

## Portfolio Insights: Value & Income Fund



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### “Value” is a Moving Target...Finding it Requires Flexibility

#### THE HISTORY:

Since inception, Davenport Asset Management’s Value & Income Fund (DVIPX) has established an enviable track record. The Fund has been able to generate returns nicely in excess of both benchmarks and its peer group. Perhaps just as important, the Fund has achieved this while exhibiting below average risk. The key ingredient over time has been the Fund’s ability to perform well in a variety of market environments including up, down and sideways.

#### THE HOW:

So how have we been able to produce better than average returns with below average risk? In addition to our risk management process, we think investment flexibility has played a key role in differentiating us from our peers. This applies to:

- **Idea Generation**
- **Sector Allocation**
- **Income Generation**

#### UNCOVERING DISTINCTIVE IDEAS:

Our experience, flexibility and research approach have produced uncommon value ideas that have generated excess returns. While some of our holdings are household names and seen in Funds with similar objectives, our long history in the business and experience with many companies has allowed us to produce differentiated ideas not typically seen elsewhere. Over time, these ideas have been a bonus and have helped separate us from our peers. As value investors, it’s particularly gratifying when a stock that’s relatively unknown and under-followed moves from relative obscurity to popular.

#### SECTOR FLEXIBILITY:

We also afford ourselves sector flexibility. In other words, we emphasize areas/industries where we see value. Yes, we will tend to have representation from areas traditionally perceived to be “safer” or more conservative such as consumer staples, telecommunications and utilities, however, we also pursue opportunities in more cyclical areas on a timely basis. Being a value investor is about being opportunistic and, while always mindful of risk, we don’t let benchmarks or peer group holdings dictate how we allocate capital to sectors of the market.

***Investors should consider the Fund’s investment objectives, risks, charges, and expenses carefully before investing. The Fund’s prospectus contains this and other important information, should be read carefully before investing or sending money, and may be obtained from your Financial Advisor, (800) 846-6666, or by visiting [www.investdavenport.com](http://www.investdavenport.com).***

### **INCOME FLEXIBILITY:**

Dividend yield is a meaningful component of the Fund. In other words, we have an emphasis on strong and growing dividends as a source of income. However, there have been, and may be, times where we de-emphasize income in favor of inexpensive valuations. This may be especially true in times when investors seem to be chasing income, perhaps something to be more cognizant of in an ultra low interest rate environment. While it may feel as though low rates are here to stay, history shows it's important not to get lulled into a sense of complacency. Many investors may be taking on more risk than they realize when crowding into ostensibly "safe" income names that could weaken substantially in a rising rate environment. We think it's important to balance this risk with companies that would do well in a rising rate world.

### **IN SUMMARY:**

We will stick to our core principles, however, we think it's important to think outside the box as value investors. After all, we launched the Value & Income strategy in 2001 when investors were still smitten with growth and both value and dividends remained afterthoughts. It may not have seemed very popular at the time, but thinking with a countercyclical and contrarian mindset has served our investors well thus far.

There is no guarantee that a company will continue to pay dividends.

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**Risk Considerations:** The fund may not achieve its objective and/or you could lose money on your investment in the fund. Stock markets and investments in individual stocks are volatile and can decline significantly in response to market, foreign securities, small company, exchange traded fund, investment style and management risks. Small and mid-cap company stocks may be more volatile than stocks of larger, more established companies. Please see the prospectus for further information on these and other risk considerations.