

## Davenport & Company LLC

### Part 2A - Appendix 1 of ADV: Wrap Fee Program Brochure

July 20, 2017

This wrap-fee program brochure is required by regulation and is designed to provide information about the qualifications and business practices of Davenport & Company LLC. 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 information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Davenport & Company LLC is an SEC Registered Investment Adviser. However, registration does not imply a certain level of skill or training.

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Additional information about Davenport & Company LLC is also available on the SEC's website at:  
[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

Additional information about Davenport & Company LLC is also 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 & Company LLC who are registered, or are required to be registered, as investment advisor representatives of Davenport & Company LLC.

**DAVENPORT & COMPANY**

SINCE 1863

MEMBER: NYSE • FINRA • SIPC

## 2. Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure, dated 7/25/2015, has been revised to reflect changes in our Advisory business since that time.

- 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 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.***

## 4. Services, Fees and Compensation

Davenport & Company LLC (Davenport) is a privately held investment firm established in 1863 and headquartered in Richmond, Virginia. The firm is 100% employee-owned, with no employee owning more than 10% of the firm. We offer Asset Management, Retail Brokerage, Investment Research, and Investment Banking, and Advisory Services. The Investment Advisory division of Davenport offers Davenport Asset Management (DAM) and Investment Executive managed programs described below.

In order to recommend or receive compensation for an Investment Advisory Account, the Investment Executive and/or Portfolio Manager must be registered as an "Investment Advisory Representative" with the appropriate State Securities Board unless exempt by law and must also pass the General Securities Representative (Series 7) examination administered by the Financial Industry Regulatory Authority ("FINRA").

Davenport is a self-clearing Broker/Dealer. 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 & Company LLC relies upon Davenport's broker/dealer services for best execution.

The programs described in this brochure are "wrap" programs that combine investment advice, stock brokerage and custody services for one bundled fee. Fees are billed in advance at the beginning of each quarter. The initial fee is normally 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 \$10,000 or more are deposited into the account between billing periods, a prorated fee will be charged on the value added as of the date of the addition. Respective fees will be assessed and charged on a weekly basis.

Our fees and compensation vary, depending upon on the type of account you choose with Davenport. Account fees are charged quarterly. In some instances, fees may be negotiated. On rare occasions fees may be waived, with Executive Management's approval, for a specified period of time. Various accounts are subject to minimum fees, which in some instances may be adjusted or waived.

<u>Program</u>	<u>Minimum Quarterly Fee</u>
Blended Allocation	\$1,250
Core – Equity Only	625
Core w/ Fixed Income	625
Equity Opportunities	625
ETF <i>Advisor</i>	0
Fixed Income Only	500
Fund <i>Advisor</i>	0
Value & Income Equity Only	625
Value & Income w/ Fixed Income	625
Davenport One	1250
Flexible Managed Account	0
Manager <i>Select</i>	375
Portfolio Managed Account	125

*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), 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 fund's investment advisors.

There is a \$150 annual account fee. In some instances your Investment Executive may request the fee be waived.

Fees will either be deducted directly from your account, or if you prefer, you will be billed. If your account has insufficient funds to cover the fee in the account, we will sell additional securities in the account to cover the fee. You will be notified of these sells by way of the trade confirmation when the securities have been liquidated.

There will be no refunds of fees for partial withdrawals throughout the quarter. The investment advisory agreement may be canceled at any time by either you or us, with 30-days 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.

Like many securities firms, we receive payments from third parties whose products we distribute. This includes mutual-fund companies, money market funds, and insurance companies. Payments from these companies 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
- marketing support and client seminars.

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 0.05% to 0.88% annually, depending on fund type and share class.

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 on the new account documents. In addition, accounts which are qualified plans, using the Davenport prototype plan document may be charged a \$250 annual fee for prototype plan document maintenance. The fee can be paid directly from your account or payment can be submitted separately.

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. 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.

Investment Executives who recommend our managed programs to you receive a percentage of the fee as a result of your participation in the program. This compensation may be greater than what an Investment Executive would earn if you participated in other programs or paid separately for investment advice, brokerage and other services. In addition, Investment Executives who recommend programs may receive their portion of your estimated annual fees in advance. Therefore, the Investment Executive may have a financial incentive to recommend the program.

Investment Executives who recommend certain mutual fund products will receive a percentage of 12b-1 fees. This represents a conflict of interest by giving the Investment Executive an incentive to recommend investment products based on the compensation received, rather than on your needs. One way we address this conflict is by requiring the purchase of no-load funds, A Shares at NAV or adviser class shares in wrap-fee accounts. We also reimburse the 12b-1 fee to qualified accounts and IRAs in fee-based accounts. Another way we address this conflict of interest, is to educate Investment Executives about such conflicts.

Clients invested in wrap-fee programs who request temporary full liquidations to cash for 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.

Fixed income securities purchased in wrap-fee programs may include a mark-up or a mark-down which is paid to the outside seller. Likewise, fixed income securities sold from wrap-fee programs may include a mark-up or a mark-down which is paid to the outside purchaser. Davenport and Davenport's Investment Executives do not receive any portion of these mark-ups or mark-downs for purchases or sale in wrap-fee accounts.

Occasionally accounts with a small position in fixed income securities, and accounts needing to add a small 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 fixed income securities

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. Investment Executives 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 Investment Executive an incentive to recommend these investment products based on the compensation received, rather than on your needs. Davenport strives to educate and inform Investment Executives regarding selection of appropriate asset allocation and investment selection. In addition, Davenport recognizes that there are certain advantages Investment Executives 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 Asset Management (“DAM”) Programs:**

Clients in the Core, Value & Income, Equity Opportunities, Blended Allocation, Fixed Income 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. DAM is also the Advisor to five mutual funds, the Davenport Core Fund, the Davenport Value & Income Fund, the Davenport Equity Opportunities Fund, the Davenport Small Cap Focus Fund and the Davenport Balanced Fund.

Davenport Asset Management offers a variety of investment strategies.

Stock strategies available as separately managed accounts or in mutual fund form include:

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

Davenport Mutual Fund strategies – There are no separately managed accounts offered with these strategies:

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

Exchange Traded Fund strategies include:

- ETFAdvisor (“ETFAdvisor”) which has the goal to deliver well diversified portfolios of ETFs.

Fixed Income strategies available include:

- Individual investment grade bonds, which may be combined with the Core or Value & Income strategies.
- A combination of bond Exchange Traded Funds (“ETFs”), which may be combined with the Core or Value & Income strategies

Mutual Fund strategies include:

- FundAdvisor (“FundAdvisor”), which has the goal to deliver well diversified portfolios of mutual funds.

Blended Strategies include:

- Blended Allocation, which has the goal of delivering the best of Davenport Asset Management in one portfolio – this portfolio will combine either the Core or the Value & Income stock strategies with select FundAdvisor mutual funds.

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 according to the strategy model. Normally 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. We 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 a managed account.

Maximum annual asset-based fees for Core, Value & Income, Equity Opportunities and Blended Allocation programs:

- 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 all market value above \$5 million

For 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 the market value above \$5 million

Maximum annual asset-based fees for the *ETFAdvisor* program:

- 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 all market value above \$5 million

Maximum annual asset-based fees for the *FundAdvisor* program:

- 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 all market value above \$5 million

In addition to the *ETFAdvisor*, *FundAdvisor* or Blended Allocation portfolio fee, your assets that are invested in mutual funds (including money- market funds), Unit Investment Trust's ("UITs"), 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 ETF's or mutual fund's investment advisors.

## **Unified Management Program**

### **Davenport One**

Davenport One offers clients the ability to incorporate various investment strategies including: Davenport's separately managed account strategies, mutual funds and ETFs in one account. In Davenport One clients also have the ability to select one or more of the available ManagerSelect strategies. Clients have the ability to impose reasonable restrictions on the management of the account, including the designation of particular securities or types of securities that should not be purchased for the account.

After an analysis of your risk tolerance, time horizon and investment objectives. Your Investment Executive and you will select at least two strategies that in combination meet your investment criteria. Each strategy will be combined in the account and you will receive statements at least quarterly reporting all the holdings in the account. Davenport has contracted with FolioDynamix to offer the unified management platform overlay reporting. In addition to your statements and trade confirmations the overlay reporting feature allows us to report your holdings and performance by strategy.

Davenport will maintain trading authority and discretion over the account and will act as the Investment Advisor and fiduciary to and on your behalf. Davenport and the Investment Executive will provide individualized investment advice and portfolio management services to you. The Davenport One accounts are custodied and traded at Davenport & Company.

Maximum annual asset-based fees for Davenport One programs:

- 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 all market value above \$5 million

In addition to the Davenport One fee, your assets that are invested in mutual funds (including money- market funds), Unit Investment Trust's ("UITs"), 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 ETF's or mutual fund's investment advisors.

**Investment Executive Managed Programs include:**

**Flexible Managed Account ("FMA")**

Clients in the Flexible Managed Account program have the option to assign or not assign through your Davenport Investment Executive 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, we are authorized to execute transactions that you have approved of, either verbally or in writing.

Accounts in this program are managed by your Investment Executive on either a discretionary or non-discretionary basis. The programs offer you and your Investment Executives 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, exchange traded funds (ETFs), certain unit investment trusts ("UITs"), managed futures funds, 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 Investment Executive 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 options trading is allowed.

The various Davenport Investment Executive Managed Programs described in this brochure are "wrap" programs that combine investment advice, stock brokerage and custody services for one bundled fee. The fee is based on the market value of assets under management, including cash, on the last business day of the prior calendar quarter, and is charged against your account on a quarterly basis, in advance, at the following maximum annual rates:

Maximum annual asset-based fees for the Flexible Managed Account program:

- 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

Separately, Open-End Mutual Funds and Unit Investment Trusts within the FMA account are charged the following annual rates (excludes cash & cash equivalents):

- 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), 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 fund's investment advisors.

**ManagerSelect ("DMS")**

Davenport has contracted with FolioDynamix – the portfolio manager coordinator - to offer access to the investment strategies of various third-party portfolio managers. Davenport's Manager Research Team analyzes the various third party portfolio manager strategies available through the FolioDynamix platform and selects those strategies Davenport believes to be the best choices. These manager's strategies are included in Davenport's ManagerSelect Recommended List. FolioDynamix reports the investment activity of the selected third-party portfolio manager(s) to Davenport; via an overnight electronic feed, and then Davenport implements that same action in client ManagerSelect accounts following that strategy.

Each strategy selected for the Recommended List has its' own unique or distinctive investment style. The portfolio manager strategies that are currently available include the following:

- Astor Dynamic Allocation Strategy
- Astor Sector Allocation Strategy
- Cambiar International ADR
- Campbell Newman Large Cap Dividend Growth
- Federated Strategic Value
- Harding Loevner International
- Kayne Anderson Rudnick Small Cap Quality Value
- Neuberger Berman Socially Responsible Investing
- RiverFront Global
- RiverFront Moderate Growth
- Sterling Equity Income
- Sterling Mid Cap Value
- Sterling Special Opportunities
- Wedgewood Partners Large Cap Focused Growth

Portfolio Manager strategies may change from time to time without prior notice. We will monitor the portfolio managers on the recommended list to offer what we believe are the best choices available. If we make a determination that a portfolio manager is no longer a suitable option they will be removed from the Recommended List.

After an analysis of your risk tolerance, time horizon and investment objectives your Investment Executive and you will select a portfolio manager strategy from the Recommended List. A separate account is required for each strategy selected. Davenport will have discretion over the account and will act as the Investment Advisor and fiduciary to and on your behalf. Davenport and the Investment Executive will provide individualized investment advice and portfolio management services to you. The *ManagerSelect* accounts are custodied and traded at Davenport & Company.

Davenport will receive the investment instructions for each strategy – via FolioDynamix, the Portfolio Manager coordinator – derived from the portfolio manager selected. When allocation or trade instructions for a strategy are received from FolioDynamix, Davenport will implement that action in all accounts invested in that strategy. These transaction instructions will be delayed versus the same actions implemented by the Portfolio Manager for the strategy and you should be aware that there is the potential for an adverse impact on prices when Davenport implements such actions and individual account performance may differ from the composite performance reported by the portfolio manager.

Clients in the DMS program always assign Davenport, 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 choose to fund a Davenport *ManagerSelect* account with securities that do not fit the strategy model selected, those securities will be sold and the proceeds reinvested accordingly, in the strategy model. Normally 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 positions. We 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 a managed account.

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 *ManagerSelect* 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.

Maximum annual asset-based fees for the *ManagerSelect* program:

- 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 all market value above \$5 million

In addition to the *ETFAdvisor*, *FundAdvisor* or Blended Allocation portfolio fee, your assets that are invested in mutual funds (including money- market funds), Unit Investment Trust's ("UITs"), 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 ETF's or mutual fund's investment advisors.

### Portfolio Management Account ("PMA")

Clients in the Portfolio Management Account program always assign Davenport, through their Investment Executive, the full authority and discretion for the buying, selling, changing, investing or reinvesting of any or all of the assets in the investment account.

PMA is an account in which the Investment Executive manages your investments and recommends securities transactions according to your individual needs and objectives. Each account in the PMA program is reviewed on a quarterly basis by Davenport's Portfolio Review Committee, a group of six senior executives of Davenport with combined investment experience of nearly 164 years. Additional reviews by the Committee are available upon the request of either you or the Investment Executive and are conducted at no extra charge.

The Committee and the Investment Executive meet to evaluate the portfolio holdings, investment strategy and performance results. The Committee may make investment recommendations; however, the Investment Executive and/or you 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 us.

Maximum annual asset-based fees for the Portfolio Management program:

- 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

### 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 DAM 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 Investment Executive 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 Davenport One 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.

## 5. Account Requirements and Types of Clients

We manage separate accounts for individuals, institutions, ERISA plans, trusts, estates, corporations, and various other types of entities. We are also the Advisor to four mutual funds. The various managed account programs can each be tailored to an individual's needs. You may impose restrictions on investing in certain securities or types of securities.

The minimum account size varies by the type of account. Minimums required by specific types of investments (i.e. mutual funds) must also be met. In some instances the minimum initial account value and/or the minimum quarterly fee may be reduced or waived.

<u>Program</u>	<u>Minimum Initial Amount</u>	<u>Minimum Quarterly Fee</u>
Blended Allocation Portfolio**	\$500,000	\$1,250
Blended Allocation Portfolio**		
Customized or w/Fixed Income	1,000,000	1,250
Core - Equity Only	250,000	625
Core w/ Fixed Income	400,000	1,000
Equity Opportunities	250,000	625
ETFAdvisor	25,000	0
Fixed Income Only	500,000	500
FundAdvisor**	35,000	0
Value & Income – Equity Only	250,000	625
Value & Income w/ Fixed Income	400,000	625
Davenport One**	500,000	1,250
Flexible Managed Account**	10,000	0
ManagerSelect	150,000	375
Portfolio Management Account	100,000	125

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

*\*\*In addition to the Davenport fee, your assets that are invested in mutual funds (including money-market funds), Unit Investment Trust's ("UITs"), 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 ETF's or mutual fund's investment advisors.*

## 6. Portfolio Manager Selection and Evaluation

We offer separately managed accounts within a wrap-fee platform. We are the sole sponsor of these wrap-fee programs. We do not recommend external portfolio managers or outside wrap-fee programs.

### Advisory Business

Davenport Asset Management uses a team approach - the Investment Policy Committee ("IPC") - to analyze and select investment ideas for the Core and Value & Income strategies and oversee the other Davenport Asset Management strategies. The Investment Policy Committee consists of seven senior investment professionals. The committee meets once a week, or more often if necessary, to discuss investment ideas and strategies. Investment decisions are made by a majority vote of the committee. Once an investment decision is made, our Portfolio Managers review their respective client accounts and execute the decision in suitable accounts. Other strategies, such as Equity Opportunities, FundAdvisor and Fixed Income, are managed by various members of the department 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. We manage your money like we manage our own.

Individual accounts are continuously managed by salaried Portfolio Managers. Portfolio Managers are responsible for the daily oversight and management of the account(s).

DAM also offers you the option of including fixed income investments in balanced accounts (Core, Value & Income and Blended Allocation accounts only). Davenport's fixed-income philosophy in general includes buying investment-grade and intermediate grade bonds. At the same time we recognize the diversification limitations associated with smaller accounts 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 bond positions or a combination of individual bonds and ETFs. Accounts with fixed income allocations of less than \$200,000 will typically 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 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, ETFs and closed-end funds may be used to increase diversification. No single position, other than cash or money market, will exceed 10% of an account's holdings, unless directed by the account owner. 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.

Value & Income is a large cap equities strategy. As such the stocks and other assets in the account are subject to various risks, including 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 portfolio consists of small and mid-cap companies that do 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.

### **Fixed Income**

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 that investors need to be aware of. 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.

### **ETFAdvisor**

A professional investment team (the “*ETFAdvisor* Team”) manages the model portfolios and directs the investments for the individual client accounts, with guidance from Davenport’s Investment Policy Committee. The four model portfolios are named according to their respective investment objectives. Each model portfolio consists of different target asset allocations to achieve its objectives. The four models are: Growth, Conservative Growth, Balanced and 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 *ETFAdvisor* 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 the Growth, Conservative Growth, Balanced, and Income models, Davenport has created asset allocation models that we believe are well suited to the model portfolios’ stated objectives. Finally, the *ETFAdvisor* 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.

### **FundAdvisor**

A professional investment team (the “*FundAdvisor* Team”) manages the model portfolios and directs the investments for the individual client accounts, with guidance from Davenport’s Investment Policy Committee. The six model portfolios are named according to their respective investment objectives. Each model portfolio consists of different target asset allocations to achieve its objectives. The six models are: Maximum Growth, Growth, Conservative Growth, Balanced, Conservative Balanced, and Opportunistic.

The *FundAdvisor* accounts are invested in a combination of no-load, Class A mutual-fund shares at net asset value (“NAV”), or advisor-class shares, if available. Each account is rebalanced to its model portfolio on 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 *FundAdvisor* 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 the Maximum Growth, Growth, Conservative Growth, Balanced, and Conservative Balanced models, Davenport has created asset allocation models that we believe are well suited to the model portfolios’ stated objectives. For the Opportunistic model, Davenport will typically invest assets in equal proportion across each fund that is used. Finally, the *FundAdvisor* 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 *FundAdvisor* 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, Class A mutual-fund shares at net asset value (“NAV”), or advisor-class shares, if available. Each account is rebalanced to its model portfolio on an annual basis. Prior to opening an account, you will be asked to complete a questionnaire that gives us an understanding of your investment objectives and risk tolerances. From that information, we will recommend a model portfolio that we believe best matches your individual needs.

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

DAM also offers you the option of including fixed-income investments in certain accounts that meet the minimum size requirement. Davenport’s fixed-income philosophy in general includes buying investment grade and intermediate bonds and income oriented ETFs.

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

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 portfolio by completing the account profile and specifying the stock, bond, and cash percentage distribution and/or program selection.

## **Davenport One**

Davenport has contracted with FolioDynamix – the overlay provider - 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. FolioDynamix provides the ability for Davenport to report the holdings in the account by strategy and/or manager.

With Davenport One, your Investment Executive and you select an investment strategy based on your personal objectives, time horizon, and risk tolerance. Then, together select strategies (or manager strategies, depending on your needs) from the models prepared by our Manager Research team. The assets in the accounts are custodied and traded at Davenport & Company.

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) 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.

## **Flexible Managed Account and Portfolio Management Account**

The Portfolio Management Account and Flexible Managed Account wrap-fee programs are managed by individual Investment Executives serving as your portfolio manager. These portfolios are constructed based on the investment goals established by you. Prior to opening an account, you and your Investment Executive will discuss your investment objectives and risk tolerances. You establish the asset allocation guidelines for your portfolio by completing the account profile and specifying the stock, bond and cash percentage allocations. From that information, your Investment Executive

will construct a portfolio that best matches your individual needs. You may impose restrictions on investing in certain securities or types of securities.

The Portfolio Managed 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.

Flexible Managed Accounts can include many unique combinations of securities and strategies. These accounts may be invested in a variety of securities and the account may not be fully diversified. As such it is important for you to discuss the unique risks associated with your account holdings and/or strategy with the Investment Executive managing the account. You should ensure you understand each asset and/or technique used to manage your account.

In addition to equities, it is possible that either 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. Securities deemed unsuitable for wrap-fee programs may not be purchased in the Flexible Managed Account Wrap Fee option. The Investment Executive 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.

### **Manager Select**

With Davenport *ManagerSelect*, the Investment Executive and the client will establish an investment strategy based on your personal objectives, time horizon, and risk tolerance. Then, together select a professional portfolio manager (or managers, depending on your needs) from a Recommended List prepared by our Manager Research team. FolioDynamix reports the investment activity of the selected third-party portfolio manager(s) to Davenport; then Davenport implements that same action in client *ManagerSelect* accounts following that strategy.

We will monitor the portfolio managers to ensure they continue to meet our rigorous standards and adhere to the investment philosophy for which they were originally selected. If a particular manager strays from their 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 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 may be a delay in the relaying of recommendations received; therefore the prices received may be adversely affected and individual account performance may differ from the composite performance reported by the Portfolio Manager.

## **7. Client Information Provided to Portfolio Managers**

Prior to opening an account, you will be asked to complete a questionnaire that gives us an understanding of your investment objectives, time horizon and risk tolerances. You are urged to communicate any changes that have occurred that would affect your investment objectives and risk tolerance either verbally or in writing to your Investment Executive or Portfolio Manager.

## **8. Client Contact with Portfolio Managers**

There are no restrictions placed on your ability to contact and consult with your portfolio managers and/or Investment Executives. Davenport encourages open and frequent communication between clients and their Investment Executives and Portfolio Managers. Executives and Portfolio Managers are available on a daily basis to answer any questions that may arise regarding the management of your portfolios.

## 9. Additional Information

### 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. 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.

### 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, including securities clearing and custodial 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

Other than the instances described herein, we do not have arrangements that are material to its advisory business and its clients and investors 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. We 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. Davenport & Company LLC maintains custody of the assets in your individual retirement trust account (IRA).

Davenport is a full-service brokerage firm as well as a Registered Investment Adviser. Our principal business is stock brokerage. We provide a full range of traditional-brokerage services, including securities clearing and custodial services. We also provide public and corporate finance and equity-research services. Davenport's Research Department publishes reports on various companies, including companies in which clients may invest. Such reports will be prepared and disseminated without regard to the effects on investments held or being considered by you.

Many Davenport Investment Executives 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, the Davenport Value & Income Fund, the Davenport Equity Opportunities Fund, the Davenport Small Cap Focus Fund and the Davenport Balanced Fund (the "Funds"). The Funds are a no-load, diversified, open-end series of the Williamsburg Investment Trust, a registered management investment company. We receive an annual investment management fee of .75% of the average daily net assets of the Funds. Investment Executives 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.

Investment Executives 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 the use of the Funds 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 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 much lower initial investment amount, among other considerations.

We currently have and may in future form limited liability companies ("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 markup 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 only recommend investments that are suitable for each client's individual needs and objectives.

With the exception of Flexible Managed Account III – Commission-based – 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 we are 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 ("PSP") 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.

### **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 customers' interests above their own. Employees are expected to maintain the highest standards of ethics and conduct in all of their business relationships.

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 employee's 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 also 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 any thing or service of any significant value if it is business related. Davenport limits its employees from accepting or soliciting cash or other forms of compensation, payments, gifts or reimbursement from third parties that could create a conflict of interest.

A copy of Davenport's Code of Ethics can be obtained in its entirety by contacting the client's Investment Executive, or the Davenport Compliance Department at (804) 780-2000.

### **Aggregating Orders**

Davenport's Code of Ethics does allow Investment Executives 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, 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.

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 order has been given to Davenport's wire room for execution. As a result, the directed brokerage client may not receive "best execution" for the trade.

When an aggregated order can only be 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 portfolio manager will be favored over another portfolio manager, and all client accounts that participate in the day's allocation will receive the average share price for the aggregated order.

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. They will participate in the random allocation in the same manner as all Davenport Asset Management accounts and the Davenport Funds.

Aggregated orders for the Investment Executive 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.

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

Davenport currently has formed, and may form additional, limited liability companies (“Companies”) created for private investment purposes. Davenport employees currently serve as the managing member and investment advisor to these Companies. These Companies may pay a performance based incentive fee. The day-to-day investment decisions for the Companies 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 Companies as they follow for other client portfolios, including the Davenport Funds. Davenport and eligible employees may invest in these Companies. As such there may be an incentive to favor the companies over other accounts. Davenport has processes in place to monitor trading and allocation of investment ideas across these accounts and believes the potential 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 Companies’ Portfolio Managers have an incentive to favor the Companies over other client portfolios because the Companies may 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 Companies are substantially different from that 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 Companies and other client portfolios with suitable investment opportunities. Portfolio Managers might not present the Companies and other client portfolios with the same investment opportunities even if such opportunities are consistent with the Companies and other clients’ investment objectives. Portfolio Managers will use their best judgment and specific knowledge of the individual Companies and client accounts when deciding which securities to recommend or invest in specific instances.

## **Review of Accounts**

### **Davenport Asset Management Programs:**

The Investment Policy Committee meets on a weekly basis and reviews the Davenport Asset Management portfolio models. In addition, Portfolio Managers review assigned accounts in the Core, Equity Opportunities, Value & Income, and Blended Allocation programs on a daily 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 and the Asset Management Division review all accounts on a quarterly basis to review inclusion of each account in a composite. All accounts are included in an appropriate composite. The composites are reviewed on an annual basis by an independent firm for a Global Investment Performance Standards – GIPS verification.

The Investment Executive for each account has daily access to account information and activity.

### **Davenport One Accounts:**

Account activity in the Davenport One program is reviewed on a regular basis by the Investment Executive 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 on a regular basis by the Investment Executive 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 a semi-annual basis, the Investment Executive will formally review each account with regard to portfolio holdings, diversification, performance, and compliance with your stated investment objectives. In addition, members of the Compliance Department and senior officers of the firm will periodically review accounts to ensure that accounts are being managed according to firm policies and procedures.

#### ManagerSelect Accounts:

Account activity in the ManagerSelect program is reviewed on a regular basis by the Investment Executive associated with the account. The Manager Research Team reviews the model portfolios and portfolio managers on a quarterly basis, or more frequently if warranted.

#### Portfolio Management Account Program:

Members of the Portfolio Review Committee review Portfolio Management Accounts on at least a quarterly basis. In addition, the Investment Executive or you may request the Committee's review at any time. Members of the Portfolio Review Committee are senior officers of Davenport and have nearly 164 years combined experience in the investment industry.

Clients in the DAM programs receive,

- Confirmation statements after each transaction;
- 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.
- 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 Davenport One, Flexible Managed Account, ManagerSelect and Portfolio Management programs receive,

- Confirmation statements after each transaction;
- 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 these reports online.

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

#### **Custody**

Davenport provides custody services. If you custody your funds at Davenport, you will receive an account statement at least quarterly. The statement will reflect security positions grouped by market sector, showing cost, market values,

percent of total assets, estimated annual income, and current yield. The statement will also show all activity in the account during the period covered by the statement.

### **Investment Discretion**

Clients in the Core, Value & Income, Equity Opportunities, Blended Allocation, Fixed Income, *ETF Advisor* and the *Fund Advisor* 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 program have the option to assign or not assign, through the Davenport Investment Executive, 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 maintain discretion yourself, we are authorized to execute transactions that you have approved of either verbally or in writing.

Clients in the Portfolio Managed Account programs always assign Davenport, through the Investment Executive, the 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 Davenport One and *Manager Select* programs always assign Davenport, through the Investment Executive, 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 in writing to us by you. You agree to inform us in writing of any material change in your 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.

### **Financial Information**

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

We do not foresee any financial condition that is likely to impair our ability to meet contractual commitments to our clients.

Davenport has not been the subject of a bankruptcy petition at any time during the past ten years. Davenport has had an independent examination of its controls, and the auditing firm – KPMG LLC – has prepared a report describing their findings in accordance with the Service Organization Controls Report (SOC1) SSAE 16.