MARKET COMMENTARY

DAVENPORT 1863
BUILDING WEALTH TOGETHER

JANUARY 2021

- For the full month, all three major equity indexes increased
- The best performing S&P 500 sector in December was Financials
- We remain optimistic for an economic recovery into 2H2021 and 2022 despite near term challenges
- Overall market reflecting investor expectations for an economic rebound this year

Despite the ravages caused by the global COVID-19 pandemic, 2020 will go down in history as a volatile but overall very strong year for equity investors. It was a year that saw the S&P 500® index crater by 32% in the first quarter of 2020 before rebounding sharply on the heels of unprecedented fiscal and monetary stimulus efforts. The U.S. Federal Reserve and other major central banks along with strong government stimulus efforts drove a second quarter 2020 snapback followed by solid further recovery through year-end. During December, equities added to gains for the year while the VIX Index or "fear gauge" climbed as the new year approached. For the full month, all three major equity indexes increased with the Dow Jones Industrial Average up 3.3%, the S&P 500® index up 3.7%, and the smaller cap weighted Russell 2000® increasing 8.5%.

The best performing S&P 500 sector in December was Financials which increased 6.1% followed by the Information Technology sector which was up 5.7%. The weakest performances in the month were posted by the Utilities sector which increased 0.4% followed by the Real Estate sector which was up 0.9%. For the prior twelve month period, the Information Technology sector was the best performer with a 42.2% increase followed by the Consumer Discretionary sector which was up 32.1%, while Energy was the worst performer for the past twelve months with a 37.3% decrease followed by the Real Estate sector which was down 5.2%.

Given existing premium market valuations it appears evident that investor expectations for a 2H21 economic recovery are well reflected. With President Trump's signing of the $900 billion stimulus package at the end of December, and resolution of U.S. Senate political uncertainties at the beginning of January, the key risks we remain focused on relate to the pace of economic recovery and the inflation outlook as the year unfolds. We advocate selective purchase of reasonably valued, quality stocks having a solid base of business today, while being poised for growth over the intermediate and longer term as society reopens.

Where to from here?

After achieving gains of 16.3% and 28.9% in 2020 and 2019, we anticipate 2021 may see moderation as significant recovery expectations may have been factored into the markets already. The resurgence of COVID cases in the U.S. has seen a downshift in employment, incomes and spending trends of late expected to persist through the winter of 2021 with GDP gains likely dipping into the 2% range in 1Q21 (versus 4Q20 growth forecasts expected at 5-6%). Still, if as government health leaders suggest, 50 million or more Americans receive COVID vaccinations by early March - expanding to most all of the general U.S. population by the end of the 2Q21 - we sense the COVID pandemic may come under control by year-end.

The general 2021 economic thesis sees COVID coming under better control with the numbers of unemployed declining from year end 2020 levels of over 10 million, or roughly 6.8%, toward 5.0% a year out - although remaining well above February 2020 levels of 3.5% representing 5.8 million workers. Rising employment along with pent up consumer demand after a yearlong sheltering in place effort is anticipated to drive a consumer driven GDP rebound starting in the 2Q21 with gains on the order of 4.5% plus for the year. Street forecasts point to a recovery in corporate earnings toward $170 in 2021 besting the $163 reported in 2019.

Factoring in over $3 trillion of U.S. fiscal stimulus/ongoing deficit spending and sustained accommodative Fed policy, we sense that investors should anticipate further softening trends for the U.S. dollar along with potentially rising market rates and spreads in 2021. These factors may drive inflation trends higher with the Core PCE index (the Fed's favored inflation measure) trending from about 1.4% in 2020 toward 1.8% in 2021 based upon Fed estimates.

We remain optimistic for an economic recovery into 2H2021 and 2022 despite near term challenges the country faces this winter tied to COVID and uncertainties surrounding President elect Biden's potential policy agenda. With the S&P 500 index trading at over 22x 2021 consensus estimated earnings, the overall market looks pretty fully valued - reflecting investor expectations for an economic rebound this year. Economic recovery along with stimulus efforts may drive 2021 inflation upwards likely compressing P/E multiples modestly. Given this outlook, we advocate selective purchase of reasonably valued, quality stocks having a solid base of business today, while being poised for growth over the intermediate and longer term as society reopens.

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MARKET AND ECONOMIC STATISTICS

Market Indices:	**12/31/2020**	**12/31/2019**	**% Change YTD**	**11/30/2020**	**% Change (Monthly)**
S&P Composite	3,756.07	3,230.78	16.26%	3,621.63	3.71%
Dow Jones Industrials	30,606.48	28,538.44	7.25%	29,638.64	3.27%
NASDAQ Composite	12,888.28	8,972.60	43.64%	12,198.74	5.65%
Russell 2000	1,974.86	1,668.47	18.36%	1,819.82	8.52%
FTSE 100	6,460.52	7,542.44	-14.34%	6,266.19	3.10%
Shanghai Composite	3,473.07	3,050.12	13.87%	3,391.76	2.40%
Nikkei Stock Average	27,444.17	23,656.62	16.01%	26,433.62	3.82%
Stoxx Europe 600	399.03	415.84	-4.04%	389.36	2.48%
MSCI Emerging Markets	1,291.26	1,114.66	15.84%	1,205.07	7.15%
MSCI Emerging Markets Small Cap	1,211.23	1,037.81	16.71%	1,126.93	7.48%
Performance of S&P 500 by Industry:	**% of Index as of 12/31/20**	**1 Month**	**3 Month**	**Year to Date**	**12 Months**
Consumer Discretionary	12.72%	2.45%	7.86%	32.07%	32.07%
Consumer Staples	6.51%	1.45%	5.64%	7.63%	7.63%
Energy	2.28%	4.27%	25.78%	-37.31%	-37.31%
Financials	10.44%	6.05%	22.52%	-4.10%	-4.10%
Health Care	13.46%	3.74%	7.55%	11.43%	11.43%
Industrials	8.40%	1.12%	15.19%	9.01%	9.01%
Information Technology	27.61%	5.68%	11.52%	42.21%	42.21%
Materials	2.63%	2.31%	13.92%	18.11%	18.11%
Communication Services	10.77%	3.07%	13.52%	22.18%	22.18%
Utilities	2.76%	0.42%	5.70%	-2.83%	-2.83%
Real Estate	2.42%	0.92%	4.09%	-5.17%	-5.17%
S&P 500 (Absolute performance)	100%	3.71%	11.69%	16.26%	16.26%
Interest Rates:	**12/31/2020**	**12/31/2019**	**YTD Change (Basis Points)**	**11/30/2020**	**Month Change (BPS)**
Fed Funds Effective Rate	0.09%	1.55%	-146	0.09%	0
Prime Rate	3.25%	4.75%	-150	3.25%	0
Three Month Treasury Bill	0.10%	1.53%	-143	0.09%	1
Ten Year Treasury	0.91%	1.92%	-100	0.84%	7
Spread - 10 Year vs 3 Month	0.82%	0.39%	43	0.75%	6
Foreign Currencies:	**12/31/2020**	**12/31/2019**	**% Change YTD**	**11/30/2020**	**% Change (Monthly)**
Brazil Real (in US dollars)	0.19	0.25	-22.6%	0.19	2.7%
British Pound (in US dollars)	1.37	1.33	3.1%	1.33	2.6%
Canadian Dollar (in US dollars)	0.79	0.77	2.0%	0.77	2.2%
Chinese Yuan (per US dollar)	6.53	6.96	-6.3%	6.58	-0.8%
Euro (in US dollars)	1.22	1.12	8.9%	1.19	2.4%
Japanese Yen (per US dollar)	103.25	108.61	-4.9%	104.31	-1.0%
Commodity Prices:	**12/31/2020**	**12/31/2019**	**% Change YTD**	**11/30/2020**	**% Change (Monthly)**
CRB (Commodity) Index	443.81	401.58	10.5%	428.41	3.6%
Gold (Comex spot per troy oz.)	1898.36	1517.27	25.1%	1776.95	6.8%
Oil (West Texas int. crude)	48.52	61.06	-20.5%	45.34	7.0%
Aluminum (LME spot per metric ton)	1973.60	1781.25	10.8%	2036.00	-3.1%
Natural Gas (Futures 10,000 MMBtu)	2.54	2.19	16.0%	2.88	-11.9%
Economic Indicators:	**11/30/2020**	**12/31/2019**	**% Change YTD**	**9/30/2020**	**% Change (Monthly)**
Consumer Price Index	260.8	258.4	0.9%	260.2	0.2%
Producer Price Index	204.6	207.7	-1.5%	203.0	0.8%
	Q3 2020	**Q2 2020**	**Q1 2020**	**Q4 2019**	**Q3 2019**
GDP Growth Rate (Quarterly)	33.40%	-31.40%	-5.00%	2.10%	2.10%
	November	**October**	**September**	**August**	**July**
Unemployment Rate (End of Month)	6.7%	6.9%	7.9%	8.4%	10.2%

*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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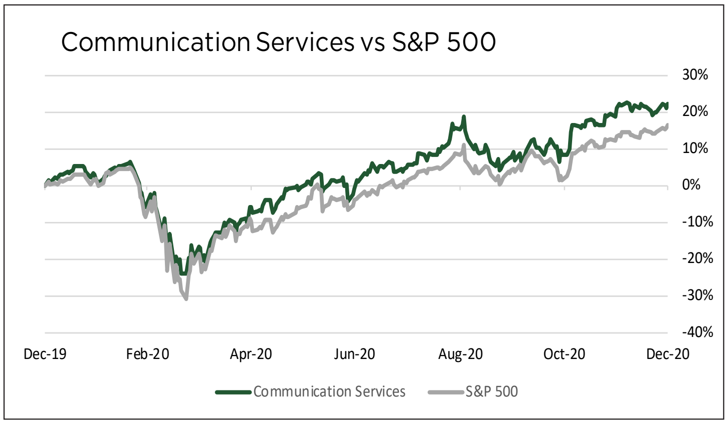
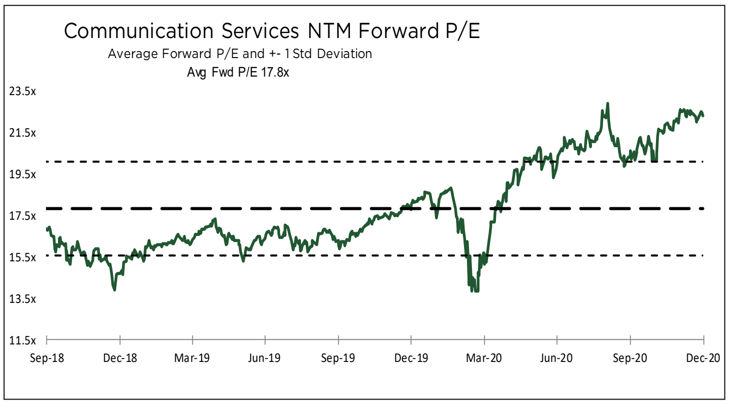
Sector Updates

COMMUNICATIONS SERVICES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
3.07%	13.52%	22.18%	22.18%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.71%	11.69%	16.26%	16.26%

	Company Performance	1 Month
Leaders	Walt Disney Co	22.4%
	Activision Blizzard Inc	16.8%
	Twitter Inc	16.4%
	Take-Two Interactive	15.1%
	Electronic Arts Inc	12.4%
Laggards	DISH Network Corp - A	-9.8%
	CenturyLink Inc	-6.7%
	Verizon Communications	-2.7%
	Facebook Inc - A	-1.4%
	Omnicom Group Inc	-1.0%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$7.77	$9.77	$11.63
28.6x	22.7x	19.1x

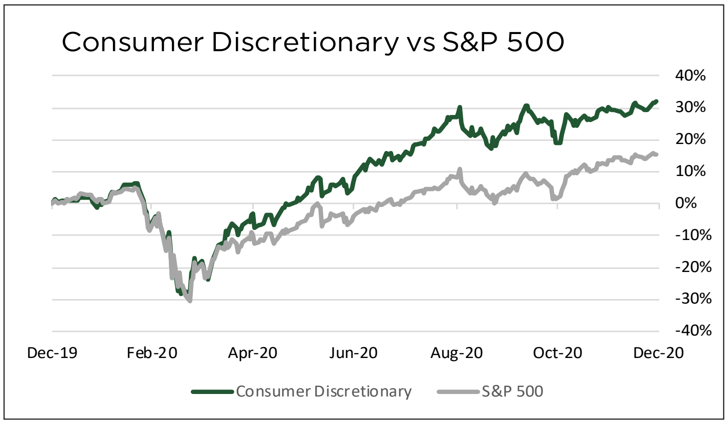
Sector Update

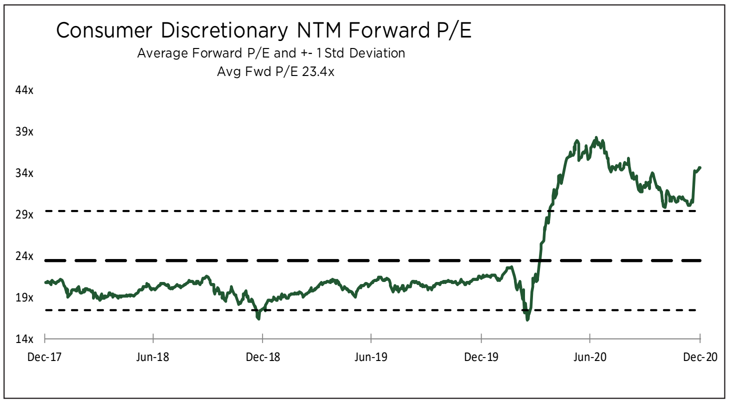
The Communications Services sector appreciated 22.18% in 2020, compared to the S&P 500 index, which rose 16.26%. Communications Services has a 12-month forward P/E of 22.7x, compared to its average forward P/E of 17.8x. The Entertainment sector was the best performing sub-sector in 2020 (+41.2%). Video game companies such as Activision Blizzard, Electronic Arts, and Take Two Interactive benefited from increased consumer consumption of video games during the Covid pandemic and from the introduction of next generation video game consoles from Microsoft and Sony. Netflix subscriptions soared in the first half of the year as consumers gravitated to streaming content, with most theatres and entertainment venues closed due to the Covid pandemic. Disney shares outperformed the market as its Disney+ streaming media service significantly exceeded its original expectations. The company reported that it had 137 million streaming media customers as of December 2, including 86.8 million Disney+ subscribers, 38.8 million Hulu subscribers and 11.5 million ESPN subscribers. Disney raised its FY24 Disney+ subscriber goal from 60-90 million to 230 to 260 million.

Interactive Media & Services underperformed in December (-0.4%) and was the second best performing sub-sector in 2020 (+32.5%) driven by the performance of Alphabet and Facebook. The potential dissemination of Covid vaccines in 2021 could drive faster economic growth and higher advertising revenue in the second half of the year, which should benefit both companies. While some investors may be concerned that a Democratic controlled Congress could pursue legislation that might impact Alphabet and Facebook, we believe that it will be difficult to enact significant legislation based on the Democrats slim one vote advantage in the Senate. While both companies face anti-trust suits from a number of states and the U.S. government, the suits may take a few years to wend their way through the court system.

Communications Services could outperform the market in 2021, since most of its sub-sectors should benefit from the resumption of normal economic activity as the Covid vaccines become widely distributed.

CONSUMER DISCRETIONARY





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.45%	7.86%	32.07%	32.07%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.71%	11.69%	16.26%	16.26%

	Company Performance	1 Month
Leaders	Tesla Inc	24.3%
	Ralph Lauren Corp	21.0%
	PVH Corp	18.1%
	Ross Stores Inc	14.2%
	Wynn Resorts Ltd	12.3%
Laggards	Best Buy Co Inc	-8.3%
	DR Horton Inc	-7.5%
	Whirlpool Corp	-7.3%
	Royal Caribbean Cruises	-5.2%
	General Motors Co	-5.0%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$20.99	$34.95	$47.94
62.1x	37.3x	27.2x

Sector Update

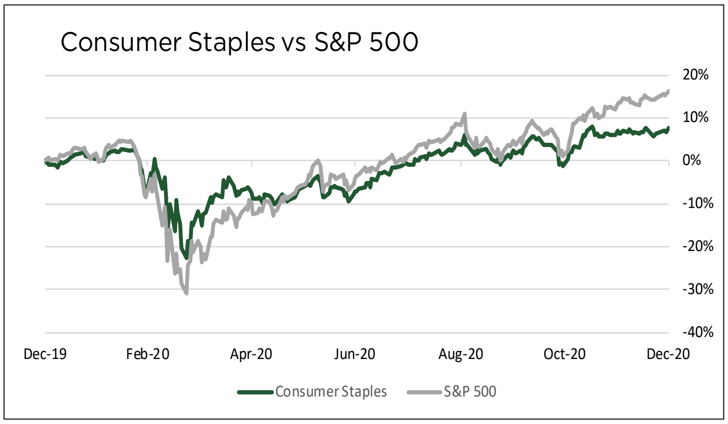
The Consumer Discretionary sector racked up a very strong performance in 2020 with a full year sector advance nearly doubling that of the S&P 500 as seen in the accompanying table. Sub-sector performance for the year was led by the Internet & Direct Marketing group followed by Auto Components and Multi-line Retail. Laggards for the year included the Leisure Products and Distributor sub-sectors which each posted annual declines. This past year provided exceptional rewards for select Consumer Discretionary companies that leveraged the power of the internet during the pandemic as consumer shopping behaviors shifted dramatically.

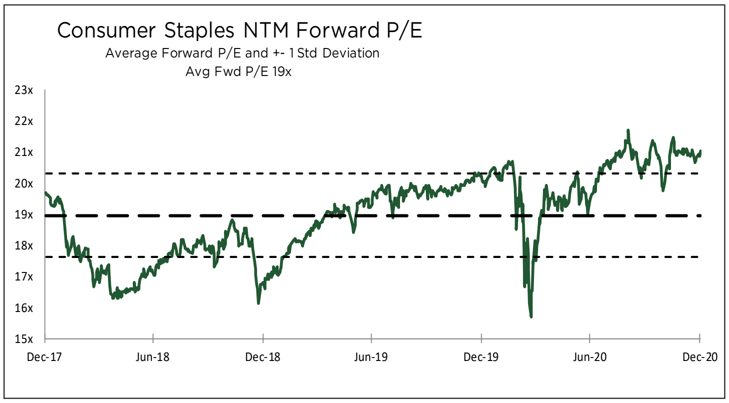
Early data for the 2020 Holiday shopping period indicate that sales advanced about 3% with almost a 50% increase in ecommerce sales as consumers gravitated to online versus in-person shopping. The holiday period represented an improvement from November when retail sales dropped 1.1% which was the largest drop since the start of the pandemic. Retailers ranging from restaurants to department stores saw sales declines for the month while grocers and home improvement centers were in positive territory. These trends reflected the resurgence in the virus as consumers appeared to be limiting activities in areas such as dining out but continued to spend in areas like home centers. Month-to-month sales at internet retailers gained only 0.2% in November but advanced a very strong 29% versus the prior year as consumers continued to shift towards online.

Consumer confidence shrank again in December as virus cases in the U.S. surged across the nation. The Conference Board reported in late December that the Consumer Confidence Index dropped to 88.6 from 92.9 in November which was the lowest level since August. The post-pandemic high for the index was seen in October at 101.4 and the low was in May at 85.9. The combination of spiking virus cases and renewed lockdowns appear to be whittling away at consumer confidence with Lynn Franco of the Conference Board indicating: “Consumers’ assessment of current conditions deteriorated sharply in December, as the resurgence of COVID-19 remains a drag on confidence.”

Existing home sales dropped for the first time in five months in November declining 2.5% on a month-to-month basis according to the National Association of Realtors although on a year-over-year basis sales advanced a very strong 25.8%. A key component impacting the housing markets was the limited supply of homes for sale which has been a factor in sharply rising home prices creating affordability challenges for homebuyers. At the end of November there were 1.28 million homes for sales which was down 22% from the prior year and represented only a 2.3 month supply at the current rate of sales. The National Association of Realtors indicates that this was the lowest inventory level in its tracking history since 1982.

CONSUMER STAPLES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
1.45%	5.64%	7.63%	7.63%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.71%	11.69%	16.26%	16.26%

	Company Performance	1 Month
Leaders	Philip Morris Int'l Inc	9.3%
	Monster Beverage Corp	9.1%
	Lamb Weston Holdings	8.8%
	Estee Lauder Cos Inc - A	8.5%
	Constellation Brands	6.4%
Laggards	Walmart Inc	-5.7%
	Costco Wholesale Corp	-3.8%
	Kroger Co	-3.8%
	Campbell Soup Co	-3.3%
	General Mills Inc	-3.3%

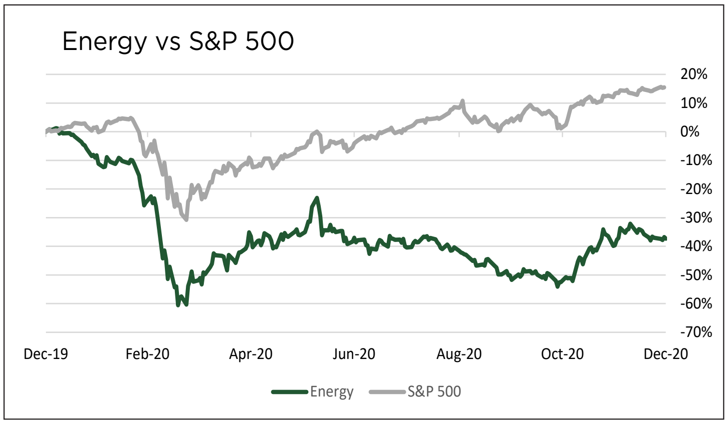
Consensus FY EPS / P/E

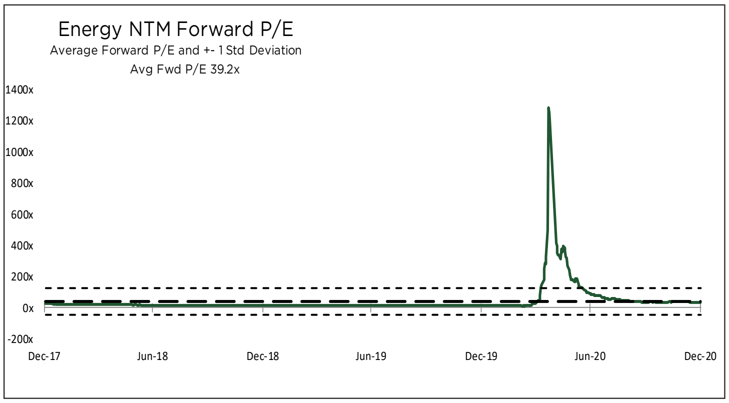
Last Year	Current Year	Next Year
$31.14	$32.74	$34.96
22.4x	21.3x	19.9x

Sector Update

The Consumer Staples sector reported an increase of 1.45% on average in December, which underperformed the S&P 500 Index that rose 3.71%. For the month, greatest contribution results from the Personal Products, Tobacco and Beverages. Momentum behind reopening prospects weighed on the more defensive stocks during the month. For 2020, the Consumer Staples sector reported an increase of 7.63% on average in December, which underperformed the S&P 500 Index that rose 16.26%. The Consumer Staples sector currently trades with a forward P/E on next year's earnings of about 21.3x which remains towards the upper end of its historic trading range. For 2021, selective investment among the group remains critical. Key themes for 2021 center on consumer purchase patterns in the stay-at-home vs away-from-home consumption, top-line trends, employment rates, expected stepped up innovation, input costs (especially freight) and currency movement. A weaker dollar could provide a favorable tail-wind for more internationally oriented businesses. Companies with strong brands with leading market share positions, successful innovation, attractive cash flow generation and experienced management teams remain preferred investments. While comparable sales remain favorable in 1H of 2021, key focus centers on the pace of sales deceleration sequentially and the trend for consumers to return to pre-pandemic eating patterns. In an ongoing lower rate environment, an investment in many of the Consumer Staples companies continues to offer an attractive dividend yield. Any shift in sentiment could result in a rotation out of the more defensive segments.

For 2021, consumer staples companies expect to accelerate innovation in part due to delays from 2020 in light of the COVID-19 pandemic and strain on supply chains and resources. Innovation should center on Plant-based offerings, Organic, Natural as well as Convenience and Snacking. Focus on supporting the e-commerce channel remains a key factor. With interest rates remaining favorable, we expect renewed interest for consolidation as consumer staples companies seek to drive faster top-line growth, reformulate brand portfolios and seek additional cost savings. With the Democratic administration, focus also includes the domestic tax rate, regulation changes and trade relations (especially China). Reopening pace remains volatile given the expected recent spike in COVID cases following the holidays. The pace of sales deceleration sequentially and the trend for consumer to return to pre-pandemic eating patterns. Input focus includes freight costs, packaging (especially aluminum cans) and labor. Within the tobacco segment, focus centers on underlying volume, pricing and innovation (IQOS). With a Democratic administration, there is renewed focus on the cannabis segment in the US and the potential for decriminalization along with rollout of cannabis infused products such as beverages.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
4.27%	25.78%	-37.31%	-37.31%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.71%	11.69%	16.26%	16.26%

	Company Performance	1 Month
Leaders	Diamondback Energy Inc	21.1%
	Phillips 66	15.5%
	Halliburton Co	13.9%
	Pioneer Natural Res. Co	13.2%
	TechnipFMC PLC	13.1%
Laggards	Cabot Oil & Gas Corp	-7.1%
	Kinder Morgan Inc	-4.9%
	Williams Cos Inc	-4.4%
	Chevron Corp	-3.1%
	ConocoPhillips	1.1%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
-$0.53	$9.08	$17.72
-543.5x	31.5x	16.2x

Sector Update

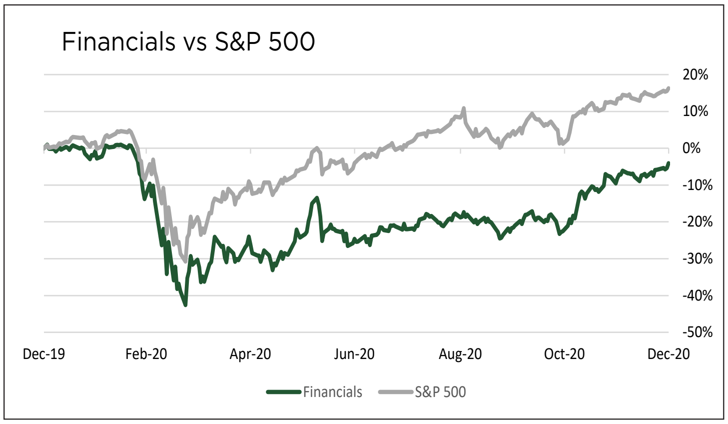
Optimism in energy markets was sustained during December despite surging numbers of COVID-19 cases in across the country. West Texas Intermediate crude reached a nine month high mid-December lifted by optimism around the introduction of vaccines to fight the pandemic. Energy stocks generally held up well compared with the broader market in December although recent gains subsided towards month-end.

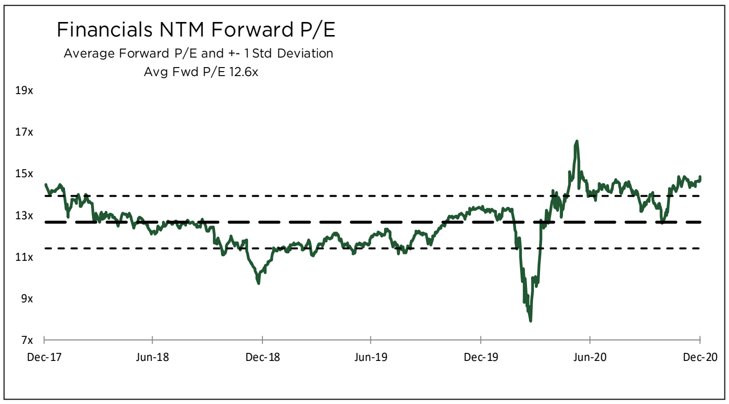
The Energy sector outperformed during the month of December which follows a solid performance in November marking a turnaround after many months of weak relative performance. Although the Energy sector beat the S&P 500 in December, on a year-to-date basis the sector lagged sharply as seen in the accompanying table. Factors that weighed heavily on the group in 2020 have included the ongoing pandemic and its impact on consumer and commercial activity plus the abundance of oil and natural gas creating a challenging backdrop for supply trends in the sector.

The outlook for oil demand in 2021 remains difficult to pinpoint given factors ranging from the rate of global economic recovery to the timeline for vaccine distribution as well as the pace of production. OPEC trimmed its forecast for 2021 demand growth for oil pointing to uncertainties around the impact of COVID-19 and labor markets on transportation fuels particularly in the first half of 2021. OPEC now expects global oil demand growth of 5.9 million barrels per day which represents a 350,000 barrels per day reduction from the group's prior forecast. For 2020, OPEC expects daily demand will have declined 9.77 million barrels per day from 2019 reflecting the sharp contraction caused by the global pandemic. It appears that daily oil demand may not return to pre-COVID levels in 2021 based on current OPEC forecasts.

Oil prices in December improved from November with WTI breaking the $45 per barrel level at month-end while Brent crude exceeded $51 per barrel. Retail gasoline moved higher for the month of December ending at about $2.33 per gallon versus $2.21 per gallon at the end of November. We note that gasoline prices are still well below the prior year level of $2.66 per gallon. The Baker Hughes oil rig count change increased in the month coming in at 267 rigs on January 1 versus 241 rigs on November 27. Oil rig count was far below the prior year level of 677 rigs reflecting the rapid drop in rigs in operation due to the pandemic induced cutbacks. U.S. crude oil storage at 493 million barrels was up slightly versus last month's level of 488 million barrels. U.S. crude oil production has been in a secular uptrend which continued through 2019 and into 2020 before reversing during the COVID-19 pandemic. The trough daily production seen in 2015 was in the 8.5 million barrels per day range and peaked earlier this year at about 13.1 million barrels per day before slipping to 11.0 million barrels per day in December.

FINANCIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
6.05%	22.52%	-4.10%	-4.10%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.71%	11.69%	16.26%	16.26%

	Company Performance	1 Month
Leaders	Discover Financial Svs.	18.9%
	Capital One Financial	15.4%
	Cincinnati Financial Corp	14.4%
	Goldman Sachs Group	14.4%
	Synchrony Financial	13.9%
Laggards	S&P Global Inc	-6.6%
	American International	-1.5%
	Principal Financial Group	-0.4%
	Northern Trust Corp	0.0%
	Willis Towers Watson PLC	1.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$28.06	$33.09	$38.92
17.5x	14.8x	12.6x

Sector Update

The Financials sector gained 6.05% in December, fueled by a continued pro-cyclical rotation based on re-opening optimism and increased confidence in consumer health on the back of a new stimulus package. The sector outperformed the 3.71% improvement in the S&P 500® in the month. For the full year 2020, the sector was down 4.1%, compared to a 16.26% gain in the broader market index.

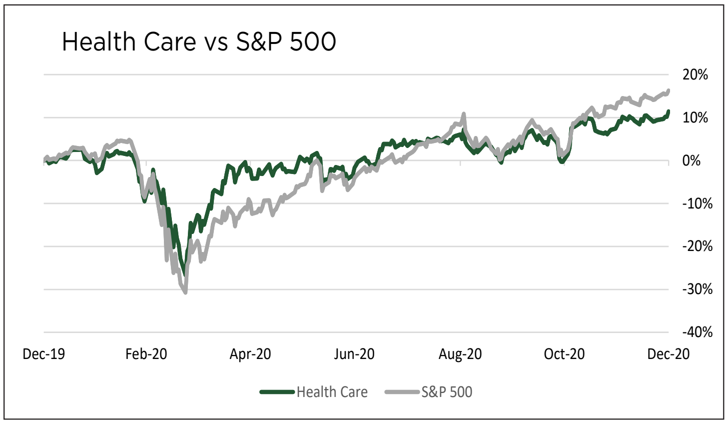
The Consumer Finance sub-sector improved 9.1% in December, as credit metrics have remained solid-to-improving on a Y/Y basis and face lower interest headwinds compared to more vanilla lenders. The Bank group saw an 8.4% gain in the month, reflecting increased confidence in a sustained macroeconomic recovery. Consumer Finance and Banks were the best performing sub-sectors for the second month in a row. The Capital Markets sub-sector was the top performing group in 2020, up 17.5% on increased volatility that improved trading revenues.

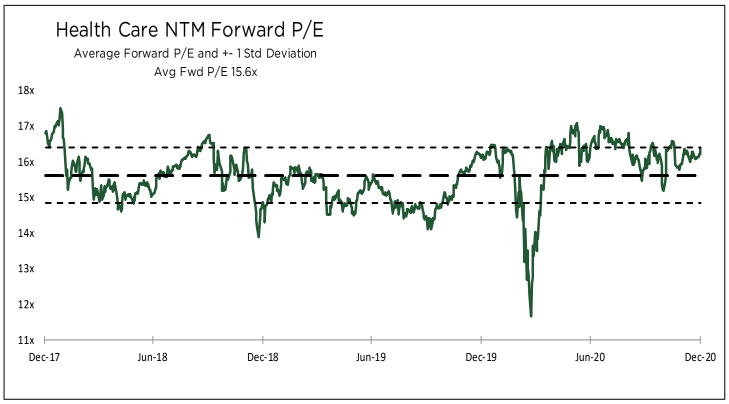
The second round of the Fed's Comprehensive Capital Analysis and Review (CCAR) demonstrated strong capital levels among all participants, with capital levels remaining well above regulatory minimums in the tests severely adverse scenario. Capital return to shareholders remains subdued over the near-term, given the Fed maintained its restriction on dividends and buybacks equal to trailing four-quarter net income through 1Q21.

Recent results reflected better than feared trends as a result of lower credit provisioning, stable loss trends, improving purchase activity, and deposit re-pricing actions taken by lenders; indeed, many firms expect 4Q20 may have been the bottom of the cycle for net interest margins. Loan growth and increased economic activity aided by fiscal stimulus or vaccine distribution could improve margins and interest income into 2021, albeit from a multi-year low. Credit trends continue to improve on a sequential and year-over-year basis, largely related to pay downs.

We consider the investment case for many financials has vastly improved, reflecting upside tied to economic improvement with more conservative risk profiles than many re-opening plays. With that in mind, we acknowledge near-term uncertainty could prevail through the winter with an ongoing COVID resurgence that may provide better opportunity for long-term investment.

HEALTH CARE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
3.74%	7.55%	11.43%	11.43%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.71%	11.69%	16.26%	16.26%

	Company Performance	1 Month
Leaders	Alexion Pharmaceuticals	28.0%
	ABIOMED Inc	18.3%
	Eli Lilly and Co	15.9%
	DexCom Inc	15.7%
	Illumina Inc	14.9%
Laggards	Perrigo Co PLC	-7.3%
	Regeneron Pharma. Inc	-6.4%
	AmerisourceBergen Corp	-5.2%
	Gilead Sciences Inc	-4.0%
	Pfizer Inc	-3.9%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$57.68	$80.26	$86.92
23.0x	16.5x	15.2x

Sector Update

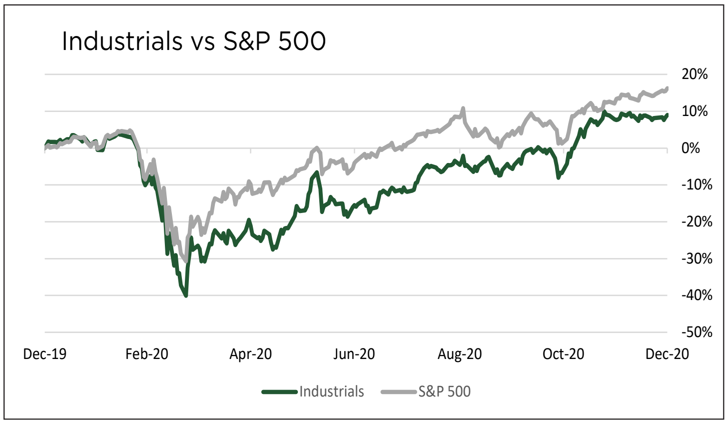
COVID-19 remains a critical catalyst to markets and most importantly to the health care sector in 2020. After outperforming during early stages of the pandemic – March – July – relative performance from the health care sector coincided with the broad market (S&P 500) through October. In fact, through the third quarter of 2020, the health care sector delivered some of the strongest, consistent earnings growth of any subsector of the S&P 500. However, as COVID vaccines became available later in the 4Q20, sectors better positioned for re-opening of society later in 2021 emerged as market leaders with defensive health care lagging. Thus, as illustrated in the adjacent charts and graphics, the health care sector's appreciation of 7.55% fell measurably short of the 11.69% gain registered by the S&P 500 in the 4Q, although performance in the month of December was comparable.

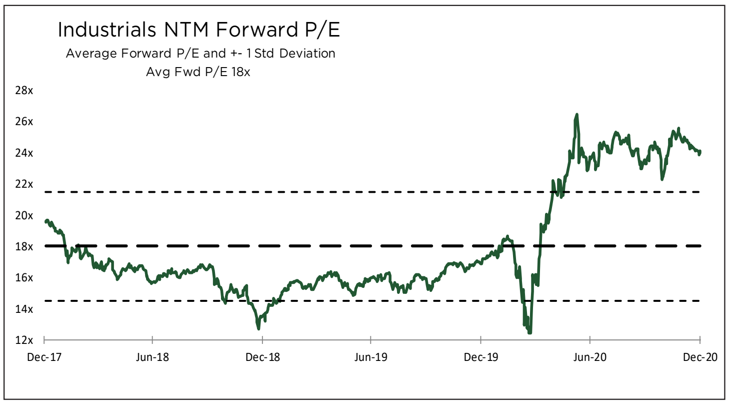
Still, some firms delivered strong appreciation in December and the 4Q as stocks among Medtech and Life Science equipment measurable outperformed most large cap Pharmaceutical and Health Providers. Shares of Alexion surged 28% after the firm agreed to a merger offer from AstraZeneca at $175 per share for a total of $39 billion. Abiomed shares were also quite strong – advancing over 18% - as the company's innovative ECMO technology providing oxygen therapy to support the damaged lungs of two COVID patients spurred demand for the shares. Eli Lilly was the one large cap pharmaceutical stock that outperformed after the company raised earnings guidance by 3% upon receiving U.S. government orders for its COVID therapeutic Bamlanivimab. Dexcom shares partially rebounded after experiencing selling pressure on news that its chief commercial officer planned to retire, while Illumina also rebounded after creating initial uncertainty over its plans to acquire its own spinoff Grail for $8 billion.

On the other hand, COVID news also pressured other stocks such as Perrigo and Regeneron. Perrigo management blamed COVID for slower than anticipated progress on realigning its business portfolio, while generic drug pricing remains under pressure. Regeneron received FDA emergency use authorization for its antibody cocktail (Casirivimab & Imdevimab) to treat mild COVID infections with the shares coming under pressure as the antibody therapy did not gain access for more severely ill patients.

We remain cautious investors in the health care sector given political uncertainties that exist with arrival of the Biden Administration, while expectations for U.S. economic recovery later in 2021 position cyclical growth stocks to gain investor attention.

INDUSTRIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
1.12%	15.19%	9.01%	9.01%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.71%	11.69%	16.26%	16.26%

	Company Performance	1 Month
Leaders	Nielsen Holdings PLC	29.1%
	Howmet Aerospace Inc	21.7%
	Equifax Inc	15.5%
	American Airlines Group	11.6%
	Copart Inc	10.2%
Laggards	IHS Markit Ltd	-9.7%
	FedEx Corp	-9.4%
	Old Dominion Freight	-4.0%
	United Airlines Holdings	-4.0%
	Illinois Tool Works Inc	-3.4%

Consensus FY EPS / P/E

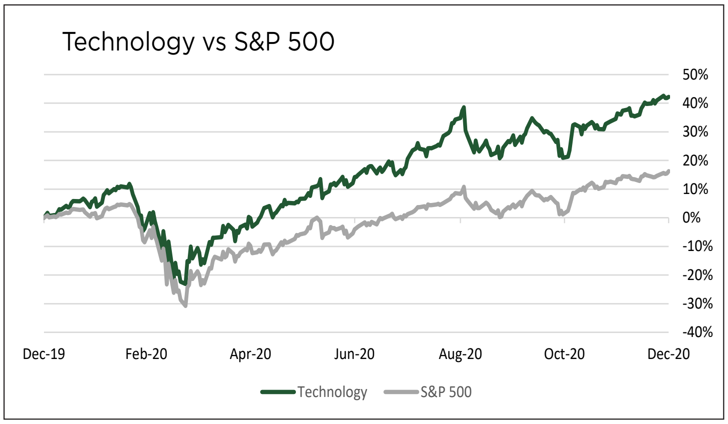
Last Year	Current Year	Next Year
$20.40	$30.85	$39.72
36.7x	24.3x	18.9x

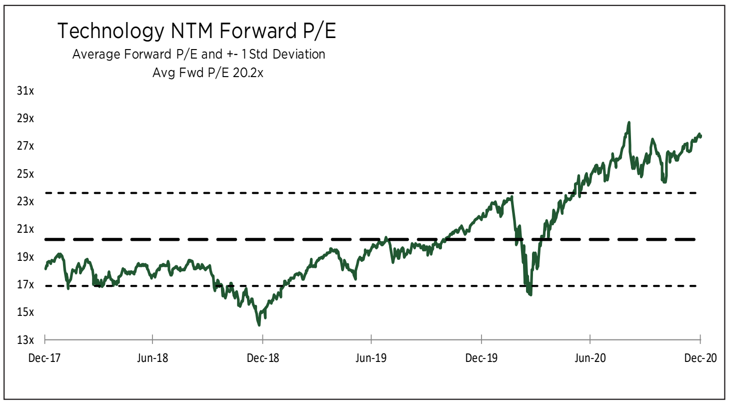
Sector Update

The Industrial sector advanced by 1.1% in December, trailing the S&P 500 index that was up 3.7% for the month. Industrial conglomerates and construction & engineering were top performing sub-sets in December. The sector closed the year with twelve-month gains just over 9%, but underperformed the broader index over the same timeframe. The gap narrowed in November as value and cyclical plays rallied on favorable vaccine news and optimism that a new Biden Administration could deliver more significant spending policies, such as a robust infrastructure package. However, the relative outperformance faded in December. Even though the air freight & logistics industry was a notable detractor to monthly performance, the group still generated the best returns within the sector on a full year basis, up approximately 47% in 2020. The airline industry and aerospace & defense stocks represented the only two groups out of twelve with negative returns on a full year basis.

Domestic manufacturing activity exceeded consensus expectations in December, with the U.S. ISM Manufacturing PMI that registered 60.7%, up from 57.5% in November. The new orders index was strong, including export orders while the customers' inventories index remains low, a positive indicator of future production. The backlog of orders index hit a multi-year high while the production index achieved its highest level since early-2011. Sixteen of eighteen industries reported growth in December and sentiment remains optimistic amongst survey panel participants. The Manufacturing PMI for December corresponds to a 5.2% increase in real GDP on an annualized basis. Internationally, the December IHS Markit Eurozone Manufacturing PMI expanded over the prior month and suggests that manufacturing activity in Europe has strengthened. Germany was a top contributor to growth, but every country in the index experienced relative improvement in PMI over the prior month. According to the survey, business expectations for the next twelve months are the highest in almost three years. Progress on vaccine distribution could help sustain positive sentiment and encourage continued investment in the manufacturing environment in 2021. The Caixin China General Manufacturing PMI dipped in December but remained squarely in expansion territory. Demand for China's exports improved, according to the survey, and manufacturers remained positive on future output expectations.

As we enter 2021, major domestic themes of note for the industrial sector include the prospects of a potential comprehensive infrastructure bill, policy geared towards US-based manufacturing, the sustainability of residential housing investment and the lagged effect it has on non-residential construction activity, and commodity inflation headwinds. The pace of worldwide vaccine distribution likely dictates when global economies return to a more normalized environment. Vaccine progress combined with massive stimulus and easy money policies could be shaping a synchronized global economic recovery that would bode well for the industrial sector going forward.





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
5.68%	11.52%	42.21%	42.21%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.71%	11.69%	16.26%	16.26%

	Company Performance	1 Month
Leaders	NetApp Inc	24.3%
	Western Digital Corp	23.4%
	Fortinet Inc	20.5%
	DXC Technology Co	17.5%
	Cadence Design Systems	17.3%
Laggards	Salesforce.com Inc	-9.5%
	Fidelity National Info.	-4.7%
	Corning Inc	-3.8%
	Western Union Co	-2.7%
	Xilinx Inc	-2.6%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$63.75	$80.08	$90.16
35.9x	28.6x	25.4x

Sector Update

The Technology sector outpaced the market in December (+5.68%) and was the top performing market sector in 2020 (+42.21%). Technology has a 12-month forward P/E of 27.7x, which is above its average forward P/E multiple of 20.2x.

Technology, Hardware, and Storage was the top performing sub-sector in 2020 (+74.2%) driven by the performance of Apple (+80.7%). Apple's performance was driven by the significant expansion of its P/E multiple from 19.7x the Bloomberg consensus analyst FY21 EPS estimate on January 1, 2020 to 33.8x the consensus analyst FY21 EPS estimate on December 28, 2020. The Bloomberg consensus analyst FY21 EPS estimate increased 5% from $3.726 at the beginning of 2020 to $3.925 by year-end 2020. Apple's two year average forward 12-month P/E multiple is 21.1x.

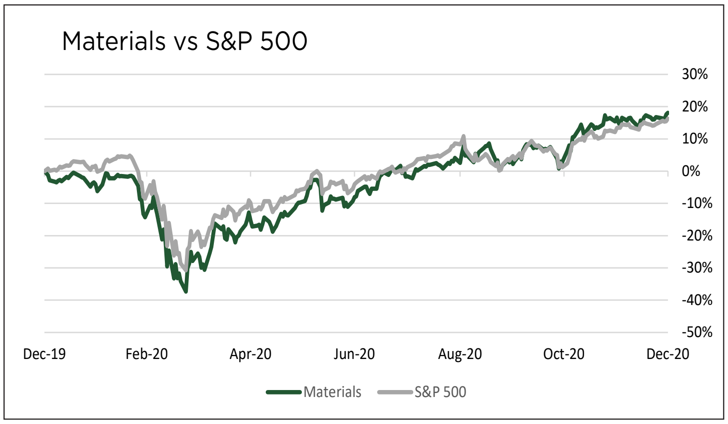
Software was the second top performing sub-sector YTD (+43.8%). High growth cloud companies benefited from corporations accelerated shift to the cloud in response to the Covid pandemic. Given high valuations, the sector could underperform the market in the near-term.

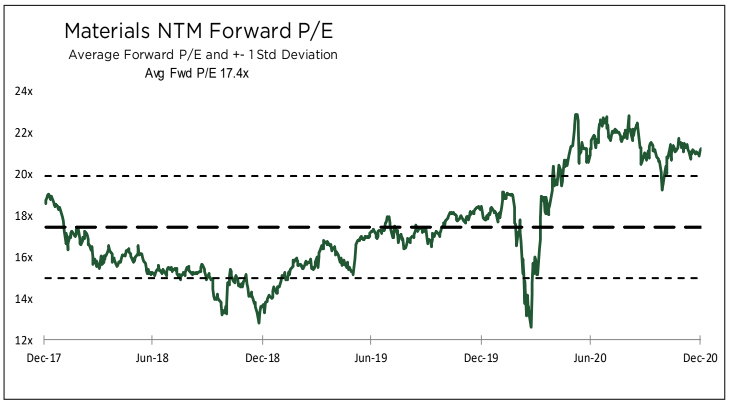
Semiconductors and Semiconductor Capital Equipment was the third best performing sub-sector in 2020 (+42.4%). The Covid pandemic led to many people working and learning from home, which drove higher demand for PCs/tablets and smart phones and the semiconductor components that powered these devices. Cloud data center companies significantly increased spending on central processing and graphics chips to increase capacity to meet higher data demand from remote work and learning. Futurum Research reported that Google increased its data center capacity 100% every 12-15 months to keep up with demand.

The Communications Equipment sub-sector declined 2.3% in 2020 as the Covid pandemic led corporations to lower their spending on network equipment. This sub-sector could outperform the market in 2021 as large enterprises increase spending on their networks as workers could return to their corporate offices by mid-2021. The tremendous advance in 400-gigabit Ethernet switch technology, enabling a quadrupling of capacity to 25 terabits and a significant extension of the optical signal to 40 to 80 kilometers may prompt cloud data centers, corporations and carriers to invest in this technology.

The technology sector could lag the market in the near-term as investors rotate to sectors that will benefit from the resumption of normal economic activity as the Covid vaccines achieve widespread distribution.

MATERIALS





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
2.31%	13.92%	18.11%	18.11%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.71%	11.69%	16.26%	16.26%

	Company Performance	1 Month
Leaders	DuPont de Nemours Inc	12.1%
	Freeport-McMoRan Inc	11.2%
	Albemarle Corp	8.5%
	LyondellBasell Industries	7.7%
	Martin Marietta Materials	6.9%
Laggards	Ball Corp	-2.9%
	International Flavors &	-2.9%
	Ecolab Inc	-2.6%
	Air Products & Chem. Inc	-2.5%
	PPG Industries Inc	-1.7%

Consensus FY EPS / P/E

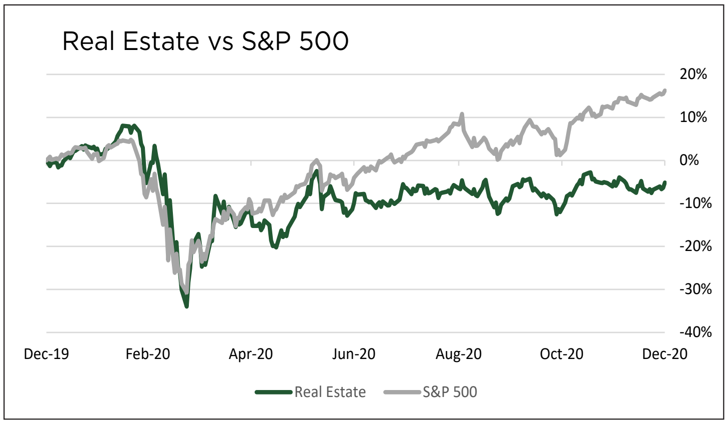
Last Year	Current Year	Next Year
$15.16	$21.45	$23.86
30.1x	21.3x	19.1x

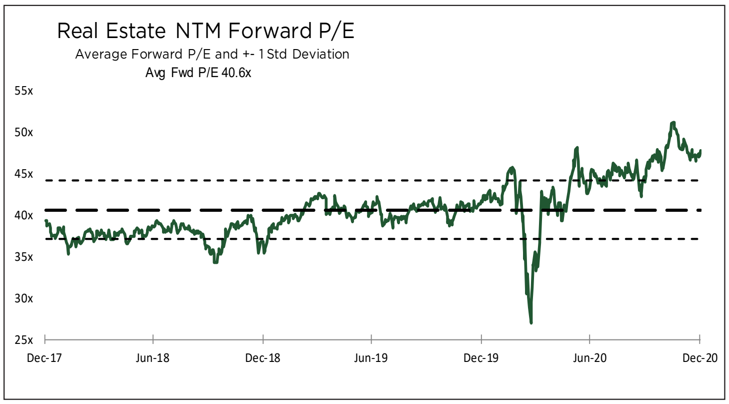
Sector Update

The Materials segment reported an increase of 2.31% in December which underperformed the S&P 500 Index that rose 3.71%. For 2020, the materials segment increased 18.11% which outperformed the 16.26% gain for the S&P 500 Index. All sectors contributed to results for the month with the strongest upside from the Construction Materials and Metals and Mining segments. The Materials segment currently trades with a forward P/E of about 21.3x. Material stocks significantly increased in early January on the potential for an infrastructure spending package that seems to be a key priority with the Democratic administration. In addition, the administration also supports a favorable agenda for green and alternative energy interests.

The outlook for 2021 remains favorable across the segment. For the Packaging segment, demand (especially containerboard) and positive pricing remain key positives supporting favorable expectations. Continued demand from heightened consumer at-home-consumption and the elevated e-commerce business supports ongoing momentum. Pulp prices rose again in December and remain a factor to monitor this year. Mining stocks trade higher on prospects for increased demand driven by strengthening global economies and rising prices. The outlook is bullish for copper given expected demand for electronic vehicles and renewable energy as well as favorable global recovery prospects. Demand from China for metals remains a key variable in 2021 along with currency movement. The mining companies continue to manage their liquidity. The domestic housing market remains strong and supports favorable demand and margins in 2021. Enhanced consumer demand should support the repair and remodel activity. For the chemical sector, the positive outlook is supported by favorable demand for housing, electronics and autos. An acceleration in global demand would drive renewed outlook for the chemical segment.

REAL ESTATE





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
0.92%	4.09%	-5.17%	-5.17%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.71%	11.69%	16.26%	16.26%

	Company Performance	1 Month
Leaders	Weyerhaeuser Co	15.5%
	Alexandria Real Estate	8.8%
	Iron Mountain Inc	7.2%
	Duke Realty Corp	5.0%
	Healthpeak Properties Inc	4.7%
Laggards	Crown Castle Int'l Corp	-5.0%
	Vornado Realty Trust	-4.0%
	Boston Properties Inc	-3.7%
	AvalonBay Communities	-3.7%
	Essex Property Trust Inc	-3.4%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$3.87	$4.78	$5.43
58.9x	47.7x	42.0x

Sector Update

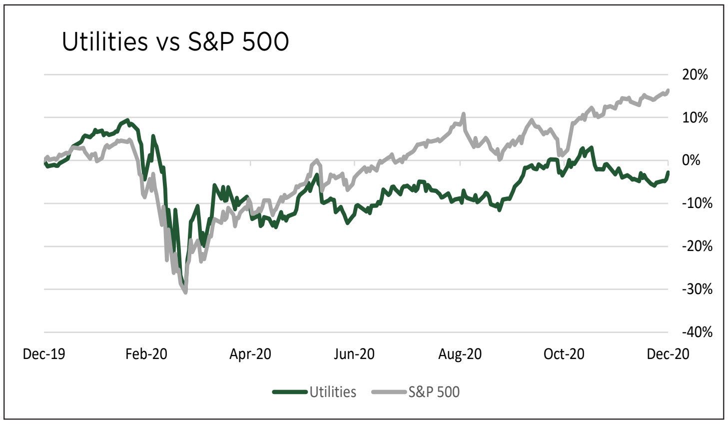
Arrival of COVID vaccines drove a strong market rally in December with the S&P 500 advancing by 3.7% to close 2020 recording appreciation of 16.3%. However, the Real Estate sector continued to lag the broad market index posting a modest 0.9% gain for the month of December, while for the year as a whole in 2020 the sector fell by 5.2% - being the second worst S&P subsector (ahead of only the Energy group). While the Real Estate Management subsector continues to experience stronger relative performance and demand for services, the REIT subsector has suffered due to uncollectible rents and weak occupancy in office, retail, and senior housing subsectors despite seeing stronger demand among warehouse and data centers. Thus, performance has been bifurcated with select REITs performing reasonably and others lagging measurably – a situation that we anticipate persists into 1H21 as COVID continues to hangover the U.S. economy.

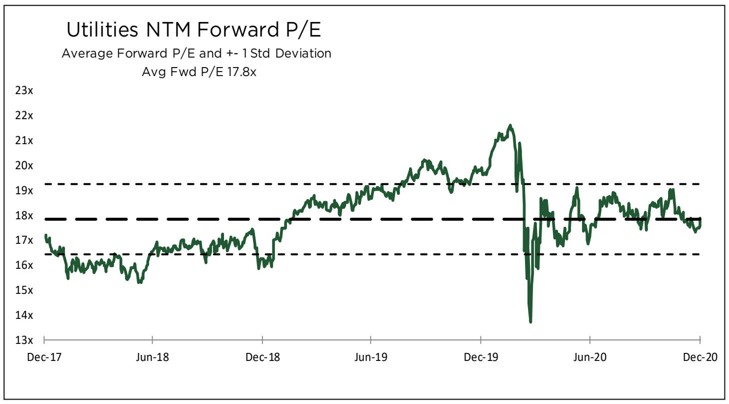
This past month saw strong gains from Weyerhaeuser, Alexandria Real Estate and Iron Mountain. As lumber prices ramped – tied to strong housing demand – Weyerhaeuser's business has returned to solid profits with the company reinstating a base dividend along with a variable quarterly payout targeted to deliver 75-80% of adjusted funds available for distribution to shareholders. The delivery of the first new dividend helped drive a 15.5% appreciation for the shares last month. Likewise, Pasadena, CA based Alexandria is experiencing strong demand for its urban based life science, technology and agtech campuses that lead the firm to raise its dividend by 6% in December fueling an 8.8% gain for the shares. Data center operator, Iron Mountain, completed a sale/leaseback of 13 properties with Blackstone Real Estate – freeing up $358 million for reinvestment into new higher growth opportunities that was followed up with signing of a six megawatt data center expansion with a Fortune 100 company having operations in Phoenix.

On the other hand, we saw rotation away from some previous sector leaders such as Crown Castle in the cell tower segment. The T Mobile/Sprint merger has created a temporary slowdown in new domestic tower demand, while Crown has also shifted a portion of their business to the fiber segment that creates uncertainty. And, New York office leader Vornado continues to be impacted by soft demand tied to COVID with latest earnings falling short of expectations and several key assets being marketed.

We anticipate near term economic activity in the U.S. will be soft into the winter 1Q2021 weighing on the real estate sector likely to experience related rent delinquency and soft space demand. Still, with economic recovery forecast into 2H2021, the outlook could improve over the intermediate term. As such, investment in the Real Estate sector requires selectivity given premium relative valuations and an uncertain operating environment as we head into 2021.

UTILITIES





Source : Bloomberg

Sector Performance

1 Month	3 Months	YTD	TTM
0.42%	5.70%	-2.83%	-2.83%

S&P 500 Performance

1 Month	3 Months	YTD	TTM
3.71%	11.69%	16.26%	16.26%

	Company Performance	1 Month
Leaders	FirstEnergy Corp	15.2%
	AES Corp	15.0%
	NRG Energy Inc	14.7%
	NextEra Energy Inc	4.8%
	Exelon Corp	2.8%
Laggards	Entergy Corp	-8.3%
	CenterPoint Energy Inc	-6.7%
	Consolidated Edison Inc	-5.2%
	NiSource Inc	-5.2%
	Dominion Energy Inc	-4.2%

Consensus FY EPS / P/E

Last Year	Current Year	Next Year
$19.67	$17.87	$18.84
16.2x	17.9x	16.9x

Sector Update

The Utilities sector closed the year flattish from the prior month in December, up just 0.42% compared to a 3.71% gain in the in the S&P 500® over the same period. The defensive Utilities sector failed to benefit from the continued pro-cyclical rotation in the broader market, spurred by COVID vaccine development and optimism of a macroeconomic recovery. For the full year, the sector declined 2.83% from 2019, compared to a 16.26% gain in the S&P 500.

Independent and Renewable producers were the best performing sub-sector, up 15% in the last month of the year. This subsector appeared to benefit from recent election results wherein renewable and zero-carbon initiatives will likely continue to be a priority. All other sub-sectors finished the month in a range of down 2.7% for Multi Utilities and up 1.6% in Electric Utilities.

Akron, Ohio based FirstEnergy (FE) was the leader for the month, up 15.2%.. FirstEnergy rebounded from a 10.6% sell-off in the prior month after reporting a 'material weakness' in reporting controls, followed by credit rating downgrades to junk status by all three major ratings agencies. Many sector components struggled since November on higher bond yields and risk-on trade momentum in the broader market.

While the sector has not participated in a broader rally to close the year, the attractive yields and historically defensive characteristics of the sector could substantiate premium valuations relative to the market in periods of elevated volatility and historically low interest rates. We continue to focus on companies with well-covered dividends, quality electric and renewable assets, and attractive service territories relative to national averages within the sector. The Utilities group appears reasonably valued compared to its average multiple against a favorable interest rate backdrop and significant capital backlogs supported by energy infrastructure modernization.

ECONOMIC CALENDAR

Date	Release	For	Prior
7-Jan	Trade Balance	Nov	-$63.1B
7-Jan	Initial Claims	01/02	790K
7-Jan	Continuing Claims	12/26	5.198M
7-Jan	ISM Non-Manufacturing Index	Dec	55.90%
7-Jan	EIA Natural Gas Inventories	01/02	-114 bcf
8-Jan	Nonfarm Payrolls	Dec	245K
8-Jan	Nonfarm Private Payrolls	Dec	344K
8-Jan	Unemployment Rate	Dec	6.70%
8-Jan	Avg. Hourly Earnings	Dec	0.30%
8-Jan	Average Workweek	Dec	34.8
8-Jan	Wholesale Inventories	Nov	1.10%
8-Jan	Consumer Credit	Nov	$7.2B
13-Jan	MBA Mortgage Applications Index	01/09	1.70%
13-Jan	Core CPI	Dec	NA
13-Jan	CPI	Dec	NA
13-Jan	EIA Crude Oil Inventories	01/09	-8.01M
13-Jan	Fed's Beige Book	Jan	NA
13-Jan	Treasury Budget	Dec	NA
14-Jan	Continuing Claims	01/02	5.072M
14-Jan	Export Prices ex-ag.	Dec	NA
14-Jan	Import Prices ex-oil	Dec	NA
14-Jan	Initial Claims	01/09	787K
14-Jan	EIA Natural Gas Inventories	01/09	-130 bcf
15-Jan	Business Inventories	Nov	NA
15-Jan	Core PPI	Dec	NA
15-Jan	Empire State Manufacturing	Jan	NA
15-Jan	PPI	Dec	NA
15-Jan	Retail Sales	Dec	NA
15-Jan	Retail Sales ex-auto	Dec	NA
15-Jan	Capacity Utilization	Dec	NA
15-Jan	Industrial Production	Dec	NA
15-Jan	Univ. of Michigan Consumer Sentiment - Prelim	Jan	NA
19-Jan	Net Long-Term TIC Flows	Nov	NA
20-Jan	MBA Mortgage Applications Index	01/16	NA
20-Jan	NAHB Housing Market Index	Jan	NA
20-Jan	EIA Crude Oil Inventories	01/16	NA
21-Jan	Building Permits	Dec	NA
21-Jan	Continuing Claims	01/09	NA
21-Jan	Housing Starts	Dec	NA
21-Jan	Initial Claims	01/16	NA
21-Jan	Philadelphia Fed Index	Jan	NA
21-Jan	EIA Natural Gas Inventories	01/16	NA
22-Jan	Existing Home Sales	Dec	NA
26-Jan	S&P Case-Shiller Home Price Index	Nov	NA
26-Jan	FHFA Housing Price Index	Jan	NA

ECONOMIC CALENDAR

Date	Release	For	Prior
26-Jan	Consumer Confidence	Jan	NA
27-Jan	MBA Mortgage Applications Index	01/23	NA
27-Jan	Durable Goods –ex transportation	Dec	NA
27-Jan	Durable Orders	Dec	NA
27-Jan	EIA Crude Oil Inventories	01/23	NA
27-Jan	FOMC Rate Decision	Jan	NA
28-Jan	Adv. Intl. Trade in Goods	Dec	NA
28-Jan	Adv. Retail Inventories	Dec	NA
28-Jan	Adv. Wholesale Inventories	Dec	NA
28-Jan	Chain Deflator-Adv.	Q4	NA
28-Jan	Continuing Claims	01/16	NA
28-Jan	GDP-Adv.	Q4	NA
28-Jan	Initial Claims	01/23	NA
28-Jan	Leading Indicators	Dec	NA
28-Jan	New Home Sales	Dec	NA
28-Jan	EIA Natural Gas Inventories	01/23	NA
29-Jan	Employment Cost Index	Q4	NA
29-Jan	PCE Prices	Dec	NA
29-Jan	PCE Prices - Core	Dec	NA
29-Jan	Personal Income	Dec	NA
29-Jan	Personal Spending	Dec	NA
29-Jan	Chicago PMI	Jan	NA
29-Jan	Pending Home Sales	Dec	NA
29-Jan	Univ. of Michigan Consumer Sentiment - Final	Jan	NA

DISCLOSURES

This information has been compiled from various sources we believe to be reliable, however, there is no guarantee of its accuracy or completeness. Any opinion expressed herein is based upon our interpretation of the information from such source. This information is not furnished in connection with a sale or offer to sell securities or in connection with the solicitation of an offer to buy securities. Our firm, or its offices or members of their families, may at times, have a long or short position in the securities mentioned herein and may make purchases or sales of these securities while this memorandum is in circulation.

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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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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