MARKET COMMENTARY

DAVENPORT 1863
BUILDING WEALTH TOGETHER

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- Banking sector turmoil rattled markets in March
- Consensus suggests Fed is poised to pause rate hikes
- First quarter earnings season approaches with the street having muted expectations

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Equity markets were shaken in March by turmoil in the banking sector resulting from the failure of Silicon Valley Bank and Signature Bank of New York. Swift regulatory agency backstopping of the financial sector served to calm equity markets with major indexes turning in mixed performances for the month. Against this backdrop, the VIX Index or "fear gauge" which started the month at a little over 20 jumped higher to briefly break the 30 level amidst the banking crisis before retracing and ending the month under 19. For the full month, the Dow Jones Industrial Average increased by 1.9%, the S&P 500® index was up 3.5%, and the smaller cap-weighted Russell 2000® declined by 5.0%.

The best-performing S&P 500 sector in March was Information Technology which increased 10.9% and was closely followed by the Communication Services sector which was up 10.4%. The weakest performance in the month was posted by the Financials sector which decreased by 9.7% followed by the Real Estate sector which was down 2.1%. For the prior twelve-month period, the Energy sector was the best and only positive performer with a 9.1% increase followed by the Consumer Staples sector which was down 1.4%, while the Real Estate sector was the worst performer for the past twelve months with a 22.4% decrease followed by the Consumer Discretionary sector which was down 20.4%.

The failures of Silicon Valley Bank and Signature Bank stirred fears of potential contagion across the banking sector in mid-March. The Fed, Treasury, and FDIC quickly responded assuring depositors that funds would be fully protected followed up by the Fed's introducing a Bank Term Funding Program allowing banks to borrow against their Treasury and other government securities holdings valuing the bonds at par - thus reducing the risk of a banking crisis contagion tied to the fast-paced rise of interest rates.

The banking crisis led to investor interest rate expectations shifting once again, with the consensus now anticipating the Fed is poised to pause on its rate hiking strategy with the funds rate likely near a current cycle peak at 475-500 BPS. CME FedWatch summarizing investor views points to rates ending 2023 with the funds rate at 425-450 BPS after two 25 BPS cuts in September and November, followed by another series of 25 BPS cuts to come in 2024 that sees the funds rate into 4Q2024 at 325-350 BPS (down another 100 BPS).

Where to from here?

First quarter earnings season approaches with the street having muted expectations. Factset Research has published estimates pointing to 1Q2023 S&P 500 earnings as forecast to decline by 6.6% with revenues rising by a slim 1.9% that if forthcoming would represent the largest earnings contraction since 2Q2020 during the early phase of the COVID pandemic (prior to the availability of vaccines). Current forecasts for 2Q2023 target EPS declining by 4.4% with a corporate earnings recession as being in the cards for Corporate America through 1H2023. We note that the earnings outlook for the back half of the year remains positive with targets for 3Q2023 and 4Q2023 earnings growth of 2.3% and 9.3%, respectively. However, we anticipate that uncertainties regarding an earnings rebound in 2H2023 will likely persist into this summer. As previously noted, consensus expectations point to the FOMC cutting interest rates measurably into the 2H2023 due to the weakening of the U.S. economy which would seem to represent a challenge for Corporate America on the earnings front.

With the S&P 500 trading at almost 19x consensus 2023 EPS, the market sells at a premium to the historical 10-year average of 17.2x – suggesting that overall stocks are not unusually cheap, while we see uncertain economic conditions likely to persist near term. We believe that investors will continue to face a challenging investment environment anticipating 1Q2023 earnings season could offer us guideposts for the balance of this year. Selectivity remains critical today with fixed-income alternatives offering attractive short-term returns. Equities remain a key component for investor portfolios over the intermediate and longer-term with those firms positioned to sustain solid growth being of interest. We see solid potential returns arising among those stocks possessing less exposure to interest rates and marketing specialized products/services remaining in demand with pricing power, sustainable earnings growth, and solid free cash flow generation.

MARKET AND ECONOMIC STATISTICS

Market Indices:	**3/31/2023**	**12/30/2022**	**% Change YTD**	**2/28/2023**	**% Change (Monthly)**
S&P Composite	4,109.31	3,839.50	7.03%	3,970.15	3.51%
Dow Jones Industrials	33,274.15	33,147.25	0.38%	32,656.70	1.89%
NASDAQ Composite	12,221.91	10,466.48	16.77%	11,455.54	6.69%
Russell 2000	1,802.48	1,761.25	2.34%	1,896.99	-4.98%
FTSE 100	7,631.74	7,451.74	2.42%	7,876.28	-3.10%
Shanghai Composite	3,272.86	3,089.26	5.94%	3,279.61	-0.21%
Nikkei Stock Average	28,041.48	26,094.50	7.46%	27,445.56	2.17%
Stoxx Europe 600	457.84	424.89	7.75%	461.11	-0.71%
MSCI Emerging Markets	990.28	956.38	3.54%	964.01	2.73%
MSCI Emerging Markets Small Cap	1,167.11	1,127.18	3.54%	1,158.36	0.76%
Performance of S&P 500 by Industry:	**% of Index as of 12/30/22**	**1 Month**	**3 Month**	**Year to Date**	**12 Months**
Consumer Discretionary	10.54%	3.01%	15.76%	15.76%	-20.42%
Consumer Staples	6.69%	3.81%	0.16%	0.16%	-1.40%
Energy	4.91%	-0.49%	-5.57%	-5.57%	9.10%
Financials	11.75%	-9.74%	-6.05%	-6.05%	-16.05%
Health Care	14.39%	2.06%	-4.72%	-4.72%	-5.27%
Industrials	8.58%	0.55%	3.03%	3.03%	-1.59%
Information Technology	27.22%	10.87%	21.49%	21.49%	-5.55%
Materials	2.82%	-1.34%	3.75%	3.75%	-8.23%
Communication Services	7.67%	10.37%	20.18%	20.18%	-18.53%
Utilities	2.79%	4.62%	-4.04%	-4.04%	-9.02%
Real Estate	2.66%	-2.08%	1.04%	1.04%	-22.37%
S&P 500 (Absolute performance)	100.0%	3.51%	7.03%	7.03%	-9.29%
Interest Rates:	**3/31/2023**	**12/30/2022**	**YTD Change (Basis Points)**	**2/28/2023**	**Month Change (BPS)**
Fed Funds Effective Rate	4.83%	0.09%	474	4.57%	26
Prime Rate	8.00%	7.50%	50	7.75%	25
Three Month Treasury Bill	4.81%	0.09%	472	3.37%	144
Ten Year Treasury	3.47%	3.87%	-41	3.92%	-45
Spread - 10 Year vs 3 Month	-1.34%	3.79%	-513	0.55%	-189
Foreign Currencies:	**3/31/2023**	**12/30/2022**	**% Change YTD**	**2/28/2023**	**% Change (Monthly)**
Brazil Real (in US dollars)	0.20	0.19	4.4%	0.19	3.4%
British Pound (in US dollars)	1.23	1.21	2.1%	1.20	2.6%
Canadian Dollar (in US dollars)	0.74	0.74	0.3%	0.73	1.0%
Chinese Yuan (per US dollar)	6.87	6.90	-0.4%	6.94	-0.9%
Euro (in US dollars)	1.08	1.07	1.3%	1.06	2.5%
Japanese Yen (per US dollar)	132.86	131.12	1.3%	136.17	-2.4%
Commodity Prices:	**3/31/2023**	**12/30/2022**	**% Change YTD**	**2/28/2023**	**% Change (Monthly)**
CRB (Commodity) Index	550.63	554.78	-0.7%	548.53	0.4%
Gold (Comex spot per troy oz.)	1969.28	1824.02	8.0%	1826.92	7.8%
Oil (West Texas int. crude)	75.67	80.26	-5.7%	77.05	-1.8%
Aluminum (LME spot per metric ton)	2376.75	2349.51	1.2%	2327.63	2.1%
Natural Gas (Futures 10,000 MMBtu)	2.22	4.48	-50.5%	2.75	-19.3%
Economic Indicators:	**2/28/2023**	**12/31/2021**	**% Change YTD**	**2/28/2023**	**% Change (Monthly)**
Consumer Price Index	301.6	280.9	7.4%	301.7	-0.00%
Producer Price Index	257.0	233.5	10.0%	257.0	0.00%
	Q3 2022	**Q2 2022**	**Q1 2022**	**Q4 2021**	**Q3 2021**
GDP Growth Rate (Quarterly)	3.20%	-0.60%	-1.60%	7.00%	2.70%
Unemployment Rate (End of Month)	**February 3.6%**	**January 3.4%**	**December 3.5%**	**November 3.6%**	**October 3.7%**

*GDP growth rate is calculated as the percent change from the previous period seasonally adjusted at annual rates. **S&P Sectors were re-named at the end of 2001. The sector Industrials is a combination of the former sectors Capital Goods & Transportation.Sources: Wall Street Journal, Bloomberg, The Department of Labor, The Bureau of Labor Statistics, The Bureau of Economic Analysis, US Treasury website.

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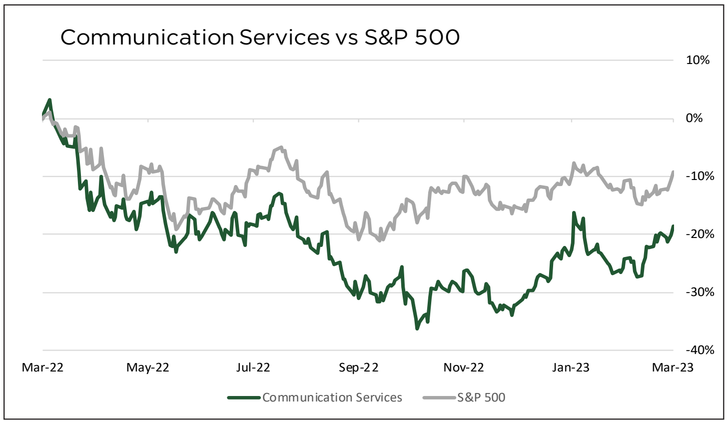
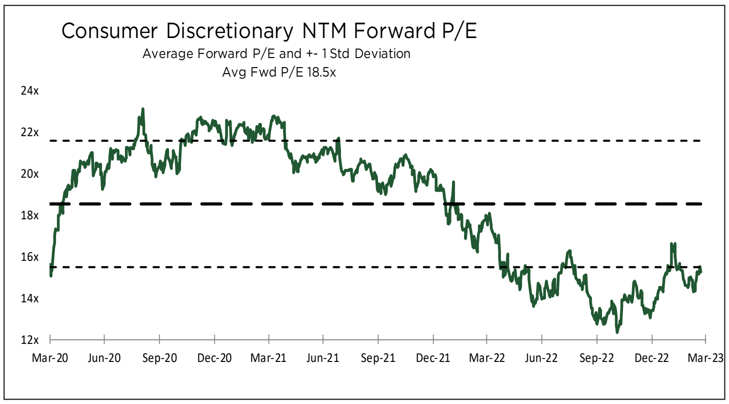
Sector Updates

COMMUNICATIONS SERVICES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
10.37%	20.18%	20.18%	-18.53%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.51%	7.03%	7.03%	-9.29%

	Company Performance	1 Month
Leader	Meta Platforms Inc	21.2%
	Alphabet Inc	15.2%
	Alphabet Inc	15.2%
	Activision Blizzard Inc	12.2%
	Take-Two Interactive	8.9%
Laggards	Lumen Technologies	-22.1%
	DISH Network Corp	-18.2%
	Match Group Inc	-7.3%
	Warner Bros Discovery	-3.3%
	Fox Corp	-2.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$10.68	$11.96	$13.99
17.9x	16.0x	13.7x

Sector Update

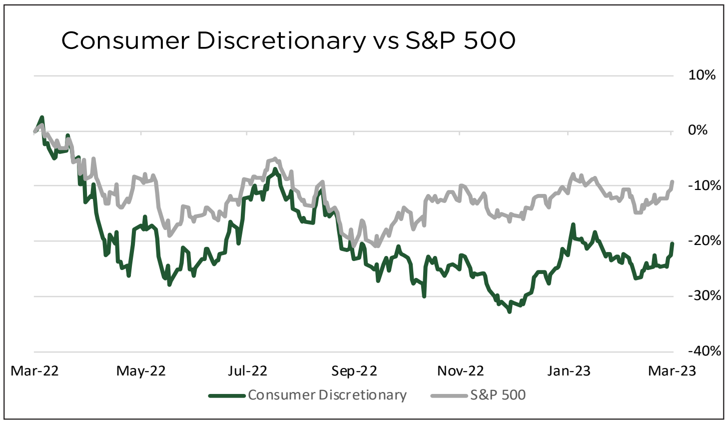
Communications Services (+10.37%) and the Interactive Media Services sub-sector (+16.37%) outperformed the market in March due to the sharp rise in the shares of Alphabet and Meta Platforms. Investors were enthused by their investment in generative AI technology and their commitment to improving their operating efficiency. Investors also anticipated that they could benefit from a potential U.S. ban of TikTok, a popular social media app.

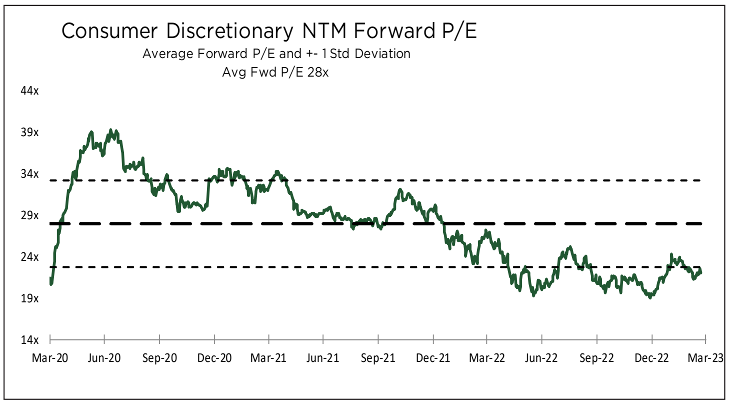
Alphabet began investing in artificial intelligence (AI) ten years ago and developed large language models that were the basis for generative AI chatbots such as OpenAI's ChatGPT and Alphabet's Bard.

Alphabet enhanced its products and services with AI technology, including Contact Center AI, an AI-powered app that assists with customer service, cybersecurity, data analytics, Google search, and Google Translate. The company plans to augment its Google Workspace productivity apps (including Gmail, word processing, and spreadsheet apps) with generative AI technology.

Alphabet recently introduced Vertex AI, an AI service that enables enterprises to run lightweight AI models (without having to employ an AI scientist) on Google Cloud's AI infrastructure. Given significant corporate demand for cloud-based AI language models to support generative AI, cloud companies' revenue growth could reaccelerate over the next year.

Even though Communications Services trades at a discount to its average forward P/E multiple, we believe the sector could underperform the market in the near term if the Federal Reserve continues to increase interest rates to combat inflation. There is a potential risk that higher energy prices could reignite inflation due to OPEC's recent surprise production cut.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
3.01%	15.76%	15.76%	-20.42%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.51%	7.03%	7.03%	-9.29%

	Company Performance	1 Month
Leader	Chipotle Mexican Grill	14.6%
	Domino's Pizza Inc	12.2%
	Amazon.com Inc	9.6%
	Lennar Corp	8.7%
	Darden Restaurants Inc	8.5%
Laggards	Advance Auto Parts	-16.1%
	Newell Brands Inc	-15.3%
	Expedia Group Inc	-11.0%
	Bath & Body Works	-10.5%
	Norwegian Cruise Line	-9.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$38.80	$47.47	$56.76
30.0x	24.5x	20.5x

Sector Update

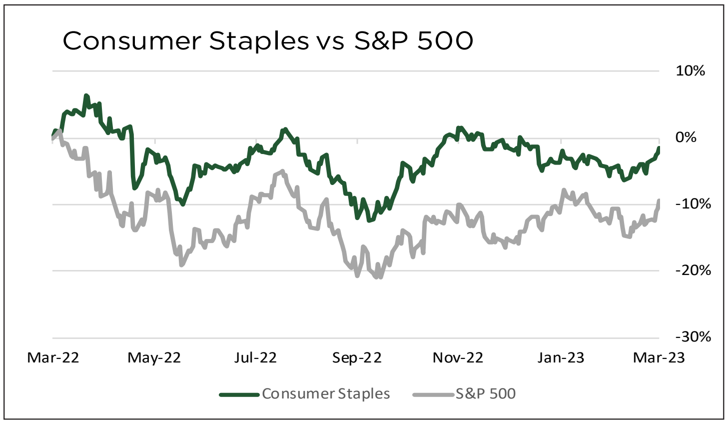
The Consumer Discretionary sector slightly underperformed the S&P 500 in March as markets were weighed down by the banking crisis and inflation concerns. Sub-sector performance was led by gains in the Household Durables and Hotels, Restaurants & Leisure categories. Sub-sector weakness in the month was particularly noteworthy in the Distributors, Auto Components, and Leisure Products segments. On a year-to-date basis, the Consumer Discretionary sector has performed strongly on both an absolute basis and relative to the S&P 500 index as seen in the accompanying table. Despite these gains, on a trailing twelve-month period the sector continues to sharply lag the S&P 500.

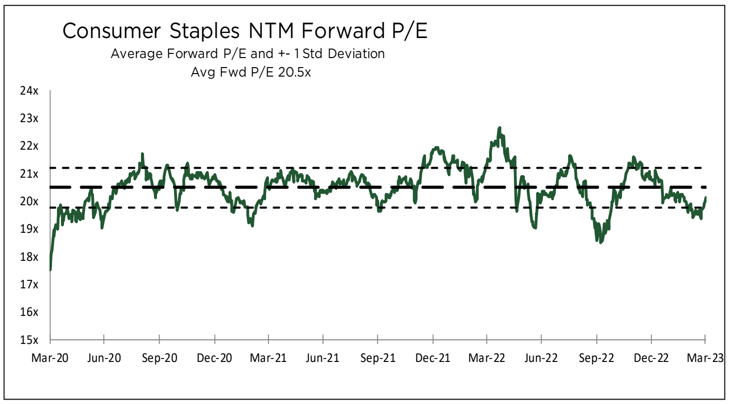
The housing market rebounded in February with a 14.5% surge in existing home sales representing the first increase in the last 13 months. The National Association of Realtors reported that existing home sales rose to 4.58 million in February on a seasonally adjusted basis. The February increase of 14.5% was the biggest move in home sales since the pandemic bump that occurred in July 2020 when it increased by 22.4%. One factor that may have contributed to the increase in home sales was an improvement in affordability as median home prices dropped in February to $363,000. This was the first reported drop in home prices in over ten years. Another factor that may have aided home sales was a drop in mortgage rates further helping affordability. Supply of homes for sale continues to be constrained at just 2.6 months versus a pre-pandemic norm of 4 months or more.

In mid-March, retail sales were reported by the Commerce Department down 0.4% for the month of February representing a significant pullback from January up 3.2%. Core retail sales which exclude autos and gas were flat for the month. Monthly sales slowed most significantly at department stores, furniture stores, and restaurants while modest gains were reported at grocery stores and electronics retailers. The divergence between grocery and restaurant sales suggests some caution may be developing amongst consumers against a challenging economic backdrop including high inflation and rising interest rates.

Despite the uncertain macro environment, consumer confidence as measured by the Conference Board picked up in March to 104.2 from 103.4 in April. It appears that the strong jobs market and low unemployment is helping to support confidence despite the high inflation backdrop. We note that a key forward-looking measure tracked by the Conference Board indicated that forward-looking six-month expectations improved to 73 in March logging a nice improvement from the prior month's level of 70.4 albeit well below the overall confidence index. On the flip side, consumer sentiment tracked by the University of Michigan slipped in March coming in at a four-month low reading of 62. Consumer sentiment tends to reflect consumer views on their personal financial situation and it appears that increasing concerns about potential recession as well as the recent banking sector issues may be weighing on the metric.

CONSUMER STAPLES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
3.81%	0.16%	0.16%	-1.40%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.51%	7.03%	7.03%	-9.29%

	Company Performance	1 Month
Leader	Kroger Co	14.4%
	McCormick & Co Inc	12.0%
	Procter & Gamble Co	8.1%
	General Mills Inc	7.5%
	Kimberly-Clark Corp	7.3%
Laggards	Hormel Foods Corp	-10.1%
	Altria Group Inc	-3.9%
	Molson Coors	-2.8%
	Walgreens	-2.7%
	Brown-Forman Corp	-0.9%

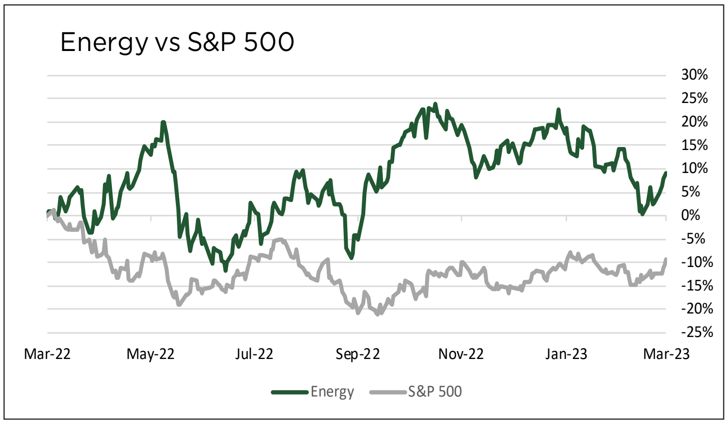
Consensus FY EPS / P/E

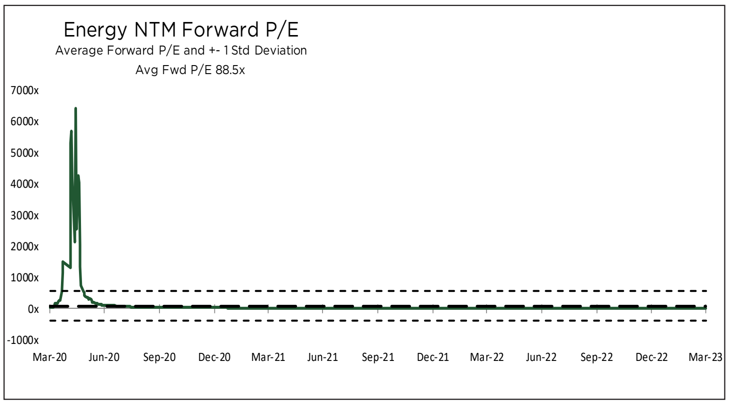
Last Year	Current Year	Next Year
$35.20	$37.40	$40.64
22.2x	20.9x	19.2x

Sector Update

The Consumer Staples sector increased 3.81% on average in March slightly outperforming the S&P 500 Index which increased 3.51% for the month. With the uncertain global banking environment along with the economy, investor sentiment favored exposure to the more defensive stock segment during the month. For the first quarter, the Consumer Staples segment underperformed the S&P 500 Index which is not a surprise. Historically, Consumer Staples stocks have weakened as the new year begins and investors reposition portfolios away from more defensive stocks. The Consumer Staples segment is now trading at 20.9x, which is slightly above its average forward P/E of about 20.5x, with many Consumer Staples companies offering an attractive dividend yield. We continue to advise selective investment among the Consumer Staples stocks and prefer an investment in companies with pricing, leading market share, strong balance sheets, and experienced management.

Focus remains on sales trends as the first quarter concludes. In general, results for the Consumer Staples Companies face a tough comparison versus Q1 2023. In addition, the discontinuation of SNAP payments creates a near-term headwind. Overall, elasticities remain favorable despite consumers facing higher prices. Consumer Staples companies continue to approach the balance of 2023 with a more cautious outlook incorporating elasticities more in line with historical averages and modest volume assumptions. There is upside to that assumption if elasticities trend more favorably. Most companies continue to benefit from wrap-around pricing from actions implemented in 2022 with expected select surgical pricing plans for 2023. Emphasis is shifting to revenue growth management, product mix, and innovation to drive top-line growth. Those companies that successfully executed pricing strategies and invested in their supply chains should be better positioned for 2023 and begin to realize margin recovery. As supply chains improve and inventory improves on retailer shelves, the risk for a heightened promotional environment rises as companies seek to drive growth which remains a key trend to monitor. There is renewed interest for consolidation as consumer staples companies seek to drive faster top-line growth, reformulate brand portfolios, and seek additional cost savings. If potential acquisitions do not occur, management teams should return value to shareholders through dividends and share repurchases.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-0.49%	-5.57%	-5.57%	9.10%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.51%	7.03%	7.03%	-9.29%

	Company Performance	1 Month
Leader	Marathon Petroleum	9.1%
	Occidental Petroleum	6.6%
	Valero Energy Corp	6.0%
	Kinder Morgan Inc	2.6%
	Pioneer Natural	1.9%
Laggards	Halliburton Co	-12.7%
	Schlumberger NV	-7.7%
	Devon Energy Corp	-6.1%
	APA Corp	-6.0%
	Baker Hughes Co	-5.7%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$80.79	$62.76	$61.50
7.9x	10.1x	10.3x

Sector Update

The Energy sector once again lagged broader markets against a challenging oil price environment. Weakness in energy stock performance in the month versus the S&P 500 appears linked to macroeconomic concerns associated with the recent banking crisis. Energy sector share price performance by sub-sector was led to the downside by sharp underperformance in the Energy Equipment & Services sub-sector versus the somewhat stronger Oil, Gas & Consumables sub-sector during the period. Although the Energy sector has lagged the S&P 500 during the one-month, trailing three-month, and year-to-date periods, the sector has sharply outperformed on a trailing twelve-month basis relative to the S&P 500, as seen in the accompanying table.

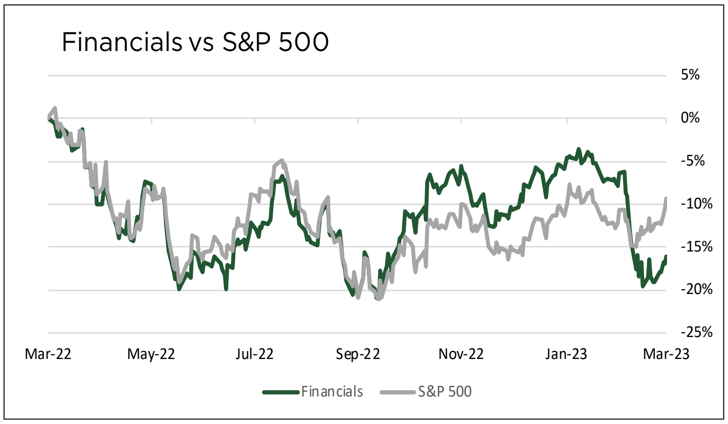
Oil markets dropped significantly in mid-March as turmoil in the U.S. banking industry drove increased recession fears. The weakness in oil prices carried through to energy sector equities which experienced a broad selloff. Fear of an economic slowdown due to the recent banking sector issues raised concerns that oil demand could weaken and weighed on energy issues.

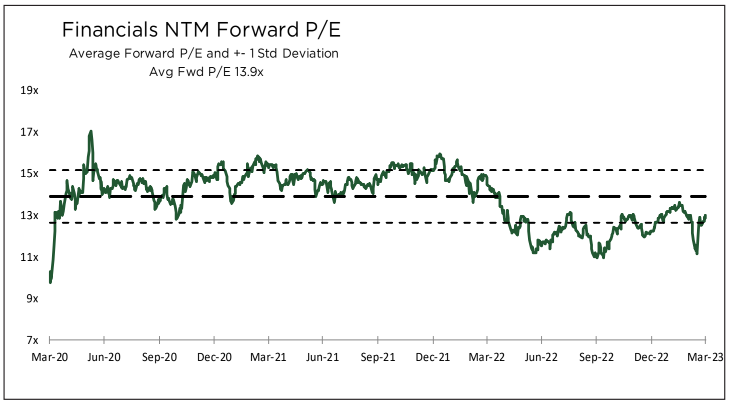
OPEC surprised markets with Saudi Arabia leading the decision to cut oil production. Saudi Arabia's Minister of Energy indicated that the nation will voluntarily reduce oil production by 500,000 barrels per day beginning in May and running through the end of the year. Russia has also indicated that it will extend a March production cut of 500,000 barrels per day through the end of 2023.

West Texas Intermediate crude oil prices were quite volatile in March moving from the $77 per barrel range at the start of the month to reach the $65 range mid-month as the banking crisis unfolded before rebounding to the $80 range at the start of April. The April rebound appears to have been largely fueled by OPEC's decision to cut production. Natural gas prices resumed the downward trend seen this year dropping from about $2.75 per million Btu to end the month at about $2.22 per million Btu. Retail gasoline prices increased in March to $3.53 per gallon at the end of the month from the $3.46 average price seen at the end of February.

The Baker Hughes oil rig count was down in the month coming in at 592 rigs for March versus 600 rigs in February. Oil rig count at month-end was above the prior year level of 531 rigs as we have seen growth in rig counts over the past year. U.S. crude oil storage at 474 million barrels was down from last month's level of 480 million barrels. We note that storage levels have generally been declining off the 2020 pandemic highs and are currently above the prior year level of 410 million barrels. Following the downturn seen during the height of the pandemic in 2020, U.S. crude oil production has been in an uptrend which continued during 2022. The trough daily production seen in 2020 was in the 9.7 million barrels per day range and has now rebounded to about 12.2 million barrels per day at the end of the month.

FINANCIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-9.74%	-6.05%	-6.05%	-16.05%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.51%	7.03%	7.03%	-9.29%

	Company Performance	1 Month
Leader	MarketAxess Holdings	14.6%
	MSCI Inc	7.2%
	Cboe Global Markets Inc	6.4%
	Moody's Corp	5.5%
	Aon PLC	3.7%
Laggards	Signature Bank	-99.8%
	SVB Financial Group	-99.7%
	First Republic Bank/CA	-88.6%
	Zions Bancorp NA	-40.9%
	Comerica Inc	-38.1%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$35.33	$40.55	$45.10
15.2x	13.2x	11.9x

Sector Update

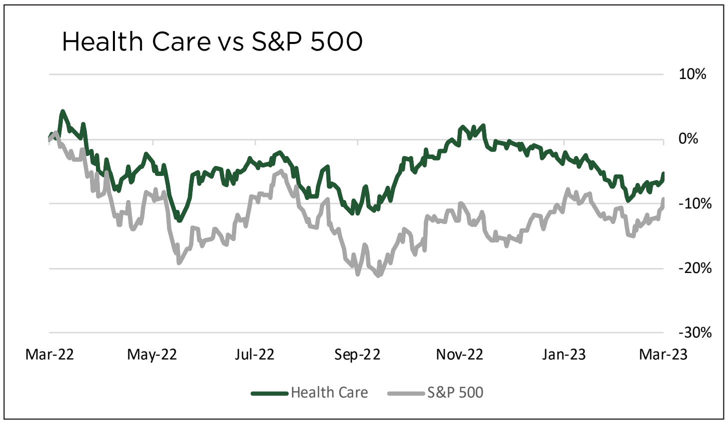
The Financials sector experienced significant turmoil in March 2023 as a liquidity crisis emerged among Regional Banks in the wake of the failures of Silicon Valley Bank (SIVB) and Signature Bank of New York (SBNY). The sector declined 9.74% in the month compared to a 3.51% improvement in the S&P 500, while the Bank sub-sector fell a sharp 19% in the month.

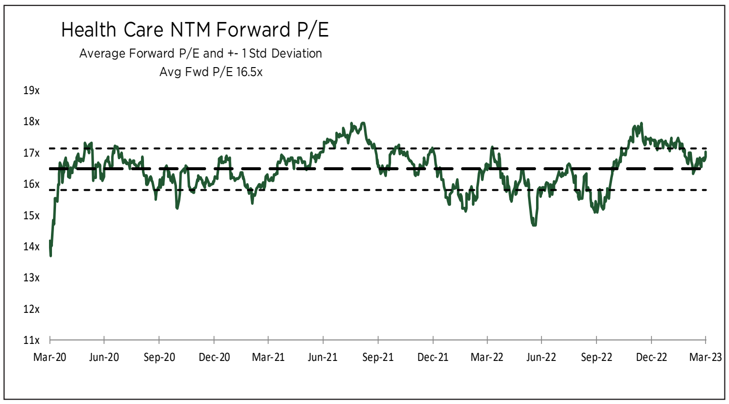
Fast-paced deposit runs, concentrated portfolio risks, significant losses in securities portfolios, and unhedged interest rate risks were the primary causes of recent bank failures that sparked further contagion fears across the sector. In response to widespread turmoil regarding future deposit runs, the Federal Reserve and FDIC stood up the new Bank Term Funding Program (BTFP) and covered uninsured deposits (over $250,000) at the failed institutions. While contagion fears abated through the end of the month, new headwinds facing banks, including increasing regulatory scrutiny and credit concerns in commercial real estate, appear emergent.

Early April will bring another pivotal earnings season with a heightened focus on the Financials sector. Challenging trends we have highlighted in past publications remain in place and appear exacerbated by recent liquidity concerns. With lending standards tightening and liquidity challenges persisting, loan growth appears likely to slow dramatically from prior year levels, while credit costs may continue to be a drag on earnings momentum. Deposit attrition likely accelerated from Q4 levels on the back of regional and smaller bank flight, and we expect the market will bear a myopic focus on shrinking deposits across the banking complex near-term. Deposit betas, or the relative cost of deposits, are likely to increase as institutions compete to retain their funding—further reinforcing our view that net interest margins peaked for the cycle in 4Q22. One positive factor underlying recent stress is the pullback in yields likely improves unrealized securities losses on balance sheets for banks that have been under scrutiny.

Given recessionary concerns, accelerating delinquencies, and the Fed's stated objective of weakening the labor market to quell inflation, it remains difficult to project a catalyst for shares in this cyclically sensitive sector. Valuations appear fair to full at this juncture and may be more rich than apparent given expectations of softening economic activity, lower loan demand, and rising credit costs likely to pressure profitability.

HEALTH CARE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.06%	-4.72%	-4.72%	-5.27%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.51%	7.03%	7.03%	-9.29%

	Company Performance	1 Month
Leader	Illumina Inc	16.7%
	Cooper Cos Inc	14.2%
	Intuitive Surgical Inc	11.4%
	Moderna Inc	10.6%
	Eli Lilly & Co	10.3%
Laggards	Viatris Inc	-15.6%
	Cigna Group	-12.5%
	CVS Health Corp	-11.0%
	Charles River Labs	-8.0%
	Centene Corp	-7.6%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$80.50	$86.40	$94.54
18.8x	17.5x	16.0x

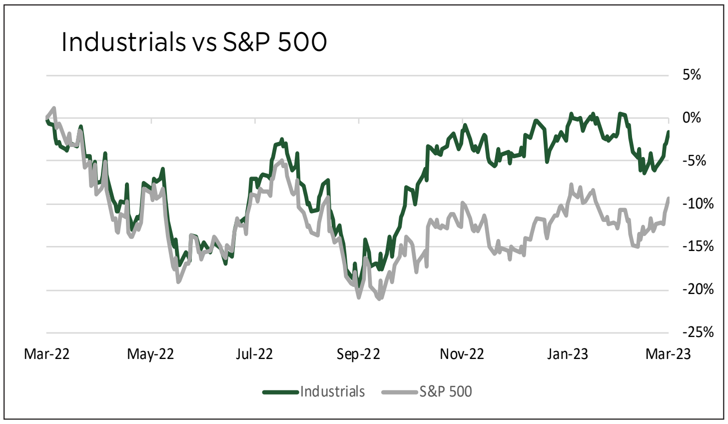
Sector Update

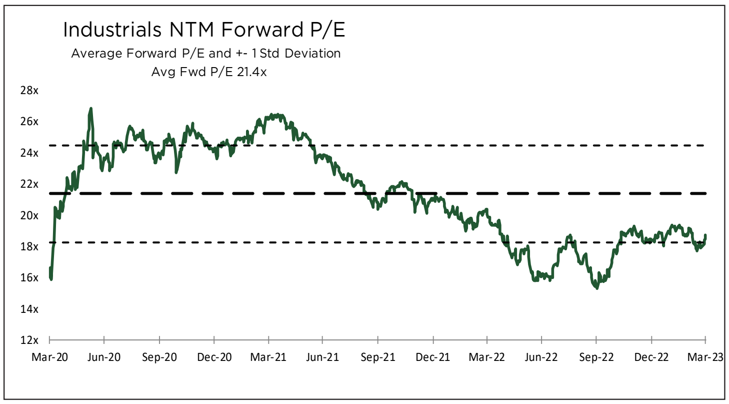
Investors encountered a volatile market in March as rising interest rates finally hit home driving a banking crisis with the failure of Silicon Valley Bank raising fears of a possible contagion that weighed on equity markets. The Fed, Treasury, and FDIC quickly responded assuring depositors that funds would be fully protected followed up with the Fed's introducing a Bank Term Funding Program allowing banks to borrow against their Treasury and other government securities holdings valuing the bonds at par – seeming to corral the banking crisis avoiding a widespread meltdown. Still, we note that tightened lending by financials are poised to further weigh on economic growth in the U.S. this year which likely shifts investment toward defensive segments including select Health Care issues where growth is expected to persist. As the initial dust settled, the S&P 500 ended the month of March advancing by 3.51% with YTD gains of 7.03%. The Health Care sector ran in the middle of the pack in March among the 11 S&P sectors, rising by 2.06% - but lagging the overall benchmark. Thus, a trend has persisted through 1Q2023 tied to individual company earnings shortfalls and or lackluster guidance for 2023, as well as to changes coming to government support for many Americans having health coverage under Medicaid, while China imposes payment cuts via volume-based purchasing agreements for select pharmaceutical and medical products.

Still, looking into 2023, health care firms delivering value-added/breakthrough therapeutics and equipment are poised for solid demand. As illustrated in the adjacent tables, shares of Illumina, Cooper, Intuitive Surgical, Moderna, and Eli Lilly all advanced double digits in March. Activist investor group Icahn Enterprises focused on Illumina, calling for the return of the former CEO to lead the company which spurred the shares higher. Cooper delivered a solid upside 4Q2022 earnings report with strength in both its vision care and women's health businesses – raising guidance for 2023. Intuitive Surgical's shift toward leasing its robotic systems to hospitals saw demand rise, while surgical case volumes nationally are on the rebound across the U.S. Although Moderna slashed earnings expectations for 2023 with the abatement of COVID, the firm also has announced multiple new JVs targeting next-generation precision therapeutics and vaccines. And, Lilly continued to advance its R&D efforts with new weight loss therapeutics under review by the FDA along with ongoing studies of emerging Alzheimer's products.

Other health care sector issues tied to either company-specific issues and or political overhang created by reform discussions in the U.S. Congress. Viatris delivered 4Q2022 results short of investor expectations, while the U.S. Justice Department filed suit against the firm for illegal importation of primates for its research efforts. The firm discontinued the imports, impacting expectations for 2023, with the CEO resigning that all combined to pressure the shares. Congress appears focused on pricing spreads charges by pharmacy benefit management (PBM) providers that could lead to legislation down the road – with an overhang arising on shares of both Cigna and CVS which are among leaders in the business.

INDUSTRIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
0.55%	3.03%	3.03%	-1.59%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.51%	7.03%	7.03%	-9.29%

	Company Performance	1 Month
Leader	General Electric Co	12.9%
	FedEx Corp	12.4%
	Verisk Analytics Inc	12.1%
	Waste Management Inc	9.0%
	Copart Inc	6.7%
Laggards	United Rentals Inc	-15.5%
	United Airlines Holdings	-14.8%
	Alaska Air Group Inc	-12.3%
	Generac Holdings Inc	-10.0%
	Delta Air Lines Inc	-8.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$38.69	$44.20	$50.35
22.1x	19.4x	17.0x

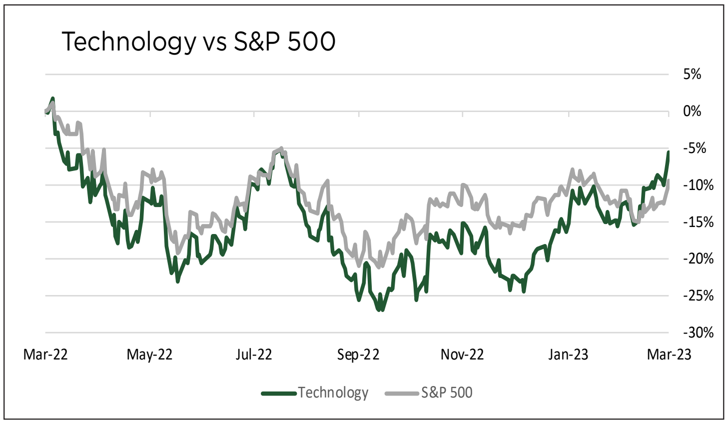
Sector Update

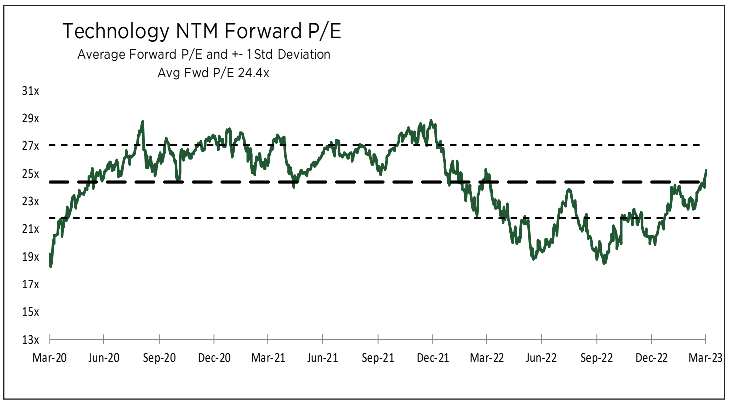
The Industrials Sector's 0.55% gain lagged the S&P 500's increase of 3.51% in March as subsector performance across Industrials varied considerably. Commercial Services & Supplies and Air Freight & Logistics led the Industrials sector in March with gains of 6.9% and 7.3%, respectively. The Airline's subsector was the worst-performing subsector in March with an 8.8% decline, as airline companies gave pessimistic outlooks surrounding first-quarter earnings expectations amid margins pressures from rising fuel costs and a shift in seasonal demand patterns. The ISM reported PMIs at 46.3%, the lowest level since May 2020, which has signaled to investors that a cloudy outlook for the Industrials sector may be on the horizon. In recent months, downward trending PMIs have signaled relief on the inflation front and therefore provided a silver lining for investors due to the increased likelihood that the Federal Reserve will start easing fiscal policy. As inflation has begun to trend downward and the Federal Reserve has remained committed to elevated interest rates, investors have begun to digest falling PMI numbers as a growing concern that slowing growth is bound to impact industrial activity.

S&P Industrials real earnings stood out over the past year, as reflected in the Industrial sector's -1.59% TTM return vs the S&P's -9.29% TTM return, with inflation-adjusted earnings near pre-pandemic highs. However, the pricing power that Industrials companies have enjoyed may be poised to fade alongside a shrinking Central Bank balance sheet. Onshoring & reshoring of manufacturing supply chains in the U.S. has been positive for CAPEX, employment, and overall activity in recent years, although evidence suggests that this may be starting to slow. Higher yields in the capital goods junk bond market show that bond investors are increasingly expecting a slowdown in the capital goods sector, while commercial and industrial lending is likely to tighten further, creating headwinds on MFG and Industrials Earnings.

The March manufacturing PMI registered 46.3%, 1.4% lower than the February reading of 47.7%, and again under the 50% contraction cutoff, representing a contraction in the manufacturing sector of the economy for the fourth consecutive month. The New Orders Index remained in contraction territory at 44.3%, 2.7% higher than the February figure of 47%. Survey panelists referenced softening new order rates over the previous ten months along with slowing outputs to better match demand as panelists become more concerned about when manufacturing growth will continue. The Industrials Sector is trading at a Forward P/E of 19.4x, up 0.3 points from last month's Forward P/E of 19.1 yet below the sector's three-year average of 21.4x.

INFORMATION TECHNOLOGY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
10.87%	21.49%	21.49%	-5.55%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.51%	7.03%	7.03%	-9.29%

	Company Performance	1 Month
Leader	DXC Technology Co	274.5%
	Intel Corp	31.0%
	First Solar Inc	28.6%
	Advanced Micro Devices	24.7%
	Salesforce Inc	22.1%
Laggards	Fidelity National	-14.3%
	Gen Digital Inc	-12.0%
	Jack Henry & Associates	-8.2%
	Global Payments Inc	-6.2%
	SolarEdge Technologies	-4.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$89.85	$99.08	$115.17
29.4x	26.6x	22.9x

Sector Update

The recent turmoil in the U.S. banking sector may increase the potential risk of a U.S. recession, since banks may shore up their balance sheets and tighten their lending requirements. Recent U.S. government reports indicated that inflation was moderating as lower energy prices offset higher food prices. Given recent developments in the U.S. banking sector and moderating inflationary pressures, investors believed that the U.S. Federal Reserve might stop raising interest rates and potentially cut interest rates later this year.

The Technology sector (+10.87%) significantly outperformed the market in March as investors anticipated a potential reduction of interest rates later this year.

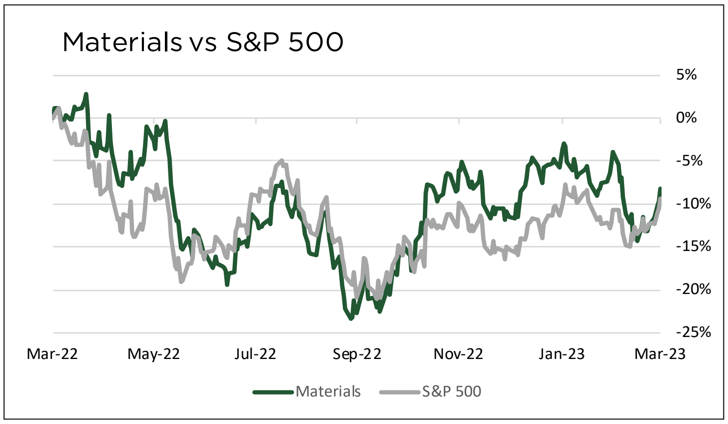
The recent decision by OPEC+ to cut oil production by one million barrels per day beginning in May contributed to the sharp rise in oil prices to more than $80 per barrel. The U.S. Federal Reserve may continue increasing interest rates if higher oil prices reignite inflation. In this potential scenario, the Technology sector could underperform the market. We consider the Technology sector close to fairly valued, with a P/E of 26.6x, compared to its average forward P/E of 24.4x.

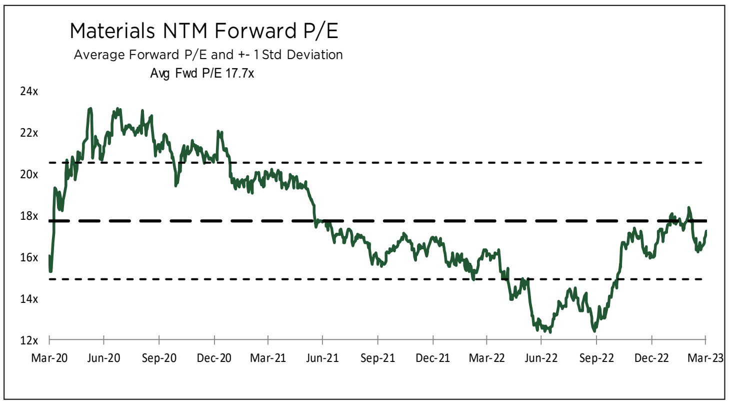
Software (+14.1%) was the best-performing Technology sub-sector in March driven by the rise in the shares of Adobe and Salesforce.com. Adobe reported better-than-expected results and raised its FY23 profit guidance. The escalating level of video content creation for short and long form videos is boosting demand for Adobe's software.

Salesforce.com reported better-than-expected results and provided FY24 non-GAAP profit/margin guidance ahead of the consensus estimate. While Salesforce.com was focused on revenue growth over the past few years, partially fueled by large M&A deals, the company recently shifted its focus to driving improved operating efficiency in response to pressure from activist investors.

Semiconductors & Semiconductor Equipment (+12.7%) was the second-best performing sub-sector in March driven by the sharp rise in Advanced Micro Devices and Intel shares. Both companies are introducing new GPUs and servers to support generative AI models and could benefit from higher cloud data center spending over the next few years.

MATERIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-1.34%	3.75%	3.75%	-8.23%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.51%	7.03%	7.03%	-9.29%

	Company Performance	1 Month
Leader	Newmont Corp	12.4%
	Ecolab Inc	3.9%
	Amcor PLC	2.2%
	Linde PLC	2.0%
	Sherwin-Williams Co	1.5%
Laggards	CF Industries Holdings	-15.6%
	Mosaic Co	-13.7%
	Albemarle Corp	-13.1%
	Steel Dynamics Inc	-10.3%
	Nucor Corp	-7.7%

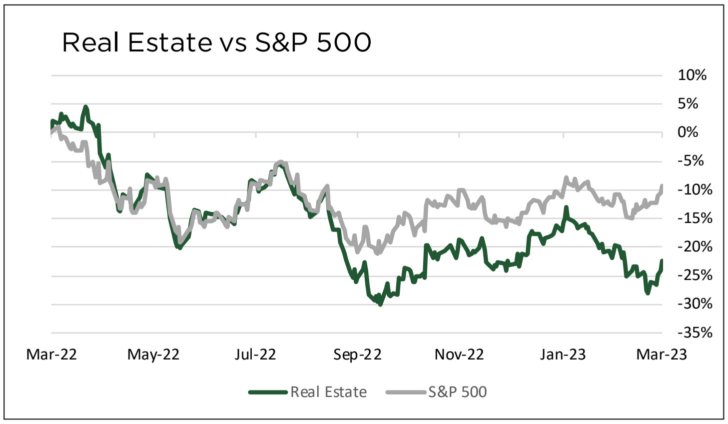
Consensus FY EPS / P/E

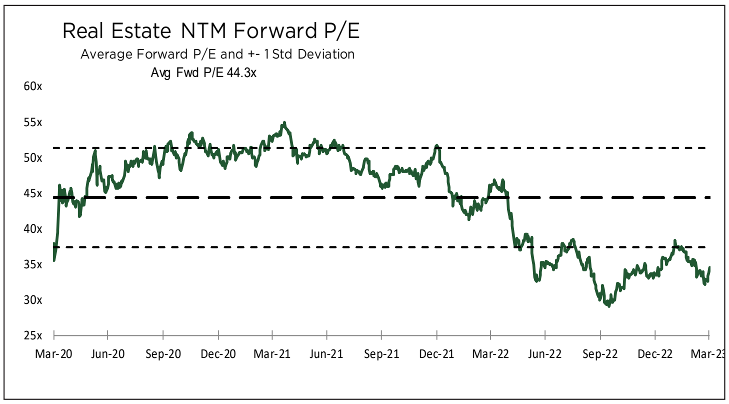
Last Year	Current Year	Next Year
$34.45	$29.45	$31.34
14.7x	17.2x	16.2x

Sector Update

The Materials segment decreased 1.34% in March and underperformed the S&P 500 Index which increased 3.51%. All segments decreased in March as investors continued to weigh the potential of a recession, the macro-economic environment, realized pricing, inventory levels, and consumer demand. In addition, uncertainty regarding additional banking challenges creates near-term enhanced volatility and raises concerns for further potential tightening. Execution remains critical in an ongoing volatile global environment. The Materials segment continues to trade with a current forward P/E that is slightly below its average forward P/E of about 17.7x. Selective investment among the group remains a key factor and remains an attractive opportunity for long-term investors. Preferred areas for potential investment include hydrocarbon, coatings, and lithium.

Entering the key spring selling season, the outlook for the domestic housing industry remains in focus. The recent moderation in mortgage rates combined with lower house prices in several markets serve to support an upward movement in consumer interest. According to the USDA's Prospective Plantings report, the U.S. corn planted area in 2023 is estimated at 92.0 million acres and a 4% increase versus last year. For domestic soybean, planted area for 2023 is estimated to rise slightly to 87.5 million acres. Lithium stocks have remained weak year-to-date on concerns about lower prices and the valuations are attracting greater interest in potential consolidation as companies seek to add assets to their portfolio. It is no surprise that companies remain interested in adding lithium capacity to meet expected strong end market demand. Industry position and well-diversified lithium assets remain key advantages along with the security of supply. Key risks include a change in lithium prices or supply/demand forecast, China reopening, and the timing of costs. An investment in the macro trend towards clean energy including lithium and hydrogen remains attractive. The Biden Administration along with the U.S. Department of Energy (DOE) introduced its U.S. National Blueprint for Transportation Decarbonization. The strategy calls to reduce all U.S. greenhouse gas emissions from the transportation sector by 2050, which supports electric vehicles. Biden's plan incorporates funding to expand domestic EV batteries that last longer, charge faster, perform better in freezing conditions, and have better overall range, while expanding battery charging stations to 500,000 by 2030.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
-2.08%	1.04%	1.04%	-22.37%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.51%	7.03%	7.03%	-9.29%

	Company Performance	1 Month
Leader	Equinix Inc	4.8%
	American Tower Corp	3.2%
	Crown Castle Inc	2.4%
	Prologis Inc	1.1%
	Public Storage	1.1%
Laggards	Vornado Realty Trust	-22.3%
	Boston Properties Inc	-17.3%
	Alexandria Real Estate	-16.2%
	CBRE Group Inc	-14.5%
	Ventas Inc	-10.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$6.69	$6.68	$7.44
35.1x	35.2x	31.6x

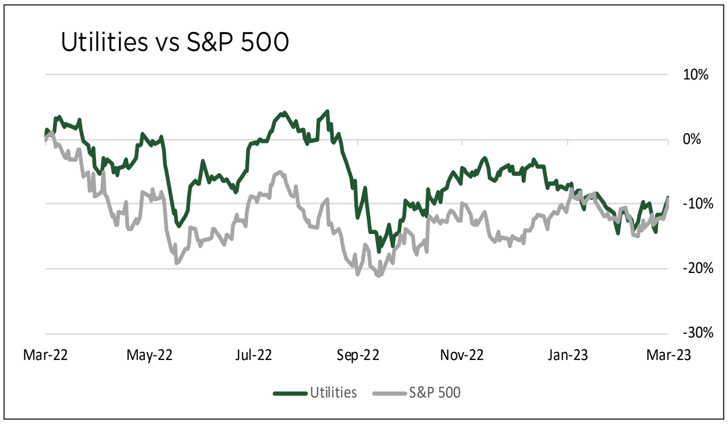
Sector Update

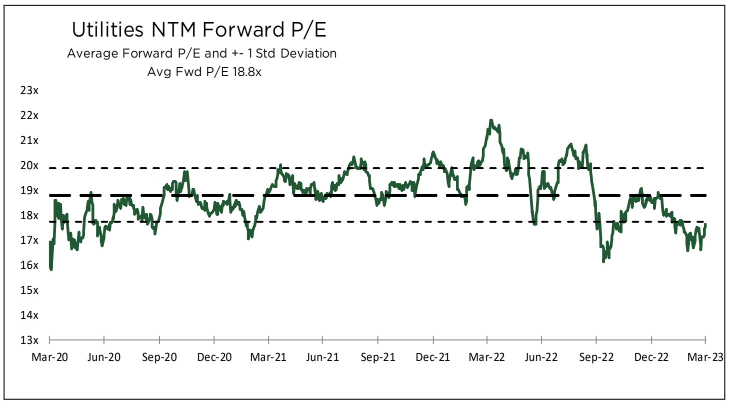
Fast-paced interest rate hikes by the Fed over the past year – rising from 0 to 475-500 basis points for the funds rate – finally lead to a shakeout in the banking sector in March driving heightened market volatility. The Fed, Treasury, and FDIC quickly responded assuring depositors that funds would be fully protected followed up with the Fed's introducing a Bank Term Funding Program allowing banks to borrow against their Treasury holdings and other government securities holdings valuing the bonds at par – seeming to corral the banking crisis avoiding a widespread meltdown positioning the S&P 500 to close up by 3.51% for the month with YTD gains of 7.03%. However, the fallout from this issue has led to tightened lending efforts by the banking sector that are poised to weigh on U.S. economic growth into 2024 – which has weighed heavily on the Real Estate sector. As is depicted in the adjacent tables, Real Estate valuations fell on average by 2.08% in March with underperformance continuing a trend that has persisted over the past year. That is, rising interest rates earlier in 2022 saw alternative interest rate proxy investments compete with REITs, while new concerns have now arisen as the U.S. economy is poised to slow while rising interest rates and limitations on access to debt inhibit growth potential for some subsectors of the Real Estate sector. All of this points to a challenging environment for the Real Estate sector as persisting in 2023.

Among the real estate subsectors, commercial real estate has experienced heightened uncertainty with the recent banking crisis. As identified in the adjacent tables, shares of Vornado, Boston Properties, Alexandra Real Estate, and CBRE Group each sold off over 10% in March. Office occupancy rates have deteriorated with prospects on rental rates unsettled given a weakening U.S. economy now emerging along with corporations looking to cut costs (headcount and square footage occupied). Add to this floating rate debt on the books of some firms and revised plans calling for a pause in the new development of major projects and investors anticipate a challenged operating environment limiting FFO growth for commercial real estate into 2024 (Vornado having cut its dividend in February).

On the other hand, two subsectors that had de-rated earlier in the cycle, data centers and towers, delivered modest appreciation in March. Equinix indicates the firm is having success in passing through heightened energy costs from its data center operations to end customers with pricing becoming a bit of a tailwind in 2023. American Tower and Crown Castle anticipate driving mid to high single-digit organic sales growth inclusive of modest built-in price escalators in 2023 with the earnings outlook being modestly stronger than investors have anticipated despite exposure to variable rate debt with churn post the Sprint acquisition by T Mobile as having passed. And, Prologis appears well positioned as manufacturers on-shore operations, while strong demand positions the firm to drive rental rates up modestly faster than the 8.8% achieved in 2022. Thus, selectivity remains key for investors in the Real Estate sector this year – with a challenging environment poised to persist.

UTILITIES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
4.62%	-4.04%	-4.04%	-9.02%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.51%	7.03%	7.03%	-9.29%

	Company Performance	1 Month
Leader	Southern Co	10.3%
	NextEra Energy Inc	8.5%
	Pinnacle West Capital	7.5%
	Consolidated Edison Inc	7.1%
	WEC Energy Group Inc	6.9%
Laggards	AES Corp	-2.4%
	Atmos Energy Corp	-0.4%
	DTE Energy Co	-0.2%
	Dominion Energy Inc	0.5%
	Sempra Energy	0.8%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$16.90	$18.82	$20.30
20.4x	18.3x	16.9x

Sector Update

The Utilities sector gained 4.62% in March, outpacing the 3.51% improvement in the S&P 500 with the sector appearing to benefit from a risk-off trade in the wake of banking turmoil. The Utilities sector continues to lag the S&P in the past three months, but slightly outpaced the market on a trailing-twelve-month basis. The Utilities relative strength in March appears tied to its defensive characteristics, as well as its inverse historical correlation to interest rates that broadly backed off in the month following the most significant bank stress since the Great Financial Crisis.

All but one Utilities sub-sector posted monthly gains in March, led by Electric Utilities at 5.6%. Water Utilities including just American Water Works (AWK) advanced 4.3% with Multi-Utilities up 3.2% in March. Independent and Renewable Producers, including just AES Corp (AES), was the laggard of the month, declining 2.4%.

Georgia-based Southern Company (SO) was the best-performing Utility in March after reaching critical testing and start-up milestones at its Vogtle 3 & 4 nuclear power units. SO expects to complete both units by year-end 2023, completing a 10-year construction process totaling ~$10.6B in cost. The new Georgia nuclear units were the first new nuclear construction in the US in nearly three decades, with substantial uncertainty around budget constraints and execution risks pressuring SO shares in prior years.

While we continue to think many Utilities are somewhat ‘caught in the middle’ between historical defensiveness and inflationary pressures against long-term capital expenditure backlogs and increased borrowing costs—the sector appears more attractively valued relative to its historical earnings multiple. Investors are no longer pinned to bond proxy equities in a search for income; however, compression in yields or relative weakening in broader market earnings trends could drive improved demand for Utility shares akin to March performance.

ECONOMIC CALENDAR

Date	Release	For	Prior
5-Apr	MBA Mortgage Applications Index	4/1	2.90%
5-Apr	ADP Employment Change	Mar	261K
5-Apr	Trade Balance	Feb	-$69.0B
5-Apr	HIS Markit Services PMI - Final	Mar	53.8
5-Apr	ISM Non-Manufacruting Index	Mar	55.10%
5-Apr	EIA Crude Oil Inventories	4/1	-7.49
6-Apr	Initial Claims	4/1	198K
6-Apr	Continuing Claims	3/25	1689K
6-Apr	EIA Natural Gas Inventories	4/1	-47 bcf
10-Apr	Wholesale Inventories	Feb	-0.4%
12-Apr	MBA Mortgage Applications Index	4/8	-4.1%
12-Apr	Core CPI	Mar	0.50%
12-Apr	CPI	Mar	0.40%
12-Apr	EIA Crude Oil Inventories	4/8	-3.74M
12-Apr	Treasury Budget	Mar	-$262.4B
13-Apr	PPI	Mar	-0.1%
13-Apr	Core PPI	Mar	0.00%
13-Apr	Initial Claims	4/8	NA
13-Apr	Continuing Claims	4/1	NA
13-Apr	EIA Natural Gas Inventories	4/8	NA
14-Apr	Retail Sales	Mar	-0.4
14-Apr	Retail Sales ex-auto	Mar	-0.1%
14-Apr	Import Prices	Mar	-0.1%
15-Apr	Import Prices ex-oil	Mar	0.40%
15-Apr	Export Prices	Mar	0.20%
15-Apr	Export Prices ex-ag.	Mar	0.10%
15-Apr	Capacity Utilization	Mar	78.00%
15-Apr	Industrial Production	Mar	0.00%
15-Apr	Business Inventories	Feb	-0.1%
15-Apr	Univ. of Michigan Consumer Sentiment - Prelim	Apr	0.62
17-Apr	Empire State Manufacturing	Arp	-24.6
17-Apr	NAHB Housing Market Index	Apr	44.00%
17-Apr	Net Long-Term TIC Flows	Feb	$31.9B
18-Apr	Building Permits	Mar	1524K
18-Apr	Housing Starts	Mar	1450K
19-Apr	MBA Mortgage Applications Index	4/15	NA
19-Apr	EIA Crude Oil Inventories	4/15	NA
19-Apr	Fed's Beige Book	Apr	NA
20-Apr	Initial Claims	04/115	NA
20-Apr	Continuing Claims	4/8	NA
20-Apr	Philadelphia Fed Index	Apr	-23.2
20-Apr	Existing Home Sales	Mar	4.58M

ECONOMIC CALENDAR

20-Apr	Leading Indicators	Mar	-0.3%
20-Apr	EIA Natural Gas Inventories	4/15	NA
25-Apr	FHFA Housing Price Index	Feb	0.20%
25-Apr	S&P Case-Shiller Home Price Index	Feb	2.50%
25-Apr	Consumer Confidence	Apr	104.20%
25-Apr	New Home Sales	Mar	640K
26-Apr	MBA Mortgage Applications Index	4/22	NA
26-Apr	Durable Goods	Mar	-1.0%
26-Apr	Durable Goods - Ex Transportation	Mar	0.00%
26-Apr	Adv. Intl. Trade in Goods	Mar	-$94.6B
26-Apr	Adv. Retail Inventories	Mar	0.80%
26-Apr	Adv. Wholesale Inventories	Mar	0.20%
26-Apr	EIA Crude Oil Inventories	4/22	NA
27-Apr	Chain Deflator-Adv.	Q1	3.90%
27-Apr	GDP-Adv.	Q1	2.60%
27-Apr	Initial Claims	4/22	NA
27-Apr	Continuing Claims	4/15	NA
27-Apr	Pending Home Sales	Mar	0.80%
27-Apr	EIA Natural Gas Inventories	4/22	NA
28-Apr	Chicago PMI	Apr	43.8
28-Apr	Employment Cost Index	Q1	1.00%
28-Apr	PCE Prices	Mar	0.30%
28-Apr	PCE Prices - Core	Mar	0.30%

DISCLOSURES

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Past performance is not indicative of future results.

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.

Sectors and sector components defined by Standard & Poor's GICS Level 1 index. For the list of all holdings in GICS Level 1 index sectors, contact your Davenport Financial Advisor.

Leaders: Represent top five best stock price performance in the most recent calendar month within their respective GICS Level 1 Sector

Laggards: Represent top five worst stock price performance in the most recent calendar month within their respective GICS Level 1 Sector

Members: The GICS Level 1 Telecommunication Services sector has only three component companies. This sector will not include "Leaders and Laggards", but will show all three members and their price performance over the previous calendar month.

S&P 500®: The S&P 500 Index is comprised of 500 U. S. stocks and is an indicator of the performance of the overall U.S. stock market. Standard & Poor's Financial Services LLC, a division of S&P Global, is the source and owner of the registered trademarks related to the S&P 500 Index.

Dow Jones Industrials: The Dow Jones Industrial Average is an index of 30 "blue chip" stocks of U.S. "industrial" companies.

NASDAQ Composite: The Nasdaq-100 Index is a "modified capitalization-weighted" index designed to track the performance of a market consisting of the 100 largest and most actively traded non-financial domestic and international securities listed on The Nasdaq Stock Market, based on market capitalization.

Russell 2000®: The Russell 2000® Index is a capitalization-weighted index designed to measure the performance of a market consisting of the 2,000 smallest publicly traded U.S. companies (in terms of market capitalization) that are included in the Russell 3000® Index. Source: London Stock Exchange Group PLC and its group undertakings (collectively, the "LSE Group"). © LSE Group 2021. FTSE Russell is a trading name of certain LSE Group companies. "Russell®" is a trade mark of the relevant LSE Group companies and is used by any other LSE Group company under license. All rights in the FTSE Russell indexes or data vest in relevant LSE Group company which owns the index or the data. Neither LSE Group nor its licensors accept any liability for any errors or omissions in the indexes or data and no party may rely on any indexes or data contained in this communication. No further distribution of data from LSE Group is permitted without the relevant LSE Group company's express written consent. The LSE Group does not promote/sponsor/endorse the content of this communication.

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MSCI Emerging Markets: The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. (MSCI Website).

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US Dollar Index (USDX, DXY): An index (or measure) of the value of the United States dollar relative to a basket of currencies, often referred to as a basket of US trade partners' currencies.

VIX: The ticker symbol for the Chicago Board Options Exchange (CBOE) Volatility Index, which shows the market's expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options.

Shanghai Composite (SSE Index): The Shanghai Composite Index, also known as the SSE Index is a stock market index of all stock (A shares and B shares) that are traded at the Shanghai Stock Exchange.

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