

Davenport Advisors Stock Fund

December 31, 2009

December 31st marks the end of the second quarter that our stock fund has been in operation. We started the fund with \$1,040,000. We made our first stock purchase on August 13, 2009. So far, so good.

Update on the Fund:

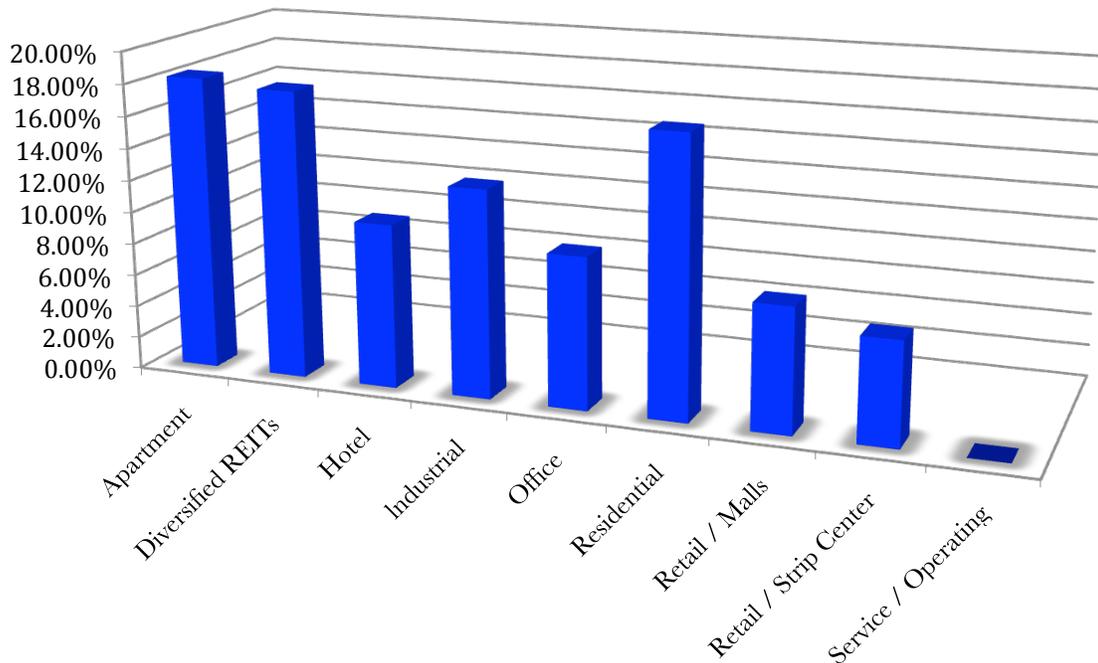
The current value of the fund is \$1,142,225. We have \$560,274 invested at cost in eighteen stocks, the market value of which is \$631,470. We have sold four positions at a profit, and one position at a very slight loss. Overall we are up \$102,225 before fees and expenses.

Fund Holdings by Industry:

Apartment: 18.3%
Diversified REITs: 17.9%
Hotel: 10.2%
Industrial: 12.9%
Office: 9.4%

Residential: 17.2%
Retail/Malls: 7.7%
Retail/Strip Center: 6.4%
Service/Operating Companies: 0%

Q4, 2009 Holdings



Top 5 Holdings

AIV - APT INVT & MGMT A
FUR - WINTHROP REALTY TR NEW
PLD - PROLOGIS
GRT - GLIMCHER REALTY TRUST
HRP - HRPT PROPERTIES TRUST

AIV is one of the largest owners of apartments in the US. **FUR** is a mixed REIT. **HRP** is an Office and Industrial REIT. AIV, FUR and HRP are companies which we believe to be trading well below their long term Net Asset Value (“NAV”) per share and each pay good dividends.

PLD is an Industrial REIT which was severely penalized for its high leverage and faced Chapter 11 in early 2009. Since then they have changed CEOs, raised \$1.4 billion in equity, and paid down or extended much of their debt.

GRT is a mall REIT based in Columbus, Ohio. They were at risk of having to file Chapter 11 earlier this year but managed to pay down or extend into 2011 most of the debt which was coming due this year. The stock trades in the \$3 range. GRT pays a quarterly dividend of \$0.10/share which equates to a 12% yield. We estimate GRT’s NAV/share to be significantly above the current stock price.

Comments:

Last quarter we told you about our purchase of **NAQ**, a “Special Purpose Acquisition Company”. The company did successfully convert into a REIT with the new name, Retail Opportunities Investments Corp., stock symbol, **ROIC**. We had hoped that the stock would pop once the conversion to a REIT was announced. It did not. However, we still believe that stock will go up once the company begins to announce significant acquisitions. In the meantime the company holds about \$500 million in cash which puts its NAV just slightly below the current stock price. We believe that Stuart Tanz, the CEO, will be able to take advantage of the \$500 million war chest in buying distressed retail properties at big discounts.

IHR is an owner and manager of hotels. The company’s stock tanked to below \$1/share in late 2008 and the stock was delisted from the NYSE in March of 2009. We noticed some insider trading by their CFO, Leslie Ng. We recognized Leslie Ng from a previous hotel company – Wyndham Hotels - it nearly went bankrupt in 2002. Leslie Ng was instrumental in helping to revive Wyndham and they were subsequently bought out in 2005. Mr. Ng bought IHR stock in May and June at below \$1/share. Our estimate of IHR’s NAV/share was \$2/share and higher. We purchased IHR in the \$1.25/share range. The company announced on December 18th that it would be acquired by a private equity fund for \$2.25/share.

We continue to have weekly conference calls among the partners of Davenport Partners during which we review stocks in the portfolio, consider new companies, review industry trends, etc. To date we have focused on buying stocks which are clearly trading for below their NAV with a bias toward those who have taken the greatest hit to their stock price in the peak days of 2007.

Trading Gains/Losses:

During the quarter we bought and sold five stocks: CBL, GBE, MPG, HMR and GGWPQ.

CBL is a mall REIT which was trading below its NAV. We bought, it went up a little, and so we sold.

GBE, Grubb & Ellis, was facing bankruptcy, there were rumors in the news of a recapitalization and pay down of debt, which did occur, the stock went up and we sold.

MPG, Maguire Properties, stock runs up and down as they make various announcements about selling buildings or giving them back to the lenders.

HMR, Sports Properties Acquisition Company, was another “Special Purpose Acquisition Company” also known as a “Blank Check Company” that was considering converting to a REIT. There was some activity in the stock, but ultimately HMR decided to become a NYC Taxi Medallion Acquisition Company. We are not in the Taxi business so we sold at a very small loss.

GGWPQ, General Growth Properties, is one of the largest Mall companies. It is in Chapter 11. They had a huge amount of debt coming due last year and no source of repayment but plenty of cash flow to make interest payments. If GGWPQ could convince the Bankruptcy Judge to force the lenders to extend the loans they would survive. We valued the company’s NAV at about \$10/share and purchased the stock around \$2.50/share. By early fall the Judge was beginning to see General Growth’s arguments and lenders were agreeing to extend. The stock moved above \$5/share, a 100% gain on our basis, and we sold.

The Fund

Our fund started its life in the 3rd quarter of 2009, very humbly by Wall Street and Stock Fund standards, a micro, micro cap, with just over one million dollars. At least we can say (with just a little exaggeration) that the size of the fund is in the millions. Specifically we started with 22 investors and \$1,040,000.

We have been investing based on a dollar cost averaging approach. We were hoping to be about 80% invested by year end, however, after selling positions to take trading gains, we ended the year 55% invested in stocks, 45% in cash.

We would welcome additional contributions by existing investors, and of course, we would also welcome new investors.

Please contact us if you have questions or would like to see a copy of the subscription materials.

Fund Philosophy

Invest in real estate related stocks. Real Estate Investment Trusts (REITs), Real Estate Operating Companies, Land and Natural Resource Companies, Hotel Companies, Banks, Lenders, Mortgage Companies, Retailers, Diversified Companies with real estate holdings, Construction Companies, Private Equity companies oriented toward real estate. Investments could include special situations, often illiquid stocks, or real estate stocks not widely followed by analysts or institutions or real estate sectors which are currently out of favor and/or not widely traded.

Key Information

Inception: August 1, 2009
Manager: John Davenport
Fees: 1%; 20% performance fee with Hurdle and HWM
Minimum Investment: \$25,000
Liquidity: contributions quarterly, annual redemption.
Broker: Schwab

Disclaimer

Past performance is not an Indicator of future performance. Please read the subscription materials before Investing.