MARKET COMMENTARY

DAVENPORT
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1863

APRIL 2024

- First quarter growth shows signs of recession fears diminishing
- Growth in spending primarily funded with savings
- The best performer for March was Energy, while Consumer Discretionary was the worst

Equity markets closed out a robust first quarter with continued gains in March as investor fears of a recession have diminished. Market breadth expanded in the quarter as performance spread beyond the Magnificent Seven tech-related equities across sectors and market capitalizations. The economic backdrop has also been cooperative despite ongoing restrictive monetary policy, with investors appearing to lean into the markets in anticipation of potential interest rate cuts later in the year. The VIX Index or "fear gauge" reflected the positive investor sentiment, with the index tracking in the low to mid-teens for much of the month. For the full month, the Dow Jones Industrial Average increased 2.1%, the S&P 500® index was up 3.1%, and the smaller cap-weighted Russell 2000® increased by 3.4%.

All of the eleven sectors of the S&P 500 increased during March. The best-performing sector for the month was Energy, which increased by 10.4%. That was followed by the Utilities sector, up by 6.3%. The weakest performance in the month was posted by the Consumer Discretionary sector, which increased by 0.01%, followed by the Real Estate sector, which was up 1.1%. For the prior twelve months, the Communication Services sector was the best performer, with a 48.4% increase, followed by the Information Technology sector, up 44.8%. In comparison, the Utilities sector was the worst performer for the past twelve months, with a 3.1% decrease, followed by the Consumer Staples sector, up 4.3%.

Consumer spending, the critical driver to the U.S. economy, surprisingly jumped 0.8% in February – coming in well ahead of forecasts targeting up 0.5%. Personal income increased by 0.3%, slightly softer than the estimate of 0.4%. When adjusted for inflation, consumer spending rebounded, up 0.4%, after dropping 0.2% in January. We note that much of the growth in spending was funded from savings as income rose 0.3% (versus 0.4% forecast) after accelerating 1.0% in January, reflecting an increase of 0.6% on services and 0.1% on goods. After taxes and inflation, real disposable incomes actually fell by 0.1% in February, with the savings rate dropping back to 3.6% from 4.1% registered in January. With this consumer spending dataset, the Atlanta Fed raised its GDPNow forecast for 1Q2024 GDP growth to 2.3% on an annualized basis from the prior estimate of 2.1%.

In late March, the Bureau of Economic Analysis (BEA) reported February Personal Consumption Expenditures (PCE) datasets in line with economists' expectations, with headline PCE rising at an annual pace of 2.5% and Core PCE at 2.8%. Rising overall energy costs helped push the headline PCE reading with a 2.3% increase, while food costs increased by just 0.1%. Goods prices ramped by 0.5% last month, notably boosted by a 3.4% jump in the cost of gasoline, with strong increases in prices also arising for recreational goods, vehicles, clothing, and footwear. On the other hand, prices for furnishings and durable, long-lasting manufactured goods were subdued. Services costs increased 0.3% for the month – an encouraging sign after a 0.6% jump in January. Housing and utilities costs also increased by 0.5%, while pricing for insurance and financial services also moved higher.

The February PCE readings tie nicely to existing Fed policy supportive of equity markets. Updated CME FedWatch data places odds as continuing to favor about three, 25 BPS, fed funds rate cuts in 2024, commencing with the June 12th FOMC session – with the funds rate anticipated to close 2024 at a range of 450-475 BPS (or 4.50% - 4.75%).

Where to from here?

We continue to favor selective investment among quality, well-managed company stocks, preferring those having more reasonable valuations while being focused on an intermediate-term investment time horizon. With the S&P 500 trading at 21.6x street consensus estimates, we perceive there is little room for disappointment related to future earnings expectations among market leadership. We continue to favor selective investment among issues offering value today, including those among Energy, Financials, Industrials, and small caps, while taking a 12-18 month investment time horizon into account as we anticipate global growth may show improved momentum over the intermediate term.

DAVENPORT EQUITY RESEARCH

Ann H. Gurkin
(804) 780-2166
agurkin@investdavenport.com

Drake F. Johnstone
(804) 780-2091
djohnstone@investdavenport.com

Jeff Omohundro, CFA
(804) 780-2170
jomohundro@investdavenport.com

Joel M. Ray, CFA
(804) 780-2067
jray@investdavenport.com

Evan J. Gilbert, CFA
(804) 915-2749
egilbert@investdavenport.com

Justin E. Corlett
(804) 780-2099
jcorlett@investdavenport.com

One James Center
901 East Cary Street, Suite 1100
Richmond, VA 23219
(804) 780-2000

Davenport & Company LLC
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MARKET AND ECONOMIC STATISTICS

Market Indices:	**3/28/2024**	**12/29/2023**	**% Change YTD**	**2/29/2024**	**% Change (Monthly)**
S&P Composite	5,254.35	4,769.83	10.16%	5,096.27	3.10%
Dow Jones Industrials	39,807.37	37,689.54	5.62%	38,996.39	2.08%
NASDAQ Composite	16,379.46	15,011.35	9.11%	16,091.92	1.79%
Russell 2000	2,124.55	2,027.07	4.81%	2,054.84	3.39%
FTSE 100	7,952.62	7,733.24	2.84%	7,630.02	4.23%
Shanghai Composite	3,010.66	2,974.94	1.20%	3,015.17	-0.15%
Nikkei Stock Average	40,168.07	33,464.17	20.03%	39,166.19	2.56%
Stoxx Europe 600	512.67	478.99	7.03%	494.61	3.65%
MSCI Emerging Markets	1,040.39	1,023.74	1.63%	1,020.94	1.91%
MSCI Emerging Markets Small Cap	1,377.63	1,367.16	0.77%	1,378.90	-0.09%

Performance of S&P 500 by Industry:	**% of Index as of 3/28/2024**	**1 Month**	**3 Month**	**Year to Date**	**12 Months**
Consumer Discretionary	10.30%	0.01%	4.75%	4.75%	27.62%
Consumer Staples	5.95%	3.17%	6.81%	6.81%	4.34%
Energy	3.99%	10.43%	12.68%	12.68%	13.60%
Financials	13.12%	4.67%	11.97%	11.97%	31.02%
Health Care	12.31%	2.23%	8.40%	8.40%	14.12%
Industrials	8.77%	4.32%	10.57%	10.57%	24.53%
Information Technology	29.67%	1.93%	12.48%	12.48%	44.79%
Materials	2.38%	6.22%	8.44%	8.44%	15.21%
Communication Services	9.08%	4.33%	15.57%	15.57%	48.43%
Utilities	2.19%	6.31%	3.59%	3.59%	-3.06%
Real Estate	2.25%	1.12%	-1.36%	-1.36%	5.70%
S&P 500 (Absolute performance)	100.00%	3.10%	10.16%	10.16%	27.86%

Interest Rates:	**3/28/2024**	**12/29/2023**	**YTD Change (Basis Points)**	**2/29/2024**	**Month Change (BPS)**
Fed Funds Effective Rate	5.33%	5.33%	0	5.33%	0
Prime Rate	8.50%	8.50%	0	8.50%	0
Three Month Treasury Bill	5.30%	5.33%	-3	5.33%	-3
Ten Year Treasury	4.20%	3.88%	32	4.25%	-5
Spread - 10 Year vs 3 Month	-1.10%	-1.45%	35	-1.08%	-2

Foreign Currencies:	**3/28/2024**	**12/29/2023**	**% Change YTD**	**2/29/2024**	**% Change (Monthly)**
Brazil Real (in US dollars)	0.20	0.21	-3.3%	0.20	-0.9%
British Pound (in US dollars)	1.26	1.27	-0.8%	1.26	0.0%
Canadian Dollar (in US dollars)	0.74	0.76	-2.2%	0.74	0.3%
Chinese Yuan (per US dollar)	7.23	7.10	1.8%	7.19	0.5%
Euro (in US dollars)	1.08	1.10	-2.3%	1.08	-0.1%
Japanese Yen (per US dollar)	151.38	141.04	7.3%	149.98	0.9%

Commodity Prices:	**3/28/2024**	**12/29/2023**	**% Change YTD**	**2/29/2024**	**% Change (Monthly)**
CRB (Commodity) Index	536.35	510.32	5.1%	524.43	2.3%
Gold (Comex spot per troy oz.)	2229.87	2062.98	8.1%	2044.30	9.1%
Oil (West Texas int. crude)	83.17	71.65	16.1%	78.26	6.3%
Aluminum (LME spot per metric ton)	2295.09	2345.50	-2.1%	2186.74	5.0%
Natural Gas (Futures 10,000 MMBtu)	1.76	2.51	-29.9%	1.86	-5.2%

Economic Indicators:	**2/29/2024**	**1/31/2024**	**% Change YTD**	**1/31/2024**	**% Change (Monthly)**
Consumer Price Index	311.1	309.7	-0.4%	309.7	0.4%
Producer Price Index	258.6	255.0	-1.4%	255.0	1.4%
	4Q23	**3Q23**	**2Q23**	**1Q23**	**4Q22**
GDP Growth Rate (Quarterly)	3.40%	4.90%	2.10%	2.20%	2.60%
Unemployment Rate (End of Month)	**February 3.9%**	**January 3.7%**	**December 3.7%**	**November 3.7%**	**October 3.8%**

*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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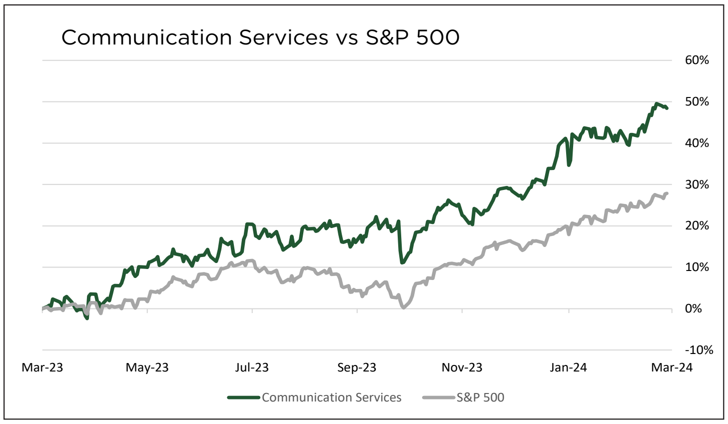
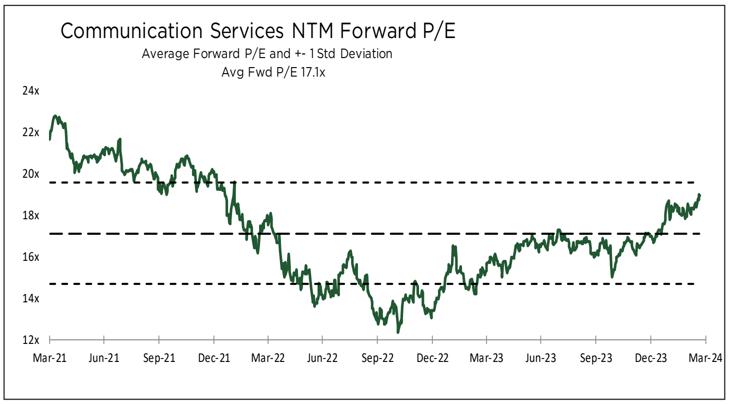
Sector Updates

COMMUNICATIONS SERVICES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
4.33%	15.57%	15.57%	48.43%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.10%	10.16%	10.16%	27.86%

	Company Performance	1 Month
Leaders	Walt Disney Co/The	9.7%
	Omnicom Group Inc	9.5%
	Live Nation Entertain-	9.1%
	Alphabet Inc	9.0%
	Alphabet Inc	8.9%
Laggards	Electronic Arts Inc	-4.9%
	News Corp	-3.3%
	News Corp	-2.6%
	Charter Comm.	-1.1%
	Meta Platforms Inc	-0.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$12.58	$14.75	$16.72
22.6x	19.3x	17.0x

Sector Update

Communications Services (+4.3%) outperformed the market in March, driven by the Diversified Telecommunications (+4.5%) and Interactive Media & Services (+4.8%) sub-sectors.

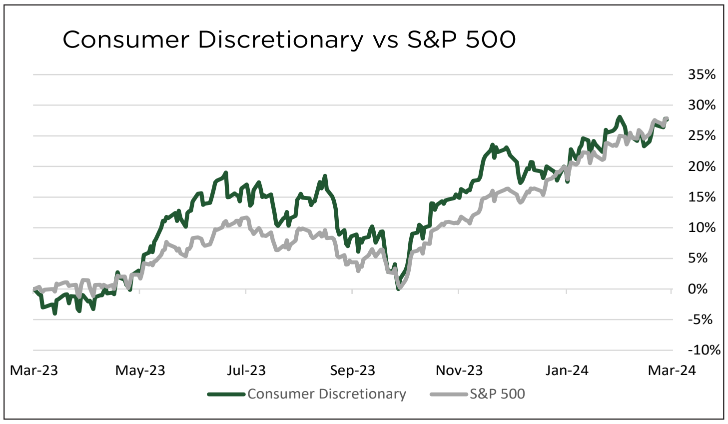
U.S. telecommunications carriers benefited from a stable wireless competitive environment and lower capital intensity as they completed most of their 5G network buildout. The companies are gaining a share in the high-speed Internet market with their 5G fixed wireless service. Leading U.S. telecommunications companies have dividend yields as high as 6%+.

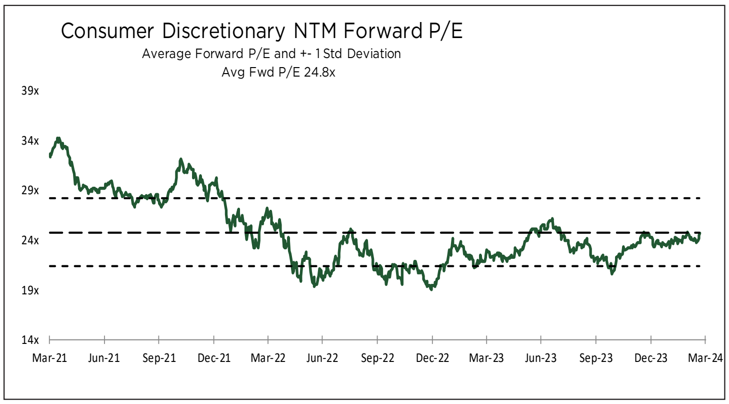
In March, Interactive Media & Services outperformed the market, led by Alphabet (+9%). According to Nielsen, Alphabet's YouTube service remained the most popular content platform, with an 8.6% share of U.S. TV viewing in January, followed by Netflix with a 7.9% share and Disney+/Hulu with a 4.6% share.

Alphabet recently introduced new Google Pixel smartphones which include its generative AI technology. The company also licensed its generative AI technology to Samsung for use in its smartphones. Recent news reports suggest that Apple could license Alphabet's Gemini generative AI technology for the iPhone. Apple is expected to make an announcement about generative AI during its Worldwide Developers conference in June.

The Entertainment subsector (+3.8%) outpaced the market in March, led by the Walt Disney Company (+9.7%). During a recent investment conference, Disney's CEO Bob Iger reported that Disney's Experiences division (which includes theme parks and cruise ships) could grow its adjusted operating income in the low to mid-teens year-over-year in Q-2 24, compared to high-single-digit growth in Q-1 24. Mr. Iger also revealed that Disney was tracking ahead of its FY24 free cash flow guidance of $8 billion.

The Communications Services sector appears close to fairly valued, with a P/E of 19.3 x and 17x the consensus analyst FY24/25 EPS estimates. This compares to the estimated FY25 earnings growth of 13% and its average twelve-month forward P/E multiple of 17.1x.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
0.01%	4.75%	4.75%	27.62%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.10%	10.16%	10.16%	27.86%

	Company Performance	1 Month
Leaders	Royal Caribbean Cruis-	12.7%
	Hasbro Inc	12.4%
	eBay Inc	11.6%
	BorgWarner Inc	11.6%
	PulteGroup Inc	11.3%
Laggards	Lululemon Athletica Inc	-16.4%
	Tesla Inc	-12.9%
	NIKE Inc	-9.6%
	VF Corp	-6.1%
	Las Vegas Sands Corp	-5.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$49.44	$58.55	$67.13
30.0x	25.4x	22.1x

Sector Update

The Consumer Discretionary sector was essentially flat in March following February's rebound. Among Consumer Discretionary subsectors, the strongest performance was seen in Leisure Products and Household Durables. Consumer Discretionary subsectors that were softest included Automobiles, followed by Textiles, Apparel & Luxury Goods. The Consumer Discretionary sector has underperformed the S&P 500 on a 1-month, 3-month, year-to-date, and trailing twelve-month basis, as seen in the accompanying chart.

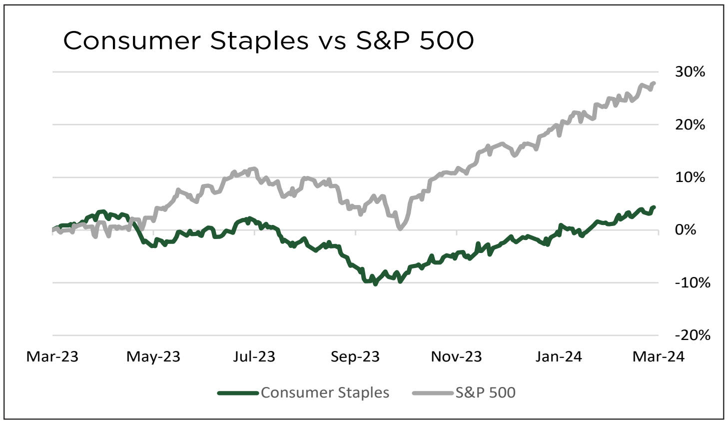
The Census Bureau reported February retail sales in mid-March and came in below expectations with an increase of 0.6% for the month. Core retail sales, excluding motor vehicles and gasoline, grew by 0.3%. On a year-over-year basis, retail sales grew 1.5%, and core retail sales were up 0.8%. Meanwhile, retail sales for January were revised downward from an already soft -0.8% to a drop of 1.1%. For February, categories that were particularly strong included building material & garden equipment suppliers, motor vehicle & parts dealers, and electronics & appliance stores. Weaker categories included furniture & home furnishings, clothing & clothing accessories, and health & personal care stores.

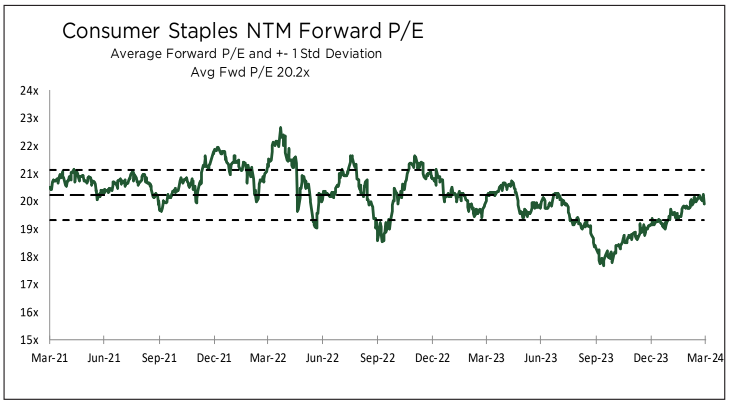
Monthly existing home sales grew strongly in February, as the National Association of Realtors reported in mid-March. Sales grew 9.5% in the month to 4.38 million units annualized which was well ahead of consensus expectations. On a year-over-year basis, however, sales continue to be weak, coming in at down 3.3%. Affordability continues to be a challenge, with the average existing home sale price up 5.7% compared to last year, which was $384,500. The National Association of Realtors indicated that about 20% of homes were sold above the listing price, with all cash buyers accounting for about one-third of home sales.

Home prices continued to march higher in data reported by Case-Shiller for the month of January. The S&P CoreLogic Case-Shiller 20-city house price index reached a new high for the month, increasing 6.6% year-over-year and 0.4% month-over-month. The U.S. real estate market saw broad-based growth, with all 20 markets in the index rising, with five markets each advancing by over 8% compared to the prior year. The constrained supply of homes for sale appears to be a key factor supporting pricing despite headwinds such as high mortgage rates.

Consumer confidence weakened slightly in March, according to data from the Conference Board, as consumers reacted to a range of macro factors, including persistent inflation. The consumer confidence index for March was reported at 104.7 from a revised 104.8 in February. The data indicate that consumers feel better about their present situation versus the future, with Dana Peterson, Chief Economist at the Conference Board, indicating: "Consumers' assessment of the present situation improved in March, but they also became more pessimistic about the future." A key concern appears to continue to be inflation, with elevated food and gas prices of note, as well as higher concern about the state of the U.S. political environment.

CONSUMER STAPLES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
3.17%	6.81%	6.81%	4.34%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.10%	10.16%	10.16%	27.86%

	Company Performance	1 Month
Leaders	Archer-Daniels-Midland	18.3%
	Target Corp	15.9%
	Kroger Co/The	15.2%
	Kenvue Inc	12.9%
	McCormick & Co Inc/	11.5%
Laggards	Brown-Forman Corp	-14.3%
	Dollar Tree Inc	-9.2%
	Mondelez International	-4.2%
	Costco Wholesale Corp	-1.5%
	Hormel Foods Corp	-1.2%

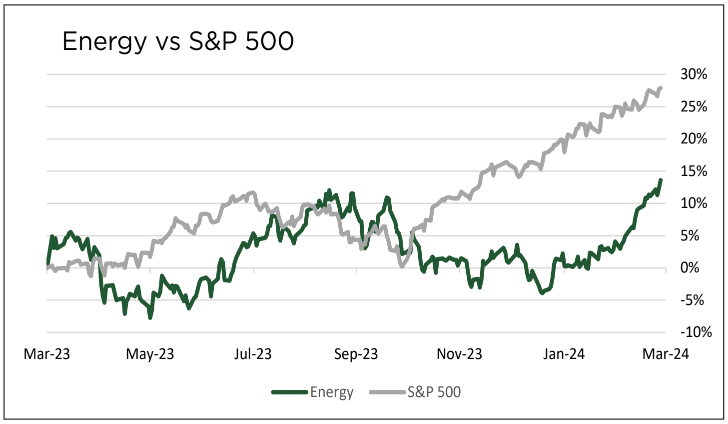
Consensus FY EPS / P/E

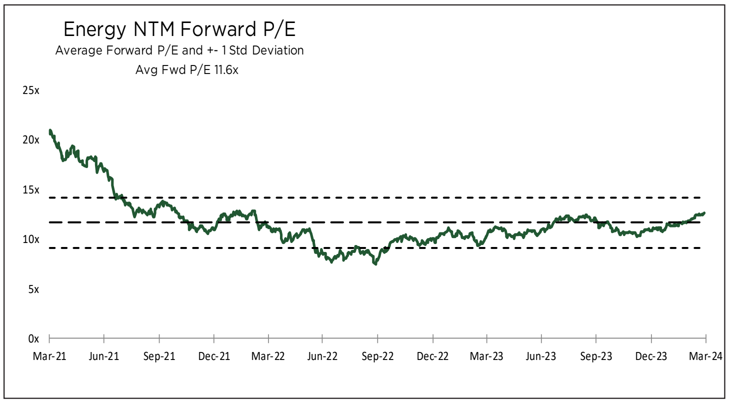
Last Year	Current Year	Next Year
$39.35	$39.12	$42.35
20.7x	20.8x	19.2x

Sector Update

The Consumer Staples sector increased by 3.17% on average in March and slightly outperformed the S&P 500 Index, which increased by 3.10% as the market broadened out slightly. All segments reported gains for March, while Personal Products and Food Products represented the strongest segments. Year-to-date for Q1, the Consumer Staples sector increased by 6.81% on average and underperformed the S&P 500 Index, which increased by 10.16%. The Consumer Staples segment trades with a current forward P/E of about 20.8x, which is slightly ahead of its average forward P/E, and a market weighting remains preferred. The timing of volume inflection remains critical as pricing will be more muted in 2024. Several companies have outlined expectations for improving volume trends in 2H, while others will not comment. Investing in AI, Technology, and Data Analytics to market, innovate, and reach consumers remains relevant as companies reach consumers, whether through leveraging selling channels (e-commerce, click and collect, retailer shelf resets, c-store, etc) or innovation or managing price points and package mix. Portfolio transformation through divestments and acquisitions, as well as streamlining the number of product offerings, also remains a key theme. We continue to advise a selective investment among the Consumer Staples stocks and prefer an investment in companies with pricing, leading market share, strong balance sheets, and experienced management. Companies with strong, well-managed brand portfolios, clear growth prospects, margin expansion opportunities, and attractive capital allocation strategies remain of interest.

According to the recently released Prospective Plantings report published by the USDA, U.S. corn planted acres for 2024 are forecast to be down 5% to 90 million acres vs 2023. Soybean acres are expected to increase by 3% to 86.5 million acres. All wheat planted acreage is forecast to be down 4% to 47.5 million acres vs the prior year. The Prospective Plantings report provides the first official, survey-based estimates of U.S. farmers' 2024 planting intentions. Overall, commodity prices are trending lower, with exceptions such as cocoa, which continues to trade higher, pressuring the outlook for confectionery companies. The spread of bird flu to cattle is a worrisome trend that remains closely monitored. It has infected cows in Texas, Idaho, Michigan, Ohio and New Mexico. The infection has now spread to a human, raising deep concerns and worrying public health experts about whether it is now more easily spread from animals to humans. The risk to the domestic beef and milk supply remains low at this time, but remains monitored.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
10.43%	12.68%	12.68%	13.60%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.10%	10.16%	10.16%	27.86%

	Company Performance	1 Month
Leaders	Valero Energy Corp	20.7%
	Marathon Petroleum	19.1%
	Marathon Oil Corp	16.9%
	APA Corp	15.4%
	Phillips 66	14.6%
Laggards	EQT Corp	-0.2%
	Chevron Corp	3.8%
	Hess Corp	4.7%
	Kinder Morgan Inc	5.5%
	ONEOK Inc	6.7%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$57.16	$54.74	$60.52
12.6x	13.2x	11.9x

Sector Update

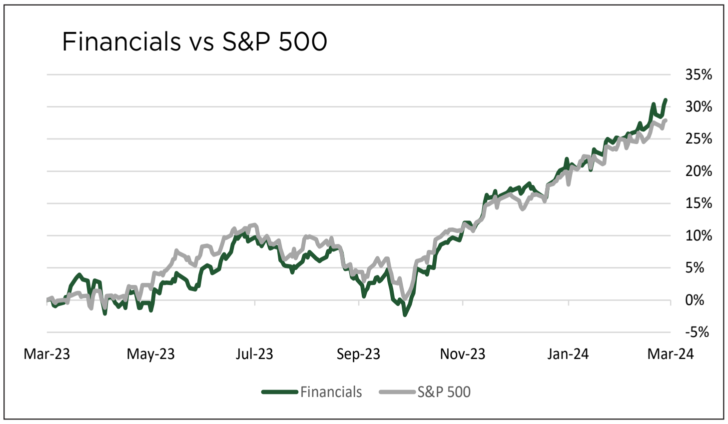
Energy stocks in March sustained price momentum, which began in February, allowing the sector to significantly outperform key market indexes for the month. Rising tension in the Middle East appeared to contribute to higher prices of key commodities late in the month. Underlying energy price movements reflected growing tension between Israel and Iran and a macro environment where growth potential has improved as fears of a recession in the U.S. have gradually subsided. Against this backdrop, the Energy Equipment & Services subsector outperformed the Oil, Gas & Consumable Fuels subsector during the month. The Energy sector overall has outperformed the S&P 500 for the one-month, three-month, and year-to-date periods, as seen in the accompanying table.

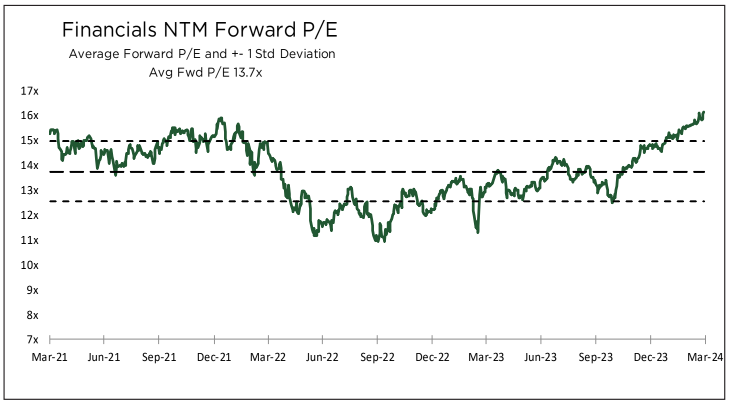
In mid-March, OPEC provided its monthly outlook on energy markets and maintained its forecast for 2024 and 2025 oil demand despite raising its global economic forecast. OPEC expects total 2024 oil demand to increase by 2.2 million barrels per day and by 1.8 million barrels per day in 2025. The cartel also updated its supply outlook, indicating an expectation for supply growth of 1.1 million barrels per day in 2024 following the extension of voluntary output cuts of 2.2 million barrels per day.

West Texas Intermediate (WTI) crude oil prices increased in March, with WTI trading from the $78 per barrel range to the end of the month, approaching $84 per barrel. Natural gas prices decreased from about $1.86 per million Btu to end the month at about $1.76 per million Btu. Retail gasoline prices increased in the month, moving to $3.64 per gallon at the end of the month, from the $3.37 average price seen at the end of the prior month and up from the prior year’s level of $3.53.

The Baker Hughes oil rig count was up slightly in the month, coming in at 506 rigs versus 503 rigs last month. The oil rig count at month-end was down versus the prior year’s level of 592 rigs. U.S. crude oil storage, at 448 million barrels, was up slightly from last month’s level of 447 million barrels. We note that storage levels have generally been declining off the 2020 pandemic high and are currently below the prior year’s level of 470 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 2023. The trough daily production seen in 2020 was in the 9.7 million barrels per day range and has now rebounded to about 13.1 million barrels per day at the end of the month.

FINANCIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
4.67%	11.97%	11.97%	31.02%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.10%	10.16%	10.16%	27.86%

	Company Performance	1 Month
Leaders	Citizens Financial Group	15.6%
	Citigroup Inc	14.0%
	Regions Financial Corp	12.9%
	Nasdaq Inc	12.3%
	Truist Financial Corp	11.4%
Laggards	Globe Life Inc	-8.3%
	Cboe Global Markets Inc	-4.3%
	CME Group Inc	-2.3%
	FactSet Research	-1.8%
	Visa Inc	-1.3%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$38.63	$42.77	$47.50
18.2x	16.4x	14.8x

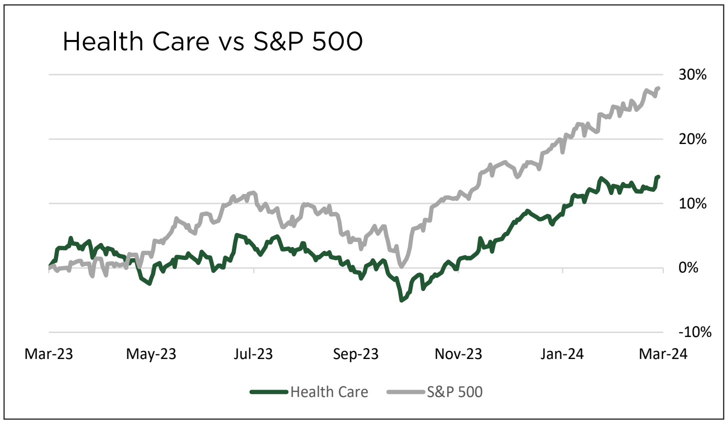
Sector Update

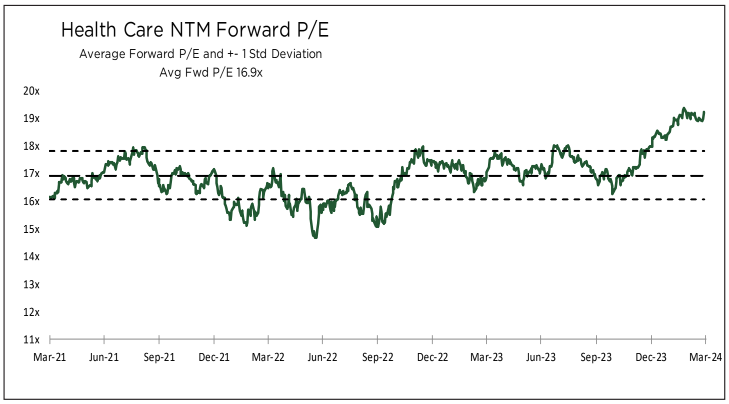
The Financials sector gained 4.67% in March, extending a rally in risk-on sentiment supported by a ‘soft-landing’ consensus view as economic data remains resilient. The sector outpaced the S&P500® index advance of 3.1% in the same period, supported by improved breadth toward cyclicals. The Financials sector performance in the past quarter, year-to-date, and trailing twelve months now demonstrates outperformance vs. the broader market index, with March 2023 turmoil being lapped out of comparisons.

Banks were the best performing Financials sub-sector in March, up 8.3% in the period and representing four of the five best-performing components of the sector. All Financials sub-sectors posted March gains in a range of 2.2% to 8.3%, with Banks, Consumer Finance, Insurance, and Capital Markets all outpacing the 3.1% advance in the S&P 500. The relative strength of lenders in the period appears to have been driven by a relaxed risk posture in the market (indicated by credit spread tightness and low volatility), high beta exposure (market correlation), and relative stability in interest rates. While the Bank subsector is up 40.7% year-over-year, rebounding from 2023 liquidity crisis lows, many components still sell below pre-crisis valuations as skepticism remains about potential commercial real estate losses, limited loan growth, and asset sensitivity, in addition to pressured balance sheets from unrealized securities losses. Should a consensus economic ‘soft landing’ come to fruition, there appear to be pockets of opportunity for new investment in the group.

Moving forward, Financial performance, particularly Banks and Consumer Finance, face a headwind of lower rates on earnings power as many remain slightly asset sensitive. On the other hand, lower rates present a net benefit to balance sheet health by reducing unrealized bond portfolio losses and potentially driving improved loan demand. Recent data suggests that loan demand and willingness to lend remain depressed compared to multi-year norms, but they have improved modestly in Q1. Credit risks in consumer and CRE books continue to be the primary downside risk to the group.

The Financials Sector currently trades at a forward P/E ratio of 16.4x FY24 expectations, well above its three-year average forward twelve-month multiple (13.7x). Valuations in the sector appear fair to full and will require selectivity in the face of an uncertain near-term fundamental outlook not apparent in current credit spread or volatility measures.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.23%	8.40%	8.40%	14.12%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.10%	10.16%	10.16%	27.86%

	Company Performance	1 Month
Leaders	Dexcom Inc	20.5%
	Moderna Inc	15.5%
	ResMed Inc	14.0%
	Edwards Lifesciences	12.6%
	West Pharmaceutical	10.4%
Laggards	Zoetis Inc	-14.7%
	IDEXX Laboratories Inc	-6.1%
	Bio-Techne Corp	-4.3%
	Abbott Laboratories	-4.2%
	Revvity Inc	-4.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$64.65	$87.41	$98.32
26.7x	19.7x	17.5x

Sector Update

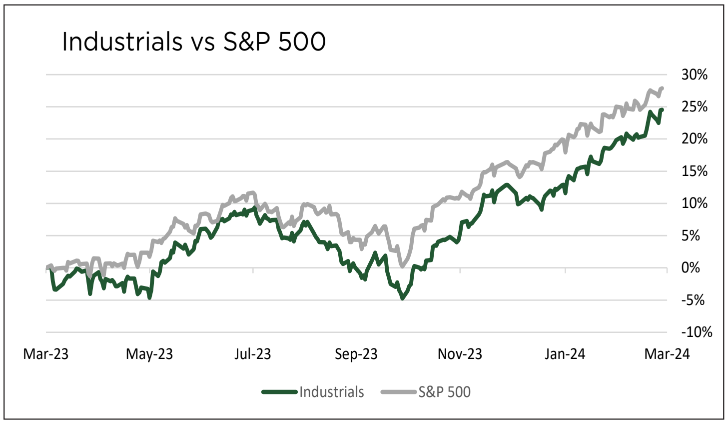
The Health Care sector rose 2.23% in March, underperforming the S&P 500's 3.10% gain. Broader market performance improved during the month, supported by greater market breadth and diminished fears of recession. Although the Health Care sector underperformed the S&P 500 during March, the Health Care sector continued to benefit from an elevated procedure environment, strong earnings outlooks relative to the other S&P 500 sectors, and improving prospects within the biopharma industry.

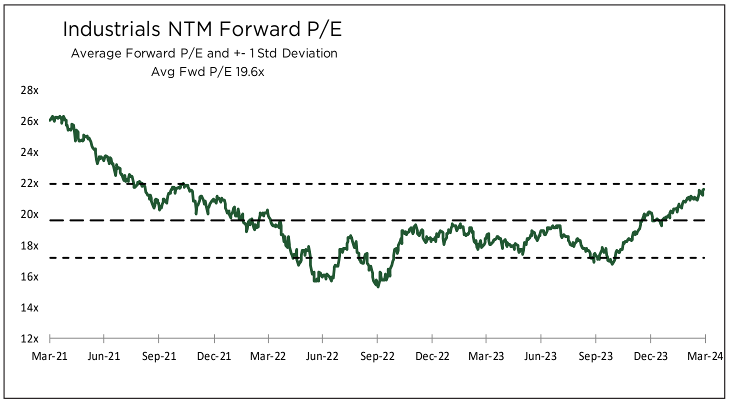
While performance from the Health Care sector was solid in March, regulatory developments took center stage. Early in the month, a federal judge ruled in favor of the Biden administration in a case brought by the pharmaceutical industry, providing increasing evidence that drug price negotiations initiated by the government may hold. Still, many large pharmaceutical companies are undergoing offer and counteroffer processes. If these price negotiations hold, the government is set to regulate ten high-expenditure drugs starting in 2026.

Despite the advancement of drug pricing lawsuits, all 5 of the subsectors within Health Care registered gains during March. Health Care Equipment & Supplies led the sector with a 3.1% gain, supported by heightened medical utilization and high hospital Capex budgets. An influx of patients who forewent medical procedures during the pandemic have been returning to the operating room, which has supported strong demand for Equipment & Supplies companies. The next best-performing subsector in Health Care was Health Care Providers & Services, supported by positive performance among certain managed care, healthcare service, and diagnostic stocks. The single best performing Health Care stock in March was Dexcom, which had a gain of 20.5%. Despite a decline following February's earnings call, Dexcom rallied in March as recession fears continued to diminish. Meanwhile, Moderna also rallied in March, supported by the start of research trials in oncology, the announcement of a new strategic partnership, and positive results from a new COVID-19 vaccine.

On the contrary, Zoetis was the worst-performing stock in Health Care during March, with a decline of 14.7%. News of a competitive entrant weighed on shares during the month, along with an announcement that the European Commission has opened up an anti-trust investigation. Meanwhile, IDEXX Laboratories shares fell in March following weakness in the animal health industry. The Health Care sector trades at a current forward P/E ratio of 19.7x, above the historical average of 16.9x.

INDUSTRIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
4.32%	10.57%	10.57%	24.53%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.10%	10.16%	10.16%	27.86%

	Company Performance	1 Month
Leaders	FedEx Corp	16.4%
	3M Co	15.1%
	Delta Air Lines Inc	13.2%
	Deere & Co	12.5%
	Generac Holdings Inc	12.1%
Laggards	Southwest Airlines Co	-14.8%
	Boeing Co/The	-5.3%
	Dayforce Inc	-5.1%
	JB Hunt Transport	-3.4%
	Uber Technologies Inc	-3.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$41.59	$47.82	$54.52
25.6x	22.3x	19.6x

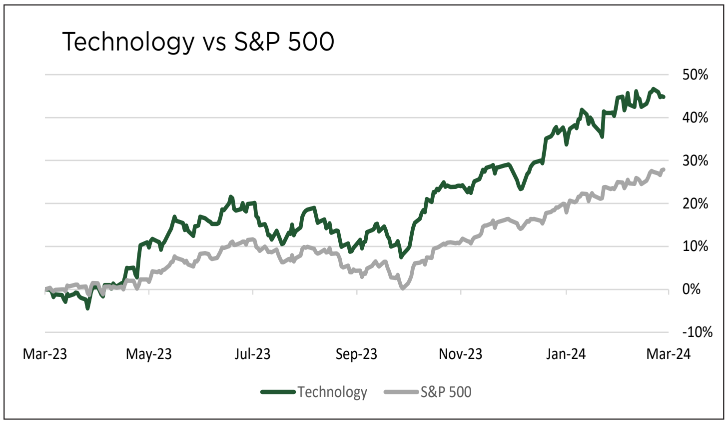
Sector Update

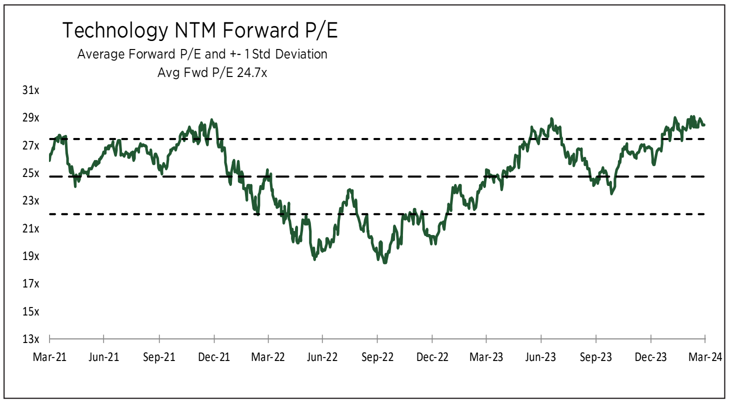
The Industrial Sector increased 4.32% in March, outperforming the 3.10% increase in the S&P 500. The industrial sector has also outperformed the S&P 500 on a three-month and a year-to-date basis. 10 of the 12 subsectors within Industrials increased in the month, with the most significant increase coming from Industrial Conglomerates, with a gain of 9.2%.

FedEx was the best-performing equity in the Industrial Sector, with a 16.4% gain. FedEx announced that the firm will not move forward with a contract to be USPS's domestic transportation services partner, which investors viewed as a positive development that can drive higher returns. Additionally, 3M shares were up 15.1% in March, driven by an increase in the firm's earnings guidance. The increase in expectations was attributed to spin-off-related benefits, which investors may have viewed as a positive strategic move that allows the company to focus on higher growth opportunities. The next best-performing equity within the Industrials sector was Delta Airlines, with a 13.2% gain. Delta Airlines benefited from analyst upgrades during March, driven by Delta's focus on selling premium products to customers and targeting younger fliers.

On the contrary, Southwest Airlines was the worst-performing equity in the Industrials sector. In the middle of March, Southwest Airlines announced that they would take fewer airplane deliveries than anticipated, potentially limiting growth. Southwest's reliance on Boeing 737 airlines may have caused investors to rethink business prospects for Southwest, as certain Boeing planes have experienced design and quality issues related to these airplanes.

The March Manufacturing PMI registered a reading of 50.3%, up 2.5% from the 47.8% recorded in February. The New Orders Index moved back into expansion territory at 51.4%, 2.2% higher than the February figure of 49.2%. The Production Index reading of 54.6% represents a 6.2% increase compared to February's figure of 48.4%. The Industrial Sector is trading at a Forward P/E of 22.3x, above the sector's three-year average of about 19.6x.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
1.93%	12.48%	12.48%	44.79%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.10%	10.16%	10.16%	27.86%

	Company Performance	1 Month
Leaders	Micron Technology Inc	30.1%
	NetApp Inc	17.8%
	Super Micro Computer	16.6%
	Hewlett Packard Enter-	16.4%
	Western Digital Corp	14.7%
Laggards	Adobe Inc	-9.9%
	EPAM Systems Inc	-9.3%
	Palo Alto Networks Inc	-8.5%
	Accenture PLC	-7.5%
	Cognizant Technology	-7.3%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$100.66	$126.16	$148.25
38.0x	30.3x	25.8x

Sector Update

Despite the sharp rise of the Semiconductors & Semiconductor Equipment sub-sector (+8.1%), the Technology sector (+1.93%) lagged the market in March due to the underperformance of the IT Services (-3.1%), Technology Hardware, Storage & Peripherals (-4.6%) and Software sub-sectors (+0.7%).

The Semiconductor & Semiconductor Equipment sub-sector benefited from the significant appreciation in the shares of Micron Technology (+30%). Micron reported that NVIDIA would incorporate its high bandwidth memory chips in its new H100 generative AI system.

IT Services was impacted by the decline in the shares of Accenture and Cognizant Technology Solutions. Both companies reported weak enterprise discretionary spending on consulting services due to the challenging global macroeconomic environment.

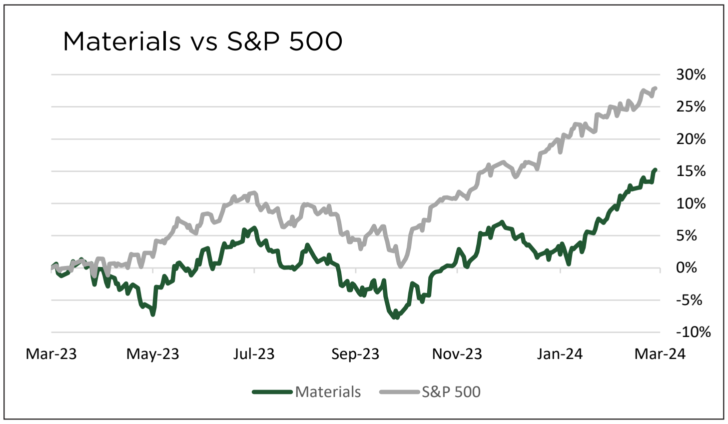
The Technology Hardware, Storage & Peripherals sub-sector was weighed down by the decline in the shares of Apple. The U.S. Department of Justice is suing Apple for violating U.S. Antitrust Laws. The DOJ indicated that Apple's restrictive policies with software and hardware developers and content creators contribute to Apple's iPhone having a monopoly in the U.S. market.

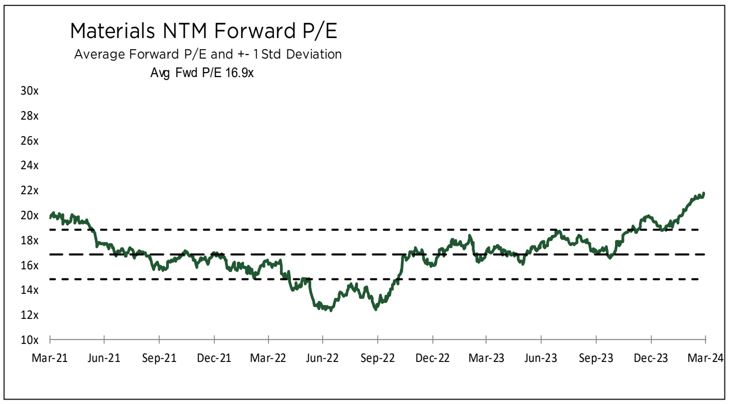
The Software sub-sector trailed the market due to the decline in the shares of Adobe (-9.9%) and Palo Alto Networks after both companies provided lower-than-expected guidance. While Adobe expects its introduction of new generative AI products (Adobe Acrobat AI Assistant for Adobe Reader and workflows and Adobe Express mobile) to contribute to the potential acceleration in its Digital Media annual recurring revenue (ARR) in the second half of the year, the company guided to lower than expected growth in Digital Media ARR in Q-2 24.

Palo Alto Networks announced that it planned to accelerate its potential customers' adoption of its full platform of products over the next twelve to eighteen months. The company will provide its customers with free software subscriptions for a period of time to help offset their cost of exiting contracts with other security software vendors and their cost of transitioning to Palo Alto Networks security infrastructure.

The Technology sector appears close to fairly valued, with a P/E of 30.3x and 25.8x the consensus analyst FY24/25 EPS estimates. This compares to the estimated FY25 EPS growth of 18% and its average twelve-month forward P/E of 24.7x.

MATERIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
6.22%	8.44%	8.44%	15.21%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.10%	10.16%	10.16%	27.86%

	Company Performance	1 Month
Leaders	Freeport-McMoRan Inc	24.4%
	Newmont Corp	14.7%
	Eastman Chemical Co	14.2%
	International Flavors &	13.9%
	Celanese Corp	13.1%
Laggards	Albemarle Corp	-4.4%
	LyondellBasell	2.0%
	PPG Industries Inc	2.3%
	Vulcan Materials Co	2.7%
	Ecolab Inc	2.7%

Consensus FY EPS / P/E

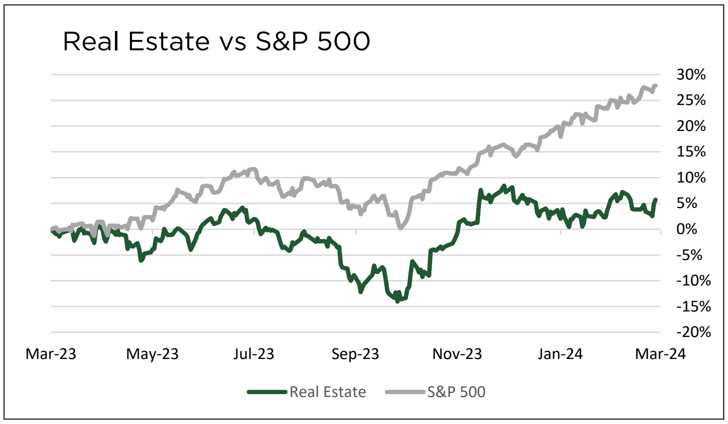
Last Year	Current Year	Next Year
$25.36	$26.38	$30.37
23.1x	22.2x	19.3x

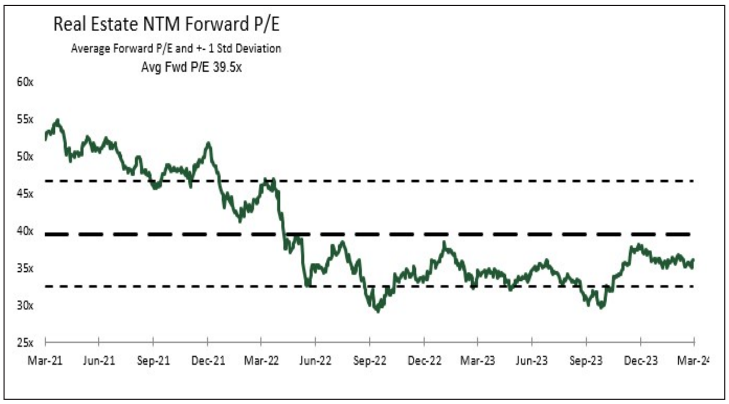
Sector Update

The Materials segment increased by 6.22% in March and outperformed the S&P 500 Index, which increased by 3.10%. For Q1, the Materials segment increased by 8.44% and underperformed the S&P 500 Index, which increased by 10.16%. All segments reported increases for the month, with the strongest outperformance being the Metals and Mining segment, which reversed a weaker performance in February. Rising copper prices support an interest in mining stocks reflecting technology initiatives, growth opportunities, and expected higher volumes. Given both micro and macro issues, ongoing volatility remains for the Materials sector in March 2024. Challenges include supply chain disruptions, the Ukraine/Russia war, and higher energy and production costs. The Materials segment trades with a current forward P/E of about 22.2x and above its average forward P/E of about 16.9x. For 2024, key factors to monitor include interest rate trends, consumer behavior and confidence trends, inventory levels, realized pricing, the outlook for the macroeconomic environment, capital spending, and volume. Mortgage rates remain a key factor to monitor, along with labor costs.

Portfolio transformation through divestments and acquisitions, as well as streamlining the number of product offerings, also remains a key theme. Companies within the paper and packaging segment continue to consolidate. During the pandemic, demand surged for paper and packaging, but demand has since softened. With strong balance sheets, further M&A is expected. Poor weather at the start of the year is expected to negatively affect Q1 results for the cement/aggregate companies. Results for the year's balance should benefit from expected moderating costs combined with prior pricing actions. US construction materials stock prices have appreciated year-to-date on expected pricing, moderating costs and improving volumes. Preferred areas for potential investment include hydrocarbon, coatings, and lithium. For the lithium sector, a more favorable outlook for 2H could change the view and catalyze renewed interest in the group. Potential expectations for more favorable lithium demand in 2H and the need to rebuild inventories and supply adjustments could provide lithium price support as the year progresses and rebuild positive sentiment towards lithium companies. Exposure to chemical companies remains attractive given management's focus on mix, managing balance sheets, and delivering consistent free cash flow. For 2024, the outlook for chemical stocks is for a stronger 2H vs 1H, reflecting demand, utilization rates, and margin expected trends. Chemical companies invest for long-term returns for the business. Selective investment among the group remains a key factor, with a preference for strong management teams and high-quality businesses.

REAL ESTATE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
1.12%	-1.36%	-1.36%	5.70%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.10%	10.16%	10.16%	27.86%

	Company Performance	1 Month
Leaders	Healthpeak Properties	11.9%
	CoStar Group Inc	11.0%
	CBRE Group Inc	5.8%
	Essex Property Trust Inc	5.8%
	Simon Property Group	5.6%
Laggards	Equinix Inc	-7.1%
	Crown Castle Inc	-3.7%
	Prologis Inc	-2.3%
	Regency Centers Corp	-2.2%
	Digital Realty Trust Inc	-1.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$6.07	$6.83	$7.42
40.9x	36.3x	33.5x

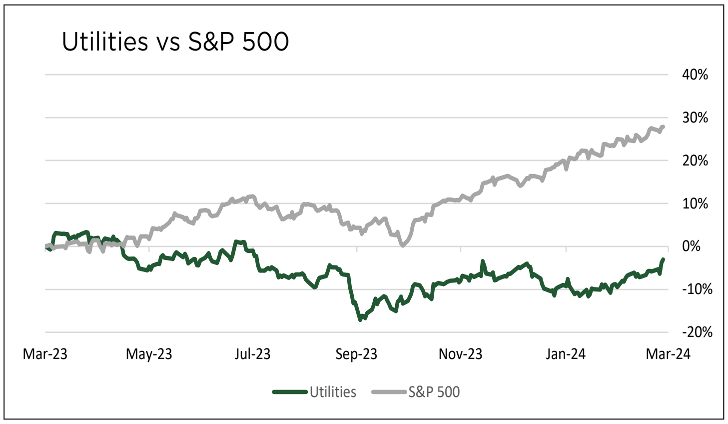
Sector Update

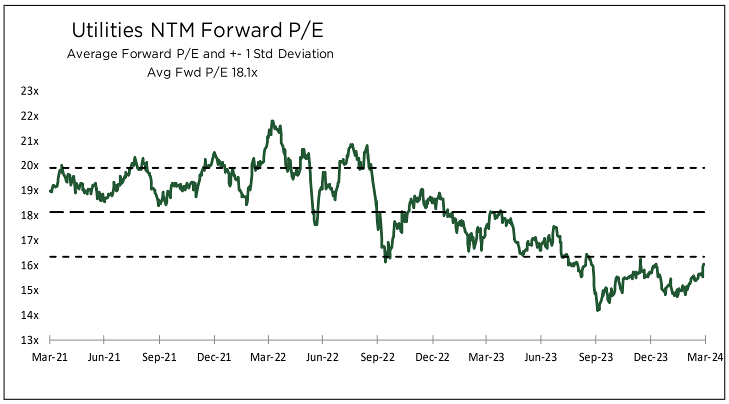
As we have previously noted, rising interest rates remain a key factor influencing the Real Estate sector – with the 10-year Benchmark Treasury rate moving from 3.95% at the start of January to a recent 4.36% as we enter the 2Q2024. Then, factoring in uncertainty over future trends in consumer spending, excess capacity of office building square footage in several major urban markets, a slowdown in investment by the telecom sector, and new capacity coming on-stream for the warehouse sector and one clearly sees why Real Estate continues to underperform. As shown in the adjacent graphic, in March, adverse trends persisted, with Real Estate sector gains of 1.12%, lagging behind the S&P 500, which advanced by 3.10%. The underperformance becomes even more pronounced when one contrasts the 1.36% decline registered for the sector in 1Q2024 versus the 10.16% gain recorded by the S&P 500 (the best 1Q advance seen in five years). Although interest rates are widely expected to trend lower in 2H2024 that, if forthcoming, could be a catalyst supporting improved sentiment and performance for Real Estate, we sense the Fed still needs to see either further slowing of inflationary pressures and or a measurable weakening appear within labor markets to move forward and shift policy. Given this uncertain timing/outlook for rates in 2024, selectivity remains the name of the game for Real Estate investment in 2024, with better growth potential persisting for the Data Center sub-segment tied to emerging AI demand.

Looking across the REIT sector, in March, enhanced variability in performance was clearly tied to individual company-specific developments and shifts in underlying subsector fundamentals. Unusually strong, double-digit gains were forthcoming for HealthPeak and CoStar Group last month. On March 1st, HealthPeak completed the $4.6B all-stock acquisition of Physicians Realty Trust. This brought the firm enhanced diversification and pipeline opportunities into the medical office buildings side of the business while significantly increasing the firm's market capitalization, which likely broadened investor interest in the shares. Costar's substantial marketing efforts for its newer Homes.com line of business appear to have paid off, as its platform has become home buyers' second most used portal. In addition, the mid-March $418 million settlement by the National Association of Realtors is poised to upend the broker compensation model employed by others while favoring Homes.com – with the two aspects helping to drive the shares up strongly last month. Post 4Q2023 results, trends appear to point to some rebound in activity among leasing and sales services activity offered by CBRE Group, resulting in rising operating forecasts and price targets for the shares. And, some evidence of a bottoming in multifamily rental rates in major West Coast tech sector hubs has driven an improved outlook by some for Essex Property.

In contrast, Equinix shares moved sharply lower after independent research suggested the firm's AFFO has been overstated, which has led to a board investigation and subpoena from the U.S. Attorney's Office in California. Crown Castle has encountered a battle with a former co-founder seeking to nominate four new board members, exit the firm's fiber business, and revitalize the firm – creating uncertainty that has hung over the shares. And, finally, warehouse leader Prologis, while suggesting rental rates are poised to improve over the next few years, has also indicated in 2024, a normalization in pricing will lead to subdued near-term results, while new capacity is also digested – that has weighed on the shares.

UTILITIES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
6.31%	3.59%	3.59%	-3.06%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.10%	10.16%	10.16%	27.86%

	Company Performance	1 Month
Leaders	NRG Energy Inc	22.4%
	AES Corp/The	18.0%
	NextEra Energy Inc	15.8%
	Constellation Energy	9.7%
	Pinnacle West Capital	9.4%
Laggards	PG&E Corp	0.4%
	American Electric	1.1%
	Sempra	1.7%
	Eversource Energy	1.8%
	Xcel Energy Inc	2.0%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$15.71	$20.21	$21.86
21.2x	16.5x	15.3x

Sector Update

Utilities were the second best-performing sector in March on a 6.3% gain that outperformed the 3.1% advance in the broader market S&P 500® index. Utilities participated in an expansion of breadth in the market, and relative stability in interest rates was a limited headwind on performance in the month. The Utilities group continues to struggle on a relative basis over YTD and TTM periods, given interest-bearing investments in the bond market provide reasonable alternatives to 'bond proxy' equities compared to the past ~15 years despite very solid fundamental growth projections based on electric demand and grid modernization tailwinds. The realization of an economic soft landing, as embedded in the current consensus view, could push off a defensive rotation toward the sector as employment and GDP prints remain very solid.

All Utility stocks in the S&P gained from the prior month, with the worst-performing component, PG&E (PCG), up 0.4% in the period. NRG Energy (NRG) continued its strong recent performance on a 22.4% gain in March following solid earnings and dividend growth guidance, followed by speculation of a potential take-out and target price increases from several street brokerages throughout the month. Other top March performers, including AES, NEE, and CEG—leading zero-carbon and renewables Utilities—likely benefitted from a back-up in energy prices, with oil up ~7% in the month, given higher traditional fuel generation costs, leaving renewable generation relatively more attractive.

While interest rate direction and macro uncertainty are likely to be primary drivers of Utility performance in 2024, the sector continues to appear well-positioned for above-trend earnings growth on a multi-year basis, given significant visibility into long-term capex cycles around transmission and distribution line modernization in addition to renewable energy projects supported by regulators.

The Utilities sector appears attractively valued relative to its historical trend as the group trades approximately one standard deviation below its three-year average forward earnings multiple of 18.1x. The sector remains a beneficiary of lower rates and could see dramatic improvement in performance in 2024 if soft landing optimism erodes. This would drive a defensive rotation in the broader market while providing attractive current yields. Given these factors, we would consider overweighting Utilities compared to the 2.19% weight in the S&P 500, which represents the smallest among all eleven S&P sectors.

ECONOMIC CALENDAR

Date	Release	For	Prior
1-Apr	S&P Global US Manufacturing - Final	Mar	52.2
1-Apr	ISM Manufacturing Index	Mar	47.80%
1-Apr	Construction Spending	Feb	-0.2%
2-Apr	Factory Orders	Feb	-3.80%
2-Apr	JOLTS - Job Openings	Feb	8.74M
3-Apr	MBA Mortgage Applications Index	3/30	-0.7%
3-Apr	ADP Employment Change	Mar	155K%
3-Apr	S&P Global US Services PMI - Final	Mar	52.3
3-Apr	ISM Non-Manufacturing PMI	Mar	52.6%
3-Apr	EIA Curde Oil Inventories	3/30	+3.17M
4-Apr	Initial Claims	3/30	212K
4-Apr	Continuing Claims	3/23	1810K
4-Apr	Trade Balance	Feb	-$67.6B
4-Apr	EIA Natural Gas Inventories	3/30	-36 bcf
5-Apr	Nonfarm Payrolls	Mar	275K
5-Apr	Nonfarm Private Payrolls	Mar	223K
5-Apr	Avg. Hourly Earnings	Mar	0.10%
5-Apr	Unemployment Rate	Mar	3.90%
5-Apr	Average Workweek	Mar	34.3
5-Apr	Consumer Credit	Feb	$19.5B
10-Apr	MBA Mortgage Applications Index	4/6	-0.60%
10-Apr	Core CPI	Mar	0.40%
10-Apr	CPI	Mar	0.40%
10-Apr	Wholesale Inventories	Feb	-0.30%
10-Apr	EIA Crude Oil Inventories	4/6	+3.21M
10-Apr	Treasury Budget	Mar	-$296.3B
11-Apr	Initial Claims	4/6	NA
11-Apr	Continuing Claims	3/30	NA
11-Apr	PPI	Mar	0.6%
11-Apr	Core PPI	Mar	0.3%
11-Apr	EIA Natural Gas Inventories	4/6	NA
12-Apr	Export Prices ex-ag.	Mar	0.80%
12-Apr	Import Prices ex-oil	Mar	0.20%
12-Apr	Univ. of Michigan Consumer Sentiment - Prelim	Apr	79.4
15-Apr	Retail Sales	Mar	0.60%
15-Apr	Retail Sales ex-auto	Mar	0.30%
15-Apr	Business Inventories	Feb	0.00%
15-Apr	NAHB Housing Market Index	Apr	51
16-Apr	Housing Starts	Mar	1521K
16-Apr	Building Permits	Mar	1518K
16-Apr	Industrial Production	Mar	0.10%
16-Apr	Cpacity Utilization	Mar	78.30%

ECONOMIC CALENDAR

17-Apr	MBA Mortgage Applications Index	4/13	NA
17-Apr	EIA Crude Oil Inventories	4/13	NA
17-Apr	Net Long-Term TIC Flows	Feb	$36.1B
18-Apr	Initial Claims	4/13	NA
18-Apr	Continuing Claims	4/6	NA
18-Apr	Existing Home Sales	Mar	4.38M
18-Apr	Leading Indicators	Mar	0.10%
18-Apr	EIA Natural Gas Inventories	4/13	NA
23-Apr	New Home Sales	Mar	662K
24-Apr	MBA Mortgage Applications Index	4/20	NA
24-Apr	Durable Orders	Mar	1.40%
24-Apr	Durable Orders -ex transportation	Mar	0.50%
24-Apr	EIA Curde Oil Inventories	4/20	NA
25-Apr	Adv. Intl. Trade in Goods	Mar	-$91.8B
25-Apr	Adv. Retail Inventories	Mar	0.5%
25-Apr	Adv. Wholessale Inventories	Mar	0.50%
25-Apr	Initial Claims	4/20	NA
25-Apr	Continuing Claims	4/13	NA
25-Apr	GDP-Adv.	Q1	3.40%
25-Apr	Chain Deflator-Adv.	Q1	1.60%
25-Apr	Pending Home Sales	Mar	1.60%
25-Apr	EIA Natural Gas Inventories	4/20	NA
26-Apr	Personal Income	Mar	0.30%
26-Apr	Personal Spending	Mar	0.80%
26-Apr	PCE Prices	Mar	0.30%
26-Apr	PCE Price - Core	Mar	0.30%
26-Apr	Univ. of Michigan Consumer Sentiment - Final	Apr	NA
30-Apr	Employment Cost Index	Q1	NA
30-Apr	FHFA Housing Price Index	Feb	-0.10%
30-Apr	S&P Case-Shiller Home Price Index	Feb	6.60%
30-Apr	Consumer Confidence	Apr	104.7

DISCLOSURES

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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.

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

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Stoxx Europe 600: The STOXX Europe 600 Index is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 17 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

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).

MSCI Emerging Markets Small Cap: The MSCI Emerging Markets Small Cap Index includes small cap representation across 23 Emerging Markets countries. With 1,889 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country. The small cap segment tends to capture more local economic and sector characteristics relative to larger Emerging Markets capitalization segments.

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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CORPORATE HEADQUARTERS

One James Center | 901 East Cary Street, Suite 1100 | Richmond, Virginia 23219
(804) 780-2000 (800) 846-6666
www.investdavenport.com

Abingdon
153 W. Main St., Ste. 100
Abingdon, VA 24210
(276) 274-8277

Atlanta*
515 E. Crossville Rd., Ste. 380
Roswell, GA 30075
(404) 865-4040

Charlotte*
101 North Tryon St., Ste. 1220
Charlotte, NC 28246
(704) 375-0550

Charlottesville
600 E. Water St., Ste. A
Charlottesville, VA 22902
(434) 296-9013

Danville
165 Holt Garrison Pkwy., Ste. 570B
Danville, VA 24540
(434) 836-5528

Farmville
101 North Main St.,
Farmville, VA 23901
(434) 392-9813

Franklin
105 West Fourth Ave.
Franklin, VA 23851
(757) 562-0053

Fredericksburg
904 Princess Anne St., Ste. 102
Fredericksburg, VA 22401
(540) 373-1863

Greensboro
628 Green Valley Rd., Ste. 306
Greensboro, NC 27408
(336) 297-2800

Harrisonburg
21 Carpenter Lane, Suite 101
Harrisonburg, VA 22801
(540) 383-6550

Kilmarnock
141 Technology Park Dr.
Kilmarnock, VA 22482
(804) 435-7705

Leesburg*
19301 Winmeade Dr., Ste. 218
Leesburg, VA 20176
(571) 223-5893

Lynchburg
1104 Commerce St.
Lynchburg, VA 24504
(434) 948-1100

Marion
201 East Main St., Ste. 103
Marion, VA 24354
(276) 243-0008

Newport News
11827 Canon Blvd., Ste. 404
Newport News, VA 23606
(757) 595-5740

Norfolk
101 West Main St., Ste. 4000
Norfolk, VA 23510
(757) 314-3600

Raleigh
3605 Glenwood Ave., Ste. 310
Raleigh, NC 27612
(919) 571-6550

Richmond
901 East Cary St., Ste. 1100
Richmond, VA 23219
(804) 780-2000

Roanoke
10 Franklin Road S.E., Ste. 450
Roanoke, VA 24011
(540) 345-1909

Sanford
201 Chatham Street., Ste. 1
Sanford, NC 27330
(919) 777-9823

Staunton
59 Lee Highway
Verona, VA 24482
(540) 430-7696

Suffolk
330 West Constance Rd., Ste. 200
Suffolk, VA 23434
(757) 539-5355

Towson*
8600 LaSalle Rd., Ste. 618
Towson, MD 21286
(410) 296-9426

Virginia Beach
477 Viking Dr., Ste. 200
Virginia Beach, VA 23452
(757) 498-4000

Williamsburg
5400 Discovery Park Blvd., Ste. 301
Williamsburg, VA 23188
(757) 258-2800

**Public Finance office.*