your interests and our own as much as possible.

You may pay more for brokerage execution through Davenport than may be available from an independent brokerage firm charging institutional rates. However, we consider the commission costs when determining our fee schedule for investment advice and believe that the total fees paid by clients are competitive with the industry.

We report to our ERISA and IRA discretionary advisory clients, on an annual basis, the total commissions paid per year along with the portfolio turnover ratio for their account. This information is available to our non-ERISA and non-IRA clients upon request.

Pursuant to the Department of Labor's ("DOL") Amendment to and Partial Revocation of Prohibited Transaction Exemption ("PTE") 86-128 for Securities Transactions, if your ERISA or IRA, discretionary advisory account is set up to compensate Davenport and our Financial Advisors by charging commissions, we make the following notice regarding your account:

- At account opening, you will sign a contract to authorize Davenport and/or your Davenport Financial Advisor to manage your account. The investment advisory division of Davenport and all Davenport Financial Advisors direct their transactions for execution to Pershing LLC. We do not recommend Broker/Dealers other than Davenport or Pershing LLC for client transactions. We do permit you to direct brokerage transactions to another Broker/Dealer of your choice. Directing transactions to a Broker/Dealer other than Davenport or Pershing LLC may increase your costs.
- A copy of Prohibited Transaction Exemption 86-128 may be found on our website at <http://www.investdavenport.com/disclosures> under "Advisory Disclosure", as well as a copy of a form for termination of authorization and a description of our brokerage placement practices.
- In lieu of annually signing a new contract to authorize transactions to be made by Davenport, annually we send a letter and a form to terminate our transaction services, without penalty. If you do not return the form to terminate our transaction services, we will continue to manage your account and this will cause us to effect transactions for you.
- We affirm that we send you transaction confirmation slips at the time of each transaction for non-discretionary accounts and a Quarterly Trade Confirmation Report for discretionary accounts. You also have the ability to receive a trade confirmation when the transaction occurs in discretionary accounts by informing your Financial Advisor. Annually, when required, we will provide you with a total of all securities transaction-related charges incurred, and confirm that the total amount of these charges was retained by us and not paid to third parties. We will include your portfolio turnover ratio in this summary.

For additional information about aggregating trades across client accounts, please see Section 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

### **13. Review of Accounts**

#### Davenport Asset Management Programs:

The Investment Policy Committee meets weekly and reviews the Davenport Asset Management portfolio models.

In addition, the DAM Trading Team reviews assigned accounts in the Core, Equity Opportunities, Value & Income, and Blended Allocation programs on a continual basis.

The Manager Research Team reviews the *ETFAdvisor* and the *FundAdvisor* model portfolios on a quarterly basis, or more frequently if warranted. In addition, the *ETFAdvisor* and the *FundAdvisor* program is reviewed quarterly by Davenport's Investment Policy Committee.

The Portfolio Services Department reviews all accounts on a monthly basis to review inclusion of each account in the appropriate composite. The composites are reviewed regularly by an independent firm for a Global Investment Performance Standards – GIPS verification.



The Financial Advisor for each account has daily access to account information and activity.

DavenportOne Accounts:

Account activity in the DavenportOne program is reviewed on a daily basis by the platform trading associate and on a regular basis by the Financial Advisor associated with the account. The Manager Research Team reviews the model portfolios and portfolio managers on a quarterly basis, or more frequently if warranted.

Flexible Managed Accounts:

Account activity in the Flexible Managed Account program is reviewed by the Financial Advisor managing the account. The Branch Office Manager conducts periodic reviews of discretionary accounts. The Branch Office Manager will review a sample of accounts with regard to portfolio holdings, performance, and compliance with the client's stated investment objectives at least annually. On an annual basis, the Financial Advisor will formally review each account with regard to portfolio holdings, diversification, performance, and compliance with your stated investment objectives. In addition, members of the Centralized Supervision Unit and senior officers of the firm will periodically review accounts to ensure that they are being managed according to firm policies and procedures.

ManagerSelect Accounts:

Account activity in the ManagerSelect program is reviewed on a daily basis by the platform trading associate and on a regular basis by the Financial Advisor associated with the account. The Manager Research Team reviews the model portfolios and portfolio managers on the Recommended List on a quarterly basis, or more frequently if warranted.

Portfolio Review and Portfolio Management Account Program:

Members of the Portfolio Review Committee review Portfolio Review and Portfolio Management Accounts on at least a quarterly basis. In addition, the Financial Advisor or you may request the Committee's review at any time.

RetirementAdvisor\*\*:

The Manager Research Team reviews the RetirementAdvisor model portfolios on a quarterly basis, or more frequently if warranted.

\*\*Currently, this program is not offered to new clients.

Flexible Retirement Account Consulting:

Accounts are reviewed at least annually by the Financial Advisor.

Clients in the Davenport Asset Management programs receive,

- Quarterly Trade Confirmation Report (or Confirmation statements after each transaction if you prefer);
- Brokerage statements at least quarterly reflecting security positions grouped by market sector, showing cost, market values, percent of total assets, estimated annual income and current yield; as well as all activity in the account during the month;
- Quarterly market letter highlighting recent investment decisions and summarizing general market conditions. ETFAdvisor does not receive this
- Annual report of dividend and interest income on Form 1099B for taxable clients; a similar report is available to non-taxable clients upon request.

Clients in the DavenportOne, Flexible Managed Account, ManagerSelect, Portfolio Review and Portfolio Management Account programs receive,

- Quarterly Trade Confirmation Report (or Confirmation statements after each transaction if you prefer) ;
- Brokerage statements at least quarterly reflecting security positions grouped by market sector, showing cost, market values, percent of total assets, estimated annual income and current yield; as well as all activity in the account during the month;
- Annual report of dividend and interest income on Form 1099B for taxable clients; a similar report is available to non-taxable clients upon request.

All reports are provided in written format. Davenport also offers clients the ability to access all of these reports online.

Participants and Plan Sponsors in the RetirementAdvisor program receive from third-party record-keepers,

- Confirmation statements after each transaction – Plan Sponsors;

- Statements at least quarterly reflecting security positions – Participants
- Participants and Plan Sponsors have access to a wide range of information via the record-keeper’s website.

Participants and Plan Sponsors in the Flexible Retirement Account Consulting program receive from third-party record-keepers,

- Quarterly Allocation Reports, with all transactions for the period– Plan Sponsors
- Confirmation statements after each transaction – Plan Sponsors or Participants if self-directed
- Statements at least quarterly reflecting security positions – Participants
- Participants and Plan Sponsors have access to a wide range of information via the record-keeper’s website.

## 14. Client Referrals and Other Compensation

Davenport can engage in written agreements and compensate persons independent of Davenport (“Solicitors”) for client referrals. If a referred client establishes an investment advisory account or relationship with Davenport, the Solicitor will receive a referral fee. The fee will be a negotiated percentage of the Financial Advisor’s share of the quarterly investment advisory fees paid by the client. The arrangement will continue for the duration of the investment advisory relationship. This referral fee will be paid out of the total advisory fees collected from clients. Davenport will not charge an additional fee for advisory services to pay a Solicitor. There is no difference in the advisory fee schedule for clients who have been solicited and those who have not been solicited. Clients that are referred by a Solicitor will receive a copy of the Solicitor’s written disclosure document that describes the nature of the relationship between Davenport and the Solicitor.

Davenport Financial Advisors may solicit referrals from existing clients. Although Financial Advisors do not pay specifically for client referrals, in order to build relationships with their clients, Financial Advisors may provide clients with meals, entertainment, or modest gifts. Such gifts or entertainment may be considered an indirect form of compensation for client referrals.

## 15. Custody

Davenport will use the execution and custody services of Pershing LLC and its affiliates. You will receive an account statement at least quarterly.

## 16. Investment Discretion

Clients in the Core, Value & Income, Equity Opportunities, Blended Allocation, Fixed Income, *ETFAdvisor*, *DavenportOne*, *ManagerSelect* and *FundAdvisor* programs always assign Davenport with full authority and discretion for the buying, selling, changing, investing or reinvesting of any or all of the assets in the investment account.

Clients in the Flexible Managed Account I and Flexible Managed Account II program have the option to assign, or not assign through the Davenport Financial Advisor, the full authority and discretion for the buying, selling, changing, investing or reinvesting of any or all of the assets in the investment account. If you elect to retain discretion yourself, we are authorized to execute transactions that you have approved of either verbally or in writing.

Clients in the Flexible Managed Account III and Portfolio Management Account program always assign Davenport, through the Financial Advisor, the full authority and discretion for the buying, selling, changing, investing or reinvesting of any or all of the assets in the investment account.

In carrying out these responsibilities, we shall consider factors such as investment objectives and account guidelines, as they are communicated to us by you. You agree to inform us in writing of any material change in the client's circumstances that may affect the manner in which your assets should be invested.

When your account is established an asset allocation will be determined, and may be noted in the account agreement paperwork. The information recorded at that time is intended to assist us in understanding your investment objectives and risk tolerances. Please note that actual weightings may fluctuate. Davenport will use such asset allocation information as a general guide in meeting your objectives; however, it may not be unusual for the percentage weightings to

significantly differ at various times due to market conditions, the maturation of certain instruments, the availability of securities deemed suitable for the account, or specific direction you have given to us. If your objectives should change, we are relying on you to notify us in order that we may review the information recorded in your advisory agreement or subsequent documentation and make adjustments as necessary.

## 17. Voting Client Securities

We have written policies and procedures designed to ensure we vote proxies in your best interests.

- Unless otherwise directed in writing by you, Davenport will vote proxies consistently across our client base for the Core, Value & Income, Equity Opportunities, Blended Allocation, and FundAdvisor accounts.
- We do not vote proxies for the Flexible Managed Account and Portfolio Management Account programs unless you assign discretion of the account to the Financial Advisor and do not “opt-out” of permitting Davenport, in writing, to vote your proxies.
- Unless otherwise directed in writing by you, Davenport will vote proxies consistently across our client base for the DavenportOne and ManagerSelect program accounts.

Since the quality and depth of management is a primary factor considered when investing in a company, we will give substantial weight to the recommendation of the management on any issue.

We have contracted with Broadridge, an independent third party to vote and maintain records regarding the voting of proxies based on detailed proxy voting recommendations provided by Glass-Lewis. We will follow the recommendations of Glass-Lewis unless they are in direct conflict with the guidelines established by us. If material conflicts are identified, the proxy will be voted pursuant to guidance from Glass-Lewis.

You may receive a copy of our complete proxy voting policies and procedures as well as information on how we voted specific proxies by submitting a written request to Davenport & Company LLC, Attn: Proxy Coordinator, P.O. Box 85678, Richmond, Virginia 23285.

## 18. Financial Information

Davenport does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.

Davenport has discretionary trading and investment authority over client accounts. We are not aware of, nor do we foresee, any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

Davenport has not been the subject of a bankruptcy petition at any time during the past ten years.

Annually an examination of Davenport’s controls is conducted by an independent auditing firm, Crowe LLP. Crowe annually issues audited financial statements and a report describing its findings in accordance with the Service Organization Controls Report (SOC1) SSAE 16. A copy of Davenport’s most recent 12 month audited financial statements may be found at [www.investdavenport.com](http://www.investdavenport.com).